Olympic Entertainment Group AS

Consolidated Annual Report 2012

(translation of the Estonian original)*

Beginning of financial year	1 January 2012
End of financial year	31 December 2012
Business name	Olympic Entertainment Group AS
Commercial registry code	10592898
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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.

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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, Belarus and Italy.

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, Olympic Casino Bel IP in Belarus and The Box S.r.l. and Jackpot Game S.r.l. in Italy. 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 31.12.2012	Ownership 31.12.2011	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
The Box S.r.l.	Itaalia	50%	-	Organisation of gaming
Jackpot Game S.r.l.	Itaalia	50%	-	Organisation of gaming
Olympic Casino Ukraine TOV	Ukraine	100%	100%	Bankrupt
Alea Private Company	Ukraine	100%	100%	Bankrupt

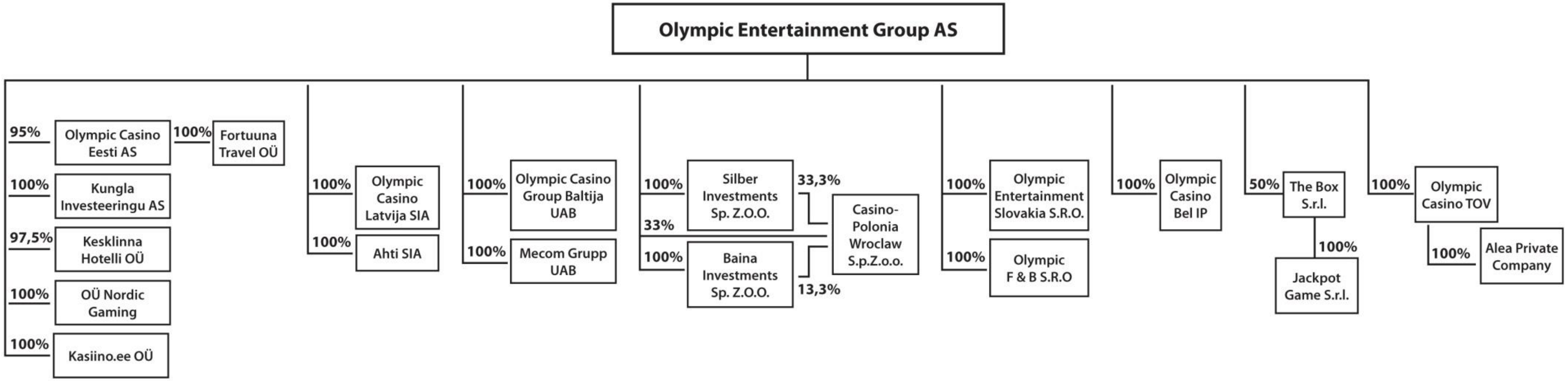
The Group operates slot and gaming table casinos as well as casino bars at most of the casinos of its subsidiaries. At 31 December 2012, the Group had a total of 63 casinos: 18 in Estonia, 21 in Latvia, 10 in Lithuania, 3 in Poland, 4 in Slovakia, 5 in Belarus and 2 in Italy. The Group employed 2,277 employees in 7 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 2012



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 Jääger	Meelis Pielberg
Chairman of the Management Board	Member of the Management Board

26 March 2013

Management report

Overview of the economic activities

Key developments of the Group in 2012:

- The Group's consolidated net profit totalled EUR 24.2 million. In 2011, the Group earned a net profit of EUR 13.8 million.
- The efficiency of the Group's business operations improved. In 2012, the Group's income from gaming transactions and revenues totalled EUR 134.7 million, i.e. 10.0% more compared to 2011 (EUR 122.4 million). The number of casinos in operation increased by 2 year-over-year.
- At 27 July 2012, the reduction of share capital of Olympic Entertainment Group AS on the basis adopted by resolution of the General Meeting of Shareholders held at 19 April 2012 was entered in the Commercial Register. The Company's registered share capital was EUR 81,717,932.70 and the new size of share capital is EUR 60,531,802. The share capital is divided into 151,329,505 ordinary shares with the book value of EUR 0.40 each.
- Olympic Entertainment Group AS and the Italian company GHolding agreed on 2 August 2012 to jointly set up and operate medium-sized VLT slot casinos in Italy. Both parties own half of the operating company The Box S.r.l.
- The Group company The Box S.r.l. signed the agreement on 24 October 2012, where it acquired the Jackpot Game S.r.l in Italy, which operates 2 VLT slot casinos.

In 2012, the Group's consolidated sales revenue totalled EUR 134.7 million and the revenue totalled EUR 135.9 million, which is 6.8% more than the total revenue of EUR 127.3 million earned in 2011. The Group's EBITDA increased from EUR 32.0 million in 2011 to EUR 38.8 million in 2012. In 2012, the operating profit totalled EUR 28.4 million, last year the operating profit totalled EUR 16.4 million.

In 2012, gaming operations accounted for 92.3% and other revenue 7.7% of the Group's consolidated revenue, the respective percentages for the previous year were 89.5% and 10.5%.

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

	2012	**Change**	**Percentage of total**	**2011**	**Percentage of total**
Estonia	34,641	12.5%	25.7%	30,784	25.1%
Latvia	33,545	12.5%	24.9%	29,810	24.3%
Lithuania	20,007	3.8%	14.9%	19,277	15.7%
Poland	27,207	-1.3%	20.2%	27,566	22.5%
Slovakia	15,190	40.2%	11.3%	10,838	8.9%
Belarus	3,401	6.3%	2.5%	3,200	2.6%
Italy	730	-	0.5%	0	0.0%
Romania*	0	-	0.0%	954	0.8%
Total	**134,721**	**10.0%**	**100.0%**	**122,429**	**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 2012, the Group had 63 casinos, with the total floor area of 24,030 m². At the end of 2011, the number of the Group's casinos was 61 and total floor area was 24,014 m².

Number of casinos by segment

	31.12.2012	31.12.2011
Estonia	18	17
Latvia	21	21
Lithuania	10	10
Poland	3	4
Slovakia	4	4
Belarus	5	5
Italy	2	-
Total	**63**	**61**

In 2012, the Group's consolidated operating expenses decreased by 3.1% or EUR 3.4 million as compared to the respective expenses in 2011. Depreciation, amortisation and impairment costs decreased the most compared to 2011 by EUR 5.3 million. Staff costs increased the most as compared to 2011 by EUR 2.5 million and licence fees and gaming taxes by EUR 1.7 million.

Staff costs with social security taxes made up the largest share of the Group's operating expenses, i.e. EUR 33.0 million (2011: EUR 30.5 million), followed by gaming tax expenses of EUR 27.7 million (2011: EUR 25.9 million), depreciation, amortisation and impairment losses of EUR 10.4 million (2011: EUR 15.7 million), rental expenses of EUR 9.5 million (2011: EUR 10.0 million) and marketing expenses of EUR 9.1 million (2011: EUR 9.9 million).

In 2012, the consolidated net profit attributable to equity holders of the parent company totalled EUR 24.2 million. In 2011, the consolidated net profit attributable to equity holders of the parent company totalled EUR 13.8 million.

Key performance indicators of the Group
(in millions of euros)

	2012	2011	2010
Revenue	135.9	127.3	112.5
EBITDA	38.8	32.0	21.1
Operating profit / (-loss)	28.4	16.4	3.1
Net profit / (-loss)	24.2	13.8	1.1
EBITDA margin	28.5%	25.1%	18.8%
Operating margin	20.9%	12.9%	2.8%
Net margin	17.8%	10.9%	1.0%
ROE	29.4%	17.5%	1.4%
ROA	23.0%	13.3%	1.0%
Current ratio	3.5	2.9	2.5
Number of casinos at year-end	63	61	66
Casino floor area (m²) at year-end	24,030	24,014	25,802
Number of slot machines at year-end	2,594	2,471	2,519
Number of gaming tables at year-end	178	180	182

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 2012, the external revenue of the Estonian segment totalled EUR 35.4 million, of which the income from gaming transactions totalled EUR 31.5 million and other revenue and income totalled EUR 3.9 million. The external revenue of the Estonian segment increased by 7.9% compared to 2011. The market share of Olympic Casino Eesti AS in the Estonian gaming market was 57% in the 4th quarter of 2012 and 55% in the 4th quarter of 2011. In 2012, the total Estonian gaming market increased by 7.0% as compared to 2011.

In 2012, the EBITDA of the Estonian segment totalled EUR 9.6 million and the operating profit totalled EUR 6.7 million. In 2011, the EBITDA of the Estonian segment totalled EUR 7.1 million and the operating profit totalled EUR 3.5 million.

At the year-end 2012, there were 18 (2011: 17) Olympic casinos with 739 (2011: 698) slot machines and 20 (2011: 20) gaming tables in operation in Estonia.

In 2012, the external revenue of Kungla Investeeringute AS totalled EUR 2.7 million, of which the sales of hotel services made up EUR 1.5 million. The external revenue of Kungla Investeeringute AS increased by 8.7% year-over-year. 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.

In 2012, the average occupancy rate of Tallinn hotels was 61.3% (2011: 60.7%), the average occupancy rate of Park Hotel & Casino was 50.6% (2011: 49.3%). In 2012, the average price per room increased in Tallinn from EUR 33.1 to EUR 36.6. In 2012, the average price per room at Park Hotel & Casino was EUR 55.6 (2011: EUR 54.3). These numbers include VAT and the cost of breakfast.

Latvian segment

In 2012, the external revenue of the Latvian segment totalled EUR 33.7 million, of which the income from gaming transactions totalled EUR 30.8 million and other revenue and income totalled EUR 2.9 million. The external revenue of the Latvian segment increased by 12.9% compared to 2011. The market share of Olympic Casino Latvia SIA in the Latvian gaming market was 21% in the 4th quarter of 2012 and 21% in the 4th quarter of 2011. In 2012, the total Latvian gaming market increased by 14.0% as compared to 2011.

In 2012, the EBITDA of the Latvian segment totalled EUR 15.5 million and the operating profit totalled EUR 13.2 million. In 2011, the EBITDA of the Latvian segment totalled EUR 12.7 million and the operating profit totalled EUR 9.5 million.

At the year-end 2012, there were 21 (2011: 21) Olympic casinos with 676 (2011: 646) slot machines and 24 (2011: 24) gaming tables in operation in Latvia.

Lithuanian segment

In 2012, the external revenue of the Lithuanian segment totalled EUR 20.0 million, of which the income from gaming transactions totalled EUR 18.7 million and other revenue and income totalled EUR 1.3 million. The external revenue of the Lithuanian segment increased by 3.7% compared to 2011. The market share of Olympic Casino Group Baltija UAB in the Lithuanian gaming market was 69% in the 4th quarter of 2012 and 71% in the 4th quarter of 2011. The total Lithuanian gaming market increased by 7.0% as compared to 2011.

In 2012, the EBITDA of the Lithuanian segment totalled EUR 5.2 million and the operating profit totalled EUR 3.9 million. In 2011, the EBITDA of the Lithuanian segment totalled EUR 4.7 million and the operating profit totalled EUR 2.5 million.

At the year-end 2012, there were 10 (2011: 10) Olympic casinos with 358 (2011: 350) slot machines and 54 (2011: 53) gaming tables in operation in Lithuania.

Polish segment

In 2012, the external revenue of the Polish segment totalled EUR 27.5 million, of which the income from gaming transactions totalled EUR 26.8 million and other revenue and income totalled EUR 0.7 million. The external revenue of the Polish segment decreased by 9.4% compared to 2011.

In 2012, the EBITDA of the Polish segment totalled EUR 4.7 million and the operating profit totalled EUR 2.6 million. In 2011, the EBITDA of the Polish segment totalled EUR 6.2 million and the operating profit totalled EUR 2.7 million.

At the year-end 2012, there were 3 (2011: 4) Olympic casinos with 264 (2011: 339) slot machines and 37 (2011: 41) gaming tables in operation in Poland.

Slovak segment

In 2012, the external revenue of the Slovak segment totalled EUR 15.2 million, of which the income from gaming transactions totalled EUR 13.8 million and other revenue and income totalled EUR 1.4 million. The external revenue of the Slovak segment increased by 40.1% compared to 2011.

In 2012, the EBITDA of the Slovak segment totalled EUR 2.6 million and the operating profit totalled EUR 1.3 million. In 2011, the EBITDA of the Slovak segment totalled EUR 1.6 million and the operating profit totalled EUR 0.6 million.

At the year-end 2012, there were 4 (2011: 4) Olympic casinos with 216 (2011: 205) slot machines and 43 (2011: 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 2012, the external revenue of the Belarusian segment totalled EUR 3.4 million, of which the income from gaming transactions totalled EUR 3.2 million and other revenue and income totalled EUR 0.2 million. The external revenue of the Belarusian segment increased by 6.0% compared to 2011.

In 2012, the EBITDA of the Belarusian segment totalled EUR 1.3 million and the operating profit totalled EUR 1.1 million. In 2011, the EBITDA of the Belarusian segment totalled EUR 0.7 million and the operating profit totalled EUR 0.1 million.

At the year-end 2012, there were 5 (2011: 5) Olympic casinos with 229 (2011: 233) slot machines in operation in Belarus.

Italian segment

In 2012, the external revenue of the Italian segment before deducting the gaming taxes of Italy totalled EUR 1.3 million. In 2012, the EBITDA of the Italian segment totalled EUR -0.3 million and the operating loss totalled EUR 0.3 million.

At the year-end 2012, there were 2 VLT slot halls under the brand Slottery with 112 gaming machines operating in Italy.

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 2012, the consolidated balance sheet total of the Group was EUR 109.2 million (31 December 2011: EUR 101.0 million). The balance sheet amount has increased by 8.1% in 2012.

Current assets totalled EUR 53.8 million or 49.3% of total assets, and non-current assets totalled EUR 55.4 million or 50.7% of total assets. At the balance sheet date, the liabilities totalled EUR 16.2 million and the equity totalled EUR 93.0 million. The largest liability items included tax liabilities of EUR 4.6 million, payables to suppliers EUR 3.3 million and payables to employees of EUR 3.2 million.

Investments

In 2012, the Group's expenditures on property, plant and equipment totalled EUR 8.8 million, of which EUR 4.4 million was spent on construction and reconstruction of casinos and EUR 4.0 million on new gaming equipment.

In 2011, expenditures on property, plant and equipment totalled EUR 3.8 million.

Cash flows

In 2012, the Group's cash flows generated from operating activities totalled EUR 34.7 million. Cash flows used in investing activities totalled EUR 10.7 million and cash flows used in financing activities totalled EUR 21.4 million. Net cash flows totalled EUR 2.6 million.

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.

Staff

At 31 December 2012, the Group employed 2,277 people (31 December 2011: 2,336): 520 in Estonia, 480 in Latvia, 626 in Lithuania, 320 in Poland, 226 in Slovakia, 98 in Belarus and 7 in Italy.

In 2012, employee wages and salaries including social security taxes totalled EUR 33.0 million (2011: EUR 30.5 million). In 2012, 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 793 thousands (2011: EUR 640 thousands) and EUR 157 thousands (2011: EUR 157 thousands), 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.

Basic principles of staff policy
The successful human resources policy is to ensure the organization's strategies and objectives consistent implementation by all employees. Personnel policy is determined by focused action goals and principles, which are based on the Group's core values and the daily decisions taken under optimal implementation personnel. Principles, which are given in HR policies, ensure the establishing and maintaining organization right atmosphere, which supports people commitment, intrinsic motivation, and cooperation.

The most valuable assets of a company are right people on right positions, who are executing their roles and obligations, which are most suitable for their personal characteristics, knowledge and abilities. Therefore, the HR policy mainly focuses on labour planning 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 HR 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, attestations, trainings, remuneration system, provision of feedback, equal treatment of employees.

The Group, together with its subsidiaries, is a continuous learning organization valuing new knowledge and ideas, ensuring the generation and implementation of the above. Training policy and remuneration policy, what are the parts of HR Policy, must support the values of the learning organization: systematic staff development activities enables remain competitive in the labour market and the services market, remuneration policy is built on the principles of employee systemic motivation support.

The Group's human resources policy is constantly evolving: design is based on modernity, both short-and longer-term strategies, as well as labour market trends.

Key objectives for year 2013

- 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 seven 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.

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 1 July 2012, the Management Board of Olympic Entertainment Group AS comprised three members, where the Chairman was Madis Jääger and members were Meelis Pielberg and Indrek Jürgenson. From 1 July 2012, the Management Board of Olympic Entertainment Group AS comprises two members, where the Chairman is Madis Jääger and member is Meelis Pielberg. 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.

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 68,364,790 Company's shares.
- Jaan Korpusov – member of the Supervisory Board since 2006. Jaan Korpusov graduated from University of Tartu in 1985 the faculty of history. Jaan Korpusov owns directly and through the companies controlled by him a total of 28,761,910 Company's shares.
- Liina Linsi – member of the Supervisory Board since 2006. Liina Linsi graduated from University of Tartu (law) in 1984 *cum laude*. Liina Linsi owns directly and through the companies controlled by her a total of 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 neither directly nor through the companies controlled by him any of the 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 July 2012, the reduction of share capital of Olympic Entertainment Group AS on the basis adopted by resolution of the General Meeting of Shareholders held at 19 April 2012 was entered in the Commercial Register. The Company's registered share capital was EUR 81,717,932.70 and the new size of share capital is EUR 60,531,802. The share capital is divided into 151,329,505 ordinary shares with the book value of EUR 0.40 each.

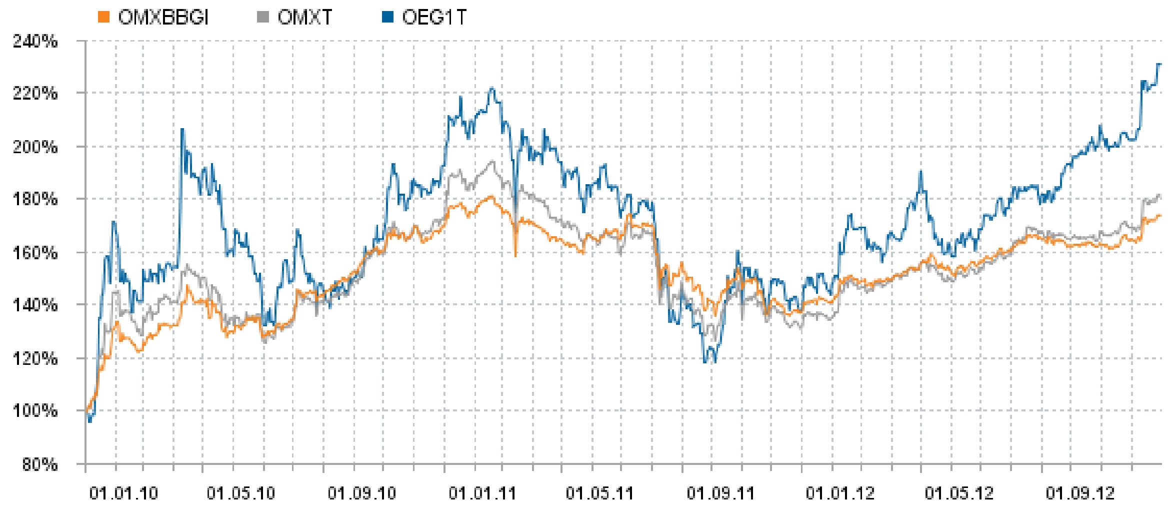
ISIN	EE3100084021
Ticker symbol	OEG1T
Market	BALTIC MAIN LIST
Number of securities issued	151,329,505
Number of listed securities	151,329,505
Listing date	23.10.2006

Movements in the share price (in EUR) and traded volume (number of securities) of Olympic Entertainment Group AS during the period of 01.01.2010-31.12.2012:

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

	2008	2009	2010	2011	2012
Opening price	3.560	0.500	0.770	1.490	1.076
Highest price	3.600	0.890	1.680	1.719	1.790
Lowest price	0.380	0.300	0.730	0.868	1.076
Average price	2.002	0.597	1.232	1.332	1.371
Last price	0.490	0.770	1.485	1.062	1.780
Number of shares traded	39,208,239	58,089,812	50,928,144	25,362,569	22,065,114
Turnover (EUR million)	73.11	36.83	62.83	32.60	30.03
Capitalisation (EUR million)	73.99	116.27	224.72	160.71	269.37
P/E ratio	-	-	196.3	11.6	11.1

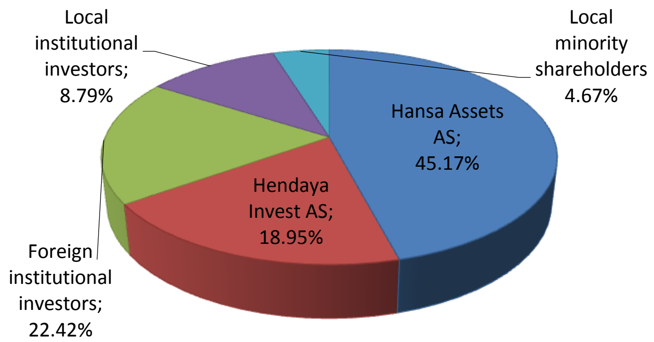
Comparison of the share of Olympic Entertainment Group AS with indices in the period of 01.01.2010-31.12.2012:



Index/share	01.01.2010	31.12.2012	+/-%
OMX Baltic Benchmark GI	314.42	546.98	73.96
OMX Tallinn	404.58	734.20	81.47
OEG1T	0.77 EUR	1.78 EUR	131.17

Largest shareholders of Olympic Entertainment Group AS

	31.12.2012	31.12.2011
OÜ HANSA ASSETS	45.17%	45.87%
OÜ HENDAYA INVEST	18.95%	19.28%
NORDEA BANK FINLAND PLC, CLIENTS	2.94%	3.07%
Central Securities Depository of Lithuania	2.32%	2.96%
CITIBANK (LONDON)/ UBS AG LONDON BRANCH-IPB CLIENT ACCOUNT	2.24%	2.04%
Skandinaviska Enskilda Banken Ab Clients	2.18%	1.94%
ING LUXEMBOURG S.A.	1.66%	1.66%
FIREBIRD REPUBLICS FUND LTD	1.20%	0.34%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	1.08%	1.10%
FIREBIRD AVRORA FUND, LTD.	1.02%	1.02%



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 2011 and 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 2012, the Annual General Meeting of Shareholders convened at 19 April 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 the Chairman of the Management Board Madis Jääger attended the meeting.

Member of the Management Board Meelis Pielberg, 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 19 April 2012.

Shareholders representing 74.36% 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.

Until 1 July 2012, the Management Board of Olympic Entertainment Group AS comprised three members, where the Chairman was Madis Jääger and members were Meelis Pielberg and Indrek Jürgenson. From 1 July 2012, the Management Board of Olympic Entertainment Group AS comprises two members, where the Chairman is Madis Jääger and member is Meelis Pielberg. The main area of responsibility of the Chairman of the Management Board Madis Jääger was general management, financial management and investor relations issues. Member of the Management Board Meelis Pielberg was responsible for land-based casino operations and implementation of development projects. 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 2012 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 2012, 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 2012 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 2012. 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 2012 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 2012. 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 report

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

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
- Birgitta festival
- Estonian Cultural Capital
- Estonian Bartenders Association
- Tartu Maarja Church

- Estonian Union of Sports for the Disabled
- Estonian Pool Federation

Latvia:
- Martina Fund (children with health problems)
- Ronald McDonald House Charities Latvija

Lithuania:
- Kaunas Eastern Martial Arts Club “Naglis”
- Volleyball and beach volleyball sports club “Auksma”
- Lithuanian Poker federation
- ATW sprendimai

Poland
- Sport Event Sp. z o.o.

Slovakia
- Fund „Drope of Hope“
- DEMI Sport

Belarus
- Rescuers society support
- Field hockey club support
- Children and war veterans´ support
- 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.

(in thousands of euros) Olympic Entertainment Group AS

Consolidated financial statements

Consolidated statement of financial position

	Notes	31.12.2012	31.12.2011
ASSETS			
Current assets			
Cash and cash equivalents	7	35,973	33,413
Financial investments	8	13,773	9,508
Receivables and prepayments	9	2,730	2,606
Prepaid income tax		280	397
Inventories	13	1,036	909
Total current assets		**53,792**	**46,833**
Non-current assets			
Deferred tax assets	15	1,038	1,111
Financial investments	8	2,035	2,937
Other long-term receivables		712	712
Investment property	16	1,785	1,795
Property, plant and equipment	17	19,611	19,754
Intangible assets	19	30,226	27,822
Total non-current assets		**55,407**	**54,131**
TOTAL ASSETS		**109,199**	**100,964**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	20	241	3,113
Trade and other payables	21	12,827	9,870
Income tax payable		827	1,215
Provisions	22	1,585	1,881
Total current liabilities		**15,480**	**16,079**
Non-current liabilities			
Deferred tax liabilities	15	140	90
Long-term borrowings	20	596	3,136
Total non-current liabilities		**736**	**3,226**
TOTAL LIABILITIES		**16,216**	**19,305**
EQUITY			
Share capital		60,532	81,718
Share premium		0	14,535
Statutory reserve capital		0	2,470
Other reserve		141	53
Currency translation differences		-700	-1,776
Retained earnings / accumulated losses		27,327	-19,930
Total equity attributable to equity holders of the parent		**87,300**	**77,070**
Non-controlling interest		5,683	4,589
TOTAL EQUITY	23	**92,983**	**81,659**
TOTAL LIABILITIES AND EQUITY		**109,199**	**100,964**

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

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(in thousands of euros) Olympic Entertainment Group AS

Consolidated statement of comprehensive income

	Notes	2012	2011
Continuing operations			
Income from gaming transactions	24	125,479	113,070
Revenue	25	9,242	8,405
Other income	26	1,224	4,892
Total revenue and income		**135,945**	**126,367**
Cost of materials, goods and services	27	-2,907	-2,843
Other operating expenses	27	-61,036	-56,911
Staff costs	27	-33,005	-29,812
Depreciation, amortisation and impairment	17;19	-10,380	-14,281
Change in the fair value of investment property	16	107	166
Other expenses	28	-327	-3,861
Total operating expenses		**-107,548**	**-107,542**
Operating profit		**28,397**	**18,825**
Interest income		351	359
Interest expense		-157	-435
Foreign exchange gains (-losses)		-47	107
Other finance income and costs		436	480
Total finance income and costs	29	**583**	**511**
Profit before income tax		**28,980**	**19,336**
Income tax expense	30	-3,961	-2,487
Net profit for the period from continuing operations		**25,019**	**16,849**
Net loss for the period from discontinued operations	5	0	-2,462
Net profit for the period		**25,019**	**14,387**
Attributable to the parent		*24,199*	*13,830*
Attributable to non-controlling interest		*820*	*557*
Other comprehensive income			
Currency translation differences			
Continuing operations		*1,076*	*-2,329*
Discontinued operations		*0*	*-187*
Total comprehensive income for the period		**26,095**	**11,871**
Attributable to the parent		*25,275*	*11,314*
Attributable to non-controlling interest		*820*	*557*
Basic earnings (loss) per share*	23	16.0	9.1
Continuing operations		*16.0*	*10.7*
Discontinued operations		*0.0*	*-1.6*
Diluted earnings (loss) per share*	23	16.0	9.1
Continuing operations		*16.0*	*10.7*
Discontinued operations		*0.0*	*-1.6*

* in euro cents

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(in thousands of euros) Olympic Entertainment Group AS

Consolidated statement of cash flows

	Notes	2012	2011
Cash flows from operating activities			
Net profit for the period		25,019	14,387
Adjustments			
Depreciation, amortisation and impairment	5;17;19	10,380	15,724
Gain / loss on disposal of non-current assets (net)		-44	127
Change in fair value of investment property	16	-107	-166
Income tax expense	30	3,961	2,538
Other finance income and costs (net)	29	-583	-521
Changes in working capital:			
Receivables and prepayments		-669	3,114
Inventories		-127	1,612
Liabilities and prepayments		1,252	-421
Interest paid		-161	-440
Corporate income tax paid		-4,243	-2,093
Net cash generated from operating activities		**34,678**	**33,861**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		-7,576	-4,366
Proceeds from sale of property, plant and equipment		153	289
Acquisition of investment property		-14	0
Proceeds from sale of investment property		131	0
Purchase of financial investments		-5,206	-8,047
Proceeds from sale of financial investments		2,696	101
Acquisition of subsidiary, net of cash acquired		-1,243	0
Proceeds from sale of subsidiaries		0	177
Interest received		354	329
Net cash used in investing activities		**-10,705**	**-11,517**
Cash flows from financing activities			
Repayments of loans received	20	-6,276	-3,109
Payments of finance lease principal		-4	-3
Reduction of share capital paid	23	-15,143	-14,999
Net cash used in financing activities		**-21,423**	**-18,111**
Net cash flows		**2,550**	**4,233**
Cash and cash equivalents at beginning of the period		33,413	28,960
Exchange gains and losses on cash and cash equivalents		10	220
Cash and cash equivalents at end of the period	7	**35,973**	**33,413**

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

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(in thousands of euros) Olympic Entertainment Group AS

Consolidated statement of changes in equity

	Equity attributable to equity holders of the parent								
	Share capital	**Share premium**	**Statutory reserve capital**	**Other reserves**	**Currency translation differences**	**Retained earnings / accumulated losses**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 31.12.2010	**96,717**	**14,535**	**2,413**	**0**	**740**	**-33,703**	**80,702**	**4,032**	**84,734**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*13,830*	***13,830***	*557*	***14,387***
Other comprehensive income	*0*	*0*	*0*	*0*	*-2,516*	*0*	***-2,516***	*0*	***-2,516***
Total comprehensive income for the period	0	0	0	0	-2,516	13,830	**11,314**	557	**11,871**
Increase of statutory reserve capital	0	0	57	0	0	-57	**0**	0	**0**
Reduction of share capital	-14,999	0	0	0	0	0	**-14,999**	0	**-14,999**
Employee option programme	0	0	0	53	0	0	**53**	0	**53**
Balance at 31.12.2011	**81,718**	**14,535**	**2,470**	**53**	**-1,776**	**-19,930**	**77,070**	**4,589**	**81,659**
Balance at 31.12.2011	**81,718**	**14,535**	**2,470**	**53**	**-1,776**	**-19,930**	**77,070**	**4,589**	**81,659**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*24,199*	***24,199***	*820*	***25,019***
Other comprehensive income	*0*	*0*	*0*	*0*	*1,076*	*0*	***1,076***	*0*	***1,076***
Total comprehensive income for the period	0	0	0	0	1,076	24,199	**25,275**	820	**26,095**
Increase of statutory reserve capital	0	0	692	0	0	-692	**0**	0	**0**
Covering the accumulated losses	0	-14,535	-3,162	0	0	17,697	**0**	0	**0**
Reduction of share capital	-21,186	0	0	0	0	6,053	**-15,133**	-10	**-15,143**
Employee option programme	0	0	0	88	0	0	**88**	0	**88**
Acquired through business combinations	0	0	0	0	0	0	**0**	284	**284**
Balance at 31.12.2012	**60,532**	**0**	**0**	**141**	**-700**	**27,327**	**87,300**	**5,683**	**92,983**

The notes on pages 23 to 57 are an integral part of these consolidated financial statements.

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Notes to the consolidated financial statements

Note 1 General information

Olympic Entertainment Group AS (hereinafter the "Company") is a company registered in Estonia at 15 November 1999. The consolidated financial statements of the Company prepared for the financial year ended 31 December 2012 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, Belarus and Italy.

The Management Board authorised these consolidated financial statements for issue at 26 March 2013. 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 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union.

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

The consolidated financial statements for the year 2012 are presented in thousands of euros.

Adoption of new or revised standards and interpretations
New obligatory standards effective for the Group from 1 January 2012 have no 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 2013 and which the Group has not early adopted:

Presentation of Items of Other Comprehensive Income, amendments to IAS 1	(effective for annual periods beginning on or after 1 July 2012).	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.
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: • 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

(in thousands of euros) Olympic Entertainment Group AS

		"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 10, Consolidated Financial Statements	(effective for annual periods beginning on or after 1 January 2014).	Replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Group is currently assessing the impact of the standard on its financial statements.
IFRS 12, Disclosure of Interest in Other Entities	(effective for annual periods beginning on or after 1 January 2014).	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).	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.
IAS 27 (revised 2011), Separate Financial Statements	(effective for annual periods beginning on or after 1 January 2014).	The objective of the revised standard is to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements. The Group is currently assessing the impact of the amended standard on its financial statements.

Amended IAS 19, Employee Benefits	(effective for annual periods beginning on or after 1 January 2013).	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 50% 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. Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency (receivables and loans payable in cash) are translated into the functional currency based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recorded in the income statement of the reporting period. Non-monetary assets and liabilities that are 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 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 prevailing at the date of the initial transaction.

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

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

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

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

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

Financial assets
The Group has the following financial assets: *financial assets at fair value through profit or los*s, *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 purposed of earnings rental income or for capital appreciation and that are not used in it its operating activities are recorded under investment property. An item of investment property is initially recognised in the balance sheet at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would have not taken place). It is subsequently measured at its fair value which is based on the market value determined annually by independent 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%

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.

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 useful lives for the groups of non-current assets are as follows:

Software and licenses	up to 5 years

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

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

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

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

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

Operating lease payments are reported in the income statement as expenses on an accrual basis over the lease term.

The Group as the lessor
Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income is recognised on a straight-line basis over the lease term. Initial direct costs incurred by 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 2012: 15% in Latvia (2011: 15%), 15% in Lithuania (2011: 15%), 19% in Poland (2011: 19%), 19% in Slovakia (2011: 19%), 18% in Belarus (2011: 24%), in Romania (2011: 16%) and 31.4% in Italy.

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 the aggregate of gaming wins and losses. Income from gaming transactions is accounted for under the accrual method of accounting. Income from gaming transactions is measured differently depending from the country. Generally gaming taxes are paid on income from gaming transactions, i.e. the aggregate of gaming wins and losses. In these cases gaming tax is recognised as expense in statement of comprehensive income. In Italy, gaming tax is paid on wagers and instead of expensing the gaming tax cost it has been deducted from the aggregate of gaming wins and losses. For management reporting purposes the Group management measures income from gaming transactions by the aggregate of gaming wins and losses similarly in all countries. The difference between management and financial reporting arising from Italy is disclosed in Note 24.

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

Group considered Belarus as a hyperinflationary economy for accounting purposes while preparing financial statements for the year 2011. In spite of relative stabilization of inflation rate and currency exchange rate treatment of Belarus as a hyperinflationary economy is continued for accounting purposes in the financial statements for the year 2012 as the cumulative inflation rate over the last three years exceeds 100%.

In addition to the quantitative factor mentioned above, several qualitative factors also support treatment of Belarus as a hyperinflationary economy for accounting purposes.

The key accounting policies for recognition of the Belarusian operating segment in the financial statements of the Group include:

- 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.

(in thousands of euros) Olympic Entertainment Group AS

- All components of the financial statements of the Belarusian company has been translated at the closing exchange rate BYR 11,340 = 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**	
	31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Cash and cash equivalents (Note 7)	0	0	0	0	35,973	33,413	**35,973**	**33,413**
Financial investments (Note 8)	10,815	7,991	951	937	4,042	3,517	**15,808**	**12,445**
Trade receivables (Note 9)	0	0	0	0	496	457	**496**	**457**
Interest receivables (Note 12)	0	0	0	0	102	106	**102**	**106**
Other receivables (Note 12)	0	0	0	0	27	93	**27**	**93**
Total	**10,815**	**7,991**	**951**	**937**	**40,640**	**37,586**	**52,406**	**46,514**

Liabilities at amortised cost

	31.12.2012	**31.12.2011**
Borrowings (Note 20)	837	6,249
Trade payables (Note 21)	3,251	1,696
Other liabilities (Note 21)	1,036	790
Total	**5,124**	**8,735**

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's Italian subsidiary is denominated in euros and is not exposed to the currency risk.

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Exposure to currency risks at 31.12.2012

	EUR	USD	LVL	LTL	PLN	BYR	Others	Total
Cash and cash equivalents (Note 7)	24,320	153	7,980	1,183	2,051	263	23	**35,973**
Financial investments (Note 8)	3,101	10,815	0	1,054	838	0	0	**15,808**
Trade receivables (Note 9)	152	0	233	33	78	0	0	**496**
Interest receivables (Note 12)	37	0	0	65	0	0	0	**102**
Other receivables (Note 12)	17	0	9	1	0	0	0	**27**
Total	**27,627**	**10,968**	**8,222**	**2,336**	**2,967**	**263**	**23**	**52,406**
Short-term borrowings (Note 20)	-240	0	0	-1	0	0	0	**-241**
Trade payables (Note 21)	-2,432	-7	-457	-210	-141	0	-4	**-3,251**
Other current liabilities (Note 21)	-543	0	-36	-15	-399	-43	0	**-1,036**
Long-term borrowings (Note 20)	-580	0	0	0	-16	0	0	**-596**
Total	**-3,795**	**-7**	**-493**	**-226**	**-556**	**-43**	**-4**	**-5,124**
Net exposure	**23,832**	**10,961**	**7,729**	**2,110**	**2,411**	**220**	**19**	**47,282**
Appreciation of the currency exchange rate against EUR (%)	-	2%	0%	-	9%	5%	-	**-**
Depreciation of the currency exchange rate against EUR (%)	-	-2%	0%	-	-9%	-5%	-	**-**
Effect on profit and equity	**0**	**219**	**0**	**0**	**217**	**11**	**0**	**448**
Effect on profit and equity	**0**	**-219**	**0**	**0**	**-217**	**-11**	**0**	**-448**

Exposure to currency risks at 31.12.2011

	EUR	USD	LVL	LTL	PLN	BYR	Others	Total
Cash and cash equivalents (Note 7)	19,548	45	9,838	1,108	2,684	185	5	**33,413**
Financial investments (Note 8)	2,041	7,991	0	1,661	752	0	0	**12,445**
Trade receivables (Note 9)	193	0	137	49	78	0	0	**457**
Interest receivables (Note 12)	34	0	0	72	0	0	0	**106**
Other receivables (Note 12)	16	22	2	53	0	0	0	**93**
Total	**21,832**	**8,058**	**9,977**	**2,943**	**3,514**	**185**	**5**	**46,514**
Short-term borrowings (Note 20)	-3,111	0	0	-2	0	0	0	**-3,113**
Trade payables (Note 21)	-834	-11	-281	-293	-276	0	-1	**-1,696**
Other current liabilities (Note 21)	-234	0	-30	-14	-484	-28	0	**-790**
Long-term borrowings (Note 20)	-3,121	0	0	-1	-14	0	0	**-3,136**
Total	**-7,300**	**-11**	**-311**	**-310**	**-774**	**-28**	**-1**	**-8,735**
Net exposure	**14,532**	**8,047**	**9,666**	**2,633**	**2,740**	**157**	**4**	**37,779**
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**	**938**
Effect on profit and equity	**0**	**-241**	**-97**	**0**	**-329**	**-270**	**0**	**-938**

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.

Jackpot Game S.r.l and Banka Popolare di Milano have concluded the loan agreement with the due date of 31 March 2016. The annual interest rate is 3 month Euribor + 2.0%. At the balance sheet date, the balance of the loan was EUR 801 thousand.

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

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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 Trade receivables not yet overdue.

	31.12.2012	31.12.2011
Cash and cash equivalents in bank accounts (Note 7)	31,199	28,892
Short and long term financial investments (Note 8)	15,808	12,445
Trade receivables (Note 9)	496	457
Other receivables (Note 12)	27	93
Total	**47,530**	**41,887**

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

	31.12.2012	31.12.2011
Cash and cash equivalents on bank accounts		
Banks with credit rating A	30,273	24,769
Banks with credit rating B	437	3,347
Other banks	489	776
Short and long-term financial investments		
Banks with credit rating A	15,021	11,693
Other banks	787	752
Total	**47,007**	**41,337**

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 2012, the investment in Lithuanian government bonds was EUR 952 thousand and at 31 December 2011, EUR 936 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 1,082 thousand; if it depreciated by 10%, profit and equity would decrease by EUR 1,082 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 31.12.2012 totalled EUR 38,312 thousand and as at 31.12.2011, EUR 30,754 thousand, respectively.

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

	31.12.2012	31.12.2011
Bank loans (Note 20)	**843**	**6,466**
1-3 months	65	832
3-12 months	195	2,456
1-5 years	583	3,178
Finance lease liabilities (Note 20)	**14**	**19**
1-3 months	1	1
3-12 months	3	4
1-5 years	10	14
Trade payables (Note 21)	**3,251**	**1,696**
1-3 months	3,251	1,696
3-12 months	0	0
1-5 years	0	0
Other liabilities (Note 21)	**1,036**	**790**
1-3 months	1,036	790
3-12 months	0	0
1-5 years	0	0
Total	**5,144**	**8,971**
Total 1-3 months	4,353	3,319
Total 3-12 months	198	2,460
Total 1-5 years	593	3,192

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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.

	31.12.2012	31.12.2011
Total equity of the Group	92,983	81,659
Balance sheet total of the Group	109,199	100,964
Share of equity of the balance sheet total	85.2%	80.9%

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 December 2012 was EUR 1,038 thousand and as at 31 December 2011 EUR 1,111 thousand. The carrying amount of deferred income tax liability as at 31 December 2012 was EUR 140 thousand and as at 31 December 2011 EUR 90 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 2012, the carrying amount of non-current assets was EUR 19,611 thousand and as at 31 December 2011, EUR 19,754 thousand.

If useful lives of items of property, plant and equipment were decreased by 10%, the annual depreciation charge would increase by EUR 1,039 thousand and if useful lives of items of property, plant and equipment were increased by 10%, the annual depreciation charge would decrease by EUR 850 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 December 2012, the carrying amount of goodwill was EUR 29,424 thousand and as at 31 December 2011, EUR 27,055 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 1,585 thousand and EUR 1,881 thousand as at 31 December 2012 and 31 December 2011, respectively.

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Control over the business activities of subsidiary (Note 32)
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 50% of the voting rights of the subsidiary or the Group has the power to control the operating and financial policy of the subsidiary.

Group management estimates that despite the 50% shareholding, the Group has gained control over the Italian company the Box S.r.l. acquired in 2012.

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

	2012	2011
Income from gaming transactions	0	844
Revenue	0	110
Other income	0	15
Total operating income	**0**	**969**
Cost of materials, goods and services	0	-38
Other operating expenses	0	-846
Staff costs	0	-688
Depreciation, amortisation and impairment	0	-255
Other expenses	0	-6
Total operating expenses	**0**	**-1,833**
Operating loss	**0**	**-864**
Interest income	0	0
Foreign exchange gains (losses)	0	10
Total finance income and costs	**0**	**10**
Loss before income tax	**0**	**-854**
Income tax expense	0	-51
After-tax loss for the period of discontinued operations	**0**	**-905**
Loss recognised from re-measurement of assets and liabilities of disposal group		
Impairment of property, plant and equipment	0	-1,188
Loss from re-measurement of liabilities	0	-369
Total loss on the re-measurement of assets and liabilities	**0**	**-1,557**
Comprehensive loss from discontinued operations	**0**	**-2,462**

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Cash flows of discontinued operations

	2012	2011
Cash flows generated from operating activities	0	-825
Cash flows (-used in) / from investing activities	0	-1
Cash flows from financing activities	0	0
Net cash flows	**0**	**-826**
Cash and cash equivalents at beginning of the period	0	816
Exchange gains and losses on cash and cash equivalents	0	10
Cash and cash equivalents at end of the period	**0**	**0**

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 exceeded the 100% level and the inflation rate of 2012 was 22% (2011: 109%). In 2012, the Belarusian ruble has depreciated against the euro by 5% (2011: 172%). As at 31 December 2012, the exchange rate was BYR 11,340.00 = EUR 1; as at 31 December 2011: BYR 10,800.00 = EUR 1.

In 2012 there Company had no losses from inflation. 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

	31.12.2012	31.12.2011
Cash on hand and at gaming halls	4,774	4,521
Cash in bank accounts	11,609	7,502
Call deposits	1,971	9,646
Term deposits	16,683	10,854
Cash in transit	936	890
Total cash and bank	**35,973**	**33,413**

Call deposits comprise the balances on overnight deposits. The effective interest rates of overnight deposits ranged from 0.06% - 0.23% (2011: 0.08%- 0.25%). The effective interest rates of term deposits ranged from 0.08% - 10.0% (2011: 1.3%-30.0%). 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 2012, the Group's interest income on term deposits amounted to EUR 289 thousand and in 2011, EUR 299 thousand (Note 29).

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Note 8 Short- and long-term financial investments

Short-term financial investments	**31.12.2012**	**31.12.2011**
Lithuanian government bonds	952	0
Deposits with maturities between 4 months and 1 year	967	727
Deposits used as collateral for rental premises	610	398
Other guarantee deposits	429	392
Investment gold units	10,815	7,991
Total short-term financial investments	**13,773**	**9,508**
Long-term financial investments		
Lithuanian government bonds	0	936
Other guarantee deposits	2,000	2,000
Other investments	35	1
Total long-term financial investments	**2,035**	**2,937**

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% (2011: 4.5%-4.6%). In 2012, interest income on the bonds amounted to EUR 62 thousand and in 2011, EUR 60 thousand (Note 29).

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

	31.12.2012	**31.12.2011**
Trade receivables (Note 10)	496	457
Prepaid taxes (Note 11)	651	642
Other receivables and prepayments (Note 12)	1,583	1,507
Total receivables and prepayments	**2,730**	**2,606**

Note 10 Trade receivables

	31.12.2012	**31.12.2011**
Trade receivables not yet due	496	457
Trade receivables overdue and impaired	707	675
Provision for impairment of receivables	-707	-675
Total trade receivables (Note 9)	**496**	**457**

Impairment of doubtful receivables	**2012**	**2011**
At the beginning of year	-675	-381
Impairment of receivables	-32	-339
Irrecoverable receivables	0	45
At year-end	**-707**	**-675**

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

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Note 11 Taxes

	31.12.2012		31.12.2011	
	Prepayment	Liability	Prepayment	Liability
Gaming tax	525	1,765	501	1,497
Value added tax	125	377	137	268
Personal income tax	0	488	0	420
Social security tax	0	1,130	3	999
Excise tax	0	1	0	1
Income tax on gifts, fringe benefits	0	9	0	17
Other taxes	1	17	1	25
Total taxes (Note 9)	**651**	**3,787**	**642**	**3,227**

Tax rates effective at 31.12.2012 by country

	Estonia	Latvia	Lithuania	Poland	Slovakia	Belarus	Italy
Gaming tax (per month)*							
per gaming table (EUR)	1 278	1 440	1 738	50%	29%	-	-
per slot machine (EUR)	447	262	232	50%	29%	125	4,8%
Value added tax	20%	21%	21%	23%	20%	20%	21%
Corporate income tax**	21/79	15%	15%	19%	19%	18%	31,4%
Personal income tax	21%	25%	15%	18%; 32%	19%	12%	23-43%
Social security tax	33%	35,09%	40%	18,30%	28,35%	34%	35-39%

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

	31.12.2012	31.12.2011
Prepaid expenses		
Lease of premises	645	633
Licenses	160	171
Software and equipment maintenance	131	62
Other prepaid expenses	479	402
Total prepaid expenses	**1,415**	**1,268**
Other short-term receivables		
Loans to employees	10	10
Other receivables from employees	29	30
Interest receivable	102	106
Other short-term receivables	27	93
Total other short-term receivables	**168**	**239**
Total (Note 9)	**1,583**	**1,507**

Note 13 Inventories

	31.12.2012	31.12.2011
Gaming equipment	201	143
Jackpot prizes	36	35
Spare parts for slot machines	166	197
Other materials	199	175
Goods purchased for resale	434	359
Total inventories	**1,036**	**909**

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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 2011, 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 31.12.2010	**1,105**
Taken into own use	-102
Write-offs	-46
Disposals	-211
Provision for impairment	-746
Balance as at 31.12.2011	**0**
Balance as at 31.12.2012	**0**

In 2012 impaired non-current assets were sold with profit of EUR 242 thousand (Note 26).

Note 15 Deferred tax assets and liabilities

	Tax assets		Tax liabilities	
	31.12.2012	**31.12.2011**	**31.12.2012**	**31.12.2011**
Employee benefits	101	157	0	0
Property, plant and equipment	108	189	-329	-223
Investment property	117	117	0	0
Provisions	101	98	0	-479
Loan interest	810	1,136	0	0
Other	129	139	-139	-113
Total tax assets / liabilities	**1,366**	**1,836**	**-468**	**-815**
Set-off of deferred tax assets and liabilities	-328	-725	328	725
Net deferred tax assets/liabilities	**1,038**	**1,111**	**-140**	**-90**
Deferred tax assets / liabilities at beginning of year	1,111	1,098	-90	-313
Deferred tax assets / liabilities at end of year	1,038	1,111	-140	-90
Recognised income / expense during the year (Note 30)	**-73**	**13**	**-50**	**223**

Note 16 Investment property

	Land	Buildings	Total
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**
Additions	0	14	**14**
Sales	-131	0	**-131**
Net gain from fair value adjustments	97	10	**107**
Balance at 31 December 2012	**1,299**	**486**	**1,785**

Land includes forest land acquired for capital appreciation and building rights to a property acquired for real estate development in Vilnius. Buildings include apartments in Tallinn and Tartu acquired to earn rentals and for capital appreciation.

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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 2012, part of the forest land was sold for EUR 131 thousand.

In the reporting period, rental income from investment property totalled EUR 51 thousand and in 2011, EUR 8 thousand. Other expenses on investment property (utility, security, insurance, and land tax charges) totalled EUR 21 thousand and in 2011, EUR 6 thousand.

Note 17 Property, plant and equipment

	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						
Continuing operations						
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 non-current assets held for sale	-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**
Discontinued operations						
Write-offs	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**

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	Buildings	Renovation expenditures	Machinery & equipment	Other PP&E	Construction in progress	Total
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**
Changes in 2012						
Additions	0	717	4,012	421	3,678	**8,828**
Acquired through business combination	0	834	71	0	0	**905**
Sales	0	0	-131	0	0	**-131**
Write-offs	0	-57	-5	-24	0	**-86**
Transfers	0	1,187	1,582	503	-3,272	**0**
Depreciation charge	-7	-2,697	-5,812	-553	0	**-9,069**
Impairment losses	0	-702	-186	-4	0	**-892**
Currency translation differences	3	99	185	15	0	**302**
As at 31 December 2012						
Cost	93	29,362	63,081	5,399	837	**98,772**
Accumulated depreciation	-55	-22,173	-52,726	-4207	0	**-79,161**
Carrying amount	**38**	**7,189**	**10,355**	**1192**	**837**	**19,611**

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 2012, the impairment losses of property, plant and equipment totalled EUR 892 thousand, of which EUR 714 thousand was related to the impairment of non-current assets in Estonian subsidiaries and EUR 178 thousand was related to the impairment of slot machines at the warehouse of Polish subsidiaries. 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 Romanian subsidiaries and EUR 150 thousand was related to the impairment of slot machines at the warehouses of subsidiaries.

In 2012, property, plant and equipment were written off with the carrying amount of EUR 86 thousand. In 2011, property, plant and equipment were written off with the carrying amount of EUR 545 thousand, of which EUR 486 thousand was related to the closing of three gaming halls 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 2012, operating lease payments totalled EUR 9,216 thousand and in 2011 EUR 9,408 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.

(in thousands of euros) Olympic Entertainment Group AS

Payments due

	2012	2011
Due in less than 1 year	7,065	8,988
Due between 1 and 5 years	14,587	22,463
Due after 5 years	6,174	8,256

The Group is the lessor
The Group as the lessor leases out premises under operating lease terms. In 2012, operating lease income totalled EUR 171 thousand and in 2011, EUR 144 thousand.

Future lease payments under non-cancellable operating leases

	2012	2011
Due in less than 1 year	65	149
Due between 1 and 5 years	176	226
Due after 5 years	0	40

Note 19 Intangible assets

	Goodwill	Software and licenses	Unfinished projects	Total
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				
Continuing operations				
Additions	0	37	21	**58**
Transfers	0	26	-26	**0**
Amortisation charge	0	-420	0	**-420**
Currency translation differences	-745	-57	0	**-802**
Discontinued operations				
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**

(in thousands of euros) Olympic Entertainment Group AS

	Goodwill	Software and licenses	Unfinished projects	Total
As at 31 December 2011				
Cost	27,055	3,030	16	**30,101**
Accumulated amortisation	0	-2,279	0	**0**
Carrying amount	**27,055**	**751**	**16**	**27,822**
Changes in 2012				
Additions	0	115	68	**183**
Acquired through business combination	1,711	153	0	**1,864**
Write-offs	0	0	-1	**-1**
Transfers	0	40	-40	**0**
Impairment losses	0	-3	0	**-3**
Amortisation charge	0	-329	0	**-329**
Currency translation differences	658	32	0	**690**
As at 31 December 2012				
Cost	29,424	3,369	43	**32,836**
Accumulated amortisation	0	-2,610	0	**-2,610**
Carrying amount	**29,424**	**759**	**43**	**30,226**

Impairment tests and impairment losses
Management tested goodwill for impairment as at 31 December 2012 and 31 December 2011. The Group regards segments as cash-generating units. The break-down of goodwill between segments is as follows:

Segment	**31.12.2012**	**31.12.2011**
Estonia	12,968	12,967
Latvia	7,339	7,320
Poland	7,406	6,768
Italy	1,711	0
	29,424	**27,055**

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:

	Average income growth in 5-year period		**Average expense growth in 5-year period**		**WACC**		**Terminal growth rate**	
Segment	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Estonia	5%	5%	5%	4%	13.60%	12,27%	3%	3%
Latvia	5%	5%	5%	5%	12.94%	12,97%	3%	3%
Poland	5%	7%	5%	5%	14.20%	13,38%	3%	3%
Italy	5%	-	5%	-	15.32%	-	3%	-

In 2012 and 2011, no impairment losses were recognised for goodwill.

(in thousands of euros) Olympic Entertainment Group AS

Note 20 Borrowings

	31.12.2012	31.12.2011
Short-term borrowings		
Current portion of financial lease liability	3	4
Current portion of a long-term bank loan	238	3,109
Total short-term borrowings	**241**	**3 113**
Long-term borrowings		
Non-current portion of financial lease liability	10	13
Non-current portion of a long-term bank loan	563	3,109
Other borrowings	23	14
Total long-term borrowings	**596**	**3,136**
Total borrowings	**837**	**6,249**

At 22 October 2012 Olympic Entertainment Group AS and Swedbank AS concluded an agreement, whereby they agreed to terminate prematurely the loan agreement concluded in the year 2008. The contractual repayment date was 25 December 2013. Olympic Entertainment Group AS repaid prematurely Swedbank AS the loan in the complete amount of EUR 3,886 thousand.

Jackpot Game S.r.l and Banka Popolare di Milano have concluded the loan agreement with the due date of 31 March 2016. The annual interest rate is 3 month Euribor + 2.0%.

In 2012, the interest expense of the bank loan was EUR 157 thousand (2011: EUR 435 thousand) (Note 29).

Note 21 Trade and other payables

	31.12.2012	31.12.2011
Customer prepayments	1,517	1,268
Trade payables	3,251	1,696
Other payables	326	152
Tax liabilities (Note 11)	3,787	3,227
Payables to employees	3,236	2,889
Interest payable	0	4
Other accrued expenses	710	634
Total trade and other payables	**12,827**	**9,870**

Note 22 Provisions

	2012	2011
Provisions for winnings		
At beginning of the year	636	456
Charged to the income statement	877	8,177
Used during year	-1,072	-7,997
Provisions for winnings at end of the year	**441**	**636**
Provisions for expenses		
At beginning of the year	1,245	1,238
Charged to the income statement	638	1,130
Used during year	-739	-1,123
Provisions for expenses at end of the year	**1,144**	**1,245**
Total provisions	**1,585**	**1,881**

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.

(in thousands of euros) Olympic Entertainment Group AS

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 July 2012, the reduction of share capital of Olympic Entertainment Group AS on the basis adopted by resolution of the General Meeting of Shareholders held at 19 April 2012 was entered in the Commercial Register where it was decided to reduce the share capital of the Company altogether by EUR 21,186,130.70 from EUR 81,717,932.70 to EUR 60,531,802. The share capital was reduced by reducing the book value of the shares from EUR 0.54 to EUR 0.40, whereas the number of the shares remained the same (i.e. 151,329,505). The reduction of share capital in the amount of EUR 15,132,950.50 (EUR 0.10 per share) was paid to the shareholders on 29 October 2012. Upon reducing the share capital, EUR 6,053,180.20 was not be paid to the shareholders but was used to cover the accumulated losses.

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 Estonian kroons 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.

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.

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

Largest shareholders of Olympic Entertainment Group AS:

	31.12.2012	**31.12.2011**
OÜ HANSA ASSETS	45.17%	45.87%
OÜ HENDAYA INVEST	18.95%	19.28%
NORDEA BANK FINLAND PLC, CLIENTS	2.94%	3.07%
Central Securities Depository of Lithuania	2.32%	2.96%
CITIBANK (LONDON)/ UBS AG LONDON BRANCH-IPB CLIENT ACCOUNT	2.24%	2.04%
Skandinaviska Enskilda Banken Ab Clients	2.18%	1.94%
ING LUXEMBOURG S.A.	1.66%	1.66%
FIREBIRD REPUBLICS FUND LTD	1.20%	0.34%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	1.08%	1.10%
FIREBIRD AVRORA FUND, LTD.	1.02%	1.02%

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

Name	**31.12.2012**	**31.12.2011**
Armin Karu	68,364,790	69,414,790
Jaan Korpusov	28,761,910	29,211,910
Liina Linsi	16,681	16,681
Meelis Pielberg	29,355	29,355

Dividends

At 31 December 2012 Group consolidated retained earnings (taking into the consideration the legal requirement to transfer 1/20 of the net profit for the reporting period to statutory reserve capital) amounted to EUR 26,117 thousand. Payment of dividends to the shareholders is usually accompanied by income tax cost in amount of 21/79 of sum paid out as net dividend. If a company pays out dividends, which are received from its subsidiary, from which the income tax has already been paid or whose profit has already been taxed in the country of origin, then distribution of a parent company dividends does not create liability to pay additional income tax. At 31 December 2012 Olympic Entertainment Group AS, as a parent company, can pay dividends without additional income tax costs in total amount of EUR 14,000 thousand. Distribution of total retained earnings of the company would be accompanied by a potential income tax obligation on EUR 2,544 thousands and amount paid out to shareholders would amount to EUR 26,117 thousand. As the Group had no retained earnings as at 31 December 2011, no dividends could be paid to the owners in 2012.

(in thousands of euros) Olympic Entertainment Group AS

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 Poland, the share capital of a gaming services provider has to amount to EUR 4 million. As at 31.12.2012, 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, Olympic Casino Bel IP, Kesklinna Hotelli OÜ and The Box S.r.l had negative equity. As at 31.12.2011, 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 F&B S.r.o., 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

	2012	**2011**
Net profit for the reporting period	24,199	13,830
Average number of shares (thousand)	151,329	151,329
Basic earnings per share (euro cents)	16.0	9.1
Diluted profit per share (euro cents)	16.0	9.1

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).

(in thousands of euros) Olympic Entertainment Group AS

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 2012, the Group had operations in the Estonian, Latvian, Lithuanian, Polish, Slovak, Belarusian and Italian markets. As at 31 December 2011, the Group had operations in the Estonian, Latvian, Lithuanian, Polish, Slovak and Belarusian 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 17,017 thousand as at 31 December 2012 and EUR 18,067 thousand as at 31 December 2011, and the total of these non-current assets located in other countries is EUR 34,605 thousand as at 31 December 2012 EUR 31,304 thousand as at 31 December 2011.

2012	**Estonia**	**Latvia**	**Lithuania**	**Poland**	**Slovakia**	**Belarus**	**Italy**	**Total**
Income from gaming transactions	31,466	30,809	18,690	26,792	13,838	3,157	1,320	**126,072**
Italian gaming tax	0	0	0	0	0	0	-593	**-593**
Revenue	3,267	2,746	1,317	417	1,353	244	3	**9,347**
Inter-segment revenue	-92	-10	0	-2	-1	0	0	**-105**
External revenue	**34,641**	**33,545**	**20,007**	**27,207**	**15,190**	**3,401**	**730**	**134,721**
External other income	765	135	22	258	1	43	0	**1,224**
Total operating income	**35,406**	**33,680**	**20,029**	**27,465**	**15,191**	**3,444**	**730**	**135,945**
Total operating expenses	**-28,718**	**-20,458**	**-16,177**	**-24,882**	**-13,869**	**-2,384**	**-1,060**	**-107,548**
Incl. depreciation, impairment and impairment charges	-2,903	-2,273	-1,390	-2,148	-1,265	-216	-78	**-10,273**
Total operating profit (-loss)	**6,688**	**13,222**	**3,852**	**2,583**	**1,322**	**1,060**	**-330**	**28,397**
Segment assets	79,554	26,573	8,474	13,446	9,834	636	5,289	**143,806**
Unallocated assets*								**1,404**
Eliminations								**-36,011**
Total assets								**109,199**
Segment liabilities	3,848	3,174	4,792	19,162	7,615	7,485	2,521	**48,597**
Unallocated liabilities**								**1,780**
Eliminations								**-34,161**
Total liabilities								**16,216**
Purchase of property, plant and equipment	2,022	3,791	1,164	547	1,364	21	2,871	**11,780**
Total investments								**11,780**

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

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(in thousands of euros) Olympic Entertainment Group AS

2011	Estonia	Latvia	Lithuania	Poland	Slovakia	Belarus	Italy	Total
Income from gaming transactions	27,905	27,345	17,902	27,087	9,853	2,978	0	**113,070**
Revenue	3,029	2,467	1,394	482	985	222	0	**8,579**
Inter-segment revenue	-150	-2	-19	-3	0	0	0	**-174**
External revenue	**30,784**	**29,810**	**19,277**	**27,566**	**10,838**	**3,200**	**0**	**121,475**
External other income	2,043	13	43	2,743	1	49	0	**4,892**
Total operating income	**32,827**	**29,823**	**19,320**	**30,309**	**10,839**	**3,249**	**0**	**126,367**
Total operating expenses	**-29,323**	**-20,280**	**-16,853**	**-27,615**	**-10,276**	**-3,195**	**0**	**-107,542**
Incl. depreciation, impairment and impairment charges	-3,632	-3,110	-2,244	-3,478	-1,042	-609	0	**-14,115**
Total operating profit	**3,504**	**9,543**	**2,467**	**2,694**	**563**	**54**	**0**	**18,825**
Segment assets	82,191	22,747	8,970	14,705	10,035	651	0	**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	0	**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	0	**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.

Note 25 Revenue

	2012	2011
Hotel service revenue	1,462	1,345
Bar service revenue	5,011	4,747
Other revenue	2,769	2,313
Total revenue	**9,242**	**8,405**

Note 26 Other income

	2012	2011
Gains on disposal of PP&E	124	122
Miscellaneous income	1,100	4,770
Total other income	**1,224**	**4,892**

In 2012, the other income of the Group totalled EUR 1,100 thousand, of which EUR 501 thousand was court case compromise between Olympic Entertainment Group AS and Moneta Inc., EUR 194 thousand was value added tax repaid to the Polish subsidiary, EUR 270 thousand was sales profit of non-current assets of Estonian subsidiary and sales profit of inventories of Lithuanian subsidiaries and other income was EUR 135 thousand.

In 2011, the other income of the Group totalled EUR 4,770 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.

(in thousands of euros) Olympic Entertainment Group AS

Note 27 Operating expenses

	2012	2011
Cost of materials, goods and services used		
Direct catering, accommodation and bar service expenses	-2,879	-2,821
Other services	-28	-22
Total cost of materials, goods and services used	**-2,907**	**-2,843**
Other operating expenses		
Gaming tax and operating licences	-27,700	-25,550
Marketing expenses	-9,910	-9,730
Rental expenses	-10,214	-9,707
Maintenance expenses (equipment and premises)	-6,897	-6,210
IT expenses	-828	-741
Other expenses	-5,487	-4,973
Total other operating expenses	**-61,036**	**-56,911**
Staff cost		
Salaries	-25,691	-23,219
Social security taxes	-7,314	-6,593
Total staff cost	**-33,005**	**-29,812**
Total operating expenses	**-96,948**	**-89,566**

In 2012, the average number of the Group’s employees was 2,277 (in 2011: 2,336).

Note 28 Other expenses

	2012	2011
Loss on disposal and liquidation of PP&E	-81	-250
Foreign exchange losses on settlements with suppliers	-83	-606
Provision for impairment of receivables	-20	-892
Miscellaneous expenses	-143	-2,113
Total other expenses	**-327**	**-3,861**

Total other expenses of the Group in 2012 composed EUR 143 thousand. In 2011 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

	2012	2011
Interest income on term deposits (Note 7)	156	158
Interest income on overnight deposits (Note 7)	133	141
Other interest income	61	60
Interest expense (Note 20)	-157	-435
Foreign exchange profit/loss (net)	-47	107
Other finance income and costs	437	480
Total finance income and costs	**583**	**511**

Note 30 Income tax expense

	2012	2011
Profit before income tax	28,980	19,336
Estimated income tax on profits of subsidiaries	-3,470	-2,015
Adjustment of income tax on profits of subsidiaries	-491	-472
Income tax expense in the income statement	**-3,961**	**-2,487**

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):

	2012	2011
Share options outstanding at beginning of the year	**575**	**0**
Share options granted during the year	0	575
Effect of non-satisfaction of vesting conditions	0	0
Cancelled share options	-70	0
Share options exercised	0	0
Share options outstanding at the end of the year	**505**	**575**

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 2012 the expense of share-based payments recognised as personnel expense amounted to EUR 88 thousand (2011: EUR 53 thousand).

Note 32 Business Combinations

Olympic Entertainment Group AS and the Italian company GHolding have signed an agreement on 2 August 2012 to jointly set up and operate medium-sized VLT slot casinos in Italy. Both parties own 50% of the joint operating company The Box S.r.l. According to Group's management opinion in spite of the 50% participation, the shareholders' agreement conditions refer that The Box S.r.l. is controlled by the Group and therefore, The Box S.r.l. is considered to be Group's subsidiary. The total consideration transferred in cash was EUR 5 thousand.

The Group company The Box S.r.l. signed the agreement on 24 October 2012, where it acquired the Jackpot Game S.r.l in Italy, which operates 2 VLT slot casinos. With the acquisition of the company the goodwill was recognised in amount of EUR 1,711 thousands, which is subject to review by the Group management within one year. The accounting for intangible assets acquired is provisional as to the current moment is unclear if all of the intangible assets can be recognised as the separate identifiable assets or not. The total consideration transferred in cash was EUR 1,825 thousand.

If the Group had acquired the Italian companies in the beginning of 2012, the revenues of the Group for the year of 2012 would have been higher approximately by EUR 3,600 thousands and 2012 net profit approximately by EUR 296 thousand, respectively. The Box S.r.l. earned net loss for the Group in the amount of EUR 257 thousand and Jackpot Game S.r.l revenue was EUR 730 thousand and net loss was EUR 97 thousand.

(in thousands of euros) Olympic Entertainment Group AS

The following table gives an overview of acquired identifiable assets and liabilities at the moment of acquisition. The basis for purchase price allocation was the balance sheet as of 2 August 2012 of The Box S.r.l. and the balance sheet as of 24 October 2012 of Jackpot Game S.r.l.

(EUR thousands)	**The Box S.r.l. Fair value**	**Jackpot Game S.r.l. Fair value**
Cash and bank accounts	5	582
Other receivables and assets	17	58
Tangible assets	0	899
Intangible assets	82	0
Liabilities	-95	-1 312
Total identifiable assets	**9**	**228**
Minority interest 50%	5	114
Goodwill	0	1 711
Holding acquisition value	5	1 825
Cash and cash equivalents of purchased company	5	582
Total monetary influence on Group	**0**	**1 243**

Note 33 Related party transactions

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

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

Purchases of goods and services	**2012**	**2011**
Shareholders with significant influence	41	73
Total	**41**	**73**

As at 31 December 2012 and 31 December 2011, 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 2012, 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 793 thousand (2011: EUR 565 thousand) and EUR 157 thousand (2011: EUR 157 thousand), respectively.

In 2011, share options were granted to all the members of the Management Board of all Group entities. At 31 December 2012, 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 34 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 35 Events after the balance sheet date

On 11 March 2013 Group's subsidiary Olympic Casino Eesti AS acquired a 100% share holding of a holding company Siquia Holding B.V. (share capital 21,101 EUR) registered in the Netherlands. In addition on 11 March 2013 Olympic Entertainment Group AS established and registered the companies Gametech Services Limited and Gametech Licensing Limited in Jersey without making a share capital contribution, whereas the authorized capital of both companies is 200,000 GBP. The aim of establishing and acquiring the subsidiaries is to create a legal platform for the expansion of OEG group's activities in markets related to the group's main business and in the business of remote gambling.

(in thousands of euros) Olympic Entertainment Group AS

Note 36 Parent company's separate primary financial statements

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

Separate statement of financial position of Olympic Entertainment Group AS

	31.12.2012	31.12.2011
ASSETS		
Current assets		
Cash and bank	188	473
Receivables from group companies	10,395	10,226
Other receivables and prepayments	283	305
Total current assets	**10,866**	**11,004**
Non-current assets		
Shares of subsidiaries	269,047	153,856
Long-term receivables from group companies	36,254	38,468
Investment property	131	165
Property, plant and equipment	17	145
Intangible assets	53	9
Total non-current assets	**305,502**	**192,643**
TOTAL ASSETS	**316,368**	**203,647**
LIABILITIES AND EQUITY		
Current liabilities		
Borrowings	0	3,109
Payables to group entities	7,215	4,471
Other liabilities	140	99
Provisions	58	214
Total current liabilities	**7,413**	**7,893**
Non-current liabilities		
Long-term borrowings	0	3,109
Long-term payables to group companies	69,577	61,577
Total non-current liabilities	**69,577**	**64,686**
TOTAL LIABILITIES	**76,990**	**72,579**
EQUITY		
Share capital	60,532	81,718
Share premium	0	14,535
Statutory reserve capital	0	2,470
Other reserve	141	53
Retained earnings	178,705	32,292
TOTAL EQUITY	**239,378**	**131,068**
TOTAL LIABILITIES AND EQUITY	**316,368**	**203,647**

(in thousands of euros) Olympic Entertainment Group AS

Separate statement of comprehensive income of Olympic Entertainment Group AS

	2012	**2011**
Sales revenue	236	314
Other income	496	1,130
Other operating expenses	-765	-588
Staff costs	-655	-602
Depreciation, amortisation and impairment	-138	-217
Change in the fair value of investment property	97	15
Other expenses	-1	-2,051
Change in fair value of subsidiaries	115,283	-115,188
Dividends received from subsidiaries	9,836	14,999
Loss on sale of subsidiaries	0	-29,668
Interest income	1,938	2,787
Interest expense	-2,896	-4,084
Foreign exchange gains	-67	89
Other finance income and costs	-9	-8
Net profit for the period	**123,355**	**-133,072**
Total comprehensive income (-loss) for the period	**123,355**	**-133,072**

(in thousands of euros) Olympic Entertainment Group AS

Separate statement of cash flows of Olympic Entertainment Group AS

	2012	2011
Cash flows from operating activities		
Net profit for the period	123,355	-133,072
Adjustments		
Depreciation, amortisation and impairment	138	217
Change in fair value of investment property	-97	-15
Gain / loss on investments in subsidiaries	-125,119	129,856
Other finance income and costs (net)	1,034	1,217
Changes in working capital:		
Receivables and prepayments	18	-1,420
Liabilities and prepayments	40	3,824
Interest paid	-155	-531
Net cash generated from operating activities	**-786**	**76**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-53	-24
Proceeds from sale of investment property	131	0
Acquisition of subsidiaries	-100	-1
Proceeds from sale of subsidiaries	0	177
Proceeds from reduction of subsidiaries´ share capital	192	0
Loans granted	-6,000	-12,100
Repayment of loans granted	8,196	8,474
Interest received	1,727	462
Dividends received	9,797	14,999
Net cash from investing activities	**13,890**	**11,987**
Cash flows from financing activities		
Proceeds from loans received	23,860	8,700
Repayments of loans received	-22,077	-6,226
Reduction of share capital paid	-15,133	-14,999
Net cash used in financing activities	**-13,350**	**-12,525**
Net cash flows	**-246**	**-462**
Cash and cash equivalents at beginning of period	473	881
Exchange gains and losses on cash and cash equivalents	-39	54
Cash and cash equivalents at end of period	**188**	**473**

(in thousands of euros) Olympic Entertainment Group AS

Separate statement of changes in equity of Olympic Entertainment Group AS

	Share capital	Share premium	Statutory reserve capital	Other reserve	Retained earnings	Total
Balance at 31.12.2010	**96,717**	**14,535**	**2,413**	**0**	**165,421**	**279,086**
Profit for the financial year	0	0	0	0	-133,072	**-133,072**
Proceeds from shares issued	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**	**32,292**	**131,068**
Interests in companies under control or significant influence:						
Carrying amount under the fair value method						**-153,856**
Carrying amount under the equity method						**106,971**
Adjustment of the loan receivable						**-14,271**
Adjusted unconsolidated equity at 31.12.2011						**69,912**
Balance at 31.12.2011	**81,718**	**14,535**	**2,470**	**53**	**32,292**	**131,068**
Profit for the financial year	0	0	0	0	123,355	**123,355**
Increase of statutory reserve capital	0	0	692	0	-692	**0**
Coverage of accumulated losses	0	-14,535	-3,162	0	17,697	**0**
Reduction of share capital	-21,186	0	0	0	6,053	**-15,133**
Employee option programme	0	0	0	88	0	**88**
Balance at 31.12.2012	**60,532**	**0**	**0**	**141**	**178,705**	**239,378**
Interests in companies under control or significant influence:						
Carrying amount under the fair value method						**-269,047**
Carrying amount under the equity method						**122,482**
Adjustment of the loan receivable						**-12,157**
Adjusted unconsolidated equity at 31.12.2012						**80,656**

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 2012 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising 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 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 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 present fairly, in all material respects, the financial position of Olympic Entertainment Group AS and its subsidiaries as of 31 December 2012, and 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

Tiit Raimla
Auditor's Certificate No.287

Lauri Past
Auditor's Certificate No.567

26 March 2013

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* *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.*