OLYMPIC ENTERTAINMENT GROUP AS
OFFERING 14,000,000 ORDINARY SHARES

Offer Price Range EEK 63 (EUR 4.026) - EEK 75 (EUR 4.793)
Offer Period 2 October 2006 – 17 October 2006

Olympic Entertainment Group AS ("*Company*"), a limited liability company incorporated in Estonia, is publicly offering up to 14,000,000 ordinary shares ("*Offer Shares*") for sale to retail and institutional investors in Estonia, Latvia and Lithuania in connection with the issue of new ordinary shares ("*New Shares*"). Such public offering is hereinafter referred to as the "*Retail Offering*".

Simultaneously with the Retail Offering, Offer Shares will be privately offered to institutional investors in and outside of Estonia, Latvia and Lithuania ("*Institutional Offering*"). Such private offering will not constitute a public offering of the Offer Shares under the laws of any jurisdiction. The private offering to international institutional investors will be made on the basis of a separate international offering circular and therefore this document ("*Prospectus*") relates only to the Retail Offering. The Retail Offering and the Institutional Offering are hereinafter together referred to as the "*Offering*".

The Company and the shareholders of the Company have granted AS Hansapank as the underwriter of the Offering an option to purchase up to 1,400,000 additional shares of the Company at the price of the Offering. This option is exercisable within 30 days from the commencement of trading in the shares of the Company on the Tallinn Stock Exchange solely to cover over-allotments, if any.

In connection with the Offering, the Company has applied for the listing of all its shares in the Main List of the Tallinn Stock Exchange on the basis of this Prospectus. Prior to the Offering, shares of the Company have not been traded publicly on any regulated market in or outside Estonia. It is estimated that trading in shares of the Company on the Tallinn Stock Exchange will commence on 23 October 2006.

Offer Shares are offered at a price which will fall within the price range indicated above. The final price of Offer Shares will be determined at the end of the offer period and will be the same for all investors who choose to participate in the Offering. Note that the Company reserves the right to change the conditions of this Offering, including the number of Offer Shares that are being offered and the price range.

By participating in the Offering, you acknowledge that investing in shares involves risks. While every care was taken to ensure that this Prospectus presents a fair and complete overview of the risks related to Offer Shares and the Offering (please see section entitled "Risk Factors" below), the value of your investment may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this Prospectus.

Lead Manager Global Coordinator, Underwriter and Book-runner:
HANSAPANK

Co-Lead Manager:
LHV FINANCIAL ADVISORY SERVICES

DATED 26 SEPTEMBER 2006

TABLE OF CONTENTS

INTRODUCTORY INFORMATION

The Retail Offering is conducted in accordance with and governed by the Estonian law and with due regard to the laws of Latvia and Lithuania with respect to the public offering of securities in those countries. Before reading this Prospectus, please take notice of the following important introductory information.

Liability in Connection with the Offering

The Person Responsible. The person responsible for the information given in this Prospectus is Olympic Entertainment Group AS (registered address Pronksi 19, Tallinn 10124, Estonia, the "*Company*"). Olympic Entertainment Group AS accepts responsibility for the fullness and correctness as of the date hereof of the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the Company believes that the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts and contains no omission likely to affect its import.

Olympic Entertainment Group AS
Management Board:

Armin Karu

Andri Avila

Limitations of Liability. Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Furthermore, the Managers (as defined hereafter) expressly disclaim any liability based on the information contained in this Prospectus, the summary of this Prospectus or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Prospectus or disseminated by the Company in connection with the Offering may be construed to constitute a warranty or representation, whether express or implied, made by the Managers to any third parties.

Neither the Company nor the Managers will accept any responsibility for the information pertaining to the Offering, the Company or its operations, where such information is disseminated or otherwise made public by third parties either in connection with this Offering or otherwise.

By participating in the Offering, you agree that you are relying on your own examination and analysis of this Prospectus (including the financial statements of the Company which form an indispensable part of this Prospectus) and any information on the Company that is available in the public domain. You also acknowledge the risk factors that may affect the outcome of such investment decision (as presented under "*Risk Factors*" below).

Please note that in the case of a dispute related to this Prospectus or the Offering, the plaintiff may have to resort to the jurisdiction of the Estonian, Latvian or Lithuanian courts and consequently a need may arise for the plaintiff to cover relevant state fees and translation costs in respect of this Prospectus or other relevant documents.

Presentation of Information

Approximation of Numbers. Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values etc.) are presented with such precision which is deemed by the Company to be sufficient in order to convey adequate and appropriate information on the relevant matter. From time to time, quantitative values have been rounded up to the nearest reasonable decimal or whole value in order to avoid excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100% due to the effects of approximation. Exact numbers may be derived from the financial statements of the Company, to the extent that the relevant information is reflected therein.

Currencies. In this Prospectus, financial information is presented either in Estonian kroons ("EEK"), the official currency of the Republic of Estonia, or euros ("EUR"), the official currency of the EU Member States participating in the European Economic and Monetary Union. The exchange rate between euro and the Estonian kroon is fixed at 15.6466 Estonian kroons for 1 euro. Information that has been originally available in other currencies was converted to Euros or Estonian kroons as of the date for which such information is expressed to be valid. With respect to state fees, taxes and similar country-specific values, information may from time to time be expressed in currencies other than EEK or EUR. Such currencies may include the United States Dollar ("USD"), the United Kingdom Pound Sterling ("GBP") the Latvian Lat ("LVL"), the Lithuanian Litas ("LTL"), the Ukrainian Gryvna ("UAH") and the Belorussian Rubble ("BYR"). The exchange rates between the aforementioned currencies and the Euro may change from time to time.

Dating of Information. This Prospectus is drawn up based on information which was valid as of 30 June 2006. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Company, the facts concerning its operations and any information on the markets in which it operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than 30 June 2006, this is identified by either specifying the relevant date or by the use of expressions "the date of this Prospectus", "to date", "until the date hereof" and other similar expressions, which must all be construed to mean the date of this Prospectus (26 September 2006).

Documents on Display. For the life of this Prospectus, the following documents (or copies thereof), where applicable, may be inspected: (a) the Articles of Association of the Company; (b) all reports, letters, and other documents, historical financial information, any part of which is included or referred to in this Prospectus, as well as (c) the historical financial information of the Company for each of the two full financial years preceding the date of this Prospectus. To the extent that such documents are not reflected in this Prospectus with reasonable fullness and do not in the sole discretion of the Company constitute business secrets of the Company, physical inspection of the documents will be arranged at the offices of the Company or by electronic post at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. The above does not apply to the Articles of Association of the Company and the annual reports of the Company which are publicly available from the Estonian Commercial Register at all times. Certain documents may be obtained from the web-site of the Company at www.olympic-casino.com/IPO.

Third Party Information and Market Information. For portions of this Prospectus, certain information may have been sourced from third parties. Such information is accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets in which the Company and its subsidiaries operate is based on the best assessment made by the Management. With respect to the industry in which the Company and its subsidiaries are active and certain jurisdictions in which they conduct their operations, reliable market information is often not available or is incomplete. While every reasonable care was taken to provide best possible assessments of the relevant market situation and the information on the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigation of the relevant markets or employ a professional consultant. Information on market shares is presented based on the overall gaming revenue, unless specifically indicated otherwise.

Updates. The Company will update the information contained in this Prospectus only to such extent, at such intervals and by such means as required by the applicable law or considered necessary and appropriate. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

Table of Definitions. In this Prospectus, capitalized terms have the meaning ascribed to them hereunder, with the exception of such cases where the context evidently requires to the contrary. Terms are listed in alphabetical order and the list is limited to the terms which are considered to be of more importance. Other terms may be defined elsewhere in the Prospectus.

Ahti	SIA Ahti
Baltic Gaming	AS Baltic Gaming
Company	Olympic Entertainment Group AS (whereas a reference to "us", "our" and "we" should be construed to represent a reference to the Company)
ECRS	Estonian Central Register of Securities
Group	The Company and any of its subsidiaries
Issue	The issue of the New Shares of the Company
Institutional Offering	The offering of Offer Shares to institutional investors worldwide in reliance on certain exemptions found in the national securities legislation of each relevant country, which does not constitute a public offering of Offer Shares
Kungla	Kungla Investeeringu AS
Management	The Management Board of the Company
Managers	AS Hansapank (also referred to as the "*Global Coordinator*") and AS LHV Financial Advisory Services
Mecom	Mecom Grupp UAB
New shares	New shares of the Company to be issued in connection with this Offering
Offering	The Retail Offering and the Institutional Offering together
Offer Shares	Shares of the Company that are being offered to investors in the course of the Offering
Offer Period	The period within which investors will have the opportunity to submit Subscription Undertakings
Offer Price	The final price per each Offer Share, which shall be determined in accordance with the terms and conditions of the Offering; "*Offer Price Range*" shall mean the range within which the Offer Price may fall
Olympic Casinos	All casinos operated by entities belonging to the Group
Prospectus	This registration document
Subscription Price	The price at which investors participating in the Retail Offering may subscribe for the Offer Shares, being the upper limit of the Offer Price Range or EEK 75
Subscription Undertaking	An order submitted by an investor for the purchase of Offer Shares in accordance with the terms and conditions of the Offering
Retail Offering	The public offering of Offer Shares to investors in Estonia, Latvia and Lithuania
Summary	Summary of this Prospectus
OCB	Olympic Casino Bel IP
OCE	Olympic Casino Eesti AS
OCL	Olympic Casino Latvia SIA
OCLT	Olympic Casino Group Baltija UAB
OCU	Olympic Casino Ukraine TOB
Section	A section of this Prospectus
Shares	Offer Shares and other existing shares of the Company
Underwriting Agreement	The agreement to be concluded between the Company and the Global Coordinator related to the underwriting of the Offering

Financial and Operational Information

The Company has applied the international financial reporting standards as adopted by the European Union ("*IFRS*") in its accounting and the preparation of its statutory annual reports from financial year ended 31 December 2003. Therefore, IFRS has been consistently applied for by the Company for the whole period covered by the historical financial information presented in this Prospectus. The financial results of Baltic Gaming (a Latvian entity acquired by the Group in the end of 2005 – see "*Operations – History and Development of the Group*") are consolidated with those of the Company from 1 January 2006. This Prospectus includes consolidated financial statements of the Company for the interim period ended 30 June 2006 which have been audited. Certain financial and operational indicators that are not reflected in the interim financial statements are at the date of this Prospectus not available for the period extending beyond 31 December 2005 and therefore in some cases information has been presented for financial year ended 31 December 2005 only.

With respect to entities that are either required to or elect to publish an interim financial report in accordance with IFRS, International Accounting Standard 34 ("IAS 34") applies. IAS 34 permits the presentation of either condensed or a complete set of interim financial statements. Interim financial statements may be prepared in a condensed format, omitting most disclosures that are required to comply with IFRS when publishing a full set of IFRS financial statements. This condensation and omission of disclosures is permitted assuming that the user of the financial statement will have access to the most recent annual financial statements. The interim financial statements therefore focus on changes since the last annual financial statements. The Company has chosen to prepare condensed interim financial statements for the interim period ended 30 June 2006 in reliance on the fact that the full set of most recent annual financial statements (i.e. audited consolidated financial statements for financial year ended 31 December 2005) are available to all investors.

Forward-Looking Statements

This Prospectus includes forward-looking statements (notably under Sections entitled "*Summary*" "*Risk Factors*", "*Dividend Policy*", "*Operations*" and "*Results of Operations and Outlook*"). Such forward-looking statements are based on current expectations and projections about future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of words such as "strategy", "expect", "plan", "anticipate", "believe", "will", "continue", "estimate", "intend", "project", "goals", "targets" and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, they are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The validity and accuracy of any forward-looking statements is affected by the fact that the Group operates in a highly competitive and consumer-driven entertainment business. This business is affected by changes in domestic and foreign laws and regulations (including those of the European Union), taxes, developments in competition, economic, strategic, political and social conditions, consumer response to new and existing services and technological developments and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such factors. Other factors and risks could adversely affect the operations, business or financial results of the Group (please see "*Risk Factors*" for a discussion of the risks which are identifiable and deemed material at the date hereof).

Use of this Prospectus

This Prospectus is prepared solely for the purposes of the Retail Offering and may not be construed as a warranty or a representation to any person not participating or not eligible to participate in the Retail Offering. No public offering of Shares is conducted in any jurisdiction other than Estonia, Latvia and Lithuania and consequently the dissemination of this Prospectus in other countries may be restricted or prohibited by law. You may not use this Prospectus for any other purpose than for making the decision to participate or refrain from participating in the Retail Offering. You may not copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without express written permission from the Company. Please see "*Offering and Transfer Restrictions*" for more information.

SUMMARY

This Summary is not the prospectus for the public Offering and the listing of our Shares and should be read merely as an introduction to the same. This Summary summarizes the facts and circumstances that we, in our absolute discretion, consider important with respect to our business and the public Offering of our Shares. Any decision to participate in the Offering and invest in our shares should be based by each investor on the Prospectus as a whole and not merely on this Summary. This Summary is available in Estonian, Latvian and Lithuanian languages, while the entire English-language Prospectus will not be translated to these or any other languages. Prospective investors are cautioned that where a claim relating to the information contained in the Prospectus (or this Summary) is brought before a court, the plaintiff investor might, under the national legislation of the relevant state, have to bear the costs of translating the entire Prospectus before court proceedings are initiated. We accept civil liability in respect of this Summary solely in the case where this Summary is found to be misleading, inaccurate or inconsistent when read together with the Prospectus as a whole. Please note that a summary of the Prospectus is also available as a separate document in English, Estonian, Latvian and Lithuanian languages. Such separate document is not merely a translation of this Summary and includes more information that this Summary. It is made available to potential investors in the same manner and through the same channels as the Prospectus. Documents that serve as basis for this Summary are available for inspection on terms indicated under Section entitled "Introductory Information" above

Introduction to Our Business

We are a leading provider of gaming services in the Baltic States (Estonia, Latvia and Lithuania) with rapidly expanding operations in Ukraine and Belarus. Preparations are under way to enter the Polish casino market. We operate slot and table casinos, as well as casino bars in most of our venues. We currently manage a total of 73 casinos and slot casinos and employ nearly 2,200 people in 5 countries. We are the clear leader of the casino market in Estonia and Lithuania and have the second-biggest share of the Latvian casino market. The combined population of our target markets currently over 100 million.

The services offered to our customers are characterised by a wide diversity of available games and winning opportunities, as well as a strong client loyalty program which to date remains unparalleled in the Baltic States. Olympic Casinos strive to deliver experience reaching beyond pure gaming through thoroughly developed entertainment programs and competitive events such as poker tournaments. Our casinos are equipped with state-of-the-art gaming equipment and software and aim to provide quality entertainment in a safe and secure environment. The Group is to a limited extent engaged in certain non-core activities auxiliary to our principal business (such as bar operations and hotel management), but the main focus remains on casino operations. App. 92% of the Group's revenue in the firs half of 2006 came from gaming services.

The Group's total revenue in 2005 was EEK879.9 million. The revenue from the first half of 2006 was EEK724.5 (H1 2005: EEK355.6 million), of which app. 40% was earned in Estonia, app. 30% in Latvia, app. 25% in Lithuania and app. 5% in Ukraine. The relative weight of earnings from countries other than Estonia is expected to grow over time, reflecting the ongoing geographic expansion of our operations. In the first half of 2006, the Group earned EEK145.3 million in net profit attributable to shareholders of the Company (H1 2005: EEK59.5 million).

Over the recent years, we have successfully pursued a strategy of aggressive growth and are by now benefiting from significant experience in international operations, as well as from employing a dedicated and professional management team. Currently, we are integrating our most recent acquisition target (a Latvian casino operator Baltic Gaming and its subsidiaries) with our Latvian operations and investing into expanding our Ukrainian and Belorussian operations. Expansion to other East-European markets is being contemplated: our ambition is to become the leading casino operator in Eastern Europe by revenue, and to operate in at least 10 countries by 2010.

In recognition of our responsibility to the society, we are constantly supporting targeted charity and sponsorship initiatives which are carefully chosen primarily from the fields of sports, healthcare and culture. We consider it essential to improve the image of our industry by contributing to good causes as well as promoting moderate and responsible gaming as a legitimate and socially acceptable way of entertainment.

Group Structure

The Company (Olympic Entertainment Group AS) is the ultimate parent company of the Group, through which the strategic management and financing of our operations is carried out. Local casino operations are handled by local entities including primarily OCE (Olympic Casino Eesti AS) in Estonia, OCL (Olympic Casino Latvia SIA) in Latvia, OCLT (Olympic Casino Group Baltija UAB) in Lithuania, OCU (Olympic Casino Ukraine TOB) in Ukraine and OCB (Olympic Casino Bel IP) in Belarus. The Latvian arm of the Group also includes Baltic Gaming (AS Baltic Gaming), a recent acquisition target. In Estonia, Latvia and Lithuania, our non-core operations such as bar management are segregated from casino operations and are managed by specialised legal entities. Please see "*Operations - Structure of the Group*" for more details on the legal structure of our operations.

Strategy

Our strategy can be briefly summarised from two perspectives. From one hand, we aim to ensure that each Olympic Casino offers the highest quality of gaming entertainment in a safe and secure environment as a part of our effort to maintain existing and attract new customers. From the other hand, we are committed to the strategy of expansion on both national and international levels. Expansion within the existing 5 markets (Estonia, Latvia, Lithuania, Ukraine and Belarus) is aimed at maintaining (or capturing) and increasing our shares of the local casino markets by opening new venues in select prime locations. At the same time, further expansion to the hitherto untapped new geographic markets is viewed as the inevitable and natural path in order to increase our overall revenues and profits.

The implementation of our strategy requires that a number of strategic tasks are adequately addressed at all times. Most importantly, our attention is focused on (i) developing the structure of the Group, (ii) pursuing an aggressive acquisition policy, (iii) maintaining highest standards of service and quality of gaming environment, (iv) developing a distinctive trademark, (v) improving the image of gaming, (vi) participating in administrative dialogue through professional associations and (vii) taking avail of e-commerce opportunities. More information on these key means of implementing our strategy may be found under "*Results of Operations and Outlook – Strategic Objective and Short-Term Goals*".

Competitive Advantages

The success of the Group in the Baltic markets and its continuing expansion in other jurisdictions is driven by certain competitive advantages that we believe to hold over our peers.

- **Visibility and accessibility**. Our choice of venues and locations is dominated by considerations of quality and accessibility. We have not opted for more venues at the expense of quality and strategic positioning, and do not intend to do so in the future. Olympic Casinos are visible, with external installations and advertisements designed to fit the maximum legally permitted standards. The combination of popular locations (central streets, major shopping malls etc.) and external visibility contributes to our ability to retain existing and attract new customers.

- **Service quality**. In Olympic Casinos we strive to offer the best possible quality of gaming services to our clients. Olympic Casinos enjoy an established reputation in the Baltic States and we intend to achieve similar recognition in each new market that we choose to enter in the future. The floor personnel serving the clients in our casinos is highly trained (training expenses in 2005 were EEK2.9 million, as compared to EEK2.4 million in 2004) and motivated (the average salaries of our floor personnel are normally above the local average and higher than those offered by competitors).

- **Advanced IT systems**. The scale of our operations allows us to take advantage of the better, more sophisticated and correspondingly more expensive IT systems which ensure stable operations of each casino and additional benefits for the clients of the Group (as an example, such systems include the "EZ-Pay" software and hardware modules which allow gaming without using cash). Please see "*Operations -Information Technology*" for more information.

- **Quality entertainment events**. Olympic Casinos work to achieve recognition as offering the most in addition to pure gaming, when compared to peers. Maintaining and developing quality non-gaming events on Olympic venues is a part of our marketing strategy, which is aimed at transforming casinos into more general-purpose entertainment establishments.

According to the Estonian market study carried out by ourselves among casino customers in 2005, quality non-gaming entertainment is one of the most distinctive characteristics of Olympic Casinos when compared to competitors.

- **Strong marketing campaigns and national jackpots**. The large scope and international extent of our operations translates into bigger winnings for our customers. In particular, potential winnings in numerous casinos are frequently pooled to form national jackpots.

- **Professional management**. Management personnel employed by us benefits from international experience (derived from working with multiple markets on an everyday basis) and the combined expertise of the local executive teams. Our personnel is much sought after by competitors; however, we have so far managed to retain and grow ranks of qualified managing personnel as a result of carefully designed incentives and opportunities for personal and professional development that are unparalleled among the majority of local competitors.

- **Strong loyalty program**. The Group has a well-developed loyalty program for its frequent customers (see more under "*Operations - Customers*"). Loyal customers (Bonus Card holders) account for approximately 30% of our revenue in Estonia, close to 50% in Lithuania and approximately 60% of the revenue in Latvia (the latter is calculated on the basis of the results of OCL without the addition of Baltic Gaming). Our loyalty program is truly unique in the Baltic States – as its premier feature, loyal customers earn bonus points (which can later be exchanged for cash) depending on the total amount of their bets placed in Olympic Casinos, regardless of their winnings. We take pride in offering one of the highest slot machines pay-out ratios in Europe, which is calculated as the overall average percentage of a slot machine's turnover that is paid out to clients in the form of winnings (for example, in the Estonian casinos the respective figure reaches 97.4%).

- **Quality bar operations**. Olympic Casinos offer excellent quality of bars. Normally we do not resort to the assistance of external bar operators but instead prefer to rely on our own experience and capacities to ensure the smooth operation of our bars and the appropriate quality of service.

- **Poker rooms**. Bigger casinos in the Olympic network (such as the Reval Park Hotel & Casino in Tallinn, Estonia, Olympic Voodoo Casino in Riga, Latvia and Reval Hotel Lietuva Casino in Vilnius, Lithuania) offer excellent opportunities for poker players. Poker rooms specifically equipped for that purpose host numerous and frequent national and international poker events which attract an increasingly large and diversified audience (see "*Operations - Structure of Operations*" for more details).

- **Transparency of operations**. We enjoy a justified reputation for the transparency and legitimacy of our operations, which often stands out against a large part of the industry in Eastern Europe. None of our entities have ever been found guilty in any tax fraud or miscalculation and we are determined to continue adhering to the highest standards of tax and regulatory compliance.

Management and Employees

The functional structure of the management of our operations is divided along the national borders, with certain strategic functions handled by the Group central management based in Tallinn, Estonia. The senior officers of the Company are responsible for the centralised Group-wide management of strategic areas such as finances, human resources, marketing, IT, as well as certain other key functions. Each local entity is run by the senior local management who handle essentially similar functions on the national level. Ground-level management comprises numerous casino managers – in each country, who are directly responsible for the day-to-day operations of one or several Olympic Casinos. Please see more on the functional structure of our management under "*Operations – Structure of Operations*".

Legally, the highest governing body of the Group is the General Meeting of shareholders of the Company. Group-wide strategic management and supervision functions rest with the Supervisory Board of the Company. The Management Board of the Company is in turn responsible for the day-to-day operations and reports to the Supervisory Board. The current members of the Management Board of the Company are Armin Karu and Andri Avila. The current members of the Supervisory Board of the Company are Jaan Korpusov, Liina Linsi, Peep Vain and Kaia Karu. More information on the legal structure of our management may be found under "*Management – Management Structure*".

A large proportion of the key officers of the Company and its local subsidiaries is comprised of long-term employees with significant experience in the industry. Recognising the importance of quality management on all levels, we have recently launched a ground-level and mid-level management training program for our employees under the name of "Olympic University" (see "*Operations – Employment*" for more details).

Including the senior management, we employed a total of 2,165 people in 5 countries as of 30 June 2006. Our workforce if growing constantly and at an increasing pace. We take great care in motivating our employees through a thoroughly devised system of variable salaries and offer ample career opportunities within the Group for the talented workers. As a services company, the results of our operations are directly linked to our personnel costs, which in the first half of financial year 2006 represented an average of 31% of all business costs on a Group-wide basis.

Risk Factors

Our operations inevitably involve certain risks and contingencies. Before investing in Shares, you are strongly advised to consider the Section entitled "*Risk Factors*" for a comprehensive overview of the circumstances which we regard as having the potential to affect the results of our operations (and, correspondingly, the value of the Shares) in the future. In particular, such circumstances may be related to the industry in which we operate, to certain company-specific aspects of our operations, to the geographic markets in which we do business or to the public offering and listing of the Offer Shares. Prospective investors are cautioned that though every effort was exerted to make proper mention of every material risk of which we are aware, our operations could still be affected by other circumstances which are either not known or not considered material at this time.

Shares and Shareholders

The capital of the Company at the date of this Prospectus is EEK600,000,000, which is divided into 60,000,000 ordinary shares with the nominal value of EEK10 each. The Shares are registered in the ECRS with the International Securities Identification Number (ISIN) of EE3100084021. In the course of the Offering, up to 15,400,000 New Shares will be issued.

The Shares of the Company are currently held by OÜ Hendaya Invest (35%) and OÜ HansaAssets (65%). OÜ Hendaya Invest is owned and controlled by Mr. Jaan Korpusov (a member of the Supervisory Board of the Company), while OÜ HansaAssets is owned and controlled by Mr. Armin Karu (a member of the Management Board of the Company). Both OÜ Hendaya Invest and OÜ HansaAssets are Estonian holding companies with limited operations. The shareholders of the Company are not offering any Shares belonging to them for sale in the course of this Offering.

Dividends

Offer Shares will give rights to dividends declared by the Company (if any) for the financial year beginning on 1 January 2006 and for the subsequent financial years. So far, the Company has been re-investing most of its earnings in order to maintain the strategy of aggressive expansion and no guarantee can be given with respect to any future dividends.

Offering

The Company is publicly offering the Offer Shares for sale to individual and institutional investors in Estonia, Latvia and Lithuania, as well as privately to institutional investors in and outside these countries. The offering made publicly to individual and institutional investors in Estonia, Latvia and Lithuania ("*Retail Offering*") is conducted in accordance with the applicable laws as an initial public offering of Shares of the Company. The offering privately made to institutional investors worldwide ("*Institutional Offering*") is targeted to pre-determined professional investors and does not constitute a public offering of Shares under the laws of any jurisdiction. The Retail Offering and the Institutional Offering together constitute the Offering. A summary of the main terms of the Offering follows: (while the complete set of conditions applicable to the Offering may be found under Section entitled "Terms and Conditions of the Offering"):

Offering	In the course of the Offering, up to 15,400,000 Offer Shares are being offered by the Company for sale. The total number of Offer Shares may be changed. A resolution of the General Meeting of shareholders of the Company issuing New Shares is scheduled to be passed by the General Meeting of shareholders of the Company on or about 29 September 2006. The Retail Offering constitutes a public offering of Shares in Estonia, Latvia and Lithuania. The Institutional Offering constitutes a private offer of Offer Shares outside the United States to institutional investors in reliance on Regulation S under the Securities Act.
Shares	The share capital of the Company currently consists of 60,000,000 Shares with the nominal value of EEK10 each. A total of up to 15,400,000 New Shares will be issued in the course of the Offering. Upon completion of the Offering, and assuming that all Offer Shares and New Shares are subscribed for and the Over-Allotment Option is exercised in full, there will be a total of 75,400,000 Shares issued and outstanding with the nominal value of EEK10 each. This will result in the aggregate share capital of EEK754,000,000 consisting of 75,400,000 Shares with the nominal value of EEK10 each. The Offer Shares and the New Shares rank *pari passu* with all the remaining Shares of the Company.
Over-Allotment Option	The shareholders of the Company have granted to AS Hansapank an option exercisable at any time within 30 days from the commencement of trading in the Shares on the Tallinn Stock Exchange to purchase up to 1,400,000 additional Shares from such shareholders at the Offer Price solely to cover over-allotments, if any (the "*Over-Allotment Option*"). See "*Plan of Distribution*" for more details.
Offer Period	The Offer Period commences on 2 October 2006 and ends on 17 October 2006.
Offer Price Range	The Offer Price Range is EEK 63 (EUR 4,026) to EEK 75 (EUR 4,793) per Offer Share. The Offer Price Range may be changed during the book-building process directed at institutional investors in the course of the Institutional Offering. The final Offer Price will be based on the results of such book-building process. The Offer Price will be the same for all investors participating in the Retail Offering or the Institutional Offering.
Percentage of the Total Issued Share Capital Being Offered in the Offering	The Offer Shares represent approximately 20.4% of the share capital of the Company following the completion of the Offering and assuming that the Over-Allotment Option is exercised in full and that the number of Offer Shares is not changed.
Listing	An application has been made for Shares to be listed on the Tallinn Stock Exchange. Trading in Shares on the Tallinn Stock Exchange is expected to commence on 23 October 2006.
Settlement	It is expected that the delivery of the Offer Shares will be made on or about 20 October 2006 through the facilities of the ECRS. (but in any case no later than 23 October 2006. To facilitate the settlement, AS Hansapank will borrow a number of Shares corresponding to the number of New Shares, from OÜ HansaAssets and transfer such Shares to investors in accordance with the terms and conditions of the Offering.

Lock-up Agreements	The Company and its shareholders have agreed that, without the prior written consent of AS Hansapank, the above-mentioned parties will not dispose of any Shares owned by them at any time or any securities however convertible into Shares during the period commencing on the last day of the Offer Period and ending 360 days after the commencement of trading in Shares on the Tallinn Stock Exchange. However, the lock-up arrangement does not apply to any Shares that the Company may issue or sell pursuant to any employee stock option plan, stock ownership plan or dividend reinvestment plan. See "*Management – Stock Option Program*" for more details.
Voting Rights	Each Offer Share carries and, upon registration with the Estonian Commercial Register, each New Share will carry one vote at the General Meetings of shareholders of the Company.
Dividend Rights	The Offer Shares entitle and, upon registration with the Estonian Commercial Register, the New Shares will entitle holders of the same to any future dividends beginning from any dividend declared for the financial year commenced 1 January 2006 and ending 31 December 2006. See "*General Corporate Information – Dividends, Redemptions and Liquidation*" for more details.
Use of Proceeds	The aggregate net proceeds to the Company from the issuance of the New Shares in the Offering, after the deduction of fees and expenses payable in connection with the Issue and the Offering, are estimated to reach approximately EEK 1,038 million based on the midpoint of the Offer Price Range and provided that the Over- Allotment Option is exercised in full. The aggregate net proceeds to be received by the Company from the Offering are expected to be used for the construction of new casinos in the markets where the Group is currently operating and for further acquisitions in the existing and new markets in Central-Eastern Europe. See "*Use of Proceeds*" for more details.
Stabilization	AS Hansapank may effect transactions to stabilize or maintain the market price of Shares, in accordance with applicable laws, during a 30-day period starting from the commencement of trading in Shares on the Tallinn Stock Exchange. Any such stabilization activity will be decided by AS Hansapank at its sole discretion and AS Hansapank is under no obligation to do so. Such stabilization transactions may result in a situation where Shares are traded at a price that is higher than the price that would have been formed by simple operation of supply and demand, without the effect of stabilization. Stabilization activities will be conducted in accordance with the European Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC of the European Parliament and the Council as regards exemptions for buy-back programs and stabilization of financial instruments and will be notified to the Estonian Financial Supervision Authority in accordance with Article 9 (4) of the aforementioned Regulation. See "*Plan of Distribution*" for more details.
Selling and Transfer Restrictions	Sales and transfers of the Offer Shares will be subject to certain restrictions. See "*Offering and Transfer Restrictions*" for more details.
ISIN Code of the Shares	The ISIN code of the Shares is EE3100084021.
Trading Code of the Shares	The trading code of the Shares on the Tallinn Stock Exchange is expected to be "OEG1T".
Managers	The Managers of the Offering are AS Hansapank and AS LHV Financial Advisory Services.

Key dates

THE FOLLOWING ARE THE KEY DATES IN THE PROGRESS OF THE OFFERING:

29 September 2006	The Extraordinary General Meeting of Shareholders of the Company adopts the resolution to increase the share capital of the Company by issuing the New Shares
2 October 2006	Offer Period commences
17 October 2006	Offer Period concludes
18 October 2006	Offer Price and allocation of Offer Shares is determined and published
20 October 2006 (ca)	Settlement of Offer Shares
23 October 2006 (ca)	Trading in Shares of the Company commences on the Tallinn Stock Exchange

Summary Financial Information

Important notice: please refer to Section entitled "Selected Financial Information" for an extended version of the below table, as well as the list of the relevant notes and assumptions.

	Year ended 31 December					
Income statement (EEK in thousands)	**2003**	**2004**	**2005**	**2005 H1**	**2006 H1**	
Revenue	**469,057**	**621,486**	**879,894**	**355,636**	**724,521**	
Operating profit	**47,978**	**144,233**	**223,482**	**65,972**	**177,929**	
Profit before income tax and minority interests	42,441	141,697	221,618	64,366	171,519	
Net profit for the financial period*	**37,101**	**128,659**	**207,119**	**59,518**	**145,270**	
Balance sheet (EEK in thousands)	**2003**	**2004**	**2005**	**2005 H1**	**2006 H1**	
Cash and cash equivalents	63,171	92,964	198,903	98,945	219,116	
Trade receivables	3,592	3,336	5,894	5,147	10,157	
Non-trade receivables	11,865	17,932	31,969	23,200	36,212	
Inventories	5,656	11,407	19,802	13,512	26,820	
Current assets	**84,283**	**125,638**	**256,569**	**140,805**	**292,305**	
Long-term investments	31,670	37,169	27,561	36,915	53,315	
Total fixed assets	245,685	332,227	503,834	393,169	652,902	
Intangible assets	13,968	14,695	156,978	14,277	144,839	
Total non-current assets	**291,324**	**384,091**	**688,373**	**444,362**	**851,056**	
Total assets	**375,607**	**509,729**	**944,942**	**585,166**	**1,143,360**	
Current liabilities	**68,274**	**87,649**	**118,494**	**93,452**	**258,263**	
Non-current liabilities	**53,770**	**36,458**	**230,608**	**52,899**	**160,116**	
Total liabilities	**122,044**	**124,108**	**349,102**	**146,351**	**418,378**	
Total shareholders´equity	**253,563**	**385,621**	**595,839**	**438,815**	**724,982**	
Total liabilities and shareholders equity	**375,607**	**509,729**	**944,942**	**585,166**	**1 143,360**	
Cash flow data (EEK in thousands)	**2003**	**2004**	**2005**	**2005 H1**	**2006 H1**	
Cash flow from operating activities	80,660	191,333	321,373	82,465	232,964	
Cash flow used in investing activities	-129,553	-140,868	-382,331	-54,930	-176,421	
Cash flow from financing activities	47,888	-17,273	152,689	-22,160	-21,012	
Ratios and indicators	**2003**	**2004**	**2005**		**2006 H1**	
Weighted average number of shares **	60,000,000	60,000,000	60,000,000		60,000,000	
Adjusted weighted average number of shares **	75,400,000	75,400,000	75,400,000		75,400,000	
Earnings per share (EPS), EEK	0.62	2.14	3.62		4.88	***
Adjusted earnings per share, EEK	0.49	1.71	2.75		3.88	
Revenue per employee (EEK in thousands)	558	522	454		577	***
EBITDA (EEK in thousands)	89,569	201,555	302,018		265,833	
EBITDA margin %	19.1	32.4	34.3		36.7	
Operating profit margin %	10.2	23.2	25.4		24.6	
Return on investment (ROI) %	16.3	36.7	35.0		46.5	***
Return on assets (ROA) %	14.7	32.6	30.7		38.8	***
Return on equity (ROE)	15.5	40.3	42.2		50.3	***
Equity ratio %	67.5	75.7	63.1		63.4	

* attributable to the equity shareholders of the parent company

** the number of Shares prior to the Offering is 60,000,000; for the purposes of comparability, the same number is used for historical per share information

*** adjusted for the results of the Offering, provided that the Over-Allotment Option is exercised in full

**** for the sake of comparability with historical financial information, income statement data is calculated from 1 July 2005 until 30 June 2006

RISK FACTORS

This overview of the various risk factors related to the Company's business represents what we, in our absolute discretion, consider to be of material importance in relation to our present and future operations. While we consider the following to be a fair, full and comprehensive disclosure of all relevant risk factors, this overview (either in conjunction with the Summary or alone) is not a substitute for the rest of the Prospectus and should not be perceived as such. We stress that a full and accurate assessment of our operations may only be made on the basis of the entire Prospectus. Furthermore, the operations of the Company may be affected by risks that are either not known or have not materialised by the date of this Prospectus. Should such risks emerge, the value of the investment made in Shares of the Company may suffer.

Industry-Specific Risks

Reputation of gaming

The Group's cash flows are primarily a function of the number of its customers and the average amount of money that each customer spends in a casino. The number of customers in the Group's casinos is in turn directly related to the reputation of gaming as such and the perception of gaming by the general public in each market where the Group operates. While the Group is exerting significant efforts towards the improvement of the image of gaming in its core markets, gaming is still often labelled by some as a less-prestigious type of entertainment (especially so in the markets where the overall quality of gaming services offered by the majority of operators is sub-standard, such as Ukraine and Belarus). Public opinion in relation to the industry may be volatile and based on irrational or unpredictable factors. Spikes in anti-gaming sentiments may occur from time to time and, in worst case scenarios, cause significant and permanent damage to the industry as a whole. In particular, adverse changes in the perception of gaming by the general public may lead to a drop in demand for gaming services, as well as trigger increased regulatory restrictions, thus having a negative effect on revenues and increasing compliance costs.

Demand for gaming services

Demand for gaming services is somewhat difficult to predict. While it is possible to draw certain parallels between the macro-economic situation, the amount of disposable income and the amount of money that an average household spends on entertainment in general, the correlation between overall leisure spending and spending on gaming appears to be far from linear. Demand for gaming services may be affected by public opinion, negative or positive publicity and other volatile factors. Therefore, the revenue of the Group may be adversely affected by temporary or permanent, sudden or gradual fluctuations on the demand side which can not be explained by the Group's financial performance or the condition of the economy in general. Nevertheless, the demand for gaming services has been growing steadily in all countries where the Group operates (see "*Industry Overview - Overview of Relevant Markets*" for more details) and the Management hopes that such growth is sustainable.

Regulatory changes

The Group operates in a market which is subject to extensive state and/or municipal regulation and supervision in most jurisdictions. Adverse legislative changes in any of the countries where the Group currently operates may have a material negative effect on the business of the Group or create obstacles to further growth. In particular, new state or municipal restrictions on the size and location of gaming establishments as well as more stringent rules related to the advertising of casinos may have a material adverse effect on the profitability and revenue of the Group through increased compliance costs and restricted marketing opportunities. Legal regulation of the gaming industry is highly prone to changes in the political and social agenda and the Group is unable to make reliable long-term predictions with respect to the legal environment in which it operates. Nevertheless, legislative changes in the gaming industry tend to carry negative consequences first and foremost for the smallest of operators who are often unable to comply with increased regulatory requirements. Therefore, stricter rules may in fact benefit the Group by creating additional entry barriers and eliminating the lower segment of competition, while contributing to the reputation of gaming.

At this time, legislative changes affecting the gaming industry are planned at least in Estonia, Lithuania and Ukraine. The Group does not anticipate that the new regulation will adversely affect its business in any of the aforementioned countries, but it is not in a position to make definitive predictions as to the exact scope and nature of the amendments that may come to pass.

Restrictions on marketing

Extensive restrictions apply to marketing of gaming services in Estonia, Latvia, Lithuania and Poland, as well as in other markets which the Group may consider for future expansion. It is possible that similar marketing restrictions may also be imposed in Ukraine and Belarus in the observable future. The Group is forced to limit its marketing activities in such jurisdictions primarily to targeted marketing among its existing clients and does not have the opportunity to employ more aggressive means of advertising. Such restrictions may have the effect of reducing the Group's potential to attract new clients or expand its market share in affected markets.

Competition from Internet-based services

The world-wide volume of Internet-based gaming is on the increase and it is conceivable that Internet gaming services will attract an increasingly large share of customers in the future. At the same time, no negative effect on land based casinos has hitherto been observed. Recent studies[1] demonstrate that the increase in the volume of Internet-based gaming has so far not had a negative effect on the other sectors of the gaming industry. To the contrary, land based casinos have often benefited from collaboration with online services (e.g. through online poker tournaments with the final event taking place in a land based casino – a form of collaboration which is actively used by the Group in Estonia and Latvia). The Group is constantly monitoring the market to remain up to speed with the latest tendencies and developments in relations between online and land based segments of the gaming industry. The Group has also recently introduced a position of Chief E-Commerce Officer as a part of its central management.

Gaming market is increasingly competitive

With the possible exception of Belarus, the gaming markets in each of the countries in which the Group operates are becoming increasingly competitive. The Group is facing competition from a number of major gaming operators, some of whom are active in multiple markets and are expanding aggressively. The average share of loyal clients in the overall revenue of the Group in the Baltic States is estimated at below 50%, while the rest of the revenue is generated by clients without manifest ties to a particular service provider. Therefore, the Group may have to make considerable investments in existing premises and new services in order to sustain and grow its current market share in its core markets, which in turn may reduce profitability.

Competition for new premises

The Group is facing increased competition in securing quality locations for new gaming establishments in Tallinn, Riga, Vilnius and Kiev. The real estate markets in the Baltic States and Ukraine appear to be somewhat overheated and the rental prices are subject to constant upward pressure. Premises which are suitable for gaming establishments are scarce and competition among the gaming operators is severe. This results in higher rental prices and may have an increasingly significant effect on profitability, as well as create obstacles to growth. It is expected, however, that at least in Ukraine the supply of suitable premises will increase over time, bringing the overall price level down.

Floor personnel rotation in the services industry

In the broader perspective, the Group operates in the services industry. One inevitable danger of the services sector is the relatively high personnel rotation rate (for example, the personnel rotation rate of hotel and restaurant businesses in the first half of 2006 in Estonia stood at 11.5%, in wholesale and retail sales – 14.7%[2]). Nevertheless, the rotation rate within the Group is noticeably lower than in the services sector on average, with the rotation rate in the Group for the first half of 2006 standing at app. 10.7%. Should the personnel rotation rate increase considerably, it could potentially lead to increased training expenses and affect the efficiency of operations. However, the Group is bearing the effects of high industry-wide personnel rotation rate to a somewhat lesser extent than many of its peers, this being achieved with the help of transparent and motivating remuneration policies as well as better working conditions.

[1] Source: "Study of Gambling Services in The Internal Market of The European Union", a European Commission publication prepared together with the Swiss Institute of Comparative Law (published 24 April 2006).
[2] Source: Estonian Statistics Board

Rising personnel costs

The Group is a major employer with a combined workforce of close to 2,200 workers (which is growing rapidly). Personnel costs amount to app. 31% of the total costs, with 2005 personnel costs exceeding EEK202 million (app. EEK70 million or 27% of total costs in Estonia, app. EEK32 million or 31% of total costs in Latvia, app. EEK69 million or 36% of total costs in Lithuania and app. EEK7 million or 17% of total costs in Ukraine). Floor staff, bartenders and other non-executive personnel comprise at least 3/4 of the total workforce. On average, overall wage growth in the Baltic States is currently faster than the growth of productivity, and employers across all industries are forced to increase personnel spending in order to retain and grow quality workforce. Within the gaming industry, this tendency is further aggravated by the higher mobility of personnel, with many of the younger employees seeking employment abroad (other EU Member States, cruise ships etc.). The Group aims to decrease personnel rotation rates across all jurisdictions and as a result may have to increase spending on training and motivation of floor personnel in order to sustain the highest standards of service which are essential to its business. Gradual increase of personnel costs is, however, factored into the Group's financial projections and business strategies and is not expected to present an obstacle for future growth.

Upcoming income tax reform in Estonia

Since 2000, Estonia is running a system of corporate income tax which is favourable for investment and growth-oriented undertakings. Retained earnings are fully exempt from corporate income tax and only profit distributions in their various forms are taxed. Therefore, corporations can re-invest profits without triggering income taxation. The European Commission considers this system to be contrary to the EU law. The EU rules require that dividends paid to shareholders holding over 10% of shares in a company are not taxed at the source (i.e. in the country of incorporation of the company paying the dividends) and Estonia must comply with these rules by 1 January 2009. At this time, it is highly likely that starting from 2009, Estonian companies will have to pay corporate income tax on earnings. It is not known at this time what the main features of the new income tax system would be and it is therefore conceivable that the upcoming changes would have an adverse effect on the financial results of the Group and its ability to sustain current rates of investment and growth.

Business Risks

Management of expansion

The Group has so far pursued the strategy of constant expansion into new geographic markets. This has allowed to maintain exceptional rates of growth in terms of revenues and profits, as well as to benefit from the increasing effects of scale economy in multiple areas such as IT, purchases of equipment and marketing. However, the rapid expansion of the Group may lead to administrative and structural difficulties. Managing an increasing amount of local entities, each operating in a different economic and legal environment, will pose a mounting challenge for the executive team of the Group and may ultimately result in higher administration costs and a slower rate of expansion. At the same time, the top management of the Group already possesses considerable experience in running international operations and expanding the business of the Group into new markets. It is becoming an increasingly international team of professionals which is hoping to be able to sustain the current speed of growth in the observable future.

Interpretation of Estonian and Lithuanian gaming regulations

A number of the Group's entities are engaged in regulatory controversies. The principal Lithuanian subsidiary of the Company – OCLT (UAB Olympic Casino Group Baltija) is currently directly or indirectly involved in multiple court and administrative proceedings initiated by or against the gaming and financial supervision authorities. Proceedings are based on alleged violations of gaming regulations. The outcome of these proceedings is difficult to predict due to the uncertainties which are inherent in the relevant Lithuanian legislation. Likewise, the principal Estonian subsidiary of the Company – OCE (Olympic Casino Eesti AS) is or has in the past been engaged in several disputes with the authorities related primarily to the interpretation of the applicable marketing restrictions. Though as a result of the aforementioned proceedings penalties may be imposed on individual members of the Lithuanian management or on OCE as a corporate entity, the Group does not anticipate that even the worst-case scenario would result in significant adverse consequences for its Estonian or Lithuanian operations. The aforementioned proceedings are due to the ambiguities that are present in Estonian and Lithuanian legislation. While the Group strives to comply with all applicable rules, the regulatory authorities in Estonia and Lithuania are often keen to test the boundaries of legislation by referring particular exemplary situations to the national courts. In the course of such proceedings, the applicable legislation is clarified and developed, ensuring better transparency and predictability of the regulatory environment.

Dependency on external IT solutions

The day-to-day operations of the Group in all relevant jurisdictions rely on certain casino-specific software which is licensed from third-party developers. Relocation to a different software platform would entail considerable expenses and practical difficulties. Should any critical defects be discovered in said software, or should the aforementioned software suppliers fail to perform under the relevant agreements, the Group's operations may be disturbed considerably, while the liability of the software suppliers under the relevant license agreements is considerably limited. On the other hand, the Group's software vendors are international corporations whose reputation and reliability have so far not been compromised in any manner. The Group believes that the outsourcing of core IT systems ensures greater stability and carries a significantly lower risk than that associated with software which is developed internally. In the (unlikely) case of a bankruptcy of a software vendor, the source code of the relevant software would normally become public, thus allowing continuous use and development of the software.

Retention of existing premises, increased rental payments

At the present time, the Group does not normally invest in real estate. With the exception of certain real estate purchased in the earlier stages of development of the Group and one limited-scope real estate project in Lithuania, most casinos and offices are located on premises which are leased or sub-leased from third parties. Therefore, the Group is partially dependant on third party lessors when it comes to controlling its fixed expenses and ensuring ongoing operations on all of its venues. It can not be excluded that one or multiple lessors may from time to time opt to increase the applicable rent or terminate the lease agreements concluded with various Group entities (whereas the risk of increased rental payments is especially probable in Latvia). This may have a limited effect on profitability and revenue. Nevertheless, the Group does not depend on any particular lessor as the venues are owned by numerous third parties which are not inter-related. Therefore, an issue with one or several lessors would not be likely to affect other similar venues. Moreover, rental payments on average amount to no more than 4-8% of the Group's costs in each country (with the exception of Ukraine, where rental payments amount to over 23% of the costs), which further limits the possible effect of increasing rental payments on profitability.

Top- and middle-level human resources are scarce

The rapid expansion of the Group requires considerable top- and middle-level management resources. The business model of the Group is heavily focused on quality and uniform service standards across all countries in which it operates; the implementation of such uniform service standards and the utilisation of existing know-how in new markets and on new premises requires an increasingly significant amount of qualified management personnel. In order to sustain the current level of expansion, the Group will have to make considerable investments into management training and motivation. The Group recognises the importance of quality middle-level management and is implementing a number of measures to ensure that a sufficient pool of qualified personnel is available at all times. To that end, the Group has recently implemented an extensive new training program aimed at preparing new management resources. The Group also has a defined personnel planning procedure in place, which among other things governs the principles behind the selection of employees for management training (please see more under "*Operations – Employment"*).

Acquisition of Baltic Gaming

The Company has acquired the second-largest Latvian casino operator Baltic Gaming (including related casino bar operations) in 2005 from a number of private individual owners for the aggregate purchase price of EUR13.5 million. The purchase agreement contains a customary set of warranties and representations, for which the sellers agreed to be liable. A thorough due diligence of the company was carried out before the closing of the transaction and an amount of EUR4.05 million is retained in an escrow account until March 2007, which will be transferred to the sellers subject to certain possible adjustments and pre-conditions. The Group invests considerable funds and efforts in integrating the acquired operations into the existing network of Latvian Olympic Casinos. While the Management is confident that integration will proceed smoothly, certain unforeseen difficulties can not be excluded which may have a short-term effect on the results of Latvian operations.

Acquisition of Casino Polonia

The Company has concluded a preliminary agreement for the acquisition of a Polish gaming operator Casino Polonia (see "*Operations – History and Development of the Group*" for more details). The acquisition can be completed when certain pre-conditions are fulfilled, of which a part has been fulfilled already. The fulfilment of some of the remaining conditions (including an administrative approval concerning the transfer of the gaming license of Casino Polonia to the new location in Hilton Hotel Warsaw) is outside the control of the Company. Though the Management remains optimistic that the acquisition will be completed, there can be no guarantee that this would indeed be the case. Failing completion of the acquisition, certain costs and efforts related to the preparation of the transaction will be lost and the Group will be forced to seek other ways of entering the Polish market. The effect of such non-completion is nevertheless not expected to be significant with respect to the operations of the Group as a whole.

Interest rates

The syndicated loan facility taken by the Company in Estonia (see more under "*Operations - Financing Matters*") is based on the EURIBOR base rate which is determined as of the quotation date occurring each 6 months from the date of the relevant loan agreement. Therefore, increases in the European Central Bank interest rates (and, consequently, increases of the EURIBOR base rate) will lead to a corresponding increase in the financial costs of the Group. However, such increases are not likely to have a significant effect on the overall results of operations. Apart from the above-mentioned syndicated loan facility, the Group does not have any noticeable external financial obligations that would be prone to interest rate risk.

Currency exchange

Estonia and Lithuania joined the Exchange Rate Mechanism (ERM II) in June 2004 and Latvia joined the ERM II in May 2005, as a result of which the central exchange rates for their national currencies against the Euro were fixed. Under ERM II, the three countries' currencies must not deviate by more than 15% up or down against the Euro from the agreed rates. Estonia's and Lithuania's hopes to start using Euro notes and coins from 1 January 2007 have, however, recently proved unrealistic. The possible date for the Euro's introduction in Latvia is likely to be even further away in light of high inflation and a heavy current account deficit. A delay in the transition to Euro may ultimately lead to a drop in consumer confidence and the overall decline in the growth rates of the Baltic economies. When complete, the transition to Euro in the Baltic States may pose a currency exchange risk which may materialise through changes in the current exchange rates between national currencies and the Euro.

The effect of currency exchange rates on costs and profitability is more probable with respect to Ukraine and Belarus (and, in the future, possibly with respect to other East-European markets) where the national currencies are not tied to Euro. Presently, however, the Group does not consider it necessary to hedge itself from the currency risk in Belarus and Ukraine as future exchange rate trends are difficult to predict and the pricing of the relevant financial instruments is currently not seen as favourable.

Retention of know-how

The Company operates in the services sector and its revenue and profitability are directly dependent on the quality of its services. The effect of quality on the financial results is further emphasised by the fact that the strategy of the Group is to gain market share through offering services of the quality that is superior to that of its competitors. The know-how developed by the Group and related to the management of quality and expansion is in many respects unique and carries significant value to the operations of the Group. The departure of a key employee possessing significant know-how and in-depth knowledge of the operations of the Group would have the potential of causing considerable damage to the competitive advantages of the Group through enabling the competitors to benefit from such know-how and in-depth knowledge. In order to ensure continuous loyalty of the top management and key employees, the Company is implementing an employee stock option program to involve the key personnel in the capital of the Company (see "*Management – Stock Option Plan*" for more information).

Dependency on key personnel

Much of the success of the Group in the Baltic markets is owing to the outstanding internal management capability developed over the years. The management personnel of the Company and the management of the local subsidiaries is comprised of highly trained and motivated professionals, many of whom have dedicated substantial parts of their professional careers to the Group. A departure of any key manager, in addition to potentially benefiting the competitors of the Group (see "*Risk Factors - Retention of Know-How*" above), would also have the effect of inflicting limited but noticeable damage on the quality of management and motivation. Hiring equivalent management personnel would entail inevitable costs and would not necessarily be immediately possible.

Belorussian lease agreements

Some of the lease agreements entered into by the Group entities in Belarus may either be terminated without compensation or are preliminary agreements not conferring any definite rights. At the same time, certain investments have already been made into refurbishing the leased premises and preparing such premises for use as casinos. Failing continued cooperation with the relevant lessors, or due to the inability to obtain administrative approval for the refurbished premises, the Group may loose the investments made into preparing new venues in Belarus (limited to construction expenses normally representing roughly 20% of the total investments in each casino).

Risks Related to Operations in Foreign Markets

Local connections take time to develop

Certain East-European markets are to a significant extent based on personal relations between the various market participants. As an example, securing suitable premises for new venues in Ukraine and Belarus normally requires a noticeable degree of personal approach to the contractual partners, which would be unfamiliar to companies operating exclusively in the Baltic States. To this end, the Ukrainian and Belorussian entities of the Group are somewhat at a disadvantage when compared to local operators with well established local connections. However, the Group expects such disadvantage to diminish and disappear over time, as the local management becomes more accustomed to the local market and as the Group hires more local professionals to assist in everyday operations.

Lack of reliable market information in Ukraine and Belarus (and other East-European markets)

Unlike the Baltic States, many East-European markets (including Ukraine, Belarus and other markets which the Group may consider in terms of future expansion) are characterised by the lack of reliable information on the condition of the gaming industry in general and the casino market in particular. Strategic management decisions in relation to such markets may therefore have to be made in the absence of adequate data which may from time to time prove essential.

Legal and political uncertainty in Belarus, Ukraine and other non-EU states

To date, the Group has invested over EEK18 million in expanding its operations to the Belorussian market and is planning to increase its investments up to a total of over EEK50 million in the near future. While the Belorussian market carries significant potential combined with weak competition, the Belorussian operations of the Group may at the same time be undermined by the under-developed legal system and the overall inefficiency of the state and municipal authorities. For example, due to the specific nature of the Belorussian legislation, a casino may not receive a license unless it is fully equipped. In these circumstances, the Group can not be fully confident that investments made into new Belorussian casinos will pay off.

The legal system and practice in Belarus is significantly under-developed as compared to the Baltic States or Ukraine. At the moment, no clear body of case law exists in areas of regulation which may prove crucial to the operations of the Group. Likewise, there is no effective system, official or otherwise, under which various decrees, ministerial decisions, court rulings or internal department circulars having the force of law are indexed and made publicly available on a regular basis. As a consequence, the outcome of any court case can not be reliably predicted. Furthermore, the Group may from time to time lack full adequate information on the actions and measures that need to be taken in order to comply with all applicable rules and procedures. This may eventually result in material adverse consequences for the Belorussian operations of the Group through increased compliance costs as well as through possible administrative sanctions and disputes. The Belorussian legislation and administrative policy may from time to time be influenced by changes in the political agenda.

State intervention is possible beyond what is expressly permitted by law, and administrative discretion may be exercised in a manner that is detrimental to a particular market participant or a whole industry.

The Ukrainian political system, on the other hand, though showing signs of improvement, also remains unstable and prone to abrupt and unpredictable changes. The Group is closely monitoring the situation to remain informed of the recent developments.

The Group intends to continue its operations in the Eastern European region and, with the addition of new markets to the span of its corporate structure, may face similar risks in other foreign countries which are not members of the European Union. This may have a negative effect on the speed of expansion and the results of foreign operations as a whole.

Risks Related to the Offering and the Listing

An active market for the Shares may not develop

Prior to this Offering, there has been no public market for the Shares. The Company can not provide any assurance an active trading market for Shares will emerge, develop or be sustained after the completion of the Offering. The Offer Price will be determined through negotiations among the Managers, the Company and the shareholders of the Company. This initial Offer Price may vary from the market price of the Shares after the Offering. If you purchase any Shares, you may not be able to resell those Shares at or above the Offer Price.

The price of the Shares after this Offering may be volatile and may fluctuate significantly in response to numerous factors including the actual or anticipated fluctuations in the quarterly and annual results of the Company and those of its publicly-held competitors; industry and market conditions; mergers and strategic alliances in the gaming industry; changes in laws and regulations; shortfalls in the operating results of the Company or its competitors compared to levels forecast by investment analysts; public announcements concerning the Company or its competitors; global and regional economic conditions and the general state of securities markets. Many of these factors may be beyond the control of the Company and are difficult or impossible to predict.

Volatility and limited liquidity of stocks listed on the Tallinn Stock Exchange

Application has been made to the Tallinn Stock Exchange for Shares to be admitted to trading on the Tallinn Stock Exchange's market for listed securities. Though every effort will be made to ensure that listing will occur, the Company can not provide any assurance that Shares will be admitted to trading.

The average daily trading turnover on the Tallinn Stock Exchange from 1 January 2005 to 31 December 2005 was EEK118.8 million. From 1 January 2006 to 30 June 2006 the average daily turnover was respectively EEK53.8 million. A total of 16 companies were listed on the Tallinn Stock Exchange as of 30 June 2006. As of 30 June 2006, the two largest companies in terms of market capitalization, AS Eesti Telekom and AS Tallink Grupp, represented approximately 55% of the Tallinn Stock Exchange's aggregate market capitalization of approximately EEK42.5 billion. Consequently, the Tallinn Stock Exchange is substantially less liquid and more volatile than established markets such as those in other countries with highly developed securities markets. The relatively small market capitalization and low liquidity of the Tallinn Stock Exchange may impair the ability of shareholders to sell Shares on the Tallinn Stock Exchange, which could increase the volatility of the price of Shares. The delisting of any of the large companies listed on the Tallinn Stock Exchange would be likely to have a negative effect on the market capitalization and liquidity of the Tallinn Stock Exchange as a whole.

Since the Tallinn Stock Exchange is characterised by relatively low investor activity, the impact of individual transactions on the market price of securities may be significant. Lower investor activity may lead to wider spreads between the bid and ask prices and a correspondingly lower liquidity of traded securities.

Harmonisation of the Tallinn Stock Exchange with other OMX Exchanges

The Tallinn Stock Exchange, where Shares are expected to be listed, is a part of the OMX Exchanges. Currently the Tallinn Stock Exchange is in the process of harmonizing its standards with those of OMX. While the implementation of the related changes might cause some disruption in the trading in Shares, the Company expects that in the longer term it will benefit from relying on a uniform trading system in the Northern European region. OMX group is also intending to create a pan-

Nordic and Baltic stock exchange list, the details of which have not been released. Should the Company fail to meet the criteria for such a combined list, that may affect the liquidity of Shares.

Payment of dividends

The Company is under no lasting and definite obligation to pay regular dividends to its shareholders and no representation can be made with respect to the payment and amount of future dividends. The Management's recommendations for the distribution of profit will be based on financial performance, working capital requirements, reinvestment needs and strategic considerations which may not necessarily coincide with the short-term interests of all shareholders. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the majority of the Company's shareholders.

Analysts may stop publishing research or reports on the Company

There is no guarantee of continued analyst research coverage for the Company. Over time, the amount of third party research available in respect of the Company may increase or decrease with little or no correlation with the actual results of its operations as Company has no influence on the analysts who prepare such reports. Negative or insufficient third party reports would be likely to have an adverse effect on the market price and the trading volume of Shares.

Major shareholders

Despite the Offering, the Company will remain under the control of OÜ HansaAssets, which in turn is 100% owned and controlled by Mr. Armin Karu, the chairman of the Management Board of the Company. Following the completion of the Offering (and assuming that the Over-Allotment Option has been exercised in full) OÜ HansaAssets will hold approximately 51.7% of the Shares of the Company. OÜ Hendaya Invest (100% owned and controlled by Mr. Jaan Korpusov, a member of the Supervisory Board of the Company) will also remain a major shareholder with approximately 27.8% of all Shares. With a combined ownership stake in the Company that is close to 80%, said shareholders will be able to adopt a majority of the corporate decisions that are in the competence of the General Meeting of shareholders of the Company (see more under "*General Corporate Information and Shares – Rights of Shareholders*") or block such decisions.

TERMS AND CONDITIONS OF THE RETAIL OFFERING

Conditions

Retail Offering and Institutional Offering

In the course of the Offering, ordinary shares of the Company ("*Shares*") are being offered to Estonian, Latvian, Lithuanian and international institutional investors ("*Institutional Offering*") and to the general public and institutions in Estonia, Latvia and Lithuania, including the employees and members of the Supervisory Board and the Management Board of the Company and its subsidiaries ("*Retail Offering*" and, together with the Institutional Offering, "*Offering*"). The Offering comprises up to 15,400,000 Shares of the Company ("*Offer Shares*"), provided that the Over-Allotment Option is exercised in full, and will involve an issue of the corresponding amount of new ordinary Shares by the Company ("*New Shares*"). The Company and its shareholders have granted AS Hansapank as the Global Coordinator of the Offering an option to purchase up to 1,400,000 additional Shares at the Offer Price (as defined below) solely to cover over-allotments.

The issuing of New Shares will be decided by the General Meeting of shareholders of the Company on 29 September 2006. The Management Board of the Company will propose to the General Meeting of shareholders to waive the pre-emptive right of the shareholders to subscribe for the New Shares in order to carry out the Offering and extend the shareholder base of the Company.

The division of Offer Shares between the Institutional Offering and the Retail Offering has not been predetermined. The number of Offer Shares included in the Institutional Offering and in the Retail Offering will be decided by the Company in consultation with the Global Coordinator. This decision will be taken in conjunction with the allocation process, which will take place after the expiry of the Offer Period. However, not less than 75% of the Offer Shares will be allocated to the Institutional Offering (unless the Company should in consultation with the Managers decide otherwise). The total amount of Offer Shares (and, correspondingly, the amount of New Shares to be issued by the Company) may decrease in case any part of the Offering is cancelled – see "*Terms and Conditions of the Offering - Cancellation of the Offering*". When deciding the division of Offer Shares between the Institutional Offering and the Retail Offering, the Company will consider mainly (i) the overall demand for the Offer Shares, (ii) the demand for the Offer Shares in the Retail Offering and (iii) the variance in the size of orders in the Retail Offering and the distribution of orders of different sizes in the Retail Offering. When deciding such division, the Company will be aiming to determine a proportion between the Institutional Offering and the Retail Offering which (i) gives the Company a wide shareholder base and (ii) can be expected to contribute to a stable and favourable development of the price of its Shares in the aftermarket. The Company expects to announce the Offer Price and the results of the allocation process, including the division of Offer Shares between the Institutional Offering and the Retail Offering, no later than on 18 October 2006 through the Tallinn Stock Exchange and no later than on 19 October 2006 in daily newspapers circulated throughout the territory of Estonia, Latvia and Lithuania.

The existing shareholders of the Company and the members of its management, supervisory or administrative bodies may participate in the Offering subject to the conditions of the Offering as set forth herein. The Company is not aware whether or not such persons intend to participate in the Offering. To the extent that the Company is informed, none of such persons intend to subscribe for more than five per cent of the Offering.

Right to participate in the Retail Offering

The Retail Offering is directed to all natural and legal persons in Estonia, Latvia and Lithuania. For the purposes of these terms, a natural person will be deemed to be "in Estonia" if such person has a securities account with the ECRS and such person's address recorded in ECRS records in connection with such person's securities account is located in Estonia. A legal person will be deemed to be "in Estonia" if it has a securities account with ECRS and its registered address recorded in ECRS records in connection with its securities account is located in Estonia and/or its registration code recorded in ECRS records is the registration code of the Estonian Commercial Register.

For the purposes of these terms, a natural person will be deemed to be "in Latvia" if such person has a securities account with one of the registered securities account operators in Latvia or with the ECRS and such person's address recorded in the records of one of the above mentioned institutions in connection with such person's securities account is located in Latvia. A legal person will be deemed to be "in Latvia" if it has a securities account with one of the registered securities account operators in Latvia or with ECRS or with the Latvian Central Depositary and its registered address recorded in the records of one of the above-mentioned institutions in connection with its securities account is located in Latvia and/or its registration code recorded in such records is the registration code of the Latvian Commercial Register.

For the purposes of these terms, a natural person will be deemed to be "in Lithuania" if such person has a securities account with one of the registered securities account operators in Lithuania or with the ECRS and such person's address recorded in the records of one of the above-mentioned institutions in connection with such person's securities account is located in Lithuania. A legal person will be deemed to be "in Lithuania" if it has a securities account with one of the registered securities account operators in Lithuania or with the ECRS or with the Lithuanian Central Depositary and its registered address recorded in the records of one of the above-mentioned institutions in connection with its securities account is located in Lithuania and/or its registration code recorded in such records is the registration code of the Lithuanian Commercial Register.

Subscription undertakings as described under section "Terms and Conditions of the Retail Offering - Subscription Undertakings" can be submitted in Latvia and Lithuania only through securities accounts opened respectively with AS Hansabanka or AB Bankas "Hansabankas".

Offer Price

The Company will decide the exact Offer Price in consultation with the Global Coordinator after the completion of the book-building process directed to the institutional investors in the course of the Institutional Offering. The Offer Price will be based on the tenders for the Offer Shares obtained from institutional investors, also taking into account the total demand in the Institutional Offering, the price sensitivity of such demand and the quality of the demand. The Offer Price will be in the Offer Price Range of EEK 63 - EEK 75. The above price range may be amended until the end of the Offer Period on the basis of information obtained in the book-building process in accordance with local legislation and notification requirements (see "*Terms and Conditions of the Retail Offering - Procedure for Changing the Offer Price Range)*. The Offer Price will be the same in the Institutional Offering and in the Retail Offering.

Procedure for Changing the Offer Price Range

If the Offer Price Range is changed, the Company will prepare a supplement to this Prospectus which will be subject to approval by the competent authority. The supplement will be published in the same manner as the original Prospectus. The Company will make an announcement concerning the supplement immediately through the Tallinn Stock Exchange and on its website. Investors who have submitted Subscription Undertakings before the announcement will be given the opportunity to cancel their Subscription Undertakings within two working days after the announcement in accordance with the procedure described under "*Terms and Conditions of the Retail Offering - Amendment or cancellation of Subscription Undertakings*. Should the Offer Price Range be changed, also the total number of Offer Shares, the dates and other terms and conditions set forth herein may be changed. All such changes will be announced together with the announcement of the new Offer Price Range. Investors who have not cancelled their Subscription Undertakings within the above-mentioned time period will be deemed to have accepted all changes announced in accordance with the above. Should the upper limit of the price range change, then all investors who have not cancelled their Subscription Undertakings within two working days after such announcement will be deemed to have submitted a Subscription Undertaking at the new upper limit of the price range.

Offer Period

Investors may submit subscription undertakings for Shares (each a "*Subscription Undertaking*") during the Offer Period, which commences on 2 October 2006 at 9.00 a.m. and terminates on 17 October 2006 at 16.00 p.m. (the "*Offer Period*").

Subscription Undertakings

The Company invites investors to submit Subscription Undertakings in accordance with these terms and conditions and the following procedure. Subscription Undertakings may be submitted only during the Offer Period. An investor participating in the Retail Offering may apply to subscribe for the Offer Shares only at the upper limit of the price range, i.e. at EEK 75 (EUR 4,793) per Offer Share ("*Subscription Price*"). Multiple Subscription Undertakings by one investor, if submitted, shall be merged for the purposes of allocation. All investors participating in the Retail Offering can submit Subscription Undertakings denominated only in Estonian kroons (EEK).

Each investor must ensure that the information contained in the Subscription Undertaking submitted by such investor is correct, complete and legible. Incomplete, incorrect, unclear or illegible Subscription Undertakings may be rejected at the sole discretion of the Company. For detailed description on the procedure for the submission of Subscription Undertakings, please see *"Terms and Conditions of the Retail Offering - Instructions to Investors in Estonia", "Terms and Conditions of the*

Retail Offering - Instructions to Investors in Latvia" or *"Terms and Conditions of the Retail Offering - Instructions to Investors in Lithuania"* respectively.

Cancellation of the Offering

The Company has reserved the right to cancel the Offering in part or in its entirety at any time until the Company has received full payment for all Offer Shares, if (i) the General Meeting of shareholders of the Company fails to decide the issue of New Shares prior to settlement and/or (ii) the Underwriting Agreement between the Company and the Global Coordinator has not been entered into on or before 17 October 2006 or (iii) the obligations of the Global Coordinator under the Underwriting Agreement (a) have not become unconditional or (b) terminate prior to settlement. Any cancellation of the Offering or any part thereof will be announced through the Tallinn Stock Exchange. All rights and obligations of the parties in relation to the cancelled part of the Offering will be considered terminated at the moment when such announcement is made public.

Additional Information

For information on the ownership of Shares by the members of the management bodies and employees of the Company and on the participation of such persons in the Offering, please see "*Plan of Distribution*" and "*Management - Share Ownership*". For information on over-allotment and the Over-Allotment Option, as well as on the distribution of Offer Shares and the underwriting of the Offering, please see "*Plan of Distribution.*"

Applicable Law and Dispute Resolution

The Offering shall be governed by the laws of Estonia. Any disputes arising in connection with the Offering shall be settled by Tallinn City Court in Estonia.

Instructions to Investors with securities account in Estonia

Submission of Subscription Undertakings

In order to subscribe for the Offer Shares, an investor must have a securities account with the ECRS. Such securities account may be opened through any custodian of the ECRS. As of the date hereof, the following banks and investment firms operate as custodians of the ECRS:

- AS SEB Eesti Ühispank;
- AS Hansapank;
- Nordea Bank Finland Plc Estonian branch;
- AS Sampo Pank;
- AS Lõhmus Haavel & Viisemann;
- AS Eesti Krediidipank;
- AS SBM Pank;
- Tallinna Äripanga AS; and
- AS Parex banka (through its Estonian branch).

An investor wishing to subscribe for the Offer Shares should contact the custodian that operates such investor's ECRS securities account and submit a Subscription Undertaking for the purchase of Offer Shares in the form set out below. The Subscription Undertaking must be submitted to the custodian by the end of the Offer Period. The investor may use any method that such investor's custodian offers to submit the Subscription Undertaking (e.g., physically through a branch of the custodian, over the Internet or by other means). The Subscription Undertaking must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor's securities account
Custodian:	name of the investor's custodian
Security:	Olympic Entertainment Group AS ordinary share
ISIN code:	EE3100084021
Amount of securities:	the number of Offer Shares for which the investor wishes to subscribe
Price (per share):	EEK 75
Transaction amount:	the number of Offer Shares for which the investor wishes to subscribe multiplied by the Offer Price
Counterparty:	AS Hansapank
Securities account of counterparty:	99000011822
Custodian of the counterparty:	AS Hansapank
Value date of the transaction:	20 October 2006
Type of transaction:	"purchase"
Type of settlement:	"delivery against payment"

An investor may submit a Subscription Undertaking through a nominee account only if such investor authorizes the owner of the nominee account to disclose the investor's identity to the registrar of ECRS in writing. Subscription Undertakings submitted through nominee accounts will be taken into consideration in the allocation only if the owner of the nominee account has actually disclosed the identity of the investor to the registrar of ECRS in writing. Among other information it is also requested to disclose either a permanent address and personal identification code in case of the natural person or a registration address for the legal entity. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorized (in the form required by law) to submit the Subscription Undertaking.

A Subscription Undertaking is deemed submitted from the moment the registrar of the ECRS receives a duly completed transaction instruction from the custodian of the respective investor. The Subscription Undertaking can be cancelled or amended as described under Section "Amendment or cancellation of Subscription Undertakings". An investor will be liable for the payment of all fees charged by the custodian in connection with the submission, cancellation or amendment of the Subscription Undertaking.

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription Undertakings which are incomplete, incorrect, unclear or illegible, or which have not been completed and submitted during the Offer Period in accordance with all requirements set out in these terms and conditions.

By submitting a Subscription Undertaking every investor:

- accepts the terms and conditions of the Offering set out under this Section and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor's acquisition of any Offer Shares;

- acknowledges that the Retail Offering does not constitute an offer of the Offer Shares by the Company in legal terms or otherwise and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Shares nor result in a contract for the sale of Offer Shares between the Company and the investor;

- accepts that the number of Shares indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of Shares which the investor wishes to acquire (the "*Maximum Amount*") and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (see "*Terms and Conditions of the Offering - Distribution and allocation*");

- undertakes to acquire and pay for any number of Offer Shares allocated to it/him/her in accordance with these terms and conditions;

- authorizes and instructs its/his/her custodian to forward the registered transaction instruction to the registrar of the ECRS;

- authorizes the custodian and the registrar of the ECRS to amend the information contained in the investor's transaction instruction, including (a) to specify the value date of the transaction and (b) to specify (i) the number of Shares to be purchased by the investor, (ii) the Offer Price (as determined after the Offer Period) as the price per share and (iii) the total amount of the transaction found by multiplying the Offer Price by the number of Offer Shares allocated to the relevant investor.

Instructions to Investors with securities account in Latvia

Submission of Subscription Undertakings

In order to subscribe for the Offer Shares an investor must have a securities account with AS Hansabanka. Such securities account may be opened at any branch office of AS Hansabanka.

An investor wishing to subscribe for the Offer Shares should contact AS Hansabanka and submit a Subscription Undertaking for the purchase of securities in the form set out below. The Subscription Undertaking must be submitted to AS Hansabanka by the end of the Offer Period. The investor may use any method AS Hansabanka offers to submit the Subscription Undertaking (e.g., physically through a bank's branch, over the Internet or by other means). The Subscription Undertaking must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor's securities account
custodian:	AS Hansabanka
Security:	Olympic Entertainment Group AS ordinary share
ISIN code:	EE3100084021
Amount of securities:	the number of Offer Shares for which the investor wishes to subscribe
Price (per share):	EEK 75
Transaction amount:	the number of Offer Shares for which the investor wishes to subscribe multiplied by the Offer Price
Counterparty:	AS Hansapank
Securities account of counterparty:	010016
Custodian of the counterparty:	AS Hansabanka
Value date of the transaction:	20 October 2006
Type of transaction:	"purchase"
Type of settlement:	"delivery against payment"

An investor may submit a Subscription Undertaking through a nominee account only if he or she authorizes the owner of the nominee account to disclose the investor's identity to AS Hansabanka in writing. Subscription Undertakings submitted through nominee accounts will be taken into consideration in the allocation only if the owner of the nominee account has actually disclosed the identity of the investor to AS Hansabanka in writing. Among other information it is also requested to disclose either a permanent address and personal identification code in case of the natural person or a registration address for the legal entity. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorized (in the form required by law) to submit the Subscription Undertaking.

A Subscription Undertaking is deemed submitted from the moment AS Hansabanka receives a duly completed transaction instruction from the respective investor. The Subscription Undertaking can be cancelled or amended as described in Section "Amendment or cancellation of Subscription Undertakings." An investor shall be liable for the payment of all fees charged by the custodian in connection with the submission, cancellation or amendment of the Subscription Undertaking.

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription Undertakings which are incomplete, incorrect unclear or illegible, or which have not been completed and submitted during the Offer Period in accordance with all requirements set out in these terms and conditions.

By submitting a Subscription Undertaking every investor:

- accepts the terms and conditions of the Offering set out under this Section and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor's acquisition of any Offer Shares;

- acknowledges that the Retail Offering does not constitute an offer of the Offer Shares by the Company in legal terms or otherwise and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Offer Shares nor result in a contract for the sale of Offer Shares;

- accepts that the number of Offer Shares indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of Shares which the investor wishes to acquire (the "*Maximum Amount*") and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (see "*Terms and Conditions of the Offering - Distribution and allocation*");

- undertakes to acquire and pay for any number of Offer Shares allocated to it/him/her in accordance with these terms and conditions;

- authorizes AS Hansabanka to amend the information contained in the investor's transaction instruction, including (a) to specify the value date of the transaction and (b) to specify (i) the number of Shares to be purchased by the investor, (ii) the Offer Price (as determined after the Offer Period) as the price per share and (iii) the total amount of the transaction found by multiplying the Offer Price by the number of Offer Shares allocated to the relevant investor.

Instructions to Investors with securities account in Lithuania

Submission of Subscription Undertakings

In order to subscribe for the Shares an investor must have a securities account with AB Bankas "Hansabankas". Such securities account may be opened at any branch office of AB Bankas "Hansabankas".

An investor wishing to subscribe for the Offer Shares should contact AB Bankas "Hansabankas" and submit a Subscription Undertaking for the purchase of securities in the form set out below. The Subscription Undertaking must be submitted to AB Bankas "Hansabankas" by the end of the Offer Period. The investor may use any method AB Bankas "Hansabankas" offers to submit the Subscription Undertaking (e.g., physically through a bank's branch, over the Internet or by other means). The Subscription Undertaking must include the following information:

Owner of the securities account:	name of the investor
Securities account:	number of the investor's securities account
custodian:	AB Bankas "Hansabankas"
Security:	Olympic Entertainment Group AS ordinary share
ISIN code:	EE3100084021
Amount of securities:	the number of Offer Shares for which the investor wishes to subscribe
Price (per share):	EEK 75
Transaction amount:	the number of Offer Shares for which the investor wishes to subscribe multiplied by the Offer Price
Counterparty:	AS Hansapank
Securities account of counterparty:	99000011822
Custodian of the counterparty:	AB Bankas "Hansabankas"
Value date of the transaction:	20 October 2006
Type of transaction:	"purchase"
Type of settlement:	"delivery against payment"

An investor may submit a Subscription Undertaking through a nominee account only if he or she authorizes the owner of the nominee account to disclose the investor's identity to AB Bankas "Hansabankas" in writing. Subscription Undertakings submitted through nominee accounts will be taken into consideration in the allocation only if the owner of the nominee account has actually disclosed the identity of the investor to AB Bankas "Hansabankas" in writing. Among other information it is also requested to disclose either a permanent address and personal identification code in case of the natural person or a registration address for the legal entity. An investor may submit a Subscription Undertaking either personally or through a representative whom the investor has authorized (in the form required by law) to submit the Subscription Undertaking. A Subscription Undertaking is deemed submitted from the moment the registrar of the ECRS receives a duly completed transaction instruction from the custodian of the respective investor. The Subscription Undertaking is deemed annulled from the moment the transaction instruction of the respective investor has been annulled in the ECRS on the basis of the annulment order received from the custodian of the investor. An investor shall be liable for the payment of all fees charged by the custodian in connection with the submission of a Subscription Undertaking.

A Subscription Undertaking is deemed submitted from the moment AB Bankas "Hansabankas" receives a duly completed transaction instruction from the custodian of the respective investor. The Subscription Undertaking can be cancelled or amended as described in Section "Amendment or cancellation of Subscription Undertakings." An investor shall be liable for the payment of all fees charged by the custodian in connection with the submission, cancellation or amendment of the Subscription Undertaking.

An investor must ensure that all information contained in the Subscription Undertaking is correct, complete and legible. The Company reserves the right to reject any Subscription Undertakings which are incomplete, incorrect unclear or illegible, or which have not been completed and submitted during the Offer Period in accordance with all requirements set out in these terms and conditions.

By submitting a Subscription Undertaking every investor:

- accepts the terms and conditions of the Offering set out under this Section and elsewhere in this Prospectus and agrees with the Company that such terms will be applicable to the investor's acquisition of any Offer Shares;
- acknowledges that the Retail Offering does not constitute an offer of the Offer Shares by the Company in legal terms or otherwise and that the submission of a Subscription Undertaking does not itself entitle the investor to acquire the Offer Shares nor result in a contract for the sale of Offer Shares;
- accepts that the number of Offer Shares indicated by the investor in the Subscription Undertaking will be regarded as the maximum number of Offer Shares which the investor wishes to acquire (the "Maximum Amount") and that the investor may receive less (but not more) Offer Shares than the Maximum Amount (see "Terms and Conditions of the Offering - Distribution and allocation");
- undertakes to acquire and pay for any number of Offer Shares allocated to it/him/her in accordance with these terms and conditions;
- authorizes AB Bankas "Hansabankas" to amend the information contained in the investor's transaction instruction, including (a) to specify the value date of the transaction and (b) to specify (i) the number of Shares to be purchased by the investor, (ii) the Offer Price (as determined after the Offer Period) as the price per share and (iii) the total amount of the transaction found by multiplying the Offer Price by the number of Offer Shares allocated to the relevant investor.

Additional Instructions to Investors in Estonia, Latvia and Lithuania

Amendment or cancellation of Subscription Undertakings

An investor may amend or cancel a Subscription Undertaking at any time before the expiry of the Offer Period. To do so, the investor must contact its/his/her custodian through whom the Subscription Undertaking in question has been made, and carry out the procedures required by the custodian for amending or cancelling a Subscription Undertaking (such procedures may differ between different custodians). All fees payable in connection with an amendment and/or cancellation of a Subscription Undertaking will be borne by the investor.

A cancellation or amendment of a Subscription Undertaking becomes effective at the moment when the transaction instruction of the investor in question has been cancelled in the ECRS, by AS Hansabanka or AB Bankas "Hansabankas", as applicable, on the basis of the cancellation instruction received by the ECRS from the investor's custodian or received by AS Hansabanka or AB Bankas "Hansabankas" from the investor.

Payment

By submitting a Subscription Undertaking, an investor authorises and instructs the institution operating the investor's cash account connected to its/his/her securities account (which may or may not also be the investor's custodian) to immediately block the whole transaction amount on the investor's cash account until the settlement is completed or funds are released in accordance with these terms and conditions. The transaction amount to be blocked will be equal to the maximum Offer Price multiplied by the Maximum Amount. An investor may submit a Subscription Undertaking only when there are sufficient funds on the cash account connected to its/his/her ECRS securities account or its/his/her securities account with AS Hansabanka or AB Bankas "Hansabankas", as applicable, to cover the whole transaction amount.

Distribution and allocation

The Offer Shares will be allocated to investors participating in the Retail Offering by using the stepped allocation methodology. Under the stepped allocation methodology, the Company, together with the Global Coordinator, will determine one or more allocation bands (in number of shares) and the allocation percentages applied in each band. This determination will take place as part of the allocation procedure after the expiry of the Offer Period. For example, assuming three allocation bands, the part of each Subscription Undertaking which is within allocation band A (up to and including X Shares) will be allocated α per cent, whilst that part of each Subscription Undertaking which is within allocation band B (more than X Shares up to and including Y Shares) will be allocated β per cent and the part of each Subscription Undertaking which is within allocation band C (more than Y Shares) will be allocated γ per cent.

The principal criteria to be used in the determination of the bands and the allocation percentages are as follows: (i) the size of the Retail Offering (ii) the total demand for the Shares in the Retail Offering (iii) the size of Subscription Undertakings in the Retail Offering and (iv) the number of investors who have submitted Subscription Undertakings in the Retail Offering.

All Subscription Undertakings (submitted in accordance with the terms) shall be fully allocated up to 725 Offer Shares (inclusive). Each investor will be allocated an integer number of Offer Shares without fractions. If necessary, the number of allocated Offer Shares will be rounded down to the closest integer number of Offer Shares.

Any remaining Offer Shares which cannot be allocated using the stepped allocation process described above will be allocated to investors at random. In case the total demand from all such allocations is exceeding the maximum amount of Offer Shares allocated to the Retail Offering, the Company together with the Global Coordinator will determine a new number of Offer Shares fully allocated for each investors' securities account, which will be lower than previously stated. The Company together with AS Hansapank will decide the allocation after deciding the Offer Price after the expiry of Offer Period, and no later than on 18 October 2006.

An investor may obtain information about the number of Offer Shares allocated to it/him/her after the settlement has been completed by submitting an inquiry to the custodian operating its/his/her respective securities account in accordance with the terms and conditions applied by that custodian.

Preferential allocation to Management and Employees

All employees of the Company and any of its subsidiaries that choose to participate in the Retail Offering will be fully allocated up to 1,450 Offer Shares, while same stepped allocation methodology as applicable to all other investors will be used for the allocation of employee orders in the amount exceeding 1,450 Offer Shares.

For the purposes of the above an employee means a person who as at 8.00 a.m. on 2 October 2006 has a valid employment contract for an unspecified term with the Company or any of its subsidiaries or is a member of the Supervisory Board or the Management Board of the Company or its subsidiary.

Allocation in the Institutional Offering will be performed by AS Hansapank individually to each investor after the order book is closed based on the identity of the investor, the timing of the order and other relevant factors in order to ensure the existence of an active aftermarket for the Shares.

Settlement and Trading

Offer Shares allocated to investors will be transferred to their securities accounts on or about 20 October 2006 through the "delivery versus payment" method simultaneously with the transfer of payment for such Offer Shares. In no event will the date of settlement be later than 23 October 2006.

If an investor has submitted several Subscription Undertakings through several securities accounts belonging to him, the Offer Shares allocated to such investor are transferred to such investor's securities accounts proportionally with the respective securities amounts set out in such investor's Subscription Undertakings. The number of Offer Shares to be transferred to each securities account may be rounded up or down, as necessary, in order to ensure that a whole number of Offer Shares is transferred to each securities account. If the transfer cannot be completed due to the lack of sufficient funds on the investor's cash account, the Subscription Undertaking of the respective investor will be rejected and the investor will lose all rights to the Offer Shares allocated to such investor.

To facilitate the settlement, the Offer Shares to be transferred to investors (in the amount corresponding to the number of New Shares) will be temporarily borrowed by the Global Coordinator from OÜ HansaAssets.

Trading in Shares is expected to commence on the Tallinn Stock Exchange on or about 23 October 2006.

Return of Funds

If the Offer Price is lower than the Subscription Price, if the Offering is revoked, if the investor's Subscription Undertaking is rejected or if the allocation deviates from the amount of Offer Shares applied for, the funds blocked on the investor's cash account, or a part thereof (the amount in excess of payment for the allocated Offer Shares) will be released by the Custodian not later than on 19 October 2006. Company shall not be liable for the release of the respective amount and for the payment of interest on the released amount for the time it was blocked.

REASONS FOR THE OFFERING

The primary purpose of the Offering is to attract additional capital to finance the further expansion of the Group in Estonia, Latvia, Lithuania, Ukraine, Belarus, Poland and other Central-Eastern European countries. Such additional capital will allow the Group to maintain its strategy of aggressive geographic expansion and facilitate the opening of new casinos in the existing and new markets as well as the acquisition of other operators or their existing casinos. For more information on the current plans with respect to the proceeds of the Offering, please refer to the Section entitled "*Use of Proceeds*".

The Offering is also expected to broaden the shareholder base of the Company and create the necessary conditions for the listing of Shares on the Main List of the Tallinn Stock Exchange. It is anticipated that such listing will contribute to the image of the Company among the general public as well as its partners, customers and employees. The Company is committed to improving the image of gaming and demonstrating that gaming business can be open, transparent and responsible. Through the listing on the Tallinn Stock Exchange, the Company is assuming significant additional obligations before its shareholders and customers and intends to carry such responsibility without compromise.

USE OF PROCEEDS

The aggregate net proceeds to Company from the issuance of the New Shares in the Offering, after deduction of the fees and expenses payable by us are estimated to reach approximately EEK 1,038 million, based on the midpoint of the Offer Price Range and provided that the Over-Allotment Option is exercised in full. The fees and expenses of the Offering, including underwriting commissions in connection with the Offering, are estimated to reach approximately EEK 24 million, including any applicable taxes. See "*Plan of Distribution*" for more information.

The aggregate net proceeds to be received by the Company from the Offering are expected to be used partially for the acquisition of a controlling shareholding in Casino Polonia in Poland after the receipt of all necessary approvals from the relevant authorities, representing 80% of the share capital of Casino Polonia (please see "*Opertaions – History and Development of the Group – Recent M&A Activity*" for more details. The remaining part of the proceeds is to be used for the construction of new casinos in the markets where the Group currently operates, as well as for the possible further corporate acquisitions in the existing and new markets in Central-Eastern Europe.

The proceeds of the Offering will provide the opportunity to continue the policy of aggressive growth and geographical expansion which the Group has so far pursued. This taken into account, the Offering is an important step towards the overall strategic objective of the Group (please see "*Results of Operations and Outlook – Strategic Objective and Short-Term Goals*" for more information).

DIVIDEND POLICY

So far, the Company has been re-investing most of its earnings in order to maintain the strategy of aggressive expansion. As a result, dividends paid to the shareholders of the Company were on average not significant compared to total earnings – EEK 4.4 million for financial year 2002, EEK 1.1 million for financial year 2003, EEK 9.5 million for financial year 2004 and EEK 20 million for financial year 2005. Until recently, the Company operated in the form of a private limited company ("*osaühing*"), where the nominal value of shares is normally not fixed. For this reason, historical information on dividends per share can not be calculated to produce comparable results. Furthermore, the amount or nominal value of shares has not changed from the date of the incorporation of the Company.

Until the date hereof, the Company has not adopted any decision not to distribute profit in the future. No other restrictions exist on distributing profit with the exception of the general debt/equity ratio requirement applicable to the Company under the syndicated loan facility taken out by the Company (see "*Operations - Financing Matters*" below). Under said syndicated loan agreement, the Company undertook to ensure that its debt/equity ratio is below 1 at all times. This restriction will remain in place until the loan is repaid, which is expected to happen by 31 December 2009. However, currently the debt/equity ratio of the Company is 0.31 and it will fall to 0.12 as a result of the Offering (assuming that the Over-Allotment Option will be exercised in full).

CAPITALISATION

The volume of the balance sheet of the Company as of the end of financial year ended 31 December 2005 was EEK944.9 million (app. EUR60.4 million), a 85% increase compared to financial year ended 31 December 2004. Of the above, current assets formed 27% or EEK256.6 million (app. EUR16.4 million), with the remaining 73% (EEK688.4 million or app. EUR44 million) in fixed assets. As of 30 June 2006, the volume of the balance sheet stood at app. EEK1.14 billion, a 21% increase compared to the volume balance sheet at the end of financial year 2005. Current assets stood at EEK292.3 million (26% of the balance sheet) and non-current assets stood at EEK851.1 million (74% of the balance sheet).

The obligations of the Company at the end of financial year ended 31 December 2005 were EEK349.1 million or app. EUR22.3 million, resulting in total net assets of EEK595.8 million (app. EUR38 million), including a secured loan from AS Hansapank (under which the total amount drawn is EUR14.5 million out of the available credit facility of EUR31.5 million). As of 30 June 2006, the total liabilities were EEK418.4 million, while consolidated equity amounted to EEK725 million. See "*Operations - Financing Matters*" for more information on the indebtedness of the Company.

The capitalization of the Company as of 30 June 2006 is illustrated by the following table (actual capitalisation and capitalisation adjusted for the results of the Offering).

million EEK	**Actual**	**As adjusted***
Short-term interest bearing liabilities	78	78
Long-term interest bearing liabilities	149	149
Shareholders' equity (including minority share)	725	1,930
Total capitalization and indebtedness	**952**	**2,157**

**Provided that the Over-Allotment Option is exercised in full*

In the opinion of the Company, the working capital of the Company is sufficient for its present requirements and no external financing is presently required to satisfy the working capital needs.

GENERAL CORPORATE INFORMATION AND SHARES

General Corporate Information

The business name of the Company is Olympic Entertainment Group AS. It was registered in the Estonian commercial register (held by the Registry Department of the Tallinn City Court, by now merged with the Harju County Court) under number 10592898 on 15 November 1999. The Company is currently operating under the laws of the Republic of Estonia in the form of a public limited company (in Estonian: "*aktsiaselts*" or "*AS*") and is established for an indefinite term. The address of the Company is Pronksi 19, Tallinn 10124, Estonia, telephone number (372) 6671250, fax number (372) 6671270, e-mail address info@ocg.ee, web-site www.olympic-casino.com.

On 5 May 2006, the shareholders of the Company adopted a resolution of the General Meeting of shareholders whereby it was resolved to reorganise the Company from a private limited company (in Estonian: "*osaühing*" or "*OÜ*") to a public limited company (in Estonian: "*aktsiaselts*" or "*AS*"). The reorganisation was registered by the Registry Department of the Harju County Court on 21 July 2006. The effective date of the reorganisation from which transactions entered into by Olympic Entertainment Group OÜ are deemed to have been made in the name of Olympic Entertainment Group AS is 1 January 2006. All rights and obligations of Olympic Entertainment Group OÜ have unconditionally transferred to Olympic Entertainment Group AS by way of general legal succession.

The principle areas of activity of the Company according to its Articles of Association are the following: commercial brokerage, real estate transactions, legal and business consultancy, investment and catering.

Articles of Association

The Articles of Association of the Company are in accordance with the requirements of the Estonian law. The latest version of the Articles of Association was adopted by a decision of the Extraordinary General Meeting of shareholders on 12 September 2006. The Articles of Association stipulate the following noticeable provisions with respect to the organisation of the Company:

- the financial year of the Company is the calendar year;
- the minimum share capital of the Company is EEK600,000,000 and the maximum share capital of the Company is EEK2,400,000,000;
- the Company has only one class of Shares;
- the reserve capital of the Company is 1/10 of its issued share capital;
- the Company may issue convertible bonds;
- the Supervisory Board of the Company is entitled to increase the share capital of the Company until 31 December 2010 by issuing up to 1,885,000 new Shares;
- the shareholders of the Company have the preferential right to subscribe for new Shares when issued unless this right has been excluded according to applicable laws;
- Shares of the Company are freely transferable;
- the Supervisory Board is composed of 3 to 7 members who are appointed for a period of 5 years and the Management Board is composed of 1 to 3 members who are appointed for a period of 3 years.

The Articles of Association do not contain any specific provisions which would have the effect of delaying, deferring or preventing a change of control in the Company.

Share Capital and Shares

The current registered share capital of the Company is EEK600,000,000. It is divided into 60,000,000 ordinary Shares with the nominal value of EEK10 each. The ISIN code of Shares is EE3100084021. The share capital of the Company has been increased in connection with the reorganisation of the Company from a private limited company to a public limited company. In the course of the reorganisation, the share capital of the Company was increased from EEK40,000 to EEK400,000 by way of a bonus issue without additional contributions (whereas the balance sheet of the Company as of 31 December 2005 was taken as basis for the bonus issue). The increase of the share capital was registered in the commercial register on 21 July 2006.

The share capital of the Company was increased again pursuant to a resolution of the Extraordinary General Meeting of shareholders of the Company dated 12 September 2006. In accordance with the aforementioned resolution, the share capital was increased by issuing 59,960,000 new ordinary Shares with the nominal value of EEK10 each. The share capital of the Company was increased by EEK599,600,000 to EEK600,000,000 by way of a bonus issue without additional contributions (whereas the balance sheet of the Company as of 30 June 2006 was taken as basis for the bonus issue). The increase of the share capital was been registered in the commercial register on 21 September 2006.

Subject to the adoption of a relevant resolution by the General Meeting of shareholders of the Company, the share capital of the Company will be increased again on or about 29 September 2006 by issuing the New Shares. Such issue will comprise 15,400,000 Shares which will be issued to AS Hansapank in order to carry out the Offering. The preferential right of the shareholders of the Company to subscribe for New Shares is proposed to be excluded. New Shares will be issued against monetary contributions which with premium, whereas the issue price of each New Share will be equal to the Offer Price.

The Company does not have any other classes of shares other than ordinary Shares and does not contemplate the issue of any shares of such other classes. Offer Shares are and New Shares will be issued and will exist under the laws of Estonia. All Shares of the Company are registered and kept in book entry form by a securities market infrastructure enterprise AS Eesti Väärtpaberikeskus (located at Tartu mnt 2, Tallinn, 10145), which is the operator of the ECRS. The currency of Shares is Estonian kroons.

All issued Shares have been fully paid and there are no shares that are authorised but not issued. No Shares of the Company are held by itself or its subsidiaries. No convertible securities are outstanding; likewise, there are no outstanding acquisition rights or undertakings to increase share capital. No put or call options are outstanding with respect to or for the benefit of any Group company. There are no legal restrictions on the transferability of Shares of the Company. No public takeover bids were launched in respect of Shares of the Company since its foundation.

In order to change the rights attached to all shares in general (inasmuch as this is possible under the applicable law), the Articles of Association of the Company need to be amended. The amendment of the Articles of Association normally requires a qualified majority of at least 2/3 of all votes present at the General Meeting of shareholders. If a company has more than one class of shares, changing the rights attached to a particular class of shares requires in addition to the above the consent of at least 2/3 of votes of shareholders that are present at the General Meeting in each class of shares. When rights stemming from a particular class of shares are being amended, a decision of the General Meeting of shareholders needs to be adopted which requires a qualified majority of 4/5 of the votes, and the consent of at least 9/10 of all shareholders who hold shares of the type subject to the amendment. A brief description of the rights attached to Shares of the Company follows below.

Dividends, Redemptions and Liquidation

Dividend rights

Shares give rights to dividends declared after the transfer of Shares to investors in the course of the Offering. Please note that the Company can not guarantee that dividends will be declared on a regular basis (see more under "*Dividend Policy*" above). Furthermore, dividends and redemptions of shares may be subject to income taxation – please see "*Taxation*" below. With respect to any dividends declared by the Company, the following general rules apply.

Under the Estonian Commercial Code, a company may only make payments to shareholders from net profit or from undistributed profit earned during previous financial years, from which any losses accrued but not covered in previous financial years have been deducted. The amount of dividends is proposed by the Management Board and is subject to the approval of the General Meeting of shareholders. Before the presentation of the Management Board's profit distribution proposal to the shareholders, it must be approved by the Supervisory Board. Recommendations of the Management Board concerning the payment of dividends in a company listed on the Tallinn Stock Exchange are immediately made public through the stock exchange.

Normally, dividends may be paid on the basis of the approved annual accounts. The Articles of Association of the Company set forth that the Management Board of the Company may pay advance dividends to shareholders after the end of the financial year and before the approval of the annual accounts. Such dividends are paid on the basis of the estimated amount that is available for distribution and may not exceed one half of such amount. Advance dividends may be paid with the consent of the Supervisory Board.

The amount of dividends that is paid to each shareholder is in accordance with the nominal value of Shares of the Company that are in such shareholder's ownership. Dividends are to be paid in cash, or upon the consent of the shareholder in other property.

Dividends of the companies listed on the Tallinn Stock Exchange are paid only to those shareholders (or their nominees) who were entered into the list of shareholders (which is maintained by the ECRS) as of 8 a.m. on the reference date chosen by the relevant company. This reference date must be at least 10 trading days from the date of the decision of the General Meeting concerning the payment of dividends, and such date must be announced at least 9 trading days in advance.

There are no specific restrictions on the payment of dividends to non-resident shareholders. Such dividends may, however, be subject to withholding taxation in Estonia – please see more under "*Taxation*" below.

Should the Company for any reason fail to pay out a dividend prescribed by a resolution of the General Meeting, the shareholder whose dividend was not paid out may demand the payment thereof during the period of three years from the date of the resolution. After the expiry of such period any unpaid dividends remain with the Company.

Redemption of shares

Under the Estonian Commercial Code, a company may acquire its own shares (or take the same as collateral) if all of the following conditions are met: (i) the redemption occurs within one year after the adoption of a resolution of the General Meeting which specifies the conditions and terms for the redemption of shares and the consideration to be paid for such shares; (ii) the total nominal value of shares redeemed or taken as collateral does not exceed one-tenth of the share capital; and (iii) shares are paid for from assets exceeding the share capital, reserve capital and premium. These restrictions do not apply if shares are acquired by way of inheritance.

Shares may be acquired without a resolution of the General Meeting on the basis of a resolution of the Supervisory Board if the redemption of shares is necessary to prevent significant damage to the company. In such event, the shareholders must be informed of the circumstances surrounding the redemption of shares at the next General Meeting of shareholders.

Redeemed shares must be sold or cancelled within one year from redemption. If more than 1/10 of share capital is redeemed through a decision of the Supervisory Board or by way of inheritance, the part exceeding the 1/10 must be sold or cancelled within 6 months from redemption. Shares that are redeemed illegally must be sold or cancelled within 3 months from redemption.

Rights in the event of liquidation

In the event of liquidation of the Company, all shareholders are entitled to any surplus assets after the satisfaction of all claims of the creditors of the Company and the depositing of such amounts which were not collected by the creditors. Such remaining assets are distributed among the shareholders according to the nominal values of their shares pursuant to the asset distribution plan prepared by the liquidators; assets are realised and paid out in cash.

The assets of the Company may be distributed after six months from the publication of the notice of liquidation and after two months from day when the final balance sheet and asset distribution plan are presented to the attention of the shareholders, provided that the neither the balance sheet nor the asset distribution plan are contested in court. The court may allow for payments to be made earlier, provided that this would not damage the interests of the creditors.

Rights of Shareholders

Right to participate in the General Meeting of shareholders

Purpose of the General Meeting

Shareholders are entitled to take part in the corporate governance of the Company through the General Meeting of shareholders, where they can exercise their powers to decide on certain important corporate matters, such as e.g. amending the Articles of Association, increasing and reducing the share capital, issuing convertible bonds, electing and removing the members of the Supervisory Board and the auditor, approving the annual accounts and the distributions of profit, dissolution, merger, division or transformation of the Company and certain other matters. The General Meeting is the highest governing body of a limited company in Estonia.

Convening the General Meeting

The ordinary General Meeting of shareholders is held once a year pursuant to the procedure and at the time prescribed by the Articles of Association but not later than six months after the end of the financial year. Additionally, extraordinary General Meeting may be held on certain conditions: (i) in the event that the net equity of the Company decreases below the legally required minimum level, or (ii) if shareholders representing at least 1/10 of the share capital, the Supervisory Board or the auditor demand that a meeting is convened or (iii) if the meeting is required in the interests of the Company. The Articles of Association of the Company do not include any deviation from the applicable law with respect to when the General Meeting needs to be called.

If the Management Board fails to convene the extraordinary meeting within one month after the receipt of a relevant demand from the shareholders (or the Supervisory Board or the auditor), then the shareholders (or, respectively, the Supervisory Board or the auditor) have the right to convene the General Meeting themselves. Notice of an upcoming General Meeting must be sent to all shareholders 3 weeks in advance of an ordinary General Meeting and at least one week in advance of an extraordinary General Meeting. As a general rule, the notice must be sent via registered mail to the addresses entered in the share register. Where a company has over 50 shareholders, the notice does not have to be sent but instead it is published in at least one national daily newspaper in Estonia. The notice is also published through the Tallinn Stock Exchange.

When the above requirements for convening a General Meeting are violated, such General Meeting does not have the capacity to adopt resolutions except where all shareholders participate at the General Meeting.

Agenda of the General Meeting

As a rule, the agenda of a General Meeting is determined by the Supervisory Board. However, if the General Meeting is convened by the shareholders or the auditor, the agenda is determined by them. Furthermore, the Management Board or the shareholders whose shares represent at least 1/10 of the share capital may demand the inclusion of a certain issue on the agenda. An issue which is initially not on the agenda of a General Meeting may be included on the agenda upon the consent of at least 9/10 of the shareholders who participate in the General Meeting if their shares represent at least 2/3 of the share capital.

Quorum

A General Meeting of shareholders is capable of passing resolutions if more than 1/2 of the votes represented by shares held by shareholders are present at the General Meeting of shareholders. If the quorum is not met, the Management Board is required to convene a new General Meeting of shareholders not more than three weeks but not less than seven days after the date of the initial General Meeting. There are no quorum requirements for the newly convened General Meetings of shareholders called in such manner.

Voting rights and resolutions

The Company currently has only one class of Shares with nominal value of EEK10 each. Each Share entitles the shareholder to one vote. A shareholder may attend and vote at a General Meeting in person or by proxy. In the case of companies listed on the Tallinn Stock Exchange, only those shareholders are eligible to attend and vote at a General Meeting of shareholders who were on the list of shareholders (which is maintained by the ECRS) as of 8 a.m. on the date chosen by the company. Such date must be made public at least 9 trading days in advance. A shareholder whose shares are registered in the name of a nominee can exercise voting rights if a respective power of attorney has been executed in favour of such shareholder by the holder of the nominee account.

As a rule, resolutions of a General Meeting of shareholders require the approval of the majority of the votes represented at the General Meeting of shareholders. Certain resolutions, such as amending the Articles of Association, increasing or decreasing the share capital and, in certain cases, resolutions relating to a merger or liquidation of the company, require a qualified majority of 2/3 of the votes represented at the General Meeting of shareholders.

Right to information

Pursuant to the Estonian Commercial Code, shareholders have the right to receive information on the activities of a company from the Management Board at the General Meeting. However, the Management Board may refuse to give information if there is a reason to presume that this may cause significant damage to the interests of the company. In the event the Management Board refuses to give information, the shareholders may require the General Meeting to decide on the legality of such refusal or submit a respective claim to the court of law.

Right to subscribe for new shares

Pursuant to the Estonian Commercial Code, existing shareholders of a company have the preferential right to subscribe for new shares of the company in proportion to their existing shareholding. However, where shares need to be issued to a specific person(s), such preferential right can be waived by a resolution of the General Meeting of shareholders by a majority of three-fourths of the votes represented at the General Meeting of shareholders.

Other Important Matters

Restrictions on financial assistance

The Estonian Commercial Code sets forth certain restrictions in respect of financial assistance. As a general rule, a company may not grant loans or provide other financial assistance (such as e.g. giving guarantees or sureties) (i) to shareholders whose shares represent more than 1% of the share capital, (ii) to shareholders of the parent company whose shares represent more than 1% of the share capital of the parent company, (iii) for the purpose of acquiring shares of the company, or (iv) to members of the Management Board, the Supervisory Board or to procurators. Financial assistance may, nevertheless, be provided to such shareholders who belong to the same consolidation group as the company and provided that this does not harm the financial status of the company or the interests of its creditors.

Squeeze-out rights

The Estonian Commercial Code allows major shareholder(s) to take over a public limited company. The precondition for such squeeze-out is the acquisition by a person acting individually or in concert with others of at least 90% of the voting rights in the company. The squeeze-out can be decided by the General Meeting of shareholders, if the majority comprising at least 95% of all votes represented by shares is in favour. The amount of compensation for the minority shares which are subject to takeover is to be determined on the basis of the value of shares as at ten days prior to the date on which the notice summoning the General Meeting was sent out. Additionally, tender offers may be carried out in companies listed on the Tallinn Stock Exchange and sometimes major shareholders of a listed company are under the obligation to launch a tender offer (see "*Estonian Securities Market*" for more details). However, the shareholders of a listed company are not obliged to accept a tender offer which is not a squeeze-out within the meaning of the Commercial Code.

Disclosure of shareholdings

The Company is required to submit a list of shareholders holding over 10% of all shares to the Estonian Commercial Register together with the annual accounts, such list being drawn up as of the date when the annual accounts are approved by the General Meeting of shareholders. See "*Estonian Securities Market*" below for more information on disclosures of shareholdings which are triggered by the listing of Shares on the Tallinn Stock Exchange.

LISTING ON THE TALLINN STOCK EXCHANGE

At the date hereof, no securities issued by the Company are admitted to trading on any regulated market. The purpose of the Offering, among other things, is the subsequent listing of all the Shares on the Tallinn Stock Exchange. The Company has applied for the conditional listing of all its Shares in the Main List of the Tallinn Stock Exchange (for general information on the Tallinn Stock Exchange, see "*Estonian Securities Market*" below). The Company will take all necessary measures in order to comply with the Tallinn Stock Exchange rules so that its application will be approved. For further detailed information on listing, over- allotment and stabilization please see "*Plan of Distribution*").

SELECTED FINANCIAL INFORMATION

The tables below present certain selected consolidated financial information of the Company for the financial years ended 31 December 2003, 2004, 2005 and for the first six months ended 30 June 2006 (compared, where possible, with the results for six months ended 30 June 2005). This information has been derived from the audited consolidated financial statements of the Company included elsewhere in this Prospectus (with the exception of the information for six months ended 30 June 2005, of which only the income statement has been audited). This information should be read in conjunction with, and is qualified in its entirety by reference to, such financial statements and the related notes. The financial statements of the Company have been prepared in accordance with the IFRS.

The ratios and indicators set forth in the table below are provided to illustrate certain aspects of the business of the Company and its financial performance. Certain of these ratios and indicators are used by the Management to evaluate the performance of the Company, while others are provided for the benefit of investors considering an investment in the Offer Shares. Although certain of these ratios and indicators are not calculated in accordance with the IFRS, the Management believes that the ratios and indicators set forth below are customary and often used by public companies to illustrate their business and financial performance.

	Year ended 31 December				
Income statement (EEK in thousands)	**2003**	**2004**	**2005**	**2005H1**	**2006H1**
Revenue	**469,057**	**621,486**	**879,894**	**355,636**	**724,521**
Cost of materials, goods and services used	-20,524	-27,265	-31,077	-15,889	-22,302
Other operating expenses	-247,386	-243,162	-345,139	-148,058	-263,054
Personnel expenses	-111,577	-149,503	-201,660	-89,415	-173,333
Depreciation and value adjustments	-41,591	-57,322	-78,536	-36,302	-87,904
Total operating expenses	-421,078	-477,253	-656,412	-279,892	-546,592
Operating profit	**47,978**	**144,233**	**223,482**	**65,972**	**177,929**
Net financial items	-5,537	-2,536	-1,864	-1,606	-6,410
Profit before income tax and minority interests	42,441	141,697	221,618	64,366	171,519
Income tax expenses	-3,151	-6,525	-5,975	-2,053	-19,779
Minority interests	-2,189	-6,512	-8,525	-2,796	-6,470
Net profit for the financial period*	**37,101**	**128,659**	**207,119**	**59,518**	**145,270**

Balance sheet (EEK in thousands)	**2003**	**2004**	**2005**	**2005H1**	**2006H1**
Cash and cash equivalents	63,171	92,964	198,903	98,945	219,116
Trade receivables	3,592	3,336	5,894	5,147	10,157
Non-trade receivables	11,865	17,932	31,969	23,200	36,212
Inventories	5,656	11,407	19,802	13,512	26,820
Current assets	**84,283**	**125,638**	**256,569**	**140,805**	**292,305**
Long-term investments	31,670	37,169	27,561	36,915	53,315
Total fixed assets	245,685	332,227	503,834	393,169	652,902
Intangible assets	13,968	14,695	156,978	14,277	144,839
Total non-current assets	**291,324**	**384,091**	**688,373**	**444,362**	**851,056**
Total assets	**375,607**	**509,729**	**944,942**	**585,166**	**1 143,360**
Trade creditors	13,533	23,802	55,709	53,917	98,155
Other short-term payables	21,002	28,144	54,301	34,315	73,330
Short-term provisions	6,018	4,607	6,925	4,797	8,545
Short-term debt	27,720	31,096	1,559	423	78,233
Total current liabilities	**68,274**	**87,649**	**118,494**	**93,452**	**258,263**
Long-term liabilities	53,770	34,187	227,189	50,627	149,095
Other long-term payables and provisions	0	2,272	3,419	2,272	11,021
Total non-current liabilities	**53,770**	**36,458**	**230,608**	**52,899**	**160,116**
Total liabilities	**122,044**	**124,108**	**349,102**	**146,351**	**418,378**
Share capital	40	40	40	40	400
Share premium	25,598	25,598	25,598	25,598	25,598
Reserves	4	4	4	4	4
Translation reserves	13	-2,001	2,074	-2,332	-523
Retained earnings	184,135	220,191	339,350	328,589	526,109
Net profit for financial period	37,101	128,659	207,119	70,991	145,270
Minority share	6,673	13,130	21,655	15,926	28,125
Total shareholders´equity	**253,563**	**385,621**	**595,839**	**438,815**	**724,982**
Total liabilities and shareholders equity	**375,607**	**509,729**	**944,942**	**585,166**	**1 143,360**

Cash flow data (EEK in thousands)	**2003**	**2004**	**2005**	**2005 H1**	**2006 H1**
Cash flow from operating activities	80,660	191,333	321,373	82,465	232,964
Cash flow used in investing activities	-129,553	-140,868	-382,331	-54,930	-176,421
Cash flow from financing activities	47,888	-17,273	152,689	-22,160	-21,012

Key ratios and indicators

Ratios and indicators	2003	2004	2005	2006 H1	
Weighted average number of shares **	60,000,000	60,000,000	60,000,000	60,000,000	
Adjusted weighted average number of shares **	75,400,000	75,400,000	75,400,000	75,400,000	
Earnings per share (EPS), EEK	0.62	2.14	3.62	4.88	****
Adjusted earnings per share, EEK	0.49	1.71	2.75	3.88	
Number of employees at the end of reporting period	840	1,190	1,940	2,165	
Revenue per employee (EEK in thousands)	558	522	454	577	****
EBITDA (EEK in thousands)	89,569	201,555	302,018	265,833	
EBITDA margin %	19.1	32.4	34.3	36.7	
Operating profit margin %	10.2	23.2	25.4	24.6	
Return on investment (ROI) %	16.3	36.7	35.0	46.5	****
Return on assets (ROA) %	14.7	32.6	30.7	38.8	****
Return on equity (ROE)	15.5	40.3	42.2	50.3	****
Equity ratio %	67.5	75.7	63.1	63.4	

* attributable to the equity shareholders of the parent company

** the number of Shares prior to the Offering is 60,000,000; for the purposes of comparability, the same number is used for historical per share information

*** adjusted for the results of the Offering, provided that the Over-Allotment Option is exercised in full

**** for the sake of comparability with historical financial information, income statement data is calculated from 1 July 2005 until 30 June 2006

1 EBITDA	=	Earnings before net financial items, share of profit of associates, taxes, depreciation and amortization. EBITDA is included as a supplemental item, since the Management believes that EBITDA, when considered in conjunction with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not a measure of operating performance calculated in accordance with IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit or loss or cash flow data determined in accordance with IFRS.
2 EBITDA margin	=	EBITDA / Revenue. The EBITDA margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of the company's financing and tax position as well as depreciation-related estimates.
3 Operating profit margin	=	Operating profit / Revenue. The operating profit margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of both the company's financing and tax position.
4 Return on investment (ROI)	=	(Profit after net financial cost + Interest expense) / (Average total assets—average interest free liabilities). Return on investment measures the relationship between profits and the investment required to generate them.
5 Return on assets (ROA)	=	Operating profit / Average total assets. Return on assets compares income with total assets (i) measuring management's ability and efficiency in using the firm's assets to generate (operating) profits and (ii) reporting the total return accruing to all providers of capital (debt and equity), independent of the source of capital.
6 Return on equity (ROE)	=	Net profit / Average equity. Return on equity excludes debt in the denominator and compares net income with total shareholders' equity. It measures the rate of return on shareholders' investment and is, therefore, useful in comparing the profitability of a company with its competitors.
7 Equity ratio	=	Equity / Total assets. Equity ratio is a measure of financial leverage which highlights the ratio of shareholders' equity to total assets. The analysis of a company's financial leverage (or capital structure) is essential to evaluate its long-term risk and return prospects.

RESULTS OF OPERATIONS AND OUTLOOK

This Section accommodates the discussion on the results of the operations of the Company for financial years ended 31 December 2005 (as compared with the results of the financial year ended 31 December 2004) and 31 December 2004 (as compared with the results of the financial year ended 31 December 2003) and the interim period ended 30 June 2006, as well as the important developments affecting results of operations in financial year 2006. This Section should be read in conjunction with the other parts of this Prospectus which include important information on the operations and financial condition of the Company, as well as in conjunction with the consolidated audited annual reports of the Company for the relevant accounting periods.

Developments Having Effect on Operations

Overview of developments 2003-2005

Throughout the financial years ended 31 December 2003, 2004 and 2005, the Baltic States remained the principal market for the Group. Until the end of 2004, the Group did not generate any revenue outside the Baltic States; in 2005 a mere 3.6% of the total gaming revenue of the Group was earned in Ukraine. Therefore, macro-economic developments in Estonia, Latvia and Lithuania have had a direct effect on the results of the Group's operations in the relevant period.

The recent years signified considerable increase in the standards of living in the Baltic States as well as noticeable growth in disposable income. The EU accession in 2004 led to the partial opening up of the European jobs market for the residents of the Baltic States and created the opportunity for the skilled workers to earn higher wages in developed European countries which are often ultimately spent in the home country.

In addition to the increasing mobility of the Baltic workforce, the disposable income of the population has been growing along with the economies of the Baltic States, which was especially evident in such sectors of economy as construction, manufacturing and services.

At the same time, the economies of the Baltic States have continued to grow at a pace exceeding the average growth rate of the mature European economies, gradually decreasing the gap between the more developed Member States and the Baltic countries.

All of the above has had a direct effect on entertainment spending and in particular contributed to the increase in the gross gaming revenues (GGR) in Estonia, Latvia and Lithuania over the last couple of years. Growing consumer confidence and disposable income translated into increasing demand for varied and engaging entertainment, thus attracting a significant number of new customers to casinos.

The relevant period also brought about significant legislative changes in the Baltic States. The overall tendency has been towards more transparency in the gaming industry and more control over the size and location of casinos. The Group has welcomed all reasonable initiatives and is witnessing a significant improvement in the quality of gaming services across the Baltic States.

The most important developments in the operations of the Group during the financial years 2003, 2004 and 2005 are the following:

- *Entering new markets and constant expansion in existing markets.* The results of operations for the relevant period were driven by the Group's ongoing investments related to entering the Ukrainian and Belorussian markets and the expansion of operations in existing markets. It was only as recently as 2002 that the first casino was opened by the Group (whose operations were then limited to Estonia) in Vilnius, Lithuania. In 2005, close to a half of all gaming revenue came from countries other than Estonia. At the same time, OCE has managed to maintain and reinforce its leading position in Estonia and significantly increase revenues and profitability.

- *Constant re-investing of profits.* The Group has maintained outstanding growth rates in the referred period through reinvesting the majority of its profits in opening new casinos and expanding its business to new geographical areas. Dividends paid out to the shareholders of the Company were marginal compared to the volumes of reinvestment.

- *Implementing innovative technology as a key to growth.* The Group has implemented a number of innovative technologies to increase revenues and profitability. For example, the Group was the first in Europe to use a cashless

TITO (ticket in, ticket out) technology. Additionally, the Group implemented (and is continuing to implement) the EZ-Pay system which comprises a set of software and hardware solutions allowing gaming without cash.

- *Location of casinos*. In addition to high-street locations in the city centres of the Baltic capitals, the Group has turned its attention to the bigger shopping malls and entertainment centres, opening a number of casinos in such locations. This ensured better access to potential customers and, as a result, had a positive effect on revenues.

- *Achieving excellence in customer service.* During the referred period, the Group has been increasingly focusing on quality, having implemented a number of measures to improve customer satisfaction. The Group has been investing in quality by committing growing resources to staff training and developing quality management systems. In addition to the ISO 9001:2000 certification of the Estonian operations (in place since 2002), the Group obtained ISO 9001:2000 quality management certificates for its Latvian and Lithuanian casino operations.

- *Acquisition of Baltic Gaming.* In 2005, the Company completed its first major acquisition by purchasing all shares of Baltic Gaming, the second-largest casino operator in Latvia. The move propelled the Latvian operations of the Group to the second position in the Latvian market by revenue and added over 30 casinos to the Group's network.

Factors with Constant Effect on Results of Operations

The Group's main source of revenue is sales of gaming services. The consolidated revenue of the Group in 2005 included 92% generated by gaming services, 4% by hotel services, 2% by bar services, and 2% by other services. Based on the above, the primary factors with noticeable effect on the Group's revenue and profitability are those related to gaming. The more important of such factors are briefly summarised below.

Amount of customers. Considering that the majority of the Group's costs are fixed or semi-fixed (including rental payments, personnel costs etc.), it is essential that each casino attracts an adequate number of customers to maintain suitable profitability levels. The number of casino customers is normally affected by a number of different factors. To name but a few, such factors include the accessibility of casinos, the reputation of gaming and the quality of gaming and auxiliary services. The Management believes Olympic Casinos to hold certain competitive advantages before peers, including the higher standards of service, transparency of operations, visibility and accessibility of the Group's casinos, quality entertainment events, strong marketing campaigns and loyalty programs and other factors (please see "*Operations – Competitive Position*" for more details). The amount of customers in the Group's casinos is not substantially affected by seasonality.

Disposable income. The impact of macro-economic conditions on gaming revenues, though by no means linear, can not be underestimated. The overall economic growth of the regions in which the Group operates translates into higher disposable income for the population, in turn having a beneficial effect on leisure spending. Though the exact correlation between leisure spending and gaming revenues is not known, such correlation is positive.

Consumption of products offered by casino bars and pricing of casino bars. A significant factor in attracting additional customers is the quality of services offered by casino bars. As a general rule, the Group prefers to rely on its own experience and capacities to ensure the smooth operation of casino bars and the appropriate quality of service. The price levels in casino bars remain attractive, while at the same time allowing bar operating entities to earn reasonable profit on their operations.

Cost structure. The biggest component of Group's total cost base is the cost of staff, representing approximately 31% of the cost base in the financial year ended 31 December 2005 (approximately EEK202 million). Other significant components of the Group's total cost base include gambling taxes and marketing expenses, each representing app. 13% of total costs. Amortization and rental costs are also worth a mention, with respectively app. 12% and 6% of the total costs. Amortization includes primarily the gaming equipment (including slot machines as the most notable item), which depreciates over a relatively short period of time (full depreciation of value in app. 5 years). The total costs in financial year ended 31 December 2005 comprised approximately EEK656 million.

Important Accounting Policies

The audited consolidated financial statements of the Company included in this Prospectus are prepared on the historical cost basis except where described otherwise. Group entities apply, in all material respects, uniform accounting policies. The accounting policies set out below have been applied consistently during all periods reflected in the consolidated financial statements included in this Prospectus.

The functional currency of the Company is the Estonian kroon (EEK) and the consolidated financial statements of the Company are stated in Estonian kroons. The preparation of financial statements is in conformity with IFRS, which requires Management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

1 January 2005 was the effective date for a number of revisions to IFRS and several new IFRS requirements which became compulsory for the Group from the financial year that began on 1 January 2005. Application of the new and revised standards did not cause significant changes to the Group's existing accounting policies and did not affect the Group's operating results.

Overview of developments since the end of financial year 2005

During the first half of financial year 2006, strong macro-economical growth continued in all markets where the Group operated, having a corresponding effect on the financial results of the Group.

The first half of 2006 was characterised by the ongoing integration of the Baltic Gaming operations with the operations of the Group. In addition to the integration of the existing "Bumerangs" casinos (operated by Baltic Gaming), OCL opened the Olympic Voodoo Casino in Riga, Latvia in May 2005. Olympic Voodoo Casino is currently the largest in the Baltic States and is the flagship of the Group's business in the Baltics.

At the same time, the Group is focusing on markets outside the Baltic States, with a forceful expansion continuing in Ukraine. 2006 is likely to become the first profitable year for OCU, which by 30 June 2006 operated 6 casinos in Kiev. The Belorussian subsidiary of the Company – OCB – has opened the first casino in Minsk in mid-August 2006. The expansion of Ukrainian and Belorussian operations are likely to further dilute the relative importance of Estonian earnings in the geographical distribution of the Group's revenues in 2006.

During the first half of financial year 2006, the revenue and the profits of the Group have increased rapidly due to a number of factors, including the natural growth of business in Group's existing casinos, the opening of new casinos during the second half of 2005 and the first half of 2006 as well as the fact that in 2006 the Group's results also include figures of Baltic Gaming.

The total revenue of the Group for the first half of 2006 was EEK724.5 million, representing a more than two-fold increase over the EEK355.6 million in the first half of 2005. Operating profit increased to EEK177.9 million (EEK66 million in the first half of 2005). Net profit also more than doubled to reach EEK145.3 million (H1 2005: EEK59.5 million).

Pursuant to the consolidated interim report of the Group for the first half of 2006, 92% of the consolidated revenue came from gaming services while non-core operations contributed the other 8%. In terms of geographical segmentation, 40% of revenue was generated in Estonia, 30% in Latvia, 25% in Lithuania and 5% in Ukraine.

As of 30 June 2006, the Group's balance sheet stood at EEK1,143.4 million, 21% up on the EEK944.9 million measured at the end of financial year 2005.

In May 2006, dividends of EEK20 million were distributed to the shareholders of the Company.

Year ended 31 December 2005
Compared to Year Ended 31 December 2004

Revenue

The revenue of the Group in 2005 was EEK879.9 million, 42% up on the EEK621.5 million earned in 2004. Of the above, sales revenue was EEK874.5 million. Operating profit amounted to EEK223.5 million compared to EEK144.2 million in 2004 and net profit grew from EEK128.7 million in 2004 to EEK207.1 million (61% increase).

Consolidated revenue included 92% earned from gaming services, 4% from hotel services (limited exclusively to the Reval Park Hotel & Casino) 2% from bar services and 2% from miscellaneous earnings. Geographically, 53% of revenue came from Estonian companies, 14% from Latvian companies, 30% from Lithuanian companies and 3% from the Ukrainian company. The share of Estonian operations in the total revenue of the Group decreased considerably from the previous year's mark of 65%. The decline in the relative share of the Estonian revenue was caused by the expansion of Latvian, Lithuanian and Ukrainian operations and is a direct result of the aggressive growth policy pursued by the Group.

In Estonia, the sales revenue of OCE increased by 16.8% compared to 2004 (from EEK359.7 million to EEK420.1 million). The growth in revenue was generally in line with the overall growth of the Estonian gaming market, with the Estonian GGR increasing 18.9% from 2004. Net profit amounted to EEK170.5 million, which is 30.4% up on 2004 results. The growth of profit exceeded the growth of revenue almost two-fold, which was achieved through more efficient cost management and the increasing benefits of scale economy in multiple areas. Kungla ended financial year 2005 with a sales revenue of EEK57.8 million, over EEK5 million up on 2004 results. In cooperation with OCE, Kungla arranged a considerable number of client events which attracted new customers and expanded the catering turnover by EEK3.7 million compared to 2004.

In Latvia, OCL ended financial year 2005 with a total sales revenue of EEK119.2 million (2004: EEK54.0 million), a more than two-fold improvement on 2004, earning a profit for the first time. Net profit for the period amounted to EEK19.2 million (2004: a loss of EEK20.9 million). The previous financial year ended with a net loss incurred on account of significant investments made in expanding the Latvian operations.

In Lithuania, OCLT ended the reporting period with a sales revenue of EEK253.2 million (2004: EEK154.7 million), 64% up on 2004. The majority of additional revenue was generated by new casinos: the one opened at the end of 2004 in Kaunas and the one opened in 2005 in Klaipeda.

In Ukraine, OCU ended its first full year of operation with sales revenue of EEK29.0 million.

Costs of goods sold

The Group is involved in gaming business and the costs of goods sold are significantly less than operating expenses. In particular, the costs of goods sold (COGS) of the Group consist of direct accommodation expenses, direct catering expenses and services purchased. COGS increased by app. 13.6% from EEK27.3 million in 2004 to EEK31.0 million in 2005. The main contributing items were direct catering expenses (increased by EEK2.2 million or app. 16%) and services purchased (increased by EEK1.5 million or app. 11%). COGS of the Company, viewed separately, increased by 27.3% (from EEK5.5 million in 2004 to EEK7 million in 2005).

Operating expenses

Operating expenses comprise maintenance expenses (equipment and premises), marketing expenses, license fees (including gambling tax), lease of premises, training expenses and other expenses in the Group's accounts. Personnel expenses are accounted for separately from other operating expenses.

Operating expenses of the Group (not including personnel expenses) increased by 47.7% (from EEK233.5 million in 2004 to EEK344.8 million in 2005). Total personnel expenses of the Group (i.e. personnel expenses, social tax and unemployment insurance) increased by a noticeable 35% from EEK149.5 million in 2004 to EEK201.7 million in 2005. The increase in the personnel costs is due to the fact that in 2005 the number of the Group's employees surged from 1,190 to 1,940 (however, 596 employees were acquired through the acquisition of Baltic Gaming and its subsidiaries only in the end of 2005). The remuneration of the Group's companies' management totalled EEK2.8 million.

Other operating income

Other operating income includes items such as gains on sale of property, plant and equipment and intangibles, change in the fair value of investment property, foreign exchange gain, etc.

Other operating income increased significantly in 2005 as compared to the results of 2004. Other operating income increased from EEK2.9 million to EEK5.4 million (86,2% increase). The sharp increase is mainly due to foreign exchange gain of EEK3.7 million in 2005, as opposed to EEK1.7 million in 2004.

Net financial items

Net financial items amounted to a negative balance of EEK1.9 million in 2005 compared to the negative balance of EEK2.5 million in 2004. The structure of the financial items in 2005 was quite different from those in 2004. Namely, in 2005 the Group realised EEK4 million of foreign exchange loss, as opposed to foreign exchange gain of EEK1.9 million in 2004. Interest expense decreased sharply from EEK3.5 million in 2004 to EEK1.3 million in 2005.

Corporate income tax

The Group incurred income tax expense of EEK6 million in 2005, representing a 7.7% decrease compared to EEK6.5 million in 2004. In 2005, no dividend tax was paid in Estonia, as opposed to EEK0.4 million in 2004. Out of foreign jurisdictions, the highest tax burden was incurred in Lithuania. A certain portion of the tax expense in 2005 is deferred and payable in 2006.

Minority interest

In 2005, the Group accounted for profit of EEK8.5 million attributable to minority interest. The minority interest is attributable to the direct stake of 5% that Mr. Armin Karu (a member of the Management Board of the Company) holds in OCE.

Net profit

The Group's consolidated net profit after tax and minority interest for 2005 was EEK207.1 million, 61% up on the EEK128.7 million in 2004. The net profit margin has increased from 20.8% in 2004 up to 23.7% in 2005 on account of more efficient cost management (net profit margin defined as the relation between net profit and sales revenue).

In Estonia, net profit of OCE amounted to EEK170.5 million (2004: EEK130.8 million, which translates into a 30.4% increase). The rise in profit was achieved through revenue growth and efficient cost management.

In Latvia, net profit of OCL amounted to EEK19.2 million (2004: a loss of EEK20.9 million). The positive result was achieved mainly due to substantial revenue growth as the operations of OCL expanded in Latvia and the Olympic brand gained some recognition.

In Lithuania, the net profit of OCLT almost tripled compared to 2004, reaching a record-high EEK48.4 million (2004: EEK16.5 million). The growth in net profit resulted primarily from a significant increase in revenue.

In Ukraine, since business was launched at the end of 2004 and in 2005 major investments were made, OCU ended the period with a loss of EEK10.9 million.

In Belarus, the Group established OCB in July 2005 and the year was spent on preparing for market penetration. Investments in the launch of operations, i.e., the loss for the period totalled EEK0.3 million.

Year ended 31 December 2004
Compared to Year Ended 31 December 2003

Revenue

In 2004, gaming services contributed 91% of the total revenue and other items 9%, and geographically 65% of revenue came from Estonian companies, 9% from Latvian companies and 26% from Lithuanian companies. Consolidated revenue for 2004 amounted to EEK621.5 million (2003: EEK469.1 million), a 32.5% growth compared to 2003. Sales revenue was EEK618.6 million.

In Estonia, which was the primary market for the Group in 2004, the sales revenue of OCE was EEK359.7 million, 14.9% up on EEK313.1 million in 2003. Kungla's sales amounted to EEK52.8 million (2003: EEK48.2 million), an increase of 9%. Income from accommodation services amounted to EEK21.5 million (2003: EEK19.8 million), an annual increase of EEK1.7 million, or 8.6%. In Latvia OCL, in its first year, had a turnover of EEK54 million.

Cost of goods sold

The cost of goods sold (COGS) of the Group consist of direct accommodation expenses, direct catering expenses and services purchased. COGS of the Group increased by app. 33.2% from EEK20.5 million in 2003 to EEK27.3 million in 2004. The main contributing items were direct catering expenses (increased by EEK2.2 million or 19.5%) and services purchased (increased by EEK4.5 million or 51.7%). COGS of the Company, viewed separately, increased by 293% (from EEK1.4 million in 2003 to EEK5.5 million in 2004).

Operating expenses

Operating expenses comprise maintenance expenses (equipment and premises), marketing expenses, license fees (including gambling tax), lease of premises, training expenses and other expenses in the Group's accounts. Personnel expenses are accounted for separately from the other operating expenses.

Operating expenses of the Group (not including personnel expenses) decreased by 2.4% (from EEK239.1 million in 2003 to EEK233.5 million in 2004). The decrease in the operating expenses was partially attributable to a more efficient management of property maintenance expenses.

Total personnel expenses of the Group (i.e. personnel expenses, social tax and unemployment insurance) increased by 34% from EEK111.6 million in 2003 to EEK149.5 million in 2004. In Estonia, the personnel expenses of OCE increased by 9% from EEK59.5 million in 2003 to EEK64.6 million in 2004. The average number of employees of OCE increased by 1.3% from 380 in 2003 to 385 in 2005.

Other operating income

Other operating income includes items such as gains on sale of property, plant and equipment and intangibles, change in the fair value of investment property, foreign exchange gain, etc.

Other operating income increased significantly in 2004 as compared to the results of 2003. Other operating income increased from EEK1.8 million to EEK2.9 million (61.1% increase). The increase was mainly due to realisation of gain from changes in the fair value of investment property (EEK0.8 million in 2004).

Net financial items

Net financial items amounted to a negative balance of EEK2.5 million in 2004 compared to the negative balance of EEK5.5 million in 2003. The main driving force behind such change was the fact that a foreign exchange gain of EEK1.9 million in 2004, as opposed to a loss of EEK1.3 million in 2003.

Corporate income tax

The Group incurred income tax expense of EEK6.5 million in 2004, representing a 103% increase compared to EEK3.2 million in 2003.

Minority interest

In 2004, the Group accounted for profit of EEK6.5 million attributable to minority interest. The minority interest is attributable to the direct stake of 5% that Mr. Armin Karu (a member of the Management Board of the Company) holds in OCE.

Net profit

Net profit after tax and minority interest for 2004 was EEK128.7 million, 247% up on the EEK37.1 million in 2003. The net profit margin increased from 7.9% in 2003 to 20.8% in 2004.

In Estonia, net profit of OCE amounted to EEK130.8 million, 187.5% up on the EEK45.5 million in 2003. The rise in profit was achieved through revenue growth and efficient cost management.

Liquidity and Capital Resources

For information concerning the Company's capital resources, please refer to "*Capitalisation*" and to the audited consolidated financial statements of the Company for financial years ended 31 December 2004 and 31 December 2005, as well as for the interim period ending 30 June 2006.

For information on the borrowing requirements and funding structure of the Company, as well as on any restrictions on the use of capital resources, please see "*Operations – Financing Matters*".

Summary of Auditors' Opinions

The auditors of the Company have audited the consolidated financial statements of the Company for the financial years ended 31 December 2005 and 31 December 2004, as well as the consolidated financial statements of the Company for the interim period ended 30 June 2006. Having done so, the auditors have issued unqualified reports stating that these financial statements present fairly, in all material respects, the financial condition of the Company as of the end of each relevant period, as well as the results of its operations and its cash flows for the relevant period in accordance with the IFRS.

Strategic Objective and Short-Term Goals

Strategic objective

The ambition of the Group and its primary strategic objective is to become the leading casino operator in Eastern Europe, and to operate in at least 10 countries by 2010. The Group sees its strategy towards that objective as being comprised of two key elements: (i) maximising the profitability of each casino that it operates and (ii) expanding the network of its casinos in both existing and new geographic markets.

From one hand, the aim of the Group is to ensure that each Olympic Casino offers the highest quality of gaming and entertainment in a safe and secure environment. The Management is convinced that the focus on quality and comfort will contribute to the Group's ability to maintain existing and attract new customers, thus ensuring the optimal workload of all of its casinos and having a positive effect on profitability.

From the other hand, the Group recognises the inevitable limitations affecting the potential of the Baltic markets and is committed to the strategy of aggressive expansion on both national and international levels. Expansion within the existing 5 markets (Estonia, Latvia, Lithuania, Ukraine and Belarus) is aimed at maintaining (or capturing) and increasing the Group's share of the local casino markets by opening new venues in select prime locations. At the same time, further expansion to the hitherto untapped new geographic markets is viewed as the inevitable path in order to increase the overall revenues and profits of the Group.

Implementing the Group's strategy requires constant and careful attention to a number of key areas, which are briefly summarised below.

Implementation of strategy: increasing profitability of existing venues

Maintaining highest standards of service and quality of gaming environment

The markets in which the Group operates or intends to operate in the future are mostly characterised by less-than-outstanding service standards across the whole services sector of the economy. This is especially true for casino business, which is still something of a novelty for most Eastern European countries. The Group is determined to stand out against this background by offering the highest quality of gaming experience in a safe and secure environment. This strategy has proved to be highly effective in the Baltic States and, in the opinion of the Management, may yield even greater results in Ukraine and Belarus, as well as other East European markets, contributing to the Group's ability to acquire and maintain significant market shares in all jurisdictions in which it operates.

Developing a distinctive trademark

The implementation of the Group's strategic objective requires that a uniform façade is maintained and developed across all markets in which it operates. In the Baltic States, customers have already come to associate the Olympic brand name with high standards of service and safety. A distinctive and recognisable trademark is yielding direct benefits in terms of financial results by attracting a bigger clientele and decreasing the time needed for each new venue to start generating revenue at full capacity. In addition to conventional advertising and marketing, the Group intends to develop its brand name through the possible expansion of online marketing and services in jurisdictions where the applicable legislation permits doing so (see more under "*Operations - Marketing*").

Taking avail of e-commerce opportunities

Although online gaming services are often subject to heavy restrictions, the Group is carefully looking into the e-commerce opportunities that present themselves within the applicable legal framework. Expansion into online services sector would offer an opportunity to develop the distinctive trademark of the Group and eventually attract more customers to its land based casinos. For these purposes, a separate position of the Chief E-Commerce Officer was established within the Group's management structure.

Given the restrictions applicable to online gaming in the Baltic States (with a moderate exception of Latvia), the Group considers the possibilities of developing online services primarily in relation to other Eastern-European markets. At the same time, care would be taken not to engage in online services unless the applicable local regulatory framework expressly permits doing so.

Improving the image of gaming

A significant share of the regulatory and demand-side risks that have the capacity of affecting the Group's business is attributable to the controversial image of gaming across Eastern Europe and the Baltics. In order to ensure legislative stability and increase the number of potential customers, the Group is investing considerable efforts in improving the image of gaming as a whole. This is achieved through active involvement in social and charitable programs. The Group is a major contributor to charitable and sports organisations (to illustrate, 2005 saw the Group as the principal sponsor of the Estonian Olympic Committee and the silver sponsor of the Baltic Basketball League) and a keen participant in corporate social responsibility initiatives (the Group commits significant and increasing efforts to implementing measures to combat gaming addictions and underage gambling).

In addition, the Group is willing and able to demonstrate that gaming, when organised in a safe and controlled environment, can offer quality entertainment without the perils that are customarily associated with games of chance. To this end, Olympic Casinos typically host a wide range of services including poker tournaments, cultural events and other social occasions.

Participating in administrative dialogue through professional associations

The Group is fully conscious of the fact that its industry is heavily prone to effects of legislative and administrative change. It is important that any changes are prepared with care and diligence, and that gaming operators have their say in the future of the industry. To this end, associations of gaming operators have been established in all jurisdictions in which the Group operates with the exception of Belarus. The local entities of the Group are either among the founders of or are active members in associations of gaming operators in the Baltic States and Ukraine. The Group is also a full member of the European Casino Association (http://www.europeancasinoassociation.org).

In Estonia and Latvia, chief executives of the relevant associations of gaming operators are the representatives of the Group. In Lithuania and Ukraine, the local Group entities are among the most active participants of the relevant associations. The Group takes an active stance on corporate social responsibility and through the professional associations it is constantly seeking constructive dialogue with the relevant authorities.

The Group intends to remain an active participant in professional associations and intends to offer every possible support and assistance to such bodies in order to improve the image of gaming and ensure that legislative changes are driven by economical and ethical considerations rather than based on emotional and populist decisions.

Implementation of strategy: continued expansion

Developing the structure of the Group

Rapid expansion of the Group's business to 5 countries (not including Poland) has created certain practical difficulties which would in theory have the potential to inhibit further growth. Among such difficulties are the administration of intra-Group financing relations, the allocation of management resources and certain other aspects of day-to-day international operations. The Management is actively involved in streamlining the corporate and operational structure of the Group in order to facilitate ongoing and future expansion. In particular, internal financing rules and transfer pricing policies are currently in development, while new management resources are being prepared under the recently launched management training program (see respectively "*Operations - Financing Matters" and "Operations - Employment" below). Numerous other initiatives are being implemented to ensure that significant increases in the number of countries and venues will not affect the manageability of operations*.

Pursuing an aggressive acquisition policy

The Group has increasingly considerable experience in entering new markets and expanding its existing market share through corporate acquisitions. So far, a number of operators have been taken over by the Group, including the recent acquisition of Latvia's second biggest casino operator – Baltic Gaming (see more under "*Operations - History and Development of the Group*"). The Group intends to remain on the lookout for suitable acquisition targets both in the countries where it already has a presence and in new markets. In many cases, acquiring existing operations holds multiple benefits as opposed to entering a market independently: to name but a few, it often allows bypassing usual entry barriers and securing a faster return on investments. The current financial condition of the Group is characterised by strong cash flows and low leverage, which creates significant potential for M&A activities when and where the opportunity materialises.

Short-term goals (2006)

The Group has a specific set of goals established for financial year 2006. First and foremost, the Group intends to continue investing in the quality of its services and developing a distinctive comfortable and safe gaming environment in all of its casinos. The Group has so far benefited from a competitive advantage resulting from the high quality of its services – among other things through enjoying a higher percentage of loyal customers than its peers – and intends to develop and increase this advantage in 2006.

In addition to quality-related improvements, the Group intends to continue aggressive expansion on existing and new markets. By 30 June 2006, 8 new casinos were opened by various Group entities since the beginning of the year. These include the Olympic Voodoo casino in Riga, Latvia, which is the biggest in the Baltic States to date, as well as 3 new slot casinos in Estonia – in Jõhvi, Tartu and Tallinn (the new Tallinn casino is the re-furbished Vikings casino acquired recently).

A total of over EEK500 million was planned in 2006 for the opening of new casinos in all markets in which the Group currently operates, of which app. EEK259 million has been invested by 30 June 2006.

In Estonia, the Group has launched and is developing the newly established management training program (see "*Operations - Employment – Senior local management and ground-level management*" for more information) and is expanding the existing network of casinos (in particular, 3 new slot casinos were planned to be opened in 2006 of which all three are in operation by the date of this Prospectus). The efforts of OCE in 2006 are focused on retaining and expanding the 2005 market share of 36%.

In Latvia, the Group is focusing on the integration of the casinos previously operated by Baltic Gaming into the Olympic network. This includes a number of slot casinos which currently operate under the trademark "Bumerangs". Bar operations in "Bumerangs" casinos will gradually be taken over from their current operator - Faraons by Ahti (the operator of bars in Olympic Casinos in Latvia), whereas such takeover will take place simultaneously with the gradual transfer of "Bumerangs" casinos under the Olympic trademark and under the management of OCL. Several of the smallest "Bumerangs" casinos will be closed down due to the recently established minimum requirement of 20 slot machines in each casino. Eventually, OCL hopes to fully consolidate the operations of OCL and Baltic Gaming and to maintain and increase the resulting combined market share. In realisation of the 2006 plans, OCL has opened the Olympic Voodoo Casino in Reval Hotel Latvia, Riga (the biggest casino in the Baltic States) which is set to become the Group's flagship venue on the Latvian market.

In Lithuania, OCLT is already the leading operator on the market. The short-term objective of the Group in Lithuania is to retain its leading position and to focus on increasing revenue and profitability. By 30 June 2006, OCLT has fully implemented the customer loyalty program (the bonus points program was first launched in Lithuania in 2005) and is now running essentially the same loyalty program as the Estonian and Latvian entities. OCLT is hoping to open 2 new casinos in 2006 and relocate one existing casino.

In Ukraine, the Group continues to invest in existing casinos and expand its activities in the capital of Kiev. Expansion of operations to other parts of Ukraine is most likely to initially focus on the bigger Ukrainian cities and, market situation and business outlook permitting, is expected to commence in 2007. In 2006, OCU will concentrate on expanding the existing network of slot casinos and is expecting to open 4 new casinos, of which 2 are already in operation by the date of this Prospectus. In 2007, the focus may somewhat shift to bigger venues with tables.

In Belarus, the Group is devoting principal efforts to setting up active operations on the new market. No casinos were opened by 30 June 2006. OCB opened its first casino in Minsk in mid-August 2006. Work is under way to open 2 further venues before the end of the year, circumstances permitting.

INDUSTRY OVERVIEW

Gaming market segments[3]

Broadly, the gaming market as a whole can be divided into the following major segments: (i) casino services (including slot and table games), (ii) betting services (including horse and dog racing, event betting and pool competitions), (iii) bingo services, (iv) lottery services, (v) media gambling services (i.e. games in the editorial content of the media) and (vi) sales promotion services consisting of promotional games where participation is linked to purchase. The Group is currently active in casino services only, while expansion into other market segments may be considered in the future. Currently, revenue from casino gaming represents about 15% of the total gaming revenue in Europe (whereas lottery services take the biggest share with over 40%).

Casino services, in turn, may broadly be divided in two major segments – slot machines and tables. Traditional slot machines are coin-operated machines with three or more reels, which spin when a lever on the side of the machine is pulled. The machines include a currency detector that validates the coin or money inserted to play (whereas the latest hardware and software solutions such as the "EZ-Pay" system used by the Group allow operating a slot machine without physical cash). The machine typically pays off based on patterns of symbols visible on the front of the machine when it stops. Table games are played on a casino table and with a dealer. Table games may be played with cards, dice, or other gaming equipment. For more information on games offered by the Group, please see "*Structure of Operations*".

Summary of relevant markets

Please note that none of the countries mentioned below have so far published official statistical information concerning the state of the gaming industry (with the exception of Latvia and Lithuania, to a limited extent). The summary which is presented below is therefore based on information collected by the Group from unofficial sources or through own research, and can therefore not be verified beyond reasonable doubt. Moreover, any forward-looking statements concerning the development of the gaming markets are based exclusively on unverified information and can not be used as guidance in estimating financial performance of the Group. The information presented on gross gaming revenues of the relevant markets may not be fully comparable due to the differing components of the relevant data and varying calculation methods that may have been used. The information presented below has from time to time been approximated to nearest decimal or whole value.

	Estonia	Latvia	Lithuania	Ukraine	Belarus	Poland
Population (million)	1.35	2.3	3.4	47.1	9.75	38.1
GDP (billion EUR, 2005)	10.5	12.7	20.5	71.1	25	254.1
GDP per capita (EUR, 2005)	7,830	5,527	6,030	1,510	2,558	6,660
GDP growth (2004 - 2005)	9.8%	10.2%	7.5%	2.6%	9.2%	6.2%
GGR[4] (million EUR, 2005)	74.3	139.5	29.5	n/a	n/a	n/a
GGR growth (2004 - 2005)	18.9%	41.3%	42.4%	n/a	n/a	n/a
GGR per capita (EUR, 2005)	55.03	60.65	8.67	n/a	n/a	n/a
Operators (30 June 2006)	15	19	8	1,000+	n/a	n/a
Casinos (30 June 2006)	142	600+	21	n/a	15+	n/a

Source: information on populations and GDP's is based on the data published by the Estonian Statistics Board, Central Statistical Bureau of Latvia, Department of Statistics of the Government of Lithuania, State Statistics Committee of Ukraine, Ministry of Statistics and Analysis of the Republic of Belarus, Central Statistical Office of Poland, National Bank of Ukraine. Information on Latvian and Lithuanian gaming revenues is based on data published by the Latvian and Lithuanian gaming authorities. Over information assembled and analysed by the Group.

[3] The information on the gaming market segments and the overview of the European gaming market are partially based on the "Study of Gambling Services in The Internal Market of The European Union", a European Commission publication prepared together with the Swiss Institute of Comparative Law (published 24 April 2006). Said study is based on information collected in 25 European Union Member States. Market information is partially based on data from 2000-2004 (inclusive).

[4] GGR = Gross Gaming Revenue, the total gross revenue of all casino operators in the relevant market. GGR data for Latvia and Lithuania is based on the information published by the gaming supervision authorities in Latvia and Lithuania.

Estonian gaming market

Estonian gaming market is regulated since the early nineties, with the current Gambling Act in force since 1995. As of 30 June 2006, there were 15 operators active on the Estonian gaming market, who on aggregate operated 142 gaming establishments with over 60 gaming tables and close to 3,500 slot machines. The gaming industry generated EUR74.3 million in gross gaming revenue ("*GGR*") in 2005 (an increase of EUR11.8 million or a 18.9% increase from 2004). Information on the Estonian GGR in the first half of 2006 is not available at this time. The 2005 Estonian gross gaming revenues represent an average of app. EUR55.03 per one inhabitant. The gaming industry employs ca 2,000 people. Gross gaming revenue in Estonia currently exhibits a pattern of steady increase. Internet and other remote gaming as well as sports betting are currently not legally permitted in Estonia.

GGR of Estonian Market 03-06

million EUR	2003	2004	2005
GGR	63.8	62.5	74.3
Annual growth %	-3.8%	-2.0%	18.9%

The recent growth in Estonian GGR is to a certain extent attributable to the EU accession, which resulted in a partial opening up of the European employment market. It is mostly the younger Estonians that are working abroad and the nature of foreign employment is usually temporary. This leads to increased domestic spending potential and eventually translates into higher GGR. Moreover, stricter regulatory restrictions from one side and the increasing standard of living from the other contribute to the survival of the best equipped and positioned casinos. This shift towards higher quality of gaming services is expected to continue. New gambling legislation (which is expected to enter into force in 2007) may contribute to the further consolidation of the Estonian market and signify another step towards better quality of gambling services.

An additional characteristic of the growth of the Estonian gaming market in 2005 and 2006 is the increasing geographic diversity of the industry, with numerous new casinos opened outside Tallinn (*e.g.* in Eastern Estonia).

The market share of the Group in Estonia in 2005 was app. 36%, with the closest competitor - City Casino - trailing with 10% of the market. A more thorough discussion of the competitive position of the Group in Estonia may be found under "*Operations - Competitive Position*".

Latvian gaming market

The Latvian gaming market began its rapid development in the early 1990s. Work on the legislative acts regulating the industry began in 1993 and since 1994, there has been strong state supervision over the gaming business. The Latvian gaming market is characterised by a relatively wide range of legalised gaming services, with sports betting, bingo, telephone games, lotteries and Internet games of chance all being permitted. As of 30 June 2006, there were 19 operators active on the Latvian gaming market, who on aggregate operated over 600 gaming establishments with app. 170 gaming tables and close to 15,000 slot machines. Geographically, gaming industry is concentrated in the biggest cities of Latvia – mostly in Riga.

The GGR of the Latvian gaming market in 2005 was EUR139.5 million (a 41.3% increase as compared to EUR98.7 million in 2004). About 90% of all gaming revenues in Latvia are coming from slot machines and only about 10% from gaming tables. The Latvian gross gaming revenue represents an average of app. EUR60.65 per one inhabitant.

GGR of Latvian Market 03-06

million EUR	2003	2004	2005	H1 2006
GGR	73.0	98.7	139.5	89.9
Annual growth %	29.4%	35.2%	41.3%	49.4%*

*compared to H1 2005

The considerable increase in the Latvian GGR over the past few years may be attributed to the overall increase in disposable income and consumer spending, as well as to the increased transparency in the gaming business. Over the recent years, the Latvian gaming market is driven by a clearly defined shift towards higher rates of legality and compliance. At this time, it may be assumed that most of the overall gaming revenues are properly accounted for and the latest GGR statistics fairly accurately represent the actual consumption of gaming services. Therefore, 30-40% GGR growth rates that were seen over the past few years can hardly be expected to continue for considerably longer.

The market share of the Group in Latvia in 2005 was close to 15%, this representing the second biggest presence in the market. The biggest operator on the Latvian market was Alfor with the market share of app. 29%, while all other operators hold market shares of under 10%. A more thorough discussion of the competitive position of the Group in Latvia may be found under "*Operations - Competitive Position*".

Lithuanian gaming market

GGR of Lithuanian Market 03-06				
million EUR	2003	2004	2005	H1 2006
GGR	11.4	20.7	29.5	18.1
Annual growth %	199.6%	81.2%	42.4%	39%*

*compared to H1 2005

Traditionally, gaming (with the exception of lotteries), was not permitted in Lithuania due to a very strong Catholic influence in the country. The legislation that permitted gaming in the form of betting, slot machines, table games and bingo was first adopted in 2001. Therefore, the Lithuanian market is the youngest of the Baltic States and any market data is inevitably distorted. Additionally, the Lithuanian gaming legislation is often controversial and ambiguous, and as a result of the legislative uncertainties the boundaries of permitted activities often have to be tested in courts (see "*Operations - Licensing and Compliance*" for more details). Lithuanian industry-specific legislation is expected to become more consistent and precise over the coming years, with all reasons to believe that changes would be to the benefit of operators offering higher quality of gaming services.

According to the available information, the GGR of the Lithuanian gaming market in 2005 amounted to EUR29.5 million (a 42.4% increase as compared to EUR20.7 million in 2004). The Lithuanian market information is entirely driven by the fact that the gaming market as such exists from 2001. GGR growth is therefore eventually likely to slow down as the Lithuanian gaming market becomes more stable and mature. However, the Lithuanian gross gaming revenue still represents an average of only app. EUR8.7 per one inhabitant, which is significantly lower than the relevant numbers for Estonia and Latvia (respectively EUR55 and EUR60.7).

As of 30 June 2006, there were 8 operators active on the Lithuanian gaming market and the market share of the Group in 2005 was close to 50%, which made the Group the biggest operator on the Lithuanian market (whereas the market share as of 30 June 2006 exceeded 50% of the market). A more thorough discussion of the competitive position of the Group in Lithuania may be found under "*Operations - Competitive Position*".

Ukrainian gaming market

Ukrainian gaming market is generally characterised by a significant number of minor licensed operators, many of them operating a very small number of venues. The market is somewhat under-regulated, with no restrictions on advertising and marketing currently in place. At this time, there is no reliable information on the actual volume of the Ukrainian gaming market nor the overall tendencies within the industry. However, the Ukrainian economy exhibits steady annual growth of 2-3%, which at least partially correlates with the growth of the gaming industry (though the latter may be assumed to be significantly more rapid).

The latest developments indicate that state and municipal supervision of the gaming sector is tightening, with several new pieces of legislation passed only recently. The development of the relevant legislation is hindered by occasional discrepancies between state and municipal acts, with the municipal administration of Kiev attempting to play a bigger role in the regulation of gaming services in the Ukrainian capital.

At least a half of the market belongs to minor operators, many of whom are not licensed to conduct gaming activities (while the other half is divided among larger operators). Gaming venues range from high-end casinos with significant entrance fees down to single slot machines installed in cafes and bars. Better supervision over gaming services may eventually be expected to dramatically reduce the number of existing casinos. With more efficient administration of the existing gaming license fees (which since recently require a one-off investment of at least EUR150,000 to maintain a gaming license for 5 years), many of the smaller operators may be expected to disappear.

Belorussian gaming market

Belorussian gaming market is significantly underdeveloped and offers excellent potential for growth. The market is under-regulated when compared to the Baltic States and most gaming activities are permitted with little or no restrictions. Advertising of gaming establishments is permitted without restrictions.

However, the high political and business risk associated with the Belorussian market in general has so far inhibited growth in all sectors of economy, including the gaming services. The Belorussian gaming market is heavily influenced by the legislative uncertainty and inefficient administration. The largest operator on the Belorussian market with 2 bigger casinos and several gaming halls is the Turkey-based Princess Group, which operates casinos as an auxiliary business to its hotel operations. An overwhelming majority of the remaining operators are single-venue companies. The quality of gaming services offered by each of app. 15 casinos currently existing in Minsk is mostly sub-standard.

No reliable market statistics is available at this time. However, given the population of over 10 million and the hitherto untapped potential for economic growth, the Group considers Belarus to be one of the most interesting markets in Eastern Europe.

European gaming market

Over the following years, the Group intends to expand its operations in Europe, with a particular focus on the Eastern-European countries. In light of its expansion plans, the Group is constantly monitoring the condition and trends of the European gaming market, which are briefly summarised below. The division of the European gaming market between primary market sectors is illustrated by the table to the right (EU-wide averages by revenue).

These five largest sectors of EU gaming market generated combined gross gaming revenues of approximately EUR51.6 billion in 2003. By comparison, the legal American gaming industries (which are somewhat more mature than the European gaming industries) generated gross gaming revenues of EUR60.7 billion in 2003.

Though aggregate revenues were similar between the US and EU as of 2003, their composition differed considerably between the European Union Member States as a group and the United States. For example, in the United States, casinos generated about 58% of the US total GGR in 2003, whereas in the EU, casinos composed only about 16% of the EU total GGR.

EU gaming markets are dominated for the most part by relatively "mature industries", whose revenue growth is more or less paralleling growth in aggregate personal income in the Member States. Despite the fact that in most of the EU Member States GGR growth is typically single-digit, Eastern Europe is currently experiencing faster economic growth and consequently higher growth in GGR (2005: over 42% in Lithuania, over 41% in Latvia and close to 19% in Estonia).

An important legislative development on the European level in the gaming industry recently failed to take place. In February 2006 a plenary session of the European parliament carried out its first reading of the directive on services in the internal market (the Service Directive) which aims to create a single market for services within the European Union, similar to the single market for goods already present. During the plenary session changes were made to the original draft, including carving gaming out from the scope of the Services Directive. Therefore, the upcoming Service Directive will initially not extend to gaming which will remain within the competence of the individual Member States. It is highly likely, however, that in the future new attempts would be made to regulate gaming on the European level.

Division of European Gaming by Industry Sectors

Market Sector	%
Lotteries	43.7%
Casino Gaming	15.9%
Machine Gambling outside casinos	18.3%
Betting	17.3%
Bingo	4.8%

OPERATIONS

Group Operations at a Glance

The Group is the biggest gaming operator in the Baltic States. The core of its operations is currently based in Estonia (20 casinos), Lithuania (8 casinos) and Latvia (38 casinos). The Group is aggressively developing its business in Ukraine (where 6 casinos have been opened to date) and in Belarus (with the first Olympic casino opened its doors in mid-August 2006), bringing the total number of venues operated by the Group to 73. The Group is also expanding its operations into Poland, where the acquisition of a local casino operator is currently pending. The revenues are divided between the various geographical markets as follows from the table below.

The Group is active in the casino market and does not exclude possible future expansion to the remote gaming market as well as the betting market. Casino operations are based on state-of-the-art slot machines and gaming tables (the respective totals of app. 118 tables and over 2,600 slot machines as of the date of this Prospectus), whereas slot machines accounted for app. 71.2% of the aggregate revenue in the first half of 2006 (average of all countries), as compared to 28.8% generated by the gaming tables (illustrated by the table below). A vast majority of the Group's customers are local residents with average or above average income. The proportionate share of tourists in the Group's revenue is currently not considerable, but is expected to grow with the development of tourism in the Baltic States in general.

As a non-core auxiliary business, specialized entities within the Group (such as Kungla in Estonia, Ahti and Faraons in Latvia and Mecom in Lithuania) operate bars in Olympic Casinos and engage in other non-core activities such as hotel management (currently limited exclusively to Reval Park Hotel in Tallinn, operated by Kungla). This has been the case for the whole duration of the period covered by the historical financial information presented in this Prospectus. The relative importance of non-core operations is not significant and it is expected to gradually decrease due to the steady growth in revenues earned from core operations. 92% of the Group's 2005 revenue came from core (casino) operations, 4% from hotel management, 2% from bar operations and 2% from miscellaneous activities. The division of revenue between core and non-core operations has been stable in the past: in financial years ended 31 December 2003 and 31 December 2004, gaming revenues formed 91% of the total revenue.

Venues, Market Share (31 August 2006)

	casinos	tables	slots
Estonia	20	19	764
Latvia	38	38	1,167
Lithuania	8	61	376
Ukraine	6	-	299
Belarus	1	-	36
Total	73	118	2,642

Division of Gaming Revenues by Markets 2003 – 2006

	30 June 2006	2005	2004	2003
Estonia	40%	51%	63%	73%
Latvia	29%	15%	9%	5%
Lithuania	26%	31%	28%	22%
Ukraine	5%	4%	-	-

Division of Gaming Revenues by Slots/Tables 30 June 2006

	Tables	Slots
Estonia	14%	86%
Latvia	27%	73%
Lithuania	60%	40%
Ukraine	-	100%
Weighted average	28.8%	71.2%

As of 30 June 2006, the Group employed 2,165 people in 5 countries and it is constantly recruiting new staff, as well as training existing personnel. The Group is focused on offering high-quality gaming entertainment with service and venue standards set considerably higher that those of many of its peers. Estonian, Latvian and Lithuanian main operating entities are ISO 9001:2000 certified (Estonia since 2002 by way of an upgrade from the ISO 9001:1994 certificate issued in 1998, Latvia and Lithuania since 2004).

The Group is committed to improving the reputation of gaming and is actively engaged in charity activities and social programs. In 2005, close to EEK2.6 million was spent on charity in the Baltic States.

The Group has seen steady growth since its establishment in 1993 and the Management believes this to be sustainable. Great potential is seen in the Eastern-European gaming markets which remain significantly under-developed and less competitive as compared to the Baltic States. Management sees continuous geographical expansion as a natural path of development for the Group (see more under "*Results of Operations and Outlook – Strategic Objective and Short-Term Goals")*.

The extent of existing operations allows for the effective pooling of administrative resources and provides excellent opportunities for cross-border cooperation within the Group. As a result, the Group often benefits from higher profit margins than its closest competitors and hopes to sustain and develop this advantage. A more detailed general description of the operations of the Group in each country follows.

Operations by Geographic Markets (general information)

Estonia

Overview, history. Estonia remains a core market for the Group (with close to 40% of the revenue for the first two quarters of 2006 earned in Estonia, including non-gaming revenue) and the base for its international operations. The Group management is located in Tallinn. Estonian operations are active since 1993, when the current management of the Group opened the first slot casino in Tallinn. Estonian casino operations are ISO 9001:1994 certified since 1998 (upgraded to ISO 9001:2000 in 2002). As of the date of this Prospectus, OCE (the main operating entity in Estonia) manages 20 casinos, including Reval Park Hotel & Casino, the biggest casino in Estonia to date.

Market share, expansion. The Group is the clear market leader in Estonia, with app. 36% market share in 2005 (see "*Operations – Competitive Position*" for more information). Expansion in Estonia continues, with 4 new casinos opened in various locations from 1 January 2006 to date (including new casinos in the Eastern Estonian cities of Jõhvi and Narva). The Group looks to retain and grow its market share in Estonia through opening new venues and maintaining outstanding standards of service. Pursuing a steady expansion policy in Estonia, OCE has recently acquired Nordic Gaming (a subsidiary of the Latvian operator Baltic Gaming) together with 1 Tallinn casino and 1 Võru casino operated by the former. The Tallinn casino which was previously operated by Nordic Gaming has by now been taken over by OCE, while the Võru casino was shut down.

Revenue and profit of casino operations. The revenue of OCE grew from EEK359.7 million in 2004 to EEK420.1 million in 2005 (an increase of 16.8%, compared to the increase of 15% achieved in 2004 over the 2003 results). The increase in net profit was even more considerable (a 30.4% increase to EEK170.5 million in 2005 from EEK130.8 million in 2004). The almost two-fold increase in profitability is largely attributable to the more effective administration of costs, as well as the increasing effects of scale economy. The revenue for the first half of 2006 was EEK283.6 million (compared to EEK177.6 million for the first half of 2005). The profit of the first half of 2006 was EEK129.4 million (first half of 2005: EEK55.9 million).

Non-core operations. Bars in all Estonian casinos (with the exception of the casino in Grand Hotel Tallinn) are operated by Kungla, a specialised bar operating entity within the Group. Kungla also acts as a lessee in respect of premises hosting Reval Park Hotel & Casino and in turn sub-lets the premises to numerous entities. Reval Park Hotel is operated for the benefit of Kungla by Reval Hotelligrupi AS. Hotel operations contributed 4% of the Group's revenue for the first two quarters of 2006 (see "*Operations - Structure of Operations*" below for more information).

Social responsibility. OCE is a significant contributor to social and charitable programs, having supported among others the Estonian Olympic Committee, the Estonian Children's Fund, the Children Protection League and many others in 2005. The relevant spending exceeded EEK1 million and analogous projects are being supported in 2006. In 2003, OCE has launched an extensive sponsorship and charity program under the name of "A Good Deed in Every Bet". Within the program, special campaigns are organised, where normally a proportion of bets made on slot machines in Olympic Casinos is contributed for charitable purposes. The total sum is donated every month to a selected charitable initiative. The larger donations have so far been to support the reconstruction of the Tropics House in the Tallinn Zoo, to help the Estonian Union of Sports for the Disabled prepare athletes prepare for the Para Olympics, and to support the Estonian Music Academy.

Latvia

Overview, history. The operations in Latvia accounted for app. 30% of the Group's revenue in the first half of 2006, including non-gaming revenue and as of the date of this Prospectus include a total of 38 casinos. Latvian operations are to a large extent the result of corporate acquisitions. In 2002, the Group acquired a Latvian casino operator "Casino Daugava", together with a defunct casino in the Radisson SAS hotel in Riga. Afterwards, the casino was fully renovated and refurbished according to Olympic's needs and requirements. Casino Daugava SIA was then renamed to Olympic Casino Latvia SIA (OCL) and operations were re-launched in April 2003. From 2003 until today, OCL has opened 8 casinos in Latvia, including 2 slot and table casinos (the Radisson SAS casino and the Olympic Voodoo casino in Riga – the biggest casino in the Baltic States) and

6 slot casinos. 6 of the casinos are located in Riga, 1 in Jurmala and 1 in Jelgava. Latvian casino operations are ISO 9001:2000 certified from 2004.

Market share, expansion. The Group has recently acquired the second biggest Latvian gaming operator – Baltic Gaming (see more under "*Operations - History and Development of the Group*"), securing the second largest combined market share in Latvia with app. 15% of the market (see "*Operations – Competitive Position*" for more information). All casinos operated by Baltic Gaming are currently being integrated into the Olympic network and refurbished accordingly. The assets of Baltic Gaming are being gradually transferred to OCL and the former will eventually be either merged with the latter or liquidated. Latvian market offers good opportunities for expansion, with sports betting and online gaming both permitted under the applicable legislation.

Revenue and profit of casino operations. The 2005 revenue of OCL (not including Baltic Gaming) was EEK119.2 million (more than a two-fold increase from EEK54 million in 2004) and 2005 was the first profitable year of Latvian operations with a net profit of EEK19.2 million (2004: net losses of EEK20.9 million). The Latvian casino operations together with Baltic Gaming generated consolidated revenue of EEK202.8 million in the first half of 2006, and made a net profit of EEK38.3 million.

Non-core operations. Bars in all casinos operated by OCL are managed by Ahti, a specialized entity owned directly by the Company. Bar operations in "Bumerangs" casinos (managed by Baltic Gaming) will gradually be taken over from Faraons (the bar operator company which was acquired together with Baltic Gaming) by Ahti.

Social responsibility. Similarly to OCE, OCL is making material contributions to charity, of which a noticeable project is the cooperation with the Martins Foundation, which is established to offer relief to children suffering from leukaemia. OCL is also supporting the reconstruction of the historic Cesvaine Castle.

Lithuania

Overview, history. The operations in Lithuania accounted for app. 25% of the Group's revenue in the first half of 2006, including non-gaming revenue. Lithuanian operations are carried out by a local subsidiary of the Company – OCLT, which received a gaming operator's license in October 2001. It is notable that OCLT was the first casino operator to receive a license in Lithuania and until today the company holds a gaming operator's license with the registration number of "1". OCLT is active in Vilnius, Kaunas, Klaipeda and Panevėžys and operates a total of 8 casinos as of the date of this Prospectus. Lithuanian casino operations are ISO 9001:2000 certified from 2004.

Market share, expansion. OCLT is the largest among the Lithuanian gaming operators with a 49.6% of the Lithuanian market in 2005. The recent expansion of Lithuanian operations included among other things the opening of three new casinos in Klaipeda, Vilnius and Panevezys. Until recently, virtually all gaming activities were prohibited in Lithuania, which explains the relatively small number of operators that are currently active on the Lithuanian market and the small volume of the market (when adjusted for population) as compared with Estonia and Latvia. The Lithuanian market is growing faster than other Baltic markets, and the Management hopes to benefit from this growth over the coming years, while working to increase the number of Lithuanian venues and further reinforce its market position.

Revenue and profit of casino operations. The total revenue of OCLT in 2005 was EEK253.2 million, a staggering growth of 64% from the 2004's revenue of EEK154.7 million. In 2005, most revenue was earned in Vilnius (76.7%), with a further 15.4% of revenue earned in Kaunas and the remaining 7.8% in Klaipeda. Net profit grew almost 3 times from EEK16.5 million in 2004 to EEK48.4 million in 2005. The revenue of OCLT for the first half of 2006 was EEK173.1 million (compared to EEK103.8 million for the first half of 2005). The profit of the first half of 2006 was EEK34.1 million (first half of 2005: EEK14.5 million)

Non-core operations. In Lithuania, casino bars are operated by a separate entity – Mecom. In addition to bar operations, Mecom is engaged in one real estate development project which is partially aimed at providing the Lithuanian arm of the Group with new offices (see more under "*Operations – Real Estate and Leased Premises*"). The Group does not have any other none-core operations in Lithuania.

Social responsibility. In 2005, OCLT sponsored a number of sports and culture related projects with considerable success and intends to continue contributing to charitable causes in the future. Notably, OCLT is cooperating with the Adamkiene medical foundation.

Other information. The Lithuanian gaming market remains heavily regulated, while the dubious quality of the relevant legal acts often leads to legal uncertainties concerning the applicable rules and restrictions. Owing to the above circumstance, OCLT is currently engaged in a number of administrative disputes (see more under "*Operations - Licensing and Compliance*"), but does not consider any of said disputes to be of sufficient gravity with respect to the potential effect on the results of Lithuanian operations.

Ukraine

Overview, history. Operations in Ukraine are carried out through a local subsidiary – OCU – and amounted to app. 5% of the Group's revenue in the first half of 2006, including non-gaming revenue. Ukrainian operations were set up from scratch in May 2003, and no acquisitions have so far been carried out. At the date of this Prospectus, OCU operates 6 casinos in Kiev and currently does not have a presence in other Ukrainian cities.

Market share, expansion. The Ukrainian gaming market is considerably bigger than any other market in which the Group currently operates. At the moment, the market share of the Group in Ukraine is marginal and can not be calculated precisely. The Group intends to pursue an aggressive expansion policy in Ukraine, with further expansion likely to extend to other major cities in Ukraine in addition to the capital of Kiev.

Revenue and profit of casino operations. With the further expansion of the Ukrainian operations currently under way, the Group expects Ukraine to play an increasingly significant part in the structure of the Group's earnings. 2005 was the first full financial year of Ukrainian operations and OCU achieved a revenue of EEK29 million, representing a EEK10.9 million net loss (on account of significant start-up costs and investments into new casinos and equipment). The revenue for the first half of 2006 was EEK38 million (compared to EEK6.1 million for the first half of 2005). The profit of the first half of 2006 was EEK2.1 million (first half of 2005: EEK(-8.4) million)

Non-core operations. The Ukrainian legislation permits casino operators to manage their own bars, for which reason no separate bar management entity is required or contemplated. There are no other non-core operations.

Social responsibility. Currently, the operations in Ukraine are in the initial phase and OCU is not in a position to participate in extensive social responsibility programs, although modest contributions were made already in 2005. As Ukrainian operations expand and stabilise, OCU is planning to devote similar attention to corporate social responsibility as is the case with the Group's Baltic entities.

Belarus

Overview, history. Belorussian operations are carried out through a local subsidiary incorporated in 2005 – OCB. By the date of this Prospectus, OCB opened 1 casino in Minsk (opened in mid-August 2006) while preparations are under way to expand the presence of OCB on the Belorussian market. OCB has concluded lease agreements with various lessees concerning future casino premises and has made investments in refurbishing and equipping the venues.

Market share, expansion. With the opening of several casinos in Minsk, the Group hopes to establish a defined presence in the Belorussian capital. Currently, the Belorussian gaming market is dominated by individual gaming halls with poor standards of service and low security. By bringing to Belarus the high level of gaming experience which the Group's clients are accustomed to in the Baltics, the Group seeks to differentiate itself from the existing market participants and acquire a noticeable market share – with the view to then continuing aggressive expansion in the country.

Non-core operations. OCB is not planning to engage in any non-core operations in Belarus apart from operating the bars on the casino premises, which under the Belorussian legislation is a permissible activity for a gaming operator.

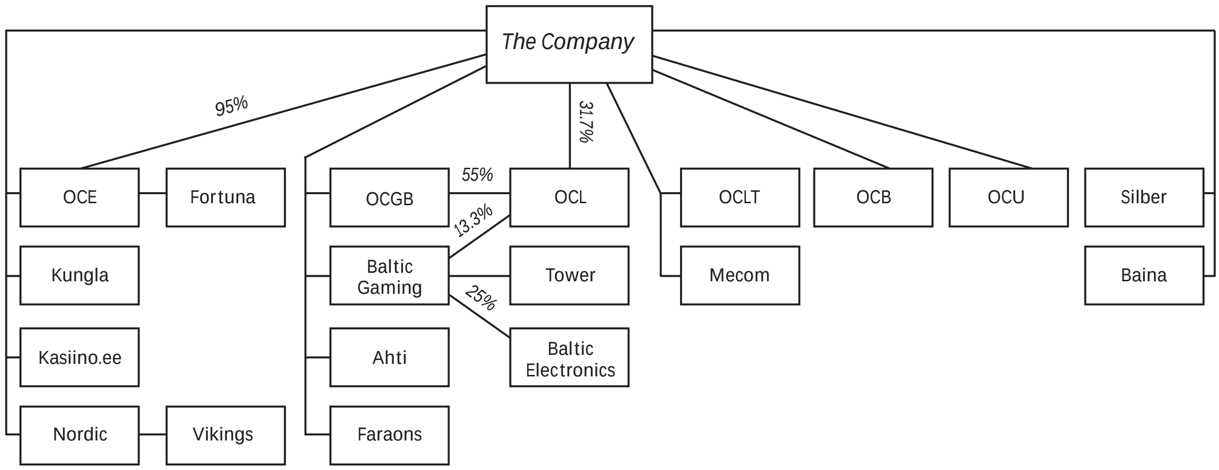
Structure of the Group

Structure of the Group

The ultimate holding company of the Group is Olympic Entertainment Group AS (the Company), which owns the following companies either directly or through its subsidiaries:

Entity	Abbr.	Stake	Reg	Description
Olympic Casino Eesti AS	OCE	95%	EST	Main operating entity in Estonia
Kungla Investeeringu AS	Kungla	100%	EST	Estonian bars & non-core operations
Fortuna Travel OÜ	Fortuna	100%	EST	Dormant company
OÜ Kasiino.ee	Kasiino.ee	100%	EST	Operator of kasiino.ee portal
Nordic Gaming AS	Nordic	100%	EST	Acquired company (to be liquidated)
Vikings Services OÜ	Vikings	100%	EST	Acquired company (under liquidation)
Olympic Casino Latvia SIA	OCL	100%	LV	Main operating entity in Latvia
Ahti SIA	Ahti	100%	LV	Latvian bars
AS Baltic Gaming	Baltic Gaming	100%	LV	Acquired company
SIA Faraons	Faraons	100%	LV	Operator of bars in “Bumerangs” slot casinos
Olympic Casino Group Baltic SIA	OCGB	100%	LV	Holding company that owns 55% of shares of OCL
SIA Baltic Electronics	BE	25%	LV	Latvian non-core operations
SIA Tower	Tower	100%	LV	Operator of a restaurant in Riga
Olympic Casino Group Baltija UAB	OCLT	100%	LT	Main operating entity in Lithuania
Mecom Grupp UAB	Mecom	100%	LT	Operator of bars in Olympic Casinos
Olympic Casino Ukraine TOB	OCU	100%	UKR	Main operating entity in Ukraine
Olympic Casino Bel IP	OCB	100%	BL	Main operating entity in Belarus
Silber Investments Sp. Z.o.o.	Silber	100%	PL	Acquisition vehicle for Casino Polonia
Baina Investments Sp. Z.o.o.	Baina	100%	PL	Acquisition vehicle for Casino Polonia

The structural chart of the Group is as follows below (all shareholdings 100% except where indicated otherwise).



Brief description of Group entities

The structure of the Group comprises 5 main casino-operating entities (OCE, OCL, OCLT, OCU and OCB) respectively in Estonia, Latvia, Lithuania, Ukraine and Belarus. Non-core activities are separated from casino business in the Baltic States, where casino bars are operated by Kungla (Estonia), Ahti (Latvia – Olympic Casinos), Faraons (Latvia – “Bumerangs” casinos) and Mecom (Lithuania). In addition to core and non-core operational entities, the Group includes a number of recent acquisition targets which will eventually be either merged with the relevant main operating entities or liquidated to ensure a more transparent and comprehensive corporate structure.

Such recent acquisition targets include Nordic Gaming AS and Vikings Services OÜ in Estonia, as well as AS Baltic Gaming (together with SIA Faraons) in Latvia. The assets of both aforementioned Estonian entities have been transferred to OCE (the Estonian main operating entity) and said companies will eventually be liquidated. The Management anticipates that the liquidation of Vikings will be concluded in the course of 2006 and the liquidation of Nordic will be completed in 2007. The venues operated by Baltic Gaming (and the bars operated by Faraons) are currently being integrated with operations of respectively OCL and Ahti. Baltic Gaming (as well as Faraons) will be either liquidated or fully merged with OCL during 2007-2008. A more detailed description of the Group entities follows (with the exception of Nordic and Vikings, which will be liquidated shortly).

Estonia

Olympic Entertainment Group AS (the Company). Register code 10592898, address Pronksi 19, Tallinn. Established in 1999 under the name of OÜ Mecom Grupp, this entity came to be the main holding company of the Group. It was reorganised into a public limited company (*"aktsiaselts"*) in July 2006. The Management Board of the Company consists of Armin Karu and Andri Avila. The Supervisory Board consists of Jaan Korpusov, Liina Linsi, Peep Vain and Kaia Karu.

Olympic Casino Eesti AS (OCE). Register code 10011039, address Kreutzwaldi 23, Tallinn. The former main operating entity of the Group (established in 1996 under the name of AS Benetreks) later became the main Estonian operating entity, which it remains until this date. 5% of shares of OCE are owned directly by Armin Karu (a member of the Management Board of the Company) while the remaining 95% belong to the Company. The Management Board of the OCE consists of Armin Karu and Andri Avila. The Supervisory Board consists of Jaan Korpusov, Liina Linsi and Kaia Karu.

Kungla Investeeringu AS (Kungla). Register code 1363153, address Kreutzwaldi 23, Tallinn. Kungla was established in 1996 and is currently operating bars in Estonian Olympic Casinos, as well as conducting limited hotel management activities. Kungla is 100% owned by the Company. The single member of the Management Board of Kungla is Armin Karu. The Supervisory Board consists of Jaan Korpusov, Liina Linsi and Kaia Karu.

OÜ Fortuna Travel (Fortuna). Register code 10591404, address Pronksi 19, Tallinn. Purchased by OCE in 2000 with the aim to develop casino tourism. Casino tourism operations have not yet been commenced and this company is therefore currently dormant. Management sees considerable potential in casino tourism sector, but so far the regulatory hurdles and marketing restrictions within Estonia have not justified further development of this project. Fortuna will start active operations when and if the business environment will allow that. The sole member of the Management Board of Fortuna is Armin Karu and the company does not have a Supervisory Board.

OÜ Kasiino.ee (kasiino.ee). Register code 10925437, aaddress Pronksi 19, Tallinn. OÜ Kasiino.ee was established in 2003 and its principle activity is the operation of Internet portal www.kasiino.ee. OÜ Kasiino.ee was purchased by the Company in February 2006. The aforementioned Internet portal is currently purely a marketing platform allowing to play a number of games free of charge and gain. No online casino services are so far offered. OÜ Kasiino.ee is 100% owned by the Company. The single member of the Management Board of OÜ Kasiino.ee is Andri Avila and the company does not have a Supervisory Board.

Latvia

SIA Olympic Casino Group Baltic (OCGB). Register code 40003404489, address Blaumana iela 22, Riga. OCGB is a holding company, owned by the Company since 2001 and used for the purposes of holding a portion of shares of OCL. All shares in OCGB are held by the Company. OCGB does not carry out any business operations and may be liquidated in the foreseeable future. The members of the Management Board of OCGB are Armin Karu (Chairman), Andri Avila and Jaan Korpusov. The company does not have a Supervisory Board.

SIA Olympic Casino Latvia (OCL). Register code 40003264397, address Kuģu iela 24, Riga. OCL is the Group's main operating entity in Latvia, registered since 30 August 1995. OCL (under the former business name of SIA Casino Daugava) was purchased by the Company in 2001. Shares in OCL are held by OCGB (55.05%), the Company (31.64%) and Baltic Gaming (13.31%). The original reason behind the split holding in OCL is the (by now repelled) requirement in the Latvian law to the effect that over 50% of shares of gaming operators had to be held by a Latvian company. The ownership stake of Baltic Gaming in OCL is due to the transfer of the assets of Baltic Gaming to OCL as a non-monetary contribution. The members of the Management Board of OCL are Gints Pakārklis and Andri Avila and the company does not have a Supervisory Board.

SIA Ahti (Ahti). Register code 40003420708, address Blaumaņa iela 22, Riga. Ahti is an auxiliary Latvian entity, established in 1998, currently operating bars in Olympic Casinos operated by OCL in Latvia. 100% of shares in Ahti are held by the Company.

The members of the Management Board of Ahti are Armin Karu (Chairman), Andri Avila and Jaan Korpusov. The company does not have a Supervisory Board.

AS Baltic Gaming (Baltic Gaming). Register code 4000323500, address Brīvības iela 99-1, Riga. Baltic Gaming is the second largest casino operator in Latvia. Baltic Gaming was acquired by the Group in 2005 and 100% of shares of Baltic Gaming are held by the Company. The operations of Baltic Gaming are gradually being transferred to OCL. The members of the Management Board of Baltic Gaming are Gints Pakārklis (Chairman), Andri Avila and Niklas John Brathen. The members of the Supervisory Board of Baltic Gaming are Armin Karu (Chairman), Inese Kazule (Deputy Chairman) and Edgars Beitāns. Niklas John Brathen and Edgars Beitāns are the representatives of the sellers of Baltic Gaming, which will remain on the management bodies of Baltic Gaming until the purchase price for the shares of Baltic Gaming is paid in full (i.e. until March 2007).

SIA Faraons (Faraons). Register code 5000352364, address Nometņu iela 30, Riga. Faraons is an auxiliary Latvian entity purchased together with Baltic Gaming in 2005. Established in 2000, it currently operates bars in “Bumerangs” casinos operated by Baltic Gaming in Latvia. 100% of shares in Faraons are held by the Company and the operations of Faraons are gradually being transferred to Ahti (together with the transfer of “Bumerangs” casinos from Baltic Gaming to OCL). The single member of the Management Board of Faraons is Gints Pakārklis. The company does not have a Supervisory Board.

SIA Tower(Tower). Register code 40003103438, address Smislu iela 7, Riga. Tower is an auxiliary Latvian entity, established in 1992, which operated a restaurant at the aforementioned address. 100% of shares in Tower are held by Baltic Gaming. The restaurant previously operated by Tower is now shut down and the Group plans to dispose of Tower in the near future. The single member of the Management Board of Tower is Gints Pakārklis. The company does not have a Supervisory Board.

SIA Baltic Electronics (BE). Register code 40003613657, address Aizkraukles Street 23, office No 238, Riga. BE manufactured certain gaming equipment for Baltic Gaming. However, over time the necessity for such services disappeared. 25% of shares of BE are held by Baltic Gaming with the remaining 75% in the hands of a German investor. Currently, the company is not involved in any business activities. It is likely that the Group will dispose of BE in the near future, as at the moment the shares of BE have no noticeable investment or practical value. The members of the Management Board of BE are Jānis Ciminš and Jens-Gerolf Kai Dieckhaus, and the company does not have a Supervisory Board.

Lithuania

UAB Olympic Casino Group Baltija (OCLT). Register code 211733760, address Konstitucijos pr. 12, Vilnius. This company is the main Lithuanian operating entity. 100% of shares in OCLT are held by the Company. The General Director of OCLT is Gintaras Grybenas.

UAB Mecom Grupp (Mecom). Register code 1117 33421, address Konstitucijos pr. 12, Vilnius. Mecom is the operator of bars in the Olympic Casinos in Lithuania. 100% of shares in Mecom are held by the Company. The General Director of Mecom is Gintaras Grybenas.

Ukraine

Olympic Casino Ukraine TOB (OCU). Register code (EDRPOU code) 32962970, address Kreshchatyk str. 16, Kiev. Established in 2004, OCU is the main operating entity of the Group in Ukraine. 100% of the shares of OCU are held by the Company. OCU is permitted to operate its own bars. The single member of the management of OCU is Lembit Loo.

Belarus

Olympic Casino Bel IP (OCB). Register code 190636106, address ul. K. Cornogo, 5a/33, Minsk. OCB is the main Belorussian operating entity which is established in 2005 and is wholly owned by the Company. OCB will operate its own bars in Belorussian casinos. The single member of the management of OCB is Andrus Koha.

Poland

Silber Investments Sp. Z.o.o. (Silber). Register code 0000235850, address Al. Jerozolimskie 56C, 00-803 Warsaw, Poland. Silber Investments Sp. Z.o.o. is an acquisition vehicle for the purchase of shares of Casino Polonia (see “*History and Development of the Group – Recent M&A Activity*”) and is wholly owned by the Company. The members of the Management Board are Andri Avila and Armin Karu, and the company does not have a Supervisory Board.

Baina Investments Sp. Z.o.o. (Baina). Register code 0000233487, address Al. Jerozolimskie 56C, 00-803 Warsaw, Poland. Baina Investments Sp. Z.o.o. is an acquisition vehicle for the purchase of shares of Casino Polonia (see “*History and Development of* *the Group – Recent M&A Activity*") and is wholly owned by the Company. The members of the Management Board are Andri Avila and Armin Karu, and the company does not have a Supervisory Board.

Share capital of Group entities

Information on the current share capital of the Group entities is presented below.

Entity	Share Capital	Shares	Par Value	Equity 30 June 06 (*thousand EEK*)
Company	EEK 600,000,000[5]	60,000,000	EEK 10	724,982[6]
OCE	EEK 51,630,180	5,163,018	EEK 10	433,115
Fortuna	EEK 40,000	1	EEK 40,000	40
Kungla	EEK 13,000,000	1,300	EEK 10,000	54,437
Kasiino.ee	EEK 40,000	1	EEK 40,000	40
OCGB	LVL[7] 50,000	50,000	LVL 1	560
OCL	LVL 2,228,000	4,456	LVL 500	34,736
Baltic Gaming	LVL 1,000,000	10,000	LVL 100	116,264
Ahti	LVL 34,500	1,725	LVL 20	-859
Faraons	LVL 2,000	1,000	LVL 2	2,907
Tower	LVL 180,000	450	LVL 400	-3,262
BE	LVL 2,000	200	LVL 10	n/a (minority)
OCLT	LTL[8] 4,000,000	400	LTL 10,000	98,462
Mecom	LTL 30,000	2	LTL 10,000	3,242
OCU	UAH[9] 25,704,158.80	1	UAH 25,704,158.80	56,752
OCB	USD[10] 40,000	1	USD 40,000	1,436
Silber	PLN 50,000	100	PLN 100	192
Baina	PLN 50,000	100	PLN 100	192

History and Development of the Group

General Information

The first operating company of the Group was established in September 1993 in Estonia under the name of AS Benetreks (eventually to be renamed to Olympic Casino Eesti AS – OCE – which is currently the main operating entity in Estonia). The company opened the first slot casino in the Pirita hotel in December 1993, with 39 slot machines. Initially, the company employed a total of 18 people. AS Benetreks opened the first "real" casino in the Baltic States at a time when the transition to market economy was far from over.

By the end of 1994, OCE (under the name of AS Benetreks) operated 3 venues (including the Pirita slot casino as well as the Kungla casino in Park Hotel, Tallinn – the biggest casino in Estonia to date – and the Mustakivi slot casino) with a total of 5 gaming tables, 117 slot machines and 80 employees. In 1997, the Park Hotel underwent extensive renovation and was re-opened with brand new interior, while the Park casino was transferred from the cellar of the hotel to the ground floor.

Already from 1998, the Group was looking for opportunities to extend its business to the neighbouring markets. For this purpose, OCGB was established in Latvia, but remained dormant for some time.

[5] LVL1 = EUR1.4393 (30 June 2006)
[6] LTL1 = EUR0.28962 (30 June 2006)
[7] UAH1 = EUR0.1663 (30 June 2006)
[8] USD1 = EUR0.7969 (30 June 2006)
[9] BYR1 = EUR0.00037 (30 June 2006)
[10] PLN1 = 0.24555 (30 June 2006)

Rapid growth within Estonia continued at an increasing pace and by the end of 2001, OCE operated 13 casinos with 15 gaming tables, 501 slot machines and 386 employees. Year 2001 signified an important step in the development of the Group. The business name of AS Benetreks (by then renamed to Benetreks Casino Group AS) was changed to Olympic Casino Group AS and a gaming license was obtained in Lithuania. The Group became the first casino operator on the Lithuanian market as soon as the legislation permitting gaming was adopted.

2002 saw further expansion of international operations with the opening of the first casino in Lithuania (located on the Konstitucijos street in Vilnius) and the acquisition of a Latvian casino operator Casino Daugava SIA, operator of a defunct casino in the Radisson SAS hotel in Riga. Following the acquisition, works began to renovate and refurbish the gaming floor of Casino Daugava according to Olympic's needs and requirements. Casino Daugava SIA was renamed to Olympic Casino Latvia SIA (OCL) and casino operations were re-launched in April 2003.

The rapid expansion of the Group resulted in a growing number of internal manuals and quality-related documentation. In order to improve and systematise quality management, OCE obtained an ISO 9001:2000 certificate from BVQI in 2002 (an upgrade from the ISO 9001:1994 certificate obtained in 1998).

Estonian, Latvian and Lithuanian operations were expanded throughout 2003, with the re-opening of the slot casino in the Pirita hotel (Tallinn) and the opening of Olympic Casino Radisson in the Radisson SAS Daugava Hotel (Riga), as well as the biggest casino of the Baltic States at the time - Olympic Casino Lietuva in Reval Hotel Lietuva, Vilnius.

In 2004, both OCLT and OCL received ISO 9001:2000 certificates from BVQI. Olympic Casino Group AS (OCE) was renamed to Olympic Casino Eesti AS and the majority owner of OCE (OÜ Mecom Grupp – the Company) was renamed to Olympic Entertainment Group OÜ. During the same year, OCU was registered and opened its first casino in Kiev. Expansion of operations in Latvia and Lithuania continued. By the end of the year, the Group operated a total of 25 venues in 4 countries and employed 1,190 personnel.

In the end of 2005, the number of venues increased dramatically as a result of the acquisition of Baltic Gaming, the second largest Latvian casino operator. With the addition of Baltic Gaming and the opening of 7 new slot casinos and casinos in the Baltics and Ukraine, by the end of the year the Group included a total of 66 venues and employed 1,940 personnel.

In 2006, the Group continued its expansion within the existing markets, as well as opened its first casino in Belarus (in mid-August 2006). One of the most important developments was the opening of the Olympic Voodoo Casino in Riga, Latvia, which is the biggest casino in the Baltic States.

Expansion of Operations 1993-2006

	Venues	Employees*
1993	1	18
1994	3	80
1995	5	120
1996	7	160
1997	8	200
1998	9	230
1999	9	250
2000	9	368
2001	13	456
2002	17	636
2003	19	788
2004	25	1,190
2005	66	1,940
Q2 2006	71	2,165

*as of the end of the relevant period

Timeline

The most important milestones in the expansion of the Group's operations and business are summarised below.

Month	Development
September 1993	OCE is established (under the name of AS Benetreks)
December 1993	First slot casino opened in hotel Pirita, Tallinn
June 1994	Casino "Kungla" is opened in Tallinn, later to be renamed to Park Casino.
1994 – 1997	6 more casinos opened in Tallinn
November 1997	Park Casino is re-opened in Tallinn after major reconstruction
December 1998	BVQI issues ISO 9001:1994 quality certificate to OCE
November 1999	The Company is established
August 2001	Benetreks Casino Group AS is renamed to Olympic Casino Group AS
	First slot casino is opened in Vilnius
February 2002	
	BVQI issues ISO 9001:2000 quality certificate to OCE
August 2002	OCL is acquired in Latvia (under the name of SIA Casino Daugava)
April 2003	"Olympic Casino Radisson" re-opened in Riga (former "Daugava Casino")
May 2003	"Olympic Casino Lietuva" opened in Vilnius (in Reval Hotel Lietuva), which was the biggest casino in the Baltic States at the time with 119 slot machines and 20 tables
May 2003	OCU is established in Kiev
January 2004	BVQI issues ISO 9001:2000 quality certificate to OCLT
September 2004	BVQI issues ISO 9001:2000 quality certificate to OCL
November 2004	First slot casino opened in Kiev, Ukraine with 22 slot machines
September 2005	A preliminary agreement is concluded for the acquisition of a Polish casino operator Casino Polonia
December 2005	Acquisition of a Latvian casino operator Baltic Gaming is completed, adding one table & slot casino and 32 slot casinos to the Group
May 2006	Olympic Voodoo Casino (the biggest casino in the Baltic States) opened in Riga, Latvia
July 2006	The Company is reorganised from a private limited company (OÜ) to a public limited company (AS)
August 2006	First slot casino is opened in Minsk, Belarus

Recent M&A activity

Acquisition of Baltic Gaming

In December 2005, the Group has acquired Baltic Gaming (the second biggest Latvian gaming operator) as well as Faraons (an auxiliary entity responsible for running the bars in "Bumerangs" casinos operated by Baltic Gaming) for the aggregate purchase price of EUR13.5 million (EEK211.2 million). Prior to the acquisition, certain real estate and movable property held by Baltic Gaming and not required by the Group were separated in two special purpose entities which were then sold by Baltic Gaming to its shareholders (private individuals). As one condition of the purchase, Baltic Gaming was granted the right to lease some of the premises previously owned by it for a period of 3 years from the closing of the transaction for a nominal fee.

A minor sports betting business belonging to Baltic Gaming was also not acquired by the Group and was separated from Baltic Gaming before the acquisition. Such sports betting operations were transferred to SIA Optibet prior to the completion of the purchase. It was agreed that SIA Optibet may continue operating its sports betting outlets on the venues of Baltic Gaming for at least one year following the closing of the transaction.

The purchase agreement is subject to the Latvian law and contains a customary set of warranties and representations, for which the sellers agreed to be liable. A thorough due diligence of the operations of Baltic Gaming was carried out before the closing of the transaction. An amount of EUR4.05 million (EEK63.4million) has been retained in an escrow account and will be transferred to the sellers subject to certain possible adjustments and pre-conditions, including the fulfilment of certain financial targets. The final amount (subject to any deductions) will be released to the sellers in March 2007. The liability of the sellers may only be invoked if the aggregate damages exceed EUR10,000 (EEK156,000). The sellers further agreed to a competition restriction valid on the territory of the Baltic States for a period of 3 to 4 years from the closing of the transaction. Non-solicitation obligations are also in place.

The business of Baltic Gaming is currently being integrated with that of OCL, a process that is expected to be completed for the most part in 2007. Some of the assets and contracts of Baltic Gaming have already been transferred to OCL (e.g. the lease agreement concluded with the owner of Reval Hotel Latvia). It is expected that up to 8 of the locations that are operated by Baltic Gaming in Riga will be transferred to OCL by the end of 2006 and that all other locations will be transferred during the course of 2007. All personnel of Baltic Gaming are being gradually transferred to OCL pursuant to the relevant agreements, and subject to the approval of each employee. Following the completion of the transfer of its business to OCL, Baltic Gaming will either be merged with OCL or liquidated. In accordance with the conditions of the purchase agreement, the final merger may not take place before 1 April 2007. Bar operations in "Bumerangs" casinos will gradually be taken over from Faraons by Ahti (the operator of bars in Olympic Casinos operated by OCL).

Acquisition of Casino Polonia

In September 2005, the Group (through the Company as well as Baina and Silber, both 100% subsidiaries of the Company) concluded a preliminary agreement (subject to Polish law) for the acquisition of 80% of all shares of Casino Polonia - Wroclaw Sp. Z o.o. ("Casino Polonia") from private individual shareholders for the aggregate price of EUR9 million (EEK140.8 million). The Company currently does not have a definite option to immediately acquire the remaining 20% of shares of Casino Polonia. However, the Company may decide to increase the share capital of Casino Polonia not earlier than 1 year from the date of the sale and require the remaining shareholder of Casino Polonia (holding the remaining 20% of shares) to contribute a proportionate amount to the share capital of Casino Polonia. In the event that such remaining shareholders should fail to do so, the Company has the option to acquire the remaining 20% of all shares against a payment corresponding to a sum of EUR4 million (EEK62.6 million).

The Company carried out a legal and financial due diligence of Casino Polonia after the preliminary agreement was concluded. The real estate, vehicles and certain subsidiaries of Casino Polonia that were of no interest to the Group were separated from Casino Polonia and are not subject to purchase.

The signing of the final agreement and the closing of the transaction are subject to certain conditions precedent, including the consent from the Polish Ministry of Finance to transfer shares of Casino Polonia, merger clearance and, notably, the transfer of the casino license to a new location. Under Polish legislation, municipal consent is required in order to transfer the existing casino license held by Casino Polonia to a new location (the Hilton Hotel). Some of the conditions precedent are fulfilled by the date hereof, while the transfer of license is still pending.

Upon the completion of the acquisition, the Company intends to extend a loan to Casino Polonia for the purpose of covering the costs of the planned investment in the Hilton Hotel casino. However, certain investments have been made already on the basis of the preliminary agreement in order to modernize and refurbish the leased venue in the Hilton Hotel. Such investments include EUR45,000 (EEK704,000) in design costs which will not be refundable if the transaction is not completed. However, if the gaming license would not be transferred for reasons not attributable to the sellers or to Casino Polonia, a portion of the investments will be refundable.

Additionally, the Company is under the obligation to provide an additional loan of EUR5 million to Casino Polonia within 12 months following the closing of the transaction for the purposes of constructing and equipping a new casino in the Hilton Hotel. Casino Polonia will also have to continue leasing the premises that are currently used by Casino Polonia for another 6 years following the closing of the transaction, regardless of whether or not a casino will be maintained there.

The remaining shareholder of Casino Polonia is entitled to appoint 1 member of the Management Board for a period of 6 years from the closing of the transaction, provided that he remains a shareholder. Some of the sellers are bound by a competition restriction which is valid for a period of 12 months after closing and all sellers have agreed to non-solicitation obligations effective for 2 years after closing.

Acquisition of Nordic

On 18 December 2005, the Company acquired 100% of shares of Nordic and its wholly-owned subsidiary Vikings (both Estonian companies) from Baltic Gaming (a Latvian seller) for the total consideration of LVL1.15 million (EEK25.9 million). Baltic Gaming itself has later been acquired by the Group from private individual shareholders (see above). The purchase price is payable within 1 year from the date of the agreement and will be settled as an intra-group transaction. The purchased operations included 2 casinos (including bars) of which one has by now been integrated into the Olympic network and the other liquidated. The purchase agreement is subject to the Latvian law and contains a customary set of warranties and representations, for which the seller agreed to be liable. A thorough due diligence of the companies was carried out before the closing of the transaction.

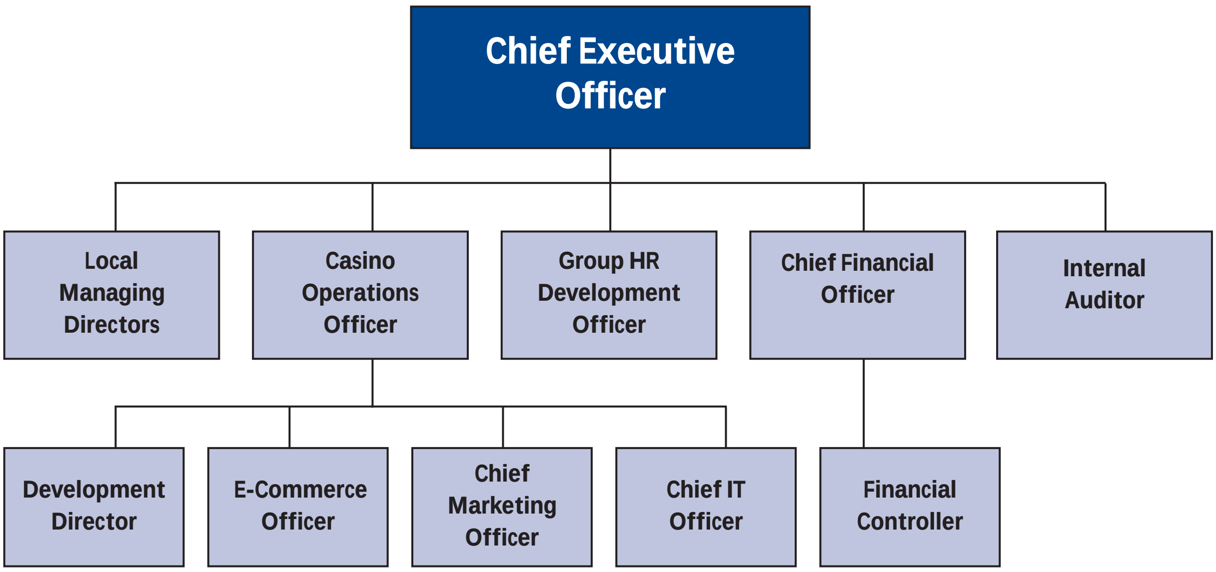
Structure of Operations

Organisational structure

The operations of the Group have been expanding rapidly and the resulting international management structure is currently taking shape. In general, the strategic management of the Group's business is carried out from Estonia (on the level of the Company), while the day-to-day management of local operations is entrusted to the management bodies of the local operating entities (respectively OCE, OCL, Baltic Gaming, OCLT, OCU and OCB).

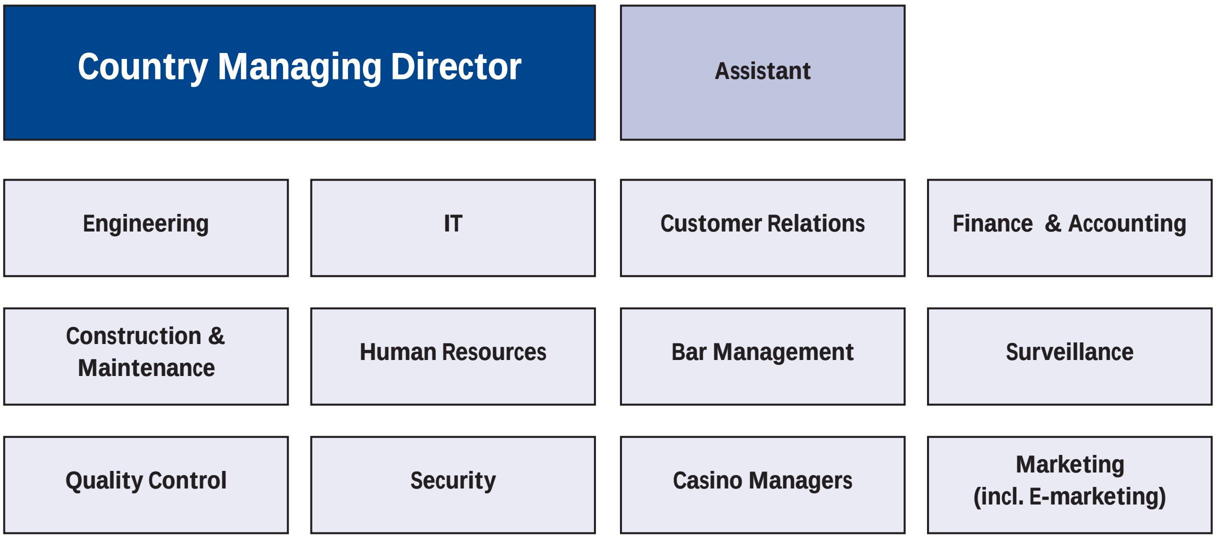
Group management

The Group management is led by the Group Chief Executive Officer, which position has been occupied by Mr. Armin Karu since the foundation of the Group. Other key officers of the Group include the Casino Operations Officer (Mr. Andri Avila), the Group HR Development Officer (Ms. Pille Lepasaar), the Chief Financial Officer (Mr. Jaak Õunpuu) and the Internal Auditor (Mr. Alar Heinaste). The Casino Operations Officer is in turn assisted by a number of officers in charge of the various aspects of casino operations, including Maintenance, E-Commerce, Marketing and IT. The Chief Executive Officer is directly responsible for supervising the work of the local management in each country in which the Group operates (please see "*Operations - Management*" below for more information on key employees). Each officer is in charge of the relevant segment of the Group's operations. The organisational chart of the Group appears below.



Local management

The structure of local management (and correspondingly, the operational structure of the Group's local entities) may slightly vary from country to country, depending on the scope of operations and other local factors. Normally, the local management would include the following structural elements:



With the development of the Group and the expansion of the scope of its operations in all countries, the Group expects to harmonize the structure of its local managements to the maximum possible extent.

Business processes

The operational management of the Group is organised according to the processes which are vital to its day-to-day operations. The Group makes an internal distinction between core and auxiliary processes. The two core processes – administration of slot machine gaming and administration of table gaming – are organised in accordance with certain rules and procedures (which may differ in details for slot casinos and full-scale slot and table casinos).

In addition to the core processes, the Group administers a number of auxiliary processes including human resource management, financial management, information and communication, marketing and sales, client relations, risk management, surveillance service, technical department, maintenance of equipment and casino bars.

Services offered by the Group

Olympic Casinos offer a variety of games, tournaments, bonuses and supplementary services to their clients. Services offered by the Group are briefly summarised below.

Gaming services

Regular gaming. The regular casino services are based on slot machines and gaming tables. Table gaming in Olympic Casinos is dominated by card games (including Black Jack, Baccarat and different Poker games) and the roulette. Olympic casinos also host a variety of different gaming machines ranging from the simpler slot machines to complex multi-functional gaming terminals and poker machines. Clients may choose their bets in a wide available range, which may differ according to the type of the slot machine or the nature of the table game in which they are involved.

Jackpots and campaigns. In additional to regular winnings, Olympic Casinos offer various jackpot prizes (which may be monetary or non-monetary, subject to local regulations). Such jackpot prizes vary greatly and may literally range from bicycles to sports cars, as well as comprise considerable one-time monetary winnings. Jackpot prizes are available to customers of both gaming tables and slot machines, and each table and slot machine is marked with an indication of the jackpot system in which the customer playing at that table or slot machine participates. From time to time, Olympic Casinos may offer their clients an opportunity to participate in various campaigns which may comprise higher winnings from ordinary gaming or the possibility of winning special prizes.

Club poker and gaming tournaments. Besides regular casino games, some Olympic Casinos offer club poker services and arrange poker tournaments. Club poker is a service which is offered only by the bigger gaming operators in the countries in which the Group operates, and it has often been mentioned by clients as one of the distinct features of Olympic Casinos. Club poker services are currently being offered by three casinos - Reval Park Hotel & Casino in Estonia, Olympic Casino Lietuva at Reval Hotel Lietuva, and Olympic Voodoo Casino at Reval Hotel Latvia. Club poker can be played either in a tournament (where chips have no monetary value and winnings are paid out from participation fees), or as a cash game, which is played with chips having monetary value. As an example, at Reval Hotel Park & Casino clients are offered the opportunity to set up their own poker clubs, where a company of friends, colleagues or business partners may play against each other and not against the casino. The game is played with tournament chips having no monetary value. For a corresponding fee, club members may use a fully equipped poker room for 30 people, 24 of whom can play at the same time, as well as the services of experienced dealers who deal the cards, explain the rules of the game and keep the game going. The casino also serves snacks and drinks for club members. Furthermore, Olympic Casinos hold an annual international blackjack tournament under the name of "The Baltic Sea Blackjack Tournament" for players from countries located in the Baltic Sea region. In the first stage, local blackjack champions are determined in Estonia, Latvia, Lithuania, Finland, Sweden, Poland, and Russia – the finalists of these competitions then take part in the ultimate finals. Numerous poker tournaments are also being hosted throughout the year.

Supplementary services

Bars and show programs. The majority of Olympic Casinos have their own bars serving alcoholic and non-alcoholic beverages 24 hours a day. Every month the bars of Olympic Casinos offer different drinks at special prices. Some Olympic Casinos have show programs on Friday and Saturday evenings to entertain their clients.

Weekend Package. Reval Park Hotel & Casino offers to its clients a weekend package under the name of "*It's Party Time*", which includes a number of services and benefits comprised of among other things a dinner and credits in the casino.

Party venue services. OCE sometimes provide their facilities for the organisation of private events such as wedding parties, company parties, birthdays, celebrations, presentations etc on the premises of Reval Park Hotel & Casino in Tallinn and Tartu Olympic Casino. The service may include different entertainment options, which can be tailored according to the clients' requirements, taking into account the nature of the event and the desires of the clients. The exact program, content and the price of such services is determined between the casino and the client.

Disbursement of winnings

Pursuant to the general rules of Olympic Casinos, winnings are either paid out at the casino counter or transferred to the bank account of the player, according to the choice of the latter. Bank transfers are performed at the latest on the following working day. Winnings exceeding a certain threshold are paid out during two working days after winnings are verified and registered in accordance with the applicable rules.

Winnings are paid out only if they are earned in accordance with the gaming rules applicable to the game in question. A mistake by the dealer results in the game being restarted. Whenever disagreements arise with regard to a possible mistake by the dealer, the matter is referred to an inspector or a pit-boss. If a customer violates the general rules of the casino, casino personnel are entitled to ask such customer to leave the casino.

Hotel management

Kungla leases the building of the Reval Park Hotel & Casino (Kreutzwaldi 23, Tallinn) from the Confederation of Estonian Trade Unions ("CETU"). For more information on the lease agreement, see "*Operations - Real Estate and Leased Premises*" below. The building hosts the Park Casino – the biggest casino in Estonia. As one condition of the lease agreement, at least 70% of the building must be used as a hotel.

Kungla does not itself directly engage in hotel management activities and has concluded a relevant agreement with Reval Hotelligrupi AS who operates the Park Hotel under the "Reval" trademark. The management agreement is valid until 31 December 2011 and may be renewed for subsequent periods of 36 months if so agreed. Termination of the agreement is possible with one year's prior notice. The monthly management and marketing fee payable to Reval Hotelligrupi AS is defined as a percentage of the monthly turnover, to which certain performance-based fees and bonuses may be added.

In addition to hosting the biggest of the Estonian casinos and a total of 121 hotel rooms, the building of the Reval Park Hotel & Casino includes a number of lounges and meeting rooms which are operated by Kungla.

Customers

Due to the nature of its business, the Group does not rely on individual customers to maintain its cash flows. Approximately 80% of the Group's customers are male and 20% female, generally aged over 26. The average customer is a local resident with earnings somewhat above the local average, although no precise statistical data is available. Customer profile depends on the location of a particular casino and the services offered on different venues. The Group is constantly monitoring the composition of its clientele through market research and client surveys. Such monitoring provides valuable data which is then used to adjust marketing efforts and fine-tune the Group's expansion strategy.

Competitive Position

Basis of statements

To the best of the Company's knowledge, no current, reliable and comprehensive reviews of the competitive situation in the markets in which the Group operates (as relevant to the Group's industry) were publicly available prior to the date hereof (with the exception of a limited amount of official information published in Latvia and Lithuania). As a consequence, in presenting the below overview of the competitive position of the Group in the relevant markets, the Management has relied principally on its own assessment and analysis of such competitive position. In doing so, the Management has used the market information collected by its own staff and advisors for such purpose, either available on the basis of public information or derivable from the same.

Overview of competitive position

The Group is the biggest casino operator in the Baltic States. In Lithuania and Estonia, the Group has firmly established itself as the top operator by revenue and one of the clear leaders in terms of quality. In these countries, the "Olympic" brand enjoys superb recognition and has considerable reputation. With the acquisition of Baltic Gaming in Latvia, the Group currently ranks second on the Latvian market by revenue (with Alfor group currently in the top spot) and is actively working to expand its market share.

Unlike many of its competitors, the Group is active on all levels of casino market with different venues offering services ranging from high-end table gaming and competitive gaming (e.g. poker tournaments) to middle- and lower-stakes slot machines that allow gambling with smaller bets.

Estonia

The population of Estonia is app. 1.35 million. As of 30 June 2006, the Estonian market hosted 15 operators operating a total of over 140 casinos. OCE is the clear market leader in Estonia with 20 casinos opened to date. In 2005, the market share of OCE was 36%. OCE manages the largest of the Estonian casinos – Reval Park Hotel & Casino, which is one of the few Estonian venues offering quality table gaming services and hosting poker events.

City Casino, Play-In casinos, Kristiine and Videomat casinos are the closest competitors of OCE, with respectively 10%, 9%, 8% and 7% of the Estonian market by revenue. The market share of OCE therefore exceeded that of 4 of its closest competitors combined. Out of the aforementioned competitors, City Casino is being closely monitored as the one that is expanding with most energy. However, competitors tend to focus mostly on the number of venues rather than the quality of locations. As a result, casinos are opened in low-yield districts and the image of the respective operators suffers accordingly. OCE is committed to maintaining the quality of premises its highest priority and does not intend to always open the maximum number of new casinos at all costs.

Estonian market is characterised by significant marketing constraints, as well as the increasingly effective supervision over the activities of gaming operators. Competitive position of OCE is likely to improve further in connection with the adoption of the new Gambling Act (likely to come into force sometime in 2007), which is expected to bring about increased quality and location standards, which with a high degree of probability will contribute to the disappearance of a number of substandard gaming venues.

Latvia

The population of Latvia is app. 2.3 million. As of 30 June 2006, there were 19 licensed gaming operators on the Latvian market. The market leader by revenue as of 30 June 2006 was Alfor with 29%, with the Group in second place with over 14%. The third-strongest operator on the Latvian market (Admirāļu Klubs) held 8%. The majority of gaming operators are owned by private individuals and lack the administrative and financial resources to significantly expand their businesses. Furthermore, many existing gaming operators prioritize the number of venues over the quality of service.

Before the acquisition of Baltic Gaming the Group held only a minor share of the Latvian market (app. 6%). The acquisition of Baltic Gaming provided an excellent opportunity to capture a bigger market share and benefit from scale economy. The Group hopes to achieve this goal by providing services of better quality as compared to peers, and concentrating on creating a safer gaming environment than the Latvian consumers are historically accustomed to. The Group already enjoys substantial recognition on the Latvian gaming market and hopes to capitalise on this in the future. In addition, the Latvian arm of the Group relies on a much more generous marketing budget than most of its local peers and benefits from the advanced IT solutions provided from the Group level, as well as from access to internal financing capabilities.

Additionally, the new Law on Lotteries and Gambling (in effect since 1 January 2006) imposes much stricter requirements with respect to gaming operators and venues (see more under "*Operations - Licensing and Compliance*"). Said requirements are being implemented gradually, with a transitional period ending on 1 January 2007 with respect to increased statutory capital requirements. The requirement concerning the minimum number of slot machines in slot casinos already entered into force on 1 July 2006. It is anticipated that a considerable number of smaller casinos will disappear as a result of the aforesaid changes, thus benefiting the market position of those operators who correspond to the higher standards of service and organisation.

Lithuania

The population of Lithuania is app. 3.4 million. Until recently, the Lithuanian legislation did not permit gambling activities. The Lithuanian gaming market exists from 2001 and is obviously somewhat underdeveloped compared to the other Baltic States. As of 30 June 2006, there were 8 licensed operators, running a total of 21 casinos. OCLT was the largest among the operators with 8 casinos in 4 cities, over 370 slot machines and 61 gaming tables. OCLT enjoyed a 49.6% share of the Lithuanian market by revenue in 2005, which signifies a noticeable increase from 43.5% in 2004. By the end of the first half of 2006, the market share of OCLT in Lithuania exceeded 50%. The expansion of the market share in 2005 was achieved among other things thanks to the opening of three new casinos in Klaipeda, Vilnius and Panevezys. The closest competitors of OCLT are Nese (which among other things operates a large casino in Vilnius) and City Casino, which is also active in Estonia and Latvia.

The Group is not aware of any new major potential competitors planning to enter the Lithuanian market. Stemming from the complete prohibition on gambling that was in force until 2001, the legislative restrictions imposed on the Lithuanian gaming industry are considerably stricter than in the other Baltic or European states, and therefore constitute a significant entry barrier for new competitors. OCLT intends to capitalize on its existing lead on the Lithuanian market and continue expanding its operations in Vilnius and other major cities.

Ukraine

The population of Ukraine is app. 47.1 million. Though no official statistics is available, it appears that at least a half of the Ukrainian market belongs to minor operators (many of whom are not licensed to conduct gaming activities), while the other half is controlled by larger operators. The number of licensed and unlicensed operators may reach a few thousand, though no official information has been published to that effect. This situation on the Ukrainian market is obviously not sustainable and the Group expects the market to become considerably more organized and consolidated over the coming years. The recent developments indicate that state and municipal supervision over gaming operators is becoming more thorough, which appears eventually certain to lead to a drastic decrease in the current number of casinos and casino operators. The largest of the existing competitors include the Ritzio group operating "King" and "Metro Jackpot" casinos, as well as Maxbet and Eldorado casinos.

Ukrainian market is characterised by high entry costs, with the general gaming license being issued for the annual fee of 30,000 Euro, which must be paid up-front and in advance for 5 years. As more administrative resources are devoted to enforcing this requirement, the number of operators who are willing and able to make such a considerable investment will most likely represent a relatively small proportion of the current mass. The Group will remain on the lookout for potential acquisition targets and will seek to secure quality locations for new casinos in Kiev and other major cities in order to capture a noticeable share of the Ukrainian market. The somewhat relaxed marketing rules applicable to the gaming industry in Ukraine are expected to provide a valuable instrument towards achieving that goal.

While OCU as a part of the Group benefits from considerable experience in international operations and easy availability of know-how and support systems, it is at the same time somewhat at a disadvantage when it comes to local personal connections and affiliations, which may play a significant role *e.g.* in securing quality rental premises and locations (see "*Risk Factors*"). The Group expects this comparative disadvantage to disappear as more local expertise is gained over time.

Belarus

The population of Belarus is app. 9.75 million. Belorussian gaming market is virtually unregulated and there currently is slightly over 15 casinos in Minsk. Most of these are operated by minor casino operators with one or two venues and no recognisable brand or defined strategy. The Belorussian market is, however, characterised by considerable practical entry barriers (and especially so for foreign operators). A foreign casino operator will normally find it extremely difficult to navigate through the system of Belorussian administrative and contractual relations without local advice and expertise. Moreover, legal and administrative uncertainties make the Belorussian market extremely difficult to predict and require that investments made in Belarus are treated primarily as risk capital.

The largest operator on the Belorussian market with 2 bigger casinos and a few gaming halls is the Turkey-based Princess group, which operates casinos as an auxiliary business to its hotel operations. Other noticeable competitors include a chain of 3 slot casinos under the brand of "Kolumbus" and the operator of the "Belaja VeÏa" slot and table casino which may be expected to expand its operations in the near future. In addition, there are 4 Admiral casinos in Minsk (2 slot casinos and 2 table/slot casinos), which are currently equipped with somewhat outdated gaming machinery. Notably, many operators attempt to focus on high-end clientele by introducing high entrance fees and investing in exclusive interior. So far, most similar attempts have failed due to the unreliability of cash flows dependant on the continued loyalty of a small number of high-end customers.

With the opening of 4 to 5 casinos in Minsk (of which the first one was opened in mid-August 2006) featuring uniform quality interior, cutting-edge gaming technology and standards of service which are significantly higher than those of its peers, the Group expects to capture a noticeable share of the Belorussian market. The Group intends to pursue it regular policies by targeting clientele with average and upper-average income, rather than focusing exclusively on high-end clients or attracting a maximum amount of customers regardless of their spending power.

Marketing

General overview

When compared to peers, the Group stands out in terms of marketing efforts. The Group invests considerable funds and efforts in retaining existing clients and expanding its clientele. For example, in 2005 OCE spent the most on marketing among the Estonian gaming operators (based on the financial results posted by the closest competitors). Marketing spending in other countries is equally considerable and is illustrated by the table to the right (in absolute numbers and as percentage of the total business costs). In 2005, considerable investments in marketing were made in Latvia where the Group is currently in the process of aggressively pursuing a bigger market share. It is anticipated that with the opening of new casinos in Kiev, the Ukrainian marketing spending will also represent a proportionally larger share of the overall Ukrainian business costs. The continuing growth of the Group allows its entities to benefit from scale economy with respect to marketing costs, since the increased number of operated venues does not in itself necessitate significantly higher overall marketing spending.

Marketing Expenses Relative to Business Costs*

million EEK	2005	%	2004	%
Estonia	45	17	43	19
Latvia	20	20	14	*20*
Lithuania	18	9	16	*12*
Ukraine	4	9	0.1	*3*
Group	86	13	73	15

*expenses and business costs of casino companies only

Marketing activities in 2006 are carried out with a particular focus on average profile customers whose regular income allows them to spend certain stable amounts on gaming without any adverse effect on their purchasing power and living standards. The marketing research undertaken by the Group demonstrates that these customers value comfort and security above numerous other factors. Olympic casino intends to capitalise on its considerable investments into the quality of its premises and services in order to expand its market share among such clients at the expense of smaller and lower-quality operators.

In addition to winning over an increasing share of existing casino customers, the Group endeavours to attract new customers who have previously not had any gaming experience. In order to attract such new customers, the Group is increasingly focusing on turning casinos into entertainment venues that offer attractions above and beyond pure gaming. The purpose is to provide a leisure environment that is both safe and exciting, and is widely accepted as a viable option for spending spare time together with friends, family and colleagues. To this end, the Group is spending significant effort on organising various social and entertainment events in its casinos.

Marketing management

The Group has developed a carefully planned marketing strategy extending over all markets in which it operates. To ensure effective strategic planning, the marketing activities were re-organised and optimised over the recent years to take into account the multinational nature of the Group's operations. A number of marketing tasks were lifted from the national level to the Group level to ensure consistency in the public perception of Olympic Casinos and their marketing efforts. On the Group level, marketing activities are led by the Chief Marketing Officer whose responsibilities include (i) analysing market, peer and client information, (ii) coordinating market research in all countries, (iii) charting market segments and surveying customer behaviour trends, (iv) developing a strategic marketing vision and corporate identity, (v) exploring market potential in all countries and developing local approaches, (vi) overseeing implementation of the marketing strategy in all countries, (vii) developing cooperation between countries, (viii) leading corporate PR efforts, (ix) maintaining databases of marketing materials and campaigns and (x) budgeting in the field of marketing.

Local marketing is led by a regional marketing director in each jurisdiction, whose responsibilities include developing periodic local marketing plans and tactics in cooperation with the Chief Marketing Officer and preparing, implementing and overseeing tactical marketing campaigns.

Marketing restrictions

Marketing in the gaming industry is heavily regulated and subject to extensive restrictions. The applicable restrictions in the relevant jurisdictions are the following.

Estonia

Advertising of gambling and casinos is prohibited except in locations where gambling is organised (i.e. casinos). Advertising of gambling must be understandable and unambiguous and may not contain a direct appeal to participate in gambling. Over the years, the practise has shown that the interpretation of the applicable legal provisions in Estonia may often be subjective and as a result, OCE is from time to time engaged in discussions and disputes with the Estonian Consumer Protection Board with respect to particular instances of advertisement. On the whole, such disputes do not have the potential of affecting the results of OCE's operations. From 1 September 2006, the utilisation of flashing lights outside casinos is prohibited in Tallinn.
Latvia

Casino advertising in any form is prohibited outside the casino itself. Casino signs (including the name and the logo of the operator) are permitted. Lotteries are prohibited altogether and jackpot prizes can only be monetary (*i.e.* goods can not be offered as prizes in draws). Municipal authorities have the right to impose additional restrictions on advertising of gaming services. At the moment, the city municipality of Riga prohibits the use of light effects (such as running or flashing lights) in casino signs, as well as prohibiting the installation of signs in a radius of 300 meters around schools, hospitals and administrative buildings.

Lithuania

As is the case with the Lithuanian gaming legislation in general, Lithuanian marketing restrictions are somewhat ambiguous and are often tested through judicial intervention (see more under "Operations - Licensing and Compliance"). Advertising of gaming establishments is generally prohibited, except where it contains only the name of a gaming operator, the name and address of the gaming establishment (casino), as well as the available types of gaming and the number of gaming devices in the establishment. Recent court practise shows that the above restrictions are interpreted very narrowly. Therefore, nothing can be advertised in practice except the factual information mentioned above. As a result, there is a high likelihood that any indirect marketing actions that could be considered to constitute advertising would also be prohibited.

Ukraine and Belarus

Advertising of casinos is at the moment permitted in all forms. In Ukraine, advertisements of gaming establishments must contain a reference to the relevant license.

Alternative marketing

Due to the stringent marketing restrictions applicable to the Group's industry across most jurisdictions, marketing efforts are to a large extent directed at existing customers, with targeted advertisements sent via SMS and with promotional materials available within the casinos. In Latvia, the Group advertises casino bars rather than casinos themselves.

In addition to direct marketing and advertising within the legally permissible limits, the Group invests considerable efforts in maintaining the existing client base and attracting new customers through a variety of loyal client programs, benefits and special offers.

Bonus program

The Group employs a uniform loyalty and customer bonus program in the Baltic States. Currently, over 30% of revenue in Estonia, close to 50% in Lithuania and over 60% of revenue in Latvia is generated by customers who participate in the bonus program.

Clients can earn bonus points when playing in Olympic Casinos. In order to accrue bonus points, players have to register their bonus cards at gaming tables or machines before or during play. Bonus points are calculated based on the amount of money wagered by a particular player in the Olympic Casinos. This system is unique in the Baltic States – the Group is the only operator that calculates bonuses on the basis of the total amount wagered by a customer, rather than on the basis of the total amount spent (*i.e.* bets minus winnings). A successful player would be able to accrue bonus points on each bet regardless of his/her winnings. Depending on the amount of bonus points collected during certain time periods (normally, during six months), players may be entitled to additional loyal client benefits in Olympic Casinos. Notably, bonus points can later be exchanged for chips or cash (which is another aspect which distinguishes the Group's loyalty program from those offered by its peers)

Bonus program customers are divided into several categories according to their spending in Olympic Casinos. Estonia, Latvia and Lithuania operate a virtually identical bonus card system, where bonus cards are divided into ordinary bonus cards, Silver, Gold and Diamond cards. Each new level of a bonus card entitles the respective customer to additional benefits and special offers, as well as increasing the rate at which bonus points are generated on turnover. The subject matter of the loyalty program and its unique features are essentially the same in all three Baltic countries, save for a few minor local differences.

The implementation of the bonus program requires significant investments in client tracking software and hardware, as well as in marketing and client relations efforts. For this reason, the bonus program is currently not rolled out in Ukraine and Belarus, those operations being in the earlier stages of expansion. However, with the increase of its revenues and market share in Ukraine in Belarus, the Group intends to implement a similar bonus program in those countries.

Additional winnings

In addition to game winnings, Olympic Casinos offer seasonal winning opportunities to their clients. Such additional seasonal winnings are available to clients who achieve a certain combination on a slot machine or at a gaming table, or by achieving certain other pre-determined gaming results. Each player who is thus selected receives the right to participate at a final draw which takes place at a roulette table. The winner of the final game wins an additional prize on top of the customary monetary gain from placing his/her bet on the winning roulette number. In such final game, participants make an equal number of bets, corresponding to the number of participation rights held by them. The player with the highest result is the winner of the final draw and is eligible for a special prize in addition to conventional winnings. Other additional winning opportunities are available from time to time (normally either through additional winning combinations or increased winnings attached to existing winning combinations).

Licensing and Compliance

Estonia

Applicable rules

Gaming establishments may only be operated by persons holding a relevant license and an operating permit giving right to organize gaming in a specific location. The general license can be applied for only by a company with a share capital of at least EEK2 million. General licenses are issued by a commission of the Government of the Republic, while operational permits are issued by the Customs and Tax Board. Gaming operators may not engage in other activities besides organizing gaming, for which reason casino bars have to be operated by a separate entity.

The relevant legislation is expected to change sometime in 2007, with the draft of the new Gambling Act currently in preparation. The new legislation is expected to set forth very specific criteria with respect to locations on which a casino may be operated. This is seen by the Group as a welcome positive development which will reduce (or eliminate) the discretion of the administration with regard to the location of new casinos. The new legislation is also expected to establish minimum requirements in respect of the size of casinos and bring about certain changes to the manner in which licensing and supervision of gaming is organised. In general, the new legislation is expected to contribute to the overall quality of gaming services, which the Group strongly supports.

Compliance with applicable rules

In the past, OCE has been involved in a number of minor disputes with various authorities concerning the interpretation of marketing restrictions applicable to the gaming industry in Estonia. The only pending case is related to an administrative order issued by the Estonian Consumer Protection Board requesting OCE to cease certain advertising activities in the vicinity of several of its casinos. OCE has contested the order in the Administrative Court of Tallinn. The court hearing in this matter is scheduled for 14 September 2006. It is probable that the new Advertising Act will enter into force before the final decision is passed in this matter, possibly rendering the order of the Consumer Protection Board obsolete. If that should not be the case, and if OCE were to loose the case, the result is not likely to have any noticeable effect on Estonian operations.

Latvia

Applicable rules

The Latvian gaming regulations have recently undergone a significant review. Following extensive public debate, the new Law on Lotteries and Gambling ("*LLG*") entered into force on 1 January 2006. Among other things, the LLG introduced stricter rules in respect of gaming venues (e.g. raised the minimum required number of slot machines in a slot casino to 20 pieces), as well as imposing minimum corporate requirements on gaming operators (*e.g.* a statutory minimum share capital requirement of LVL1 million). According to the LLG, a general license from the Lotteries and Gambling Supervision Inspectorate (which acts under the supervision of the Ministry of Finance) is required in order to operate gaming establishments. The general license is issued for an unspecified term but must be renewed annually.

General license may be issued only to a limited company with the minimum share capital of LVL50,000. This requirement will be significantly increased from 1 January 2007, when the new minimum capital requirement of LVL1 million (app. EEK22 million) becomes effective.

Notwithstanding the general license, a specific license is required for each casino, which requires inter alia the consent of the local municipality in which the prospective casino is to be located. In addition, each casino must be managed by an administrator who is personally approved by the Lotteries and Gambling Supervision Inspectorate. As an additional criterion, direct foreign ownership in a gaming operator may not exceed 49% (whereas EU Member States are not treated as foreign countries).

Latvian authorities are currently developing a set of detailed regulations governing various aspects of the gaming industry (software, accounting, registration of clients etc.). These regulations are expected to be adopted in late 2006 or early 2007.

From 1 July 2006, Latvia enforces a strict anti-smoking policy. The new legislation requires that separate rooms are designated for smoking in public, which the Group has done in several bigger casinos in Latvia. Some of the Group's smaller casinos (including primarily the smallest of "Bumerangs" casinos) had to introduce a complete ban on smoking on the premises, which so far does not seem to have had any effect on the results of operations.

Compliance with applicable rules

OCL and Baltic Gaming are licensed to conduct casino operations in Latvia and either hold or are in the process of obtaining individual licenses for each of their venues. In addition, each casino manager employed by OCL and Baltic Gaming is approved by the Latvian Lotteries and Gambling Supervision Inspectorate in accordance with the applicable law.

OCL and Baltic Gaming are also licensed to buy and sell foreign currency. OCL has registered two personal data processing systems with the Latvian State Data Inspectorate (casino client registration system Endx/CasinoLink and the video surveillance system). Faraons and Ahti (the bar operator entities) are duly licensed to sell tobacco and alcohol in casinos in which they operate.

Lithuania

Applicable rules

The Lithuanian gaming market is supervised by the State Gambling Control Commission ("*SGCC*"). SGCC is responsible for issuing licenses and permits to gaming operators and venues, approving changes to table and slot game rules and overseeing compliance with the applicable gaming rules and regulations. In discharge of its duties, SGCC is empowered to conduct on-site investigations and dawn raids.

The Lithuanian law imposes a minimum share capital requirement of LTL4 million (app. EEK18 million) on all gaming operators. Certain auxiliary activities are also subject to licensing – for example, a gaming operator may only engage in personnel training in the field of gaming devices if an appropriate license is obtained. Gaming devices are certified on an individual basis by state accredited agencies.

It is notable that in Lithuania it is the management of a company and its responsible employees (rather than the company itself) who are personally liable for administrative compliance. If any discrepancies are established, the authorities initiate proceedings not against the legal person who is in breach of the applicable requirements, but against the members of its management organs. However, proceedings initiated against a manager or an employee may also translate into negative consequences for the company in the form of the suspension of its license.

It is also required under Lithuanian law that gambling operators retain certain minimum amounts in reserve, which secures the possible disbursement of winnings.

Compliance with applicable rules

OCLT is duly licensed to operate gaming premises and all slot machines installed in its casinos are duly certified. OCLT and Mecom are licensed to process personal data of their employees in accordance with the Lithuanian law. Since OCLT does not engage in personnel training, training activities are carried out by Mecom, which is duly licensed to do so. Mecom is also duly licensed to conduct retail sales of alcohol and tobacco on the premises of Olympic Casinos in Lithuania (with due regard to two licensing disputes reflected below). Despite the Group's best efforts to comply with applicable legislation, there is a number of pending administrative proceedings in relation to Lithuanian casino and bar operations. Such proceedings are summarized below. Given the state of Lithuanian gaming regulations, such proceedings form a normal part of Group's everyday business and are aimed primarily at clarifying the applicable legal provisions. The Group expects the situation to improve considerably with the evolution of the applicable legal acts and regulations.

Investigations by the Financial Crime Investigation Authorities

In 2005, an employee of OCLT was investigated by the Financial Crime Investigation Authorities ("*FCIA*"), which alleged that said employee was engaging in fraudulent activities. The employee is no longer working with the company and a criminal case against the employee is currently pending. Another administrative dispute between OCLT and the FCIA concerns allegations of non-compliance with certain anti money laundering procedures. Allegations against OCLT were dismissed by a district court and further proceedings are pending in the Supreme Administrative Court of Lithuania.

Investigations by the State Gambling Control Commission

OCLT is or was recently engaged in multiple administrative proceedings with the SGCC. The proceedings concern mostly the alleged breaches of advertising restrictions. Brief mention is made of possible violations of language requirements, requirements to provide information to the client and other minor violations. As a result of the ongoing proceedings, OCLT and its employees run a risk of administrative sanctions. However, the aforementioned proceedings are to a large extent due to the uncertainty of the relevant Lithuanian regulatory environment. Gaming rules and restrictions in Lithuania are often blurred and the SGCC is keen to delegate the interpretation of such rules and restrictions to the courts of law. It is for this reason that proceedings are often initiated in borderline cases, and allegations are often dismissed by the courts. OCLT does not anticipate significant adverse consequences from any of the aforementioned proceedings and is prepared to comply with any interpretation that the Supreme Administrative Court of Lithuania would choose to give in each particular case. Given the lack of malicious intent on behalf of OCLT and its employees, the fines incurred so far have been nominal. OCLT chose not reflect possible future fines in its accounting yet.

Dispute with Kaunas and Klaipeda City Municipal Government Administrations

Mecom, which is engaged in retail sales of alcohol in Lithuanian Olympic Casinos, is involved in 2 identical license disputes with respectively Kaunas and Klaipeda City Municipal Government Administrations. On both occasions, Mecom's alcohol retail license was revoked in connection with a minor accident which was attributable to Mecom's suppliers. In particular, the supplier of alcoholic beverages failed to properly identify and mark its goods in accordance with the applicable rules. Since such defects were discovered on the premises of its premises, Mecom was charged with a minor administrative offence and paid a small fine. At the time, paying the fine and not initiating lengthy proceedings involving the supplier and the authorities appeared to be the most efficient way to resolve the situation. However, failure to dispute the fine was interpreted by the authorities as admission of liability and as a result, Mecom's licenses were revoked.

Mecom challenged the revocation of licenses as being manifestly disproportionate to the gravity of the offence, if any. On both occasions, the legal effect of the administrative decrees and the legal proceedings challenging the same are currently suspended, pending a decision of the Constitutional Court of the Republic of Lithuania in a similar matter. Said decision is expected within 2006, after which time Mecom will decide whether adjustments to its business are necessary. The Group has confidence in the positive outcome of the proceedings. However, contingency planning is in place to ensure continuation of bar operations even in the worst-case scenario. The financial implications of such worst-case scenario are not expected to be noticeable. Moreover, the possibility of the amicable resolution of any pending controversies is also not excluded; as a positive example, a similar decree passed by the Vilnius municipal authorities in respect of Mecom was later cancelled by the same when all circumstances of the case became apparent.

Ukraine

Applicable rules

The supervision of the Ukrainian gaming industry is carried out by the Ministry of Finance of Ukraine (licensing authority), as well as partially the State Committee of Ukraine on Issues of Regulatory Policy and Entrepreneurship and its territorial bodies and state tax authorities.

The Ukrainian gaming legislation underwent a significant revision in the beginning of 2006, which saw the tightening of many of the previously loose rules and policies that in the past contributed to the proliferation of thousands of minor operators. The Ukrainian legislation now requires that a multitude of conditions is fulfilled before a company may engage in providing gaming services. First and foremost, a general license for organising of gaming on slot machines is required (issued for a period of 5 years). Each new casino also requires a separate permit from the district administration of the local municipality, which is issued for a period of 1-3 years and must be renewed periodically. In addition to that, individual "trade patents" are issued by the tax authorities in respect of each slot machine (for a period of 60 calendar months). Sales of alcohol and tobacco are also subject to licensing requirements. In general, Ukrainian gaming operators are not restricted from engaging in other business activities.

The allocation of casinos may also be subject to municipal regulations. In particular, the Kiev City Council has on 9 March 2006 adopted a resolution approving the Procedure for Allocation of Gambling Establishments in the city of Kiev. Notably, the said procedure prohibits the installation of slot machines in residential buildings or at a distance which is less than 500 meters from educational, children's or medical establishments or places of worship. A transitional period of 3 months was given to existing operators to relocate their casinos that were in violation of these restrictions. Said resolution is considered by many to be overly restrictive, and court proceedings are pending in relation to its validity.

Compliance with applicable rules

OCU offers gambling services and engages in retail sales of alcohol and tobacco. It is duly licensed to do so, and trade patents have been obtained for each slot machine.

The aforementioned Kiev City Council procedure concerning the allocation of casinos affects at least one Ukrainian casino, which is located in a residential building. Although the legality and enforceability of the relevant municipal decree are somewhat questionable, the Group may not exclude the risk that one casino will have to be relocated. However, the endangered casino is the first and the smallest of those operated by OCU, and hosts only 22 slot machines. The economic effect of possible relocation is not expected to exceed EEK450,000 in the worst-case scenario.

OCU is a member of the Ukrainian Association of Gambling Personalities and via that association it is an active participant in the dialogue with government agencies as regards industry-specific regulation and market supervision. OCU is committed to contribute to the creation and enforcement of fair rules and practices in the gaming industry, which would be aimed to ensure better service quality and more effective competition, ultimately benefiting the Group's business model.

Belarus

Applicable rules

The Belorussian law does not require that each gaming operator obtains a relevant general license. However, each casino must obtain a specific license from the Culture and Sports Ministry before activities can be commenced. Notably, a license can not be obtained before a casino is fully equipped and ready for business. Each slot machine is subject to administrative certification and a monthly state tax of EUR100 per slot machine. There are no requirements for a minimum number of slot machines or tables in each casino.

In addition to industry-specific regulation, each non-residential lease agreement is subject to registration and approval with the municipal authorities. In effect, the municipal authorities can decide whether or not a certain location may be used for running a casino. For new or renovated buildings, lease agreements can not be registered and approved until construction works are duly completed and the building receives technical authorisation.

Compliance with applicable rules

One casino opened by OCB to date is fully licensed to conduct gaming operations. Licenses will also be obtained for each of the new casinos when construction and refurbishment works are completed. In the meanwhile, OCB has obtained the necessary certification of all slot machines that will be used in its Belorussian casinos.

Key Suppliers

The structure of the Group's suppliers is fragmented, including a significant share of one-off transactions and minor supplies. The annual yearly value of a vast majority of individual suppliers is below EEK1 million. The top 10 of the Group's suppliers for the first half of 2006 appears below.

Major Suppliers (H1 2006)

Rank	Name	Services	Amount (million EEK)
1	**IGT-Europe B.V.**	gaming equipment & spare parts	72.9
2	**Progressive Gaming International Corp.**	software	22.2
3	**Atronic International Gmbh**	gaming equipment & spare parts	16.3
4	**Visbest Invest OÜ**	construction services	14.6
5	**Austrian Gaming Industr. GmbH**	gaming equipment & spare parts	11.2
6	**Ameks Celtnieks SIA**	construction services	7.7
7	**Tammiku Puit OÜ**	furniture, equipment	5.3
8	**Aristocrat Tech.Europe Limited**	gaming equipment & spare parts	5.3
9	**Viesbutis Lietuva AB**	rent, accommodation and restaurant services	5.2
10	**Rangs JNS SIA**	security equipment	4.3

Among the suppliers of the Group, the manufacturers of slot machines and other gaming equipment stand out as the most notable. Other than such suppliers and the developers of core IT systems, the Group does not have any significant third-party dependencies. The largest vendors conclude corporate agreements with the Group on the level of the Company (including Group-wide conditions of sales for the next period), while specific sales-purchase agreements are entered into by the relevant local entities (with a few exceptions: *e.g.* in Belarus gaming equipment has so far been supplied through Estonia and in Ukraine certain IT solutions are also partially provided through Estonia).

Supplies of casino equipment

General

The most important suppliers of the Group are the suppliers of casino technology (machines and/or software), including IGT-Europe B.V., Progressive Gaming International, Atronic International GmbH and Austrian Gaming Industry GmbH. The annual volume of transactions with each of the above-mentioned suppliers is significant, with the annual volume of orders placed with IGT-Europe B.V. (the biggest supplier of casino equipment) alone in the first half of 2006 reaching approximately EEK73 million, followed by Progressive Gaming International (a software vendor) as the second largest supplier with the volume for the first half of 2006 of approximately EEK22 million.

In accordance with the industry practice, major suppliers of gaming equipment require that supply agreements correspond to their standard terms and conditions. As a consequence, suppliers' liability for losses or damages is normally limited and the corresponding risk of malfunction rests with the relevant Group companies (with the exception of product liability claims, which remain in existence without regard to contractual provisions).

It must also be acknowledged that several supply agreements contain target rebate incentives, which may, under certain conditions, run counter with the European or Estonian competition rules. The risk associated with such target rebates is nevertheless considered moderate. A brief description of the supply relations with major partners in the field of casino hardware follows. For information on supplies of software, please see "*Operations – Information Technology*".

IGT-Europe B.V.

IGT-Europe B.V. ("*IGT*"), an affiliate of International Game Technology (listed on the New York Stock Exchange, NYSE:IGT), supplies gaming machines and software to the Group on the basis of multiple agreements. Supply of slot machines is agreed on an annual basis by way of concluding annual agreements on general conditions, discounts, payment terms and estimated purchase targets. IGT provides a warranty on sold equipment for a period of 90 days from installation or 180 days from shipment, whichever occurs first.

In addition to being the Group's largest slot machine supplier, IGT is also the owner of all rights to the "EZ-Pay" software on which the Group relies in its everyday operations (see more under "*Operations - Information Technology*").

Progressive Gaming International

Progressive Gaming International, listed on the NASDAQ (NASDAQ:PGIC), is the supplier of casino-specific software technology for Olympic Casinos. More information on the agreements concluded with Progressive Gaming International may be found under "*Operations - Information Technology*".

Atronic International GmbH

Atronic International GmbH ("*Atronic*") supplies slot machines to the Group through OCE. Supplies are performed on the basis of the general conditions applied by Atronic and the special terms agreed between OCE and Atronic annually, including certain discounts, which are partially dependant on achieving pre-determined sales targets. Atronic's liability is limited to wilful or gross negligent breach of its obligations or product liability claims.

Austrian Gaming Industry GmbH

Austrian Gaming Industry GmbH ("*AGI*") is a relatively new supplier of slot machines to the Group, with the first agreement entered into in May 2005. The agreement (concluded between AGI and the Company) allows a certain discount and limits AGI's liability to damages caused intentionally or through gross negligence, with the typical exclusion of liability for consequential damages and lost profit.

Other Suppliers

Besides suppliers of casino technology, other notable suppliers provide the Group with a varying range of services. A number of construction, law, audit, consultancy and personnel search firms are among the constant suppliers of the Group, as well as providers of utilities, insurance and other services purchased in the ordinary course of business and on arm's length conditions.

Employment

Group-wide information

Summary

The overall workforce of the Group is expanding rapidly, with an increase from 788 employees as of 31 December 2003 to 1,190 employees as of 31 December 2004 and 1,940 employees as of 31 December 2005 (the latter representing a 64% increase from financial year 2004, including 596 employees added through the acquisition of Baltic Gaming in Latvia). The average number of full-time employees in financial year 2005 was 1,179. As of 30 June 2006, the Group employed a total of 2,165 people in 5 countries, including the members of the corporate bodies. Of the total number of employees, approximately 3/4 comprise floor staff and approximately 1/4 are employed as support personnel (including management). The Group is increasingly consolidating its personnel policies with the aim to apply uniform hiring and salary standards across all jurisdictions in which it operates.

Employees – H1 2006 (2005)

Position	Estonia	Latvia	Lithuania	Ukraine	Belarus	Total
Floor/office personnel	543 (471)	761 (708)	617 (584)	102 (68)	17 (1)	2,046(1,832)
Unit/casino managers	24 (21)	34 (32)	26 (25)	18 (12)	5 (1)	109 (91)
Senior management	11 (10)	2 (2)	2 (2)	2 (2)	1 (1)	18 (17)
Total	578 (502)	797 (742)	645 (611)	122 (82)	23 (3)	2,165 (1,940)

Employee rotation

The Group is prone to relatively high employee rotation rates[11] characteristic of the services sector as a whole. During the first two quarters of financial year 2006, a total of 585 employment agreements were concluded by Group entities and a total of 196 agreements were terminated (respectively 112/58 in Estonia, 301/57 in Latvia, 108/74 in Lithuania, 47/6 in Ukraine and 17/1 in Belarus).

The average rotation of personnel within the Group entities for the first two quarters of 2006 was 10.7% (11.8% in Estonia, 19.5% in Latvia, 11.8% in Lithuania, 6% in Ukraine and 4.3% in Belarus). The average employee rotation in the Group entities is normally lower or comparable to the national averages for service undertakings. By way of example, the personnel rotation rate of hotel and restaurant businesses in the first half of 2006 in Estonia stood at 11.5%, in wholesale and retail sales – at 14.7%[12], compared to 11.8% in the Estonian Group entities.

By way of exception, Latvia sees a somewhat higher employee rotation of app. 19.5% (compared to the Group average of 10.7%). Higher employee rotation rate in Latvia is a result of a multitude of issues on the Latvian employment market (as applied to the gaming industry). In particular, the partial opening-up of the European jobs market has encouraged the existing casino personnel to seek overseas positions, while the low reputation of gaming in Latvia also contributes to higher rates of rotation. The Group expects the employee rotation indicators for Latvia to decrease over time with the improvement of the overall situation on the jobs market and with shifts in the image of gaming industry in particular.

Hiring policies

The Group is constantly engaged in personnel search in all countries in which it operates. The hiring methods vary in different jurisdictions. In Estonia, the Group hires the most employees – over 95% - through Internet-based agencies. In Lithuania, the importance of Internet-based search is similarly high, whereas in Latvia the share of newspaper ads is significantly higher. At the same time, hiring in Ukraine and Belarus is often based on referrals and recommendations of existing employees.

The Group recognizes the shortage of qualified personnel as a potential issue that may affect its operations in all countries. It may become especially acute in the Baltic States where rapid economic development results in lower unemployment, higher average wages and, as a consequence, tighter demand-side competition on the employment market. Labour shortages may occasionally lead to excessive over-time workload for existing personnel. To counter this, casino managers in all relevant countries take considerable effort in distributing excessive workload evenly between existing employees and are personally responsible for finding and hiring new personnel.

In each country, the Group utilizes locally developed standard form employment agreements which are in all material respects in accordance with the applicable laws.

Senior local management and ground-level management

The senior local management of the Group's business in each country consists of the local managing director and the director of local casino operations (where sometimes these two functions are merged in one). In addition to the senior local management, a separate manager is assigned to each casino (or several casinos at a time) and each business unit (see "*Operations - Structure of Operations*" for more details).

The Group often draws on the existing pool of Estonian senior managers to provide ongoing counselling and support to local management in Latvia, Lithuania, Ukraine and Belarus. At the moment, Estonian managers occupy strategic positions in Lithuania (Casino Operations Officer) and Ukraine (Casino Operations Officer and Managing Director) and in Belarus (Managing Director). As operations in Latvia and Lithuania become more elaborate and the local management more skilled, the senior management of the Group is evolving into an increasingly international team of professionals with quality human resources assembled from multiple countries. The Group hopes to use the existing management resources to support its expansion to new markets, while providing exciting opportunities for personal development to the members of its management team.

To secure a reliable pool of mid-level managers, the Group is implementing a mid-level management training program which commenced on 1 September 2006 (under the name of "Olympic University"). Within the framework of this program, existing casino managers evaluate floor personnel on merits of organizational skills, professionalism, individual treats and motivation. Best candidates are selected to participate in a 10-month training course which is designed to provide basic strategic management, administrative and risk management skills. As a result of the program, the Group seeks to establish a reliable and flexible mid-level management reserve which can be drawn upon to ensure that the expansion of the Group's operations will not be hindered by shortages of executive personnel and that existing know-how is successfully implemented on new venues.

Personnel training

In an effort to offer uniform quality services, the Group assigns highest priority to personnel training. It is the policy of the Group to provide at least 16 hours of training annually for each employee. Training activities' management is centralized on the Group level and is the responsibility of the Internal Training Coordinator. At the same time, human resources managers in each country organize periodic progress interviews with existing employees to establish among other things their training needs and tailor training schedules accordingly.

Human resource management – rules and procedures

The Group has developed several procedures and internal policies with respect to human resources management. These policies are applied in each relevant country and, where necessary, adjusted locally to take account of country-specific issues and differences. In particular, each Group company has adopted internal working procedures that are drafted in accordance with the applicable law and that apply locally. The primary policies and procedures stipulating Group-wide remuneration principles are the following:

- *Group Payroll Policy*. The Group Payroll Policy stipulates general principles governing the salary systems, variable salaries, performance bonuses and other related matters. Local salary policies are developed on the basis of the Group Payroll Policy.

- *Group Personnel Evaluation Procedure*. Floor personnel are regularly evaluated by casino managers and personnel rankings are compiled in accordance with the Group Personnel Evaluation Procedure. Results of such evaluation have a bearing on the employees' salaries and play an important role in selecting floor personnel for mid-level executive training program (see above).

- *Group Personnel Planning Procedure*. The Personnel Planning Procedure was developed to ensure effective human resources planning in existing markets (by managing day-to-day employee rotation and planning employee deployment to new casinos) and in new markets (by ensuring reliable forecasting of personnel demand). The Personnel Planning Procedure also lays down rules that govern the selection of candidates for senior positions by setting out applicable requirements. In particular, a top-level manager is expected to have a suitable educational background and previous leadership and management experience. Mid-level managers and specialists are appointed with a minimum of 1-2 years of previous work experience.

- *Orientation Procedure*. The Orientation Procedure is applied in respect of each new employee and governs the manner in which new team members are integrated in the organization structure of the Group and made familiar with the corporate culture. Notably, the Orientation Procedure sets forth that each new employee is mentored by a more experienced colleague and regulates the principles of training, testing, approval for independent work and the initial evaluation of the new employees. Each new employee is thoroughly assessed following a 90-day integration period.

Wages

The Group utilizes a highly versatile and adaptive wage system. Remuneration is based on a number of factors, including individual and team evaluation (rankings), efficiency, competence, length of employment and other factors. Most personnel work on the basis of hourly rates determined in accordance with the above. Actual salary is based on the monthly evaluation of employees which is carried out by mid-level management. The employees of the Group are divided in 7 wage classes: (i) senior management, (ii) local management, (iii) management of business units, (iv) supervisors, (v) first level managers or senior specialists, (vi) specialists and (vii) auxiliary personnel.

Average Gross Salary 2003-2005*

EEK	2005	2004	2003
Estonia	129,387	125,445	124,183
Latvia	110,483	80,361	60,139
Lithuania	117,608	123,349	107,362
Ukraine	67,895	-	-

*casino companies only, Baltic Gaming not included

In recognition of the risks related to possible workforce shortfalls and in order to ensure best possible quality of service, the Group maintains remuneration levels somewhat above what is paid by its peers. Financial reports of the Group's competitors for financial years 2004 and 2005 demonstrate that the average salary in the Group companies is consistently slightly higher than the industry average.

The average gross salary in the casino companies within the Group is illustrated by the table above. The growth of the average salary is somewhat set off by the constant increase of the average weight of relatively lower-maintenance floor personnel as compared to management and office staff. In addition to salaries, some employees may be granted the right to use company mobile phones and cars according to actual necessity and in accordance with the applicable legislation. Please see "*Management – Stock Option Plan*" below for a description of the option program established by the Company, in which certain key employees may participate.

Collective bargaining

No collective agreements are in effect in Estonian, Latvian or Belorussian companies and the Group does not anticipate any collective bargaining initiatives in these countries in the observable future.

In Ukraine, a collective agreement was concluded between OCU and its employees on 3 January 2005. The Ukrainian collective agreement is drafted and concluded in accordance with the applicable law and does not contain any noticeable benefits that the employees would be entitled to in comparison with individual agreements.

In Lithuania, collective bargaining process has begun, and OCLT plans to sign the collective agreement with the trade union of the company in the nearest future. The collective agreement is expected to provide certain special-occasion benefits to the employees of OCLT, such as one-off financial support in the case of birth, marriage or death in the family. OCLT does not anticipate noticeable increase in personnel expenses as a result of upcoming collective agreement.

Estonia

As of 30 June 2006, the Group employed a total of 578 people in Estonia (including members of the corporate bodies of all Estonian entities). New employment contracts are normally concluded with 4 months' trial period (as permitted by Estonian law). On average, more than 95% of new employees successfully complete the trial period and take up a permanent employment with the Estonian companies. Most personnel in Estonia are hired with the help of Internet-based service providers such as CV Online and CV-Keskus.

In the first half of 2006, the employee rotation rate of the Estonian companies was 11.8% (in total, 112 new employment agreements were concluded, and 58 employment contracts were terminated either on the employee's or the Group's initiative during the referred period). Over the last years, the employee rotation rate exhibited a modest increase. The Group has introduced changes to its remuneration policies in the beginning of 2006 to improve employee motivation and decrease the rotation rate, as a result of which the average salary within the Estonian companies increased 14% (year ended 31 December 2005 compared to first half of 2006). Recent data shows that this measure proved to be effective, with the employee rotation rate showing evident signs of decrease.

In 2004, the Estonian Labour Inspectorate carried out a labour law compliance audit in OCE covering *inter alia* healthcare, work safety and employment relations. As a result of the audit, the Labour Inspectorate confirmed that the company fully complies with all respective regulations, and established no violations. The Estonian companies are not and have not been engaged in any major labour disputes.

Latvia

The total number of personnel in the Latvian companies as of 30 June 2006 was 797. In the first half of 2006, the employee rotation rate of the Latvian companies was 19.5% (in total, 301 new employment agreements were concluded, and 57 employment contracts were terminated either on the employee's or the Group's initiative during the referred period). Over the last years, the employee rotation rate exhibited a slight decrease.

In addition to the salary, Latvian employees have the opportunity to benefit from a health insurance plan provided at the expense of the employer, depending on the amount of time that a particular employee has spent with the Group. Around 180 employees are currently covered by the insurance plan.

All employees of Baltic Gaming and Faraons are being transferred to respectively OCL and Ahti in accordance with the Latvian law pursuant to the relevant agreements, subject to express approval of each employee. In total, close to 600 agreements needs to be transferred. In the course of the transfer, the employees of Baltic Gaming and Faraons will sign employment agreements with OCL and Ahti which are based on the same template and principles as those applied to the existing employees of OCL and Ahti. The Group does not anticipate significant issues in connection with the aforementioned transfer, although the process may be somewhat delayed by administrative factors (in connection with the transfer of gaming licenses from Baltic Gaming to OCL).

Over the last 3 years, OCL and Ahti did not have any disputes with their employees or the labour authorities in employment matters. Baltic Gaming is engaged in one minor labour dispute with a former employee.

Lithuania

The Group employed 645 people in Lithuania as of 30 June 2006. In the first half of 2006, the employee rotation rate was 11.8% (with 108 employment agreements concluded and 74 employment agreements terminated). Online services play a significant role in selecting and hiring new personnel.

OCLT and Mecom conclude agreements with their employees on the basis of an identical standard form employment agreement. Standard form employment agreement is based on the template approved by the Government of the Republic of Lithuania. OCLT and Mecom have not been and are not engaged in any labour disputes. Lithuanian entities have a versatile bonus system including performance bonuses, loyalty bonuses, mentor bonuses and many other options. Though precise comparison of wages between the Lithuanian Group entities and their competitors is not available, OCLT as the Lithuanian market leader is generally perceived to offer superior employment opportunities.

Ukraine

As of 30 June 2006, OCU employed 122 personnel and this number is expected to increase significantly with the expansion of Ukrainian operations. The employee rotation rate in the first half of 2006 was 6% (47 agreements concluded and 6 agreements terminated).

Labour relations in OCU are somewhat different from the Baltic entities of the Group due to the difference in the legal system. In particular, the Ukrainian law does not require that employment agreements are concluded in writing. Nevertheless, OCU concludes written agreements with its employees and does so on the basis of a standard form employment agreement. OCU is not and has not been engaged in any labour disputes.

Belarus

As of 30 June 2006, OCB employed 23 personnel. The number of Belorussian personnel is expected to increase significantly with the opening of several casinos in Minsk (of which the first one was opened in mid-August 2006). In organising employment relations in Belarus, the Group intends to take guidance from the existing remuneration and supervision policies that are being applied in the Baltic States and Ukraine. Due to the nature of the local legal system, some of the agreements with the current employees of OCB are concluded for a fixed period of time of one year and more.

In Belarus, the Group benefits from a certain psychological advantage on the employment market due to the fact that its operations are based on foreign capital. As a result, OCB as an employer enjoys greater credibility and therefore has a certain competitive advantage before the local operators.

Employment agreements with key employees of the Group

Some of the key employees of the Group have concluded agreements with both the Company and OCE. For a more detailed discussion on the management and key employees of the Group, including information on remuneration, please see “Management” below.

Information Technology

The Group considers advance IT systems to be among its principle advantages over competitors. The large number of managed casinos allows the Group to benefit from scale economy in the IT area by extending existing software licenses to new operations. In its day-to-day business, the Group relies on a number of information systems, the more important of which are summarized below.

Office software

Day-to-day operations are based on Microsoft software products, which are utilized under an Open Subscription License (OSL), which is renewed periodically. Current software package includes Office 2003 and Office XP applications, Win Server 2003 R2, Windows Server 2003, Windows XP Professional, Windows Exchange, SQL CAL and others.

Accounting and HR software

Financial and management accounting is maintained on the platform of Navision financial software. Navision so far has no interface with gaming software, for which reason the daily results of casino operations are processed by the gaming software and are then transferred to accounting software manually. Financial software used by the Group allows making a distinction between various authorization (access) levels according to the seniority and the responsibilities of the personnel. Logical data entry controls are built in and all operations are logged and documented. Various Group companies may use the services of local software developers to facilitate salary calculations, bar accounting and other similar matters.

Casino-specific software

Casino-specific software is licensed from a number of international vendors with established reputation. With the exception of the Baltic Gaming casinos (which will be integrated into the existing IT systems in the near future), the Group relies on external supply of software solutions to ensure smooth operation of its business. Provided that the size of operations allows spreading IT costs over numerous entities and venues, outsourcing core IT solutions offers considerable benefits as compared to internal development of the same, eliminating reliance on individual developers and ensuring top-level quality and efficient ongoing support and maintenance.

EndX

EndX software (supplied by a division of Progressive Gaming International Corp.) is an information system designed for keeping records on table games and for the administration of bonus cards programs. Software consists of a core module with certain additional modules. Such additional modules include Cage Assistant (cashier software), Table Assistant (table module program keeping records on transactions carried out by clients and personnel), Redemption Station (system for sales in exchange for bonus points), Surveillance Assistant (surveillance service tool) and Club Assistant (a module for the reception administrator facilitating administration of client data).

EndX is used on the basis of a non-exclusive license and maintenance agreement dated 21 April 2005 between EndX Limited and the Company and valid for 3 years, with revolving renewals. Termination is possible with 12 months' prior notice. The Company may sub-license the software with prior consent of the vendor.

CasinoLink

CasinoLink software is a system for keeping records on slot machines, administration of bonus cards, managing of jackpots and operational reporting. It is developed, supplied and licensed by Progressive Gaming International Corporation (listed on the NASDAQ, NASDAQ:PGIC). CasinoLink together with EndX are currently the most important pieces of casino-specific software utilized by the Group, providing a uniform IT backbone for all existing venues. As is the case with EndX, CasinoLink also consists of a core module to which various specific functionality software modules can be added.

The principal modules utilized in Olympic Casinos include Automated Fills and Jackpots (cashier module for approving or cancelling monetary transactions on slot machines), Reports (reporting module facilitating the processing of financial information, analysis and reporting), Slot Maintenance (administration of slot machines), Player Management (administration of client accounts). In Ukraine and in Belarus, the only module that is initially used is the jackpot module.

The hardware purchase agreement and the license agreement with Progressive Gaming International Corporation are concluded for an indefinite period of time. In addition to supplying and licensing the software, the vendor provides software support and maintenance. The relevant agreement is concluded for a term of 3 years with the possibility of automatic renewal for up to two one year terms after the expiration of the initial term.

EZ-Pay

EZ-Pay is an advanced software and hardware system developed by IGT Europe B.V., which allows casino customers to use pre-paid credit, tickets and other similar solutions to play on slot machines and tables. EZ-Pay allows minimizing cash operations on gaming equipment, where winnings are also signified by specialized tickets, which can then be used to continue playing or exchanged for cash. As most complex IT systems, EZ-Pay may be customized with numerous additional modules. Olympic Casinos are equipped with the Cashier Module (ticket printing and scanning, printing of reports) and the Audit Module (checks and reporting for the financial period).

EZ-Pay is used on the basis of a license and maintenance agreement since April 2005. The license is non-exclusive, non-transferable and renewable automatically. Under the agreement, the vendor undertakes to provide additional applications and technical support where necessary. The liability of the vendor under the agreement is limited to maintaining and, if needed, restoring the good working condition of its product. The vendor does not accept any responsibility above three months' maintenance charges. The license is granted in one-year revolving periods.

Installation and maintenance of EZ-Pay software and hardware requires noticeable investments which are worthwhile starting from a certain turnover. Therefore, not all casinos are equipped with EZ-Pay systems. At the moment, EZ-Pay is fully implemented in Lithuania (all casinos). In Estonia, several casinos are currently equipped with EZ-Pay hardware and software (*e.g.* Reval Park Hotel & Casino, Rocca Al Mare casino and several others), while in Latvia the first casino to benefit from the EZ-Pay system is the recently opened Olympic Voodoo Casino in Riga. With respect to Belarus and Ukraine, installation of EZ-Pay systems will be tied to achieving certain volumes and implementing client loyalty programs.

Intellectual Property

Overview

The business of the Group does not currently require investments in research and development. Core IT systems are outsourced to external suppliers (see "*Operations - Information Technology*"), while the necessary amount of market research is carried out in the ordinary course of business and does not require significant spending. The Group does not hold any noticeable intellectual property other than the trademarks used in everyday activities.

Various Group entities own or have applied for a total of over 80 different trademarks in 5 countries, of which the registration of about one half is currently pending. Most importantly, the Group owns the trademarks "Casino Olympic" and "Park Hotell" in Estonia, "Olympic – City Casino" and "Tower Casino Voodoo" in Latvia, "Olympic Casino" and "Olympic City Casino" in Ukraine.

OCE in its capacity as the sponsor of the Estonian Olympic Committee is entitled to use the trademark E OK Sponsor" and the commercial emblem of the Estonian Olympic Committee according to agreement concluded with the Estonian Olympic Committee.

The Group does not hold any patents, utility models or other similar intellectual property rights (other than the software that is licensed from third parties). The Group does not use any intellectual property rights for which it does not have a license or which it has not registered or for the registration of which it has not filed a registration application.

"Olympic" trademarks

In certain countries, the International Olympic Committee may hold intellectual property rights that may affect the ability of the Group to use the word "Olympic" in the business names of its subsidiaries and/or in its operations. The Group does not, however, consider the risk related to ongoing discussions with the IOC to hold the potential for causing noticeable damages to its position.

Copyrights

OCE and Kungla have duly concluded agreements with the Estonian Authors' Union concerning the public reproduction of music by authors represented by the latter on the premises of said companies. OCL and Baltic Gaming have duly concluded agreements with AKKA/LAA (Copyright and communications consultation agency/Latvian authors association) concerning the public reproduction of music by authors represented by the latter on the premises of the said companies. Reproduction of music in other countries is also based on relevant legal grounds.

Domain names

The Group companies own a total of over 30 domain names in multiple domain zones. Notably, the Group uses domains www.olympic-casino.net, www.olympic-casino.com, www.olympic-casino.eu, www.olympic.ee, www.olympic.lv and www.ocg.lt, as well as www.kasiino.ee, www.citycasino.lv, www.casino.lv and many others.

Real Estate and Leased Premises

Real estate owned by the Group

The main operating entities of the Group normally do not own premises on which their casinos are operated. Apart from the Estonian companies (and disregarding one estate owned by Baltic Gaming and a real estate project developed by Mecom – see below), no other member of the Group owns any real estate. The acquisition of Baltic Gaming was structured in a manner where all real estate held by the latter (with the exception of one land plot) was separated from casino operations and sold to the former shareholders of Baltic Gaming in the form of a special purpose vehicle. This special purpose vehicle (SIA Baltic Gaming Real Estate) then leased the sold real estate back to Baltic Gaming.

The Group is not aware of any environmental issues that may affect its utilisation of the real estate and premises owned or leased by the Group. The following table summarises the real estate owned by the Group

	Location	Area	Owner	Purpose
	Estonia			
1	Pu‰kini 19-M4, Narva	116,9 m^2	OCE	Casino
2	Väike-Karja 9/Pärnu mnt 8, Tallinn	370,2 m^2	OCE	Casino
3	Narva mnt 2-46, Tallinn	72,3 m^2	Kungla	Residential
4	Poe 10-10,11,M3,M5 Tartu	69,1 m^2	Kungla	Casino
5	Laheda vald, Mustajõe küla	17,61 ha	the Company	Investment
6	Mõniste vald, Hüti küla	32 ha	the Company	Investment
7	Ahja vald, Akste küla	13,4 ha	the Company	Investment
8	Laheda vald, Mustajõe küla	27,76 ha	the Company	Investment
9	Mäetaguse vald, Metsküla küla	10,36 ha	the Company	Investment
10	Mäetaguse vald, Metsküla küla	21,58 ha	the Company	Investment
11	Iisaku vald, Sälliku küla, Mahku	58,33 ha	the Company	Investment
12	Nissi vald, Lepaste küla	26,38 ha	the Company	Investment
13	Nissi vald, Lepaste küla	17,23 ha	the Company	Investment
14	Nissi vald, Rehemäe küla;	5,88 ha	the Company	Investment
	Latvia			
15	1/4 of Jomas iela 78, Jurmala, Latvia	199 m^2	Baltic Gaming	Casino
	Lithuania			
16	Lvovo st. 105, Vilnius, Lithuania	1,890+561 m^2	Mecom	Investment

Comments:

1, 2 OCE owns two non-residential premises that are used for the Narva Casino (Eastern Estonia) and Olympic City Casino in Tallinn. The activities of OCE are mainly carried out on leased premises.

3-4 Kungla owns two apartments and service rooms that are leased to OCE. Property 4 (Poe 10-10) is encumbered with a mortgage in the amount of EEK1.8 million which will be terminated shortly.

5-14 OCE owns several immovables in various rural areas. The intended purpose of all these immovables according to the local detailed plan is profit yielding land. The economic activities on the land plots located in Hüti küla and Metsküla küla are limited due to applicable environmental restrictions. All rural land plots are currently empty and the Group plans to dispose of the rural immovables in the near future.

15 Payment by Baltic Gaming of the purchase price of real estate 15 (EUR740,000) is scheduled in instalments until 19 April 2008 and is secured by a mortgage on the land.

16 Mecom has recently acquired a long-term lease interest in 2 immovables located at Lvovo st. 105, Vilnius, Lithuania. The lease interest for the bigger plot is established for 99 years, and for the smaller plot the lease interest is currently for 10 years (although Mecom intends to prolong it to 99 years in the near future). The lease interest allows for the construction of buildings on the real estate. Mecom intends to use the land to construct a residential/ commercial building, of which a substantial part will be used as offices of Mecom and OCLT. The rest of the building will be rented out or sold as residential and/or commercial property. Mecom has not yet undertaken any definite commitments with respect to design and construction.

Leased premises

The casinos of the Group are primarily operated on leased and sub-leased premises. Due to the fact the Group is seeking to always secure best central locations for its casinos, it does not always appear reasonable or financially feasible to acquire additional real estate. The casinos operated in Latvia (with one exception), Lithuania and Ukraine are all situated on leased or sub-leased premises which are refurbished (or are being refurbished) in accordance with the Olympic branding criteria. The following table lists the premises leased by the Group in 5 countries.

	Location	Area	Lessee	Purpose
	Estonia			
1	Pronksi 19, Tallinn	499.1 m^2	OCE	Group headquarters, offices of OCE
2	Tartu mnt 28-1, Tallinn	85.9 m^2	OCE	Office space
3	Tartu mnt 28-2, Tallinn	80 m^2	OCE	Office space
4	Madara 22, Tallinn	120.4 m^2	OCE	Office space
5	Poe 10, Tartu	317.5 m^2	OCE	Casino
6	Kalda tee 43, Tartu	204m^2	OCE	Casino
7	Tallinna road 41, Narva	260 m^2	OCE	Casino
8	Tartu mnt 24, Tallinn	585.3 m^2	OCE	Casino
9	Narva road 4a, Jõhvi	164 m^2	OCE	Casino
10	Pu‰kini 19, Narva	42.5 m^2	OCE	Casino
11	Toompuiestee 27, Tallinn	197 m^2	OCE	Casino
12	Paldiski road 102, Talinn	223 m^2	OCE	Casino
13	Keemikute 26-6, Maardu	46.14 m^2	OCE	Casino
14	Suur-Sõjamäe 4, Tallinn	241 m^2	OCE	Casino
15	Pae 76, Tallinn	157.2 m^2	OCE	Casino
16	Regati pst 1, Tallinn	230 m^2	OCE	Casino
17	Mahtra 1, Tallinn	112 m^2	OCE	Casino
18	Õismäe 1B, Tallinn	120.7 m^2	OCE	Casino
19	Narva road 2, Tallinn	244.4 m^2	OCE	Casino
20	Kopli 69B, Tallinn	483.3 m^2	OCE	Casino
21	Sõpruse pst 225/227, Tallinn	106 m^2	OCE	Casino
22	Toompuiestee 39, Tallinn	84.5 m^2	OCE	Casino
23	Kreutzwaldi 23, Tallinn	5,523.5m^2	Kungla	Park Reval Hotel & Casino
	Latvia			
24	Kronvalda Blv. 3, Riga	800 m^2	OCL	Future office premises (OCL)
25	Kuģu iela 24, Riga	665.8 m^2	OCL	Radisson SAS Casino
26	A. Saharova ielā 21, Riga	160 m^2	OCL	Casino
27	Kr. Barona ielā 3, Riga	172.6 m^2	OCL	Casino
28	Ieriķu ielā 3, Riga	344 m^2	OCL	Casino
29	Dzirnavu ielā 96	193.5 m^2	OCL	Casino
30	Elizabetes 55/Brivibas 31, Riga	1,793 m^2	OCL	Olympic Voodoo Casino
31	Driksas ielā 5, Jelgava	235 m^2	OCL	Jelgava Casino
32	Jomas 47/49, Jurmala	130 m^2	OCL	Jurmala SPA Casino
33	Krustpils 12, Riga	210.8 m^2	OCL	Storage space
34	Skolas 69, Riga	100 m^2	OCL	Storage space
35	Barona 3, Riga	36.7 m^2	OCL	Storage space
36	Kuģu ielā 24, Riga	3.7 m^2	OCL	Storage space
37	Kuģu ielā 24, Riga	142 m^2	OCL	Current office premises
38	Kuģu ielā 24, Riga	99,8 m^2	OCL	Current office premises
39	Dzalzavas ielā 17, Riga	207.1 m^2	OCL	Casino
40	Zolitudes ielā 34, Riga	99 m^2	OCL	Casino
41	Riga, Brivibas ielā 99	116.6 m^2	Baltic Gaming	Offices of Baltic Gaming
42	Riga, Brivibas ielā 99	127 m^2	Baltic Gaming	Offices of Baltic Gaming
43	Riga, Brivibas ielā 99	128.3 m^2	Baltic Gaming	Offices of Baltic Gaming
44	Riga, Brivibas ielā 99	92.5 m^2	Baltic Gaming	Offices of Baltic Gaming
45	Riga, Aizkraukles ielā 23	33 m^2	Baltic Gaming	Storage space
46	Riga, Elizabetes ielā 55	572 m^2	Baltic Gaming	Former Voodoo Casino
47	Ventspils, Kuldīgas ielā 15	116.8 m^2	Baltic Gaming	Bumerangs slot casino
48	Valka, Semināra ielā 8,	302.2 m^2	Baltic Gaming	Bumerangs slot casino
49	Valmiera, Beātes ielā 2,	316.3 m^2	Baltic Gaming	Bumerangs slot casino
50	Tukums, Pasta ielā 6,	167.1 m^2	Baltic Gaming	Bumerangs slot casino

51	Daugavpils, 18. Novembra ielā 113,	177 m^2	Baltic Gaming	Bumerangs slot casino
52	Ventspils, Talsu ielā 25,	149.6 m^2	Baltic Gaming	Bumerangs slot casino
53	Riga, Mazā Nometņu iela 30	295 m^2	Baltic Gaming	Bumerangs slot casino
54	Riga, Čaka iela 38a	77.9 m^2	Baltic Gaming	Bumerangs slot casino
55	Riga, Matīsa iela 35	71.8 m^2	Baltic Gaming	Bumerangs slot casino
56	Riga, Kr. Barona 44	120 m^2	Baltic Gaming	Bumerangs slot casino
57	Riga, Dzirnavu iela 45/47	90.3 m^2	Baltic Gaming	Bumerangs slot casino
58	Madona, Rīgas iela 4b	120 m^2	Baltic Gaming	Bumerangs slot casino
59	Cēsis, Lenču iela 5	417 m^2	Baltic Gaming	Bumerangs slot casino
60	Riga, Brīvības iela 90	100 m^2	Baltic Gaming	Bumerangs slot casino
61	Riga, Brīvības gatve 235	236.5 m^2	Baltic Gaming	Bumerangs slot casino
62	Riga, underground pass under and near Marijas iela	85 m^2	Baltic Gaming	Bumerangs slot casino
63	Daugavpils, Stacijas iela 69	389.9 m^2	Baltic Gaming	Bumerangs slot casino
64	Daugavpils, Jātnieku iela 79a	199.2 m^2	Baltic Gaming	Bumerangs slot casino
65	Krāslava, Rīgas iela 28	291 m^2	Baltic Gaming	Bumerangs slot casino
66	Ventspils, Kuldīgas iela 17	210 m^2	Baltic Gaming	Bumerangs slot casino
67	Jelgava, Pasta iela 51/1-51/2	368.2 m^2	Baltic Gaming	Bumerangs slot casino
68	Bauska, Rīgas iela 7a	231 m^2	Baltic Gaming	Bumerangs slot casino
69	Smiltene, Baznīcas laukums 16	148 m^2	Baltic Gaming	Bumerangs slot casino
70	Sigulda, Ausekļa iela 5a	190 m^2	Baltic Gaming	Bumerangs slot casino
71	Gulbene, O.Kalpaka iela 60	387.18 m^2	Baltic Gaming	Bumerangs slot casino
72	Saldus, Jelgavas iela 2	73 m^2	Baltic Gaming	Bumerangs slot casino
73	Kuldīga, Liepājas iela 9	46 m^2	Baltic Gaming	Bumerangs slot casino
74	Liepāja, Zivju iela 10/12	66.6 m^2	Baltic Gaming	Bumerangs slot casino
75	Riga, Kr. Barona iela 3	77.1 m^2	Ahti	Casino bar
76	Riga, Smilšu iela 7	763.7 m^2	Tower	Restaurant
	Lithuania			
77	Vilnius, Konstitucijos pr. 20	1,788 m^2	OCLT	Casino
78	Vilnius, Ozo g. 25	520 m^2	OCLT	Casino
79	Panevėžys, Savitiškio g. 61	379 m^2	OCLT	Casino
80	Klaipeda, Naujojo Sodo g.1	518.8 m^2	OCLT	Casino
81	Kaunas, K. Donelaičio g. 27	751.5 m^2	OCLT	Casino
82	Vilnius, Konstitucijos g. 12	718.77 m^2	Mecom	Casino and office of OCLT
83	Vilnius, Vokiečių g. 12	180 m^2	Mecom	Casino
84	Vilnius, Gedimino pr. 21/2	310 m^2	Mecom	Casino
	Ukraine			
85	Kiev, Kreschatyk str. 16	300 m^2	OCU	Offices of OCU
86	Kiev, Balzaka str. 2a	430 m^2	OCU	Slot casino
87	Kiev, Malyshko str. 4/3	198 m^2	OCU	Slot casino
88	Kiev, Geroev Dnepra 43	142 m^2	OCU	Slot casino
89	Kiev, Gryshka str. 5	372.1 m^2	OCU	Slot casino
90	Kiev, Sichnevogo Povstannia str. 3	85.7 m^2	OCU	Slot casino
91	Kiev, Rusanivska Naberezhna str. 8/2	340 m^2	OCU	Slot casino
92	Kiev, Rusanivska Naberezhna str. 8/2	150 m^2	OCU	Storage space
	Belarus			
93	Minsk, ul. K. Cornogo, 5a/33	6.8 m^2	OCB	Office of OCB
94	Minsk, ul. Knorina 16	114.5 m^2	OCB	Office of OCB
95	Minsk, ul. Kulman 11	415.5 m^2	OCB	Future slot casino
96	Minsk, Dzeržinskogo/Esenina cross	144 m^2	OCB	Future slot casino
97	Minsk, pr. Nezavisimosti 11, 1st floor	n/a	OCB	Future slot casino

Comments:

1-22 OCE has concluded numerous lease and sub-lease agreements of office and casino premises. The headquarters of the Group and the offices of OCE are located at Pronksi 19, Tartu mnt 28 and Madara 22 in Tallinn. Casinos are located in almost all of the bigger Estonian cities. All Estonian lease agreements are concluded for a specified term except agreement concluded with OÜ Brem Kinnisvarahooldus (4).

19 Leased from OÜ HansaAssets (owned by Armin Karu, a member of the Management Board of the Company) on arm's length terms.

23 Kungla leases the building of the Park Hotel & Casino from the CETU and sub-lets them to OCE and a number of third persons. The total area of the Olympic casino located on the premises is 768 m^2. According to the rental agreement with CETU, at least 70% of the building must be used as a hotel. Please see "Operations - Structure of Operations" above for more information on the operations in Park Hotel & Casino.

24 The offices of the Latvian arm of the Group are currently located in Radisson SAS Hotel in Riga. The Latvian companies will, however, relocate to new leased offices on Kronvalda Boulevard 3 from October 2006 (lease area of not less than 800 square meters). The lease is valid until 1 July 2011, with the right of first refusal in respect of the prolongation of the agreement.

30 150 m^2 of the area is sub-let to Japanese restaurant "Kabuki" until 31 May 2011.

32 Premises are sublet to OCL until 2012. However, the lessor itself is only entitled to use the premises until 2010. OCL could therefore lose the final 2 years of its sub-lease.

35 There is a dispute between the previous and current owners of the property at Barona iela 3, Riga. Litigation is in progress, which does not affect the rights of OCL. OCL is not a party to the dispute and has not been involved in the litigation. The relevant lease agreement has been registered with the Land Book in Latvia, thereby protecting the lease rights.

41-44 Lease agreements concerning the offices of Baltic Gaming will be terminated in autumn 2006 as part of the transfer of operations of Baltic Gaming to OCL.

46 These premises have been used by Baltic Gaming as the former venue for casino "Voodoo" which has now been relocated and opened on a new venue. Baltic Gaming will continue using these premises until summer 2008. Meanwhile, the premises will be used for employee training.

47-52 Some premises used by Baltic Gaming for "Bumerangs" slot casinos are leased from SIA Baltic Gaming Real Estate until 19 December 2008, after which time the parties will have to agree on new terms of the lease. The current rent for these premises is agreed at LVL1 per square meter and these favourable conditions will be re-negotiated according to the market price at the end of term.

53-64 Other "Bumerangs" slot casinos (other than those listed under 47-52) are located on premises which are leased or sub-leased from unrelated third parties on market conditions.

63 Part of a bigger land plot with the total area of 1,450.7 m^2.

76 Premises used by Tower are partially (5.3 m^2) sub-let to SIA Tele Toto.

24-76 OCL sub-lets some of its premises to Ahti for the purpose of operating bars on the premises. So that Ahti may obtain a liquor license for each of such premises, the whole venue is normally sub-let to Ahti rather than a part of the floor. In addition to premises sub-leased from OCL, Ahti also leases area for one bar directly from the owner (75).

24-76 Baltic Gaming sub-lets some of its premises (in 15 slot casinos, on each occasion involving an area of app. 2 m^2) to SIA Tele Toto for the organisation of betting activities by the latter. SIA Tele Toto is owned by the former owners of Baltic Gaming. Baltic Gaming receives 1.85% of the monthly income of SIA Tele Toto from the relevant premises minus certain minor costs.

24-76 Baltic Gaming sub-lets some of its premises (in total in 22 “Bumerangs” casinos) to Faraons (a wholly owned subsidiary of the Company) for the management of bars in the casinos. Similar sub-lease agreements are concluded with two third party bar operators as well. In other “Bumerangs” casinos, the bars are either maintained by the lessor or are not present at all. Faraons also sub-leases office space (12 m^2) from Baltic Gaming.

77-84 All three estates leased by Mecom are partially sub-let to OCLT (with the exception of the areas used by Mecom for the operation of bars). In turn, OCLT sub-lets areas in its leased premises to Mecom to operate bars there.

85-92 Under the Ukrainian law, a permit from the fire authorities is needed for each lease. All Ukrainian casinos operate on leased premises. Several casinos operate on the basis of temporary fire permits which may be converted to permanent upon liquidation of certain flaws in the fire safety system. OCU is in the process for applying for permits in respect of premises where permits have expired or have not been issued.

93 OCB occupies a minor area at ul. Knorina, Minsk as a part of its office and this is also the registered address of OCB. OCB office is partially located at (93). The company intends to relocate to a bigger office space as soon as a feasible option becomes available.

95 Lessor may terminate with 3 months’ notice, without compensating the improvements made by OCB. The planned amount of investments is currently app. EUR340,000 (EEK5.3 million).

96, 97 OCB has concluded two preliminary lease agreements in respect of premises 95 (a major new shopping mall currently under construction) and 96 (former grounds of the watch factory “Luch”). In respect of these premises, OCB is yet to conclude and register permanent lease agreements. This will be done as soon as the premises at both aforementioned locations are fully furbished and the buildings in which they are located are duly certified for use.

Principle considerations in relation to the lease agreements

With respect to the lease agreements concluded by the Group, the conditions for termination and the possibilities for rent increases are of primary importance. In certain jurisdictions, lease agreements need to be registered. However, with the exception of Belarus, registration of lease agreements (or the lack of the same) does not have an influence on their validity and enforceability. A number of premises are used on the basis of sub-lease agreements. Termination risk is therefore more substantial with respect to such agreements, since in some cases the Group does not control the relation between the principal lessor and the owner of the premises. As soon as the master lease is terminated, the sub-lease also terminates automatically in most jurisdictions.

Estonian lease agreements. Lease agreements concluded for a specified term can normally not be terminated before term unless otherwise agreed between the parties. Although most of the Estonian lease agreements can not be terminated before the agreed term, some of the agreements allow ordinary termination with 6 months’ notice. Under most of the Estonian lease agreements, rent is tied to the Consumer Price Index, while under some agreements other methods for adjusting the rent are used.

Latvian lease agreements. Though the policy of the Group is to conclude lease agreements for a period of at least 10 years, some of the existing lease agreements are concluded for a shorter period. The rent in various Latvian lease agreements is tied to a variety of factors including the Consumer Price Index, inflation level, real estate tax and EUR/USD exchange rate. Lease payments under some of the Latvian agreements are currently somewhat below the market average – therefore, it may be expected that in the near future a number of the Latvian agreements will have to be reviewed and concluded on new terms.

Lithuanian lease agreements. Most of the Lithuanian lease agreements are concluded for a period of 10 years with the right of renewal and can not be terminated before term in the absence of a breach of contract. Lease agreements are duly registered with the Real Estate Register. Increases in the rental payments are either tied to the Consumer Price Index or are expressed as fixed amounts.

Ukrainian lease agreements. The Ukrainian lease agreements are subject to notarisation if the period of lease extends over 1 year. Due to high notarisation expenses, it is customary to conclude 1-year revolving lease agreements, which is the case with most of the Ukrainian lease agreements concluded by OCU. Many of the agreements are sub-leases, and therefore there is an inherent termination risk which is higher than in the case of direct agreements with the owner of the real estate.

Belorussian lease agreements. In Belarus, the applicable law does not allow to obtain all required permits for the operation of a casino on leased premises until the building in which the premises are located is fully constructed and until premises themselves are fully equipped for casino operations. The above circumstance may have the potential of creating additional delays in opening new Belorussian casinos. In other respects, the terms and conditions of the Belorussian lease agreements are materially similar to those concluded in other jurisdictions.

Fixed Assets

Total fixed assets of the Group grew from EEK194 million in 2002 to EEK291 million in 2003, EEK383.3 million in 2004 and EEK688.4 million in 2005. As of 30 June 2006, total fixed assets stood at EEK851.2 million. Fixed assets currently comprise about 73% of the Group's balance sheet. Key fixed assets of the Group (with the exception of real estate – see "*Operations - Real Estate and Premises*") comprise gaming equipment (primarily slot machines), furniture and improvements of leased premises.

Slot machines comprise the largest group of fixed assets in each casino entity of the Group. Slot machines are purchased for an average price of EEK110,000-150,000 (excluding software), depending on the manufacturer and the features of each particular machine, and are replaced on average after 5 years of service. Under current accounting policies, slot machines are fully depreciated in 5 years.

Modern slot machines permit to periodically modify and update the contents of each machine, thus reducing the need for hardware replacements and reducing modernisation costs. Therefore, in addition to periodically replacing outdated slot machines, the games installed in each machine are normally being changed every year. The license fee for each new game ranges from app. EEK30,000 to EEK78,000, depending on whether or not a game contains elements of third party intellectual property (*e.g.* thematic games based on popular motion pictures etc). Games are fully depreciated over a period of 1 year. For more information on the purchases of gaming equipment including slot machines, please see "*Operations - Key Suppliers*".

The Group is not aware of any environmental issues that may affect its utilisation of the fixed assets used by the Group.

Legal and Arbitration Proceedings

OCE is involved in a dispute with the Estonian Consumer Protection Board related to the interpretation of the marketing restrictions applicable to casinos. OCE has disputed an administrative order issued by the Consumer Protection Board and the hearing is scheduled to take place in September 2006 (please see more under "*Operations -Licensing and Compliance*"). There is no other pending litigation in Estonia.

The Latvian entities of the Group are not involved in any litigation, with the exception of Baltic Gaming. Baltic Gaming is currently involved in one minor employment dispute with a former employee and may litigate a possible civil case on the basis of the fraudulent activities of one of its employees (possible claim up to app. EEK90,000).

OCLT is not involved in any litigation (with the exception to litigation related to administrative proceedings initiated against it by the Lithuanian gambling authorities, see "*Operations - Licensing and Compliance*"). Additionally, Mecom is engaged in litigation with Kaunas and Klaipeda City Municipal Government Administrations in connection with the dispute on alcohol licensing (see "*Operations - Licensing and Compliance*"). The Ukrainian and Belarusian entities are not involved in any litigation.

Without prejudice to information presented above, the Group is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware), during a period of the last 12 months which may have, or have had in the recent past significant effects on the Company's or the Group's financial position or profitability.

Capital Expenditure and Business Costs

Capital expenditure

Past and present investments

The overwhelming majority of the Group's capital expenditure (investments) is in connection with the opening of new casinos and refurbishment of its existing premises (including expenditure on gaming equipment), with the recent addition of corporate acquisitions as another major expenditure item. Such has been the case for each of the financial years covered by the historic financial information included in this Prospectus. The table below summarises capital expenditure by the Group in the period from 2003 to 2006.

Capital Expenditure 2003 – 2006

million EEK	30 June 2006	2005	2004	2003
Estonia	52	36	42	22
Latvia	140	29	52	27
Lithuania	31*	45	41	61
Ukraine	23	53	11	-
Belarus	13	-	-	-
Total	259	162	147	109

*including a EEK25 million real estate investment

As of 31 December 2005, total investments by the Group amounted to EEK321.7 million (including goodwill in the amount of EEK143.2 million), compared to EEK146.5 million measured on 31 December 2004. Total investments in gaming equipment (primarily slot machines) comprised EEK116.6 million (compared to EEK112 million in 2004) and construction and refurbishment expenses on new casinos were EEK34.1 million (compared to EEK21.3 million in 2004). Capital expenditure is divided between relevant jurisdictions as illustrated by the table to the right (Baltic Gaming is not taken into account for the sake of better comparability of historical numbers).

Recent noticeable investments include the construction and equipment of the Olympic Voodoo Casino in Reval Hotel Latvia, Riga, during which works and equipment were tendered for the total amount of close to EUR5.5 million (EEK86 million). Additionally, the Company has acquired Baltic Gaming (together with Faraons and certain other subsidiaries) in the end of 2005 for the total consideration of EUR13.5 million (EEK211.2 million). In the same year, Estonian companies Nordic and its wholly-owned subsidiary Vikings were acquired by the Company for the total consideration of LVL1.15 million (EEK25.9 million). The ongoing acquisition of Casino Polonia, if completed, is expected to involve investments of EUR9 million (EEK140.8 million) in direct acquisition consideration (for more details of the corporate acquisitions of the Group, please see "*Operations - History and Development of the Group*"). In addition to the above, Mecom is planning to construct a building in Vilnius that would host the offices of Mecom and OCLT, as well as yield profit through sales and rent of commercial and residential properties (see more under "*Operations – Real Estate and Leased Premises*"). For that purpose, a long-term lease interests was recently purchased for EEK25 million.

Planned investments

The total capital expenditure planned for 2006 is in the vicinity of EEK500 million, subject to the business environment and economic considerations (up to EEK100 million in Estonia, up to EEK150 million in Latvia, up to EEK70 million in Lithuania, up to EEK120 million in Ukraine and up to EEK60 million in Belarus). The planned capital expenditure is expected to comprise mostly investments in new casinos and equipment. By 30 June 2006, the Group invested EEK52 million in Estonia, EEK140 million in Latvia, EEK6 million in Lithuania, EEK23 million in Ukraine and EEK13 million in Belarus (a total of EEK259 million in 5 countries or over somewhat 50% of the estimated investments plan for 2006, including a EEK25 million real estate investment made by Mecom – see “*Operations – Real Estate and Leased Premises*” above for more details).

Group’s investments are partially internally financed. External financing at this time comprises one syndicated loan facility which is described in more detail under “*Operations - Financing Matters*”.

Business costs

The structure of the Group’s costs in financial year 2005 is illustrated by the table below. The table does not include data concerning Baltic Gaming, which is as of now not yet fully integrated. The total costs include those related to non-core activities such as bar operations.

Business Costs 2005*

million EEK	Estonia	%	Latvia	%	Lithuania	%	Ukraine	%	Group	%
Personnel	70	27	32	31	69	36	7	17	202	31
Gambling tax	52	20	8	8	22	12	2	6	83	13
Marketing	45	17	20	20	18	9	4	9	86	13
Depreciation	26	10	14	14	21	11	6	14	79	12
Rent	12	4	8	8	10	5	9	23	41	6
Other	56	22	20	15	52	27	12	30	166	25
Total	261		101		190		41		656	

*Not including Baltic Gaming. Information for individual countries is that of the casino companies only. Information for the Group includes non-core operations in addition to casino companies.

The structure of the Group’s costs is driven by the nature of its business, with personnel costs topping the list in all countries except Ukraine. The weight of personnel costs in the cost structure of the Group tends to be stable and ranges from 17% in Ukraine to 36% in Lithuania (31% on a Group-wide basis). Due to considerable investments made in fixed assets (primarily in the form of gaming equipment) which normally depreciate over a period of 5 years, depreciation accounts for up to 14% of the business costs of the Group entities (an average of 12% on a Group-wide basis).

Financing Matters

Financing requirements and principles

The working capital needs of the Group are primarily driven by lease, salary and marketing expenses, which together represent 50% of the Group’s costs. The bulk of the Group’s trade creditors are mostly comprised of the suppliers of gaming equipment.

The revenues of the Group are stable and aren’t significantly prone to seasonal fluctuations. Strong operating revenue has so far allowed financing day-to-day expenses without significant financial gearing. However, the Group is subject to relatively high operational gearing due to the fact that the majority of costs are fixed or semi-fixed (*i.e.* periodic lease payments for premises and equipment, as well as personnel costs). None of the local entities in jurisdictions other than Estonia (where the only item of external financing is the syndicated loan discussed below) have any outstanding bank loans or other external financing. The Group believes to have sufficient capital resources to finance all of its existing commitments in relation to planned investments and maintenance of fixed assets.

The Group has an established policy of intra-group financing (see below) to support the initial developments in new jurisdictions. In addition to intra-group financing, a syndicated loan has been taken in Estonia to finance the acquisition of Casino Polonia (see “*Operations - History and Development of the Group*”) as well as to finance up to 40% of the capital expenditure planned for financial 2006, mostly in connection with opening of new venues or refurbishing existing casinos.

Intra-group financing

Intra-group financing has so far been provided by either of the Company or OCE. It is the intention of the Group to arrange all future intra-group financing on the level of the Company and to ensure that OCE remains purely an operational company in Estonia. To this end, existing intra-group loans granted by OCE to various other Group entities have for the large part been recently refinanced with new loans from the Company.

Intra-group loans have in the past typically been provided without collateral and with interest rates up to 5%, subject to regulatory and practical considerations. The Group is constantly reviewing its intra-group financing principles and determining fair arm's length interest rates that will be applied to each jurisdiction, as a result of which the applicable interest rates have recently been revised upwards. As a result of the implementation of arm's length financing principles, the Group may from time to time incur tax costs in the subsidized jurisdictions. In particular, Latvia and Lithuania will impose a 10% withholding tax on interest payments to Estonia; in addition, paid interest will be treated as partially non-deductible item for income tax purposes. The table of current intra-group liabilities as of 30 June 2006 appears below.

Intra-Group Loans (30 June 2006)

	OCE (lender)	Currency	Rate	the Company (lender)	Currency	Rate
The Company (borrower)	319,231,632	EEK	5%	-		-
OCLT	-	-	-	1,904,399 12,585,000	EUR LTL	5.5% 5.5%
Mecom	-	-	-	7,990,300	LTL	5.5%
OCL	-	-	-	647,118 4,290,417	EUR LVL	5.5% 5.5%
Ahti	-	-	-	38,000	LVL	0%
OCGB	1,028,602*	LVL	0%	125,000	LVL	5.5%
OCU	-		-	2,300,000	EUR	6%
OCB	-		-	1,070,000	USD	6%
Nordic	935,548	EEK	5%	-	-	-
Vikings	260,000	EEK	5%	-	-	-

*short-term liability which is not reflected as a loan in the bookkeeping of the relevant entities

According to the recently developed intra-Group financing policy, internal loans are granted with the interest rate of 5.5% for Latvia and Lithuania and 6% for Ukraine and Belarus.

Syndicated loan (Group level)

Historically, the Group has taken numerous loans on the level of the Company. Multiple bank loans taken out by the Company have been refinanced with a single syndicated term loan facility in the total amount of up to EUR31.5 million (EEK492.9 million), arranged by Hansapank on 8 March 2006 (as amended), of which EUR14.5 million (EEK226.9 million) has been drawn down so far. The syndicated loan agreement is concluded between the Company as the borrower, AS Hansapank as the arranger and a lender and AS SEB Eesti Ühispank, AS Sampo Pank and HSH Nordbank Copenhagen Branch as the lending banks. Said syndicated loan replaced all previous external financing (in the amount of EUR14.5 million or EEK226.9 million) and is at the date hereof the only noticeable interest-bearing liability of the Group. The purpose of the loan (to the extent exceeding the refinancing of existing obligations) is to finance the acquisition of 79.99% of all shares in Casino Polonia and up to 40% of the planned investments to be made by various members of the Group in 2006. Such investments are mostly in the renovation of existing venues and the opening of new casinos in multiple jurisdictions. The total amount of the scheduled investments is up to app. EUR25.4 million (EEK397.4 million). The loan will be repaid in quarterly instalments of EUR2.5 million (EEK39.1 million) by 31 December 2009.

Under the aforementioned Syndicated Loan Agreement, the Company undertook to maintain a minimum EBITDA of EUR15 million (EEK234.7 million) per year, a debt/equity ratio below 1 at all times and the consolidated cash balance of the current accounts of the members of the Group of at least EUR5.5 million (EEK86 million) at all times. Certain other covenants are in place, including change of business, lending and borrowing as well as insurance obligations and a negative pledge. The Company also undertook to provide to AS Hansapank certain information concerning its business at agreed intervals.

The loan is secured by pledges on 100% of all shares of Kungla, OCE, OCL, OCGB, Ahti, Baltic Gaming, Faraons, OCLT and Mecom, as well as a pledge on 79.99% of shares of Casino Polonia (to be established within 6 months of the acquisition of the same), a commercial pledge over the assets of OCE in the amount of EEK156 million and a guarantee from OCE.

Off-balance sheet obligations

As of 30 June 2006, the Group did not have any material off-balance sheet obligations with the exception of the following. The Company sometimes acts as a guarantor in respect of the obligations of its subsidiaries vis-à-vis third party partners (mostly third party lessors). For example, the Company has guaranteed the performance by OCL of its obligations under the lease agreement securing the use of the premises for Reval Hotel Latvia Casino. The Company also guarantees certain obligations of OCLT in connection with a lease agreement in Vilnius.

Baltic Gaming has given certain warranties and representations to the purchasers of shares of its subsidiary, SIA Baltic Gaming Real Estate, which concern the legal status of the assets of the latter (with respect to the disposal of SIA Baltic Gaming Real Estate, please refer to "*Operations - History and Development of the Group*"). The Group does not anticipate any liability based on such warranties and representations.

In addition, OCLT has taken out a bank guarantee from AB Hansabankas in the amount up to EUR55,770 (EEK872,611). The guarantee secures the obligations of OCLT owing to AB vie butis "Lietuva" under a lease agreement concluded between the latter and OCLT. The obligations of OCLT under the guarantee agreement with AB Hansabankas are in turn guaranteed by the Company. Pursuant to the guarantee agreement, OCLT agreed to ensure that at least 90% of its revenue is routed through the bank and undertook certain restrictive covenants.

The Company has also guaranteed certain obligations of OÜ Emahool (a company related to Armin Karu, a member of the Management Board of the Company) in the amount of up to GBP100,000 until August 2009.

Quality of earnings

The Group does not provide consumer credit to its customers. Revenues are collected immediately in cash or cash equivalents. With the exception of a few casinos situated in summer resort locations such as Jurmala in Latvia, the revenues of the Group do not exhibit significant reliance on seasonal factors, although the revenue in summer months is slightly lower. So far, earnings have not been affected by any extraordinary non-recurring profits.

Intra-Group dividend policy

Payment of dividends within the Group is subject to the results of operations in each country and the tax treatment of dividends in each jurisdiction. So far, no dividends have been paid to the Company from Latvia, Ukraine and Belarus. The Lithuanian companies paid a total of LTL2.1 million (app. EEK9.5 million) of dividends to the Company as distributed profit for financial year 2004 and LTL4.5 million (app. EEK20.4 million) for financial year 2005.

The Company in its capacity as the shareholder of Mecom and OCLT has decided in 2005 to revise the distribution of profit for financial year 2004 which was already performed according to an earlier resolution. Notably, the Lithuanian Law on Companies neither provides for the possibility to revise the distribution of profit nor prohibits it. The Group recognises a potential risk of certain negative tax consequences of the aforementioned uncertainty, but does not consider such consequences to be considerable.

Budgeting and financial reporting

Budgetary period for all Group companies is one year and budgets are made on a monthly basis. In budgeting process, the revenues and costs of each company are reflected on accrual basis. Heads of departments in each Group company are responsible for drafting department budgets. Budget proposals are then submitted to the Chief Financial Officer of each

Group company by 25 October each year. Approved budgets of the subsidiaries are presented to the Management Board of the Company by 30 November at the latest. Budgets are eventually approved by Chief Executive Officer of the Group.

The financial year of each member of the Group is 1 January to 31 December. Annual reports are compiled and audited in each subsidiary and filed with the relevant state authorities as required. Actual results are measured against the adopted budgets on a regular basis.

Miscellaneous information

In addition to the information presented above, a number of aspects are worth mentioning in relation to the various Group entities.

- Baltic Gaming has financed the working capital needs of Tower in the mount of approximately LVL15,000 (EEK337,802) per month in the form of an interest-free loan. At 30 June 2006 the total amount owed by Tower to Baltic Gaming is approximately LVL226,000 (EEK5.1 million).

- Lithuanian companies are required to report to the Central Bank of Lithuania each loan received from and/or disbursed to a foreign entity. Received or granted loans must be reported within 10 business days, while repayments, changes in terms and conditions of the loans, and/or names, identification numbers or registered addresses of the lender or borrower must be reported within 5 business days. OCLT duly notifies the Central Bank of Lithuania of all financing transactions with the Company and OCE.

- For the purposes of maintaining a statutory reserve for the disbursement of winnings, OCLT has investments into Government Bonds of the Republic of Lithuania in the amount of LTL4 million (EEK18.1 million) measured as of 30 June 2006.

- Lithuania has a system of transfer pricing rules in place. According to the Regulations on the Implementation of Transfer Pricing rules issued by the Lithuanian Ministry of Finance, associated companies whose turnover exceeds LTL10 million (app. EEK45.3 million) have the obligation to document all information related to transfer pricing. In view of the above, OCLT intends to establish transfer pricing rules in the near future.

- In Ukraine, each loan agreement whereby a Ukrainian entity receives a loan from across the border is subject to registration with the National Bank of Ukraine. The intra-group loan to OCU has been duly registered.

- In Belarus, external loans need to be registered with the National Bank of Belarus. The intra-group loan to OCB is duly registered and permitted by the National Bank of Belarus. In addition, the Company has supplied gaming equipment to OCB. Gaming equipment was partially contributed to the share capital of OCB as a contribution in kind, and partially sold on credit.

- The Latvian companies recognise in their accounting the estimated liability for bonuses to clients. The provision is calculated with reference to betting practices by individual clients. Initial estimation of provision is done automatically and is based on the assumption that yields most expenses to the Latvian companies. Then, estimates are fine-tuned by the management based on historical record of client activity in cashing in bonuses available to them.

Insurance

From September 2005, the Group began a transition to a centralised insurance system. The principal insurer of the Group is Seesam Rahvusvaheline Kindlustuse AS. It was estimated that a centralized insurance policy would allow the Group to benefit from scale economy and reduce overall insurance spending. At the same time, centralized insurance allows the lesser entities of the Group (in Ukraine in Belarus) to benefit from preferential treatment as a major client of the insurance company, rather than dealing with local insurers on par with other local small clients. The Group is currently assessing the impact of the new insurance scheme and by 2007 will decide whether or not the current system is the most efficient option.

OCLT has entered into an Insurance Services Agreement with the Company on 1 October 2005, whereby the Company undertakes to mediate insurance to OCLT. In other jurisdictions, there was no necessity to conclude agreements related to the insurance passed on to the local entities from Estonia.

Related Party Transactions

The Company does not have any significant outstanding transactions with related parties. For information on executive compensation, please see "*Management*" below. Historically, the Company has entered into a number of transactions with related parties, which to the best of the Company's knowledge were all concluded on arm's length basis. The Management believes the following recent or ongoing transactions to be relevant:

- The Company acts as a guarantor with respect to certain obligations of OÜ Emahool (a company related to Mr. Armin Karu, a member of the Management Board of the Company). Such obligations amount to GBP100,000 and the guarantee is valid until August 2009.

- OCE leases premises located at Narva road 2, Tallinn (total area of 244.4 m_) from OÜ HansaAssets (owned by Armin Karu, a member of the Management Board of the Company) on arm's length terms. The aggregate rent paid under such agreement in the interim period from 1 January 2006 to 30 June 2006 was EEK366,600 (unchanged from the interim period 1 January 2005 - 30 June 2005).

- OCE has entered into a consultancy agreement with a company related to Andri Avila, a member of the Management Board of the Company. Under the consultancy agreement, aggregate payments of EEK269,210 were made by OCE in the interim period from 1 January 2006 to 30 June 2006 (compared to EEK158,000 paid in the interim period 1 January 2005 - 30 June 2005).

Other than the above, the Company has not concluded any material agreements or entered into any material transactions with related parties. Non-material transactions with related parties may be entered into from time to time; in such case the arm's length principle is observed. Day-to-day intra-Group transactions may from time to time occur between the Company and its subsidiaries which are entered into in the ordinary course of business on arm's length conditions. Transactions with related parties do not form any notable percentage of the turnover of the Company.

For additional information on related party transactions, see Note 9 to the interim consolidated financial statements of the Company for the period ended 30 June 2006, Note 32 to the audited consolidated financial statements of the Company for financial year ended 31 December 2005 and Note 31 to the audited consolidated financial statements of the Company for financial year ended 31 December 2004.

MANAGEMENT

Management Structure

The Company fully complies with the corporate governance regime of the Republic of Estonia in which it is incorporated. In accordance with the Estonian law, the operational management is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is eligible to represent the Company on the basis of the law and the Articles of Association. With the expansion of the Group and the separation of the Estonian operations (now conducted by OCE) from the management of the Group as a whole, the management of the Company devotes a significant amount of time to planning and carrying out international operations on the Group level, whereas local managements are responsible for everyday business in each country.

Management Board

The Management Board of the Company is responsible for the day-to-day management of the Company's operations, the representation of the Company and the organisation of its accounting. The Management Board is accountable to the Supervisory Board and must adhere to its lawful instructions.

The Management Board must present an overview of the economic activities and economic situation of the Company to the Supervisory Board at least once every four months and is under the obligation to give immediate notice of any material deterioration of the economic condition of the Company or of any other material circumstances related to its operations. If the Company is insolvent and the insolvency, due to the Company's financial situation, is not temporary, the Management Board must immediately submit a voluntary bankruptcy petition in respect of the Company.

The Management Board may only enter into transactions which lie outside the Company's ordinary scope of business with the consent of the Supervisory Board.

The Management Board of the Company currently consists of two members, whose authorities are valid for three years since appointment. According to the Articles of Association of the Company, the Management Board may have from 1 to 3 members.

Supervisory Board

In accordance with the Estonian Commercial Code, the Supervisory Board of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board. The Supervisory Board is accountable before the shareholders of the Company (acting through the General Meeting).

According to the Articles of Association of the Company, the Supervisory Board consists of 3 to 7 members who are appointed by the General Meeting of shareholders for a period of 5 years. The members of the Supervisory Board elect among themselves a chairman of the Supervisory Board who is responsible for organising the activities of the Supervisory Board. The Supervisory Board of the Company convenes according to actual necessity, but in any case at least once in every three months. An extraordinary meeting of the Supervisory Board is convened when so demanded by a member of the Supervisory Board, the Management Board, the auditor or the shareholders whose shares represent at least 1/10 of the share capital of the Company. The meetings of the Supervisory Board must be summoned with at least 10 days' notice, specifying the agenda for the meeting. A meeting has quorum when at least more than one half of all members are present and decisions are taken by simple majority of all members of the Supervisory Board present at the meeting. The chairman of the Supervisory Board has the deciding vote upon an equal division of votes.

Internal Auditor

Under the applicable Estonian law, the Company is not required to have an audit committee or a remuneration committee and there are no legal norms governing the activities of such bodies. The Company does, however, employ an internal auditor who works on the basis of an employment agreement concluded with the Company and pursuant to several procedures established by the Company, including the Internal Audit Rules.

Declarations in Respect of the Senior Management

To the best of the Company's knowledge, none of the persons listed under Sections "*Management - Management Board of the Company*", "*Management - Supervisory Board of the Company*" or "*Management - Other Key Personnel*" below have received any convictions in relation to fraudulent offences for the previous five years, nor were any of such persons in the same period associated with any bankruptcies, receiverships or liquidations in their capacity as members of the administrative, management or supervisory bodies, partners with unlimited liability, founders or senior managers (other than the cases specifically indicated below). To the best of the Company's knowledge, no such persons were subject to any official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies) nor have they been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company for the previous five years.

Likewise, with respect to the persons listed below, the Company is not aware of any conflict of interest between any of their duties to the Group and their private interests. For all persons listed below, the business address is Pronksi 19, Tallinn 10124, Estonia.

Management Board of the Company

Currently, there are two appointed members of the Management Board of the Company:

Armin Karu (born 1965). Mr. Armin Karu is the founder of the Group and its Chief Executive Officer since 1993. He currently serves as the Chairman of the Management Board of the Company. He graduated from Haaga Institute in Finland (International Management Diploma 1998; MBA 2005). The authorities of Mr. Karu as a member of the Management Board of the Company expire on 4 May 2009. Mr. Armin Karu is involved in the management of a number of Group companies, including OCE, Kungla, Fortuna, OCGB, Ahti, Silber and Baina. He also serves on the Supervisory Board of Baltic Gaming.

Mr. Karu also serves as the Chairman of the Estonian Gambling Operators' Association. He is a Vice-Chairman of a non-profit association "Tabasalu Natural Park", a member of the Management Board of the Tallinn Yachting Club and a member of the Management Board of a non-profit association "Suurte Tegude Fond". He currently serves as a member of the Management Board of OÜ Emahool and has formerly served on the Management Board of Salong Aquatonale OÜ (until March 2004).

Andri Avila (born 1975). Mr. Andri Avila serves as the Casino Operations Officer of the Company since 1 January 2006. He also acts as a member of the Management Board of the Company. Mr. Avila joined the Group in 2001 as the Chief Financial Officer. He graduated from Concordia International University in Estonia in 2000 with a degree in international business management. He has previously been employed by various real estate and investment companies, mostly in the capacity of the Chief Financial Officer. The authorities of Mr. Avila as a member of the Management Board of the Company expire on 1 January 2009. Mr. Avila also serves on the Management Boards of OCE, Kasiino.ee, OCGB, OCL, Ahti, Baltic Gaming, Silber and Baina.

Mr. Avila currently serves on the Management Board of AS RVC Investeeringud and acts as a liquidator of Vikings. His previous affiliations include AS Kawe Kinnisvara (member of the Management Board between July 1997 and May 2002), Eldore Kinnisvara OÜ (member of the Management Board between December 1999 and October 2001), Metro Aktivate AS (member of the Management Board, December 1999 – November 2001 and member of the Supervisory Board between February 2002 and October 2005), Creco AS (then under the name of N.L.K. Kinnisvara AS, member of the Supervisory Board between November 2000 and February 2002), AS Kawe Haldus (member of the Management Board between March 1999 and February 2000, member of the Supervisory Board until February 2006), OÜ Magister Morum (member of the Management Board between December 1999 and January 2001), AS Lahekalda (member of the Management Board between February 1998 and May 2001) and OÜ S&B Kinnisvara (member of the Management Board between September 1997 and January 2001).

Supervisory Board of the Company

Currently, the Supervisory Board consists of the following members:

Jaan Korpusov (born 1957). Mr. Korpusov graduated form Tartu University in 1985 with a degree in history. Mr. Korpusove worked in the Ministry for Environment between 1980 and 1988 and later served as a member o the Management Board of cooperative "Ego". Mr. Korpusov currently serves on the Supervisory Boards of Adamsoni Kinnisvara OÜ (from September 2001) and HansaKinnisvara OÜ (from April 2005) and on the Management Board of OÜ Hendaya Invest (from June 2006).

Liina Linsi (born 1961). Ms. Linsi graduated *cum laude* from the University of Tartu in 1984 (law) and has been a member of the Estonian Bar Association from 1985. She is a sworn attorney since 1992. Ms. Linsi served as a member of the Court of Honour of the Estonian Bar Association between 1995 – 2001 and is a member of the Court of Honour again from 2004. Ms. Linsi is currently a member of the Supervisory Boards of the following companies: AS Advokaadibüroo Lepik & Luhaäär LAWIN (from January 1997), FCM Grupi AS (from July 2004), Normanni Linnagrupi AS (from December 2005). She was a liquidator of Elektrovod Holding A.S. Eesti filiaal between June 2005 and January 2006. She also served on the Management Board of OÜ Oma Grupp between August 2001 and October 2005.

Peep Vain (born 1968). Mr. Vain has studied technology in the Tallinn Polytechnic Institute fro 1986 to 1987 and market economy in the University of Tartu between 1989 and 1990. He has a summa cum laude degree from the Bentlry College, Massachussetts, USA in the field of marketing (with finance as an auxiliary subject). Mr. Vain is a member of the Management Boards of OÜ Vain & Partnerid (from November 1997), OÜ Vain SMD Konsultatsioonid (from August 1999) and Koolitusühistu Vain & Partnerid Koolitused (from February 2005). He is a member of the Supervisory Board of CV Keskus AS (from August 2006). He was a member of the Supervisory Boards of AS YIT Ehitus (from June 2000 to October 2001) and EMT Esindused AS (from May 2001 to June 2003). He also worked as a marketing assistant and later a marketing manager in the Southwestern Company, Nashville, Tennessee, USA between 1990 and 1993, the marketing director in OÜ Jungent between 1994 – 1997 and acted as a marketing consultant to AS Hansapank in 1997.

Kaia Karu (born 1963). Ms. Karu has graduated from the Tallinn Technical University in 1986 with a degree on services economy and organisation. She has worked as the chief accountant in cooperative "EGO" from 1987 to 1993 and as a slot casino manager and a deputy Chief Human Resources Officer in OCE since 1993. Ms. Karu is a member of the Management Board of OÜ Emahool (from February 2005). Ms. Karu is the wife of Mr. Armin Karu, the Chief Executive Officer of the Group.

Other Key Executive Personnel

The executive team of the Group includes Group-level management of various business units and the local management of each country in which the Group operates. All of the below listed persons serve on the basis of employment contracts concluded for an indefinite term.

Group level

The management of the Group comprises 8 executive positions for management personnel based in Estonia, excluding the members of the Management Board (the Chief Executive Officer of the Group and the Casino Operations Officer), the Financial Controller and the Internal Auditor. These executive positions are occupied by the professionals listed below.

Alar Heinaste (born 1960). Mr. Heinaste is the Internal Auditor of the Group from April 2006. He graduated *cum laude* from the Tallinn Technological University with a degree in accounting and economic analysis (1982). Before joining the Group, he served as the coordinator of the Internal Audit Unit of Enterprise Estonia (EAS), a Chief Financial Officer in Filmari AS and the Head of Internal Audit Department in Eesti Energia AS. He is a member of the Estonian Auditing Board (since 1992) and a member of Institute of Internal Auditors (since 2000).

Ilja Šterenberg (born 1977). Mr. Šterenberg is the Financial Controller of the Group. He graduated from the University of Tartu with a BBA degree in enterprise economy in 1999, and attained an MBA degree in economic studies from the same university in 2003. From 2002 to 2003, Mr. Šterenberg served as the internal auditor of the Ministry of Internal Affairs of

Estonia and later as an auditor of the National Audit Office of Estonia (*Riigikontroll*). He joined OCE in 2004. Mr. Šterenberg has formerly served as a member of the Management Board of I.S.C. Grupp OÜ (from October 2001 to January 2004).

Jaak Õunpuu (born 1973). Mr. Õunpuu currently serves as the Chief Financial Officer of the Group. He graduated from the Faculty of Economy of the University of Tartu (1996, BA in economy, with a focus on corporate finance and investment), as well as the Tallinn Technical University (2003, MBA - management and corporate finance). Before joining the management team of the Group in March 2006, Mr. Jaak Õunpuu worked as an economy advisor of the Otepää city council (1995-1996) and as the Chief Financial Officer of AS Kommest Auto and AS Lauva Auto (Latvia) from 1996 until 2006. Mr. Õunpuu currently serves as a member of the Management Board of OÜ Jakob ja Pojad and has previously served as a member of the Supervisory Board of AS Kommest Auto Pärnu (October 1997 – June 2004), AS Kommest Auto (member of the Management Board from January 2000 to January 2004 and procurator from April 2004 to April 2006), AS Resnos (member of the Supervisory Board from October 2000 to September 2001), AS Corporent (member of the Supervisory Board from June 2001 to December 2001) and AS Ühinenud Autokeskused (then under the name of AS Repeli, member of the Supervisory Board from June 2001 to March 2002).

Raoul Järvis (born in 1975). Mr. Järvis currently serves as the Chief E-Commerce Officer of the Group (since October 2005). He graduated from University of Toronto in 2002 (MSc in the field of software engineering with a focus on semantic modelling) and 1998 (Hon BSc in software engineering). He was previously employed by AS SEB Eesti Ühispank and served as a Chief Technology Officer in IG Partners OÜ/Intergate AS (2001-2003). Mr. Järvis currently acts as a member of the Management Board of T+1 Solutions OÜ. He previously served as a member of the Supervisory Board of AS WebMedia (July 2001 – December 2004).

Pille Lepasaar (born 1968). Ms. Lepasaar serves as the Chief Human Resources Officer of the Group from January 2006. Ms. Lepasaar graduated from Haaga Institute in Finland in 1995 (International Management Diploma) and Estonian Business School in 2000 (MBA). Until recently, she has worked in Rimi Baltic Group as a Human Resource manager. She has also worked as the Director of Customer Care and Service in Radiolinja Eesti AS (1997-2003). Ms. Lepasaar served as a member of the Management Board of OÜ Tahula Projekt between February 1997 and April 2000.

Meelis Pielberg (born 1975). Mr. Pielberg serves as the Chief Engineer of the Group since May 2005 (formerly the position of the construction projects supervisor). His position has by this time been upgraded to "Director of Development" and currently comprises responsibility for most matters related to the construction and launch of all new venues operated by the Group. Mr. Pielberg joined the Group in 1996 as a driver and became a chief technician in 2002. He graduated from Suuremõisa Agricultural Technicum in 1994 and from the Estonian Centre of Maritime Education in 2000. Mr. Pielberg serves under the supervision of the Casino Operations Officer. Mr. Pielberg currently serves as a member of the Management Board of OÜ Lanmel Projekt. Mr. Pielberg is also a member of the Management Board of Football Club Olympic.

Katre Kaarenperk-Vanatoa (born 1974). Ms. Kaarenperk-Vanatoa serves as the Chief Marketing Officer of the Group from May 2006. She graduated from the Estonian-American Business Academy (EABA) in 1997 in the field of Business Management. Before joining the Group in September 2003, she was employed by Reval Hotels Group and worked as the Chief Marketing Officer in Central Hotel Tallinn. Ms. Kaarenperk-Vanatoa serves under the supervision of the Casino Operations Officer. Ms. Kaarenperk-Vanatoa currently serves as a member of the Management Board of OÜ Klinkberg & Partners and of a non-profit organisation MTÜ Meie Kaberneeme.

Indrek Jürgenson (born 1976). Mr. Jürgenson serves as the Chief Information Technology Officer of the Group. He has joined the Group in May 2003. Mr. Jürgenson graduated from Tallinn Pedagogical University in 2000 with a bachelor's degree in physics and later studied information technology in the Estonian Business School. He has worked in I&T Ltd (London) and served on the Management Board of the same. He has also worked as a branch manager in Eurofone (London) in 2002, as a project manager in AS IT Grupp in 2000, and as a GIS manager in AS Eesti Telefon. Mr. Jürgenson serves under the supervision of the Casino Operations Officer.

Kristi Roolaht (born 1978). Ms. Roolaht serves as the chief corporate trainer of the Group, responsible for training and education of floor personnel. She has graduated from Viljandi Culture College in 2000 as a music teacher. Ms. Roolaht has joined the Group as a dealer in OCE in 2000, having later advanced to the position of a pit boss and then a trainer. Ms. Roolaht was promoted to the position of the chief corporate trainer in 2006. Ms. Roolaht serves under the supervision of the Chief Human Resource Officer.

Kristi Liinak (born 1978). Ms. Liinak is the chief accountant of the Group from 1 July 2006. She graduated from the Tallinn Technical University in 2001 with a bachelor's degree in accounting. She has worked as an accountant in Haltransa AS from

2000 until 2003, and in E.L.L. Kinnisvara AS from 2003 to 2005. Ms. Liinak serves under the supervision of the Chief Financial Officer. Ms. Liinak served as a member of the Management Board of Refleks OÜ between July 2005 and December 2005.

Local management

Estonia: Tarmo Kase (born 1975) is the managing director of OCE (since June 2005). He graduated from the Estonian-American Business College in Estonia in 2001. He has studied advertising and media relations in Tallinn Pedagogical University and participates in the masters program of Tartu University in the field of public relations and journalism). He has previously served on the management of various wholesale and retail companies, including a position as the sales director of bakery ETK Leib AS. He currently serves as a member of the Management Board of OÜ Samacode and has previously served on the Management Boards of OÜ Fopi (July 2002 – January 2004).

Latvia: Gints Pakarklis (born 1970) is the Managing Director of OCL since 2004. He graduated from the School of Business Administration Turiba in Riga (faculty of law). Previously he worked as a general manager of a casino for NIK'S Ltd in Riga. He has also been a general manager of Casino Plaza Arcadia in Ukraine in 2002.

Lithuania: Gintaras Grybenas (born 1967). Before joining the Group, Mr. Grybenas served as the Director of Marketing Department in AB "Lietuvos telekomas" from 2003 to 2005. He has been involved with AB "Lietuvos telekomas" since 1998 and in that time he has served there as the Project Sector Director, Customer Care Sector Director and Sales and Marketing Unit Director. He has also been the Country Sales Director of UAB "Tetrapak Lietuva" and the Sales Unit Director in UAB "Mobilios telekomunikacijos". He graduated from Vilnius University in 1994 (the Faculty of Economy).

Ukraine: Lembit Loo (born 1972) is the Managing Director of OCU. He studied in the University of the District of Columbia, USA. Before joining the Group, he has been a manager in various IT technology companies including Oracle Corporation, Abobase Business Systems and NT-Exchange.Com. Previously he also served as an enterprise account manager in Microsoft Corporation. Mr. Loo joined the Group in November 2005. Mr. Loo used to serve on the Management Board of AS Intral (then under the name of AS ENT-Exchange.com, from September 2000 to September 2002) and its Supervisory Board (April 2000 – July 2000). Mr. Loo will also head the Group's Polish operations when these become active.

Belarus: Andrus Koha (born 1970). Mr. Koha joined the Group in March 2004 and he is currently the Managing Director of OCB. He graduated from the Tallinn Technical University with a degree in Business Administration. He has previously served as the Chief Financial Officer of Kalev AS and a manager in the Kalev Real Estate Company. Previously he has worked for Kalev in Kaliningrad as the factory project manager. He currently serves as a member of the Management Board of OÜ Astran Holding and has previously served on the Management Boards of OÜ Legaato (August 1996 – March 2001) and AS Kalev Real Estate Company (March 2002 – December 2002).

Remuneration and Benefits

In 2005 the Company had only one Management Board member – Mr. Armin Karu. The aggregate compensation paid to him in 2005 was EEK30,000.

From 1 January 2006, the Company has two members of the Management Board – Mr. Armin Karu and Mr. Andri Avila. Both of them are paid remuneration and receive benefits for serving as Management Board members of the Company pursuant to the board member agreements concluded with them. Besides serving on the Management Board of the Company, they also serve as Management Board members in other Group companies and receive remuneration and benefits for their services on the basis of separate board member agreements concluded with the respective Group companies.

The monthly remuneration of Mr. Armin Karu for the serving as the Management Board member of the Company is EEK10,000 (incl. the confidentiality and non-compete fee). In case of termination of the board member agreement with the Company the severance benefit payable to Mr. Armin Karu is limited to EEK30,000. Bonuses could be paid pursuant to separate agreements, however at the time being no performance-based bonus schemes are in place. Under the board member agreement with OCE, Mr. Armin Karu receives a monthly remuneration of EEK52,000 (incl. the confidentiality and non-compete fee) and is entitled to severance payment of EEK250,000 upon the expiry of his term of office and a severance payment of EEK2 million upon premature removal. The monthly remuneration of Mr. Armin Karu under the board member agreement with Kungla is EEK10,000 (incl. the confidentiality and non-compete fee) and the amounts of severance payments are similar to the severance payments set forth under the board member agreement with OCE.

The monthly remuneration of Mr. Andri Avila for serving as the Management Board member of the Company is EEK17,000. He is also entitled to a monthly bonus of up to EEK6,000 and a monthly confidentiality and non-compete fee of EEK1,000.

The Company also pays Mr. Avila annual performance based bonuses for fulfilling the profit, turnover and profitability objectives of the Group (1 month's salary for each objective) and an additional annual bonus of 0.25% of the annual profit of the Group. Mr. Andri Avila is entitled to a severance payment of EEK102,000 upon premature removal. Under the board member agreement with OCE, Mr. Andri Avila receives a monthly remuneration of EEK26,400. He is also entitled to a monthly bonus of up to EEK12,600 based on performance results and fulfilment of objectives, as well as a monthly confidentiality and non-compete fee of EEK2,000. His also entitled to similar annual performance based bonuses as in the Company. Upon his premature removal from the management board of OCE, Mr. Andri Avila will be entitled to a severance payment of up to EEK246,000.

In the near future, the Company intends to consolidate the various agreements that currently exist between the members of the Company's Management Board and various Group companies in such a manner that each member of the Management Board of the Company is employed exclusively by the Company on the basis of one relevant agreement.

The Company did not have a Supervisory Board in 2005 and correspondingly no remuneration was paid. At the moment, no agreements are concluded with the members of the Supervisory Board with respect to their service on the same. Other key employees of the Group are entitled to performance-based bonuses which become available upon fulfilling certain pre-determined objectives, which may vary according to the nature of the employee's responsibilities. The termination severance payments are normally in proportion with the salary.

The total amount of compensations paid to the senior management of the Group in 2005 was app. EEK7.3 million. Due to the constant evolution of the management structure of the Group in the phase of expansion, new management positions may have been created since 31 December 2005 or during the financial year ended 31 December 2005, or the functions of the various managers may have changed. Therefore, the aforementioned data is based on the best possible assessment of the remuneration paid to the senior management and key personnel with functions similar to those of the persons mentioned above.

No employees or members of the management bodies of the Company or other Group companies are entitled to any pensions other than those prescribed by the applicable national legislation. Correspondingly, the Group companies do not accrue or set aside any amounts to provide pension, retirement or similar benefits. Please see "*Management – Stock Option Plan*" below for a description of the option program established by the Company.

Stock Option Plan

In accordance with a decision of the Extraordinary General Meeting of shareholders of the Company dated 12 September 2006, the Supervisory Board of the Company has been granted the right to increase the share capital of the Company by up to 2.5% of the share capital on the post-Offering basis (*i.e.* to issue up to 1,885,000 Shares) in order to implement the employee stock option plan. Under the stock option plan, certain individuals are granted the right to purchase new Shares of the Company at a price which is determined in accordance with the conditions of the stock option plan. The eligibility to exercise rights under the stock option plan is generally related to certain pre-determined objectives which need to be met by each relevant employee. Pursuant to the Articles of Association of the Company, the Supervisory Board is entitled to increase the share capital of the Company by issuing the amount of Shares that corresponds to the volume of the stock option plan as of 31 May 2008 until 31 December 2010.

The stock option plan is made available to the members of the Supervisory Board of the Company, the Management Board of the Company and certain key employees, including but not limited to the positions described under "*Other Key Executive Personnel*" above. With respect to all participants of the stock option plan excluding the members of the Supervisory Board of the Company, the Supervisory Board will be eligible to decide on the amount of Shares to be issued to each particular employee and other details of the exercise. With respect to the members of the Supervisory Board, the decision concerning their eligibility for the realisation of their rights under the stock option plan is in the competence of the General Meeting of shareholders of the Company.

The strike price of the options granted to employees and management is tied to the market price of the Shares of the Company traded on the Tallinn Stock Exchange in the period preceding the exercise of the stock options, thus providing the key personnel of the Group with powerful incentive to deliver continuous performance. The options can be exercised in 2008 at a price equal to Offer Price + 10% and in 2009 and 2010 at a price equal to the weighted average market price of the Shares on the Tallinn Stock Exchange for the last full financial year + 10%.

Share Ownership and Acquisition of Shares

The Chief Executive Officer of the Company, Armin Karu, is the 100% owner of OÜ HansaAssets, which in turn is the owner of 65% of Shares of the Company prior to the Offering. In addition, Armin Karu is the owner of 5% of all shares of OCE, comprising 258,151 shares with the total nominal value of EEK2,581,510. Jaan Korpusov, who is a member of the Supervisory Board of the Company, is the 100% owner of OÜ Hendaya Invest, which in turn is the owner of 35% of Shares of the Company prior to the Offering.

No other members of the Management Board or the Supervisory Board of the Company or its employees hold any shares in any other Group companies. Neither any employees of the Group nor the members of its management hold any options or other similar rights to acquire Shares of the Company.

During the past year, no Shares have been acquired by the members of the administrative, management or supervisory bodies or the senior management of the Company, or affiliated persons, with the exception of Shares acquired by the existing shareholders of the Company in the course of the reorganisation of the Company and the bonus issue described in more detail under Section entitled "General Corporate Information and Shares – Share Capital and Shares". Such Shares have been acquired by the existing shareholders of the Company at no cash cost due to the nature of the share capital increases in which they participated.

OWNERSHIP STRUCTURE

Ownership Structure, Major Shareholders

Shares of the Company are owned by OÜ Hendaya Invest (register code 11255565, registered address Estonia pst. 15a, Tallinn, Estonia) and OÜ HansaAssets (register code 10978402, registered address Pronksi 19, Tallinn, Estonia). Both shareholders are registered in the Estonian commercial register, held by the Register Department of the Harju County Court).

Following the registration of the bonus issue decided by the shareholders of the Company on 12 September 2006, OÜ Hendaya Invest will own 21,000,000 shares of the Company with the total nominal value of EEK210,000,000 which corresponds to 35% of the total issued share capital of the Company. OÜ HansaAssets will own 39,000,000 Shares of the Company with the total nominal value of EEK390,000,000 which corresponds to 65% of the total issued Share capital of the Company.

All shareholders of the Company have equal voting rights. Prior to the Offering, the Company is controlled by OÜ HansaAssets. The share capital of OÜ HansaAssets is EEK40,000. The principal area of activity of OÜ HansaAssets is investment and it does not engage in active trade operations. The sole member of the Management Board of OÜ HansaAssets is Armin Karu. OÜ HansaAssets does not have a Supervisory Board.

The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Company. No person has, directly or indirectly, an interest in the Company's capital or voting rights which is notifiable under the laws of Estonia.

Dilution

The Offer Shares represent approximately 25.7% of the share capital of the Company immediately prior to the Offering and approximately 20.4% of the share capital of the Company immediately after the completion of the Offering provided that the Over-Allotment Option is exercised in full and that the number of Offer Shares does not change from that indicated on the cover of this Prospectus. Following the completion of the Offering (and assuming that the Over-Allotment Option has been exercised in full) OÜ HansaAssets will hold approximately 51.7% of the Shares of the Company. OÜ Hendaya Invest will also remain a major shareholder with approximately 27.8% of all Shares.

Shareholders' Agreements

As of the date of this Prospectus the Company is not aware of any existing agreements between the two shareholders of the Company on the use of voting rights that will be in effect following the completion of the Offering.

ESTONIAN SECURITIES MARKET

The Tallinn Stock Exchange

The Tallinn Stock Exchange, owned by AS Tallinna Börs, is the only stock exchange operating in Estonia. Its major shareholder is a Swedish corporation OMX AB, which also controls Copenhagen Stock Exchange, Stockholm Stock Exchange, Riga Stock Exchange, Vilnius Stock Exchange and Helsinki Stock Exchange.

AS Tallinna Börs is a member of the Nordic and Baltic exchanges association NOREX which, besides Tallinn Stock Exchange, is comprised of Oslo, Iceland and OMX Stock Exchanges.

The Tallinn Stock Exchange is a two-layer system: mainly governed by Estonian laws and governmental regulations, but further complementation comes from the rules and policies of the Tallinn Stock Exchange. The two most significant laws governing the operation of the Estonian stock market are the Estonian Securities Market Act and the Estonian Central Register of Securities Act.

The main purpose of AS Tallinna Börs regulations is to facilitate smooth and legal exchange of securities. The rules can be changed by AS Tallinna Börs only after the Estonian Financial Supervision Authority has approved the relevant amendments. All rules and regulations are applicable to corporations listed on the Tallinn Stock Exchange, members of the Stock Exchange, and companies trading on the open market.

The ECRS and registration of shares

The shareholders' registers of all public limited companies (and some private limited companies who opted to register their shares) including those that are traded in Tallinn Stock Exchange are held by the Estonian Central Register of Securities (ECRS). ECRS also keeps book entry records of all securities, pension accounts, registered bonds and all other electronic securities and transaction with the same. This register is maintained by a securities market infrastructure enterprise AS Eesti Väärtpaberikeskus that is owned by AS Tallinna Börs and belongs to the OMX group.

Every individual, regardless of nationality, has the right to open an account with the ECRS, where all securities are registered and listed in book entry form on securities accounts of their owners. All transactions are recorded and can be performed only through account holders. Account holders are either investment companies or credit institutions operating in Estonia, or other certified individuals. In some cases, account supervisor can also be a foreign company. For Shares listed in ECRS, no share certificates are issued.

The amount of information from the ECSR that is available to the public is limited and includes information on the issuer (name, seat and registry code) and the details of securities (type, nominal value and number of shares). Unless Shares are listed on the stock exchange, information about shareholders is not available to the public.

In addition to regular securities accounts, qualified member of the securities market (account holder) can open a nominee account. This account type gives the account holder the right to hold securities on behalf of another person – the client – but in its own name. The client retains the right to dispose of the securities or use its rights as a shareholder of the issuer, though a power of attorney must be obtained for the latter purpose.

Listing shares on the Tallinn Stock Exchange

Shares listed on the Tallinn Stock Exchange are divided into two separate lists – the main list and the investors' list ("I-list"). In addition to trading in listed securities, the Tallinn Stock Exchange also allows to trade in the free market via the same trade system. As of June 2006, there are 16 companies listed on the Tallinn Stock Exchange, 10 of which are on the main list and 6 on the I-list.

There are two important differences between the main list and the I-list: the minimum length the company has been in business and the minimum value of the company. For the main list, the respective requirements are three years and EUR4 million. For the I-list, the requirements are two years and 1 million Euro, respectively. Once the company has been listed on the main list, it is still possible to move to the I-list, and vice versa, as the value of the company fluctuates over time.

Various conditions have been established for companies to list their shares on the Tallinn Stock Exchange, among which the most significant one is that 25% of Shares of the issuer have to be publicly held. Nevertheless, this percentage does not necessarily have to be fulfilled as of the listing date, if the number is expected to reach 25% shortly after trading commences.

Moreover, in certain conditions normal market trading would also be possible with less than 25% of shares belonging to the public, taking into account the total amount of shares and their allocation among the shareholders.

Trading on the Tallinn Stock Exchange

Trading on the Tallinn Stock Exchange is open to its members each workday from 10 am to 2 pm (Tallinn time zone). SAXESS, the Nordic-Baltic trading system, is used in Estonia (as well as in Finland, Sweden, Norway, Denmark, Iceland, Latvia and Lithuania). The official currency on the Tallinn Stock Exchange trading system is Euro.

There are two different types of transactions that take place on the Tallinn Stock Exchange – automatic matching and negotiated deals. Automatic matching occurs when buy and sell orders are matched automatically according to the price and time priorities. In such case, the settlement of a transaction always takes place on the third exchange day after it has been concluded (T+3), unless agreed otherwise by the parties.

Negotiated deals, on the other hand, can be made during the regular trading period or after-market trading period. While the after-market trading period prices are determined by different pricing rules, in general the price of a security falls into the range of the best bid and offer prices at the time of the transaction. The closed transaction has to be entered into the system by the brokers within five (5) minutes after the transaction has been closed. Negotiated deals have to be settled among the members of the stock exchange from one (T+1) to six (T+6) days after concluding the transaction, unless agreed otherwise by the parties.

The Tallinn Stock Exchange, owned by AS Tallinna Börs, is an electronically operated system that provides information about trading activity. This information consists of the latest prices of securities, prices of takeover and transfer securities, price changes, highest and lowest prices, and the number and volume of transactions. Also available on the Internet site of the Stock Exchange are news about stock exchanges, statistics, equity prices, and other transaction related information. Information that is confidential and can alter the price of a security is not disclosed to the public.

However, AS Tallinna Börs is required to provide all the relevant information about the transactions: (1) the time when the transaction was completed, (2) identities of the market members participating in the transaction, (3) names of the securities traded, and (4) the amounts, nominal values and prices of the traded securities. In addition to the aforementioned data, the Tallinn Stock Exchange Rules demand availability of all other information about the transaction that might be needed.

To guarantee higher liquidity of a security, the Listing and Supervisory Committee of the Tallinn Stock Exchange has the right to demand that an issuers enters into a market-making contract with a member of the Tallinn Stock Exchange. In connection with the listing of Shares on the Tallinn Stock Exchange, the Company will enter into a market-making contract with AS Hansapank.

Supervision of the Tallinn Stock Exchange and of trading on the Tallinn Stock Exchange

The Estonian Financial Supervision (EFSA) is the agency that supervises the Tallinn Stock Exchange under the rules established by the Financial Supervisory Authority Act. The main purpose of the EFSA is not only to ensure reliable and secure operation of the stock market and the financial sector as a whole. In addition to the EFSA, the Listing and Supervisory Committee of the Tallinn Stock Exchange has a specific duty to ensure that the members of the Tallinn Stock Exchange comply with applicable rules and regulations.

The price formation of the traded securities is supervised by AS Tallinna Börs, owner of the Tallinn Stock Exchange. Transactions that can unfairly alter the price of a security (e.g. transactions based on inside information or manipulating the market) are strictly prohibited. All suspicious transactions must be notified by the Tallinn Stock Exchange to the EFSA immediately.

Disclosure of information about transactions and shareholders

Whenever a person acquires (directly or indirectly, alone or in concert with a third party) 5%, 10%, 20%, 33%, 50% or 66% of all shares issued by one public limited company, such person must inform the Estonian Financial Supervision Authority (EFSA), the public limited company and the account holder about the number of shares obtained from the transaction. These same rules also apply to the investor whose shareholding falls below any of the same levels. Exceptions to the above requirements may be granted by EFSA alone. The same requirement applies to holders of nominee accounts, who must report to the EFSA when a particular account exceeds or falls below the above-mentioned thresholds.

It is prohibited to enter into agreements concerning Shares of a public limited company that restrict free transfers in the market or have a significant impact on the price of a security, and the public limited company involved in such transactions must report to the EFSA.

In addition, the Rules of the Tallinn Stock Exchange include certain specific regulations related to transactions entered into by an issuer and involving its own securities.

Abuse of the stock market

According to the Securities Market Act, abuse of the stock market is defined as either mishandling of inside information or manipulating the market. Provisions of the Securities Market Act relating to disclosure of confidential information also apply to securities that are not traded in the Estonian Stock market or in any of the Member States of the European Economic Area, but whose value depends on the financial instruments traded on those markets.

According to the Estonian Securities Market Act, "insider information" is defined as specific information that directly relates to the issuer or its securities. Among numerous other things, this includes information on operations and future prospects of the issuer, insofar as not yet officially disclosed. When such information is made public, there is an increased risk of fluctuations in the price of the relevant security and related derivative instruments. There are certain specific rules in the Securities Market Act that help established if a particular piece of insider information can be released or not.

Insider information can only be possessed by "insiders". As defined in the Securities Market Act, an insider is a member of the management of the issuer, a person who obtains access to insider information in discharge of his/her professional duties or a shareholder with over 10% stake in the issuer, as well as certain third persons such as friends and relatives who knowingly obtain insider information from the insider.

Insider information is usually regarded to be misused when used as basis for transactions (or as basis for advise to third parties) or disclosed to the public. The Estonian Securities Market Act establishes a number of administrative offences related to insider information that are punishable with fines of various gravity.

In order to reduce the risk of the abuse of insider information, each issuer whose shares are listed on the Stock Exchange is required to establish internal information rules, extending to individuals which are related to the issuer. The connection can be directly through the issuer, through its subsidiary, or through its parent undertaking.

It is also forbidden that members of the management, officials of the company, or individuals related to them use insider information for their personal benefit. It is illegal to take advantage of the short-term price changes and trade during time periods when trading is not accessible to other members of the market. Exclusions to these rules can only be made by the Listing and Supervisory Committee of the Tallinn Stock Exchange.

Since the Tallinn Stock Exchange has complete control over the Estonian stock market, the ECRS must provide it with information about all the trades taking place on the market. Besides guaranteeing the secure functioning of the market, this also helps detect and avoid illegal trading on the basis of insider information.

Obligatory takeover bid

An obligatory takeover bid must be made by a shareholder who, acting alone or in concert with others, gains dominant control over a company whose shares are listed on the Tallinn Stock Exchange.

According to the law, dominant control is obtained when a person: (i) owns over 50% of the votes represented by shares, or (ii) as a shareholder of the company, has the right to assign or recall a majority of the Management Board or Supervisory Board of the company, or (iii) as a shareholder of the company, controls at least 50% of the votes represented by shares on the basis of an agreement entered into with other shareholders.

A person acquiring dominant control over a listed company has to make a mandatory takeover bid for all the outstanding shares of the company within 20 days. Only in special cases, the Estonian Financial Supervision Authority can make exceptions to the above rule.

TAXATION

General Information

The Group is a regular payer of gambling tax in jurisdictions where a specific tax is imposed. In particular, each of the Baltic States imposes a gambling tax which is in one way or another related to the gaming equipment operated by each gaming operator. It is a wide-spread practice that proceeds of gambling tax are used for charitable or social purposes such as supporting sport and culture. In 2005, the total amount of gambling taxes paid by the Group in various jurisdictions was over EEK82 million (representing 13% of the total business costs). The general principles of corporate and industry-specific taxation in the relevant jurisdictions are summarised below. Information for Estonia includes a more detailed description of corporate, capital gains and individual taxation on account of the Company being an Estonian resident Information for other jurisdiction is limited to the extent that local taxation rules any affect the results of operations of the relevant Group entities and the Group.

The section dealing with the Estonian tax system is meant to give an overview of the tax regime applicable to the Company and its shareholders, including the taxation of dividends and capital gains as applied to the dividends paid out and Shares issued by the Company. The sections dealing with other jurisdiction are included to give an overview of the tax regime in which the subsidiaries of the Company operate and are of no relevance with respect to distributions made to or capital gains realised by the Company's shareholders. Note that the below summary is in no way exhaustive and is not meant to constitute professional advise to any person. In order to establish particular tax consequences of the Offering or the ownership of Shares, each individual investor is strongly encouraged to seek specialist assistance.

Estonia

Corporate income tax

The system of corporate earnings taxation currently in force in Estonia is a unique system that shifts the point of corporate taxation from the moment of earning the profits to the moment of their distribution. Corporate income tax is charged on profit distributions such as dividends and implicit distributions (i.e., fringe benefits, gifts and donations, as well as expenditures and payments not related to the business activities of the Company).

All of the above profit distributions are taxed at a rate of 23/77, which amounts to approximately 29.87% of the net amount of the distribution. According to the Estonian Income Tax Act as it currently stands, the corporate income tax rate will decrease gradually within the following years (to 22/78 as from 1 January 2007, 21/79 as from 1 January 2008 and 20/80 as from 1 January 2009). Corporate income tax imposed on distributed profits is not a withholding tax and thus is not influenced by the applicable international tax treaties.

The applicable corporate income tax system is likely to change in the near future, as the current system of corporate taxation is deemed incompatible with the European law (see "*Risk Factors*" for more information). As of the date hereof, there is no reliable information as to the principle on which the new system will be based.

Taxation of dividends

Dividends payable to Estonian residents and non-resident individuals are not subject to withholding in Estonia but instead are taxed with the corporate income tax on distribution as described under sub-section "*Taxation - Corporate income tax*" immediately above. The Company is responsible for calculating and paying the corporate income tax as described above.

A withholding tax is, however, charged on dividends payable by a resident company to non-resident legal persons, subject to certain exemptions. If at the moment when dividends are announced or paid, a non-resident legal person (with the exception of a legal person located in a low tax rate territory) owns at least 20% of the share capital of the company distributing the dividends, such dividends are not subject to withholding. As the law currently stands, the above 20% threshold will decrease to 15% in 2007. According to EU directives, the threshold should decrease to 10% in 2009.

Withholding tax applicable to cross-border dividends is subject to applicable international tax treaties concluded between Estonia and the relevant foreign states. Tax treaties concluded by Estonia typically reduce the applicable rate of withholding tax from 23% down to 15%. Estonia currently has 35 international tax treaties in force. Non-resident shareholders may be eligible for double taxation relief from Estonian withholding tax either on the grounds of domestic laws of the shareholder's state of residence or the applicable tax treaty. The Company is responsible for calculating and paying the withholding tax as described above.

According to the Estonian Income Tax Act as it currently stands, the withholding tax rate will decrease gradually within the following years (to 22% as from 1 January 2007, 21% as from 1 January 2008 and 20% as from 1 January 2009).

Capital gains, tax consequences of sale or exchange of shares

Income tax at the rate of 23% (subject to reduction to 22% from 1 January 2007, 21% from 1 January 2008 and 20% from 1 January 2009) will be charged on gains realized by Estonian resident individuals upon sale or exchange of Shares. Since earnings of resident legal persons, including capital gains, are taxed only upon distribution, capital gains realized by resident legal persons are not subject to immediate taxation.

Income tax is charged on capital gains realized by non-residents from the sale or exchange of shares in an Estonian company only in very specific circumstances. Namely, income tax at the rate of 23% is charged in case of sale or exchange of at least 10% of Shares in a company of whose property, according to the balance sheet as of the last day of the preceding financial year, more than 75% is made up of immovables or structures as movables, which are located in Estonia.

As from 1 January 2007, the above criteria will change: non-residents will qualify for income tax obligation in case of sale or exchange of any number of shares in a company of whose property, as of the moment of sale or exchange or any moment within two years preceding the sale or exchange, directly or indirectly, more than 50% is made up of immovables or structures as movables, which are located in Estonia, and provided that at the moment of sale or exchange the shareholder owned at least 10% of shares in the company.

At the moment, the Company does not meet the above criteria and thus the non-resident shareholders selling or exchanging their Shares will be exempt from Estonian income tax.

For the purposes of capital gains taxation, the gain derived from the sale of shares is the difference between the acquisition cost and the selling price of the sold shares. The gain derived from the exchange of shares is the difference between the acquisition cost of shares subject to exchange and the market price of the property received as a result of the exchange. A shareholder has the right to deduct certified expenses directly related to the sale or exchange of shares from the shareholder's gain.

In the case of a reduction of the share capital of the Company, and in the case of redemption of its shares, income tax is charged on the amount in which the payments made to a non-resident person or resident individual exceed the acquisition cost of the holding.

Taxation of gaming operations

Gambling tax is imposed on amounts received from operating games of skill, betting and lotteries. Tax is charged also on gaming tables and machines used for games of chance located on licensed premises. Gambling tax is imposed on: (i) amounts received as stakes in games of skill or betting, (ii) gaming tables and slot machines used for organising games of chance, (iii) amounts received as stakes in games of chance which are not organised on gaming tables or slot machines, (iv) amounts received from the sale of lottery tickets when lotteries provided for in the Lotteries Act are organised.

The monthly rate for organising games of chance is EEK7,000 per one slot machine and EEK20,000 per one gaming table. The gambling tax rate for betting is 5%; for games of skill 18%; 18% for a game of chance which is not organised on a gaming table or a slot machine; 18% for a passive lottery; 18% for an instant lottery and 10% for a numbers lottery.

Winnings from gaming are exempt from income tax, provided that the winnings are received from a person holding a valid license for the organisation of gaming.

Latvia

Corporate income tax and distributions of profit

Residents are taxed on the basis of their worldwide income, while non-residents pay tax on income earned in Latvia. A company's calculation of taxable income requires the financial profit or loss to be adjusted for expenses which are not directly related to its business activities and for losses incurred from the maintenance of social infrastructure objects. Additional adjustments may need to be made if certain revaluations of investments are made and related losses or gains are incurred from currency fluctuations or if compensation is received or paid for the transfer of losses within a group. The applicable corporate income tax rate is 15%. With respect to dividends paid to non-residents, the normally applicable tax rate is 10% (withholding tax). Payments to recipients who are resident in the Member States of the EU that have held at least a 20% of voting and capital shares for a minimum period of two years are exempt from withholding tax (subject to scheduled decrease to 15% and 10% correspondingly from 1 January 2007 and 1 January 2009).

Taxation of gaming operations

Latvia runs a system of diversified lottery and gambling tax combined with state fees. Tax is levied on casino operators in accordance with their turnover, the number of the venues and the equipment operated on such venues. In addition to turnover-dependent duties, tax is collected on an annual basis in accordance with the following rates: (i) general gaming operator's license (issuance) - LVL300,000; (ii) general gaming operator's license (prolongation) - LVL25,000; permission to operate a casino (annual) - LVL25,000; permission to operate a gaming or bingo hall (annual) - LVL3,000; card or roulette table fee (annual) - LVL9,600; video games, slot machines (annual) - LVL1,260.

Gross winnings are fully exempt from income tax, as well as net winnings not exceeding LVL500. Personal income tax of 25% must, however, be withheld by gaming operators on net winnings exceeding LVL500 at the time of paying such winnings out to the customer. Withheld taxes are recorded and reported to the State Revenue Service, while the customer receives a corresponding receipt. With respect to slot machines, gaming operators are obliged to ensure that winnings over LVL500 can not be issued automatically.

Lithuania

Corporate income tax and distributions of profit

The system of the Lithuanian corporate taxation comprises the corporate income tax (15%), temporary social tax (4% in 2006, 3% in 2007), social security contributions (30.98%), real estate tax (1%), land tax (1.5%), VAT (general rate 18%). The general rule of taxation of dividends is that they are subject to the corporate income tax at a rate of 15%, which should be withheld and paid by the Lithuanian entity distributing the dividends, unless participation exemption applies. It should be noted that the tax exemption is applicable to the recipient of dividends (both resident and non-resident entities) provided that the recipient of dividends holds continuously at least for 12 months, including the date of distribution of dividends, shares carrying more than 10% of the total number of votes in the payer of dividends. The said exemption is not applied if (i) Lithuanian resident payer of dividends is exempt from the corporate profit tax in Lithuania (except for the cases when the payer of dividends is established in a free economic zone and the dividends are paid to a non-resident entity), or (ii) the payer of dividends is established or otherwise organized in a tax heaven country (when the dividends are received by the Lithuanian resident entity from the source abroad), or (iii) a non-resident recipient of dividends is established or otherwise organized in a tax heaven country.

Taxation of gaming operations

Pursuant to the provisions of the Lithuanian Law on Lottery and Gambling Tax, the gambling tax in respect of machine gaming and table games is a fixed amount for each gaming device. The tax rates established by the law for each taxable period are as follows: (i) LTL1,800 per gaming machine of category A; (ii) LTL600 per gaming machine of category B; and (iii) LTL12,000 per roulette, card or dice table.

The taxable period of the gambling tax is a quarter of the calendar year. The tax returns of the gambling tax should be filed by the 15th day of the month following the taxable period. Category A gaming machine means a machine with unlimited winnings where the maximum single winning is not limited. Category B gaming machine means a machine with limited winnings where the maximum single winning does not exceed LTL200, the maximum amount of a stake made per game does not exceed LTL1 and the duration of a single game is not less than 3 seconds.

A casino operator is not liable to withhold income tax on the winnings paid out to its customers. The recipient of the winnings has the obligation to pay the income tax and to file the annual income tax return by 1st of May of the year following the taxable year. The taxable amount is the difference between the winnings received and the expenses incurred during gaming. At present the income tax rate is 33%. Starting from 1 January 2008 the income tax rate will be reduced to 24%.

Ukraine

Corporate income tax and distributions of profit

In Ukraine, corporate profit tax is levied on profits earned by resident and non-resident entities in Ukraine. The basic tax rate for Ukrainian companies is set at 25%. The tax rate on the Ukraine-sourced incomes of foreign companies (withholding tax) is generally set at 15%. However, double taxation treaties may reduce or relieve such income from withholding tax. Repayable financial aid (interest-free loans) provided by a non-resident or other person who is not a profit tax payer is also added to the taxable income if not repaid by the end of the reporting period when received. It is, though, tax deductible in the reporting period when it is repaid. Losses can be carried forward. Tax returns are filed on a quarterly basis.

A company which adopted the decision on payment of dividends for the relevant period and intends to make a dividend payment is obliged to pay 25% advance corporate profit tax (regardless of whether it is resident or non-resident). The advance payment is calculated based on the total sum of dividends to be paid to the recipients. The transfer of 25% advance payment to the state budget is to be effected either before the actual payment of dividends to the recipients or simultaneously with such payment. Said advance payment is not made at the expense of dividends and is paid separately. Such advance payment is then used to reduce the corporate profit tax accrued by the company for the relevant reporting period, and may be carried forward to the next reporting period. Withholding tax of 15% is levied on dividends paid to foreign companies, which under the relevant tax treaty is reduced to 5% for Estonian companies holding over 25% of the Ukrainian issuer.

Taxation of gaming operations

Currently, the Ukrainian legislation does not impose any straightforward gambling taxes on casino operators, with the exception of a “trade patent” fee which is charged on each slot machine. At the same time, a high license fee is levied under the new legislation in force since the beginning of 2006. Each gaming operator is required to pay an annual licensing fee of EUR30,000, which must be paid up-front in advance for the next 5 years (i.e. a lump-sum payment of EUR150,000). Local taxes for the allocation of casinos may be levied in addition to the licensing fee and the “trade patent” fee.

Winnings of individuals are taxed with personal income tax. Tax is withheld from income by the casino at the rate of 26% (from 1 January 2007 - 30%). The law prescribes that expenses made in the casino within the same day are deducted from the taxable income. Said rule is in conflict with another provision which prescribes to declare the amount of income in the form of winning less related expenses as annual taxable income. Therefore, in reality there are two approaches to taxation of winnings of individuals provided for in the law: (i) withholding of tax by the gaming operator which allows an individual not to report it in the annual tax declaration; or (ii) declaration of income from winnings in gaming institutions in the annual declaration. The law also establishes the rules of identification of individuals in the casino for taxation purposes.

Belarus

Inherent uncertainties

As is the case with the Belorussian legal system in general, the local legislation governing corporate taxation is significantly underdeveloped compared to the other markets in which the Group operates. Many key provisions may be interpreted in multiple directions and the tax authorities would not agree to issue formal clarifications regarding the contents of the tax law. A variety of state and municipal taxes exists, which are levied depending on the nature of the tax payer’s activities.

Ambiguities in fiscal legislation have in the past been used as a tool of administrative pressure and the Group is not able to completely exclude risks associated with such practices. Nevertheless, OCB exerts best efforts to be as conservative as possible in complying with the local tax legislation and remains hopeful that over time, the overall development of the Belorussian legal system will eliminate current controversies.

Corporate income tax and distributions of profit

No corporate income tax is currently payable by Belorussian gaming operators. Instead, gaming operators pay gambling tax (see below). For operations not related to the organisation of gaming, corporate income tax is normally levied at the rate of 24%. Dividends are normally taxed at the rate of 15%, regardless of whether dividends are paid to residents or non-residents (unless otherwise provided in the applicable tax treaties). Specifically, for dividends paid to an Estonian company, the applicable tax rate is 10%.

Taxation of gambling operations

In Belarus, gaming operators are taxed only on the basis of the number of slot machines and tables operated by them (i.e. casino operators are exempt from corporate income tax). Activities of a gaming operator that are not related to the organisation of gaming (e.g. bar operations) must be subject to separate bookkeeping and are taxed in accordance with the fiscal rules applicable specifically to such activities.

Gambling tax is levied on slot machines and gaming tables, the number of which is determined as of the first day of each month. To this end, each slot machine and table is registered with the tax authorities before they are installed in the casino, with a specific registration certificate issued for each object. An operator may not install slot machines or gaming tables that are not registered or are not in its ownership. Tax rates may vary according to local municipality. In Minsk, the following monthly rates currently apply: (i) EUR3,500 per gaming table in a casino with less than 10 tables; (ii) EUR4,000 per gaming table in a casino with more than 10 tables; and (iii) EUR100 per each slot machine.

Belarus does not tax casino winnings and operators are not obliged to withhold any taxes on payments made to their clients.

PLAN OF DISTRIBUTION

Relations with the Managers

AS Hansapank and AS LHV Financial Advisory Services are acting as the Managers of the Offering. Furthermore, AS Hansapank is acting as the underwriter of the Offering (the "*Global Coordinator*"). Subject to the terms and conditions stated in the Underwriting Agreement expected to be signed between the Company and the Global Coordinator on or about 13 October 2006, the Company and its shareholders will agreed to issue and sell Offer Shares to the Global Coordinator or purchasers procured by the Global Coordinator.

The Underwriting Agreement will provide that the obligations of the Global Coordinator to purchase or procure purchasers for the Offer Shares are subject to the review of certain legal matters and to other conditions.

The Managers have from time to time performed investment banking and advisory services for the Company for which they have received customary fees and AS Hansapank is a lender to the Company (see more under "*Operations – Financing Matters*"). The Managers may, from time to time, engage in transactions with the Company and perform services for the Company in the ordinary course of their business.

Expenses of the Issue

The Management estimates that the Company's portion of the total expenses of the Offering will be approximately EEK5 million. In addition, the Company has agreed to pay to the Managers a commission equal to 1.75% of the Offer Price per each Offer Share. Therefore, in connection with this Offering, the Managers will receive total commissions of approximately EEK19 million based on the mid-point of the Offer Price Range and assuming that the number of Offer Shares is not changed. The Company has also agreed to reimburse the Managers for certain expenses and indemnify them against certain losses and liabilities arising out of or in connection with the Offering.

Geographic distribution

The Global Coordinator proposes to market the Offer Shares in the course of the Institutional Offering at the Offer Price outside the United States in reliance on Regulation S to qualified institutional buyers. In addition to institutional investors internationally, Offer Shares will be marketed in a public offering (Retail Offering) in Estonia, Latvia and Lithuania.

The Offer Shares have not been and will not be registered under the United States Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. In addition, until 40 days after the commencement of this Offering, an offer or sale of Shares within the United States by a dealer that is not participating in this Offering may violate the registration requirements of the Securities Act.

Allocation to employees and Management

The members of the Supervisory Board and the Management Board of the Company and its employees may receive preferential allocation of Offer Shares in connection with the Offering. The Members of the Management Board (or the Supervisory Board) of the Company and employees of the Company or their relatives may choose to purchase Offer Shares at their own discretion. For more information on the preferential allocation to employees and Management, please see *"Terms and Conditions of the Offering – Conditions"* above.

Over-Allotment Option

The shareholders of the Company have granted to the Global Coordinator an option, exercisable at any time within 30 days from the commencement of trading in the Shares on the Tallinn Stock Exchange, to purchase up to 1,400,000 additional shares at the Offer Price solely to cover over-allotments, if any. To the extent the Over-Allotment Option is exercised, the Global Coordinator must subscribe to the corresponding amount of New Shares.

Stabilisation and trading by the Global Coordinator

The Global Coordinator may effect transactions to stabilize or maintain the market price of Shares, in accordance with applicable laws, during a 30-day period starting from the commencement of trading in Shares on the Tallinn Stock Exchange. Any such stabilization activity will be decided by the Global Coordinator at its sole discretion and the Global Coordinator is under no obligation to do so. Such stabilization transactions may result in a situation where Shares are traded at a price that is higher than the price that would have been formed by simple operation of supply and demand, without the effect of stabilization. Stabilization activities will be conducted in accordance with the European Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC of the European Parliament and the Council as regards exemptions for buy-back programs and stabilization of financial instruments and will be notified to the Estonian Financial Supervision Authority in accordance with Article 9 (4) of the aforementioned Regulation.

In connection with this Offering, the Global Coordinator may purchase and sell Shares in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of shares in excess of the principal amount of Offer Shares to be purchased by the Global Coordinator in this Offering, which creates a short position for the Global Coordinator. Covering transactions for such short position may involve purchases of the Shares in the open market after the distribution has been completed. Stabilizing transactions consist of certain bids or purchases of Shares made for the purpose of preventing or retarding a decline in the trading price of the Shares. Any of these activities may have the effect of preventing or retarding a decline in the trading price of the Shares. They may also cause the trading price of the Shares to be higher than the price that otherwise would exist in the open market in the absence of such transactions by virtue of the natural operation of supply and demand. The Global Coordinator may conduct these transactions in the over-the-counter market or otherwise. If the Global Coordinator commences any of these transactions, it may discontinue them at any time.

Other than as stated above or as required by law, the Global Coordinator does not intend to disclose publicly the extent of any over-allotment made or stabilization transactions entered into in connection with the Offering, although individual investors may be required to disclose interests in Shares acquired in the Offering or arrangements related to it in accordance with the disclosure requirements of the applicable Estonian law.

Shares borrowed by the Global Coordinator

In connection with settlement and stabilization, the Global Coordinator has entered into a share lending arrangement with OÜ HansaAssets as part of the Underwriting Agreement. In accordance with the share lending provisions of the Underwriting Agreement, the Global Coordinator may borrow a number of Shares equal to the total number of Offer Shares and in addition such number of Shares which is subject to the Over-Allotment Option that will allow it to settle the Offering and over-allotments made, if any, in connection with the Offering. To the extent the Global Coordinator borrows Shares under such provisions, it will be required to return an equivalent number of Shares to OÜ HansaAssets in accordance with the provisions of the Underwriting Agreement.

Lock-up

Except for the Offer Shares (including any additional Shares sold pursuant to the Over-Allotment Option), the Company and its shareholders have agreed that, without the prior written consent of the Global Coordinator, none of such persons will issue, offer, sell, contract to sell, or otherwise dispose of any Shares owned by them at any time or any securities convertible into or exercisable or exchangeable for Shares, or enter into any swap or other agreement or any transaction to transfer the economic consequence of ownership of the Shares, or publicly announce an intention to effect any such transaction, during the period commencing on the date of this Prospectus and ending 360 days after the commencement of trading in the Shares on the Tallinn Stock Exchange. However, lock-up does not apply to any Shares that the Company may issue and sell pursuant to any employee stock option plan, stock ownership plan or dividend reinvestment plan.

Determination of the Offer Price

Prior to this Offering, there has been no public market for the Shares. Consequently, the Offer Price for the Offer Shares will be determined by negotiations between the Company, its shareholders and the Managers. Factors relevant to the determination of the Offer Price include the results of operations of the Company, its current financial conditions, future prospects, markets, the economic conditions in and future prospects for the industry in which the Company competes, its management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly-traded companies considered comparable to the Company. For more information on the determination of the Offer Price, please see *"Terms and Conditions of the Offering – Conditions"* above.

OFFERING AND TRANSFER RESTRICTIONS

General Offering and Transfer Restrictions

This Offering is not directed to persons whose involvement in the Offering requires any extra registration, prospectus or other measures in addition to those necessary under Estonian law. No action has been or will be taken in any jurisdiction other than Estonia, Latvia and Lithuania where action for that purpose is required, which would permit a public offering of the Shares or the possession, circulation or distribution of this Prospectus or any material relating to the Shares offered hereby. Accordingly the Shares may not be offered, sold, resold, allotted or subscribed to, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Shares may be distributed or published, in or from any other country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Subject to certain exceptions:

- the Shares may not be offered, sold, resold, granted, delivered, subscribed to, allotted, taken up, transferred or renounced, directly or indirectly, in or into any jurisdiction in which it would not be permissible to offer such Shares (referred to as the "*Ineligible Jurisdictions*");

- this Prospectus may not be sent to any person in the Ineligible Jurisdictions;

Subject to certain exemptions, custodians are not permitted to send this Prospectus or any other information about the Offering into any Ineligible Jurisdiction.

Subject to certain exemptions, Subscription Undertakings or instructions sent from or postmarked in any Ineligible Jurisdiction may be deemed to be invalid. The Company reserves the right to reject any Subscription Undertaking (or renunciation thereof) in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, renunciation, subscription to or delivery of Shares, who is unable to represent or warrant that such person is not in an Ineligible Jurisdiction, or who appears to the Company or its agents to have submitted its Subscription Undertaking, or dispatched it from, an Ineligible Jurisdiction.

For Shareholders in the United States

The Shares have not been and will not be registered under the Securities Act of 1933 (the "*Securities Act*") or under the securities laws of any state of the United States and, accordingly, may only be offered, sold or allotted in the United States only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Any person in the United States who obtains a copy of this Prospectus is requested to disregard the contents of this Prospectus. In addition, until the expiration of 40 days after the later of commencement of the Offering or the closing date, any offer or sale of the Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act, unless such offer or sale is made pursuant to an exemption from, in a transaction not subject to, such requirements.

Each purchaser of the Shares purchasing such Shares in accordance with Rule 144A will be deemed to have represented, agreed and acknowledged that the purchaser is a qualified institutional buyer and is aware that the sale of the Shares to it is being made in reliance on Rule 144A and such acquisition will be for its own account or for the account of a qualified institutional buyer.

In making its decision to purchase the Shares, the purchaser understands and acknowledges that:

- it has made its own investment decision regarding the Shares based on its own knowledge;
- it has had access to such information as it deems necessary or appropriate in connection with its purchase of the Shares;
- it has sufficient knowledge and experience in financial and business matters and expertise in assessing credit, market and all other relevant risk and is capable of evaluating, and has evaluated independently, the merits, risks and suitability of purchasing the Shares; and
- the Shares have not been, nor will they be, registered under the Securities Act and may not be re-offered, resold, pledged or otherwise transferred except (1) (A) to a person who the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (B) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (C) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) and (2) in accordance with all applicable securities laws of the states of the United States.

For Shareholders Outside the United States

Each purchaser of the Shares offered, sold or allotted in reliance on Regulation S will be deemed to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- the purchaser or the subscriber (i) is, and the person, if any, for whose account it is acquiring such Shares is, outside the United States, and (ii) is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S;
- the purchaser or the subscriber is aware that the Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States in reliance on Regulation S;
- the Company shall not recognize any offer, subscription to, sale, pledge, or other transfer of the Shares made other than in compliance with the above-stated restrictions;
- the Shares have not been offered to it by means of any “directed selling efforts” as defined in Regulation S under the Securities Act; and
- the purchaser or the subscriber acknowledges that Company and its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements

AUDITORS AND LEGAL MATTERS

In accordance with the resolutions of the General Meeting of the Company dated 14 April 2004, 11 May 2005 and 4 May 2006, the appointed auditors of the Company respectively for financial years 2004, 2005 and 2006 are **KPMG Baltics AS** (register code 10096082, Ahtri 10A, Tallinn 10151, Estonia). The auditor of the Company for financial year 2003 was Toomas Villems (appointed on 18 June 2003). KPMG Baltics AS is a member of the Estonian Auditing Board and is entered into the list of auditors maintained by the latter in accordance with the Auditing Activities Act.

The principal legal advisors to the Company in respect of Estonian law are **AS Advokaadibüroo Lepik & Luhaäär LAWIN**, address Dunkri 7, Tallinn 10123, Estonia.

The principal legal advisors to the Company in respect of Lithuanian law are law firm **Lideika, Petrauskas, Valiunas ir Partnerai LAWIN**, address Jogailos 9/1, LT-01116, Vilnius, Lithuania.

The principal legal advisors to the Company in respect of Latvian law are **Klavins & Slaidins LAWIN Attorneys at Law**, address 15 Elizabetes Street, Riga, LV-1010, Latvia.

The principal legal advisors to the Company in respect of Ukrainian law are **Doubinsky & Osharova**, patent and law agency, address 37 Zhilyanska str., Third Floor, Kiev 01033, Ukraine.

The principal legal advisors to the Company in respect of Belorussian law are Law firm **Businessconsult**, address ul. Mogilevskaya 39-203, Minsk, Belarus.

The principal legal advisors to the Company in respect of Polish law are **Baker & McKenzie Gruszczynski i Wspolnicy, Attorneys at Law**, address LP Rondo ONZ 1, 00-124 Warsaw, Poland.

INDEX TO FINANCIAL STATEMENTS

Historical financial information presented below has been duly audited. In particular, the statutory consolidated financial statements of the Company for year ended 31 December 2005 (including a comparison with year ended 31 December 2004) and year ended 31 December 2004 (including a comparison with year ended 31 December 2003) have been audited by KPMG Baltics AS. In addition, KPMG Baltics AS have audited the interim consolidated financial statements of the Company for the period from 1 January 2006 to 30 June 2006 (including a comparison with the period from 1 January 2005 to 30 June 2005). To the extent possible, the information contained in this Prospectus is taken or derived from the aforementioned audited statutory consolidated financial statements of the Company or from the aforementioned consolidated interim financial statements of the Company. In particular, such information may be found under Sections entitled "*Summary*", "*Capitalisation*", "*Selected Financial Information*", "*Results of Operations and Outlook*" and "*Operations*". All other information included in this Prospectus (including certain information presented under the aforementioned Sections) is based on unaudited sources. Since the end of the last period for which audited financial information exists (*i.e.* 1 January 2006 – 30 June 2006), no significant change in the financial or trading position of the Group has occurred and the business of the Group was carried out in the ordinary course.

The audited consolidated financial statements of the Company for the interim period ended 30 June 2006 are drawn up in a condensed form in accordance with IAS 34. Please see "Introductory Information – Financial and Operational Information" for more information.

Consolidated Financial Statements for Interim Period Ended 30 June 2006

Condensed consolidated interim financial statements

Statement of management responsibility

The management board of Olympic Entertainment Group AS acknowledges its responsibility for the preparation, integrity and fair presentation of the condensed consolidated interim financial statements of Olympic Entertainment Group AS and its subsidiaries (the "Group") for the financial period ended 30 June 2006 and presented on pages F3-1 to F3-11 of this report and confirms that to the best of its knowledge, information and belief:

- the policies applied in the preparation of the condensed consolidated interim financial statements comply with International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting;
- the condensed consolidated interim financial statements give a true and fair view of the financial positions of the Group and of the results of their operations and their cash flows;
- all significant events that occurred until the date on which the condensed consolidated interim financial statements were authorised for issue have been properly recognised and disclosed; and
- Olympic Entertainment Group AS and its subsidiaries are going concerns.

11 September 2006

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

Condensed consolidated interim balance cheet

ASSETS

(In Estonian kroons)	Note	30.06.2006	31.12.2005
Current assets			
Cash and cash equivalents		218,762,316	184,563,767
Short-term financial investments		353,567	14,339,170
Trade receivables		10,156,510	5,894,083
Other receivables and prepayments		36,212,358	31,969,052
Inventories		26,819,931	19,802,463
Total current assets		**292,304,682**	**256,568,536**
Non-current assets			
Deferred tax asset		2,492,364	2,956,987
Shares in associates		11,236	11,236
Other investments		20,504,000	20,079,945
Investment property	2	30,307,081	4,512,738
Property, plant and equipment	2	652,902,070	503,834,356
Intangible assets	3	144,838,844	156,977,973
Total non-current assets		**851,055,595**	**688,373,235**
TOTAL ASSETS		**1,143,360,277**	**944,941,771**

LIABILITIES AND EQUITY

(In Estonian kroons)	Note	30.06.2006	31.12.2005
LIABILITIES			
Current liabilities			
Interest-bearing liabilities and borrowings	4	78,233,000	1,558,730
Customer advances		4,431,649	3,428,246
Trade payables		93,723,718	52,281,097
Tax liabilities		37,097,733	26,650,118
Other accrued payables		36,231,865	27,651,124
Provisions		8,544,698	6,924,824
Total current liabilities		**258,262,663**	**118,494,140**
Non-current liabilities			
Deferred tax liabilities		8,097,349	3,418,733
Non-current portion of loans and borrowings	4	149,094,820	227,189,452
Long-term accounts payable		2,923,372	0
Total non-current liabilities		**160,115,541**	**230,608,186**
Total liabilities		**418,378,204**	**349,102,326**
EQUITY			
Share capital	5	400,000	40,000
Share premium		25,597,713	25,597,713
Statutory capital reserve		4,000	4,000
Translation reserves		-523,389	2,073,786
Retained earnings		671,379,104	546,469,327
Total equity attributable to equity holders of the parent		696,857,428	574,184,826
Minority interest		28,124,645	21,654,619
Total equity		**724,982,073**	**595,839,445**
TOTAL LIABILITIES AND EQUITY		**1,143,360,277**	**944,941,771**

Condensed consolidated interim income statement

(In Estonian kroons)	Note	01.01-30.06.2006	01.01-30.06.2005
Revenue			
Sales revenue		720,976,617	353,753,091
Other income		3,544,456	1,883,236
Total revenue		**724,521,073**	**355,636,327**
Expenses			
Cost of materials, goods and services used		-22,301,632	-15,889,318
Other operating expenses		-261,230,933	-147,803,169
Personnel expenses		-173,332,507	-89,415,262
Depreciation and amortisation	2, 3	-61,762,932	-36,302,220
Impairment of goodwill	3	-26,140,675	0
Other expenses		-1,823,306	-254,418
Total expenses		**-546,591,985**	**-289,664,387**
Operating profit	**6**	**177,929,088**	**65,971,940**
Financial income and expenses			
Interest income		2,024,851	777,684
Interest expense		-5,998,935	-1,613,640
Foreign exchange gains and losses		-2,436,303	-1,391,006
Other financial income and expenses		0	-41,007
Financial income and expense on financial investments		0	662,371
Net financial expenses		**-6,410,387**	**-1,605,598**
Profit before tax		**171,518,701**	**64,366,342**
Income tax expense	7	-19,778,898	-2,052,801
PROFIT FOR THE PERIOD		**151,739,803**	**62,313,541**
Attributable to minority interest		6,470,026	2,795,830
Attributable to equity holders of the parent		145,269,777	59,517,711
Basic earning per share (EEK)*		3,632	1,488
Diluted earnings per share (EEK)*		3,632	1,488

*The number of shares is 40 000 (see note 5).

Condensed consolidated interim statement of cash flows

(In Estonian kroons)

	Note	01.01-30.06.2006	01.01-30.06.2005
Cash flows from operating activities			
Operating profit		177,929,088	65,971,940
Adjustments for			
Depreciation and amortisation	2, 3	61,762,932	36,302,220
Impairment losses on goodwill	3	26,140,675	0
Net losses from disposal of property, plant and equipment and intangible assets		833,879	10,177
Change in the fair value of investment property		-1,185,262	0
Change in receivables and prepayments related to operating activity		-7,572,657	-44,028,463
Change in inventories		-7,017,468	-1,915,988
Change in payables and advances related to operating activity		270,478	28,278,171
Interest paid		-5,789,354	-1,143,394
Corporate income tax paid		-12,408,716	-1,009,448
Net cash from operating activities		**232,963,595**	**82,465,215**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		-166,371,864	-56,936,973
Acquisition of investments property		-25,416,801	0
Procees from the disposal on financial investments		13,951,745	0
Repayment of loans given		250,000	0
Interest received		1,166,201	2,007,122
Net cash used in investing activities		**-176,420,719**	**-54,929,851**
Cash flows from financing activities			
Proceeds from loans received		226,875,700	50,321,030
Repayment of loans received		-227,750,594	-62,828,161
Payment of finance lease principal		-136,989	-152,464
Dividends paid	5	-20,000,000	-9,500,000
Net cash from/used in financing activities		**-21,011,883**	**-22,159,595**
NET CASH FLOWS		**35,530,993**	**5,375,769**
Increase in cash and cash equivalents		**35,530,993**	**5,375,769**
Cash and cash equivalents at beginning of period		**184,563,767**	**92,964,313**
Effect of exchange rate fluctuations		-1,332,444	-2,695,391
Cash and cash equivalents at end of period		**218,762,316**	**95,644,691**

Condensed consolidated interim statement of changes in equity

(In Estonian kroons)	Note	Equity attributable to equity holders of the parent						Minority interest	Total
		Share capital	Share premium	Statutory capital reserve	Translation reserves	Retained earnings	Total		
Balance at 31.12.2004		**40,000**	**25,597,713**	**4,000**	**-2,000,558**	**348,850,243**	**372,491,398**	**13,130,008**	**385,621,406**
Effect of exchange rate changes		0	0	0	-331,741	0	-331,741	0	-331,741
Net profit for current period		0	0	0	0	59,517,711	59,517,711	2,795,830	62,313,541
Dividends paid		0	0	0	0	-9,500,000	-9,500,000	0	-9,500,000
Balance at 30.06.2005		**40,000**	**25,597,713**	**4,000**	**-2,332,299**	**398,867,954**	**422,177,368**	**15,925,838**	**438,103,206**
Balance at 31.12.2005		**40,000**	**25,597,713**	**4,000**	**2,073,786**	**546,469,327**	**574,184,826**	**21,654,618**	**595,839,445**
Effect of exchange rate changes		0	0	0	-2,597,175	0	-2,597,175	0	-2,597,175
Net profit for current period		0	0	0	0	145,269,777	145,269,777	6,470,026	151,739,803
Bonus issue	5	360,000	0	0	0	-360,000	0	0	0
Dividends paid	5	0	0	0	0	-20,000,000	-20,000,000	0	-20,000,000
Balance at 30.06.2006		**400,000**	**25,597,713**	**4,000**	**-523,389**	**671,379,104**	**696,857,428**	**28,124,645**	**724,982,073**

Notes to the interim condensed consolidated financial statements

Note 1. Significant accounting policies

Olympic Entertainment Group AS (the "Company") is a company registered in Estonia on 15 November 1999. The condensed consolidated interim financial statements of the Company as at and for the six month ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 31 December 2005 are available upon request from the Company's registered office at Pronksi 19, Tallinn.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2005.

These condensed consolidated interim financial statements were approved by the management board on 11 September 2006.

Basis of preparation

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2005.

The Group adopted the fair value model for all of its investment property in accordance with IAS 40 Investment Property as at 30 June 2006. As a result, the investment property previously carried under the cost model was valued by a professional appraiser. The change in accounting policy was recognised prospectively, because the fair value estimates were not available for the prior periods and the cumulative effect was not material for the Group. The functional currency of the Company is the Estonian kroon (EEK). The financial statements of the Group are presented in Estonian kroons.

Use of estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

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 and in any future periods affected. Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2005.

During six months ended 30 June 2006 management reassessed its estimates in respect of the recoverable amount of goodwill (see note 3).

Note 2. Investment property and property, plant and equipment

(in Estonian kroons)

	Investment property	Property, plant and equipment	Total
Carrying amount at 31.12.2005	**4,512,739**	**503,834,355**	**508,347,094**
Acquisitions	25,079,331	218,037,399	243,116,730
Reclassifications	0	617,090	617,090
Disposal	-470,250	-17,814,513	-18,284,763
Revaluation	1,185,261	0	1,185,261
Depreciation for the period	0	-60,167,267	-60,167,267
Accumulated depreciation of disposals	0	7,835,010	7,835,010
Unrealised exchange rate differences	0	559,996	559,996
Carrying amount at 30.06.2006	**30,307,081**	**652,902,070**	**683,209,151**

Investments in property, plant and equipment during the first half of 2006 are related to the opening of the biggest casino in the Baltic countries – Olympic Voodoo casino in Riga, the opening other new casinos in Estonia, Latvia and Ukraine (construction, slot machines, other equipment), and the purchase of new slot machines for old casinos. The biggest investments were made in Latvia. Olympic Casino Latvia SIA invested EEK 39.8 million in construction and EEK 61.7 million in slot machines and other equipment. Baltic Gaming AS invested EEK 35.9 million in new slot machines and equipment. Olympic Casino Eesti AS purchased new gaming equipment for the total amount of EEK 29.2 million.

At the end of June, Mecom Grupp UAB acquired investment property in Vilnius; partly for real estate development and partly for the new office of our Lithuanian companies.

Comparative information for the period from 1 January to 30 June 2005 was not available.

Note 3. Intangible assets

(in Estonian kroons)

	Goodwill	Other intangible assets	Total
Carrying amount at 31.12.2005	**151,932,823**	**5,045,149**	**156,977,972**
Acquisitions	25,000	15,566,720	15,591,720
Depreciation for the period	0	-1,595,665	-1,595,665
Impairment	-26,140,675	0	-26,140,675
Unrealised exchange differences	0	5,492	5,492
Carrying amount at 30.06.2006	125,817,148	19,021,696	144,838,844

Management tested goodwill for impairment at 30 June 2006. As a result of the tests, the carrying amount of the Estonian operations of Baltic Gaming A/S was determined to be unrecoverable and an impairment loss of EEK 26,140,675 (six months ended 30 June 2005: EEK 0) was recognised. The impairment loss resulted from the liquidation of the subsidiary Viking Service OÜ and the planned liquidation of Nordic Gaming AS and represents the amount initially allocated to these entities on the acquisition of Baltic Gaming A/S.

Comparative information for the period from 1 January to 30 June 2005 was not available.

Note 4. Loans

(In Estonian kroons)

		Repayable		
	Balance at 30.06.2006	*within 12 months*	*between 1 and 5 years*	**Interest rate**
Long-term bank loan	226,875,700	78,233,000	148,642,700	1,9%+6 months Euribor
Other long-term liabilities	452,120	0	452,120	
Total long-term liabilities	227,327,820	78,233,000	149,094,820	

In 2006, the limit of the bank loan was increased to EUR 31,500,000 (EEK 492,867,900).
The syndicate loan is secured with the following collateral:
First ranking: guarantee issued by Olympic Casino Eesti AS.

Second ranking: a commercial pledge of EUR 10,000,000 (EEK 156.5 million) established on all the movables of Olympic Casino Eesti AS (both those belonging to the pledgor at the time the pledge entry was made and those acquired after the entry was made).

Third ranking: ordinary shares of the following Group companies Olympic Casino Eesti AS, Kungla Investeeringu AS, Mecom Grupp UAB, Olympic Casino Group Baltija UAB, Ahti SIA, Olympic Casino Latvia SIA, and Olympic Casino Group Baltic SIA.

Other long-term liabilities comprise finance lease liabilities.

Note 5. Equity

The current registered share capital of the Company is EEK 400,000. It is divided into 40,000 ordinary shares with the nominal value of EEK 10 each. The share capital of the Company has been increased in connection with the reorganization of the Company from a private limited company (OÜ) to a public limited company (AS). The decisions to reorganize the Company and increase the share capital were made at the shareholders' meeting on 5 May 2006. In the course of the reorganization, the share capital of the Company was increased from EEK 40,000 to EEK 400,000 by way of a bonus issue without additional contributions. The increase of the share capital was registered on 21 July 2006.

In 2006, a dividend of EEK 20,000,000 was declared and distributed to shareholders (2005: EEK 9,500,000).

Note 6. Segment reporting

Segment information is presented in respect of the Group's geographical and business segments. Inter-segment pricing is determined on an arm's length basis.

The Group's primary format for segment reporting is based on geographic segments. The revenue of geographic segments is reported according to the geographical location of customers.
The Group's secondary segments are business segments, which comprise gambling services and other services (hotel services, bar services and other)

Geographic segments	Estonia		Lithuania		Latvia		Ukraine		Belorussia		Eliminations		Consolidated	
	I-VI 2006	I-VI 2005	I-VI 2006	I-VI 2005	I-VI 2006	I-VI 2005	I-VI 2006	I-VI 2005	I-VI 2006	I-VI 2005	I-VI 2006	I-VI 2005	I-VI 2006	I-VI 2005
Revenue														
Revenue form external customers	290,369,142	196,781,164	179,760,808	106,982,820	216,419,333	46,008,232	37,971,790	5,864,111	0	0	0	0	724,521,073	355,636,327
Revenue within segment	28,681,765	8,762,850	10,592,140	8,506,380	3,686,926	1,345,937	0	0	0	0	-42,960,832	-18,615,167	0	0
Inter-segment revenue	8,877,009	2,341,686	99,483	0	0	0	0	0	0	0	-8,976,493	-2,341,686	0	0
Total revenue	327,927,916	207,885,699	190,452,431	115,489,200	220,106,259	47,354,170	37,971,790	5,864,111	0	0	-51,937,324	-20,956,853	724,521,073	355,636,327
Expenses														
External expenses	212,670,528	141,193,891	133,613,950	88,351,103	168,449,578	46,301,703	30,549,630	13,818,693	1,308,299	0	0	-1,002	546,591,985	289,664,388
Expenses within segment	29,844,194	8,761,848	10,740,858	8,506,380	3,104,522	1,345,937	0	0	0	0	-43,689,574	-18,614,165	0	0
Inter-segment expenses	6,663,576	2,341,686	1,793,904	0	2,068,877	0	731,034	0	1,629	0	-11,259,020	-2,341,686	0	0
Total expenses	249,178,298	152,297,424	146,148,713	96,857,483	173,622,977	47,647,640	31,280,664	13,818,693	1,309,927	0	-54,948,594	-20,956,853	546,591,985	289,664,388
Operating profit	78,749,618	55,588,275	44,303,718	18,631,716	46,483,283	-293,471	6,691,126	-7,954,581	-1,309,927	0	3,011,270	0	177,929,088	65,971,940
Net financing expenses													6,410,387	1,605,598
Income tax expense													19,778,898	2,052,801
Profit for the period													151,739,803	62,313,540
	30.06.2006	31.12.2005	30.06.2006	31.12.2005	30.06.2006	31.12.2005	30.06.2006	31.12.2005	30.06.2006	31.12.2005	30.06.2006	31.12.2005	30.06.2006	31.12.2005
Segment assets	1,141,853,826	1,554,469,659	269,031,312	262,854,143	367,873,620	244,478,320	95,125,956	77,745,238	14,903,324	1,126,557	-745,833,405	-1,196,137,790	1,142,954,633	944,536,126
Unallocated assets	0	0	0	0	0	0	0	0	0	0	0		405,645	405,645
Total segment assets	1,141,853,826	1,554,469,659	269,031,312	262,854,143	367,873,620	244,478,320	95,125,956	77,745,238	14,903,324	1,126,557	-745,833,405	-1,196,137,790	1,143,360,277	944,941,771
Total segment liabilities	696,849,792	483,322,453	167,326,874	169,501,090	244,976,504	143,769,472	41,700,388	35,767,441	16,374,670	758,920	-748,850,024	-484,017,050	418,378,204	349,102,326
Capital expenditure	52,199,409	41,947,167	29,791,818	47,318,116	139,958,973	29,048,121	21,687,107	57,402,446	15,046,143	257,131	0	0	258,683,450	175,972,981
Depreciation and amortisation expense	20,886,188	34,441,989	12,740,410	23,968,564	20,732,278	14,086,551	7,385,990	6,030,309	18,065	8,379	0	0	61,762,932	78,535,792
Impairment losses	26,140,675	0	0	0	0	0	0	0	0	0	0	0	26,140,675	0

Business segments	Gambling services		Other services		Eliminations		Conolidated	
	I-VI 2006	I-VI 2005	I-VI 2006	I-VI 2005	I-VI 2006	I-VI 2005	I-VI 2006	I-VI 2005
Revenue								
Revenue from external customers	665,856,036	327,260,693	58,665,037	28,375,633	0	0	724,521,073	355,636,327
Inter-segment revenue	0	0	51,937,324	20,956,852	-51,937,324	-20,956,852	0	0
Total revenue	665,856,036	327,260,693	110,602,361	49,332,485	-51,937,324	- 20,956,852	724,521,073	355,636,327

Note 7. Income tax

The Group's consolidated effective income tax rate for the six months ended 30 June 2006 was 11.6% (for the six months ended 30 June 2005: 3.2%). The change in the effective tax rate resulted from an increase in the corporate income tax of subsidiaries in Latvia, Lithuania and Ukraine. This is mainly because the tax losses of previous periods have already been utilised. Corporate income tax expenses for the first half of 2006 were as follows: Olympic Casino Group Baltija EEK 8.7 million (I half 2005: EEK 3.0 million), Baltic Gaming EEK 5.2 million (I half 2005: EEK 0), Olympic Casino Latvia EEK 3.4 million (I half 2005: EEK 0), Olympic Casino Ukraine EEK 2.2 million (I half 2005: EEK 0).

Note 8. Subsidiaries

Subsidiaries

	Domicile	Ownership 30.06.2006	Interest 31.12.2005	Core Activity	Shareholder
Olympic Casino Eesti AS	Estonia	95%	95%	Arrangement of Gambling	Olympic Entertainment Group AS
Nordic Gaming AS	Estonia	100%	100%	Arrangement of Gambling	Olympic Entertainment Group AS
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Arrangement of Gambling	Olympic Entertainment Group AS
Olympic Casino Latvija SIA	Latvia	36,5%	36,5%	Arrangement of Gambling	Olympic Entertainment Group AS
Olympic Casino Latvija SIA	Latvia	63,5%	63,5%	Arrangement of Gambling	Olympic Casino Group Baltic SIA
Baltic Gaming A/S	Latvia	100%	100%	Arrangement of Gambling	Olympic Entertainment Group AS
Olympic Casino Ukraine TOB	Ukraine	100%	100%	Arrangement of Gambling	Olympic Entertainment Group AS
Olympic Casino BellP	Belarus	100%	100%	Arrangement of Gambling,	Olympic Entertainment Group AS
Kungla Investeeringu AS	Estonia	100%	100%	Accommodation, catering and bar Services; purchase and sale of foreign currency	Olympic Entertainment Group AS
Viking Services OÜ	Estonia	100%	100%	Bar services	Nordic Gaming AS
Mecom Grupp UAB	Lithuania	100%	100%	Bar services	Olympic Entertainment Group AS
Ahti SIA	Latvia	100%	100%	Bar services	Olympic Entertainment Group AS
Faraons SIA	Latvia	100%	100%	Bar services	Olympic Entertainment Group AS
Tower SIA	Latvia	100%	100%	Catering services	Baltic Gaming A/S
Baltic Electronics SIA	Latvia	25%	25%	Production and maintenance of electronic equipment	Baltic Gaming A/S
Fortuna Travel OÜ	Estonia	100%	100%	Development of casino tourism	Olympic Casino Eesti AS
Kasiino.ee OÜ	Estonia	100%	0%	Internet solution services	Olympic Entertainment Group AS
Olympic Casino Group Baltic SIA	Latvia	100%	100%	Parent of Olympic Casino Latvia SIA	Olympic Entertainment Group AS
Silber Investments Z o o	Poola	100%	100%	Holding Activities	Olympic Entertainment Group AS
Baina Investments Z o o	Poola	100%	100%	Holding Activities	Olympic Entertainment Group AS

On 21 February 2006, Olympic Entertainment Group AS purchased 100% of the shares in Kasiino.ee OÜ.
The effect of the business combination on the Group's assets and liabilities was the following:

- cash and bank EEK 40,000
- goodwill EEK 25,000
- other accrued expenses EEK 65,000

In July 2006, the liquidation of Viking Services OÜ started.

Note 9. Transactions with related parties

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

a. shareholders;
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 interim financial statements, all intra-group receivables and liabilities and all intra-group transactions as well as related unrealised gains and losses were eliminated.

Ultimate controlling party

During the six months ended 30 June 2006 an ultimate controlling party of the Group was Mr. Armin Karu, Chairman of the board.

Transactions with the key management personal.

During the reporting period, Group entities performed purchase and sales transactions with related parties in the following volumes:

	01.01.06 – 30.06.06	01.01.05 – 30.06.05
Relater party	Purchases	Purchases
Company related to a chairman of the board	366 600	366 600
Company related to a member of the board	268 210	158 000
Total	**634,810**	**524 600**

At the end of the reporting period, receivables from and liabilities to related parties broke down as follows:

		30.06.2006	31.12.2005
Related party		Receivable	Receivable
Member of the board	loan	0	250 000
Total		**0**	**250 000**

The interest rate of the loan given to the member of the board was 4%.

Benefits received by members of the board in first half of 2006 amounted to EEK 925,300.

The company acts as a garantor with respect to curtain obligations of a company related to the Chairman of the Management Board (see Note 10)

Note 10. Off-balance sheet liabilities

Olympic Entertainment Group AS guarantees the payments of OÜ Emahool and OÜ Emahool Latvijas Filiale to Mothercare UK Ltd in the total amount of GBP 100,000. The guarantee is valid until 7 August 2009.

Auditor's report

To the shareholders of Olympic Entertainment Group AS

We have audited the accompanying consolidated condensed balance sheet of Olympic Entertainment Group AS ("the Company") as of 30 June 2006, and the related consolidated condensed statements of income, changes in equity and cash flows for the six month period then ended (the interim financial information). This consolidated interim financial information, as set out on pages F3-1 to F3-11, is the responsibility of the Company's management. Our responsibility is to issue a report on this interim financial information based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated interim financial information presents fairly, in all material respects, the financial position of the Company as of 30 June 2006, and of the results of its operations and its cash flows for the six month period then ended in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Baltics AS

Taivo Epner
Authorised Public Accountant

Ivar Puusta
Authorised Public Accountant

The audit of the consolidated interim financial statements for the six month period ended 30 June 2006 was completed on 11 September 2006, except for the minor financial statements presentation amendments, as to which the date is 25 September 2006.

Consolidated Financial Statements for Financial Year Ended 31 December 2005

Statement of management responsibility

The management board of Olympic Entertainment Group OÜ acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated financial statements of Olympic Entertainment Group OÜ Group presented on pages F2-1 to F2-37 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 positions of the Group and Olympic Entertainment Group OÜ and of the results of their operations and their cash flows;
- all significant events that occurred until the date on which the consolidated financial statements were authorised for issue (4 May 2006) have been properly recognised and disclosed; and
- Olympic Entertainment Group OÜ and its subsidiaries are going concerns.

4 May 2006

Armin Karu
Chairman of the Management Board

Andri Avila
Member of the Management Board

Consolidated balance sheet

ASSETS

(In Estonian kroons)	Note	31.12.2005	31.12.2004
Current assets			
Cash and cash equivalents	2	184,563,767	92,964,313
Short-term financial investments	10	14,339,170	0
Trade receivables	3		
Accounts receivable		5,907,904	3,335,578
Allowance for doubtful receivables		-13,821	0
Total trade receivables		5,894,083	3,335,578
Other receivables	4		
Miscellaneous receivables		2,844,447	526,976
Total other receivables		2,844,447	526,976
Accrued income	5		
Interest receivable		1,182,284	1,133,931
Other accrued income		0	504,183
Total accrued income		1,182,284	1,638,115
Prepayments			
Prepaid and refundable taxes	6	16,385,062	11,134,743
Prepaid expenses	7	11,557,259	4,632,069
Total prepayments		27,942,321	15,766,812
Inventories	8		
Materials		14,341,998	8,472,410
Merchandise purchased for resale		4,375,076	1,807,224
Prepayments to suppliers		1,085,388	1,126,899
Total inventories		19,802,463	11,406,533
Total current assets		**256,568,536**	**125,638,327**
Non-current assets			
Deferred tax asset	9	2,956,987	0
Long-term financial investments			
Shares in associates		11,236	
Other financial investments	10	18,448,117	33,008,488
Other long-term receivables	4	1,631,828	9,324
Total long-term financial investments		20,091,181	33,017,812
Investment property	11	4,512,738	4,150,788
Property, plant and equipment	12, 13		
Land and buildings		168,110,325	131,458,332
Plant and equipment		252,817,824	190,567,623
Other items		77,379,110	6,173,667
Construction in progress		5,527,097	4,027,811
Total property, plant and equipment		503,834,356	332,227,433
Intangible assets	14		
Goodwill	29	151,932,823	8,741,268
Computer software and other intangible assets		5,003,701	5,953,627
Prepayments for intangible assets		41,448	0
Total intangible assets		156,977,973	14,694,895
Total non-current assets		**688,373,235**	**384,090,928**
TOTAL ASSETS		**944,941,771**	**509,729,255**

Consolidated balance sheet

LIABILITIES AND EQUITY

(In Estonian kroons)	Note	31.12.2005	31.12.2004
LIABILITIES			
Current liabilities			
Interest-bearing liabilities and borrowings	15, 16	1,558,730	31,095,866
Customer advances		3,428,246	1,985,427
Trade payables		52,281,097	21,756,838
Other payables		0	61,100
Tax liabilities	6	26,650,118	13,845,507
Accrued expenses	17		
Payables to employees		25,401,047	13,707,316
Dividends payable		62,397	0
Interest payable		4,629	33,789
Other accrued expenses		2,183,051	556,694
Total accrued expenses		27,651,124	14,297,799
Provisions	18	6,924,824	4,606,911
Total current liabilities		**118,494,140**	**87,649,447**
Non-current liabilities			
Deferred tax liabilities	9	3,418,733	2,271,894
Non-current portion of loans and borrowings	15, 16	227,189,452	34,186,509
Total non-current liabilities		**230,608,186**	**36,458,403**
Total liabilities		**349,102,326**	**124,107,850**
EQUITY			
Share capital	20	40,000	40,000
Share premium	20	25,597,713	25,597,713
Reserves			
Statutory capital reserve	20	4,000	4,000
Translation reserves	20	2,073,786	-2,000,558
Retained earnings		339,350,243	220,190,843
Profit for the period		207,119,084	128,659,400
Total equity attributable to equity holders of the parent		574,184,826	372,491,398
Minority interest		21,654,619	13,130,008
Total equity		**595,839,445**	**385,621,406**
TOTAL LIABILITIES AND EQUITY		**944,941,771**	**509,729,255**

Consolidated income statement

(In Estonian kroons)	Note	2005	2004
Revenue			
Sales revenue	21	874,461,848	618,607,647
Other income	23	5,432,499	2,878,336
Total revenue		**879,894,347**	**621,485,983**
Expenses			
Cost of materials, goods and services used	22	-31,076,718	-27,265,384
Other operating expenses	22	-344,778,266	-233,541,444
Personnel expenses	22	-201,660,434	-149,503,020
Depreciation and amortisation	11, 12, 14	-78,535,792	-57,322,426
Other expenses	23	-360,889	-9,620,958
Total expenses		**-656,412,101**	**-477,253,232**
Operating profit		**223,482,246**	**144,232,751**
Financial income and expenses			
Interest income		2,811,950	2,569,823
Interest expense		-1,312,532	-3,547,917
Foreign exchange gains and losses		-4,032,851	1,918,330
Other financial income and expenses		0	-80,282
Financial income and expenses on financial investments		669,412	-3,396,030
Net financial expenses		**-1,864,021**	**-2,536,076**
Profit from operations		**221,618,225**	**141,696,675**
Income tax expense	24	-5,974,531	-6,525,165
PROFIT FOR THE PERIOD		**215,643,694**	**135,171,510**
Attributable to minority interest		8,524,610	6,512,110
Attributable to equity holders of the parent		207,119,084	128,659,400

Consolidated statement of cash flows

(In Estonian kroons)	Note	2005	2004
Cash flows from operating activities			
Operating profit		223,482,246	144,232,750
Adjustments for			
Depreciation, amortisation and impairment losses	11, 12, 14	78,535,792	57,322,426
Change in the fair value of investment property	11	-447,000	-774,000
Net losses from disposal of property, plant and equipment and intangible assets	23	47,502	446,382
Change in receivables and prepayments related to operating activity		-104,613,803	-2,993,709
Change in inventories		-8,395,930	-5,750,517
Change in payables and advances related to operating activity		139,838,276	4,114,411
Interest paid		-1,312,532	-3,532,542
Corporate income tax paid		-5,761,312	-1,732,408
Net cash from operating activities		**321,373,239**	**191,332,794**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		-172,581,854	-143,840,047
Proceeds from the disposal of property, plant and equipment and intangible assets		46,653	87,921
Acquisition of subsidiaries, net of cash acquired	29	-212,148,037	0
Loans given		-337,600	25,000
Repayment of loans given		110,086	271,070
Interest received	2, 4	2,579,692	2,588,459
Net cash used in investing activities		**-382,331,060**	**-140,867,597**
Cash flows from financing activities			
Proceeds from loans received	16	226,875,700	16,542,842
Repayment of loans received		-64,372,625	-32,488,437
Finance lease payments received		0	158,892
Payment of finance lease principal		-313,776	-386,586
Dividends paid	20	-9,500,000	-1,045,000
Dividends paid to minority shareholders	20	0	-55,000
Net cash from/used in financing activities		**152,689,299**	**-17,273,289**
NET CASH FLOWS		**91,731,478**	**33,191,909**
		91,731,478	33,191,909
Increase in cash and cash equivalents		**91,599,454**	**29,793,426**
Cash and cash equivalents at beginning of period	**2**	**92,964,313**	**63,170,887**
Effect of exchange rate fluctuations		-132,024	-3,398,483
Cash and cash equivalents at end of period	**2**	**184,563,767**	**92,964,313**

Consolidated statement of changes in equity

(In Estonian kroons)	Equity attributable to equity holders of the parent							
	Share capital	Share premium	Statutory capital reserve	Translation reserves	Retained earnings	Total	Minority interest	**Total**
Balance at 31.12.2003	**40,000**	**25,597,713**	**4,000**	**12,873**	**221,235,843**	**246,890,429**	**6,672,898**	**253,563,327**
Changes in equity for 2004								
Profit for the period	0	0	0	0	128,659,400	128,659,400	6,512,110	**135,171,510**
Translation reserve	0	0	0	-2,013,431	0	-2,013,431	0	**-2,013,431**
Total recognised income and expense for the period	0	0	0	-2,013,431	128,659,400	126,645,969	6,512,110	**133,158,079**
Dividends paid	0	0	0	0	-1,045,000	-1,045,000	-55,000	**-1,100,000**
Balance at 31.12.2004	**40,000**	**25,597,713**	**4,000**	**-2,000,558**	**348,850,243**	**372,491,398**	**13,130,008**	**385,621,406**
Changes in equity for 2005								
Profit for the period	0	0	0	0	207,119,084	207,119,084	8,524,610	**215,643,695**
Translation reserve	0	0	0	4,074,344	0	4,074,344	0	**4,074,344**
Total recognised income and expense for the period	0	0	0	4,074,344	207,119,084	211,193,429	8,524,610	**219,718,039**
Dividends paid	0	0	0	0	-9,500,000	-9,500,000	0	**-9,500,000**
Balance at 31.12.2005	**40,000**	**25,597,713**	**4,000**	**2,073,786**	**546,469,327**	**574,184,826**	**21,654,618**	**595,839,445**

Additional information about the owners equity can be found from Note 20.

Notes to the consolidated financial statements

Note 1. Significant accounting policies

Olympic Entertainment Group OÜ (the "Company" or the "Parent company") is a company registered in Estonia on 15 November 1999. The consolidated financial statements of the Company for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "Group").
The financial statements were authorised for issue by the management board on 4 May 2006. The financial statements will be reviewed by the supervisory board and approved by the general meeting of shareholders.

Statement of compliance

The consolidated financial statements of Olympic Entertainment Group OÜ for 2005 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis of preparation

The financial statements are prepared on the historical cost basis except where described otherwise in the accounting policies.
Group entities apply, in all material respects, uniform accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.
The functional currency of the Company is the Estonian kroon (EEK). The financial statements of the Group are presented in Estonian kroons.
The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

Changes in accounting policies and presentation practice

1 January 2005 was the effective date for a number of revisions to IFRSs and several new IFRSs which became compulsory for the Group from the financial year that began on 1 January 2005. Application of the new and revised standards did not cause significant changes to the Goup's existing accounting policies and did not affect the Group's operating results.
The new requirements of IAS 27 (revised 2003) concerning the recognition of subsidiaries affected the Parent company's separate financial statements (the Parent company's separate balance sheet, income statement, statement of cash flows and statement of changes in equity are presented in notes 33 to 36 to the Group's financial statements). Until 2004, in the Parent company's separate financial statements, investments in subsidiaries were accounted for using the equity method. Effective 1 January 2005, investments in subsidiaries are accounted for using the cost method. The change in accounting policy was accounted for retrospectively in the Parent's separate financial statements by reducing the Parent company's retained earnings as at 1 January 2004 by EEK 152,569,000, the Parent company's profit for 2004 by EEK 121,883,000, and consequently the Parent company's cumulative share of profits from investments in subsidiaries as at 31 December 2004 by EEK 274,452,000.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company holds over 50% of the voting power in a subsidiary, or when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
On the acquisition of a subsidiary, a purchase analysis is performed. In the purchase analysis, the cost of the acquisition is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at fair value if the recognitioncriteria are met. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. A list of the Group's subsidiaries is presented in note 28.

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 consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate. The cost of interest acquired is the fair value of the consideration paid plus any directly attributable acquisition costs.

At each balance sheet date, management assesses whether there is any indication that an investment is impaired. If there is such indication, the investment is tested for impairment and its recoverable amount is identified similarly to items of property, plant and equipment. If tests indicate that the recoverable amount of an investment is lower than its carrying amount, the investment is impaired to its recoverable amount.

Consolidation

In preparing the consolidated financial statements, the financial statements of the parent and its subsidiaries are combined line by line. 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). The financial statements of foreign subsidiaries are translated from their functional currencies to the presentation currency as follows:

a) assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated to Estonian kroons at foreign exchange rates ruling at the balance sheet date; and
b) revenues and expenses are translated to Estonian kroons at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. If the Parent company acquires or divests of subsidiaries, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In preparing the consolidated financial statements, any intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the consolidated financial statements, minority interests in the results and equity of entities controlled by the Parent company are presented on a separate line. In the separate financial statements of the Parent company which are disclosed in the notes to the consolidated financial statements, investments in subsidiaries are stated at cost (less appropriate impairments).

Cash and cash equivalents

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

Inventories

Materials and merchandise purchased for resale are initially recognised at cost. Cost comprises the costs of purchase and other direct expenses that are required for bringing the inventories to their present condition and location. In the balance sheet, inventories are stated at the lower of cost and net realisable value. The net realisable value of inventories is their estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Inventories are recognised as an expense and their cost is based using the FIFO formula (note 8).

Financial assets

Depending on the purpose of their acquisition, financial assets are classified as follows:
Financial assets at fair value through profit or loss are financial assets that are acquired for the purpose of trading are designated as at fair value through profit or loss upon initial recognition.

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

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

When a financial asset is recognised initially, it is measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.
Subsequent to initial recognition, the Group measures financial assets at fair value through profit or loss and available-for-sale financial assets at their fair values without any deduction for transaction costs. The fair value of securities quoted in an active market is their quoted bid price at the balance sheet date. If a financial asset does not have an active market, fair value is determined by applying valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If the fair value of an equity instrument cannot be measured reliably, the instrument is stated at cost. Held-to-maturity investments and loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

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

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

Investment property
Investment property is property (land; buildings) which the Group holds as the owner or under finance lease to earn rentals or for capital appreciation or both rather than for use in the ordinary course of business. Investment property is initially recognised at cost, which includes any transaction charges which are directly attributable to the acquisition of the property (notary's fees, stamp duties, advisors' fees and other charges required to perform the transaction). Subsequent to initial recognition investment property is accounted for similarly to items of property, plant and equipment, i.e., at cost less accumulated depreciation and impairment losses. Investment properties are depreciated at the rate of 5% per year.

Registered plots of forest land are accounted for using the fair value model. The fair value of a plot of forest land is measured at each balance sheet date by a professional appraiser. Gains and losses from the changes in fair value are recognised in the depreciation expense for the period in which they arise. Investment property that is stated at fair value is not depreciated.

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost. Cost comprises the purchase price (including customs duties and other non-refundable taxes) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the intended manner. Subsequent to initial recognition, items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Items of property, plant and equipment which are acquired with finance lease are accounted for similarly to items which are purchased. Items held under operating lease are accounted for off the balance sheet.

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 (over the operating lease term)
Plant and equipment	2 1/2 - 10 years
Vehicles	3 - 5 years
Other equipment and fixtures	2 1/2 - 5 years

Subsequent expenditure that improves economic benefits that can be expected to flow to the Group from an asset is added to the cost of the asset if the cost can be measured reliably. 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.

Depreciation methods and useful lives, as well as residual values, are reassessed annually.

When the recoverable amount of an item of property, plant and equipment (i.e. the higher of its fair value less costs to sell and value in use) falls below its carrying amount, the item is written down to the recoverable amount.

Intangible assets

Goodwill

Goodwill arising on a business acquisition (see above) is stated in the balance sheet at cost less impairment losses. Goodwill is allocated to cash-generating units and is tested for impairment annually. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on an acquisition is recognised directly in the income statement. When the recoverable amount of goodwill decreases below its carrying amount, goodwill is written down to the recoverable amount.

Other intangible assets

Other intangible assets that are acquired by the Group are initially recognised at cost. Cost comprises the purchase price and any costs directly attributable to the acquisition of the asset. In the balance sheet, other intangible assets are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Intangible assets (other than goodwill and intangible assets with an indefinite useful life) are amortised over their estimated useful lives using the straight-line method. All intangible assets excluding goodwill and intangible assets with an indefinite useful life are amortised at the rate of 20% per year.

Impairment

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

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. 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

A lease that transfers all significant risks and rewards of ownership to the lessee is recognised as a finance lease (see note 13). Other leases are treated as operating leases.

The group as a lessor

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

The group as a lessee

Finance lease liabilities are carried initially at amounts equal to the fair value of the leased property. Minimum 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 25).

Financial liabilities

All financial liabilities (trade payables, loans, accrued expenses, issued debt securities, and other current and non-current liabilities) are initially recognised at their fair value. A financial liability not at fair value through profit or loss is stated at fair value plus any transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial liabilities are stated at amortised cost. Where the financial liability is an interest-bearing borrowing, subsequent to initial recognition it is stated at amortised cost with any difference between costs and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. The amortised cost of a short-term financial liability is equal to its nominal value. Therefore, short-term financial liabilities are stated in the amount payable. The amortised cost of long-term financial liabilities is identified using the effective interest rate method. Borrowing costs are not capitalised. Instead, they are recognised as an expense in the period in which they are incurred.

Provisions and contingent liabilities

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

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

Provisions are measured and reviewed at each balance sheet date. If it is probable that a provision should be settled within more than a year, the provision is reported at its discounted present value of future cash flows. The discount rate is a pre-tax rate that reflects current market interest rates assigned to similar liabilities, and where appropriate, the risks specific to the liability. Contingent liabilities are liabilities whose settlement probability is less than 50% or which cannot be measured reliably. Contingent liabilities not acquired in a business acquisition 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 23/77 of the amount distributed as the net dividend (until 31 December 2005 the tax rate was 24/76). In calculating the amount of tax payable, the income tax paid by the Group's foreign subsidiaries is taken into account.

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

The contingent income tax liability which would arise if the unrestricted equity of the Group's Estonian entities were distributed as dividends is not recognised in the balance sheet. The maximum income tax liability which could arise on a dividend distribution is disclosed in note 19.

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

Deferred income tax

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

Income tax paid by foreign subsidiaries

In accordance with the Lithuanian, Latvian, Ukrainian, Belarusian and Polish 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% and Belarus 19%.

The current income tax payable by the Group's Lithuanian, Latvian, Ukrainian, Belarusian and Polish entities is recognised as income tax expense and an income tax liability as incurred.
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currency transactions and foreign currency risk

Transactions in foreign currencies are translated using the Eesti Pank exchange rates quoted at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Estonian kroon using the Eesti Pank exchange rates ruling at that date. Exchange gains and losses on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to Estonian kroon using the Eesti Pank exchange rates ruling at the date of the transaction. Non-monetary assets and liabilities

denominated in foreign currency that are stated at fair value are translated to Estonian kroons using the Eesti Pank exchange rates ruling at the dates the fair value was determined.
In preparing the consolidated financial statements, the following exchange rates were applied:

Currency	Exchange rate	
	31 December 2005	31 December 2004
Euro	15,646600	15,646600
Lithuanian litas	4,531570	4,531570
Latvian lats	22,472600	22,422000
Belarusian ruble	0,006138	0,005272
Polish zloty	4,051310	3,836370
Ukrainian grivna	2,620800	2,159270
US dollar	13,220600	11,471100

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

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

Gambling revenue comprises:

- revenue from slot machines
- revenue from game tables

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

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

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 (31 December 2005) and the date on which the financial statements were authorised for issue (4 May 2006) 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)
To date, certain new standards, and amendments and interpretations to existing standards have been published, which are mandatory for the Group for annual periods beginning on or after 1 January 2006. The following is the Group's assessment of the possible impact these new standards, amendments or interpretations will have on its financial statements in the period of initial application.

- Amendment to IAS 1 - *Presentation of Financial Statements - Capital Disclosures* (effective from 1 January 2007). The Group has not elected to adopt the amendment early. The amendment will require increased disclosures in the financial statements.
- Amendment to IAS 19 *Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures* (effective from 1 January 2006). The amendment establishes additional requirements to the disclosure of actuarial gains and losses. The amendment will not affect the Group's financial statements.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions* (effective from 1 January 2006). The amendment will not affect the Group's financial statements.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – The Fair Value Option* (effective from 1 January 2006). The amendment changes the definition and restricts the designation of financial instruments as "at fair value through profit or loss". The amendment will not have significant impact on the Group's financial statements.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts – Financial Guarantee Contracts* (effective from 1 January 2006). The amendment will not affect the Group's financial statements.
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IFRS 6 *Exploration for and Evaluation of Mineral Resources* (effective from 1 January 2006). The amendment will not affect the Group's financial statements.
- Amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation* (effective 1 January 2006). The amendments clarify in which circumstances a loan may form part of a reporting entity's net investment in a foreign operation, and the currency in which such an item may be denominated.
- IFRS 7 *Financial Instruments: Disclosures* (effective from 1 January 2007). The Group has not elected to adopt the standard early. The standard will require increased disclosures in the financial statements.
- IFRIC 4 *Determining whether an Arrangement contains a Lease* (effective from 1 January 2006). The Interpretation requires that whether an arrangement contains a lease should be determined based on the substance of the arrangement. For this, the entity has to assess whether (a) fulfilment of the arrangement depends upon a specific asset and (b) the arrangement involves a transfer of the right to use of the underlying asset. Group management has not completed its analysis and cannot assess the impact of IFRIC 4 on the Group's financial statements.
- IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (effective from 1 January 2006). IFRIC 5 will not affect the Group's financial statements.
- IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* (effective from 1 December 2005). IFRIC 6 will not affect the Group's financial statements.
- IFRIC 7 *Applying the Restatement Approach under* IAS 29 *Financial Reporting in Hyperinflationary Economies* (effective from 1 March 2006). This interpretation remains to be endorsed by the EU. IFRIC 7 will not affect the Group's financial statements.
- IFRIC 8 *Scope of IFRS 2* (effective from 1 May 2006). This interpretation remains to be endorsed by the EU. IFRIC 8 will not affect the Group's financial statements.
- IFRIC 9 *Reassessment of Embedded Derivatives* (effective from 1 June 2006). This interpretation remains to be endorsed by the EU. The interpretation clarifies that the treatment of an embedded derivative is assessed by the entity when the entity first becomes a party to the contract, and that reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract Management has not completed its analysis and therefore cannot assess the impact of IFRIC 9 on the Group's financial statements.

Note 2. Cash and cash equivalents

(In Estonian kroons)

	31.12.2005	31.12.2004
Cash in hand	27,845,815	13,485,751
Coins in gambling halls	967,917	1,071,247
Call deposits	81,522,173	12,062,208
Term deposits	12,253,210	236,826
Cash in transit	5,177,252	3,861,237
Fund units	56,797,400	61,887,839
Guarantee deposit	0	359,204
Total cash and cash equivalents	184,563,767	92,964,313

Term deposits comprise a term deposit of EEK 236,826 placed by Olympic Casino Eesti AS at 2.5% interest with Hansapank as collateral for rented premises and term deposits of EEK 12,016,384 placed by Olympic Casino Group Baltija UAB at 3.5-3.9% interest with Hansabankas (EEK 11,328,925) and Medicinos Bankas (EEK 687,459).
Cash in transit comprises cash in the possession of collecting agents.
Fund units comprise units in Hansa Intressifond and Hansa Rahaturufond (money market funds). Interest income on fund units and call and term deposits totalled EEK 788,845 (2004: EEK 545,788).

Note 3. Trade receivables

(In Estonian kroons)

	31.12.2005	31.12.2004
Trade receivables	5,907,904	3,335,578
Allowance for doubtful receivables	-13,821	0
Total trade receivables	**5,894,083**	**3,335,578**

In 2005, no trade receivables were considered irrecoverable. Receivables acquired through business combinations totalled EEK 3,529,744, including doubtful items of EEK 13,821.

Note 4. Other current and non-current receivables

(In Estonian kroons)			Falling due
	Balance at 31.12.2005	within 12 months	between 1 and 5 years
Other receivables	4,476,275	2,844,447	1,631,828
Total	**4,476,275**	**2,844,447**	**1,631,828**

			Falling due
	Balance at 31.12.2004	within 12 months	between 1 and 5 years
Other receivables	536,300	526,976	9,324
Total	**536,300**	**526,976**	**9,324**

The current portion of other receivables comprises:

- Guarantee deposits of EEK 1,562,807 made by Olympic Casino Latvia SIA to the leasing company for lease of premises and related services.
- The outstanding balance of loans given to employees of EEK 865,300 (including EEK 602,307 acquired through business combinations).
- Miscellaneous advances of EEK 193,414 (including EEK 166,423 acquired through business combinations).
- Receivables from employees of EEK 218,174.
- Receivables from the Pension Board of EEK 4,752.

In 2005, the Group gave employees loans of EEK 337,600. Repayments totalled EEK 110,086 (2004: EEK 271,070) and related interest income amounted to EEK 12,633 (2004: 2,172).

The non-current portion of other receivables of EEK 1,631,825 comprises:

- The non-current portion of guarantee deposits of EEK 714,236 made by Olympic Casino Group Baltija UAB for the lease of security systems and commercial premises for new casinos.
- A lease deposit of EEK 917,589 made by Olympic Casino Group Baltija UAB to UAB MGValda.

Note 5. Accrued income

(In Estonian kroons)

	31.12.2005	31.12.2004
Interest receivable	1,182,284	1,133,931
Other accrued income	0	504,183
Total accrued income	**1,182,284**	**1,638,115**

At 31 December 2005, interest receivable on Lithuanian government bonds amounted to EEK 1,077,750 (2004: EEK 1,077,748) (note 10). Interest received in 2005 totalled EEK 1,778,214 (2004: EEK 2,040,499).

Interest receivable on fund units amounted to EEK 88,562, interest receivable on bank accounts amounted to EEK 1,593, interest receivable on term deposits amounted to EEK 3,013 and interest receivable on loans amounted to EEK 11,366.

Note 6. Prepaid taxes and tax liabilities

(In Estonian kroons)

		31.12.2005		31.12.2004
Tax	**Prepayment**	**Liability**	**Prepayment**	**Liability**
Gambling tax	13,844,386	2,093,795	9,093,007	442,212
Other taxes	1,320,717	302,043	36,060	275,339
Value-added tax	781,927	1,628,915	2,005,676	853,905
Personal income tax	67,221	4,584,872	0	2,723,350
Social tax	204,176	8,546,034	0	4,899,976
Funded pension premiums	0	172,647	0	122,473
Unemployment insurance premiums	0	165,174	0	133,332
Corporate income tax	166,634	9,156,638	0	4,394,920
Total	**16,385,062**	**26,650,118**	**11,134,743**	**13,845,507**

Effective tax rates in 2005:

Tax	Estonia	Lithuania	Latvia	Ukraine	Belarus	Poland
Gambling tax (per month)						
Rate per game table	EUR 1,280 / EEK 20,000	EUR 1,160 / LTL 4,000	EUR 1,140 / LVL 800	EUR 750 / UAH 4,800	up to 10 tables EUR 3,500; over 10 EUR 4,000	EUR 100
Roulette	-	-	EUR 1,140 / LVL 800	EUR 1,000 / UAH 6,400		
Rate per slot machine	EUR 450 / EEK 7,000	EUR 175 / LTL 600	EUR 150 / LVL 105	slot patent EUR 55.59 / UAH 350	EUR 100 / BLR 259,300	45% of net income
Value-added tax	18%	18%	18%	20%	18%	22%
Personal income tax	24%	33%	25%	13%+26%	9-30%	19% - 40% 2)
Social tax	33%	3% + 31%	9% + 24.09%	2% + 31.8%	35%+1%	employee 18.71%; employer 19.8%-22.7%
Social security				1% + 2.9%		
Unemployment insurance 1)	1% + 0.5%	0.2%	EUR 0.36 EUR / LVL 0.25 per employee	0.5% + 1.3%		
Accident insurance	-	-	-	0.76%	0.30%	
Corporate income tax	24%	15%	15%	25%	19%	19%

1) Cover tax in Lithuania
Business venture tax in Latvia
2) Poland applies progressive personal income tax. Tax base: PLN 0-37,024 - 19%; PLN 37,025-74,048 - 30%; over PLN 74,049 - 40%
In 2005, the Group paid EEK 82.4 million in gambling tax (2004: EEK 57.7 million).

Note 7. Prepaid expenses

Prepayments for	31.12.2005	31.12.2004
Insurance	576,287	430,463
Lease of premises	2,066,979	578,068
Licences	2,410,116	730,372
Software and equipment maintenance	1,087,973	547,029
Other prepaid expenses	5,415,904	2,346,137
Total prepaid expenses	**11,557,258**	**4,632,069**

Note 8. Inventories

(In Estonian kroons)

	31.12.2005	31.12.2004
Materials		
Game equipment and fittings	4,947,093	2,496,659
Materials and goods	2,497,043	839,978
Jackpot prizes	1,196,728	815,000
Spare parts for slot machines	5,701,134	4,320,773
Total materials	**14,341,999**	**8,472,410**
Merchandise purchased for resale	4,375,076	1,807,224
Prepayments to suppliers	1,085,388	1,126,899
Total inventories	**19,802,463**	**11,406,533**

In 2005, inventories were written down by EEK 3,130,350 on account of items that had become unusable. Write-downs broke down between Group entities as follows: Olympic Casino Group Baltija UAB EEK 3,028,477, Olympic Casino Eesti AS EEK 97,084 and Ahti SIA EEK 4,789. At the balance sheet date, items which were written down had nil value.

Note 9. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(In thousands of Estonian kroons)	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
Property, plant and equipment	0	0	3,104	4,082	3,104	4,082
Inventories	-122	-68	0	0	-122	-68
Employee benefits	-167	0	0	0	-167	0
Provisions	-1,290	-649	0	0	-1,290	-649
Other	0	0	0	407	0	407
Tax value of loss carry-forwards	-4,482	-1,500	0	0	-4,482	-1,500
Tax assets/liabilities	**-6,062**	**-2,217**	**3,104**	**4,489**	**-2,957**	**2,272**
Set off of tax	**3,104**	**2,217**	**-3,104**	**-2,217**	**0**	**0**
Acquired through business combinations	0	0	3,419	0	3,419	0
Net tax assets / liabilities	-2,957	0	3,419	2,272	461	2,272

Note 10. Other financial investments

(In Estonian kroons)

	31.12.2005	31.12.2004
Short-term financial investments		
Lithuanian government bonds	14,339,170	0
Total short-term financial investments	**14,339,170**	**0**
Long-term financial investments		
Lithuanian government bonds	18,448,037	33,008,408
Total long-term financial investments	**18,448,117**	**33,008,488**
Effective interest rate of held-to-maturity debt securities	4.1 - 7.9%	4.1 - 7.9%

The bonds are classified as held-to-maturity investments.

In accordance with the Lithuanian Law on Gambling, a gambling organiser has to put up collateral by investing part of its capital in government bonds or depositing it in bank accounts. The law prescribes the rates of collateral. Information on interest income is presented in note 5.

Effective rates of collateral are as follows:

- LTL 40,000 / EEK 181,263 per game table
- LTL 25,000 / EEK 113,290 per slot machine

Description	Issue number	Quantity	Par value, LTL	Interest rate	Acquisition date	Redemption date
Bond	LT0000605032	10,000	1,000,000	7.9%	1 June 2002	1 June 2006
Bond	LT0000605032	708	70,800	7.9%	6 June 2002	1 June 2006
Bond	LT0000605033	14,660	1,466,000	6.4%	18 December 2002	18 December 2008
Bond	LT0000605034	777	77,700	6.1%	19 December 2002	19 October 2006
Bond	LT0000605035	9,300	930,000	4.7%	20 March 2003	24 January 2008
Bond	LT0000605036	20,000	2,000,000	4.1%	13 March 2003	9 March 2006
Bond	LT0000605037	3,900	390,000	5.1%	14 April 2004	11 February 2010
Bond	LT0000605038	11,366	1,136,600	5.6%	13 October 2004	24 January 2013
Total		**70,711**	**7,071,100**			

Note 11. Investment property

(In Estonian kroons)	Apartment ownership In Tallinn
Cost	
Cost at 31.12.2004	1,700,999
Cost at 31.12.2005	1,700,999
Accumulated depreciation at 31.12.2004	201,210
Depreciation charge for the period	85,050
Accumulated depreciation at 31.12.2005	286,260
Carrying amount	
Carrying amount at 31.12.2004	1,499,788
Carrying amount at 31.12.2005	1,414,738

(In Estonian kroons)	Apartment ownership In Tallinn
Cost	
Cost at 31.12.2003	1,700,999
Cost at 31.12.2004	1,700,999
Accumulated depreciation at 31.12.2003	116,160
Depreciation charge fort the period	85,050
Accumulated depreciation at 31.12.2004	201,210
Carrying amount	
Carrying amount at 31.12.2003	1,584,839
Carrying amount at 31.12.2004	1,499,788

(In Estonian kroons)	Registered immovable properties
Fair value at 31.12.2004	2,651,000
Revaluation	447,000
Fair value at 31.12.2005	3,098,000

(In Estonian kroons)	Registered immovable properties
Fair value at 31.12.2003	1,877,000
Revaluation	774,000
Fair value at 31.12.2004	2,651,000

In 2005, income on investment property amounted to EEK 106,200 (2004: EEK 70,800). Utility, security and insurance expenses related to investment property totalled EEK 24,970 (2004: EEK 21,033).

In 2005, no income was earned on registered forest land.

Note 12. Property, plant and equipment

(In Estonian kroons)	Land and buildings	Renovations and improvements	Plant and equipment	Other items of property, plant and equipment	Renovation in progress	**Total**
Cost						
Cost at 31.12.2004	6,477,417	173,762,257	293,340,060	11,157,784	4,027, 811	**488,765,330**
Acquisitions	6,135,801	36,075,904	116,559,885	9,524,468	7,676,922	**175,972,981**
Reclassification	0	9,181,761	-20,021,145	18,149,050	-7,309,666	**0**
Disposals	0	0	-2,358,390	-431,359	0	**-2 789 749**
Acquired through business combinations	12,325,866	159,600	2 032 186	55,216,511	1,132,030	**70,866,192**
Cost at 31.12.2005	**24,939,084**	**219,179,522**	**389,552,596**	**93,616,454**	**5,527,096**	**732,814,752**
Accumulated depreciation						
Accumulated depreciation at 31.12.2004	1,093,127	47,688,215	102,772,437	4,984,118	0	**156,537,896**
Depreciation charge for the period	1,028,861	20,948,704	46,573,065	6,350,753	0	**74,901,383**
Reclassification	0	5,256,849	-10,566,104	5,309,255	0	**0**
Disposals	0	0	-2,281,025	-411,441	0	**-2,692,466**
Unrealised exchange differences	0	-7,475	236,399	4,660	0	**233,584**
Accumulated depreciation at 31.12.2005	**2,121,988**	**73,886,293**	**136,734,772**	**16,237,344**	**0**	**228,980,397**
Carrying amount						
Carrying amount at 31.12.2004	5,384,290	126,074,042	190 567,623	6,173,667	4,027,811	**332,227,433**
Carrying amount at 31.12.2005	22,817,096	145,293,229	252,817,824	77,379,110	5,527,096	**503,834,355**

(In Estonian kroons)	Land and buildings	Renovations and improvements	Plant and equipment	Other items of property, plant and equipment	Renovation in progress	**Total**
Cost						
Cost at 31.12.2003	6,477,417	152,483,852	186,814,525	7,120,745	190,424	**353,086,962**
Acquisitions	0	21,185,896	110,460,308	4,272,501	4,027,811	**139,946,516**
Reclassification	0	92,509	0	0	-190,424	**-97,915**
Disposals	0	0	-989,210	0	0	**-989,210**
Write-off	0	0	-2,945,563	-235,462	0	**-3,181,025**
Cost at 31.12.2004	6,477,417	173,762,257	293,340,060	11,157,784	4,027,811	**488,765,330**
Accumulated depreciation						
Accumulated depreciation at 31.12.2003	775,581	35,229,840	67,640,259	3,756,145	0	**107,401,826**
Depreciation charge for the period	317,546	12,532,402	38,740,100	1,485,760	0	**53,075,808**
Disposals	0	0	-540,705	0	0	**-540,705**
Write-off	0	0	-2,862,512	-232,715	0	**-3,095,227**
Foreign exchange differences	0	-74,027	-204,705	-25,073	0	**-303,806**
Accumulated depreciation at 31.12.2004	1,093,127	47,688,215	102,772,437	4,984,118	0	**156,537,896**
Carrying amount						
Carrying amount at 31.12.2003	5,701,836	117,254,011	119,174,266	3,364,600	190,424	**245,685,137**
Carrying amount at 31.12.2004	5,384,290	126,074,042	190,567,623	6,173,667	4,027,811	**332,227,433**

Information on restrictions on the disposal of items of property, plant and equipment is presented in note 26.
Items of PPE outlined above that were acquired by way of a finance lease are set out in note 13.

Note 13. Assets acquired with finance lease

Assets acquired with finance lease are included in the property, plant and equipment (Note 12).

(In Estonian kroons)	Note	Cars	Surveillance systems	**Total**
Cost				
Cost at 31.12.2004		505,752	1,090,998	**1,596,750**
Disposals		-177,257	0	**-177,257**
Cost at 31.12.2005		328,494	1,090,998	**1,419,492**
Accumulated depreciation at				
Accumulated depreciation at 31.12.2004		176,456	376,630	**553,087**
Depreciation charge for the period		66,142	209,931	**276,073**
Disposals		-110,797	0	**-110,797**
Unrealised exchange differences		-5	-15	**-20**
Accumulated depreciation at 31.12.2005		131,796	586,547	**718,343**
Carrying amount				
Carrying amount at 31.12.2004		329,296	714,368	**1,043,663**
Carrying amount at 31.12.2005		196,699	504,451	**701,149**
Finance lease liability	**14**			
Balance at 31.12.2005		176,770	419,204	**595,974**
Principal payments of the period		81,067	250,070	**331,137**
Interest expense of the period		15,979	40,176	**56,155**
Annual interest rate		6 months' EURIBOR+ 3.3%	6,0%	

(In Estonian kroons)	Note	Cars	Surveillance systems	**Total**
Cost				
Cost at 31.12.2003		346,860	1,090,998	**1,437,858**
Acquisitions		158,892	0	**158,892**
Cost at 31.12.2004		505,752	1,090,998	**1,596,750**
Accumulated depreciation				
Accumulated depreciation at 31.12.2003		94,745	163,650	**258,395**
Depreciation charge for the period		83,615	223,441	**307,056**
Unrealised exchange differences		-1,904	-10,461	**-12,365**
Accumulated depreciation at 31.12.2004		176,456	376,630	**553,087**
Carrying amount				
Carrying amount at 31.12.2003		252,115	927,348	**1,179,463**
Carrying amount at 31.12.2004		329,296	714,368	**1,043,663**
Finance lease liability	**14**			
Balance at 31.12.2004		253,849	655,901	**909,750**
Principal payments of the period		110,482	276,064	**386,546**
Interest expense of the period		64,604	12,491	**77,095**
Annual interest rate				**3 - 6%**

Note 14. Intangible assets

(In Estonian kroons)	Goodwill	Computer software and other intangible assets	Prepayments for intangible assets	Total
Cost at 31.12.2004	12,505,012	8,774,505	0	**21,279,517**
Acquisitions	0	2,499,143	0	**2,499,143**
Disposals	0	-99,758	0	**-99,758**
Acquired through business combinations	143,191,555	53,809	41,448	**143,286,812**
Cost at 31.12.2005	155,696,567	11,227,699	41,448	**166,965,714**
Accumulated amortisation				
Accumulated amortisation at 31.12.2004	3,763,744	2,820,878	0	**6,584,621**
Disposals	0	-99,758	0	**-99,758**
Amortisation charge for the period	0	3,549,358	0	**3,549,358**
Foreign exchange differences	0	-46,480	0	**-46,480**
Accumulated amortisation at 31.12.2005	3,763,744	6,223,998	0	**9,987,741**
Carrying amount				
Carrying amount at 31.12.2004	8,741,268	5,953,627	0	**14,694,895**
Carrying amount at 31.12.2005	151,932,823	5,003,701	41,448	**156,977,973**

(In Estonian kroons)	Goodwill	Computer software and other intangible assets	Total
Cost at 31.12.2003	12,505,012	3,902,769	**16,407,781**
Acquisitions	0	4,871,736	**4,871,736**
Cost at 31.12.2004	12,505,012	8,774,505	**21,279,517**
Accumulated amortisation			
Accumulated amortisation at 31.12.2003	1,262,741	1,176,857	**2,439,598**
Amortisation charge for the period	2,501,002	1,660,566	**4,161,568**
Foreign exchange differences	0	-16,544	**-16,544**
Accumulated amortisation at 31.12.2004	3,763,744	2,820,878	**6,584,622**
Carrying amount			
Carrying amount at 31.12.2003	11,242,271	2,725,912	**13,968,183**
Carrying amount at 31.12.2004	8,741,268	5,953,627	**14,694,895**

Information on goodwill acquired in 2005 is presented in note 29.

Management tested goodwill for impairment at 31 December 2005. The results of the test indicated that goodwill was not impaired. The recoverable amount of goodwill was identified using the discounted cash flow method. In making the calculations, approved budgets for the period 2006-2010 and a 5% discount rate were used. According to budgets, management expects for the period 2006-2010 growth of 184%.

Note 15. Finance lease

(In Estonian kroons)	Balance at 31.12.2005	*Payable* within 12 months	between 1 and 5 years	in over 5 years	Interest rate	Interest paid
Lease liability	**595,974**	**282,233**	**313,741**	**0**	**6%**	**56,155**
Surveillance systems	419,204	225,872	193,332	0		40,176
Car	176,770	56,361	120,409		6 months' EURIBOR + 3.3 %	15,979

(In Estonian kroons)	Balance at 31.12.2004	*Payable* within 12 months	between 1 and 5 years	in over 5 years	Interest rate	Interest paid
Lease liability	**909,750**	**324,876**	**584,874**	**0**	**3 -6%**	**77,095**
Surveillance systems	655,901	244,792	411,109	0		12,491
Car	253,849	80,083	173,765			64,604

Information on assets acquired with finance lease is presented in note 13.

Note 16. Loans

	Balance at 31.12.2005	*Repayable* within 12 months	between 1 and 5 years	Interest rate	Interest paid
Total	**228,152,197**	**1,276,497**	**226,875,700**		
Long-term bank loan	**226,875,700**	**0**	**226,875,700**		**1,256,377**
Including AS Eesti Ühispank	0	0	0	5.15%	92,528
AS Sampo Pank	0	0	0	5.17%	104,073
AS Hansapank	226,875,700	0	226,875,700	6 months' EURIBOR + 1.65%	1,059,776
Other liabilities	1,276,497	1,276,497	0		

	Balance at 31.12.2004	*Repayable* within 12 months	between 1 and 5 years	Interest rate	Interest paid
Long-term bank loan	**64,372,625**	**30,770,990**	**33,601,635**		**3,455,447**
Including AS Eesti Ühispank	4,108,000	1,492,000	2,616,000	5.15%	246,442
AS Sampo Pank	4,510,163	1,689,833	2,820,330	5.17%	282,129
AS Hansapank	55,754,462	27,589,157	28,165,305	4.662%	2,926,876

In 2005, a long-term syndicate loan agreement was made. Existing loans were refinanced through the Parent company. The long-term syndicate loan is linked to 6 months' EURIBOR. The Group's interest rate risk results from exposure to changes in EURIBOR.

In 2006, the limit of the loan was increased to EUR 31,500,000 (EEK 492,867,900). According to management's assessment, the interest rate risk is not significant. Therefore, no hedging instruments are used.
Information on loan collateral is presented in note 26.

Note 17. Accrued expenses

(In Estonian kroons)	31.12.2005	31.12.2004
Payables to employees	25,401,047	13,707,316
Salaries payable	*12,927,635*	*6,833,065*
Vacation pay liability	*12,473,412*	*6,874,251*
Dividends payable	62,397	0
Interest payable	4,629	33,789
Other accrued expenses	2,183,051	556,694
Total accrued expenses	27,651,124	14,297,799

Note 18. Provisions

	At beginning of period	Establishment of provisions	Use of provisions	At end of period
Provision for winnings	3,485,422	35,572,426	33,815,466	5,242,382
Provision for expenses of the period	1,121,488	1,017,442	456,488	1,682,442
Total provisions	4,606,910	36,589,868	34,271,954	6,924,824

The provision for winning includes the amounts calculated by electronic jackpot systems. Winnings are distributed at random at intervals established in the system.

Note 19. Contingent liabilities

Income tax

At 31 December 2005, the Group's undistributed profits amounted to EEK 546,469,327. The maximum income tax liability that could arise if all of the undistributed profits were distributed as dividends amounts to EEK 109,325,387. Thus, the maximum amount that could be distributed as the net dividend is EEK 437,143,939.

The maximum contingent income tax liability has been calculated based on the income tax rate for 2006 and the assumption that the net dividend and the arising income tax expense cannot exceed the Group's distributable profits as of 31 December 2005.

Note 20. Equity

The Company's share capital is made up of two (2) shares of EEK 26,000 and EEK 14,000. The shares are fully paid for. During the reporting period, share capital did not change. Both shares entitle the holder to participation in the Company's management, the distribution of the Company's profits, and the distribution of the Company's remaining assets upon its dissolution. The shareholders' voting power is equal to their share in the Company's share capital.

Share premium may be used for covering losses if the losses cannot be covered with retained earnings, the statutory capital reserve or other statutory reserves, or for increasing the share capital with a bonus issue.

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

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency differs from Estonian kroon, the presentation currency.

In 2005, a dividend of EEK 9,500,000 was declared and distributed to shareholders (2004: EEK 1,045,000).
The dividend liability recognised in the balance sheet is a liability to former shareholders and results from business combinations.

In accordance with the profit allocation proposal, the Company intends to distribute for 2005 a dividend of EEK 20 million. The dividend liability will be recognised when the proposal has been approved by the general meeting of shareholders.

Note 21. Revenue

(In Estonian kroons)

	2005	2004
Gambling revenue	809,991,208	565,159,907
Hotel revenue	36,202,311	33,923,604
Bar revenue	18,558,836	15,713,839
Other revenue	9,709,493	3,810,297
Total revenue	**874,461,848**	**618,607,647**

Note 22. Expenses

(In Estonian kroons)

	2005	2004
Direct accommodation expenses	729,376	518,607
Direct catering expenses	15,653,773	13,522,982
Services purchased	14,693,569	13,223,794
Total cost of materials, goods and services used	**31,076,718**	**27,265,384**
Maintenance expenses (equipment and premises)	53,948,792	26,158,760
Marketing expenses	86,128,878	72,560,038
Licence fees (including gambling tax)	82,653,574	56,141,471
Lease of premises	41,488,806	33,619,150
Other expenses	77,664,222	42,703,954
Training expenses	2,893,995	2,358,071
Total other operating expenses	**344,778,266**	**233,541,444**
Personnel expenses	155,759,522	115,613,291
Social tax	45,593,978	33,604,263
Unemployment insurance	306,935	285,467
Total personnel expenses	**201,660,434**	**149,503,020**

Note 23. Other income and other expenses

(In Estonian kroons)

Other revenue	2005	2004
Gains on sale of property, plant and equipment and intangibles	29,964	19,297
Change in the fair value of investment property	447,000	774,000
Penalty payments received	71,645	32,181
Insurance indemnification received	0	365,000
Foreign exchange gain	3,733,828	1,668,718
Other income	1,150,063	19,141
Total other revenue	**5,432,499**	**2,878,336**
Other expenses		
Losses from the write-off of property, plant and equipment and intangibles	50,878	85,798
Losses from the sale of property, plant and equipment and intangibles	26,587	379,881
Irrecoverable receivables	0	179,164
Fines and interest on arrears paid	32,390	15,368
Miscellaneous expenses	241,159	8,960,749
Foreign exchange losses	9,875	0
Total other expenses	**360,889**	**9,620,958**

Note 24. Income tax

Income tax expense recognised in the income statement

(In Estonian kroons)

	Note	2005	2004
Profit for the period from ordinary operations		221,618,225	141,696,675
Current tax expense based on the tax rate applicable to the Parent company (0%)		0	0
Effect of tax rates in foreign jurisdictions			
Lithuania		9,885,575	4,023,128
Latvia		2,373,151	24,418
Ukraine		909,994	0
Dividend tax paid in Estonia		0	386,486
Adjustments from origination and reversal of temporary differences	9		
Lithuania		-1,323,219	-317,206
Latvia		-5,870,970	2,408,339
Income tax expense in income statement		5,974,531	6,525,165

Note 25. Operating lease

(In Estonian kroons)

In 2005, operating lease payments for premises totalled EEK 41,488,806 (2004: EEK 33,619,150).
Operating lease of cars:

(In Estonian kroons)	2005	2004
Operating lease payments made during the period	542,943	612,575
Non-cancellable operating lease payments of subsequent periods are payable as follows		
Including less than 1 year	*166,220*	*427,553*
between 1 and 5 years	*245,698*	*670,111*

Note 26. Loan collateral and pledged assets

The syndicate loan is secured with the following collateral: First ranking: guarantee issued by Olympic Casino Eesti AS. Second ranking: a commercial pledge of EUR 10,000,000 (EEK 156.5 million) established on all the movables of Olympic Casino Eesti AS (both those belonging to the pledgor at the time the pledge entry was made and those acquired after the entry was made).

Third ranking: ordinary shares of the following Group companies Olympic Casino Eesti AS, Kungla Investeeringu AS, Mecom Grupp UAB, Olympic Casino Group Baltija UAB, Ahti SIA, Olympic Casino Latvia SIA, and Olympic Casino Group Baltic SIA (see note 16).

Note 27. Statement of cash flows

In the statement of cash flows, the following non-cash transactions related to investment activity have been eliminated:

- Accounts payable for the acquisition of property, plant and equipment and intangibles of EEK 6,337,270 have been eliminated from *Change in payables and advances related to operating activity*.
- Liabilities payable for the acquisition of shares in subsidiaries of EEK 25,841,075 have been eliminated from *Change in payables and advances related to operating activity*.
- An account receivable for the sale of property, plant and equipment of EEK 3,129 has been eliminated from *Change in receivables and prepayments related to operating activity*.
- Interest receivable of EEK 1,182,284 has been eliminated from *Change in receivables and prepayments related to operating activity*.

Note 28. Subsidiaries

Subsidiaries	Domicile	Ownership interest		Core activity	Shareholder
		31.12.2005	31.12.2004		
Olympic Casino Eesti AS	Estonia	95%	95%	Arrangement of gambling	Olympic Entertainment Group OÜ
Nordic Gaming AS	Estonia	100%	100%	Arrangement of gambling	Olympic Entertainment Group OÜ
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Arrangement of gambling	Olympic Entertainment Group OÜ
Olympic Casino Latvia SIA	Latvia	36,5%	36,5%	Arrangement of gambling	Olympic Entertainment Group OÜ
Olympic Casino Latvia SIA	Latvia	63,5%	63,5%	Arrangement of gambling	Olympic Casino Group Baltic SIA
Baltic Gaming A/S	Latvia	100%	100%	Arrangement of gambling	Olympic Entertainment Group OÜ
Olympic Casino Ukraine TOB	Ukraine	100%	100%	Arrangement of gambling	Olympic Entertainment Group OÜ
Olympic Casino Bel IP	Belarus	100%	100%	Arrangement of gambling	Olympic Entertainment Group OÜ
Kungla Investeeringu AS	Estonia	100%	100%	Accommodation, catering and bar services; purchase and sale of foreign currency	Olympic Entertainment Group OÜ
Viking Services OÜ	Estonia	100%	0%	Bar services	Nordic Gaming AS
Mecom Grupp UAB	Lithuania	100%	100%	Bar services	Olympic Entertainment Group OÜ
Ahti SIA	Latvia	100%	100%	Bar services	Olympic Entertainment Group OÜ
Faraons SIA	Latvia	100%	0%	Bar services	Olympic Entertainment Group OÜ
Tower SIA	Latvia	100%	0%	Catering services	Baltic Gaming A/S
Baltic Electronics SIA	Latvia	25%	0%	Production and maintenance of electronic equipment	Baltic Gaming A/S
Fortuna Travel OÜ	Estonia	100%	100%	Development of casino tourism	Olympic Casino Eesti AS
Olympic Casino Group Baltic SIA	Latvia	100%	100%	Parent of Olympic Casino Latvia SIA	Olympic Entertainment Group OÜ
Silber Investments Sp. Z o.o.	Poola	100%	0%	Holding activities	Olympic Entertainment Group OÜ
Baina Investments Sp. Z o.o.	Poola	100%	0%	Holding activities	Olympic Entertainment Group OÜ

In September 2005, the Group (through the Company as well as Baina and Silber, both 100% subsidiaries of the Company) concluded a preliminary agreement for the acquisition of 80% of all shares of Casino Polonia - Wroclaw Sp. Z o.o. ("Casino Polonia") from private individual shareholders for the aggregate price of EUR9 million (EEK140.8 million). The signing of the final agreement and the closing of the transaction are subject to certain conditions precedent, including the consent from the Polish Ministry of Finance to transfer shares of Casino Polonia, merger clearance and, notably, the transfer of the casino license to a new location. The Company is under the obligation to provide an additional loan of EUR5 million to Casino Polonia within 12 months following the closing of the transaction for the purposes of constructing and equipping a new casino in the Hilton Hotel. Some of the conditions precedent are fulfilled by the date of completion of the annual report, while the transfer of license is still pending and purchase price is not paid.

Note 29. Acquisition of shares in subsidiaries

On 18 December 2005, Olympic Entertainment Group OÜ purchased 100% of the shares in Baltic Gaming A/S, the second-largest Latvian casino operator.

With the transaction, Olympic Entertainment Group OÜ seized second place in the unconsolidated Latvian gambling market and increased its market share to 15%, which is only 5 percentage points less than the one held by the market leader. The purpose of the transaction was to ensure vigorous development with a view to attaining the leading position in the Latvian market in the next few years.

The effect of business combinations on the Group's assets and liabilities and cash flows in 2005:

(In Estonian kroons)

	Note	Baltic Gaming A/S	Faraons SIA	Nordic Gaming AS
Ownership interest acquired		100%	100%	100%
Date of acquisition		**18 December 2005**	**18 December 2005**	**18 December 2005**
ASSETS				
Cash and cash equivalents		11,473,563	568,220	1,136,568
Receivables		35,016,501	856,813	306,817
Inventories		1,702,894	723,348	272,720
Non-current assets		67,767,955	3,793,802	2,750,593
Liabilities		-24,630,791	-3,119,085	-4,741,297
Assets and liabilities (net)		91,330,122	2,823,098	-274,600
Goodwill on acquisition	14	117,075,880	0	26,115,675
Purchase price		208,406,002	2,823,098	25,841,075
Omandatud raha ja pangakontod		11,473,563	568,220	1,136,568
Neto rahavoog omandamisel		-196,932,439	-2,254,878	-24,704,507
Cash (acquired)		11,473,563	568,220	1,136,568
Net cash outflow		196,932,439	2,254,878	24,704,507

The initial accounting for the acquisitions has been determined provisionally because the final purchase prices depend on the entities' results for 2006.

During the purchase analysis, management did not identify any intangible assets meeting the recognition criteria provided in IFRSs.

Note 30. Risk management

Credit risk
Due to the nature of their business, Group companies are not exposed to any significant credit risk. Consequently, no significant hedging techniques are applied.

Interest rate risk
The Group's exposure to interest rate risk is explained in note 16.

Foreign currency risk
The Group's exposure to foreign currency risks is explained in note 1 in the section Foreign currency transactions and foreign currency risk.

Note 31. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts.
The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and assumptions are based on historical experience and various other factors, including projections of future events, which are believed to be reasonable under the circumstances.

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

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

Goodwill
The assumptions used in assessing the recoverability of goodwill are explained in note 14.

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

Note 32. Transactions with related parties

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

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

In the preparation of the consolidated annual financial statements, all intra-group receivables and liabilities and all intra-group transactions as well as related unrealised gains and losses were eliminated.

Ultimate controlling party
During the financial year ended 31 December 2005 an ultimate controlling party of the Group was Mr. Armin Karu, Chairman of the Board.

Transactions with the key management personnel
During the reporting period, Group entities performed purchase and sales transactions with related parties in the following volumes:

		2005	2004
Related party	**Transaction**	Purchases	Purchases
Company related to a chairman of the board	Lease of premises	733,200	733,200
Company related to a member of the board	consulting services	338,660	305,620
Total		**1,071,860**	**1,038,820**

At the end of the reporting period, receivables from and liabilities to related parties broke down as follows:

		12.31.05	12.31.04
Related party	**Transaction**	Receivable	Receivable
Member of the board	loan	250,000	0
Member of the board	interest	7,695	0
Total		**257,695**	**0**

		12.31.05	12.31.04
Related party	**Transaction**	Payable	Payable
Member of the board	lease payable	0	61,100
Total		**0**	**61,100**

The interest rate of the loan given to the member of the board was 4%.

Benefits received and receivable by members of the executive and higher management in respect of 2005 and 2004:

(In thousands of Estonian kroons)	2005	2004
Estonia	1,045,3	766,7
Lithuania	563,0	806,4
Latvia	641,9	507,7
Ukraine	546,0	118,3
Total	2,796,2	2,199,1

Members of the management boards are entitled to severance compensation of EEK 665,000 in aggregate.

Note 33. Olympic Entertainment Group OÜ's separate balance sheet

(In Estonian kroons)	31.12.2005	31.12.2004
ASSETS		
Current assets		
Cash and cash equivalents	231,238	68,060
Other receivables		
Receivables from group companies	9,785,707	1,942,997
Total other receivables	9,785,707	1,942,997
Accrued income		
Other accrued income	0	504,183
Total accrued income	0	504,183
Prepayments		
Prepaid and refundable taxes	227,940	55,487
Prepaid expenses	1,092,148	447,209
Total prepayments	1,320,088	502,696
Inventories		
Materials	5,000,454	3,925,626
Total inventories	5,000,454	3,925,626
Total current assets	**16,337,487**	**6,943,562**
Non-current assets		
Long-term financial investments		
Shares in subsidiaries	370,292,109	105,782,944
Long-term receivables from group companies	131,171,440	49,985,563
Total long-term financial investments	501,463,549	155,768,507
Investment property	3,098,000	2,651,000
Property, plant and equipment		
Plant and equipment	19,746,271	19,746,271
Accumulated depreciation	-6,121,738	-4,040,895
Total property, plant and equipment	13,624,533	15,705,377
Total non-current assets	**518,186,082**	**174,124,884**
TOTAL ASSETS	**534,523,569**	**181,068,446**
LIABILITIES		
Current liabilities		
Trade payables	2,253,932	3,519,302
Other payables		
Payables to group companies	79,232,897	33,775,111
Total other payables	79,232,897	33,775,111
Tax liabilities	402,505	32,296
Accrued expenses		
Payables to employees	206,000	0
Interest payable	2,639	2,639
Other accrued expenses	2,376	0
Total accrued expenses	211,014	2,639
Provisions	731,557	0
Total current liabilities	**82,831,905**	**37,329,347**
Non-current liabilities		
Bank loans	226,875,700	0
Liabilities to group companies	120,043,789	21,850,009
Total non-current liabilities	**346,919,489**	**21,850,009**
Total liabilities	**429,751,394**	**59,179,356**

EQUITY		
Share capital	40 000	40 000
Share premium	25 597 713	25 597 713
Statutory capital reserve	4 000	4 000
Retained earnings	86 747 377	87 235 536
Profit/loss for the period	-7 616 915	9 011 842
Total equity	**104 772 175**	**121 889 090**
TOTAL LIABILITIES AND EQUITY	**534 523 569**	**181 068 446**

Note 34. Olympic Entertainment Group OÜ's separate income statement

(In Estonian kroons)	2005	2004
Revenue		
Sales revenue	10,116,944	7,570,384
Other revenue	447,000	774,000
Total revenue	**10,563,944**	**8,344,384**
Expenses		
Cost of materials, goods and services used	7,084,308	5,529,320
Other operating expenses	9,278,214	197,407
Personnel expenses	3,144,027	0
Depreciation and impairment losses	2,080,843	2,035,071
Other expenses	33,007	133,649
Total expenses	**21,620,399**	**7,895,447**
Operating profit/loss	**-11,056,456**	**448,937**
Financial income and expenses		
Financial income and expenses on shares in subsidiaries	9,500,000	1,045,000
Finantstulud ja – kulud sidusettevõtete aktsiatelt ja osadelt		
Interest income	2,309,687	19,841
Interest expense	3,830,967	0
Foreign exchange gains and losses	-287,347	-680,535
Other financial income and expenses	0	0
Financial income and expenses on financial investments	-4,251,832	8,178,599
Net financial items	**3,439,541**	**8,562,905**
PROFIT FOR THE PERIOD	**-7,616,915**	**9,011,842**

Note 35. Olympic Entertainment Group OÜ's separate statement of cash flows

(In Estonian kroons)	2005	2004
Cash flows from operating activities		
Operating profit/loss	-11,056,456	448,937
Adjustments for		
Depreciation and impairment losses	2,080,843	2,035,071
Change in the fair value of investment property	-447,000	-774,000
Change in receivables and prepayments related to operating activity	-12,912,717	-8,258,655
Change in inventories	-1,074,828	-3,925,626
Change in payables and advances related to operating activity	-3,794,072	9,818,792
Interest paid	-858,711	-53
Foreign exchange gains and losses	-279,971	-1,791
Net cash used in operating activities	**-28,342,912**	**-657,326**
Cash flows from investing activities		
Acquisition of property, plant and equipment	0	-274,633
Acquisition of shares in subsidiaries	-212,148,037	-9,845,689
Loans given	-93,681,593	-3,404,776
Repayment of loans given	14,901,322	1,919,756
Interest received	409,047	280,444
Dividends received	9,500,000	1,045,000
Net cash used in investing activities	**-281,019,261**	**-10,279,899**
Cash flows from financing activities		
Proceeds from loans received	319,032,726	11,086,763
Dividends paid	-9,500,000	-1,045,000
Net cash from financing activities	**309,532,726**	**10,041,763**
NET CASH FLOWS	**170,553**	**-895,462**
Increase/decrease in cash and cash equivalents	**163,177**	**-1,634,319**
Cash and cash equivalents at beginning of period	**68,060**	**1,702,379**
Effect of exchange rate fluctuations	-7,376	-738,857
Cash and cash equivalents at end of period	**231,238**	**68,060**

Note 36. Olympic Entertainment Group OÜ's separate statement of changes in equity

(In Estonian kroons)	Share capital	Share premium	Statutory capital reserve	Retained earnings	**Total**
Balance at 31.12.2003					
Balance in the accounts for 2003	40,000	25,597,713	4,000	240,849,520	**266,491,233**
Effect of changes in accounting policies	0	0	0	-152,568,984	**-152,568,984**
Restated balance at 1.1.2004	**40,000**	**25,597,713**	**4,000**	**88,280,535**	**113,922,248**
Dividends paid	0	0	0	-1,045,000	**-1,045,000**
Revaluation of financial investments	0	0	0	-121,882,960	**-121,882,960**
Profit for 2004 (restated)	0	0	0	9,011,841	**9,011,841**
Balance at 31.12.2004					
Balance in the accounts for 2004	40,000	25,597,713	4,000	370,699,321	**396,341,034**
Effect of changes in accounting policies	0	0	0	-274,451,945	**-274,451,945**
Restated balance at 31.12.2004	**40,000**	**25,597,713**	**4,000**	**96,247,377**	**121,889,090**
Interests in companies under control or significant influence					
- carrying amount					-105,782,944
- carrying amount under the equity method					274,451,945
Restated unconsolidated equity at 31.12.2004					**290,558,090**
Dividends paid	0	0	0	-9,500,000	**-9,500,000**
Revaluation of financial investments	0	0	0	0	**0**
Loss for the period	0	0	0	-7,616,915	**-7,616,915**
Balance at 31.12.2005	**40,000**	**25,597,713**	**4,000**	**79,130,462**	**104,772,175**
Interests in companies under control or significant influence					
- carrying amount					-370,292,109
- carrying amount under the equity method					702,815,152
Restated unconsolidated equity at 31.12.2005					**437,295,218**

Auditor's report

To the shareholders of Olympic Entertainment Group OÜ
We have audited the accompanying consolidated balance sheet of Olympic Entertainment Group OÜ ("the Company") as of 31 December 2005, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements, as set out on pages F2-1 to F2-37, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.
KPMG Baltics AS

Taivo Epner
Authorised Public Accountant
The audit of the consolidated financial statements for the financial year ended 31 December 2006 was completed on 4 May 2006, except for the minor financial statements presentation amendments, as to which the date is 25 September 2006.

Consolidated Financial Statements for Financial Year Ended 31 December 2004

Statement of management responsibility

The management board has prepared the management report and the annual financial statements of Olympic Entertainment Group OÜ (the "Parent company") and Olympic Entertainment Group OÜ and its subsidiaries (the "Group") for the financial year ended 31 December 2004.

The accounting policies applied on the preparation of the annual financial statements comply with International Financial Reporting Standards (IFRSs) and give a true and fair view of the financial positions, cash flows and the results of operation of the Parent company and the Group.

The preparation of the annual financial statements according to IFRSs assumes making of estimates by the management, which influence the assets and liabilities of the Parent company and the Group as at the balance sheet date and income and expenses for the reporting period. These estimates are based on relevant information about the financial positions and intentions and risks of the Parent company and the Group at balance sheet date. The final results of the reported business transactions may differ from the estimates.

The annual accounts reflect all significant circumstances influencing the valuation of assets and liabilities, which became evident before the date the financial statements were authorized for issue (15 April 2005).

According to the assessment of the management board, the Parent company and the companies belonging to the Group are going concerns.

Armin Karu	Chairman of the Management Board	2005

Balance sheets

ASSETS		GROUP		PARENT	
(EEK)	Note	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Current assets					
Cash and cash equivalents	2	92,964,313	63,170,887	68,060	1,702,379
Trade receivables	3				
Accounts receivable		3,335,578	3,648,299	0	0
Allowance for doubtful receivables		0	-56,645	0	0
Total trade receivables		3,335,578	3,591,654	0	0
Other receivables	31				
Receivables from the parent and other group companies		0	0	1,942,997	2,712,043
Miscellaneous receivables		526,976	416,227	0	0
Total other receivables		526,976	416,227	1,942,997	2,712,043
Accrued income	4				
Interest receivable		1,133,931	838,173	0	0
Other accured income		504,183	0	504,183	0
Total accrued income		1,638,115	838,173	504,183	0
Prepayments					
Prepaid and refundable taxes	5	11,134,743	9,150,565	55,487	0
Prepaid expenses	6	4,632,069	1,459,748	447,209	88,799
Total prepayments		15,766,812	10,610,313	502,696	88,799
Inventories	7				
Materials and supplies		8,472,410	4,007,231	0	0
Merchandise purchased for resale		1,807,224	1,478,507	3,925,626	0
Prepayments to suppliers		1,126,899	170,279	0	0
Total inventories		11,406,533	5,656,016	3,925,626	0
Total current assets		**125,638,327**	**84,283,270**	**6,943,562**	**4,503,221**
Non-current assets					
Long-term financial assets					
Shares in subsidiary companies		0	0	380,234,889	212,236,368
Receivables from the parent and other group companies		0	0	49,985,563	47,698,476
Other shares and securities	9	33,008,488	28,190,642	0	0
Other long-term receivables	31	9,324	17,933	0	0
Total long-term financial assets		33,017,812	28,208,575	430,220,452	259,934,844
Investment property	10	4,150,788	3,461,839	2,651,000	1,877,000
Property, plant and equipment	11, 12				
Land and buildings		180,239,673	158,961,268	0	0
Plant and equipment		293,340,060	186,814,525	19,746,271	19,471,638
Other items		11,157,784	7,120,745	0	0
Accumulated depreciation		-156,537,895	-107,401,826	-4,040,895	-2,005,824
Construction in progress		1,732,563	0	0	0
Prepayments		2,295,248	190,423	0	0
Total property, plant and equipment		332,227,433	245,685,136	15,705,377	17,465,814
Intangible assets	13				
Goodwill	29	8,741,268	11,242,271	0	0
Patents, licences, trademarks and other intangible assets		5,953,627	2,725,912	0	0
Total intangible assets		14,694,895	13,968,182	0	0
Total non-current assets		**384,090,928**	**291,323,732**	**448,576,829**	**279,277,658**
TOTAL ASSETS		**509,729,255**	**375,607,002**	**455,520,391**	**283,780,879**

LIABILITIES AND SHAREHOLDERS` EQUITY		GROUP		PARENT	
(EEK)	Note	31.12.2004	31.12.2003	31.12.2004	31.12.2003
LIABILITIES					
Current liabilities					
Loans and borrowings	14, 15	31,095,866	27,720,019	0	0
Customer advances		1,985,427	1,927,321	0	0
Trade payables		21,756,838	11,535,816	3,519,302	238,837
Other payables	31				
Payables to the parent and other group companies		0	0	33,775,111	16,939,606
Miscellaneous payables		61,100	70,214	0	25,000
Total other payables		61,100	70,214	33,775,111	16,964,606
Tax liabilities	5	13,845,507	9,904,863	32,296	83,565
Accrued expenses	16				
Payables to employees		13,707,316	10,595,289	0	0
Interest payable		33,789	27,899	2,639	2,639
Other accrued expenses		556,694	473,755	0	0
Total accrued expenses		14,297,799	11,096,943	2,639	2,639
Provisions	17	4,606,911	6,018,373	0	0
Total current liabilities		**87,649,447**	**68,273,549**	**37,329,348**	**17,289,646**
Non-current liabilities					
Deferred tax liabilities		2,271,894	0	0	0
Long-term loans and borrowings	14, 15	34,186,509	53,770,127	0	0
Liabilities to group companies	31	0	0	21,850,009	0
Total non-current liabilities		**36,458,403**	**53,770,127**	**21,850,009**	**0**
Total liabilities		**124,107,850**	**122,043,676**	**59,179,357**	**17,289,646**
EQUITY	**19**				
Share capital		40,000	40,000	40,000	40,000
Share premium		25,597,713	25,597,713	25,597,713	25,597,713
Reserves					
Mandatory capital reserve		4,000	4,000	4,000	4,000
Unrealised exchange differences		-2,000,558	12,873	0	0
Retained earnings		220,190,843	184,134,508	239,804,520	188,414,519
Profit for financial year		128,659,400	37,101,335	130,894,801	52,435,001
Total equity attributable to equity holders of the parent		372,491,398	246,890,429	396,341,034	266,491,233
Minority intrerest		**13,130,008**	**6,672,898**	**0**	**0**
Total equity		**385,621,406**	**253,563,327**	**396,341,034**	**266,491,233**
TOTAL LIABILITIES AND EQUITY		**509,729,255**	**375,607,002**	**455,520,391**	**283,780,879**

Income statements

(EEK)	Note	GROUP 2004	GROUP 2003	PARENT 2004	PARENT 2003
Revenue					
Net sales	20	618,607,647	467,251,281	7,570,384	6,000,000
Other revenue	22	2,878,336	1,805,309	774,000	0
Total revenue		621,485,983	469,056,590	8,344,384	6,000,000
Expenses					
Materials, consumables and supplies	21	27,265,384	20,524,317	5,529,320	1,363,514
Other operating expenses	21	233,541,444	239,149,222	197,407	466,643
Personnel expenses	21	149,503,020	111,577,452	0	0
Depreciation, amortisation and impairment losses	10,11,13	57,322,426	41,590,900	2,035,071	1,765,824
Other expenses	22	9,620,958	8,236,494	133,649	40,418
Total expenses		**477,253,232**	**421,078,386**	**7,895,447**	**3,636,399**
Operating profit		**144,232,751**	**47,978,204**	**448,937**	**2,363,602**
Financial income and expenses					
Financial income and expenses on shares in subsidiaries		0	0	122,927,960	58,628,677
Interest income		2,569,823	2,041,820	19,841	317,356
Interest expense		3,547,917	3,595,225	0	2,659
Foreign exchange gains and losses		1,918,330	-1,315,182	64,194	1,071
Other financial income and expenses		-80,282	-352,184	0	0
Financial income and expenses on financial assets		-3,396,030	-2,316,634	7,433,869	-8,873,045
Net financial items		**-2,536,076**	**-5,537,405**	**130,445,864**	**50,071,400**
Profit from ordinary operations		**141,696,675**	**42,440,799**	**130,894,801**	**52,435,001**
Income tax expense	23	6,525,165	3,150,845	0	0
Profit before minority interest		**135,171,510**	**39,289,954**	**130,894,801**	**52,435,001**
Minority interest		6,512,110	2,188,618	0	0
NET PROFIT FOR FINANCIAL YEAR		**128,659,400**	**37,101,335**	**130,894,801**	**52,435,001**

Cash flow statements

(EEK)	Note	GROUP 2004	GROUP 2003	PARENT 2004	PARENT 2003
Cash flows from operating activities					
Operating profit		144,232,750	47,978,204	448,937	2,363,602
Adjustments for					
Depreciation, amortisation and impairment losses	10,11,13	57,322,426	41,590,900	2,035,071	1,765,824
Fair value adjustments	10	-774,000	0	-774,000	0
Losses from write-off of property, plant and equipment		446,382	460,775	0	0
Change in receivables and prepayments		-6,526,251	-19,850,574	-8,258,655	1,535,855
Change in inventories		-5,750,517	-1,903,207	-3,925,626	0
Change in payables and advances		4,114,411	18,805,278	9,818,792	327,483
Interest paid	14, 15	0	-3,270,719	-53	0
Corporate income tax paid		-1,732,408	-3,150,845	0	0
Net cash from/used in operating activities		**191,332,794**	**80,659,812**	**-657,326**	**5,992,763**
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangibles		-143,840,047	-109,859,556	-274,633	**-287,300**
Proceeds from sale of property, plant and equipment		87,921	0	0	0
Improvements to investment property		0	-296,026	0	0
Acquisition of shares in subsidiaries	29	0	-20,600,000	-9,845,689	-20,600,000
Loans provided	31	25,000	-250,000	-3,404,776	-7,155,111
Settlement of loans provided	31	271,070	17,017	1,919,756	0
Interest received	2, 4, 31	2,588,459	1,435,112	280,444	317,356
Dividend received		0	0	1,045,000	4,390,367
Net cash used in investing activities		**-140,867,597**	**-129,553,453**	**-10,279,899**	**-23,334,688**
Cash flows from financing activities					
Loans received	15	16,542,842	67,765,436	11,086,763	**16,800,000**
Repayment of loans		-32,488,437	-14,967,686	0	-160,000
Finance lease received	14	158,892	1,260,601	0	0
Lease principal paid		-386,586	-234,404	0	0
Shares issued		0	0	0	0
Dividend paid	19	-1,045,000	-5,163,018	-1,045,000	-4,390,367
Dividend paid to minority intrerest	19	-55,000	-772,651	0	0
Net cash from/used in financing activities		**-17,273,289**	**47,888,278**	**10,041,763**	**12,249,633**
TOTAL CASH FLOWS		**33,191,909**	**-1,005,363**	**-895,462**	**-5,092,292**
Change in cash and cash equivalents		**29,793,426**	**-1,015,628**	**-1,634,319**	**-6,480,899**
Cash and cash equivalents at beginning of period		**63,170,887**	**64,186,515**	**1,702,379**	**8,183,278**
Effect of exchange rate fluctuations		-3,398,483	-10,265	-738,857	-1,388,607
Cash and cash equivalents at end of period		**92,964,313**	**63,170,887**	**68,060**	**1,702,379**

Statements of changes in equity

GROUP

(EEK)	Share capital	Share premium	Mandatory capital reserve	Unrealised exchange differences	Retained earnings	Minority intrerest	**Total**
Balance at 31.12.2002	**40,000**	**25,597,713**	**4,000**	**0**	**188,524,875**	**0**	**214,166,588**
Dividend paid	0	0	0	0	-4,390,367	-772,651	**-5,163,018**
Profit for the period	0	0	0	0	37,101,335	7,445,549	**44,546,884**
Effect of exchange differences	0	0	0	12,873	0	0	**12,873**
Balance at 31.12.2003	**40,000**	**25,597,713**	**4,000**	**12,873**	**221,235,843**	**6,672,898**	**253,563,327**
Revaluation reserve	0	0	0	0	0	0	**0**
Dividend paid	0	0	0	0	-1,045,000	-55,000	**-1,100,000**
Profit for the period	0	0	0	0	128,659,400	6,512,110	**135,171,510**
Effect of exchange differences	0	0	0	-2,013,431	0	0	**-2,013,431**
Balance at 31.12.2004	**40,000**	**25,597,713**	**4,000**	**-2,000,558**	**348,850,243**	**13,130,008**	**385,621,406**

PARENT

(EEK)	Share capital	Share premium	Mandatory capital reserve	Accumulated profits	**Total**
Balance at 31.12.2002	**40,000**	**25,597,713**	**4,000**	**192,804,886**	**218,446,599**
Dividend paid	0	0	0	-4,390,367	**-4,390,367**
Profit for the period	0	0	0	52,435,001	**52,435,001**
Balance at 31.12.2003	**40,000**	**25,597,713**	**4,000**	**240,849,520**	**266,491,233**
Dividend paid	0	0	0	-1,045,000	**-1,045,000**
Profit for the period	0	0	0	130,894,801	**130,894,801**
Balance at 31.12.2004	**40,000**	**25,597,713**	**4,000**	**370,699,321**	**396,341,034**

Notes to the annual financial statements

Note 1. Significant accounting policies

Olympic Entertainment Group OÜ (the "Parent company") is a company registered in the Republic of Estonia on 15 November 1999. The Parent company's consolidated financial statements for the financial year ended 31 December 2004 include the Parent company and its subsidiaries (the "Group").
The annual accounts were approved by the management board on 15 April 2005.

Basis of preparation

The consolidated financial statements of Olympic Entertainment Group OÜ for 2004 have been prepared in compliance with International Financial Reporting Standards (IFRSs).
The annual financial statements have been prepared on the historical cost basis, except where the following accounting principles state otherwise.

Companies belonging to the Group mostly use the same accounting principles, which are consistently applied to all accounting periods.

Olympic Entertainment Group OÜ's measurement currency is the Estonian kroon (EEK). The annual financial statements are presented in Estonian kroons.

Changes in presentation practice and accounting policies

New wordings of IAS 1 *Presentation of Financial Statements* and IAS 24 *Related Party Disclosures*, entering into force on 1 January 2005, have been implemented before term. This has caused the following principal presentation-related changes:

- Minority interest is presented in equity.
- Notes include circumstances arising from significant estimates made by the management.
- The note on related party disclosures includes the remuneration of the management board.

Other essential changes in the wordings of other International Financial Reporting Standards entering into force on 1 January 2005 are related to the termination of amortisation of goodwill and other intangible assets with an indefinite useful life.

Basis of consolidation

In preparing consolidated financial statements, the financial statements of the parent and its subsidiaries are combined line-by-line.
All subsidiaries belonging to the Group are independent entities. In consolidating the financial statements of foreign subsidiaries, the statements are translated to Estonian kroons.

The following exchange rates are applied in translating financial statements prepared in foreign currencies (IAS 21.30-31):

a) All assets and liabilities are translated at the foreign exchange rate ruling at the balance sheet date.
b) Revenue, expenses and other changes in equity are translated using the weighted average rate for the financial year.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that the parent acquired control over the subsidiary until the date that control ceased.

All intra-group transactions and balances are eliminated in preparing the consolidated financial statements.

In the consolidated financial statements, the minority interest in the subsidiaries' results and equity is reported separately.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash on bank accounts, units in money market funds, and short-term deposits with banks.

In the cash flow statement, cash flows from operating activities are reported using the indirect method. Cash flows from investing and financing activities are reported under the direct method.

Trade receivables
Trade receivables comprise receivables arising in the normal course of business, excluding receivables from other group and associated companies. Trade receivables are carried at amortised cost (i.e. at nominal value less appropriate write-downs).

Receivables are valued on an individual basis. If the number of receivables is too large and they cannot be individually valued, only significant items are assessed on an individual basis. Less significant receivables are valued in aggregate by relying on prior experience.

Other receivables
All other receivables (accrued income, loans provided as well as other short- and long-term receivables), except receivables acquired for resale, are stated at amortised cost.

The amortised cost of short-term receivables is generally equal to their nominal value (less any write-downs). Short-term receivables are therefore carried in the balance sheet in the recoverable amount. In calculating the amortised cost of long-term receivables, they are initially recognised at the fair value of consideration receivable. In subsequent periods, interest income is calculated using the effective interest rate method.

Inventories
Materials, supplies and merchandise purchased for resale are initially recognised at cost comprising the purchase price and other directly attributable costs that are necessary for bringing the inventories to their present location and condition. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

Inventories are expensed and their carrying amount is determined using the FIFO formula (note 7).

Financial assets
In line with IAS 39

- loans provided and receivables,
- held-to-maturity investments (debt securities),
- other financial assets that do not have an active market and whose fair values cannot be measured reliably are carried at amortised cost using the effective interest rate method. Purchase and sales of financial assets are recognised at the settlement date. Gains and losses from such transactions are recognised in the income statement as financial income and financial expenses respectively.

Investment property
Investment property comprises items of real estate (land, buildings) that the Group does not use in its business activities but holds (as an owner or under finance lease) with the intent to earn rental income or substantial profit from the growth in the property's market value. Investment property is recognised initially at cost comprising all transaction costs relating to acquisition (notary fees, state duties, advisors' fees and other). Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and impairment losses; i.e. similarly to items of property, plant and equipment. Investment property is depreciated at 5% per year.

Standing timber is valued using the fair value model. Under the model, investment property is measured at fair value at every balance sheet date. Any gain or loss arising from a change in fair value is recognised in the income statement. No depreciation is calculated on investment property carried using the fair value model (IAS 40.27-28).

Property, plant and equipment
Items of property, plant and equipment are initially recognised at cost, which comprises the purchase price (including customs duties and other non-refundable taxes) and other direct costs of acquisition necessary for bringing the assets to their present condition and location. In the balance sheet, items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Items acquired with finance lease are accounted for similarly to other items of property, plant and equipment. Items held under operating lease are accounted for off the balance sheet.

Purchases are recognised as items of property, plant and equipment if their cost exceeds EEK 10,000 and estimated useful life extends beyond a year. Assets with a lower cost or shorter useful life are expensed as of implementation and accounted for off the balance sheet.

Where an item of property, plant and equipment comprises of significant parts which have different useful lives, the parts are recognised as separate items of property, plant and equipment and assigned depreciation rates that correspond to their useful lives.

Items of property, plant and equipment are depreciated using the straight-line method. As a rule, the following annual depreciation rates and useful lives are applied:

If improvements to an item of property, plant and equipment increase the item's ability to participate in generating future economic benefits, respective expenditure is included in the cost of the item. Expenditure incurred to retain an item's ability to generate economic benefits is recognised as an expense as incurred.

If an item's recoverable amount (i.e. the higher of its net selling price and value in use) decreases below its carrying amount, the item is written down to its recoverable amount.

Intangible assets

Intangible assets are initially recognised at cost, which comprises the purchase price and other direct costs of acquisition. In the balance sheet, intangible assets are stated at cost less accumulated amortisation and impairment losses. Intangible assets are depreciated using the straight-line method. Amortisation rates are assigned based on the useful lives of the assets. Intangible assets are amortised at the rate of 20% per year.

Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the net identifiable assets acquired. In consolidated financial statements, goodwill is carried as an intangible asset and amortised under the straight-line principle. Amortisation of goodwill is reported in the income statement in Depreciation, amortisation and impairment losses. Goodwill is amortised within five years over its expected useful life (Notes 13, 29).

Shares in subsidiary companies

Subsidiaries are enterprises controlled by Olympic Entertainment Group OÜ. Control exists when the parent directly or indirectly through its subsidiaries controls more than 50% of an entity's voting power, governs the financial and operating policies of the entity by a contract or agreement, or has the right to appoint and recall the entity's executive management and members of management bodies.

In the parent company's financial statements, investments in subsidiary companies are reported using the equity method. Under the method, the initial investment is adjusted for the subsidiary's profit/loss and dividend received. Any unrealised gains and losses from transactions between the parent and subsidiary companies are eliminated.

Upon acquiring a subsidiary, a purchase analysis is prepared. Goodwill is fixed in the purchase analysis. Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is amortised over the investment's useful life which cannot exceed 5 years. The list of subsidiaries belonging to the Group is provided in note 28.

Leases

Leases that transfer all significant risks and rewards of ownership to the lessee are classified as finance leases (see note 12). All other leases are treated as operating leases.

The company as a lessor

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

The company as a lessee

Assets acquired with finance lease are carried 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 recognised over the lease term. Operating lease payments are recognised as an expense on a straight-line basis over the lease term (see note 24).

Financial liabilities

All financial liabilities (trade payables, loans, accrued expenses, debt securities, and other short-and long-term debt obligations) are initially recognised at cost that comprises all direct costs of acquisition. Subsequent to initial recognition, financial liabilities are stated at their amortised cost.

The amortised cost of short-term financial liabilities generally equals their nominal value. Therefore short-term financial liabilities are carried in the balance sheet in the amount payable. The amortised cost of long-term financial liabilities is determined by applying effective interest rate method.

Provisions and contingent liabilities

Provisions are established for obligations that are uncertain both in their amount and settlement time. The amount and settlement time are determined using the estimates made by the management and external experts.

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable (over 50%) that an outflow of economic benefits will be required to settle the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is probable that the provision will be used in more than a year, it is stated at its discounted present value. The discount rate is based on the market interest rates assigned to similar liabilities.

Liabilities that cannot be measured reliably or whose settlement probability is low (less than 50%) are treated as contingent liabilities. Contingent liabilities are accounted for off the balance sheet.

Income tax

According to the effective Income Tax Act, from 1 January 2000 in Estonia income tax is not levied on profits earned but dividends distributed. The tax rate is 24/76 (until 31 December 2004: 26/74) of the amount distributed as the net dividend. Due to the specific nature of the taxation policy, the term "tax base of assets and liabilities" has no economic substance and deferred tax liabilities and assets cannot arise.

The maximum income tax liability that could arise on a dividend distribution is presented in note 18.

According to the Income Tax Acts effective in Lithuania, Latvia and Ukraine, income tax is levied on profits earned; the rates are 15%, 19% and 25% respectively. The tax liabilities of Latvian, Lithuanian and Ukrainian companies are recognised in the income statement in income tax expense and in the balance sheet in liabilities.

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

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

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

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

Foreign currency and exposure to foreign currency risk

Foreign currency transactions are translated using the Eesti Pank exchange rates quoted at the date of the transaction. At the balance sheet date, monetary financial assets and liabilities and non-monetary financial assets and liabilities stated at fair value which are denominated in foreign currencies are translated to Estonian kroons using the Eesti Pank exchange rates ruling at that date. Exchange gains and losses are recognised in the income statement as revenue and expenses of the period respectively.

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

The receivables and liabilities of foreign subsidiaries are presented in local currencies. In addition, Group companies have liabilities in euro. The Estonian kroon is pegged to euro at a fixed exchange rate. The volume of transactions in other currencies is insignificant. In view of the above, management considers the Group's exposure to foreign currency risk insignificant and no hedging measures have been applied.

Revenue

Revenue from the rendering of services and sale of goods is recognised when all risks and rewards of ownership have been transferred to the buyer. If the service is rendered over an extended period, revenue is recognised in proportion to the stage of completion of the transaction.

Gambling revenue comprises:

- revenue from slot machines
- revenue from gambling tables.

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

Interest and dividend income are recognised when collection of consideration is probable and the amount of the revenue can be measured reliably. Interest income is recognised using the effective interest rate method unless collection of interest is uncertain. In such cases interest income is recognised on a cash basis. Dividend income is recognised when the right to receive payment is established.

Cash flow statement

The cash flow statement is prepared by using the indirect method – cash flows from operating activities are found by adjusting operating profit by eliminating the impact of non-monetary transactions and changes in current assets and liabilities.

Subsequent events

The annual financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the balance sheet date (31 December 2004) and the date on which the financial statements were authorised for issue (15 April 2005) 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.

The term deposits serve as collateral for rented premises. The deposits are with Hansapank, the interest rate is 2.5%.

Fund units comprise units in Hansa Intressifond and Hansa Rahaturufond (money market funds). In 2004, interest income on fund units amounted to EEK 467,682 (2003: EEK 457,069). Interest income on bank accounts and deposits totalled EEK 78,106 (2003: EEK 77,778).

In the reporting year, items of EEK 179,164 (2003: EEK 261,356) were written off as irrecoverable.

At 31 December 2004, interest receivable on Lithuanian government bonds amounted to EEK 1,077,748 (note 9). Interest received in 2004 amounted to EEK 2,040,499 (2003: EEK 897,760).

Interest receivable on fund units, bank accounts and term deposits amounted to EEK 52,345, EEK 1,246 and EEK 2,592 respectively.

Note 2. Cash and cash equivalents

(EEK)	GROUP 31.12.2004	GROUP 31.12.2003	PARENT 31.12.2004	PARENT 31.12.2003
Cash on hand	13,485,751	8,487,861	0	0
Coins in gambling rooms	1,071,247	1,018,022	0	0
Bank accounts	12,062,208	12,082,030	68,060	1,702,379
Term deposits	236,826	236,826	0	0
Cash in transit	3,861,237	1,889,170	0	0
Fund units	61,887,839	39,456,978	0	0
Guarantee deposit	359,204	0	0	0
Total cash and cash equivalents	**92,964,313**	**63,170,887**	**68,060**	**1,702,379**

The term deposits serve as collateral for rented premises. The deposits are with Hansapank, the interest rate is 2.5%.

Fund units comprise units in Hansa Intressifond and Hansa Rahaturufond (money market funds). In 2004, interest income on fund units amounted to EEK 467,682 (2003: EEK 457,069). Interest income on bank accounts and deposits totalled EEK 78,106 (2003: EEK 77,778).

Note 3. Trade receivables

(EEK)	GROUP 31.12.2004	GROUP 31.12.2003
Accounts receivable	3,335,578	3,648,299
Allowance for doubtful receivables	0	-56,645
Total trade receivables	**3,335,578**	**3,591,654**

In the reporting year, items of EEK 179,164 (2003: EEK 261,356) were written off as irrecoverable.

Note 4. Accrued income

(EEK)	GROUP 31.12.2004	GROUP 31.12.2003	PARENT 31.12.2004	PARENT 31.12.2003
Interest receivable	1,133,931	838,173	0	0
Other accrued income	504,183	0	504,183	0
Total accrued income	**1,638,115**	**838,173**	**504,183**	**0**

At 31 December 2004, interest receivable on Lithuanian government bonds amounted to EEK 1,077,748 (note 9). Interest received in 2004 amounted to EEK 2,040,499 (2003: EEK 897,760).

Interest receivable on fund units, bank accounts and term deposits amounted to EEK 52,345, EEK 1,246 and EEK 2,592 respectively.

Note 5. Prepaid taxes and tax liabilities

GROUP

(EEK)	31.12.2004		31.12.2003	
Tax	**Prepayment**	**Liability**	**Prepayment**	**Liability**
Gambling tax	9,093,007	442,212	6,568,538	0
Other taxes	36,060	275,339	0	883,588
Value-added tax	2,005,676	853,905	2,582,027	1,017,242
Personal income tax	0	2,723,350	0	2,465,835
Social tax	0	4,899,976	0	3,999,385
Mandatory funded pension contributions	0	122,473	0	77,467
Unemployment insurance	0	133,332	0	121,375
Corporate income tax	0	4,394,920	0	1,339,971
Total	**11,134,743**	**13,845,507**	**9,150,565**	**9,904,863**

PARENT

(EEK)	31.12.2004		31.12.2003	
Tax	**Prepayment**	**Liability**	**Prepayment**	**Liability**
Value-added tax	55,487	0	0	83,565
Corporate income tax	0	32,296	0	0
Total	55,487	32,296	0	83,565

In 2004, tax rates by countries were as follows:

Type of tax	Estonia	Lithuania	Latvia	Ukraine
Gambling tax (per month)				
rate per gambling table	EUR 1,280 / EEK 20,000	EEK 18,150 / LTL 4,000	EEK 8,920 / LVL 400	EEK 11,735 / UAH 4,800
roulette	-	-	EEK 37,004 / LVL 1,650	EEK 15,647 / UAH 6,400
rate per a slot-machine	EUR 450 / EEK 7,000	EEK 2,740 / LTL 600	EEK 1,330 / LVL 60	slot patent EEK 579 / UAH 233
Value-added tax	18%	18%	18%	20%
Personal income tax	26%	33%	25%	13%
Social tax	33%	3% + 31%	9% + 24,09%	2% + 32%
Social security				1% + 2.9%
Unemployment insurance 1)	1% + 0.5%	0.2%	EEK 7.8 / LVL 0.35 per employee	0.5% + 1.9%
Accident insurance	-	-	-	0.96%
Corporate income tax	26%	15%	15%	25%

1) Cover tax in Lithuania
Business venture tax in Latvia

In the financial year we paid gambling tax of EEK 57.7 million (2003: EEK 48.2 million).

Note 6. Prepaid expenses

(EEK)	GROUP 31.12.2004	31.12.2003	PARENT 31.12.2004	31.12.2003
Insurance premiums	430,463	339,409	0	0
Lease of premises	578,068	417,769	0	0
Newspaper and magazine subscriptions	83,592	49,581	0	0
Other prepaid expenses	3,539,946	652,989	447,209	88,799
Total prepaid expenses	**4,632,069**	**1,459,748**	**447,209**	**88,799**

Note 7. Inventories

(EEK)	GROUP 31.12.2004	31.12.2003	PARENT 31.12.2004	31.12.2003
Materials				
Gambling equipment	2,496,659	536,865	0	0
Supplies, consumables	839,978	1,966,042	0	0
JackPot prizes	815,000	1,434,725	0	0
Spare parts for slotmachines	4,320,773	69,598	3,925,626	0
Total materials	**8,472,410**	**4,007,231**	**3,925,626**	**0**
Merchandise for resale	1,807,224	1,478,507	0	0
Prepayments to suppliers	1,126,899	170,279	0	0
Total inventories	**11,406,533**	**5,656,016**	**3,925,626**	**0**

Note 8. Deferred tax assets and liabilities

Formation of deferred tax assets and liabilities:

(In thousands of EEK)	**Assets** 2004	**Liabilities** 2004	**Net** 2004
Property, plant and equipment	0	4,082	4,082
Inventories	-68	0	-68
Other	0	407	407
Provisions	-649	0	-649
Taxable value of deferred tax losses	-1,500	0	-1,500
Tax assets/liabilities	-2,217	4,489	2,272
Set off of tax	2,217	-2,217	0
Net tax assets/liabilities	**0**	**2,272**	**2,272**

The annual financial statements do not include deferred tax assets of EEK 1,110,000 because origination of taxable profit against which the Group could utilise the assets is unlikely.

Note 9. Shares and other securities

GROUP

(EEK)	GROUP 31.12.2004	31.12.2003
Government bonds of the Republic of Lithuania	33,008,408	27,890,642
Shares in AS Rocca al Mare Suurhall	80	300,000
Total	**33,008,488**	**28,190,642**

In 2001 the Group acquired 8 ordinary C shares in AS Rocca al Mare Suurhall. The par value of a share was EEK 10. The shares were paid for with a premium of EEK 299,920.
The fair value of the ordinary shares in AS Rocca al Mare Suurhall cannot be measured reliably as they are not available on an active market. In 2004, the value of the investment was written down to the extent of share premium.

In accordance with the Gambling Act effective in the Republic of Lithuania, all gambling organisers have to put up collateral either in the form of an investment in government bonds or a deposit that equals the established reserve. Information on interest is provided in note 4.

The effective rates are as follows:

- per gambling table LTL 40,000 / EEK 181,263
- per slot-machine LTL 25,000 / EEK 113,290

Description	Issue No	Number	Nominal value LTL	Interest rate	Date of acquisition	Maturity date
Bond	LT0000605032	10,000	1,000,000	7.9%	6/1/02	6/1/06
Bond	LT0000605032	708	70,800	7.9%	6/6/02	6/1/06
Bond	LT0000607038	14,660	1,466,000	6.4%	12/18/02	12/18/08
Bond	LT0000605040	777	77,700	6.1%	12/19/02	10/19/06
Bond	LT0000605081	9,300	930,000	4.7%	3/20/03	1/24/08
Bond	LT0000603144	20,000	2,000,000	4.1%	3/13/03	3/9/06
Bond	LT0000607046	3,900	390,000	5.1%	4/14/04	2/11/10
Bond	LT0000607046	11,366	1,136,600	5.6%	10/14/04	1/12/24
Total		**70,711**	**7,071,100**			

Note 10. Investment property

GROUP

(EEK)	Apartment in Tallinn	Registered immovables	Total
Cost			
Cost at 31.12.2003	1,700,999	1,877,000	3,577,999
Restatement to fair value	0	774,000	774,000
Cost at 31.12.2004	1,700,999	2,651,000	4,351,999
Accumulated depreciation			
Accumulated depreciation at 31.12.2003	116,160	0	116,160
Depreciation for the period	85,050	0	85,050
Accumulated depreciation at 31.12.2004	201,211	0	201,211
Carrying amount			
Carrying amount at 31.12.2003	1,584,838	1,877,000	3,461,838
Carrying amount at 31.12.2004	1,499,788	2,651,000	4,150,788

In the reporting period, income on investment properties amounted to EEK 70,800 (2003: EEK 0). Utility, security and insurance expenses amounted to EEK 21,033 (2003: EEK 29,077).
According to management's assessment, the fair values of investment properties do not differ significantly from their carrying amounts.

The immovables belong to the parent company. In the reporting period, no income was earned on registered immovables.

Note 11. Property, plant and equipment

GROUP

(EEK)	Land and buildings	Renovation expenses	Plant and equipment	Other items	Renovation in progress	Pre-payments	**Total**
Cost							
Cost at 31.12.2003	6,477,417	152,483,852	186,814,525	7,120,745	0	190,424	**353,086,962**
Acquisitions	0	21,185,896	110,460,308	4,272,501	1,732,563	2,295,248	**139,946,516**
Reclassification	0	92,509	0	0	0	-190,424	**-97,915**
Sales	0	0	-989,210	0	0	0	**-989,210**
Write-offs	0	0	-2,945,563	-235,462	0	0	**-3,181,025**
Cost at 31.12.2004	6,477,417	173,762,257	293,340,060	11,157,784	1,732,563	2,295,248	**488,765,330**
Accumulated depreciation							
Accumulated depreciation at 31.12.2003	775,581	35,229,840	67,640,259	3,756,145	0	0	**107,401,826**
Depreciation for the period	317,546	12,532,402	38,740,100	1,485,760	0	0	**53,075,808**
Sales	0	0	-540,705	0	0	0	**-540,705**
Write-offs	0	0	-2,862,512	-232,715	0	0	**-3,095,227**
Unrealised exchange difference	0	-74,027	-204,705	-25,073	0	0	**-303,806**
Accumulated depreciation at 31.12.2004	1,093,127	47,688,215	102,772,437	4,984,118	0	0	**156,537,896**
Carrying amount							
Carrying amount at 31.12.2003	5,701,836	117,254,011	119,174,266	3,364,600	0	190,424	**245,685,137**
Carrying amount at 31.12.2004	5,384,290	126,074,042	190,567,623	6,173,667	1,732,563	2,295,248	**332,227,433**

Items of property, plant and equipment are pledged as a part of a commercial pledge (see note 25).

Property, plant and equipment

PARENT

(EEK)	Plant and equipment	**Total**
Cost		
Cost at 31.12.2003	19,471,638	**19,471,638**
Acquisitions	274,633	**274,633**
Cost at 31.12.2004	19,746,271	**19,746,271**
Accumulated depreciation		
Accumulated depreciation at 31.12.2003	2,005,824	**2,005,824**
Depreciation for the period	2,035,071	**2,035,071**
Accumulated depreciation at 31.12.2004	4,040,895	**4,040,895**
Carrying amount		
Carrying amount at 31.12.2003	17,465,815	17,465,815
Carrying amount at 31.12.2004	15,705,377	15,705,377

Note 12. Property, plant and equipment acquired with finance lease

GROUP

(EEK)	Note	Vehicles	Surveillance system	**Total**
Cost				
Cost at 31.12.2003		346,860	1,090,998	**1,437,858**
Acquisitions		158,892	0	**158,892**
Cost at 31.12.2004		505,752	1,090,998	**1,596,750**
Accumulated depreciation				
Accumulated depreciation at 31.12.2003		94,745	163,650	**258,395**
Depreciation for the period		83,615	223,441	**307,056**
Unrealised exchange difference		-1,904	-10,461	**-12,365**
Accumulated depreciation at 31.12.2004		176,456	376,630	**553,087**
Carrying amount				
Carrying amount at 31.12.2003		252,115	927,348	1,179,463
Carrying amount at 31.12.2004		329,296	714,368	1,043,663
Finance lease liability				
Balance at 31 December 2004	14	253,849	655,901	909,750
Lease principal paid		110,482	276,064	386,546
Interest expense		64,604	12,491	77,095
Annual interest rate				3 - 6%

Note 13. Intangible assets

GROUP

(EEK)	Goodwill	Computer programmes and other intangible assets	**Total**
Cost			
Cost at 31.12.2003	12,505,012	3,902,769	16,407,781
Acquisitions	0	4,871,736	4,871,736
Cost at 31.12.2004	12,505,012	8,774,505	21,279,517
Accumulated amortisation			
Accumulated amortisation at 31.12.2003	1,262,741	1,176,857	2,439,598
Amortisation for the period	2,501,002	1,660,566	4,161,568
Unrealised exchange difference	0	-16,544	-16,544
Accumulated amortisation at 31.12.2004	3,763,744	2,820,878	6,584,622
Carrying amount			
Carrying amount at 31.12.2003	11,242,271	2,725,912	13,968,183
Carrying amount at 31.12.2004	8,741,268	5,953,627	14,694,895

Note 14. Finance lease

GROUP

(EEK)	Balance at 31.12.2004	Settlement date: within 12 months	between 1 and 5 years	Interest paid
Lease liability	**909,750**	**324,876**	**584,874**	**77,095**
Surveillance system	655,901	244,792	411,109	12,491
Passenger car	253,849	80,083	173,765	64,604

	Balance at 31.12.2003	Settlement date: within 12 months	between 1 and 5 years	Interest paid
Lease liability	**1,171,925**	**355,844**	**816,080**	**78,518**
Surveillance system	968,503	276,064	692,439	
Passenger car	203,422	79,781	123,641	

Lithuania

(EEK)	Balance at 31.12.2004	Settlement date: within 12 months	between 1 and 5 years	Interest rate	Interest paid
Lease liability	**30,433**	**30,433**	**0**		
Passenger car	30,433	30,433	0	3%	4,267

	Balance at 31.12.2003	Settlement date: within 12 months	between 1 and 5 years	Interest rate	Interest paid
Lease liability	**87,771**	**57,283**	**30,488**		
Passenger car	87,771	57,283	30,488	3%	9,500

Latvia

(EEK)	Balance at 31.12.2004	Settlement date: within 12 months	between 1 and 5 years	Interest rate	Interest paid
Lease liability	**879,317**	**294,443**	**584,874**	**3 -6%**	**72,828**
Surveillance system	655,901	244,792	411,109		12,491
Passenger car	223,416	49,650	173,765		60,337

	Balance at 31.12.2003	Settlement date: within 12 months	between 1 and 5 years	Interest rate	Interest paid
Lease liability	**1,084,154**	**298,561**	**785,593**	**6%**	**69,018**
Surveillance system	968,503	276,064	692,439		
Passenger car	115,651	22,497	93,153		

For additional information on finance leases, see note 12.

Note 15. Loans

GROUP

(EEK)			Settlement date		
	Balance at 31.12.2004	within 12 months	between 1 and 5 years	Interest rate	Interest paid
Long-term bank loans	**64,372,625**	**30,770,990**	**33,601,635**		**3,455,447**
AS Eesti Ühispank	4,108,000	1,492,000	2,616,000	5.150%	246,442
AS Sampo Pank	4,510,163	1,689,833	2,820,330	5.17%	282,129
AS Hansapank	55,754,462	27,589,157	28,165,305	4.662%	2,926,876

			Settlement date		
	Balance at 31.12.2003	within 12 months	between 1 and 5 years	Interest rate	Interest paid
Long-term bank loans	80,318,220	27,364,175	52,954,045		3,192,201
AS Eesti Ühispank	5,600,000	1,492,000	4,108,000	5.193%	436,567
AS Sampo Pank	6,200,000	1,689,837	4,510,163	5.17%	479,566
AS Hansapank	68,518,220	24,182,338	44,335,882	6 months' euribor + 2.5%	2,276,068

Estonia

(EEK)			Settlement date		
	Balance at 31.12.2004	within 12 months	between 1 and 5 years	Interest rate	Interest paid
Long-term bank loans	**22,188,750**	**14,767,879**	**7,420,871**		**1,449,319**
AS Eesti Ühispank	4,108,000	1,492,000	2,616,000	5.15%	246,442
AS Sampo Pank	4,510,163	1,689,833	2,820,330	5.17%	282,129
AS Hansapank	13,570,587	11,586,046	1,984,541	4.662%	920,747

			Settlement date		
	Balance at 31.12.2003	within 12 months	between 1 and 5 years	Interest rate	Interest paid
Long-term bank loans	**36,426,231**	**14,233,004**	**22,193,227**		**1,622,333**
AS Eesti Ühispank	5,600,000	1,492,000	4,108,000	5.193%	436,567
AS Sampo Pank	6,200,000	1,689,837	4,510,163	5.17%	479,566
AS Hansapank	24,626,231	11,051,167	13,575,064	6 months' euribor + 2.5%	706,200

Lithuania

(EEK)			Settlement date		
	Balance at 31.12.2004	within 12 months	between 1 and 5 years	Interest rate	Interest paid
Long-term bank loan	33,587,002	11,707,774	21,879,228		1,346,924
AB Hansabankas	33,587,002	11,707,774	21,879,228	6 months' euribor + 2.5%	1,346,924

			Settlement date		
	Balance at 31.12.2003	within 12 months	between 1 and 5 years	Interest rate	Interest paid
Long-term bank loan	31,083,667	8,906,578	22,177,090		802,216
AB Hansabankas	31,083,667	8,906,578	22,177,090	6 months' euribor + 2.5%	802,216

Latvia

(EEK)		Settlement date			
	Balance at 31.12.2004	within 12 months	between 1 and 5 years	Interest rate	Interest paid
Long-term bank loan	8,596,873	4,295,338	4,301,535		659,205
AS Hansabanka	8,596,873	4,295,338	4,301,535	6 months' euribor + 2.2%	659,205

		Settlement date			
	Balance at 31.12.2003	within 12 months	between 1 and 5 years	Interest rate	Interest paid
Long-term bank loan	12,808,321	4,224,593	8,583,728		767,652
AS Hansabanka	12,808,321	4,224,593	8,583,728	6 months' euribor + 2.2%	767,652

All loans are either in Estonian kroon, Lithuanian litas or euro. Long-term bank loans have floating interest rates bound to EURIBOR. Interest rates range from EURIBOR + 0.5% to EURIBOR +2.75%. Interest rates are reviewed every six months. The loan in Lithuanian litas has a fixed annual interest rate of 5.5%.

The Group's interest rates are predominantly pegged to EURIBOR, to which a fixed interest margin is added. Interest rates on loans from Ühispank are pegged to the basic interest rates of Ühispank, also based on EURIBOR. Thus, the Group's interest rate risk is related to a possible significant rise in EURIBOR.

Information on loan collateral is provided in note 25.

Note 16. Accrued expenses

GROUP

(EEK)	31.12.2004	31.12.2003
Payables to employees	13,707,316	10,595,289
unpaid wages and salaries	6,833,065	4,914,760
mandatory holiday pay reserve	6,874,251	5,680,529
Interest payable	33,789	27,899
Other accrued expenses	556,694	473,755
Total accrued expenses	**14,297,799**	**11,096,943**

Other accrued expenses contain business travel and similar expenses payable to employees.

Note 17. Provisions

GROUP

(EEK)

1	At beginning of year	Established in financial year	Payments made / provisions used in financial year	At end of year
Funds for winnings	5,692,707	36,476,502	38,683,787	3,485,422
Provision for period costs	325,665	1,121,488	325,665	1,121,488
Contingent income tax liability	0	2,271,894	0	2,271,894
Total	**6,018,372**	**39,869,884**	**39,009,452**	**6,878,804**

Funds for winnings contain amounts calculated by electronic jackpot systems. The winnings realize randomly at intervals established by the system.

Note 18. Contingent liabilities

Income tax

As at 31 December 2004, the parent company's undistributed profits amounted to EEK 370,699,321 (2003: EEK 240,849,520). The maximum income tax liability that would arise if all of the undistributed profits were distributed as dividends amounts to EEK 88,967,837 (2003: EEK 62,620,879). Thus, the amount that could be distributed as the net dividend is EEK 281,731,484 (2003: EEK 178,228,657).

The maximum contingent income tax liability has been calculated under the assumption that the net dividend and the dividend tax reported in the income statement for 2005 cannot exceed the distributable profits of 31 December 2004.

Note 19. Share capital

The share capital is made up of two shares totalling EEK 40,000. The shares have been fully paid for. In the financial year, the number of shares did not change.

The statutory capital reserve has been established in accordance with legal requirements.

In 2004 shareholders were declared and paid a dividend of EEK 1,045,000 (2003: EEK 4,390,367).

Note 20. Revenue

(EEK)	GROUP		PARENT	
	2004	2003	2004	2003
Gambling revenue	565,159,907	426,798,515	0	0
Hotel services*	33,923,604	32,053,986	0	0
Bar services	15,713,839	7,724,280	0	0
Other	3,810,297	674,500	7,570,384	6,000,000
Other revenue	2,878,336	1,805,309	774,000	0
Total revenue	**621,485,983**	**469,056,590**	**8,344,384**	**6,000,000**

* A hotel operator agreement has been made between Kungla Investeeringu AS (owner) and Reval Hotelligrupi AS (operator). The owner and the operator have the right to cancel the agreement before its expiry by giving the other party 90 days' notice.

For additional information on other revenue see note 22.

Note 21. Expenses

(EEK)	GROUP		PARENT	
	2004	2003	2004	2003
Direct accommodation costs	518,607	548,476	0	0
Direct catering costs	13,522,982	11,310,240	0	0
Cost of services	13,223,794	8,665,601	5,529,320	1,363,514
Total merchandise, consumables and supplies	**27,265,384**	**20,524,317**	**5,529,320**	**1,363,514**
Maintenance costs of rooms and equipment	26,158,760	81,974,820	0	0
Marketing expenses	72,560,038	55,432,909	0	0
Licence fees	56,141,471	46,596,737	0	0
Lease of premises	33,619,150	21,580,069	0	0
Other expenses	42,703,954	29,853,649	197,407	466,643
Training expenses	2,358,071	3,711,038	0	0
Total operating expenses	**233,541,444**	**239,149,222**	**197,407**	**466,643**
Personnel expenses	115,613,291	86,897,994	0	0
Social tax	33,604,263	24,418,820	0	0
Unemployment insurance	285,467	260,637	0	0
Total personnel expenses	**149,503,020**	**111,577,452**	**0**	**0**

Note 22. Other revenue and expenses

(EEK)	GROUP		PARENT	
Other revenue	2004	2003	2004	2003
Gains on sale of property, plant and equipment	19,297	0	0	0
Gains from changes in the fair value of investment property	774,000	0	774,000	0
Penalty payments received	32,181	365,185	0	0
Insurance compensation	365,000	38,634	0	0
Foreign exchange gains	1,668,718	1,401,490	0	0
Miscellaneous revenue	19,141	0	0	0
Total other revenue	2,878,336	1,805,309	774,000	0

Other expenses				
Loss on write-off of property, plant and equipment	85,798	460,775	0	0
Loss on sale of property, plant and equipment	379,881	0	0	0
Irrecoverable receivables	179,164	261,356	0	0
Penalty payments paid	15,368	0	280	0
Other expenses	8,960,749	7,514,363	123,474	40,402
Foreign exchange losses	0	0	9,895	0
Total other expenses	9,620,958	8,236,494	133,649	40,402

Note 23. Income tax

Income tax recognised in the income statement

(In thousands of EEK)

	Note	2004	2003
Tax expense of the current year			
Income tax corresponding to current year's taxable income		3,936	2,964
Adjustment of income tax of prior years		181	0
		4,117	2,964
Deferred tax expense			
Deferred tax expense related to origination and reversal of temporary differences	8	2,408	187
		2,408	187
Income tax expense in the income statement		6,525	3,151

Formation of actual tax rate

(In thousands of EEK)	2004	2004
Profit before taxes		141,697
Income tax expense from taxation of dividends	0.3%	386
Effect of foreign (higher) tax rates		
Latvia	14.5%	0
Lithuania	15.0%	2,949
Non-deductible expenses	0.3%	485
Effect of utilised tax losses	2.0%	2,841
Effect of change in tax assets and tax liabilities	-0.2%	-317
Adjustment of income tax of prior years	0.1%	181

Note 24. Operating lease

GROUP
(EEK)

In 2004, operating lease payments for premises totalled EEK 33,619,150 (2003: EEK 21,580,069).

Operating lease payments for passenger cars

(EEK)	GROUP	
	31.12.2004	31.12.2003
Operating lease payments of the period	612,575	361,128
Non-cancellable lease payments payable:		
within a year	*427,553*	*315,493*
between 1 and 5 years	*670,111*	*548,851*

Note 25. Loan collateral and pledged assets

Kungla Investeeringu AS
A commercial pledge has been established on the movables of Kungla Investeeringu AS as collateral for a loan from AS Sampo Pank. The collateral amounts to EEK 7.5 million.

A commercial pledge has been established on the movables of Kungla Investeeringu AS as collateral for a loan from AS Eesti Ühispank. The collateral amounts to EEK 7.5 million.

Olympic Casino Eesti AS
Olympic Casino Eesti AS has established a commercial pledge as collateral for a loan from Hansapank.

Olympic Casino Group Baltija UAB
Olympic Casino Group Baltija UAB has established a commercial pledge as collateral for a loan from Hansapank. The collateral comprises the following movables: non-current assets of LTL 9.6 million / EEK 43.5 million (at 31 December 2004).

Olympic Casino Latvia SIA
Olympic Casino Latvia SIA has established a commercial pledge as collateral for a loan from Hansapank. The collateral comprises the following movables: non-current assets that do not exceed LVL 1.1 million / EEK 25.6 million (at 31 December 2004).
Loan obligations by regions are presented in note 15.

Note 26. Off-balance sheet liabilities

Olympic Entertainment Group OÜ guarantees the loans taken by the subsidiaries Olympic Casino Eesti AS, Olympic Casino Latvia SIA and Olympic Casino Group Baltija UAB from AS Hansapank to the extent of loan amounts received.

According to management's assessment, the probability that the company may incur expenses due to the non-performance of loan obligations by third parties is low because the third parties are able to settle their obligations on their own.

Note 27. Cash flow statement

In the cash flow statement, the following non-monetary transactions relating to investing activities have been eliminated:

- Unsettled invoices of EEK 880,291 that relate to the acquisition of non-current assets have been eliminated from "Change in trade payables and advances."
- Uncollected interest of EEK 838,173 has been eliminated from "Change in trade receivables and prepayments."
- Unpaid interest of EEK 27,899 has been eliminated from "Change in trade payables and advances."

Note 28. Subsidiary companies

Subsidiaries

	Country	Participation		Core activity	Owner
		31.12.2004	**31.12.2003**		
Olympic Casino Eesti AS 2)	Estonia	95%	95%	Arrangement of gambling	Olympic Entertainment Group OÜ 1)
Olympic Casino Group Baltija UAB	Lithuania	100%	100%	Arrangement of gambling	Olympic Entertainment Group OÜ
Olympic Casino Latvia SIA	Latvia	36.5%	0%	Arrangement of gambling	Olympic Entertainment Group OÜ
Olympic Casino Latvia SIA	Latvia	63.5%	90%	Arrangement of gambling	Olympic Casino Group Baltic SIA
Olympic Casino Ukraine TOB	Ukraine	100%	0%	Arrangement of gambling	Olympic Entertainment Group OÜ
Olympic Casino Group Baltic SIA	Latvia	100%	100%	Parent of the Latvian casino	Olympic Entertainment Group OÜ
Kungla Investeeringu AS	Estonia	100%	100%	Hotel accommodation, purchase/sales of foreign currency, catering at restaurant, bar services	Olympic Entertainment Group OÜ
Mecom Grupp UAB	Lithuania	100%	100%	Bar services	Olympic Entertainment Group OÜ
Ahti SIA	Latvia	100%	100%	Bar services	Olympic Entertainment Group OÜ
Salong Aquatonale OÜ 3)	Estonia	0%	100%	Rental service to parent company	Olympic Casino Eesti AS
Fortuna Travel OÜ 4)	Estonia	100%	100%	Promotion of casino tourism	Olympic Casino Eesti AS

1) Former Mecom Grupp OÜ
2) Former Olympic Casino Group AS
3) OÜ Salong Aquatonale was liquidated in the financial year.
4) The core activity of OÜ Fortuna Travel is to promote casino tourism. To date the project has not been launched and no business operations have been performed.

Note 29. Acquisition of shares in subsidiary company

On 12 May 2003, Olympic Entertainment Group OÜ acquired from Arge Europe AS 10% of shares in Olympic Casino Eesti AS under the purchase-sales agreement no 10.11.99. The transaction value was EEK 20.6 million.

The effect of the acquisition on goodwill and cash flows for 2003 was as follows:

(EEK)		2003
	Note	**Olympic Casino Eesti AS**
		10%
ASSETS		
Cash		0
Receivables		1,344,637
Inventories		123,830
Non-current assets		12,269,124
Liabilities		-5,625,116
Assets and liabilities (net)		8,112,474
Goodwill on acquisition of shares	13	12,487,526
Purchase price		20,600,000
Cash and cash equivalents acquired		0
Net cash flow upon acquisition		-20,600,000

Note 30. Risk management

Credit risk
Due to the core activity of Olympic Entertainment Group credit risk is not significant and therefore no material hedging measures are applied.

Interest rate risk
The interest rate risk is explained in note 15 *Loans*.

Currency risk
The currency risks of group companies are explained in note 1 *Significant accounting policies* in the section *Foreign currency and exposure to foreign currency risks*.

Note 31. Transactions with related parties

The related parties of Olympic Entertainment Group OÜ are:

a. shareholders (parent company and parent company's shareholders);
b. subsidiaries;
c. other group companies (incl. parent company's other subsidiaries);
d. executive and top management;
e. close family members of and companies related to the above.

Group companies' sales and purchases comprise management and consulting services, lease of business premises, intermediary services, bar and hotel services, sales of merchandise and non-current assets, and interest on intra-group loans.

In the financial year, transactions between the parent and related parties were as follows:

(EEK)	Services and merchandise sold	
	2004	**2003**
Olympic Casino Eesti AS	6,000,000	6,000,000
Olympic Casino Group Baltija UAB	505,925	0
Olympic Casino Latvia SIA	109,448	0
Total	**6,615,373**	**6,000,000**

Transactions between group companies and non-group related parties:

(EEK)	Services and merchandise sold	
	2004	**2003**
Member of the management board	733,200	2,285,040
Total	**733,200**	**2,285,040**

At the balance sheet date, the parent company's receivables from and liabilities to related parties were as follows:

(EEK)

Related party		**Short-term portion**	**Long-term portion**	**Total**
Receivables				
Olympic Casino Group Baltija UAB	loan	1,164,743	19,550,461	20,715,204
Mecom Grupp UAB	loan	0	18,690,619	18,690,619
Olympic Casino Latvia SIA	loan	286,726	8,252,437	8,539,164
Olympic Casino Group Baltic SIA	loan	0	3,487,416	3,487,416
Ahti SIA	loan	0	4,630	4,630
Olympic Casino Ukraine TOB	sales	491,527	0	491,527
Total receivables		**1,942,997**	**49,985,563**	**51,928,560**
Liabilities				
Olympic Casino Eesti AS	loan	25,331,055	21,850,009	47,181,064
Olympic Casino Latvia SIA	loan	184,006	0	184,006
Olympic Casino Ukraine TOB	unpaid capital	8,260,051	0	8,260,051
Total liabilities		**33,775,111**	**21,850,009**	**55,625,120**

At 31.12.2003, the parent company's receivables from and liabilities to related parties were as follows:

(EEK)

Related party		Short-term portion	Long-term portion	Total
Receivables				
Kungla Investeeringu AS	loan	2,122,043	0	**2,122,043**
Olympic Casino Eesti AS	loan	590,000	0	**590,000**
Olympic Casino Group Baltija UAB	loan	0	18,619,529	**18,619,529**
Mecom Grupp UAB	loan	0	21,127,997	**21,127,997**
Olympic Casino Group Baltic SIA	loan	0	3,611,256	**3,611,256**
Olympic Casino Latvia SIA	loan	0	4,339,695	**4,339,695**
Total receivables		**2,712,043**	**47,698,476**	**50,410,519**
Liabilities				
Olympic Casino Eesti AS	loan	16,800,000	0	**16,800,000**
Olympic Casino Latvia SIA	purchase of receivable	139,606	0	**139,606**
Member of the management board	purchases	25,000	0	**25,000**
Total liabilities		**16,964,606**	**0**	**16,964,606**

The group's effective annual interest rate is 5%. As a result of applying the effective interest rate, the parent earned additional financial income of EEK 8,178,599 (2003: incurred additional expense of EEK 7,518,473).

The parent has provided group companies loans in the following currencies:

USD	335,000
LVL	198,062
LTL	9,132,300
EUR	287,830

According to management's assessment, the prices applied in transactions with related parties did not differ significantly from the market.

In the financial year, the remuneration of the Group's management board members amounted to:

GROUP

(In thousands of EEK)	Remuneration
Estonia	766.7
Lithuania	806.4
Latvia	507.7
Ukraine	118.3
Total:	**2,199.1**

Other short- and long-term receivables

GROUP

(EEK)		Settlement date		
	Balance at 31.12.2004	*within 12 months*	*between 1 and 5 years*	*Interest rate*
Other receivables	536,300	526,976	9,324	8%
Total	**536,300**	**526,976**	**9,324**	

		Settlement date		
	Balance at 31.12.2003	*within 12 months*	*between 1 and 5 years*	*Interest rate*
Other receivables	434,160	416,227	17,933	8%
Total	**434,160**	**416,227**	**17,933**	

Other short-term receivables consist of:

- the outstanding balance of a loan given to employees of EEK 10,479; in the financial year, an additional short-term loan was provided in the amount of EEK 25,000
- intra-company advances of EEK 422,110
- receivables from employees of EEK 78 711; the amount comprises withholdings on salaries for exceeding intra-company limits.

Loan repayments by employees totalled EEK 271,070 (2003: EEK 17,017); related interest income amounted to EEK 2,172 (2003: EEK 2,505).

Other payables

GROUP

(EEK)		Settlement date	
	Balance at 31.12.2004	*within 12 months*	*Interest rate*
Other payables	61,100	61,100	0%
Total	**61,100**	**61,100**	

		Settlement date	
	Balance at 31.12.2003	*within 12 months*	*Interest rate*
Other payables	70,214	70,214	0%
Total	**70,214**	**70,214**	

Other payables contain items due from transactions with management board members and shareholders.

Note 32. Subsequent events

In 2003 Eesti Energia AS filed a claim of EEK 1.7 million against Kungla Investeeringu AS with Tallinn City Court for electricity not paid for in accordance with the sales contract.

Tallinn City Court reviewed the claim in September 2004 and left it unsatisfied.
Eesti Energia AS filed an appeal with Tallinn Circuit Court. The hearing took place on 5 January 2005 and the appeal was left unsatisfied.

Auditor's report

To the shareholders of Olympic Entertainment Group OÜ

We have audited the accompanying separate financial statements of Olympic Entertainment Group OÜ (the "Parent company") for the year ended 31 December 2004 and the consolidated financial statements of Olympic Entertainment Group OÜ Group (the "Group") for the year ended 31 December 2004. These financial statements, as set out on pages F1-1 to F1-30 and which have been presented together to report the financial position, results of operations, and changes in cash flows for both the Parent company and the Group are the responsibility of the Parent company's management. Our responsibility is to express an opinion on the separate financial statements of the Parent company and the consolidated financial statements of the Group based on our audits.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Parent company

In our opinion, the separate financial statements of the Parent company present fairly, in all material respects, the financial position of the Parent company as of 31 December 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The Group

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2004, and the results of its operations and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

KPMG Baltics AS

Taivo Epner
Authorised Public Accountant

Krista Rosenberg
Authorised Public Accountant

The audit of the consolidated financial statements for the financial year ended 31 December 2004 was completed on 15 April 2005, except for the minor financial statements presentation amendments done in 2006, as to which the date is 25 September 2006.

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