Olympic Entertainment Group AS

Annual report 2006

Business name	Olympic Entertainment Group AS
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Website	www.olympic-casino.com
Core activity	Organisation of gaming
Beginning of financial year	1 January 2006
End of financial year	31 December 2006
General director	Armin Karu
Auditor	KPMG Baltics AS

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Chairman`s address

2006 will go into the history of Olympic Entertainment Group as the year of extraordinary success. After thirteen years of hard work we decided to become a public company and listed the shares of Olympic Entertainment Group on the Tallinn Stock Exchange.

The remarkably successful public offering of shares added thousands of new shareholders and the company's value skyrocketed. The strongly climbing share price has been a proof that the course chosen by us has been the right one.

For some time already, the scope of activities of Olympic Entertainment Group has not been limited only to Estonia, Latvia and Lithuania. We have become an international company. At the end of 2006 there were entertainment facilities operating under the Olympic Casino brand not only in the three Baltic states, but also in Ukraine and Belarus. We established ourselves in Kyiv, capital of Ukraine, in the autumn of 2004 and opened our first gaming location in Minsk, capital of Belarus, in the summer of 2006.

In addition to listing our shares and entering the Belarus gaming market, the year 2006 was also marked by our activities in Latvia. In the spring we opened Olympic Voodoo Casino, the most fabulous and largest casino in the Baltics, located in Reval Hotel Latvija in Riga. Throughout the year we focused on successful integration of Baltic Gaming, Latvia's second largest casino operator that we acquired at the end of 2005, under the Olympic Casino brand. In Estonia and Lithuania the Group focused on securing and strengthening its strong position.

For new markets we are now aiming mainly at expanding to Central European countries. Most active work was focused on Poland, although the ambitions of Olympic Entertainment Group are much wider. Our vision by 2010 is to operate in at least ten countries and to become the largest provider of casino entertainment services in Central and Eastern Europe. Work towards achieving this aim is being done on a daily basis.

The engine of the success of Olympic Entertainment Group is and will be our casino concept and a strong team. Aggressive expansion into new markets, continuous improvement of service quality, investments in the newest gaming technologies and professional team building are the keywords that have already produced excellent results and that we will be focusing on also in the future.

Armin Karu
Olympic Entertainment Group
Chairman of the Management Board

Directors' report

Corporate profile

Olympic Entertainment Group AS (hereinafter also referred to as the "Company" or, together with subsidiaries, as the "Group") is a leading gaming services provider in the Baltic countries (Estonia, Latvia and Lithuania). In addition, Olympic Entertainment Group AS is expanding swiftly in Ukraine and Belarus and preparing to enter Polish and other Central and Eastern Europe casino markets.

The share of Olympic Entertainment Group AS has been listed in the main list of Tallinn Stock Exchange since 23 October 2006.

The Company's registered office is located at Pronksi 19, Tallinn.

The Group operates slot and table casinos, and casino bars at the majority of its casinos. At 31 December 2006, the Group had 79 casinos and employed 2,342 people in 5 countries. At the date of approval of this report, 29 March 2007, the Group was operating 82 casinos: 24 in Estonia, 38 in Latvia, 10 in Lithuania, 9 in Ukraine and 1 in Belarus.

The Group is a firm market leader in Estonia and Lithuania and holds the second position in the Latvian casino market. The Ukrainian and Belorussian subsidiaries are focused on establishing their positions and expanding their market share.

Olympic Entertainment Group AS is the Group's ultimate holding company, which deals with the Group's strategic management and financing. The Group's casinos are operated by local subsidiaries: Olympic Casino Eesti AS in Estonia (hereinafter also "OCE"), Olympic Casino Latvia SIA (hereinafter also "OCL") and Baltic Gaming AS (hereinafter also "BG)" in Latvia, Olympic Casino Group Baltija UAB (hereinafter also "OCGB") in Lithuania, Olympic Casino Ukraine TOV (hereinafter also "OCU") in Ukraine and Olympic Casino Bel IP (hereinafter also "OCB") in Belarus.

In Estonia, Latvia and Lithuania the Group's ancillary operations, such as the operation of a hotel in Tallinn and the running of casino bars, have been separated from casino operations and outsourced to specialised legal persons. A complete list of Group companies can be found in note 8 to the financial statements.

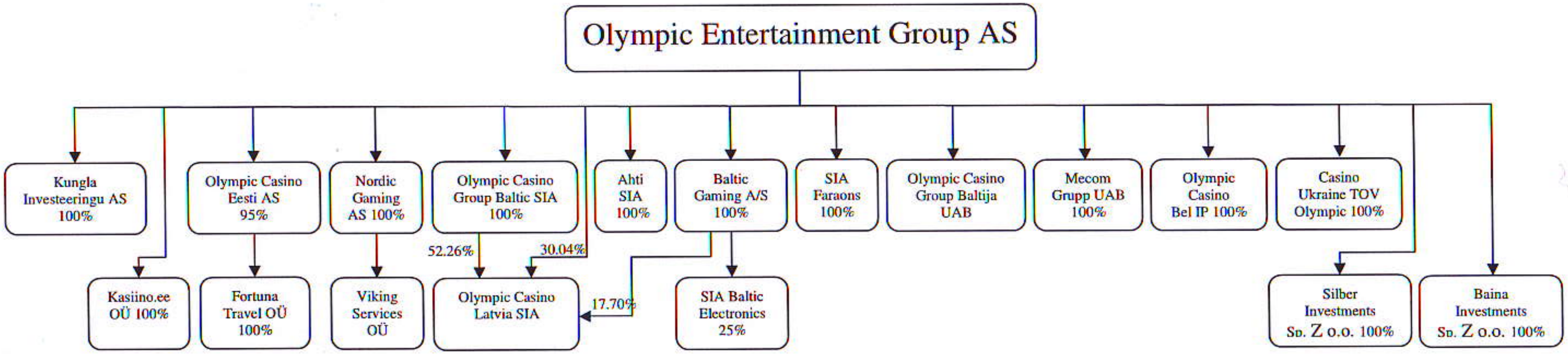
The Group's casino service providers operate their casinos under the Olympic Casino brand name, except for the Latvian subsidiary Baltic Gaming AS acquired at the end of 2005, which operates most of its casinos under the Bumerangs brand name (at the end of 2006 6 former Bumerangs casinos were already operating under the Olympic Casino brand name). The legal merger of OCL and BG will take place before the end of 2007. In Estonia, Latvia and Lithuania, Olympic Casinos operate in conformity with the international quality management standard ISO 9001 (in Estonia since 1998, in Latvia and Lithuania since 2004).

On 1 March 2007 Olympic Entertainment Group AS concluded a contract with AS KC Grupp for the acquisition of 100% of the shares in AS Kristiine Kasiino and the single share in OÜ Casinova. The total contractual sales price of the shares is EUR 15.99 million. The Group will pay EUR 15.06 million of this in cash. The remaining EUR 0.93 million will be settled with 100,000 ordinary shares in Olympic Entertainment Group AS. The Competition Board granted permission for the transaction on 22 March 2007.

The Group´s structure

The consolidated financial statements of Olympic Entertainment Group AS (the "Company") for 2006 comprise the Company and its subsidiaries Olympic Casino Eesti AS, Kungla Investeeringu AS, Fortuna Travel OÜ, Kasiino.ee OÜ, Nordic Gaming AS, Viking Services OÜ, Olympic Casino Group Baltic SIA, Olympic Casino Latvia SIA, Baltic Gaming AS, Ahti SIA, Faraons SIA, Baltic Electronics SIA, Olympic Casino Group Baltija UAB, Mecom Grupp UAB, Olympic Casino Bel IP, Olympic Casino Ukraine TOV, Silber Investments Sp. Z o.o. and Baina Investments Sp. Z o.o. (together referred to as the "Group") (see note 8).

The Group's structure:



Corporate governance

Olympic Entertainment Group AS (hereinafter also referred to as the "Company") observes effective legislation, the rules of OMX Tallinn Stock Exchange and the principles of the Good Corporate Governance Practice (GCGP) promulgated by OMX Tallinn Stock Exchange and the Financial Supervision Authority. The principles of GCGP which the Company does not observe are explained below together with references to relevant articles of the GCGP (presented in Italics).

General meeting

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

The Company's management and supervisory boards provide shareholders with all information required for making decisions at the general meeting. The items on the agenda are made available to shareholders at the Company's website and at the website of Tallinn Stock Exchange. Shareholders can review the proposals, arguments and explanations provided by the supervisory board regarding items on the agenda before the meeting at the Company's website and the website of Tallinn Stock Exchange. In addition, shareholders may send questions about the items on the agenda of the general meeting by email to info@oeg.ee.

The Company does not make observing and attendance of the general meeting available through electronic channels because there is no direct need for it and it would be too costly (CCGP 1.3.3.).

Management board

The Company's management board is completely independent in the daily management of the Company and acts in the best interests of all shareholders. The management board is responsible for ensuring the sustainable development of the Company in accordance with set objectives and adopted strategies and the implementation and operation of appropriate internal control and risk management systems.

In 2006, the Company's management board had two members - Armin Karu and Andri Avila. Since 3 January 2007, the board has had a third member – Mart Relve. The chairman of the management board Armin Karu leads the board and is responsible for the Company's strategic management and implementation of the development plan which is aimed at vigorous expansion. Andri Avila is in charge of legal issues, investor relations and financial matters. Mart Relve deals with the daily management and development of the Group's entities.

The principles of remunerating members of the management board are established by the supervisory board in conformity with the requirements of GCGP. The bonus systems are based on the board members' responsibilities and the attainment of clear and measurable targets. The Company has entered into share option agreements with Armin Karu and Andri Avila (for further information, please refer to the Personnel section of the Directors' report).

The Company does not disclose the remuneration of each member of the management board because this constitutes sensitive personal information whose disclosure is not essential for evaluating the Company's performance and management quality (GCGP 2.2.7.). The aggregate amount of the remuneration of the members of the management board is presented in the Personnel section of the Directors' report.

In performing their duties, members of the management board avoid conflicts of interest and observe the prohibition on competition.

Supervisory board

The supervisory board was first elected in connection with the Company's transformation from a private limited company (osaühing) to a public limited company (aktsiaselts) on 5 May 2006. The first members of the supervisory board were Jaan Korpusov, Kaia Karu and Elle Kelu. On 12 September 2006 the shareholders' general meeting recalled all members of the supervisory board and elected Jaan Korpusov, Kaia Karu, Liina Linsi and Peep Vain as new members of the supervisory board. The chairman of the supervisory board is Jaan Korpusov. Independent members of the board are Liina Linsi and Peep Vain. All members of the supervisory board have sufficient knowledge and experience to perform their duties and act in accordance with effective legislation and Good Corporate Governance Practice. 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 need but not less frequently than once in 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 has not formed any committees.

In 2006, the members attended all meetings of the supervisory board. 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 work closely together for better development of the Company 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 requirement.

The Company does not disclose the remuneration of each member of the supervisory board because this constitutes sensitive personal information whose disclosure is not essential for evaluating the Company's performance and management quality (GCGP 3.2.5.) The aggregate amount of the remuneration of the members of the supervisory board is presented in the Personnel section of the Directors' report.

Disclosure of information, financial reporting and auditing

The Company follows all information disclosure requirements provided in the Good Corporate Governance Practice promulgated by OMX Tallinn Stock Exchange and the Financial Supervision Authority and treats all shareholders equally. All due information and financial statements are made available at the Company's website and the website of Tallinn Stock Exchange both in Estonian and in English.

An overview of transactions performed with related parties is presented in the notes to the consolidated financial statements.

On publishing the notice of a general meeting, the supervisory board makes available to shareholders information on the candidate for the Company's auditor.

The Company's supervisory board has approved the audit services provided by AS KPMG Baltics. The auditor is remunerated in accordance with an audit services contract which provides, among other things, the auditor's responsibilities in auditing the Company. *The supervisory board did not review the draft of the audit services contract for 2006 because the management board concluded the contract before the supervisory board was elected (GCGP 6.2.2.).* The contract is a standard audit services contract. The Company made its decision in accordance with the auditor rotation requirement. According to the Company's information, the auditor has performed all of contractual obligations and has performed the audit in accordance with International Standards on Auditing.

Financial and business review

Revenue and profit

All the countries in which the Group operates enjoyed rapid economic growth in 2006. The people's income increased and they could spend more on quality entertainment. All this had a positive impact on our operating results.

The bulk of the consolidated revenue, 92%, resulted from gaming operations (2005: 92%). Other operations contributed 8% (2005: 8%). Gaming revenue is the difference between the bets placed by customers and payouts made to winners. To date, revenues have been stable without any major seasonal fluctuations.

The Group ended 2006 with consolidated revenue of EUR 106.7 million, a roughly 90% improvement on the 56.2 million posted for 2005.

Consolidated operating profit surged to a strong EUR 28.4 million, an approximately two-fold increase on the EUR 14.3 million earned in 2005, and consolidated net profit grew 88% to an exceptional EUR 24.8 million (2005: EUR 13.2 million).

The notable growth in revenue and profit may be attributed to several factors. Firstly, the revenues generated by the Group's casinos increased substantially. Secondly, a number of new casinos were opened. The two factors increased the Group's revenues by a total of EUR 37.1 million.

In addition, from 2006 the Group's consolidated results include BG and its former subsidiaries which contributed EUR 13.3 million to the Group's overall revenue growth.

Olympic Entertainment Group AS acquired BG in December 2005. In addition to the casino operator BG, the Group acquired Faraons SIA, which operates BG's bars, and Tower SIA, which operated a restaurant in Riga until August 2006. In September 2006, BG signed a preliminary agreement on the disposal of its investment in Tower SIA. The transaction was completed in the fourth quarter of 2006, resulting in financial income of EUR 0.5 million. BG's former subsidiaries in Estonia - Nordic Gaming AS (a former casino operator) and Vikings Services OÜ (a former bar operator) are in liquidation.

Excluding the results of BG and its subsidiaries, the Group's revenue for 2006 would amount to EUR 93.3 million, operating profit would amount to EUR 26.4 million and net profit would amount to EUR 22.6 million. Excluding BG and its subsidiaries, year-on-year revenue growth would be 66%; the increase in operating profit would be 85% and the growth in net profit 71%.

Consolidated revenue by geographical segments (in thousands of EUR):

	2006	2005	Change
Estonia	42,919	29,763	44.2%
Latvia	32,673	7,777	320.1%
Lithuania	24,891	16,669	49.3%
Ukraine	6,064	2,026	199.3%
Belarus	107	-	-
TOTAL	106,654	56,235	89.7%

Operating expenses

Consolidated operating expenses for 2006 were EUR 78.3 million, 86.7% up on the EUR 42 million incurred in 2005. Similarly to prior periods, the largest cost item was labour costs which extended to EUR 24.4 million (2005: EUR 12.9 million); the next in size were depreciation and amortisation expense of EUR 10.2 million (2005: EUR 5.0 million), gaming tax and operating licence expenses of EUR 9.3 million (2005: EUR 5.3 million), marketing expenses of EUR 9.2 million (2005: EUR 5.5 million), and buildings-related lease expenses of EUR 5.7 million (2005: EUR 2.7 million).

The increase in operating expenses is related, above all, to the Group's rapid expansion and revenue growth. In absolute numbers, the largest growth occurred in labour costs which increased by EUR 11.5 million, i.e., 89.4%. On the one hand labour costs have grown on account of the acquisition of BG and its subsidiaries - around one third of the growth in labour costs may be attributed to the acquisition; excluding it, labour costs would have grown by 63%. On the other hand, labour costs have expanded due to the Group's rapid expansion, the opening of new casinos (the main growth driver), and heightening competition in the labour market. The growth in gaming tax expenses is related to the opening of new casinos and an increase in gaming tax rates in Latvia at the beginning of 2006. Depreciation and amortisation expenses have increased due to investment in new casinos, gaming equipment and information technology while the rise in lease expenses results from the opening of new casinos. The growth in marketing expenses stems from sales growth which increases the bonus points acquired by customers, jackpot expenses, and the expenses of new casinos.

Balance sheet

At 31 December 2006, the consolidated balance sheet total was EUR 147.6 million, more than a 2.4 fold increase on the EUR 60.4 million measured at 31 December 2005. The growth in the balance sheet total is related to the IPO conducted in the fourth quarter (the IPO, an increase in cash and cash equivalents and significant growth in equity).

Current assets amounted to EUR 83.1 million (31 December 2005: EUR 16.4 million) accounting for 56.3% of total assets (31 December 2005: 27.2%), while non-current assets amounted to EUR 64.5 million (31 December 2005: EUR 44.0 million) accounting for 43.7% of total assets (31 December 2005: 72.8%).

The Group's liabilities totalled 15.1 million EUR (31 December 2005: EUR 22.3 million) while consolidated equity grew to EUR 132.5 million (31 December 2005: EUR 38.1 million), accounting for approximately 90% of the balance sheet total (31 December 2005: 63.1%).

Cash flows

The Group's net operating cash flow was EUR 40.1 million (2005: 20.5 million EUR), 95% up on 2005. The growth resulted primarily from a notable increase in net profit and depreciation and amortisation expense.

Cash flows from investing activities totalled EUR 27.3 million (2005: EUR 24.4 million). If in 2005 the Group's largest single investment was the acquisition of BG (EUR 13.6 million), then in 2006 the largest outlays were related to the acquisition of property and equipment and intangibles (EUR 30.4 million in aggregate).

Cash flows from financial activities resulted, above all, from the initial public offering of the Company's shares (EUR 70.1 million) and the repayment of a syndicate loan arranged by Hansapank (EUR 14.5 million).

The net cash flow was positive - cash and cash equivalents increased by EUR 67.1 million (2005: EUR 5.9 million) to EUR 78.9 million (2005: EUR 11.8 million).

Investments

In 2006, the Group's largest investments were the opening of new casinos, renovation and refurbishment of existent casinos (including acquisition of gaming equipment), and the acquisition of subsidiaries.

Investments totalled EUR 30.4 million (2005: EUR 11.4 million, excluding acquisitions of BG and its subsidiaries). The largest single investment was the opening of Olympic Voodoo Casino in Riga which amounted approximately to EUR 5.4 million.

Investments connected with the renovation of leased casino premises totalled EUR 8.9 million (2005: EUR 3.2 million), investments into the new equipment amounted to EUR 14.5 million (2005: EUR 7.5 million), and investments into other items of property, plant and equipment totalled EUR 4.3 million (2005: EUR 0.6 million). Expenditures on the acquisition of software licences and other intangibles totalled EUR 1.1 million EUR (2005: EUR 0.2 million). At the end of June 2006, the Group's Lithuanian subsidiary Mecom Grupp

UAB acquired a piece of real estate in Vilnius for EUR 1.6 million. Part of the real estate will be used to accommodate the Lithuanian subsidiaries' head office but most of it will be sold or leased out.

In September 2006, Olympic Entertainment Group AS made the first instalment payment of EUR 0.7 million and in December 2006 the second instalment payment of EUR 1.0 million for the shares in Casino-Polonia-Wroclaw Sp. z o.o. as agreed in the preliminary share purchase agreement signed in 2005.

According to plan, in 2007 investments will be substantially larger than in 2006.

Dividends

Olympic Entertainment Group AS does not have an obligation to pay its shareholders regular dividends. The management board makes profit allocation proposals based on the Company's financial results, working capital requirements, investment needs and strategic considerations.

In 2006 the Company distributed EUR 1.3 million (2005: EUR 0.6 million) in dividends. The management board proposes that in 2007 the Company distributes a dividend of EUR 0.13 EUR per share, i.e., EUR 9.6 million in aggregate.

Personnel

The number of our staff is growing steadily and at an increasing pace. Olympic Entertainment Group AS puts a lot of effort in motivating its dedicated and talented people through carefully devised bonus systems and inspiring career opportunities across the Group.

Due to the acquisition of BG and its subsidiaries and the opening of new casinos, the average number of the Group's employees increased year-on-year 1.8 times to 2,208 (2005: 1,230). At 31 December 2006 the Group employed 2,342 people (31 December 2005: 1,940) - 625 in Estonia and 1,717 outside Estonia (837 in Latvia, 683 in Lithuania, 168 in Ukraine and 29 in Belarus).

Employee remuneration expenses including social charges amounted to EUR 24.4 million against EUR 12.9 million a year ago.

The remuneration of the members of the Group's executive management (members of the management board of Olympic Entertainment Group AS and the management bodies of the Group's other entities), excluding social charges, totalled EUR 0.4 million (2005: EUR 0.2 million).

The Parent company employed, on average, 20 people (2005: 15). The total remuneration of the members of the Parent company's supervisory board amounted to EUR 0.01 million. The Company began remunerating the supervisory board in September 2006. The remuneration of the members of the Parent company's management board totalled EUR 0.08 million (in 2005 the members of the Parent company's management board were not remunerated). Management board members' contracts provide for severance compensation of up to 3 months' remuneration, depending on the reasons for the termination of contract.

In 2007 share option agreements were concluded with two members of the management board of Olympic Entertainment Group AS and the Group's key executives. According to the agreements, a member of the management board may subscribe a total of 166,812 shares and a key executive a total of 66,723 shares in Olympic Entertainment Group AS during the period of 2008-2010. The exact number of the shares that may be subscribed by a member of the management board or a key executive will depend on the attainment of the Group's financial targets and the individual performance of the member of the management board or the key executive. The share options may be exercised every year from 2008 to 2010.

Social responsibility

Recognising its social responsibility, the Group supports sports, health and culture through numerous charities and sponsorship programmes. The Group has supported the Estonian Olympic Committee, the Baltic Basketball League, the Estonian Academy of Music and Theatre, and various foundations established for the treatment of diseases and the support of children and education. We have been operating a social responsibility programme for years and are committed to contributing to the communities in which we operate also in the future.

The main objectives for 2007

In 2007 the Group expects:

- to improve revenue and profit at each entity;
- to expand each entity's market share;
- to open new casinos and sustain swift expansion in all countries where it operates;
- to continue investment in new gaming equipment and systems;
- to be the best gaming services provider in the eyes of the customer;
- to combine OCE and Kristiine Kasiino;
- to perform the legal merger of OCL and BG and implement the Olympic Casino brand at most BG casinos;
- to launch operations in Poland; and
- to penetrate other new markets.

Operating environment

At the end of 2006 the Group operated 79 casinos with a total area of 22,316 square metres. At the end of 2005 the corresponding figures were 66 and 17,144 square metres.

Casinos by countries, at 31 December:

	2006	2005
Estonia	22	16
Latvia	38	38
Lithuania	10	8
Ukraine	8	4
Belarus	1	0
TOTAL	79	66

OLYMPIC CASINO EESTI AS

In 2006, the Estonian gaming market grew by 43% to approximately EUR 108.6 million. Market growth resulted primarily from the addition of new players and overall economic growth which allowed people to spend more on quality entertainment. Olympic Casino Eesti AS (OCE) increased its revenue and consolidated its market position. In 2006 OCE's market share in Estonia was 37% (2005: 36%).

In January 2006, OCE opened its second Olympic slot casino in Tartu (in the district of Annelinn). At the beginning of the year, OCE completed the refurbishment of Viking casino on Tartu Road, Tallinn, and in March OCE's 18th casino was opened there. The operator of the former Viking casino was BG's subsidiary Nordic Gaming AS. In May 2006 the first Olympic Casino was opened in Jõhvi and in July OCE opened its second casino in Narva (in Astri Hypermarket). In October a casino was opened in Norde Centrum, Tallinn, and in December in Kristine district, Tallinn. At the end of 2006, OCE was operating 22 casinos (6 outside of Tallinn) with 833 slot machines and 19 gaming tables, all under the Olympic Casino brand name.

In the first hours of 2007 OCE opened a new casino next to Marja Supermarket in Tallinn and on 3 February 2007 the biggest slot casino in Estonia (386 square metres) in Järve Centrum in Tallinn.

OCE ended 2006 with sales revenue of EUR 41.1 million (2005: EUR 26.8 million) including gaming revenue of EUR 39.1 million (2005: EUR 26.4 million), posting a 48% improvement in gaming revenue. OCE's net profit grew 1.8 fold to EUR 19.8 million (2005: EUR 10.9 million). The significant upswing in net profit was attained, above all, thanks to substantial revenue growth at the company's casinos in Tallinn, the opening of new casinos and effective cost management.

OCE's capital expenditures totalled EUR 6.3 million (2005: EUR 2.3 million). The largest investment was the acquisition of 370 (2005: 107) new slot machines which cost EUR 4.3 million (2005: EUR 1.3 million).

OLYMPIC CASINO LATVIA SIA

In 2006, the total turnover of the Latvian gaming market was EUR 204.5 million, an approximately 47% improvement on 2005. Olympic Casino Latvia SIA (OCL) increased its market share to 9.2% and together with BG (5.6% market share) to 15%. In 2005, the total market share was also around 15% but OCL's and BG's respective market shares were 5.5% and 9.1%.

For OCL, the highlight of the period was the opening of Olympic Voodoo Casino at the end of May 2006. The new casino, which operates both gaming tables and slot machines at Reval Hotel Latvija in Riga, is the largest casino in the Baltic countries. Investments in Olympic Voodoo Casino amounted to EUR 5.4 million while OCL's total capital expenditures amounted to EUR 7.9 million (2005: EUR 1.9 million). In addition to the launch of the Group's largest casino, in February 2006 OCL opened a casino in Talava district, Riga, and in March its operations were expanded to Jelgava. During 2006 six former Baltic Gaming casinos were brought under the Olympic Casino brand name (2 managed by OCL and 4 by BG) and at the end of 2006 OCL was operating 10 casinos with 461 slot machines and 39 gaming tables.

OCL's sales revenue for 2006 amounted to EUR 18.9 million (2005: EUR 7.6 million), 2.5 times up on 2005. Net profit for the period surged to EUR 3.5 million (2005: EUR 1.2 million), a solid 2.9-fold improvement on 2005. The strong results were achieved thanks to notable revenue growth at both old and new casinos (including the revenue generated by Olympic Voodoo Casino) and effective cost management.

BALTIC GAMING AS

In connection with the incorporation of the casinos of Baltic Gaming AS (BG) under the Olympic Casino brand name and the closure of some small casinos, the number of BG's casinos shrank from 33 at the end of 2005 to 28 at the end of 2006. The main changes for BG were the closure of Voodoo Tower casino at Reval Hotel Latvija and the opening of Olympic Voodoo Casino by OCL at the end of May. Since then, BG has not operated any table casinos. At the end of 2006, the company was operating 28 slot casinos with a total of 750 slot machines in Riga and other Latvian cities.

BG ended 2006 with sales revenue of EUR 11.6 million and a net profit of EUR 2.5 million. Sales and net profit for 2005 amounted to EUR 12.8 million and EUR 3.4 million respectively. BG's results for 2005 were not consolidated in the Group's financial statements. The decrease in sales and net profit results from the integration of OCL and BG in the course of which the operation of some BG casinos (including BG's largest Voodoo Tower casino) has been transferred to OCL. The merger and integration process will be completed in 2007.

OLYMPIC CASINO GROUP BALTIJA UAB

The Lithuanian entertainment industry continued growing through 2006, triggering a more than 40% increase in the Lithuanian casino market which expanded to EUR 38.3 million. The market share of Olympic Casino Group Baltija UAB (OCGB) climbed to 59% (2005: 56%). The company opened two new casinos – one at the end of October in Seskiene district in Vilnius, and another in November in Kaunas (at Savanoriu 170). In the first half of the year, OCGB focused on increasing revenue through customer loyalty programmes (implementing of bonus cards system). At the end of 2006, 10 casinos with 436 slot machines and 67 gaming tables were operating under the Olympic Casino brand name in Lithuania.

OCGB ended the reporting period with sales of EUR 23.9 million (2005: EUR 16.2 million), a 1.5-fold increase on the preceding year, and a net profit of EUR 4.0 million (2005: EUR 3.1 million), 29% up on 2005. The growth in net profit was achieved thanks to revenue growth at established casinos.

In 2006 OCGB's capital expenditures totalled EUR 2.8 million (2005: EUR 2.9 million). The largest amounts were allocated to the construction of new casinos (EUR 1.2 million) and the acquisition of slot machines and gaming tables (EUR 1.4 million).

OLYMPIC CASINO UKRAINE TOV

Olympic Casino Ukraine TOV (OCU) sustained rapid growth, opening 4 new casinos during 2006. The fifth casino was opened on Geroi Dnepra Street in March and the sixth one in the Global Shopping Centre in April. In November, OCU opened a casino in Arena Trade and Entertainment Centre and at the end of December another one in Spektr Centre. All 8 casinos with a total of 396 slot machines are located in Kiev.

In the middle of January 2007, OCU opened its ninth casino on Sofievsky Street.

OCU ended 2006 with sales of EUR 6.1 million (2005: EUR 1.9 million), a 3.3-fold improvement on the year before. In contrast to 2005 which ended in a loss of EUR 0.7 million, the reporting period ended in a net profit of EUR 0.5 million. The strong improvement in operating results stems from significant revenue growth at both old and new casinos.

OCU's capital expenditures totalled EUR 4.8 million (2005: EUR 3.4 million). The largest amounts were spent on the construction of new casinos (EUR 0.8 million) and the acquisition of slot machines for new casinos (EUR 3.6 million).

OLYMPIC CASINO BEL IP

Olympic Casino Bel IP (OCB), which was established in July 2005, opened its first casino in the middle of August 2006. The company's revenue for four and a half months amounted to EUR 0.1 million. Due to expenses incurred in connection with the opening of the first casinos, the year ended in a loss of EUR 0.5 million. The loss for 2005 was EUR 0.03 million.

OCB's capital expenditures amounted to EUR 1.7 million, comprising investments made in the first casino opened in Prostor shopping centre in August 2006 and preparations for the opening of additional four casinos in 2007.

KUNGLA INVESTEERINGU AS

The core business of Kungla Investeeringu AS (KI) is the provision of accommodation and catering services at Reval Park Hotel & Casino. In addition, the company purchases and sells foreign currency and renders bar services at OCE's casinos. Reval Park Hotel & Casino has 121 rooms, a buffet restaurant Park Avenue, three meeting rooms and a cosy Park Lounge.

In contrast to prior years when the number of visitors to Estonia rose significantly, 2006 saw a decline in the number of tourists from many important source countries. In addition, competition in Tallinn's accommodation market was heightened by the opening of several new hotels. Despite this, KI succeeded in increasing both sales of accommodation and catering services and profit. Sales grew approximately 15% to EUR 4.2 million (2005: EUR 3.7 million) and profit rose to EUR 0.6 million (2005: EUR 0.5 million).

KI's capital expenditures surpassed EUR 0.2 million. The largest amounts were allocated to the renovation of rooms on floors 2 and 3, the refurbishment of the hotel restaurant, and acquisition of new equipment for the kitchen and casino bars.

The Group's significant financials

	2006	2005	Change
Revenue (EUR, millions)	106.7	56.2	89.7%
EBITDA (EUR, millions)	40.3	19.3	108.7%
Operating profit (EUR, millions)	28.4	14.3	98.9%
Net profit (EUR, millions)	24.8	13.2	87.7%
EBITDA margin	37.8%	34.3%	10.1%
Operating margin	26.6%	25.4%	4.8%
Net margin	23.3%	23.5%	-1.0%
Equity ratio	89.8%	63.1%	42.4%
ROA	23.9%	28.5%	-16.1%
ROE	29.1%	42.2%	-31.0%

Underlying formulas:

o EBITDA = earnings before financial expenses, taxes, depreciation and amortisation and impairment losses
o Operating profit = profit before financial expenses and taxes
o Net profit = net profit for the period less minority interest
o EBITDA margin = EBITDA / revenue
o Operating margin = operating profit / revenue
o Net margin = net profit / revenue
o Equity ratio = equity / total assets
o ROA = net profit / total average assets
o ROE = net profit / total average equity

The share and dividend-related data

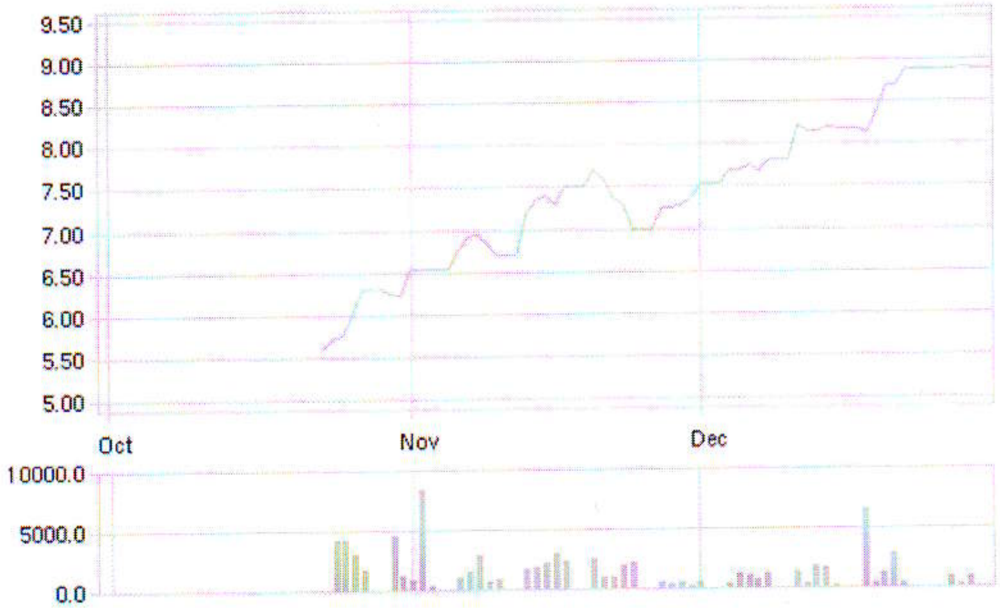
The share of Olympic Entertainment Group AS has been quoted in the main list of Tallinn Stock Exchange since 23 October 2006. The Company has issued 75.4 million ordinary shares with a par value of 0.64 EUR each.

	2006	2005
Weighted average number of shares outstanding	62,566,667	60,000,000
Earnings per share (EUR)	0.4	0.2
Dividend per share (EUR)	0.02	0.01
Year-end share price (EUR)	8.9	-
Price-earnings ratio (P/E)	22.4	-

Underlying formulas:

o The weighted average number of shares at the end of 2005 is the number of shares before the initial public offering. The weighted average number of shares at the end of 2006 was found using the following formula: (60,000,000 x 10/12) + (75,400,000 x 2/12)
o Earnings per share = net profit / weighted average number of shares
o Dividend per share = dividends distributed during the year / weighted average number of shares
o Price-earnings ratio (P/E) = year-end share price / earnings per share

Share price and turnover at Tallinn Stock Exchange since 23 October 2006



Further information on prices and other statistics is available at the website of Tallinn Stock Exchange.

Consolidated financial statements

Statement of management responsibility

The management board of Olympic Entertainment Group AS acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated financial statements of Olympic Entertainment Group AS for the year ended 31 December 2006 presented on pages 17 to 52 of this report and confirms that to the best of its knowledge, information and belief:

- the policies applied in the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the consolidated financial statements give a true and fair view of the financial position of the Group and of the results of its operations and its cash flows;
- all significant events that occurred until the date on which the consolidated financial statements were authorised for issue (29 March 2007) have been properly recognised and disclosed; and
- Olympic Entertainment Group AS and its subsidiaries are going concerns (except Nordic Gaming AS and Viking Services OÜ which are under liquidation).

29 March 2007

Armin Karu	Andri Avila	Mart Relve
Chairman of the Management Board	Member of the Management Board	Member of the Management Board

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev 29. 03. 07
Signature/allkiri
KPMG. Tallinn

Consolidated balance sheet

As at 31 December

ASSETS

In thousands of EUR	Note	2006	2005
Current assets			
Cash and cash equivalents	2	78,909	11,796
Short-term financial investments	3	0	916
Trade receivables	4	459	377
Other receivables and prepayments	5	2,678	2,113
Prepaid income tax		408	0
Inventories	6	672	1,196
Total current assets		**83,126**	**16,398**
Non-current assets			
Deferred tax assets	7	205	189
Shares in associates	8	0	1
Other financial investments	3	1,170	1,179
Other long-term receivables	9	2,720	104
Investment property	10	2,034	288
Property, plant and equipment	11; 12	49,242	32,201
Intangible assets	13	9,089	10,033
Total non-current assets		**64,459**	**43,995**
TOTAL ASSETS		**147,585**	**60,393**

LIABILITIES AND EQUITY

In thousands of EUR	Note	2006	2005
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	14	11	100
Customer advances		980	219
Trade payables		6,208	3,341
Income tax liability		1,298	618
Other tax liabilities	15	1,938	1,085
Other accrued payables	16	2,782	1,767
Provisions	17	1,036	443
Total current liabilities		**14,253**	**7,573**
Non-current liabilities			
Deferred tax liability	7	779	219
Interest-bearing loans and borrowings	14	63	14,520
Total non-current liabilities		**842**	**14,739**
Total liabilities		**15,095**	**22,312**
EQUITY	18		
Share capital		48,189	3
Share premium		61,918	1,636
Statutory capital reserve		0	0
Translation reserves		-142	133
Retained earnings		20,152	34,926
Total equity attributable to equity holders of the parent		130,117	36,697
Minority interest		2,372	1,384
Total equity		**132,490**	**38,081**
TOTAL LIABILITIES AND EQUITY		**147,585**	**60,393**

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Date/kuupäev 29.03.2007
Signature/allkiri
KPMG, Tallinn

Consolidated income statement

For the year ended 31 December In thousands of EUR	Note	2006	2005
Revenue			
Sales revenue	20	106,013	55,888
Other income	21	640	347
Total revenue		**106,654**	**56,235**
Expenses			
Cost of materials, goods and services used	22	-3,607	-1,986
Other operating expenses	22	-37,874	-22,035
Labour costs	22	-24,414	-12,888
Depreciation, amortisation	11;13	-10,217	-5,019
Impairment of goodwill	13	-1,671	0
Other expenses	23	-470	-23
Total expenses		**-78,252**	**-41,952**
Operating profit		**28,402**	**14,283**
Financial income and expenses			
Gain on sale of shares in subsidiaries		537	0
Loss on investments in associates		-1	0
Interest income		633	180
Interest expense		-660	-84
Foreign exchange gains and losses		-488	-258
Financial income and expense on financial investments		0	43
Net financing items		**22**	**-119**
Profit from operations		**28,424**	**14,164**
Income tax expense	24	-2,587	-382
NET PROFIT FOR THE PERIOD		**25,837**	**13,782**
Attributable to minority interest		988	545
Attributable to equity holders of the parent		24,849	13,237
Basic earnings per share (EUR)	25	0.40	0.22
Diluted earnings per share (EUR)	25	0.40	0.22

Consolidated statement of cash flows

For the year ended 31 December In thousands of EUR	Note	2006	2005
Cash flows from operating activities			
Net profit for the period		25,837	13,782
Adjustments for			
Depreciation, amortisation	11, 13	10,217	5,019
Impairment losses on goodwill	13	1,671	0
Changes in the fair value of investment property	10	-172	-29
Losses on disposal of property, plant and equipment and intangibles	21, 23	214	3
Net income from sale of subsidiaries	8	-537	0
Net expenses from associates	8	1	0
Net other financing items		515	119
Change in receivables and prepayments		-1,256	-6,686
Change in inventories		499	-537
Change in payables and advances		4,541	9,319
Interest paid		-660	-84
Corporate income tax paid		-737	-368
Net cash from operating activities		**40,132**	**20,539**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangibles		-25,355	-11,030
Proceeds from sale of property, plant and equipment and intangibles		37	3
Acquisition of investment property		-1,603	0
Acquisition of other financial investments		-1,750	0
Proceeds from sale of financial investments		889	0
Acquisition of subsidiaries		0	-13,559
Disposal of subsidiaries	8	656	0
Loans given	9	-702	-22
Repayment of loans given		18	7
Interest received		557	165
Net cash used in investing activities		**-27,252**	**-24,435**
Cash flows from financing activities			
Proceeds from issue of share capital	18	70,124	0
Proceeds from loans received	14	14,500	14,500
Repayment of loans received	14	-29,056	-4,114
Payment of finance lease principal	14	-26	-20
Dividends paid	18	-1,278	-607
Net cash from financing activities		**54,264**	**9,759**
NET CASH FLOWS		**67,144**	**5,863**
Increase in cash and cash equivalents		**67,144**	**5,863**
Cash and cash equivalents at beginning of period		**11,796**	**5,942**
Effect of exchange rate fluctuations		-31	-8
Cash and cash equivalents at end of period		**78,909**	**11,796**

Consolidated statement of changes in equity

In thousands of EUR

		Equity attributable to equity holders of the parent							
	Note	Share capital	Share premium	Statutory capital reserve	Translation reserve	Retained earnings	Total	Minority interest	Total
At 31 December 2004		**3**	**1 636**	**0**	**-128**	**22 296**	**23 807**	**839**	**24 646**
Net profit for the period		0	0	0	0	13 237	13 237	545	13 782
Effect of changes in exchange rates		0	0	0	260	0	260	0	260
Total recognised income and expense in 2005		**0**	**0**	**0**	**260**	**13 237**	**13 498**	**545**	**14 043**
Dividends paid	18	0	0	0	0	-607	-607	0	-607
At 31 December 2005		**3**	**1 636**	**0**	**132**	**34 926**	**36 697**	**1 384**	**38 081**
Net profit for the period		0	0	0	0	24 849	24 849	988	25 837
Effect of changes in exchange rates		0	0	0	-274	0	-274	0	-274
Total recognised income and expense in 2006		**0**	**0**	**0**	**-274**	**24 849**	**24 575**	**988**	**25 563**
Issue of ordinary shares:									
- bonus issue	18	38 344	0	0	0	-38 344	0	0	0
- public offering	18	9 842	60 282	0	0	0	70 124	0	70 124
Dividends paid	18	0	0	0	0	-1 278	-1 278	0	-1 278
At 31 December 2006		**48 189**	**61 918**	**0**	**-142**	**20 152**	**130 117**	**2 372**	**132 490**

Notes to the consolidated financial statements

Note 1. Significant accounting policies

Olympic Entertainment Group AS (the "Company" or the "Parent company") is a company registered in Estonia on 15 November 1999. The consolidated financial statements of the Company for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the management board on 29 March 2007. The financial statements are reviewed by the supervisory board and approved by the general meeting of the shareholders.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis of preparation
The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- investment property is measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

The functional currency of the Company is the Estonian kroon (EEK). The financial statements of the Group are presented in thousands of euro (rounded to the nearest thousand). In these annual report the figures in Estonian kroons have been translated to euro using the official Eesti Pank exchange rate of €1 = EEK 15.6466.

On 30 June 2006 the Group adopted the fair value model for all of its investment property in accordance with IAS 40 Investment Property. As a result, the investment property previously carried under the cost model was valued by a professional appraiser. The change in accounting policy was recognised prospectively, because it would have been impracticable to identify the fair value estimates for prior periods and possible cumulative effect of the change was not material for the Group

Use of estimates and judgements
The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

During the reporting period management reassessed its estimates in respect of the recoverable amount of goodwill (see note 13).

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company holds over 50% of the voting power in an entity, or when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity under a statute or an agreement or when the Company has the power to appoint or remove the majority of an entity's executive management or the highest governing body. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the investor holds, directly or indirectly (e.g. through subsidiaries), over 20% of the voting power of the investee.

In the consolidated financial statements, investments in associates are accounted for using the equity method. The cost of interest acquired is the fair value of the consideration paid plus any directly attributable acquisition costs.

Consolidation

In preparing the consolidated financial statements, the financial statements of the Parent company and all subsidiaries controlled by the Parent company are combined line by line. Intra-group balances and transactions are eliminated. All Group companies are independent entities. On consolidation, the financial statements of foreign subsidiaries are translated to the Group's presentation currency (the Estonian kroon) as follows:

a) assets and liabilities are translated to Estonian kroons at foreign exchange rates ruling at the balance sheet date;
b) revenues and expenses are translated to Estonian kroons using the weighted average exchange rates of the period.

In the consolidated financial statements, minority interests in the results and equity of entities controlled by the Parent company are presented on a separate line.

In the separate financial statements of the Parent company which are presented in the notes to the consolidated financial statements, investments in subsidiaries are stated at their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank, units in money market funds and short-term deposits.

Inventories

Materials and goods purchased for resale are initially recognised at cost. Cost comprises the costs of purchase and other direct expenses that are required for bringing the inventories to their present condition and location. In the balance sheet, inventories are stated at the lower of cost and net realisable value. The net realisable value of inventories is their estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories are recognised as an expense and their cost is assigned using the FIFO formula (see note 6).

Financial assets

Depending on the purpose of their acquisition, financial assets are classified as follows.

Financial assets at fair value through profit or loss are financial assets that are acquired for the purpose of trading or designated as at fair value through profit or loss upon initial recognition.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group upon initial recognition designates as at fair value through profit or loss or available for sale, or those for which the Group may not recover substantially all of its financial investment.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss.

Purchases of financial assets are recognised when the Group becomes a party to the contractual provisions of the asset. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the investment together with all its associated risks and rewards is transferred.

When a financial asset is recognised initially, it is measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent to initial recognition, the Group measures financial assets at fair value through profit or loss and available-for-sale financial assets at their fair values without any deduction for transaction costs. The fair value of securities quoted in an active market is their quoted bid price at the balance sheet date. If a financial asset does not have an active market, fair value is determined by applying valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If the fair value of an equity instrument cannot be measured reliably, the instrument is stated at cost.

Held-to-maturity investments and loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Gains and losses from changes in the fair value of financial assets at fair value through profit or loss are recognised in the income statement in the period in which they arise. Gains and losses from changes in the fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses from monetary items such as debt securities. When an available-for-sale financial asset is sold or its value declines, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. If an available-for-sale financial asset is interest-bearing, the interest calculated using the effective interest method is recognised in the income statement.

Derivative financial instruments are measured at fair value. Contracts with a positive value are recognised in assets and contracts with a negative value are recognised in liabilities. Any gains and losses arising from changes in the value of derivatives are recognised in the income statement.

Investment property

Investment property is property (land; buildings) which the Group holds as the owner or under finance lease to earn rentals or for capital appreciation or both rather than for use in the ordinary course of business. Investment property is initially recognised at cost, which includes any transaction charges which are directly attributable to the acquisition of the property. Subsequent to initial recognition investment property is accounted for using the fair value model whereby investment property is measured at fair value at each balance sheet date. The fair value of investment property is determined by professional appraisers. Gains and losses arising from a change in the fair value of investment property are recognised in the period in which they arise in other income and other expenses respectively.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. Subsequent to initial recognition, items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and assigned depreciation rates that correspond to their useful lives.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows.

Asset group	Useful life
Buildings and structures	20 years
Improvements	4-10 years as a rule, over the lease term
Plant and equipment	2.5-10 years
Vehicles	3-5 years
Other equipment and fixtures	2.5-5 years

Subsequent expenditure that improves economic benefits that can be expected from an asset is added to the cost of the asset. Expenditure that is aimed at maintaining an asset's level of performance is recognised as an expense in the period in which it is incurred.

Intangible assets

Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries and associates. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss. Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group are initially recognised at cost. Cost comprises the purchase price and any costs directly attributable to the acquisition of the asset. In the balance sheet, other intangible assets are stated at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised over their estimated useful lives using the straight-line method. The Group's current intangible assets other than goodwill are amortised at the rate of 20% per year.

Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that has been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed with the amount of the reversal recognised in profit or loss.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

If tests of the recoverable amount indicate that the value of an asset has increased above its carrying amount, the former write-down is reversed and the asset's carrying amount is increased. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

Leases
A lease that transfers all significant risks and rewards of ownership to the lessee is recognised as a finance lease (see note 12). Other leases are treated as operating leases.

The group as a lessor

Assets leased out under operating lease are carried in the balance sheet analogously to other assets. Operating lease payments are recognised as income on a straight-line basis over the lease term.

The group as a lessee

Finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased property. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term (see note 12).

Financial liabilities
All financial liabilities (trade payables, loans, accrued expenses, issued debt securities, and other current and non-current liabilities) are initially recognised at their fair value. A financial liability not at fair value through profit or loss is stated at fair value plus any transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial liabilities are stated at amortised cost.

The amortised cost of a short-term financial liability is equal to its nominal value. Therefore, short-term financial liabilities are stated in the amount payable. The amortised cost of long-term financial liabilities is identified using the effective interest rate method.

Borrowing costs are not capitalised. Instead, they are recognised as an expense in the period in which they are incurred.

Provisions and contingent liabilities
Provisions are established for liabilities of uncertain timing and amount. The amount and timing of provisions is determined on the basis of estimates made by management or independent experts.

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable (over 50%) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured and reviewed at each balance sheet date. If it is probable that a provision should be settled within more than a year, the provision is reported at the discounted present value of its future cash flows. The discount rate is a pre-tax rate that reflects current market interest rates assigned to similar liabilities.

Contingent liabilities are liabilities whose settlement probability is less than 50% or which cannot be measured reliably. Contingent liabilities are accounted for off the balance sheet.

Corporate income tax
In accordance with the effective Income Tax Act, from 1 January 2000 in Estonia corporate income tax is not levied on profits earned but dividends distributed. The tax rate is 22/78 of the amount distributed as the net dividend (until 31 December 2006 the tax rate was 23/77). In calculating the amount of tax payable, the income tax paid by the Group's foreign subsidiaries is taken into account.

The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared irrespective of the period for which the dividends are declared or in which they are paid.

The contingent income tax liability which would arise if the unrestricted equity of the Group's Estonian entities were distributed as dividends is not recognised in the balance sheet. The maximum income tax liability which could arise on a dividend distribution is disclosed in note 28.

The consolidated financial statements include the corporate income tax calculated on the profits earned by the Group's foreign subsidiaries, the deferred tax assets and liabilities of the Group's foreign subsidiaries, and the dividend tax of the Group's Estonian entities.

Deferred income tax
Under the effective Income Tax Act, there are no differences between the tax bases and carrying amounts of the assets and liabilities of Estonian Group companies which could give rise to deferred tax assets or liabilities. The profits of Latvian, Lithuanian, Ukrainian, Belarusian and Polish Group companies are adjusted for permanent and temporary differences and taxed in accordance with the laws of their domicile.

Income tax paid by foreign subsidiaries
In accordance with the Lithuanian, Latvian, Ukrainian, and Belarusian tax laws, corporate income tax is levied on profits earned. The tax rates enacted, or substantially enacted at the balance sheet date are as follows: Lithuania 15% (+4% of social tax calculated on corporate profit), Latvia 15%, Ukraine 25% and Belarus 24%. The current income tax payable by the Group's Lithuanian, Latvian, Ukrainian and Belarusian entities is recognised as income tax expense and an income tax liability as incurred.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currency transactions and foreign currency risk
Transactions in foreign currencies are translated using the Eesti Pank exchange rates quoted at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Estonian kroons using the Eesti Pank exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

In preparing the consolidated financial statements, the following exchange rates were applied:

Currency	Exchange rate	
	31 December 2006	**31 December 2005**
Euro	15.646600	15.646600
Lithuanian litas	4.531570	4.531570
Latvian lats	22.433400	22.472600
Belarusian ruble	0.005547	0.006138
Polish zloty	4.081430	4.051310
Ukrainian grivna	2.350310	2.620800

At foreign subsidiaries, both receivables and liabilities are recognised in the local currency. The subsidiaries have also liabilities in euro. However, the Estonian kroon is pegged to euro at a fixed exchange rate. The volume of transactions performed in other currencies is immaterial. Therefore, management is of the opinion that the Group does not have significant foreign currency risks and has not adopted any special measures for hedging the foreign currency risk.

Revenue
Revenue from the rendering of services and sale of goods is recognised when the service has been rendered and when the significant risks and rewards of ownership of the goods have transferred to the buyer, respectively. If the service is rendered over an extended period, revenue is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date.

Gaming revenue comprises:

- revenue from slot machines
- revenue from game tables

Gaming revenue is the difference between bets and wins. Gaming revenue is recognised on an accrual basis.

Interest income and dividend income are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably. Interest income is recognised in the income statement as it accrues, using the effective interest method except when collection of payment is uncertain. Dividend income is recognised in the income statement on the date the right to receive payments is established.

Statement of cash flows
The statement of cash flows is prepared using the indirect method – cash flows from operating activities are found by adjusting net profit by eliminating the effect of non-cash transactions and changes in current assets and current liabilities related to operating activity.

Segment reporting
A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. The Group's primary segment reporting format is geographical segments and secondary segment reporting format is business segments. The Group's geographical segments are determined based on the customer's geographical location. The Group's business segments include the gaming services segment and other services segment.

Segment revenue, expense, assets and liabilities are determined before intra-group balances and transactions are eliminated as part of the consolidation process except to the extent that such intra-group balances and transactions are between Group entities within a single segment.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated to it on a reasonable basis. Unallocated assets comprise interest receivable, tax assets and loan receivables. Unallocated assets comprise corporate income tax liabilities and long-term loan liabilities.

Subsequent events
The annual financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the balance sheet date and the date on which the financial statements were authorised for issue but are related to the reporting or prior periods.

Subsequent events that are indicative of conditions that arose after the balance sheet date but which will have a significant effect on the result of the next financial year are disclosed in the notes to the annual financial statements.

New International Financial Reporting Standards and Interpretations of the Financial Reporting Interpretations Committee (IFRIC)
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these consolidated financial statements. The following is the Group's assessment of the possible impact these new standards, amendments or interpretations will have on its financial statements in the period of initial application.

- IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2007). The new Standard will require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risk. The Standard will require increased disclosures about financial instruments in the Group's financial statements.

- IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The Standard requires that segment information should be presented on the basis of components whose results are reviewed regularly by management in making business decisions. The Group's management has not completed its analysis and consequently cannot assess the impact of IFRS 8 on the Group's financial statements.

- Amendments to IAS 1 - *Presentation of Financial Statements - Capital Disclosures* (effective for annual periods beginning on or after 1 January 2007). The amendments and the Standard will require increased disclosures in financial statements with respect to the Group's share capital.

- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (effective for annual periods beginning on or after 1 March 2006). IFRIC 7 addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7 will not affect the Group's financial statements.

- IFRIC 8 *Scope of IFRS 2* (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified IFRIC 8 will not affect the Group's financial statements.

- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. According to management's assessment, IFRIC 9 will not affect the Group's financial statements.

- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will not affect the Group's financial statements.

- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007). The Group's management has not completed its analysis and consequently cannot assess the impact of IFRIC 11 on the Group's financial statements.

- IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008). The Group has not entered into concession arrangements. Therefore, IFRIC 12 will not affect the Group's financial statements.

Note 2. Cash and cash equivalents

In thousands of EUR, at 31 December	2006	2005
Cash in hand and at gaming halls	2,951	1,842
Call deposits	21,526	5,210
Term deposits	46,687	783
Cash in transit	916	331
Fund units	6,829	3,630
Total	**78,909**	**11,796**

The deposits related to the acquisition of Casino Polonia-Wroclaw Sp. Z. o o (hereinafter "Casino Polonia") were EUR 7,540,000 (2005: EUR 0) and deposits placed as security for rented premises were EUR 800,000 (2005: EUR 783,000).

The call deposits include bank accounts and overnight deposits. The effective interest rates on overnight deposits were 1,13-3,54% (2005: until 2,05%). The effective interest rates on term deposits and fund units were 1,7-4,2% (2005: 1,87-3,9%). The term deposits are with due date from one month to three years. The Group's interest income on deposits amounted to EUR 418,000 (2005: EUR 10,000).

Note 3. Other financial investments

Held-to-maturity financial instruments

In thousands of EUR, at 31 December	2006	2005
Lithuanian government bonds		
Current portion	0	916
Non-current portion	1,170	1,179
Total	**1,170**	**2,095**

Description	Issue number	Quantity	Par value in LTL	Interest rate	Acquisition date	Redemption date
Bond	LT0000607038	14,660	1,466,000	6.4%	18 December 2002	18 December 2008
Bond	LT0000605081	9,300	930,000	4.7%	20 March 2003	24 January 2008
Bond	LT0000607046	3,900	390,000	5.1%	14 April 2003	11 February 2010
Bond	LT0000610040	11,366	1,136,600	5.6%	13 October 2004	24 January 2013
Total		**39,226**	**3,922,600**			

In accordance with the Lithuanian Law on Gambling, a gaming organiser has to put up collateral by investing part of its capital in government bonds or making a deposit. The law prescribes the rates of the collateral.

Effective rates of collateral are as follows:
- 40,000 litas / 11,585 EUR per game table
- 25,000 litas / 7,241 EUR per slot machine

The bonds are classified as held-to-maturity investments. In 2006, interest income on the bonds amounted to EUR 35,000 (2005: EUR 69,000).

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Note 4. Trade receivables

In thousands of EUR, at 31 December	2006	2005
Trade receivables	472	378
Allowance for doubtful receivables	-13	-1
Total	**459**	**377**

In thousands of EUR, at 31 December	2006	2005
Allowance for doubtful receivables		
At beginning of year	-1	-1
Write-down of receivables	-36	0
Receivables considered irrecoverable	24	0
Allowance for doubtful receivables at end of year	**-13**	**-1**

Impairment losses on items written down and considered irrecoverable are recognised in *Other expenses* in the income statement.

Note 5. Other receivables and prepayments

In thousands of EUR, at 31 December	2006	2005
Prepaid taxes		
Gaming tax	1,015	885
Value-added tax	420	50
Other taxes	63	112
Total prepaid taxes	**1,498**	**1,047**
Prepayments for services		
Lease of premises	349	132
Licences	208	154
Prepayments for software and equipment maintenance	131	70
Other prepayments	339	452
Total prepayments for services	**1,027**	**808**
Other receivables		
Loans to employees	8	55
Other receivables from employees	42	26
Interest receivable	103	76
Miscellaneous receivables	0	100
Total other receivables	**153**	**257**
Total other receivables and prepayments	**2,678**	**2,113**

Note 6. Inventories

In thousands of EUR, at 31 December	2006	2005
Gaming equipment	63	316
Jackpot prizes	72	77
Spare parts for slot machines	67	364
Other materials	201	160
Goods purchased for resale	260	280
Non-current assets held for sale	8	0
Total	**672**	**1,196**

In 2006, inventories were written down by EUR 198,000 (2005: EUR 200,000) because some items had become unusable.

Note 7. Deferred tax assets and liabilities

	Tax assets		Tax liabilities		Net	
In thousands of EUR	2006	2005	2006	2005	2006	2005
Accrued income	0	0	-5	0	-5	0
Inventories	29	8	0	0	29	8
Employee benefits	27	11	0	0	27	11
Property, plant and equipment	0	0	-894	-198	-894	-198
Provisions	237	82	0	0	237	82
Tax value of loss carry-forwards	32	286	0	0	32	286
Total tax assets / liabilities	**325**	**387**	**-899**	**-198**	**-574**	**189**
Set off of deferred tax assets and liabilities	-120	-198	120	198	0	0
Acquired through business combinations	0	0	0	-219	0	-219
Net tax assets / liabilities	**205**	**189**	**-779**	**-219**	**-574**	**-29**
Deferred tax assets / liabilities at beginning of year	189	0	-218	-145	-30	-145
Acquired through business combinations	0	0	0	-219	0	-219
Deferred tax assets / liabilities at end of year	205	189	-779	-219	-574	-29
Recognised in income / expense during the year (see note 24)	**16**	**189**	**-560**	**145**	**-544**	**334**

The above tax losses can be used in the year 2008 at latest.

Note 8. Subsidiaries and associates

At 31 December	Domicile	Ownership interest 2006	2005	Core activity	Shareholder
Olympic Casino Eesti AS	Estonia	95%	95%	Organisation of gaming	Olympic Entertainment Group AS
Kungla Investeeringu AS	Estonia	100%	100%	Hotel services, catering	Olympic Entertainment Group AS
Fortuna Travel OÜ	Estonia	100%	100%	Casino tourism	Olympic Casino Eesti AS
Kasiino.ee OÜ	Estonia	100%	0%	Internet solutions	Olympic Entertainment Group AS
Nordic Gaming AS	Estonia	100%	100%	In liquidation	Olympic Entertainment Group AS
Vikings Services OÜ	Estonia	100%	100%	In liquidation	Nordic Gaming AS
Olympic Casino Latvia SIA	Latvia	30.04%	36.5%	Organisation of gaming	Olympic Entertainment Group AS
Olympic Casino Latvia SIA	Latvia	52.26%	63.5%	Organisation of gaming	Olympic Casino Group Baltic SIA
Olympic Casino Latvia SIA	Latvia	17.70%	0.0%	Organisation of gaming	Baltic Gaming A/S
Baltic Gaming AS	Latvia	100%	100%	Organisation of gaming	Olympic Entertainment Group AS
Ahti SIA	Latvia	100%	100%	Bar services	Olympic Entertainment Group AS
Faraons SIA	Latvia	100%	100%	Bar services	Olympic Entertainment Group AS
Tower SIA	Latvia	0%	100%	Catering services	Baltic Gaming A/S
Baltic Electronics SIA	Latvia	25%	25%	Production of electronic equipment	Baltic Gaming A/S
Olympic Casino Group Baltic SIA	Latvia	100%	100%	Holding activities	Olympic Entertainment Group AS
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Organisation of gaming	Olympic Entertainment Group AS
Mecom Grupp UAB	Lithuania	100%	100%	Bar services	Olympic Entertainment Group AS
Olympic Casino Bel IP	Belarus	100%	100%	Organisation of gaming	Olympic Entertainment Group AS
Olympic Casino Ukraine TOV	Ukraine	100%	100%	Organisation of gaming	Olympic Entertainment Group AS
Baina Investments Sp. Z o.o.	Poland	100%	100%	Holding activities	Olympic Entertainment Group AS
Silber Investments Sp. Z o.o.	Poland	100%	100%	Holding activities	Olympic Entertainment Group AS

In February 2006 Olympic Entertainment Group AS acquired the subsidiary Kasiino.ee OÜ. The effect of the transaction on the Group's assets, liabilities and cash flows was as follows:

In thousands of EUR	Kasiino.ee OÜ
Cash and cash equivalents	3
Fair value of net assets acquired	3
Ownership interest acquired	100%
Goodwill on acquisition (note 13)	2
Cost	4
Paid for the acquisition in 2006	0
Net cash flow from the transaction	3

In November 2006 the sale of the subsidiary Tower SIA was completed. The Group's gain on the transaction amounted to EUR 537,000.

In thousands of EUR	Tower SIA
Sales price	656
Sales gain	537
Ownership interest sold	100%
Consideration received in 2006	656
Net cash flow from the transaction	656

The liquidation of the subsidiary Vikings Services OÜ began in July 2006 and the liquidation of the subsidiary Nordic Gaming AS began in September 2006

Baltic Gaming AS has an associated company Baltic Electronics SIA. The associate's activity has been suspended since April 2006.

In thousands of EUR	Investment 31 Dec 2005	Loss from associate	Investment 31 Dec 2006	Interest in associate's equity
Baltic Electronics SIA	0,7	-0,7	0	0

In thousands of EUR	Assets at 31 December	Liabilities at 31 December	Sales revenue	Net profit
2005	16,0	9,7	68,6	0,2
2006	5,5	0,9	24,5	-0,7

Note 9. Other non-current receivables

In thousands of EUR, at 31 December	2006	2005
Long-term loans	700	0
Long-term lease advances	270	104
Prepayments for shares in Casino Polonia	1,750	0
Total	**2,720**	**104**

In September 2005 the Group concluded a preliminary agreement on the acquisition of 80% of the shares in Casino Polonia for EUR 9.0 million. The conclusion of the final purchase agreement and the completion of the transaction depend on various factors, including obtaining permission for the transaction from the Polish Ministry of Finance. At the date these consolidated financial statements are authorised for issue, the permission has not yet been obtained.

The Group has to give Casino Polonia a loan of up to EUR 5.0 million for the construction of a casino at the Hilton hotel. At the reporting date, receivables related to Casino Polonia totalled EUR 2,450,000. Information on deposits related to Casino Polonia is presented in note 2.

At the end of 2006, prepayments for shares in Casino Polonia totalled EUR 1,750,000 and the loans given to Casino Polonia in 2006 amounted to EUR 700,000. The base currency of the loans is Euro, annual interest rate is 12 months' EURIBOR + 3% and the designated purpose of the loans is construction of a casino at the Hilton hotel. The loans are transferred to an agency account which is used only for the construction of that casino. The final repayment date of the loans is not fixed. The repayment date will be fixed when the casino has been opened.

Note 10. Investment property

In thousands of EUR	Land	Buildings	Total
At 31 December 2004	**169**	**96**	**265**
Revaluation	29	0	29
Depreciation	0	-5	-5
At 31 December 2005	**198**	**90**	**288**
Acquisitions	1,603	0	1,603
Disposals	-30	0	-30
Revaluation	93	79	172
At 31 December 2006	**1,864**	**169**	**2,034**

In 2005 land was reported at fair value and buildings were reported using the cost model. Since 2006 all investment properties have been stated at their fair value. Due to the unavailability of reliable historical data and because the impact is insignificant for the Group, the change in accounting policy was recognised prospectively.

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

In 2006, rental income from investment property amounted to EUR 7,000 (2005: EUR 7,000 EUR). Operating expenses from investment property (utilities, security and insurance charges) totalled EUR 3,000 EUR (2005: 3,000).

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Note 11. Property, plant and equipment

In thousands of EUR	Land and buildings	Renovations and improvements	Plant and equipment	Other items	Construction in progress	Total
Cost at 31 December 2004	414	11,105	18,748	713	257	31,238
Accumulated depreciation at 31 December 2004	-70	-3,048	-6,568	-319	0	-10,005
Carrying amount at 31 December 2004	**344**	**8,058**	**12,179**	**395**	**257**	**21,233**
Acquisitions	392	2,306	7,450	609	491	11,247
Acquisitions through business combinations	788	10	130	3,529	72	4,529
Reclassification	0	587	-1,280	1,160	-467	0
Disposals	0	0	-151	-28	0	-178
Depreciation charge for the year	-66	-1,339	-2,977	-406	0	-4,787
Reclassification of depreciation	0	-336	675	-339	0	0
Depreciation of items disposed of	0	0	146	26	0	172
Effect of movements in foreign exchange	0	1	-15	0	0	-15
Cost at 31 December 2005	1,594	14,008	24,897	5,983	353	46,835
Accumulated depreciation at 31 December 2005	-136	-4,722	-8,739	-1,038	0	-14,634
Carrying amount at 31 December 2005	**1,458**	**9,286**	**16,158**	**4,945**	**353**	**32,201**
Acquisitions	0	4,133	14,544	4,287	4,791	27,755
Reclassification	-57	3,203	553	269	-3,968	0
Disposals	0	-922	-217	-603	-65	-1,807
Depreciation charge for the year	-77	-1,914	-6,077	-1,878	0	-9,947
Reclassification of depreciation	0	-4	-2	6	0	0
Depreciation of items disposed of	0	820	144	438	0	1,402
Effect of movements in foreign exchange	-1	-54	-274	-23	-10	-361
Cost at 31 December 2006	1,536	20,355	39,422	9,903	1,101	72,316
Accumulated depreciation at 31 December 2006	-213	-5,808	-14,593	-2,461	0	-23,074
Carrying amount at 31 December 2006	**1,323**	**14,548**	**24,829**	**7,442**	**1,101**	**49,242**

Information on leased assets is presented in note 12. Lease payments made and lease liabilities are disclosed in note 14.

Note 12. Leased assets

Assets acquired with finance lease

In thousands of EUR	Plant and equipment
Cost at 31 December 2004	102
Accumulated depreciation at 31 December 2004	-35
Carrying amount at 31 December 2004	**67**
Reclassification	-11
Depreciation charge for the year	-18
Reclassification of depreciation	7
Cost at 31 December 2005	91
Accumulated depreciation at 31 December 2005	-46
Carrying amount at 31 December 2005	**45**
Reclassification	-23
Depreciation charge for the year	-18
Reclassification of depreciation	13
Effect of movements in foreign exchange	0
Cost at 31 December 2006	67
Accumulated depreciation at 31 December 2006	-50
Carrying amount at 31 December 2006	**17**

Assets held under operating lease

Operating lease payments made in 2006 totalled EUR 5,679,000 (2005: EUR 2,652,000).

Non-cancellable operating lease payables have been calculated on the basis of amounts due for the non-cancellable portions of the leases.

In thousands of EUR	2006	2005
Operating lease payments made during the period	201	222
Operating lease payables		
Less than 1 year	191	186
Between 1 and 5 years	888	1,061
Over 5 years	2,282	2,390

The Group is also a lessor, leasing out premises under the terms of operating lease. No non-cancellable lease contracts have been concluded. In 2006 operating lease income amounted to EUR 75,000 (2005: EUR 38,000).

Note 13. Intangible assets

In thousands of EUR	Goodwill	Software and licences	Prepayments for intangibles	Total
Cost at 31 December 2004	799	561	0	1,360
Accumulated amortisation at 31 December 2004	-241	-180	0	-421
Carrying amount at 31 December 2004	**559**	**381**	**0**	**939**
Acquisitions	0	160	0	160
Acquisitions through business combinations	9,152	3	3	9,158
Disposals	0	-6	0	-6
Amortisation charge for the year	0	-227	0	-227
Accumulated amortisation of disposals	0	6	0	6
Effect of movements in foreign exchange	0	3	0	3
Cost at 31 December 2005	9,951	718	3	10,671
Accumulated amortisation at 31 December 2005	-241	-398	0	-638
Carrying amount at 31 December 2005	**9,710**	**320**	**3**	**10,033**
Acquisitions	2	1,084	0	1,085
Reclassification	0	3	-3	0
Disposals	-85	-5	0	-90
Amortisation charge for the year	0	-269	0	-269
Impairment charge	-1,671	0	0	-1,671
Accumulated amortisation of disposals	0	1	0	1
Effect of movements in foreign exchange	0	0	0	0
Cost at 31 December 2006	9,867	1,796	0	11,663
Accumulated amortisation at 31 December 2006	-1,911	-663	0	-2,574
Carrying amount at 31 December 2006	**7,956**	**1,133**	**0**	**9,089**

In 2006, the Group wrote goodwill down by EUR 1,671,000 (2005: EUR 0) in connection with the beginning of the liquidation of the subsidiaries Nordic Gaming AS and Vikings Services OÜ. Due to the sale of Tower SIA, a subsidiary of Baltic Gaming AS, the Group wrote off goodwill of EUR 85,000. The impairment loss was recognised as a reduction of income from the sale of the subsidiary.

Management tested goodwill for impairment as of 31 December 2006. The cash generating units of goodwill are Olympic Casino Eesti AS and Baltic Gaming AS. The units' value in use was estimated using the following assumptions:

- cash flow forecasts for 2007-2010 which are based on a business plan prepared by the management board according to which in the forecast period revenue will grow at the rate of 5-20% and expenses will grow at the rate of 10-19% per year;
- a discount rate of 12%;

The basic assumptions were made based on management's historical experience.

The tests performed indicated that the recoverable amount of goodwill exceeds its carrying amount. Therefore, no additional write-down was recognised.

Note 14. Interest-bearing loans and borrowings

Financial lease liabilities

In thousands of EUR, at 31 December	2006	2005
Financial lease liabilities at beginning of year	38	58
Principal payments made	-26	-20
Financial lease liabilities at end of year	12	38
Current portion	11	18
Non-current portion (payable in up to 3 years)	1	20
Finance charge for the year	2	4
Average interest rate	6.5%	6%

The base currency of all financial lease liabilities is Euro.

Bank loans

In thousands of EUR, at 31 December	2006	2005
Loan liabilities at beginning of year	14,500	4,114
Loan received	14,500	14,500
Repayments made	-29,000	-4,114
Loan liabilities at end of year	0	14,500
Non-current portion (payable in up to 5 years)	0	14,500
Interest expense of the year	658	80
Average interest rate	6 months' Euribor + 1.9%	6 months' Euribor + 1.65% to 5.17%

On 31 October 2006, the Group repaid a syndicate loan of EUR 14,500,000 arranged by Hansapank before the agreed settlement term. In addition, the Group decided to terminate the agreement on the whole syndicate loan facility with a limit of EUR 31,500,000.

Other liabilities

In thousands of EUR, at 31 December	2006	2005
Other current loans and borrowings	0	82
Non-current liabilities to suppliers	62	0
Total	**62**	**82**

Total interest-bearing loans and borrowings

In thousands of EUR, at 31 December	2006	2005
Current portion	11	100
Non-current portion	63	14,520
Total	**74**	**14,620**

Note 15. Tax liabilities

In thousands of EUR, at 31 December	2006	2005
Gaming tax	215	134
Value added tax	382	62
Personal income tax	461	279
Social tax	793	546
Income tax on gifts and fringe benefits	41	23
Other tax liabilities	47	41
Total	**1,938**	**1,085**

Effective tax rates in 2006

Tax	Estonia	Latvia	Lithuania	Belarus	Ukraine	Poland
Gaming tax (per month)						
Rate per game table	EEK 20,000 / EUR 1,278	LVL 800 / EUR 1,140	LTL 4,000 / EUR 1,158	up to 10 tables EUR 3,500, over 10 tables EUR 4,000	UAH 12,000 / EUR 1,808	45% of net income
Rate for roulette	EEK 20,000 / EUR 1,278	LVL 800 / EUR 1,140	LTL 4,000 / EUR 1,158		UAH 16,000 / EUR 2,411	
Rate per slot machine	EEK 7,000 / EUR 447	LVL 105 / EUR 150	LTL 600 / EUR 174	BYR 259,300 / EUR 100	UAH 350 / EUR 53	45% of net income
Value-added tax	18%	18%	18%	18%	20%	22%
Personal income tax	23%	25%	27%	9%-30%	13%+26%	19%-40%
Social tax	33%	24.09% + 9%	34%	35%+1%	2%+31.8%	19.8%-22.7%
Social security contributions	-	-	-		1%+2.9%	
Unemployment insurance contributions*	0.6%+0.3%	LVL 0.25 / EUR 0.36 per employee	0.2%		0.5%+1.3%	
Accident insurance	-	-	-	0.20%	0.76%	
Corporate income tax	23%	15%	15% + 4%	24%	25%	19%

* Cover tax in Lithuania
Business venture tax in Latvia

Note 16. Other accrued payables

In thousands of EUR, at 31 December	2006	2005
Payables to employees, including	2,618	1,623
Salaries payable	1,226	826
Vacation pay liabilities	1,392	797
Dividends payable	0	4
Interest payable	0	0
Miscellaneous payables	164	140
Total	**2,782**	**1,767**

Note 17. Provisions

In thousands of EUR	2006	2005
Provisions for winnings		
At beginning of the year	335	223
Provisions made during the year	3,911	2,273
Provisions used during the year	-3,701	-2,161
Provisions for winnings at end of the year	**545**	**335**
Provision for expenses		
At beginning of the year	107	72
Provisions made during the year	449	65
Provisions used during the year	-65	-29
Provision for expenses at end of the year	**491**	**107**
Total provisions	**1,036**	**443**

Provisions for winnings include the amounts calculated by electronic jackpot systems. Winnings are distributed at random at intervals established by the system

The provision for expenses is created for annual bonuses and related social charges payable for performance in the reporting period.

Note 18. Equity

Share capital and share premium
In 2006 Olympic Entertainment Group OÜ was transformed from a private limited company (osaühing) to a public limited company (aktsiaselts). Share capital was increased through a bonus issue to EUR 38.3 million. In connection with the initial public offering (IPO) of the shares of Olympic Entertainment Group AS and the listing of all the shares of Olympic Entertainment Group AS in the main list of Tallinn Stock Exchange, share capital was increased with monetary contributions made on the issuance of 15,400,000 new shares.

At 31 December 2006, the share capital of Olympic Entertainment Group AS amounted to EUR 48.2 million and was made up of 75,400,000 ordinary shares with a par value of 0.64 EUR each. The new 15,400,000 ordinary shares were issued with a share premium of 4.03 EUR per share. In recognising share premium, the costs of the IPO of EUR 1,725,000 were deducted from the premium. Share premium may be used for covering losses if the latter cannot be covered with retained earnings and the capital reserve or for increasing share capital through a bonus issue.

At 31 December 2005, share capital amounted to EUR 2,556 and was made up of two shares - one of EUR 1,662 and the other of EUR 894.

According to the Articles of Association, the maximum authorised share capital amounts to EUR 153.4 million. All shares which have been issued have been paid for.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Parent company's shareholders.

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Shares held by the members of the supervisory and management boards and their close family members at 31 December 2006

Name	Number of shares	Ownership interest
Armin Karu	1,450	0.0019%
Andri Avila	1,979	0.0026%
Mart Relve	725	0.0010%
Jaan Korpusov	1,450	0.0019%
Kaia Karu	1,450	0.0019%

At 31 December 2006, the close family members of Armin Karu held 3,000 shares.

Shareholders whose ownership interest exceeds 1% at 31 December 2006

Name	Number of shares	Ownership interest
OÜ HansaAssets (owner Armin Karu)	39,000,000	51.7241%
OÜ Hendaya Invest (owner Jaan Korpusov)	21,000,000	27.8515%
Nordea Bank Finland Plc	1,835,130	2.4339%
Customers of Skandinaviska Enskilda Banken Ab	1,594,186	2.1143%
Investors Bank & Trust Company (Treaty)	994,500	1.3190%
Customers of Hansabankas	782,896	1.0383%

Statutory capital reserve

The statutory capital reserve is established in accordance with the requirements of the Commercial Code. According to the law, the capital reserve has to amount to at least one tenth of share capital. Each year, at least one twentieth of net profit for the period has to be transferred to the capital reserve. When the capital reserve reaches the level specified in the Articles of Association, transfers may be terminated. Subject to a decision by the shareholders, the capital reserve may be used for covering losses if the latter cannot be covered with unrestricted equity or for increasing share capital. It cannot be used for making distributions to shareholders.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's foreign subsidiaries.

Dividends

In 2006, the Company distributed dividends of EUR 1,278,000. In 2005 the distribution amounted to EUR 607,000. In both years, dividends were distributed from the profits earned by non-resident subsidiaries which are subject to corporate income tax. Therefore, the distributions did not give rise to any tax consequences.

After 31 December 2006 the management board has made a proposal that the general meeting of the shareholders distribute a dividend of 0.13 EUR per share, i.e., 9,637,877 in aggregate. The contingent income tax liability arising on the distribution of dividends is disclosed in note 28.

Note 19. Segment reporting

At 31 December 2006 the Group was operating in the Estonian, Latvian, Lithuanian, Ukrainian, Belarusian and Polish markets. The risks and rewards of each market differ significantly from those of others and each market represents a sufficiently large proportion of the Group's operations to form a separate segment.

At 31 December 2006, the Group was engaged in the provision of gaming services and other services (hotel, bar and related services). The risks and rewards of either business differ significantly and both represent a sufficiently large proportion of the Group's operations to form a separate segment.

The Group's primary segment reporting format is geographical segments which are based on the customers' geographical location. The secondary reporting format is business segments which are based on business activities performed.

According to the Parent company's management, inter-segment pricing is determined on an arm's length basis.

Geographical segments

In thousands of EUR	Estonia		Latvia		Lithuania		Belarus		Ukraine		Poland		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Sales revenue from external customers	42,565	29,622	32,434	7,739	24,844	16,669	107	0	6,064	1,858	0	0	0	0	106,013	55,888
Other external income	354	141	238	38	48	0	0	0	0	168	0	0	0	0	640	347
Inter-segment sales revenue and other income	1,062	467	1	0	0	0	0	0	0	0	0	0	-1,063	-467	0	0
Total revenue	**43,981**	**30,230**	**32,673**	**7,777**	**24,891**	**16,669**	**107**	**0**	**6,064**	**2,026**	**0**	**0**	**-1,063**	**-467**	**106,654**	**56,235**
Operating profit	**14,873**	**9,560**	**6,815**	**1,190**	**5,404**	**3,695**	**-419**	**-23**	**994**	**-518**	**-27**	**0**	**762**	**380**	**28,402**	**14,283**
Net financing items															22	-119
Income tax expense															-2,587	-382
Net profit for the year															**25,837**	**13,782**
Segment assets	114,246	42,871	23,029	14,449	17,963	15,952	705	56	8,134	4,969	5,284	26	-23,192	-18,195	146,168	60,128
Unallocated assets															1,416	265
Total assets															**147,585**	**60,393**
Segment liabilities	5,810	4,647	10,723	8,676	8,994	9,530	2,491	49	4,463	2,286	5,329	0	-24,791	-18,211	13,019	6,975
Unallocated liabilities															2,076	15,336
Total liabilities															**15,095**	**22,312**
Acquisition of property, plant and equipment and intangibles	7,367	11,857	12,176	6,422	2,807	3,101	1,333	16	4,837	3,698	4	0	318	0	28,841	25,093
Acquisition of investment property	0	0	0	0	1,603	0	0	0	0	0	0	0	0	0	1,603	0
Total capital expenditures															**30,443**	**25,093**
Depreciation and amortisation included in operating profit	2,799	2,229	3,297	890	2,995	1,535	84	1	1,070	385	0	0	-29	-21	10,217	5,019
Impairment losses included in operating profit	1,671	0	0	0	0	0	0	0	0	0	0	0	0	0	1,671	0
Total depreciation, amortisation and impairment losses	**4,469**	**2,229**	**3,297**	**890**	**2,995**	**1,535**	**84**	**1**	**1,070**	**385**	**0**	**0**	**-29**	**-21**	**11,887**	**5,019**
Gains on changes in the fair value of investment property	172	29	0	0	0	0	0	0	0	0	0	0	0	0	172	29
Losses on disposal of property, plant and equipment	-125	-3	-185	-1	0	0	0	0	0	0	0	0	0	0	-309	-5
Total other significant non-cash income and expenses	**48**	**25**	**-185**	**-1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-137**	**24**

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Business segments

In thousands of EUR	Revenue		Assets		Capital expenditures	
At 31 December or for the year	2006	2005	2006	2005	2006	2005
Gaming services	101,542	52,317	98,590	58,362	27,319	15,764
Other services	10,355	6,310	83,698	25,339	2,846	9,330
Eliminations	-5,884	-2,739	-36,119	-23,574	278	0
Unallocated assets	0	0	1,416	265	0	0
Total	**106,013**	**55,888**	**147,585**	**60,393**	**30,443**	**25,093**

Note 20. Sales revenue

In thousands of EUR	2006	2005
Gaming revenue	98,396	51,768
Hotel services revenue	2,436	2,314
Bar services revenue	4,060	1,186
Other revenue	1,122	621
Total	**106,013**	**55,888**

Note 21. Other income

In thousands of EUR	2006	2005
Gains on currency exchange services	204	239
Change in the fair value of investment property	172	29
Gains on sale of property, plant and equipment	96	2
Miscellaneous income	169	78
Total	**640**	**347**

Note 22. Expenses

In thousands of EUR	2006	2005
Cost of materials, goods and services used		
Direct catering, accommodation and bar services expenses	-3,064	-1,047
Other services	-543	-939
Total cost of materials, goods and services used	**-3,607**	**-1,986**
Other operating expenses		
Gaming tax and activity licences	-9,283	-5,283
Marketing expenses	-9,217	-5,505
Lease expenses	-5,679	-2,652
Maintenance expenses (equipment and premises)	-5,411	-3,448
IT expenses	-1,211	-466
Other expenses	-7,073	-4,683
Total other operating expenses	**-37,874**	**-22,035**
Labour costs		
Salaries	-18,969	-9,955
Social charges	-5,445	-2,934
Total labour costs	**-24,414**	**-12,888**
Total	**-65,895**	**-36,910**

Note 23. Other expenses

In thousands of EUR	2006	2005
Losses on disposal of property, plant and equipment	-309	-5
Foreign exchange losses on settlements with suppliers	-35	-1
Doubtful and irrecoverable receivables	-36	-4
Miscellaneous expenses	-89	-14
Total	**-470**	**-23**

Note 24. Income tax expense

In thousands of EUR	2006	2005
Profit from operations	28,424	14,164
Current tax expense based on the tax rate applicable to the Parent company	0	0
Effect of tax rates in foreign jurisdictions		
Lithuania	-1,261	-658
Latvia	-670	0
Ukraine	-112	-58
Adjustments from origination and reversal of temporary differences	-544	334
Income tax expense in the income statement	**-2,587**	**-382**

Note 25. Earnings per share

	2006	2005
Net profit attributable to equity holders of the Parent (in thousands of EUR)	24,849	13,237
Weighted average number of shares outstanding (in thousands)	62,567	60,000
Basic and diluted earnings per share (in kroons)	**0.40**	**0.22**

Basic earnings per share have been calculated by dividing the net profit attributable to equity holders of the Parent of EUR 24,849,000 (2005: EUR 13,237,000) by the weighted average number of ordinary shares outstanding during the period, i.e., by 62,566,667 (2005: 60,000,000). In calculating the weighted average number of shares for 2006, the number of shares for the period January-October was 60,000,000 and the one for November-December was 75,400,000. For comparability, the weighted average number of shares for 2005 was considered equal to the number of shares registered after the bonus issue performed in 2006.

At the balance sheet date the Company did not have any potential ordinary shares. Therefore, basic earnings per share equal diluted earnings per share.

Note 26. Transactions with related parties

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

a. shareholders with significant influence
b. members of the executive and higher management;
c. close family members of and companies related to the above; and
d. associated companies.

In the preparation of the consolidated financial statements, all intra-group receivables and liabilities and all intra-group revenues, expenses and unrealised gains and losses were eliminated.

During the reporting period, Group entities performed purchase and sales transactions with related parties in the following volumes and year-end balances with related parties were the following:

In thousands of EUR		2006	2005
Related party	**Transaction**	Purchases	Purchases
Company related to the chairman of the management board	Lease of business premises	55	47
Company related to a member of the management board	Consulting services	16	22
Total			

In thousands of EUR, at 31 December		2006	2005
Related party	**Transaction**	Receivables	Receivables
Member of the management board*	Loan	0	16
Total			

* The person was not the member of the management board at the moment of receiving the loan.

In thousands of EUR, at 31 December		2006	2005
Related party	**Transaction**	Payables	Payables
Company related to the chairman of the management board	Lease of business premises	6	0

In 2006, the remuneration of all members of Group entities' executive and higher management totalled EUR 449,000 (2005: EUR 179,000).

The total severance compensation fixed in contracts with members of the management board amounts to EUR 43,000.

Olympic Entertainment Group AS guarantees the liabilities of Emahool OÜ, a company related to a member of the management board, to the extent of 100,000 pounds sterling. The guarantee expires in August 2009.

Note 27. Financial risks

Currency risk
The Group earns revenue in Estonian kroons, Latvian lats, Lithuanian litas, Ukrainian grivnas, and Belarusian roubles. Most of the Group's expenses are incurred in the same currencies. Currency transactions connected with the purchases of goods and services are mostly performed in euro. The Group's results are affected by the fluctuation of the Latvian lats, the Ukrainian grivna and the Belarusian rouble against the Estonian kroon. At present the Group does not consider hedging its currency risks with hedging instruments practicable because changes in exchange rates are hard to anticipate and the pricing of relevant instruments is not favourable.

Credit risk
Credit risk is the risk that a business partner will fail to discharge an obligation and will cause the Group to incur a financial loss. According to management's assessment, the Group does not have any major credit risks because the majority of settlements are performed immediately either in cash or using debt or credit cards.

Interest rate risk
The Group uses practically no external capital (except for the financial lease of equipment but the amounts involved are insignificant). Therefore, estimation of the interest rate risk is currently relevant only in the case of investment activities. The Group's deposits (excluding overnight deposits) have fixed interest rates. At the end of a deposit term, a new interest rate is agreed with the bank. Changes in the interest rates of deposits affect the Group's investment yields. In view of the proportion of interest income in the Group's revenue structure, the effect of changes in interest rates is insignificant.

Fair value
According to the estimates of the Group's management, the carrying amounts of the Group's assets and liabilities do not differ significantly from their fair values.

Note 28. Contingent liabilities

At 31 December 2006, the Group's undistributed profits amounted to EUR 20,152,000. The maximum income tax liability that could arise if all of the undistributed profits were distributed as dividends amounts to EUR 4,433,000. Thus, the maximum amount that could be distributed as the net dividend is EUR 15,718,000.

The maximum contingent income tax liability has been calculated based on the income tax rate for 2007 and the assumption that the net dividend and the arising income tax expense cannot exceed the Group's distributable profits as of 31 December 2006.

The tax administrator may review The Group's tax accounting and may assess additional tax and interest on arrears if errors are detected within six years of the submission of a tax return. According to management's estimates, there are no circumstances as a result of which the tax administrator could assess significant additional tax.

Note 29. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts.

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions are based on historical experience and various other factors, including projections of future events, which are believed to be reasonable under the circumstances.

Critical areas that require more complicated estimation or judgement and have a significant effect on the financial statements include determination of the useful lives of property, plant and equipment and other intangible assets, identification of the recoverability of goodwill and the valuation of contingent assets and liabilities.

Property, plant and equipment and other intangible assets
Management determines the useful lives of property, plant and equipment and other intangible assets on the basis of historical experience and future prospects.

Goodwill
The assumptions used in assessing the recoverability of goodwill are explained in note 1.

Contingent liabilities
In assessing the probability that a contingent liability will result in a present obligation, management relies on its best judgement, historical experience, general background information and preconditions for possible future events.

Note 30. Subsequent events

Acquisition of AS Kristiine Kasiino

On 1 March 2007, Olympic Entertainment Group AS concluded an agreement with AS KC Grupp for the acquisition of 100% of the shares in AS Kristiine Kasiino and a single share in OÜ Casinova. The purpose of the acquisitions is to expand the Group's operations and consolidate its position in the highly competitive Estonian gaming market.

A part of the purchase price will be settled in cash and the other part with ordinary shares in Olympic Entertainment Group AS which will be issued for AS KC Grupp. The initially agreed sales price of the shares is EUR 15,989,000, including EUR 3,000 payable for the single share in OÜ Casinova and the remainder for the shares in AS Kristiine Kasiino. The final sales price will be calculated at the performance date, using the following formula:

Initial sales price + (AS Kristiine Kasiino's working capital as at the end of the month preceding the month in which the transaction is completed – initial working capital (0 EUR)) – the acquirees' interest-bearing liabilities

The Group will pay AS KC Grupp EUR 15,064,000 of the final sales price on the performance of the transaction in cash and the remaining EUR 925,000 with 100,000 freely transferable ordinary shares of Olympic Entertainment Group AS which are quoted at Tallinn Stock Exchange. The value of a share is measured based on the closing price of the share at Tallinn Stock Exchange on the last business day preceding the signature of the agreement between Olympic Entertainment Group AS and AS KC Grupp, i.e., 9.25 euros translated to Estonian kroons at the exchange rate of 15.6466 kroons to one euro. The subscription price of the new shares will be 0,64 EUR per share, i.e. the new shares will be issued without share premium for a total price of 64,000 EUR. In addition, on the closure of the deal, the difference between the initial and final sales price is to be settled in cash.

The transaction required the permission of the Estonian Competition Board. The permission was obtained on 22 March 2007. The deal is planned to be closed in April 2007.

Share options

In 2007 option agreements were made with members of the management board of Olympic Entertainment Group AS and the Group's key personnel. Under the option agreements, during the period 2008-2010 a member of the management board may subscribe a total of 166,812 shares in Olympic Entertainment Group and a key staff member may subscribe a total of 66,723 shares. The precise number of the shares that a member of the management board or a key staff member may subscribe will depend on the attainment of the Group's financial targets and the objectives set for the area of activity of the member of the management board or the key staff member. The options may be exercised every year from 2008 to 2010.

Note 31. Parent company's separate financial statements

According to the Estonian Accounting Act, the unconsolidated balance sheet, income statement, statement of changes in equity and cash flow statement of the consolidating entity (parent company) shall be disclosed in the notes to the consolidated financial statements. In these financial statements of the parent company the same accounting policies as in the consolidated financial statements have been used.

In the separate financial statements of the parent company investments in subsidiaries are stated at fair value, fair value changes are recognised in the income statement. The fair value of the investments in subsidiaries is calculated using the discounted future cash flows without considering the possible impact of business combinations in the future.

Olympic Entertainment Group AS' separate balance sheet

At 31 December
ASSETS

In thousands of EUR	2006	2005
Current assets		
Cash and cash equivalents	50,371	15
Receivables from group companies	910	625
Other receivables and prepayments	438	84
Inventories	0	320
Total current assets	**51,718**	**1,044**
Non-current assets		
Shares in subsidiaries	346,698	267,919
Long-term receivables from group companies	20,542	8,383
Other long-term receivables	2,450	0
Investment property	261	198
Property, plant and equipment	833	871
Intangible assets	662	0
Total non-current assets	**371,447**	**277,371**
TOTAL ASSETS	**423,166**	**278,415**

LIABILITIES AND EQUITY

In thousands of EUR	2006	2005
LIABILITIES		
Current liabilities		
Trade payables	443	144
Payables to group companies	3,602	5,064
Tax liabilities	71	26
Other accrued payables	59	13
Provisions	85	47
Total current liabilities	**4,260**	**5,294**
Non-current liabilities		
Interest-bearing loans and borrowings	0	14,500
Non-current liabilities to group companies	22,313	7,672
Total non-current liabilities	**22,313**	**22,172**
Total liabilities	**26,573**	**27,466**
EQUITY		
Share capital	48,189	3
Share premium	61,918	1,636
Statutory capital reserve	0	0
Retained earnings	286,485	249,310
Total equity	**396,592**	**250,949**
TOTAL LIABILITIES AND EQUITY	**423,166**	**278,415**

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Olympic Entertainment Group AS' separate income statement

For the year ended 31 December

In thousands of EUR	2006	2005
Revenue		
Sales revenue	1,389	647
Other income	93	29
Total revenue	**1,482**	**675**
Expenses		
Cost of materials, goods and services used	-1,828	-453
Other operating expenses	-917	-593
Labour costs	-579	-201
Depreciation, amortisation and impairment losses	-214	-133
Other expenses	-22	-2
Total expenses	**-3,559**	**-1,382**
Operating profit	**-2,077**	**-707**
Financial income and expenses		
Financial income and expenses on shares in subsidiaries	79,170	244,860
Interest income	1,064	148
Interest expense	-1,519	-245
Foreign exchange gains and losses	-70	-18
Financial income and expense on financial investments	230	-272
Net financing items	**78,875**	**244,473**
NET PROFIT FOR THE PERIOD	**76,798**	**243,766**

Olympic Entertainment Group AS' separate statement of cash flows

For the year ended 31 December

In thousands of EUR	2006	2005
Cash flows from operating activities		
Net profit for the period	76,798	243,766
Adjustments for		
Depreciation, amortisation and impairment losses	214	133
Loss on disposal of property, plant and equipment and intangibles	22	0
Changes in the fair value of investment property	-93	-29
Income on shares in subsidiaries	-79,170	-244,860
Net other financial income and expenses	296	387
Change in receivables and prepayments	-2,410	-825
Change in inventories	320	-69
Change in payables and advances	-1,518	-260
Interest paid	-847	-55
Net cash used in operating activities	**-6,390**	**-1,811**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangibles	-660	0
Acquisition of subsidiaries	0	-13,559
Loans given	-18,037	-5,987
Repayment of loans given	5,994	952
Interest received	282	26
Dividends received	1,302	607
Net cash used in investing activities	**-11,120**	**-17,960**
Cash flows from financing activities		
Proceeds from issue of share capital	70,124	0
Proceeds from loans received	28,028	20,390
Repayment of loans received	-29,000	0
Dividends paid	-1,278	-607
Net cash from financing activities	**67,874**	**19,783**
NET CASH FLOWS	**50,363**	**11**
Increase in cash and cash equivalents	**50,363**	**11**
Cash and cash equivalents at beginning of period	**15**	4
Effect of exchange rate fluctuations	-7	0
Cash and cash equivalents at end of period	**50,371**	**15**

Olympic Entertainment Group AS' separate statement of changes in equity

In thousands of EUR	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
At 31 December 2004	**3**	**1,636**	**0**	**6,151**	**7,790**
Net profit for the period	0	0	0	-487	-487
Dividends paid	0	0	0	-607	-607
At 31 December 2005	**3**	**1,636**	**0**	**5,057**	**6,696**
Effect of changes in accounting policies	0	0	0	244,253	244,253
Adjusted balance at 31 December 2005	**3**	**1,636**	**0**	**249,310**	**250,949**
Net profit for the period	0	0	0	76,798	76,798
Issue of ordinary shares	0	0	0	0	0
- bonus issue	38,344	0	0	-38,344	0
- public offering	9,842	60,282	0	0	70,124
Dividends paid	0	0	0	-1,278	-1,278
At 31 December 2006	**48,189**	**61,918**	**0**	**286,485**	**396,592**
Interests in companies under control or significant influence:					
Carrying amount under the fair value method					-346,698
Carrying amount under the equity method					82,104
Adjusted unconsolidated equity at 31 December 2006					**131,998**

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Signatures

The management board has prepared the directors' report, the consolidated financial statements and the profit allocation proposal of Olympic Entertainment Group AS for 2006.

29 March 2007

Armin Karu Chairman of the Management Board	Andri Avila Member of the Management Board	Mart Relve Member of the Management Board

The supervisory board has reviewed the annual report prepared by the management board and has approved its presentation to the general meeting of the shareholders.

2 April 2007

Jaan Korpusov Chairman of the Supervisory Board	Kaia Karu Member of the Supervisory Board	Liina Linsi Member of the Supervisory Board	Peep Vain Member of the Supervisory Board

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Olympic Entertainment Group AS
(translation of the Estonian original)

We have audited the accompanying consolidated financial statements of Olympic Entertainment Group AS, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 52.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Olympic Entertainment Group AS as of 31 December 2006, 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.

Tallinn, 29 March 2007

KPMG Baltics AS

Taivo Epner
Authorized Public Accountant

Krista Rosenberg
Authorized Public Accountant

Profit allocation proposal

In EUR	
Retained earnings	-4 696 910
Net profit for 2006	24 848 771
Total distributable profits at 31 December 2006	**20 151 861**

The management board proposes that profits be allocated as follows:

Dividend distribution (0.13 EUR per share)	9 637 877
Transfer to statutory capital reserve	1 242 439
Retained earnings after allocations	**9 271 546**

29 March 2007

Armin Karu	Andri Avila	Mart Relve
Chairman of the Management Board	Member of the Management Board	Member of the Management Board