

Olympic Entertainment Group AS

Consolidated Annual Report 2016

(Translation of the Estonian original)*

Beginning of reporting period	1 January 2016
End of reporting period	31 December 2016
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Core activity	Provision of gaming services
Auditor	AS PricewaterhouseCoopers

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

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Corporate profile

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

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

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

As at 31 December 2016, the Group had a total of 120 casinos and 31 betting points. As at 31 December 2016, the Group operated 24 casinos in Estonia, 54 in Latvia, 18 in Lithuania, 8 in Slovakia, 15 in Italy and 1 in Malta. The Group employed 3,001 employees in 6 countries.

Group entities include:

	Domicile	Ownership 31.12.2016	Ownership 31.12.2015	Area of activity
Olympic Casino Eesti AS	Estonia	95%	95%	Gaming services
Kungla Investeeringu OÜ	Estonia	100%	100%	Bar services
OÜ Oma & Hea	Estonia	95%	0%	Bar services
Kesklinna Hotelli OÜ	Estonia	0%	100%	Hotel real estate development
Fortuna Travel OÜ	Estonia	100%	100%	Hotel operations
Nordic Gaming OÜ	Estonia	100%	100%	Holding activities
Kasino.ee OÜ	Estonia	100%	100%	Internet solutions
Olympic Casino Latvia SIA	Latvia	100%	100%	Gaming services
Ahti SIA	Latvia	100%	100%	Bar services
SIA Garkalns**	Latvia	0%	100%	Gaming services
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Gaming services
Mecom Grupp UAB	Lithuania	100%	100%	Bar services
UAB Orakulas	Lithuania	100%	100%	Gaming 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	100%	80%	Gaming services
Ultramedia Sp. z o.o.	Poland	100%	100%	Holding activities
Olympic Casino Slovakia S.r.o	Slovakia	100%	100%	Gaming services
OlyBet Slovakia S.r.o.	Slovakia	100%	100%	Gaming services
Olympic F & B S.r.o.*	Slovakia	0%	100%	Bar services
Olympic Casino Bel IP	Belarus	100%	100%	Under liquidation
The Box S.r.l.	Italy	100%	100%	Holding activities
Jackpot Game S.r.l.	Italy	100%	100%	Gaming services
Slottery S.r.l.	Italy	100%	100%	Gaming services
Siquia Holding B.V.	Holland	0%	95%	Liquidated
Jessy Investments B.V.	Holland	100%	100%	Holding activities
Gametech Services Ltd	Jersey	100%	100%	Software services
Brandhouse Ltd	Jersey	100%	100%	Holding activities
OEG Malta Holding Ltd	Malta	100%	100%	Holding activities
OEG Malta Gaming Ltd	Malta	100%	100%	Holding activities

* On 1 April 2016 Olympic F & B S.r.o. was merged with Olympic Casino Slovakia S.r.o., therefore the ownership as at 31 December 2016 equals 0%.

** On 23 December 2016 SIA Garkalns was merged with Olympic Casino Latvia SIA, therefore the ownership as at 31 December 2016 equals 0%.

*** Polish subsidiaries Silber Investments Sp. z o.o., Baina Investments Sp. z o.o. and Casino-Polonia Wroclaw Sp. z o.o. have submitted their bankruptcy petition to the court after the balance sheet date.

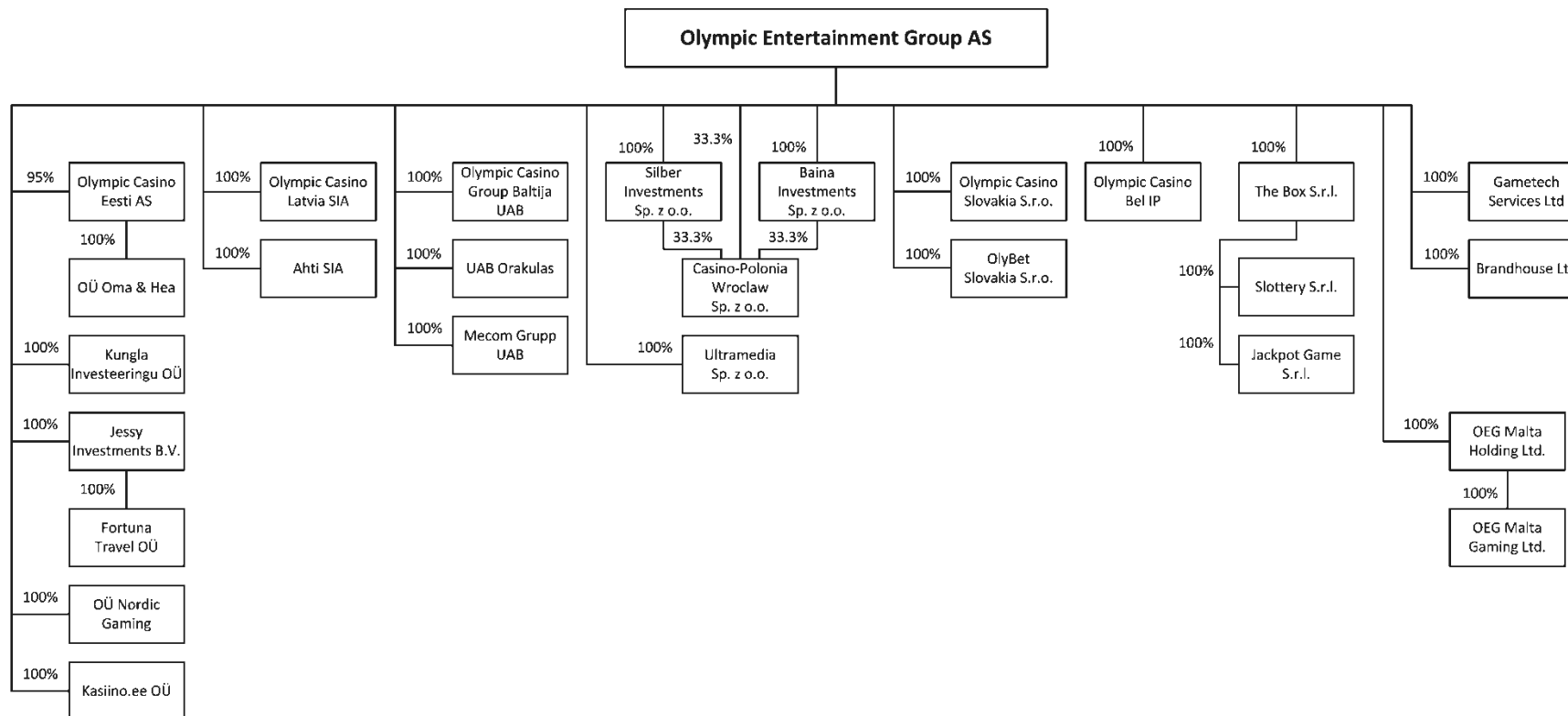
Our vision

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 2016



Declaration of the management

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



Madis Jääger
Chairman of the Management Board



Meelis Pielberg
Member of the Management Board

28 March 2017

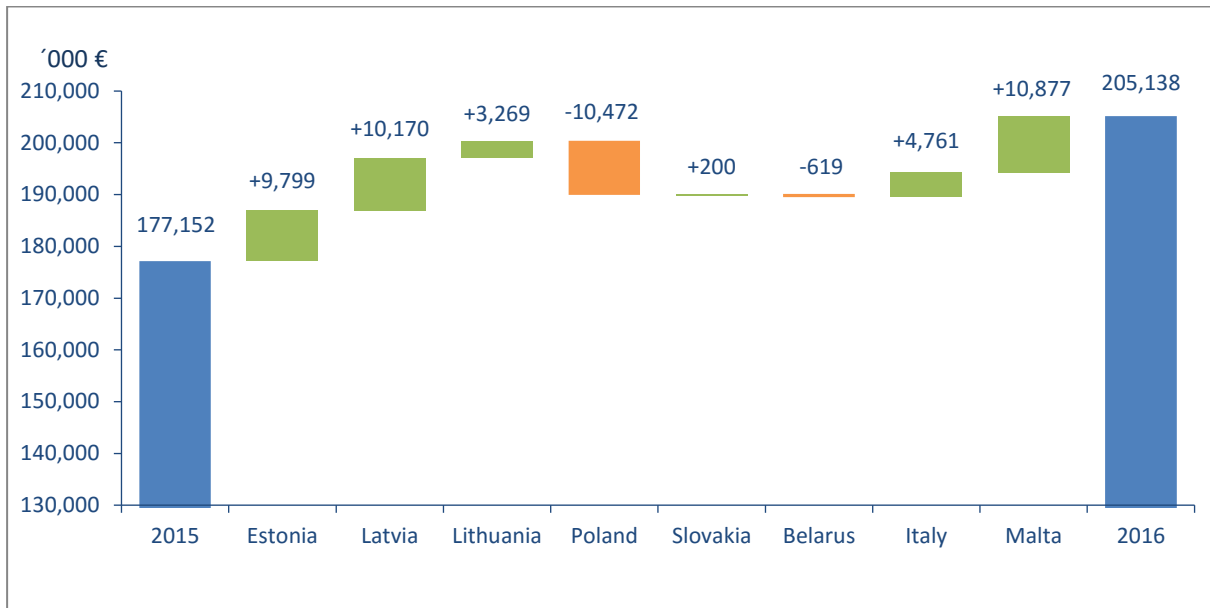
Management report

Overview of the economic activities

Key developments of the Group during 2016:

- The financial results in the management report section of this report have been presented together with discontinued operations Poland and Belarus, whereas in the statement of comprehensive income the results of discontinued operations have been separated and presented in a single line. Please see page 13 for the income statements of continued and discontinued operations.
- The Group's consolidated sales revenues before gaming taxes for 2016 amounted to EUR 205.1 million, up 15.8% or EUR 28.0 million y-o-y.
- Total gaming revenues before gaming taxes accounted for 92.4% (189.5 m€) and other revenues for 7.6% (15.7 m€) of the Group's consolidated total sales revenues for 2016. A year before the revenue split was 94.2% (166.8 m€) and 5.8% (10.3 m€), respectively.
- The Group's consolidated EBITDA for 2016 amounted to EUR 53.8 million, a growth of 36.2% from EUR 39.5 million a year before. The Group's consolidated operating profit increased EUR 3.2 million (10.2%) to EUR 34.6 million.
- The Group's consolidated net profit attributable to equity holders of the parent company for 2016 totalled EUR 29.3 million compared to EUR 25.7 million a year ago.
- The presentation of gaming taxes has been changed in the current financial statements. The income statement now presents revenue before gaming taxes, then gaming taxes and thereafter net revenue.
- In the current financial statements Polish and Belarusian segments have been classified as discontinued operations, for which the net loss for 2016 amounted to EUR 9.6 million (in 2015 net profit of EUR 1.7 million), consisting mainly of goodwill and assets impairment.
- Group company Baina Investments Sp. z o.o. signed the agreement on 14 January 2016 to acquire a 20% holding in the Polish subsidiary Casino Polonia-Wroclaw Sp. z o.o., increasing Group holding to 100%.
- After receiving an approval from the Estonian Competition Authority, on 16 February 2016 Group completed the acquisition of 100% shareholding in Estonian casino operator AS MC Kasiinod, which is also the 100% owner of the subsidiary OÜ Oma & Hea, which is providing casino bar services. As a result of the completion of the transaction Group owns 24 casinos in Estonia.
- The Estonian subsidiaries of Group, Olympic Casino Eesti AS and the casino operating company AS MC Kasiinod which was acquired on 16 February 2016, concluded a merger agreement on 21 March 2016. The merger was finalised in May 2016 and during the course of the merger AS MC Kasiinod merged with Olympic Casino Eesti AS.
- The Slovak subsidiaries of Group, Olympic Casino Slovakia S.r.o. and Olympic F&B S.r.o., concluded a merger agreement on 22 March 2016. The merger was finalised in April 2016 and during the course of the merger Olympic F&B S.r.o. merged with Olympic Casino Slovakia S.r.o.
- On 31 March 2016 Group decided to liquidate its Dutch subsidiary Siquia Holding B.V., which does not have any business activity. The area of activity for the subsidiary was holding activities. The liquidation was finalised on 30 June 2016.
- The Latvian subsidiaries of Group, Olympic Casino Latvia SIA AS and the casino operating company SIA Garkalns which was acquired in autumn 2015, concluded a merger agreement on 20 May 2016. The merger was finalised on 23 December 2016 and during the course of the merger SIA Garkalns merged with Olympic Casino Latvia SIA.
- On 1 June 2016 Group opened a new hotel and entertainment complex in Tallinn investing over 45 million euros in the building that accommodates the Baltics' first Hilton and the flagship casino of OEG.
- The general meeting of shareholders held on 16 June 2016 decided to pay out dividends in amount of EUR 22,768,681 (EUR 0.15 per share), of which EUR 0.10 per share was paid out to shareholders on 15 July 2016 and EUR 0.05 was paid out to shareholders on 14 October 2016.
- On 15 July 2016 Group company Jessy Investments B.V. entered into an agreement to divest the 100% holding in its Estonian subsidiary Kesklinna Hotelli OÜ that owns the hotel and entertainment complex building in Tallinn, where the Hilton Tallinn Park hotel and the flagship casino of OEG group, Olympic Park Casino, are based in. The buyer was East Capital group company ECB3 Tallinn OÜ. The transaction price was 48 million euros and profit 17.8 million euros. The aim of the sales transaction was to release capital that has been invested into real estate and to focus on the core business of the group – operating casino and entertainment complexes. The hotel and casino operations that are in the building were not part of the sales transaction and will continue to be owned by the Group.
- On 23 September 2016 the Group announced that it is forced to freeze active operations in Poland from 24 September 2016 due to the lack of valid location specific activity license, but remains to be interested in continuing its operations in the Polish market and plans to participate in the upcoming public tenders for the licenses.
- On 23 September 2016 the Group announced of its decision to exit Belarus gaming market due to the inefficient operations caused by the macroeconomic situation and poor prospects to increase profitability in Belarus.

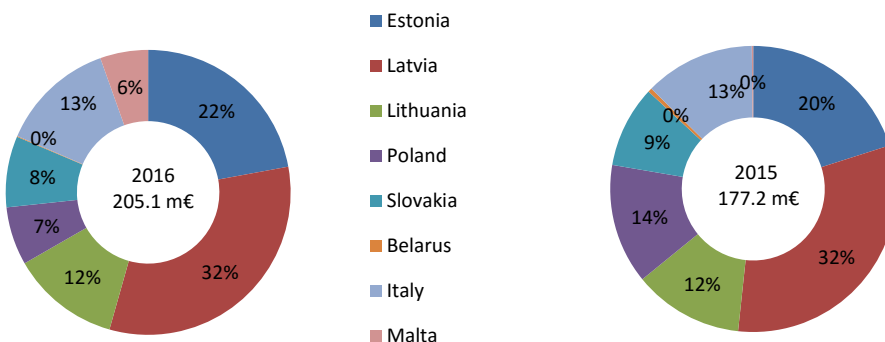
The Group's consolidated total revenue before gaming taxes bridge by segments:



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

'000€	2016	2015	Change
Estonia	45,364	35,566	27.6%
Latvia	66,185	56,015	18.2%
Lithuania	25,286	22,016	14.9%
Slovakia	16,546	16,347	1.2%
Italy	26,838	22,077	21.6%
Malta	11,169	291	3,738.2%
Poland	13,565	24,037	-43.6%
Belarus	185	804	-77.0%
Total	205,138	177,153	15.8%

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



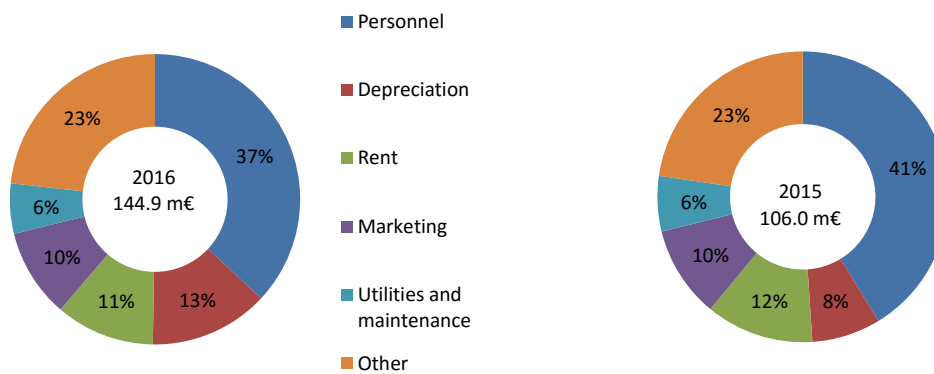
At the end of December 2016, the Group had 120 casinos with total floor area of 39,083 m² (+5,114 m²) and 31 betting points with total floor area of 856 m² (-114 m²).

Number of casinos by segment:

	31 December 2016	31 December 2015
Estonia	24	20
Latvia	54	57
Lithuania	18	19
Slovakia	8	7
Italy	15	12
Malta	1	1
Poland	0	1
Belarus	0	2
Total	120	119

The Group's consolidated operating expenses for amounted to EUR 144.9 million, up 36.6% or EUR 38.8 million y-o-y. The growth was highest in amortisation, depreciation and impairment costs (+11.1 m€, +137.0%), personnel expenses (+9.8 m€, +22.3%), marketing expenses (+3.5 m€, +32.4%) and rent expenses (+3.3 m€, +25.7%). Personnel expenses (53.5 m€) and amortisation, depreciation and impairment costs (19.2 m€) represented the largest cost items accounting for 50.2% of total operating expenses.

The presentation of gaming taxes has been changed in the current financial statements. The income statement now presents revenue before gaming taxes, then gaming taxes and thereafter net revenue. Therefore, gaming taxes are no longer presented under operating expenses. 2016 gaming taxes increased 9.3% (+3.8 m€) compared to 2015.



Key performance indicators of the Group

		2016	2015	2014	2013	2012
Revenue before gaming taxes	m€	205.1	177.2	157.8	149.0	135.3
Gaming tax	m€	-44.2	-40.4	-34.4	-32.0	-27.4
Net revenue	m€	161.0	136.8	123.4	117.0	107.9
Total net revenue and income	m€	179.5	137.4	123.8	117.6	109.1
EBITDA	m€	53.8	39.5	36.2	39.5	38.7
EBIT	m€	34.6	31.4	25.8	31.8	28.4
Net profit	m€	29.8	27.1	22.4	26.9	25.0
EBITDA margin	%	33.4	28.9	29.3	33.8	35.8
Operating margin	%	21.5	22.9	20.9	27.2	26.3
Net margin	%	18.5	19.8	18.2	23.0	23.2
Assets	m€	152.7	162.3	126.2	118.3	109.2
Equity	m€	129.9	122.9	109.2	102.0	93.0
ROE	%	24.4	23.4	21.4	29.4	29.4
ROA	%	18.9	18.8	18.3	23.7	23.8
Current ratio	times	2.1	1.4	3.0	3.2	3.5
Casinos at end of period	#	120	119	98	82	63
Casino floor area at end of period	m ²	39,083	33,969	32,242	28,031	24,030
Betting points at the end of period	#	31	34	0	0	0
Betting points floor area at end of period	m ²	856	970	0	0	0
Employees	#	3,024	3,118	2,665	2,515	2,277
Slot machines at end of period	#	4,123	4,101	3,470	3,003	2,575
Electronic roulette terminals at the end of period	#	106	122	96	160	154
Gaming tables at end of period	#	170	183	193	160	147
Tournament poker gaming tables at the end of period	#	64	65	46	61	53

Underlying formulas:

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

Overview by markets

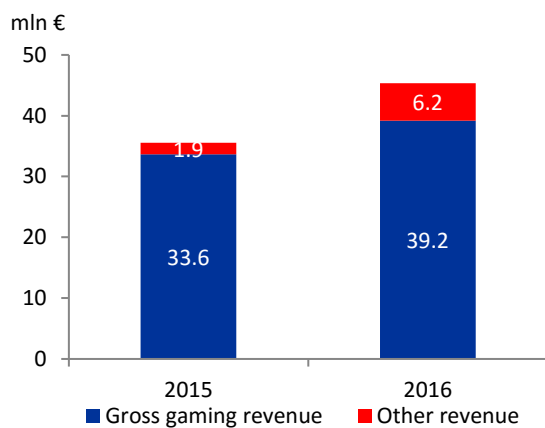
Estonia

Total revenues before gaming taxes of Estonian segment for 2016 amounted to EUR 45.4 million (+9.8 m€, +27.6%), EBITDA to EUR 23.1 million (+17.1 m€, +285.3%) and operating profit to EUR 19.7 million (+15.6 m€, +382.5%). Gaming revenue before gaming taxes increased 16.5% y-o-y amounting to EUR 39.2 million. Sales revenues increased partially due to hotel sales revenues. EBITDA and operating profit increased largely due to the profit from the hotel real estate sales transaction in amount of EUR 17.8 million. Hotel total revenues amounted to EUR 4.0 million.

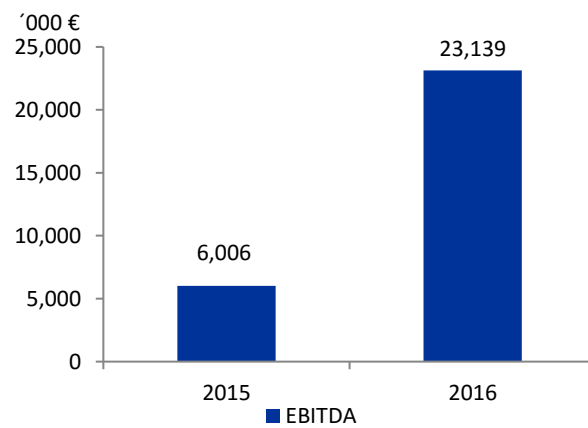
At the end of 2016, there were 24 Olympic casinos with 990 slot machines, 36 electronic roulette terminals, 24 gaming tables and 22 poker tournament tables operating in Estonia. As at 31 December 2016 Estonian operations employed 715 people.

At the end of 2015, there were 20 Olympic casinos operating in Estonia with 817 slot machines, 20 electronic roulette terminals, 17 gaming tables and 21 tournament poker gaming tables. As at 31 December 2015, the Estonian operations employed 504 people.

Total revenues before gaming taxes



EBITDA



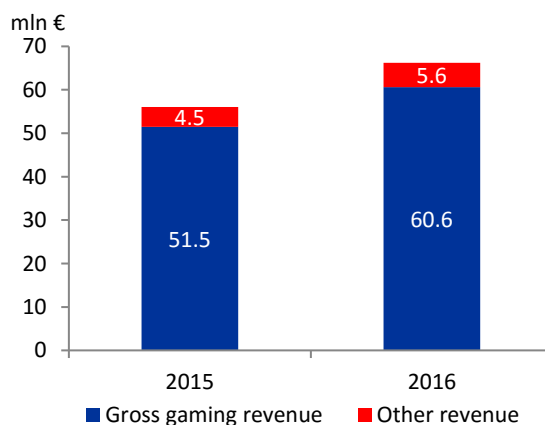
Latvia

Total revenues before gaming taxes of Latvian segment for 2016 amounted to EUR 66.2 million (+10.2 m€, +18.2%), EBITDA to EUR 27.8 million (+1.6 m€, +5.9%) and operating profit to EUR 24.1 million (+0.9 m€, +3.7%). Gaming revenue before gaming taxes increased 17.7% y-o-y amounting to EUR 60.6 million.

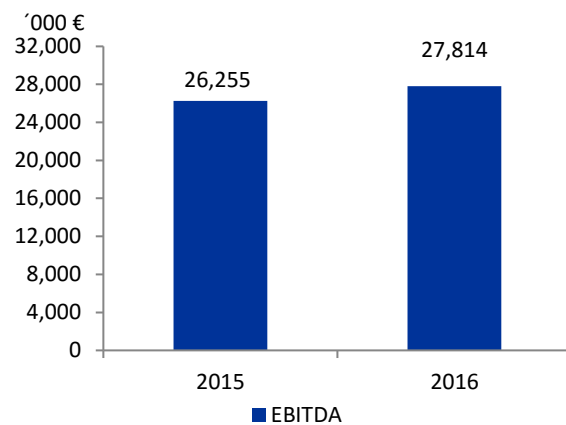
At the end of 2016, there were 54 Olympic casinos with 1,475 slot machines, 8 electronic roulette terminals, 24 gaming tables and 9 poker tournament tables operating in Latvia. As at 31 December 2016 Latvian operations employed 915 people.

At the end of 2015, there were 57 Olympic casinos operating in Latvia with 1,519 slot machines, 19 gaming tables and 9 tournament poker gaming tables. As at 31 December 2015, the Latvian operations employed 924 people.

Total revenues before gaming taxes



EBITDA



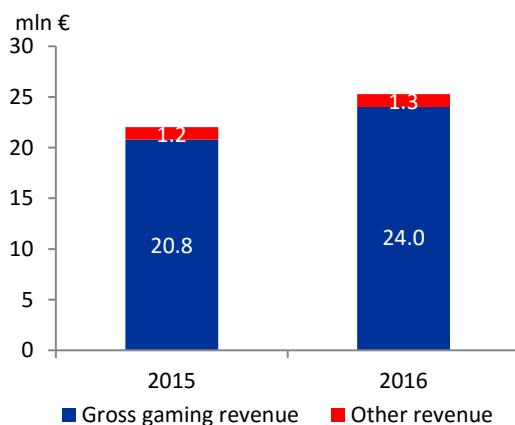
Lithuania

Total revenues before gaming taxes of Lithuanian segment for 2016 amounted to EUR 25.3 million (+3.3 m€, +14.8%), EBITDA to EUR 2.3 million (-1.0 m€, -30.3%) and operating profit to EUR 0.7 million (-1.4 m€, -65.6%). Gaming revenue before gaming taxes increased 15.5% y-o-y amounting to EUR 24.0 million.

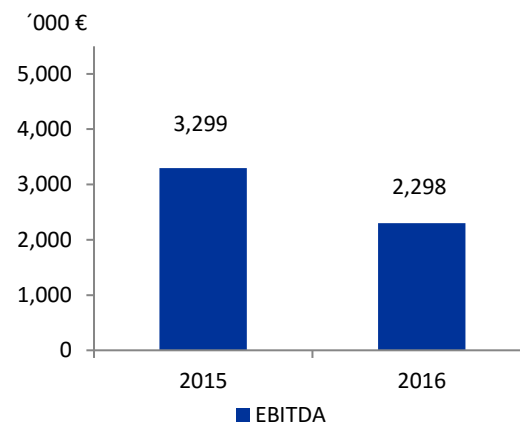
At the end of 2016, there were 18 Olympic casinos with 543 slot machines, 8 electronic roulette terminals, 59 gaming tables and 2 poker tournament tables and 31 betting shops operating in Lithuania. As at 31 December 2016 Lithuanian operations employed 750 people.

At the end of 2015, there were 19 Olympic casinos operating in Lithuania with 562 slot machines, 8 electronic roulette terminals, 64 gaming tables, 2 tournament poker gaming tables and 35 betting shops. As at 31 December 2015, the Lithuanian operations employed 840 people.

Total revenues before gaming taxes



EBITDA



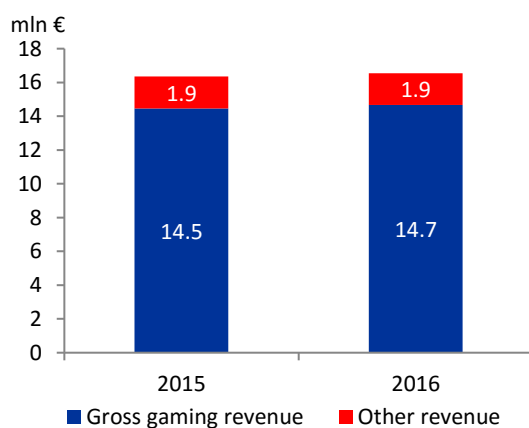
Slovakia

Total revenues before gaming taxes of Slovak segment for 2016 amounted to EUR 16.5 million (+0.2 m€, +1.2%), EBITDA to EUR 1.1 million (+0.2 m€, +27.4%) and operating profit to EUR 0.04 million (+0.13 m€). Gaming revenue before gaming taxes increased 1.4% y-o-y amounting to EUR 14.7 million.

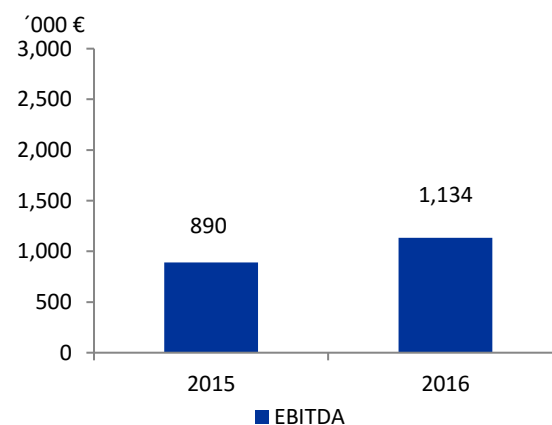
At the end of 2016, there were 8 Olympic casinos with 291 slot machines, 36 electronic roulette terminals, 44 gaming tables and 21 poker tournament tables operating in Slovakia. As at 31 December 2016 Slovak operations employed 324 people.

At the end of 2015, there were 7 Olympic casinos operating in Slovakia with 283 slot machines, 38 electronic roulette terminals, 39 gaming tables and 19 tournament poker gaming tables. As at 31 December 2015, the Slovak operations employed 311 people.

Total revenues before gaming taxes



EBITDA



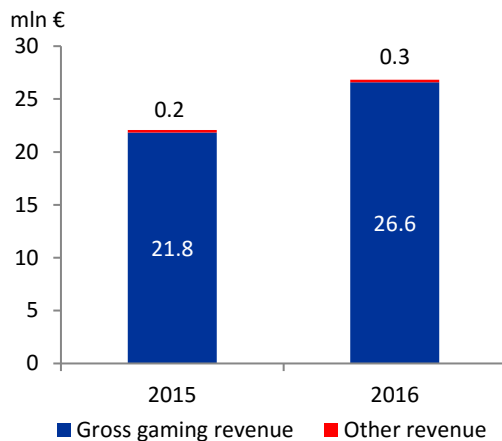
Italy

Total revenues before gaming taxes of Italian segment for 2016 amounted to EUR 26.8 million (+4.8 m€, +21.6%), EBITDA to EUR 1.0 million (+0.4 m€, +58.7%) and operating profit to EUR 0.6 million (+0.4 m€, +215.5%). Gaming revenue before gaming taxes increased 21.7% y-o-y amounting to EUR 26.6 million.

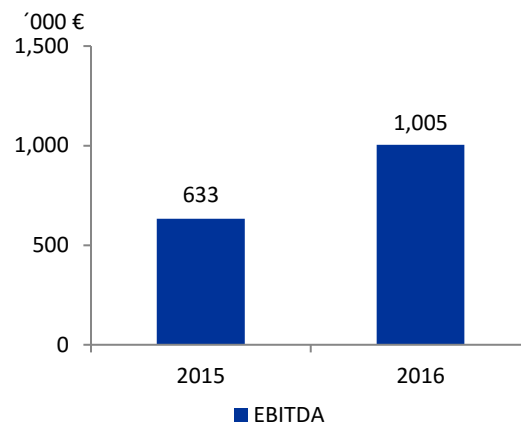
At the end of 2016, there were 15 VLT slot casinos with 539 slot machines operating in Italy. As at 31 December 2016 Italian operations employed 88 people.

At the end of 2015, there were 12 VLT slot casinos with 426 slot machines operating in Italy. As at 31 December 2015, the Italian operations employed 69 people.

Total revenues before gaming taxes



EBITDA



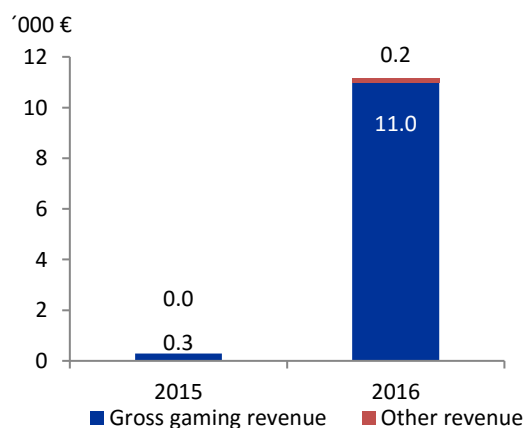
Malta

Total revenues before gaming taxes of Maltese segment for 2016 amounted to EUR 11.2 million (+10.9 m€, +3,738.3%), EBITDA to EUR -0.1 million (+0.3 m€) and operating loss to EUR -1.2 million (-0.8 m€). Gaming revenue before gaming taxes increased 3753% y-o-y amounting to EUR 11.0 million.

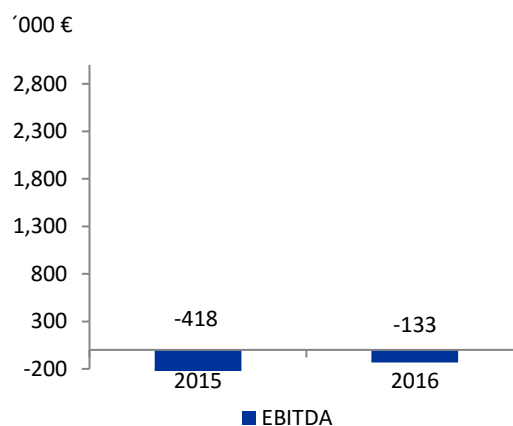
At the end 2016, there was 1 casino with 285 slot machines, 18 electronic roulette terminals, 19 gaming tables and 10 tournament poker tables operating in Malta. As at 31 December 2016 Maltese operations employed 209 people.

At the end of 2015, there was 1 casino with 285 slot machines, 18 electronic roulette terminals, 19 gaming tables and 10 tournament poker gaming tables operating in Malta. As at 31 December 2015, Maltese operations employed 184 people.

Total revenues before gaming taxes



EBITDA



Discontinued operations

Poland

Total revenues before gaming taxes of Polish segment for 2016 amounted to EUR 13.6 million (-10.5 m€, -43.6%), EBITDA to EUR 0.03 million (-3.1 m€, -99.2%) and operating loss to EUR 7.8 million (-10.5 m€, -396.7%). Gaming revenue before gaming taxes decreased 43.8% y-o-y amounting to EUR 13.3 million. Operating loss was caused by the impairment of goodwill and assets due to freezing active operations.

Polish flagship casino was closed on 23 September 2016 due to expiration of location specific activity license. As at 31 December 2016 Polish operations employed 23 people. The Group remains to be interested in continuing its operations in the Polish market and plans to participate in the upcoming public tenders for the licenses. The main purpose of freezing the active operations is to minimise the everyday costs and expenses.

Belarus

Total revenues before gaming taxes of Belarusian segment for 2016 amounted to EUR 0.2 million (-0.6 m€, -76.7%), EBITDA to EUR -1.5 million (-1.1 m€) and operating loss to EUR 1.5 million (-1.1 m€). The EBITDA and operating loss include EUR 1.3 million of currency translation losses recycled from other comprehensive income to the income statement.

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

The Group's income statements for continued and discontinued operations

Polish and Belarusian segments have been classified as discontinued operations.

(in thousands of euros)	2016			2015		
	Continued operations	Discontinued operations	Group total	Continued operations	Discontinued operations	Group total
Gross gaming revenue	175,998	13,459	189,457	142,468	24,374	166,842
Other revenue	15,390	291	15,681	9,844	467	10,311
Total revenue before gaming taxes	191,388	13,750	205,138	152,312	24,841	177,153
Gaming taxes	-37,497	-6,672	-44,169	-28,409	-11,987	-40,396
Net revenue	153,891	7,078	160,969	123,903	12,854	136,757
Other income	18,201	275	18,476	342	311	653
Total net revenue and income	172,092	7,353	179,445	124,245	13,165	137,410
Cost of materials, goods and services	-5,331	-113	-5,444	-3,473	-237	-3,710
Other operating expenses	-60,311	-3,930	-64,241	-44,379	-5,178	-49,557
Staff costs	-50,667	-2,872	-53,539	-39,122	-4,654	-43,776
Depreciation, amortisation and impairment	-11,371	-7,858	-19,229	-7,591	-540	-8,131
Changes in fair value of investment property	7	0	7	20	0	20
Other expenses	-525	-1,879	-2,404	-605	-269	-874
Total operating expenses	-128,198	-16,652	-144,850	-95,150	-10,878	-106,028
Operating profit (-loss)	43,894	-9,299	34,595	29,095	2,287	31,382
Interest income	26	47	73	31	20	51
Interest expense	-41	0	-41	-24	0	-24
Foreign exchange gains (losses)	16	5	21	-6	33	27
Other finance income and costs	-23	0	-23	-9	0	-9
Total finance income and costs	-22	52	30	-8	53	45
Profit (-loss) before income tax	43,872	-9,247	34,625	29,087	2,340	31,427
Income tax expense	-4,448	-371	-4,819	-3,714	-628	-4,342
Net profit (-loss) for the period	39,424	-9,618	29,806	25,373	1,712	27,085
<i>Attributable to equity holders of the parent company</i>	<i>38,920</i>	<i>-9,628</i>	<i>29,292</i>	<i>24,410</i>	<i>1,309</i>	<i>25,719</i>
<i>Attributable to non-controlling interest</i>	<i>504</i>	<i>10</i>	<i>514</i>	<i>963</i>	<i>403</i>	<i>1,366</i>

Financial position

As at 31 December 2016, the total assets of the Group amounted to EUR 152.7 million, down 5.9% or EUR 9.6 million compared to the same period a year ago.

Current assets totalled EUR 45.0 million or 29.5% of total assets, and non-current assets EUR 107.7 million or 70.5% of total assets. The liabilities amounted to EUR 22.8 million and equity to EUR 129.9 million. The largest liabilities included suppliers payables and advances (7.7 m€), tax liabilities (6.1 m€) and payables to employees (4.9 m€).

Investments

Within 2016, the Group's expenditures on property, plant and equipment totalled EUR 33.1 million (+2.3 m€, +7.4%), of which EUR 27.5 million was invested into construction of hotel and construction and reconstruction of casinos (+6.3 m€, +29.7%) and EUR 4.2 million into new gaming equipment (-4.3 m€, -51.0%).

Cash flows

Group's 2016 cash flows generated from operating activities amounted to EUR 34.5 million (-2.5 m€) and cash flows used in investing activities to EUR -24.2 million (+10.3 m€). Financing cash flows amounted to EUR -7.1 million (+1.0 m€). Net cash flows totalled EUR 3.2 million (+8.6 m€).

Personnel

As at 31 December 2016 Group employed 3,024 people, down by 94 y-o-y mostly due to closure of Polish and Belarusian operations.

Within 2016, total personnel expenses amounted to EUR 53.5 million (+9.8 m€, +22.3%). For 2016, the members of the Management Board and Supervisory Board of all Group entities were paid remuneration and benefits including social security taxes in the amount of EUR 1,286 thousand (EUR 1,006 thousand for 2015) and EUR 149 thousand (EUR 149 thousand for 2015), respectively.

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

Basic principles of personnel policy

The HR function in the group emanates from 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 2016 we continued 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 proceeded with the regular follow-up reporting and expanded the motivational bonus system to reinforce the implementation process.

In 2016 we continued to focus on customer service by proceeding 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.

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 produced 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 working on introducing systematic testing of personality traits and cognitive abilities into the selection process.

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

Key objectives for year 2017

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

Economic environment

2016 did not bring any major changes in the economic environment of the countries where the Group operates that would significantly impact the Group's operations. The Group is monitoring closely the labour market developments in light of the wage pressure.

	2016 quarterly GDP growth (% y-o-y)			
	Q1	Q2	Q3	Q4
Estonia	1.5	0.9	1.8	2.8
Latvia	1.5	1.0	0.5	2.2
Lithuania	1.9	2.0	1.8	3.0
Slovakia	3.6	3.5	3.1	2.9
Italy	1.1	0.8	1.0	1.0
Malta	5.2	3.5	3.3	:
EU 28	1.8	1.8	1.9	1.9

Description of main risks

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

Business risks

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

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

Currency risk

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

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 26,000 Company's shares.

Shares of Olympic Entertainment Group AS

The shares of Olympic Entertainment Group AS are listed in the main list of Tallinn Stock Exchange since 23 October 2006. 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.

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

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

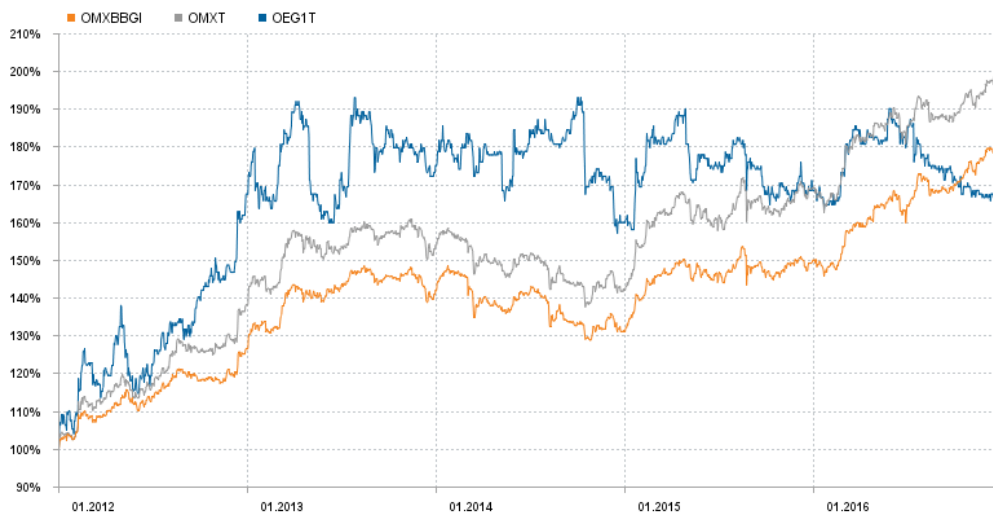
Movements in the share price (in EUR) and traded volume (number of securities) of Olympic Entertainment Group AS during the period of 01 January 2012 – 31 December 2016:



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

	2012	2013	2014	2015	2016
Opening price	1.076	1.790	1.860	1.700	1.790
Highest price	1.790	2.060	2.060	2.020	2.020
Lowest price	1.076	1.680	1.660	1.670	1.730
Average price	1.371	1.871	1.886	1.846	1.867
Last price	1.780	1.860	1.700	1.790	1.780
Number of shares traded	22,065,114	26,938,802	19,637,838	16,571,997	19,511,231
Turnover (EUR million)	30.03	50.41	37.04	30.59	36.42
Capitalisation (EUR million)	269.37	281.47	258.05	271.71	270.19
P/E ratio	11.1	11.0	12.0	10.6	9.1

Comparison of the share of Olympic Entertainment Group AS with indices during the period of 1 January 2012 – 31 December 2016:



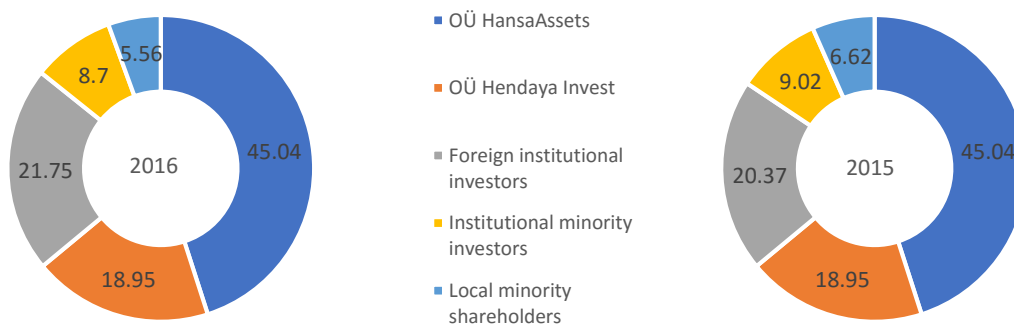
Index/share	1 Jan 2012	31 Dec 2016	+/-%
— OMX Baltic Benchmark GI	431.94	788.17	82.47
— OMX Tallinn	531.17	1,075.50	102.48
— OEG1T	1,062 EUR	1,780 EUR	67.61

Largest shareholders of Olympic Entertainment Group AS:

	31.12.2016	31.12.2015
OÜ HansaAssets*	45.04%	45.04%
OÜ Hendaya Invest*	18.95%	18.95%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	2.23%	1.38%
RBC INVESTOR SERVICES BANK / LUX-NON RESIDENTS / DOMESTIC RATE	1.80%	1.28%
J.P.MORGAN BANK LUXEMBOURG S.A/ JPML SA RE UCITS CLIENTS ASSETS	1.71%	3.16%
Central Securities Depository of Lithuania	1.45%	1.17%
CITIBANK (NEW YORK) / GOVERNMENT OF NORWAY	1.19%	0.00%
SEB S.A. CLIENT ASSETS UCITS	1.17%	0.00%
NORDEA BANK FINLAND PLC, CLIENTS	1.13%	2.31%
FIREBIRD REPUBLICS FUND LTD	1.11%	0.92%

**shareholders with over 5% holding*

Structure of Olympic Entertainment Group AS shareholders:



Dividends

The Group is under no permanent or fixed obligation to regularly pay dividends to its shareholders. The Group will try to keep the dividends payments at the level of previous years in case the capital structure allows it and there are no other better investment cases into Group expansion. Recommendation of the Management Board for profit allocation is based on financial performance, requirements for current capital, investment needs and strategic considerations. In 2016 the Group has paid dividends in the amount of 0.15 euros per share for the year of 2015.

Corporate governance recommendations

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

General Meeting of Shareholders

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

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

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

In 2016, the Annual General Meeting of Shareholders convened on 16 June 2016 at the Conference centre of Hilton Tallinn Park (Kreutzwaldi 23, Tallinn, Estonia). The Chairman of the Supervisory Board Armin Karu, member of the Supervisory Board Jaan Korpusov, the Chairman of the Management Board Madis Jääger and the Member of the Management Board Meelis Pielberg attended the meeting.

The auditor whose presence was not necessary (CGR 1.3.2.) did not attend the Annual General Meeting of Shareholders at 16 June 2016.

Shareholders representing 76.18% 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 2016 is presented in the "Personnel" section of the management report. The members of the Management Board avoid conflicts of interest and observe the prohibition on competition.

Supervisory Board

In 2016, the Company's Supervisory Board had three members – Armin Karu, Jaan Korpusov and Liina Linsi. The Supervisory Board is elected for a term of five years. The terms of office of Jaan Korpusov and Liina Linsi will expire at 11 September 2018. The term of office of Armin Karu will expire at 13 August 2018.

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

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

The Company does not disclose the benefits, including basic remuneration, additional remuneration, and termination and other benefits, paid to each member of the Supervisory Board because this constitutes sensitive personal information and its disclosure is not imperative for evaluating the Company's performance and management (CGR 3.2.5.). The aggregate amount of the benefits paid to the members of the Supervisory Board of all Group entities in 2016 is presented in the "Personnel" section of the management report.

Disclosure of information, financial reporting and auditing

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

The Company has published its 2016 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 2016. 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 accounting, auditing, risk management, internal control and audit, supervision and budget preparation and in respect of the legality of the activities of the Supervisory Board.

Related party transactions

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

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

<u>Purchases of goods and services</u>	2016	2015
Shareholders with significant influence	1	1
Total	1	1

As at 31 December 2016 and 31 December 2015, 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 2016, the members of the Management Board and Supervisory Board of all Group entities were paid remuneration and benefits including social security taxes in the amount of EUR 1,286 thousand (2015: EUR 1,006 thousand) and EUR 149 thousand (2015: EUR 149 thousand), respectively.

Articles of Association

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

Corporate social responsibility report

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

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

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

Passion for service

- We have guests, not customers – we treat our customers like guests in our homes.
- We always try to exceed our guests' expectations – we love the job, we do more than is expected of us, we support our team and give more than 100%.
- We are champions in what we do – we are proud to offer the best service in the gaming industry, our people are the best and we support their development.

Responsible

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

Entertaining

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

Rewarding

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

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

Examples of charity and sponsorship activities and support:

Estonia

- Birgitta festival
- Estonian Basketball Association
- Estonian Cultural Capital
- Estonian Olympic Committee
- Estonian Paralympic Committee
- Estonian Union of parents of children with cancer
- FC Infonet MTÜ
- Hockey club Narva Stars
- Narva Football Union MTÜ
- Nõmme BSC MTÜ
- PÜHALEPA Ski Club "PÕHJAKOTKAS" MTÜ
- Rapla Basketball school
- SA charity fund „Minu Unistuste Päev“
- SA charity fund „HILLE TÄNAVSUU VÄHIRAVIFOND KINGITUD ELU“
- Sports club ALL STARS
- Spordiselts MTÜ
- Tallinn Jacht club MTÜ
- „Tegusa Eesti“ stipendium

Latvia

- Biedriba “ESI BRIVS” (be free from addictions)
- Daugavpils Sports (support of local sport organizations)
- Biedrība “Latvijas Kultūras projekti” (Latvia cultural projects)
- Amateur hockey support
- Society Basketball school Ventspils
- Environmental objects arrangement (Sprīdītis, Baskāju taka, Ruckas muiža etc)

Lithuania

- Klaipeda Jazz Festival
- Žalgiris Basketball team support
- National Poker Club

Slovakia

- HC Slovan Hockey Club support
- HC Bratislava Hockey Club support
- MS HK Dukla Trencin hockey club support
- HK Dukla Trencin hockey club support
- FC Spartak Trnava football club support
- Glamour Business Club charity events
- InterNations events
- Miss Fotomodel of Europe (Slovakia)
- Miss Carat Tunning
- Miss Bratislava

Italy

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

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

Promotion of responsible gaming

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

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

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

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

Hotel

Hilton Tallinn Park is enrolled in LightStay. This is a Hilton program that aims to monitor environmental performance in terms of energy efficiency and waste usage. Among others this leads to the replacement of usage of hazardous and harmful chemicals with eco-friendly products, partnering with a recycling company for our beverage bottles or pre-sorting and minimizing waste volume. Whenever possible, the hotel aims to use local suppliers for its purchases. Hilton Tallinn Park participates in local Career Fairs organized by the Unemployment Insurance Fund to promote hospitality career opportunities and to help people find suitable jobs. We are in cooperation with Tallinn Childrens' Home and, amongst others, with Tallinn Service School providing internships. Volunteering in Tallinn Zoo, visiting the Animal Shelter and repairing Kindergarten's playground are some of the activities our team members were involved recently.

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 efforts are made to prevent risks in the working environment; also work satisfaction surveys are conducted to improve the welfare of employees. The Group has not implemented a formal diversity policy for management board and senior management level in 2016, but adheres to the principal not to discriminate candidates based on gender or other basis.

Consolidated financial statements

Consolidated statement of financial position

	Notes	31.12.2016	31.12.2015
ASSETS			
Current assets			
Cash and cash equivalents	6	37,933	34,710
Financial investments	7	99	1,835
Receivables and prepayments	8	4,552	5,537
Prepaid income tax		913	551
Inventories	12	1,532	1,366
Total current assets		45,029	43,999
Non-current assets			
Deferred tax assets	13	426	801
Financial investments	7	4,988	3,512
Other long-term receivables and prepayments		776	914
Investment property	14	295	288
Property, plant and equipment	15	51,250	58,877
Intangible assets	17	49,932	53,942
Total non-current assets		107,667	118,334
TOTAL ASSETS		152,696	162,333
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	18	0	292
Trade and other payables	19	19,806	27,680
Income tax payable		292	1,058
Provisions	20	1,329	1,842
Total current liabilities		21,427	30,872
Non-current liabilities			
Borrowings	18	0	7,952
Deferred tax liability	13	693	513
Other long-term payables	19	703	127
Total non-current liabilities		1,396	8,592
TOTAL LIABILITIES		22,823	39,464
EQUITY			
Share capital	21	60,716	60,716
Share premium		258	258
Statutory reserve capital	21	4,860	3,574
Other reserves	27	538	329
Translation reserves		-26	-1,156
Retained earnings	21	57,825	51,822
Total equity attributable to equity holders of the parent		124,171	115,543
Non-controlling interest		5,702	7,326
TOTAL EQUITY		129,873	122,869
TOTAL LIABILITIES AND EQUITY		152,696	162,333

The notes on pages 28 to 63 are an integral part of these consolidated financial statements.

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Consolidated statement of comprehensive income

	Notes	2016	2015
Continuing operations			
Gross gaming revenue	22	175,998	142,468
Other revenue	23	15,390	9,844
Total revenue before gaming taxes		191,388	152,312
Gaming taxes	22	-37,497	-28,409
Net revenue		153,891	123,903
Other income	24	18,201	342
Total net revenue and income		172,092	124,245
Cost of materials, goods and services	25	-5,331	-3,473
Other operating expenses	25	-60,311	-44,379
Staff costs	25	-50,667	-39,122
Depreciation, amortisation and impairment	15;17	-11,371	-7,591
Changes in fair value of investment property	14	7	20
Other expenses		-525	-605
Total operating expenses		-128,198	-95,150
Operating profit		43,894	29,095
Interest income		26	31
Interest expense		-41	-24
Foreign exchange gains (losses)		16	-6
Other finance income and costs		-23	-9
Total finance income and costs		-22	-8
Profit before income tax		43,872	29,087
Income tax expense	26	-4,448	-3,714
Net profit for the period from continuing operations		39,424	25,373
Net profit (-loss) for the period from discontinued operations	5	-9,618	1,712
Net profit for the period		29,806	27,085
<i>Attributable to equity holders of the parent company</i>		29,292	25,719
<i>Attributable to non-controlling interest</i>		514	1,366
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		1,130	264
Total comprehensive profit for the period		30,936	27,349
<i>Attributable to equity holders of the parent company</i>		30,422	25,983
<i>Attributable to non-controlling interest</i>		514	1,366
Basic earnings (loss) per share*	21	19.3	16.9
<i>From continuing operations</i>	21	25.6	15.8
<i>From discontinuing operations</i>	21	-6.3	1.1
Diluted earnings (loss) per share*	21	19.3	16.9
<i>From continuing operations</i>		25.6	15.8
<i>From discontinuing operations</i>		-6.3	1.1

* euro cents

The notes on pages 28 to 63 are an integral part of these consolidated financial statements.

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Consolidated statement of cash flows

	Notes	2016	2015
Cash flows from operating activities			
Net profit		29,806	27,085
Adjustments:			
Depreciation, amortisation and impairment	15;17	19,229	8,131
Profit / loss on disposal of non-current assets (net)	24	-17,943	-238
Changes in fair value of investment property	14	-7	-20
Income tax expense	5;26	4,819	4,342
Allowance of tax prepayment		215	0
Impairment of net assets from discontinued operations		545	0
Currency translation differences from discontinued operations	5	946	0
Share option reserve		209	329
Other financial income and expenses (net)		-30	-45
Changes in working capital:			
Receivables and prepayments		887	-2,211
Inventories	12	-149	-203
Liabilities and prepayments		1,513	3,718
Interest paid		-72	-17
Corporate income tax paid		-5,451	-3,808
Net cash generated from operating activities		34,517	37,063
Cash flows from investing activities			
Acquisition of property, plant, equipment and intangible assets	15;17	-37,238	-27,015
Proceeds from sale of property, plant, equipment	24	22,407	648
Proceeds from sale of investment property		0	24
Proceeds from disposal of assets held for sale		0	1,016
Purchase of financial investments		-588	-77
Proceeds from sale of financial investments		124	0
Acquisition of subsidiaries, net of cash acquired	28	-8,963	-8,411
Acquisition of business activity	28	0	-750
Interest received		60	110
Net cash used in from investing activities		-24,198	-34,455
Cash flows from financing activities			
Transactions with non-controlling interest	29	-1,115	0
Loans received	18	21,871	8,000
Repayments of loans received	18	-5,105	-793
Repayments of finance leases		-9	-1
Dividends paid	21	-22,769	-15,268
Net cash used in financing activities		-7,127	-8,062
Net cash flows		3,192	-5,454
Cash and cash equivalents at beginning of the period	6	34,710	40,117
Exchange gains and losses on cash and cash equivalents		31	47
Cash and cash equivalents at end of the period	6	37,933	34,710

The notes on pages 28 to 63 are an integral part of these consolidated financial statements.

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Consolidated statement of changes in equity

	Equity attributable to owners of the parent								
	Share capital	Share premium	Statutory reserve capital	Other reserves	Currency translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 01.01.2015	60,716	258	2,495	0	-1,420	41,816	103,865	5,339	109,204
<i>Net profit for the period</i>	0	0	0	0	0	25,719	25,719	1,366	27,085
<i>Other comprehensive income</i>	0	0	0	0	264	0	264	0	264
Total comprehensive income for the period	0	0	0	0	264	25,719	25,983	1,366	27,349
<i>Increase of statutory reserve capital (Note 21)</i>	0	0	1,079	0	0	-1,079	0	0	0
<i>Dividends paid (Note 21)</i>	0	0	0	0	0	-15,179	-15,179	0	-15,179
<i>Employee option programme (Note 27)</i>	0	0	0	329	0	0	329	0	329
Total transactions with owners	0	0	1,079	329	0	-16,258	-14,850	0	-14,850
Other adjustments	0	0	0	0	0	545	545	621	1,166
Balance at 31.12.2015	60,716	258	3,574	329	-1,156	51,822	115,543	7,326	122,869
Balance at 01.01.2016	60,716	258	3,574	329	-1,156	51,822	115,543	7,326	122,869
<i>Net profit for the period</i>	0	0	0	0	0	29,292	29,292	514	29,806
<i>Other comprehensive income (Note 5; 21)</i>	0	0	0	0	1,130	0	1,130	0	1,130
Total comprehensive income for the period	0	0	0	0	1,130	29,292	30,422	514	30,936
<i>Increase of statutory reserve capital (Note 21)</i>	0	0	1,286	0	0	-1,286	0	0	0
<i>Dividends paid (Note 21)</i>	0	0	0	0	0	-22,769	-22,769	0	-22,769
<i>Employee option programme (Note 27)</i>	0	0	0	209	0	0	209	0	209
Total transactions with owners	0	0	1,286	209	0	-24,055	-22,560	0	-22,560
Acquired through business combinations	0	0	0	0	0	0	0	112	112
Other adjustments (Note 29)	0	0	0	0	0	766	766	-2,250	-1,484
Balance at 31.12.2016	60,716	258	4,860	538	-26	57,825	124,171	5,702	129,873

The notes on pages 28 to 63 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 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a leading gaming services provider in the Baltic States (Estonia, Latvia and Lithuania) and it operates casinos in Slovakia, Italy and Malta.

Group entities include:

	Domicile	Ownership 31.12.2016	Ownership 31.12.2015	Area of activity
Olympic Casino Eesti AS	Estonia	95%	95%	Gaming services
Kungla Investeeringu OÜ	Estonia	100%	100%	Bar services
OÜ Oma & Hea	Estonia	95%	0%	Bar services
Kesklinna Hotelli OÜ	Estonia	0%	100%	Hotel real estate development
Fortuna Travel OÜ	Estonia	100%	100%	Hotel operations
Nordic Gaming OÜ	Estonia	100%	100%	Holding activities
Kasiino.ee OÜ	Estonia	100%	100%	Internet solutions
Olympic Casino Latvia SIA	Latvia	100%	100%	Gaming services
Ahti SIA	Latvia	100%	100%	Bar services
SIA Garkalns***	Latvia	0%	100%	Gaming services
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Gaming services
Mecom Grupp UAB	Lithuania	100%	100%	Bar services
UAB Orakulas	Lithuania	100%	100%	Gaming 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	100%	80%	Gaming services
Ultramedia Sp. z o.o.	Poland	100%	100%	Holding activities
Olympic Casino Slovakia S.r.o	Slovakia	100%	100%	Gaming services
OlyBet Slovakia S.r.o.	Slovakia	100%	100%	Gaming services
Olympic F & B S.r.o.**	Slovakia	0%	100%	Bar services
Olympic Casino Bel IP	Belarus	100%	100%	Under liquidation
The Box S.r.l.	Italy	100%	100%	Holding activities
Jackpot Game S.r.l.	Italy	100%	100%	Gaming services
Slottery S.r.l.	Italy	100%	100%	Gaming services
Siquia Holding B.V.	Holland	0%	95%	Liquidated
Jessy Investments B.V.	Holland	100%	100%	Holding activities
Gametech Services Ltd	Jersey	100%	100%	Software services
Brandhouse Ltd	Jersey	100%	100%	Holding activities
OEG Malta Holding Ltd	Malta	100%	100%	Holding activities
OEG Malta Gaming Ltd	Malta	100%	100%	Holding activities
Casino Malta Ltd*	Malta	0%	0%	Gaming services
Casino Malta Catering Ltd*	Malta	0%	0%	Bar services

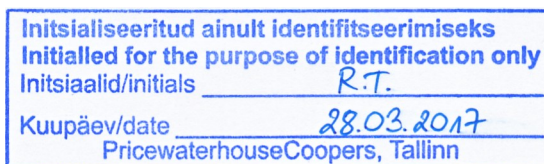
* Detailed information is included in Note 4.

** On 1 April 2016 Olympic F & B S.r.o. was merged with Olympic Casino Slovakia S.r.o., therefore the ownership as at 31 December 2016 equals 0%.

*** On 23 December 2016 SIA Garkalns was merged with Olympic Casino Latvia SIA, therefore the ownership as at 31 December 2016 equals 0%.

**** Polish subsidiaries Silber Investments Sp. z o.o., Baina Investments Sp. z o.o. and Casino-Polonia Wroclaw Sp. z o.o. have submitted their bankruptcy petition to the court after the balance sheet date.

The Management Board authorised these consolidated financial statements for issue at 28 March 2017. 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 2016 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 2016 are presented in thousands of euros.

Revenue and gaming tax presentation

The presentation of gaming taxes has been changed in order to align it with the general market practice. The income statement now presents revenue before gaming taxes, then gaming taxes and thereafter net revenue. The comparative information for 2015 has been reclassified accordingly. Previously gaming tax was recognised either as an expense or as a reduction of revenue, based on the specifics of the gaming tax regulations in respective countries. The current presentation unified the presentation of gaming taxes for all segments.

Discontinued operations

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

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

Therefore, the Polish and Belarusian segments have been classified as discontinued operations as at 31.12.2016 in these financial statements. In order to enable to evaluate the financial results of continuing operations, the comparative information for 2015 has been reclassified accordingly. Information on discontinued operations is presented in Note 5.

Adoption of new or revised standards and interpretations

New or revised standards and interpretations

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2016, but which do not have a material impact on the Group.

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 1 January 2017:

<p>Disclosure Initiative - Amendments to IAS 7</p>	<p>(effective for annual periods beginning on or after 1 January 2017; not yet adopted by the EU).</p>	<p>The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group is currently assessing the impact of the amendment on its financial statements.</p>
<p>IFRS 16, Leases</p>	<p>(effective for annual periods beginning on or after 1 January 2019; not yet adopted by the EU).</p>	<p>The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.</p>
<p>IFRS 15, Revenue from Contracts with Customers</p>	<p>(effective for annual periods beginning on or after 1 January 2018).</p>	<p>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</p>

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 new standard on its financial statements

Revenue from Contracts with Customers - Amendments to IFRS 15	(effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU).	The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. The Group is currently assessing the impact of the amendments on its financial statements.
Share-based Payments - Amendments to IFRS 2	(effective for annual periods beginning on or after 1 January 2018; not yet adopted by the EU).	The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. Such arrangements will be classified as equity-settled in their entirety. Finally, the amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled, as follows (a) the share-based payment is measured by reference to the modification-date fair value of the equity instruments granted as a result of the modification; (b) the liability is derecognised upon the modification, (c) the equity-settled share-based payment is recognised to the extent that the services have been rendered up to the modification date, and (d) the difference between the carrying amount of the liability as at the modification date and the amount recognised in equity at the same date is recorded in profit or loss immediately. The Group is currently assessing the impact of the amendments on its financial statements.

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

Group accounting

Consolidation

The financial statements of all subsidiaries (except for the subsidiaries acquired for the purpose of selling) under the control of the parent company have been combined on a line-by-line basis in the consolidated financial statements. All 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.

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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 33) the investments in subsidiaries are carried at fair value.

Foreign currency translation

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

Financials of foreign subsidiaries

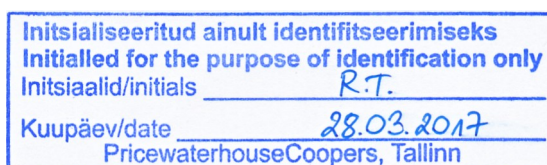
For the purpose of consolidation of subsidiaries and other business units that are located abroad, their financial statements are translated from the functional currency into the presentation currency of the parent company. When the functional currency of a foreign business unit differs from the presentation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

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

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

Segment reporting

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



Cash and cash equivalents

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

Financial assets

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

Held-to-maturity investments

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

Loans and receivables

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

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

Inventories

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

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

Investment property

Real estate properties (land, buildings) that the Group holds for the 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

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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.

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Licenses, trademarks

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

Goodwill

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

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

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.

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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

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outflows. A provision is recognised in the balance sheet in the amount according to the management is necessary as of the balance sheet date for the meeting of the obligation arising from the provision or transfer to the third party.

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

Corporate income tax

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

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

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

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, Slovakia, Italy, Netherlands, Jersey and Malta, the corporations of the respective countries are under the obligation to pay corporate income tax on the taxable profit earned in the financial year. The following income tax rates were effective in 2016: 15% in Latvia (2015: 15%), 15% in Lithuania (2015: 15%), 22% in Slovakia (2015: 22%), 27.5% in Italy (2015: 27.5%), 20% - 25% in Netherlands, 0% in Jersey and 35% in Malta.

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

Revenue recognition

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

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

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

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

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

Statutory reserve capital

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

Earnings per share

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

Note 3 Financial risk management

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

Financial instruments by category

	Held-to-maturity investments		Loans and receivables		Total	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Cash and cash equivalents (Note 6)	0	0	37,933	34,710	37,933	34,710
Financial investments (Note 7)	889	826	4,198	4,521	5,087	5,347
Trade receivables (Note 8)	0	0	681	553	681	553
Interest receivables (Note 11)	0	0	21	20	21	20
Other receivables (Note 11)	0	0	108	2,387	108	2,387
Total	889	826	42,941	42,191	43,830	43,017

Liabilities at amortised cost

	31.12.2016	31.12.2015
Borrowings (Note 18)	0	8,244
Trade payables (Note 19)	4,310	7,723
Other liabilities (Note 19)	1,470	7,828
Other long-term payables (Note 19)	703	127
Total	6,483	23,922

Financial risks

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

Currency risk

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

The functional currencies of subsidiaries within the Group (euro in most countries and GBP in some subsidiaries) and the US dollar (USD) can be used for managing the currency risk.

Internal transactions of the Group are primarily concluded in euros.

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Possible increase and decline of currency risk is evaluated by using exchange rate fluctuation between 01.01.2016 and 31.12.2016 for US dollars and UK pound sterling.

Exposure to currency risks at 31.12.2016

	EUR	USD	GBP	Others	Total
Cash and cash equivalents (Note 6)	37,538	173	207	15	37,933
Financial investments (Note 7)	5,087	0	0	0	5,087
Trade receivables (Note 8)	681	0	0	0	681
Interest receivables (Note 11)	21	0	0	0	21
Other receivables (Note 11)	108	0	0	0	108
Total	43,435	173	207	15	43,830
Short-term borrowings (Note 18)	0	0	0	0	0
Trade payables (Note 19)	-4,310	0	0	0	-4,310
Other current liabilities (Note 19)	-1,470	0	0	0	-1,470
Other long-term payables (Note 19)	-703	0	0	0	-703
Total	-6,483	0	0	0	-6,483
Net exposure	36,952	173	207	15	37,347
Appreciation of the currency exchange rate against EUR (%)	-	3%	17%	-	-
Depreciation of the currency exchange rate against EUR (%)	-	-3%	-17%	-	-
Effect on profit and equity	0	5	35	0	40
Effect on profit and equity	0	-5	-35	0	-40

Exposure to currency risks at 31.12.2015

	EUR	USD	PLN	BYR	Others	Total
Cash and cash equivalents (Note 6)	32,639	59	1,965	42	5	34,710
Financial investments (Note 7)	4,487	0	860	0	0	5,347
Trade receivables (Note 8)	495	0	31	27	0	553
Interest receivables (Note 11)	20	0	0	0	0	20
Other receivables (Note 11)	2,387	0	0	0	0	2,387
Total	40,028	59	2,856	69	5	43,017
Short-term borrowings (Note 18)	-292	0	0	0	0	-292
Trade payables (Note 19)	-7,539	0	-184	0	0	-7,723
Other current liabilities (Note 19)	-7,558	0	-249	-21	0	-7,828
Long-term borrowings (Note 18)	-7,952	0	0	0	0	-7,952
Other long-term payables (Note 19)	-112	0	-15	0	0	-127
Total	-23,453	0	-448	-21	0	-23,922
Net exposure	16,575	59	2,408	48	5	19,095
Appreciation of the currency exchange rate against EUR (%)	-	10%	10%	41%	-	-
Depreciation of the currency exchange rate against EUR (%)	-	-10%	10%	-41%	-	-
Effect on profit and equity	0	6	241	20	0	267
Effect on profit and equity	0	-6	-241	-20	0	-267

Interest rate risk

The Group's term deposits (see Notes 6 and 7) are with fixed interest rates. The Group has invested in Lithuanian government bonds, which interest rates in 2016 was -0.18% - 2.6% (2015: 4.8%). The Group is not exposed to interest rate risk of cash-flows.

The Group had a loan agreement with Swedbank. The annual interest rate was 6 months Euribor + 0.8%. Due to the sale of the Estonian subsidiary Kesklinna Hotelli OÜ this loan is no longer on the Group's balance sheet. The balance of the loan as at 31.12.2015 was EUR 8,000 thousand and on the date of the sale of Kesklinna Hotelli OÜ EUR 25,000 thousand (Note 18).

During 2016 the Group utilised a credit line with a limit of EUR 5,000 thousand. The credit was returned and agreement terminated in 2016.

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Credit risk

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

	31.12.2016	31.12.2015
Cash and cash equivalents in bank accounts (Note 6)	30,479	27,079
Short and long term financial investments (Note 7)	5,087	5,347
Trade receivables (Note 8)	681	553
Other receivables (Note 11)	108	2,387
Total	36,355	35,366

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

	31.12.2016	31.12.2015
Cash and cash equivalents on bank accounts		
Banks with credit rating A	28,041	22,848
Banks with credit rating B	1,853	2,671
Other banks	585	1,560
Total cash and cash equivalents on bank accounts	30,479	27,079
Short- and long-term financial investments		
Banks with credit rating A	973	942
<i>Including Lithuanian government bonds</i>	889	826
Banks with credit rating B	3,823	3,419
Other banks	291	986
Total short- and long-term financial investments	5,087	5,347

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 31.12.2016 totalled EUR 23,602 thousand and as at 31.12.2015 EUR 13,127 thousand, respectively. The undiscounted cash-flows arising from the Group's financial liabilities divided by maturity:

31.12.2016	1-3 months	3-12 months	1-5 years	Total
Bank loans (Note 18)	0	0	0	0
Long-term loans (Note 18)	0	0	0	0
Finance lease liabilities (Note 18)	0	0	0	0
Trade payables (Note 19)	4,310	0	0	4,310
Other liabilities (Note 19)	1,470	0	0	1,470
Other long-term payables (Note 19)	0	0	703	703
Total	5,780	0	703	6,483

31.12.2015	1-3 months	3-12 months	1-5 years	Total
Bank loans (Note 18)	81	274	7,882	8,237
Long-term loans (Note 18)	0	0	170	170
Finance lease liabilities (Note 18)	1	4	5	10
Trade payables (Note 19)	7,723	0	0	7,723
Other liabilities (Note 19)	4,544	3,284	0	7,828
Other long-term payables (Note 19)	0	0	127	127
Total	12,349	3,562	8,184	24,095

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Fair value

According to the assessment of the Group's management, the carrying amounts of the Group's assets and liabilities do not differ significantly from their fair values. 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. Fair value of borrowings was estimated at level 3 as at 31.12.2015.

Capital risk management

The Group finances business activities by both debt and equity that it also reviews as capital. 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>31.12.2016</u>	<u>31.12.2015</u>
Total equity of the Group	129,873	122,869
Balance sheet total of the Group	152,696	162,333
Share of equity of the balance sheet total	85%	76%

Information about requirements regarding the equities of subsidiaries of the Group is disclosed in Note 21.

Note 4 Critical accounting estimates and judgements

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

Estimating the recoverable amount of goodwill (Note 17)

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

As at 31 December 2016 the carrying amount of goodwill was EUR 47,307 thousand and as at 31 December 2015 EUR 50,775 thousand.

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

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

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

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

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

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

Control over Malta subsidiaries

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

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

2016 consolidated annual report reflect gross gaming revenue of EUR 10,982 thousand (2015: EUR 285 thousand) from Maltese casino operations and operating loss of EUR 1,223 thousand (2015: EUR 422 thousand), of which EUR 452 thousand (2015: EUR 436 thousand) belongs to non-controlling interest. More information about the assets, liabilities and revenues of Maltese operations is disclosed in Note 22.

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

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

As at 31 December 2016, the carrying amount of non-current assets was EUR 51,250 thousand and as at 31 December 2015, EUR 58,877 thousand.

If useful lives of items of property, plant and equipment were decreased by 10%, the annual depreciation charge would increase by EUR 1,122 thousand and if useful lives of items of property, plant and equipment were increased by 10%, the annual depreciation charge would decrease by EUR 918 thousand.

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Note 5 Discontinued operations

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

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

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

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

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

Consolidated income statement of discontinued operations

	Notes	Poland		Belarus	
		2016	2015	2016	2015
Gross gaming revenue		13,283	23,618	176	756
Other revenue		282	419	9	48
Total revenue before gaming taxes		13,565	24,037	185	804
Gaming taxes		-6,631	-11,802	-41	-185
Net revenue		6,934	12,235	144	619
Other income		214	135	61	176
Total net revenue and income		7,148	12,370	205	795
Cost of materials, goods and services		-106	-193	-7	-44
Other operating expenses		-3,713	-4,574	-217	-604
Staff costs		-2,767	-4,398	-105	-256
Depreciation, amortisation and impairment	15;17	-249	-536	-2	-4
Other expenses		-250	-30	-74	-239
Total operating expenses		-7,085	-9,731	-405	-1,147
Operating profit (-loss)		63	2,639	-200	-352
Interest income		41	8	6	12
Foreign exchange gains		5	31	0	2
Total finance income		46	39	6	14
Profit (-loss) before income tax		109	2,678	-194	-338
Income tax expense		-371	-628	0	0
Profit (-loss) after income tax		-262	2,050	-194	-338
Profit (-loss) from disposal of discontinued operation and remeasurement of net assets of discontinued operations		-7,893	0	-1,269	0
- including impairment of net assets		-8,185	0	-31	0
- including currency translation differences reclassified to profit or loss		292	0	-1,238	0
Net profit (-loss) for the period from discontinued operations		-8,155	2,050	-1,463	-338

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Consolidated statement of cash flows of discontinued operations

	Poland		Belarus	
	2016	2015	2016	2015
Net cash used in operating activities	-1,771	665	-333	-304
Net cash from (used in) investing activities	489	-309	283	287
Cash flows from financing activities	0	-89	0	0
Net cash flows	-1,282	267	-50	-17
Cash and cash equivalents at beginning of the period	2,092	1,794	50	65
Exchange gains and losses on cash and cash equivalents	19	31	0	2
Cash and cash equivalents at end of the period	829	2,092	0	50

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

Note 6 Cash and cash equivalents

	31.12.2016	31.12.2015
Cash on hand and at gaming halls	7,454	7,631
Cash in bank accounts	28,482	24,396
Demand deposits	0	1,260
Term deposits	0	82
Cash in transit	1,997	1,341
Total cash and bank	37,933	34,710

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

In 2016 the Group's interest income on term deposits amounted to EUR 12 thousand and in 2015 EUR 15 thousand (Note 3).

Note 7 Short- and long-term financial investments

	31.12.2016	31.12.2015
Short-term financial investments		
Lithuanian government bonds	0	806
Deposits with maturities between 4 months and 1 year	1	0
Deposits used as collateral for rental premises	97	618
Other guarantee deposits	1	411
Total short-term financial investments (Note 3)	99	1,835
Long-term financial investments		
Lithuanian government bonds	889	20
Other guarantee deposits	4,029	3,381
Other investments	70	111
Total long-term financial investments (Note 3)	4,988	3,512

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

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

The Group has opted to invest in the government bonds of the Republic of Lithuania. There were no transactions with bonds in 2016 and 2015. The interest rates on bonds were -0.18% - 2.6% (2015: 4.8%). In 2016, interest income on the bonds amounted to EUR 14 thousand and in 2015, EUR 16 thousand.

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Other long-term guarantee deposits include the guarantee deposits required in accordance with the valid gaming legislation of the Slovak Republic. Deposit is set up in amount of EUR 500 thousand for every casino.

Note 8 Receivables and prepayments

	31.12.2016	31.12.2015
Trade receivables (Notes 3, 9)	681	553
Prepaid taxes (Note 10)	985	451
Other receivables and prepayments (Note 11)	2,886	4,533
Total receivables and prepayments	4,552	5,537

Note 9 Trade receivables

	31.12.2016	31.12.2015
Trade receivables not yet due	681	553
Trade receivables overdue and impaired	5	339
Provision for impairment of receivables	-5	-339
Total trade receivables (Note 8)	681	553
Impairment of doubtful receivables	2016	2015
Balance at the beginning of year	-339	-351
Impairment of receivables and write-off from balance sheet	334	12
Balance at the end of the year	-5	-339

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

Note 10 Taxes

	31.12.2016		31.12.2015	
	Prepayment	Liability	Prepayment	Liability
Gaming tax	0	2,035	0	2,487
Value added tax	966	1,255	436	150
Personal income tax	0	803	0	564
Social security tax	0	1,641	0	1,545
Income tax on gifts, fringe benefits	0	44	0	13
Other taxes	19	12	15	6
Total taxes (Notes 8, 19)	985	5,790	451	4,765

Tax rates effective at 31.12.2016 by country

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

Tax rates effective at 31.12.2015 by country

	Estonia	Latvia	Lithuania	Slovakia	Italy	Malta
Gaming tax (per month)*						
per gaming table (EUR)	1 278	1 440	1 738	29%	N/A	36%
per slot machine (EUR)	10%+300	262	232	29%	4.8%	40%
Value added tax	20%	21%	21%	20%	22%	18%
Corporate income tax**	20/80	15%	15%	22%	27.5%	35%
Personal income tax	20%	23%	15%	19-25%	23-43%	0-35%
Social security tax	33%	34.09%	40%	28.35%	39-45%	20%

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

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

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Note 11 Other receivables and prepayments

	<u>31.12.2016</u>	<u>31.12.2015</u>
Prepaid expenses		
Lease of premises	1,223	888
Licenses	358	389
Software and equipment maintenance	113	100
Other prepaid expenses	1,032	683
Total prepaid expenses	2,726	2,060
Other short-term receivables		
Loans to employees	0	9
Other receivables from employees	31	57
Interest receivable (Note 3)	21	20
Other short-term receivables (Note 3)	108	2,387
Total other short-term receivables	160	2,473
Total (Note 8)	2,886	4,533

Note 12 Inventories

	<u>31.12.2016</u>	<u>31.12.2015</u>
Goods purchased for resale	725	672
Gaming equipment	247	184
Jackpot prizes	56	50
Spare parts for slot machines	85	164
Other materials	419	296
Total inventories	1,532	1,366

Note 13 Deferred tax assets and liabilities

	<u>Property, plant and equipment</u>	<u>Provisions</u>	<u>Other</u>	<u>Total</u>
Deferred tax assets				
Deferred tax assets at 01.01.2015	516	297	585	1,398
Impact on income statement	-158	15	-454	-597
Deferred tax assets at 31.12.2015	358	312	131	801
Impact on income statement	-196	-58	-121	-375
Deferred tax assets at 31.12.2016	162	254	10	426

	<u>Property, plant and equipment</u>	<u>Total</u>
Deferred tax liabilities		
Deferred tax liabilities at 01.01.2015	272	272
Impact on income statement	241	241
Deferred tax liabilities at 31.12.2015	513	513
Impact on income statement	180	180
Deferred tax liabilities at 31.12.2016	693	693

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Note 14 Investment property

	Land	Buildings	Total
As at 1 January 2015	172	120	292
Net gain from fair value adjustments	11	9	20
Sales	-24	0	-24
As at 31 December 2015	159	129	288
Net gain from fair value adjustments	7	0	7
As at 31 December 2016	166	129	295

As at 31.12.2016 and 31.12.2015 land includes forest land acquired for capital appreciation and buildings include apartment in Tallinn acquired to earn rental income and for capital appreciation.

In 2016, there was not any sales. In 2015 a forest land cutting rights were sold for EUR 24 thousand.

In 2016 and 2015, investment property was valued using real estate agency Uus Maa and Metsatervenduse OÜ.

Comparable transactions' method was used to evaluate investment property in Tallinn in 2015 and 2016. Actual transaction prices of commercial real estate objects located in the centre of Tallinn were used as a basis for comparison. Using this method the market value of a real estate object is measured based on the comparison of the evaluated object and similar objects sold in the free market conditions and corrected by adjustment factors.

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

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

At the balance sheet date the Group's investment properties are rated at level 2 in the amount of EUR 129 thousand (31.12.2015: EUR 129 thousand) and at level 3 in the amount of EUR 166 thousand (31.12.2015: EUR 159 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 2015, EUR 6 thousand. Other expenses on investment property (utility, security, insurance, and land tax charges) totalled EUR 2 thousand and in 2015 EUR 2 thousand.

Note 15 Property, plant and equipment

Lease payments and lease liabilities are disclosed in Note 16.

In 2016 property, plant and equipment was impaired in the amount of EUR 616 thousand, which relates to impairment of assets in Poland, which was classified as a discontinued operation in 2016 (Note 5). In 2016, property, plant and equipment were written off with the carrying amount of EUR 242 thousand. In 2015, property, plant and equipment were written off with the carrying amount of EUR 154 thousand. The amount of fixed assets acquisition also includes assets in the amount of EUR 940 thousand (2015: EUR 4,488 thousand), that were taken into use on the balance sheet date, but whose payment term had not yet arrived.

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	Buildings	Renovation expenditures	Machinery & equipment	Other PP&E	Construction in progress	Total
As at 1 January 2015						
Cost	89	22,701	65,894	5,879	7,611	102,174
Accumulated depreciation	-65	-13,727	-49,898	-4,116	0	-67,806
Carrying amount	24	8,974	15,996	1,763	7,611	34,368
Changes in 2015						
<u>Continuing operations</u>						
Additions	0	1,981	8,523	663	19,240	30,407
Acquired through business combinations (Note 28)	0	182	1474	37	10	1,703
Reclassifications	0	2,076	1,396	377	-4,071	-222
Disposals	0	-185	-68	-1	0	-254
Write-offs	0	-11	-8	-5	-2	-26
Depreciation charge	0	-2,689	-3,514	-826	0	-7,029
<u>Discontinued operations</u> (Note 5)						
Additions	0	85	261	41	58	445
Disposals	-18	0	-32	0	0	-50
Write-offs	0	-79	-27	-22	0	-128
Depreciation charge	-6	-46	-271	-23	0	-346
Impairment loss	0	0	-4	0	0	-4
Exchange differences	0	5	-19	0	27	13
As at 31 December 2015						
Cost	16	25,685	71,712	6,577	22,873	126,863
Accumulated depreciation	-16	-15,392	-48,005	-4,573	0	-67,986
Carrying amount	0	10,293	23,707	2,004	22,873	58,877
	Buildings	Renovation expenditures	Machinery & equipment	Other PP&E	Construction in progress	Total
As at 1 January 2016						
Cost	16	25,685	71,712	6,577	22,873	126,863
Accumulated depreciation	-16	-15,392	-48,005	-4,573	0	-67,986
Carrying amount	0	10,293	23,707	2,004	22,873	58,877
Changes in 2016						
<u>Continuing operations</u>						
Additions	0	4,253	4,178	1,368	23,275	33,074
Acquired through business combinations (Note 28)	0	0	198	17	0	215
Reclassifications	29,374	4,351	2,886	7,223	-44,126	-292
Disposals	-29,227	0	-14	-2	0	-29,243
Write-offs	0	-66	-125	-46	0	-237
Depreciation charge	-147	-3,119	-5,382	-1,248	0	-9,896
<u>Discontinued operations</u> (Note 5)						
Additions	0	58	7	1	0	66
Reclassifications	0	84	0	0	-84	0
Disposals	0	-28	-404	0	0	-432
Write-offs	0	0	-4	-1	0	-5
Depreciation charge	0	-25	-162	-18	0	-205
Impairment loss	0	-287	-260	-69	0	-616
Exchange differences	0	-10	-39	-7	0	-56
As at 31 December 2016						
Cost	0	28,954	69,826	14,388	1,938	115,106
Accumulated depreciation	0	-13,450	-45,240	-5,166	0	-63,856
Carrying amount	0	15,504	24,586	9,222	1,938	51,250

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Note 16 Leased assets

The Group is the lessee

Assets leased under finance lease terms

Information on finance lease liabilities is disclosed in Note 18.

Assets leased under operating lease terms

Group entities lease rental premises under operating lease terms. In 2016, operating lease payments totalled EUR 19,663 thousand and in 2015 EUR 15,658 thousand (Note 25), including contingent lease payments in the amount of EUR 4,256 thousand (2015: EUR 4,060 thousand) related to Italy.

The amounts of non-cancellable operating lease payments have been determined on the basis of lease payments under non-cancellable lease agreements. The non-cancellable operating lease payments do not include contingent lease payments. Lease agreements do not establish any restrictions to the activities of the Group. The increase in lease payments due between 1 and 5 years and after 5 years is due to the sale and leaseback of the Hilton hotel building in Estonia in 2016 (Note 4).

Payments due

	<u>2016</u>	<u>2015</u>
Due in less than 1 year	12,424	8,352
Due between 1 and 5 years	33,798	14,719
Due after 5 years	60,962	5,374

The Group is the lessor

The Group as the lessor leases out investment property under operating lease terms (Note 14). Also the premises initially leased by the Group's subsidiaries are partially subleased to the third parties. In 2016, operating lease income totalled EUR 441 thousand and in 2015, EUR 95 thousand.

Future lease income under non-cancellable operating leases

	<u>2016</u>	<u>2015</u>
Due in less than 1 year	63	18
Due between 1 and 5 years	0	0
Due after 5 years	0	0

Note 17 Intangible assets

	<u>Goodwill</u>	<u>Software and licences</u>	<u>Prepayments</u>	<u>Total</u>
As at 1 January 2015				
Cost	36,847	4,195	12	41,054
Accumulated depreciation	0	-3,009	0	-3,009
Carrying amount	36,847	1,186	12	38,045
Changes in 2015				
<i>Continuing operations</i>				
Additions	0	2,159	163	2,322
Acquisitions through business combinations (Note 28)	13,855	23	0	13,878
Reclassifications	0	336	-115	221
Depreciation charge	0	-535	0	-535
<i>Discontinued operations</i> (Note 5)				
Depreciation charge	0	-63	0	-63
Acquisitions through mergers	58	0	0	58
Exchange differences	15	0	0	15
As at 31 December 2015				
Cost	50,775	6,335	61	57,171
Accumulated depreciation	0	-3,229	0	-3,229
Carrying amount	50,775	3,106	61	53,942

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

In 2016 intangible assets in amount of EUR 7,392 thousand were impaired, of which EUR 6,991 thousand was related to discontinuing operations in Poland (Note 5) and EUR 401 thousand was the residual value of a technological platform, the use of which will be discontinued due to moving to another platform.

Impairment tests and impairment losses

Management has tested goodwill for impairment as at 31 December 2016 and 31 December 2015. The Group regards segments as cash-generating units. The break-down of goodwill between segments is as follows:

Segment	31.12.2016	31.12.2015
Estonia	16,436	13,065
Latvia	22,097	21,860
Lithuania	3,707	3,707
Poland	58	7,134
Italy	5,009	5,009
	47,307	50,775

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

Segment	Average income growth in 5-year period		Average expense growth in 5-year period		WACC*		Terminal growth rate	
	2016	2015	2016	2015	2016	2015	2016	2015
Estonia	5%	6%	4%	5%	9.51%	9.61%	3%	3%
Latvia	4%	7%	4%	6%	9.19%	11.21%	3%	3%
Lithuania**	8%	8%	6%	5%	9.59%	10.06%	3%	3%
Poland	-	2%	-	2%	-	11.66%	-	3%
Italy	8%	9%	6%	7%	12.10%	11.60%	3%	3%

* Pre-tax discount rate is used.

** Goodwill impairment test relates to subsidiary UAB Orakulas.

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In 2016 goodwill related to the Polish segment in amount of EUR 6,986 thousand as written off due to the expiration of location-based casino license of the Casino in Warsaw. In 2015 no impairment losses were recognised for goodwill.

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

Note 18 Borrowings

	<u>31.12.2016</u>	<u>31.12.2015</u>
Short-term borrowings		
Current portion of financial lease liability	0	4
Current portion of long-term bank loan	0	288
Total short-term borrowings	0	292
Long-term borrowings		
Non-current portion of financial lease liability	0	5
Non-current portion of long-term bank loan	0	7,777
Long-term loan	0	170
Total long-term borrowings	0	7,952
Total borrowings	0	8,244

The Group had a loan agreement with Swedbank. The annual interest rate was 6 months Euribor + 0.8%. Due to the sale of the Estonian subsidiary Kesklinna Hotelli OÜ this loan is no longer on the Group's balance sheet. The balance of the loan as at 31.12.2015 was EUR 8,000 thousand and on the date of the sale of Kesklinna Hotelli OÜ EUR 25,000 thousand.

In 2016, the interest expense of the bank loan was EUR 37 thousand (2015: EUR 5 thousand) and interest expense of the other long-term loan in 2016 was EUR 4 thousand (2015: EUR 19 thousand).

During 2016 the Group utilised a credit line with a limit of EUR 5,000 thousand. The credit was returned and agreement terminated in 2016.

Note 19 Trade and other short and long-term payables

	<u>31.12.2016</u>	<u>31.12.2015</u>
Customer prepayments	3,370	2,554
Trade payables (Note 15)	4,310	7,723
Other payables (Note 28)	812	7,131
Tax liabilities (Note 10)	5,790	4,765
Payables to employees	4,866	4,809
Other accrued expenses	658	697
Total trade and other short-term payables	19,806	27,680
Other long-term payables (Note 28)	703	127

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Note 20 Provisions

	<u>2016</u>	<u>2015</u>
Provisions for winnings		
At beginning of the year	735	979
Recognised during the year	1,207	526
Used during year	-1,260	-770
Provisions for winnings at end of the year	<u>682</u>	<u>735</u>
Provisions for expenses		
At beginning of the year	1,107	445
Recognised during the year	656	1,325
Used during year	-533	-663
Reversed during the year	-583	0
Provisions for expenses at end of the year	<u>647</u>	<u>1,107</u>
Total provisions	<u>1,329</u>	<u>1,842</u>

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

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

Note 21 Equity

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

The General Meeting of Shareholders held at 16 April 2015 decided to pay dividends to the shareholders of 0.10 euros per share in the total amount of 15,179,120.60 euros. Dividends were paid out to the shareholders on 4 May 2015. This meeting has also adopted a decision to increase reserve capital by EUR 1,079 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>31.12.2016</u>	<u>31.12.2015</u>
OÜ HansaAssets	45.04%	45.04%
OÜ Hendaya Invest	18.95%	18.95%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	2.23%	1.38%
RBC INVESTOR SERVICES BANK / LUX-NON RESIDENTS / DOMESTIC RATE	1.80%	1.28%
J.P.MORGAN BANK LUXEMBOURG S.A/ JPML SA RE UCITS CLIENTS ASSETS	1.71%	3.16%
Central Securities Depository of Lithuania	1.45%	1.17%
CITIBANK (NEW YORK) / GOVERNMENT OF NORWAY	1.19%	0.00%
SEB S.A. CLIENT ASSETS UCITS	1.17%	0.05%
NORDEA BANK FINLAND PLC, CLIENTS	1.13%	2.31%
FIREBIRD REPUBLICS FUND LTD	1.11%	0.92%

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

Name	<u>31.12.2016</u>	<u>31.12.2015</u>
Armin Karu	68,364,790	68,364,790
Jaan Korpusov	28,761,910	28,761,910
Liina Linsi	26,000	26,000
Madis Jääger	75,000	75,000
Meelis Pielberg	50,000	50,000

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Dividends

At 31 December 2016 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 56,360 thousand (31.12.2015: EUR 50,536 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 2016 Olympic Entertainment Group AS, as a parent company, can pay dividends without additional income tax costs in total amount of EUR 56,360 thousand (31.12.2015: EUR 44,087 thousand). Therefore at the balance sheet date Olympic Entertainment Group AS could pay dividends to shareholders from retained earnings in the amount of EUR 56,360 thousand without accompanying income tax liability.

In 2016 dividends were paid out to the shareholders in total amount EUR 22,768,680.90 (2015: EUR 15,179,120.60).

Capital requirements

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

Earnings per share

	<u>2016</u>	<u>2015</u>
Net profit for the period	29,292	25,719
Weighted average number of shares outstanding (in thousand)	151,791	151,791
Basic earnings per share (euro cents)	19.3	16.9
Diluted earnings per share (euro cents)	19.3	16.9

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 27).

Note 22 Segment reporting

The Group's segments have been determined on the basis of reports monitored and analysed by the parent company's Management Board. Financial results are monitored by geographical regions. The results of operating segments are evaluated on the basis on external sales revenue and operating profit. During 2016, the Group had operations in the Estonian, Latvian, Lithuanian, Polish, Slovak, Belarusian, Italian and Maltese markets. Polish and Belarusian segments have been classified as discontinued operations with results presented in Note 5.

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

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

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

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

2015	Estonia	Latvia	Lithuania	Slovakia	Italy	Malta	Total
Gross gaming revenue	33,640	51,475	20,785	14,455	21,828	285	142,468
Other revenue	2,352	4,540	1,242	1,892	249	6	10,281
Inter-segment revenue	-426	0	-11	0	0	0	-437
Revenue before gaming taxes	35,566	56,015	22,016	16,347	22,077	291	152,312
Gaming taxes	-6,039	-4,375	-2,556	-3,418	-11,909	-112	-28,409
Net revenue	29,527	51,640	19,460	12,929	10,168	179	123,903
Other income	22	163	4	99	54	0	342
Total net revenue and income	29,549	51,803	19,464	13,028	10,222	179	124,245
Total expenses	-25,463	-28,534	-17,315	-13,195	-10,042	-601	-95,150
Incl. Depreciation, amortisation and impairment losses	-1,919	-2,986	-1,150	-1,057	-453	-5	-7,570
Total operating profit (-loss)	4,086	23,269	2,149	-167	180	-422	29,095
Segment assets	90,444	45,185	15,870	11,188	8,449	8,021	179,157
Discontinued operations' assets							12,505
Unallocated assets*							1,372
Eliminations							-30,701
Total assets							162,333
Incl. PPE and intangible assets	41,232	34,470	10,254	4,599	6,679	6,855	104,089
Segment liabilities	10,110	7,009	6,035	9,371	8,487	7,447	48,459
Discontinued operations' liabilities							12,001
Unallocated liabilities**							9,646
Eliminations							-30,642
Total liabilities							39,464
Purchase of PPE and intangible assets (incl. through the business combinations)	17,675	14,947	6,253	1,352	1,221	6,860	48,308
Total investments							48,308

* 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 23 Other revenue

	2016	2015
Bar service revenue	8,901	6,863
Other revenue	6,489	2,981
Total other revenue	15,390	9,844

Note 24 Other income

	2016	2015
Gains on disposal of property, plant and equipment	17,873	207
Miscellaneous income	328	135
Total other income	18,201	342

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

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Note 25 Operating expenses

	2016	2015
Cost of materials, goods and services used		
Direct catering, accommodation and bar service expenses	-5,244	-3,466
Other services	-87	-7
Total cost of materials, goods and services used	-5,331	-3,473
Other operating expenses		
Marketing expenses	-16,477	-10,724
Rental expenses (Note 16)	-19,663	-15,658
Maintenance expenses (equipment and premises)	-9,163	-7,040
Licence fees and taxes	-3,570	-2,270
Administrative expenses	-5,141	-3,717
IT expenses	-1,386	-949
Other expenses	-4,911	-4,021
Total other operating expenses	-60,311	-44,379
Staff cost		
Salaries	-40,015	-30,361
Social security taxes	-10,652	-8,761
Total staff cost	-50,667	-39,122
Total operating expenses	-116,309	-86,974

At 31 December 2016, the Group employed 3,001 (at 31 December 2015: 2,832) employees in continued operations.

Note 26 Income tax expense

	2016	2015
Profit before income tax	43,872	29,087
Calculated income tax on profits of subsidiaries	-3,902	-3,738
Tax effects on expenses not deductible for tax purposes	-546	24
Income tax expense in the income statement	-4,448	-3,714

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

Note 27 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 2016 the expense of share-based payments recognised as personnel expense amounted to EUR 209 thousand (2015: EUR 329 thousand).

Exercisable share options (in thousands):

	2016	2015
Share options outstanding at beginning of the year	950	880
Cancelled share options	-175	0
Share options granted during the year	0	70
Share options outstanding at the end of the year	775	950

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

Note 28 Business combinations

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

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

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

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

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

* 95%

Total net cash outflow to the Group in amount of EUR 3,359 thousand includes the unpaid amounts for the acquisition of subsidiaries in amount of EUR 500 thousand (Note 19), which is due in May 2018.

Group company Olympic Casino Latvia SIA signed on 24 July 2015 the agreement to acquire 100% shareholding in Latvian casino operator SIA Garkalns. After completing the transaction on 1 December 2015, the Group owned 57 casinos in Latvia. As a result of the business combination goodwill in the amount of EUR 10,148 thousand was recognised. The purchase price allocation prepared by the management is preliminary for particular assets and liabilities and the amounts recognised in the financial statements for the business combination. The Group has the right to review purchase price allocation within one year. The preliminary purchase price analysis was reviewed and amended according to final information in 2016. The nature of the goodwill is mainly the extended market share and the goodwill was allocated to Latvian segment.

The following table gives an overview of changes.

Fair value	SIA Garkalns (final)	SIA Garkalns (preliminary)
Cash and cash equivalents	412	412
Other receivables and inventories	266	266
Property, plant and equipment (Note 15)	1,186	1,464
Intangible assets (Note 17)	20	20
Liabilities	-899	-890
Total identifiable net assets	985	1,272
Goodwill (Note 17)	10,385	10,148
Total consideration paid in cash	11,370	11,420
Cash and cash equivalents of purchased company	412	412
Total net cash outflow to the Group	10,958	11,008

If the Group had acquired the Latvian company from the beginning of 2015, the Group's 2015 year revenues would have been approximately EUR 7,631 thousand higher and net profit ca EUR 1,696 thousand higher. From the acquisition date, SIA Garkalns has generated revenues of EUR 912 thousand and profit of EUR 242 thousand to the Group.

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 increased the number of casinos Group owned in Estonia to 20.

On 16 December 2015 Olympic Entertainment Group AS acquired a 100% holding in Lithuanian sports-betting operator UAB Orakulas. With this transaction the Group has increased its market share on Lithuanian gaming market. As a result of the transaction Group has additional 35 betting shops in Lithuania. As a result of the business combination goodwill in the amount of EUR 3,707 thousand was recognised, consisting primarily of expanded market share allocated to Lithuanian segment. The purchase price allocation prepared by the management is preliminary for particular assets and liabilities and the amounts recognised in the financial statements for the business combination. The Group has the right to review purchase price allocation within one year.

If the Group had acquired the Lithuanian company from the beginning of 2015, the Group's 2015 year revenues would have been approximately EUR 2,954 thousand higher and net profit ca EUR 144 thousand lower. From the acquisition date UAB Orakulas has generated revenues of EUR 265 thousand and loss of EUR 103 thousand to the Group.

On 23 December 2015 Olympic Entertainment Group AS signed an agreement to acquire a 100% shareholding in Polish enterprise Ultramedia sp. z o.o. The aim of the transaction is to create a legal platform for expanding Group's activities in Poland. As a result of the business combination goodwill in the amount of EUR 58 thousand was recognised, which was allocated to Polish segment.

The following table gives an overview of the fair value of acquired identifiable assets, liabilities and contingent liabilities of Latvian, Lithuanian and Polish companies and of the two casinos acquired in Estonia at the date of the acquisitions.

Fair value	Casino Cleopatra OÜ	SIA Garkalns (preliminary)	UAB Orakulas (preliminary)	Ultramedia Sp. z o.o.
Cash and cash equivalents	0	412	1,502	12
Other receivables and inventories	0	266	108	0
Property, plant and equipment (Note 15)	750	1,464	81	0
Intangible assets (Note 17)	0	20	2	0
Liabilities	0	-890	-459	0
Total identifiable net assets	750	1,272	1,234	12
Goodwill (Note 17)	0	10,148	3,707	58
Total consideration paid in cash	750	11,420	4,941	70
Cash and cash equivalents of purchased companies	0	412	1,502	12
Total net cash outflow to the Group	750	11,008	3,439	58

Total net cash outflow to the Group in amount of EUR 15,255 thousand includes the unpaid amounts for the acquisition of subsidiaries in amount of EUR 6,154 thousand (Note 19) as at 31.12.2015. EUR 6,104 thousand was paid in 2016 and is included in consolidated statement of cash flows on row "Acquisition of subsidiaries, net of cash acquired".

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Note 29 Subsidiaries with significant non-controlling interest

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

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

	Domicile	Ownership 31.12.2016	Ownership 31.12.2015	Area of activity
Olympic Casino Eesti AS	Estonia	95%	95%	Gaming services

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

	31.12.2016 Olympic Casino Eesti AS	31.12.2015 Olympic Casino Eesti AS
Statement of financial position		
Current assets	8,239	10,079
Non-current assets	96,897	73,443
Total assets	105,136	83,522
Current liabilities	5,323	3,983
Non-current liabilities	1,243	0
Total liabilities	6,566	3,983
Retained earnings	95,142	76,112
<i>Non-controlling interest</i>	<i>4,757</i>	<i>3,806</i>
Statement of comprehensive income		
Total net revenue and income	32,142	28,438
Net profit for the period	19,031	8,016
Total comprehensive income for the period	19,031	8,016
<i>Attributable to non-controlling interest</i>	<i>952</i>	<i>401</i>
Statement of cash flows		
Cash flows from operating activities	9,738	9,601
Cash flows used in investing activities	-15,057	-7,451
Cash flows used in financing activities	1,900	0
Net cash flows	-3,419	2,150

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

Note 30 Related party transactions

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

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

<u>Purchases of goods and services</u>	2016	2015
Shareholders with significant influence	1	1
Total	1	1

As at 31 December 2016 and 31 December 2015, 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.

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In 2016, the members of the Management Board and Supervisory Board of all Group entities were paid remuneration and benefits including social security taxes in the amount of EUR 1,286 thousand (2015: EUR 1,006 thousand) and EUR 149 thousand (2015: EUR 149 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 2016 the key management personnel may subscribe for up to 775,000 (at 31 December 2015: 950,000) 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 27.

Note 31 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 32 Events after the balance sheet date

On 2 January 2017 OEG's Polish subsidiary Casino Polonia-Wrocław sp. z o.o. that operated the flagship casino of OEG in Warsaw until September 2016 has submitted to the court its bankruptcy petition.

On 11 January 2017 OEG established and registered the company Olybet Malta Limited in Malta with share capital of EUR 5,000. OEG owns through a subsidiary 100% of the shares of Olybet Malta Limited. The aim of establishing the subsidiary is to develop the legal platform for the expansion of OEG group's activities in the business of remote gambling.

On 20 January 2017 OEG's Polish subsidiaries Baina Investments sp. z o.o. and Silber Investments sp. z o.o. have submitted to the court its bankruptcy petitions. These holding companies own shares in the OEG subsidiary Casino Polonia-Wrocław sp. z o.o. that submitted its bankruptcy petition to the court on 2 January 2017.

The Lithuanian subsidiary of OEG, UAB Orakulas will be demerged into two entities within the first half of this year. The aim of the demerger is to adjust the group structure by separating the technology platform of online operations and trading and risk management for sports betting services from the operational activities of the subsidiary. OEG will own 100% of the shares in both entities after the demerger.

Note 33 Parent company's separate primary financial statements

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

Separate statement of financial position of Olympic Entertainment Group AS

	31.12.2016	31.12.2015
ASSETS		
Current assets		
Cash and cash equivalents	14,233	5,615
Receivables from group companies	4,203	6,690
Other receivables and prepayments	33	255
Total current assets	18,469	12,560
Non-current assets		
Shares of subsidiaries	255,789	265,933
Long-term receivables from group companies	37,628	39,537
Other financial investments	0	40
Investment property	166	158
Property, plant and equipment	10	14
Intangible assets	23	54
Total non-current assets	293,616	305,736
TOTAL ASSETS	312,085	318,296
LIABILITIES AND EQUITY		
Current liabilities		
Payables to group entities	2,586	13,954
Other liabilities	805	4,247
Provisions	17	112
Total current liabilities	3,408	18,313
Non-current liabilities		
Long-term payables to group companies	72,246	53,516
Other long-term payables	0	170
Total non-current liabilities	72,246	53,686
TOTAL LIABILITIES	75,654	71,999
EQUITY		
Share capital	60,716	60,716
Share premium	258	258
Statutory reserve capital	4,860	3,574
Other reserves	538	329
Retained earnings	170,059	181,420
TOTAL EQUITY	236,431	246,297
TOTAL LIABILITIES AND EQUITY	312,085	318,296

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Separate statement of comprehensive income of Olympic Entertainment Group AS

	2016	2015
Other revenue	157	183
Other income	76	12
Other operating expenses	-833	-882
Staff costs	-1,177	-1,150
Depreciation, amortisation and impairment	-44	-46
Change in fair value of investment property	7	11
Other expenses	-9,515	0
Change in fair value of subsidiaries	-11,364	-9,616
Dividends received from subsidiaries	35,600	14,013
Interest income	965	1,061
Interest expense	-1,433	-1,102
Other finance income and costs	255	-5
Net profit for the period	12,694	2,479
Total comprehensive income for the period	12,694	2,479

Separate statement of cash flows of Olympic Entertainment Group AS

	2016	2015
Cash flows from operating activities		
Net profit for the period	12,694	2,479
Adjustments		
Depreciation, amortisation and impairment	44	46
Change in fair value of investment property	-7	-11
Gain / loss on investments in subsidiaries	-24,236	-4,397
Allowance of Polish loan receivable	8,900	0
Allowance of tax prepayment	215	0
Share options reserve	209	329
Other finance income and costs (net)	201	40
Changes in working capital:		
Receivables and prepayments	233	1,256
Liabilities and prepayments	403	-1,685
Interest paid	-34	0
Net cash used in operating activities	-1,378	-1,943
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-8	-21
Proceeds from sale of financial investments	70	0
Proceeds from sale of investment property	0	24
Acquisition of subsidiaries	-17,694	-1,205
Proceeds from reduction of subsidiaries' share capital	1,370	0
Loans granted	-26,281	-18,397
Repayment of loans granted	22,225	18,167
Interest received	423	4,109
Dividends received	34,100	14,013
Net cash generated from investing activities	14,205	16,690
Cash flows from financing activities		
Proceeds from loans received	36,001	4,880
Repayments of loans received	-17,441	0
Dividends paid	-22,769	-15,179
Net cash used in financing activities	-4,209	-10,299
Net cash flows	8,618	4,448
Cash and cash equivalents at beginning of period	5,615	1,167
Cash and cash equivalents at end of period	14,233	5,615

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 PricewaterhouseCoopers, Tallinn

Separate statement of changes in equity of Olympic Entertainment Group AS

	Share capital	Share premium	Statutory reserve capital	Other reserve	Retained earnings	Total
Balance at 1.01.2015	60,716	258	2,495	0	195,199	258,668
Profit for the financial year	0	0	0	0	2,479	2,479
Increase of statutory reserve capital	0	0	1,079	0	-1,079	0
Dividends paid	0	0	0	0	-15,179	-15,179
Employee option programme	0	0	0	329	0	329
Balance at 31.12.2015	60,716	258	3,574	329	181,420	246,297
Interests in companies under control or significant influence:						
Carrying amount under the fair value method						-265,933
Carrying amount under the equity method						192,467
Adjustment of the loan receivable						-3,666
Adjusted unconsolidated equity at 31.12.2015						169,165
Balance at 1.01.2016	60,716	258	3,574	329	181,420	246,297
Profit for the financial year	0	0	0	0	12,694	12,694
Increase of statutory reserve capital	0	0	1,286	0	-1,286	0
Dividends paid	0	0	0	0	-22,769	-22,769
Employee option programme	0	0	0	209	0	209
Balance at 31.12.2016	60,716	258	4,860	538	170,059	236,431
Interests in companies under control or significant influence:						
Carrying amount under the fair value method						-255,789
Carrying amount under the equity method						203,441
Adjustment of the loan receivable						-1,601
Adjusted unconsolidated equity at 31.12.2016						182,482



Independent auditor's report

To the Shareholders of Olympic Entertainment Group AS

(Translation of the Estonian original)*

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Olympic Entertainment Group AS and its subsidiaries (together the Group) as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

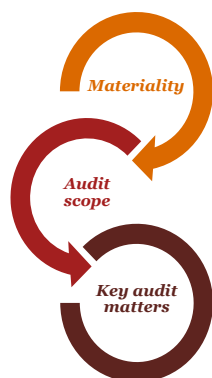
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Materiality

Overall group materiality is EUR 1.3 million, which represents 5% of profit before income tax from continuing operations, adjusted for significant non-recurring gains and losses.

Audit scope

A full scope audit was performed by us or, under our instructions, by PwC network firms or other external auditors for Group entities covering 92% of the Group's revenues and 92% of the Group's assets. Selected audit procedures were performed on remaining balances to ensure we obtained sufficient appropriate audit evidence to express an opinion on the Group's financial statements as a whole.

Key audit matters

- Revenue recognition
- Accounting for the sale and leaseback of Hilton hotel property
- Accounting for the discontinuance of the Polish segment

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

Materiality

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

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

Overall group materiality	EUR 1.3 million
How we determined it	5% of profit before income tax from continuing operations (EUR 43.9 million), adjusted for significant non-recurring gains and losses. In 2016, non-recurring gains related to the disposal of the Hilton hotel property (EUR 17.8 million).
Rationale for the materiality benchmark applied	We have applied this benchmark, as profit before tax is the key measure used both internally by management and, we believe, externally by stakeholders in evaluating the performance of the Group.



Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<p>Revenue recognition (refer to Note 2 ‘Summary of significant accounting policies – Revenue recognition’, Note 22 ‘Segment reporting’ and Note 23 ‘Revenue’ for further details).</p> <p>In 2016 the Group has recognised net revenue of EUR 153.9 million.</p> <p>The Group’s revenues are generated across a large number of locations from various different channels, such as land-base and online gaming, sales of food and beverages in casinos, and providing accommodation services. The Group has a number of different IT systems and configurations in place to record revenue, which require transfer of data to the accounting system. Transfer of data between revenue and accounting systems increases the risk of error. Although the low value of individual transactions means an individual error would be both difficult to detect and insignificant, the high volume of transactions means that systemic failure could lead to errors that, in aggregate, may become material.</p> <p>As such, revenue recognition requires significant time and resource to audit due to its magnitude, and is therefore considered to be a key audit matter.</p>	<p>We audited revenue recognition through a combination of controls testing, including IT general controls over the Group’s IT systems, and performing of analytical procedures and tests of detail, including:</p> <ul style="list-style-type: none">• We updated our understanding of the revenue accounting policy and evaluated it against the requirements of IFRS.• We updated our understanding of the revenue processes and controls and observed, re-performed or inspected key management controls related to recognition and measurement of revenue.• We performed testing of the general IT control environment of the systems used to record revenue, followed by testing of the processes to assess the completeness and accuracy of revenue entries arising from these systems.• We assessed the opportunity or incentive for management override of controls and tested reasonableness of certain journal entries impacting revenue, which were selected using professional judgment.• We reconciled, on a sample basis, confirmations from third party service providers about gaming wins and losses with underlying accounting data.• We performed analytical procedures, which included comparing actual results against historical and investigating the reasons for deviations from expectations.• We verified the accuracy of recognition and measurement of revenue by tracing a sample of transactions throughout the year to source data.• We traced a sample of revenue transactions from cash collected to revenue booked to the general ledger.• We re-performed or inspected cash counts performed by the Group in a sample of casinos. <p>We did not identify any exceptions from our testing of IT control environment that impacted our audit approach. We found no material exceptions from our analytical procedures or detailed testing.</p>

Accounting for the sale and leaseback of Hilton hotel property (refer to Note 4 ‘Critical accounting estimates and judgements’ and Note 24 ‘Other income’ for further details).

In 2016 the Group sold the Hilton Tallinn Park hotel and casino building to an unrelated party for 48 million euros and earned one-off profit on disposal of 17.8 million euros.

Subsequent to the sales transaction, the Group continued operating the hotel and casino in the premises under a long-term lease agreement. Taking into account the provisions of the rental agreement and other facts and circumstances, the management assessed that the sale and leaseback transaction results in an operating lease.

Key factors considered by the management included, but were not limited to, the lease term, the fair value and the economic life of the property, extension options and interest rate implicit in the lease.

Assessing these key factors requires judgment. Due to the monetary value of the sales transaction, related estimation uncertainty and the potential accounting consequences, it is considered a key audit matter.

Accounting for the discontinuance of the Polish segment (refer to Note 2 ‘Summary of significant accounting policies’ and Note 5 ‘Discontinued operations’ for further details).

In 2016 the Group suspended its operations in Poland due to the expiry of a location specific activity license and concluded that since the Polish segment was a major geographical area of operations, it is presented as discontinued operations in the consolidated financial statements.

The Group has recognised a loss of EUR 8.2 million from discontinued operations, including write-down of goodwill and other non-current assets.

Determining whether the definition of discontinued operations is met and what would be the potential measurement and presentation consequences requires judgement. Due to the size of the Polish operations and to the judgements involved, it is considered a key audit matter.

We assessed whether the Group’s accounting treatment in relation to accounting for the sale and leaseback transaction is in compliance with IFRS.

We evaluated the accounting for the transaction, including assessing key factors used by the management to determine that the sales and leaseback transaction should be classified as an operating lease.

Our procedures included, but were not limited to:

- agreeing the key inputs such as sales price and lease term to underlying documents;
- evaluating the management’s key judgement’s such as fair value and the economic life of the property and potential usage of extension options;
- reperforming the calculation of interest rate implicit in the lease;
- reperforming the calculation of present value of minimum lease payments; and
- assessing other terms included in the lease contracts to evaluate the management’s conclusion that the lease should be classified as an operating lease.

Furthermore, we assessed the adequacy of the disclosures related to the sale and leaseback transaction in the Group’s financial statements.

As a result of our work, we noted no material exceptions.

We evaluated the management’s assessment of presenting the Polish segment as discontinued operations and, based on evidence obtained, agreed with the management’s assessment.

In addition, we analysed and assessed impairment charges booked at consolidated level for goodwill and other non-current assets related to discontinued operations. We found the impairment calculations reasonable in the light of the plans provided by the management.

We also assessed whether the Group’s presentation and disclosure in relation to the discontinued operations is in compliance with IFRS.

As a result of our work, we noted no material exceptions.



How we tailored our audit scope

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

The Group comprises a number of subsidiaries that are further disclosed in Note 1. A full scope audit was performed by PwC Estonia or, under our instructions, by other PwC network firms for entities covering 90% of the Group's assets and 87% of the Group's revenues, and, under our instructions, by an external independent audit firm covering 2% of the Group's assets and 5% of the Group's revenues. The remaining components of the Group were immaterial, therefore we only performed selected audit procedures on these components relating to specified account balances or disclosures.

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

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

Other information

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

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

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

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

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

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

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



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

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

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

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

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

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



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

AS PricewaterhouseCoopers

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

A handwritten signature in blue ink, appearing to read 'Lauri Past', written in a cursive style.

Lauri Past
Auditor's certificate no.567

28 March 2017

** 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.*