Olympic Entertainment Group AS

Annual report 2008

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Corporate website	www.olympic-casino.com
Core activity	Provision of gaming services
Beginning of financial year	1 January 2008
End of financial year	31 December 2008
Auditor	KPMG Baltics AS

Contents

Letter from Member of the Management Board

Significant changes that occurred in the global economy in 2008 also had a notable effect on the business of Olympic Entertainment Group, which operates in eight states.

At the end of the first quarter of 2008, Olympic Entertainment Group bravely began implementing an optimisation program, allowing us to adapt quickly to changes in the economy. During the year ten casinos with negative cash flow were closed, leaving 133 casinos operating by the end of the year. At the same time, the Group decreased the number of employees by 7%, reducing staff by the end of the year to 3924 people in eight states.

Quick reaction to economic changes was one of the additional competitive advantages of Olympic Entertainment Group in 2008. The Group grew faster than average in rising markets and operated more efficiently than its competition in markets with strong general downward trends, which resulted in the increase of market share for all the enterprises of Olympic Entertainment Group.

The business profit of Olympic Entertainment Group grew 11.5% in year 2008, earning a total of EUR 179.3 million . Despite the results of EUR 130.9 million operating profit, the year ended with a net loss of EUR 454.6 million, caused by one-time expenditures related to the implementation of an optimisation program, revaluation of assets at the end of the year, losses related to the abrupt drop in the value of various foreign currencies (Ukrainian grivna, Polish zloty, Romanian leu) and non-capitalized investment expenditures.

The implementation of an optimisation program that began in 2008 continues in 2009 as well, making the operations of the Group even more efficient. A decrease in the number of gambling machines in 2009 will result in a decrease in fixed costs proceeding from the gambling tax. Also the rent expenses of Olympic Entertainment Group will decrease due to closing more casinos and lower rent prices for existing casino space.

As a result of all those changes, at the end of 2008, Olympic Entertainment Group began preparing a concept change in its casinos, and as a result, by the 2nd quarter of 2009, all Olympic Entertainment Group casinos will reflect the fresh Olympic Casino Lounge concept. Casino-lounges offer more opportunities for spending time, providing customers with pleasant resting areas and in addition to games and entertainment, a significantly increased variety in drinks and snacks.

Despite a very challenging year, Olympic Entertainment Group, which celebrated its 15nth year in operation, continued as a socially responsible organization by supporting weaker members of our society, sports and cultural events as well. In addition to other projects, EUR 0.03 million were given in support for the construction of a new Estonian house for intellectually challenged youth in Maarja Village and the organization of the charity concerts series “Kuula palun!” A sponsorship agreement with the Estonian Olympic Committee enabled Estonian athletes to achieve good results in the Beijing Olympics and to bring home gold and silver. We continued our support for the Olympic Movement in Poland and also in other markets.

In 2008, Olympic Casino Estonia was recognized on Estonian Business Award night as the most competitive service enterprise, awarded yearly by the Development Agency of Enterprise Estonia, Estonian Chamber of Commerce and Industry and the Estonian Confederation of Employers. Also, the enterprise attained occupational health and safety certificate OHSAS 18001:2007, which is one of the few of such control system certificates among the casino enterprises in the region.

For Olympic Entertainment Group, 2008 was the year when we started casino operations in Slovakia. The State's first Olympic Casino with 61 gambling machines and 11 gambling tables was opened in the Radisson SAS Carlton hotel in the centre of Bratislava. Also we began preparations for opening the only casino in the town of Trnava in January 2009. During the previous year, Olympic Entertainment Group also opened two wholly new casinos in Poland, five casinos in Ukraine, one in Belarus and four new casinos in Estonia.

Although the number of investments in the year 2009 will be a lot more moderate than in previous years, Olympic Entertainment Group monitors the market keenly and the Group is still interested in investment opportunities that have a high likelihood for profit. Olympic Entertainment Group has also finished and is about to finish several important projects – the greatest being the completion of casino representation in Bucharest, the capitol of Romania.

Andri Avila
Olympic Entertainment Group
Member of the Management Board

Management’s discussion and analysis

Corporate profile

Olympic Entertainment Group AS (hereinafter „Group”) is the leading provider of gambling services in Estonia, Latvia and Lithuania, and operates casinos in Ukraine, Belarus, Poland, Romania and Slovakia.

Olympic Entertainment Group AS is the Group’s ultimate holding company, organizing the strategic control and financing of the Group. The operations of local casinos are controlled by local subsidiaries which include Olympic Casino Estonia AS in Estonia, Olympic Casino Latvia SIA in Latvia, Olympic Casino Group Baltija UAB in Lithuania, Olympic Casino Ukraine TOV in Ukraine, Olympic Casino Bel IP in Belarus, Casino Polonia-Wroclaw Sp. Z O.O. in Poland, Olympic Casino Bucharest S.R.L. in Romania and Olympic Entertainment Slovakia S.R.O in Slovakia. The Group’s non-core activities, such as managing casino bars in Estonia, Latvia, Lithuania, Romania, and Slovakia and managing hotel in Tallinn, are separated from casino operations and performed by corresponding specialized legal persons. The exact list of Group enterprises is provided in note 8 to the consolidated financial statements.

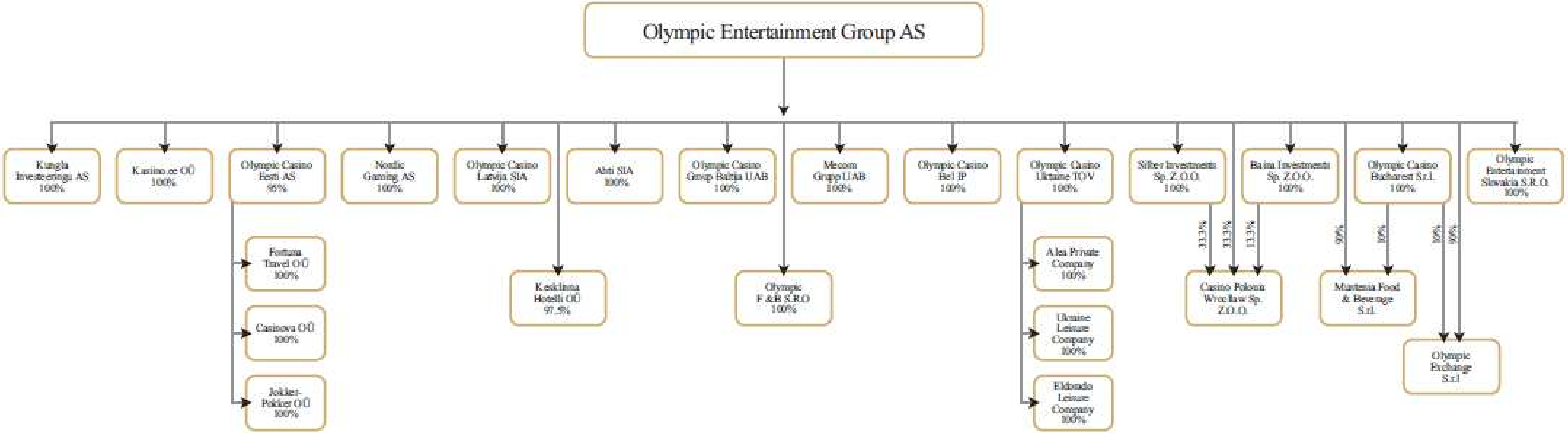
Group operates slot and table casinos, also casino bars at most of its gaming facilities. At 31 December 2008, a total of 133 casinos belonged to the Group – 36 in Estonia, 33 in Latvia, 16 In Lithuania, 24 in Ukraine, 5 in Belarus, 9 in Poland, 9 in Romania, 1 in Slovakia. Group employed 3 924 employees in 8 countries.

Most of the Group’s casino properties operate under the trademark of Olympic Casino. 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).

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

Group structure

The Group’s structure at 31 December 2008:


Olympic Entertainment Group AS
Kungla Investeeringu AS 100%
Kasiino.ee OÜ 100%
Olympic Casino Eesti AS 95%
Nordic Gaming AS 100%
Olympic Casino Latvija SIA 100%
Ahti SIA 100%
Olympic Casino Group Baltija UAB 100%
Mecom Grupp UAB 100%
Olympic Casino Bel IP 100%
Olympic Casino Ukraine TOV 100%
Silber Investments Sp. Z.O.O. 100%
Baina Investments Sp. Z.O.O. 100%
Olympic Casino Bucharest S.r.l. 100%
Olympic Entertainment Slovakia S.R.O. 100%
Fortuna Travel OÜ 100%
Casinova OÜ 100%
Jokker-Pokker OÜ 100%
Kesklinna Hotelli OÜ 97.5%
Olympic F &B S.R.O 100%
Alea Private Company 100%
Ukraine Leisure Company 100%
Eldorado Leisure Company 100%
33.3%
33.3%
33.3%
Casino Polonia Wroclaw Sp. Z.O.O.
90%
10%
Muntenia Food & Beverage S.r.l.
10%
90%
Olympic Exchange S.r.l

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Key performance indicators

	2008	2007	2006
Income statement and balance sheet indicators			
Revenues (in millions of EUR)	179.3	160.9	106.7
Increase in revenues	11.5%	50.9%	90.8%
EBITDA (in millions of EUR)	25.0	44.0	40.3
Operating / loss (in millions of EUR)	-12.4	27.6	28.4
Net profit /loss (in millions of EUR)	-29.1	24.3	25.8
EBITDA margin	14.0%	27.3%	37.8%
Operating margin	-6.9%	17.1%	26.6%
Net margin	-16.2%	15.1%	24.2%
Equity ratio	76.7%	86.4%	89.8%
ROA	-17.8%	15.2%	24.8%
ROE	-21.7%	17.2%	30.3%
Cash flows			
Cash flows from operating activities (in millions of EUR)	11.6	41.9	41.9
Cash flows from investing activities (in millions of EUR)	-33.4	-78.9	-29.0
Cash flows from financing activities (in millions of EUR)	11.5	-9.7	54.3
Other indicators			
Number of casinos at end of year	133	122	79
Casino area (m²) at end of year	38,877	33,828	22 ,316
Number of employees at end of year	3,924	4,004	2,342

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

Overview of the business environment

The Group's economic results for year 2008 were influenced by heavy economic downward trends on all markets of activity. The economic environment in Baltic States in 2008 showed symptoms of cooling, which continued during the whole year, and by the end of the year, the GDP values in Baltic States were -9.7% in Estonia, -10.3% in Latvia and in Lithuania -1.3% compared to the last quarter of 2007. As for Group's other markets of activity, Slovakia and Poland showed continuously positive GDP values in 2008.

Changes in economy also change the habits of the customers of casino entertainment, the results of which are shown in Group indicators of 2008. In 2008, Estonian gaming market decreased up to 17%, and Latvian and Lithuanian market 12% compared to year 2007.

Additionally, the operations and economic results of the Group were influenced by additional administrative measures implemented on gaming operators. In 2008, smoking bans entered into force, in Estonian casinos in June and in Lithuanian casinos in July. The registration requirement for all casino clients entered into force in Lithuania in June 2008, in Estonia corresponding requirement came to force on 1 January 2009.

Overview of Significant Events in the Group

During the first half of year 2008, Group continued its investments and expansion in all markets.

During year 2008, Group opened a total of 21 new casinos, including the first casino in Radisson SAS hotel in Bratislava, capital of Slovakia. Group renovated 15 new casinos – 4 former Kristiine Kasiino casinos in Estonia, 6 former Baltic Gaming casinos in Latvia, 4 former Eldorado casinos in Ukraine and 1 casino in Poland.

In 2008, Group carried out a large-scale optimization and restructuring program. Group closed 10 casinos with negative cash flow, by the end of year 2008 Group managed the operations of 133 casinos in eight countries.

In order to adapt to economic changes and improve financial results and efficiency, the Group has planned on year 2009 and implemented by the time this report is issued, following business changes:

- On the first quarter of 2009, the Group decreased salaries by 20%.
- In first four months of year 2009, the Group closed additional 24 casinos with negative cash flow; in addition to that, the profitability of several other casinos is observed closely. On said period, the Group also decreased the number of employees by 356 job titles, or 9%.
- Group performs significant modifications in its casino entertainment concept, transforming most of operated casinos into casino-lounges. As a result of that, the area, where visitors can spend their free time without engaging in casino games, is expanded. Also the variety of goods offered in casino bars will be increased significantly – food selection will be added to current considerable variety of beverages. The first casinos meeting the requirements of this new casino-lounge were completed at the beginning of the second quarter of 2009.
- Based on decreased demand, and also to carry out the new concept, the number of slot machines was reduced in most casinos in the 1st quarter of 2009, which resulted in decrease in fixed costs proceeding from Gaming Tax. Also, the business hours of several casinos were decreased (all Olympic casinos were previously open 24h a day).
- The rent costs of the Group were decreased during the 1st quarter of 2009 as a result of closing several casinos, and also because the rent prices of existing casinos were lowered – new agreements reached with the owners of various rent spaces had a positive effect on the cost structure of the Group starting from the 2nd quarter of 2009.

Consolidated financial results

Revenues, expenses and profit

External revenue by segments

In thousands of euros	2008	Change	2007	Change	2006	Change
Estonia	47,411	-14.3%	55,346	29.0%	42,919	44.2%
Latvia	41,866	-5.4%	44,275	35.5%	32,672	320.1%
Lithuania	26,548	-11.7%	30,069	20.8%	24,891	49.3%
Ukraine	21,617	80.3%	11,992	97.8%	6,064	199.3%
Belarus	2,196	172.4%	806	652.8%	107	-
Poland	35,086	102.7%	17,310	-	-	-
Romania	2,514	129.9%	1,094	-	-	-
Slovakia	2,102	-	-	-	-	-
Total	**179,341**	**11.5%**	**160,893**	**50.9%**	**106,654**	**89.7%**

Consolidated sales revenues of the Group in 2008, were EUR 178.3 (2007: EUR 159.0) million, total consolidated revenues were EUR 179.3 (2007: EUR 160.9) million, which is 11.5% more than total consolidated revenues earned in 2007. Gaming operations and other income accounted for 94% and 6% of consolidated revenue respectively (2007: 92% and 8%). The revenues of 2008 were positively influenced by the increase in revenues outside of Baltic States markets, that in existing casinos, as well as increase in revenues proceeding from casinos opened during 2008.

At the end of year 2008, the Group had 133 casinos, with a total area of 38,877 m². At the end of 2007, the number of casinos in group was 122, and their total area was 33,828 m². The number of operated casinos increased in year 2008 by 11 (2007: 43) casinos compared to previous period.

Number of casinos by segments	**2008**	**2007**	**2006**
Estonia	36	35	22
Latvia	33	38	38
Lithuania	16	15	10
Ukraine	24	19	8
Belarus	5	4	1
Poland	9	8	-
Romania	9	3	-
Slovakia	1	-	-
Total	**133**	**122**	**79**

Consolidated operating loss amounted EUR 12.4 (2007 business profit: EUR 27.6) million and net loss EUR 29.1 (2007 net profit: EUR 24.3) million.

Operating profit of 2008 was influenced by several non-recurring items: non-capitalizable investments expenses EUR 6.7 (2007: EUR 3.3) million, expenses related to structure optimization and closing of casinos EUR 1.1 (2007: EUR 0), million, impairments for casinos to be closed in the 1st quarter of 2009 in sum of EUR 5.4 million, goodwill impairment EUR 6.3 (2007: EUR 0) million and impairment in investment propery EUR 0.9 (2007: EUR 0) million. In connection to overall economic situation and worsening market conditions, the management has conducted the evaluation of assets, which led to the negative value adjustment of EUR 12.3 (2007: EUR 0) million. Management decisions and evaluations are based on historical experience and prognosis of events of the future periods, including development of overall economic environment.

The consolidated operating expenses grew 43.8% compared to year 2007, and constituted for EUR 191.7 (2007: EUR 133.3) million. The largest expense items were personnel expenses including social charges which amounted to EUR 54.6 (2007: EUR 41.7) million, the next in size were depreciation and impairment expenses of EUR 37.4 (2007: 16.4) million, followed by gaming tax expenses of EUR 30.9 (2007: EUR 21.1) million, marketing expenses including jackpot costs of EUR 15.8 (2007: EUR 14.9) million and buildings rental expenses of EUR 20.1 (2007: EUR 10.9) million.

In absolute numbers, the largest growth occurred in depreciation and impairment expnses, which in total grew by EUR 21.0 (2007: EUR 4.6) million or 127.8% (2007: 38.2%), and personnel expenses which increased by EUR 12.9 (2007: EUR 17.2) million or 31.0% (2007: 70.7%). Gaming tax expenses increased in 2008 by 46.5% (2007: 127.2%) or EUR 9.8 (2007: EUR 11.8) million and buildings rental expenses by 83.6% (2007: 92.4%) or EUR 9.1 (2007: EUR 5.2) million.

Consolidated net loss of 2008 was affected by EUR -17.6 (2007: EUR -2.0) million by exchange differences, caused by the fluctuations of Ukrainian grivna, Belarussian rouble, Polish zloty and Romanian leu to Euro. Exchange rate differences have been recognised in the income statement in *Foreign exchange loss*. Behind accounted foreign exchange rate losses were intra-Group loan agreements.

Overview by markets

Revenue by segments

	2008	2007	2006
Estonia	26.4%	34.4%	40.2%
Latvia	23.3%	27.5%	30.6%
Lithuania	14.8%	18.7%	23.3%
Ukraine	12.1%	7.5%	5.8%
Belarus	1.2%	0.5%	0.1%
Poland	19.6%	10.8%	-
Romania	1.4%	0.6%	-
Slovakia	1.2%	-	-
Total	**100.0%**	**100.0%**	**100.0%**

Estonian segment

Due to the Group’s expansion in 2006-2008, the Estonian segment’s contribution to consolidated revenue has declined from 40.2% to 26.4%. In 2008, the segment’s external revenue amounted to EUR 47.4 (2007: EUR 55.3) million including gaming revenue of EUR 43.6 (2007: EUR 50.9) million. In 2008, the segment’s external revenue declined by -14.3% (2007: +29.0%), at the same time the market share of the Group in Estonian gaming market increased from 42% to 45%. Decrease in revenues reflects on the development in Estonian gaming market – according to the Estonian Gaming Operators Association, in 2008 the turnover of the Estonian gaming market declined by 17%. In addition to macro-economic factors, gaming revenues are also negatively affected by smoking ban in casinos effective from June.

Within the year 2008, Group opened 4 new casinos and also closed 4 casinos in Estonia. During the first half year, 4 former casinos of Kristiine Kasiino were renovated. At the end of 2008, there were 36 Olympic casinos operating in Estonia with a total of 1,415 slot machines and 22 gaming tables.

The operating profit of Estonian segment decreased by 72.2% in 2008, compared with last year, and reached to EUR 3.8 (2007: EUR 13.6) million. Decline in profit is mainly caused by the deceleration in revenues. The effect of non-reccurring items to profit was EUR 2.0 (2007: EUR 0.8) million in total. The non-recurring items include non-capitalizable expenses related to the opening of casinos, costs related to closing of casinos and costs related to impairment of assets.

In October, 2008, new Gambling Act was approved in Estonia, enforcing greater restrictions on gaming operators. Most relevant changes were stricter requirements for gaming inventory and the minimum number of gaming machines increased from previous eight to twenty. New act entered into force on 1 January 2009. The management board of the Group considers the effect of law amendments as positive for OCE business, predicting the possibility of market consolidation and proceeding increase in efficiency.

Revenues of Kungla Investeeringute AS in 2008 decreased by -10.4% (2007: +8.9%) to EUR 4.1 (2007: EUR 4.6) million, of which the sales of hotel services constituted for EUR 2.6 (2007: EUR 3.2) million. The operating profit of Kungla Investeeringute AS for 2008 was EUR 0.2 (2007: EUR 0.3) million.

In 2007, four new hotels with 1,581 beds were opened in Tallinn, wchich was also the reason for a smaller guest quota and average pice of all hotels.The average guest quota of Tallinn hotels dropped by 2.82 % and was 53.03% on 2008 (2007: 55.85%), the average guest quota for Reval Park Hotell & Casino was 46.1 % on 2008 (2007: 57.5%), drop was 11.4%. Economic crises always affect the target markets and people select vacation locations among their neighbouring countries. This is well illustrated by visitors nationalities' statistics of 2008. Tourists from Finland, Germany, Sweden, Great Britain, Norway, Russia and Latvia made up for 50% for all the foreign visitors (2007: 46%). The highest proportion of tourists came from Finland 16% (2007: 13%).

In 2008, changes had occurred in seasons of Estonian hotel economy. Season-based tourism has decreased, and during summer months (June-August) visitors’ quota was still about 10% higher than rest of the year, and the trend shows that the gap decreases. For our hotel, one of the reasons for decrease in season-based tourism was the organization of international poker tournaments, which bring clients all year long.

Latvian segment

Latvian segment's contribution to consolidated revenue has declined from 30.6% to 23.3% in 2006-2008. In 2008, the external revenues of Latvian segment were EUR 41.9 (2007: EUR 44.3) million in total, of which gaming revenues constituted for EUR 38.6(2007: EUR 40.9) million and other revenues EUR 3.3 (2007: EUR 3.4) million. External revenue decreased by -5.4% (2007: +35.5%) compared to last year.

The Latvian segment's external operating profit amounted to the EUR 1.9 (2007: EUR 6.7) million, which was 71.7% down from 2007. The non-capitalizable expenses related to the opening of casinos, expenses related to the closing of casinos and impairment of assets affected the profit negatively in total amount of EUR 2.4 million.

Within the year 2008, 6 former Baltic Gaming casinos were renovated and 5 closed. At the end of December, Latvian segment operated 33 casinos, with a total of 1,112 slot machines and 36 gaming tables.

Lithuanian segment

Lithuanian segment's contribution to consolidated revenue was 14.8% (2007: 18.7%). External revenues of Lithuanian segment went through -11.7% drop in 2008 (2007: +20.8%) compared with the last year and the external revenues of Lithuanian segment amounted to EUR 26.5 (2007: EUR 30.1) million in total. Gaming revenues were EUR 25.1 (2007:EUR 26.9) million and other revenues EUR 1.4 (2007: EUR 3.2) million. Other income of 2007 included non-recurring items of EUR 1.8 million – compensation of EUR 0.6 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 operating profit of Lithuanian segment was EUR 1.4 (2007: EUR 8.9) million, which is -84.4% (2007: +59.2%) from the same period on the last year. The revenues and operating profit of Lithuanian segment were negatively influenced by the requirement for casino clients registration, valid from June and smoking prohibition in casinos, valid from July. The non-recurring non-capitalizable expenses related to the opening of casinos, expenses related to the closing of casinos and impairment of assets affected the operating profit negatively in total amount of EUR 1.7 million.

At the end of the year, 16 casinos operated under the trademark of Olympic Casino in Lithuania, with a total of 640 slot machines and 74 gaming tables.

Ukrainian segment

Ukrainian segment was one of the the Group's fastest growing segments in 2008. The segment's external revenues grew by 80.3% (2007: 97.8%) in comparison with the last year. Ukrainian segment`s contribution to consolidated revenues grew up to 12.1% in 2008 (2007: 7.5%). The segment's external revenue amounted to EUR 21.6 (2007: EUR 12.0) million, including gaming revenue of EUR 20.0 (2007: EUR 11.35) million and other revenue of EUR 1.6 (2007: EUR 0.65) million.

The Ukrainian segment's operating loss for 2008 amounted to EUR -5.0 (2008: EUR 1.3) million. The non-recurring non-capitalizable expenses related to the opening of casinos and impairment of assets affected the operating profit negatively in total amount of EUR 6.8 million.

Within the year 2008, 5 new casinos were opened in Ukraine and 3 former Eldorado casinos were renewed. The companies of Ukrainian segment were operating 24 casinos with a total of 1,138 slot machines and 25 gaming tables as at the end of December.

Belarussian segment

At the end of the year, Olympic Casino Bel IP was operating five casinos with a total of 261 slot machines in Minsk Fifth Olympic Casino in Belarus was opened in July of 2008 at Aleksandrov Passazh mall in Minsk.

The Belarusian segment accounts for 1.2% of the Group's consolidated revenue. In 2008, revenue increased by 172.4% in comparison with the last year and amounted to EUR 2.2 (2007: EUR 0.8) million. The operating loss of 2008 was EUR -1.1 (2007: EUR -1.5) million.

Polish segment

The external revenues of Polish segment in 2008 were EUR 35.1 (2007: EUR 17.3) million, constituting for 19.6% (2007: 10.8%) of consolidated revenues. Compared to the same period of previous year, the revenues have been doubled. The increase in revenues is related to the opening of Olympic Casino Sunrise in hotel Hilton at the end of the second quarter of the last year.

During the year, one former Casino Polonia casino was rebranded and two new Olympic casinos were opened, and related expenses affected the profit negatively by EUR 1.1 million. The total operating loss of Polish segment was EUR -3.1 (2007: EUR 0.2) million. This result was influenced by increased depreciation expenses in relation with bringing into compliance with the accounting policies of the Group.

At the end of the year, the Group operated 391 slot machines and 61 gaming tables in 9 casinos in Poland.

Romanian segment

Romanian segment finished the year 2008 with external revenues of EUR 2.5 (2007: EUR 1.1) million. During the year 2008, 7 new casinos were opened in Romanian capital Bucharest. The preparation works, start-up phase of opened casinos and impairment of assets caused expenses, as a result of which the operating loss reached – EUR -8.6 (2007: EUR -1,5) million. Expenses related to the impairment tangible and intangible assets constituted for EUR 5.0 (2007: EUR 0) million and other non-recurring expenses for EUR 0.7 (2007: EUR 0) million.

At the end of the year, the Group operated 344 slot machines in 9 casinos in Romania along with the casino in Sofitel hotel that was closed for renovation. The casino in Sofitel hotel has been closed due to renovation since June, reopening is planned for May of 2009.

Slovakian segment

In the end of June 2008 the Group opened its first casino in Slovakia, Radisson SAS Carlton hotel in the centre of Bratislava, equipped with 61 slot machines and 11 gaming tables. In January 2009, second casino in Slovakia, in Trnava was opened.

Slovakian segment finished the year 2008 with external revenues in amount of EUR 2.1 million and operating loss of EUR 0.5 million. Expenses related to the opening of casinos influenced the result by EUR 0.5 million.

Balance sheet

At 31 December 2008, the consolidated balance sheet of Olympic Entertainment Group AS totalled EUR 153.6 (31 December 2007: EUR 172.8) million, a 11.1% decrease year-over-year.

Current assets accounted for EUR 29.3 (31 December 2007: EUR 39.5) million or 19.1% (31 December 2007: 22.9%) of total assets and non-current assets for EUR 124.3 (31 December 2007: EUR 133.3) million or 80.9% (31 December 2007: 77.1%) of total assets. Intangible assets accounted for EUR 32.5 million or 26.1% (31 December 2007: EUR 44.1 million or 33.1%) of non-current assets. The carrying amount of intangible assets has decreased on account of goodwill impairment of EUR 6.3 (2007: EUR 1.7) million.

At 31 December, consolidated liabilities totalled EUR 35.7 (31 December 2007: EUR 23.6) million and consolidated equity amounted to EUR 117.9 (31 December 2007: EUR 149.2) million. The largest items in liabilities were loans and borrowings of EUR 17.8 (31 December 2007: EUR 1.9) million, tax commitments of EUR 5.6 (31 December 2007: EUR 5.4) million and trade payables of EUR 4.5 (31 December 2007: EUR 8.0) million.

Investments

In 2008, the Group’s expenditures on property, plant and equipment totalled EUR 43.8 (2007: EUR 43.5) million including investment in gaming equipment of EUR 26.1 (2007: EUR 28.2) million, renovation of casinos for EUR 13.8 (2007: EUR 13.1) million and acquisition of other items of property, plant and equipment of EUR 3.9 (2007: EUR 3.1) million. Expenditures on intangible assets totalled EUR 0.3 (2007: EUR 0.6) million.

The largest investments in 2008 were flagship casino in Bratislava, capital of Slovakia with the total cost of the project in amount of EUR 4.7 million, Janki and Kilece casinos opened in Poland with the total cost of the projects amounting EUR 4.9 million and the rebranding projects of former Eldorado casinos in Ukraine in the total amount of EUR 4.7 million.

Cash flows

In 2008, the Group's operating cash flows were EUR 11.6 (2007: EUR 41.9) million.

Cash outflow from investing activities decline by 55.3% from EUR -78.9 million to EUR -35.3 million. Acquisitions of property, plant and equipment and intangible assets accounted for EUR 37.2 (2007: EUR 42.2) million, from sales of tangible and intangible assets and other financial investments was received EUR 1.4 (2007: EUR 0.2) million and EUR 0.4 (2007: EUR 1.6) million were interests received.

Cash flows from financing activities amounted to EUR 11.5 (2007: EUR -9.7) million. Proceeds from loans were EUR 31.5 (2007: EUR 0) million, repayments of loans totalled to EUR-15.0 (2007: EUR 0) million, the payment of finance lease liabilities amounted to EUR -0.2 (2007: EUR -0.15) million and the distribution of dividends resulted in an outflow of EUR -4.8 (2007: EUR -9.6) million.

Dividends

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 2008 Olympic Entertainment Group AS distributed EUR 4.8 (2007: EUR 9.6) million in dividends. The management board proposes that in 2009 the company will not distribute dividends.

People

At 31 December 2008, the Group employed 3,924 people (31 December 2007: 4,004): 752 in Estonia, 780 in Latvia, 794 in Lithuania, 704 in Ukraine, 98 in Belarus, 543 in Poland, 157 in Romania and 96 in Slovakia.

Employee remuneration expenses including relevant social charges amounted to EUR 54.6 (2007: EUR 41.7) million. The remuneration and benefits of the Group's executive and higher management including relevant social charges totalled to EUR 0.6 (2007: EUR 0.5) million.

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.

The most important objectives for year 2009

The main objective of the Group in 2009 is to adapt its operations to rapidly changing market situation, maintaining the market share and improving the efficiency in core activity.

OEG share

Olympic Entertainment Group AS is listed on main list of Tallinn Stock Exchange from 23rd of October 2006, the enterprise has issued 151.0 million ordinary shares with nominal value of EUR 0.64. Starting from 26th of September 2007, Olympic Entertainment Group AS shares are traded on Warsaw Stock Exchange.

ISIN code	EE3100084021
Short name of the security	OEG1T
Market	BALTIC MAIN LIST
Nominal value	10.00 EEK
Number of securities issued	151 000 000
Number of listed securities	151 000 000
Listing date	23.10.2006

Movements in Olympic Entertainment Group AS' share price (in EUR) and traded volume (number of securities) in 2008:

At the end of 2008, Olympic Entertainment Group AS had 3,113 (31 December 2007: 2,497) shareholders. At 31 December 2008, the ten largest shareholders were:

		Number of shares	Ownership interest (%)
1.	Hansa Assets OÜ	82,114,990	54.38
2.	Hendaya Invest OÜ	34,534,910	22.87
3.	Nordea Bank Finland PLC/ non-resident legal entities	4,586,700	3.04
4.	Central Securities Depository of Lithuania	4 ,407,721	2.92
5.	ING Luxembourg S.A.	1,883,912	1.25
6.	Firebird Avrora Fund, LTD.	1,800,100	1.19

7.	State Sreet Bank and Trust Omnibus Aaccount a Fund no OM01	1,591,746	1.05
8.	Hansabankas clients	1,397,568	0.93
9.	The Northern Trust Company/ RBS as trustee of Jupiter Emerging European Opportunities Fund	1 ,117,100	0.74
10.	SEB Pank AS clients	1 ,088,500	0.72

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 2008 convened on 20 May in the Main Conference Hall of the National Library at Tõnismägi 2 in Tallinn. The meeting began at 11 a.m. and ended at 11.50 a.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 and Anders Galfvensjö.

The annual general meeting of 20 May 2008 was not attended by the members of the supervisory board Kaia Karu, Liina Linsi and Peep Vain and by the Company's auditor as their presence of was not necessary (CGR 1.3.2).

The annual general meeting was attended by 80.78% 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.

There was one extraordinary general meeting of shareholders in 2008. The extraordinary general meeting of shareholders took place on 14 of August 2008, in the location of Olympic Entertainment Group AS at Pronksi 19, Tallinn. The meeting began at 11 a.m. and ended at 11.28 a.m.. The meeting was attended by members of the Company's management board Armin Karu, Andri Avila and Mart Relve and chairman of the Company's supervisory board Jaan Korpusov. The minutes of the extraordinary general meeting were attested by Jaan Hargi, a notary public in Tallinn.

The extraordinary general meeting of 14 August 2008 was not attended by the members of the supervisory board Kaia Karu, Liina Linsi, Peep Vain and Anders Galfvensjö as their presence of was not necessary (CGR 1.3.2).

The extraordinary general meeting was attended by 79.97% 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 2008 until 25 August 2008, the management board had three members - Armin Karu, Andri Avila and Mart Relve. On the extraordinary general meeting of the shareholders hel on 14 August 2008, Armin Karu and Mart Relve were elected to the supervisory board. The management board continued with one member – Andri Avila. The supervisory board appoints members of the management board for three years. On 17 December 2008 supervisory board decided to prolong the management board contract with current board member until 31 December 2011.

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 the member of the management board (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. On 14 August 2008, the extraordinary general meeting elected Armin Karu and Mart Relve as additional members of the supervisory board, at the same time Kaia Karu was recalled from supervisory board.

The supervisory board is elected for a term of five years. The terms of office of Jaan Korpusov, Liina Linsi and Peep Vain expire on 11 September 2011. The term of office of Anders Galfvensjö expires on 24 April 2012. The term of office of Armin Karu expires on 13 August 2013 and the term of office of Mart Relve expires on 13 August 2013 .

The chairman of the supervisory board is Armin Karu. Independent members of the board are Liina Linsi 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 2008, more than half of the meetings of the supervisory board were attended by all members of the supervisory board, excluding Anders Galfvensjö. Mr Galfvensjö was out of the country at the time of these meetings. 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 did not have press conferences in 2008. The Company will publish the time and location of its future 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 will make available to shareholders information on the candidate for the Company's auditor. In making its decision, the Company observes the auditors' rotation requirement. Before signing the audit services contract, the management board will submit a draft of the contract for approval to the supervisory board.

The Company's supervisory board approved the audit services provided by AS KPMG Baltics in 2008. 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.).

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 6 to 19 of the annual report of Olympic Entertainment Group AS for 2008 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.

22 April 2009

Andri Avila
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 2008 presented on pages 21 to 64 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;
- Olympic Entertainment Group AS and its subsidiaries are going concerns (except for Jokker-Pokker OÜ and Casinova OÜ which are in liquidation).

22 April 2009

Andri Avila
Member of the Management Board

Consolidated balance sheet

As at 31 December
ASSETS

In thousands of euros	Note	2008	2007
Current assets			
Cash and cash equivalents	2	20,191	32,071
Other investments	3	0	698
Trade receivables	4	416	915
Other receivables and prepayments	5	5,508	4,375
Prepaid income tax		1,308	164
Inventories	6	1,890	1,306
Total current assets		**29,312**	**39,530**
Non-current assets			
Deferred tax assets	7	1,077	229
Other investments	3	1,018	463
Other long-term receivables	9	2,895	764
Investment property	10	2,897	3,382
Property, plant and equipment	11	83,921	84,321
Intangible assets	13	32,496	44,123
Total non-current assets		**124,304**	**133,283**
TOTAL ASSETS		**153,616**	**172,812**

LIABILITIES AND EQUITY

In thousands of euros		2008	2007
LIABILITIES			
Current liabilities			
Interest-bearing loans and borrowings	14	5,292	299
Customer advances		1,025	805
Trade payables		4,480	8,037
Other payables		593	594
Income tax payable		80	870
Other taxes payable	15	5,570	4,529
Accrued expenses	16	4,722	4,708
Provisions	17	818	978
Total current liabilities		**22,580**	**20,821**
Non-current liabilities			
Deferred tax liability	7	698	1,168
Interest-bearing loans and borrowings	14	12,461	1,584
Total non-current liabilities		**13,159**	**2,753**
Total liabilities		**35,739**	**23,573**
EQUITY			
Share capital		96,507	96,507
Share premium		14,525	14,525
Statutory capital reserve		2,413	1,243
Translation reserve		2,263	-86
Retained earnings		-2,044	33,131
Total equity attributable to equity holders of the parent		113,664	145,320
Minority interest		4,214	3,919
Total equity	18	**117,878**	**149,239**
TOTAL LIABILITIES AND EQUITY		**153,616**	**172,812**

Consolidated income statement

In thousands of euros	Note	2008	2007
Revenue			
Sales revenue	20	178,265	158,967
Other income	21	1,076	1,925
Total revenue		**179,341**	**160,893**
Expenses			
Cost of materials, goods and services used	22	-4,195	-3,853
Other operating expenses	22	-92,849	-70,496
Personnel expenses	22	-54,570	-41,665
Depreciation, amortisation and impairment	10;11;13	-37,439	-16,435
including impairment of investment property		-833	0
including impairment of goodwill		-6,287	0
Other expenses	23	-2,687	-867
Total expenses		**-191,739**	**-133,315**
Operating profit (loss)		**-12,398**	**27,577**
Financial income and expenses			
Gain on investments in associates		0	1
Interest income		716	1,776
Interest expense		-678	-39
Foreign exchange loss		-16,822	-2,191
Other financial income		12	0
Net financing items	25	**-16,771**	**-453**
Profit (loss) from operations		**-29,170**	**27,124**
Income tax expense	24	115	-2,796
NET PROFIT (LOSS) FOR THE PERIOD		**-29,055**	**24,329**
Attributable to minority interest		295	918
Attributable to equity holders of the parent		-29,350	23,411
Basic earnings per share (in euro)	26	-0.19	0.16
Diluted earnings per share (in euro)	26	-0.19	0.15

Consolidated statement of cash flows

In thousands of euros	Note	2008	2007
Cash flows from operating activities			
Net profit for the period		-29,055	24,329
Adjustments for			
Depreciation and amortisation	11, 13	30,319	16,413
Impairment losses on goodwill	13	6,287	0
Changes in the fair value of investment property	10	833	-1,349
Losses on disposal of property, plant and equipment	21, 23	1,130	539
Gain from associates	8	0	-1
Net other financing items		16,771	454
Change in receivables and prepayments		-6,866	-915
Change in inventories		-584	510
Change in payables and advances		-3,060	4,820
Interest paid		-589	-38
Corporate income tax paid		-3,542	-2,858
Net cash from operating activities		**11,643**	**41,904**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangibles		-37,220	-42,225
Proceeds from sale of property, plant and equipment and intangible assets		1,009	156
Proceeds from sale of financial investments		425	0
Acquisition of subsidiaries		78	-33,505
Proceeds from sale of associates	8	0	1
Loans granted	9	0	-4,965
Repayment of loans given		0	0
Interest received		419	1,651
Net cash used in investing activities		**-35,289**	**-78,887**
Cash flows from financing activities			
Proceeds from issue of share capital	18	0	128
Proceeds from loans received	14	31,535	0
Repayment of loans received	14	-15,000	0
Payment of finance lease principal	14	-222	-147
Dividends paid	18	-4,825	-9,638
Net cash used in / from financing activities		**11,487**	**-9,657**
NET CASH FLOW		**-12,158**	**-46,640**
Decrease / increase in cash and cash equivalents		**-12,158**	**-46,640**
Cash and cash equivalents at beginning of period		**32,071**	**78,909**
Effect of exchange rate fluctuations		278	-198
Cash and cash equivalents at end of period		**20,191**	**32,071**

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 2006		**48,189**	**61,918**	**0**	**-142**	**20,152**	**117**	**2,372**	**132,490**
Net profit for the period		0	0	0	0	23,411	23,411	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**	**23,411**	**23,466**	**918**	**24,384**
Issue of ordinary shares:									
- bonus issue		48,189	-48,189	0	0	0	**0**	0	**0**
- issued in business combinations		128	797	0	0	0	**925**	0	**925**
Transfer to capital reserve		0	0	1,242	0	-1,242	**0**	0	**0**
Dividend distribution		0	0	0	0	-9,638	**-9,638**	0	**-9,638**
Share options	27	0	0	0	0	449	**449**	0	**449**
Addition from business combinations		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**
Net profit for the period		0	0	0	0	-29,350	-29,350	295	**-29,055**
Effect of changes in exchange rates		0	0	0	2,349	0	2,349	0	**2,349**
Total recognised income and expense		**0**	**0**	**0**	**2,349**	**-29,350**	**-27,001**	**295**	**-26,706**
Transfer to capital reserve		0	0	1,171	0	-1,171	**0**	0	**0**
Dividend distribution	18	0	0	0	0	-4,825	**-4,825**	0	**-4,825**
Share options	27	0	0	0	0	170	**170**	0	**170**
At 31 December 2008		**96,507**	**14,525**	**2,413**	**2,263**	**-2,044**	**113,664**	**4,214**	**117,878**

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 22 April 2009. 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 10 – investment property
- Note 11 – tangible assets
- Note 12 – leased assets
- Note 13 – intangible assets
- Note 17 – provisions
- Note 27 – share-based payments
- Note 29 – financial instruments
- Note 30 – accounting estimates and judgements

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.

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.

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.

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, Romanian, Polish and Slovakian 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%, 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:

Currency	Exchange rate	
	31 December 2008	31 December 2007
Euro	15.646600	15.646600
Lithuanian litas	4.531570	4.531570
Latvian lats	22.097700	22.450500
Belarusian ruble	0.005046	0.004933
Polish zloty	3.747880	4.366070
Ukrainian grivna	1.405950	2.106570
Romanian leu	3.903950	4.363210
Slovakian koruna	0.519055	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.

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)

- *Amendment to IFRS 2 Share-based Payment (effective for annual periods beginning on or after 1 January 2009)*

The amendments to the Standard clarify the definition of vesting conditions and introduce the concept of non-vesting conditions. Non-vesting conditions are to be reflected at grant-date fair value and failure to meet non-vesting conditions will generally result in treatment as a cancellation.
The Group has not yet completed its analysis of the impact of the revised standard.

- *Revised IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009)*

The scope of the revised Standard has been amended and the definition of a business has been expanded. The revised Standard also includes a number of other potentially significant changes including:

- All items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration.
- Subsequent change in contingent consideration will be recognised in profit or loss.
- Transaction costs, other than share and debt issuance costs, will be expensed as incurred.

The acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
As the revised Standard should not be applied to business combinations prior to the date of adoption, the revised Standard is expected to have no impact on 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 introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group's management in deciding how to allocate resources and in assessing performance.
The Standard will have no effect on the Group's financial result or equity. The Group estimates that new standard will affect the presentation and disclosure of segment reporting.

- *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 (effectively combining the income statement and all non-owner changes in equity in a single statement), or in two separate statements (a separate income statement followed by a statement of comprehensive income).
The Group 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 removes the option to expense borrowing costs and requires the capitalization of borrowing costs that relate to qualifying assets (those 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.

- *Amendments to IAS 27, Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 January 2009)*

The amendments remove the definition of “cost method” currently set out in IAS 27, and instead require all dividends from a subsidiary, jointly controlled entity or associate to be recognised as income in the separate financial statements of the investor when the right to receive the dividend is established.
In addition, the amendments provide guidance when the receipt of dividend income is deemed to be an indicator of impairment.
Amendments to IAS 27 are not relevant as these are the consolidated financial statements of the Group.

- *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, and 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.

- *Amendments to IAS 32 Financial Instruments: Presentation*, and IAS 1, *Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)*

The amendments introduce an exemption to the principle otherwise applied in IAS 32 for the classification of instruments as equity, and allow certain puttable instruments issued by an entity that would normally be classified as liabilities to be classified as equity if they meet certain conditions.
The amendments are not relevant to the Group’s financial statements as none of the Group entities have in the past issued puttable instruments that would be affected by the amendments.

- *Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 July 2009)*

The amended Standard clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. In designating a hedging relationship the risks or portions must be separately identifiable and reliably measurable; however inflation cannot be designated, except in limited circumstances.
The Group has not yet completed its analysis of the impact of the revised standard.

- *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 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.
According to management's assessment, the Interpretation will not have any impact on the Group's consolidated financial statements.

- *IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)*

IFRIC 15 clarifies that revenue arising from agreements for the construction of real estate is recognised by reference to the stage of completion of the contract activity in the following cases:
1. the agreement meets the definition of a construction contract in accordance with IAS 11.3;
2. the agreement is only for the rendering of services in accordance with IAS 18 (e.g., the entity is not required to supply construction materials); and
3. the agreement is for the sale of goods but the revenue recognition criteria of IAS 18.14 are met continuously as construction progresses.
In all other cases, revenue is recognised when all of the revenue recognition criteria of IAS 18.14 are satisfied (e.g. upon completion of construction or upon delivery).
IFRIC 15 is not relevant to the Group's financial statements as the Group does not provide real estate construction services or develop real estate for sale.

- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)*

The Interpretation explains the type of exposure that may be hedged, where in the group the hedged item may be held, whether the method of consolidation affects hedge effectiveness, the form the hedged instrument may take and which amounts are reclassified from equity to profit or loss on disposal of the foreign operation.
IFRIC 16 is not relevant to the Group's financial statements as the Group has not designated any hedges of a net investment in a foreign operation.

- *IFRIC 17 Distributions of Non-cash Assets to Owners (effective prospectively for annual periods beginning on or after 15 July 2009)*

The Interpretation applies to non-reciprocal distributions of non-cash assets to owners acting in their capacity as owners. In accordance with the Interpretation a liability to pay a dividend shall be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity and shall be measured at the fair value of the assets to be distributed. The carrying amount of the dividend payable shall be remeasured at each reporting date, with any changes in the carrying amount recognised in equity as adjustments to the amount of the distribution. When the dividend payable is settled the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable shall be recognised in profit or loss.

As the Interpretation is applicable only from the date of application, it will have no impact on the financial statements for periods prior to the date of adoption of the Interpretation. Further, since it relates to future dividends that will be at the discretion of the management board/shareholders it is not possible to determine the effects of application in advance.

Note 2. Cash and cash equivalents

In thousands of euros, at 31 December	2008	2007
Cash on hand and at gaming halls	4,939	5,310
Call deposits	8,651	10,739
Term deposits	5,371	14,808
Cash in transit	1,230	1,214
Total	**20,191**	**32,071**

At 31 December 2008, term deposits included deposits of EUR 426 (31.12.2007: EUR 816) thousand made for the acquisition of the Eldorado subsidiaries, guarantee deposits of EUR 362 (31.12.2007: EUR 2,772) thousand made for rented premises and other guarantee deposits of EUR 4,583 (31.12.2007: EUR 703) thousand.

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 3.9% to 5.5% (2007: from 3.1% to 5.9%) and the effective interest rates of term deposits and fund units ranged from 1.7% to 7.3% (2007: 1.7% to 4.32%). The maturities of term deposits range from one month to three years. Term deposits are cancellable. In 2008, the Group's interest income on term deposits amounted to EUR 671 (2007: EUR 1,590) thousand.

Note 3. Other investments

In thousands of euros, at 31 December	2008	2007
Lithuanian government bonds		
Current portion	0	698
Non-current portion	1,014	463
Other long-term financial investments	4	0
Total	**1,018**	**1,162**

Description	Issue number	Quantity	Par value in LTL	Interst rate	Acquisition date	Redemption date
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
Bond	LT0163880502	627	2,164,906	4.5%	22 December 2008	5 March 2013
Total		**15,893**	**3,691,506**			

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 2008, interest income on the bonds amounted to EUR 44,7 (2007: EUR 34.1) thousand.

Note 4. Trade receivables

In thousands of euros, at 31 December	2008	2007
Trade receivables	776	927
Allowance for impairment	-360	-12
Total	**416**	**915**

In thousands of euros	2008	2007
Allowance for impairment at beginning of year	-12	-13
Items considered impaired	-367	-8
Items considered irrecoverable	19	9
Allowance for impairment at end of year	**-360**	**-12**

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	2008	2007
Prepaid taxes		
Gaming tax	1,450	1,519
Value added tax	622	388
Other taxes	93	480
Total prepaid taxes	**2,165**	**2,387**
Prepayments for services		
Lease of premises	1,302	763
Licences	394	164
Software and equipment maintenance	66	0
Other prepayments	564	319
Total prepayments for services	**2,327**	**1,245**
Other receivables		
Loans to employees	19	4
Other receivables from employees	40	186
Interest receivable	384	134
Miscellaneous receivables	573	419
Total other receivables	**1,016**	**743**
Total other receivables and prepayments	**5,508**	**4,375**

Note 6. Inventories

In thousands of euros, at 31 December	2008	2007
Gaming equipment	596	183
Jackpot prizes	64	64
Spare parts for slot machines	543	48
Other materials	134	577
Goods purchased for resale	527	433
Non-current assets held for sale	26	0
Total	**1,890**	**1,305**

Note 7. Deferred tax assets and liabilities

	Tax assets		Tax liabilities		Net	
In thousands of euros	2008	2007	2008	2007	2008	2007
Inventories	4	33	0	0	4	33
Employee benefits	95	1	0	0	95	1
Property, plant and equipment	883	79	-926	-1,329	-43	-1,250
Investment property	0	0	-90	0	-90	0
Provisions	29	175	0	0	29	175
Tax value of loss carry-forwards	61	27	0	0	61	27
Other	323	74	0	0	323	74
Total tax assets / liabilities	**1,394**	**389**	**-1,016**	**-1,329**	**379**	**-940**
Set-off of deferred tax assets and liabilities	-318	-161	318	161	0	0
Net deferred tax assets / liabilities	**1,076**	**228**	**-698**	**-1,168**	**379**	**-940**
Deferred tax assets / liabilities at beginning of year	229	205	-1,168	-779	-939	-574
Deferred tax assets / liabilities at end of year	1,076	228	-698	-1,168	379	-940
Recognised in income / expense during the year (see note 24)	**847**	**23**	**470**	**-389**	**1,318**	**-366**

Note 8. Subsidiaries and associates

At 31 December	Domicile	Ownership interest 2008	2007	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	0%	100%	In liquidation	Nordic Gaming
Fortuna Travel OÜ	Estonia	95%	95%	Casino tourism	Olympic Casino Eesti
Kasiino.ee OÜ	Estonia	100%	100%	Internet solutions	OEG
Jokker-Pokker OÜ	Estonia	95%	95%	Bar services	Olympic Casino Eesti
Casinova OÜ	Estonia	95%	95%	Trademark, brand management	Olympic Casino Eesti
Kesklinna Hotelli OÜ	Estonia	97.5%	97.5%	Hotel services	OEG
Olympic Casino Latvia SIA	Latvia	100%	36.5%	Organisation of gaming	OEG
Olympic Casino Latvia SIA	Latvia	0%	63.5%	Organisation of gaming	Olympic Casino Group Baltic
Ahti SIA	Latvia	100%	100%	Bar services	OEG
Faraons SIA	Latvia	0%	100%	Bar services	OEG
Olympic Casino Group Baltic SIA	Latvia	0%	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%	100%	Organisation of gaming	Olympic Casino Ukraine
Eldorado Leisure Company	Ukraine	100%	100%	Organisation of gaming	Olympic Casino Ukraine
Ukraine Leisure Company	Ukraine	100%	100%	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%	33.33%	Organisation of gaming	OEG
Casino-Polonia Wroclaw Sp.Z.o.o.	Poland	33.33%	33.33%	Organisation of gaming	Silber Investments
Casino-Polonia Wroclaw Sp.Z.o.o.	Poland	13.33%	13.33%	Organisation of gaming	Baina Investments
Olympic Casino Bucharest S.r.l.	Romania	100%	100%	Organisation of gaming	OEG
Muntenia Food Beverage S.r.l	Romania	90%	90%	Bar services	OEG
Muntenia Food Beverage S.r.l	Romania	10%	10%	Bar services	Olympic Casino Bucharest
Olympic Exchange S.r.l	Romania	90%	90%	Currency exchange	OEG
Olympic Exchange S.r.l	Romania	10%	10%	Currency exchange	Olympic Casino Bucharest
Olympic Entertainment Slovakia	Slovakia	100%	0%	Organisation of gaming	OEG
Olympic FjaB S.r.o.	Slovakia	100%	0%	Bar services	OEG

Acquisition of subsidiaries

In February OEG set up a subsidiary in Slovakia. The incorporated company is named Olympic F&B S.r.o. and its area of activity will be provision of bar services for Olympic Entertainment Slovakia S.r.o and for its customers.

Transformation of subsidiaries

In January 2008 was decided juridical re-establishment of activities of Estonian subsidiary Nordic Gaming AS, changes in court register were made in May.

In the first quarter of 2008 subsidiaries Olympic Casino Latvia SIA and Olympic Casino Group Baltic SIA merged. The balance sheet date of the merger was 1 January 2008. The juridical merger was finished in March, as a result Olympic Casino Group Baltic SIA was dissolved from Latvian enterprise register.

In March 2008 was decided juridical merger of Latvian subsidiaries Faraons SIA and Ahti SIA . The juridical merger was completed on August 12th, as a result of which Faraons SIA was dissolved from Latvian enterprise register.

In May 2008 was decided liquidation of Estonian subsidiaries Jokker-Pokker OÜ and Casinova OÜ. Casinova OÜ was dissolved from Estonian enterprise register on 16 February 2009 and Jokker-Pokker OÜ was dissolved from Estonian enterprise register on 18 February 2009.

Note 9. Other long-term receivables

In thousands of euros, at 31 December	**2008**	**2007**
Long-term loans	0	6
Prepaid lease rentals	907	758
Prepayments for shares in Casino Polonia	1,988	0
Total	**2,895**	**764**

Note 10. Investment property

In thousands of euros	**Land**	**Buildings**	**Total**
At 31 December 2006	**1,864**	**169**	**2,034**
Revaluation	1,371	-22	1,349
At 31 December 2007	**3,235**	**147**	**3,382**
Acquisitions	348	0	348
Revaluation	-795	-38	-833
At 31 December 2008	**2,788**	**109**	**2,897**

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 real estate appraiser Tikslo Siekis UAB in Lithuania and Real Estate Agency Uus Maa and Metsatervenduse OÜ in Estonia.

In 2008, rental income from investment property amounted to EUR 18.4 (2007: EUR 7.0) thousand. Operating expenses on investment property (utility, security, insurance, and land tax charges) totalled EUR 2.8 (2007: EUR 1.8) thousand.

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 2006	**1,323**	**14,548**	**30,071**	**2,200**	**1,101**	**49,242**
Cost at 31 December 2006	1,536	20,355	45,562	3,763	1,101	**72,316**
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**
Accumulated depreciation at 31 December 2006	-213	-5,808	-15,491	-1,563	0	-23,074
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**
Additions	1	7,111	26,149	3,907	6,637	43,805
Reclassification	82	1,623	4,297	596	-6,598	0
Reclassification between tangible and intangible assets	0	0	190	-6	-3	181
Disposals	-616	-1,159	-6,540	37	-32	-8,309
Effect of movements in exchange rates	31	-2,527	-4,897	96	-2,074	-9,371
Cost at 31 December 2008	897	38,646	93,869	10,623	2,738	**146,772**
Depreciation charge for the year	-42	-5,627	-16,401	-1,862	0	-23,933
Impairment	0	-3,566	-1,561	0	0	-5,127
Reclasifications	-18	17	9	-8	0	0
Reclassification between tangible and intangible assets	0	1,320	-806	-522	0	-8
Disposals	98	351	4,462	441	0	5,352
Effect of movements in exchange rates	-24	-315	-1,542	-1,110	0	-2,992
Accumulated depreciation at 31 December 2008	-278	-16,822	-40,831	-4,920	0	**-62,851**
Carrying amount at 31 December 2008	**619**	**21,824**	**53,038**	**5,703**	**2,738**	**83,921**

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 2008, impairment of tangible assets in total amount of EUR 5,127 (2007: EUR 0) thousand was recognised. The impairment of renovation expenditures related to planned closings of casinos in Estonia, Latvia, Lithuania, Ukraine and Romania in the first quarter of 2009 amounted to EUR 1,561 (2007: EUR 0) thousand. The impairment of plant and equipment in amount of EUR 1,561 (2007: EUR 0) thousand has been recognised as a result of impairment tests. The recoverable amount of plant and equipment was identified by reference to their value in use. Value in use was determined using detailed pre-tax operating cash flow estimates for five years.

Note 12. Leased assets

Assets acquired with finance lease

Plant and equipment	In thousands of euros
Cost at 31 December 2006	67
Accumulated depreciation at 31 December 2006	-50
Carrying amount at 31 December 2006	**17**
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**
Additions	563
Depreciation charge for the year	-393
Effect of movements in exchange rates	-19
Cost at 31 December 2008	2,200
Accumulated depreciation at 31 December 2008	-614
Carrying amount at 31 December 2008	**1,586**

Assets held under operating lease

Operating lease payments made in 2008 totalled EUR 20,013 (2007: EUR 10,927) 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	2008	2007
Operating lease payments made during the period	17,702	2,187
Operating lease rentals payable		
Less than 1 year	16,223	3,584
Between 1 and 5 years	47,164	14,908
Over 5 years	19,191	42,387

The Group leases out premises under the terms of operating lease. No non-cancellable lease contracts have been concluded. In 2008 operating lease income amounted to EUR 695,6 (2007: EUR 139.3) thousand.

Operating lease rentals receivable in subsequent periods:

In thousands of euros	2008	2007
Less than 1 year	624	343
Between 1 and 5 years	1,435	1,234
Over 5 years	137	3,200

Note 13. Intangible assets

In thousands of euros	Goodwill	Lease contracts	Software and licences	Pre-payments	Total
Carrying amount at 31 December 2006	**7,956**	**0**	**1,133**	**0**	**9,089**
Cost at 31 December 2006	**9,867**	**0**	**1,796**	**0**	**11,663**
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**
Accumulated amortisation at 31 December 2006	**-241**	**0**	**-666**	**0**	**-907**
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	12
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**	**44,124**
Additions	0	0	217	38	255
Reclassification	0	0	4	-4	0
Reclassification between tangible and intangible assets	0	0	-181	0	-181
Disposals	-120	0	-2	0	-122
Effect of movements in exchange rates	-4,048	0	-326	0	-4,374
Cost at 31 December 2008	**35,998**	**2,046**	**3,167**	**33**	**41,244**
Impairment of goodwill at 31 December 2008	**-6,287**	**0**	**0**	**0**	**-6,287**
Amortisation charge for the year	0	-263	-843	0	-1,106
Reclassification between tangible and intangible assets	0	0	8	0	8
Disposals	0	0	2	0	2
Effect of movements in exchange rates	0	0	180	0	180
Accumulated amortisation at 31 December 2008	**-241**	**-439**	**-1,781**	**0**	**-2,461**
Carrying amount at 31 December 2008	**29,471**	**1,607**	**1,385**	**33**	**32,496**

In 2008, impairment of goodwill in total amount of EUR 6,287 (2007: EUR 0) thousand was recognised, goodwill decreased by EUR 61 (2007: EUR 0) thousand in connection with the commencement of the liquidation of the subsidiaries Jokker-Pokker OÜ and Casinova OÜ and by EUR 59 thousand in connection with the decrease in purchase price of the Eldorado companies. In 2007, goodwill decreased by EUR 42 thousand in connection with the determination of the final purchase price of the Baltic Gaming companies.

Management tested goodwill for impairment as of 31 December 2008. 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	2008	2007
Olympic Casino Eesti AS (Kristiine Kasiino AS)	12,967	13,028
Olympic Casino Latvia SIA (Baltic Gaming AS)	7,231	7,355
Casino Polonia Wroclaw Sp. Z.o.o.	7,227	7,965
Olympic Casino Bucharest s.r.l.	0	3,439
Kesklinna Hotelli OÜ	1	1
Eldorado Leisure Company	736	2,799
Ukraine Leisure Company	1,309	5,151
Alea Private Company	0	187
Total	**29,471**	**39,926**

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 2009-2013 were projected based on the budgets and business plan prepared by the management board according to which in the forecast period revenue will change at the rate of -1% to +350% and expenses will change at the rate of -12% to +70% 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 14.3% to 28.1% 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 goodwill items do not exceed their carrying amounts in subsidiaries of Ukrainian and Romanian region. Therefore, impairment loss in amount of EUR 3,386 (2007: EUR 0) thousand in Ukrainian region and in amount of EUR 2,901 (2007: EUR 0) thousand in Romanian region was recognised.

Note 14. Interest-bearing loans and borrowings

Finance lease liabilities

In thousands of euros, at 31 December	**2008**	**2007**
Finance lease liabilities at beginning of year	1,461	12
Addition	0	1,595
Principal payments made	-222	-147
Effect of movements in exchange rates	-21	0
Finance lease liabilities at end of year	1,218	1,461
Current portion	292	299
Non-current portion (payable within 3 years)	926	1,162
Finance charge for the year	60	38
Average interest rate	4.8%	6.5%

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

Bank loans

In thousands of euros, at 31 December	**2008**	**2007**
Loan liabilities at beginning of year	0	0
Addition	31,535	0
Repayments made	-15,000	0
Loan liabilities at end of year	16,535	0
Non-current portion (payable in up to 5 years)	5,000	0
Non-current portion (payable in up to 5 years)	11,535	
Interest expense of the year	415	0
Average interest rate	6 months' EURIBOR + 3.75%	

The loan shall be guaranteed by a pledge to be established in favour of AS Hansapank in the form of financial collateral on OEG`s subsidiaries shares in Estonia, Latvia, Lithuania, Poland and Ukraine and in the form of guarantee from OEG subsidiaries in Belarus, Romania and Slovakia.

At 31 December 2008 the available amount of facility to be utilised in 2009 was EUR 8,465 thousand.

Other loans and borrowings

In thousands of euros, at 31 December	2008	2007
Other non-current loans and borrowings	0.4	423
Total	**0.4**	**423**

Total interest-bearing loans and borrowings

In thousands of euros, at 31 December	2008	2007
Current portion	5,292	299
Non-current portion	12,461	1,584
Total	**17,753**	**1,883**

Note 15. Tax liabilities

In thousands of euros, at 31 December	2008	2007
Gaming tax	1,638	1,470
Value added tax	1,056	914
Personal income tax	664	753
Social tax	1,177	1,210
Excise duty	878	0
Income tax on gifts and fringe benefits	72	89
Other tax liabilities	85	93
Total	**5,570**	**4,529**

Effective tax rates in 2008

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	27% 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		5%	29% of net income
Rate per slot machine	EEK 7,000 / EUR 447	LVL 140 / EUR 200	LTL 600 / EUR 174	BYR 259,300 / EUR 100	UAH 350 / EUR 53	45% of net income	10%	SKK 45,000 / EUR 1,347
Value added tax	18%	18%	18%	18%	20%	22%	19%	19%
Personal income tax	21%	25%	24%	9%-30%	15%+30%	19%-40%	33%	19%
Funded pension contributions	2%	-	-	-	-	-	-	14%
Social tax	33%	24.09% + 9%	34%	35% + 1%	2%+33.2%	22.7%	28.55%	35%
Social security contributions	-	-	-	-	1%+1.5%	-	-	-
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	-	-	-	0.2%	0.76%	-	-	-
Corporate income tax	21%	15%	15%	24%	25%	19%	16%	19%

* Cover tax in Lithuania
Business venture tax in Latvia

Note 16. Accrued expenses

In thousands of euros, at 31 December	2008	2007
Payables to employees, including	4,422	4,260
Salaries payable	2,054	1,946
Vacation pay liabilities	2,368	2,313
Dividends payable	111	139
Interest payable	32	0
Other accrued payables	157	308
Total	**4,722**	**4,708**

Note 17. Provisions

In thousands of euros	2008	2007
Provisions for winnings		
At beginning of the year	614	545
Provisions made during the year	3,533	5,188
Provisions used during the year	-3,592	-5,119
Provisions for winnings at end of the year	**555**	**614**
Provision for expenses		
At beginning of the year	363	491
Provisions made during the year	263	474
Provisions used during the year	-363	-602
Provision for expenses at end of the year	**263**	**363**
Total provisions	**818**	**978**

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 expenses related to terminating the premises rental agreement of Viiking Kasiino in Tallinn.

Note 18. Equity

Share capital

OEG’s share capital amounts to EUR 96,507 thousand. The par value of a share is EUR 0.64. 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. In 2008 the number of OEG`s shares and amount of share capital did not change.
All shares which have been issued have been paid for.

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**
Shares issued in 2008	0
Number of shares at 31 December 2008	**151,000,000**

Dividends

On 20 May 2008, the annual general meeting decided to distribute a dividend of 0.03 euros per share, i.e. EUR 4,825 thousand in aggregate. The dividends were paid out in June 2008.

In 2007, the Company distributed dividends of EUR 9,638 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.

Shares held by the members of the supervisory and management boards and their close family members at 31 December 2008

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	14,300	0.0095%

At 31 December 2008, close family members of Armin Karu held 5,400 shares.

Shareholders whose ownership interest exceeded 1% at 31 December 2008

Name	Number of shares	Ownership interest
OÜ HansaAssets (shareholder Armin Karu)	82,114,990	54.3808%
OÜ Hendaya Invest (shareholder Jaan Korpusov)	34,534,910	22.8708%
Nordea Bank Finland Plc	4,586,700	3.0375%
Central Securities Depository of Lithuania	4,407,721	2.9190%
ING Luxembourg S.A.	1,883,912	1.2476%
Firebird Avrora Fund Ltd.	1,800,100	1.1921%
State Street Bank and Trust	1,591,746	1.0541%

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 127.8 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 1 ,488 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 13.6 thousand).

Note 19. Segment reporting

At 31 December 2008, 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 2008, 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.

Geographical segments

In thousands of euros	Estonia		Latvia		Lithuania		Ukraine		Belarus		Poland		Romania		Sloavkia		Eliminations		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
External sales revenue	47,058	55,043	41,767	44,086	26,462	28,711	21,409	11,992	2,185	775	34,898	17,273	2,413	1,088	2,073	0	0	0	178,265	158,967
Other external income	353	303	98	189	87	1,358	209	1	12	31	187	37	101	5	29	0	0	0	1,076	1,925
Inter-segment revenue and income	836	849	184	171	11	14	0	0	0	0	0	0	0	0	0	0	-1,031	-1,034	0	0
Total revenue	**48,247**	**56,195**	**42,050**	**44,446**	**26,559**	**30,083**	**21,617**	**11,992**	**2,196**	**806**	**35,086**	**17,310**	**2,514**	**1,094**	**2,102**	**0**	**-1,031**	**-1,034**	**179,341**	**160,893**
External expenses	-43,637	-41,765	-39,979	-37,622	-25,167	-21,210	-26,631	-10,682	-3,279	-2,319	-38,223	-17,110	-11,133	-2,559	-3,691	-48	0	0	-191,739	-133,315
Inter-segment expenses	-36	-19	-284	-217	-103	-200	-234	-122	-31	-43	-230	-217	-285	-216	-45	0	1,248	1,033	0	0
Total expenses	**-43,673**	**-41,784**	**-40,262**	**-37,839**	**-25,270**	**-21,410**	**-26,865**	**-10,804**	**-3,310**	**-2,362**	**-38,453**	**-17,327**	**-11,419**	**-2,775**	**-3,735**	**-49**	1,248	**1,033**	**-191,739**	**-133,315**
Operating profit	**4,648**	**14,411**	**1,787**	**6,607**	**1,289**	**8,673**	**-5,247**	**1,189**	**-1,114**	**-1,556**	**-3,367**	**-17**	**-8,904**	**-1,681**	**-1,633**	**-49**	**143**	**0**	**-12,398**	**27,577**
Net financial items																			-16,771	-453
Income tax expense																			115	-2,796
Net profit for the period																			**-29,055**	**24,328**
Segment assets	144,181	119,236	31,710	39,656	19,475	22,957	18,085	25,437	4,374	4,902	23,215	20,476	9,397	7,443	6,981	1,980	-106,567	-69,801	150,852	172,286
Unallocated assets																			2,764	526
Total assets																			**153,616**	**172,812**
Segment liabilities	3,218	4,611	11,722	19,098	12,621	10,657	32,063	22,679	8,505	7,458	26,982	17,408	23,050	9,593	7,012	550	-107,994	-70,520	17,177	21,534
Unallocated liabilities																			18,562	2,039
Total liabilities																			**35,739**	**23,573**
Acquisition of property,plant and equipment and intangible assets	4,003	28,038	3,408	12,361	2,575	4,635	10,319	19,159	231	4,340	11,463	13,239	7,757	6,962	4,305	25	0	0	44,060	88,759
Acquisition of investment property																			348	0
Total capital expenditures																			**44,407**	**88,759**
Depreciation and amortisation included in operating profit	5,656	4,546	7,004	5,409	2,967	2,898	3,876	1,903	915	624	2,896	672	1,002	60	342	0	380	301	25,039	16,413
Impairment losses included in operating profit	785	22	1,119	0	1,753	0	3,711	0	0	0	0	0	5,032	0	0	0	0	0	12,400	22
Total depreciation, amortisation and impairment losses	**6,441**	**4,568**	**8,123**	**5,409**	**4,720**	**2,898**	**7,587**	**1,903**	**915**	**624**	**2,896**	**672**	**6,034**	**60**	**342**	**0**	**380**	**301**	**37,439**	**16,435**
Gains on changes in fair value of investment property	-25	72	0	0	-807	1,299	0	0	0	0	0	0	0	0	0	0	0	0	-833	1,371
Losses on disposal of propery, plant and equipment	-420	-360	-412	-142	8	-63	-16	0	-1	0	-329	0	-103	0	0	0	0	0	-1,274	-565
Total other significant non-cash income and expenses	**-445**	**-288**	**-412**	**-142**	**-800**	**1,236**	**-16**	**0**	**-1**	**0**	**-329**	**0**	**-103**	**0**	**0**	**0**	**0**	**0**	**-2,107**	**806**

Business segments

In thousands of euros	Sales revenue		Assets		Capital expenditures	
	2008	**2007**	**31 Dec 2008**	**31 Dec 2007**	**2007**	**2007**
Gaming services	172,150	151,138	145,692	131,025	44,218	69,011
Other services	11,465	14,726	125,912	90,485	343	7,879
Eliminations	-5,349	-6,897	-120,753	-49,058	-153	11,869
Unallocated assets	0	0	2,764	360	0	0
Total	**178,265**	**158,967**	**153,616**	**172,812**	**44,407**	**88,759**

Note 20. Sales revenue

In thousands of euros	2008	2007
Gaming revenue	168,348	148,257
Hotel service revenue	1,645	2,283
Bar service revenue	6,604	5,995
Other revenue	1,668	2,433
Total	**178,265**	**158,967**

Note 21. Other income

In thousands of euros	2008	2007
Gains on currency exchange services	400	274
Change in the fair value of investment property	93	1,371
Gains on sale of property, plant and equipment	52	25
Miscellaneous income	531	254
Total	**1,076**	**1,925**

Note 22. Expenses

In thousands of euros	2008	2007
Cost of materials, goods and services used		
Direct catering, accommodation and bar service expenses	-4,184	-3,781
Other services	-11	-72
Total cost of materials, goods and services used	**-4,195**	**-3,853**
Other operating expenses		
Gaming tax and operating licences	-30,894	-21,091
Marketing expenses	-15,757	-14,943
Rental expenses	-20,058	-10,927
Maintenance expenses (equipment and premises)	-11,994	-9,326
IT expenses	-1,692	-1,176
Other expenses	-12,454	-13,031
Total other operating expenses	**-92,849**	**-70,496**
Personnel expenses		
Salaries	-41,126	-32,575
Social charges	-13,444	-9,089
Total personnel expenses	**-54,570**	**-41,665**
Total	**-151,614**	**-116,014**

Note 23. Other expenses

In thousands of euros	**2008**	**2007**
Losses on disposal of property, plant and equipment	-1,326	-565
Foreign exchange losses on settlements with suppliers	-268	-195
Impairment losses on receivables	-19	-8
Miscellaneous expenses	-1,073	-98
Total	**-2,687**	**-867**

Note 24. Income tax expense

In thousands of euros	**2008**	**2007**
Profit from operations	-29,170	27,124
Current tax expense based on the tax rate applicable to the parent company (0%)	0	0
Effect of tax rates in foreign jurisdictions		
Lithuania	-502	-1,500
Latvia	-623	-869
Ukraine	-41	-62
Romania	-38	0
Adjustments from origination and reversal of temporary differences	1,318	-366
Income tax expense in the income statement	**115**	**-2,796**

Note 25. Financial income and expenses

In thousands of euros	**2008**	**2007**
Interest income on term deposits	411	853
Interest income on overnight deposits	260	737
Other interest income	45	186
Financial income and expense on investments in associates	0	1
Interest expense	-678	-39
Foreign exchange profit/loss (net)	-16,822	-2,191
Other financial income and expenses	12	0
Total	**-16,771**	**-453**

Foreign exchange profit/loss (net) is related to movements in exchange rates of Ukrainian grivna, Belarussian rouble, Polish zloty and Romanian leu toEuro. Behind accounted foreign exchange rate losses were intra-Group loan agreements.

Note 26. Earnings per share

	2008	2007
Net profit attributable to equity holders of the parent (in thousands of euros)	-29,350	23,411
Weighted average number of shares outstanding (in thousands)	151,000	150,917
Basic earnings per share (in euros)	**-0.19**	**0.16**
Net profit attributable to equity holders of the parent (in thousands of euros)	-29,350	23,411
Weighted average number of shares outstanding (in thousands)	151,000	150,917
Dilutive effect of share options (in thousands)	0	166
Diluted earnings per share (in euros)	**-0.19**	**0.15**
Contractual price of a share option (in euros)	2.20	2.57
Fair value of a share option (weighted average, in euros)	0.48	0.46
Total exercise price of a share option (in euros)	2.68	3.03
Average market price of a share in 2007 (in euros)	2.01	5.25
Exercisable share options (in thousands)	599	392
Dilutive effect of share options (in thousands)	0	166

Basic earnings per share have been calculated by dividing the net profit attributable to equity holders of the parent of EUR -29,350 (2007: EUR 23,411) thousand by the weighted average number of ordinary shares outstanding during the period, i.e., by 151,000,000 (2007: 150,916,667).

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

In 2007, 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 prive, in euros)	0.37	0.51
Share price (weighted average, in euros)	4.74	5.26
Exercise price (weighted average, in euros)	4.42	4.79
Expected volatility	20%	20%
Expected dividends	1%	1%
Interest rate	6%	6%

In thousands of Estonian kroons	**2008**	**2007**
Total expense recognised in personnel expenses	170	449

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)	**2008**	**2007**
Share options outstanding at beginning of year	392	0
Share options granted during the year	1,340	1,090
Effect of non-satisfaction of vesting conditions	-741	-698
Share options non-exercised	-392	0
Exercisable share options at end of year	599	392

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		2008	2007
Related party	**Transaction**	Purchases	Purchases
Mother company	Lease of business premises	71	71
Company related to the chairman of the supervisory board board	Purchase of goods	5	0
Company related to a member of the supervisory board board	Training services	13	0
Total		**88**	**71**

In thousands of euros		2008	2007
Related party	**Transaction**	Sales	Sales
Mother company	Sale of services	0.1	0
Total		**0.1**	**0**

In thousands of euros, at 31 December		2008	2007
Related party	**Transaction**	Receivable	Receivable
Minority shareholder in Casino Polonia	Sales	0	407
Total		**0**	**407**

In 2007, the remuneration of the Group's executive and higher management including relevant social charges totalled EUR 642.3 (2007: EUR 527.3) thousand.

Note 29. Financial instruments

Financial assets at 31 December 2008

In thousands of euros	Held-to-maturity investments	Loans and receivables	Total
Cash and cash equivalents	0	20,191	**20,191**
Long-term financial investments	1,018	0	**1,018**
Trade receivables	0	416	**416**
Other short-term receivables	0	976	**976**
Other long-term receivables	0	1,988	**1,988**
Total	**1,018**	**23,571**	**24,589**

Financial libalities

In thousands of euros	Financial liabilities at fair value	Total
Loans and borrowings	17,753	**17,753**
Trade payables	4,480	**4,480**
Other liabilities	5,314	**5,314**
Total	**27,547**	**27,547**

Financial assets at 31 December 2007

In thousands of euros	Held-to-maturity investments	Loans and receivables	Total
Cash and cash equivalents	0	32,071	**32,071**
Investments	1,162	0	**1,162**
Trade receivables	0	915	**915**
Other receivables	0	1,900	**1,900**
Total	**1,162**	**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	7,340	**7,340**
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. The actual currency position changes in 2008 are considered to be the best forecasted currency position changes in 2009.

Exposure to currency risk
At 31 December 2008
In thousands of euros

	EEK	EUR	USD	BYR	LVL	LTL	UAH	PLN	RON	GBP	**Total**
Cash and cash equivalents	4,671	1,265	4	180	4,991	5,504	525	2,401	649	0	
Trade receivables	110	76	0	0	107	8	2	112	0	0	
Other short-term receivables	18	2	0	1	34	315	39	29	539	0	
Long-term financial investments	0	0	0	0	0	1,018	0	0	0		
Other long-term receivables	0	1,161	0	0	0	0	0	0	827		
Total	**4,799**	**2,504**	**4**	**181**	**5,132**	**6,845**	**566**	**2,541**	**2,015**	**0**	
Current portion of loans and borrowings	0	-5,292	0	0	0	0	0	0	0	0	
Trade payables	-545	-1,086	-4	0	-363	-352	-129	-822	-1,172	-8	
Other current liabilities	-965	-543	0	-6	-1,311	-1,065	-319	-1,013	-92	0	
Non-current portion of loans and borrowings	0	-12,461	0	0	0	0	0	0	0	0	
Total	**-1,511**	**-19,381**	**-4**	**-6**	**-1,674**	**-1,417**	**-448**	**-1,835**	**-1,264**	**-8**	
Net exposure	**3,288**	**-16,877**	**0**	**175**	**3,459**	**5,429**	**118**	**706**	**751**	**-8**	
Real positive change in currency position, %	-	-	-4%	-2%	-2%	-	-33%	-14%	-11%	-24%	
Real negative change in currency position, %	-	-	4%	2%	2%	-	33%	14%	11%	24%	
Effect on profit(loss) and equity	**-**	**-**	**0**	**-3**	**-69**	**-**	**-39**	**-99**	**-83**	**2**	**-291**
Effect on profit(loss) and equity	**-**	**-**	**0**	**3**	**69**	**-**	**39**	**99**	**83**	**-2**	**291**

Exposure to currency risk
At 31 December 2007
In thousands of euros

	EEK	EUR	USD	BYR	LVL	LTL	UAH	PLN	RON	SKK	**Total**
Cash and cash equivalents	14,672	566	25	169	4,330	5,781	1,114	2,761	729	1,917	
Trade receivables	173	12	0	0	273	142	10	266	6	33	
Other financial assets	445	0	816	479	431	2,270	1,579	539	127	7	
Total	**15,290**	**579**	**841**	**648**	**5,034**	**8,193**	**2,704**	**3,566**	**862**	**1,957**	
Current portion of loans and borrowings	0	-299	0	0	0	0	0	0	0	0	
Trade payables	-1,231	-558	-18	-118	-2,319	-145	-2,186	-723	-717	-11	
Other current liabilities	-4,108	-1,121	0	-64	-3,373	-1,263	-650	-1,818	-449	0	
Non-current portion of loans and borrowings	0	-1,162	-423	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**	
Net exposure	**9,952**	**-2,561**	**401**	**467**	**-658**	**6,784**	**-133**	**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(loss) and equity	**-**	**-**	**-60**	**-70**	**20**	**-**	**20**	**-92**	**36**	**-97**	**-244**
Effect on profit(loss) and equity	**-**	**-**	**60**	**70**	**-20**	**-**	**-20**	**92**	**-36**	**97**	**244**

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	**2008**	**2007**
Cash and cash equivalents	20,191	32,071
Debt securities	1,018	1,162
Trade receivables	416	915
Other short-term receivables	976	773
Other long-term receivables	1,988	993
Total	**24,589**	**35,913**

Interest rate risk

The Group has a facility for financial activities as well as financial lease for equipment to a small extent, which poses an interest risk. The interest rate of the facility is the 6 month EURIBOR +3.75%. 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.

The Group's exposure to interest rate risk:

In thousands of euros, at 31 December	**2008**	**2007**
Interest-bearing receivables	2,175	1,162
Interest-bearing liabilities	-17,752	-1,461
Net exposure	**-15,577**	**-299**

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 2008 working capital stood at EUR 6,733 thousand and at 31 December 2007 at EUR 18,709 thousand. The decrease in working capital results from expansion of operations and an increase in investments.

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

Financial liabilities

In thousands of euros, at 31 December	**2008**	**2007**
Up to 1 year	15,087	19,038
Over 1 year	12,461	2,752
Total	**27,547**	**21,790**

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.

Note 30. Accounting estimates and judgements

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

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

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

Goodwill
The assumptions used in measuring goodwill and assessing its recoverability are explained in note 1.

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

Note 31. Subsequent events

In first four months of year 2009, the Group closed additional 24 casinos with negative cash flow and decreased the number of employees by 356 job titles, or 9%. In Estonia 11 casinos, in Latvia 6 casinos, in Lithuania 2 casinos, in Ukraine 2 casinos and in Romania 3 casinos were closed. Due to significant changes in the volumes of gaming markets, it is not possible to assess the actual influence of closing casinos to the revenues of the Group. The expected decline in cost basis related to closing of casinos in 2009 is expected to total EUR 10,835 thousand.

Note 32. 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	**2008**	**2007**
Current assets		
Cash and cash equivalents	1,887	1,562
Receivables from group companies	10,373	4,882
Other receivables and prepayments	95	450
Total current assets	**12,355**	**6,895**
Non-current assets		
Investments in subsidiaries	312,747	390,444
Long-term receivables from group companies	95,305	64,844
Investment property	346	333
Property, plant and equipment	555	686
Intangible assets	424	542
Total non-current assets	**409,377**	**456,849**
TOTAL ASSETS	**421,732**	**463,744**

LIABILITIES AND EQUITY

In thousands of euros	**2008**	**2007**
LIABILITIES		
Current liabilities		
Current portion of long-term debt	5,000	0
Trade payables	23	129
Payables to group companies	5,993	3,729
Tax liabilities	98	109
Accrued expenses	169	117
Provisions	0	205
Total current liabilities	**11,283**	**4,290**
Non-current liabilities		
Long-term debt	11,535	0
Non-current liabilities to group companies	44,956	27,006
Total non-current liabilities	**56,491**	**27,006**
Total liabilities	**67,774**	**31,296**
EQUITY		
Share capital	96,507	96,507
Share premium	14,525	14,525
Statutory capital reserve	2,413	1,243
Retained earnings	240,513	320,173
Total equity	**353,958**	**432,448**
TOTAL LIABILITIES AND EQUITY	**421,732**	**463,744**

Unconsolidated income statement of Olympic Entertainment Group AS

In thousands of euros	2008	2007
Revenue		
Sales revenue	1,366	1,463
Other income	13	72
Total revenue	**1,379**	**1,535**
Expenses		
Cost of materials, goods and services used	-792	-386
Other operating expenses	-1,430	-3,694
Personnel expenses	-1,959	-1,523
Depreciation and amortisation	-298	-293
Other expenses	0	-2
Total expenses	**-4,478**	**-5,897**
Operating profit	**-3,099**	**-4,362**
Financial income and expenses		
Financial income and expenses on investments in subsidiaries	-73,260	46,279
Interest income	5,258	3,279
Interest expense	-2,832	-833
Foreign exchange gain (loss)	99	-244
Net financing items	**-70,735**	**48,481**
NET PROFIT FOR THE PERIOD	**-73,834**	**44,119**

Unconsolidated statement of cash flows of Olympic Entertainment Group AS

In thousands of euros	2008	2007
Cash flows from operating activities		
Net profit for the period	-73,834	44,119
Adjustments for:		
Depreciation and amortisation	298	293
Changes in the fair value of investment property	-13	-72
Gain (loss) on investments in subsidiaries	73,260	-46,279
Net other financial income and expenses	-2,379	-2,202
Change in receivables and prepayments	-2,746	-1,531
Change in payables and advances	2,554	437
Interest paid	-384	0
Net cash used in operating activities	**-3,244**	**-5,236**
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	-48	-25
Acquisition of other investments	0	-18,401
Proceeds from sale of investments	0	6,416
Acquisition of subsidiaries	-326	-3,642
Loans granted	-37,180	-47,603
Repayment of loans granted	6,748	2,781
Interest received	64	798
Dividends received	4,837	9,662
Net cash used in investing activities	**-25,905**	**-50,013**
Cash flows from financing activities		
Proceeds from issue of share capital	0	128
Proceeds from loans received	50,525	16,003
Repayment of loans received	-16,275	0
Dividends paid	-4,825	-9,638
Net cash from financing activities	**29,424**	**6,493**
NET CASH FLOW	**275**	**-48,756**
Decrease / increase in cash and cash equivalents	**275**	**-48,756**
Cash and cash equivalents at beginning of period	**1,562**	**50,371**
Effect of exchange rate fluctuations	50	-53
Cash and cash equivalents at end of period	**1,887**	**1,562**

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 2006	**48,189**	**61,918**	**0**	**286,485**	**396,592**
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	**96,506**	**14,252**	**1,243**	**320,173**	**432,448**
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					**145,820**
Net profit for the period	0	0	0	-73,834	-73,834
Transfer to capital reserve	0	0	1,171	-1,171	0
Share options	0	0	0	170	170
Dividend distribution	0	0	0	-4,825	-4,825
At 31 December 2008	**96,506**	**14,252**	**2,413**	**240,513**	**353,958**
Interests in companies under control or significant influence:					
Carrying amount under the fair value method					-312,747
Carrying amount under the equity method					70,626
Adjusted unconsolidated equity at 31 December 2008					**111,838**

Signatures

The management board has prepared the directors' report called *Management's discussion and analysis*, the consolidated financial statements and the profit allocation proposal of Olympic Entertainment Group AS for 2008.

22 April 2009

Andri Avila
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.

24 April 2009

Armin Karu Chairman of the Supervisory Board	Jaan Korpusov 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	Mart Relve Member of the Supervisory Board

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INDEPENDENT AUDITOR'S REPORT
(translation from the Estonian original)

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 2008, 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 21 to 64.

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 2008, 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, 22 April 2009

KPMG Baltics AS

(signature)	*(signature)*
Taivo Epner	Krista Rosenberg
Authorized Public Accountant	*Authorized Public Accountant*

Profit allocation proposal

In euros	
Retained earnings of prior periods	27,305,513
Net loss for 2008	-29,349,966
Total distributable profits at 31 December 2008	**-2,044,453**

22 April 2009

Andri Avila
Member of the Management Board

List of fields of activity

Activity fields of the reporting period	2008
Advisory services (70221)	838
Equipment rental (77399)	527
Total	**1,366**

Planned fields of activity for 2009
Advisory services (70221)
Equipment rental (77399)