Olympic Entertainment Group AS

Annual report 2007

Business name	Olympic Entertainment Group AS
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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

Contents

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 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.

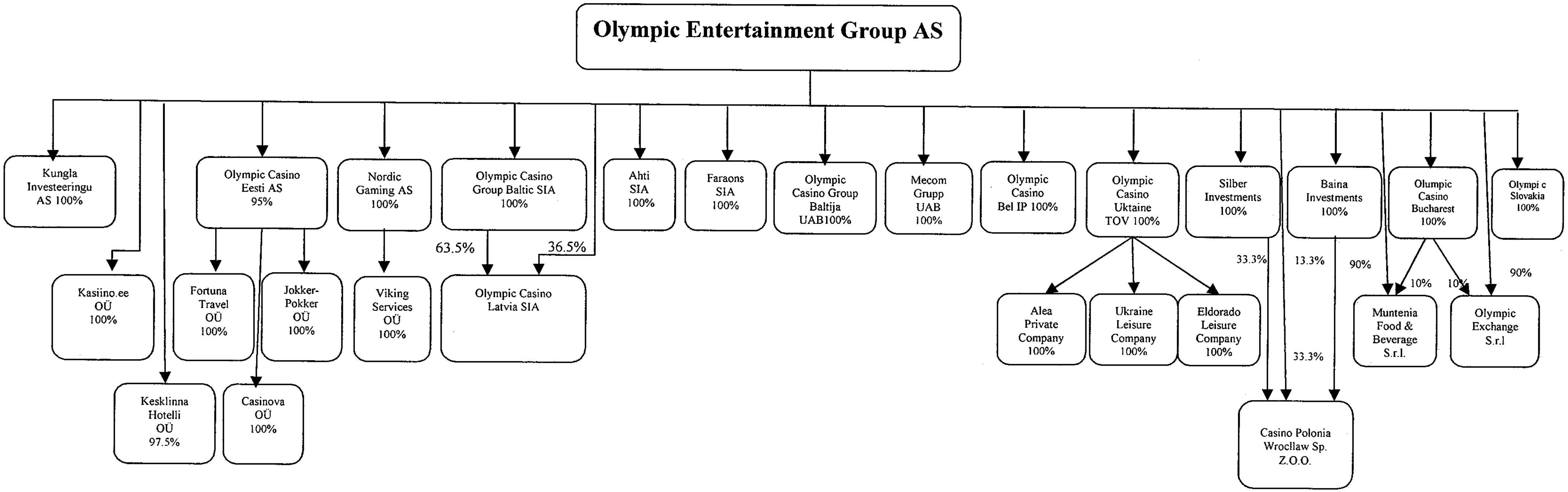
The Group operates slot and table casinos and, at most of its gaming facilities, casino bars. At 31 December 2007, the Group had 122 casinos - 35 in Estonia, 38 in Latvia, 15 in Lithuania, 19 in Ukraine, 4 in Belarus, 8 in Poland and 3 in Romania - and employed 4,004 people in seven countries.

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:


Olympic Entertainment Group AS
Kungla Investeeringu AS 100%
Kasiino.ee OÜ 100%
Kesklinna Hotelli OÜ 97.5%
Olympic Casino Eesti AS 95%
Fortuna Travel OÜ 100%
Jokker-Pokker OÜ 100%
Casinova OÜ 100%
Nordic Gaming AS 100%
Viking Services OÜ 100%
Olympic Casino Group Baltic SIA 100%
63.5%
36.5%
Olympic Casino Latvia SIA
Ahti SIA 100%
Faraons SIA 100%
Olympic Casino Group Baltija UAB100%
Mecom Grupp UAB 100%
Olympic Casino Bel IP 100%
Olympic Casino Uktaine TOV 100%
Alea Private Company 100%
Ukraine Leisure Company 100%
Eldorado Leisure Company 100%
Silber Investments 100%
Baina Investments 100%
33.3%
13.3%
33.3%
Casino Polonia Wrocllaw Sp. Z.O.O.
Olumpic Casino Bucharest 100%
90%
10%
10%
90%
Muntenia Food & Beverage S.r.l.
Olympic Exchange S.r.l
Olympi c Slovakia 100%

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 EUR 7.03 million. 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 EUR)	160.9	106.7	56.2
EBITDA (in millions of EUR)	44.0	40.3	19.3
Operating profit (in millions of EUR)	27.6	28.4	14.3
Net profit (in millions of EUR)	24.3	25.8	13.2
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 EUR)	655.7	655.3	321.4
Cash flows from investing activities (in millions of EUR)	-1,234.3	-453.8	-382.3
Cash flows from financing activities (in millions of EUR)	-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 euros	2007	Growth	2006	Growth	2005	Growth
Estonia	55,346	29.0%	42,919	44.2%	29,763	16.0%
Latvia	44,275	35.5%	32,673	320.1%	7,777	110.4%
Lithuania	30,069	20.8%	24,891	49.3%	16,669	60.7%
Ukraine	11,992	97.8%	6,064	199.3%	2,026	-
Belarus	806	652.8%	107	-	-	-
Poland	17,310	-	-	-	-	-
Romania	1,094	-	-	-	-	-
Total	**160,892**	**50.9%**	**106,654**	**89.7%**	**56,235**	**41.6%**

The Group ended the year with sales revenue of EUR 159.0 (2006: EUR 106.0 million). Total consolidated revenue (sales revenue and other income) surged to EUR 160.9 million (2006: EUR 106.7 million), 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 27.6 (2006: 28.4) million EUR, 2.9% down from 2006, and consolidated net profit equalled EUR 24.3 million, a 5.8% decrease from the EUR 25.8 million 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 EUR 25.7 million (2006: EUR 0) or 47.6% of revenue growth. Non-recurring items accounted for EUR 2.1 million (2006: EUR 0) of the period's revenue.

Consolidated expenses for 2007 totalled EUR 133.3 million (2006: EUR 78.3 million), up 70.4% on 2006. The largest expense item was personnel expenses including social charges which amounted to EUR 41.7 million (2006: EUR 24.4 million). The next in size were depreciation and amortisation expense of EUR 16.4 million (2006: EUR 10.2 million) and gaming tax expenses of EUR 21.1 million (2006: EUR 9.3 million), followed by marketing and jackpot expenses of EUR 14.9 million (2006: EUR 9.2 million) and buildings rental expenses of EUR 10.9 million (2006: EUR 5.7 million).

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 EUR 17.2 million (2006: EUR 11.5 million) or 70.7% (2006: 89.4%) year-over-year. Gaming tax expenses grew by 127.2% or EUR 11.8 million (2006: 75.7% or EUR 4.0 million) and rental expenses rose by 92.4% or EUR 5.2 million (2006: 113.9% or EUR 3.0 million).

Consolidated expenses for 2007 include costs of EUR 3.3 million (2006: EUR 2.1 million) incurred in connection with the opening of new casinos, and non-recurring items of EUR 1.8 million (2006: EUR 0.3 million): the costs of researching new markets (EUR 0.3 million (2006: EUR 0)), the costs of penetrating the Polish market (EUR 0.3 million (2006: EUR 0.3 million)), and the costs related to the share options granted to members of the management and supervisory boards and key personnel (EUR 1.2 million (2006: EUR 0)).

Consolidated net profit for 2007 was affected by unrealised exchange differences – a net exchange loss of EUR 2.0 million (2006: a net exchange loss of EUR 0.5 million) 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 EUR 55.3 million (2006: EUR 42.9 million) including gaming revenue of EUR 50.9 million (2006: EUR 39.2 million). 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 EUR 50.8 million (2006: EUR 41.1 million), up 23.7%, with gaming revenue accounting for EUR 50.2 million (2006: EUR 39.1 million) of the total. Operating profit remained stable at EUR 18.4 million (2006: EUR 18.4 million). 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 EUR 0.8 million (2006: EUR 0).

According to the Estonian Gaming Operator Association, in 2007 the turnover of the Estonian gaming market grew by 15% to EUR 121.6 million (2006: EUR 105.6 million). 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 EUR 4.6 million (2006: EUR 4.2 million), the sales of hotel services generating EUR 3.2 million (2006: EUR 3.2 million). Kungla Investeeringute AS' operating profit for 2007 dropped to EUR 0.3 million (2006: EUR 0.7 million). 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 EUR 44.3million (2006: EUR 32.7 million), comprising of gaming revenue of EUR 40.9 million (2006: EUR 29.4 million) and other income of EUR 3.4 million (2006: EUR 3.3 million). 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 EUR 6.6 million (2006: EUR 6.7 million), 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 EUR 250.1 million (2006: EUR 185.7 million). 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 EUR 30.1 million (2006: EUR 24.9 million), comprising of gaming revenue of EUR 26.9 million (2006: EUR 23.9 million) and other income of EUR 3.2 million (2006: EUR 1.0 million). Other income included non-recurring items of EUR 1.8 million (2006: EUR 0): compensation of EUR 0.5 million received for delays in the renovation of the hotel and the protracted closure of the casino in Kaunas and gains of EUR 1.3 million resulting from changes in the fair value of investment property.

The segment's operating profit grew by 60.8% to EUR 8.7 million (2006: EUR 5.4 million). 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 EUR 12.0 million (2006: EUR 6.1 million), including gaming revenue of EUR 11.3 million (2006: EUR 5.9 million) and other income of EUR 0.6 million (2006: EUR 0.1 million).

The Ukrainian segment's operating profit for 2007 amounted to EUR 1.2 million (2006: EUR 1.0 million), 0.2 million euro 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 EUR 0.8 million (2006: EUR 0.1 million). 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 EUR 1.6 million (2006: a loss of EUR 0.4 million).

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 7 million euro. 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 EUR 17.3 million, 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 EUR 0.2 million.

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 EUR 1.1 million. 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 EUR 1.7 million.

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 EUR 172.8 million (31 December 2006: EUR 147.6 million), a 17.1% increase year-over-year.

Current assets accounted for EUR 39.5 million or 22.9% (31 December 2006: EUR 83.1 million or 56.3%) of total assets and non-current assets for EUR 133.3 million or 77.2% (31 December 2006: EUR 64.5 million or 43.7%) of total assets. Intangible assets accounted for EUR 44.1 million or 33.1% (31 December 2006: EUR 9.1 million or 14.1%) of non-current assets. The carrying amount of intangible assets has increased mainly on account of goodwill of EUR 32.6 million (2006: 0 euro) acquired through business combinations (see note 13).

At 31 December, consolidated liabilities totalled EUR 23.6 million (31 December 2006: EUR 15.1 million) and consolidated equity amounted to EUR 149.2 million (31 December 2006: EUR 132.5 million). The largest items in liabilities were trade payables of EUR 8.0 million (31 December 2006: EUR 6.2 million), tax commitments of EUR 5.4 million (31 December 2006: EUR 3.2 million), and payables to employees of EUR 4.3 million (31 December 2006: EUR 2.6 million). Loans and borrowings included finance lease liabilities of EUR 1.5 million (31 December 2006: 0 euro), 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 EUR 43.5 million (2006: EUR 27.8 million) including investment in gaming equipment of EUR 28.2 million (2006: EUR 17.7 million), renovation of casinos for EUR 13.2 million (2006: EUR 8.9 million), and acquisition of other items of property, plant and equipment of EUR 2.1 million (2006: EUR 1.2 million). Business combinations increased property, plant and equipment by EUR 8.9 million (2006: 0 euro).

Expenditures on intangible assets totalled EUR 0.6 million (2006: EUR 1.1 million). Business combinations increased intangible assets by EUR 35.8 million (2006: 0 euro).

Cash flows

In 2007, the Group's operating cash flows were EUR 41.9 million (2006: EUR 41.9 million).

Cash outflow from investing activities grew 2.7-fold from EUR 29.0 million to EUR 78.9 million. Acquisitions of property, plant and equipment and intangible assets accounted for 53.5% or EUR 42.2 million (2006: 87.4% or EUR 25.4 million) and acquisitions of subsidiaries for 42.5% or EUR 33.5 million (2006: 6.0% or EUR 1.8 million) of the cash used in investing activities.

Cash outflow from financing activities amounted to EUR 9.7 million (2006: inflow of EUR 54.3 million). Proceeds from issue of share capital totalled EUR 0.1 million (2006: EUR 70.1 million), while the payment of finance lease liabilities and the distribution of dividends resulted in an outflow of EUR 0.1 million (2006: 0 euro) and EUR 9.6 million (2006: 1.3 million) 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 EUR 9.6 million (2006: EUR 1.3 million) in dividends. The management board proposes that in 2008 the company distribute a dividend of 0.03 euro per share, i.e., EUR 4.8 million 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 EUR 41.7 million (2006: EUR 24.4 million). The remuneration and benefits of the Group's executive and higher management including relevant social charges totalled EUR 527 thousand (2006: EUR 449 thousand).

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:

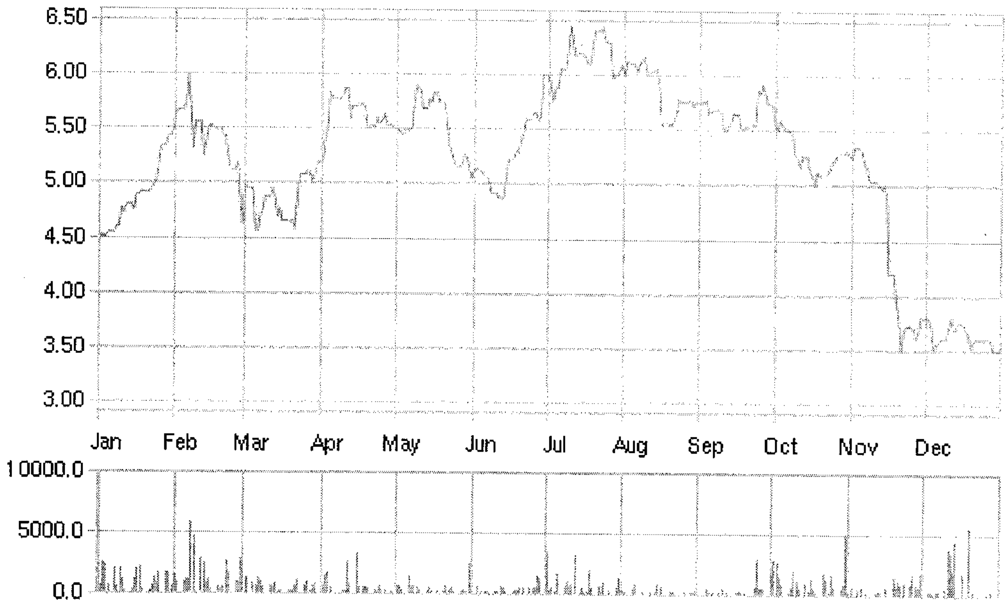
- improve revenue and profit at each Group entity
- increase each Group entity's market share
- open new casinos and sustain swift expansion in all countries where the Group operates
- continue investment in new gaming equipment and systems
- be the best gaming services provider in terms of service quality
- 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 (0.64 euro) 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 euro) 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	Andri Avila	Mart Relve
Chairman of the Management Board	Member of the Management Board	Member of the Management Board

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Consolidated balance sheet

As at 31 December
ASSETS

In thousands of euros	Note	2007	2006
Current assets			
Cash and cash equivalents	2	32,071	78,909
Other investments	3	698	0
Trade receivables	4	915	459
Other receivables and prepayments	5	4,376	2,678
Prepaid income tax		164	408
Inventories	6	1,306	672
Total current assets		**39,530**	**83,126**
Non-current assets			
Deferred tax assets	7	229	205
Other investments	3	463	1,170
Other long-term receivables	9	764	2,720
Investment property	10	3,382	2,034
Property, plant and equipment	11, 12	84,321	49,242
Intangible assets	13	44,123	9,089
Total non-current assets		**133,282**	**64,459**
TOTAL ASSETS		**172,812**	**147,585**

LIABILITIES AND EQUITY

In thousands of euros		2007	2006
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	14	299	11
Customer advances		805	980
Trade payables		8,037	6,202
Other payables		594	6
Income tax payable		870	1,298
Other taxes payable	15	4,529	1,938
Accrued expenses	16	4,708	2,781
Provisions	17	978	1,036
Total current liabilities		**20,820**	**14,253**
Non-current liabilities			
Deferred tax liability	7	1,168	779
Interest-bearing loans and borrowings	14	1,585	63
Total non-current liabilities		**2,753**	**842**
Total liabilities		**23,573**	**15,095**
EQUITY	18		
Share capital		96,507	48,189
Share premium		14,525	61,918
Statutory capital reserve		1,243	0
Translation reserve		-86	-142
Retained earnings		33,131	20,152
Total equity attributable to equity holders of the parent		145,320	130,117
Minority interest		3,919	2,372
Total equity		**149,239**	**132,490**
TOTAL LIABILITIES AND EQUITY		**172,812**	**147,585**

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Consolidated income statement

In thousands of euros	Note	2007	2006
Revenue			
Sales revenue	20	158,967	106,013
Other income	21	1,925	640
Total revenue		**160,892**	**106,654**
Expenses			
Cost of materials, goods and services used	22	-3,853	-3,607
Other operating expenses	22	-70,496	-37,874
Personnel expenses	22	-41,665	-24,414
Depreciation and amortisation	11, 13	-16,413	-10,217
Impairment of goodwill	13	0	-1,671
Other expenses	23	-888	-469
Total expenses		**-133,315**	**-78,252**
Operating profit		**27,577**	**28,402**
Financial income and expenses			
Gain on sale of investments in subsidiaries		0	537
Loss on investments in associates		1	-1
Interest income		1,776	633
Interest expense		-39	-660
Foreign exchange loss		-2,191	-488
Net financing items	25	**-453**	**22**
Profit from operations		**27,124**	**28,424**
Income tax expense	24	-2,796	-2,587
NET PROFIT FOR THE PERIOD		**24,328**	**25,837**
Attributable to minority interest		918	988
Attributable to equity holders of the parent		23,410	24,849
Basic earnings per share (EUR)	26	0.16	0.20
Diluted earnings per share (EUR)	26	0.15	0.20

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Consolidated statement of cash flows

In thousands of euros	Note	2007	2006
Cash flows from operating activities			
Net profit for the period		24,328	25,837
Adjustments for			
Depreciation and amortisation	11, 13	16,413	10,217
Impairment losses on goodwill	13	0	1,671
Changes in the fair value of investment property	10	-1,349	-172
Losses on disposal of property, plant and equipment and intangible assets	21, 23	539	214
Income from sale of subsidiaries	8	0	-537
Losses from associates	8	-1	1
Net other financing items		454	515
Change in receivables and prepayments		-915	-1,257
Change in inventories		510	499
Change in payables and advances		4,821	6,291
Interest paid		-38	-660
Corporate income tax paid		-2,858	-737
Net cash from operating activities		**41,904**	**41,882**
Cash flows from investing activities			
Acquisition of property, plant and equipment and		-42,225	-25,355
Proceeds from sale of property, plant and equipment and intangible assets		156	37
Acquisition of investment property		0	-1,603
Acquisition of other long-term investments		0	-1,750
Proceeds from sale of investments		0	889
Acquisition of subsidiaries		-33,505	-1,750
Proceeds from sale of subsidiaries	8	1	656
Loans granted	9	-4,965	-702
Repayment of loans given		0	18
Interest received		1,651	557
Net cash used in investing activities		**-78,887**	**-29,002**
Cash flows from financing activities			
Proceeds from issue of share capital	18	128	70,124
Proceeds from loans received	14	0	14,500
Repayment of loans received	14	0	-29,056
Payment of finance lease principal	14	-147	-26
Dividends paid	18	-9,638	-1,278
Net cash used in / from financing activities		**-9,657**	**54,264**
NET CASH FLOW		**-46,640**	**67,145**
Decrease / increase in cash and cash equivalents		**-46,640**	**67,145**
Cash and cash equivalents at beginning of period		**78,909**	**11,796**
Effect of exchange rate fluctuations		-198	-32
Cash and cash equivalents at end of period		**32,071**	**78,909**

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Consolidated statement of changes in equity

In thousands of euros

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		**3**	**1,636**	**0**	**133**	**34,926**	**36,697**	**1,384**	**38,081**
Net profit for the period		0	0	0	0	24,849	24,849	988	**25,837**
Effect of changes in exchange rates		0	0	0	-274	0	-274	0	**-274**
Total recognised income and expense		**0**	**0**	**0**	**-274**	**24,849**	**24,575**	**988**	**25,563**
Issue of ordinary shares:									
- bonus issue		38,344	0	0	0	-38,344	**0**	0	**0**
- public offering		9,842	60,282	0	0	0	**70,124**	0	**70,124**
Dividend distribution	18	0	0	0	0	-1,278	**-1,278**	0	**-1,278**
At 31 December 2006		**48,189**	**61,918**	**0**	**-142**	**20,152**	**130,117**	**2,372**	**132,490**
Net profit for the period		0	0	0	0	23,410	23,410	918	**24,328**
Effect of changes in exchange rates		0	0	0	56	0	56	0	**56**
Total recognised income and expense		**0**	**0**	**0**	**56**	**23,410**	**23,466**	**918**	**24,384**
Issue of ordinary shares:									
- bonus issue	18	48,189	-48,189	0	0	0	**0**	0	**0**
- issued in business combinations	18	129	796	0	0	0	**925**	0	**925**
Transfer to capital reserve		0	0	1,242	0	-1,242	**0**	0	**0**
Dividend distribution	18	0	0	0	0	-9,638	**-9,638**	0	**-9,638**
Share options	18	0	0	0	0	449	**449**	0	**449**
Addition from business combinations	18	0	0	0	0	0	**0**	629	**629**
At 31 December 2007		**96,507**	**14,525**	**1,243**	**-86**	**33,131**	**145,320**	**3,919**	**149,239**

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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.

Company's functional currency is Estonian kroons. Financial information is presented in thousands of Estonian kroons, rounded to the nearest thousand. Estonian kroons is fixed with euro (1 EUR = 15.6466 Estonian kroons) and therefore foreign exchange difference will not arise.

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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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 flowing 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.

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.

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev.........25.04.2008.........
Signature/allkiri.........
KPMG, Tallinn

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.

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri..........
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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:

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev.......25.04.2008.........
Signature/allkiri..............................
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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.

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008..........
Signature/allkiri..........................
KPMG, Tallinn

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.

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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Allkirjastatud identifitseerimiseks
Date/kuupäev..........25.04.2008.........
Signature/allkiri.............................
KPMG, Tallinn

- 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 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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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri..........................

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.

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri..
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Note 2. Cash and cash equivalents

In thousands of euros, at 31 December	2007	2006
Cash on hand and at gaming halls	5,310	2,951
Call deposits	10,739	21,526
Term deposits	14,808	46,687
Cash in transit	1,214	916
Fund units	0	6,829
Total	**32,071**	**78,909**

At 31 December 2007, term deposits included deposits of EUR 816 thousand (31.12.2006: 0 euro) made for the acquisition of the Eldorado subsidiaries, a deposit of EUR 1,513 thousand (31.12.2006: 0 euro) made in connection with the preliminary agreement for the acquisition of the subsidiary Admiralu Klubs, guarantee deposits of EUR 2,772 thousand (31.12.2006: EUR 800 thousand) made for rented premises and other guarantee deposits of EUR 703 thousand (31.12.2006: 0 euro).

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 EUR 1,590 thousand (2006: EUR 418 thousand).

Note 3. Other investments

Held-to-maturity investments

In thousands of euros, at 31 December	2007	2006
Lithuanian government bonds		
Current portion	698	0
Non-current portion	463	1,170
Total	**1,161**	**1,170**

Description	Issue number	Quantity	Par value in LTL	Interst 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 / 11,585 euro per game table
- 25,000 litas / 7,240 euro per slot machine

The bonds are classified as held-to-maturity investments. In 2007, interest income on the bonds amounted to EUR 34 thousand (2006: EUR 35 thousand).

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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri........................
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Note 4. Trade receivables

In thousands of euros, at 31 December	2007	2006
Trade receivables	927	472
Allowance for impairment	-12	-13
Total	**915**	**459**

In thousands of euros	2007	2006
Allowance for impairment at beginning of year	-13	-1
Items considered impaired	-8	-36
Items considered irrecoverable	9	24
Allowance for impairment at end of year	**-12**	**-13**

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 euros, at 31 December	2007	2006
Prepaid taxes		
Gaming tax	1,519	1,015
Value added tax	388	420
Other taxes	480	63
Total prepaid taxes	**2,387**	**1,498**
Prepayments for services		
Lease of premises	763	349
Licences	164	208
Software and equipment maintenance	0	131
Other prepayments	318	339
Total prepayments for services	**1,245**	**1,027**
Other receivables		
Loans to employees	4	8
Other receivables from employees	186	42
Interest receivable	134	103
Miscellaneous receivables	420	0
Total other receivables	**744**	**153**
Total other receivables and prepayments	**4,376**	**2,678**

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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008..........
Signature/allkiri..........................
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Note 6. Inventories

In thousands of euros, at 31 December	2007	2006
Gaming equipment	183	63
Jackpot prizes	64	72
Spare parts for slot machines	48	67
Other materials	578	202
Goods purchased for resale	433	260
Non-current assets held for sale	0	8
Total	**1,306**	**672**

In 2007, inventories were written down by EUR 310 thousand (2006: EUR 198 thousand) because some items had become unusable.

Note 7. Deferred tax assets and liabilities

	Tax assets		**Tax liabilities**		**Net**	
In thousands of euros	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Accrued income	0	0	0	-5	0	-5
Inventories	33	29	0	0	33	29
Employee benefits	1	27	0	0	1	27
Property, plant and equipment	79	0	-1,329	-894	-1,250	-894
Provisions	175	237	0	0	175	237
Tax value of loss carry-forwards	27	32	0	0	27	32
Other	74	0	0	0	74	0
Total tax assets / liabilities	**389**	**325**	**-1,329**	**-899**	**-940**	**-574**
Set-off of deferred tax assets and liabilities	-160	-120	161	120	0	0
Net deferred tax assets / liabilities	**229**	**205**	**-1,168**	**-779**	**-940**	**-574**
Deferred tax assets / liabilities at beginning of year	205	189	-779	-218	-574	-30
Deferred tax assets / liabilities at end of year	229	205	-1,168	-779	-939	-574
Recognised in income / expense during the year (see note 24)	**24**	**16**	**-389**	**-560**	**-366**	**-544**

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri.................................
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Note 8. Subsidiaries and associates

At 31 December	Domicile	Ownership interest 2007	2006	Core activity	Shareholder
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
Kasiino.ee OÜ	Estonia	100%	100%	Internet solutions	OEG
Jokker-Pokker OÜ	Estonia	100%	0%	Bar services	Olympic Casino Eesti
Casinova 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).

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 EUR 19,198

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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008.........
Signature/allkiri..........................

thousand. OEG paid EUR 18,273 thousand of this in cash and settled the remaining EUR 925 thousand 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 9.25 euro. Taking into account the bonus issue performed (note 18), OEG issued 200,000 ordinary shares with an issue price of EUR 925 thousand. The purchase price does not include the legal fees (EUR 31 thousand) 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 euros	
Cash and bank balances	3,161	3,161
Receivables and prepayments	147	147
Inventories	64	64
Non-current financial investments	28	28
Property, plant and equipment	2,429	2,429
Intangible assets	0	2,046
Liabilities	793	793
Net assets	**5,037**	**7,082**

Ownership interest acquired	95%
Net assets acquired	6,729
Goodwill on acquisition	12,469
Purchase price	**19,198**
Cash and bank balances acquired	3,161
Consideration paid, satisfied in cash	-18,273
Net cash outflow	**-15,112**
Settled with shares in OEG	-925

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 leus. The purchase price does not include the legal fees (12 thousand euro) incurred in connection with the transaction.

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

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Allkirjastatud identifitseerimiseks
Date/kuupäev.......25.04.2008.......
Signature/allkiri..............................
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	Pre-acquisition carrying amount	Fair value
	In thousands of euros	
Property, plant and equipment	291	291
Net assets	**291**	**291**

Ownership interest acquired	100%
Net assets acquired	291
Goodwill on acquisition	3,693
Purchase price	**3,984**
Consideration paid, satisfied in cash	-3,784
Net cash outflow	**-3,784**
Payable	-200

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 (EUR 1,301 thousand). Together with associated transaction costs, the 80% stake cost EUR 9,066 thousand. Acquisition-related costs totalled EUR 79 thousand.

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 euros	
Cash and bank balances	947	947
Receivables and prepayments	1,416	1,416
Inventories	29	29
Non-current investments	48	48
Property, plant and equipment	5,912	5,912
Intangible assets	17	652
Liabilities	7,629	7,629
Net assets	**740**	**1,375**

Ownership interest acquired	80%
Net assets acquired	1,100
Goodwill on acquisition	7,966
Purchase price	**9,066**
Cash and bank balances acquired	947
Consideration paid, satisfied in cash	-9,066
Net cash outflow	**-8,119**
Including paid in the preceding financial year	-1,750

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.

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev......25.04.2008......
Signature/allkiri......................
KPMG, Tallinn

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 EUR 2 thousand and net cash outflow amounted to EUR 1 thousand. 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 EUR 1 thousand. 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 euros	
Cash and bank balances	2	2
Net assets	**2**	**2**
Ownership interest acquired		97.5%
Net assets acquired		2
Goodwill on acquisition		1
Purchase price		**3**
Cash and bank balances acquired		2
Consideration paid, satisfied in cash		3
Net cash outflow		**-1**

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 EUR 9,284 thousand and acquisition-related costs totalled EUR 85 thousand.

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 euros	
Cash and bank balances	207	207
Receivables and prepayments	609	609
Inventories	33	33
Non-current investments	7	7
Property, plant and equipment	257	257
Intangible assets	505	505
Liabilities	811	811
Net assets	**807**	**807**
Ownership interest acquired		100%
Net assets acquired		807
Goodwill on acquisition		8,478
Purchase price		**9,284**
Cash and bank balances acquired		207
Consideration paid, satisfied in cash		-9,284
Net cash outflow		**-9,077**
Payable		-838

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Allkirjastatud identifitseerimiseks
Date/kuupäev......25.04.2008.......
Signature/allkiri..........
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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 euros
Acquired subsidiaries' profit / loss for the period in the consolidated financial statements	-1,278
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	-1,703
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	30,846

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 EUR 0.6 thousand.

	Baltic Electronics
	In thousands of euros
Sales price	0.7
Loss on the sale	-0.6
Ownership interest divested of	25%
Received in cash in 2007	0.7
Cash inflow from the sales transaction	0.7

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Allkirjastatud identifitseerimiseks
Date/kuupäev..........25.04.2008..........
Signature/allkiri..........
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Note 9. Other long-term receivables

In thousands of euros, at 31 December	2007	2006
Long-term loans	6	700
Prepaid lease rentals	758	270
Prepayments for shares in Casino Polonia	0	1,750
Total	**764**	**2,720**

In the first half of the year, Casino Polonia was granted a loan of EUR 4,065 thousand (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 euros	Land	Buildings	Total
At 31 December 2005	**198**	**90**	**288**
Acquisitions	1,603	0	1,603
Disposals	-30	0	-30
Revaluation	93	79	172
At 31 December 2006	**1,864**	**169**	**2,034**
Revaluation	1,371	-22	1,349
At 31 December 2007	**3,235**	**147**	**3,382**

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 EUR 7 thousand (2006: EUR 7 thousand). Operating expenses on investment property (utility, security, insurance, and land tax charges) totalled EUR 2 thousand (2006: EUR 3 thousand).

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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri..........................
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Note 11. Property, plant and equipment

In thousands of euros	Land and buildings	Renovation expenditures	Plant and equipment	Other items	Assets under construction	Total
Carrying amount at 31 December 2005	**1,458**	**9,286**	**19,605**	**1,498**	**353**	**32,201**
Cost at 31 December 2005	**1,594**	**14,008**	**28,344**	**2,536**	**353**	**46,835**
Additions	0	4,133	17,710	1,121	4,791	27,755
Reclassification	-57	3,203	553	269	-3,968	0
Disposals	0	-922	-690	-130	-65	-1,807
Effect of movements in exchange rates	-1	-67	-355	-33	-10	-467
Cost at 31 December 2006	1,536	20,355	45,562	3,763	1,101	**72,316**
Accumulated depreciation at 31 December 2005	-136	-4,722	-8,739	-1,038	0	-14,634
Depreciation charge for the year	-77	-1,914	-7,350	-606	0	-9,947
Reclassification	0	-4	-2	6	0	0
Disposals	0	820	518	64	0	1,402
Effect of movements in exchange rates	0	13	82	11	0	**106**
Accumulated depreciation at 31 December 2006	**-213**	**-5,808**	**-15,491**	**-1,563**	**0**	**-23,074**
Carrying amount at 31 December 2006	**1,323**	**14,548**	**30,071**	**2,200**	**1,101**	**49,242**
Additions	0	8,475	28,194	2,112	4,721	43,503
Acquisitions through business combinations	0	4,478	4,144	214	53	8,889
Reclassification	-9	787	148	86	-1,012	0
Disposals	-129	-542	-2,384	-211	18	-3,247
Effect of movements in exchange rates	1	45	-994	29	-75	-995
Cost at 31 December 2007	1,398	33,598	74,670	5,992	4,807	**120,466**
Depreciation charge for the year	-79	-3,371	-11,948	-363	0	-15,761
Reclassification	0	0	6	-7	0	0
Disposals	0	168	2,325	78	0	2,571
Effect of movements in exchange rates	0	9	116	-5	0	119
Accumulated depreciation at 31 December 2007	-292	-9,001	-24,992	-1,859	0	**-36,145**
Carrying amount at 31 December 2007	**1,107**	**24,597**	**49,678**	**4,133**	**4,807**	**84,321**

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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Allkirjastatud identifitseerimiseks
Date/kuupäev.........25.04.2008......
Signature/allkiri...........................
KPMG, Tallinn

Note 12. Leased assets

Assets acquired with finance lease

Plant and equipment	In thousands of euros
Cost at 31 December 2005	91
Accumulated depreciation at 31 December 2005	-46
Carrying amount at 31 December 2005	**45**
Reclassification	-23
Depreciation charge for the year	-18
Reclassified depreciation	13
Effect of movements in exchange rates	0
Cost at 31 December 2006	67
Accumulated depreciation at 31 December 2006	-51
Carrying amount at 31 December 2006	**16**
Additions	1,623
Depreciation charge for the year	-177
Effect of movements in exchange rates	-27
Cost at 31 December 2007	1,663
Accumulated depreciation at 31 December 2007	-228
Carrying amount at 31 December 2007	**1,435**

Assets held under operating lease

Operating lease payments made in 2007 totalled EUR 10,927 thousand (2006: EUR 5,679 thousand).

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 euros	**2007**	**2006**
Operating lease payments made during the period	2,187	201
Operating lease rentals payable		
Less than 1 year	3,584	191
Between 1 and 5 years	14,908	888
Over 5 years	42,387	2,282

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 EUR 139 thousand (2006: EUR 75 thousand).

Operating lease rentals receivable in subsequent periods:

In thousands of euros	**2007**	**2006**
Less than 1 year	343	312
Between 1 and 5 years	1,234	1,057
Over 5 years	3,200	2,406

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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008.........
Signature/allkiri.................................
KPMG, Tallinn

Note 13. Intangible assets

In thousands of euros	Goodwill	Lease contracts	Software and licences	Pre-payments	Total
Carrying amount at 31 December 2005	**9,710**	**0**	**320**	**3**	**10,033**
Cost at 31 December 2005	**9,951**	**0**	**718**	**3**	**10,671**
Additions	2	0	1,084	0	1,085
Reclassification	0	0	3	-3	0
Disposals	-85	0	-5	0	-90
Effect of movements in exchange rates	0	0	-3	0	0
Cost at 31 December 2006	**9,867**	**0**	**1,796**	**0**	**11,663**
Impairment of goodwill at 31 December 2006	**-1,671**	**0**	**0**	**0**	**-1,671**
Accumulated amortisation at 31 December 2005	**-241**	**0**	**-398**	**0**	**-638**
Amortisation charge for the year	0	0	-269	0	-269
Disposals	0	0	1	0	1
Effect of movements in exchange rates	0	0	0	0	0
Accumulated amortisation at 31 December 2006	**-241**	**0**	**-666**	**0**	**-907**
Carrying amount at 31 December 2006	**7,956**	**0**	**1,133**	**0**	**9,089**
Additions	0	0	559	0	559
Acquisitions through business combinations	32,605	2,046	1,158	0	35,809
Disposals	-42	0	-32	0	-74
Effect of movements in exchange rates	-593	0	-25	0	-619
Cost at 31 December 2007	**41,837**	**2,046**	**3,455**	**0**	**47,338**
Impairment of goodwill at 31 December 2007	**-1,671**	**0**	**0**	**0**	**-1,671**
Amortisation charge for the year	0	-176	-476	0	-652
Disposals	0	0	3	0	3
Effect of movements in exchange rates	0	0	12	0	9
Accumulated amortisation at 31 December 2007	**-241**	**-176**	**-1,128**	**0**	**-1,544**
Carrying amount at 31 December 2007	**39,926**	**1,870**	**2,328**	**0**	**44,123**

In 2007, goodwill decreased by EUR 42 thousand in connection with the determination of the final purchase price of the Baltic Gaming companies. In 2006, the Group wrote goodwill down by EUR 1,671 thousand 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 EUR 32,605 thousand.

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 Wroclaw 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 euros, at 31 December	2007	2006
Olympic Casino Eesti AS (Kristiine Kasiino AS)	13,028	559
Olympic Casino Latvia SIA (Baltic Gaming AS)	7,355	7,397
Casino Polonia Wroclaw Sp. Z.o.o.	7,965	0
Olympic Casino Bucharest s.r.l.	3,439	0
Kesklinna Hotelli OÜ	1	0
Eldorado Leisure Company	2,799	0
Ukraine Leisure Company	5,151	0
Alea Private Company	188	0
Total	**39,926**	**7,956**

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Allkirjastatud identifitseerimiseks
Date/kuupäev.........25.04.2008.........
Signature/allkiri.........[signature].........
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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 euros, at 31 December	2007	2006
Finance lease liabilities at beginning of year	12	38
Addition	1,595	0
Principal payments made	-147	-26
Finance lease liabilities at end of year	1,460	12
Current portion	299	11
Non-current portion (payable within 3 years)	1,162	1
Finance charge for the year	38	2
Average interest rate	6.5%	6.5%

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

Bank loans

In thousands of euros, at 31 December	2007	2006
Loan liabilities at beginning of year	0	14,500
Addition	0	14,500
Repayments made	0	-29,000
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	658
Average interest rate	6 months' EURIBOR + 1.9%	

Other loans and borrowings

In thousands of euros, at 31 December	2007	2006
Other non-current loans and borrowings	423	0
Non-current liabilities to suppliers	0	62
Total	**423**	**62**

Total interest-bearing loans and borrowings

In thousands of euros, at 31 December	2007	2006
Current portion	299	11
Non-current portion	1,585	63
Total	**1,884**	**74**

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Allkirjastatud identifitseerimiseks
Date/kuupäev.........25.04.2008.......
Signature/allkiri..............................
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Note 15. Tax liabilities

In thousands of euros, at 31 December	2007	2006
Gaming tax	1,470	215
Value added tax	914	382
Personal income tax	753	461
Social tax	1,210	793
Income tax on gifts and fringe benefits	89	41
Other tax liabilities	93	47
Total	**4,529**	**1,939**

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 EUR 3,500, over 10 tables EUR 4,000	UAH 12,000 / EUR 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%	19.8%-22.7%	29.25%	19.95%
Social security contributions	-	-	-	-	1%+2.9%	-	-	-
Unemployment insurance contributions *	0.6%+0.3%	LVL 0.25 / EUR 0.36 per employee	0.2%	-	0.5%+1.3%	-	-	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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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri..............................
KPMG, Tallinn

Note 16. Accrued expenses

In thousands of euros, at 31 December	2007	2006
Payables to employees, including	4,260	2,618
Salaries payable	1,946	1,226
Vacation pay liabilities	2,314	1,392
Dividends payable	140	0
Other accrued payables	308	163
Total	**4,708**	**2,781**

Note 17. Provisions

In thousands of euros	2007	2006
Provisions for winnings		
At beginning of the year	545	335
Provisions made during the year	5,188	3,911
Provisions used during the year	-5,119	-3,701
Provisions for winnings at end of the year	**614**	**545**
Provision for expenses		
At beginning of the year	491	108
Provisions made during the year	476	449
Provisions used during the year	-602	-65
Provision for expenses at end of the year	**364**	**491**
Total provisions	**978**	**1,036**

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 EUR 48,189 thousand 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 EUR 128 thousand. 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 EUR 96,507 thousand. All shares which have been issued have been paid for. The par value of a share is 0.6 euro. 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.

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri..............................
KPMG, Tallinn

Dividends
On 25 April 2007, the annual general meeting decided to distribute a dividend of 0.13 euro per share, i.e. EUR 9,638 thousand in aggregate. The dividends were paid out in May 2007.

In 2006, the Company distributed dividends of EUR 1,278 thousand. 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 0.03 euro 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	9,300	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 (EUR 128 thousand). In Latvia, the share capital of a gaming services provider has to amount to at least 1 million lats (EUR 1,435 thousand). In Slovakia, the minimum share capital requirement for a gaming services provider is 50,000 thousand Slovak korunas (EUR 14,879 thousand). 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 (EUR 14 thousand).

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008.........
Signature/allkiri.............................
KPMG, Tallinn

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.

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev......25.04.2008......
Signature/allkiri..........................
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Geographical segments

	Estonia		Latvia		Lithuania		Ukraine		Belarus		Poland		Romania		Slovakia		Eliminations		Consolidated	
In thousands of euros	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External sales revenue	55,043	42,565	44,086	32,434	28,711	24,844	11,992	6,064	775	107	17,273	0	1,088	0	0	0	0	0	158,967	106,01
Other external income	303	354	189	238	1,358	48	1	0	31	0	37	0	5	0	0	0	0	0	1,925	64
Inter-segment revenue and income	849	4,239	171	519	14	1,256	0	0	0	0	0	0	0	0	0	0	-1,034	-6,014	0	
Total revenue	**56,195**	**47,158**	**44,446**	**33,191**	**30,083**	**26,148**	**11,992**	**6,064**	**806**	**107**	**17,310**	**0**	**1,094**	**0**	**0**	**0**	**-1,034**	**-6,014**	**160,893**	**106,65**
External expenses	-41,765	-27,783	-37,622	-25,660	-21,210	-19,327	-10,682	-4,942	-2,319	-511	-17,110	-27	-2,559	0	-48	0	0	0	-133,315	-78,25
Inter-segment expenses	-19	-4,115	-217	-785	-200	-1,423	-122	-128	-43	-33	-217	0	-216	0	0	0	1,033	6,484	0	
Total expenses	**-41,784**	**-31,898**	**-37,839**	**-26,445**	**-21,410**	**-20,751**	**-10,804**	**-5,070**	**-2,362**	**-544**	**-17,327**	**-27**	**-2,775**	**0**	**-49**	**0**	**1,033**	**6,484**	**-133,315**	**-78,25**
Operating profit	**14,411**	**15,259**	**6,607**	**6,746**	**8,673**	**5,397**	**1,189**	**994**	**-1,556**	**-437**	**-17**	**-27**	**-1,681**	**0**	**-49**	**0**	**0**	**471**	**27,577**	**28,40**
Net financial items																			-453	2
Income tax expense																			-2,796	-2,58
Net profit for the period																			**24,328**	**25,83**
Segment assets	119,236	114,246	39,656	23,029	22,957	17,963	25,437	8,134	4,902	705	20,476	5,284	7,443	0	1,980	0	-69,801	-23,192	172,286	146,16
Unallocated assets																			526	1,41
Total assets																			**172,812**	**147,58**
Segment liabilities	4,611	5,810	19,098	10,723	10,657	8,994	22,679	4,463	7,458	2,491	17,408	5,329	9,593	0	550	0	-70,520	-24,791	21,534	13,01
Unallocated liabilities																			2,039	2,07
Total liabilities																			**23,573**	**15,09**
and intangible assets	28,038	7,367	12,361	12,176	4,635	2,807	19,159	4,837	4,340	1,333	13,239	4	6,962	0	25	0	0	318	88,759	28,84
Acquisition of investment property	0	0	0	0	0	1,603	0	0	0	0	0	0	0	0	0	0	0	0	0	1,60
Total capital expenditures																			**88,759**	**30,44**
Depreciation and amortisation included in operating profit	4,546	2,799	5,409	3,297	2,898	2,995	1,903	84	624	1,070	672	0	60	0	0	0	301	-29	16,413	10,21
Impairment losses included in operating profit	22	1,671	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22	1,67
Total depreciation, amortisation and impairment losses	**4,568**	**4,469**	**5,409**	**3,297**	**2,898**	**2,995**	**1,903**	**84**	**624**	**1,070**	**672**	**0**	**60**	**0**	**0**	**0**	**301**	**-29**	**16,435**	**11,88**
Gains on changes in the fair value of investment property	72	172	0	0	1,299	0	0	0	0	0	0	0	0	0	0	0	0	0	1,371	17
Losses on disposal of property, plant and equipment	-360	-125	-142	-185	-63	0	0	0	0	0	0	0	0	0	0	0	0	0	-565	-30
Total other significant non-cash income and expenses	**-288**	**48**	**-142**	**-185**	**1,236**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**806**	**-13**

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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008..........
Signature/allkiri..............................

Business segments

In thousands of euros	Sales revenue 2007	Sales revenue 2006	Assets 31.12.2007	Assets 31.12.2006	Capital expenditures 2007	Capital expenditures 2006
Gaming services	151,138	101,542	131,025	98,590	69,011	27,319
Other services	14,726	10,355	90,485	83,698	7,879	2,847
Eliminations	-6,897	-5,884	-49,058	-36,119	11,869	278
Unallocated assets	0	0	360	1,416	0	0
Total	**158,967**	**106,013**	**172,812**	**147,585**	**88,759**	**30,444**

Note 20. Sales revenue

In thousands of euros	EMTAK code	2007	2006
Gaming revenue	92001	148,257	98,396
Hotel service revenue	55101	2,283	2,436
Bar service revenue	56101, 56301	5,995	4,060
Other revenue		2,432	1,121
Total		**158,967**	**106,013**

EMTAK – Estonian Classification of Economic Activities

Note 21. Other income

In thousands of euros	2007	2006
Gains on currency exchange services	274	204
Change in the fair value of investment property	1,371	172
Gains on sale of property, plant and equipment	25	96
Miscellaneous income	255	168
Total	**1,925**	**640**

Note 22. Expenses

In thousands of euros	2007	2006
Cost of materials, goods and services used		
Direct catering, accommodation and bar service expenses	-3,781	-3,064
Other services	-72	-543
Total cost of materials, goods and services used	**-3,853**	**-3,607**
Other operating expenses		
Gaming tax and operating licences	-21,091	-9,283
Marketing expenses	-14,943	-9,217
Rental expenses	-10,927	-5,679
Maintenance expenses (equipment and premises)	-9,326	-5,411
IT expenses	-1,176	-1,211
Other expenses	-13,033	-7,073
Total other operating expenses	**-70,496**	**-37,874**
Personnel expenses		
Salaries	-32,575	-18,969
Social charges	-9,090	-5,445
Total personnel expenses	**-41,665**	**-24,414**
Total	**-116,014**	**-65,895**

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Allkirjastatud identifitseerimiseks
Date/kuupäev......25.04.2008..........
Signature/allkiri..........
KPMG, Tallinn

Note 23. Other expenses

In thousands of euros	2007	2006
Losses on disposal of property, plant and equipment	-565	-309
Foreign exchange losses on settlements with suppliers	-195	-35
Impairment losses on receivables	-8	-36
Miscellaneous expenses	-120	-89
Total	**-888**	**-469**

Note 24. Income tax expense

In thousands of euros	2007	2006
Profit from operations	27,124	28,424
Current tax expense based on the tax rate applicable to the parent company (0%)	0	0
Effect of tax rates in foreign jurisdictions		
Lithuania	-1,499	-1,261
Latvia	-869	-670
Ukraine	-62	-112
Adjustments from origination and reversal of temporary differences	-366	-544
Income tax expense in the income statement	**-2,796**	**-2,587**

Note 25. Financial income and expenses

In thousands of euros	2007	2006
Interest income on term deposits	853	52
Interest income on overnight deposits	737	365
Other interest income	186	215
Income from sale of investments in subsidiaries	0	537
Financial income and expense on investments in associates	1	-1
Interest expense	-39	-660
Foreign exchange loss	-2,191	-488
Total	**-453**	**22**

Note 26. Earnings per share

	2007	2006
Net profit attributable to equity holders of the parent (in thousands of euros)	23,410	24,849
Weighted average number of shares outstanding (in thousands)	150,917	125,133
Basic earnings per share (in euro)	**0.16**	**0.20**
Net profit attributable to equity holders of the parent (in thousands of euros)	23,410	24,849
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 EUR)	**0.15**	**0.20**

Contractual price of a share option (in euro)	2.57
Fair value of a share option (weighted average, in euro)	0.46
Total exercise price of a share option (in euro)	3.03
Average market price of a share in 2007 (in euro)	5.25
Exercisable share options (in thousands)	392
Dilutive effect of share options (in thousands)	166

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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008..........
Signature/allkiri..........................
KPMG, Tallinn

Basic earnings per share have been calculated by dividing the net profit attributable to equity holders of the parent of EUR 23,410 thousand (2006: EUR 24,849 thousand) 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 euro)	0.37	0.51
Share price (weighted average, in euro)	4.74	5.22
Exercise price (weighted average, in euro)	4.42	4.79
Expected volatility	20%	20%
Expected dividends	1%	1%
Interest rate	6%	6%

In thousands of euros	2007	2006
Total expense recognised in personnel expenses	449	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

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008..........
Signature/allkiri..........................
KPMG, Tallinn

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 euros		2007	2006
Related party	**Transaction**	Purchases	Purchases
Company related to the chairman of the management board	Lease of business premises	71	55
Company related to a member of the management board	Advisory services	0	16
Total		**71**	**71**

In thousands of euros, at 31 December		2007	2006
Related party	**Transaction**	Payable	Payable
Company related to the chairman of the management board	Lease of business premises	0	6
Total		**0**	**6**

In thousands of euros, at 31 December		2007	2006
Related party	**Transaction**	Receivable	Receivable
Minority shareholder in Casino Polonia	Sales	407	0
Total		**407**	**0**

In 2007, the remuneration of the Group's executive and higher management including relevant social charges totalled EUR 527 thousand (2006: EUR 449 thousand).

The total termination benefits provided for in the management board members' service contracts, including relevant social charges, total EUR 208 thousand. The payment of termination benefits depends on the reasons for terminating the contract.

Initialled for identification purposes only
Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri..............................
KPMG, Tallinn

Note 29. Financial instruments

Financial assets

In thousands of euros	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	32,071	**32,071**
Cash and cash equivalents	0	1,162	0	0	**1,162**
Trade receivables	0	0	0	915	**915**
Other receivables	0	0	0	1,899	**1,899**
Total	**0**	**1,162**	**0**	**34,885**	**36,047**

Financial libalities

In thousands of euros	Financial liabilities at fair value	Total
Loans and borrowings	1,883	**1,883**
Trade payables	8,037	**8,037**
Other liabilities	7,341	**7,341**
Total	**17,261**	**17,261**

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 euros

	EEK	EUR	USD	BYR	LVL	LTL	UAH	PLN	RON	SKK	GBP	NOK	SEK
Cash and cash equivalents	14,672	566	25	169	4,330	5,781	1,114	2,761	729	1,917	4	1	0
Trade receivables	173	12	0	0	273	142	10	266	6	33	0	0	0
Other financial assets	445	0	816	479	431	2,270	1,579	539	127	7	0	0	0
Total	**15,290**	**579**	**841**	**648**	**5,034**	**8,193**	**2,704**	**3,566**	**862**	**1,957**	**4**	**1**	**0**
Current portion of loans and borrowings	0	-299	0	0	0	0	0	0	0	0	0	0	0
Trade payables	-1,231	-558	-18	-118	-2,319	-145	-2,186	-723	-717	-11	-11	0	0
Other current liabilities	-4,108	-1,121	0	-64	-3,373	-1,263	-650	-1,818	-449	0	0	0	0
Non-current portion of loans and borrowings	0	-1,162	-423	0	0	0	0	0	0	0	0	0	0
Total	**-5,339**	**-3,140**	**-441**	**-181**	**-5,692**	**-1,409**	**-2,836**	**-2,541**	**-1,166**	**-11**	**-11**	**0**	**0**
Net exposure	**9,952**	**-2,561**	**401**	**467**	**-658**	**6,784**	**-133**	**1,024**	**-304**	**1,946**	**-8**	**1**	**0**

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Allkirjastatud identifitseerimiseks
Date/kuupäev........25.04.2008........
Signature/allkiri..............................
KPMG, Tallinn

At 31 December 2006
In thousands of euros

	EEK	EUR	USD	BYR	LVL	LTL	UAH	PLN	RON	SKK	GBP	NOK	SEK
Cash and cash equivalents	61,896	124	28	526	4,915	5,275	864	5,273	0	0	5	0	2
Trade receivables	148	3	1	8	289	10	0	0	0	0	0	0	0
Other financial assets	2,697	2,290	0	148	871	696	471	7	0	0	0	0	0
Total	**64,741**	**2,416**	**29**	**682**	**6,075**	**5,981**	**1,336**	**5,281**	**0**	**0**	**5**	**0**	**2**
Current portion of loans and borrowings	0	0	0	0	-11	0	0	0	0	0	0	0	0
Trade payables	-1,772	-116	-27	-2	-1,443	-1,749	-1,093	0	0	0	0	0	0
Other current liabilities	-2,824	-19	-82	-28	-2,216	-2,477	-184	0	0	0	-8	0	0
Non-current portion of loans and borrowings	0	0	0	0	0	-63	0	0	0	0	0	0	0
Total	**-4,596**	**-136**	**-109**	**-30**	**-3,670**	**-4,289**	**-1,276**	**0**	**0**	**0**	**-8**	**0**	**0**
Net exposure	**60,145**	**2,281**	**-80**	**652**	**2,404**	**1,692**	**60**	**5,281**	**0**	**0**	**-2**	**0**	**2**

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 euros

At 31 December	2007	2006
Cash and cash equivalents	32,071	78,909
Debt securities	1,162	1,170
Trade receivables	915	459
Other short-term receivables	773	463
Other long-term receivables	993	2,924
Total	**35,913**	**83,926**

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 euros, at 31 December	2007	2006
Interest-bearing receivables	1,162	1,170
Interest-bearing liabilities	-1,461	-74
Net exposure	**-299**	**1,096**

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 euros

	EEK	EUR	USD	BYR	LVL	LTL	UAH	PLN	RON	SKK	**Total**
Financial assets											
Cash and cash equivalents	14,672	566	25	169	4,330	5,781	1,114	2,761	729	1,917	-
Current and non-current investments	0	0	0	0	0	1,162	0	0	0	0	-
Short-and long-term receivables	618	12	816	479	704	1,251	1,589	805	133	40	-
Total	**15,290**	**579**	**841**	**648**	**5,034**	**8,193**	**2,704**	**3,566**	**862**	**1,957**	-
Financial liabilities	**-5,166**	**-1,679**	**-18**	**-181**	**-7,153**	**-1,409**	**-3,259**	**-2,541**	**-1,166**	**-11**	-
Net position	**10,124**	**-1,101**	**823**	**467**	**-2,119**	**6,784**	**-555**	**1,024**	**-304**	**1,946**	-
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	-	-	**-123**	**-70**	**64**	-	**83**	**-92**	**36**	**-97**	**-200**
Effect of profit	-	-	**123**	**70**	**-64**	-	**-83**	**92**	**-36**	**97**	**200**

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 EUR 18,709 thousand and at 31 December 2006 at EUR 68,873 thousand. 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 euros, at 31 December	**2007**	**2006**
Up to 1 year	19,038	12,237
Over 1 year	2,752	842
Total	**21,790**	**13,079**

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 EUR 33,131 thousand. The maximum income tax liability that would arise if all of the undistributed profits were distributed as dividends amounts to EUR 6,958 thousand. Thus, the maximum amount that could be distributed as the net dividend is EUR 26,174 thousand.

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 IFRS 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 EUR 40 million. 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 EUR 1,513 thousand 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 euros	2007	2006
Current assets		
Cash and cash equivalents	1,562	50,371
Receivables from group companies	4,882	910
Other receivables and prepayments	450	438
Inventories	0	0
Total current assets	**6,894**	**51,719**
Non-current assets		
Investments in subsidiaries	390,444	346,698
Long-term receivables from group companies	64,844	20,542
Other long-term receivables	0	2,450
Investment property	333	261
Property, plant and equipment	686	833
Intangible assets	542	662
Total non-current assets	**456,849**	**371,447**
TOTAL ASSETS	**463,743**	**423,166**

LIABILITIES AND EQUITY

In thousands of euros	2007	2006
LIABILITIES		
Current liabilities		
Trade payables	129	443
Payables to group companies	3,729	3,602
Tax liabilities	109	71
Accrued expenses	117	59
Provisions	205	85
Total current liabilities	**4,289**	**4,260**
Non-current liabilities		
Non-current liabilities to group companies	27,006	22,313
Total non-current liabilities	**27,006**	**22,313**
Total liabilities	**31,295**	**26,573**
EQUITY		
Share capital	96,507	48,189
Share premium	14,525	61,918
Statutory capital reserve	1,243	0
Retained earnings	320,173	286,485
Total equity	**432,448**	**396,592**
TOTAL LIABILITIES AND EQUITY	**463,743**	**423,166**

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Unconsolidated income statement of Olympic Entertainment Group AS

In thousands of euros	2007	2006
Revenue		
Sales revenue	1,463	1,389
Other income	72	93
Total revenue	**1,535**	**1,482**
Expenses		
Cost of materials, goods and services used	-386	-1,828
Other operating expenses	-3,694	-917
Personnel expenses	-1,523	-579
Depreciation and amortisation	-293	-214
Other expenses	-2	-22
Total expenses	**-5,897**	**-3,559**
Operating profit	**-4,362**	**-2,077**
Financial income and expenses		
Financial income and expenses on investments in subsidiaries	46,279	79,170
Interest income	3,279	1,064
Interest expense	-833	-1,519
Foreign exchange loss	-244	-70
Financial income and expense on investments	0	230
Net financing items	**48,481**	**78,875**
NET PROFIT FOR THE PERIOD	**44,119**	**76,798**

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Unconsolidated statement of cash flows of Olympic Entertainment Group AS

In thousands of euros	2007	2006
Cash flows from operating activities		
Net profit for the period	44 119	76 798
Adjustments for:		
Depreciation and amortisation	293	214
Loss on disposal of property, plant and equipment and intangible assets	0	22
Changes in the fair value of investment property	-72	-93
Income on investments in subsidiaries	-46 279	-79 170
Net other financial income and expenses	-2 202	296
Change in receivables and prepayments	-1 532	-2 410
Change in inventories	0	320
Change in payables and advances	437	-1 518
Interest paid	0	-847
Net cash used in operating activities	**-5 236**	**-6 390**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-25	-660
Acquisition of other investments	-18 401	0
Proceeds from sale of investments	6 416	0
Acquisition of subsidiaries	-3 642	0
Loans granted	-47 603	-18 037
Repayment of loans granted	2 781	5 994
Interest received	798	282
Dividends received	9 662	1 302
Net cash used in investing activities	**-50 013**	**-11 120**
Cash flows from financing activities		
Proceeds from issue of share capital	128	70 124
Proceeds from loans received	16 003	28 028
Repayment of loans received	0	-29 000
Dividends paid	-9 638	-1 278
Net cash from financing activities	**6 493**	**67 874**
NET CASH FLOW	**-48 756**	**50 363**
Decrease / increase in cash and cash equivalents	**-48 756**	**50 363**
Cash and cash equivalents at beginning of period	**50 371**	**15**
Effect of exchange rate fluctuations	-53	-7
Cash and cash equivalents at end of period	**1 562**	**50 371**

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Unconsolidated statement of changes in equity of Olympic Entertainment Group AS

In thousands of euros	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
At 31 December 2005	**3**	**1,636**	**0**	**5,057**	**6,696**
Effect of changes in accounting policies	0	0	0	244,253	244,253
Adjusted balance at 31 December 2005	**3**	**1,636**	**0**	**249,310**	**250,949**
Net profit for the period	0	0	0	76,798	76,798
Issue of ordinary shares					
- Bonus issue	38,344	0	0	-38,344	0
- Public offering	9,842	60,282	0	0	70,124
Dividend distribution	0	0	0	-1,278	-1,278
At 31 December 2006	**48,189**	**61,918**	**0**	**286,485**	**396,592**
Interests in companies under control or significant influence:					
Carrying amount under the fair value method					-346,698
Carrying amount under the equity method					82,104
Adjusted unconsolidated equity at 31 December 2006					**131,998**
Net profit for the period	0	0	0	44,119	44,119
Transfer to capital reserve	0	0	1,242	-1,242	0
Issue of ordinary shares	48,317	-47,392	0	0	925
Share options	0	0	0	449	449
Dividend distribution	0	0	0	-9,638	-9,638
At 31 December 2007	**96,507**	**14,525**	**1,242**	**320,174**	**432,447**
Interests in companies under control or significant influence:					
Carrying amount under the fair value method					-390,444
Carrying amount under the equity method					103,816
Adjusted unconsolidated equity at 31 December 2007					**145,819**

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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

J. Korpusov.

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

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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 euros	
Retained earnings of prior periods	9,720,958
Net profit for 2007	23,410,478
Total distributable profits at 31 December 2007	**33,131,436**

The management board proposes that profits be allocated as follows:

Dividend distribution (0.5 kroons per share)	4,825,329
Transfer to statutory capital reserve	1,170,524
Retained earnings after allocations	**27,135,583**

25 April 2008

Armin Karu
Chairman of the Management Board

Andri Avila
Member of the Management Board

Mart Relve
Member of the Management Board