

# Olympic Entertainment Group AS

## Consolidated Annual Report 2014

(Translation of the Estonian original)\*

|                               |  |
|-------------------------------|--|
| Beginning of reporting period | 1 January 2014   |
| End of reporting period       | 31 December 2014   |
| Business name                 | Olympic Entertainment Group AS                                     |
| Registration number           | 10592898   |
| Address                       | Pronksi 19, Tallinn 10124  |
| Telephone                     | +372 667 1250  |
| Fax                           | +372 667 1270  |
| E-mail                        | info@oc.eu   |
| Website                       | <a href="http://www.olympic-casino.com">www.olympic-casino.com</a> |
| Core activity                 | Provision of gaming services                                       |
| Auditor                       | AS PricewaterhouseCoopers  |

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\*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, and 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. and OlyBet Slovakia S.r.o. in Slovakia, Olympic Casino Bel IP in Belarus and Jackpot Game S.r.l. and Slottery S.r.l. in Italy. Most of the Group’s casino properties operate under the trademark of Olympic Casino. In addition to land-based casinos the Group is also providing online casino services and has operated a 4-star hotel and casino complex in Tallinn, Estonia until 31 October 2013.

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

As at 31 December 2014, the Group had a total of 98 casinos. The Group operates 18 casinos in Estonia, 37 in Latvia, 16 in Lithuania, 2 in Poland, 7 in Slovakia, 6 in Belarus and 12 in Italy. The Group employed 2,665 employees in 7 countries.

Group entities include:

|                                   | Domicile  | Ownership<br>31.12.2014 | Ownership<br>31.12.2013 | Area of activity              |
|-----------------------------------|-----------|-------------------------|-------------------------|-------------------------------|
| Olympic Casino Eesti AS           | Estonia   | 95%                     | 95%                     | Gaming services               |
| Kungla Investeeringu AS           | Estonia   | 100%                    | 100%                    | Bar Services                  |
| Kesklinna Hotelli OÜ              | Estonia   | 100%                    | 100%                    | Hotel real estate development |
| Nordic Gaming OÜ                  | Estonia   | 100%                    | 100%                    | Holding activities            |
| Fortuna Travel OÜ                 | Estonia   | 100%                    | 100%                    | Hotel services                |
| Kasiino.ee OÜ                     | Estonia   | 100%                    | 100%                    | Internet solutions            |
| Olympic Casino Latvia SIA         | Latvia    | 99%                     | 100%                    | Gaming services               |
| Ahti SIA                          | Latvia    | 100%                    | 100%                    | Bar services                  |
| Altea SIA *                       | Latvia    | 0%                      | 95%                     | Gaming services               |
| Olympic Casino Group Baltija UAB  | Lithuania | 100%                    | 100%                    | Gaming services               |
| 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%                     | Gaming services               |
| Olympic Casino Slovakia S.r.o.    | Slovakia  | 100%                    | 100%                    | Gaming services               |
| OlyBet Slovakia S.r.o.            | Slovakia  | 100%                    | 100%                    | Gaming services               |
| Olympic F & B S.r.o.              | Slovakia  | 100%                    | 100%                    | Bar services                  |
| Olympic Casino Bel IP             | Belarus   | 100%                    | 100%                    | Gaming services               |
| The Box S.r.l.                    | Italy     | 70%                     | 50%                     | Gaming services               |
| Jackpot Game S.r.l.               | Italy     | 70%                     | 50%                     | Gaming services               |
| Slottery S.r.l.                   | Italy     | 70%                     | 0%                      | Gaming services               |
| Siquia Holding B.V.               | Holland   | 95%                     | 95%                     | Holding activities            |
| Jessy Investments B.V.            | Holland   | 100%                    | 100%                    | Holding activities            |
| Gamotech Services Ltd             | Jersey    | 100%                    | 100%                    | Software services             |
| Brandhouse Ltd                    | Jersey    | 100%                    | 100%                    | Holding activities            |
| Olympic Casino Ukraine TOV        | Ukraine   | 100%                    | 100%                    | Bankrupt                      |
| Alea Private Company              | Ukraine   | 100%                    | 100%                    | Bankrupt                      |

\* As on 1 October 2014 Altea SIA was merged with Olympic Casino Latvia SIA, therefore the ownership at 31 December 2014 equals 0%.

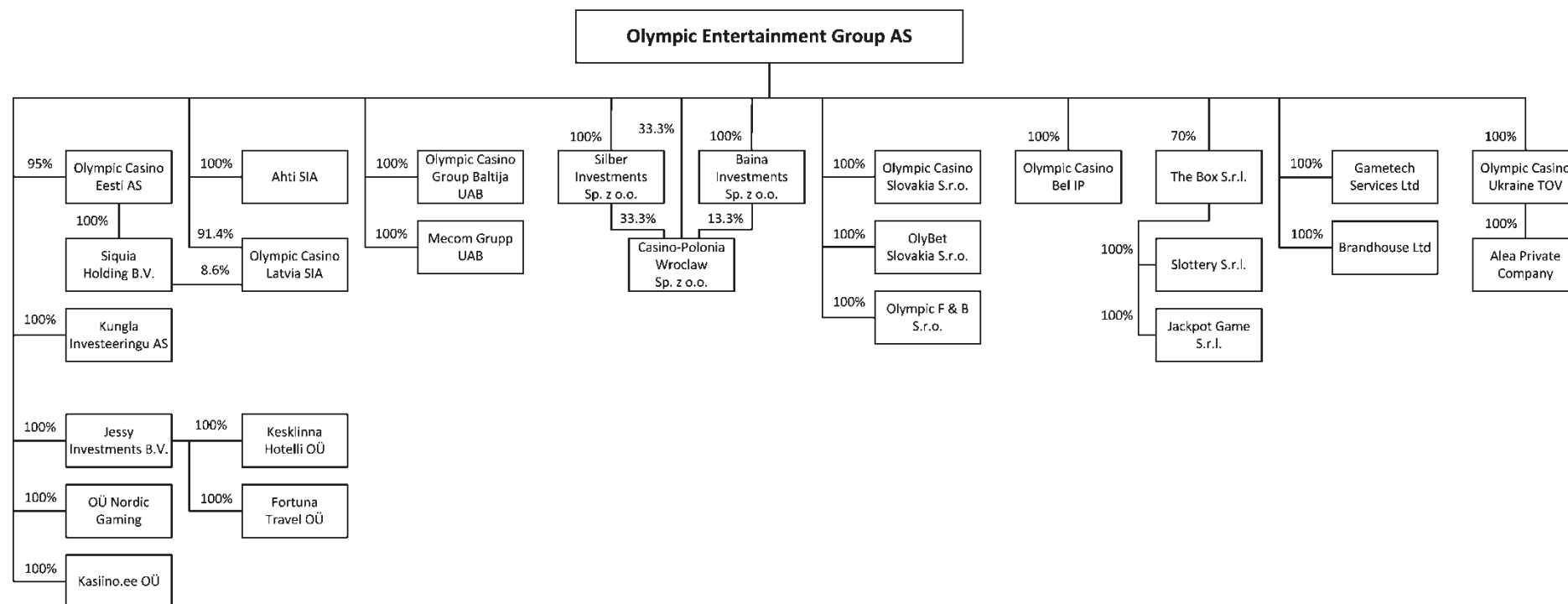
### Our vision

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

### Our mission

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

Group's structure at 31 December 2014



## 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  
Chairman of the Management Board



Meelis Pielberg  
Member of the Management Board

24 March 2015

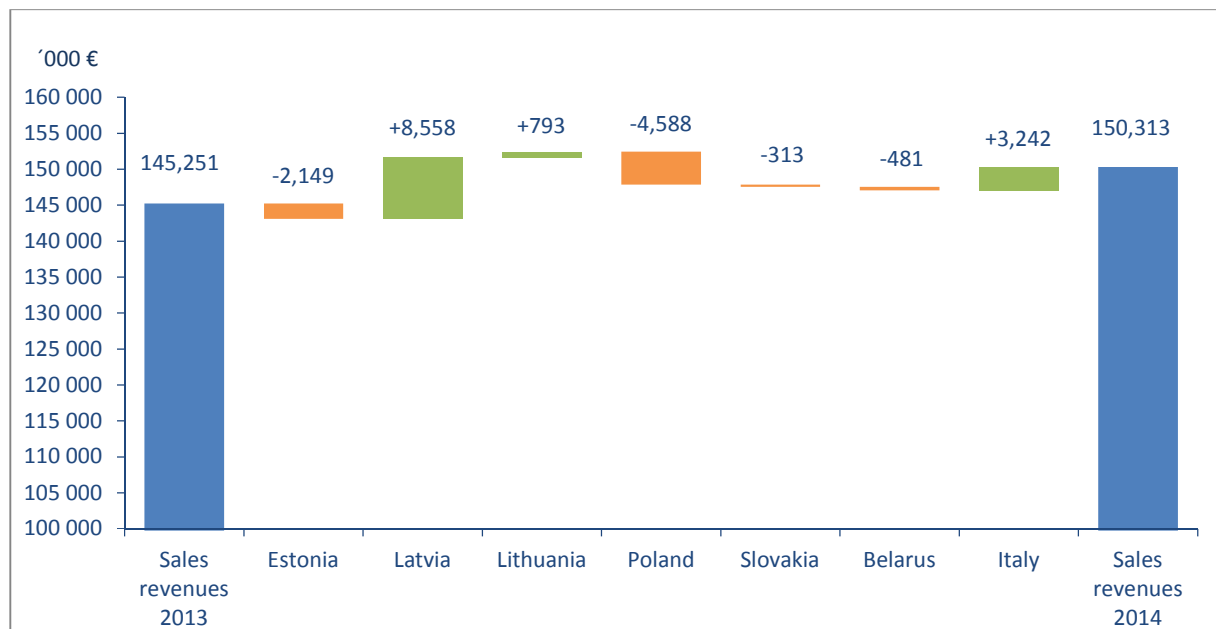
## Management report

### Overview of the economic activities

#### Key developments of the Group in 2014.

- The Group's consolidated sales revenues for 2014 amounted to EUR 150.3 million, up 3.5% or EUR 5.1 million y-o-y.
- Gaming revenues for 2014 accounted for 93.9% (141.1 m€) and other revenues for 6.1% (9.2 m€) of the Group's consolidated sales revenues for 2014. A year before the revenue split was 93.6% (135.9 m€) and 6.4% (9.3 m€), respectively.
- The Group's consolidated EBITDA for 2014 amounted to EUR 36.2 million, a decline of -8.6% from EUR 39.5 million a year before. The Group's consolidated operating profit decreased EUR 6.0 million (-18.8%) to EUR 25.8 million.
- The Group's consolidated net profit attributable to equity holders of the parent company for 2014 totalled EUR 21.6 million compared to EUR 25.7 million a year ago.
- On 23 January 2014 Olympic Entertainment Group AS has acquired 100% shareholding in Slovak VLT slot casino operator WINWIN Slovakia S.r.o. (renamed later as OlyBet Slovakia S.r.o.) and has opened its first VLT casino on Slovak market during the second quarter of 2014.
- The general meeting of shareholders held on 25 April 2014 has decided to pay out dividends in amount of EUR 15,132,950.50 that were paid out to shareholders on 13 May 2014.
- On 29 April 2014 Olympic Entertainment Group AS has increased to 70% its holding in The Box S.r.l, a company that manages operations in Italy, which in turn has acquired a 100% holding in Slottery S.r.l.
- In May 2014 Olympic Entertainment Group AS has adopted a decision to restructure its Latvian subsidiaries, which lead to the conversion of Olympic Casino Latvia SIA share capital into euros and its increase. It was also decided to merge OEG Latvian subsidiaries Olympic Casino Latvia SIA and Altea SIA. Merger process was completed at 3<sup>rd</sup> December 2014.
- On 21 July 2014 the supervisory board of Olympic Entertainment Group AS has adopted a resolution to increase the share capital of the Company by EUR 184,680.40 by issuing shares without nominal value. The amount of share capital of the Company after the issuing of new shares is EUR 60,716,482.40. The increase of share capital relates to share option agreements concluded by the Company in 2011 and the exercise of options by option holders.

#### The Group's consolidated sales revenue bridge:



**The Group's consolidated revenue by segments:**

| '000€        | 2014           | 2013           | Change      |
|--------------|----------------|----------------|-------------|
| Estonia      | 33,079         | 35,229         | -6.1%       |
| Latvia       | 47,825         | 39,267         | 21.8%       |
| Lithuania    | 22,297         | 21,503         | 3.7%        |
| Poland       | 22,819         | 27,408         | -16.7%      |
| Slovakia     | 15,796         | 16,109         | -1.9%       |
| Belarus      | 1,897          | 2,378          | -20.2%      |
| Italy        | 6,600          | 3,357          | 96.6%       |
| <b>Total</b> | <b>150,313</b> | <b>145,251</b> | <b>3.5%</b> |

**Share of segments in the Group's revenue:**

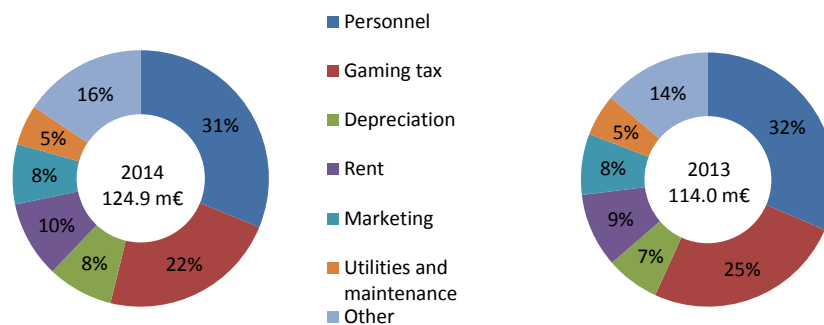


At the end of December 2014, the Group had 98 casinos with total floor area of 32,242 m<sup>2</sup> (+4,211 m<sup>2</sup>).

**Number of casinos by segment:**

|              | 31 December 2014 | 31 December 2013 |
|--------------|------------------|------------------|
| Estonia      | 18               | 18               |
| Latvia       | 37               | 38               |
| Lithuania    | 16               | 12               |
| Poland       | 2                | 3                |
| Slovakia     | 7                | 5                |
| Belarus      | 6                | 4                |
| Italy        | 12               | 2                |
| <b>Total</b> | <b>98</b>        | <b>82</b>        |

The Group's consolidated operating expenses for 2014 amounted to EUR 124.9 million, up 9.5% or EUR 10.8 million y-o-y. The growth was highest in personnel expenses (+3.1 m€, +8.7%), depreciation, amortisation and impairment costs (+2.6 m€, +33.4%), rent expenses (+1.3 m€, +12.4%) and other services costs (+3.7 m€, +23.3%). Personnel expenses (39.0 m€) and gaming tax (28.2 m€) represented the largest cost items accounting for 53.8% of total operating expenses.



**Key performance indicators of the Group**

|                                    |                | <b>2014</b> | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> |
|------------------------------------|----------------|-------------|-------------|-------------|-------------|-------------|
| Revenues                           | m€             | 150.7       | 145.8       | 135.9       | 127.3       | 112.5       |
| Gaming tax                         | m€             | 28.2        | 28.9        | 27.5        | 25.7        | 25.5        |
| EBITDA                             | m€             | 36.2        | 39.5        | 38.7        | 32.0        | 21.1        |
| EBIT                               | m€             | 25.8        | 31.8        | 28.4        | 16.4        | 3.1         |
| Net profit                         | m€             | 21.6        | 25.7        | 24.2        | 13.8        | 1.1         |
| EBITDA margin                      | %              | 24.0        | 27.1        | 28.5        | 25.1        | 18.8        |
| Operating margin                   | %              | 17.1        | 21.8        | 20.9        | 12.9        | 2.8         |
| Net margin                         | %              | 14.3        | 17.7        | 17.8        | 10.9        | 1.0         |
| Assets                             | m€             | 126.2       | 118.3       | 109.2       | 101.0       | 107.7       |
| Equity                             | m€             | 109.2       | 102.0       | 93.0        | 81.7        | 84.7        |
| ROE                                | %              | 21.4        | 27.9        | 29.4        | 17.5        | 1.4         |
| ROA                                | %              | 17.7        | 22.6        | 23.0        | 13.3        | 1.0         |
| Current ratio                      | times          | 3.0         | 3.2         | 3.5         | 2.9         | 2.5         |
| Casinos at end of period           | #              | 98          | 82          | 63          | 61          | 66          |
| Casino floor area at end of period | m <sup>2</sup> | 32,242      | 28,031      | 24,030      | 24,014      | 25,802      |
| Employees                          | #              | 2,665       | 2,515       | 2,277       | 2,336       | 2,115       |
| Slot machines at end of period     | #              | 3,481       | 3,038       | 2,594       | 2,471       | 2,519       |
| Gaming tables at end of period     | #              | 195         | 191         | 178         | 180         | 182         |

## Underlying formulas:

- EBITDA = earnings before financial expenses, income taxes, depreciation and amortisation and impairment losses
- Operating profit = profit before financial expenses and income 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

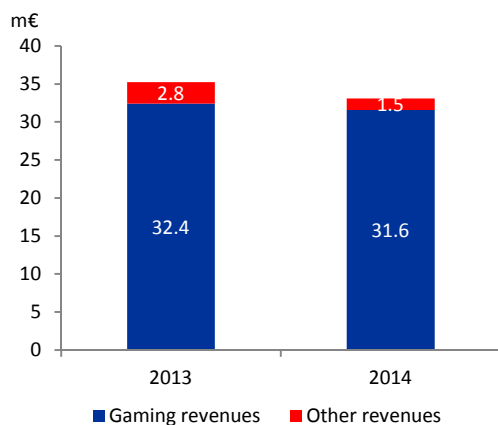
### Estonia

The sales revenues of Estonian segment for 2014 amounted to EUR 33.1 million (-2.1 m€, -6.1%), EBITDA to EUR 8.0 million (-1.3 m€, -13.6%) and operating profit to EUR 6.4 million (-1.3 m€, -16.5%). Gaming revenue decreased 2.6% y-o-y amounting to EUR 31.6 million.

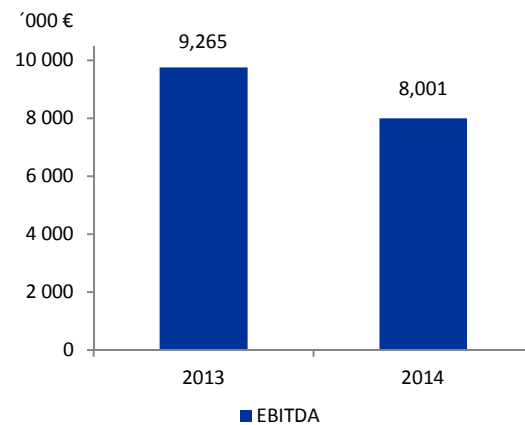
The market share of Olympic Casino Eesti AS in the Estonian gaming market (except for online casino) was 54% in Q4 2014 compared to 56% last year. All in all, total Estonian gaming market increased in 2014 by 1% as compared to 2013.

At the end of 2014, there were 18 Olympic casinos with 737 slot machines and 19 gaming tables operating in Estonia. As at 31 December 2014, the Estonian operations employed 476 people.

#### Sales revenues



#### EBITDA



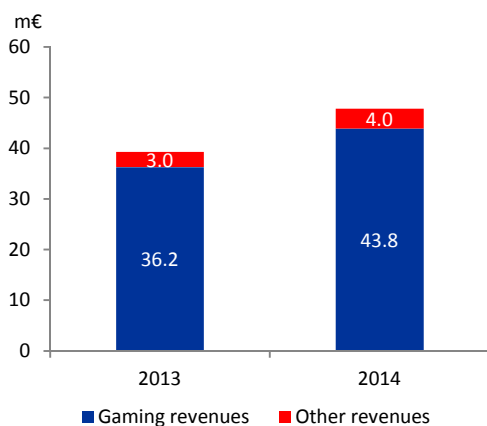
### Latvia

The sales revenues of Latvian segment for 2014 amounted to EUR 47.8 million (+8.6 m€, +21.8%), EBITDA to EUR 20.6 million (+3.6 m€, +21.0%) and operating profit to EUR 17.2 million (+2.5 m€, +17.1%). Gaming revenue increased 21.1% y-o-y amounting to EUR 43.8 million.

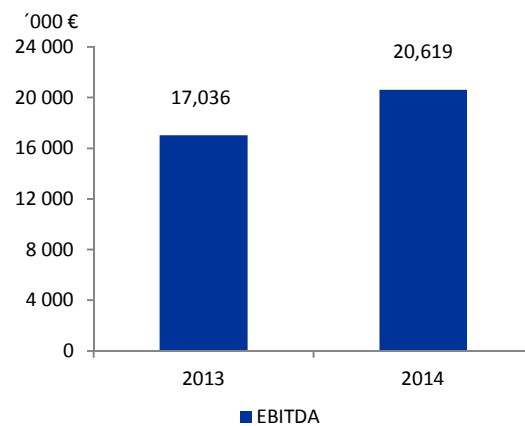
The market share of Latvian operations in the Latvian gaming market was 25% in Q4 2014, up from 24% a year ago. Total Latvian gaming market increased by 10% as compared to 2013.

At the end of 2014, there were 37 Olympic casinos with 1,059 slot machines and 18 gaming tables operating in Latvia. As at 31 December 2014, the Latvian operations employed 679 people.

#### Sales revenues



#### EBITDA



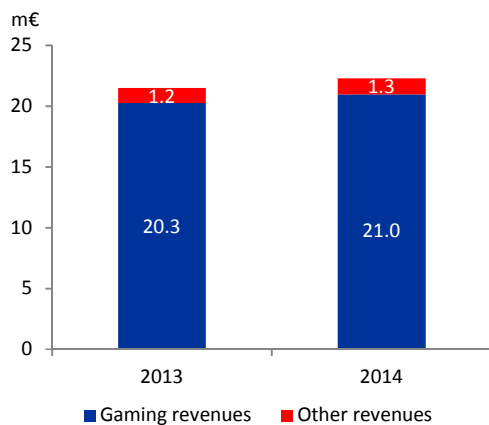
### Lithuania

The sales revenues of Lithuanian segment for 2014 amounted to EUR 22.3 million (+0.8 m€, +3.7%), EBITDA to EUR 4.4 million (-0.4 m€, -8.9%) and operating profit to EUR 2.9 million (-0.7 m€, -20.1%). Gaming revenue increased 3.6% y-o-y amounting to EUR 21.0 million.

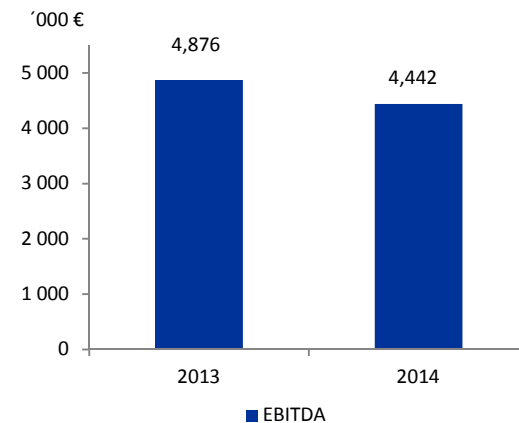
The market share of Olympic Casino Group Baltija UAB in the Lithuanian gaming market was 66% in Q4 2014, compared to 69% last year. Total Lithuanian gaming market increased by 7% as compared to 2013.

At the end of 2014, there were 16 Olympic casinos with 516 slot machines and 64 gaming tables operating in Lithuania. As at 31 December 2014, the Lithuanian operations employed 715 people.

#### Sales revenues



#### EBITDA

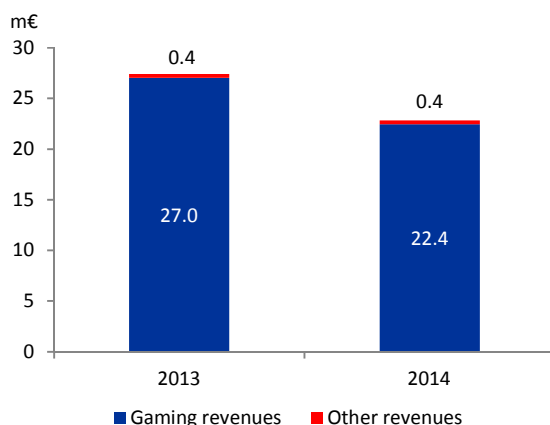


### Poland

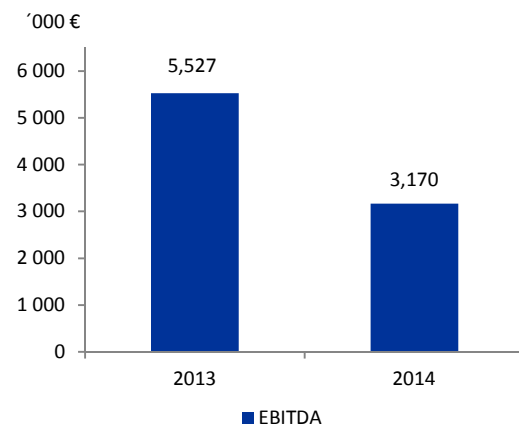
The sales revenues of Polish segment for 2014 amounted to EUR 22.8 million (-4.6 m€, -16.7%), EBITDA to EUR 3.2 million (-2.4 m€, -42.6%) and operating profit to EUR 2.1 million (-2.4 m€, -54.1%). Gaming revenue decreased 17.0% y-o-y amounting to EUR 22.4 million.

At the end of 2014, there were 2 Olympic casinos with 210 slot machines and 41 gaming tables operating in Poland. As at 31 December 2014, the Polish operations employed 335 people.

#### Sales revenues



#### EBITDA

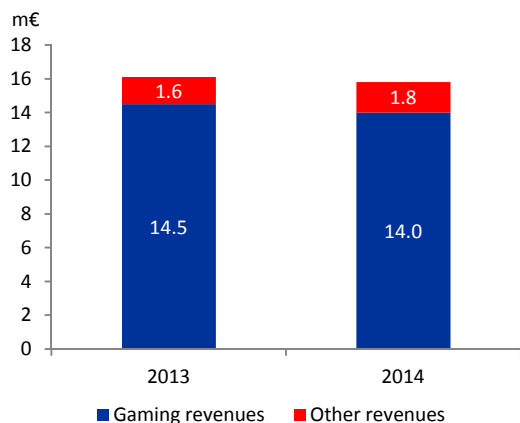


**Slovakia**

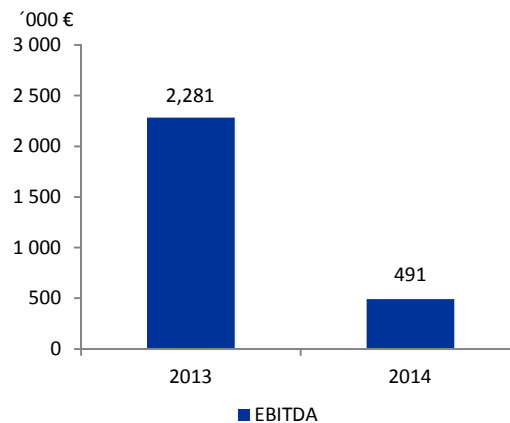
The sales revenues of Slovak segment for 2014 amounted to EUR 15.8 million (-0.3 m€, -1.9%), EBITDA to EUR 0.5 million (-1.8 m€, -78.5%) and operating loss to EUR -0.6 million (-1.7 m€, -158.0%). Gaming revenue decreased 3.4% y-o-y amounting to EUR 14.0 million.

At the end of 2014, there were 7 Olympic casinos with 308 slot machines and 53 gaming tables operating in Slovakia. As at 31 December 2014, the Slovak operations employed 306 people.

**Sales revenues**



**EBITDA**

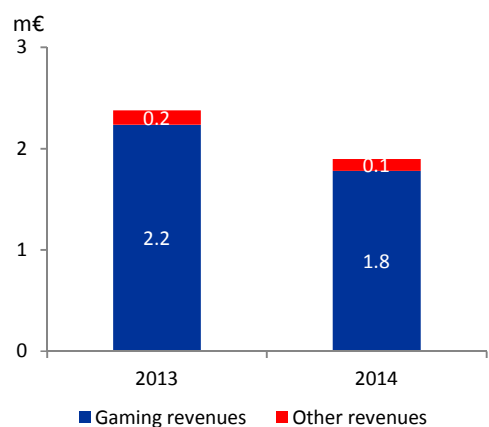


**Belarus**

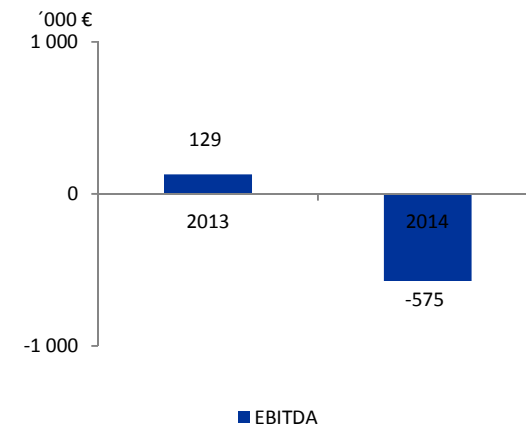
The sales revenues of Belarusian segment for 2014 amounted to EUR 1.9 million (-0.5 m€, -20.2%), EBITDA to EUR -0.6 million (-0.7 m€, -544.1%) and operating loss to EUR -1.8 million (-1.9 m€, -3,799.7%). Gaming revenue decreased 20.3% y-o-y amounting to EUR 1.8 million.

At the end of 2014, there were 6 Olympic casinos with 227 slot machines operating in Belarus. As at 31 December 2014, the Belarusian operations employed 96 people.

**Sales revenues**



**EBITDA**

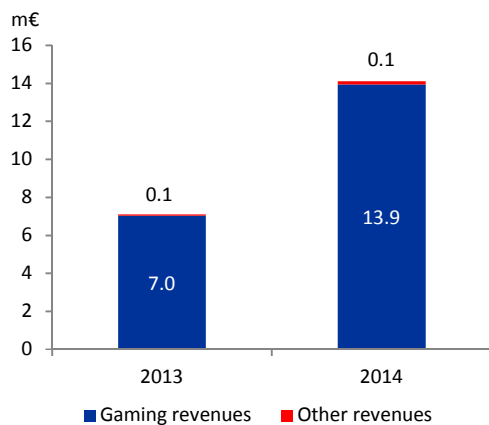


### Italy

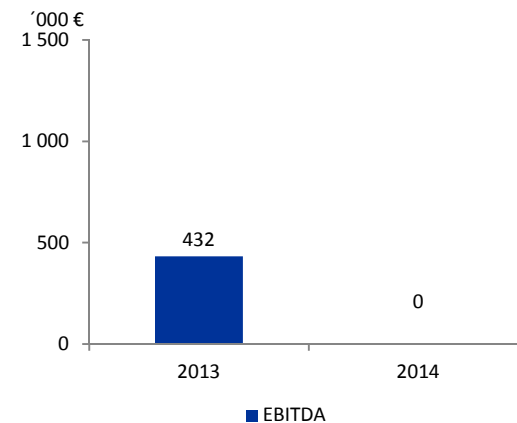
The sales revenues of Italian segment before deducting the gaming tax of Italy for 2014 amounted to EUR 14.0 million (+6.9 m€, +98.1%), EBITDA to EUR 0.0 million (-0.4 m€, -99.0%) and operating loss to EUR -0.4 million (-0.5 m€, -508.7%).

In April 2014 Olympic Entertainment Group AS has increased to 70% its holding in The Box S.r.l, a company that manages operations in Italy, which in turn has acquired a 100% holding in VLT operator Slottery S.r.l. As a result of this transaction at the end of 2014, there were 12 VLT slot casinos with 424 slot machines operating in Italy. As at 31 December 2014, the Italian operations employed 58 people.

### Sales revenues



### EBITDA



### Financial position

As at 31 December 2014, the total assets of the Group amounted to EUR 126.2 million, up 6.7% or EUR 7.9 million compared to the same period a year ago.

Current assets totalled EUR 47.2 million (-2.8 m€, -5.6%) or 37.4% of total assets, and non-current assets EUR 79.0 million (+10.8 m€, 15.8%) or 62.6% of total assets. The liabilities amounted to EUR 17.0 million (+0.7 m€, +4.4%) and equity to EUR 109.2 million (+7.2 m€, 7.1%). The largest liabilities included suppliers payables and advances (5.0 m€), tax liabilities (4.3 m€) and payables to employees (3.9 m€).

### Investments

In 2014, the Group's expenditures on property, plant and equipment totalled EUR 18.3 million (+4.0 m€, +28.0%), of which EUR 6.4 million was invested into new gaming equipment (-0.5m€, -7.2%) and EUR 11.2 million (+4.6 m€, +69.7%) into construction of hotel and construction and reconstruction of casinos.

### Cash flows

In 2014, the Group's cash flows generated from operating activities amounted to EUR 32.5 million (-3.0 m€, -8.5%) and cash flows used in investing activities to EUR -22.9 million (-13.9 m€). Financing cash flows amounted to EUR -14.1 million (+3.7 m€, +26.6%). Net cash flows totalled EUR -4.5 million (-13.1 m€).

### Staff

As at 31 December 2014, the Group employed 2,665 people, up by 150 y-o-y mostly due to expansion in Italy and Lithuania.

In 2014, total personnel expenses amounted to EUR 39.0 million (+3.1 m€, +8.7%). In 2014, 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 (823 thousand in 2013) and EUR 151 thousand (EUR 157 thousand in 2013), respectively.

At 31 December 2014 share option agreements were concluded with Olympic Entertainment Group AS management board members and Group's key employees. According to concluded share option agreement management board member is eligible to subscribe to 100,000 Olympic Entertainment Group AS shares till the end of share option program. Number of shares that can be subscribed by Group's key employees is individual. Exact number of shares that can be subscribed by each member of management board and key employee depends on fulfilment of Group's financial objectives and objectives related to specific areas of responsibilities of each member of management board and key employee. Option holder has a right to subscribe for the shares starting from 1 January 2018. Share option program ends 28 February 2018.

### **Basic principles of staff policy**

The HR function in the group emanates from and is geared towards our long-built competitive advantage – excellence in customer service. Therefore the main challenge for HR is to ensure that all our employees are on the level of providing the best customer service experience for our clients. We want to be known for the positive emotions our clients experience while enjoying their stay in our casinos. Excellence in customer service is our number one priority.

The essence of our success lays in the frontline staff whose behaviour and attitudes form the cornerstone of our competitive edge. In 2014 we began the group-wide implementation of the execution culture in order to translate our passion for customer service into measurable goals and behavioural actions at all levels of an organisation. We also introduced the regular follow-up reporting and created the motivational bonus system to reinforce the implementation process.

In 2014 we further strengthened the focus on customer service by commencing with the group-wide reform of the compensation system to place higher value on the service competence in frontline employees. One of the behavioural examples of service competence that we apply for determining the level of compensation is the smiles collected from our customers. We believe that the smiles returned to our frontline employees reflect the quality of service.

In addition, our annual training programs for all frontline employees support the development of critical competencies needed to ensure the positive customer experience. For example, in 2015 we will provide practical trainings for Estonia's frontline staff in the area of psychological self-management and proactive sales skills.

We also give a lot of attention to recruitment and selection of new hires as the customer service quality starts from hiring the right people. We have widened the range of recruitment channels to grow the pool of suitable candidates. For example, we have moved our hiring activities into the regional level to attract also candidates from the outskirts. In 2015 we will produce a corporate recruitment video to strengthen our employer branding. We are also raising the awareness of Olympic Casino as an employer in the job market by participating in various job fairs where our dealers give live demonstrations of the table games. In order to make more knowledgeable hiring decisions, we are planning to introduce in 2015 systematic testing of personality traits and cognitive abilities into the selection process.

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

### **Key objectives for year 2015**

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

## **Description of main risks**

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

### **Business risks**

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

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

### **Currency risk**

The Group earns income in euros, Lithuanian litas (until 31.12.2014), Polish zloty and Belarus roubles. 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 revenues 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 Polish zloty and Belarus rouble to the euro. The functional currencies of subsidiaries within the Group and the US dollar (USD) can be used for managing the currency risk.

#### Credit risk

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

## Management and Supervisory Boards

The Management Board of Olympic Entertainment Group AS comprises of two members. In the daily management activities, the Management Board of the Company is independent and is guided by the best interests of all shareholders, thereby ensuring sustainable development of the Company according to the set objectives and strategy. The Management Board also ensures the functioning of internal control and risk management procedures in the Company. The Supervisory Board of Olympic Entertainment Group AS elects members of the Management Board for a term 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 directly and through the companies controlled by him a total of 75,000 Company's shares.



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

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

- Armin Karu – Chairman of the Supervisory Board since 2008. Armin Karu is the founder of the Company. He graduated from Haaga Institute in Finland (International Management Diploma 1998; MBA 2005). Armin Karu owns directly and through the companies controlled by him a total of 68,364,790 Company's shares.
- Jaan Korpusov – member of the Supervisory Board since 2006. Jaan Korpusov graduated from University of Tartu in 1985 the faculty of history. Jaan Korpusov owns directly and through the companies controlled by him a total of 28,761,910 Company's shares.
- Liina Linsi – member of the Supervisory Board since 2006. Liina Linsi graduated from University of Tartu (law) in 1984 *cum laude*. Liina Linsi owns directly and through the companies controlled by her a total of 23,141 Company's shares.

## Shares of Olympic Entertainment Group AS

The shares of Olympic Entertainment Group AS are listed in the main list of Tallinn Stock Exchange since 23 October 2006. From 26 September 2007, the shares of Olympic Entertainment Group AS are traded on Warsaw Stock Exchange. The Company's registered share capital is EUR 60,716,482.40. The share capital is divided into 151,791,206 ordinary shares with the book value of EUR 0.40 each.

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

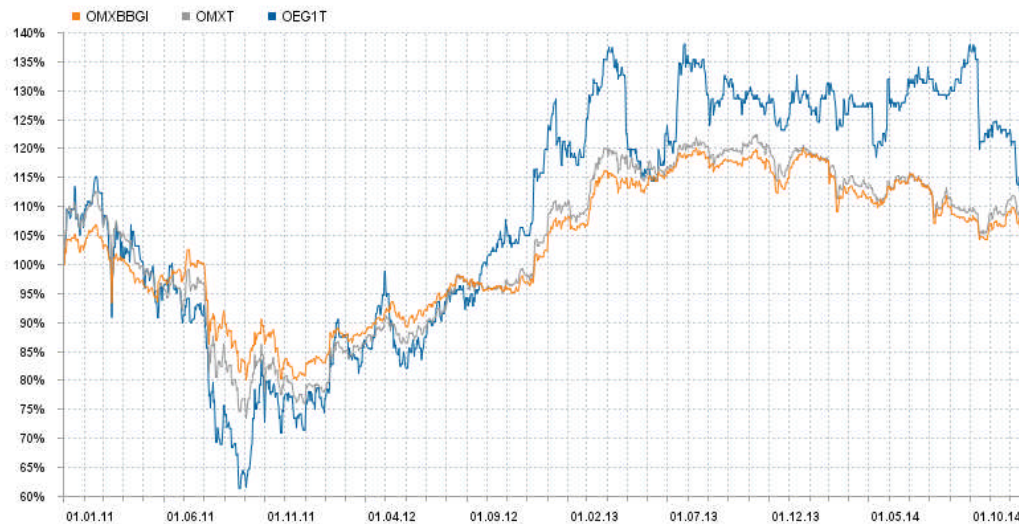
Movements in the share price (in EUR) and traded volume (number of securities) of Olympic Entertainment Group AS during the period of 1 January 2011 – 31 December 2014:



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

|                              | 2011       | 2012       | 2013       | 2014       |
|------------------------------|------------|------------|------------|------------|
| Opening price                | 1.490      | 1.076      | 1.790      | 1.860      |
| Highest price                | 1.719      | 1.790      | 2.060      | 2.060      |
| Lowest price                 | 0.868      | 1.076      | 1.680      | 1.660      |
| Average price                | 1.332      | 1.371      | 1.871      | 1.886      |
| Last price                   | 1.062      | 1.780      | 1.860      | 1.700      |
| Number of shares traded      | 25,362,569 | 22,065,114 | 26,938,802 | 19,637,838 |
| Turnover (EUR million)       | 32.60      | 30.03      | 50.41      | 37.04      |
| Capitalisation (EUR million) | 160.71     | 269.37     | 281.47     | 258.05     |
| P/E ratio                    | 11.6       | 11.1       | 11.0       | 12.0       |

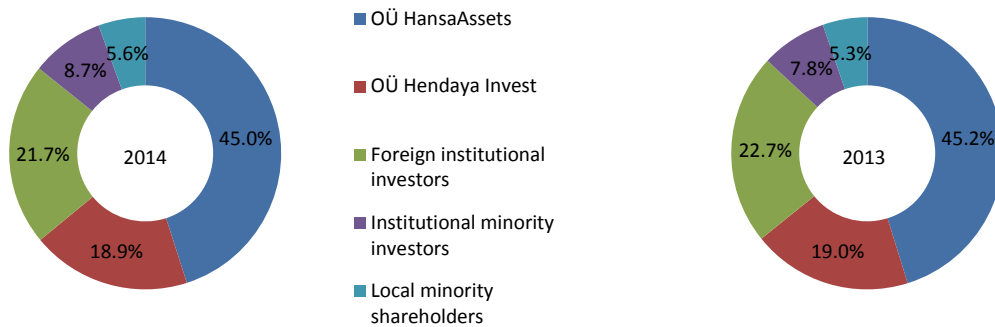
Comparison of the share of Olympic Entertainment Group AS with indices during the period of 01 January 2011 – 31 December 2014:



| Index/share               | 01 Jan 2011 | 31 Dec 2014 | +/-%  |
|---------------------------|-------------|-------------|-------|
| — OMX Baltic Benchmark GI | 533.99      | 566.56      | 6.10  |
| — OMX Tallinn             | 698.38      | 755.05      | 8.11  |
| — OEG1T                   | 1.485 EUR   | 1.700 EUR   | 14.48 |

**Largest shareholders of Olympic Entertainment Group AS:**

|   | <u>31.12.2014</u> | <u>31.12.2013</u> |
|---|-------------------|-------------------|
| OÜ HansaAssets  | 45.04%            | 45.17%            |
| OÜ Hendaya Invest   | 18.95%            | 18.98%            |
| J.P. Morgan Bank Luxembourg S.A.                                    | 3.70%             | 3.02%             |
| Skandinaviska Enskilda Banken Ab, Swedish Clients                   | 3.51%             | 3.34%             |
| NORDEA BANK Finland PLC, clients                                    | 1.97%             | 2.19%             |
| RBC INVESTOR SERVICES BANK / LUX-NON RESIDENTS / DOMESTIC RATE      | 1.73%             | 0%                |
| ING Luxembourg S.A. AIF Account                                     | 1.66%             | 1.66%             |
| JPMorgan Chase Bank, National Association on behalf of US residents | 1.27%             | 0.95%             |
| State Street Bank and Trust Omnibus Account A Fund NO OM01          | 1.17%             | 1.29%             |
| Central Securities Depository of Lithuania                          | 1.16%             | 1.54%             |

**Structure of Olympic Entertainment Group AS shareholders:****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.

In 2014 the Group has paid dividends in the amount of 0.1 euros per share for the year of 2013.



## Corporate governance recommendations

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

### General Meeting of Shareholders

The Company’s highest governing body is the General Meeting of Shareholders. Each shareholder of Olympic Entertainment Group AS may attend the General Meeting where he or she may speak on any agenda item, may ask questions and may make proposals. The Company gives notice of a General Meeting on the website of the Tallinn Stock Exchange, on its own website at [www.olympic-casino.com](http://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](mailto: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 2014, the Annual General Meeting of Shareholders convened at 25 April in the Conference Center of Radisson Blu Hotel Olympia (Liivalaia 33, Tallinn). The Chairman of the Supervisory Board Armin Karu, members of the Supervisory Board Jaan Korpusov, Liina Linsi and Peep Vain and the Chairman of the Management Board Madis Jääger attended the meeting.

*Member of the Management Board Meelis Pielberg, as well as the auditor whose presence was not necessary (CGR 1.3.2.) did not attend the Annual General Meeting of Shareholders at 25 April 2014.*

Shareholders representing 74.87% shareholding were present at the Annual General Meeting. Under the Articles of Association of Olympic Entertainment Group AS, the General Meeting has a quorum when more than half of the votes represented by shares are present. Accordingly, the meeting had the quorum required for passing resolutions.

### Management Board

The Management Board of Olympic Entertainment Group AS comprises two members, where the Chairman is Madis Jääger and member is Meelis Pielberg. The main area of responsibility of the Chairman of the Management Board Madis Jääger was general management, financial management and investor relations issues. Member of the Management Board Meelis Pielberg was responsible for casino operations and implementation of development projects. The Management Board is completely independent in matters concerning the daily management of the Company and acts in the best interests of all shareholders, ensuring the sustainable development of the Company in accordance with set objectives and adopted strategies, and the implementation and execution of appropriate internal control and risk management procedures. The Supervisory Board of Olympic Entertainment Group AS elects members of the Management Board for a term 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 2014 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 2014, the Company’s Supervisory Board had three members – Armin Karu, Jaan Korpusov and Liina Linsi. The Supervisory Board is elected for a term of five years. The terms of office of Jaan Korpusov and Liina Linsi will expire at 11 September 2018. The term of office of Armin Karu will expire at 13 August 2018.

The Chairman of the Supervisory Board is Armin Karu. Independent member of the Supervisory Board is Liina Linsi. All members of the Supervisory Board have the knowledge and experience required for performing their duties and act in

accordance with effective legislation and the Corporate Governance Recommendations. The Supervisory Board supervises the activities of the Management Board and participates in the adoption of all significant decisions, acting in the best interests of all shareholders. The Supervisory Board meets according to the need but not less frequently than once in every three months. The Supervisory Board approves the Company's strategy, activity plans, risk management policies, annual budgets and investment plans and performs other duties vested in the Supervisory Board. The Supervisory Board evaluates the performance of the Management Board in implementing the Company's strategy on a regular basis. The Supervisory Board has not formed any committees.

All members of the Supervisory Board, except for one member of 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 2014 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.

The Company has published its 2014 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 2014. 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
- Rapla basketball school
- Estonian Paralympic Committee
- "Tegusa eesti stipendium"
- Estonian Film Reporters Association Film of the Year nomination support
- Laagri Lions Club

#### Latvia

- Martina Fund (children with health problems)
- Biedriba "ESI BRIVS"
- Saldus Photo club (support for children's playgrounds)
- Jelgava disabled people association

- Support to Latgale region tourism centre
- Latvian Basketball Association
- Rezekne city – city infrastructure development support

#### **Lithuania**

- Orphanage support
- Lithuanian Chess Association support

#### **Poland**

- PARAM SP.J – support of fire safety seminar
- Business development foundation support
- Project Raszyn support

#### **Slovakia**

- HC Slovan hockey club
- Hockey club SK POLICIE POPRAD
- FC Spartak a.s.

#### **Belarus**

- Local sport support
- War veterans association support

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.

#### **Welfare of employees**

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

## Consolidated financial statements

### Consolidated statement of financial position

|  | Notes | 31.12.2014     | 31.12.2013     |
|--|-------|----------------|----------------|
| <b>ASSETS</b>  |       |                |                |
| <b>Current assets</b>  |       |                |                |
| Cash and cash equivalents  | 5     | 40,117         | 44,582         |
| Financial investments  | 6     | 1,108          | 1,086          |
| Receivables and prepayments                                      | 7     | 3,276          | 2,946          |
| Prepaid income tax   |       | 483            | 357            |
| Inventories  | 11    | 1,163          | 1,001          |
| Assets held for sale   |       | 1,016          | 0              |
| <b>Total current assets</b>                                      |       | <b>47,163</b>  | <b>49,972</b>  |
| <b>Non-current assets</b>  |       |                |                |
| Deferred tax assets  | 12    | 1,398          | 1,077          |
| Financial investments  | 6     | 4,277          | 3,396          |
| Other long-term receivables and prepayments                      |       | 688            | 670            |
| Investment property  | 13    | 292            | 1,784          |
| Property, plant and equipment                                    | 14    | 34,368         | 26,513         |
| Intangible assets  | 16    | 38,045         | 34,865         |
| <b>Total non-current assets</b>                                  |       | <b>79,068</b>  | <b>68,305</b>  |
| <b>TOTAL ASSETS</b>  |       | <b>126,231</b> | <b>118,277</b> |
| <b>LIABILITIES AND EQUITY</b>                                    |       |                |                |
| <b>Current liabilities</b>                                       |       |                |                |
| Borrowings   | 17    | 253            | 240            |
| Trade and other payables   | 18    | 13,121         | 13,494         |
| Income tax payable   |       | 741            | 776            |
| Provisions   | 19    | 1,424          | 1,181          |
| <b>Total current liabilities</b>                                 |       | <b>15,539</b>  | <b>15,691</b>  |
| <b>Non-current liabilities</b>                                   |       |                |                |
| Long-term borrowings   | 17    | 1,216          | 369            |
| Deferred tax liabilities   | 12    | 272            | 246            |
| <b>Total non-current liabilities</b>                             |       | <b>1,488</b>   | <b>615</b>     |
| <b>TOTAL LIABILITIES</b>   |       | <b>17,027</b>  | <b>16,306</b>  |
| <b>EQUITY</b>  |       |                |                |
| Share capital  |       | 60,716         | 60,532         |
| Share premium  |       | 258            | 0              |
| Statutory reserve capital  |       | 2,495          | 1,210          |
| Other reserve  |       | 0              | 235            |
| Currency translation differences                                 |       | -1,420         | -1,204         |
| Retained earnings  |       | 41,816         | 36,782         |
| <b>Total equity attributable to equity holders of the parent</b> |       | <b>103,865</b> | <b>97,555</b>  |
| Non-controlling interest   |       | 5,339          | 4,416          |
| <b>TOTAL EQUITY</b>  | 20    | <b>109,204</b> | <b>101,971</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                              |       | <b>126,231</b> | <b>118,277</b> |

The notes on pages 25 to 58 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income

|  | Notes | 2014            | 2013            |
|--|-------|-----------------|-----------------|
| Income from gaming transactions                              | 21    | 141,077         | 135,921         |
| Revenue  | 22    | 9,236           | 9,330           |
| Other income   | 23    | 347             | 568             |
| <b>Total revenue and income</b>                              |       | <b>150,660</b>  | <b>145,819</b>  |
| Cost of materials, goods and services                        | 24    | -3,342          | -3,044          |
| Other operating expenses                                     | 24    | -71,507         | -66,826         |
| Staff costs  | 24    | -38,982         | -35,878         |
| Depreciation, amortisation and impairment                    | 14;16 | -10,344         | -7,763          |
| Change in the fair value of investment property              | 13    | -12             | -1              |
| Other expenses   | 25    | -678            | -524            |
| <b>Total operating expenses</b>                              |       | <b>-124,865</b> | <b>-114,036</b> |
| <b>Operating profit</b>                                      |       | <b>25,795</b>   | <b>31,783</b>   |
| Interest income  |       | 89              | 163             |
| Interest expense   |       | -28             | -17             |
| Foreign exchange losses                                      |       | 3               | -59             |
| Other finance income and costs                               |       | -4              | -623            |
| <b>Total finance income and costs</b>                        | 26    | <b>60</b>       | <b>-536</b>     |
| <b>Profit before income tax</b>                              |       | <b>25,855</b>   | <b>31,247</b>   |
| Income tax expense   | 27    | -3,426          | -4,323          |
| <b>Net profit for the period</b>                             |       | <b>22,429</b>   | <b>26,924</b>   |
| <i>Attributable to the parent</i>                            |       | <i>21,597</i>   | <i>25,694</i>   |
| <i>Attributable to non-controlling interest</i>              |       | <i>832</i>      | <i>1,230</i>    |
| <b>Other comprehensive income:</b>                           |       |                 |                 |
| <b>Items that may be subsequently reclassified to profit</b> |       |                 |                 |
| Currency translation differences                             |       | -216            | -504            |
| <b>Total comprehensive income for the period</b>             |       | <b>22,213</b>   | <b>26,420</b>   |
| <i>Attributable to the parent</i>                            |       | <i>21,381</i>   | <i>25,190</i>   |
| <i>Attributable to non-controlling interest</i>              |       | <i>832</i>      | <i>1,230</i>    |
| Basic earnings per share*                                    | 20    | 14.2            | 17.0            |
| Diluted earnings per share*                                  | 20    | 14.2            | 17.0            |

\* In euro cents

The notes on pages 25 to 58 are an integral part of these consolidated financial statements.

**Consolidated statement of cash flows**

|  | Notes | 2014           | 2013           |
|--|-------|----------------|----------------|
| <b>Cash flows from operating activities</b>                        |       |                |                |
| Net profit for the period  |       | 22,429         | 26,924         |
| Adjustments  |       |                |                |
| Depreciation, amortisation and impairment                          | 14;16 | 10,344         | 7,763          |
| Gain / loss on disposal of non-current assets (net)                |       | 171            | 64             |
| Change in fair value of investment property                        | 13    | 12             | 1              |
| Income tax expense   | 27    | 3,426          | 4,323          |
| Other finance income and costs (net)                               | 26    | -60            | 536            |
| Changes in working capital:  |       |                |                |
| Receivables and prepayments  |       | -949           | 485            |
| Inventories  | 11    | -162           | 35             |
| Liabilities and prepayments  |       | 1,350          | -472           |
| Interest paid  |       | -11            | -17            |
| Corporate income tax paid  |       | -4,058         | -4,149         |
| <b>Net cash generated from operating activities</b>                |       | <b>32,492</b>  | <b>35,493</b>  |
| <b>Cash flows from investing activities</b>                        |       |                |                |
| Acquisition of property, plant and equipment and intangible assets |       | -19,037        | -14,851        |
| Proceeds from sale of property, plant and equipment                |       | 80             | 52             |
| Proceeds from sale of investment property                          | 13    | 464            | 0              |
| Purchase of financial investments                                  | 6     | -112           | -1,379         |
| Proceeds from sale of financial investments                        | 6     | 0              | 11,150         |
| Acquisition of subsidiary, net of cash acquired                    | 29    | -4,356         | -4,244         |
| Interest received  |       | 88             | 267            |
| <b>Net cash used in investing activities</b>                       |       | <b>-22,873</b> | <b>-9,005</b>  |
| <b>Cash flows from financing activities</b>                        |       |                |                |
| Issue of shares  | 28    | 184            | 0              |
| Proceeds from loans received                                       | 17    | 1,078          | 0              |
| Repayments of loans received                                       | 17    | -245           | -238           |
| Payments of finance lease principal                                |       | -2             | -4             |
| Dividends paid   | 20    | -15,133        | -17,630        |
| <b>Net cash used in financing activities</b>                       |       | <b>-14,118</b> | <b>-17,872</b> |
| <b>Net cash flows</b>  |       |                |                |
|  |       | <b>-4,499</b>  | <b>8,616</b>   |
| Cash and cash equivalents at beginning of the period               | 5     | 44,582         | 35,973         |
| Exchange gains and losses on cash and cash equivalents             |       | 34             | -7             |
| <b>Cash and cash equivalents at end of the period</b>              | 5     | <b>40,117</b>  | <b>44,582</b>  |

The notes on pages 25 to 58 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

|  | Equity attributable to equity holders of the parent |               |                           |                |                                  |                   |                |                          | Total equity   |
|--|---|---------------|---------------------------|----------------|----------------------------------|-------------------|----------------|--------------------------|----------------|
|  | Share capital                                       | Share premium | Statutory reserve capital | Other reserves | Currency translation differences | Retained earnings | Total          | Non-controlling interest |                |
| <b>Balance at 01.01.2013</b>                           | <b>60,532</b>                                       | <b>0</b>      | <b>0</b>                  | <b>141</b>     | <b>-700</b>                      | <b>27,327</b>     | <b>87,300</b>  | <b>5,683</b>             | <b>92,983</b>  |
| <i>Net profit for the period</i>                       | 0   | 0             | 0                         | 0              | 0                                | 25,694            | 25,694         | 1,230                    | 26,924         |
| <i>Other comprehensive expense</i>                     | 0   | 0             | 0                         | 0              | -504                             | 0                 | -504           | 0                        | -504           |
| Total comprehensive income for the period              | 0   | 0             | 0                         | 0              | -504                             | 25,694            | 25,190         | 1,230                    | 26,420         |
| <i>Increase of statutory reserve capital (Note 20)</i> | 0   | 0             | 1,210                     | 0              | 0                                | -1,210            | 0              | 0                        | 0              |
| <i>Dividends paid</i>                                  | 0   | 0             | 0                         | 0              | 0                                | -15,133           | -15,133        | -2,497                   | -17,630        |
| <i>Employee option programme (Note 28)</i>             | 0   | 0             | 0                         | 94             | 0                                | 0                 | 94             | 0                        | 94             |
| Total transactions with owners                         | 0   | 0             | 1,210                     | 94             | 0                                | -16,343           | -15,039        | -2,497                   | -17,536        |
| Other adjustments                                      | 0   | 0             | 0                         | 0              | 0                                | 104               | 104            | 0                        | 104            |
| <b>Balance at 31.12.2013</b>                           | <b>60,532</b>                                       | <b>0</b>      | <b>1,210</b>              | <b>235</b>     | <b>-1,204</b>                    | <b>36,782</b>     | <b>97,555</b>  | <b>4,416</b>             | <b>101,971</b> |
| <b>Balance at 01.01.2014</b>                           | <b>60,532</b>                                       | <b>0</b>      | <b>1,210</b>              | <b>235</b>     | <b>-1,204</b>                    | <b>36,782</b>     | <b>97,555</b>  | <b>4,416</b>             | <b>101,971</b> |
| <i>Net profit for the period</i>                       | 0   | 0             | 0                         | 0              | 0                                | 21,597            | 21,597         | 832                      | 22,429         |
| <i>Other comprehensive expense</i>                     | 0   | 0             | 0                         | 0              | -216                             | 0                 | -216           | 0                        | -216           |
| Total comprehensive income for the period              | 0   | 0             | 0                         | 0              | -216                             | 21,597            | 21,381         | 832                      | 22,213         |
| <i>Increase of statutory reserve capital (Note 20)</i> | 0   | 0             | 1,285                     | 0              | 0                                | -1,285            | 0              | 0                        | 0              |
| <i>Dividends paid</i>                                  | 0   | 0             | 0                         | 0              | 0                                | -15,133           | -15,133        | 0                        | -15,133        |
| <i>Employee option programme (Note 28)</i>             | 0   | 0             | 0                         | 23             | 0                                | 0                 | 23             | 0                        | 23             |
| <i>Issue of shares (Note 20, 28)</i>                   | 184   | 258           | 0                         | -258           | 0                                | 0                 | 184            | 0                        | 184            |
| Total transactions with owners                         | 184   | 258           | 1,285                     | -235           | 0                                | -16,418           | -14,926        | 0                        | -14,926        |
| Acquired through business combinations (Note 29)       | 0   | 0             | 0                         | 0              | 0                                | 0                 | 0              | 127                      | 127            |
| Other adjustments                                      | 0   | 0             | 0                         | 0              | 0                                | -145              | -145           | -36                      | -181           |
| <b>Balance at 31.12.2014</b>                           | <b>60,716</b>                                       | <b>258</b>    | <b>2,495</b>              | <b>0</b>       | <b>-1,420</b>                    | <b>41,816</b>     | <b>103,865</b> | <b>5,339</b>             | <b>109,204</b> |

The notes on pages 25 to 58 are an integral part of these consolidated financial statements.



## Notes to the consolidated financial statements

### Note 1 General information

Olympic Entertainment Group AS (hereinafter the "Company") is a company registered in Estonia at 15 November 1999. The consolidated financial statements of the Company prepared for the financial year ended 31 December 2014 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.

Group entities include:

|                                   | Domicile  | Ownership<br>31.12.2014 | Ownership<br>31.12.2013 | Area of activity              |
|-----------------------------------|-----------|-------------------------|-------------------------|-------------------------------|
| Olympic Casino Eesti AS           | Estonia   | 95%                     | 95%                     | Gaming services               |
| Kungla Investeeringu AS           | Estonia   | 100%                    | 100%                    | Bar services                  |
| Kesklinna Hotelli OÜ              | Estonia   | 100%                    | 100%                    | Hotel real estate development |
| Nordic Gaming OÜ                  | Estonia   | 100%                    | 100%                    | Holding activities            |
| Fortuna Travel OÜ                 | Estonia   | 100%                    | 100%                    | Hotel services                |
| Kasiino.ee OÜ                     | Estonia   | 100%                    | 100%                    | Internet solutions            |
| Olympic Casino Latvia SIA         | Latvia    | 99%                     | 100%                    | Gaming services               |
| Ahti SIA                          | Latvia    | 100%                    | 100%                    | Bar services                  |
| Altea SIA *                       | Latvia    | 0%                      | 95%                     | Gaming services               |
| Olympic Casino Group Baltija UAB  | Lithuania | 100%                    | 100%                    | Gaming services               |
| 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%                     | Gaming services               |
| Olympic Casino Slovakia S.r.o     | Slovakia  | 100%                    | 100%                    | Gaming services               |
| OlyBet Slovakia S.r.o.            | Slovakia  | 100%                    | 100%                    | Gaming services               |
| Olympic F & B S.r.o.              | Slovakia  | 100%                    | 100%                    | Bar services                  |
| Olympic Casino Bel IP             | Belarus   | 100%                    | 100%                    | Gaming services               |
| The Box S.r.l.                    | Italy     | 70%                     | 50%                     | Gaming services               |
| Jackpot Game S.r.l.               | Italy     | 70%                     | 50%                     | Gaming services               |
| Slottery S.r.l.                   | Italy     | 70%                     | 0%                      | Gaming services               |
| Siquia Holding B.V.               | Holland   | 95%                     | 95%                     | Holding activities            |
| Jessy Investments B.V.            | Holland   | 100%                    | 100%                    | Holding activities            |
| Gametech Services Ltd             | Jersey    | 100%                    | 100%                    | Software services             |
| Brandhouse Ltd                    | Jersey    | 100%                    | 100%                    | Holding activities            |
| Olympic Casino Ukraine TOV        | Ukraine   | 100%                    | 100%                    | Bankrupt                      |
| Alea Private Company              | Ukraine   | 100%                    | 100%                    | Bankrupt                      |

\* On 1 October 2014 Altea SIA was merged with Olympic Casino Latvia SIA, therefore the ownership at 31 December 2014 equals 0%.

The Management Board authorised these consolidated financial statements for issue at 24 March 2015. 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 2014 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 2014 are presented in thousands of euros.

**Adoption of new or revised standards and interpretations****New or revised standards and interpretations**

Certain new or revised standards and interpretations have been issued that became mandatory for the Group's annual periods beginning on or after 1 January 2014:

|  |  |  |
|--|--|--|
| IFRS 10,<br>Consolidated<br>Financial<br>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.  |
| IFRS 12,<br>Disclosure of<br>Interest in Other<br>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 change in the standard affected the information to be disclosed in respect of subsidiaries with non-controlling interest. |

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 2015:

|  |   |  |
|--|---|--|
| Annual<br>Improvements<br>to IFRSs 2012              | (Effective for annual periods beginning on or after 1 February 2015).                           | The improvements consist of changes to seven standards. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The Group is currently assessing the impact of the standard on its financial statements.  |
| IFRS 15, Revenue<br>from Contracts<br>with Customers | (Effective for annual periods beginning on or after 1 January 2017; not yet adopted by the EU). | The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the amendments on its financial statements. |
| Annual<br>Improvements<br>to IFRSs 2014              | (Effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). | The amendments impact 4 standards. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Group is currently assessing the impact of the amendments on its financial statements.  |
| Disclosure<br>Initiative –<br>Amendments to<br>IAS 1 | (Effective for annual periods beginning on or after 1 January 2016; not yet adopted by the EU). | The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Group is currently assessing the impact of the amendments on its financial statements.  |

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

## Group accounting

### *Consolidation*

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

### *Subsidiaries*

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

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

Acquisition-related costs are expensed as incurred.

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

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

### *Transactions with non-controlling interests*

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

### *Separate primary financial statements of the parent company presented in the notes to the consolidated financial statements*

According to the Accounting Act of Estonia, the notes to the consolidated financial statements shall include disclosures on the separate primary financial statements of the consolidating entity (parent company). In preparing the primary financial statements of the Parent Company, the same accounting policies have been used as also in preparing the consolidated financial statements. The accounting policies for reporting subsidiaries have been amended in the separate primary financial statements disclosed as supplementary information in the Annual Report in conjunction with IAS 27 "Consolidated and Separate Financial Statements". In the separate primary financial statements of the parent company presented in the notes to the consolidated financial statements (see Note 34) the investments in subsidiaries are carried at fair value.

## Foreign currency translation

All currencies other than the functional currency, the euro, are considered to be foreign currencies. Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities denominated in a foreign currency (receivables and loans payable in cash) are translated into the functional currency based on the foreign currency exchange rates of the European Central Bank prevailing at the balance sheet date. Foreign exchange gains and losses resulting from translation are recorded in the

income statement of the reporting period. Non-monetary assets and liabilities that are 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: *held-to-maturity investments* and *loans and receivables*. Classification depends on the purpose of the acquisition of financial assets. Management makes the decision regarding the classification of financial assets at their initial recognition.

#### *Held-to-maturity investments*

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

#### *Loans and receivables*

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

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

**Inventories**

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

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

**Investment property**

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

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

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

**Property, plant and equipment**

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

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

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

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

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

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

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

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

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



**Intangible assets**

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

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

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

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

Software and licenses            1 to 5 years

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

**Software**

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

**Licenses, trademarks**

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

**Goodwill**

Goodwill is the excess of the cost of acquisition over the fair value of the 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 (or disposal groups) held for sale**

Non-current assets (or disposal group) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and 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 lesser in negotiating and arranging an operating lease shall be added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

### Financial liabilities

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

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

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

### Payables to employees

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

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

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

#### *Termination benefits*

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

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

#### *Share-based payments*

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

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

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

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

#### **Provisions and contingent liabilities**

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

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

#### **Corporate income tax**

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

Corporate income tax on profits and deferred income tax expense or income of the subsidiaries located in Latvia, Lithuania, Poland, Slovakia, Belarus, Italy, the Netherlands and Jersey 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 until 31.12.2014 and from 01.01.2015 20/80, on the net amount payable. In certain circumstances, it is possible to distribute dividends without any additional income tax expense. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid. An income tax liability is due at the 10th day of the month following the payment of dividends.

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, Italy, Netherlands and Jersey, 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 2014: 15% in Latvia (2013: 15%), 15% in Lithuania (2013: 15%), 19% in Poland (2013: 19%), 22% in Slovakia (2013: 23%), 18% in Belarus (2013: 18%), 27.5% in Italy (2013: 31.4%), 20% - 25% in Netherlands and 0% in Jersey.



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 21.

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

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

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

#### Statutory reserve capital

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

#### Earnings per share

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

### Note 3 Financial risk management

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

#### Financial instruments by category

|                                    | Held-to-maturity investments |            | Loans and receivables |               | Total         |               |
|------------------------------------|------------------------------|------------|-----------------------|---------------|---------------|---------------|
|                                    | 31.12.2014                   | 31.12.2013 | 31.12.2014            | 31.12.2013    | 31.12.2014    | 31.12.2013    |
| Cash and cash equivalents (Note 5) | 0                            | 0          | 40,117                | 44,582        | 40,117        | 44,582        |
| Financial investments (Note 6)     | 828                          | 849        | 4,557                 | 3,633         | 5,385         | 4,482         |
| Trade receivables (Note 7)         | 0                            | 0          | 420                   | 481           | 420           | 481           |
| Interest receivables (Note 10)     | 0                            | 0          | 39                    | 14            | 39            | 14            |
| Other receivables (Note 10)        | 0                            | 0          | 91                    | 463           | 91            | 463           |
| <b>Total</b>                       | <b>828</b>                   | <b>849</b> | <b>45,224</b>         | <b>49,173</b> | <b>46,052</b> | <b>50,022</b> |

#### Liabilities at amortised cost

|                             | 31.12.2014   | 31.12.2013   |
|-----------------------------|--------------|--------------|
| Borrowings (Note 17)        | 1,469        | 609          |
| Trade payables (Note 18)    | 2,258        | 3,404        |
| Other liabilities (Note 18) | 1,416        | 797          |
| <b>Total</b>                | <b>5,143</b> | <b>4,810</b> |

#### 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, Lithuanian litas (until 31.12.2014), Polish zloty and Belarusian roubles. 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 and the US dollar (USD) and Swiss franc (CHF) can be used for managing the currency risk.

Possible increase and decline of currency risk is evaluated by using exchange rate fluctuation for 01.01.2014 versus 31.12.2014.

**Exposure to currency risks at 31.12.2014**

|  | EUR           | USD       | LVL      | LTL          | PLN          | BYR        | Others     | Total         |
|--|---------------|-----------|----------|--------------|--------------|------------|------------|---------------|
| Cash and cash equivalents (Note 5)                         | 36,165        | 33        | 0        | 2,065        | 1,792        | 54         | 8          | <b>40,117</b> |
| Financial investments (Note 6)                             | 3,662         | 0         | 0        | 900          | 823          | 0          | 0          | <b>5,385</b>  |
| Trade receivables (Note 7)                                 | 267           | 0         | 0        | 43           | 110          | 0          | 0          | <b>420</b>    |
| Interest receivables (Note 10)                             | 32            | 0         | 0        | 7            | 0            | 0          | 0          | <b>39</b>     |
| Other receivables (Note 10)                                | 86            | 0         | 0        | 5            | 0            | 0          | 0          | <b>91</b>     |
| <b>Total</b>   | <b>40,212</b> | <b>33</b> | <b>0</b> | <b>3,020</b> | <b>2,725</b> | <b>54</b>  | <b>8</b>   | <b>46,052</b> |
| Short-term borrowings (Note 17)                            | -253          | 0         | 0        | 0            | 0            | 0          | 0          | <b>-253</b>   |
| Trade payables (Note 18)                                   | -1,739        | -4        | 0        | -350         | -143         | 0          | -22        | <b>-2,258</b> |
| Other current liabilities (Note 18)                        | -994          | 0         | 0        | -25          | -374         | -23        | 0          | <b>-1,416</b> |
| Long-term borrowings (Note 17)                             | -1,201        | 0         | 0        | 0            | -15          | 0          | 0          | <b>-1,216</b> |
| <b>Total</b>   | <b>-4,187</b> | <b>-4</b> | <b>0</b> | <b>-375</b>  | <b>-532</b>  | <b>-23</b> | <b>-22</b> | <b>-5,143</b> |
| <b>Net exposure</b>  | <b>36,025</b> | <b>29</b> | <b>0</b> | <b>2,645</b> | <b>2,193</b> | <b>31</b>  | <b>-14</b> | <b>40,909</b> |
| Appreciation of the currency exchange rate against EUR (%) | -             | 12%       | -        | -            | 3%           | 10%        | -          | -             |
| Depreciation of the currency exchange rate against EUR (%) | -             | -12%      | -        | -            | -3%          | -10%       | -          | -             |
| <b>Effect on profit and equity</b>                         | <b>0</b>      | <b>3</b>  | <b>0</b> | <b>0</b>     | <b>66</b>    | <b>3</b>   | <b>0</b>   | <b>72</b>     |
| <b>Effect on profit and equity</b>                         | <b>0</b>      | <b>-3</b> | <b>0</b> | <b>0</b>     | <b>-66</b>   | <b>-3</b>  | <b>0</b>   | <b>-72</b>    |

**Exposure to currency risks at 31.12.2013**

|  | EUR           | USD         | LVL          | LTL          | PLN          | BYR        | Others    | Total         |
|--|---------------|-------------|--------------|--------------|--------------|------------|-----------|---------------|
| Cash and cash equivalents (Note 5)                         | 32,983        | 304         | 6,945        | 2,263        | 1,819        | 254        | 14        | <b>44,582</b> |
| Financial investments (Note 6)                             | 2,675         | 0           | 0            | 925          | 882          | 0          | 0         | <b>4,482</b>  |
| Trade receivables (Note 7)                                 | 221           | 0           | 102          | 41           | 117          | 0          | 0         | <b>481</b>    |
| Interest receivables (Note 10)                             | 7             | 0           | 0            | 7            | 0            | 0          | 0         | <b>14</b>     |
| Other receivables (Note 10)                                | 449           | 0           | 8            | 6            | 0            | 0          | 0         | <b>463</b>    |
| <b>Total</b>   | <b>36,335</b> | <b>304</b>  | <b>7,055</b> | <b>3,242</b> | <b>2,818</b> | <b>254</b> | <b>14</b> | <b>50,022</b> |
| Short-term borrowings (Note 17)                            | -240          | 0           | 0            | 0            | 0            | 0          | 0         | <b>-240</b>   |
| Trade payables (Note 18)                                   | -2,382        | -128        | -466         | -268         | -160         | 0          | 0         | <b>-3,404</b> |
| Other current liabilities (Note 18)                        | -304          | 0           | -43          | -30          | -363         | -57        | 0         | <b>-797</b>   |
| Long-term borrowings (Note 17)                             | -353          | 0           | 0            | 0            | -16          | 0          | 0         | <b>-369</b>   |
| <b>Total</b>   | <b>-3,279</b> | <b>-128</b> | <b>-509</b>  | <b>-298</b>  | <b>-539</b>  | <b>-57</b> | <b>0</b>  | <b>-4,810</b> |
| <b>Net exposure</b>  | <b>33,056</b> | <b>176</b>  | <b>6,546</b> | <b>2,944</b> | <b>2,279</b> | <b>197</b> | <b>14</b> | <b>45,212</b> |
| Appreciation of the currency exchange rate against EUR (%) | -             | 5%          | 1%           | -            | 2%           | 15%        | -         | -             |
| Depreciation of the currency exchange rate against EUR (%) | -             | -5%         | -1%          | -            | -2%          | -15%       | -         | -             |
| <b>Effect on profit and equity</b>                         | <b>0</b>      | <b>9</b>    | <b>65</b>    | <b>0</b>     | <b>46</b>    | <b>30</b>  | <b>0</b>  | <b>150</b>    |
| <b>Effect on profit and equity</b>                         | <b>0</b>      | <b>-9</b>   | <b>-65</b>   | <b>0</b>     | <b>-46</b>   | <b>-30</b> | <b>0</b>  | <b>-150</b>   |

**Interest rate risk**

The Group's term deposits (see Notes 5 and 6) 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.

The Group have a loan agreement with the due date of 31 March 2016. The annual interest rate is 3 months Euribor + 2.0%. At the balance sheet date, the balance of the loan was EUR 318 thousand.

The Group has received a loan from minority interest with the due date of 31 December 2017. The annual interest rate is 6 months Euribor + 2.0%. At the balance sheet date, the balance of the loan was EUR 1,078 thousand.

In case loan interest would increase by 1%, the Group annual interest costs would increase by EUR 15 thousand and in case loan interest would decrease by 1%, the Group annual interest cost would decrease by EUR 15 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 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 8, are not due. No credit losses have arisen from trade receivables that are not yet overdue.

|   | <b>31.12.2014</b> | <b>31.12.2013</b> |
|---|-------------------|-------------------|
| Cash and cash equivalents in bank accounts (Note 5) | 34,531            | 39,512            |
| Short and long term financial investments (Note 6)  | 5,385             | 4,482             |
| Trade receivables (Note 7)                          | 420               | 481               |
| Other receivables (Note 10)                         | 91                | 463               |
| <b>Total</b>  | <b>40,427</b>     | <b>44,938</b>     |

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

|   | <b>31.12.2014</b> | <b>31.12.2013</b> |
|---|-------------------|-------------------|
| <b>Cash and cash equivalents on bank accounts</b> |                   |                   |
| Banks with credit rating A                        | 30,952            | 38,332            |
| Banks with credit rating B                        | 3,288             | 360               |
| Other banks                                       | 291               | 820               |
| <b>Short and long-term financial investments</b>  |                   |                   |
| Banks with credit rating A                        | 1,078             | 3,555             |
| <i>Including Lithuanian government bonds</i>      | 828               | 849               |
| Banks with credit rating B                        | 3,255             | 0                 |
| Other banks                                       | 1,052             | 927               |
| <b>Total</b>                                      | <b>39,916</b>     | <b>43,994</b>     |

**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 31.12.2014 totalled EUR 31,624 thousand and as at 31.12.2013 EUR 34,281 thousand, respectively. The undiscounted cash-flows arising from the Group's financial liabilities divided by maturity:

| <b>31.12.2014</b>                   | <b>1-3 months</b> | <b>3-12 months</b> | <b>1-5 years</b> | <b>Total</b> |
|-------------------------------------|-------------------|--------------------|------------------|--------------|
| Bank loans (Note 17)                | 64                | 193                | 65               | <b>322</b>   |
| Long-term loans (Note 17)           | 6                 | 18                 | 1,107            | <b>1,131</b> |
| Finance lease liabilities (Note 17) | 0                 | 0                  | 0                | <b>0</b>     |
| Trade payables (Note 18)            | 2,258             | 0                  | 0                | <b>2,258</b> |
| Other liabilities (Note 18)         | 1,416             | 0                  | 0                | <b>1,416</b> |
| <b>Total</b>                        | <b>3,744</b>      | <b>211</b>         | <b>1,172</b>     | <b>5,127</b> |

| <b>31.12.2013</b>                   | <b>1-3 months</b> | <b>3-12 months</b> | <b>1-5 years</b> | <b>Total</b> |
|-------------------------------------|-------------------|--------------------|------------------|--------------|
| Bank loans (Note 17)                | 63                | 228                | 346              | <b>637</b>   |
| Long-term loans (Note 17)           | 0                 | 0                  | 0                | <b>0</b>     |
| Finance lease liabilities (Note 17) | 1                 | 2                  | 7                | <b>10</b>    |
| Trade payables (Note 18)            | 3,404             | 0                  | 0                | <b>3,404</b> |
| Other liabilities (Note 18)         | 797               | 0                  | 0                | <b>797</b>   |
| <b>Total</b>                        | <b>4,265</b>      | <b>230</b>         | <b>353</b>       | <b>4,848</b> |

**Fair value**

According to the assessment of the Group's management, the carrying amounts of the Group's assets and liabilities do not differ significantly from their fair values. Trade receivables and payables are short-term and therefore the management estimates that their carrying amount is close to their fair value. The Group's long-term borrowings are based on floating interest rates, which change according to the market interest rate. Based on the above, the management estimates that the

fair values of long-term payables and receivables are an approximation of their carrying amount. Borrowings are estimated at level 3.

#### 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.

|  | <u>31.12.2014</u> | <u>31.12.2013</u> |
|--|-------------------|-------------------|
| Total equity of the Group                  | 109,204           | 101,971           |
| Balance sheet total of the Group           | 126,231           | 118,277           |
| Share of equity of the balance sheet total | 87%               | 86%               |

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

### Note 4 Critical accounting estimates and judgements

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

#### Deferred income tax (Note 12)

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 Group has no significant tax losses for which deferred tax assets have not been recognised.

The carrying amount of deferred income tax as at 31 December 2014 was EUR 1,398 thousand and as at 31 December 2013 EUR 1,077 thousand. The carrying amount of deferred income tax liability as at 31 December 2014 was EUR 272 thousand and as at 31 December 2013 EUR 246 thousand.

#### Useful lives of property, plant and equipment (Note 14)

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 2014, the carrying amount of non-current assets was EUR 34,368 thousand and as at 31 December 2013, EUR 26,513 thousand.

If useful lives of items of property, plant and equipment were decreased by 10%, the annual depreciation charge would increase by EUR 1,106 thousand and if useful lives of items of property, plant and equipment were increased by 10%, the annual depreciation charge would decrease by EUR 905 thousand.

#### Estimating the recoverable amount of goodwill (Note 16)

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 16.

As at 31 December 2014 the carrying amount of goodwill was EUR 36,847 thousand and as at 31 December 2013 EUR 33,743 thousand.

#### Provisions (Note 19)

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 1,424 thousand and EUR 1,181 thousand as at 31 December 2014 and 31 December 2013, respectively.

**Note 5 Cash and cash equivalents**

|                                  | <u>31.12.2014</u> | <u>31.12.2013</u> |
|----------------------------------|-------------------|-------------------|
| Cash on hand and at gaming halls | 5,586             | 5,070             |
| Cash in bank accounts            | 32,302            | 30,837            |
| Demand deposits                  | 261               | 6,956             |
| Term deposits                    | 835               | 175               |
| Cash in transit                  | 1,133             | 1,544             |
| <b>Total cash and bank</b>       | <b>40,117</b>     | <b>44,582</b>     |

Demand deposits comprise the balances on overnight deposits. The effective interest rates of overnight deposits ranged from 0.008% - 0.06% (2013: 0.06%- 0.07%). The effective interest rates of term deposits ranged from 1.78% - 3.1% (2013: 0.08%-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 2014 the Group's interest income on term deposits amounted to EUR 73 thousand and in 2013 EUR 135 thousand (Notes 3, 26).

**Note 6 Short- and long-term financial investments**

| <b>Short-term financial investments</b>                | <u>31.12.2014</u> | <u>31.12.2013</u> |
|--|-------------------|-------------------|
| Deposits with maturities between 4 months and 1 year   | 3                 | 3                 |
| Deposits used as collateral for rental premises        | 696               | 662               |
| Other guarantee deposits                               | 409               | 421               |
| <b>Total short-term financial investments (Note 3)</b> | <b>1,108</b>      | <b>1,086</b>      |
| <br>   |                   |                   |
| <b>Long-term financial investments</b>                 |                   |                   |
| Lithuanian government bonds                            | 828               | 849               |
| Other guarantee deposits                               | 3,252             | 2,500             |
| Other investments                                      | 197               | 47                |
| <b>Total long-term financial investments (Note 3)</b>  | <b>4,277</b>      | <b>3,396</b>      |

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 7,241 per slot machine (A category);
- LTL 300 / EUR 145 per slot machine (B category).

The Group has opted to invest in the government bonds of the Republic of Lithuania. There were no transactions with bonds in 2014. In 2013 several transactions were made with bonds due to the ending of the agreements. As a result of these transactions the bonds were sold in amount of EUR 956 thousand and purchased in amount of EUR 849 thousand. The interest rates on bonds were 4.8% (2013: 4.8%). In 2014, interest income on the bonds amounted to EUR 16 thousand and in 2013, EUR 28 thousand (Note 26).

In 2013 investment gold units were sold in the amount of EUR 10,194 thousand. As a result the loss from the change of units' fair value has occurred in the amount of EUR 621 thousand, which is reflected on the income statement row "Other financial income and expenses" (Note 26).

Other long-term guarantee deposits include the guarantee deposits required in accordance with the valid gaming legislation of the Slovak Republic. Increase of deposit amount in 2014 is connected with acquisition of Slovakian subsidiary Olybet Slovakia S.r.o.

**Note 7 Receivables and prepayments**

|   | <b>31.12.2014</b> | <b>31.12.2013</b> |
|---|-------------------|-------------------|
| Trade receivables (Notes 3,8)               | 420               | 481               |
| Prepaid taxes (Note 9)                      | 793               | 610               |
| Other receivables and prepayments (Note 10) | 2,062             | 1,855             |
| <b>Total receivables and prepayments</b>    | <b>3,275</b>      | <b>2,946</b>      |

**Note 8 Trade receivables**

|   | <b>31.12.2014</b> | <b>31.12.2013</b> |
|---|-------------------|-------------------|
| Trade receivables not yet due           | 420               | 481               |
| Trade receivables overdue and impaired  | 351               | 775               |
| Provision for impairment of receivables | -351              | -775              |
| <b>Total trade receivables (Note 7)</b> | <b>420</b>        | <b>481</b>        |

| <b>Impairment of doubtful receivables</b>                  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| At the beginning of year                                   | -775        | -707        |
| Impairment of receivables and write-off from balance sheet | 424         | -68         |
| <b>At year-end</b>   | <b>-351</b> | <b>-775</b> |

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

**Note 9 Taxes**

|                                      | <b>31.12.2014</b> |                  | <b>31.12.2013</b> |                  |
|--------------------------------------|-------------------|------------------|-------------------|------------------|
|                                      | <b>Prepayment</b> | <b>Liability</b> | <b>Prepayment</b> | <b>Liability</b> |
| Gaming tax                           | 354               | 1,589            | 354               | 1,935            |
| Value added tax                      | 407               | 106              | 228               | 197              |
| Personal income tax                  | 0                 | 489              | 0                 | 535              |
| Social security tax                  | 0                 | 1,311            | 0                 | 1,217            |
| Excise tax                           | 0                 | 0                | 0                 | 0                |
| Income tax on gifts, fringe benefits | 0                 | 7                | 0                 | 14               |
| Other taxes                          | 32                | 13               | 28                | 18               |
| <b>Total taxes (Notes 7, 18)</b>     | <b>793</b>        | <b>3,515</b>     | <b>610</b>        | <b>3,916</b>     |

**Tax rates effective at 31.12.2014 by country**

|                         | <b>Estonia</b> | <b>Latvia</b> | <b>Lithuania</b> | <b>Poland</b> | <b>Slovakia</b> | <b>Belarus</b> | <b>Italy</b> |
|-------------------------|----------------|---------------|------------------|---------------|-----------------|----------------|--------------|
| 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%             | 4%+136         | 4,8%         |
| Value added tax         | 20%            | 21%           | 21%              | 23%           | 20%             | 20%            | 22%          |
| Corporate income tax**  | 21/79          | 15%           | 15%              | 19%           | 22%             | 18%            | 27,5%        |
| Personal income tax     | 21%            | 24%           | 15%              | 18%; 32%      | 19-25%          | 12%            | 23-43%       |
| Social security tax     | 33%            | 34,09%        | 40%              | 18,30%        | 28,35%          | 34%            | 39-45%       |



**Tax rates effective at 31.12.2013 by country**

|                         | <b>Estonia</b> | <b>Latvia</b> | <b>Lithuania</b> | <b>Poland</b> | <b>Slovakia</b> | <b>Belarus</b> | <b>Italy</b> |
|-------------------------|----------------|---------------|------------------|---------------|-----------------|----------------|--------------|
| 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%             | 130            | 4,8%         |
| Value added tax         | 20%            | 21%           | 21%              | 23%           | 20%             | 20%            | 22%          |
| Corporate income tax**  | 21/79          | 15%           | 15%              | 19%           | 23%             | 18%            | 31.4%        |
| Personal income tax     | 21%            | 24%           | 15%              | 18%; 32%      | 19-25%          | 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. In Belarus there is combination of fixed gaming tax on slots and 4% tax on gaming revenues (excluding fixed gaming tax).

\*\* 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 10 Other receivables and prepayments**

|   | <b>31.12.2014</b> | <b>31.12.2013</b> |
|---|-------------------|-------------------|
| <b>Prepaid expenses</b>                   |                   |                   |
| Lease of premises                         | 876               | 535               |
| Licenses                                  | 220               | 272               |
| Software and equipment maintenance        | 142               | 102               |
| Other prepaid expenses                    | 612               | 426               |
| <b>Total prepaid expenses</b>             | <b>1,850</b>      | <b>1,335</b>      |
| <b>Other short-term receivables</b>       |                   |                   |
| Loans to employees                        | 9                 | 9                 |
| Other receivables from employees          | 73                | 34                |
| Interest receivable                       | 39                | 14                |
| Other short-term receivables              | 91                | 463               |
| <b>Total other short-term receivables</b> | <b>212</b>        | <b>520</b>        |
| <b>Total (Note 7)</b>                     | <b>2,062</b>      | <b>1,855</b>      |

**Note 11 Inventories**

|                               | <b>31.12.2014</b> | <b>31.12.2013</b> |
|-------------------------------|-------------------|-------------------|
| Goods purchased for resale    | 589               | 474               |
| Gaming equipment              | 122               | 125               |
| Jackpot prizes                | 62                | 45                |
| Spare parts for slot machines | 83                | 209               |
| Other materials               | 307               | 148               |
| <b>Total inventories</b>      | <b>1,163</b>      | <b>1,001</b>      |



**Note 12 Deferred tax assets and liabilities**

| <b>Deferred tax assets</b>           | <b>Property,<br/>plant and<br/>equipment</b> | <b>Provisions</b> | <b>Other</b> | <b>Total</b> |
|--------------------------------------|--|-------------------|--------------|--------------|
| Deferred tax assets at 01.01.2013    | 225  | 202               | 611          | <b>1 038</b> |
| Impact on income statement (Note 27) | 46   | -23               | 16           | <b>39</b>    |
| Deferred tax assets at 31.12.2013    | 271  | 179               | 627          | <b>1,077</b> |
| Impact on income statement (Note 27) | 245  | 118               | -42          | <b>321</b>   |
| Deferred tax assets at 31.12.2014    | 516  | 297               | 585          | <b>1,398</b> |

| <b>Deferred tax liabilities</b>        | <b>Property,<br/>plant and<br/>equipment</b> | <b>Total</b> |
|--|--|--------------|
| Deferred tax liabilities at 01.01.2013 | 140  | <b>140</b>   |
| Impact on income statement (Note 27)   | 106  | <b>106</b>   |
| Deferred tax liabilities at 31.12.2013 | 246  | <b>246</b>   |
| Impact on income statement (Note 27)   | 26   | <b>26</b>    |
| Deferred tax liabilities at 31.12.2014 | 272  | <b>272</b>   |

**Note 13 Investment property**

|                                       | <b>Land</b>  | <b>Buildings</b> | <b>Total</b> |
|---------------------------------------|--------------|------------------|--------------|
| <b>As at 01 January 2013</b>          | <b>1,333</b> | <b>462</b>       | <b>1,795</b> |
| Net gain from fair value adjustments  | 44           | -45              | -1           |
| <b>As at 31 December 2013</b>         | <b>1,343</b> | <b>441</b>       | <b>1,784</b> |
| Net gain from fair value adjustments  | -155         | 143              | -12          |
| Sales                                 | 0            | -464             | -464         |
| Transfers to the assets held for sale | -1,016       | 0                | -1,016       |
| <b>As at 31 December 2014</b>         | <b>172</b>   | <b>120</b>       | <b>292</b>   |

As at 31.12.2014 land includes forest land acquired for capital appreciation. Buildings include apartment in Tallinn acquired to earn rental income and for capital appreciation.

As at 31.12.2013 land included forest land acquired for capital appreciation and building rights to a property acquired for real estate development in Vilnius. Buildings included apartments in Tallinn and Tartu acquired to earn rental income and for capital appreciation.

At the end of 2014 an agreement was signed for sale of real estate in Vilnius in the beginning of 2015, and therefore at the balance sheet date the real estate object was reclassified as asset held for sale. Also Tartu apartments were sold in 2014, the sales price was EUR 464 thousand.

In 2014, investment property was valued using real estate agency Uus Maa and Metsatervenduse OÜ. In 2013 a certified real estate expert assessment was used for investment property: Centro Kubas – Nekilnojamasis turtas UAB in Lithuania and real estate agencies Uus Maa, Kaanon Kinnisvara and Metsatervenduse OÜ in Estonia.

To evaluate investment property in Tallinn comparable transactions' method was used in 2014. Actual transactions prices of the commercial real estate objects located in the centre of Tallinn were used as a basis for comparison. Using this method the market value of a real estate object is measured based on the comparison of the evaluated object and similar objects sold in the free market conditions and corrected by adjustment factors.

In 2013 an independent certified real estate expert's assessment was used for investment property in Estonia to evaluate Tartu real estate object, also this expert's opinion was received for discount and capitalization rates. Evaluation was conducted using discounted cash flow method and market based data (comparable transactions, lease revenues etc.). The discount rate of 10.5% was used for the evaluation and lease growth rate of 2.0%. To determine lease price input for the evaluation of „Investment property” valid lease agreements were used that reflected the market conditions according to management's opinion.

Lithuanian investment property evaluation in 2013 was composed using discounted cash flow method and market based data (comparable transactions, lease revenues etc.). The discount rate of 10.5% was used for the investment property evaluation.

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

The fair value of real estate is defined using evaluation techniques, which use as much market data as possible (in case such data is available) and the Group's own assessments as little as possible. Quoted prices of identical assets or liabilities (unadjusted) on active markets are rated as level 1. Investment property is rated as level 2 when all significant input data for measuring the fair value is available. If one or several significant inputs of data are not available on the market then the investment property is as level 3. At the balance sheet date the Group's investment properties are rated at level 2 in the amount of EUR 120 thousand (2013: EUR 111 thousand) and at level 3 in the amount of EUR 172 thousand (2013: EUR 1,673 thousand). The possible change of the significant market data used, which is not available at the market, for the measurement of the fair value of the investment property classified as level 3, does not have the material effect on the fair values of the Group's investment property. There have been no reclassifications of the investment property items between the rated levels during the year.

In the reporting period, rental income from investment property totalled EUR 6 thousand and in 2013, EUR 33 thousand. Other expenses on investment property (utility, security, insurance, and land tax charges) totalled EUR 2 thousand and in 2013 EUR 17 thousand.

## Note 14 Property, plant and equipment

|                                       | Buildings | Renovation expenditures | Machinery & equipment | Other PP&E   | Construction in progress | Total         |
|---------------------------------------|-----------|-------------------------|-----------------------|--------------|--------------------------|---------------|
| <b>As at 1 January 2013</b>           |           |                         |                       |              |                          |               |
| Cost                                  | 93        | 29,362                  | 63,081                | 5,399        | 837                      | 98,772        |
| Accumulated depreciation              | -55       | -22,173                 | -52,726               | -4,207       | 0                        | -79,161       |
| <b>Carrying amount</b>                | <b>38</b> | <b>7,189</b>            | <b>10,355</b>         | <b>1,192</b> | <b>837</b>               | <b>19,611</b> |
| <b>Changes in 2013</b>                |           |                         |                       |              |                          |               |
| Additions                             | 0         | 2,849                   | 6,947                 | 736          | 3,797                    | 14,329        |
| Acquired through business combination | 0         | 18                      | 185                   | 0            | 2                        | 205           |
| Sales                                 | 0         | 0                       | -146                  | 0            | 0                        | -146          |
| Write-offs                            | 0         | -102                    | -15                   | -11          | 0                        | -128          |
| Transfers                             | 0         | 1,264                   | 1,575                 | 206          | -3,045                   | 0             |
| Depreciation charge                   | -7        | -2,072                  | -4,715                | -513         | 0                        | -7,307        |
| Reversal of impairment losses         | 0         | 0                       | 52                    | 0            | 0                        | 52            |
| Currency translation differences      | 0         | -30                     | -62                   | -8           | -3                       | -103          |
| <b>As at 31 December 2013</b>         |           |                         |                       |              |                          |               |
| Cost                                  | 91        | 23,951                  | 64,134                | 5,540        | 1,588                    | 95,304        |
| Accumulated depreciation              | -60       | -14,835                 | -49,958               | -3,938       | 0                        | -68,791       |
| <b>Carrying amount</b>                | <b>31</b> | <b>9,116</b>            | <b>14,176</b>         | <b>1,602</b> | <b>1,588</b>             | <b>26,513</b> |

|   | Buildings | Renovation expenditures | Machinery & equipment | Other PP&E   | Construction in progress | Total          |
|---|-----------|-------------------------|-----------------------|--------------|--------------------------|----------------|
| <b>As at 1 January 2014</b>                     |           |                         |                       |              |                          |                |
| Cost  | 91        | 23,951                  | 64,134                | 5,540        | 1,588                    | <b>95,304</b>  |
| Accumulated depreciation                        | -60       | -14,835                 | -49,958               | -3,938       | 0                        | <b>-68,791</b> |
| <b>Carrying amount</b>                          | <b>31</b> | <b>9,116</b>            | <b>14,176</b>         | <b>1,602</b> | <b>1,588</b>             | <b>26,513</b>  |
| <b>Changes in 2014</b>                          |           |                         |                       |              |                          |                |
| Additions                                       | 0         | 1,292                   | 6,277                 | 664          | 9,887                    | <b>18,120</b>  |
| Acquired through business combination (Note 29) | 0         | 0                       | 139                   | 15           | 0                        | <b>154</b>     |
| Sales   | 0         | 0                       | -354                  | 0            | 0                        | <b>-354</b>    |
| Write-offs                                      | 0         | -290                    | -37                   | -3           | -181                     | <b>-511</b>    |
| Transfers                                       | 0         | 1,716                   | 1,670                 | 276          | -3,667                   | <b>-5</b>      |
| Depreciation charge                             | -6        | -2,490                  | -4,920                | -711         | 0                        | <b>-8,127</b>  |
| Impairment losses                               | 0         | -353                    | -885                  | -75          | 0                        | <b>-1,313</b>  |
| Currency translation differences                | -1        | -17                     | -70                   | -5           | -16                      | <b>-109</b>    |
| <b>As at 31 December 2014</b>                   |           |                         |                       |              |                          |                |
| Cost  | 89        | 22,701                  | 65,894                | 5,879        | 7,611                    | <b>102,174</b> |
| Accumulated depreciation                        | -65       | -13,727                 | -49,898               | -4,116       | 0                        | <b>-67,806</b> |
| <b>Carrying amount</b>                          | <b>24</b> | <b>8,974</b>            | <b>15,996</b>         | <b>1,763</b> | <b>7,611</b>             | <b>34,368</b>  |

Lease payments and lease liabilities are disclosed in Note 15.

Assets under construction include expenditures incurred for 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. 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 2014 tangible assets were impaired in the amount of EUR 1,313 thousand, of which EUR 1,090 thousand relates to impairment of assets in Belarus subsidiary and EUR 223 thousand in Polish subsidiary. In 2013, no impairment losses were recognised for property, plant and equipment. In 2014, property, plant and equipment were written off with the carrying amount of EUR 511 thousand, due to closing down a casino in a Polish subsidiary. In 2013, property, plant and equipment were written off with the carrying amount of EUR 128 thousand.

## Note 15 Leased assets

### The Group is the lessee

#### Assets leased under finance lease terms

Information on finance lease liabilities is disclosed in Note 17.

#### Assets leased under operating lease terms

Group entities lease rental premises under operating lease terms. In 2014, operating lease payments totalled EUR 12,463 thousand and in 2013 EUR 11,073 thousand (Note 24).

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

Payments due

|                           | 2014   | 2013   |
|---------------------------|--------|--------|
| Due in less than 1 year   | 7,832  | 7,655  |
| Due between 1 and 5 years | 14,357 | 14,284 |
| Due after 5 years         | 4,356  | 4,531  |

### The Group is the lessor

The Group as the lesser leases out investment property under operating lease terms (Note 13). Also the premises initially leased by the Group's subsidiaries are partially subleased to the third parties. In 2014, operating lease income totalled EUR 101 thousand and in 2013, EUR 169 thousand.

## Future lease payments under non-cancellable operating leases

|                           | <b>2014</b> | <b>2013</b> |
|---------------------------|-------------|-------------|
| Due in less than 1 year   | 8           | 10          |
| Due between 1 and 5 years | 0           | 0           |
| Due after 5 years         | 0           | 0           |

**Note 16 Intangible assets**

|                                       | <b>Goodwill</b> | <b>Software<br/>and licenses</b> | <b>Unfinished<br/>projects</b> | <b>Total</b>  |
|---------------------------------------|-----------------|----------------------------------|--------------------------------|---------------|
| <b>As at 1 January 2013</b>           |                 |                                  |                                |               |
| Cost                                  | 29,424          | 3,369                            | 43                             | <b>32,836</b> |
| Accumulated amortisation              | 0               | -2,610                           | 0                              | <b>-2,610</b> |
| <b>Carrying amount</b>                | <b>29,424</b>   | <b>759</b>                       | <b>43</b>                      | <b>30,226</b> |
| <b>Changes in 2013</b>                |                 |                                  |                                |               |
| Additions                             | 0               | 436                              | 269                            | <b>705</b>    |
| Acquired through business combination | 4,516           | 1                                | 0                              | <b>4,517</b>  |
| Write-offs                            | 0               | -1                               | 0                              | <b>-1</b>     |
| Transfers                             | 0               | 275                              | -275                           | <b>0</b>      |
| Amortisation charge                   | 0               | -379                             | 0                              | <b>-379</b>   |
| Currency translation differences      | -197            | -6                               | 0                              | <b>-203</b>   |
| <b>As at 31 December 2013</b>         |                 |                                  |                                |               |
| Cost                                  | 33,743          | 4,030                            | 37                             | <b>37,810</b> |
| Accumulated amortisation              | 0               | -2,945                           | 0                              | <b>-2,945</b> |
| <b>Carrying amount</b>                | <b>33,743</b>   | <b>1,085</b>                     | <b>37</b>                      | <b>34,865</b> |

|  | <b>Goodwill</b> | <b>Software<br/>and licenses</b> | <b>Unfinished<br/>projects</b> | <b>Total</b>  |
|--|-----------------|----------------------------------|--------------------------------|---------------|
| <b>As at 1 January 2014</b>                        |                 |                                  |                                |               |
| Cost   | 33,743          | 4,030                            | 37                             | <b>37,810</b> |
| Accumulated amortisation                           | 0               | -2,945                           | 0                              | <b>-2,945</b> |
| <b>Carrying amount</b>                             | <b>33,743</b>   | <b>1,085</b>                     | <b>37</b>                      | <b>34,865</b> |
| <b>Changes in 2014</b>                             |                 |                                  |                                |               |
| Additions  | 0               | 361                              | 67                             | <b>428</b>    |
| Acquired through business combination<br>(Note 29) | 3,306           | 40                               | 0                              | <b>3,346</b>  |
| Transfers  | 0               | 96                               | -91                            | <b>5</b>      |
| Amortisation charge                                | 0               | -393                             | 0                              | <b>-393</b>   |
| Currency translation differences                   | -202            | -3                               | -1                             | <b>-206</b>   |
| <b>As at 31 December 2014</b>                      |                 |                                  |                                |               |
| Cost   | 36,847          | 4,195                            | 12                             | <b>41,054</b> |
| Accumulated amortisation                           | 0               | -3,009                           | 0                              | <b>-3,009</b> |
| <b>Carrying amount</b>                             | <b>36,847</b>   | <b>1,186</b>                     | <b>12</b>                      | <b>38,045</b> |

*Impairment tests and impairment losses*

Management tested goodwill for impairment as at 31 December 2014 and 31 December 2013. The Group regards segments as cash-generating units. The break-down of goodwill between segments is as follows:

| <b>Segment</b> | <b>31.12.2014</b> | <b>31.12.2013</b> |
|----------------|-------------------|-------------------|
| Estonia        | 13,065            | 13,065            |
| Latvia         | 11,712            | 11,704            |
| Poland         | 7,061             | 7,263             |
| Italy          | 5,009             | 1,711             |
|                | <b>36,847</b>     | <b>33,743</b>     |

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 segment were applied:

| Segment | Average income growth in 5-year period |      | Average expense growth in 5-year period |      | WACC*  |        | Terminal growth rate |      |
|---------|--|------|---|------|--------|--------|----------------------|------|
|         | 2014                                   | 2013 | 2014                                    | 2013 | 2014   | 2013   | 2014                 | 2013 |
| Estonia | 5%                                     | 5%   | 6%                                      | 5%   | 9.7%   | 11.29% | 3%                   | 3%   |
| Latvia  | 5%                                     | 5%   | 5%                                      | 5%   | 10.48% | 12.53% | 3%                   | 3%   |
| Poland  | 4%                                     | 5%   | 4%                                      | 5%   | 11.94% | 13.94% | 3%                   | 3%   |
| Italy   | 10%                                    | 5%   | 9%                                      | 5%   | 12.89% | 14.97% | 3%                   | 3%   |

\* Pre-tax discount rate is used.

In 2014 and 2013, no impairment losses were recognised for goodwill.

Reasonable changes in impairment tests would not cause the decrease of recoverable amount below the carrying amount.

## Note 17 Borrowings

|  | 31.12.2014   | 31.12.2013 |
|--|--------------|------------|
| <b>Short-term borrowings</b>                     |              |            |
| Current portion of financial lease liability     | 0            | 2          |
| Current portion of long-term bank loan           | 253          | 238        |
| <b>Total short-term borrowings</b>               | <b>253</b>   | <b>240</b> |
| <b>Long-term borrowings</b>                      |              |            |
| Non-current portion of financial lease liability | 0            | 7          |
| Non-current portion of long-term bank loan       | 65           | 325        |
| Long-term loan                                   | 1,078        | 0          |
| Other borrowings                                 | 73           | 37         |
| <b>Total long-term borrowings</b>                | <b>1,216</b> | <b>369</b> |
| <b>Total borrowings</b>                          | <b>1,469</b> | <b>609</b> |

The Group have concluded the loan agreement with the due date of 31 March 2016. The annual interest rate is 3 month Euribor + 2.0%. The Group has received a loan from minority interest with the due date of 31 December 2017. The annual interest rate is 6 months Euribor + 2.0%. Carrying amount of loans received does not vary from their fair value. The fair value measurement was carried out at level 3.

In 2014, the interest expense of the bank loan was EUR 11 thousand (2013: EUR 17 thousand) and interest expense of the other long-term loan in 2014 was EUR 17 thousand (Note 26).

## Note 18 Trade and other payables

|                                       | 31.12.2014    | 31.12.2013    |
|---------------------------------------|---------------|---------------|
| Customer prepayments                  | 1,995         | 1,775         |
| Trade payables                        | 2,258         | 3,404         |
| Other payables                        | 777           | 337           |
| Tax liabilities (Note 9)              | 3,515         | 3,916         |
| Payables to employees                 | 3,937         | 3,602         |
| Other accrued expenses                | 639           | 460           |
| <b>Total trade and other payables</b> | <b>13,121</b> | <b>13,494</b> |

**Note 19 Provisions**

|   | <u>2014</u>  | <u>2013</u>  |
|---|--------------|--------------|
| <b>Provisions for winnings</b>                    |              |              |
| At beginning of the year                          | 527          | 441          |
| Charged to the income statement                   | 924          | 759          |
| Used during year                                  | -472         | -673         |
| <b>Provisions for winnings at end of the year</b> | <b>979</b>   | <b>527</b>   |
| <b>Provisions for expenses</b>                    |              |              |
| At beginning of the year                          | 654          | 1,144        |
| Charged to the income statement                   | 485          | 496          |
| Used during year                                  | -694         | -986         |
| <b>Provisions for expenses at end of the year</b> | <b>445</b>   | <b>654</b>   |
| <b>Total provisions</b>                           | <b>1,424</b> | <b>1,181</b> |

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

Provisions for expenses include the bonus provisions for employees that will realise in one year.

**Note 20 Equity**

The General Meeting of Shareholders held at 25 April 2014 decided to pay dividends to the shareholders of 0.10 euros per share in the total amount of 15,132,950.50 euros. Dividends were paid out to the shareholders on 13 May 2014. This meeting has also adopted a decision to increase reserve capital by EUR 1,285 thousand.

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

**Largest shareholders of Olympic Entertainment Group AS:**

|   | <u>31.12.2014</u> | <u>31.12.2013</u> |
|---|-------------------|-------------------|
| OÜ HansaAssets  | 45.04%            | 45.17%            |
| OÜ Hendaya Invest   | 18.95%            | 18.98%            |
| J.P. Morgan Bank Luxembourg S.A.                                    | 3.70%             | 3.02%             |
| Skandinaviska Enskilda Banken Ab, Swedish Clients                   | 3.51%             | 3.34%             |
| NORDEA BANK Finland PLC, clients                                    | 1.97%             | 2.19%             |
| RBC INVESTOR SERVICES BANK / LUX-NON RESIDENTS / DOMESTIC RATE      | 1.73%             | 0%                |
| ING Luxembourg S.A. AIF Account                                     | 1.66%             | 1.66%             |
| JPMorgan Chase Bank, National Association on behalf of US residents | 1.27%             | 0.95%             |
| State Street Bank and Trust Omnibus Account A Fund NO OM01          | 1.17%             | 1.29%             |
| Central Securities Depository of Lithuania                          | 1.16%             | 1.54%             |

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

| <b>Name</b>     | <u>31.12.2014</u> | <u>31.12.2013</u> |
|-----------------|-------------------|-------------------|
| Armin Karu      | 68,364,790        | 68,364,790        |
| Jaan Korpusov   | 28,761,910        | 28,761,910        |
| Liina Linsi     | 23,141            | 16,681            |
| Madis Jääger    | 75,000            | 0                 |
| Meelis Pielberg | 50,000            | 29,355            |

**Dividends**

At 31 December 2014 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 40,736 thousand. Payment of dividends to the shareholders is usually accompanied by income tax cost in amount of 20/80 of sum paid out as net dividend. If a company pays out dividends, which are received from its subsidiary, from which the income tax has already been paid or whose profit has already been taxed in the country of origin, then distribution of a parent company dividends does not create liability to pay additional income tax. At 31 December 2014 Olympic Entertainment Group AS, as a parent company, can pay dividends without additional income tax costs in total amount of EUR 45,000 thousand. Therefore at the balance sheet date the distribution of total retained earnings of the company could amount to EUR 40,736 thousand and such dividend payment would not be accompanied by a potential income tax liability.

In 2014 dividends were paid out to the shareholders in total amount EUR 15,132,950.50.

**Capital requirements**

The Estonian gaming legislation imposes a restriction that gaming services can only be provided by such legal entities whose share capital equals at least EUR 1 million. In Latvia, the share capital of a gaming services provider has to amount to at least EUR 1.4 million. In Lithuania, the share capital of a gaming services provider has to amount to at least LTL 4 million. In Slovakia, the minimum share capital requirement for a gaming services provider is EUR 1.7 million. In Poland, the share capital of a gaming services provider has to amount to PLN 4 million. In Belarus and Italy there are no established capital requirements and restrictions. As at 31.12.2014, the subsidiaries Baina Investments S.p. z o.o., Silber Investments S.p. z o.o., Olympic F&B S.r.o., Mecom Grupp UAB, Olympic Casino Bel IP, Kesklinna Hotelli OÜ, Fortuna Travel OÜ and The Box S.r.l equity did not correspond to legal requirements. As at 31.12.2013, the following subsidiaries did not correspond to legal requirements: 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, Fortuna Travel OÜ and The Box S.r.l. The management has taken measures, so that these subsidiaries equity would correspond existing legal requirements.

**Earnings per share**

|                                       | <u>2014</u> | <u>2013</u> |
|---------------------------------------|-------------|-------------|
| Net profit for the reporting period   | 21,597      | 25,694      |
| Average number of shares (thousand)   | 151,791     | 151,329     |
| Basic earnings per share (euro cents) | 14.2        | 17.0        |
| Diluted profit per share (euro cents) | 14.2        | 17.0        |

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 28).

## Note 21 Segment reporting

The Group's segments have been determined on the basis of reports monitored and analysed by the parent company's Management Board. Financial results are monitored by geographical regions. The results of operating segments are evaluated on the basis of external sales revenue and operating profit. At 31 December 2014 and 31 December 2013, the Group had operations in the Estonian, Latvian, Lithuanian, Polish, Slovak, Belarusian and Italian markets.

All segments generate majority of their income from gaming transactions and provided bar services. In addition, Estonian segment was engaged in hotel services until 31.10.2013. Management estimates that inter-segment transactions have been concluded at market prices and under market conditions.

| 2014  | Estonia        | Latvia         | Lithuania      | Poland         | Slovakia       | Belarus       | Italy         | Total           |
|---|----------------|----------------|----------------|----------------|----------------|---------------|---------------|-----------------|
| Income from gaming transactions   | 31,575         | 43,863         | 20,984         | 22,438         | 14,000         | 1,780         | 13,943        | 148,583         |
| Italian gaming tax  | 0              | 0              | 0              | 0              | 0              | 0             | -7,506        | -7,506          |
| Revenue   | 1,890          | 3,963          | 1,313          | 384            | 1,796          | 117           | 163           | 9,626           |
| Inter-segment revenue   | -386           | -1             | 0              | -3             | 0              | 0             | 0             | -390            |
| <b>External revenue</b>   | <b>33,079</b>  | <b>47,825</b>  | <b>22,297</b>  | <b>22,819</b>  | <b>15,796</b>  | <b>1,897</b>  | <b>6,600</b>  | <b>150,313</b>  |
| External other income   | 29             | 41             | 3              | 27             | 175            | 72            | 0             | 347             |
| <b>Total operating income</b>   | <b>33,108</b>  | <b>47,866</b>  | <b>22,300</b>  | <b>22,846</b>  | <b>15,971</b>  | <b>1,969</b>  | <b>6,600</b>  | <b>150,660</b>  |
| <b>Total operating expenses</b>   | <b>-26,680</b> | <b>-30,646</b> | <b>-19,369</b> | <b>-20,796</b> | <b>-16,609</b> | <b>-3,784</b> | <b>-6,981</b> | <b>-124,865</b> |
| <i>Incl. depreciation, impairment and impairment charges</i>                    | <i>-1,572</i>  | <i>-3,399</i>  | <i>-1,511</i>  | <i>-1,120</i>  | <i>-1,128</i>  | <i>-1,239</i> | <i>-387</i>   | <i>-10,356</i>  |
| <b>Total operating profit (-loss)</b>   | <b>6,428</b>   | <b>17,220</b>  | <b>2,931</b>   | <b>2,050</b>   | <b>-638</b>    | <b>-1,815</b> | <b>-381</b>   | <b>25,795</b>   |
| Segment assets  | 75,225         | 34,735         | 9,985          | 11,811         | 10,874         | 1,415         | 7,172         | 151,217         |
| Unallocated assets*   |                |                |                |                |                |               |               | 1,920           |
| Eliminations  |                |                |                |                |                |               |               | -26,906         |
| <b>Total assets</b>   |                |                |                |                |                |               |               | <b>126,231</b>  |
| <i>Incl. PPE and intangible assets</i>  | <i>25,539</i>  | <i>22,512</i>  | <i>5,151</i>   | <i>9,074</i>   | <i>4,515</i>   | <i>2</i>      | <i>5,912</i>  | <i>72,705</i>   |
| Segment liabilities   | 3,223          | 3,555          | 5,488          | 13,262         | 8,775          | 9,836         | 7,437         | 51,576          |
| Unallocated liabilities**   |                |                |                |                |                |               |               | 1,330           |
| Eliminations  |                |                |                |                |                |               |               | -35,879         |
| <b>Total liabilities</b>  |                |                |                |                |                |               |               | <b>17,027</b>   |
| Purchase of PPE and intangible assets (incl. through the business combinations) | 7,309          | 5,339          | 2,474          | 442            | 1,386          | 1,278         | 3,820         | 22,048          |
| <b>Total investments</b>  |                |                |                |                |                |               |               | <b>22,048</b>   |

\* 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.



| <b>2013</b>   | <b>Estonia</b> | <b>Latvia</b>  | <b>Lithuania</b> | <b>Poland</b>  | <b>Slovakia</b> | <b>Belarus</b> | <b>Italy</b>  | <b>Total</b>    |
|---|----------------|----------------|------------------|----------------|-----------------|----------------|---------------|-----------------|
| Income from gaming transactions   | 32,409         | 36,218         | 20,258           | 27,025         | 14,487          | 2,234          | 7,037         | <b>139,668</b>  |
| Italian gaming tax  | 0              | 0              | 0                | 0              | 0               | 0              | -3,747        | <b>-3,747</b>   |
| Revenue   | 2,984          | 3,049          | 1,249            | 386            | 1,623           | 144            | 67            | <b>9,502</b>    |
| Inter-segment revenue   | -164           | 0              | -4               | -3             | -1              | 0              | 0             | <b>-172</b>     |
| <b>External revenue</b>   | <b>35,229</b>  | <b>39,267</b>  | <b>21,503</b>    | <b>27,408</b>  | <b>16,109</b>   | <b>2,378</b>   | <b>3,357</b>  | <b>145,251</b>  |
| External other income   | 222            | 80             | 28               | 210            | 6               | 22             | 0             | <b>568</b>      |
| <b>Total operating income</b>   | <b>35,451</b>  | <b>39,347</b>  | <b>21,531</b>    | <b>27,618</b>  | <b>16,115</b>   | <b>2,400</b>   | <b>3,357</b>  | <b>145,819</b>  |
| <b>Total operating expenses</b>   | <b>-27,747</b> | <b>-24,640</b> | <b>-17,865</b>   | <b>-23,151</b> | <b>-15,017</b>  | <b>-2,352</b>  | <b>-3,264</b> | <b>-114,036</b> |
| <i>Incl. depreciation, impairment and impairment charges</i>                    | <i>-1,562</i>  | <i>-2,329</i>  | <i>-1,209</i>    | <i>-1,061</i>  | <i>-1,182</i>   | <i>-81</i>     | <i>-340</i>   | <i>-7,764</i>   |
| <b>Total operating profit</b>   | <b>7,704</b>   | <b>14,707</b>  | <b>3,666</b>     | <b>4,467</b>   | <b>1,098</b>    | <b>48</b>      | <b>93</b>     | <b>31,783</b>   |
| Segment assets  | 79,910         | 35,593         | 9,443            | 13,003         | 10,281          | 551            | 3,103         | <b>151,883</b>  |
| Unallocated assets*   |                |                |                  |                |                 |                |               | <b>1,448</b>    |
| Eliminations  |                |                |                  |                |                 |                |               | <b>-35,055</b>  |
| <b>Total assets</b>   |                |                |                  |                |                 |                |               | <b>118,277</b>  |
| <i>Incl. PPE and intangible assets</i>  | <i>20,277</i>  | <i>20,574</i>  | <i>5,219</i>     | <i>10,108</i>  | <i>4,490</i>    | <i>15</i>      | <i>2,478</i>  | <i>63,161</i>   |
| Segment liabilities   | 3,719          | 6,327          | 6,149            | 15,473         | 7,898           | 7,590          | 2,502         | <b>49,658</b>   |
| Unallocated liabilities**   |                |                |                  |                |                 |                |               | <b>1,594</b>    |
| Eliminations  |                |                |                  |                |                 |                |               | <b>-34,946</b>  |
| <b>Total liabilities</b>  |                |                |                  |                |                 |                |               | <b>16,306</b>   |
| Purchase of PPE and intangible assets (incl. through the business combinations) | 4,761          | 9,690          | 2,555            | 1,117          | 1,537           | 73             | 23            | <b>19,756</b>   |
| <b>Total investments</b>  |                |                |                  |                |                 |                |               | <b>19,756</b>   |

\* Unallocated assets include prepaid corporate income tax, deferred tax assets and interest receivable.

\*\* Unallocated liabilities include corporate income tax liability, deferred tax liabilities, interest payable and debt.

## Note 22 Revenue

|                       | <b>2014</b>  | <b>2013</b>  |
|-----------------------|--------------|--------------|
| Hotel service revenue | 0            | 1,263        |
| Bar service revenue   | 6,511        | 5,250        |
| Other revenue         | 2,725        | 2,817        |
| <b>Total revenue</b>  | <b>9,236</b> | <b>9,330</b> |

## Note 23 Other income

|                           | <b>2014</b> | <b>2013</b> |
|---------------------------|-------------|-------------|
| Gains on disposal of PP&E | 153         | 51          |
| Miscellaneous income      | 194         | 517         |
| <b>Total other income</b> | <b>347</b>  | <b>568</b>  |

**Note 24 Operating expenses**

|   | <b>2014</b>     | <b>2013</b>     |
|---|-----------------|-----------------|
| <b>Cost of materials, goods and services used</b>       |                 |                 |
| Direct catering, accommodation and bar service expenses | -3,319          | -3,021          |
| Other services  | -23             | -23             |
| <b>Total cost of materials, goods and services used</b> | <b>-3,342</b>   | <b>-3,044</b>   |
| <b>Other operating expenses</b>                         |                 |                 |
| Gaming tax and operating licences                       | -28,409         | -29,135         |
| Marketing expenses                                      | -10,880         | -10,508         |
| Rental expenses (Note 15)                               | -12,463         | -11,073         |
| Maintenance expenses (equipment and premises)           | -10,628         | -9,033          |
| IT expenses   | -1,042          | -952            |
| Other expenses  | -8,084          | -6,125          |
| <b>Total other operating expenses</b>                   | <b>-71,507</b>  | <b>-66,826</b>  |
| <b>Staff cost</b>                                       |                 |                 |
| Salaries  | -30,346         | -27,843         |
| Social security taxes                                   | -8,636          | -8,035          |
| <b>Total staff cost</b>                                 | <b>-38,982</b>  | <b>-35,878</b>  |
| <b>Total operating expenses</b>                         | <b>-113,831</b> | <b>-105,748</b> |

In 2014, the average number of the Group's employees was 2,665 (in 2013: 2,515).

**Note 25 Other expenses**

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| Loss on disposal and liquidation of PP&E              | -324        | -115        |
| Foreign exchange losses on settlements with suppliers | -74         | -72         |
| Provision for impairment of receivables               | -17         | -33         |
| Miscellaneous expenses                                | -263        | -304        |
| <b>Total other expenses</b>                           | <b>-678</b> | <b>-524</b> |

**Note 26 Finance income and expenses**

|  | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Interest income on term deposits (Note 5)      | 23          | 42          |
| Interest income on overnight deposits (Note 5) | 50          | 93          |
| Other interest income                          | 16          | 28          |
| Interest expense (Note 17)                     | -28         | -17         |
| Foreign exchange profit/loss (net)             | 3           | -59         |
| Other finance income and expenses (Note 6)     | -4          | -623        |
| <b>Total finance income and expenses</b>       | <b>60</b>   | <b>-536</b> |

**Note 27 Income tax expense**

|   | <b>2014</b>   | <b>2013</b>   |
|---|---------------|---------------|
| Profit before income tax                                | 25,855        | 31,247        |
| Calculated income tax on profits of subsidiaries        | -3,313        | -3,824        |
| Tax effects on expenses not deductible for tax purposes | -113          | -499          |
| <b>Income tax expense in the income statement</b>       | <b>-3,426</b> | <b>-4,323</b> |

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

**Note 28 Share-based payments**

At 31 December 2014 share option agreements were concluded with Olympic Entertainment Group AS management board members and Group's key employees. According to concluded share option agreement management board member is eligible to subscribe to 100,000 Olympic Entertainment Group AS shares till the end of share option program; number of shares that can be subscribed by Group's key employees is individual. Exact number of shares that can be subscribed by each member of management board and key employee depends on fulfilment of Group's financial objectives and objectives connected with specific areas of responsibilities of each member of management board and key employee. The price for exercising the share option will be the nominal value of the share or the calculated value per one share. Options are conditional based on the 3-year employment relationship at the time of options realisation. Option holder has a right to subscribe for shares starting from 1 January 2018. Share option program ends 28 February 2018.

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 could subscribe for up to 70,000 shares in Olympic Entertainment Group AS until the end of the option programme; the numbers of shares that could be subscribed for under the agreements concluded with the Group's key personnel were individual. The exact number of shares that each member of the Management Board and each employee could subscribe for depended 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 was the nominal or book value of the share. Options were executed on the condition that the share price to book at the beginning of the subscription period on NASDAQ OMX Tallinn was higher than 2.89. Options were conditional on the employee completing three years' service (the vesting period). The option holders had the right to subscribe for shares from 1 July 2014. The expiration date of the share option programme was 1 September 2014. In 2014 the expense of share-based payments recognised as personnel expense amounted to EUR 23 thousand (2013: EUR 94 thousand).

On 21 July 2014 the Supervisory Board of Olympic Entertainment Group AS has adopted a resolution to increase the share capital of the Company by EUR 184,680.40 by issuing shares without nominal value. The amount of share capital of the Company after the issuing of new shares is EUR 60,716,482.40 and the total number of the shares after share issue is 151,791,206. The issued shares were acquired and paid for with monetary contribution of EUR 0.40 per share.

**Exercisable share options (in thousands):**

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| <b>Share options outstanding at beginning of the year</b> | <b>505</b>  | <b>505</b>  |
| Cancelled share options                                   | -43         | 0           |
| Share options exercised                                   | -462        | 0           |
| Share options granted during the year                     | 880         | 0           |
| <b>Share options outstanding at the end of the year</b>   | <b>880</b>  | <b>505</b>  |

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 1.7 at the grant date, exercise price of EUR 0.4 at the grant date, volatility of 30%, dividend yield of 5.9%, an expected option life of three years and risk-free interest rate of 1.2%. The volatility measured at the standard deviation based on statistical analysis of daily share prices over the last three years.

## Note 29 Business combinations

On 23 January 2014 Olympic Entertainment Group AS has acquired 100% shareholding in Slovak VLT slot casino operator WINWIN Slovakia S.r.o. (renamed later as OlyBet Slovakia S.r.o.) and has opened its first VLT casino on Slovak market during the second quarter of 2014.

If the Group had acquired the Slovak company in the beginning of 2014, the revenues of the Group for 2014 would have been higher approximately by EUR 85 thousands and 2014 net profit approximately EUR 142 thousand less. OlyBet Slovakia s.r.l. earned revenue for the Group in the amount EUR 256 thousand and net loss of EUR 427 thousand.

On 29 April 2014 Olympic Entertainment Group AS has increased its holding in The Box S.r.l, the company that manages operations in Italy, to 70%. The Box S.r.l has acquired a 100% holding in Slottery S.r.l. With acquisition of new enterprise Italian operations have increased the number of operated casinos from 2 to 12. Through acquisition of a new company goodwill in the amount of EUR 3,299 thousand was recognised, consisting primarily of expanded market share allocated to Italian segment.

If the Group had acquired the Italian company in the beginning of 2014, the revenues of the Group for the year of 2014 would have been higher approximately by EUR 1,864 thousands and 2014 net profit approximately by EUR 165 thousand less. Slottery S.r.l. earned revenue for the Group in the amount EUR 3,728 thousand and net loss of EUR 330 thousand.

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

| Fair value                                     | Slottery S.r.l. | Olybet Slovakia S.r.l. |
|--|-----------------|------------------------|
| Cash and bank accounts                         | 101             | 62                     |
| Financial investments                          | 0               | 789                    |
| Other receivables and assets                   | 240             | 0                      |
| Tangible assets                                | 154             | 0                      |
| Liabilities                                    | -72             | -15                    |
| <b>Total identifiable assets</b>               | <b>423</b>      | <b>836</b>             |
| Non-controlling interest                       | 296*            | 0                      |
| Goodwill                                       | 3,299           | 0                      |
| Holding acquisition value                      | 3,595           | 877                    |
| Cash and cash equivalents of purchased company | 101             | 62                     |
| <b>Total net cash flow to the Group</b>        | <b>3,494</b>    | <b>815</b>             |

\*30%

## Note 30 Subsidiaries with non-controlling interest

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

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

|                                   | Domicile | Ownership<br>31.12.2014 | Ownership<br>31.12.2013 | Area of activity |
|-----------------------------------|----------|-------------------------|-------------------------|------------------|
| Olympic Casino Eesti AS           | Estonia  | 95%                     | 95%                     | Gaming services  |
| Casino-Polonia Wroclaw Sp. z o.o. | Poland   | 80%                     | 80%                     | Gaming services  |
| The Box S.r.l.                    | Italy    | 70%                     | 50%                     | Gaming services  |
| Jackpot Game S.r.l.               | Italy    | 70%                     | 50%                     | Gaming services  |
| Slottery S.r.l.                   | Italy    | 70%                     | 0%                      | Gaming services  |

Based on the clauses in the shareholder's agreement, Group management is in the opinion of that despite the 50% shareholding, the Group has gained control over the Italian company The Box S.r.l., therefore, The Box S.r.l. is treated as a subsidiary.

On 29 April 2014 Olympic Entertainment Group AS has increased its holding in The Box S.r.l. to 70%.

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

### 31.12.2014

| Statement of financial position                          | Casino-Polonia             |                      |                |                        |                 |
|--|----------------------------|----------------------|----------------|------------------------|-----------------|
|  | Olympic Casino<br>Eesti AS | Wroclaw<br>Sp. z o.o | The Box S.r.l. | Jackpot Game<br>S.r.l. | Slottery S.r.l. |
| Current assets   | 7,077                      | 2,828                | 288            | 338                    | 693             |
| Non-current assets                                       | 67,530                     | 2,717                | 5,738          | 426                    | 540             |
| <b>Total assets</b>                                      | <b>74,607</b>              | <b>5,545</b>         | <b>6,026</b>   | <b>764</b>             | <b>1,233</b>    |
| Current liabilities                                      | 3,084                      | 5,470                | 485            | 552                    | 896             |
| Non-current liabilities                                  | 0                          | 15                   | 5,718          | 95                     | 244             |
| <b>Total liabilities</b>                                 | <b>3,084</b>               | <b>5,485</b>         | <b>6,203</b>   | <b>647</b>             | <b>1,140</b>    |
| <b>Retained earnings /accumulated losses</b>             | <b>68,095</b>              | <b>-1,922</b>        | <b>-380</b>    | <b>-11</b>             | <b>-251</b>     |
| <i>Non-controlling interest</i>                          | <i>3,405</i>               | <i>-384</i>          | <i>-114</i>    | <i>-3</i>              | <i>-75</i>      |
| <b>Statement of comprehensive income</b>                 |                            |                      |                |                        |                 |
| Total revenue and income                                 | 32,268                     | 22,858               | 463            | 2,872                  | 3,728           |
| Net profit (-loss) for the period                        | 10,002                     | 1,920                | 71             | -22                    | -330            |
| Other comprehensive loss                                 | 0                          | -315                 | 0              | 0                      | 0               |
| <b>Total comprehensive income (-loss) for the period</b> | <b>10,002</b>              | <b>1,605</b>         | <b>71</b>      | <b>-22</b>             | <b>-330</b>     |
| <i>Attributable to non-controlling interest</i>          | <i>500</i>                 | <i>384</i>           | <i>21</i>      | <i>-6</i>              | <i>-99</i>      |
| <b>Statement of cash flows</b>                           |                            |                      |                |                        |                 |
| Cash flows from operating activities                     | 10,771                     | 1,334                | -3             | 181                    | 592             |
| Cash flows used in investing activities                  | -12,113                    | -320                 | -3,836         | -61                    | -327            |
| Cash flows used in / from financing activities           | -258                       | -1,113               | 3,857          | -245                   | 225             |
| <b>Net cash flows</b>                                    | <b>-1,600</b>              | <b>-99</b>           | <b>18</b>      | <b>-125</b>            | <b>490</b>      |

### 31.12.2013

| Statement of financial position                  | Casino-Polonia             |                      |                |                        |                 |
|--|----------------------------|----------------------|----------------|------------------------|-----------------|
|  | Olympic Casino<br>Eesti AS | Wroclaw<br>Sp. z o.o | The Box S.r.l. | Jackpot Game<br>S.r.l. | Slottery S.r.l. |
| Current assets                                   | 16,602                     | 2,964                | 116            | 463                    | 0               |
| Non-current assets                               | 48,158                     | 3,312                | 1,921          | 939                    | 0               |
| <b>Total assets</b>                              | <b>64,760</b>              | <b>6,276</b>         | <b>2,037</b>   | <b>1,402</b>           | <b>0</b>        |
| Current liabilities                              | 2,982                      | 7,024                | 174            | 657                    | 0               |
| Non-current liabilities                          | 258                        | 1,126                | 2,111          | 345                    | 0               |
| <b>Total liabilities</b>                         | <b>3,240</b>               | <b>8,150</b>         | <b>2,285</b>   | <b>1,002</b>           | <b>0</b>        |
| <b>Retained earnings /accumulated losses</b>     | <b>58,093</b>              | <b>-3,842</b>        | <b>-448</b>    | <b>285</b>             | <b>0</b>        |
| <i>Non-controlling interest</i>                  | <i>2,905</i>               | <i>-768</i>          | <i>-224</i>    | <i>142</i>             | <i>0</i>        |
| <b>Statement of comprehensive income</b>         |                            |                      |                |                        |                 |
| Total revenue and income                         | 33,157                     | 27,621               | 0              | 3,357                  | 0               |
| Net profit (-loss) for the period                | 10,741                     | 3,319                | -186           | 279                    | 0               |
| Other comprehensive loss                         | 0                          | -236                 | 0              | 0                      | 0               |
| <b>Total comprehensive income for the period</b> | <b>10,741</b>              | <b>3,083</b>         | <b>-186</b>    | <b>279</b>             | <b>0</b>        |
| <i>Attributable to non-controlling interest</i>  | <i>537</i>                 | <i>664</i>           | <i>-93</i>     | <i>139</i>             | <i>0</i>        |
| <b>Statement of cash flows</b>                   |                            |                      |                |                        |                 |
| Cash flows from operating activities             | 10,539                     | 4,938                | -205           | 456                    | 0               |
| Cash flows used in / from investing activities   | 34,909                     | -1,076               | -3             | -222                   | 0               |
| Cash flows used in / from financing activities   | -49,673                    | -4,113               | 139            | -238                   | 0               |
| <b>Net cash flows</b>                            | <b>-4,225</b>              | <b>-251</b>          | <b>-69</b>     | <b>-4</b>              | <b>0</b>        |

### Note 31 Related party transactions

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

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

| <u>Purchases of goods and services</u>  | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|
| Shareholders with significant influence | 1           | 2           |
| <b>Total</b>                            | <b>1</b>    | <b>2</b>    |

As at 31 December 2014 and 31 December 2013, 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 2014, 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 (2013: EUR 823 thousand) and EUR 151 thousand (2013: EUR 157 thousand), respectively.

At 31 December 2014, share options were granted to all the members of the Management Board of all Group entities. At 31 December 2014, the key management personnel may subscribe for up to 880,000 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 28.

### Note 32 Contingent liabilities

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

#### Potential liabilities related to tax audit

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

### Note 33 Events after the balance sheet date

Olympic Entertainment Group (OEG) will start to provide casino management services in Malta. For the Malta operations subsidiaries OEG Malta Holding Limited and OEG Malta Gaming Limited have been established in Malta. OEG owns directly or through subsidiaries 100% of the shares of Maltese subsidiaries. OEG Malta subsidiary has concluded an agreement for providing casino management services and related service to Maltese company Casino Malta Limited and associated companies. As part of the transaction OEG acquires through OEG Malta Holding Limited subsidiary 1 preferred share of Casino Malta Limited. The preferred share does not give the right to vote.

OEG will invest up to 7 million euros in the establishment of the new casino. The Group's largest casino with close to 2,700 sq metres will be opened in the second half of 2015 at the Malta InterContinental Hotel and will be called Casino Malta by Olympic Casino. The country's newest gaming venue will feature more than 250 slots, close to 30 casino and poker tables as well as sports betting and bar area.

Group company Olympic Casino Eesti AS has acquired on 4 March 2015 business activities of two operating casinos from the Estonian casino operator Casino Cleopatra OÜ that increases the number of casinos Group owns in Estonia to 20.

Casino Cleopatra OÜ operated two slot casinos in Tallinn. During the acquisition, no shares of the company were acquired; Olympic Casino Eesti AS takes over only the business activities of the slot casinos.

### Note 34 Parent company's separate primary financial statements

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

#### Separate statement of financial position of Olympic Entertainment Group AS

|  | <b>31.12.2014</b> | <b>31.12.2013</b> |
|--|-------------------|-------------------|
| <b>ASSETS</b>                              |                   |                   |
| <b>Current assets</b>                      |                   |                   |
| Cash and bank                              | 1,167             | 834               |
| Receivables from group companies           | 11,902            | 11,512            |
| Other receivables and prepayments          | 248               | 296               |
| <b>Total current assets</b>                | <b>13,317</b>     | <b>12,642</b>     |
| <b>Non-current assets</b>                  |                   |                   |
| Shares of subsidiaries                     | 256,706           | 280,487           |
| Long-term receivables from group companies | 37,073            | 40,100            |
| Other financial investments                | 40                | 0                 |
| Investment property                        | 172               | 152               |
| Property, plant and equipment              | 17                | 10                |
| Intangible assets                          | 76                | 106               |
| <b>Total non-current assets</b>            | <b>294,084</b>    | <b>320,855</b>    |
| <b>TOTAL ASSETS</b>                        | <b>307,401</b>    | <b>333,497</b>    |
| <b>LIABILITIES AND EQUITY</b>              |                   |                   |
| <b>Current liabilities</b>                 |                   |                   |
| Payables to group entities                 | 0                 | 8,182             |
| Other liabilities                          | 97                | 138               |
| Provisions                                 | 0                 | 59                |
| <b>Total current liabilities</b>           | <b>97</b>         | <b>8,379</b>      |
| <b>Non-current liabilities</b>             |                   |                   |
| Long-term payables to group companies      | 48,636            | 29,292            |
| <b>Total non-current liabilities</b>       | <b>48,363</b>     | <b>29,292</b>     |
| <b>TOTAL LIABILITIES</b>                   | <b>48,733</b>     | <b>37,671</b>     |
| <b>EQUITY</b>                              |                   |                   |
| Share capital                              | 60,716            | 60,532            |
| Share premium                              | 258               | 0                 |
| Statutory reserve capital                  | 2,495             | 1,210             |
| Other reserve                              | 0                 | 235               |
| Retained earnings                          | 195,199           | 233,849           |
| <b>TOTAL EQUITY</b>                        | <b>258,668</b>    | <b>295,826</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>        | <b>307,401</b>    | <b>333,497</b>    |

**Separate statement of comprehensive income of Olympic Entertainment Group AS**

|  | <b>2014</b>    | <b>2013</b>   |
|--|----------------|---------------|
| Sales revenue  | 143            | 174           |
| Other income   | 2              | 131           |
| Other operating expenses                                 | -803           | -678          |
| Staff costs  | -512           | -670          |
| Depreciation, amortisation and impairment                | -47            | -18           |
| Change in the fair value of investment property          | 20             | 21            |
| Other expenses   | -9,777         | -1            |
| Change in fair value of subsidiaries                     | -25,622        | 10,191        |
| Dividends received from subsidiaries                     | 13,480         | 62,039        |
| Interest income  | 1,504          | 1,360         |
| Interest expense   | -812           | -967          |
| Foreign exchange gains                                   | 195            | -95           |
| Other finance income and costs                           | -3             | 0             |
| <b>Net profit (-loss) for the period</b>                 | <b>-22,232</b> | <b>71,487</b> |
| <b>Total comprehensive income (-loss) for the period</b> | <b>-22,232</b> | <b>71,487</b> |



**Separate statement of cash flows of Olympic Entertainment Group AS**

|  | <b>2014</b>   | <b>2013</b>   |
|--|---------------|---------------|
| <b>Cash flows from operating activities</b>                        |               |               |
| Net profit for the period  | -22,232       | 71,487        |
| Adjustments  |               |               |
| Depreciation, amortisation and impairment                          | 47            | 18            |
| Change in fair value of investment property                        | -20           | -21           |
| Gain / loss on investments in subsidiaries                         | 12,142        | -72,230       |
| Other finance income and costs (net)                               | -883          | -298          |
| Other adjustments  | 9,733         | 0             |
| Changes in working capital:  |               |               |
| Receivables and prepayments  | 115           | -82           |
| Liabilities and prepayments  | -77           | 94            |
| <b>Net cash generated from operating activities</b>                | <b>-1,175</b> | <b>-1,032</b> |
| <b>Cash flows from investing activities</b>                        |               |               |
| Acquisition of property, plant and equipment and intangible assets | -24           | -66           |
| Purchase of financial investments                                  | -39           | 0             |
| Acquisition of subsidiaries  | -1,842        | -1,245        |
| Loans granted  | -16,050       | -9,898        |
| Repayment of loans granted   | 9,514         | 6,016         |
| Interest received  | 1,068         | 282           |
| Dividends received   | 13,480        | 14,604        |
| <b>Net cash from investing activities</b>                          | <b>6,107</b>  | <b>9,693</b>  |
| <b>Cash flows from financing activities</b>                        |               |               |
| Issue of shares  | 184           | 0             |
| Proceeds from loans received                                       | 24,350        | 7,150         |
| Repayments of loans received                                       | -14,000       | 0             |
| Dividends paid   | -15,133       | -15,133       |
| <b>Net cash used in financing activities</b>                       | <b>-4,599</b> | <b>-7,983</b> |
| <b>Net cash flows</b>  | <b>333</b>    | <b>678</b>    |
| Cash and cash equivalents at beginning of period                   | 834           | 188           |
| Exchange gains and losses on cash and cash equivalents             | 0             | -32           |
| <b>Cash and cash equivalents at end of period</b>                  | <b>1,167</b>  | <b>834</b>    |

## Separate statement of changes in equity of Olympic Entertainment Group AS

|  | Share capital | Share premium | Statutory reserve capital | Other reserve | Retained earnings | Total          |
|--|---------------|---------------|---------------------------|---------------|-------------------|----------------|
| <b>Balance at 01.01.2013</b>                                   | <b>60,532</b> | <b>0</b>      | <b>0</b>                  | <b>141</b>    | <b>178,705</b>    | <b>239,378</b> |
| Profit for the financial year                                  | 0             | 0             | 0                         | 0             | 71,487            | 71,487         |
| Increase of statutory reserve capital                          | 0             | 0             | 1,210                     | 0             | -1,210            | 0              |
| Dividends paid   | 0             | 0             | 0                         | 0             | -15,133           | -15,133        |
| Employee option programme                                      | 0             | 0             | 0                         | 94            | 0                 | 94             |
| <b>Balance at 31.12.2013</b>                                   | <b>60,532</b> | <b>0</b>      | <b>1,210</b>              | <b>235</b>    | <b>233,849</b>    | <b>295,826</b> |
| Interests in companies under control or significant influence: |               |               |                           |               |                   |                |
| Carrying amount under the fair value method                    |               |               |                           |               |                   | -280,487       |
| Carrying amount under the equity method                        |               |               |                           |               |                   | 120,747        |
| Adjustment of the loan receivable                              |               |               |                           |               |                   | -9,599         |
| <b>Adjusted unconsolidated equity at 31.12.2013</b>            |               |               |                           |               |                   | <b>126,487</b> |
| <b>Balance at 01.01.2014</b>                                   | <b>60,532</b> | <b>0</b>      | <b>1,210</b>              | <b>235</b>    | <b>233,849</b>    | <b>295,826</b> |
| Loss for the financial year                                    | 0             | 0             | 0                         | 0             | -22,232           | -22,232        |
| Increase of statutory reserve capital                          | 0             | 0             | 1,285                     | 0             | -1,285            | 0              |
| Issue of shares  | 184           | 258           | 0                         | -258          | 0                 | 184            |
| Dividends paid   | 0             | 0             | 0                         | 0             | -15,133           | -15,133        |
| Employee option programme                                      | 0             | 0             | 0                         | 23            | 0                 | 23             |
| <b>Balance at 31.12.2014</b>                                   | <b>60,716</b> | <b>258</b>    | <b>2,495</b>              | <b>0</b>      | <b>195,199</b>    | <b>258,668</b> |
| Interests in companies under control or significant influence: |               |               |                           |               |                   |                |
| Carrying amount under the fair value method                    |               |               |                           |               |                   | -256,706       |
| Carrying amount under the equity method                        |               |               |                           |               |                   | 146,089        |
| Adjustment of the loan receivable                              |               |               |                           |               |                   | -11,116        |
| <b>Adjusted unconsolidated equity at 31.12.2014</b>            |               |               |                           |               |                   | <b>137,230</b> |



## **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 2014 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 2014, 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

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

Tiit Raimla  
Auditor's Certificate No.287

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

Lauri Past  
Auditor's Certificate No.567

24 March 2015

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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.*