

Annual Report 1999

Give the dream a chance.....

Norsk Tipping's vision is to give dreams a chance of becoming reality. Players are motivated by the dream of winning a prize that can make their own dreams come true.

But the ultimate winners are the beneficiaries. Every year, as a result of the profit from Norsk Tipping's games, many dreams are realised, from the building of new sports arenas to the fulfilment of numerous and varied projects within culture, science, health and rehabilitation.



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Highlights of the year

All-time high turnover and excellent results. For the first time, income from games exceeds NOK 8 billion.

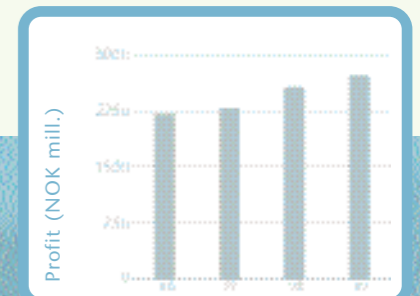
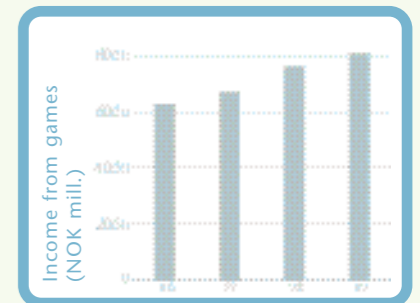
Significant postage savings: Prizes below NOK 1000, previously sent to the winners by postal order, are now paid out by the retailers.

Football pools (Tipping) on Wednesdays introduced.

'KjempeFlax' introduced – an interactive 'win for life' TV version of the scratch lottery Flax.

Norsk Tipping hosts Oslo Relations '99, the international congress of the gaming industry.

Prototype of the next generation player card, based on smartcard technology, introduced during Oslo Relations '99.



Provider of games and entertainment

Norsk Tipping is the leading games company in the country, wholly-owned by the Norwegian state. The company's objective is to generate a largest possible profit for its beneficiaries. The profit is divided on an equal basis between sports, culture and science. The company operates the games of chance Lotto and Viking Lotto, the sports games Tipping and Oddsen and the scratch lottery or "instants" game Flax. In addition, the company operates the TV game Extra on behalf of the Health and Rehabilitation trust.

MAIN FIGURES

NOK mill	1999	1998	1997	1996	1995
Income from games	8 042	7 619	6 715	6 243	5 872
Internal costs, games	594	581	509	457	410
Cost ratio, games	7.4 %	7.6 %	7.6 %	7.3 %	7.0 %
Profit	2 719	2 559	2 271	2 189	2 033
Profit ratio	33.8 %	33.6 %	33.8 %	35.1 %	34.6 %
No. of employees, 31.12.	260	242	216	200	194

Reidar Nordby Jr.



Letter from the President

It is all about dreams...

When describing Norsk Tipping's future business, it would be no exaggeration to claim that we are facing an entirely new reality. The company is a leading supplier of games entertainment and as such we not only compete with other games, but with an increasing number of entertainment alternatives. Rapid development within broadband mobile technology, the Internet, and interactive digital television will present potential players with an unlimited menu of entertainment choices. The steep growth we see in Internet games is merely a taste of what is to come.

1

MAXIMISING PROFITS

Norsk Tipping's goal is, and has always been, to generate the largest possible profit for the beneficiary causes our owner has defined, namely sports, culture and research. This is what motivates our own people, inspiring us to make that extra effort. 1999 was a successful year in this respect, with the largest profit in the company's history, but that is all the more reason why we should be humble in view of the challenges that lie ahead. There are signs that the growth in the market may slow down, while competition from entertainment alternatives is increasing. A continued growth in profit will require assiduous development in all aspects of our business, greater creativity and the ability to adjust rapidly to a changing environment. However, the maximising of profit will not happen at the expense of our responsible attitude and our role as a company acting for the best interests of society.

2

STRENGTHENING OUR PROFILE AND BRANDS

After years of systematic brandbuilding of both product brands and the corporate brand, Norsk Tipping has some of the strongest brand names in the country today. This is a strength that the company will continue to build on, and which will become increasingly important in a time when customer loyalty fluctuates; only the strongest brands will survive. In 1999, the company developed a new vision and in accordance adjusted its visual identity, as exemplified by this annual report. The TV draws are particularly important. Our ability to produce interesting and entertaining TV shows will be a key to the perception of our profile, as well as to the profit we generate. It is mainly through television that those who have the power to nourish dreams can tell winners' fascinating stories. To control the company's entire value chain, and as a means of strengthening our capabilities within visual communication, Norsk Tipping acquired Video Øst – our long-standing TV production partner.





Increasing wealth and prosperity causes people to search for experiences beyond the purely material. Therefore the winners among tomorrow's entertainment providers will be the storytellers who can really move people, stimulating their imagination and inspiring their dreams. This is why we have formulated Norsk Tipping's new vision: **"We give the dream a chance"**. This vision refers not least to the player's dream of winning and the dreams of employees to accomplish new goals, but also to the dreams of our beneficiaries in realising both large and small projects within sports, culture and research. We are confident that few companies have a better chance than Norsk Tipping of succeeding in a future named by trend analysts as "the dream society". In the face of this challenging future we will be concentrating on five main areas:

3 BUILDING GOOD RELATIONS

In the main, money games are associated with entertainment, fulfilment and anticipation, but to some extent they are also associated with the search for "easy money" and gambling addiction. Consequently, it is important to put the company's activities in the right perspective, highlighting the important role we play in society, our qualities and responsible behaviour as a state-owned company. There are many groups that need to be targeted, including the players, the authorities, politicians, the beneficiaries, the media, other companies in the market, and our own retailers and employees. We have already come a long way through a consistent communication effort over an extensive period of time. We continue to win recognition for our market communication, and for our Internet site, launched in January 1999, which has become one of the most popular sites in the country. Our unique retailer network is our main interface with the players and remains an important channel of communication.

4

EXPLOITING INTERNATIONAL OPPORTUNITIES

Norway is a small country and Norsk Tipping is a small company within the international world of money games. The international forum is largely where the basic terms and premises for our activities are laid down. If we are to compete effectively and continue to have an influence on the way the industry develops, it is essential to participate where policies and decisions are made. This is partly why Norsk Tipping agreed to host Oslo Relations '99, the international congress for state-controlled lotteries, staged in August/ September. This strengthened our profile internationally as a leading company with a high level of expertise and creativity, as well as providing us with an important insight into international trends. In the future, we will continue to be active within the worldwide games community, strengthening our co-operation with foreign sister companies, international organisations and other international players in the business.

5

CONTINUAL MARKET, PRODUCT AND TECHNOLOGICAL DEVELOPMENT

Constant development is required to maintain the interest of our audience. To this end we will continue to focus on product and technological development. For example we introduced the prototype of the next generation player card for the first time during Oslo Relations '99. This card will function as an "open door" to all of Norsk Tipping's future games, via the online retailer network, the Internet, digital TV and mobile phones.

In spite of, or perhaps because of, all the changes our digital future presents, it is important to keep in mind the need people have for personal contact. In the longer term, our retailers will continue to be vital to Norsk Tipping's distribution strategy, providing a place where players can meet in pleasant surroundings and receive personal service. People do need to meet with others, and to relax and dream. At the same time we have a clear responsibility to maintain a balance so as to avoid any adverse effects.

The gaming market is regulated by strict legislation, which is necessary in a market with many operators and large sums of money in circulation. A State Lottery Board has been proposed as a new directorate that will oversee the gaming market.

A lot of money, a lot of fun

In 1999, Norwegians spent NOK 21.7 billion on money games – over NOK 4 800 per person. This makes the games segment one of the largest in the entertainment industry. In comparison, we spent “only” half a billion kroner at the cinema, or approximately NOK 110 per person.





Largest turnover for the games machine sector

Games machines constitute the largest segment within the gaming market, with an estimated total turnover of NOK 9 billion, a market share of 41.5 %. This is a growth of 9.1 % compared with 1998. There is a range of competitors within this segment, from large companies to one-person operators. The games machine market has undergone significant changes in the last few years. Between 1994 and 1996, the market exploded, and growth was continuous. Based on estimates from the industry itself and the Ministry of Justice, there are now around 28 000 machines in Norway. Excessive playing, particularly amongst the young, is a "hot topic".

Norsk Tipping – second largest in the market

Norsk Tipping AS is the largest company in the gaming market, with revenue exceeding NOK 8 billion and a market share of 37.1 %. Turnover increased by 5.5 % from 1998 to 1999, even though the market share declined by one percentage point. Every year, each Norwegian spends on average NOK 1 803 on Norsk Tipping's games. Lotto and Viking Lotto combined represent a turnover of NOK 4.6 billion, or 21 % of the Norwegian gaming market.

HORSE BETTING RACES AHEAD

In 1999, betting on horses amounted to NOK 2.3 billion, corresponding to a market share of 10.8 %.

INTERNET GAMES

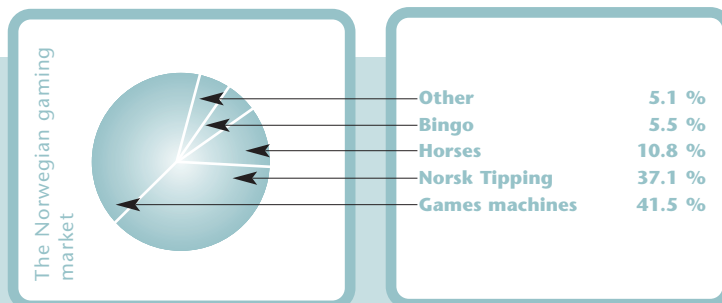
In Norway, it is still not legal for money games to be deployed on the Internet. However, it is estimated that Norwegians spend more than NOK 150 million on foreign internet games – a growth of more than 100 % in one year.

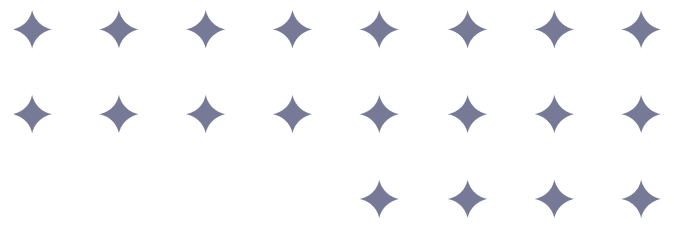
BINGO

Traditional bingo is not as popular as it used to be. But radio bingo is gaining popularity. Bingo is played to the tune of some NOK 1.2 billion.

SCRATCH LOTTERIES

In addition to Norsk Tipping, there are around 20 large and small operators of scratch lotteries. The total turnover is estimated to be just under half a billion kroner.





The “millionaire dream”

No other game in Norway – or in the world for that matter – is more popular than Lotto. Everyone shares in the dream of becoming a Lotto millionaire, and most Norwegians put a few kroner on the game every now and then. In 1999, this interest resulted in an all time high turnover for Lotto of NOK 3.5 billion.

Big gets bigger

Lotto's turnover increased by 2.3 % in 1999, up from NOK 3 393 million to NOK 3 470 million. This amounts to a 16 % share of the Norwegian market.

Much activity – broad appeal

As a senior member of the games market, Lotto faces a challenge in defending its high turnover and market share. Throughout 1999, Norsk Tipping has emphasised a strong presence in the market by means of visible and humorous campaigns, a renewed TV concept, PR and various activities in the shops to

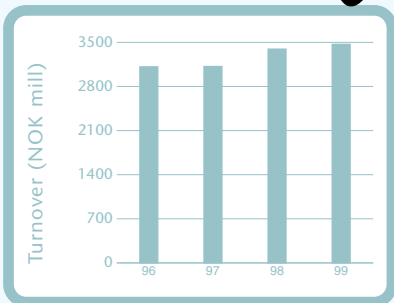
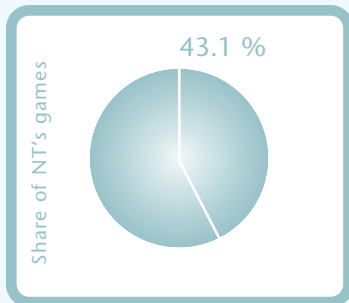
tempt those players who buy on impulse. Also, there have been two rollov jackpot draws, which have provided additional turnover.

New TV draw

As part of the continuous development of the Lotto concept, the TV draw was moved from just before the main news broadcast to just after. At the same time, the show was expanded from a straight-forward 3-minute draw to a 7-minute show, featuring portraits of winners and how the prizes have helped them realise their dreams. These changes took place in week 9.



Playing Lotto can definitely be a social event. Seven happy young women from Gjøvik, all in their early thirties, meet regularly to play Lotto. Imagine their joy when *their* seven numbers came through...



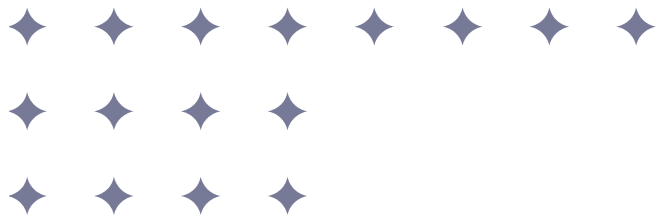
No. of players each week	mill 1.05
Sex distribution	M 50 % F 50 %
Average age	48 years
Stake per capita/yr	NOK 778
Largest Lotto-municipality	Måsøy NOK 1 440

More Lotto millionaires

At the turn of the new century, the number of Lotto millionaires generated since the game's introduction in 1986

had risen to 2093. 191 persons joined the still exclusive club of people who have had the "dream" come true.

LOTTO



A big bag of money...in the

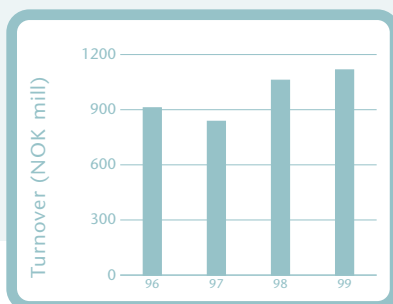
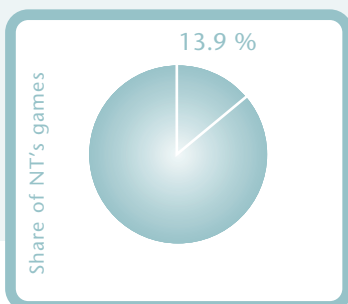
Viking Lotto is Lotto on Wednesday – the mid-week opportunity to suddenly become rich and free to do exactly what you want.

Turnover growth

In 1999, turnover increased by 5.3 %, to NOK 1 116 million. This makes Viking Lotto the second largest of Norsk Tipping's games, with a market share of 5.1 %. During the year, there were 16 rollover jackpot draws, each with a turnover of approximately 1.5 times that of an ordinary draw.

International game

Viking Lotto is a collaboration between the national lottery companies in Sweden, Denmark, Finland, Iceland and Norway, creating a total market for the game of some 23 million people. A joint first prize and a degree of difficulty that on average grants 10–12 rollover jackpot draws per year, result in larger first prizes than those of the Saturday Lotto.



No. of players each week	317 700
Sex distribution	M 39 % F 61 %
Average age	50 years
Stake per capita/yr	NOK 250
Largest Viking Lotto-municipality	Unjargga – Nesseby NOK 617



Many people dream of a new place to live, a little more space or some new furniture, in short to lead a more comfortable life. With the first prize in Viking Lotto, these dreams can come true, maybe in the form of a real bonus for a retired person, making life that bit nicer...

middle of the week

Norwegians are most dedicated players

Norwegians are the most dedicated Viking Lotto players. The total Nordic turnover was NOK 2 532 million in 1999, of which NOK 1 116 million, or 44 %, was generated in Norway. The game has the weakest position in Sweden, where it has only a modest share in a competitive market.

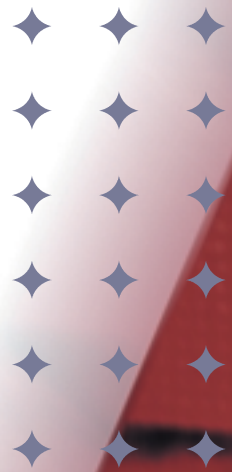
Estonia joins Viking Lotto

During the past year, plans to include Estonia in the Nordic Viking Lotto collaboration were finalised. Estonia joined in week 12, 2000. Eesti Loto is much smaller than its Nordic sister

companies, so the total turnover will not increase significantly. However, it will make an important contribution towards efforts in Estonia to generate funds for good causes.

Card game is planned

Following the closure of Pengeletteriet in 1998, Norsk Tipping holds an unused concession for a lottery game. The idea is that the player card will be used and prizes drawn on the unique number of the player card. The game will be introduced in 2000, and will be positioned as an additional option for players when they use their card to play one of the other games.



Excitement and fun



Extra is the game that offers 15 minutes of televisual fun and excitement. In 1999, however, this was not enough to keep turnover at quite the same level as the previous year. Extra had to record a decline of 5.6 %, to NOK 736 million.

EXTRA



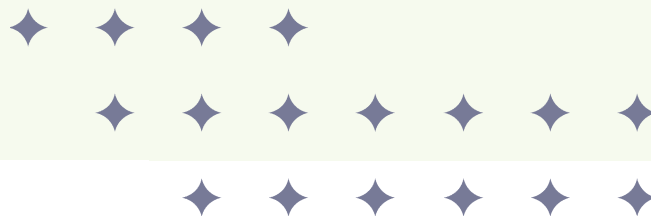
Turnover ceiling limits potential

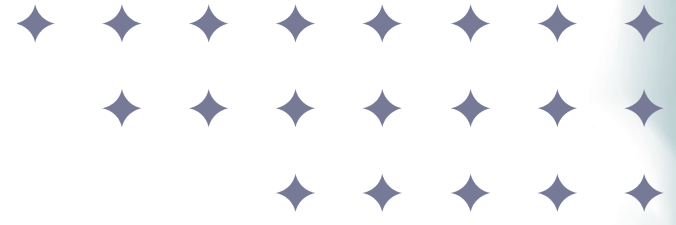
Extra is the only game in Norsk Tipping's portfolio that has a turnover ceiling of NOK 15 million per week. Naturally this limits the potential of further development of the game. With an average weekly turnover in 1999 of 14.2 million, there is not much room for growth. The challenge is to maintain a high, stable turnover in the longer term. The main reason for the modest decline is most likely the change of the drawing day from Saturday to

Tuesday (from 1 January 1999). The effect of this was felt in full from March. Until then, the game sold out every week, only it took longer each week for the sell-out to happen. However towards the end of the year, turnover picked up again.

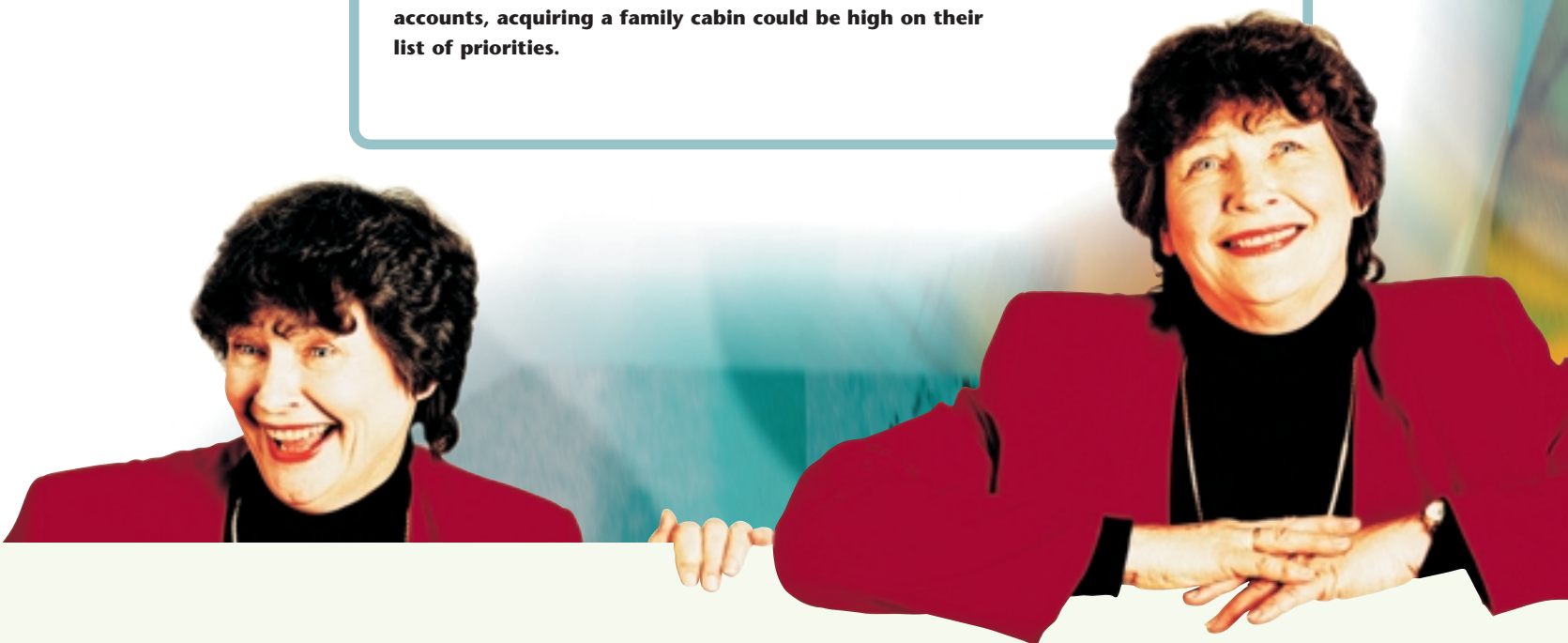
Norsk Tipping operates on behalf of others

Extra is special amongst Norsk Tipping's games. It is the only game that Norsk Tipping operates on behalf of





The typical Extra winner is a caring woman. For those who are extra lucky and can add a six-figure sum to their bank accounts, acquiring a family cabin could be high on their list of priorities.

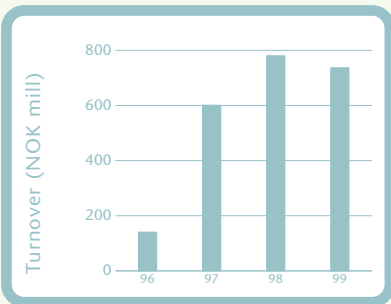
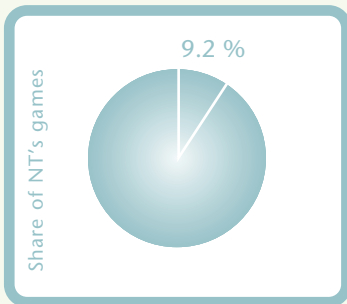


others and from which profit is not allocated to sports, culture and research. The game is owned by the Health and Rehabilitation trust, which at the end of the year had 19 humanitarian organisations as members. Applications are made to the foundation and profit allocated accordingly to defined humanitarian projects in the fields of prevention, information, rehabilitation and research. In 1999, Health and Rehabilitation allocated NOK 194 million to a total of

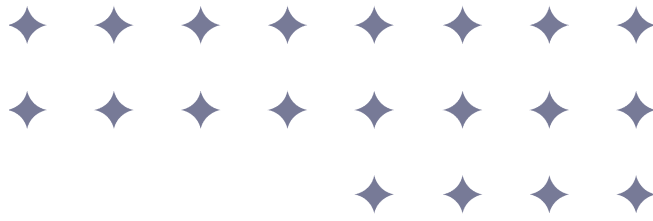
576 different projects, organised by 111 voluntary organisations.

A game for TV

Extra was developed for TV, with a strong focus on entertainment in addition to the excitement of those who participate. As an entertainment show, Extra is definitely a success. More than 500 000 people follow it every week, to be entertained by both reports on winners and the projects that benefit.



No. of players each week	353 000
Sex distribution	M 41 % F 59 %
Average age	49 years
Stake per capita/yr	NOK 165
Largest Extra-municipality	Måsøy NOK 483



Goal-oriented passion

No other game has such long traditions as the football pools. Somewhat male-oriented, the football pools game Tipping, is first and foremost a game for all those who take an interest in football. In Norway, the interest in sports games endures contrary to trends in many other countries.

This probably has a lot to do with the game's social traditions. Football and Tipping remain a popular theme of discussion among people.

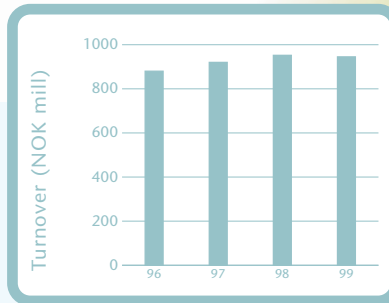
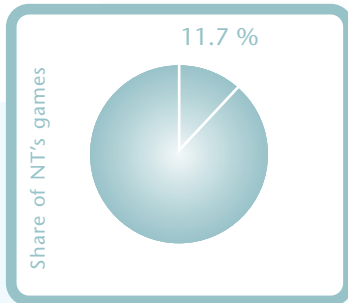
Holding the fort

The turnover for Tipping was at the same level as the previous year, and ended at NOK 945 million, compared with NOK 952 million the year before. This is a reduction of 0.7 %. However, 1999 had 52 weeks, compared with 53 in 1998. The weekly average in 1999 was slightly higher than that of 1998.

Midweek game introduced

From week 9, the midweek game was introduced. This was part of Norsk Tipping's response to the playing and broadcasting of midweek football games. Over a period of two years, Tipping has expanded from one game per week to currently six games per week.





No. of players each week	406 000
Sex distribution	M 76 % F 24 %
Average age	46 years
Stake per capita/yr	NOK 212
Largest Tipping-municipality	Vardø
	NOK 453

A social event

Building on its traditions, Tipping has retained its strong profile as a "social" game that many can join in playing. This is an important premise for market communication. In the fall of 1999, an extensive campaign was launched to encourage groups of people to form syndicates of players, for example, colleagues at work or groups of friends. The objective was to strengthen Tipping's profile as a "social event".

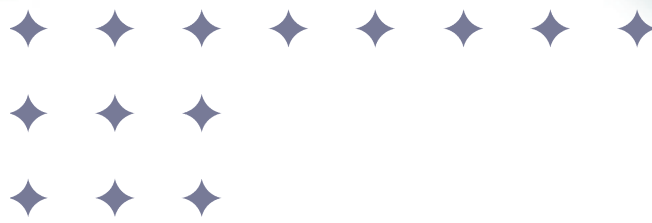
PCs are important

Tipping is a game of skill, and many players take it very seriously, using complex systems and completing large numbers of coupons. This explains the success of PC Tipping, which is available as a stand-alone software package or as a service from the retailer, where the PC generates and fills in the panels of the coupons. The retailer plays a key role in this. At the end of the year some 1 200 retailers had invested in the equipment necessary to offer PC Tipping to their customers.

TIPPING

For some, Tipping is practically a life-style, closely linked to a strong interest in sports, particularly football. In many cases the Tipping syndicate at work is the arena where this interest and enthusiasm is expressed. Especially if the occasional prize helps maintain a positive balance between income and expenditure...





Oddset players are young men interested in sports. They see that Oddsen is the game that can help them realise modest dreams – perhaps a small one every day. Oddsen will never make them very rich, but by combining skill with intuition, it is definitely possible to beat the odds setters at Hamar from time to time.

Magical moments every day

With its three variants of oddset-betting, Oddsen is the game for the sports enthusiast who likes the chance to experience some excitement every day – and even win a small sum. Oddsen is a game of today, and amongst all of Norsk Tipping's games it is the one that could record the highest increase in turnover.

ODDSEN



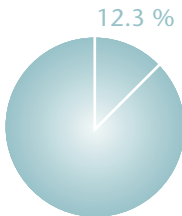
Growth continues

From 1997 to 1998, turnover for Oddsen increased by 30 %, to NOK 777 million, having received an extra push from the football World Championships in France. In 1999, the growth continued with another 27 %, taking it up to NOK 989 million. The nominal growth was larger from 1998 to 1999 than the previous year, and this occurred in a year with no large international sporting events. For the first time, the Oddsen turnover exceeded that of Tipping.

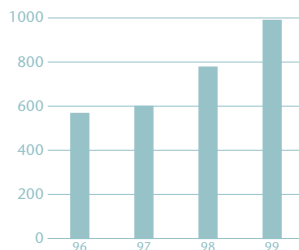
Popular with young people

The average Oddsen player is a young man of 32 years. Amongst young men, Oddsen is equally as popular as Lotto. Daily opportunities to play, and a short time between stake input and announced results, makes it a game of today. The player's level of knowledge also plays an important part. The Oddsen player's interest in the game's objects, results, and other relevant information, is the main reason why Norsk Tipping's home pages have become one of the most popular websites in the country.

Share of NT's games



Turnover (NOK mill)



No. of players each week	203 000
Sex distribution	M 93 % F 7 %
Average age	32 years
Stake per capita/yr	NOK 222
Largest Oddsen-municipality	Bø NOK 1 968



Acceptable prize share

Oddsden is different from other games in that the prize share may vary considerably. In principle, the odds setters at Norsk Tipping compete with the players, and may lose. In 1999, this happened seven times. Week 28 was the worst occasion seen from Norsk Tipping's point of view, where the total stake put in by the players was NOK 9.9 million, while the prizes amounted to NOK 18.5 million. On the other hand, in week 13, the company paid out only 24 % of the turnover. It is Norsk Tipping's objective, given the environment in which Oddsden competes, to keep the share of prizes in relation to turnover, that is below 65 %. In 1999, it ended at 63.1 % – a clear improvement compared to 67.2 % in 1998.





The magic of the moment

The scratch lottery or “instants” game Flax, part of Norsk Tipping’s portfolio, is typically played on impulse. As much as 81 per cent of its turnover is due to impulse purchasing. In 1999 this resulted in an increase in turnover of 20 per cent, ending at NOK 786 million.

Increase in turnover

The turnover for Flax increased from NOK 654 million to NOK 786 million. This gives Flax a total market share of 3.6 % and makes it by far the largest scratch lottery.

Flax – a genuine Norsk Tipping game

Flax belongs to the “DnP” games (Det norske Pengeletteri) that Norsk Tipping took over in 1995. These games were previously regulated by special legislation and the Ministry of Finance distributed the profit. From January 1999, the DnP games (of which Flax is the only one remaining – “Pengeletteriet” was discontinued in 1998) were aligned with the other Norsk Tipping games and governed by the same legislation.

Multi-game strategy

One reason for Flax’s excellent development is that a number of new variants were introduced in 1999. This was crucial for maintaining interest in scratch lotteries, because the proportion of loyal players is much lower than for other games. All games are grouped under the Flax umbrella, in order to build a strong brand for Norsk Tipping’s “instants” games.

BingoFlax

BingoFlax was introduced on 1 February, and is a scratchcard that takes a little longer to play.



Imagine a fixed amount – NOK 5 000, 10 000, 20 000 – flowing into your bank account every month for up to 20 years. That dream can become reality for KjempeFlax players, allowing for that little extra in day to day life.



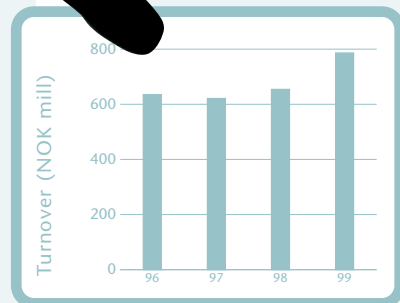
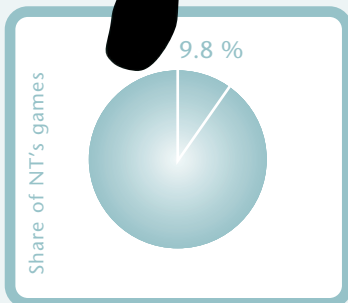
KjempeFlax

Even more important for the long-term development of Flax was the launch of KjempeFlax in October. KjempeFlax has a new prize formula with a much bigger first prize. This is a so-called “win-for-life” concept, where the top prize, NOK 20 000, is paid out every month over 20 years. The game is designed for TV – a medium that contains important elements for future game concepts, for example interactivity. A few lucky players are drawn to participate in the Friday evening show on the largest national TV station. At the same time, players at home can be drawn to join in via telephone. One-time prizes are also part of the concept.

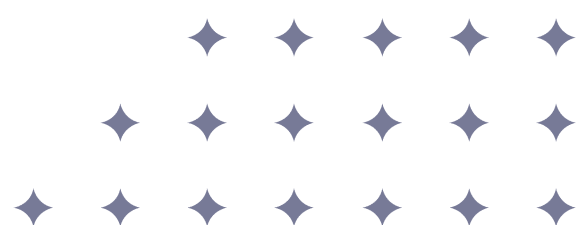
Seasonal variations

Between May and August, ReiseFlax (TravelFlax) was on the market. The top prize was a journey around the world for two people, including spending money. In November and December, the JuleFlax (ChristmasFlax) calendar and the MillenniumFlax were on sale with 2000 extra prizes of NOK 1 000.

Norsk Tipping will continue the multi-game strategy for Flax, with several variants side by side. These variants are perceived as different and therefore they are not in competition with one another.



No. of players each week	282 320
Sex distribution	M 47 % F 53 %
Average age	44 years
Stake per capita/yr	NOK 176
Largest Flax-municipality	Modalen NOK 606





oslo relations '99

International relations in Oslo

In August/September, Norsk Tipping was the host for Oslo Relations '99, the world congress for state-controlled gaming companies, which attracted 1 250 delegates from all over the world. Lotteries from nearly 100 countries were present, representing a total turnover of approximately NOK 1 000 billion.

New global organisation established

At the congress, the two international organisations Intertoto (of which Norsk Tipping has been a member for many years) and AILE, were discontinued in order to form one, global organisation for state-controlled lotteries: the World Lottery Association (WLA). This was an important step for the industry, which will enhance international co-operation and facilitate a sound and responsible development of the operation of lotteries for the advantage of good causes.

Extensive professional programme

In addition to delegates from state-owned games companies around the world, the congress also gathered together most of the industry's suppliers of technology and equipment. A number of technical solutions were presented in the large exhibition hall.

Around the world in 80 games

Göran Wessberg of Svenska Spel (Sweden) gave one of the more entertaining presentations, on the characteristics of the

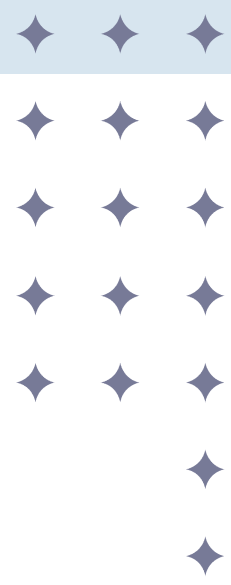
The world congress for state-controlled lotteries is an arena where new concepts are introduced and trends emerge. The Norwegian ex-Minister of Cultural Affairs, Anne Enger Lahnstein, opened the congress.

international games arena. Around half of the world's gaming turnover is produced in Europe, one-third in North America, and nearly 12 % in Asia. The National Lottery in England is the world's largest lottery, with an annual turnover of around NOK 65 billion. Norway is at the top of the world statistics with Lotto when it comes to stake per capita and second only to Finland with regard to sports games.

Norsk Tipping launches smart card

In co-operation with Posten SDS, Mondex International and Hitachi, Norsk Tipping introduced the next generation player

card – based on a smart-card concept – during the congress. This technology allows for prizes to be put back onto the card after the draw, either via a retailer terminal or the Internet. The card can facilitate a number of services and can be used with various smart-card readers connected to PC's or telephones. It could also be used as an ID card, cash card, credit card, player card, health card, parking card, and more besides. The card will be pilot tested in an initial phase, with a fullscale introduction taking place after Internet-based money games are legal and operational in Norway.





Win – Win!

Every week, approximately two million people put a few kroner on one or more of Norsk Tipping's games. Their motivation is the dream of winning. A few people get lucky and win big prizes; many more win smaller sums, while the majority wins nothing. But ultimately, whether we play or not, we are all winners.

A public instrument

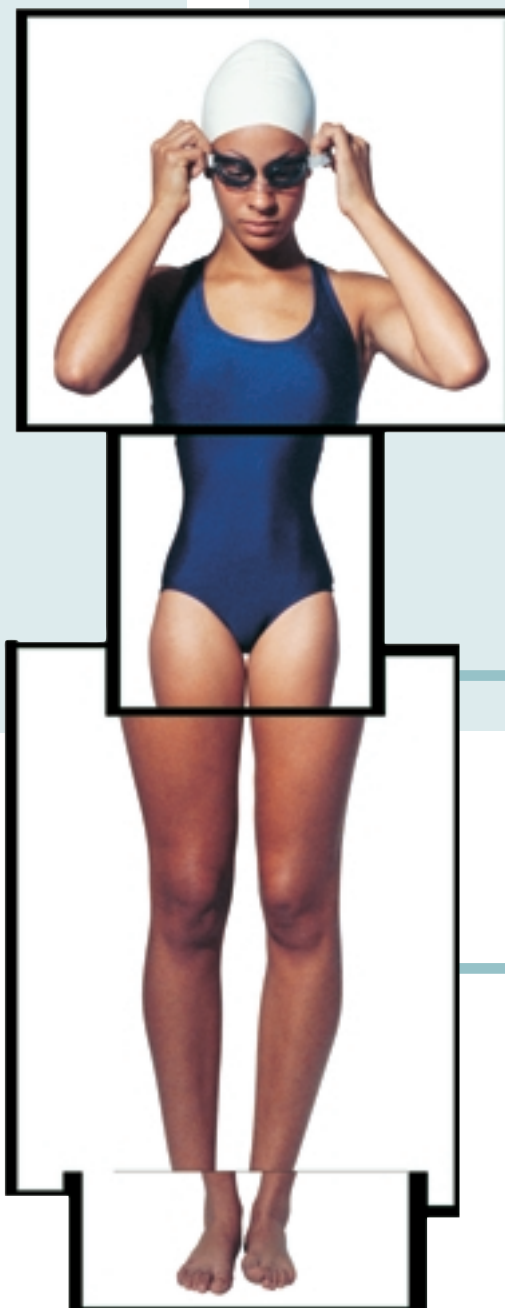
Norsk Tipping was established just after the Second World War, as a public instrument to finance important sectors of society. From a modest beginning in 1948 (the profit for the first year was NOK 5 million), profits have increased year by year. Adjusted to 1999 values, the total contribution to good causes from 1948 through to 1999, amounts to more than NOK 47 billion.

The players win the most

The objective of Norsk Tipping's activity is to raise as big a fund as possible for its beneficiaries. However, the largest share of the money, approximately 50 % goes to the players in the form of prizes. The retailers are paid around 7.5 % for the job they do, and around 7.5 % is used to run the company Norsk Tipping. Around 35 % goes onto the bottom line and to the beneficiaries.



The culture sector has been a beneficiary of Norsk Tipping's profits since 1986, when Lotto was first introduced. Initially, 67 % of the profit from Lotto was allocated to culture and the rest went to the Treasury. This was changed in 1992 when culture was included as one of three beneficiaries who received one third each of the profit from Norsk Tipping. From 1986 through to 1999, more than NOK 8 billion (adjusted to 1999 value) has been allocated to this sector.





Since 1948, the science and research sector has been allocated NOK 19 billion, adjusted to 1999 value. It is difficult to trace this money to specific projects, as it is channelled into the "research" sector of the National Budget.



The profit from Norsk Tipping's games is distributed equally between sport, culture and research. In addition, the profit from the television game Extra goes to the Health and Rehabilitation trust.

The popularity of "Tipping money"

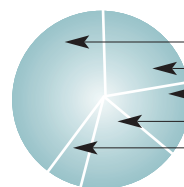
Even today, with a sizeable National Budget, the profit from Norsk Tipping's activities – traditionally known as the "Tipping money" – constitutes a significant part of the state's income. Over the years, this contribution has become visible primarily through the many sports arenas built after World War II that have been wholly or partially financed by Norsk Tipping. There are no detailed statistics that can confirm the exact number of arenas and venues, but it would have been far simpler to count those that have not been financed in this way. From 1995 onwards, Norsk Tipping mounted signs on arenas and buildings that were built with significant contributions from its profits. This has been done in order to highlight the contributions made by the playing public towards sports arenas in their local towns and cities.

Always sports and research

The sports and research sectors have continually reaped the benefits of the playing public's participation in Norsk Tipping's games. The culture sector was included as a beneficiary in 1986. Since 1996, Norsk Tipping has been the operator of Extra, where the profit goes to the Health and Rehabilitation trust. The trust allocates funds to defined health and rehabilitation projects carried out by voluntary humanitarian organisations.

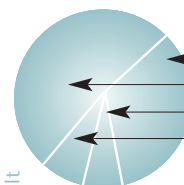
The Norsk Tipping funds mean a lot to the Norwegian sports community. In addition to financing sports arenas, around 95 % of the state contribution to the Norwegian Confederation of Sports comes from the profit of Norsk Tipping.

Value adjusted profit allocation 1948-1999



Research:	NOK 19.1 billion
Sports:	NOK 17.1 billion
Culture:	NOK 8.3 billion
Treasury:	NOK 2.4 billion
Health & Rehabilitation:	NOK 0.6 billion
Total:	NOK 47.5 billion

Profit for allocation make up one third of total result



Profit	33.8 %
Prizes to players	51.6 %
Commission to retailers	7.5 %
Operation of Norsk Tipping	7.1 %





We all win a little

Norsk Tipping emphasises the role of its profits in society. During the winter of 1999/2000, the film “We all win a little...” was shown on nation-wide television.

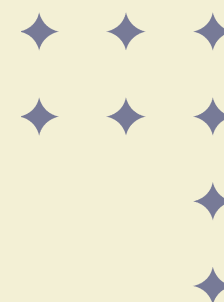


Every year we give large and small dreams the chance of becoming reality, for example by building sports venues for the heroes of tomorrow.



Today, the profit from Norsk Tipping's games is distributed equally between sports, culture and research. Since 1948, the total contribution to the beneficiaries is more than NOK 47 billion, adjusted to 1999 value.

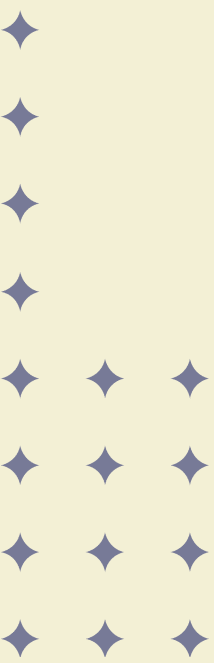
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Board of Directors' report 1999

1999 was a positive year for Norsk Tipping. In a growing games market, Norsk Tipping's profit grew by 6.2 % to NOK 2 719 million. For the first time, turnover exceeded NOK 8 billion.



The positive trend of the past few years continued in 1999 for Norsk Tipping's games. Both turnover and profit exceeded the company's expectations at the beginning of the year. Despite this growth however, the company's market share dropped from 38.1 % to 37.1%. These figures mean that on average each Norwegian spent NOK 1 803 on Norsk Tipping's games in 1999. It is particularly satisfying to record continued growth for Lotto, strengthening its position as by far the largest game in the market. Also worth noting is the excellent development of the sports games, contrary to trends in most other countries. A reason for this is probably the company's success in communicating the strong link between the games and the sports sector, not least in terms of financing. The main news regarding the company's products was the introduction of KjempeFlax, a TV version of the "instants" game Flax, where the top prize is distributed over a period of up to 20 years via monthly payments.

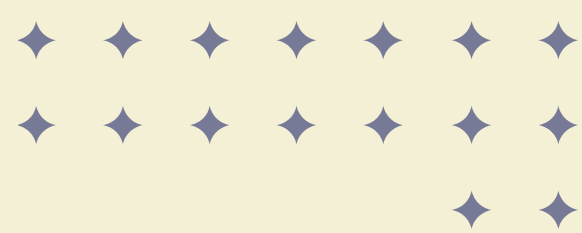
Continued market growth

Norsk Tipping's expectations for 1999 were largely influenced by evidence of tendencies to market stagnation at the turn of 1998/1999. However, these tendencies proved to be temporary. The Norwegian games market actually grew by 8.4 % in 1999, the games machine segment in particular showing strong growth. This market has reorganised and is far more structured than before with larger and more professional companies. While awaiting the introduction of new legislation, these companies have to some extent restricted the deployment of new machines. At the same time there has been considerable public focus on negative aspects associated with gaming machines, particularly gambling addiction and overspending by the young and old. In response, several humanitarian organisations have decided to establish separate, closed games machine venues to better control usage, observing an 18-year age limit. In spite of this, the games machine segment has grown by 9.1 % and now represents more than 41 % of the gross turnover in the Norwegian games market. Another important trend is the considerable increase in money games played on the Internet. It is estimated that Norwegians spent more than NOK 150 million on foreign Internet games over the last year, constituting an annual growth of over 100 %. Although this makes up only a modest 0.7 % of the total market, this growth is a clear indication that playing patterns are changing. Finally, a considerable growth in horse betting was recorded in 1999 – up 10.7 % over the previous year.

New prize payment system

In May 1999, a new prize payment system was introduced that has reduced the company's postage costs by NOK 40 million. A further savings of NOK 32 million is estimated for the year 2000. This new system allows all winners of prizes below NOK 1 000 who have chosen not to





have their prizes transferred directly to their bank accounts, to receive a prize voucher in the mail that can be cashed at any of the company's retailers. This is the case for around 100,000 players every week. Prior to this system being introduced, discussions were held with representatives of the company's retailers regarding payment for the work of paying out prizes. Norsk Tipping's initial view was that the extra trade generated for shops and kiosks would be a sufficient return, but retailers felt that the additional work entailed should be compensated. After a period of discussion, agreement was reached on a sum of compensation.

Communication and marketing

As a company active within the entertainment business, Norsk Tipping is conscious of the major role communication and marketing has in maintaining and increasing interest in the company's games. This is illustrated by the fact that the company has for several consecutive years including 1999, been ranked top in a survey of the best-profiled companies in Norway. Also the company's TV advertisements have won a number of prizes in advertising competitions.

In 1999, the company has focused and strengthened its communication resources, channelled via the Information Department, which was established in the fall of 1998. Amongst other communications tasks, its main duties include producing winner portraits for the TV draws, and updating and developing the company's website. The website was launched in January and is already among the most visited in Norway. The site is used as a marketing and information channel vis-à-vis the players, and is updated on a daily basis with news and games-related information by a dedicated web staff. Oddsen and Tipping players find the site particularly useful.

TV draws of the company's games are crucial to our future communication strategy.

The "TV appeal" of the games will become increasingly important, and Norsk Tipping is therefore providing considerable resources for the development of TV concepts, hiring top-quality hosts and journalists that can make interesting and appealing TV shows. This inevitably means more focus on the winners and their dreams, but if a winner chooses to remain anonymous, their wishes will be fully respected.

A retailer network for the future

Even in a world where the Internet and e-commerce proliferate, Norsk Tipping's highly professional and nation-wide network of retailers will continue to offer a competitive advantage because games have a social element that the PC screen simply cannot convey. The retailers' main challenge will be to create an appealing environment for players, with results services,



Sigmund Thue



guidance and a broad range of tempting games. Therefore the retailer network remains an important element in Norsk Tipping's distribution strategy.

The advent of Internet games

There are already thousands of money games to be found on the Internet, all of which are foreign, but played increasingly by Norwegians. This is why Norsk Tipping has for a long time been preparing for the day when it will be legal to deploy Norwegian money games on the Web. We intend to be ready from the start with Internet versions of all our games. We do not believe in the short term that Internet games will capture significant shares of the total market. Our main objective is to prevent leakage to other Internet games, as well as satisfying those who prefer to play via their PC. However in the longer term, net games represent a substantial potential, and Norsk Tipping is preparing for the time when TV, the Internet and mobile communications merge into one technology, making money games and other entertainment available at the touch of a button on the remote control.

New player card – new technological future

For many years, Norsk Tipping has been a technological leader. When our current terminals were introduced in 1992, the online concept represented a new technological era. In subsequent years, the nation-wide online network has been further developed and improved, for example by the migration of the system onto an open IT platform in 1997. Norsk Tipping is now planning the next generation of gaming technology, which will constitute a significant leap. This will be a predominant task in the years to come, requiring notable investments both at Norsk Tipping's central site and locally at the retailers.

The first step taken towards this was the launch of the next generation player card during the international games congress, Oslo Relations '99, in August/September. This is a smart-card that will be the platform for all of Norsk Tipping's games through electronic channels such as the Internet, digital TV and mobile telephones, as well as through retailer terminals. Games-related information on the card will take up less than a quarter of the total capacity, and even less again as new cards are developed with greater storage potential. There are numerous opportunities for additional usage and Norsk Tipping will give thorough consideration to any partners who can help further develop its smart-card concept. Today the company has 2.1 million registered players in its database and 97 % of its turnover comes from these players. This means that Norsk Tipping has a unique number of electronic transactions every week. An expanded player card will provide many new opportunities, but also new challenges that will be carefully considered in the future.



Oslo Relations '99

The planning and hosting of Oslo Relations '99, the world congress for state-controlled games companies, was the largest consumer of time, energy and resources in 1999 for Norsk Tipping. This congress was particularly special, as it was the first joint congress between the two international organisations, Intertoto and AILE, with the objective of creating one large organisation.

When, nearly five years ago, Norsk Tipping accepted the challenge of acting as host, we had several objectives in mind, the most important being to further strengthen relations between Norsk Tipping and lotteries from other countries. The gaming industry is by nature international and technology has removed the barriers to playing across national borders. It is therefore essential for Norsk Tipping to be present at international forums where policies are formed and decisions made. For example, it is only through co-ordinated action by national games companies that it is possible to protect each nation's right to generate income for the benefit of good causes. We therefore feel a strong obligation to be active within international forums. This is also why President and CEO Mr. Reidar Nordby Jr. accepted a seat as a board member in the new World Lottery Association, as well as a nomination to become the organisation's next President.

Another objective was to strengthen the company's expertise in business development. The international games congress is the venue where new concepts are presented and where trends in the industry emerge. It is important for Norsk Tipping to experience first-hand any such emerging trends. Also the value of the experience gained by hosting such a large event must not be underestimated. The congress was financed mainly through participant fees, and sponsorships from attending equipment and system suppliers to the industry.

Oslo Relations '99 was extremely successful; both in view of Norsk Tipping's own objectives and judging by the response of participating companies and individuals. The Board is both impressed by and proud of the professionalism, enthusiasm and energy displayed by both employees and management in the planning and execution of the congress – the fruits of which can be harvested for a long time to come.

Problem-free transition to Y2K

Norsk Tipping took extreme precautions to prevent any disturbances to the company's IT systems and adjacent systems and processes at the turn of the century. The Board is pleased to announce that these preparations secured the planned result: No problems of any kind occurred.



Future prospects

In the Board's opinion, Norsk Tipping's future prospects are good. The company holds a leading position in the market, has an advanced technological platform, an extensive retailer network and an enthusiastic organisation that constitutes the foremost centre of games expertise in the country. This makes the company well prepared to meet the significant challenges of the years ahead. Tomorrow's reality will involve rapid technological development, changes in consumer behaviour, and a new competitive, global environment. In this environment, Norsk Tipping will continue to be a leading supplier of entertainment, a fulfiller of dreams and a provider of excitement en route to a society dubbed by trend analysts as "the dream society".

Organisation, personnel and environment

In 1999, the organisation was once again challenged to display its agility and motivation, during highlights such as Oslo Relations '99 and the introduction of the TV-based "instants" game KjempeFlax, as well as within the company's day-to-day operations. At the start of the year, Norsk Tipping had 242 employees, of which 188 were full-time and 54 part-time. At the end of the year, the figures were 260, 209 and 51 respectively. In the Board's view, the company has a good working environment. Internal communication seems to be constructive and positive, and co-operation with the trade unions and the employee representatives is likewise. Internal control work (health, environment and safety) has been carried out in accordance with a separate action plan. The company has no products, processes or other activities that have a bearing on the external environment. Nonetheless much emphasis is placed on an environmentally-friendly approach to all aspects of the business. For example, coupons and tickets are printed using non-toxic ink on recycled and recyclable paper. Additionally in 1999, all coupon products were certified to the Scandinavian "swan" standard.



Unni Olav

Anni Onsager



Going concern

A going concern value is assumed as the basis for the annual report and accounts for 1999.

Allocation of profit

The total result for the financial year of 1999 amounted to **NOK 2 718 791 309**.

Total result	NOK	2 718 791 309
Health and Rehabilitation	NOK	191 930 959
Total profit, Norsk Tipping AS	NOK	2 526 860 350
which is proposed allocated as follows:		
Equalisation fund	NOK	0
Investment fund	NOK	90 860 350
Sports, culture and research	NOK	2 436 000 000
Total	NOK	2 526 860 350

The profits from Lotto, Viking Lotto, Oddsen, Tipping and Flax, as well as the operator's fee for Extra, is distributed in equal thirds to the sectors of sports, culture and research. Each of these sectors is allocated a sum of NOK 812 million.

The accounts of Norsk Tipping AS for the financial year of 1999 have been audited by Section S.4 of the Auditor General (Riksrevisjonen).

The Board of Directors of Norsk Tipping AS
Hamar, 21 March 2000

Sigmund Thue
Sigmund Thue
Chairman

Marit Skaugen Holmberg
Marit Skaugen Holmberg

Torgeir Mørk Grimsrud
Torgeir Mørk Grimsrud

Unni Olav
Unni Olav

Anni Onsager
Anni Onsager

Reidar Aasen
Reidar Aasen

Reidar Nordby Jr.
Reidar Nordby Jr.
President and Chief Executive Officer

Profit and loss account

	Note	1999 NOK mill	1998 NOK mill	Change NOK mill	Change percentage
OPERATING INCOME, GAMES					
Games revenue	1	8 042.3	7 619.5	422.8	5.5 %
OPERATING COSTS, GAMES					
Prizes		4 149.5	3 943.2	206.3	5.2 %
Games commission		606.7	571.4	35.3	6.2 %
Internal costs	2	594.3	581.3	13.0	2.2 %
TOTAL OPERATING COSTS, GAMES		5 350.5	5 095.9	254.6	5.0 %
OPERATING RESULT, GAMES					
		2 691.8	2 523.6	168.2	6.7 %
Other operating income	3	104.5	126.3	-21.8	-17.3 %
Other operating costs	4	81.6	101.0	-19.4	-19.2 %
Current development costs	5	21.5	0.5	21.0	-
Depreciations ordinary investments	6	27.8	32.5	-4.7	-14.5 %
Depreciations online	6	35.8	26.1	9.7	37.2 %
TOTAL OPERATING RESULT		2 629.6	2 489.8	139.8	5.6 %
Net income financial items	7	86.9	69.3	17.6	25.4 %
Extra ordinary income	8	2.3	0.0	2.3	-
PROFIT		2 718.8	2 559.1	159.7	6.2 %
The profit is distributed as follows:					
Norsk Tipping AS		2 526.9			
Health and Rehabilitation		191.9			
Cost percentage games		7.4 %	7.6 %		
Cost percentage games (incl depr. and dev cost)		8.4 %	8.4 %		
Profit margin		33.8 %	33.6 %		

Balance sheet

ASSETS	Note	1999 NOK mill	1998 NOK mill
Fixed assets			
Buildings and real estate	9	33.4	36.0
Vehicles, fixtures and equipment	9	86.5	71.1
Accrued project expenses		0.0	41.1
Mortgage bonds, housing loans to employees, etc.	10	8.5	3.0
Winnings regulations fund, DnP	11	6.9	7.6
Total fixed assets		135.3	158.8
Current assets			
Merchandise stock	12	3.1	2.9
Customer receivables	13	3.1	2.2
Claims on retailers	14	97.4	128.2
Other receivables	15	28.3	14.0
Cash and deposits in banks		2 879.5	2 438.5
Total current assets		3 011.4	2 585.8
TOTAL ASSETS		3 146.7	2 744.6
EQUITY AND LIABILITIES			
	Note	1999 NOK mill	1998 NOK mill
Equity			
Share capital		0.2	0.2
Investment fund	16	238.5	142.0
Total equity		238.7	142.2
Long-term liabilities			
Prize funds	17	184.0	147.7
Long term bank loan	18	6.9	7.6
Total long-term liabilities		190.9	155.3
Short-term liabilities			
Trade creditors		44.2	38.8
Prize liabilities		113.2	153.9
Prepaid stakes		96.5	112.8
Tax deductions, employer's social security and contributions, etc.		8.0	5.8
Other short-term liabilities	19	7.3	10.3
Equalisation fund	20	0.0	90.0
Profit for distribution	21	2 447.9	2 035.5
Total short-term liabilities		2 717.1	2 447.1
TOTAL EQUITY AND LIABILITIES		3 146.7	2 744.6

The Board of Directors of Norsk Tipping AS
Hamar, 21 March 2000

Sigmund Thue
Sigmund Thue
Chairman

Marit Skaugen Holmberg
Marit Skaugen Holmberg

Torgeth Mør Grimsrud
Torgeth Mør Grimsrud

Unni Olav
Unni Olav

Anni Onsager
Anni Onsager

Reidar Aasen
Reidar Aasen

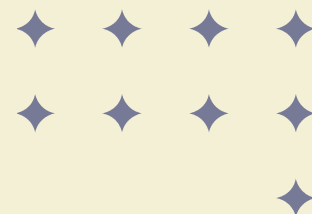
Reidar Nordby
Reidar Nordby
President and Chief Executive Officer

Kjetil Johanson
Kjetil Johanson
Financial Manager

Cash flow statement

	1999 NOK mill	1998 NOK mill
Cash flow from operating activities		
Profit	2 718.8	2 559.1
Profit on sale of assets	-0.2	-1.0
Investment and project depreciations	63.6	59.1
Changes in claims on retailers	30.2	-19.6
Changes in other short-term liabilities	-15.4	-3.1
Changes in trade creditors	5.4	4.0
Changes in other accruals	-4.2	2.3
Net cash flow from operating activities	2 798.2	2 600.8
Cash flow from investing activities		
Receipts on sale of fixed assets	0.2	1.0
Payments on purchase of fixed assets	-76.4	-32.5
Changes in project costs	41.1	64.4
Net cash flow from investing activities	-35.1	32.9
Cash flow from financing activities		
Net changes in long-term liabilities	35.7	73.7
Net changes in short-term liabilities	-57.8	79.0
Net changes in investment fund	96.5	-6.7
Payments and allocations of profit	-2 396.5	-2 320.3
Net cash flow from financing activities	-2 322.1	-2 174.3
Net changes in cash holdings	441.0	459.4
Cash reserves as of 1/1	2 438.5	1 979.1
Cash reserves at the end of the period	2 879.5	2 438.5





ACCOUNTING PRINCIPLES

The Act relating to games for cash prizes (“Lov om pengespill”): This Act (no. 103), dating from August 1992, replaces the former acts which governed the operations of Norsk Tipping AS. The Act stipulates that a games company shall be a state-controlled share company, all of whose shares are owned by the State. The Government draws up the articles of association, appoints the Board of Directors, gives instructions to the Board and appoints the Chief Executive Officer. The Board is responsible for ensuring that the company is organised and managed in a satisfactory manner and for making sure that the accounts and assets are managed with due care and control. After allocations to reserves, the company profit is to be distributed in equal thirds to good causes within the following three fields: sports, cultural activities and scientific/research projects. The profit from Extra is allocated to Health and Rehabilitation.

The Companies Act: According to the terms of the Act relating to games for cash prizes mentioned above, Norsk Tipping AS is not bound by the terms of the Companies Act.

The Accounting Act: The accounts have been drawn up in compliance with the terms of the Accounting Act, with the amendments necessitated by Norsk Tipping’s special status.

Accounting method – income and costs: Income from games and corresponding game-related expenses are spread over 52 weeks of play and do not therefore exactly tally with the calendar year. The paid-in stakes from multi-week games are accounted for on an accruals basis, whereby the income is attributed to each of the weeks/rounds of play in question, and commission is entered in the same way. The internal costs are entered in the same period as the income period to which they relate.

Income and cost allocation: Direct expenses are charged to the individual game in question. Joint expenses are apportioned to each of the games according to an internal distribution formula. Other income and other costs are allocated to the various games as appropriate.

Development costs: Development costs and project costs are expensed in their entirety in the current year, with the exception of acquisitions of assets which, according to the Accounting Act/Tax Act, shall be activated. These costs are not charged to the individual games.

Depreciations: Investments are depreciated in their entirety during their year of acquisition (the cash principle). The online project will be depreciated over a period corresponding to the lifetime of the equipment. Depreciations are not apportioned to each individual game.

Financial items: Interest not due for payment as of 31.12 will be entered into the accounts on an accruals basis. Financial income and expenses are not apportioned to each individual game.

Foreign exchange: Bank of Norway’s annual average reference exchange rate has been used to calculate the company’s share of the Nordic joint costs, while the bank’s reference rates as of 31.12 have been used for liquid accounts and other balance sheet accounts. Both exchange gains and losses are entered under “Financial items”.

Merchandise stock: The stock is valued at purchase cost.

Prize funds: The company is legally obliged to set aside funds for use in the case of approved complaints and for prize subsidies. For further details, see the regulations governing each individual game.

Pension liabilities: The employees are members of the State Pension Fund and the company’s share of the premium is entered into the accounts each year under “social security contributions”. Funds for company employees on early retirement are included each year in the salary budget. See also note 22.

Tax: Norsk Tipping is exempt from taxation.

Value Added Tax: Norsk Tipping’s games are not subject to value-added tax, while costs and investments include 23% VAT.

Notes 1999

All amounts appearing in the tables are in 1 000

1 GAMES REVENUE

The individual games have had the following turnover and development compared to the previous year:

Game	1999	1998	Change	Change percentage
Tipping	944 900	951 585	- 6 685	- 0.7
Oddsen	988 995	777 413	211 582	27.2
Lotto	3 469 802	3 393 275	76 527	2.3
Viking Lotto	1 116 228	1 060 001	56 227	5.3
Flax	786 046	654 282	131 764	20.1
Pengelotteriet	0	2 952	- 2 952	- 100.0
NT-games	7 305 971	6 839 508	466 463	6.8
Extra	736 346	779 986	- 43 640	- 5.6
Total game revenue	8 042 317	7 619 494	422 823	5.5

2 INTERNAL COSTS GAMES/REMUNERATIONS

Internal costs games for 1999 include the following:

Personnel costs	105 014
Other operating costs	489 316
Total internal costs games	594 330

The total remuneration paid to the company's Board of Directors in 1999 was NOK 370 983. The CEO's salary for the year was NOK 607 500. No contracts exist governing severance pay or other extraordinary forms of remuneration for any of Norsk Tipping's employees. No fee has been paid to the auditor (the Auditor General).

3 OTHER OPERATING INCOME

This item includes sales of NT player cards, operator's fees to NT for the operation of Extra, the Lottery Council's approved reimbursement of initial costs, profit from the reimbursement of assets, product sales to retailers/employees and sundry income. In addition, transfers from the Flax prize fund and royalties from the TV channel NRK 1 in connection with Lotto and Extra are included.

A total sum of NOK 104,5 mill has been entered as income and distributed to the following beneficiaries:

Norsk Tipping AS	103 714
Health and Rehabilitation	780
Total other income	104 494

4 OTHER OPERATING COSTS

This item includes commission to retailers for the sale of NT's player cards, operating costs related to Health and Rehabilitation in connection with the operation of Extra, product purchases relating to retailers/employees and other sundry expenses.

A total sum of NOK 81,6 mill. has been charged to the accounts and apportioned to the beneficiaries as follows:

Norsk Tipping AS	15 576
Health and Rehabilitation	66 052
Total other costs	81 628

5 CURRENT DEVELOPMENT COSTS

Costs in connection with sundry projects in 1999	21 511
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Notes

6a DEPRECIATIONS ORDINARY INVESTMENTS

Ordinary investments are depreciated in their entirety in the course of their year of acquisition. The following ordinary investments have been made in 1999:

Vehicles	3 391
Computer systems/machines	17 857
Fixtures/equipment/communication systems, etc.	3 217
Building/other real estate	3 343
Total depreciations	27 808

6b DEPRECIATIONS, ONLINE-PROJECT

Expenses incurred by investments in online systems are depreciated over a period corresponding to their expected life-time. According to the company's depreciation plan, the depreciations for 1999 are as follows:

Phase 1	14 115
Phase 2	12 000
Phase 3	9 725
Total depreciations	35 840

6c OVERVIEW OF ORDINARY INVESTMENTS 1995–1999

	1999	1998	1997	1996	1995
Vehicles	3 391	2 513	4 987	1 474	3 841
Computer systems/machines	17 857	19 574	8 550	7 750	6 285
Fixtures/equipment/communication systems etc	3 217	3 681	5 094	2 646	4 553
	24 465	25 768	18 631	11 870	14 679
Building/real estate	3 343	6 779	15 536	5 960	11 215
Total ordinary investments	27 808	32 547	34 167	17 830	25 894
Terminals / online phase 3	48 625	0	0	0	0
Total investments	76 433	32 547	34 167	17 830	25 894

7 NET INCOME FINANCIAL ITEMS

Financial income

Interest on account loan to the Treasury/Bank of Norway	53 317
Interest on bank deposits and other financial items	42 238
Profit on exchange	222
Total financial income	95 777

Financial costs

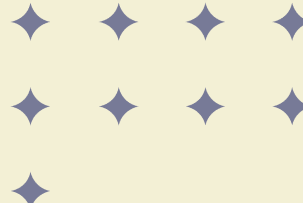
Interest on Investment fund	5 623
Other financial costs	569
Loss on exchange	2 652
Total financial costs	8 844

Net income financial items

	86 933
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8 EXTRAORDINARY INCOME

The extraordinary income of **NOK 2.3 million** is in its entirety reimbursement of VAT on TV 3's transmission of commercial spots from England since 1990 up until the spring of 1999, following a decision by the authorities that these transmissions are not subject to VAT.



Notes

9 FIXED ASSETS

Book value:

Machines/fixtures/vehicles

Cost of acquisition as of 01.01.1999	386 576
Disposals in 1999	1 151
Acquisitions in 1999	73 090
Acquisition costs as of 01.01.2000	458 515
Accumulated ordinary depreciations	172 394
Accumulated online depreciations	199 676
Book value	86 445

Buildings/real estate

Cost of acquisition as of 01.01.1999	135 963
Acquisition in 1999	3 343
Cost of acquisition as of 01.01.2000	139 306
Accumulated ordinary depreciations	87 888
Accumulated online depreciations	18 008
Book value	33 410
Total book value as of 01.01.2000	119 855

Fixed assets, cost of acquisitions as of 01.01.2000

Vehicles	14 174
Computer systems/machines	161 935
Fixtures/equipment/communication systems, etc.	37 744
Terminals	244 662
Cost of acquisition as of 01.01.2000	458 515
Office/operations building	137 878
Holiday cabins	1 428
Cost of acquisition as of 01.01.2000	139 306
Total cost of acquisition as of 01.01.2000	597 821

10 MORTGAGE BONDS, HOUSING LOANS, ETC.

Loans to employees	6 221
ICS, Oslo/Oslo Relations 1999	1 656
Other bonds and participation certificates	611
Total	8 488

11 WINNINGS REGULATION FUND DNP

This applies to the claim on the winnings regulation fund, where Norsk Tipping covered the under-absorption (TV-Flax) in existence when Norsk Tipping AS took over the Norwegian State Lottery.

12 MERCHANDISE STOCK

The merchandise stock, which consists of purchased goods for the canteen and employees/retailers shop, is valued at purchase cost.

13 CUSTOMER RECEIVABLES

This item comprises short-term loans/advance payments to employees as well as other short-term receivables on various customers.

14 CLAIMS ON RETAILERS

The retailer accounts are settled weekly. The majority of the claims applies to net sale of games in week 52/1999, which was settled in week 1/2000, while the remaining are running claims. At the end of the year, Norsk Tipping had 3 788 retailers.

15 OTHER RECEIVABLES

This item comprises cost accrued/paid in advance.

Notes



16 INVESTMENT FUND

In compliance with the terms of the Act relating to games for cash prizes, an investment fund has been set up for the purpose of raising capital for further expansion of the terminal equipment/network and for any other necessary investments in the future.

Balance of the investment fund as of 01.01.1999	141 998
Credited to the fund:	
Interest 1999	5 623
Allocated from the year's profit	90 860
Total funds as of 01.01.2000	238 481

17 PRIZE FUNDS

Prize funds have been set up for all the individual games. At the end of the year, total funds amounted to **NOK 184.0 million**. The table below shows the balance for the individual games/funds:

Tipping	21 856
Oddsden	3 620
Lotto	43 029
Viking Lotto	72 456
Flax	15 444
Total NT games	156 405
Extra	27 634
Total	184 039

The prize funds are used for adjustment of prize shares, complaints, extra draws, unclaimed prizes, returns, etc., according to rules defined by the Ministry of Cultural Affairs. In addition, funds set aside and payment of prizes in connection with jackpot draws are regulated via the prize funds.

18 LONG-TERM BANK LOAN

This item refers to loan drawn on Den norske Bank to cover the under-absorption on the winnings regulation fund (TV Flax) which existed at the time Norsk Tipping AS took over Det Norske Pengelotteri (DnP). The loan is to be paid off over a 10-year period (ending in 2004) and the annual repayment costs (instalments and interest) will be met by debits from the game's prize fund.

19 OTHER SHORT-TERM LIABILITIES

This item consists of returned prizes, accounts to be settled with the Nordic countries in connection with Viking Lotto, deposits from retailers, end-of-year accruals, etc.

20 EQUALISATION FUND TO THE MINISTRY OF CULTURAL AFFAIRS

In accordance with bill no. 52 (1991–92) relating to games for cash prizes, an equalisation fund has been set up in order to mitigate the negative effects of fluctuations in turnover. In years with high turnover/profits, the balance of the fund will be increased, while in years of low turnover/profits, sums are debited from the fund in order to make payments to the beneficiaries. In 1999, **no funds** have been allocated to the equalisation fund. The fund is at the disposal of the Ministry of Cultural Affairs and the allocated funds are transferred to a separate account in The Bank of Norway, after Norsk Tipping's year-end accounts have been approved by the Annual General Meeting.

21 PROFIT FOR DISTRIBUTION

The annual profit is distributed to two different beneficiaries.

The profit from Extra goes to Health and Rehabilitation, while the remaining profit is apportioned in three equal amounts to the fields of sports, culture and research, after allocations to the equalisation and investment funds have been made.

The distributable profit from the financial year of 1999 has been apportioned in the following way:

Profit Health and Rehabilitation	191 931
Paid on account in 1999	180 000
Remaining profit to Health and Rehabilitation	11 931
Profit Norsk Tipping	2 526 860
Allocated to equalisation fund	0
Allocated to investment fund	90 860
Remaining profit to Norsk Tipping	2 436 000
Total remaining distributable profit	2 447 931

Notes

22 PENSION PLANS

The State Pension Fund (SPF)

About the pension scheme:

Norsk Tipping AS has a group pension scheme for its employees in the Norwegian State Pension Fund. The scheme covers benefits according to the act relating to the State Pension Fund (the Pensions Act). The benefits covered are old-age, disability, spouse and children pension. The pension benefits are co-ordinated with the National Insurance benefits. In addition, the company has an AFP (early retirement) scheme in accordance with current regulations for the public sector. The company's part of the premium are entered into the accounts under the item social security contributions. The company's liability relates to employees per 31.12.1999 and covers 286 persons.

The premiums and the value of the pension liabilities for the SPF scheme are calculated on the basis of actuarial assumptions. However, the scheme is not fund-based. The pension payments are guaranteed by the state (in compliance with §1 of the Pensions Act). A funds management simulation will be set up (fictitious fund), where the funds are assumed to be in government bonds and where the bonds are retained to their expiry date. The value of the pension fund is therefore calculated at the book value.

About the accounting standard:

In the accounts, the pension scheme is treated according to the accounting standard for pension liabilities. According to this standard, the pension scheme is to be treated as a benefit scheme. The calculations follow the "actuarial standard" that apply to calculations made according to the accounting standard. A few practical adjustments have been made in the calculations for 1999.

The following assumptions have been made for the calculations:

Bank interest rate	6.00 %
Salary adjustment	3.30 %
G adjustment	2.90 %
Pension adjustment	2.90 %
Voluntary retirement	0.00 %
Expected rate of return	7.00 %

Other actuarial assumptions are identical to those used by the SPF.

Result:

Incurred pension liabilities as of 31.12.1999 are calculated to	80,5 mill.
The value of these pension liabilities are calculated to	78,6 mill.
Under-absorption	1,9 mill.

The under-absorption is due to an extra ordinary increase in salary payments in 1999 caused by many new employees. The under-absorption will be covered by Norsk Tipping during the years 2000 and 2001.

About pension scheme amendments:

In 1997, an amendment to the pension scheme has been made in that the AFP scheme has been expanded. Effective 01.10.97, employees can claim the AFP pension from the age of 63 and effective 01.03.1998, from the age of 62. Up until 01.10.1997, the claim could be made from the age of 64. The pension scheme amendment had a one-time effect in that the value of current pension rights increased, and it had a future effect in that the value of running pension rights will increase.

The one-time effect was calculated to NOK 3.7 million of which NOK 2.0 million was made up for in 1998 and the remaining in 1999.

Other information:

It should be noted that these figures have not been entered into the company's balance sheet as of 31.12.1999.

Early retirement pensions:

In connection with the introduction of online games in 1993, the company and the trade unions reached agreement on an early pension scheme for employees affected by the new technology. The current value of the future early retirement pension liabilities is calculated at NOK 12.0 million, and apply to 26 persons as of 31.12.1999. Funds to cover these liabilities have not been allocated in the balance sheet, but are entered as part of the annual salary costs.

Report from the Auditor General for 1999

We have audited the annual financial statements of Norsk Tipping AS as of 31 December 1999, showing a profit of NOK 2 526 860 349.79. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice. Good auditing practice 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. To the extent required by law and good auditing practice an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of 31 December 1999, and the results of its operations and its cash flows for the year then ended, in accordance with good accounting practice
- the Company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good accounting practice
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Oslo, 10 April 2000

For the Office of the Auditor General of Norway

Siv Janne Natvik

Siv Janne Natvik
Acting Deputy Director General

Linda Løberg Økseter

Linda Løberg Økseter
Senior Auditor



Valued added statement 1999

	NOK mill.	
Operating income		8 042.3
- Prizes to players	4 149.5	
- Purchase of consumables	489.3	
- Other costs	81.6	
- Current development costs	21.5	
+ Other income	104.5	4 637.4
Gross value added		3 404.9
- Depreciations/cost items	63.6	
+ Net financial items	86.9	
+ Extraordinary items	2.3	25.6
Net value added		3 430.5

THE NET VALUE ADDED IS DISTRIBUTED AS FOLLOWS:

	NOK mill.	Percentage
To the state and local councils:		
Tax deductions (on employees' salaries) and employer's social security and pension contributions	48.9	1.4 %
To the employees:		
Salaries (excl. tax deductions)	56.1	1.6 %
To the retailers:		
Games commission	606.7	17.7 %
Retained by the company:		
Investment fund	90.9	2.7 %
Allocated:		
Health and Rehabilitation	191.9	
Sports	812.0	
Culture	812.0	
Research	812.0	2 627.9
Net value added	3 430.5	100.0 %

The management of Norsk Tipping

Top from left:

Reidar Nordby jr., President and CEO
 Jon Olrud, Executive Vice President
 Tollef Imsdalen, Vice President Planning and Development



Middle from left:

Randi B. Sætershagen, Vice President Marketing
 Jan P. Strømshid, Vice President Operations
 Tore Elman Tangen, Vice President Corporate Affairs



Bottom from left:

Rolv Bråthen, Vice President Organisation and Personnel
 Morten Schjelderup, Vice President Security



The organisation

BOARD OF DIRECTORS

Sigmund Thue, Chairman
 Anni Onsager, Vice-Chairman
 Unni Olav
 Torgeir Mjør Grimsrud
 Reidar Aasen
 (Personal Deputy Eva Deglum)
 Marit Skaugen Holmberg
 (Personal Deputy Tone Kornberg Andersen)

Other deputy members in order of priority
 Odd Solbraa
 Egil Holen
 Brit Skurdal Braastad

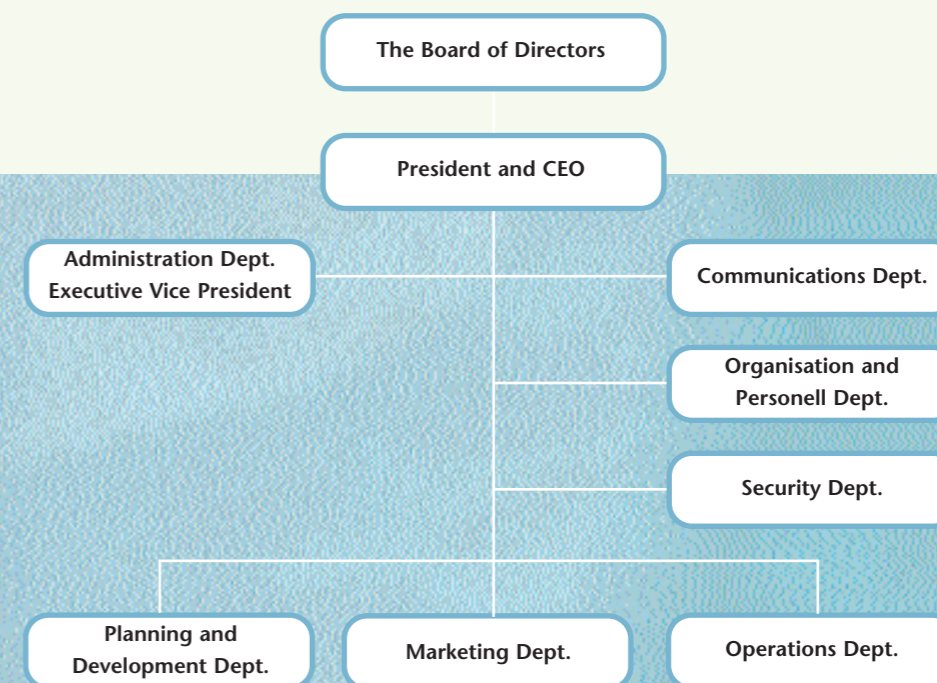
THE LOTTERY COUNCIL

Turid Hundstad, Chairman
 Hans J. Raastad
 Hans Vaalund
 Linn-Birgitte Rasmussen Hoel, Secretary
The function of the Lottery Council ended at 22.01.99

THE STATE CONTROL BOARD

Jan Grøndahl
 Valborg Berthelsen
 Marith Brekke
 Asbjørn Hagen
 Øystein Ruud
 Per-Øivind Sandberg
 Ola Skjølaas
 Torill Skogly
 Randi Stavø
 Anne Karin Steen

The State Control Board is a public body responsible for making sure that lotteries and money games are run in compliance with the relevant laws and regulations.



www.norsk-tipping.no



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