

Olympic Entertainment Group AS

Annual report 2007

Business name	Olympic Entertainment Group AS
Registration number	10592898
Address	Pronksi 19, Tallinn 10124
Telephone	+372 6 671 250
Fax	+372 6 671 270
E-mail	info@oc.eu
Corporate website	www.olympic-casino.com
Core activity	Provision of gaming services
Beginning of financial year	1 January 2007
End of financial year	31 December 2007
Auditor	KPMG Baltics AS

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Chairman's letter

Olympic Entertainment Group has completed a year of rapid development and forward-looking goal-setting.

In the first half of 2007, we secured a foothold in the Polish and Romanian gaming markets by acquiring local casino companies and extended our reach in Ukraine and Estonia by taking over selected local operators. In addition, Olympic Entertainment Group established a subsidiary in Slovakia – the first Olympic Casino should open doors in Bratislava in the summer of 2008.

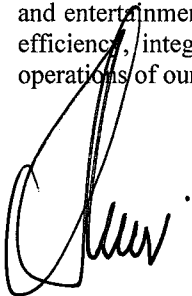
The number of gaming facilities operated by Olympic Entertainment Group grew from 79 to 122, and the numbers of slot machines and game tables at our facilities rose to 4690 and 202 respectively. At the year-end, the Group employed more than 4000 people.

The promises given during the IPO in autumn 2006 – to become the leader of the gaming market in Central and Eastern Europe and to operate in at least ten markets by the year 2010 – seemed highly ambitions at the time. However, at the end of 2007 Olympic Entertainment Group was already operating in eight countries and we are confident that the target of operating in ten will be achieved on time.

Accordingly, in 2007 Olympic Entertainment Group invested not only in geographical expansion and consolidation of established positions but also in developing a new corporate vision. After careful analysis, we have decided that the Group should diversify into the development of lodging and entertainment complexes. The new business line will be aimed at developing attractive holiday destinations which would offer gaming in combination with quality lodging, diverse entertainment and related services.

The new vision does not set any geographical boundaries for Olympic Entertainment Group because there is no need for it. Although focusing on the development of lodging and entertainment complexes assumes a significantly broader outlook, the knowledge and experience gained in the past five years allow us to believe that with proper preparation we can penetrate any market or industry.

From 2008 the vision of Olympic Entertainment Group will be “To be a global operator of first-rate gaming and entertainment facilities”. On moving towards the new vision, we will continue enhancing our operating efficiency, integrating recent acquisitions into the Group's organizational structure and harmonizing the operations of our new entities with Olympic Casino's recognized quality standards.



Armin Karu
Olympic Entertainment Group
Chairman of the Management Board

Management's discussion and analysis

Corporate profile

Olympic Entertainment Group AS (the "Company" or, together with the subsidiaries, the "Group") is the leading gaming services provider in the Baltic countries (Estonia, Latvia and Lithuania) and an increasingly recognized gaming facilities operator in Ukraine, Belarus, Poland and Romania.

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, Olympic Casino Latvia SIA in Latvia, Olympic Casino Group Baltija UAB in Lithuania, Olympic Casino Ukraine TOV in Ukraine, Olympic Casino Bel IP in Belarus, Casino Polonia-Wroclaw Sp. Z O.O. in Poland and Olympic Casino Bucharest S.R.L. in Romania. In Estonia, Latvia and Lithuania, the Group's non-core activities, such as the operation of a hotel in Tallinn and the operation of casino bars, have been separated from casino operations and transferred to specialized entities. A complete list of Group companies is presented in note 8 to the consolidated financial statements.

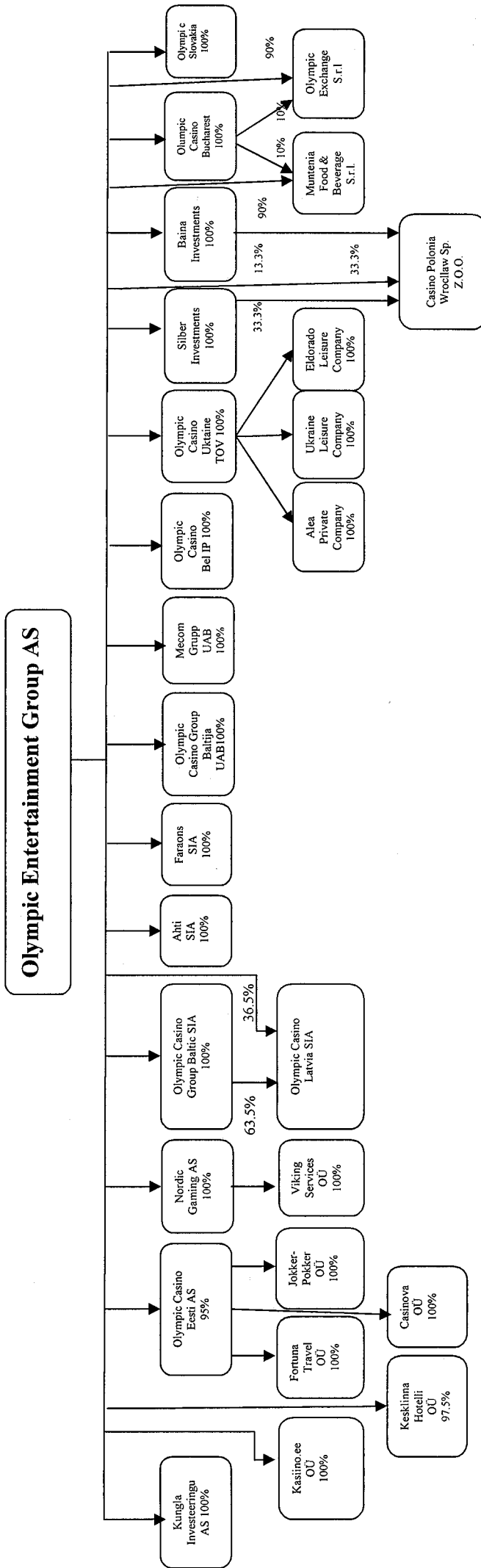
The Group operates slot and table casinos and, at most of its gaming facilities, casino bars. At 31 December 2007, the Group had 122 casinos - 35 in Estonia, 38 in Latvia, 15 in Lithuania, 19 in Ukraine, 4 in Belarus, 8 in Poland and 3 in Romania - and employed 4,004 people in seven countries.

Most of the Group's casino properties operate under the Olympic Casino name. At the end of 2007, 14 former Baltic Gaming AS casinos in Latvia and 5 category B casinos in Lithuania operated under the Bumerangas brand. 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).

Group structure

The consolidated financial statements of Olympic Entertainment Group AS for the year ended 31 December 2007 comprise the financials of Olympic Entertainment Group AS and its subsidiaries Olympic Casino Eesti AS, Kungla Investeeringu AS, Fortuna Travel OÜ, Kasiino.ee OÜ, Nordic Gaming AS (in liquidation), Viking Services OÜ (in liquidation), Jokker-Pokker OÜ, Casinova OÜ, Kesklinna Hotelli OÜ, Olympic Casino Group Baltic SIA, Olympic Casino Latvia SIA, Ahti SIA, Faraons SIA, Olympic Casino Group Baltija UAB, Mecom Grupp UAB, Olympic Casino Bel IP, Olympic Casino Ukraine TOV, Alea Private Company, Ukriane Leisure Company, Eldorado Leisure Company, Casino Polonia-Wroclaw Sp. Z O.O., Silber Investments Sp. Z O.O., Baina Investments Sp. Z O.O., Olympic Casino Bucharest S.R.L., Muntenia Food & Beverage S.R.L., Olympic Exchange S.R.L. and Olympic Entertainment Slovakia S.R.O. (note 8).

The Group's structure:



Corporate governance report

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

General meeting

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 agenda item, may ask questions and may make proposals. The Company gives notice of a general meeting on the website of the Tallinn Stock Exchange, on its own website at www.olympic-casino.com, and in at least one national daily newspaper. General meetings may be attended by shareholders and their duly appointed proxies holding proper letters of authorisation.

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

The Company does not make observing and attending general meetings possible through electronic channels because there is no explicit need for it and it would be costly (CGR 1.3.3).

The annual general meeting of 2007 convened on 25 April in the Main Conference Hall of the National Library at Tõnismägi 2 in Tallinn. The meeting began at 11 a.m. and ended at 12.20 p.m. The meeting was attended by members of the Company's management board Armin Karu, Andri Avila and Mart Relve and members of the Company's supervisory board Jaan Korpusov, Kaia Karu, Liina Linsi and Anders Galfvensjö. The minutes of the annual general meeting were attested by Anneli Alekand, a notary public in Tallinn. There were no extraordinary general meetings in 2007.

The annual general meeting of 25 April 2007 was not attended by the member of the supervisory board Peep Vain and by the Company's auditor. Mr Vain was out of the country at the time of the meeting and the presence of the auditor was not necessary (CGR 1.3.2).

The annual general meeting was attended by 79.68% of the votes represented by shares. Under the Articles of Association of Olympic Entertainment Group AS, the general meeting has a quorum when more than half of the votes represented by shares are present. Accordingly, the meeting had the quorum required for passing resolutions.

Management board

The management board is completely independent in matters concerning the daily management of the Company and acts in the best interests of all shareholders, ensuring the sustainable development of the Company in accordance with set objectives and adopted strategies and the implementation and execution of appropriate internal control and risk management procedures.

In 2007, the management board had three members - Armin Karu, Andri Avila and Mart Relve. The supervisory board appoints members of the management board for three years. The terms of office of the members of the management board expire on 30 September 2008, 31 December 2008 and 31 December 2009 respectively.

The chairman of the management board Armin Karu leads the board and is responsible for the Company's strategic management and implementation of the Company's expansion-driven development plan. Andri Avila is in charge of legal issues, investor relations and financial matters. Mart Relve deals with the daily management and development of Group entities.

The principles of remunerating members of the management board are decided by the supervisory board in conformity with the requirements of CGR. The management board's bonus systems are based on board members' responsibilities and the attainment of specific, comparable and previously set targets. The Company has granted share options to Armin Karu, Andri Avila and Mart Relve (for further information, please refer to the *People* section of *Management's discussion and analysis*).

The Company does not disclose the benefits, including basic remuneration, performance pay, and termination and other benefits, paid to each member of the management board because this constitutes sensitive personal information and its disclosure is not imperative for evaluating the Company's performance and management (CGR 2.2.7.). The aggregate amount of the benefits paid to members of the management board is presented in the *People* section of *Management's discussion and analysis*.

Members of the management board avoid conflicts of interest and observe the prohibition on competition.

Supervisory board

Jaan Korpusov, Kaia Karu, Liina Linsi and Peep Vain were elected as members of the supervisory board by the general meeting which convened on 12 September 2006. On 25 April 2007, the general meeting elected also Anders Galfvensjö as a member of the supervisory board. The supervisory board is elected for a term of five years. The terms of office of Jaan Korpusov, Kaia Karu, Liina Linsi and Peep Vain expire on 11 September 2011. The term of office of Anders Galfvensjö expires on 24 April 2012.

The chairman of the supervisory board is Jaan Korpusov. Independent members of the board are Liina Linsi, Anders Galfvensjö and Peep Vain. All members of the supervisory board have the knowledge and experience required for performing their duties and act in accordance with effective legislation and the Corporate Governance Recommendations. The supervisory board supervises the activities of the management board and participates in the adoption of all significant decisions, acting in the best interests of all shareholders. The supervisory board meets according to 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 evaluates the performance of the management board in implementing the Company's strategy on a regular basis. The supervisory board has not formed any committees.

In 2007, the meetings of the supervisory board were attended by all members 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 cooperate closely for better development of the Company, acting in conformity with the Company's Articles of Association. In data exchange and communication, all members of the supervisory and management boards follow the confidentiality protocol. The management board ensures that the confidentiality protocol is also observed by the Company's employees who have access to price sensitive information.

The Company does not disclose the benefits, including basic remuneration, additional remuneration, and termination and other benefits, paid to each member of the supervisory board because this constitutes sensitive personal information and its disclosure is not imperative for evaluating the Company's performance and management (CGR 3.2.5.) The aggregate amount of the benefits paid to the members of the supervisory board is presented in the *People* section of *Management's discussion and analysis*.

Disclosure of information, financial reporting and auditing

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

Data exchange with the media and analysts is organised with due consideration and care and without jeopardizing the independence of the parties. The Company publishes the time and location of its press conferences and the content of its presentations on its corporate website (CGR 5.6.).

The Company publishes annual and interim reports. The management board prepares the consolidated annual financial statements which are reviewed by the supervisory board and audited by the auditor. The annual report is presented to the shareholders together with the supervisory board's written report on the annual report.

Transactions performed with related parties are disclosed in the notes to the consolidated annual financial statements.

On giving notice of the annual general meeting, the supervisory board made available to shareholders information on the candidate for the Company's auditor – KPMG Baltics AS and Authorised Public Accountant Taivo Epner. In making its decision, the Company observed the auditors' rotation requirement. Before signing the audit services contract, the management board submitted a draft of the contract for approval to the supervisory board.

The Company's supervisory board approved the audit services provided by AS KPMG Baltics in 2007. The auditor is remunerated in accordance with the audit services contract signed with KPMG Baltics AS which provides, among other things, the auditor's obligations and responsibilities in auditing the Company. According to the Company's information, the auditor has performed all its contractual obligations and has performed the audit in accordance with International Standards on Auditing.

The Company does not disclose the amount of the audit fee because its non-disclosure does not affect the reliability of the audit services provided by the auditor (CGR 6.2.1.).

Highlights of 2007

- In April, Olympic Entertainment Group AS' subsidiary Olympic Casino Bucharest S.R.L. signed an agreement for acquiring the assets of the Romanian casino operator Empire International Game World, including three casinos in the Romanian capital Bucharest.
- In April, the Group completed the acquisition of Kristiine Kasiino AS and Casinova OÜ. In the second quarter, the business operations of Kristiine Kasiino AS and Olympic Casino Eesti AS were combined. The transaction increased the Group's estimated share in the Estonian gaming market to 45%.
- In April, a subsidiary - Olympic Entertainment Slovakia S.R.O. was established in Slovakia. The licence required for operating casinos and penetrating the Slovak gaming market was obtained at the beginning of February 2008.
- At the end of April, the Group signed the final agreement for the acquisition of an 80% stake in Casino Polonia-Wroclaw Sp. Z O.O. (CP). At the end of May, CP launched a spectacular new casino in the Hilton Hotel in Warsaw. Investments in the new casino totalled 110 million kroons. With its 1500 square metres, 100 slot machines and 20 game tables, the new Olympic Casino Sunrise is the largest casino in Poland.
- In May, the legal merger of Olympic Casino Latvia SIA and Baltic Gaming AS was completed.
- In July, the subsidiary Olympic Casino Ukraine TOV signed a preliminary agreement for the acquisition of the leading Ukrainian casino operator Eldorado. The final agreement by which the Group acquired three entities which operate five gaming halls in prime locations in and around the centre of Kiev (including three with game tables) was signed in September.
- In July, the Group acquired a 97.5% interest in Kesklinna Hotelli OÜ with a view to launching a new business line – the development of casino hotels and casino complexes.
- In August, the Group entered a new, category B gaming halls segment in Lithuania.
- Since 26 September, the shares of OEG have been traded on the Warsaw Stock Exchange. Membership in the fourth-largest stock exchange in Europe supports the Group's future ambitions and broadens its international reach.

Key performance indicators

	2007	2006	2005
Revenue (in millions of kroons)	2,517.4	1,668.8	879.9
EBITDA (in millions of kroons)	688.3	630.4	302
Operating profit (in millions of kroons)	431.5	444.4	223.5
Net profit (in millions of kroons)	380.7	404.3	207.1
EBITDA margin	27.3%	37.8%	34.3%
Operating margin	17.1%	26.6%	25.4%
Net margin	15.1%	24.2%	23.5%
Equity ratio	86.4%	89.8%	63.1%
ROA	15.2%	24.8%	28.5%
ROE	17.2%	30.3%	42.2%
Cash flows from operating activities (in millions of kroons)	655.7	655.3	321.4
Cash flows from investing activities (in millions of kroons)	-1,234.3	-453.8	-382.3
Cash flows from financing activities (in millions of kroons)	-151.1	849.0	152.7
Number of casinos at end of year	122	79	66
Total area of casinos at end of year (in square metres)	33,828	22,316	17,144

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 interests
- 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

Business and financial review

Consolidated results include the following periods' results of entities acquired in 2007:

- Kristiine Kasiino AS and Casinova OÜ April - December 2007
- Casino Polonia Wroclaw Sp. Z.O.O. May - December 2007
- Olympic Casino Bucharest S.R.L June - December 2007
- Eldorado companies (Eldorado Leisure Company, Alea Private Company, and Ukraine Leisure Company) October - December 2007

Revenue, expenses and profit

External revenue by segments

(In thousands of kroons)	2007	Growth	2006	Growth	2005	Growth
Estonia	865,977	29.0%	671,535	44.2%	465,693	16.0%
Latvia	692,758	35.5%	511,211	320.1%	121,683	110.4%
Lithuania	470,480	20.8%	389,467	49.3%	260,817	60.7%
Ukraine	187,639	97.8%	94,881	199.3%	31,701	-
Belarus	12,617	652.8%	1,676	-	-	-
Poland	270,839	-	-	-	-	-
Romania	17,114	-	-	-	-	-
Total	2,517,424	50.9%	1,668,770	89.7%	879,894	41.6%

The Group ended the year with sales revenue of 2,487.3 million kroons (2006: 1,658.7 million kroons). Total consolidated revenue (sales revenue and other income) surged to 2,517.4 million kroons (2006: 1,668.8 million kroons), 50.9% up on 2006. Gaming operations and other income accounted for 92% and 8% of consolidated revenue respectively (2006: the same).

At the end of 2007, the Group had 122 casinos with a total area of 33,828 square metres. At the end of 2006, the number of casinos was 79 and their total area was 22,316 square metres. The number of casinos increased by 43 (2006: 13), with 27 (2006: 0) acquired through business combinations.

Number of casinos by segments

	2007	2006	2005
Estonia	35	22	16
Latvia	38	38	38
Lithuania	15	10	8
Ukraine	19	8	4
Belarus	4	1	-
Poland	8	-	-
Romania	3	-	-
Total	122	79	66

Consolidated operating profit amounted to 431.5 (2006: 444.4) million kroons, 2.9% down from 2006, and consolidated net profit equalled 380.7 million kroons, a 5.8% decrease from the 404.3 million kroons earned in 2006.

Operating profit for 2007 was influenced by expenses incurred in connection with the launch of new casinos and other non-recurring items. According to management's assessment, the period's acquisitions did not achieve their full potential in 2007. We expect the profit margins of the new entities to improve in the second half of 2008.

Consolidated revenue was boosted by the contribution of newly acquired companies as well as organic and expansion-triggered revenue growth. Companies acquired through business combinations contributed 402.3 million kroons (2006: 0 kroons) or 47.6% of revenue growth. Non-recurring items accounted for 33.2 million kroons (2006: 0 kroons) of the period's revenue.

Consolidated expenses for 2007 totalled 2,085.9 million kroons (2006: 1,224.4 million kroons), up 70.4% on 2006. The largest expense item was personnel expenses including social charges which amounted to 651.9 million kroons (2006: 382.0 million kroons). The next in size were depreciation and amortisation expense of 256.8 million kroons (2006: 159.9 million kroons) and gaming tax expenses of 330.0 million kroons (2006: 145.3 million kroons), followed by marketing and jackpot expenses of 233.8 million kroons (2006: 144.2 million kroons) and buildings rental expenses of 171.0 million kroons (2006: 88.9 million kroons).

The structure of operating expenses has not changed. The main growth driver is still rapid expansion. In absolute numbers, the largest growth occurred in personnel expenses which increased by 269.9 million kroons (2006: 180.3 million kroons) or 70.7% (2006: 89.4%) year-over-year. Gaming tax expenses grew by 127.2% or 184.7 million kroons (2006: 75.7% or 62.6 million kroons) and rental expenses rose by 92.4% or 82.1 million kroons (2006: 113.9% or 47.4 million kroons).

Consolidated expenses for 2007 include costs of 52.0 million kroons (2006: 33.6 million kroons) incurred in connection with the opening of new casinos, and non-recurring items of 28.1 million kroons (2006: 4.0 million kroons): the costs of researching new markets (4.1 million kroons (2006: 0 kroons)), the costs of penetrating the Polish market (6.0 million kroons (2006: 4.0 million kroons)), and the costs related to the share options granted to members of the management and supervisory boards and key personnel (18.0 million kroons (2006: 0 kroons)).

Consolidated net profit for 2007 was affected by unrealised exchange differences – a net exchange loss of 31.2 million kroons (2006: a net exchange loss of 7.2 million kroons) arisen from fluctuations in the euro-US dollar exchange rate. Exchange differences have been recognised in the income statement in *Foreign exchange loss*.

Business and markets

Revenue by segments

	2007	2006	2005
Estonia	34.4%	40.2%	52.9%
Latvia	27.5%	30.6%	13.8%
Lithuania	18.7%	23.3%	29.6%
Ukraine	7.5%	5.8%	3.7%
Belarus	0.5%	0.1%	-
Poland	10.8%	-	-
Romania	0.6%	-	-
Total	100.0%	100.0%	100.0%

Estonian segment

Due to the Group's rapid expansion in 2005-2007, the Estonian segment's contribution to consolidated revenue has declined from 52.9% to 34.4%. In 2007, the segment's external revenue amounted to 866.0 million kroons (2006: 671.5 million kroons) including gaming revenue of 797.1 million kroons (2006: 612.6 million kroons). In 2007, the segment's external revenue grew by 30.1% (2006: 44.2%).

In April, the Group acquired Kristiine Kasiino AS and Casinova OÜ. In the second quarter, Kristiine Kasiino AS was combined with Olympic Casino Eesti AS. The transaction increased the Group's estimated share in the Estonian gaming market to 45%.

At the end of 2007, there were 35 Olympic Casinos in Estonia with a total of 1,335 slot machines and 24 game tables. During the year, three Olympic Casinos were renovated and six former Kristiine Kasiino facilities were re-branded as Olympic Casinos.

Olympic Casino Eesti AS (OCE) ended the year with sales revenue of 794.8 million kroons (2006: 642.6 million kroons), up 23.7%, with gaming revenue accounting for 786.1 million kroons (2006: 611.4 million kroons) of the total. Operating profit remained stable at 288.0 million kroons (2006: 288.7 million kroons). OCE's operating profit was adversely affected by the overall price hike in Estonia, the situation in the labour market which increased personnel expenses, the renovation of Olympic Casinos and the Kristiine Kasiino facilities, and the

acquisition of new equipment which increased depreciation expense. The costs incurred in connection with the renovation and re-branding of the Kristiine Kasiino facilities totalled 11.8 million kroons (2006: 0 kroons).

According to the Estonian Gaming Operator Association, in 2007 the turnover of the Estonian gaming market grew by 15% to 1,902.6 million kroons (2006: 1,652.3 million kroons). According to Statistics Estonia, in 2007 household spending on leisure activities increased 17.6% compared with the prior year.

In March 2008, the draft of a new Gaming Act was passed, which imposes stricter regulations on gaming operators. The new law, which should take effect on 1 January 2009, sets higher requirements to gaming equipment and increases the minimum number of slot machines at a facility from eight to forty. The Group's management believes that the new legislation will have a positive impact on OCE's performance by prompting market consolidation and, consequently, an improvement in efficiency.

The sales revenue of Kungla Investeeringute AS grew by 8.9% (2006: 14.4%) to 72.3 million kroons (2006: 66.4 million kroons), the sales of hotel services generating 50.4 million kroons (2006: 50.7 million kroons). Kungla Investeeringute AS' operating profit for 2007 dropped to 4.9 million kroons (2006: 11.5 million kroons). The year saw a decline in the number of hotel guests: only the first quarter ended in a 6% increase in the number of customers served. The proportion of foreign tourists was 60% (2006: 80%) and that of domestic tourists 40% (2006: 20%). The performance of Kungla Investeeringute AS was adversely affected by the launch of four new hotels (1581 beds) in Tallinn and the overall price increase in Estonia, which raised the hotel's operating expenses. The hotel business is subject to seasonal fluctuations: January-April and October-December constitute the low season in Estonia.

Latvian segment

The Latvian segment developed rapidly in 2005-2007, its proportion in consolidated revenue rising from 13.8% to 27.5%. In 2007, the segment's external revenues totalled 692.8 million kroons (2006: 511.2 million kroons), comprising of gaming revenue of 639.7 million kroons (2006: 459.3 million kroons) and other income of 53.1 million kroons (2006: 51.9 million kroons). External revenue grew 35.5% (2006: 320.1%). The exceptional growth of 2006 resulted from the consolidation of the results of Baltic Gaming AS from 1 January 2006.

The Latvian segment's external operating profit amounted to 103.4 million kroons (2006: 105.6 million kroons), 2.1% down from 2006. Profit growth has been hampered by increasing personnel expenses, an expansion-related rise in jackpot and bonus point expenses, the costs related to the merger of Baltic Gaming AS (BG) and Olympic Casino Latvia SIA (OCL) and investment-triggered growth in depreciation expense.

The legal merger of OCL and BG was completed in May 2007. During the year, ten BG casinos were renovated and two Olympic Casinos refurbished. At the year-end, OCL was operating 38 casinos with 1,235 slot machines and 40 game tables.

According to the Latvian Gaming Supervision Inspection, in 2007 the turnover of the Latvian gaming market grew by 34.7% (2006: 47.8%) to 3,912.9 million kroons (2006: 2,904.8 million kroons). In 2007, economic growth in Latvia decelerated from the 11.9% posted for 2006 to 10.2%. The Latvian market is characterized by a high rate of inflation which to date has leaped to 16%.

Lithuanian segment

At 20.8%, the Lithuanian segment sustained steady growth (2006: 49.3%). The segment's contribution to consolidated revenue was 18.7% (2006: 23.3%). External revenue amounted to 470.5 million kroons (2006: 389.5 million kroons), comprising of gaming revenue of 421.2 million kroons (2006: 373.7 million kroons) and other income of 49.3 million kroons (2006: 15.8 million kroons). Other income included non-recurring items of 28.9 million kroons (2006: 0 kroons): compensation of 8.6 million kroons received for delays in the renovation of the hotel and the protracted closure of the casino in Kaunas and gains of 20.3 million kroons resulting from changes in the fair value of investment property.

The segment's operating profit grew by 60.8% to 135.7 million kroons (2006: 84.4 million kroons). Excluding non-recurring items, the growth rate was 26.5%.

In August, Olympic Casino Baltija UAB (OCGB) entered a new, category B casino segment and opened five new category B casinos. The company's flagship casino in Kaunas remained closed because of the renovation of the hotel in which the casino is located.

At the end of 2007, OCGB was operating ten casinos under the Olympic Casino brand (including the one temporarily closed for renovation) and five under the Bumerangas brand. The casinos have a total of 546 slot machines and 64 game tables.

OCGB's interest in the Lithuanian gaming market was approximately 51% both in 2007 and 2006. Compared with Estonia and Latvia, the Lithuanian gaming market is younger, having opened up in 2001 only. The Group's management expects the Lithuanian segment to develop rapidly in the next few years. The market is characterized by a lack of labour and, consequently, swiftly rising wages. Lithuanian sales may be adversely impacted by the recently enacted gamblers' registration obligation.

Ukrainian segment

With 97.8% (2006: 199.3%) external revenue growth, Ukraine was the Group's fastest growing segment in 2007, its contribution to consolidated revenue rising to 7.5% (2006: 5.8%). The segment's external revenue amounted to 187.6 million kroons (2006: 94.9 million kroons), including gaming revenue of 177.5 million kroons (2006: 92.6 million kroons) and other income of 10.1 million kroons (2006: 2.3 million kroons).

The Ukrainian segment's operating profit for 2007 amounted to 18.6 million kroons (2006: 15.6 million kroons), 3.0 million kroons up on 2006. The segment's operating profit was influenced by expansion-related expenses, especially rental charges, and investment-triggered growth in depreciation expense.

At the end of 2007, Olympic Casino Ukraine TOV (OCU) was operating 14 Olympic Casinos. In September, a contract was signed for the acquisition of five casinos including two table casinos operating under the Eldorado brand name. At 31 December, OCU was operating with 683 slot machines and Eldorado casinos were operating with 274 slot machines and 17 game tables.

The Group's management regards Ukraine as one of the most attractive investment destinations. According to the forecasts of various sources, in 2008 the Ukrainian economy will grow by 6.5%.

Belarusian segment

At the end of December, Olympic Casino Bel IP (OCB) was operating four casinos with a total of 199 slot machines in Minsk. During the year, three new casinos were opened.

The Belarusian segment accounts for less than 1% of the Group's consolidated revenue. In connection with the opening of new facilities, OCB's revenue increased 6.5 times to 12.6 million kroons (2006: 1.7 million kroons). Due to delays in the opening of new casinos and the start-up phases of launched facilities, the period ended in an operating loss of 24.3 million kroons (2006: a loss of 6.8 million kroons).

Polish segment

At the end of April, the Group signed the final purchase agreement for the acquisition of an 80% stake in Casino Polonia Wroclaw Sp. Z.O.O. (CP). At the end of May, CP opened a new casino at the Hilton Hotel in Warsaw. Investments in the casino totalled almost 110 million kroons. With its 1500 square metres, 100 slot machines and 20 game tables, the new Olympic Casino Sunrise is the largest casino in Poland.

Casino Polonia Wroclaw Sp. Z.O.O (CP) ended the period May-December 2007 with revenue of 270.8 million kroons, the figure accounting for 10.8% of consolidated revenue. At the year-end, CP was operating eight casinos with a total of 310 slot machines and 44 game tables. Due to organisational restructuring, operating profit for the period May-December amounted to 2.5 million kroons.

Romanian segment

In April, Olympic Casino Bucharest S.R.L signed an agreement for the acquisition of the assets of the Romanian casino operator Empire International Game World, including three casinos in the Romanian capital Bucharest.

In the third quarter of 2007, two former Empire International Game World slot casinos were renovated and one new slot casino was opened. Olympic Casino Bucharest S.R.L. ended 2007 with revenue of 17.1 million kroons. Because of expenses incurred in connection with the opening of new game halls and reorganisation of operations, the period ended in an operating loss of 26.3 million kroons.

There is stiff competition among gaming operators in Bucharest – the market is divided between 19 table and 977 slot casino operators. Romania has a population of about 22 million. The country's economic growth in 2007 was 6%. Romania joined the European Union in 2007 only. According to IMF, in 2008 the Romanian economy will grow by at least 5.4%.

Balance sheet

At 31 December 2007, the consolidated balance sheet of Olympic Entertainment Group AS totalled 2,703.9 million kroons (31 December 2006: 2,309.2) million kroons, a 17.1% increase year-over-year.

Current assets accounted for 618.5 million kroons or 22.9% (31 December 2006: 1,300.6 million kroons or 56.3%) of total assets and non-current assets for 2,085.4 million kroons or 77.2% (31 December 2006: 1,008.6 million kroons or 43.7%) of total assets. Intangible assets accounted for 690.4 million kroons or 33.1% (31 December 2006: 142.2 million kroons or 14.1%) of non-current assets. The carrying amount of intangible assets has increased mainly on account of goodwill of 510.2 million kroons (2006: 0 kroons) acquired through business combinations (see note 13).

At 31 December, consolidated liabilities totalled 368.8 million kroons (31 December 2006: 236.2 million kroons) and consolidated equity amounted to 2,335.1 million kroons (31 December 2006: 2,073.0 million kroons). The largest items in liabilities were trade payables of 125.7 million kroons (31 December 2006: 97.0 million kroons), tax commitments of 84.5 million kroons (31 December 2006: 50.6 million kroons), and payables to employees of 66.5 million kroons (31 December 2006: 41.0 million kroons). Loans and borrowings included finance lease liabilities of 22.8 million kroons (31 December 2006: 0.2 million kroons), incurred in connection with the acquisition of gaming equipment for the Latvian subsidiary.

Investment

In 2007, the Group's expenditures on property, plant and equipment totalled 680.7 million kroons (2006: 434.3 million kroons) including investment in gaming equipment of 441.2 million kroons (2006: 277.1 million kroons), renovation of casinos for 206.5 million kroons (2006: 139.7 million kroons), and acquisition of other items of property, plant and equipment of 33.0 million kroons (2006: 17.5 million kroons). Business combinations increased property, plant and equipment by 139.1 million kroons (2006: 0 kroons).

Expenditures on intangible assets totalled 8.7 million kroons (2006: 17.0 million kroons). Business combinations increased intangible assets by 560.3 million kroons (2006: 0 kroons).

Cash flows

In 2007, the Group's operating cash flows were 655.7 million kroons (2006: 655.3 million kroons).

Cash outflow from investing activities grew 2.7-fold from 453.8 million kroons to 1,234.3 million kroons. Acquisitions of property, plant and equipment and intangible assets accounted for 53.5% or 660.7 million kroons (2006: 87.4% or 396.7 million kroons) and acquisitions of subsidiaries for 42.5% or 524.2 million kroons (2006: 6.0% or 27.4 million kroons) of the cash used in investing activities.

Cash outflow from financing activities amounted to 151.1 million kroons (2006: inflow of 849.0 million kroons). Proceeds from issue of share capital totalled 2.0 million kroons (2006: 1,097.2 million kroons), while the

payment of finance lease liabilities and the distribution of dividends resulted in an outflow of 2.3 million kroons (2006: 0.4 million kroons) and 150.8 million kroons (2006: 20.0 million kroons) respectively.

Dividend policy and distributions

Olympic Entertainment Group AS does not have a fixed 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 2007 Olympic Entertainment Group AS distributed 150.8 million kroons (2006: 20.0 million kroons) in dividends. The management board proposes that in 2008 the company distribute a dividend of 0.5 kroons per share, i.e., 75.5 million kroons in aggregate.

People

At 31 December 2007, the Group employed 4,004 people (31 December 2006: 2,342): 779 in Estonia, 1,077 in Latvia, 764 in Lithuania, 646 in Ukraine, 88 in Belarus, 489 in Poland, 159 in Romania and 2 in Slovakia.

Employee remuneration expenses including relevant social charges amounted to 651.9 million kroons (2006: 382.0 million kroons). The remuneration and benefits of the Group's executive and higher management including relevant social charges totalled 8,250 thousand kroons (2006: 7,030 thousand kroons).

In 2007 share options were granted to members of the management and supervisory boards of Olympic Entertainment Group AS and the Group's key personnel. According to the agreements, a member of the board may subscribe a total of 333,624 shares and a key executive a total of 133,446 shares in Olympic Entertainment Group AS during the period of 2008-2010. The exact number of the shares that may be subscribed 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 options may be exercised every year from 2008 to 2010 (see note 27).

Social responsibility

Recognising its responsibility to the society, the Group supports sports, health and culture through numerous charities and sponsoring 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.

Objectives for 2008

In 2008 the Group intends to:

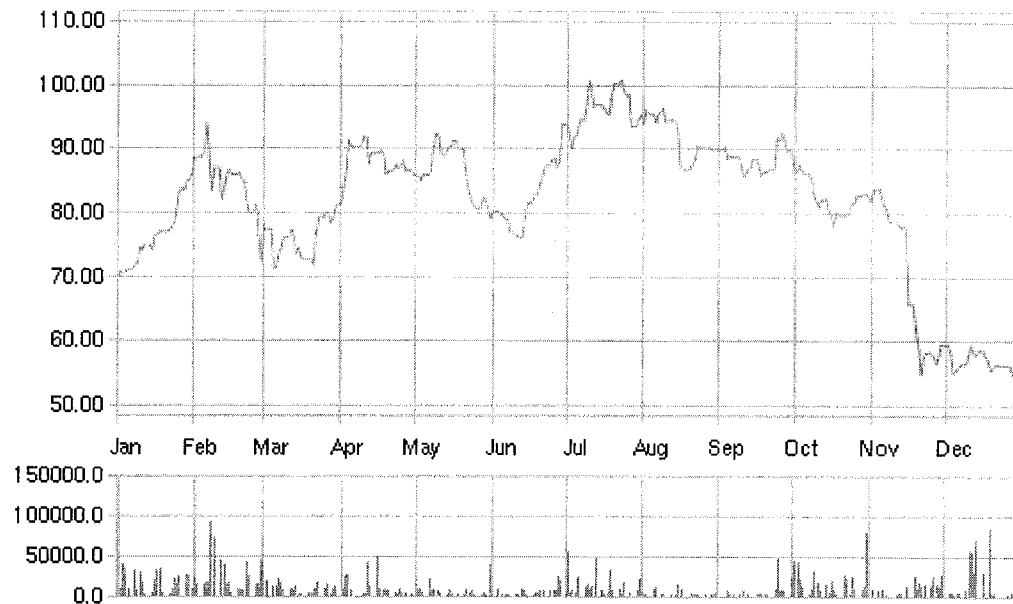
- improve revenue and profit at each Group entity
- increase each Group entity's market share
- open new casinos and sustain swift expansion in all countries where the Group operates
- continue investment in new gaming equipment and systems
- be the best gaming services provider in terms of service quality
- re-brand the Ukrainian Eldorado casinos as Olympic Casinos
- launch operations in Slovakia and
- penetrate new markets

The OEG share

Olympic Entertainment Group AS has been listed in the main list of the Tallinn Stock Exchange since 23 October 2006. The company has issued 151.0 million ordinary shares with a par value of 10 kroons each. Since 26 September 2007, the Company's shares have been traded on the Warsaw Stock Exchange.

ISIN code	EE3100084021
Short name of the security	OEG1T
Market	BALTIC MAIN LIST
Nominal value	10.00 Estonian kroons
Number of securities issued	151,000,000
Number of listed securities	151,000,000
Listing date	23 October 2006

Movements in Olympic Entertainment Group AS' share price (in kroons) and traded volume (number of securities) in 2007:



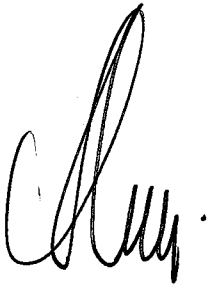
At the end of 2007, Olympic Entertainment Group AS had 2,497 shareholders. At 31 December 2007, the ten largest shareholders were:

	Number of shares	Ownership interest
OÜ HANSA ASSETS	78,000,000	51.6556%
OÜ HENDAYA INVEST	41,149,900	27.2516%
NORDEA BANK FINLAND PLC/ NON-RESIDENT LEGAL ENTITIES	3,328,345	2.2042%
HANSABANKAS CLIENTS	2,269,083	1.5027%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	2,038,347	1.3499%
CENTRAL SECURITIES DEPOSITORY OF LITHUANIA	1,578,157	1.0451%
HSBC BANK PLC RE HSBC SECURITIES SERVICES (LUXEMBOURG) RE JUPITER GLOBAL FUND	1,500,000	0.9934%
FIREBIRD AVRORA FUND, LTD.	1,312,800	0.8694%
BANK AUSTRIA CREDITANSTALT AG CLIENTS	1,273,088	0.8431%
INVESTORS BANK & TRUST COMPANY (TREATY)	1,247,952	0.8265%

Confirmation by the management board

The management board confirms that to the best of its knowledge, information and belief the directors' report presented on pages 5 to 17 of the annual report of Olympic Entertainment Group AS for 2007 under the title *Management's discussion and analysis* is an integral part of the annual report and presents fairly the development, performance and financial position of the Group, providing also an overview of the main risks and uncertainties.

25 April 2008



Armin Karu
Chairman of the Management Board



Andri Avila
Member of the Management Board



Mart Relve
Member of the Management Board

Consolidated financial statements

Statement of management's responsibility

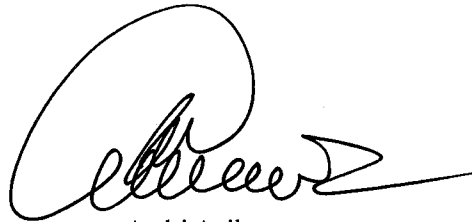
The management board of Olympic Entertainment Group AS acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated financial statements of Olympic Entertainment Group AS and its subsidiaries (the "Group") for the year ended 31 December 2007 presented on pages 19 to 65 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 (25 April 2008) have been properly recognised and disclosed; and
- Olympic Entertainment Group AS and its subsidiaries are going concerns (except for Nordic Gaming AS and Viking Services OÜ which are in liquidation).

25 April 2008



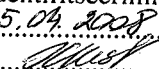
Armin Karu
Chairman of the Management Board



Andri Avila
Member of the Management Board



Mart Relve
Member of the Management Board

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Date/kuupäev..... 25.04.2008
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Consolidated balance sheet

As at 31 December

ASSETS

In thousands of Estonian kroons	Note	2007	2006
Current assets			
Cash and cash equivalents	2	501,800	1,234,658
Other investments	3	10,929	0
Trade receivables	4	14,309	7,181
Other receivables and prepayments	5	68,461	41,902
Prepaid income tax		2,567	6,388
Inventories	6	20,441	10,507
Total current assets		618,507	1,300,637
Non-current assets			
Deferred tax assets	7	3,575	3,204
Other investments	3	7,248	18,311
Other long-term receivables	9	11,955	42,554
Investment property	10	52,924	31,819
Property, plant and equipment	11, 12	1,319,338	770,471
Intangible assets	13	690,379	142,206
Total non-current assets		2,085,419	1,008,564
TOTAL ASSETS		2,703,926	2,309,201

LIABILITIES AND EQUITY

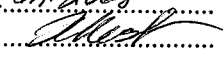
(In thousands of Estonian kroons)

		2007	2006
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	14	4,682	174
Customer advances		12,600	15,340
Trade payables		125,749	97,047
Other payables		9,293	92
Income tax payable		13,617	20,304
Other taxes payable	15	70,870	30,330
Accrued expenses	16	73,662	43,515
Provisions	17	15,297	16,213
Total current liabilities		325,770	223,015
Non-current liabilities			
Deferred tax liability	7	18,280	12,182
Interest-bearing loans and borrowings	14	24,787	991
Total non-current liabilities		43,067	13,173
Total liabilities		368,837	236,188
EQUITY			
Share capital	18	1,510,000	754,000
Share premium		227,273	968,800
Statutory capital reserve		19,444	4
Translation reserve		-1,343	-2,217
Retained earnings		518,394	315,308
Total equity attributable to equity holders of the parent		2,273,768	2,035,896
Minority interest		61,321	37,118
Total equity		2,335,089	2,073,013
TOTAL LIABILITIES AND EQUITY		2,703,926	2,309,201

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Consolidated income statement

In thousands of Estonian kroons	Note	2007	2006
Revenue			
Sales revenue	20	2,487,298	1,658,749
Other income	21	30,125	10,021
Total revenue		2,517,424	1,668,770
Expenses			
Cost of materials, goods and services used	22	-60,289	-56,433
Other operating expenses	22	-1,103,019	-592,595
Personnel expenses	22	-651,911	-381,997
Depreciation and amortisation	11, 13	-256,804	-159,855
Impairment of goodwill	13	0	-26,141
Other expenses	23	-13,908	-7,352
Total expenses		-2,085,931	-1,224,373
Operating profit		431,493	444,398
Financial income and expenses			
Gain on sale of investments in subsidiaries		0	8,409
Loss on investments in associates		11	-11
Interest income		27,791	9,900
Interest expense		-604	-10,325
Foreign exchange loss		-34,289	-7,636
Net financing items	25	-7,091	337
Profit from operations		424,403	444,735
Income tax expense	24	-43,752	-40,473
NET PROFIT FOR THE PERIOD		380,651	404,262
Attributable to minority interest		14,356	15,463
Attributable to equity holders of the parent		366,295	388,799
Basic earnings per share (in kroons)	26	2.43	3.11
Diluted earnings per share (in kroons)	26	2.42	3.11

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Consolidated statement of cash flows

In thousands of Estonian kroons	Note	2007	2006
Cash flows from operating activities			
Net profit for the period		380,651	404,262
Adjustments for			
Depreciation and amortisation	11, 13	256,804	159,855
Impairment losses on goodwill	13	0	26,141
Changes in the fair value of investment property	10	-21,105	-2,698
Losses on disposal of property, plant and equipment and intangible assets	21, 23	8,440	3,345
Income from sale of subsidiaries	8	0	-8,409
Losses from associates	8	-11	11
Net other financing items		7,102	8,061
Change in receivables and prepayments		-14,317	-19,645
Change in inventories		7,973	7,808
Change in payables and advances		75,423	98,441
Interest paid		-599	-10,325
Corporate income tax paid		-44,712	-11,532
Net cash from operating activities		655,650	655,315
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangibles		-660,682	-396,717
Proceeds from sale of property, plant and equipment and intangible assets		2,436	586
Acquisition of investment property		0	-25,079
Acquisition of other long-term investments		0	-27,383
Proceeds from sale of investments		0	13,916
Acquisition of subsidiaries		-524,232	-27,385
Proceeds from sale of subsidiaries	8	11	10,257
Loans granted	9	-77,685	-10,978
Repayment of loans given		2	286
Interest received		25,840	8,716
Net cash used in investing activities		-1,234,310	-453,782
Cash flows from financing activities			
Proceeds from issue of share capital	18	2,000	1,097,202
Proceeds from loans received	14	0	226,876
Repayment of loans received	14	0	-454,626
Payment of finance lease principal	14	-2,295	-403
Dividends paid	18	-150,800	-20,000
Net cash used in / from financing activities		-151,095	849,049
NET CASH FLOW		-729,755	1,050,582
Decrease / increase in cash and cash equivalents		-729,755	1,050,582
Cash and cash equivalents at beginning of period		1,234,658	184,564
Effect of exchange rate fluctuations		-3,103	-488
Cash and cash equivalents at end of period		501,800	1,234,658

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Date/kuupäev..... 25.04.2008

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Consolidated statement of changes in equity

In thousands of Estonian kroons

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 2005		40	25,598	4	2,074	546,469	574,185	21,655	595,840
Net profit for the period		0	0	0	0	388,799	388,799	15,463	404,262
Effect of changes in exchange rates		0	0	0	-4,291	0	-4,291	0	-4,291
Total recognised income and expense		0	0	0	-4,291	388,799	384,508	15,463	399,971
Issue of ordinary shares:									
- bonus issue		599,960	0	0	0	-599,960	0	0	0
- public offering		154,000	943,202	0	0	0	1,097,202	0	1,097,202
Dividend distribution	18	0	0	0	0	-20,000	-20,000	0	-20,000
At 31 December 2006		754,000	968,800	4	-2,217	315,308	2,035,896	37,118	2,073,013
Net profit for the period		0	0	0	0	366,295	366,294	14,356	380,651
Effect of changes in exchange rates		0	0	0	872	0	872	0	872
Total recognised income and expense		0	0	0	872	366,295	367,167	14,356	381,523
Issue of ordinary shares:									
- bonus issue	18	754,000	-754,000	0	0	0	0	0	0
- issued in business combinations	18	2,000	12,473	0	0	0	14,473	0	14,473
Transfer to capital reserve		0	0	19,440	0	-19,440	0	0	0
Dividend distribution	18	0	0	0	0	-150,800	-150,800	0	-150,800
Share options	18	0	0	0	0	7,032	7,032	0	7,032
Addition from business combinations	18	0	0	0	0	0	0	9,847	9,847
At 31 December 2007		1,510,000	227,273	19,444	-1,343	518,394	2,273,768	61,321	2,335,089

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Notes to the consolidated financial statements

Note 1. Significant accounting policies

Olympic Entertainment Group AS (the "Company" or "OEG") is a company registered in Estonia on 15 November 1999. The consolidated financial statements of the Company as at and for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group provides gaming services in the Baltic countries (Estonia, Latvia and Lithuania) and Ukraine, Belarus, Poland, Romania and Slovakia.

The financial statements were authorised for issue by the management board on 25 April 2008. The annual report is reviewed by the supervisory board and approved by the general meeting of the shareholders. The general meeting may make amendments to the annual report.

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 properties are 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 all Group entities.

These consolidated financial statements are presented in Estonian kroons, which is the Company's functional currency. Financial information is presented in thousands of Estonian kroons, rounded to the nearest thousand.

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 the 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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying IFRS that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3 – other investments
- Note 7 – deferred tax assets and liabilities
- Note 8 – subsidiaries and associates
- Note 10 – investment property
- Note 12 – leased assets
- Note 13 – intangible assets
- Note 17 – provisions
- Note 25 – earnings per share
- Note 27 – share-based payments
- Note 30 – contingent liabilities

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Date/kuupäev..... 25.04.2008

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Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by Olympic Entertainment Group AS. 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 so as to obtain benefits from the entity's activities. 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 Company and all subsidiaries controlled by the 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 and other changes in equity are translated to Estonian kroons using the weighted average exchange rates of the period.

Unrealised exchange differences from the translation of the financial statements of foreign operations are recognised in the translation reserve in equity.

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

In the Company's unconsolidated financial statements which are presented in the notes to the consolidated financial statements, investments in subsidiaries are measured at their fair values.

Financial instruments

Financial assets and liabilities

Financial assets and liabilities comprise cash and cash equivalents, investments in equity and debt securities, trade and other receivables, loans and borrowings, trade and other payables and accrued income and expenses.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Cash and cash equivalents comprise cash balances, shares in money market funds and term deposits with a short maturity.

Other financial assets are classified based on the purpose of their acquisition to the following categories.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. After initial recognition, the Group measures financial assets at fair value through profit or loss at their fair values without any deduction for the transaction costs it may incur on sale or other disposal. The fair value of listed securities is their quoted bid price at the reporting date. If the market for a financial asset is not active, fair value is established using valuation techniques. Valuation techniques include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where the value of an equity instrument cannot be measured reliably, the instrument is carried at cost.

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Held-to-maturity investments

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. Held-to-maturity investments are measured at their amortised cost using the effective interest rate method (the carrying amount of an investment is determined by reducing cost by any impairment losses).

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified to any of the other categories. After initial recognition, available-for-sale financial assets are measured at their fair values. An unrealised gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in equity except for impairment losses and foreign exchange gains and losses on monetary items such as debt securities. When an available-for-sale financial asset is sold or its value decreases, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Where an available-for-sale financial asset is interest-bearing, the interest calculated using the effective interest rate method is recognised in profit or loss.

Loans and receivables

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 as available for sale, and those for which the Group may not recover substantially all of its initial investment. Loans and receivables are measured at their amortised cost using the effective interest rate method (the carrying amount of an item is determined by reducing cost by any impairment losses).

Financial liabilities

After initial recognition, all financial liabilities are measured at amortised cost using the effective interest rate method.

As a rule, the amortised cost of current financial liabilities is equal to their nominal value, which is why current financial liabilities are stated at the amount payable. The amortised cost of non-current financial liabilities is determined using the effective interest rate method.

Borrowing costs are not capitalised but are recognised as an expense as incurred.

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

Derivative financial instruments

Derivatives are recognised initially at their fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value. Instruments with a positive value are recognised as assets and instruments with a negative value are recognised as liabilities. Any changes in the fair value of derivative financial instruments are recognised in profit or loss.

Inventories

Materials and goods purchased for resale are initially recognised at cost. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. In the balance sheet, inventories are measured 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. The cost of inventories is assigned using the first-in, first-out (FIFO) formula (see note 6).

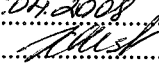
Investment property

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.

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Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. The cost of property, plant and equipment comprises all costs of purchase 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 carried at cost less any accumulated depreciation and any 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. Positive goodwill is recognised in the balance sheet and measured at cost less any accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group are initially recognised at cost. The cost of intangible assets comprises the purchase price and any costs directly attributable to the acquisition of the asset. In the balance sheet, other intangible assets are measured at cost less any accumulated amortisation and any 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

Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If evidence of impairment exists, the recoverable amount of an asset is estimated and compared to the asset's carrying amount.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Short-term receivables are not discounted.

When a change 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 had been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

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

Impairment losses recognised for an investment in an equity instrument classified as available for sale are not reversed through profit or loss but through equity. 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, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Other assets

The carrying amounts of the Group's non-financial assets other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). For the purpose of impairment testing, the goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Leases

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

The Group as a lessor

Assets leased out under operating lease are carried in the balance sheet analogously to owned 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).

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 estimated 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 its discounted present value. The discount rate is a pre-tax rate that reflects current market interest rates assigned to similar liabilities.

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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 21/79 of the amount distributed as the net dividend (until 31 December 2007 the tax rate was 22/78). The income tax payable on the distribution of dividends is calculated by taking into account the dividends received by the parent company from its foreign subsidiaries, which have been distributed from profit taxed with income tax.

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 the period 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 30.

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, Belarusian, Polish, Romanian and Slovak 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%, Belarus 24%, Poland 19%, Romania 16% and Slovakia 19%. The current income tax payable by the Group's Lithuanian, Latvian, Ukrainian, Belarusian, Polish, Romanian and Slovak entities is recognised as income tax expense and an income tax liability as incurred.

Deferred tax is recognised 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. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

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

A deferred tax asset is recognised 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 in foreign currencies are translated using the Eesti Pank (Bank of Estonia) 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 measured at fair value are re-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:

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Currency	Exchange rate	
	31 December 2007	31 December 2006
Euro	15.646600	15.646600
Lithuanian litas	4.531570	4.531570
Latvian lats	22.450500	22.433400
Belarusian ruble	0.004933	0.005547
Polish zloty	4.366070	4.081430
Ukrainian grivna	2.106570	2.350310
Romanian leu	4.363210	-
Slovakian koruna	0.465647	-

Revenue

Revenue from the rendering of services and sale of goods is recognised on the delivery of the service or on the sale of the goods. If a 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 in which case interest income is recognised on a cash basis. Dividend income is recognised in the income statement when the right to receive payment is established.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the profit or loss attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Employee benefits

Termination benefits

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

Share-based payments

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

Owing to the complexity of determining the fair value of services received, the fair of the services rendered by the key personnel is measured by reference to the fair value of the equity instruments granted. The fair value of such equity instruments is measured at their grant date by an independent appraiser.

The cost of equity-settled share-based payment transactions is recognised as an expense with a corresponding increase in equity over the period in which the employees become unconditionally entitled to the payment (the vesting period). The cumulative remuneration expense from equity-settled share-based payment transactions arisen during the vesting period represents the amortisation of the vesting period and the Group's best estimate of the number of equity instruments expected to vest. Any change in the cumulative remuneration expense is recognised in profit or loss.

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

Payables to employees

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

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

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

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 and liabilities comprise assets and liabilities which cannot be allocated to any segment on a reasonable basis. Unallocated assets comprise interest receivable, tax assets, and loan receivables. Unallocated liabilities comprise corporate income tax liabilities and long-term loans and borrowings.

Fair value

The fair values of cash, trade and other receivables, short-term loans and borrowings and trade and other payables do not differ significantly from their carrying amounts because they are expected to be settled within twelve months after the balance sheet date. The fair values of long-term loans and borrowings do not differ from their carrying amounts because their interest rates correspond to the market interest rates of comparable instruments.

It is assumed that the carrying amount of receivables and payables related to operating activity, net of any impairment allowances, is approximate to their fair value. The fair values of financial liabilities have been determined for disclosure purposes based on the present values of their future contractual principal and interest cash flows, discounted at the market rate of interest at the reporting date. The market rate of interest is determined by reference to similar financial instruments.

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The fair value of financial instruments which are traded on an active market (available-for-sale financial assets) is determined by reference to their quoted bid price at the reporting date.

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)

Standards, amendments to published standards and interpretations effective from 1 January 2007:

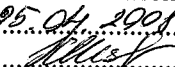
- Revised IFRS 7 *Financial Instruments: Disclosures*. The revised IFRS 7 introduces new requirements for the notes in order to improve the presentation of information in the financial statements. This requires presentation of qualitative and quantitative information on the risks arising from financial instruments, containing specific minimum requirements for credit risk, liquidity risk and market risk (incl. sensitivity analysis of these risks).

The application of the revised IFRS 7 did not have any impact on the Group's measurement or recognition principles. The Group made certain changes in presentation and additional disclosures are made in these consolidated financial statements together with comparative data.

- Revised IAS 1 *Presentation of Financial Statements – Capital Disclosures*. The application of the revised standard did not have any impact on the Group's measurement or recognition principles.
- Revised IFRIC 8 *Scope of IFRS 2*. The interpretation requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. The application of the revised interpretation did not have any impact on the Group's consolidated financial statements.
- Revised IFRIC 10 *Interim Financial Reporting and Impairment*. The revised interpretation prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The application of the revised interpretation did not have any impact on the Group's consolidated financial statements.

To date, a number of new standards, amendments to standards and interpretations have been issued which are not yet effective but will be mandatory for the Group in annual periods beginning on or after 1 January 2008. The following is management's assessment of the impact these new and revised standards and interpretations may have on the Group's financial statements in the period of initial application. The Group is not going to apply any of the new and revised standards or interpretations early.

- Revised IFRS 2 *Share-based Payment* (effective for annual periods beginning on or after 1 January 2009). The revised IFRS 2 requires the disclosure of additional information in the event of share-based payment transactions.
- Revised IFRS 3 *Business Combinations* (effective for annual periods beginning on or after 1 July 2009). Revisions amend the scope of the standard and expand the definition of business. In addition, the revised standard introduces other potentially significant changes such as:
 - All items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration.
 - Transaction costs are not included in acquisition accounting.

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- The acquirer can elect to measure any non-controlling interest at fair value at the date of acquisition (full goodwill) or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree.
- Acquisitions of additional non-controlling equity interests after the business combination must be accounted for as equity transactions.

As the revised standard does not have to be applied to business combinations prior to the date of adoption, the revised standard does not affect the financial statements with respect to business combinations that occur before the date of adoption of the revised standard.

- IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The standard requires segment disclosure based on the components of the Group that management monitors in making decisions about operating matters. The Group has not yet completed its analysis of the impact of the standard.
- Revised IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Items of income and expense and components of other comprehensive income may be presented either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group's management is currently evaluating whether to present a single statement of comprehensive income or two separate statements.
- Revised IAS 23 *Borrowing Costs* (effective for annual periods beginning on or after 1 January 2009). The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group has not yet completed its analysis of the impact of the revised standard.
- Revised IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for annual periods beginning on or after 1 January 2009). The revised standards require classification of some financial instruments that meet the definition of a financial liability as equity. According to management's assessment, the application of the revised standards will have no impact on the Group's consolidated financial statements.
- Revised IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). In the revised standard the term minority interest has been replaced by non-controlling interest, which is defined as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". The revised standard also amends the accounting for non-controlling interest, the loss of control of a subsidiary, and the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest. The Group has not yet completed its analysis of the impact of the revised standard.
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007). The interpretation requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. It also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent should be accounted for as cash-settled or equity-settled in the entity's financial statements. The Group has not yet completed its analysis of the impact of the revised standard.
- IFRIC 12 *Service Concession Arrangements* (effective from 1 January 2008). The interpretation provides guidance to public-to-private sector entities on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations as none of the Group entities have entered into any service concession arrangements.
- IFRIC 13 *Customer Loyalty Programmes* (effective for annual periods beginning on or after 1 July 2008). The interpretation explains how entities that grant loyalty award credits to customers who buy other goods or services should account for their obligations to provide free or discounted goods or

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services (“awards”) to customers who redeem those award credits. Such entities are required to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when they have fulfilled their obligations. The Group has not yet completed its analysis of the impact of the interpretation.

- IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions* (effective for annual periods beginning on or after 1 January 2008). The interpretation addresses: 1) when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; 2) how a minimum funding requirement (MFR) might affect the availability of reductions in future contributions; and 3) when an MFR might give rise to a liability. No additional liability need be recognised by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. The Group has not yet completed its analysis of the impact of the interpretation.

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Note 2. Cash and cash equivalents

In thousands of Estonian kroons, at 31 December	2007	2006
Cash on hand and at gaming halls	83,085	46,174
Call deposits	168,023	336,803
Term deposits	231,701	730,494
Cash in transit	18,991	14,338
Fund units	0	106,849
Total	501,800	1,234,658

At 31 December 2007, term deposits included deposits of 12,767 thousand kroons (31.12.2006: 0 kroons) made for the acquisition of the Eldorado subsidiaries, a deposit of 23,667 thousand kroons (31.12.2006: 0 kroons) made in connection with the preliminary agreement for the acquisition of the subsidiary Admiral Klubs, guarantee deposits of 43,379 thousand kroons (31.12.2006: 12,519 thousand kroons) made for rented premises and other guarantee deposits of 11,000 thousand kroons (31.12.2006: 0 kroons).

At the end of the reporting period, call deposits comprised the balances on current accounts and overnight deposits. The effective interest rates of overnight deposits ranged from 3.1% to 5.9% (2006: up to 3.54%) and the effective interest rates of term deposits and fund units ranged from 1.7% to 4.32% (2006: 1.7% to 4.2%). The maturities of term deposits range from one month to three years. Term deposits are cancellable. In 2007, the Group's interest income on term deposits amounted to 24,784 thousand kroons (2006: 6,536 thousand kroons).

Note 3. Other investments

Held-to-maturity investments

In thousands of Estonian kroons, at 31 December	2007	2006
Lithuanian government bonds		
Current portion	10,929	0
Non-current portion	7,248	18,311
Total	18,177	18,311

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 gaming legislation, 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 / 181,263 kroons per game table
- 25,000 litas / 113,289 kroons per slot machine

The bonds are classified as held-to-maturity investments. In 2007, interest income on the bonds amounted to 534 thousand kroons (2006: 549 thousand kroons).

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Note 4. Trade receivables

In thousands of Estonian kroons, at 31 December	2007	2006
Trade receivables	14,503	7,388
Allowance for impairment	-194	-207
Total	14,309	7,181

In thousands of Estonian kroons	2007	2006
Allowance for impairment at beginning of year	-207	-14
Items considered impaired	-127	-562
Items considered irrecoverable	140	369
Allowance for impairment at end of year	-194	-207

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 Estonian kroons, at 31 December	2007	2006
Prepaid taxes		
Gaming tax	23,767	15,889
Value added tax	6,074	6,572
Other taxes	7,508	978
Total prepaid taxes	37,349	23,439
Prepayments for services		
Lease of premises	11,935	5,457
Licences	2,560	3,262
Software and equipment maintenance	0	2,048
Other prepayments	4,991	5,308
Total prepayments for services	19,486	16,075
Other receivables		
Loans to employees	61	122
Other receivables from employees	2,910	650
Interest receivable	2,094	1,616
Miscellaneous receivables	6,561	0
Total other receivables	11,626	2,388
Total other receivables and prepayments	68,461	41,902

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Note 6. Inventories

In thousands of Estonian kroons, at 31 December	2007	2006
Gaming equipment	2,866	984
Jackpot prizes	1,005	1,129
Spare parts for slot machines	758	1,051
Other materials	9,030	3,148
Goods purchased for resale	6,782	4,064
Non-current assets held for sale	0	131
Total	20,441	10,507

In 2007, inventories were written down by 4,845 thousand kroons (2006: 3,092 thousand kroons) because some items had become unusable.

Note 7. Deferred tax assets and liabilities

In thousands of Estonian kroons	Tax assets		Tax liabilities		Net	
	2007	2006	2007	2006	2007	2006
Accrued income	0	0	0	-82	0	-82
Inventories	509	449	0	0	509	449
Employee benefits	18	430	0	0	18	430
Property, plant and equipment	1,233	0	-20,792	-13,985	-19,559	-13,985
Provisions	2,744	3,712	0	0	2,744	3,712
Tax value of loss carry-forwards	430	498	0	0	430	498
Other	1,153	0	0	0	1,153	0
Total tax assets / liabilities	6,087	5,089	-20,792	-14,067	-14,705	-8,978
Set-off of deferred tax assets and liabilities	-2,512	-1,885	2,512	1,885	0	0
Net deferred tax assets / liabilities	3,575	3,204	-18,280	-12,182	-14,705	-8,978
Deferred tax assets / liabilities at beginning of year	3,204	2,957	-12,182	-3,419	-8,978	-462
Deferred tax assets / liabilities at end of year	3,575	3,204	-18,280	-12,182	-14,705	-8,978
Recognised in income / expense during the year (see note 24)	371	247	-6,098	-8,762	-5,727	-8,516

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Note 8. Subsidiaries and associates

At 31 December	Domicile	Ownership interest		Core activity	Shareholder
		2007	2006		
Olympic Casino Eesti AS	Estonia	95%	95%	Organisation of gaming	OEG
Nordic Gaming AS	Estonia	100%	100%	In liquidation	OEG
Kungla Investeeringu AS	Estonia	100%	100%	Hotel services, catering	OEG
Vikings Services OÜ	Estonia	100%	100%	In liquidation	Nordic Gaming
Fortuna Travel OÜ	Estonia	100%	100%	Casino tourism	Olympic Casino Eesti
Kasino.ee OÜ	Estonia	100%	100%	Internet solutions	OEG
Jokker-Pokker OÜ	Estonia	100%	0%	Bar services	Olympic Casino Eesti
Casino.ee OÜ	Estonia	100%	0%	Trademark, brand management	Olympic Casino Eesti
Kesklinna Hotelli OÜ	Estonia	97.5%	0%	Hotel services	OEG
Olympic Casino Latvia SIA	Latvia	36.5%	30.04%	Organisation of gaming	OEG
Olympic Casino Latvia SIA	Latvia	63.5%	52.26%	Organisation of gaming	Olympic Casino Group Baltic
Olympic Casino Latvia SIA	Latvia	0%	17.7%	Organisation of gaming	Baltic Gaming
Baltic Gaming A/S	Latvia	0%	100%	Organisation of gaming	OEG
Ahti SIA	Latvia	100%	100%	Bar services	OEG
Faraons SIA	Latvia	100%	100%	Bar services	OEG
Baltic Electronics SIA	Latvia	0%	25%	Production of electronic equipment	Olympic Casino Latvia
Olympic Casino Group Baltic SIA	Latvia	100%	100%	Holding activities	OEG
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Organisation of gaming	OEG
Mecom Grupp UAB	Lithuania	100%	100%	Bar services	OEG
Olympic Casino Bel IP	Belarus	100%	100%	Organisation of gaming	OEG
Olympic Casino Ukraine TOV	Ukraine	100%	100%	Organisation of gaming	OEG
Alea Private Company	Ukraine	100%	0%	Organisation of gaming	Olympic Casino Ukraine
Eldorado Leisure Company	Ukraine	100%	0%	Organisation of gaming	Olympic Casino Ukraine
Ukraine Leisure Company	Ukraine	100%	0%	Organisation of gaming	Olympic Casino Ukraine
Silber Investments Sp. Z o.o.	Poland	100%	100%	Holding activities	OEG
Baina Investments Sp. Z o.o.	Poland	100%	100%	Holding activities	OEG
Casino-Polonia Wroclaw Sp.Z.o.o.	Poland	33.33%	0%	Organisation of gaming	OEG
Casino-Polonia Wroclaw Sp.Z.o.o.	Poland	33.33%	0%	Organisation of gaming	Silber Investments
Casino-Polonia Wroclaw Sp.Z.o.o.	Poland	13.33%	0%	Organisation of gaming	Baina Investments
Olympic Casino Bucharest S.r.l.	Romania	100%	0%	Organisation of gaming	OEG
Muntenia Food Beverage S.r.l	Romania	90%	0%	Bar services	OEG
Muntenia Food Beverage S.r.l	Romania	10%	0%	Bar services	Olympic Casino Bucharest
Olympic Exchange S.r.l	Romania	90%	0%	Currency exchange	OEG
Olympic Exchange S.r.l	Romania	10%	0%	Currency exchange	Olympic Casino Bucharest
Olympic Entertainment Slovakia	Slovakia	100%	0%	Organisation of gaming	OEG

Acquisition of subsidiaries

The pre-acquisition carrying amounts of assets and liabilities acquired have been measured immediately before the date of acquisition in accordance with the IFRSs applied at the acquired entity. The interests acquired have been recognised at cost which has been allocated by recognising the assets, liabilities and contingent liabilities acquired at their fair values in a purchase price allocation. Any excess of the cost of the business combination over the fair value of the net assets acquired has been recognised as goodwill. Goodwill is an intangible asset with an indefinite useful life which is not amortised but is tested for impairment annually by estimating its recoverable amount and comparing it to its carrying amount (note 13).

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Kristiine Kasiino AS, Eesti

On 9 April 2007, OEG completed the purchase of Kristiine Kasiino AS (including Jokker Pokker OÜ) (KK) and Casinova OÜ (Casinova). The final cost of KK and Casinova amounted to 300,381 thousand kroons. OEG paid 285,908 thousand kroons of this in cash and settled the remaining 14,473 thousand kroons by issuing 100,000 freely transferable ordinary shares listed on Tallinn Stock Exchange. The value of a share was measured based on the closing price of the share on Tallinn Stock Exchange on the last business day preceding the signature of the agreement between OEG and AS KC Grupp, which was 144.73 kroons. Taking into account the bonus issue performed (note 18), OEG issued 200,000 ordinary shares with an issue price of 14,473 thousand kroons. The purchase price does not include the legal fees (478 thousand kroons) incurred in connection with the transaction.

The acquisition of KK and Casinova had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount	Fair value
	In thousands of Estonian kroons	
Cash and bank balances	49,458	49,458
Receivables and prepayments	2,307	2,307
Inventories	1,000	1,000
Non-current financial investments	441	441
Property, plant and equipment	38,013	38,013
Intangible assets	0	32,009
Liabilities	12,402	12,402
Net assets	78,817	110,826
Ownership interest acquired		95%
Net assets acquired		105,285
Goodwill on acquisition		195,096
Purchase price		300,381
Cash and bank balances acquired		49,458
Consideration paid, satisfied in cash		-285,908
Net cash outflow		-236,450
Settled with shares in OEG		-14,473

On the acquisition of KK and Casinova, the fair value of the entities' lease contracts which were recognised as intangible assets was determined as the discounted difference between the lease payments to be made over the lease term and the estimated lease payments charged for comparable premises in the same area. The discount rate applied was estimated based on the weighted average cost of capital.

The goodwill recognised on the acquisition is attributable to the customer base and attractive locations of the acquired entities as well as the synergies expected to be achieved from integrating their operations into the business of Olympic Casino Eesti AS, especially in terms of cost and operating efficiency.

Olympic Casino Bucharest S.r.l., Romania

On 12 April 2007, Olympic Casino Bucharest S.r.l. signed an agreement on the acquisition of the assets of the Romanian casino operator Empire International Game World. Under the agreement, Olympic Casino Bucharest S.r.l. acquired three casinos in the Romanian capital Bucharest. The contractual purchase price was 3,850 thousand euros payable in Romanian leu, i.e., 62,338 thousand kroons. The purchase price does not include the legal fees (189 thousand kroons) incurred in connection with the transaction.

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The acquisition of the assets of International Game World had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount	Fair value
In thousands of Estonian kroons		
Property, plant and equipment	4,560	4,560
Net assets	4,560	4,560
Ownership interest acquired		100%
Net assets acquired		4,560
Goodwill on acquisition		57,778
Purchase price		62,338
Consideration paid, satisfied in cash		-59,209
Net cash outflow		-59,209
Payable		-3,129

The goodwill recognised on the acquisition is attributable to the customer base and attractive location of the properties acquired as well as the qualifications, skills and technical talent of the acquired work force.

Casino Polonia Wroclaw Sp. Z.o.o, Poland

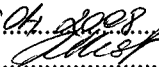
On 27 April 2007, OEG completed the acquisition of 80% of the shares in Casino Polonia Wroclaw Sp. Z.o.o. The share capital of Casino Polonia amounts to 4,928 thousand Polish zloty (20,356 thousand kroons). Together with associated transaction costs, the 80% stake cost 141,848 thousand kroons. Acquisition-related costs totalled 1,233 thousand kroons.

The acquisition of Casino Polonia had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount	Fair value
In thousands of Estonian kroons		
Cash and bank balances	14,819	14,819
Receivables and prepayments	22,158	22,158
Inventories	452	452
Non-current investments	752	752
Property, plant and equipment	92,495	92,495
Intangible assets	273	10,208
Liabilities	119,361	119,361
Net assets	11,588	21,523
Ownership interest acquired		80%
Net assets acquired		17,218
Goodwill on acquisition		124,630
Purchase price		141,848
Cash and bank balances acquired		14,819
Consideration paid, satisfied in cash		-141,848
Net cash outflow		-127,029
Including paid in the preceding financial year		-27,385

The fair value of operating licences recognised as intangible assets was identified using the replacement cost method which determines value by reference to the value of a comparable asset. The value of operating licences was determined by reference to the cost of new operating licences.

The goodwill recognised on the acquisition is attributable to the strong growth potential of Casino Polonia, which is based on the continuing growth of the Polish gaming market, as well as a solid customer base and established locations.

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Kesklinna Hotelli OÜ, Estonia

On 5 July 2007, OEG signed an agreement for the acquisition of a 97.5% stake in Kesklinna Hotelli OÜ. Kesklinna Hotelli OÜ was established in 2007 and is involved in the letting of hotel facilities within the Group. Net assets acquired totalled 39.0 thousand kroons and net cash outflow amounted to 11 thousand kroons. The interest was acquired for the Group's new business line – development of casino hotels and integrated lodging and entertainment complexes.

Acquisition-related costs totalled 11 thousand kroons. The goodwill arisen on the acquisition was insignificant and recognised using a simplified method.

The acquisition of Kesklinna Hotelli OÜ had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount	Fair value
	In thousands of Estonian kroons	
Cash and bank balances	40	40
Net assets	40	40
Ownership interest acquired		97.5%
Net assets acquired		39
Goodwill on acquisition		11
Purchase price		50
Cash and bank balances acquired		40
Consideration paid, satisfied in cash		50
Net cash outflow		-11

Eldorado, Ukraine

On 5 July 2007, OEG's Ukrainian subsidiary Olympic Casino Ukraine TOV concluded a preliminary agreement for the acquisition of the best-known Ukrainian casino operator Eldorado. The transaction was closed on 17 September 2007 when the final agreement was signed. Through the transaction, Olympic Casino Ukraine TOV acquired three subsidiaries: Alea Private Company, Eldorado Leisure Company and Ukraine Leisure Company. The transaction cost 145,270 thousand kroons and acquisition-related costs totalled 1,332 thousand kroons.

The acquisition of the Ukrainian subsidiaries had the following effect on the Group's assets and liabilities on acquisition date:

	Pre-acquisition carrying amount	Fair value
	In thousands of Estonian kroons	
Cash and bank balances	3,244	3,244
Receivables and prepayments	9,536	9,536
Inventories	509	509
Non-current investments	103	103
Property, plant and equipment	4,016	4,016
Intangible assets	7,907	7,907
Liabilities	12,693	12,693
Net assets	12,622	12,622
Ownership interest acquired		100%
Net assets acquired		12,622
Goodwill on acquisition		132,648
Purchase price		145,270
Cash and bank balances acquired		3,244
Consideration paid, satisfied in cash		-145,270
Net cash outflow		-142,026
Payable	Initialled for identification purposes only	-13,108

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On the purchase price allocation, apart from goodwill no separate intangible assets were identified. The goodwill recognised on the acquisition is attributable to the strong growth potential of the Ukrainian gaming market, the existing customer base and established business locations.

The effect of the business combinations on the Group's results of operation was the following:

	2007
	In thousands of Estonian kroons
Acquired subsidiaries' profit / loss for the period in the consolidated financial statements	-19,996
Profit / loss which would have been included in the consolidated financial statements if the subsidiaries had been acquired at the beginning of the reporting period	-26,650
Sales revenue which would have been included in the consolidated financial statements if the subsidiaries had been acquired at the beginning of the reporting period	482,634

Establishment of subsidiaries

During the reporting period OEG established the following subsidiaries: in March – Olympic Casino Bucharest S.r.l. in Romania, in April – Olympic Entertainment Slovakia S.k.k. in Slovakia, in August – Muntenia Food & Beverage S.r.l. in Romania and in September – Olympic Exchange S.r.l. in Romania.

Transformation of subsidiaries

On 18 April 2007, OEG transferred the interest acquired in KK to another Group company, Olympic Casino Eesti AS (OCE). As a result of the transaction, the Group's interest in KK's net assets declined to 95%. On 20 April 2007, OCE and KK concluded a merger agreement under which KK was to merge with OCE. The balance sheet date of the merger was 1 May 2007. As a result of the merger, KK was dissolved without liquidation proceedings and all its property including rights and obligations was transferred to OCE. The objective of the merger was to streamline the administration of the entities, to minimise their costs and to improve their operating efficiency. The merger was entered in the Commercial Register on 18 July 2007.

In the second quarter of 2007, the subsidiaries Olympic Casino Latvia SIA and Baltic Gaming AS merged. The balance sheet date of the merger was 1 May 2007 and the merger was entered in the Company Register on 5 July 2007.

In September 2007, OEG's wholly-owned subsidiaries Olympic Casino Latvia SIA and Olympic Casino Group Baltic SIA concluded a merger agreement. The acquirer was to be Olympic Casino Latvia SIA. The planned date of the merger was January 2008.

In 2007, OEG's subsidiary Olympic Casino Latvia SIA sold a 25% stake in Baltic Electronics SIA. Baltic Electronics SIA was acquired together with all other companies of Baltic Gaming AS at the end of 2005. Since the date of acquisition, the entity has not conducted any business operations. The transaction resulted in a loss of 9 thousand kroons.

	Baltic Electronics
	In thousands of Estonian kroons
Sales price	11
Loss on the sale	-9
Ownership interest divested of	25%
Received in cash in 2007	11
Cash inflow from the sales transaction	11
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Note 9. Other long-term receivables

In thousands of Estonian kroons, at 31 December	2007	2006
Long-term loans	99	10,953
Prepaid lease rentals	11,856	4,218
Prepayments for shares in Casino Polonia	0	27,383
Total	11,955	42,554

In the first half of the year, Casino Polonia was granted a loan of 77,685 thousand kroons (2006: 0). In connection with the acquisition of Casino Polonia in April 2007 the loan is an intra-Group receivable.

Note 10. Investment property

In thousands of Estonian kroons	Land	Buildings	Total
At 31 December 2005	3,098	1,415	4,513
Acquisitions	25,079	0	25,079
Disposals	-470	0	-470
Revaluation	1,462	1,235	2,697
At 31 December 2006	29,169	2,650	31,819
Revaluation	21,455	-350	21,105
At 31 December 2007	50,624	2,300	52,924

Investment properties are measured at their fair values.

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.

Investment property was revalued using the assistance of a professional Lithuanian real estate appraiser (Tikslo Siekis UAB).

In 2007, rental income from investment property amounted to 109 thousand kroons (2006: 106 thousand kroons). Operating expenses on investment property (utility, security, insurance, and land tax charges) totalled 28 thousand kroons (2006: 40 thousand kroons).

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Note 11. Property, plant and equipment

In thousands of Estonian kroons	Land and buildings	Renovation expenditures	Plant and equipment	Other items	Assets under construction	Total
Carrying amount at						
31 December 2005	22,816	145,294	306,755	23,442	5,527	503,834
Cost at 31 December 2005	24,938	219,180	443,490	39,679	5,527	732,814
Additions	0	64,669	277,098	17,543	74,966	434,276
Reclassification	-891	50,121	8,646	4,211	-62,087	0
Disposals	0	-14,432	-10,791	-2,035	-1,023	-28,281
Effect of movements in exchange rates	-19	-1,051	-5,560	-523	-152	-7,305
Cost at 31 December 2006	24,028	318,487	712,883	58,875	17,231	1,131,504
Accumulated depreciation at						
31 December 2005	-2,122	-73,886	-136,735	-16,237	0	-228,980
Depreciation charge for the year	-1,209	-29,953	-114,998	-9,481	0	-155,641
Reclassification	0	-67	-25	92	0	0
Disposals	0	12,830	8,102	1,002	0	21,934
Effect of movements in exchange rates	2	208	1,279	165	0	1,654
Accumulated depreciation at 31 December 2006	-3,329	-90,868	-242,377	-24,459	0	-361,033
Carrying amount at						
31 December 2006	20,699	227,619	470,506	34,416	17,231	770,471
Additions	0	132,604	441,147	33,045	73,872	680,668
Acquisitions through business combinations	0	70,064	64,839	3,347	834	139,084
Reclassification	-133	12,314	2,314	1,340	-15,835	0
Disposals	-2,026	-8,484	-37,295	-3,294	288	-50,811
Effect of movements in exchange rates	9	706	-15,553	447	-1,176	-15,567
Cost at 31 December 2007	21,878	525,691	1,168,335	93,760	75,214	1,884,878
Depreciation charge for the year	-1,237	-52,746	-186,947	-5,675	0	-246,605
Reclassification	7	0	98	-105	0	0
Disposals	0	2,631	36,373	1,227	0	40,231
Effect of movements in exchange rates	-5	144	1,809	-81	0	1,867
Accumulated depreciation at 31 December 2007	-4,564	-140,839	-391,044	-29,093	0	-565,540
Carrying amount at						
31 December 2007	17,314	384,852	777,291	64,667	75,214	1,319,338

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

Assets under construction include expenditures incurred in connection with assets constructed for the Group's own use. Upon completion, the assets will be transferred to the appropriate category of property, plant and equipment. No items of property, plant and equipment have been pledged as collateral and the Group has no obligation to invest in property, plant and equipment. In 2007, no items of property, plant and equipment were written down. In 2006, no items of property, plant and equipment were acquired through business combinations.

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Note 12. Leased assets

Assets acquired with finance lease

Plant and equipment	In thousands of Estonian kroons
Cost at 31 December 2005	1,420
Accumulated depreciation at 31 December 2005	-719
Carrying amount at 31 December 2005	701
Reclassification	-365
Depreciation charge for the year	-278
Reclassified depreciation	205
Effect of movements in exchange rates	-1
Cost at 31 December 2006	1,052
Accumulated depreciation at 31 December 2006	-790
Carrying amount at 31 December 2006	262
Addition	25,390
Depreciation charge for the year	-2,774
Effect of movements in exchange rates	-423
Cost at 31 December 2007	26,019
Accumulated depreciation at 31 December 2007	-3,564
Carrying amount at 31 December 2007	22,455

Assets held under operating lease

Operating lease payments made in 2007 totalled 170,977 thousand kroons (2006: 88,855 thousand kroons).

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 Estonian kroons	2007	2006
Operating lease payments made during the period	34,226	3,149
Operating lease rentals payable		
Less than 1 year	56,082	2,984
Between 1 and 5 years	233,260	13,901
Over 5 years	663,218	35,700

The Group leases out premises under the terms of operating lease. No non-cancellable lease contracts have been concluded. In 2007 operating lease income amounted to 2,180 thousand kroons (2006: 1,167 thousand kroons).

Operating lease rentals receivable in subsequent periods:

In thousands of Estonian kroons	2007	2006
Less than 1 year	5,363	4,883
Between 1 and 5 years	19,311	16,533
Over 5 years	50,067	37,648

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Note 13. Intangible assets

In thousands of Estonian kroons	Goodwill	Lease contracts	Software and licences	Pre-payments	Total
Carrying amount at 31 December 2005	151,933	0	5,004	41	156,978
Cost at 31 December 2005	155,697	0	11,228	41	166,966
Additions	24	0	16,955	0	16,980
Reclassification	0	0	41	-41	0
Disposals	-1,331	0	-77	0	-1,408
Effect of movements in exchange rates	0	0	-51	0	-4
Cost at 31 December 2006	154,390	0	28,096	0	182,486
Impairment of goodwill at 31 December 2006	-26,141	0	0	0	-26,141
Accumulated amortisation at 31 December 2005	-3,764	0	-6,224	0	-9,988
Amortisation charge for the year	0	0	-4,214	0	-4,214
Disposals	0	0	15	0	15
Effect of movements in exchange rates	0	0	0	0	0
Accumulated amortisation at 31 December 2006	-3,764	0	-10,423	0	-14,187
Carrying amount at 31 December 2006	124,486	0	17,720	0	142,206
Additions	0	0	8,743	0	8,743
Acquisitions through business combinations	510,161	32,009	18,114		560,284
Disposals	-659	0	-497	0	-1,156
Effect of movements in exchange rates	-9,284	0	-396	0	-9,680
Cost at 31 December 2007	654,608	32,009	54,060	0	740,677
Impairment of goodwill at 31 December 2007	-26,141	0	0	0	-26,141
Amortisation charge for the year	0	-2,752	-7,447	0	-10,199
Disposals	0	0	40	0	40
Effect of movements in exchange rates	0	0	188	0	140
Accumulated amortisation at 31 December 2007	-3,764	-2,752	-17,642	0	-24,158
Carrying amount at 31 December 2007	624,703	29,257	36,418	0	690,378

In 2007, goodwill decreased by 659 thousand kroons in connection with the determination of the final purchase price of the Baltic Gaming companies. In 2006, the Group wrote goodwill down by 26,141 thousand kroons in connection with the commencement of the liquidation of the subsidiaries Nordic Gaming AS and Viking Services OÜ.

The goodwill acquired from business combinations in 2007 totalled 510,161 thousand kroons.

Management tested goodwill for impairment as of 31 December 2007. The cash-generating units to which goodwill has been allocated include Olympic Casino Eesti AS, Olympic Casino Latvia SIA, Kesklinna Hotelli OÜ, Eldorado Leisure Company, Alea Private Company, Ukraine Leisure Company, Casino-Polonia Wrocław Sp. Z.O.O. and Olympic Casino Bucharest S.R.L. The Group regards legal persons as cash-generating units.

At the end of the reporting period, goodwill broke down between legal persons as follows:

In thousands of Estonian kroons, at 31 December	2007	2006
Olympic Casino Eesti AS (Kristiine Kasiino AS)	203,838	8,741
Olympic Casino Latvia SIA (Baltic Gaming AS)	115,085	115,744
Casino Polonia Wrocław Sp. Z.o.o.	124,630	0
Olympic Casino Bucharest s.r.l.	53,812	0
Kesklinna Hotelli OÜ	11	0
Eldorado Leisure Company	43,801	0
Ukraine Leisure Company	80,599	0
Alea Private Company	2,928	0
Total	624,703	124,486

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The recoverable amount of the cash-generating units and goodwill was identified by reference to the units' value in use. Value in use was determined using detailed pre-tax operating cash flow estimates for five years. The following key assumptions were applied:

- Cash flows for 2008-2012 were projected based on the budgets and business plan prepared by the management board according to which in the forecast period revenue will grow at the rate of 5% to 650% and expenses will grow at the rate of 5% to 188% per year.
- Free cash flow was discounted by applying a discount rate estimated based on the weighted average cost of capital, which was projected to equal 12.55% to 20.64% per year based on the industry indicators of the regions involved.
- Terminal value was projected by applying a 3% long-term perpetuity growth rate.

The values assigned to the key assumptions represent management's historical experience and assessment of future growth rates in the regions involved

The tests performed indicated that the recoverable amounts of all items of goodwill exceeded their carrying amounts. Therefore, no impairment loss was recognised.

Note 14. Interest-bearing loans and borrowings

Finance lease liabilities

In thousands of Estonian kroons, at 31 December	2007	2006
Finance lease liabilities at beginning of year	193	596
Addition	24,959	0
Principal payments made	-2,295	-403
Finance lease liabilities at end of year	22,857	193
Current portion	4,682	174
Non-current portion (payable within 3 years)	18,175	19
Finance charge for the year	588	37
Average interest rate	6.5%	6.5%

The base currency of all finance lease liabilities is the euro.

Bank loans

In thousands of Estonian kroons, at 31 December	2007	2006
Loan liabilities at beginning of year	0	226,876
Addition	0	226,876
Repayments made	0	-453,752
Loan liabilities at end of year	0	0
Non-current portion (payable in up to 5 years)	0	0
Interest expense of the year	0	10,288
Average interest rate	6 months' EURIBOR + 1.9%	

Other loans and borrowings

In thousands of Estonian kroons, at 31 December	2007	2006
Other non-current loans and borrowings	6,612	0
Non-current liabilities to suppliers	0	972
Total	6,612	972

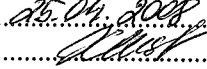
Total interest-bearing loans and borrowings

In thousands of Estonian kroons, at 31 December	2007	2006
Current portion	4,682	174
Non-current portion	24,787	991
Total	29,469	1,165

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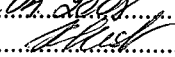
Note 15. Tax liabilities

In thousands of Estonian kroons, at 31 December	2007	2006
Gaming tax	23,004	3,358
Value added tax	14,294	5,978
Personal income tax	11,782	7,215
Social tax	18,935	12,415
Income tax on gifts and fringe benefits	1,395	634
Other tax liabilities	1,460	730
Total	70,870	30,330

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Effective tax rates in 2007

Tax	Estonia	Latvia	Lithuania	Belarus	Ukraine	Poland	Romania	Slovakia
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 3,500, over 10 tables EUR 4,000	EUR UAH 12,000 / 1,808	45% of net income	1000 USD	29% 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		10%	
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	5%	SKK 45,000 / EUR 1,347
Value added tax	18%	18%	18%	18%	20%	22%	19%	19%
Personal income tax	22%	25%	27%	9%-30%	13%+26%	19%-40%	16%	19%
Funded pension contributions	2%							14%
Social tax	33%	24.09% + 9%	34%	35% + 1%	2%+31.8% 1%+2.9%	19.8%-22.7%	29.25%	19.95%
Social security contributions	-	-	-	-	-	-	-	-
Unemployment insurance contributions *	0.6%+0.3%	LVL 0.25 / EUR 0.36 per employee	0.2%	-	0.5%+1.3%	-	-	1%+0.25%
Accident insurance	-	-	-	0.20%	0.76%	-	-	-
Corporate income tax	22%	15%	15% + 4%	24%	25%	19%	16%	19%

* Cover tax in Lithuania
Business venture tax in Latvia

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Note 16. Accrued expenses

In thousands of Estonian kroons, at 31 December	2007	2006
Payables to employees, including	66,654	40,959
Salaries payable	30,456	19,175
Vacation pay liabilities	36,198	21,784
Dividends payable	2,182	0
Other accrued payables	4,826	2,556
Total	73,662	43,515

Note 17. Provisions

In thousands of Estonian kroons	2007	2006
Provisions for winnings		
At beginning of the year	8,528	5,242
Provisions made during the year	81,182	61,191
Provisions used during the year	-80,100	-57,905
Provisions for winnings at end of the year	9,610	8,528
Provision for expenses		
At beginning of the year	7,685	1,682
Provisions made during the year	7,416	7,019
Provisions used during the year	-9,413	-1,016
Provision for expenses at end of the year	5,687	7,685
Total provisions	15,297	16,213

Provisions for winnings include the amounts calculated by electronic jackpot systems. Winnings realise 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

On 25 April 2007, the annual general meeting decided to arrange a bonus issue and to increase OEG's share capital by 754,000 thousand kroons using equity (i.e. without making any additional contributions). The meeting decided that share capital would be increased using share premium based on the consolidated financial statements for the year ended 31 December 2006.

Number of shares at 31 December 2005	4,000
Shares issued in 2006	75,396,000
Number of shares at 31 December 2006	75,400,000
Shares issued in 2007	75,600,000
Number of shares at 31 December 2007	151,000,000

On 30 May 2007, the supervisory board of OEG, exercising the powers arising from the Articles of Association, adopted a resolution to increase OEG's share capital by 2,000 thousand kroons. Based on a decision of the general meeting, OEG's shareholders were not to have any pre-emptive rights to the 200,000 ordinary shares which were issued on 1 March 2007 to satisfy the terms of the share purchase agreement concluded with AS KC Grupp.

After the above transactions, OEG's share capital amounts to 1,510,000 thousand kroons. All shares which have been issued have been paid for. The par value of a share is 10 kroons. Each ordinary share entitles the holder to a dividend, as declared from time to time, and carries one vote at general meetings of the Company.

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Dividends

On 25 April 2007, the annual general meeting decided to distribute a dividend of 2 kroons per share, i.e. 150,800 thousand kroons in aggregate. The dividends were paid out in May 2007.

In 2006, the Company distributed dividends of 20,000 thousand kroons. 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 in Estonia in either year.

After 31 December 2007 the management board has made a proposal that the general meeting of the shareholders distribute a dividend of 0.5 kroons per share. The contingent income tax liability arising on the distribution of dividends is disclosed in note 30.

Shares held by the members of the supervisory and management boards and their close family members at 31 December 2007

Armin Karu	2,900	0.0019%
Andri Avila	3,958	0.0026%
Mart Relve	1,450	0.0010%
Jaan Korpusov	36,900	0.0244%
Kaia Karu	2,900	0.0019%
Karl Anders Galfvensjö	9300	0.0062%

At 31 December 2007, close family members of Armin Karu held 5,400 shares.

Shareholders whose ownership interest exceeded 1% at 31 December 2007

Name	Number of shares	Ownership interest
OÜ HansaAssets (shareholder Armin Karu)	78,000,000	51.6556%
OÜ Hendaya Invest (shareholder Jaan Korpusov)	41,149,900	27.2516%
Nordea Bank Finland Plc	3,328,345	2.2042%
Clients of Hansabankas	2,269,083	1.5027%
Clients of Skandinaviska Enskilda Banken Ab	2,038,347	1.3500%
Central Securities Depository of Lithuania	1,578,157	1.0451%

Statutory capital reserve

The statutory capital reserve is established in accordance with the requirements of the Commercial Code. According to the Articles of Association, 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 will be terminated. Subject to a decision by the general meeting, the capital reserve may be used for covering losses if the latter cannot be covered with unrestricted equity or for increasing share capital. The capital reserve may not 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.

Capital requirements

The Estonian gaming legislation imposes the restriction that the share capital of a gaming services provider has to amount to at least 2 million kroons. In Latvia, the share capital of a gaming services provider has to amount to at least 1 million lats (22,451 thousand kroons). In Slovakia, the minimum share capital requirement for a gaming services provider is 50,000 thousand Slovak korunas (23,282 thousand kroons). In Lithuania, a gaming services provider has to invest in Lithuanian government bonds based on the number of game tables and slot machines operated. In Belarus, the share capital of a gaming services provider has to amount to 20,000 US dollars (213 thousand kroons).

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Note 19. Segment reporting

At 31 December 2007, the Group was operating in the Estonian, Latvian, Lithuanian, Ukrainian, Belarusian, Romanian, Polish, and Slovak 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. Assets are allocated to segments based on the geographical location of the customers.

At 31 December 2007, the Group was engaged in the provision of gaming services and other services (bar and related services and, in Estonia, hotel 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 Group's management, inter-segment pricing is determined on an arm's length basis.

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Geographical segments

In thousands of Estonian kroons

	Estonia		Latvia		Lithuania		Ukraine		Belarus		Poland		Romania		Slovakia		Eliminations		Consolidated			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006		
External sales revenue	861,234	665,996	689,793	507,482	449,231	388,717	187,627	94,878	12,125	1,676	270,261	0	17,028	0	0	0	0	0	0	2,487,299	1,658,749	
Other external income	4,743	5,539	2,965	3,729	21,249	750	12	4	492	0	578	0	86	0	0	0	0	0	0	30,125	10,021	
Inter-segment revenue and income	13,285	66,320	2,670	8,115	220	19,658	0	0	0	0	0	0	0	0	0	0	0	-16,175	-94,093	0	0	
Total revenue	879,262	737,855	695,428	519,326	470,700	409,125	187,639	94,882	12,617	1,676	270,839	0	17,114	0	0	0	0	-16,175	-94,093	2,517,424	1,668,770	
External expenses	-653,476	-434,707	-588,650	-401,499	-331,860	-302,409	-167,136	-77,326	-36,285	-8,003	-267,720	-428	-40,047	0	-757	0	0	0	0	-2,085,931	-1,224,372	
Inter-segment expenses	-302	-64,389	-3,394	-12,276	-3,130	-22,270	-1,903	-2,006	-674	-514	-3,392	0	-3,372	0	-2	0	16,169	101,455	0	0	0	
Total expenses	-653,778	-499,096	-592,044	-413,775	-334,990	-324,679	-169,039	-79,332	-36,959	-8,517	-271,112	-428	-43,419	0	-759	0	16,169	101,455	-2,085,931	-1,224,372	0	
Operating profit	225,484	238,759	103,384	105,551	135,710	84,446	18,600	15,550	-24,342	-6,841	-273	-428	-26,305	0	-759	0	-6	7,362	431,493	444,397	444,397	
Net financial items																				-7,091	337	
Income tax expense																					-43,752	-40,473
Net profit for the period																					380,651	404,262
Segment assets	1,865,636	1,787,560	620,484	360,319	359,194	281,052	398,006	127,273	76,693	11,024	320,384	82,683	116,464	0	30,982	0	-1,092,153	-362,870	2,695,690	2,287,040	2,287,040	
Unallocated assets																					8,236	22,161
Total assets	72,150	90,910	298,812	167,779	166,745	140,727	354,851	69,827	116,689	38,971	272,378	83,376	150,102	0	8,613	0	-1,103,400	-387,889	2,703,926	2,309,201	2,309,201	
Segment liabilities																					336,940	203,702
Unallocated liabilities																					31,897	32,486
Total liabilities																					368,837	236,188
Acquisition of property, plant and equipment and intangible assets	438,705	115,263	193,405	190,511	72,519	43,916	299,779	75,675	67,903	20,856	207,141	56	108,934	0	393	0	0	4,980	1,388,779	451,256	451,256	
Acquisition of investment property	0	0	0	0	0	25,079	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	25,079
Total capital expenditures																					1,388,779	476,336
Depreciation and amortisation included in operating profit	71,126	43,789	84,639	51,583	45,339	46,868	29,776	1,315	9,762	16,749	10,515	0	933	0	4	0	4,710	-448	256,804	159,855	159,855	
Impairment losses included in operating profit	350	26,141	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	350	26,141
Total depreciation, amortisation and impairment losses	71,476	69,930	84,639	51,583	45,339	46,868	29,776	1,315	9,762	16,749	10,515	0	933	0	4	0	4,710	-448	257,154	185,996	185,996	
Gains on changes in the fair value of investment property	1,128	2,698	0	0	20,327	0	0	0	0	0	0	0	0	0	0	0	0	0	0	21,455	2,698	
Losses on disposal of property, plant and equipment	-5,630	-1,950	-2,216	-2,892	-992	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-8,838	-4,842	
Total other significant non-cash income and expenses	-4,502	748	-2,216	-2,892	19,335	0	0	0	0	0	0	0	0	0	0	0	0	0	0	12,617	-2,144	

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Business segments

In thousands of Estonian kroons	Sales revenue		Assets		Capital expenditures	
	2007	2006	31.12.2007	31.12.2006	2007	2006
Gaming services	2,364,798	1,588,787	2,050,099	1,542,592	1,079,790	427,454
Other services	230,412	162,023	1,415,777	1,309,590	123,277	44,524
Eliminations	-107,912	-92,061	-767,587	-565,141	185,712	4,357
Unallocated assets	0	0	5,637	22,161	0	0
Total	2,487,298	1,658,749	2,703,926	2,309,201	1,388,779	476,336

Note 20. Sales revenue

In thousands of Estonian kroons	EMTAK code	2007	2006
Gaming revenue	92001	2,319,723	1,539,557
Hotel service revenue	55101	35,715	38,111
Bar service revenue	56101, 56301	93,797	63,522
Other revenue		38,063	17,559
Total		2,487,298	1,658,749

EMTAK – Estonian Classification of Economic Activities

Note 21. Other income

In thousands of Estonian kroons	2007	2006
Gains on currency exchange services	4,290	3,186
Change in the fair value of investment property	21,455	2,698
Gains on sale of property, plant and equipment	398	1,497
Miscellaneous income	3,982	2,640
Total	30,125	10,021

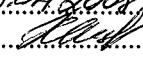
Note 22. Expenses

In thousands of Estonian kroons	2007	2006
Cost of materials, goods and services used		
Direct catering, accommodation and bar service expenses	-59,162	-47,938
Other services	-1,127	-8,495
Total cost of materials, goods and services used	-60,289	-56,433
Other operating expenses		
Gaming tax and operating licences	-330,007	-145,250
Marketing expenses	-233,813	-144,217
Rental expenses	-170,977	-88,855
Maintenance expenses (equipment and premises)	-145,927	-84,660
IT expenses	-18,407	-18,950
Other expenses	-203,888	-110,663
Total other operating expenses	-1,103,019	-592,595
Personnel expenses		
Salaries	-509,694	-296,796
Social charges	-142,218	-85,201
Total personnel expenses	-651,912	-381,997
Total	-1,815,220	-1,031,025

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Note 23. Other expenses

In thousands of Estonian kroons	2007	2006
Losses on disposal of property, plant and equipment	-8,838	-4,842
Foreign exchange losses on settlements with suppliers	-3,054	-553
Impairment losses on receivables	-127	-562
Miscellaneous expenses	-1,889	-1,395
Total	-13,908	-7,352

Note 24. Income tax expense

In thousands of Estonian kroons	2007	2006
Profit from operations	424,403	444,735
Current tax expense based on the tax rate applicable to the parent company (0%)	0	0
Effect of tax rates in foreign jurisdictions		
Lithuania	-23,465	-19,728
Latvia	-13,591	-10,482
Ukraine	-969	-1,747
Adjustments from origination and reversal of temporary differences	-5,727	-8,516
Income tax expense in the income statement	-43,752	-40,473

Note 25. Financial income and expenses

In thousands of Estonian kroons	2007	2006
Interest income on term deposits	13,341	818
Interest income on overnight deposits	11,533	5,718
Other interest income	2,917	3,364
Income from sale of investments in subsidiaries	0	8,409
Financial income and expense on investments in associates	11	-11
Interest expense	-604	-10,325
Foreign exchange loss	-34,289	-7,636
Total	-7,091	337


Note 26. Earnings per share

	2007	2006
Net profit attributable to equity holders of the parent (in thousands of kroons)	366,295	388,799
Weighted average number of shares outstanding (in thousands)	150,917	125,133
Basic earnings per share (in kroons)	2.43	3.11
Net profit attributable to equity holders of the parent (in thousands of kroons)	366,295	388,799
Weighted average number of shares outstanding (in thousands)	150,917	125,133
Dilutive effect of share options (in thousands)	166	0
Diluted earnings per share (in kroons)	2.42	3.11
Contractual price of a share option (in kroons)	40.15	
Fair value of a share option (weighted average, in kroons)	7.24	
Total exercise price of a share option (in kroons)	47.39	
Average market price of a share in 2007 (in kroons)	82.07	
Exercisable share options (in thousands)	392	
Dilutive effect of share options (in thousands)	166	

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Basic earnings per share have been calculated by dividing the net profit attributable to equity holders of the parent of 366,295 thousand kroons (2006: 388,799 thousand kroons) by the weighted average number of ordinary shares outstanding during the period, i.e., by 150,916,667 (2006: 125,133,333). In calculating the weighted average number of shares for 2007, the number of shares for the period January-May was 150,800,000 and the one for June-December was 151,000,000.

Diluted earnings per share have been calculated by considering the effect of share options granted under the employee share option programme, which were exercisable at the end of the reporting period. The effect of series 2009 and 2010 share options cannot be estimated because their exercise price depends on the future market price of the share.

Note 27. Share-based payments

During the reporting period, the management and supervisory board members of Olympic Entertainment Group AS and the Group's key personnel were granted share options.

Based on their vesting periods, the options have been divided into three portions – series 2008, 2009 and 2010 which allow acquiring a maximum of 3,770,000 shares in Olympic Entertainment Group AS. The exact number of the shares which may be subscribed by a board member or employee depends on an effective employment relationship and the achievement of the financial targets of the Group and the department or business line the board member or employee is responsible for or involved in. The exercise price of the series 2008 options is the IPO price of the share plus 10%. For series 2009 and 2010, the exercise price is the weighted average trading price of the share on the Tallinn Stock Exchange during the periods 1 January 2008 – 31 December 2008 and 1 January 2009 – 31 December 2009 respectively plus 10%.

The share options granted to board members and the key personnel are accounted for as consideration for services rendered to the Group. The fair value of services rendered is measured at the fair value of the instruments granted at grant date. The fair value of the share options is determined using the Black-Scholes option pricing model.

	Management and supervisory board members	Key personnel
Fair value of an option (weighted average price, in kroons)	5.78	7.99
Share price (weighted average, in kroons)	74.21	81.63
Exercise price (weighted average, in kroons)	69.15	74.92
Expected volatility	20%	20%
Expected dividends	1%	1%
Interest rate	6%	6%
In thousands of Estonian kroons	2007	2006
Total expense recognised in personnel expenses	7,032	0

Series	Grant date	Maximum number of options	Vesting conditions	Contractual life of options
2008	January 2007	1 089 928	Effective employment relationship, achievement of set financial and business targets	4 years
2009	January 2008	1 340 036	Effective employment relationship, achievement of set financial and business targets	3 years
2010	January 2009	1 340 036	Effective employment relationship, achievement of set financial and business targets	2 years

Exercisable share options (in thousands)	2007	2006
Share options outstanding at beginning of year	0	0
Share options granted during the year	1,090	0
Effect of non-satisfaction of vesting conditions	-698	0
Exercisable share options at end of year	392	0

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Note 28. Transactions with related parties

For the purposes of these consolidated 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, except where the losses resulted from impairment.

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 Estonian kroons		2007	2006
Related party	Transaction	Purchases	Purchases
Company related to the chairman of the management board	Lease of business premises	1,110	859
Company related to a member of the management board	Advisory services	0	253
Total		1,110	1,112

In thousands of Estonian kroons, at 31 December		2007	2006
Related party	Transaction	Payable	Payable
Company related to the chairman of the management board	Lease of business premises	0	92
Total		0	92

In thousands of Estonian kroons, at 31 December		2007	2006
Related party	Transaction	Receivable	Receivable
Minority shareholder in Casino Polonia	Sales	6,368	0
Total		6,368	0

In 2007, the remuneration of the Group's executive and higher management including relevant social charges totalled 8,250 thousand kroons (2006: 7,030 thousand kroons).

The total termination benefits provided for in the management board members' service contracts, including relevant social charges, total 3,259 thousand kroons. The payment of termination benefits depends on the reasons for terminating the contract.

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Note 29. Financial instruments

Financial assets

In thousands of Estonian kroons	Financial assets at fair value through profit or loss	Held-to-maturity investments	Available-for-sale financial assets	Loans and receivables	Total
Cash and cash equivalents	0	0	0	501,800	501,800
Investments	0	18,176	0	0	18,176
Trade receivables	0	0	0	14,309	14,309
Other receivables	0	0	0	29,723	29,723
Total	0	18,176	0	545,833	564,008

Financial liabilities

In thousands of Estonian kroons	Financial liabilities at fair value	Total
Loans and borrowings	29,470	29,470
Trade payables	125,749	125,749
Other liabilities	114,852	114,852
Total	270,071	270,071

Currency risk

The Group earns revenue in Estonian kroons, Latvian lats, Lithuanian litas, Ukrainian grivnas, Belarusian roubles, Polish zloty, and Romanian leus. Most of the Group's expenses are incurred in the same currencies. The purchases of goods and services which are performed in foreign currency are mostly performed in euro. In addition, the Group has liabilities denominated in euro to which the Estonian kroon has been pegged at a fixed exchange rate. The Group's results are affected by the fluctuation of the Latvian lats, the Ukrainian grivna, the Belarusian ruble, the Polish zloty and the Romanian leu 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.

Exposure to currency risk

At 31 December 2007

In thousands of Estonian kroons

	EEK	EUR	USD	BYR	LVL	LTL	UAH	PLN	RON	SKK	GBP	NOK	SEK
Cash and cash equivalent:	229,573	8,860	396	2,643	67,752	90,448	17,438	43,200	11,414	30,002	57	15	2
Trade receivables	2,705	193	0	0	4,267	2,221	161	4,160	90	512	0	0	0
Other financial assets	6,966	0	12,766	7,500	6,749	35,524	24,702	8,429	1,988	111	0	0	0
Total	239,244	9,053	13,162	10,143	78,768	128,193	42,301	55,789	13,492	30,625	57	15	2
Current portion of loans and borrowings	0	-4,682	0	0	0	0	0	0	0	0	0	0	0
Trade payables	-19,257	-8,735	-281	-1,842	-36,281	-2,276	-34,201	-11,311	-11,217	-172	-176	0	0
Other current liabilities	-64,277	-17,539	0	-995	-52,780	-19,768	-10,177	-28,453	-7,030	0	0	0	0
Non-current portion of loans and borrowings	0	-18,175	-6,612	0	0	0	0	0	0	0	0	0	0
Total	-83,534	-49,131	-6,893	-2,837	-89,061	-22,044	-44,378	-39,764	-18,247	-172	-176	0	0
Net exposure	155,710	-40,078	6,269	7,306	-10,293	106,149	-2,077	16,025	-4,755	30,453	-119	15	2

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At 31 December 2006

In thousands of Estonian kroons

	EEK	EUR	USD	BYR	LVL	LTN	UAH	PLN	RON	SKK	GBP	NOK	SEK
Cash and cash equivalents	968,467	1,938	437	8,225	76,905	82,539	13,520	82,511	0	0	85	6	25
Trade receivables	2,315	41	18	126	4,517	157	7	0	0	0	0	0	0
Other financial assets	42,200	35,831	0	2,320	13,627	10,888	7,376	116	0	0	0	0	0
Total	1,012,982	37,810	455	10,671	95,049	93,584	20,903	82,627	0	0	85	6	25
Current portion of													
loans and borrowings	0	0	0	0	-174	0	0	0	0	0	0	0	0
Trade payables	-27,731	-1,821	-415	-37	-22,576	-27,373	-17,094	0	0	0	0	0	0
Other current liabilities	-44,185	-300	-1,290	-433	-34,680	-38,749	-2,876	0	0	0	-123	0	0
Non-current portion of													
loans and borrowings	0	0	0	0	0	-991	0	0	0	0	0	0	0
Total	-71,916	-2,121	-1,705	-470	-57,430	-67,113	-19,970	0	0	0	-123	0	0
Net exposure	941,066	35,689	-1,250	10,201	37,619	26,471	933	82,627	0	0	-38	6	25

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.

In thousands of Estonian kroons

At 31 December	2007	2006
Cash and cash equivalents	501,800	1,188,484
Debt securities	18,176	18,311
Trade receivables	14,309	7,181
Other short-term receivables	12,099	7,250
Other long-term receivables	15,530	45,757
Total	561,914	1,266,983

Interest rate risk

The Group uses practically no debt capital (except for the finance 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. When a deposit matures, 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.

The Group's exposure to interest rate risk:

In thousands of Estonian kroons, at 31 December	2007	2006
Interest-bearing receivables	18,176	18,311
Interest-bearing liabilities	-22,857	-1,165
Net exposure	-4,681	17,146

Sensitivity analysis

According to management's assessment, changes in exchange rates may affect the Group's currency positions and risk exposure and, consequently, the income statement. Only significant currency positions were analysed. Changes in currency positions in 2008 were projected based on the actual changes in the same currencies in 2007.

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At 31 December 2007

In thousands of Estonian kroons

	EEK	EUR	USD	BYR	LVL	LTL	UAH	PLN	RON	SKK	Total
Financial assets											
Cash and cash equivalents	229,573	8,860	396	2,643	67,752	90,448	17,438	43,200	11,414	30,002	-
Current and non-current investments	0	0	0	0	0	18,177	0	0	0	0	-
Short-and long-term receivables	9,671	193	12,766	7,500	11,016	19,568	24,863	12,589	2,078	623	-
Total	239,244	9,053	13,162	10,143	78,768	128,193	42,301	55,789	13,492	30,625	-
Financial liabilities	-80,837	-26,274	-281	-2,837	-111,918	-22,044	-50,991	-39,764	-18,247	-172	-
Net position	158,407	-17,221	12,881	7,306	-33,150	106,149	-8,690	16,025	-4,755	30,453	-
Real positive change in currency position	-	-	-15%	-15%	-3%	-	-15%	-9%	-12%	-5%	-
Real negative change in currency position	-	-	15%	15%	3%	-	15%	9%	12%	5%	-
Effect on profit	-	-	-1,932	-1,096	995	-	1,304	-1,442	571	-1,523	-3,124
Effect of profit	-	-	1,932	1,096	-995	-	-1,304	1,442	-571	1,523	3,124

Fair value

According to the assessment of the Group's management, the carrying amounts of the Group's assets and liabilities do not differ significantly from their fair values. The fair values of assets and liabilities have been determined using discounted cash flow analysis.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's working capital is positive. At 31 December 2007 working capital stood at 292,737 thousand kroons and at 31 December 2006 at 1,077,622 thousand kroons. The decrease in working capital results from expansion of operations and an increase in investments. According to management's assessment, the Group is not going to incur any liquidity difficulties because the profitability of operating activities is improving.

The following are the contractual maturities of the Group's financial liabilities:

Financial liabilities

In thousands of Estonian kroons, at 31 December	2007	2006
Up to 1 year	297,873	191,462
Over 1 year	43,067	13,173
Total	340,940	204,635

The Group's management manages the Group's capital structure in accordance with changes in the economic environment and the risks related to the assets. To maintain or adjust the capital structure, the Group may adjust the dividends payable to shareholders, resell shares, issue new shares, or sell assets in order to meet liabilities.

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Note 30. Contingent liabilities

At 31 December 2007, the Group's undistributed profits amounted to 518,394 thousand kroons. The maximum income tax liability that would arise if all of the undistributed profits were distributed as dividends amounts to 108,863 thousand kroons. Thus, the maximum amount that could be distributed as the net dividend is 409,531 thousand kroons.

The maximum contingent income tax liability has been calculated based on the income tax rate for 2008 and the assumption that the net dividend and the arising income tax expense cannot exceed the Group's distributable profits as of 31 December 2007. The dividends received from foreign subsidiaries reduce the parent company's contingent dividend tax liability.

The tax administrator may review the Group's tax accounting and may assess additional tax, penalty payments and interest on arrears if errors are detected within three 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 might assess additional tax.

Note 31. 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.

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 assessment of future trends and prospects.

Goodwill

The assumptions used in measuring goodwill and assessing its recoverability 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 indications of possible future events.

Note 32. Subsequent events

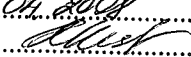
On 26 October 2007, Olympic Casino Latvia SIA signed a preliminary agreement for the acquisition of the third-largest Latvian casino operator AS Admirāļu Klubs. According to preliminary assessment, the cost of the transaction was to amount to 625.9 million kroons. Based on the results of the financial due diligence the Group decided on 18 January 2008 not to acquire AS Admirāļu Klubs under the terms and conditions provided in the preliminary agreement. The term deposit of 23,667 thousand kroons made in accordance with the preliminary agreement was recovered in January 2008.

Olympic Entertainment Group AS established a subsidiary in Slovakia. The name of the new subsidiary is Olympic F&B S.R.O. and it is involved in the provision of bar services to Olympic Entertainment Slovakia S.R.O. and its customers.

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Note 33. Parent company's unconsolidated primary financial statements

Pursuant to the Accounting Act of the Republic of Estonia, the unconsolidated primary financial statements of the consolidating entity (parent company) have to be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the parent company, the same accounting policies have been applied as in preparing the consolidated financial statements.

In the parent company's unconsolidated financial statements, investments in subsidiaries are accounted for as financial assets at fair value through profit or loss. The fair value of investments in subsidiaries is determined using the discounted cash flow method excluding the effect of potential business combinations.

Unconsolidated balance sheet of Olympic Entertainment Group AS

As at 31 December

ASSETS

In thousands of Estonian kroons	2007	2006
Current assets		
Cash and cash equivalents	24,439	788,129
Receivables from group companies	76,392	14,231
Other receivables and prepayments	7,045	6,858
Inventories	0	0
Total current assets	107,876	809,219
Non-current assets		
Investments in subsidiaries	6,109,123	5,424,643
Long-term receivables from group companies	1,014,584	321,415
Other long-term receivables	0	38,336
Investment property	5,218	4,090
Property, plant and equipment	10,732	13,038
Intangible assets	8,479	10,361
Total non-current assets	7,148,136	5,811,884
TOTAL ASSETS	7,256,012	6,621,102

LIABILITIES AND EQUITY

In thousands of Estonian kroons	2007	2006
LIABILITIES		
Current liabilities		
Trade payables	2,016	6,928
Payables to group companies	58,352	56,359
Tax liabilities	1,709	1,110
Accrued expenses	1,833	921
Provisions	3,215	1,336
Total current liabilities	67,125	66,654
Non-current liabilities		
Non-current liabilities to group companies	422,550	349,129
Total non-current liabilities	422,550	349,129
Total liabilities	489,675	415,783
EQUITY		
Share capital	1,510,000	754,000
Share premium	227,273	968,800
Statutory capital reserve	19,444	4
Retained earnings	5,009,620	4,482,516
Total equity	6,766,337	6,205,320
TOTAL LIABILITIES AND EQUITY	7,256,012	6,621,102

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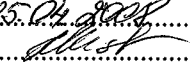
Unconsolidated income statement of Olympic Entertainment Group AS

In thousands of Estonian kroons	2007	2006
Revenue		
Sales revenue	22,888	21,732
Other income	1,128	1,462
Total revenue	24,016	23,195
Expenses		
Cost of materials, goods and services used	-6,036	-28,594
Other operating expenses	-57,795	-14,347
Personnel expenses	-23,828	-9,057
Depreciation and amortisation	-4,581	-3,346
Other expenses	-31	-349
Total expenses	-92,271	-55,693
Operating profit	-68,255	-32,498
Financial income and expenses		
Financial income and expenses on investments in subsidiaries	724,110	1,238,749
Interest income	51,303	16,643
Interest expense	-13,031	-23,770
Foreign exchange loss	-3,814	-1,097
Financial income and expense on investments	0	3,593
Net financing items	758,568	1,234,118
NET PROFIT FOR THE PERIOD	690,313	1,201,620

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Unconsolidated statement of cash flows of Olympic Entertainment Group AS

In thousands of Estonian kroons	2007	2006
Cash flows from operating activities		
Net profit for the period	690,313	1,201,620
Adjustments for:		
Depreciation and amortisation	4,581	3,346
Loss on disposal of property, plant and equipment and intangible assets	0	339
Changes in the fair value of investment property	-1,128	-1,462
Income on investments in subsidiaries	-724,110	-1,238,749
Net other financial income and expenses	-34,459	4,632
Change in receivables and prepayments	-23,957	-37,701
Change in inventories	0	5,000
Change in payables and advances	6,837	-23,748
Interest paid	-2	-13,260
Net cash used in operating activities	-81,925	-99,983
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-392	-10,331
Acquisition of other investments	-287,908	0
Proceeds from sale of investments	100,381	0
Acquisition of subsidiaries	-56,991	0
Loans granted	-744,822	-282,217
Repayment of loans granted	43,520	93,780
Interest received	12,491	4,406
Dividends received	151,182	20,366
Net cash used in investing activities	-782,539	-173,996
Cash flows from financing activities		
Proceeds from issue of share capital	2,000	1,097,202
Proceeds from loans received	250,400	438,541
Repayment of loans received	0	-453,751
Dividends paid	-150,800	-20,000
Net cash from financing activities	101,600	1,061,992
NET CASH FLOW	-762,864	788,013
Decrease / increase in cash and cash equivalents	-762,864	788,013
Cash and cash equivalents at beginning of period	788,129	231
Effect of exchange rate fluctuations	-826	-115
Cash and cash equivalents at end of period	24,439	788,129

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Date/kuupäev.....25.04.2008.....

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Unconsolidated statement of changes in equity of Olympic Entertainment Group AS

In thousands of Estonian kroons	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
At 31 December 2005	40	25,598	4	79,130	104,772
Effect of changes in accounting policies	0	0	0	3,821,726	3,821,726
Adjusted balance at 31 December 2005	40	25,598	4	3,900,856	3,926,498
Net profit for the period	0	0	0	1,201,620	1,201,620
Issue of ordinary shares					
- Bonus issue	599,960	0	0	-599,960	0
- Public offering	154,000	943,202	0	0	1,097,202
Dividend distribution	0	0	0	-20,000	-20,000
At 31 December 2006	754,000	968,800	4	4,482,516	6,205,320
Interests in companies under control or significant influence:					
Carrying amount under the fair value method					-5,424,643
Carrying amount under the equity method					1,284,643
Adjusted unconsolidated equity at 31 December 2006					2,065,320
Net profit for the period	0	0	0	690,313	690,313
Transfer to capital reserve			19,440	-19,440	
Issue of ordinary shares	756,000	-741,527	0	0	14,473
Share options	0	0	0	7,031	7,031
Dividend distribution	0	0	0	-150,800	-150,800
At 31 December 2007	1,510,000	227,273	19,444	5,009,620	6,766,337
Interests in companies under control or significant influence:					
Carrying amount under the fair value method					-6,109,123
Carrying amount under the equity method					1,624,367
Adjusted unconsolidated equity at 31 December 2007					2,281,581

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Date/kuupäev... 25.04.2008

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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 2007.

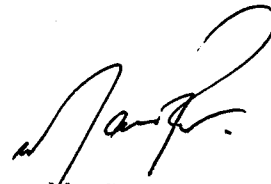
25 April 2008



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.

26.04.2008



Jaan Korpusov
Chairman of the
Supervisory Board



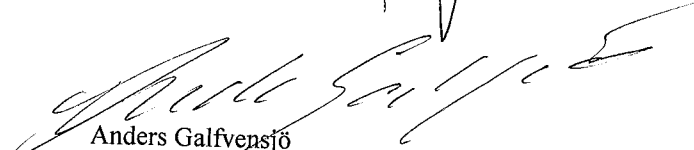
Kaia Karu
Member of the
Supervisory Board



Liina Linsi
Member of the
Supervisory Board



Peep Vain
Member of the
Supervisory Board



Anders Galfvensjö
Member of the
Supervisory Board



KPMG Baltics AS
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Olympic Entertainment Group AS

We have audited the accompanying consolidated financial statements of Olympic Entertainment Group AS, which comprise the consolidated balance sheet as at 31 December 2007, 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 19 to 65.

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.

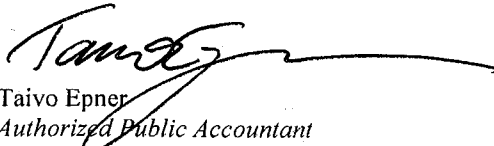
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


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 2007, 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, 25 April 2008

KPMG Baltics AS


Taivo Epner
Authorized Public Accountant


Krista Rosenberg
Authorized Public Accountant

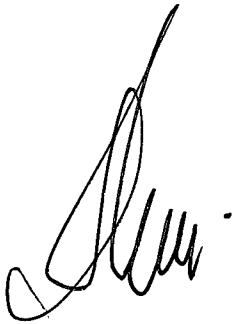
Profit allocation proposal

In Estonian kroons	
Retained earnings of prior periods	152,099,937
Net profit for 2007	366,294,391
Total distributable profits at 31 December 2007	518,394,328

The management board proposes that profits be allocated as follows:

Dividend distribution (0.5 kroons per share)	75,500,000
Transfer to statutory capital reserve	18,314,720
Retained earnings after allocations	424,579,608

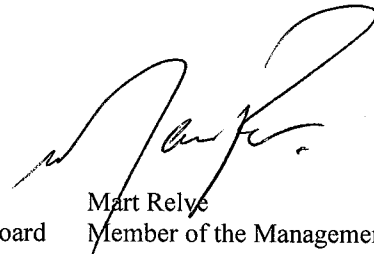
25 April 2008



Armin Karu
Chairman of the Management Board



Andri Avila
Member of the Management Board



Mart Relye
Member of the Management Board