

Olympic Entertainment Group AS

Consolidated Annual Report 2011

(translation of the Estonian original)*

Beginning of financial year	1 January 2011
End of financial year	31 December 2011
Business name	Olympic Entertainment Group AS
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Corporate website	www.olympic-casino.com
Core activity	Provision of gaming services
Auditor	AS PricewaterhouseCoopers

*This version of consolidated annual report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of consolidated annual report takes precedence over this translation.

Table of contents

Corporate profile.....	3
Declaration of the management	5
Management report.....	6
Overview of the economic activities	6
Description of main risks.....	10
Management and Supervisory Boards.....	11
Shares of Olympic Entertainment Group AS	12
Corporate governance recommendations	14
Corporate social responsibility.....	16
Consolidated financial statements	18
Consolidated statement of financial position	18
Consolidated statement of comprehensive income	19
Consolidated statement of cash flows.....	20
Consolidated statement of changes in equity.....	21
Notes to the consolidated financial statements	22
Note 1 General information	22
Note 2 Summary of significant accounting policies	22
Note 3 Financial risk management	31
Note 4 Critical accounting estimates and judgements	34
Note 5 Discontinued operations.....	35
Note 6 Impact of hyperinflation	35
Note 7 Cash and bank.....	36
Note 8 Short- and long-term financial investments	36
Note 9 Receivables and prepayments	37
Note 10 Trade receivables.....	37
Note 11 Taxes	37
Note 12 Other receivables and prepayments.....	38
Note 13 Inventories.....	38
Note 14 Non-current assets held for sale.....	38
Note 15 Deferred tax assets and liabilities	39
Note 16 Investment property.....	39
Note 17 Property, plant and equipment	40
Note 18 Leased assets	41
Note 19 Intangible assets	42
Note 20 Borrowings.....	43
Note 21 Trade and other payables	44
Note 22 Provisions.....	44
Note 23 Equity.....	44
Note 24 Segment reporting.....	46
Note 25 Revenue	47
Note 26 Other income	47
Note 27 Operating expenses	48
Note 28 Other expenses.....	48
Note 29 Finance income and expenses	48
Note 30 Income tax expense	49
Note 31 Share-based payments	49
Note 32 Related party transactions.....	49
Note 33 Contingent liabilities	50
Note 34 Parent company's separate primary financial statements	51
Independent auditor's report	55

Corporate profile

Olympic Entertainment Group AS with its subsidiaries (hereinafter the “Group”) is the leading provider of gaming services in the Baltic States (Estonia, Latvia and Lithuania), and it operates casinos in Poland, Slovakia and Belarus.

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 which include Olympic Casino Estonia AS in Estonia, Olympic Casino Latvia SIA in Latvia, Olympic Casino Group Baltija UAB in Lithuania, Casino Polonia-Wroclaw Sp. z o.o. in Poland, Olympic Casino Slovakia S.r.o. in Slovakia and Olympic Casino Bel IP in Belarus. In Estonia, Latvia, Lithuania and Slovakia, the Group’s non-core activities, such as managing a hotel in Tallinn and managing casino bars, are separated from casino operations and performed by respective specialised legal entities. Most of the Group’s casino properties operate under the trademark of Olympic Casino.

Group entities include:

	Domicile	Ownership 31.12.2011	Ownership 31.12.2010	Area of activity
Olympic Casino Eesti AS	Estonia	95%	95%	Organisation of gaming
Kungla Investeeringu AS	Estonia	100%	100%	Hotel services, catering
Kesklinna Hotelli OÜ	Estonia	97.5%	97.5%	Hotel services
Nordic Gaming OÜ	Estonia	100%	100%	Holding activities
Fortuna Travel OÜ	Estonia	95%	95%	Casino tourism
Kasiino.ee OÜ	Estonia	100%	100%	Internet solutions
Olympic Casino Latvia SIA	Latvia	100%	100%	Organisation of gaming
Ahti SIA	Latvia	100%	100%	Bar services
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Organisation of gaming
Mecom Grupp UAB	Lithuania	100%	100%	Bar services
Silber Investments Sp. z o.o.	Poland	100%	100%	Holding activities
Baina Investments Sp. z o.o.	Poland	100%	100%	Holding activities
Casino-Polonia Wroclaw Sp. z o.o.	Poland	80%	80%	Organisation of gaming
Olympic Casino Slovakia S.r.o	Slovakia	100%	100%	Organisation of gaming
Olympic F & B S.r.o.	Slovakia	100%	100%	Bar services
Olympic Casino Bel IP	Belarus	100%	100%	Organisation of gaming
Olympic Casino Bucharest S.r.l.	Romania	0%	100%	Organisation of gaming
Muntenia Food Beverage S.r.l	Romania	0%	100%	Bar services
Olympic Exchange S.r.l	Romania	0%	100%	Foreign exchange services
Olympic Casino Ukraine TOV	Ukraine	100%	100%	Bankrupt
Alea Private Company	Ukraine	100%	100%	Bankrupt
Eldorado Leisure Company	Ukraine	100%	100%	Bankrupt
Ukraine Leisure Company	Ukraine	100%	100%	Bankrupt

The Group operates slot and gaming table casinos as well as casino bars at most of the casinos of its subsidiaries. At 31 December 2011, the Group had a total of 61 casinos: 17 in Estonia, 21 in Latvia, 10 in Lithuania, 4 in Poland, 4 in Slovakia and 5 in Belarus. The Group employed 2,336 employees in 6 countries.

The shares of Olympic Entertainment Group AS are listed on the Tallinn and Warsaw Stock Exchanges (OMX: OEG1T / WSE: OEG).

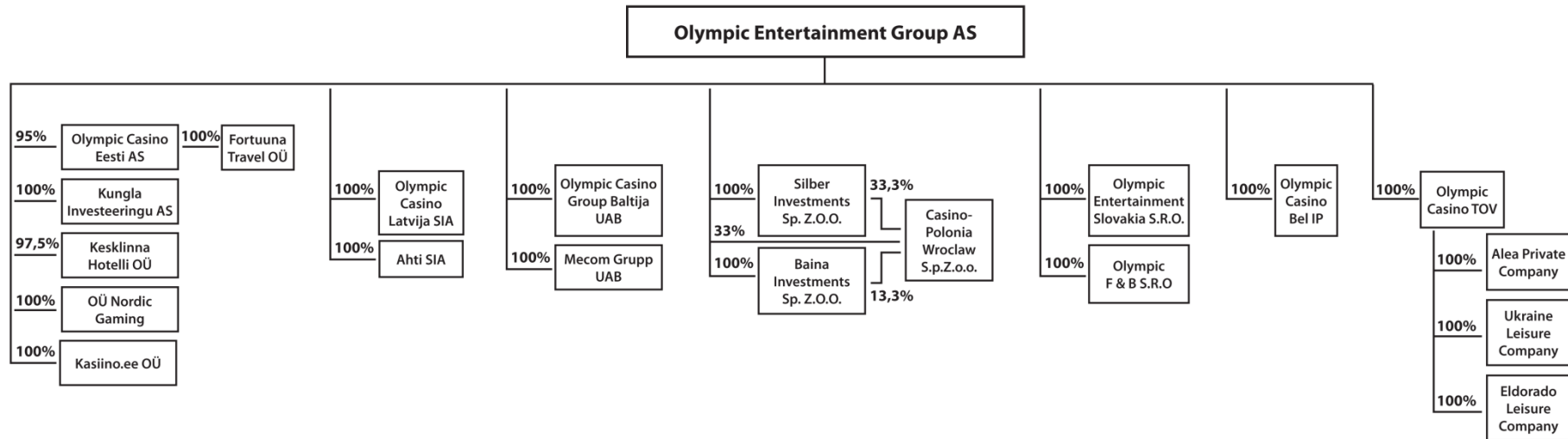
Our vision

To be a global casino and resort operator with a passion for service excellence.

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 2011



Declaration of the management

The members of the management 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 Jäger
Chairman of the Management Board



Meelis Pielberg
Member of the Management Board



Indrek Jürgenson
Member of the Management Board

26 March 2012

Management report

Overview of the economic activities

Key developments of the Group in 2011:

- The Group's consolidated net profit totalled EUR 13.8 million. In 2010, the Group earned a net profit of EUR 1.1 million.
- The efficiency of the Group's business operations improved. In 2011, the Group's income from gaming transactions and revenues totalled EUR 122.4 million, i.e. 9.8% more than compared to 2010. The number of casinos in operation declined by 5, i.e. 7.6% year-over-year.
- As planned, the Group increased its market share. At the year-end 2011, the Group's market share was 54% in Estonia, 21% in Latvia and 71% in Lithuania. At the year-end 2010, its market share was 53% in Estonia, 20% in Latvia and 68% in Lithuania.
- In December, Slovakia's fourth Olympic Casino was opened in the most modern and largest shopping mall Aupark in the city centre of Košice.
- Olympic Entertainment Group AS signed share purchase agreement on 30 April 2011 with an Israeli entrepreneur for selling all the shares in Romanian subsidiaries Olympic Casino Bucharest S.R.L, Muntenia Food and Beverage S.R.L. and Olympic Exchange S.R.L. As of 30 June 2011 shares of Romanian subsidiaries have been registered to the buyer.
- At 27 May 2011, the conversion of share capital of Olympic Entertainment Group AS into euros and its reduction on the basis adopted by resolutions of the General Meeting of Shareholders held at 5 May 2011 was entered in the Commercial Register. The Company's registered share capital was EEK 1,513,295,050 (EUR 96,717,181) and the new converted and reduced amount was EUR 90,797,703, which was divided into 151,329,505 ordinary shares with the nominal value of EUR 0.6 each. At 18 August 2011, the second reduction of share capital of Olympic Entertainment Group AS was entered in the Commercial Register by reducing the book value of shares on the basis adopted by resolution of the General Meeting of Shareholders held at 5 May 2011. The new size of share capital is EUR 81,717,932.70, which is divided into 151,329,505 ordinary shares with the book value of EUR 0.54 each.

In 2011, the Group's consolidated sales revenue totalled EUR 122.4 million and the revenue totalled EUR 127.3 million, which is 13.2% more than the total revenue of EUR 112.5 million earned in 2010. The Group's EBITDA increased from EUR 21.1 million in 2010 to EUR 32.0 million in 2011. In 2011, the operating profit totalled EUR 16.4 million, last year the operating profit totalled EUR 3.1 million.

In 2011, gaming operations accounted for 89.5% and other revenue 10.5% of the Group's consolidated revenue, the respective percentages for the previous year were 92.3% and 7.7%.

Total external income from gaming transactions and revenue (EUR thousands):

	2011	Change	Percentage of total	2010	Percentage of total
Estonia	30,784	12.3%	25.1%	27,421	24.6%
Latvia	29,810	21.7%	24.3%	24,498	22.0%
Lithuania	19,277	12.2%	15.8%	17,180	15.4%
Poland	27,566	-0.8%	22.5%	27,783	24.9%
Slovakia	10,838	22.0%	8.9%	8,886	8.0%
Belarus	3,200	0.7%	2.6%	3,178	2.8%
Romania*	954	-62.3%	0.8%	2,529	2.3%
Total	122,429	9.8%	100.0%	111,475	100.0%

* Romanian income from gaming transactions and revenue were recognised until transfer of control to the new owner at 30 June 2011.

At the end of 2011, the Group had 61 casinos, with the total floor area of 24,014 m². At the end of 2010, the number of the Group's casinos was 66 and total floor area was 25,802 m².

Number of casinos by segment

	31.12.2011	31.12.2010
Estonia	17	17
Latvia	21	21
Lithuania	10	11
Poland	4	7
Slovakia	4	3
Belarus	5	5
Romania	0	2
Total	61	66

In 2011, the Group's consolidated operating expenses increased by 1.4% or EUR 1.5 million as compared to the respective expenses in 2010. Staff costs increased the most as compared to 2010 by EUR 0.5 million and licence fees and gaming taxes by EUR 0.4 million.

Staff costs with social security taxes made up the largest share of the Group's operating expenses, i.e. EUR 30.5 million, followed by gaming tax expenses of EUR 25.9 million, depreciation, amortisation and impairment losses of EUR 15.7 million, rental expenses of EUR 10.0 million and marketing expenses of EUR 9.9 million.

In 2011, the consolidated net profit attributable to equity holders of the parent company totalled EUR 13.8 million. In 2010, the consolidated net profit attributable to equity holders of the parent company totalled EUR 1.1 million.

Key performance indicators of the Group

(in millions of euros)

	2011	2010	2009
Revenue	127.3	112.5	115.5
EBITDA	32.0	21.1	0.3
Operating profit / (-loss)	16.4	3.1	-35.3
Net profit / (-loss)	13.8	1.1	-32.9
EBITDA margin	25.1%	18.8%	3.5%
Operating margin	12.9%	2.8%	-19.8%
Net margin	10.8%	1.0%	-19.5%
ROE	17.5%	1.4%	-34.3%
ROA	13.3%	1.0%	-24.7%
Current ratio	2.9	2.5	1.8
Number of casinos at year-end	61	66	68
Casino floor area (m ²) at year-end	24,014	25,802	25,745
Number of slot machines at year-end	2,471	2,519	2,388
Number of gaming tables at year-end	180	182	186

Underlying formulas:

- EBITDA = earnings before financial expenses, taxes, depreciation and amortisation and impairment losses
- Operating profit = profit before financial expenses and taxes
- Net profit = net profit for the period less non-controlling interests
- EBITDA margin = EBITDA / revenue
- Operating margin = operating profit / revenue
- Net margin = net profit / revenue
- ROE = net profit / 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

Estonian segment

In 2011, the external revenue of the Estonian segment totalled EUR 32.8 million, of which the income from gaming transactions totalled EUR 27.9 million and other revenue and income totalled EUR 4.9 million. The external revenue of the Estonian segment increased by 18.5% as compared to 2010. The market share of Olympic Casino Eesti AS in the Estonian gaming market was 54% at the year-end 2011 and 53% at the year-end 2010. In 2011, the total Estonian gaming market increased by 6.5% as compared to 2010.

In 2011, the EBITDA of the Estonian segment totalled EUR 7.1 million and the operating profit totalled EUR 3.5 million. In 2010, the EBITDA of the Estonian segment totalled EUR 5.4 million and the operating profit totalled EUR 0.9 million.

At the year-end 2011, there were 17 Olympic casinos with 698 slot machines and 20 gaming tables in operation in Estonia.

In 2011, the external revenue of Kungla Investeeringute AS totalled EUR 2.5 million, of which the sales of hotel services made up EUR 1.3 million. The external revenue of Kungla Investeeringute AS increased by 25.0% year-over-year. In 2010, the external revenue of Kungla Investeeringute AS totalled EUR 2.0 million, of which the sales of hotel services made up EUR 1.1 million.

In 2011, the average occupancy rate of Tallinn hotels was 60.2% (2010: 51.6%), the average occupancy rate of Park Hotel & Casino was 49.3% (2010: 41.7%). In 2011, the average price per room increased in Tallinn from EUR 30.7 to EUR 33.6. In 2011, the average price per room at Park Hotel & Casino was EUR 40.0 (2010: EUR 37.6). These numbers include VAT and the cost of breakfast.

In 2011, the number of tourists increased primarily due to major cultural and athletic events which took place in Tallinn, favourable accommodation prices and improved transport connections. Most of the visitors coming to Tallinn came from foreign countries and also the number of domestic tourists increased by 8%.

Latvian segment

In 2011, the external revenue of the Latvian segment totalled EUR 29.8 million, of which the income from gaming transactions totalled EUR 27.3 million and other revenue and income totalled EUR 2.5 million. The external revenue of the Latvian segment increased by 20.2% as compared to 2010. The market share of Olympic Casino Latvia SIA in the Latvian gaming market was 21% at the year-end 2011 and 20% at the year-end 2010. In 2011, the total Latvian gaming market increased by 16.1% as compared to 2010.

In 2011, the EBITDA of the Latvian segment totalled EUR 12.7 million and the operating profit totalled EUR 9.5 million. In 2010, the EBITDA of the Latvian segment totalled EUR 9.0 million and the operating profit totalled EUR 4.9 million.

At the year-end 2011, there were 21 Olympic casinos with 646 slot machines and 24 gaming tables in operation in Latvia.

Lithuanian segment

In 2011, the external revenue of the Lithuanian segment totalled EUR 19.3 million, of which the income from gaming transactions totalled EUR 17.9 million and other revenue and income totalled EUR 1.4 million. The external revenue of the Lithuanian segment increased by 12.5% as compared to 2010. The market share of Olympic Casino Group Baltija UAB in the Lithuanian gaming market was 71% at the year-end 2011 and 68% at the year-end 2010. The total Lithuanian gaming market increased by 7.3% as compared to 2010.

In 2011, the EBITDA of the Lithuanian segment totalled EUR 4.7 million and the operating profit totalled EUR 2.5 million. In 2010, the EBITDA of the Lithuanian segment totalled EUR 3.2 million and the operating profit totalled EUR 0.9 million.

At the year-end 2011, there were 10 Olympic casinos with 350 slot machines and 53 gaming tables in operation in Lithuania.

Polish segment

In 2011, the external revenue of the Polish segment totalled EUR 30.3 million, of which the income from gaming transactions totalled EUR 27.1 million and other revenue and income totalled EUR 3.2 million. The external revenue of the Polish segment increased by 8.6% as compared to 2010.

In 2011, the EBITDA of the Polish segment totalled EUR 6.2 million and the operating profit totalled EUR 2.7 million. In 2010, the EBITDA of the Polish segment totalled EUR 2.7 million and the operating loss totalled EUR 1.8 million.

At the year-end 2011, there were 4 Olympic casinos with 339 slot machines and 41 gaming tables in operation in Poland.

Slovak segment

In 2011, the external revenue of the Slovak segment totalled EUR 10.8 million, of which the income from gaming transactions totalled EUR 9.9 million and other revenue and income totalled EUR 0.9 million. The external revenue of the Slovak segment increased by 20% as compared to 2010.

In 2011, the EBITDA of the Slovak segment totalled EUR 1.6 million and the operating profit totalled EUR 0.6 million. In 2010, the EBITDA of the Slovak segment totalled EUR 1.6 million and the operating profit totalled EUR 0.8 million.

At the year-end 2011, there were 4 Olympic casinos with 205 slot machines and 42 gaming tables in operation in Slovakia.

Belarusian segment

In this annual report, the Belarusian segment is regarded as a hyperinflationary economy that is subject to the accounting policies of IAS 29.

In 2011, the external revenue of the Belarusian segment totalled EUR 3.2 million, of which the income from gaming transactions totalled EUR 3.0 million and other revenue and income totalled EUR 0.2 million. The external revenue of the Belarusian segment remained at the same level in 2011 as compared to 2010.

In 2011, the EBITDA of the Belarusian segment totalled EUR 0.7 million and the operating profit totalled EUR 0.1 million. In 2010, the EBITDA of the Belarusian segment totalled EUR 0.9 million and the operating profit totalled EUR 0.0 million.

At the year-end 2011, there were 5 Olympic casinos with 233 slot machines in operation in Belarus.

Romanian segment

Olympic Entertainment Group AS signed share purchase agreement on 30 April 2011 with an Israeli entrepreneur for selling all the shares in Romanian subsidiaries Olympic Casino Bucharest S.R.L, Muntenia Food and Beverage S.R.L. and Olympic Exchange S.R.L. As of 30 June 2011 shares of Romanian subsidiaries have been registered to the buyer.

Financial position

At 31 December 2011, the consolidated balance sheet total of the Group was EUR 101.0 million (31 December 2010: EUR 107.7 million). The balance sheet total decreased by 6.2% in 2011.

Current assets totalled EUR 46.8 million or 46.4% of total assets, and non-current assets totalled EUR 54.1 million or 53.6% of total assets. At the balance sheet date, the liabilities totalled EUR 19.3 million and the equity totalled EUR 81.7 million. The largest liability items included borrowings of EUR 6.2 million, tax liabilities of EUR 4.4 million and payables to employees of EUR 2.9 million.

Investments

In 2011, the Group's expenditures on property, plant and equipment totalled EUR 3.8 million, of which EUR 2.1 million was spent on new gaming equipment, EUR 1.6 million on construction and reconstruction of casinos, and EUR 0.1 million on other non-current assets.

In 2010, expenditures on property, plant and equipment totalled EUR 4.4 million.

Cash flows

In 2011, the Group's cash flows generated from operating activities totalled EUR 33.9 million. Cash flows used in investing activities totalled EUR 11.5 million and cash flows used in financing activities totalled EUR 18.1 million. Net cash flows totalled EUR 4.2 million.

In 2010, the Group's cash flows generated from operating activities totalled EUR 20.1 million. Cash flows used in investing activities totalled EUR 0.3 million and cash flows used in financing activities totalled EUR 9.3 million. Net cash flows totalled EUR 10.5 million.

Staff

At 31 December 2011, the Group employed 2,336 people (31 December 2010: 2,397): 525 in Estonia, 484 in Latvia, 607 in Lithuania, 391 in Poland, 214 in Slovakia and 115 in Belarus.

In 2011, employee wages and salaries including social security taxes totalled EUR 30.5 million (2010: EUR 30.0 million). In 2011, 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 0.56 million (2010: EUR 0.52 million) and EUR 0.16 million (2010: EUR 0.16 million), respectively.

In 2011, share options were granted to the members of the Management Board of Olympic Entertainment Group AS and the Group's key personnel. According to the agreements, a member of the Management Board may subscribe for up to 70,000 shares in Olympic Entertainment Group AS until the end of the option programme; the numbers of shares that may be subscribed for under the agreements concluded with the Group's key personnel are individually different. The exact number of shares that each member of the Management Board and each employee can subscribe for depends on the attainment of the Group's financial targets and the individual performance of each member of the Management Board or key personnel. The option holders have the right to subscribe for shares from 1 July 2014. The expiration date of the share option programme is 1 September 2014.

Bases of staff policy

The objective of the staff policy is to fix the principles and objectives of uniform and consistent activities that are based on the main values of the Group and on the basis of which everyday decisions for optimal engagement of the staff are made. A successful staff policy starts with the recruitment of the right people. Therefore, the staff policy mainly focuses on planning staff needs at the Group over the long term. The Group uses both internal and external recruitment, but in filling vacancies preference is given to persons who are already employed by the Group. The requirements for a particular position and suitability to the team are the main criteria for selecting people. The staff policy gives each employee an overview of the recruitment conditions, opportunities for a new employee and rights of existing employees.

The staff policy regulates the management methods and practices, internal communication, main principles concerning the staff: induction programmes, mentoring, frequency of appraisal interviews, monthly evaluation of employees, attestation, training, remuneration system, provision of feedback, equal treatment of employees. The components of the staff policy are the training policy and remuneration policy. The objective of the training policy is to retain competitiveness that is based on systematic training activities. The remuneration policy fixes the grades of wages, definitions of components of wages, methods for determination and approval of the remuneration, also the principles for payment of additional performance pay.

Key objectives for year 2012

- 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 reinforce the Group's position in the online services segment and to create additional synergies with the other operating segments of the Group.

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 activity 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 representation of the risk in six different jurisdictions.

Currency risk

The Group earns income in euros, Latvian lats, Lithuanian litas, Polish zloty and Belarusian rubles. Most of the Group's expenses are incurred in these currencies in its operating markets. The changes in exchange rates of these currencies against the euro impact both the Group's revenue and expenses, as a result of which there is no major effect on the Group's operating profit.

Internal transactions of the Group are primarily concluded in euros. The equity of the Group is influenced by a change in the exchange rate of the Polish zloty and Belarusian ruble to the euro. The functional currencies of subsidiaries within the Group, the US dollar (USD), the Swiss franc (CHF) and investment gold (XAU) as well as the derivative instruments related to the aforementioned currencies may be used to manage currency risks. The market value of USD, CHF or XAU (incl. the

respective derivative instruments) may not exceed 20% of the equity according to the last audited consolidated balance sheet of the Group.

The bank loan of the Group is denominated in euros and is not exposed to the currency risk.

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

Until 31 December 2011, the Management Board of Olympic Entertainment Group AS comprised two members: Indrek Jürgenson and Madis Jääger. From 1 January 2012, the Management Board of Olympic Entertainment Group AS comprises three members, where the Chairman is Madis Jääger and members are Meelis Pielberg and Indrek Jürgenson. In the everyday 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 of 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 neither directly nor through the companies controlled by him any of the Company's shares.



Meelis Pielberg – member of the Management Board and head of land-based 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 29,355 Company's shares.



Indrek Jürgenson – member of the Management Board since 2009 and head of online operations since 2012. Indrek Jürgenson graduated from Tallinn University in 1998 with a degree in Physics. Indrek Jürgenson owns directly and through the companies controlled by him a total of 9,189 Company's shares.

The Supervisory Board of Olympic Entertainment Group AS comprises four members. The Supervisory Board is chaired by the Chairman Armin Karu; members of the Supervisory Board are Jaan Korpusov, Liina Linsi and Peep Vain. The General Meeting of Shareholders of Olympic Entertainment Group AS elects members of the Supervisory Management Board.

- 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 69,414,790 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 29,211,910 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 16,681 Company's shares.
- Peep Vain – member of the Supervisory Board since 2006. Peep Vain studied radio technology at Tallinn Polytechnic Institute from 1986 to 1987 and market economy at the University of Tartu from 1989 to 1990. He graduated from Bentley College in Massachusetts, USA with a degree in marketing *cum laude*. Peep Vain owns directly and through the companies controlled by him a total of 36,852 Company's shares.

Shares of Olympic Entertainment Group AS

Olympic Entertainment Group AS is listed in main list of the Tallinn Stock Exchange from 23 October 2006. From 26 September 2007, the shares of Olympic Entertainment Group AS are traded on the Warsaw Stock Exchange. At 27 May 2011, the conversion of share capital of Olympic Entertainment Group AS into euros and its reduction on the basis adopted by resolutions of the General Meeting of Shareholders held at 5 May 2011 was entered in the Commercial Register. The Company's registered share capital was EEK 1,513,295,050 (EUR 96,717,181) and the new converted and reduced amount was EUR 90,797,703, which was divided into 151,329,505 ordinary shares with the nominal value of EUR 0.6 each. At 18 August 2011, the second reduction of share capital of Olympic Entertainment Group AS was entered in the Commercial Register by reducing the book value of shares on the basis adopted by resolution of the General Meeting of Shareholders held at 5 May 2011. The new size of share capital is EUR 81,717,932.70, which is divided into 151,329,505 ordinary shares with the book value of EUR 0.54 each.

ISIN	EE3100084021
Ticker symbol	OEG1T
Market	BALTIC MAIN LIST
Number of securities issued	151,329,505
Number of listed securities	151,329,505
Listing date	23.10.2006

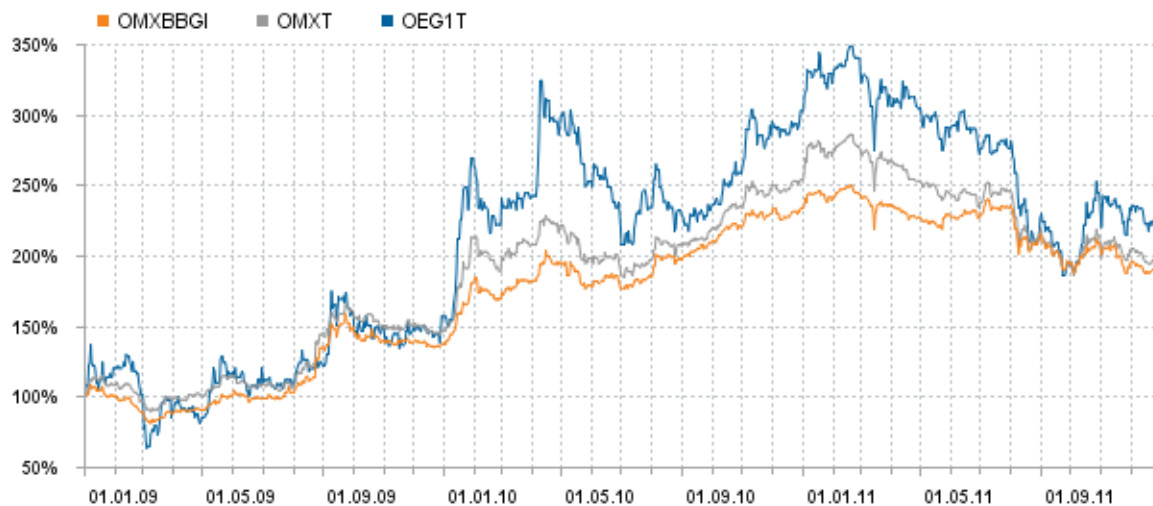
Movements in the share price (in EUR) and traded volume (number of securities) of Olympic Entertainment Group AS:



History of trading in the share in Olympic Entertainment Group AS:

	2007	2008	2009	2010	2011
Opening price	4.445	3.560	0.500	0.770	1.490
Highest price	6.450	3.600	0.890	1.680	1.719
Lowest price	3.490	0.380	0.300	0.730	0.868
Average price	5.245	2.002	0.597	1.232	1.332
Last price	3.500	0.490	0.770	1.485	1.062
Number of shares traded	33,877,400	39,208,239	58,089,812	50,928,144	25,362,569
Turnover (EUR million)	216.19	73.11	36.83	62.83	32.60
Capitalisation (EUR million)	528.50	73.99	116.27	224.72	160.71
P/E ratio	22.6	-	-	196.3	11.6

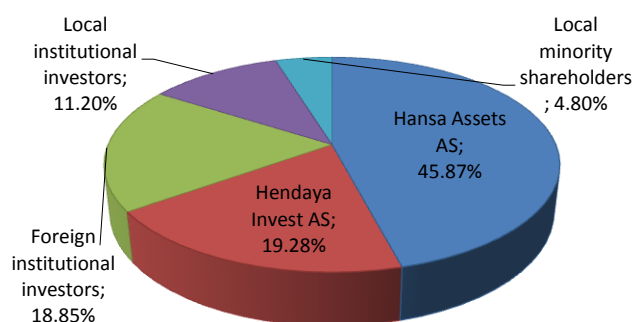
Comparison of the share of Olympic Entertainment Group AS with indices in the period of 01.01.2009-31.12.2011:



Index/share	01.01.2009	31.12.2011	+/-%
OMX Baltic Benchmark GI	228.12	431.94	89.35
OMX Tallinn	274.83	531.17	93.27
OEG1T	0.49 EUR	1.06 EUR	116.73

Largest shareholders of Olympic Entertainment Group AS at 31 December 2011:

OÜ HANSA ASSETS	45.87%
OÜ HENDAYA INVEST	19.28%
NORDEA BANK FINLAND PLC, CLIENTS	3.07%
Central Securities Depository of Lithuania	2.96%
CITIBANK (LONDON)/ UBS AG LONDON BRANCH-IPB CLIENT ACCOUNT	2.04%
Skandinaviska Enskilda Banken Ab Clients	1.94%
ING LUXEMBOURG S.A.	1.66%
Mellon Treaty Omnibus	1.10%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	1.10%
BNYM / ING BANK SLAKSI A/C ING PARASOL	1.07%



Dividends

The Group is under no permanent or fixed obligation to regularly pay dividends its shareholders. Recommendations of the Management Board for profit allocation are based on financial performance, requirements for current capital, investment needs and strategic considerations.

No dividends were paid in 2010 and 2011. As the Group has no retained earnings as at 31 December 2011, no dividends can be paid to the owners in 2012.

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) promulgated by the Tallinn Stock Exchange. 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 2011, the Annual General Meeting of Shareholders convened at 5 May in the Park Lounge of Reval Park Hotel & Casino, (Kreutzwaldi 23, Tallinn). The Chairman of the Supervisory Board Armin Karu, member of the Supervisory Board Jaan Korpusov and members of the Management Board Indrek Jürgenson and Madis Jääger attended the meeting.

Members of the Supervisory Board Liina Linsi and Peep Vain as well as the auditor whose presence was not necessary (CGR 1.3.2.) did not attend the Annual General Meeting of Shareholders at 5 May 2011.

Shareholders representing 72.37% 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 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.

In 2011, the Management Board had two members – Indrek Jürgenson and Madis Jääger. The main area of responsibility of the member of the Management Board Indrek Jürgenson was general management and implementation of development projects. Member of the Management Board Madis Jääger was responsible for financial management and investor relations. The Supervisory Board of Olympic Entertainment Group AS elects members of the Management Board for a term of 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 2011 is presented in the “Staff” section of the management report.

The members of the Management Board avoid conflicts of interest and observe the prohibition on competition.

Supervisory Board

In 2011, the Company’s Supervisory Board had four members – Armin Karu, Jaan Korpusov, Liina Linsi and Peep Vain. The Supervisory Board is elected for a term of five years. The terms of office of Jaan Korpusov, Liina Linsi and Peep Vain will expire at 11 September 2013. The term of office of Armin Karu will expire at 13 August 2013.

The Chairman of the Supervisory Board is Armin Karu. Independent members of the Supervisory Board are Liina Linsi and Peep Vain. 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 not formed any committees.

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 2011 is presented in the "Staff" 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.

Data exchange with the media and analysts is organised with due consideration and care, and without jeopardising the independence of the parties. The Company did not hold any press conferences in 2011. The Company will publish the time and location of its future press conferences and the content of its presentations on the Company's website (CGR 5.6.).

The Company has published its 2011 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 2011. 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.

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 auditing, risk management, internal control and audit, supervision and budget preparation and in respect of the legality of the activities of the Supervisory Board.

Corporate social responsibility

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.

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

- Estonian Olympic Committee
- Estonian Basketball Association
- Maarja Village
- Tallinn Yacht Club
- Estonian Bartenders Association
- Estonian Union of Sports for the Disabled

Latvia:

- Martina Fund (children with health problems)
- Ronald McDonald House

Lithuania:

- Klaipeda Country Association LIONS – Women's Club
- National Practical Shooting Association

Poland

- Polish Olympic Committee
- Klub Sportowy Raszyn
- National Museum
- AWF Wrocław

Slovakia

- TJ Dolný Lopasov
- Slovak Canoe Association

Belarus

- Belarusian Olympic Committee
- Society of People with Health Problems and Children's Home

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 a 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

Reval Park Hotel & Casino in Tallinn, Estonia has joined Green Key, the eco label that has been awarded to our hotel for taking extra care of environment and nature in our daily operations:

- Rational use of water, heat and electric energy
- Reducing the consumption of environmentally hazardous and harmful chemicals
- Pre-sorting waste and reducing waste volume
- Using eco-friendly materials and products
- Using eco-labelled products or products made of recycled materials
- Preferring local food
- Providing information to the hotel guests about the ways to contribute to saving the environment
- Using economic equipment produced by environmentally friendly technology

Welfare of employees

The Group has developed a system of additional remuneration for its employees that encourages the team members to continuously improve their performance. Each year, the Group prepares a training plan according to the needs identified during the annual development conversations. Women are not preferred over men and vice versa. Continuous work is made to prevent risks in the working environment; also work satisfaction surveys are conducted to improve the welfare of employees.

Consolidated financial statements

Consolidated statement of financial position

	Notes	31.12.2011	31.12.2010
ASSETS			
Current assets			
Cash and cash equivalents	7	33,413	28,960
Financial investments	8	9,508	3,937
Receivables and prepayments	9	2,606	4,959
Prepaid income tax		397	734
Inventories	13	909	1,416
Non-current assets held for sale	14	0	1,105
Total current assets		46,833	41,111
Non-current assets			
Deferred tax assets	15	1,111	1,098
Financial investments	8	2,937	927
Other long-term receivables		712	949
Investment property	16	1,795	1,414
Property, plant and equipment	17	19,754	33,135
Intangible assets	19	27,822	29,062
Total non-current assets		54,131	66,585
TOTAL ASSETS		100,964	107,696
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	20	3,113	3,109
Trade and other payables	21	9,870	10,782
Income tax payable		1,215	833
Provisions	22	1,881	1,694
Total current liabilities		16,079	16,418
Non-current liabilities			
Deferred tax liabilities	15	90	313
Long-term borrowings	20	3,136	6,231
Total non-current liabilities		3,226	6,544
TOTAL LIABILITIES		19,305	22,962
EQUITY			
Share capital		81,718	96,717
Share premium		14,535	14,535
Statutory reserve capital		2,470	2,413
Other reserve		53	0
Currency translation differences		-1,776	740
Accumulated losses		-19,930	-33,703
Total equity attributable to equity holders of the parent		77,070	80,702
Non-controlling interest		4,589	4,032
TOTAL EQUITY	23	81,659	84,734
TOTAL LIABILITIES AND EQUITY		100,964	107,696

The notes on pages 22 to 54 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Notes	2011	2010
Continuing operations			
Income from gaming transactions	24	113,070	102,008
Revenue	25	8,405	6,938
Other income	26	4,892	910
Total revenue and income		126,367	109,856
Cost of materials, goods and services	27	-2,843	-2,424
Other operating expenses	27	-56,911	-55,473
Staff costs	27	-29,812	-28,884
Depreciation, amortisation and impairment	17;19	-14,281	-17,068
Change in the fair value of investment property	16	166	-36
Other expenses	28	-3,861	-233
Total operating expenses		-107,542	-104,118
Operating profit		18,825	5,738
Interest income		359	300
Interest expense		-435	-694
Foreign exchange gains (-losses)		107	22
Other finance income and costs		480	-34
Total finance income and costs	29	511	-406
Profit before income tax		19,336	5,332
Income tax expense	30	-2,487	-1,536
Net profit for the period from continuing operations		16,849	3,796
Net loss for the period from discontinued operations	5	-2,462	-2,697
Net profit for the period		14,387	1,099
Attributable to the parent		13,830	1,143
Attributable to non-controlling interest		557	-44
Other comprehensive income			
Currency translation differences			
Continuing operations		-2,329	786
Discontinued operations		-187	-71
Total comprehensive income for the period		11,871	1,814
Attributable to the parent		11,314	1,858
Attributable to non-controlling interest		557	-44
Basic earnings (loss) per share*	23	9.1	0.7
Continuing operations		10.7	2.5
Discontinued operations		-1.6	-1.8
Diluted earnings (loss) per share*	23	9.1	0.7
Continuing operations		10.7	2.5
Discontinued operations		-1.6	-1.8

* in euro cents

The notes on pages 22 to 54 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	2011	2010
Cash flows from operating activities			
Net profit for the period		14,387	1,099
Adjustments			
Depreciation, amortisation and impairment	5;17;19	15,724	17,928
Gain / loss on disposal of non-current assets (net)		127	18
Change in fair value of investment property	16	-166	36
Gain on disposal of investment property		0	-2
Income tax expense		2,538	1,618
Other finance income and costs (net)		-521	419
Changes in working capital:			
Receivables and prepayments		3,114	241
Inventories		1,612	-482
Liabilities and prepayments		-421	254
Interest paid		-440	-701
Corporate income tax paid		-2,093	-256
Net cash generated from operating activities		33,861	20,172
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		-4,366	-3,858
Proceeds from sale of property, plant and equipment		289	155
Proceeds from sale of investment property		0	64
Purchase of financial investments		-8,047	0
Proceeds from sale of financial investments		101	3,009
Proceeds from sale of subsidiaries		177	0
Interest received		329	327
Net cash used in investing activities		-11,517	-303
Cash flows from financing activities			
Proceeds from issuance of shares		0	220
Repayments of loans received	20	-3,109	-9,509
Payments of finance lease principal		-3	0
Reduction of share capital paid	23	-14,999	0
Net cash used in financing activities		-18,111	-9,289
Net cash flows		4,233	10,580
Cash and cash equivalents at beginning of the period		28,960	18,283
Exchange gains and losses on cash and cash equivalents		220	97
Cash and cash equivalents at end of the period	7	33,413	28,960

The notes on pages 22 to 54 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Equity attributable to equity holders of the parent								
	Share capital	Share premium	Statutory reserve capital	Other reserve	Currency translation differences	Accumulated losses	Total	Non-controlling interest
Balance at 31.12.2009	96,507	14,525	2,413	0	25	-34,861	78,609	4,076
<i>Net profit for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,143</i>	<i>1,143</i>	<i>-44</i>
<i>Other comprehensive income</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>715</i>	<i>0</i>	<i>715</i>	<i>0</i>
Total comprehensive income for the period	0	0	0	0	715	1,143	1,858	-44
Employee option programme	0	0	0	0	0	15	15	0
Proceeds from shares issued	210	10	0	0	0	0	220	0
Balance at 31.12.2010	96,717	14,535	2,413	0	740	-33,703	80,702	4,032
Balance at 31.12.2010	96,717	14,535	2,413	0	740	-33,703	80,702	4,032
<i>Net profit for the period</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>13,830</i>	<i>13,830</i>	<i>557</i>
<i>Other comprehensive income</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-2,516</i>	<i>0</i>	<i>-2,516</i>	<i>0</i>
Total comprehensive income for the period	0	0	0	0	-2,516	13,830	11,314	557
Increase of statutory reserve capital	0	0	57	0	0	-57	0	0
Employee option programme	0	0	0	53	0	0	53	0
Reduction of share capital	-14,999	0	0	0	0	0	-14,999	0
Balance at 31.12.2011	81,718	14,535	2,470	53	-1,776	-19,930	77,070	4,589

The notes on pages 22 to 54 are an integral part of these consolidated financial statements.

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 2011 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 Poland, Slovakia and Belarus.

The Management Board authorised these consolidated financial statements for issue at 26 March 2012. 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.

Note 2 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements of Olympic Entertainment Group AS for the year 2011 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.

At 1 January 2011, the Republic of Estonia joined the euro area and adopted the euro as a national currency, replacing the Estonian kroon. Consequently, the functional currency of the Olympic Entertainment Group AS is the euro from 1 January 2011. The change in the functional currency was accounted for prospectively. As at 1 January 2011, the parent company and its subsidiaries located in Estonia have translated its account balances into euros using the conversion rate of EUR 1 = EEK 15.6466.

The consolidated financial statements for the year 2011 are presented in thousands of euros. In the financial statements, the comparatives have been translated from the Estonian kroons into euros using the changeover exchange rate of EUR 1 = EEK 15.6466. As this exchange rate was also the fixed exchange rate prevailing in previous periods, no currency translation differences arose.

Adoption of new or revised standards and interpretations

The following new or revised standards and interpretations became effective for the Group from 1 January 2011:

Improvements to International Financial Reporting Standards, issued in May 2010 (effective for annual periods beginning on or after 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IAS 1 was amended to clarify that the components of equity statement are profit or loss, other comprehensive income, comprehensive income for the reporting period and transactions with owners, and that a more detailed analysis of the components of comprehensive income may be presented in the notes; IFRIC 13 was amended to clarify measurement of fair value of award credits; IAS 24 simplifies the disclosure requirements for state entities and clarifies the definition of a related party.

The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements.

The other new or amended standards or interpretations that became applicable in the financial year beginning on 1 January 2011 are not expected to have any significant impact on the Group.

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 2012 and which the Group has not early adopted:

IFRS 9, Financial Instruments: Classification and Measurement	(effective for annual periods beginning on or after 1 January 2015; not yet adopted by the EU).	IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities, and in December 2011 to change its effective date and add transition disclosures. Key features of the standard are as follows:
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- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- 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.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IFRS 12, Disclosure of Interest in Other Entities

(effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU),

The standard applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in Associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including (i) significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, (ii) extended disclosures on share of non-controlling interests in group activities and cash flows, (iii) summarised financial information of subsidiaries with material non-controlling interests, and (iv) detailed disclosures of interests in unconsolidated structured entities. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 13, Fair Value Measurement

(effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU),

The standard aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group is currently assessing the impact of the standard on its financial statements.

Presentation of Items of Other Comprehensive Income, amendments to IAS 1

(effective for annual periods beginning on or after 1 January 2012; not yet adopted by the EU),

The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the

		amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.
Amended IAS 19, Employee Benefits	(effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU),	Makes significant changes (i) to the recognition and measurement of defined benefit pension expense and termination benefits, and (ii) to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Group is currently assessing the impact of the amended standard 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 intragroup 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

A subsidiary is an entity controlled by the parent company. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than a half of the voting rights of the subsidiary or the Group has the power to control the operating and financial policy of the subsidiary.

From the acquisition date, the Group's interest in the assets, liabilities and contingent liabilities of the acquired entity and the resulting goodwill are recognised in the consolidated balance sheet and the interest in the acquired entity's income and expenses is included in the consolidated income statement. Positive goodwill is recognised as an intangible asset in the consolidated balance sheet.

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

For transactions with minority interest (both for recognition of acquisitions as well as disposals of minority interests), the parent entity approach is used.

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). 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.

Foreign currency translation

All currencies other than the functional currency, the euro, are considered to be foreign currencies (until 31 December 2010, the functional currency of the parent company and its Estonian subsidiaries was the Estonian kroon). Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date (until 31 December 2010, foreign currency exchange rates of the Bank of Estonia). 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 (until 31 December 2010, Bank of Estonia) 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 measured at fair value (investment property) and denominated in a foreign currency are translated into the functional currency, using the official exchange rates of the European Central Bank (until 31 December 2010, Bank of Estonia) which prevail at the date of determining fair value. 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 (until 31 December 2010: Bank of Estonia) 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 (until 31 December 2010, Bank of Estonia) 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: *financial assets at fair value through profit or loss, 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets acquired for the purpose of trading which are initially recognised at the trade date at their fair value, less transaction costs. After initial recognition, the financial assets in this category are measured at their fair value. Interest and dividend income on these securities and realised and unrealised gains and loss from revaluation are recognised consistently, either as gains or losses in the income statement line *Other finance income and costs*.

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 measured at their amortised cost using the effective interest rate method, less any impairment losses.

Financial instruments are initially recognised at fair value plus any directly attributable transaction costs, except for financial assets at fair value through profit or loss whereby transaction costs are expensed in the income statement

Purchases of financial instruments are recognised at the trade date, i.e., at the date the Group commits to purchase the financial asset. A financial instrument is derecognised when the Group's contractual rights to the cash flows from the financial instrument expire or the instruments with all significant risks and rewards of ownership have been transferred.

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 and subsidies. 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 purpose of earnings rental income or for capital appreciation and that are not used in 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 valuer. 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%

Assets with unlimited useful lives (land) are not depreciated.

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 or is reclassified as *Non-current assets held for sale*. 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. If it is greater than its estimated

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. Items of property, plant and equipment that are expected to be sold within the next 12 months, are reclassified as *Non-current assets held for sale*.

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	20% (up to 5 years)
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Assets with finite useful lives are tested for impairment whenever there is any evidence of an impairment loss.

Goodwill

Goodwill is the excess of the cost of acquisition over the fair value of the 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 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.

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.

Non-current assets held for sale

Non-current assets held for sale include tangible or intangible assets which are intended to be sold within the next 12 months and with regard to which management has initiated an active sales programme and the assets are marketed for sale at a price that is reasonable in relation to their current fair value.

Non-current assets held for sale are presented in the balance sheet within current assets and their depreciation is ceased upon reclassification. Non-current assets held for sale are recognised at the lower of the carrying amount and the fair value less costs to sell.

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 is 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 an accrual basis over the lease term.

The Group is 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 lessors 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.

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, Poland, Slovakia, Belarus and Romania 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 21/79 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.

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.

Foreign subsidiaries

According to the income tax laws of Latvia, Lithuania, Poland, Slovakia, Belarus and Romania, 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 2011: 15% in Latvia (2010: 15%), 15% in Lithuania (2010: 15%), 19% in Poland (2010: 19%), 19% in Slovakia (2010: 19%), 24% in Belarus (2010: 24%) and 16% in Romania (2010: 16%).

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

Income from gaming transactions is measured by the aggregate net difference between gaming wins and losses. Income from gaming transactions is accounted for under the accrual method of accounting.

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.

Employee benefits

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.

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.

Consolidation of subsidiaries operating in hyperinflationary economic environments

At the year-end 2011, a number of factors arose in the Belarusian economy that led the Group to reconsider the treatment of classification of the Belarusian economy as a hyperinflationary economy for accounting purposes. According to the data by the National Bank of the Republic of Belarus, the cumulative inflation rate over the last three years exceeds 100%.

In addition to the quantitative factor above, several qualitative factors also supported treatment of Belarus as a hyperinflationary economy for accounting purposes beginning with 2011. The key accounting policies for recognition of the Belarusian operating segment in the financial statements of the Group include:

- That the 2010 figures should not be restated.
- The restated cost, or cost less depreciation, of each non-monetary item carried in the balance sheet is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the balance sheet date.

- The income statement has been restated to account for the loss on the net monetary position that may be derived as the difference resulting from the restatement of non-monetary assets, owners' equity and comprehensive income statement items and the adjustment of index linked assets and liabilities.
- The figures in the income statement and cash flow statement have been restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.
- All components of the financial statements of the Belarusian company has been translated at the closing exchange rate BYR 10,800 = EUR 1.

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

	Financial assets at fair value through profit or loss		Held-to-maturity investments		Loans and receivables		Total	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Cash and cash equivalents (Note 7)	0	0	0	0	33,413	28,960	33,413	28,960
Financial investments (Note 8)	7,991	0	937	927	3,517	3,937	12,445	4,864
Trade receivables (Note 9)	0	0	0	0	457	346	457	346
Other receivables (Note 12)	0	0	0	0	93	662	93	662
Total	7,991	0	937	927	37,480	33,905	46,408	34,832

Liabilities at amortised cost

	31.12.2011	31.12.2010
Borrowings (Note 20)	6,249	9,340
Trade payables (Note 21)	1,696	2,637
Other liabilities (Note 21)	790	737
Total	8,735	12,714

Financial risks

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

Currency risk

The Group earns income in euros, Latvian lats, Lithuanian litas, Polish zloty and Belarusian rubles. Most of the Group's expenses are incurred in these currencies in its operating markets. The changes in exchange rates of these currencies against the euro impact both the Group's revenue and expenses, as a result of which there is no major effect on the Group's operating profit.

Internal transactions of the Group are primarily concluded in euros. The equity of the Group is influenced by a change in the exchange rate of the Polish zloty and Belarusian ruble to the euro. The functional currencies of subsidiaries within the Group, the US dollar (USD), the Swiss franc (CHF) and investment gold (XAU) as well as the derivative instruments related to the aforementioned currencies may be used to manage currency risks. The market value of USD, CHF or XAU (incl. the respective derivative instruments) may not exceed 20% of the equity according to the last audited consolidated balance sheet of the Group.

The bank loan of the Group is denominated in euros and is not exposed to the currency risk.

Exposure to currency risks at 31.12.2011

	EUR	USD	LVL	LTL	PLN	BYR	Others	Total
Cash and cash equivalents	19,548	45	9,838	1,108	2,684	185	5	33,413
Financial investments	2,041	7,991	0	1,661	752	0	0	12,445
Trade receivables	193	0	137	49	78	0	0	457
Other receivables	16	22	2	53	0	0	0	93
Total	21,798	8,058	9,977	2,871	3,514	185	5	46,408
Short-term borrowings	-3,111	0	0	-2	0	0	0	-3,113
Trade payables	-834	-11	-281	-293	-276	0	-1	-1,696
Other current liabilities	-234	0	-30	-14	-484	-28	0	-790
Long-term borrowings	-3,121	0	0	-1	-14	0	0	-3,136
Total	-7,300	-11	-311	-310	-774	-28	-1	-8,735
Net exposure	14,498	8,047	9,666	2,561	2,740	157	4	37,673
Appreciation of the currency exchange rate against EUR (%)	-	3%	1%	-	12%	172%	-	-
Depreciation of the currency exchange rate against EUR (%)	-	-3%	-1%	-	-12%	-172%	-	-
Effect on profit and equity	0	241	97	0	329	270	0	698
Effect on profit and equity	0	-241	-97	0	-329	-270	0	-698

Exposure to currency risks at 31.12.2010

	EEK	EUR	USD	LVL	LTL	PLN	BYR	RON	Others	Total
Cash and cash equivalents	2,866	16,726	160	5,292	826	2,555	225	302	8	28,960
Financial investments	0	1,846	0	0	2,081	937	0	0	0	4,864
Trade receivables	80	33	0	95	29	109	0	0	0	346
Other receivables	1	211	318	1	55	0	0	76	0	662
Total	2,947	18,816	478	5,388	2,991	3,601	225	378	8	34,832
Short-term borrowings	0	-3,109	0	0	0	0	0	0	0	-3,109
Trade payables	-223	-1,233	-14	-212	-246	-564	-6	-135	-4	-2,637
Other current liabilities	-12	-313	0	-20	-15	-336	-38	-3	0	-737
Long-term borrowings	0	-6,217	0	0	0	-14	0	0	0	-6,231
Total	-235	-10,872	-14	-232	-261	-914	-44	-138	-4	-12,714
Net exposure	2,712	7,944	464	5,156	2,730	2,687	181	240	4	22,118
Appreciation of the currency exchange rate against EUR (%)	-	-	8%	-	-	4%	3%	1%	-	-
Depreciation of the currency exchange rate against EUR (%)	-	-	-8%	-	-	-4%	-3%	-1%	-	-
Effect on profit and equity	0	0	37	0	0	107	5	2	0	151
Effect on profit and equity	0	0	-37	0	0	-107	-5	-2	0	-151

Interest rate risk

The Group's term deposits (see Notes 7 and 8) are with fixed interest rates. The Group has invested in Lithuanian government bonds, whose interest rates are fixed and therefore, the Group is not exposed to interest rate risk of cash-flows.

At the balance sheet date, the balance of the Group's bank loan was EUR 6,218 thousand and as at 31.12.2010, EUR 9,326 thousand. The interest rate on the loan assumed by the Group is fixed from 25.11.2011 and it is 3.5% p.a. The earlier interest rate was 5.45% p.a.

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 with regard to receivables not yet overdue.

	31.12.2011	31.12.2010
Cash and cash equivalents in bank accounts	28,892	24,579
Short and long term financial investments	12,445	4,864
Trade receivables	457	346
Other receivables	93	662
Total	41,887	30,451

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

	31.12.2011	31.12.2010
Cash and cash equivalents on bank accounts		
Banks with credit rating A	24,769	24,059
Banks with credit rating B	3,347	267
Other banks	776	253
Short and long-term financial investments		
Banks with credit rating A	11,693	4,552
Banks with credit rating B	0	0
Other banks	752	312
Total	41,337	29,443

Price risk

Price risk is a risk of possible loss from unfavourable change in the prices of securities. The Group has invested in Lithuanian government bonds and investment gold units. As at 31 December 2011, the investment in Lithuanian government bonds was EUR 936 thousand and at 31 December 2010, EUR 923 thousand. The Group has not used financial instruments to manage the price risk of bonds. Investment gold units are revalued at the balance sheet date according to the USD quotation of The London Bullion Market Association and are converted into the functional currency on the basis of the exchange rate of the European Central Bank applicable at the balance sheet date. If the market value of the investment gold unit appreciated by 10%, profit and equity would increase by EUR 799 thousand; if it depreciated by 10%, profit and equity would decrease by EUR 799 thousand.

Liquidity risk

The Group holds its available cash in overnight deposits or fixed-interest rate term deposits. Liquidity risk is mitigated by positive working capital, which as at 31.12.2011 totalled EUR 30,754 thousand and as at 31.12.2010, EUR 24,693 thousand, respectively.

The undiscounted cash-flows arising from the Group's financial liabilities divided by maturity:

	31.12.2011	31.12.2010
Bank loans (Note 20)	6,466	10,120
1-3 months	832	901
3-12 months	2,456	2,644
1-5 years	3,178	6,575
Finance lease liabilities (Note 20)	19	0
1-3 months	1	0
3-12 months	4	0
1-5 years	14	0
Trade payables (Note 21)	1,696	2,637
1-3 months	1,696	2,637
3-12 months	0	0
1-5 years	0	0
Other liabilities	790	737
1-3 months	790	737
3-12 months	0	0
1-5 years	0	0
Total	8,971	13,494

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. Fair value is determined on the basis of prices quoted in an active market.

Capital risk management

The Group finances business activities by both debt and 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.

	31.12.2011	31.12.2010
Total equity of the Group	81,659	84,734
Balance sheet total of the Group	100,964	107,696
Share of equity of the balance sheet total	80.9%	78.7%

Information about requirements regarding the equities of subsidiaries of the Group is disclosed in Note 23.

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 the circumstances.

Deferred income tax (Note 15)

Deferred income tax assets of foreign subsidiaries have arisen from the expected realisation of tax losses incurred in the previous periods through profits that will be earned in the future. Deferred income tax assets are disclosed for a part that is expected to be realised. Profits earned in the future and realisation of probable tax losses are assessments based on the forecasts of the management on the development and results of the respective market.

The carrying amount of deferred income tax as at 31.12.2011 was EUR 1,111 thousand and as at 31.12.2010 EUR 1,089 thousand. The carrying amount of deferred income tax liability as at 31.12.2011 was EUR 90 thousand and as at 31.12.2010 EUR 313 thousand.

Useful lives of property, plant and equipment (Note 17)

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 2011, the carrying amount of non-current assets was EUR 19,754 thousand and as at 31 December 2010, EUR 33,135 thousand.

If useful lives of items of property, plant and equipment were decreased by 10%, the annual depreciation charge would increase by EUR 1,483 thousand and if useful lives of items of property, plant and equipment were increased by 10%, the annual depreciation charge would decrease by EUR 1,213 thousand.

Estimating the recoverable amount of goodwill (Note 19)

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill as an intangible asset with an unlimited 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 19.

As at 31.12.2011, the carrying amount of goodwill was EUR 27,055 thousand and as at 31.12.2010, EUR 27,800 thousand.

Provisions (Note 22)

In measuring provisions, the management of the Group is guided by the best knowledge with regard to possible events in future periods. The provisions in the balance sheet amount to EUR 1,881 thousand and EUR 1,694 thousand as at 31.12.2011 and 31.12.2010, respectively.

Note 5 Discontinued operations

Olympic Entertainment Group AS signed share purchase agreement on 30 April 2011 with an Israeli entrepreneur for selling all the shares in Romanian subsidiaries Olympic Casino Bucharest S.R.L, Muntenia Food and Beverage S.R.L. and Olympic Exchange S.R.L. The Supervisory Board of the Group decided to discontinue the Romanian business segment as the Company was not profitable during its operations and it was not expected to reach a level of profitability comparable with other business segments. As of 30 June 2011 shares of Romanian subsidiaries have been registered to the buyer.

Romania was regarded as a separate segment earlier and is presented as a discontinued operation in these statements.

Analysis of income and expenses of discontinued operations

	2011	2010
Income from gaming transactions	844	1,809
Revenue	110	720
Other income	15	139
Total operating income	969	2,668
Cost of materials, goods and services	-38	-271
Other operating expenses	-846	-2,919
Staff costs	-688	-1,075
Depreciation, amortisation and impairment	-255	-860
Other expenses	-6	-145
Total operating expenses	-1,833	-5,270
Operating loss	-864	-2,602
Interest income	0	2
Foreign exchange gains (losses)	10	-15
Total finance income and costs	10	-13
Loss before income tax	-854	-2,615
Income tax expense	-51	-82
After-tax loss for the period of discontinued operations	-905	-2,697
Loss recognised from re-measurement of assets and liabilities of disposal group		
Impairment of property, plant and equipment	-1,188	0
Loss from re-measurement of liabilities	-369	0
Total loss on the re-measurement of assets and liabilities	-1,557	0
Comprehensive loss from discontinued operations	-2,462	-2,697

Cash flows of discontinued operations

	2011	2010
Cash flows generated from operating activities	-825	-1,658
Cash flows (-used in) / from investing activities	-1	66
Cash flows from financing activities	0	840
Net cash flows	-826	-752
Cash and cash equivalents at beginning of the period	816	1,585
Exchange gains and losses on cash and cash equivalents	10	-17
Cash and cash equivalents at end of the period	0	816

Note 6 Impact of hyperinflation

According to the data by the National Bank of the Republic of Belarus, the cumulative inflation rate over the last three years has exceeded the 100% level and the inflation rate of 2011 was 109%. In 2011, the Belarusian ruble has depreciated against

the euro by 172%. As at 31 December 2011, the exchange rate was BYR 10,800.00 = EUR 1; as at 31 December 2010: BYR 3,972.60 = EUR 1.

The loss on the net monetary position recognised in 2011 in the amount of EUR 7 thousand is included in the comprehensive income statement for the reporting period.

Note 7 Cash and bank

	31.12.2011	31.12.2010
Cash on hand and at gaming halls	4,521	4,381
Cash in bank accounts	7,502	7,089
Call deposits	9,646	4,261
Term deposits	10,854	12,520
Cash in transit	890	709
Total cash and bank	33,413	28,960

Call deposits comprise the balances on overnight deposits. The effective interest rates of overnight deposits ranged from 0.08% - 0.25% (2010: 0.1% - 1.0%). The effective interest rates of term deposits ranged from 1.3% - 30.0% (2010: 0.57% - 12.5%). The term deposits have maturities of three months or less. The Group approves banks with A and B credit ratings in which the majority of the Group's funds are deposited.

In 2011, the Group's interest income on term deposits amounted to EUR 299 thousand and in 2010, EUR 231 thousand.

Note 8 Short- and long-term financial investments

Short-term financial investments	31.12.2011	31.12.2010
Deposits with maturities between 4 months and 1 year	727	1,467
Deposits used as collateral for rental premises	398	529
Other guarantee deposits	392	1,941
Other investments	7,991	0
Total short-term financial investments	9,508	3,937
Long-term financial investments		
Lithuanian government bonds	936	923
Other guarantee deposits	2,000	0
Other investments	1	4
Total long-term financial investments	2,937	927

Other short-term investments include investment gold units.

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:

- LTL 40,000 / EUR 11,585 per gaming table;
- LTL 25,000 / EUR 7,240 per slot machine.

The Group has opted to invest in the government bonds of the Republic of Lithuania. The interest rates on bonds ranged from 4.5%-5.6% (2010: 4.5%-4.6%). In 2011, interest income on the bonds amounted to EUR 60 thousand and in 2010, EUR 71 thousand.

Other long-term guarantee deposits include the guarantee deposits required in accordance with the valid gaming legislation of the Slovak Republic.

Note 9 Receivables and prepayments

	31.12.2011	31.12.2010
Trade receivables (Note 10)	457	346
Prepaid taxes (Note 11)	642	1,667
Other receivables and prepayments (Note 12)	1,507	2,946
Total receivables and prepayments	2,606	4,959

Note 10 Trade receivables

	31.12.2011	31.12.2010
Trade receivables not yet due	457	346
Trade receivables overdue and impaired	675	381
Provision for impairment of receivables	-675	-381
Total trade receivables (Note 9)	457	346

Impairment of doubtful receivables

	2011	2010
At the beginning of year	-381	-368
Impairment of receivables	-339	-17
Irrecoverable receivables	45	4
At year-end	-675	-381

Impairment losses on doubtful receivables are recognised in *Other expenses* in the income statement (Note 28).

Note 11 Taxes

	31.12.2011		31.12.2010	
	Prepayment	Liability	Prepayment	Liability
Gaming tax	501	1,497	996	1,488
Value added tax	137	268	648	277
Personal income tax	0	420	0	449
Social security tax	3	999	20	943
Excise tax	0	1	0	1
Income tax on gifts, fringe benefits	0	17	0	17
Other taxes	1	25	3	28
Total taxes (Note 9)	642	3,227	1,667	3,203

Tax rates effective at 31.12.2011 by country

	Estonia	Latvia	Lithuania	Poland	Slovakia	Belarus
Gaming tax (per month)*						
per gaming table (EUR)	1,278	1,252	1,738	50%	29%	1,527
per slot machine (EUR)	447	228	232	50%	29%	58
Value added tax	20%	22%	21%	23%	19%	20%
Corporate income tax**	21%	15%	15%	19%	19%	24%
Personal income tax	21%	25%	15%	18%; 32%	19%	12%
Social security tax	33%	35.09%	40%	18.30%	35.20%	34%

* In Poland and Slovakia, gaming tax is calculated as a percentage of the income from gaming transactions (gross gaming revenue).

** 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 12 Other receivables and prepayments

	31.12.2011	31.12.2010
Prepaid expenses		
Lease of premises	633	1,442
Licenses	171	180
Software and equipment maintenance	62	40
Other prepaid expenses	402	451
Total prepaid expenses	1,268	2,113
Other short-term receivables		
Loans to employees	10	9
Other receivables from employees	30	17
Interest receivable	106	145
Other short-term receivables	93	662
Total other short-term receivables	239	833
Total (Note 9)	1,507	2,946

Note 13 Inventories

	31.12.2011	31.12.2010
Gaming equipment	143	182
Jackpot prizes	35	62
Spare parts for slot machines	197	627
Other materials	175	138
Goods purchased for resale	359	407
Total inventories	909	1,416

Note 14 Non-current assets held for sale

As at 31 December 2010, non-current assets held for sale included primarily gaming equipment, which came from the operating segment discontinued in 2009 and were intended to be disposed of. During the reporting period, the Group wrote down non-current assets in the amount of EUR 746 thousand. The write-down of assets is recognised in the income statement line "Other expenses" (Note 28).

Balance as at 31.12.2009	1,140
Transfer from property, plant and equipment (Note 17)	211
Taken into own use	-81
Write-offs	-114
Disposals	-51
Balance as at 31.12.2010	1,105
Balance as at 31.12.2010	1,105
Taken into own use	-102
Write-offs	-46
Disposals	-211
Provision for impairment	-746
Balance as at 31.12.2011	0

Note 15 Deferred tax assets and liabilities

	Tax assets		Tax liabilities	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Employee benefits	157	281	0	0
Property, plant and equipment	189	32	-223	-853
Investment property	117	118	0	0
Provisions	98	40	-479	-199
Loan interest	1,136	854	0	0
Loss carry-forwards	0	224	0	0
Other	139	392	-113	-104
Total tax assets / liabilities	1,836	1,941	-815	-1,156
Set-off of deferred tax assets and liabilities	-725	-843	725	843
Net deferred tax assets/liabilities	1,111	1,098	-90	-313
Deferred tax assets / liabilities at beginning of year	1,098	1,367	-313	-302
Deferred tax assets / liabilities at end of year	1,111	1,098	-90	-313
Recognised income / expense during the year (Note 30)	13	-269	223	-11

Note 16 Investment property

	Land	Buildings	Total
Balance at 31 December 2009	1,425	87	1,512
Disposals and write-offs	-62	0	-62
Net gain / (-loss) from fair value adjustments	-45	9	-36
Balance at 31 December 2010	1,318	96	1,414
Transfer from property, plant and equipment	0	215	215
Net gain from fair value adjustments	15	151	166
Balance at 31 December 2011	1,333	462	1,795

Land includes forest land acquired for capital appreciation and building rights to a property acquired for real estate development in Vilnius. Buildings include an apartment acquired to earn rentals and for capital appreciation. In 2011, an apartment located in Tartu was transfer from property, plant and equipment into investment property.

Investment property was revalued using the assistance of a professional real estate valuer Centro Kubas - Nekilnojamasis turtas UAB in Lithuania, and Real Estate Agency Uus Maa, Kaanon Kinnisvara and Metsatervenduse OÜ in Estonia. The fair value of the investment property has been estimated using the sales comparison method.

In the reporting period, there were no disposals. In 2010, part of the forest land was sold for EUR 64 thousand.

In the reporting period, rental income from investment property totalled EUR 8 thousand and in 2010, EUR 15 thousand. Other expenses on investment property (utility, security, insurance, and land tax charges) totalled EUR 6 thousand and in 2010, EUR 2 thousand.

Note 17 Property, plant and equipment

	Land and buildings	Renovation expenditures	Machinery & equipment	Other PP&E	Construction in progress	Total
As at 31 December 2009						
Cost	900	31,048	70,524	6,256	351	109,079
Accumulated depreciation	-330	-14,484	-43,909	-3,460	0	-62,183
Carrying amount	570	16,564	26,615	2,796	351	46,896
Changes in 2010						
<u>Continuing operations</u>						
Additions	0	777	2,645	67	883	4,372
Sales	0	0	-46	-10	0	-56
Return of leased assets	0	0	-927	0	0	-927
Write-offs	0	-528	-98	-151	0	-777
Transfers	0	218	143	20	-381	0
Transferred to non-current assets held for sale	-211	0	0	0	0	-211
Depreciation charge	-48	-3,786	-10,578	-990	0	-15,402
Impairment losses	0	-300	0	0	0	-300
Currency translation differences	2	136	341	-3	2	478
<u>Discontinued operations</u>						
Sales	0	0	-122	0	0	-122
Depreciation charge	0	-306	-431	-79	0	-816
As at 31 December 2010						
Cost	608	30,719	70,058	5,744	855	107,984
Accumulated depreciation	-295	-17,944	-52,516	-4,094	0	-74,849
Carrying amount	313	12,775	17,542	1,650	855	33,135
	Land and buildings	Renovation expenditures	Machinery & equipment	Other PP&E	Construction in progress	Total
As at 31 December 2010						
Cost	608	30,719	70,058	5,744	855	107,984
Accumulated depreciation	-295	-17,944	-52,516	-4,094	0	-74,849
Carrying amount	313	12,775	17,542	1,650	855	33,135
Changes in 2011						
<u>Continuing operations</u>						
Additions	13	387	2,053	133	1,164	3,750
Sales	-36	0	-681	-11	0	-728
Write-offs	0	-268	-218	-59	0	-545
Transfers	0	-135	1,584	116	-1,565	0
Transferred to investment property	-215	0	0	0	0	-215
Depreciation charge	-29	-3,577	-8,807	-753	0	-13,166
Impairment losses	0	0	-150	0	0	-150
Currency translation differences	-4	-306	-587	-40	-23	-960
<u>Discontinued operations</u>						
Sales	0	0	0	-4	0	-4
Depreciation charge	0	-76	-87	-15	0	-178
Impairment losses	0	-992	-10	-183	0	-1,185
As at 31 December 2011						
Cost	86	26,422	64,230	5,275	431	96,444
Accumulated depreciation	-44	-18,614	-53,591	-4,441	0	-76,690
Carrying amount	42	7,808	10,639	834	431	19,754

Information on leased assets is presented in Note 18. Lease payments and lease liabilities are disclosed in Note 20.

Assets under construction include expenditures incurred in connection with assets constructed for the Group's own use. Upon completion, the assets will be transferred to the appropriate category of property, plant and equipment. Assets under construction include expenditures incurred for construction of a hotel in Estonia and those related to construction of an office building in Lithuania. No items of property, plant and equipment have been pledged as collateral, and the Group has no obligation to invest in property, plant and equipment.

In 2011, the impairment losses of property, plant and equipment totalled EUR 1,335 thousand, of which EUR 1,185 thousand was related to the impairment of non-current assets related to the sale of Romanian subsidiaries and EUR 150 thousand was related to the impairment of slot machines at the warehouses of subsidiaries. In 2010, the impairment losses of property, plant and equipment totalled EUR 300 thousand, of which EUR 272 thousand was related to impairment of reconstruction expenditures incurred at the Polish subsidiary due to the closing of casinos in 2011 and EUR 28 thousand was related to impairment of reconstruction expenditures incurred at the Estonian subsidiary due to the relocation of the gaming hall of Tartu in 2011.

In 2011, property, plant and equipment were written off with the carrying amount of EUR 549 thousand, of which EUR 486 thousand was related to the closing of three gaming halls of the Polish subsidiary. In 2010, property, plant and equipment were written off with the carrying amount of EUR 777 thousand, of which EUR 630 thousand was related to the closing of a gaming hall of the Polish subsidiary.

Note 18 Leased assets

The Group is the lessee

Assets leased under finance lease terms

Information on finance lease liabilities is disclosed in Note 20.

Assets leased under operating lease terms

Group entities lease rental premises under operating lease terms. In 2011, operating lease payments totalled EUR 9,408 thousand and in 2010 EUR 10,784 thousand.

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

Payments due

	2011	2010
Due in less than 1 year	8,988	7,904
Due between 1 and 5 years	22,463	23,893
Due after 5 years	8,256	15,221

The Group is the lessor

The Group as the lessor leases out premises under operating lease terms. In 2011, operating lease income totalled EUR 144 thousand and in 2010, EUR 157 thousand.

Future lease payments under non-cancellable operating leases

	2011	2010
Due in less than 1 year	149	102
Due between 1 and 5 years	226	169
Due after 5 years	40	1

Note 19 Intangible assets

	Goodwill	Software and licenses	Unfinished projects	Total
As at 31 December 2009				
Cost	27,526	3,318	3	30,847
Accumulated amortisation	0	-2,037	0	-2,037
Carrying amount	27,526	1,281	3	28,810
Changes in 2010				
<u>Continuing operations</u>				
Additions	0	329	344	673
Write-offs	0	-72	0	-72
Transfers	0	325	-325	0
Amortisation charge	0	-517	0	-517
Currency translation differences	274	-61	-1	212
<u>Discontinued operations</u>				
Amortisation charge	0	-44	0	-44
As at 31 December 2010				
Cost	27,800	3,511	21	31,332
Accumulated amortisation	0	-2,270	0	-2,270
Carrying amount	27,800	1,241	21	29,062
Changes in 2011				
<u>Continuing operations</u>				
Additions	0	37	21	58
Transfers	0	26	-26	0
Amortisation charge	0	-420	0	-420
Currency translation differences	-745	-57	0	-802
<u>Discontinued operations</u>				
Amortisation charge	0	-9	0	-9
Impairment loss	0	-67	0	-67
As at 31 December 2011				
Cost	27,055	3,030	16	30,101
Accumulated amortisation	0	-2,279	0	-2,279
Carrying amount	27,055	751	16	27,822

Impairment tests and impairment losses

Management tested goodwill for impairment as at 31 December 2011 and 31 December 2010. The Group regards segments as cash-generating units. The break-down of goodwill between segments is as follows:

Segment	31.12.2011	31.12.2010
Estonia	12,967	12,967
Latvia	7,320	7,214
Poland	6,768	7,619
	27,055	27,800

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 following key assumptions based on prior period experience by the Management Board and expectations in respect of the future growth rates in the respective regions were applied:

Segment	Average income growth in 5-year period		Average expense growth in 5-year period		WACC		Terminal growth rate	
	2011	2010	2011	2010	2011	2010	2011	2010
Estonia	5%	6%	4%	4%	12.27%	12.17%	3%	3%
Latvia	5%	5%	5%	4%	12.97%	18.14%	3%	3%
Poland	7%	7%	5%	4%	13.38%	15.07%	3%	3%

In 2011 and 2010, no impairment losses were recognised for goodwill.

Note 20 Borrowings

	31.12.2011	31.12.2010
Short-term borrowings		
Current portion of financial lease liability	4	0
Current portion of a long-term bank loan	3,109	3,109
Total short-term borrowings	3,113	3,109
Long-term borrowings		
Non-current portion of financial lease liability	13	0
Non-current portion of a long-term bank loan	3,109	6,217
Other borrowings	14	14
Total long-term borrowings	3,136	6,231
Total borrowings	6,249	9,340

In 2008, a loan agreement was concluded with Swedbank AS with the due date of 25 December 2013. The limit of the loan agreement is EUR 25 million. Since 25 November 2011, the fixed interest rate of loan is 3.5% p.a., previously the fixed interest rate was 5.45% p.a. The loan repayments commenced in March 2010 as quarterly instalment payments. In April 2010, the loan was prematurely paid off in the amount of EUR 6,000 thousand. The loan is guaranteed by a pledge in favour of Swedbank AS in the form of financial collateral on the shares of Group's subsidiaries in Estonia, Latvia, Lithuania and Poland, and in the form of guarantee from Group's subsidiaries in Slovakia and Belarus.

In 2011, the interest expense of the bank loan was EUR 435 thousand (2010: EUR 694 thousand).

Note 21 Trade and other payables

	31.12.2011	31.12.2010
Customer prepayments	1,268	1,297
Trade payables	1,696	2,637
Other payables	152	170
Tax liabilities (Note 11)	3,227	3,203
Payables to employees	2,889	2,908
Interest payable	4	8
Other accrued expenses	634	559
Total trade and other payables	9,870	10,782

Note 22 Provisions

	2011	2010
Provisions for winnings		
At beginning of the year	456	304
Charged to the income statement	8,177	8,506
Used during year	-7,997	-8,354
Provisions for winnings at end of the year	636	456
Provisions for expenses		
At beginning of the year	1,238	842
Charged to the income statement	1,130	913
Used during year	-1,123	-517
Provisions for expenses at end of the year	1,245	1,238
Total provisions	1,881	1,694

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 and provisions related to several pending business disputes and expenses that may be incurred during the disputes. The Group cannot further specify the content of those provisions as it might damage the positions of the Group in reaching a solution in specific business disputes.

Note 23 Equity

At 27 May 2011, the conversion of share capital of Olympic Entertainment Group AS into euros and its reduction on the basis adopted by resolutions of the General Meeting of Shareholders held at 5 May 2011 was entered in the Commercial Register. The Company's registered share capital was EEK 1,513,295,050 (EUR 96,717,181) and the new converted and reduced amount was EUR 90,797,703, which was divided into 151,329,505 ordinary shares with the nominal value of EUR 0.6 each. At 18 August 2011, the second reduction of share capital of Olympic Entertainment Group AS was entered in the Commercial Register by reducing the book value of shares on the basis adopted by resolution of the General Meeting of Shareholders held at 5 May 2011. The new size of share capital is EUR 81,717,932.70, which is divided into 151,329,505 ordinary shares with the book value of EUR 0.54 each.

Of the disbursements to be made to the shareholders as a result of the reduction of nominal value of the share, the first disbursement was made at 29 August 2011 in the amount of EUR 5,919,478.35 and the second disbursement was made at 21 November 2011 in the amount of EUR 9,079,770.30.

At the Extraordinary General Meeting of Shareholders held at 25 August 2010, it was decided to increase the share capital of Olympic Entertainment Group AS in order to exercise the options granted by Olympic Entertainment Group AS by issuing 450,384 new shares of Olympic Entertainment Group AS, for the total of EUR 287,847. The subscription period for the shares to be issued was 26 August 2010 – 31 August 2010. A total of 329,505 shares or 73.2% of the issue volume were

subscribed for by the entitled persons. As a result of the increase of share capital, the new size of Olympic Entertainment Group AS's share capital was EUR 96,717,181 and the number of shares after the issue is 151,329,505. A monetary contribution was made for the shares to be issued in the amount of EUR 0.72 per share – the nominal value of shares was EUR 0.64 and the share premium was EUR 0.08.

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

Largest shareholders of Olympic Entertainment Group AS as at 31 December 2011:

OÜ HANSA ASSETS	45.87%
OÜ HENDAYA INVEST	19.28%
NORDEA BANK FINLAND PLC, CLIENTS	3.07%
Central Securities Depository of Lithuania	2.96%
CITIBANK (LONDON)/ UBS AG LONDON BRANCH-IPB CLIENT ACCOUNT	2.04%
Skandinaviska Enskilda Banken Ab Clients	1.94%
ING LUXEMBOURG S.A.	1.66%
Mellon Treaty Omnibus	1.10%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	1.10%
BNYM / ING BANK SLAKSI A/C ING PARASOL	1.07%

Members of the Supervisory Board and Management Board own directly and through companies controlled by them:

Name	Number of shares
Armin Karu	69,414,790
Jaan Korpusov	29,211,910
Liina Linsi	16,681
Peep Vain	36,852
Meelis Pielberg	29,355
Indrek Jürgenson	9,189

Dividends

No dividends were paid in 2010 and 2011. As the Group has no retained earnings as at 31 December 2011, no dividends can be paid to the owners in 2012.

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 LVL 1 million (EUR 1,409 thousand). In Slovakia, the minimum share capital requirement for a gaming services provider is EUR 1,660 thousand. In Belarus, the share capital of a gaming services provider has to amount to USD 20 thousand (EUR 14 thousand). As at 31.12.2011, the subsidiaries Baina Investments S.p. z o.o., Silber Investments S.p. z o.o., Casino Polonia Wroclaw Sp. z o.o., Olympic F&B S.r.o., Mecom Grupp UAB and Olympic Casino Bel IP had negative equity. As at 31.12.2010, the following subsidiaries had negative equity: Baina Investments S.p. z o.o., Silber Investments S.p. z o.o., Casino Polonia Wroclaw Sp. z o.o., Olympic Casino Bucharest S.r.l., Mecom Grupp UAB and Olympic Casino Bel IP. The management has taken measures to reach positive amount of equity in these subsidiaries.

Earnings per share

	2011	2010
Net profit for the reporting period	13,830	1,143
Average number of shares (thousand)	151,329	151,098
Basic earnings per share (euro cents)	9.1	0.8
Diluted profit per share (euro cents)	9.1	0.8

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 31).

Note 24 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 of external sales revenue and operating profit. At 31 December 2011, the Group had operations in the Estonian, Latvian, Lithuanian, Polish, Slovak and Belarusian markets. As at 31 December 2010, the Group had operations in the Estonian, Latvian, Lithuanian, Polish, Slovak, Belarusian and Romanian markets.

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

The total of non-current assets other than financial instruments and deferred tax assets located in Estonia is EUR 18,067 thousand as at 31 December 2011 and EUR 20,376 thousand as at 31 December 2010, and the total of these non-current assets located in other countries is EUR 31,304 thousand as at 31 December 2011 EUR 43,235 thousand as at 31 December 2010.

2011	Estonia	Latvia	Lithuania	Poland	Slovakia	Belarus	Total
Income from gaming transactions	27,905	27,345	17,902	27,087	9,853	2,978	113,070
Revenue	3,029	2,467	1,394	482	985	222	8,579
Inter-segment revenue	-150	-2	-19	-3	0	0	-174
External revenue	30,784	29,810	19,277	27,566	10,838	3,200	121,475
External other income	2,043	13	43	2,743	1	49	4,892
Total operating income	32,827	29,823	19,320	30,309	10,839	3,249	126,367
Total operating expenses	-29,323	-20,280	-16,853	-27,615	-10,276	-3,195	-107,542
Incl. depreciation, impairment and impairment charges	-3,632	-3,110	-2,244	-3,478	-1,042	-609	-14,115
Total operating profit	3,504	9,543	2,467	2,694	563	54	18,825
Segment assets	82,191	22,747	8,970	14,705	10,035	651	139,299
Unallocated assets*							1,612
Eliminations							-39,947
Total assets							100,964
Segment liabilities	3,823	2,105	6,746	22,521	8,883	8,233	52,311
Unallocated liabilities**							7,543
Eliminations							-40,549
Total liabilities							19,305
Purchase of property, plant and equipment	860	1,267	422	78	1,172	8	3,807
Discontinued operations							1
Total investments							3,808

*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.

2010	Estonia	Latvia	Lithuania	Poland	Slovakia	Belarus	Total
Income from gaming transactions	24,895	22,579	16,134	27,329	8,083	2,988	102,008
Revenue	2,694	1,940	1,052	466	803	190	7,145
Inter-segment revenue	-168	-21	-6	-12	0	0	-207
External revenue	27,421	24,498	17,180	27,783	8,886	3,178	108,946
External other income	280	310	3	89	156	72	910
Total operating income	27,701	24,808	17,183	27,872	9,042	3,250	109,856
Total operating expenses	-26,756	-19,949	-16,291	-29,630	-8,262	-3,230	-104,118
Incl. depreciation, impairment and impairment charges	-4,451	-4,136	-2,335	-4,429	-864	-889	-17,104
Total operating profit / loss	945	4,859	892	-1,758	780	20	5,738
Segment assets	107,565	24,644	10,383	19,807	9,367	2,155	173,921
Unallocated assets*							1,977
Eliminations							-72,708
Discontinued operations							4,506
Total assets							107,696
Segment liabilities	3,046	2,300	5,136	27,798	8,410	8,567	55,257
Unallocated liabilities**							10,481
Eliminations							-74,188
Discontinued operations							31,412
Total liabilities							22,962
Purchase of property, plant and equipment	1,038	1,499	515	983	991	40	5,016
Discontinued operations							29
Total investments							5,045

*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 25 Revenue

	2011	2010
Hotel service revenue	1,345	1,098
Bar service revenue	4,747	4,055
Other revenue	2,313	1,785
Total revenue	8,405	6,938

Note 26 Other income

	2011	2010
Gains on currency exchange services	0	333
Gains on disposal of PP&E	122	32
Miscellaneous income	4,770	545
Total other income	4,892	910

In 2011, the other income of the Group totalled EUR 4,770 thousand (2010: EUR 545 thousand), of which EUR 2,497 thousand was value added tax repaid to the Polish subsidiary, EUR 1,084 thousand was income tax repaid to the parent, EUR 748 thousand was profit from of the Estonian subsidiary's non-current assets held for sale and other income was EUR 441 thousand.

Note 27 Operating expenses

	2011	2010
Cost of materials, goods and services used		
Direct catering, accommodation and bar service expenses	-2,821	-2,388
Other services	-22	-36
Total cost of materials, goods and services used	-2,843	-2,424
Other operating expenses		
Gaming tax and operating licences	-25,550	-24,397
Marketing expenses	-9,730	-9,019
Rental expenses	-9,707	-9,951
Maintenance expenses (equipment and premises)	-6,210	-6,034
IT expenses	-741	-720
Other expenses	-4,973	-5,352
Total other operating expenses	-56,911	-55,473
Staff cost		
Salaries	-23,219	-22,427
Social security taxes	-6,593	-6,457
Total staff cost	-29,812	-28,884
Total operating expenses	-89,566	-86,781

In 2011, the average number of the Group's employees was 2,318 (in 2010: 2,476).

Note 28 Other expenses

	2011	2010
Loss on disposal and liquidation of PP&E	-250	-16
Foreign exchange losses on settlements with suppliers	-606	-168
Provision for impairment of receivables	-892	-15
Miscellaneous expenses	-2,113	-34
Total other expenses	-3,861	-233

Other expenses include the impairment losses on non-current assets held for sale in the amount of EUR 746 thousand (Note 14), expenses related to termination of a lease agreement of subsidiaries in the amount of EUR 386 thousand, expenses related to tax refunds of subsidiaries in the amount of EUR 536 thousand and other expenses in the amount of EUR 448 thousand. The provision for impairment of receivables includes the provision for impairment of trade receivables (Note 10) and provision for impairment of other receivables (Note 12).

Note 29 Finance income and expenses

	2011	2010
Interest income on term deposits	158	132
Interest income on overnight deposits	141	95
Other interest income	60	71
Interest expense	-435	-694
Foreign exchange profit/loss (net)	107	22
Other finance income and costs	480	-32
Total finance income and costs	511	-406

Note 30 Income tax expense

	2011	2010
Profit before income tax	19,336	5,332
Estimated income tax on profits of subsidiaries	-2,015	-947
Adjustment of income tax on profits of subsidiaries	-708	-309
Deferred income tax income (expense) (Note 15)	236	-280
Income tax expense in the income statement	-2,487	-1,536

Note 31 Share-based payments

In 2011, share options were granted to the members of the Management Board of Olympic Entertainment Group AS and the Group's key personnel. According to the agreements, a member of the Management Board may subscribe for up to 70,000 shares in Olympic Entertainment Group AS until the end of the option programme; the numbers of shares that may be subscribed for under the agreements concluded with the Group's key personnel are individually different. The exact number of shares that each member of the Management Board and each employee can subscribe for depends on the attainment of the Group's financial targets and the individual performance of each member of the Management Board or key personnel.

The strike price of options is the nominal or book value of the share. Options may be executed on the condition that the share price to book at the beginning of the subscription period on NASDAQ OMX Tallinn is higher than 2.89. Options are conditional on the employee completing three years' service (the vesting period). The option holders have the right to subscribe for shares from 1 July 2014. The expiration date of the share option programme is 1 September 2014.

Exercisable share options (in thousands):

	2011	2010
Share options outstanding at beginning of the year	0	386
Share options granted during the year	575	1,340
Effect of non-satisfaction of vesting conditions	0	-1,276
Share options not exercised	0	-121
Share options exercised	0	-329
Share options outstanding at the end of the year	575	0

At the time of issuing options, 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 1.335 at the grant date, exercise price of EUR 0.6 at the grant date, volatility of 32%, dividend yield of 7.5%, an expected option life of three years and risk-free interest rate of 4.4%. The volatility measured at the standard deviation based on statistical analysis of daily share prices over the last year. In 2011 the expense of share-based payments recognised as personnel expense amounted to EUR 53 thousand.

Note 32 Related party transactions

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

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

Purchases of goods and services

	2011	2010
Shareholders with significant influence	73	84
Total	73	84

As at 31.12.2011 and 31.12.2010, 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 2011, 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 0.56 million (2010: EUR 0.52 million) and EUR 0.16 million (2010: EUR 0.16 million), respectively.

In 2011, share options were granted to all the members of the Management Board of all Group entities. At 31 December 2011, the key management personnel may subscribe for up to 400 thousand shares of Olympic Entertainment Group AS on the basis of the concluded option agreement until the end of the option programme. Options are conditional and their details are described in Note 31.

Note 33 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 6 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 34 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 discounted cash flow method.

Separate statement of financial position of Olympic Entertainment Group AS

	31.12.2011	31.12.2010
ASSETS		
Current assets		
Cash and bank	473	881
Receivables from group companies	10,226	13,705
Other receivables and prepayments	305	856
Total current assets	11,004	15,442
Non-current assets		
Shares of subsidiaries	353,520	269,232
Long-term receivables from group companies	38,468	60,249
Investment property	165	150
Property, plant and equipment	145	257
Intangible assets	9	90
Total non-current assets	392,307	329,978
TOTAL ASSETS	403,311	345,420
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	3,109	3,109
Payables to group entities	4,471	911
Other liabilities	99	76
Provisions	214	27
Total current liabilities	7,893	4,123
Non-current liabilities		
Long-term borrowings	3,109	6,217
Long-term payables to group companies	61,577	55,995
Total non-current liabilities	64,686	62,212
TOTAL LIABILITIES	72,579	66,335
EQUITY		
Share capital	81,718	96,717
Share premium	14,535	14,535
Statutory reserve capital	2,470	2,413
Other reserve	53	0
Retained earnings	231,956	165,420
TOTAL EQUITY	330,732	279,085
TOTAL LIABILITIES AND EQUITY	403,311	345,420

Separate statement of comprehensive income of Olympic Entertainment Group AS

	2011	2010
Sales revenue	314	409
Other income	1,130	104
Total revenue	1,444	513
Cost of materials, goods and services used	0	-114
Other operating expenses	-588	-548
Staff costs	-602	-491
Depreciation, amortisation and impairment	-217	-300
Change in the fair value of investment property	15	0
Other expenses	-2,051	-53
Total operating expenses	-3,443	-1,506
Operating loss	-1,999	-993
Change in fair value of subsidiaries	84,478	60,058
Dividends received from subsidiaries	14,999	0
Loss on sale of subsidiaries	-29,668	0
Interest income	2,787	4,037
Interest expense	-4,085	-4,097
Foreign exchange gains	89	126
Other finance income and costs	-8	-20
Total finance income and costs	68,592	60,104
Net profit for the period	66,593	59,111
Total comprehensive income for the period	66,593	59,111

Separate statement of cash flows of Olympic Entertainment Group AS

	2011	2010
Cash flows from operating activities		
Net profit for the period	66,593	59,111
Adjustments		
Depreciation, amortisation and impairment	217	300
Change in fair value of investment property	-15	-18
Gain on disposal of investment property	0	-2
Gain / loss on investments in subsidiaries	-69,809	-60,058
Other finance income and costs (net)	1,217	-46
Changes in working capital:		
Receivables and prepayments	-1,420	-2,355
Liabilities and prepayments	3,824	835
Interest paid	-531	-3,193
Net cash generated from operating activities	76	-5,426
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-24	-1
Proceeds from sale of investment property	0	64
Acquisition of subsidiaries	-1	-3
Proceeds from sale of subsidiaries	177	0
Loans granted	-12,100	-1,433
Repayment of loans granted	8,474	7,421
Interest received	462	1,946
Dividends received	14,999	0
Net cash from investing activities	11,987	7,994
Cash flows from financing activities		
Proceeds from issuance of shares	0	220
Proceeds from loans received	8,700	2,621
Repayments of loans received	-6,226	-9,636
Reduction of share capital paid	-14,999	0
Net cash used in financing activities	-12,525	-6,795
Net cash flows	-462	-4,227
Cash and cash equivalents at beginning of period	881	5,115
Exchange gains and losses on cash and cash equivalents	54	-7
Cash and cash equivalents at end of period	473	881

Separate statement of changes in equity of Olympic Entertainment Group AS

	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total	Share capital
Balance at 31.12.2009	96,507	14,525	2,413	0	106,294	219,739
Profit for the financial year	0	0	0	0	59,111	59,111
Proceeds from shares issued	210	10	0	0	0	220
Employee option programme	0	0	0	0	15	15
Balance at 31.12.2010	96,717	14,535	2,413	0	165,420	279,085
Interests in companies under control or significant influence:						
Carrying amount under the fair value method						-269,232
Carrying amount under the equity method						102,964
Adjustment of the loan receivable						-41,200
Adjusted unconsolidated equity at 31.12.2010						71,617
Balance at 31.12.2010	96,717	14,535	2,413	0	165,420	279,085
Profit for the financial year	0	0	0	0	66,593	66,593
Increase of statutory reserve capital	0	0	57	0	-57	0
Reduction of share capital	-14,999	0	0	0	0	-14,999
Employee option programme	0	0	0	53	0	53
Balance at 31.12.2011	81,718	14,535	2,470	53	231,956	330,732
Interests in companies under control or significant influence:						
Carrying amount under the fair value method						-353,520
Carrying amount under the equity method						106,971
Adjustment of the loan receivable						-14,271
Adjusted unconsolidated equity at 31.12.2011						69,912



INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of Olympic Entertainment Group AS

We have audited the accompanying consolidated financial statements of Olympic Entertainment Group AS and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2011 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation, and true and fair presentation of these 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.

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Olympic Entertainment Group AS and its subsidiaries as of 31 December 2011, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Tiit Raimla'.

Tiit Raimla
Auditor's Certificate No.287

A handwritten signature in blue ink, appearing to read 'Lauri Past'.

Lauri Past
Auditor's Certificate No.567

26 March 2012

** This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*