

Dreaming is human - humanity is always dreaming.  
Perhaps this time - even further, even closer.  
The joy of freedom and a good life for us all.  
A positive spirit in a healthy body  
-always moving forward, fuelled by the power of dreams.



CEO p. 2

The market p. 4

The games p. 6

The projects p. 8

Facts about the games p. 10

Board of directors p. 12

Intellectual capital p. 17

Accounts with notes p. 20

Organisation p. 33

## FULFILLING DREAMS AND PROVIDING ENTERTAINMENT

Norsk Tipping is the leading gaming company in Norway, wholly owned by the Norwegian state. The company's objective is to generate the largest possible profit for its beneficiaries. Profit is divided on an equal basis between sports, culture and research. Norsk Tipping operates the number games Lotto, Viking Lotto and Joker, the games of skill Tipping and Oddsen and the scratch game Flax. In addition, the company operates the TV game Extra on behalf of the Norwegian Foundation for Health and Rehabilitation.

[www.norsk-tipping.no](http://www.norsk-tipping.no)

## Highlights

In January, Norsk Tipping acquired the TV production company Video Øst.

Estland entered the Viking Lotto collaboration, participating in the first draw on 22 March.

Joker, the game based on the number of the player card, was launched at the end of May.

In June, CEO Reidar Nordby Jr. was elected President of the World Lottery Association, WLA.

The TV-based scratch game Kjempe-Flax was discontinued in June, and the follow-up product MånedsFlax was launched in September.

"Ballroom Blitz" was voted the best TV commercial for 2000 by Norwegian viewers and was awarded "Gullfisken".



### MAIN FIGURES

NOK mill	2000	1999	1998	1997	1996
Games revenue	8 277	8 042	7 619	6 715	6 243
Internal costs	629	594	581	509	457
Cost ratio, games	7.6 %	7.4 %	7.6 %	7.6 %	7.3 %
Profit	2 764	2 719	2 559	2 271	2 189
Profit ratio	33.4 %	33.8 %	33.6 %	33.8 %	35.1 %
No. of employees, 31.12	273	260	242	216	200

President and CEO:

## A new platform for value creation



Norsk Tipping can look back on yet another good year, with increased profit for distribution amongst our beneficiaries in sports, culture and research. This is our objective every year, and every year it becomes harder to achieve. New sources of entertainment, an influx of foreign Internet games and aggressive competitors all add up to a fiercer fight for the attention, time and money of the Norwegian people.

Norsk Tipping meets this challenge from many angles. Key aspects are continued development of our retailer network, an ambitious technological development, strong focus on presentation in TV shows and creative marketing. Just as important is our unrelenting effort to ensure safe operation and responsible business conduct within our role as a national games operator.

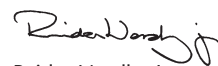
Norsk Tipping is a knowledge-based company, with annual revenue exceeding NOK 8 billion and a profit of nearly 3 billion; this is without significant fixed assets other than a few buildings, computers and a nation-wide network of gaming terminals. The profit is generated and the value created from the intellectual capital we possess. Our ability to manage this capital in a good way will be decisive in our future success.

However, perhaps our most important initiative is to further develop the company's intellectual capital. This is the production factor that does not appear in ordinary accounts, but which is nonetheless crucial for the development of the company. In contrast to the traditional accounts, the intellectual capital accounts are forward-looking and include an analysis of the organisation's effectiveness, future risk scenario and capabilities regarding innovation. This is expressed in the strength of our business concept, the efficiency of our working methods, processes and systems; the management's and employees' expertise and ability to exploit it; as well as the strength of our relations, brands and customer base.

The intellectual capital will be an important tool for us in the further develop-

ment of Norsk Tipping. We will use it as a platform for developing new ways of working and organising the company. It will guide us in our efforts to channel our expertise and creativity in a way that creates long-term value. And finally, it will help underline the importance of protecting unique operational concepts and marketing ideas through copyrights or patents. International sales of expertise and concepts may, in the future, contribute to the continued growth of Norsk Tipping's results.

In summary, new ways of thinking about the way in which we manage and develop our human resources will be important in our efforts to ensure that Norwegian players' money benefits us all through increasing Norsk Tipping's contributions to sports, culture and research.



Reidar Nordby Jr.  
President and CEO



The market

The games

The projects



**Continued growth in the gaming market**

The Norwegian gaming market continues to grow. Strong growth in 1999 (8.4 per cent) was followed by more moderate growth in 2000 of 3.4 per cent. This makes up a total market worth NOK 22.4 billion. The main tendency in the market is towards games with a short time-period between stake and draw, like gaming machines, horse betting and odds-based games. These games are also the kind that hold the strongest attraction for people susceptible to gambling addiction.

**Steep growth for Internet games**

According to Norsk Tipping's estimates, turnover for foreign games distributed via the Internet rose from NOK 150 to NOK 400 million from 1999 to 2000. This steep growth clearly illustrates the fact that a large number of foreign operators are eager for a slice of the Norwegian gaming market. The Internet offering is vast, and more and more games are adapted specifically for Norwegian players. These games are operated by private interests on a

**"Relax – everybody wins"**

The entire sports community benefits from Norsk Tipping's games. In 2000, NOK 824 million was allocated to the sports sector – NOK 18\* billion since 1948.

\*Value-adjusted to yr. 2000 NOK.

**Distribution of profit 2000**



- Sports 1/3
- Culture 1/3
- Research 1/3



strictly commercial footing. They can offer far better odds and larger prizes than Norwegian operators who have earmarked beneficiaries. However, prizes won on foreign games are subject to income tax, unlike Norwegian games. In the future, a continued strong growth is expected for games distributed via digital channels – a growth that will be boosted once Norwegian operators are allowed to put their games on the Internet.

#### Horse betting in the fast lane

Norsk Rikstoto, the horse-betting operator, achieved income from games of NOK 2.5 billion in 2000, up 10.4 per cent on 1999. This is approximately the same growth rate as the previous year. The market share is 11.5 per cent. Like Norsk Tipping, Norsk Rikstoto has a network of retailers with good national coverage.

#### Gaming machines still growing

Few, if any, countries can compare to Norway when it comes to the number of deployed gaming machines per capita. The growth in this sector has been

substantial, and has continued in 2000. Both young and old players played for approximately NOK 9.1 billion on the machines – NOK 120 million more than the previous year. This makes gaming machines the largest segment by a sizeable margin, with a turnover of NOK 850 million more than Norsk Tipping's games. From 1 January 2001, an age limit of 18 years was introduced for playing gaming machines.

#### Instant games slowing down

The scratch game sector is exhibiting a clear negative trend. This is confirmed both by trends in Norsk Tipping's Flax game and other games in the market. For Flax competitors, turnover decreased by 10 per cent and ended at NOK 450 million. For other games like bingo, various lotteries and telemarket games the situation is relatively stable, the bingo turnover, for example, remained at NOK 1.2 billion in 2000.



*Like the wind  
- faster than Michael Johnson  
- perhaps world Champion,  
tomorrow, next year,  
when I grow up - when I wake up*

The market

The games

The projects

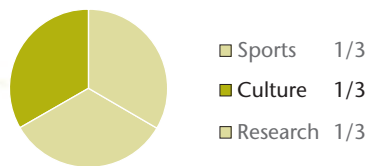


## We all need culture –

– and Norsk Tipping contributes. Since 1986, the culture sector has received more than NOK 9\* billion from the profits of Norsk Tipping's activities.

\*Value adjusted to yr. 2000 NOK.

Distribution of profit 2000





*To be or not to be  
is the big question.  
But what is the answer?  
Perhaps just a sense of humanity  
- a feeling of being really alive*



**Popular games from Norsk Tipping**

Norsk Tipping increased games revenue by 2.9 per cent in 2000, to nearly NOK 8.3 billion. The increase amounts to NOK 235 million, giving Norsk Tipping a market share of 36.9 per cent. This is a modest reduction of 0.2 percentage points, since total market growth was somewhat higher than Norsk Tipping's growth (3.4 against 2.9 per cent).

**Finnmark at the top**

Last year on average, each Norwegian spent NOK 1 842 on Norsk Tipping's games – or NOK 35 per week. The average figure conceals significant differences between counties. Finnmark, our northernmost county, enjoys a clear top position with an average stake of NOK 2 575 per inhabitant. There is a distinct gap between Finnmark and number 2 on the list, Hedmark, with NOK 2 137 per

inhabitant. In monetary terms, the distance is the same between Finnmark and Hedmark as between Hedmark and Telemark at position 15. Stakes are lowest in Vest-Agder in the south, with NOK 1 446 per inhabitant. This constitutes a difference of more than NOK 1 100 between top and bottom.

**Lotto getting bigger**

Lotto is by far the largest individual game on the Norwegian market. During 2000, Lotto grew by an additional NOK 25 million and ended at nearly NOK 3.5 billion. This result was achieved despite the fact that there was one less rollover draw than the previous year (rollover draws normally give an additional turnover of NOK 30 million). Viking Lotto enjoyed the largest actual and relative growth of all the games, to the tune of NOK 160 million (14.4 per cent).

**Harder competition for the games of skill**

Combined, the games of skill had a turnover approximately level with the previous year, in strong contrast to the growth from 1998 to 1999, when Oddsen grew by 27.2 per cent. A new market situation has emerged with the arrival of many foreign Internet games directed at Norwegian players. Growth in this sector has gone mainly to these games.

Extra and Flax also exhibited a modest slowdown, while the new Joker game stabilised towards the end of the year at a weekly additional turnover of approximately NOK 5 million.

The market

The games

The projects



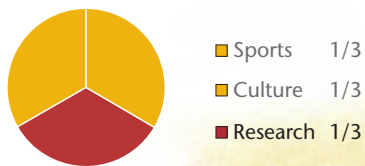
## Research is important – and it costs money

It helps to get one third of Norsk Tipping's profits – over NOK 20 billion\* since 1948.

\*Value adjusted to yr. 2000 NOK.

NOK 182 million in profits from the Extra game went to the Norwegian Foundation for Health and Rehabilitation.

Distribution of profit 2000



### Meeting players' requirements

The requirements and expectations of players are changing rapidly. Tomorrow's consumers require the freedom to play where and when it suits them. Norsk Tipping has started several projects aimed at developing retailer outlets as attractive environments for games, where competent and service-oriented people serve players. Retailers will continue to be the most important channel of distribution for the company's games for a long time to come, even if digital channels grow in importance. Smart telephones, small and larger computers, mobile telephones and digital TVs will all be natural media for games. Norsk Tipping's future technological solution has players' requirements as the starting point, combined with a strong focus on security. This solution facilitates individual communication and adaptation of the gaming environment to suit the individual player.

*One plus one, and then another  
further into the mystery  
One step at a time, and then another  
Perhaps one day we will get there  
Beyond the unattainable*



#### **Towards e-business**

It is still not legal to distribute games via the Internet in Norway, but the authorities are signalling that this will change in the near future. Norsk Tipping has been granted a concession to run a pilot project for Internet gaming, as has Norsk Rikstoto and 10 larger humanitarian organisations. The pilot, which ran throughout the second half of 2000, is part of a major restructuring project concerning the entire technological platform of Norsk Tipping, fully utilising new digital/electronic sales and distribution channels. We aim to offer our players a fully-fledged, functional and secure e-business solution as soon as possible after legislation has been changed.

#### **A solution for the future**

Our technological solution is constructed around three central elements:




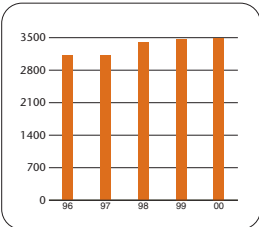
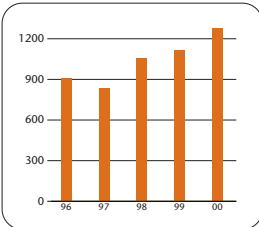
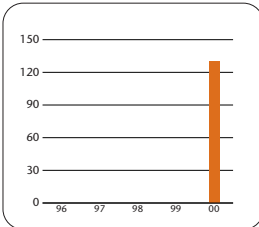
- Central systems for games, payment and identification.

- The Internet shop  
[www.norsk-tipping.no](http://www.norsk-tipping.no) accessible from all relevant terminals (for example, PCs, PDAs and mobile phones).
- A smartcard and card reader that provide secure identification of players, allow direct deposits and withdrawals to/from card or bank accounts, making individual adaptation possible.





#### **Extensive project**

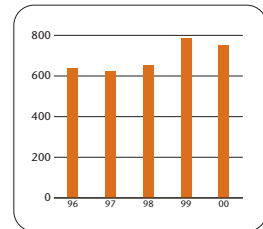
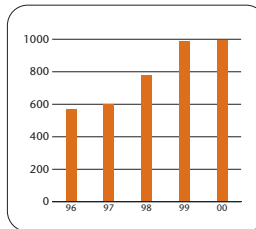
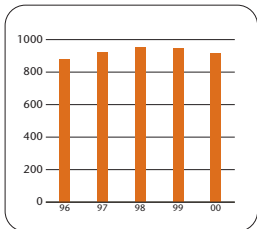
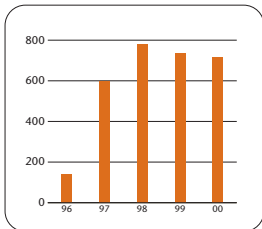
The e-business project – known internally as "Hermes" – has required considerable resources. Total investments will amount to nearly NOK 100 million over two years. Among 30 of Norsk Tipping's employees is directly involved, in addition to external expertise within specific areas.

## Facts about the games

	 <small>WWW.NORSK-TIPPING.NO</small>	 <small>WWW.NORSK-TIPPING.NO</small>	 <small>WWW.NORSK-TIPPING.NO</small>	
	<p><b>The millionaire dream on a Saturday – Norway's largest game</b></p> <p>Lotto is the number chance game with the large prizes, where everyone has an equal opportunity to win. Lotto is perceived as harmless entertainment, where the dream of winning big is the main motivator.</p>	<p><b>Lotto on a Wednesday – Nordic game with common first prize</b></p> <p>Viking Lotto is a Nordic game operated jointly by the national lotteries. In week 6, the second triple rollover in the history of Viking Lotto occurred. This gave a turnover of NOK 81 million, compared to an ordinary weekly turnover of NOK 21 million.</p>	<p><b>An extra opportunity – complementary game</b></p> <p>Joker complements the Lotto game on Saturday, where the draw is on the player card number. It was introduced in May 2000.</p>	
<b>Turnover (NOK mill):</b>	<b>3 495.2</b>	<b>1 276.5</b>	<b>130.1 (introduced in May)</b>	
<b>Change:</b>	<b>+ 0.7 %</b>	<b>+ 14.4 %</b>	<b>-</b>	
<b>Share of NT's games:</b>	<b>42.2 %</b>	<b>15.4 %</b>	<b>1.6 %</b>	
<b>No. of players/week:</b>	<b>1.5 mill.</b>	<b>460 000</b>	<b>250 000</b>	
<b>Sex distribution:</b>	<b>F: 50 %    M: 50 %</b>	<b>F: 38 %    M: 62 %</b>	<b>F: 50 %    M: 50 %</b>	
<b>Average age:</b>	<b>49 years</b>	<b>50 years</b>	<b>46 years</b>	
<b>Average stake player/week:</b>	<b>NOK 44</b>	<b>NOK 50</b>	<b>NOK 20</b>	
<b>Largest gaming county:</b>	<b>Finnmark</b>	<b>Finnmark</b>	<b>Finnmark</b>	
<b>Largest gaming municipality:</b>	<b>Nord-Odal</b>	<b>Torsken</b>	<b>Berlevåg</b>	
<b>Largest prize paid out:</b>	<b>NOK 10 322 479 (week 16/2000)</b>	<b>NOK 17 663 498 (week 36/1999)</b>	<b>NOK 2 505 000 (week 48/2000)</b>	
<b>Turnover (NOK mill):</b>				



 <small>WWW.NORSK-TIPPING.NO</small>	 <small>WWW.NORSK-TIPPING.NO</small>	 <small>WWW.NORSK-TIPPING.NO</small>	 <small>WWW.NORSK-TIPPING.NO</small>	
<p><b>A few exciting moments of televisual fun – every Tuesday</b></p> <p>Extra is operated by Norsk Tipping on behalf of the Norwegian Foundation for Health and Rehabilitation. Profits are distributed by the Foundation to projects within health, rehabilitation and research.</p>	<p><b>Traditions and many new opportunities for those interested in soccer</b></p> <p>Following a period of strong renewal and development, Tipping has been impacted by Internet games. However, once the Internet becomes a legal channel, Tipping's strong tradition of PC-based gaming will restore its potential.</p>	<p><b>A game that appeals to the young and to the sports enthusiast</b></p> <p>After strong growth through recent years, Oddsen is feeling the competition from Internet games. Renewed growth depends on the company's ability to use the Internet as an alternative sales channel.</p>	<p><b>Instants game with high impulse attraction</b></p> <p>Flax is the largest scratch game in Norway, but is affected by competition from other providers of impulse products.</p>	
714.9	915.9	996.1	748.5	
- 2.9 %	- 3.1 %	+ 0.7 %	- 4.8 %	
8.6 %	11.1 %	12.0 %	9.1 %	
560 000	247 000	114 000	211 700	
F: 62 %    M: 38 %	F: 33 %    M: 67 %	F: 9 %    M: 91 %	F: 50 %    M: 50 %	
51 years	49 years	28 years	43 years	
NOK 24	NOK 52	NOK 97	NOK 67	
Finnmark	Finnmark	Oslo	Finnmark	
Berlevåg	Årdal	Fedje	Modalen	
NOK 2 000 000 (prize limit)	NOK 3 580 000 (week 50/1994)	NOK 4 980 000 (week 15/2000)	NOK 10 000 per month for 10 years (MånedsFlax) NOK 500 000 (Flax)	



## Board of Directors' Report

2000 was yet another year of growth for Norsk Tipping. However, growth was somewhat slower than in previous years, due principally to increased competition from Internet games and continued growth in the gaming machines sector. Profit for distribution among the beneficiaries ended at NOK 2 654 million, an increase of 1.0 per cent. This means that the sport, culture and research sectors each received NOK 824 million, while NOK 182 million went to health and rehabilitation. Total games turnover ended at NOK 8 277 million: an increase of NOK 235 million, or 2.9 per cent over 1999.

In a market of escalating competition, Norsk Tipping continued the positive trend of growth in both income and profit. According to Norsk Tipping's estimates, the total market grew by 3.4 per cent, which entails for Norsk Tipping a modest reduction in market share from 37.1 per cent to 36.9 per cent. On average, each Norwegian spent NOK 1 842 on Norsk Tipping's games. The development of each game varies. The Lotto games, both on Wednesday and Saturday, achieved sound development and account for most of the growth. In addition, Lotto's complementary game, Joker, has stabilised with an additional weekly turnover of NOK 5 million, without adversely influencing Lotto's turnover. Since its introduction in May, Joker has contributed NOK 130 million. As a group, the games of skill exhibited a modest decrease in turnover, directly attributable to increasing competition from international Internet

games. Extra and Flax also recorded a decrease in turnover, but experienced positive development towards the end of the year. The Flax variant KjempeFlax, which had been introduced in the autumn of 1999, was discontinued in the summer of 2000 to be replaced by MånedsFlax a few weeks later. As a whole, the past year clearly underlines the need for constant product development and renewal. For 2001 and beyond, ambitious and dynamic plans are in place to strengthen the position of games that are slowing down.

### **Continued market growth**

Following a growth of nearly 10 per cent in 1999, growth in the Norwegian gaming market was more moderate in 2000, at 3.4 per cent, or NOK 747 million.

The Norwegian gaming market is characterised by a large number of gaming machines per capita, higher than any

other nation in Europe. Gaming machines constitute the largest market segment, with a market share of around 40 per cent in 2000, remaining approximately on the same level as the year before. The new 18-year age limit for playing gaming machines will probably limit further growth potential, depending on how efficiently this rule is enforced.

However, the most significant market trend is the continually rapid expansion of Internet games. Following an estimated growth of NOK 80 million in 1999, Norsk Tipping's current estimates show a growth in 2000 of NOK 250 million. Although this represents a relatively modest market share, it still corresponds to a turnover of some NOK 400 million for private foreign operators, and therefore less profits for distribution to Norwegian beneficiaries. An increasing number of foreign operators are entering the Norwegian market with games hosted

Sigmund True, Chairman



Torgeir Mjor Grimsrud



Anni Onsager



on Internet servers abroad that are adapted specifically for Norwegian players. Generally, these are odds-based games that attract players through better odds and higher prizes than Norsk Tipping can offer, because of their duty to create profits for beneficiaries.

Horse betting in Norway, operated by Norsk Rikstoto, also exhibited a good growth of 10 per cent for the second year running. One factor that contributed to this growth was the TV transmissions of races at a number of retailers. Other games, for example lotteries and bingo, showed a relatively stable or slightly falling tendency, and constitute a decreasing share of the total.

**Ready for e-business**

Norwegian authorities have for a long time been reluctant to allow money games on the Internet. However, the Storting, the Norwegian Parliament, has stated it would be impossible to prohibit this in the longer term, in the light of ongoing technological and market development. This is the background to the pilot concession granted to Norsk Tipping and Norsk Rikstoto for the testing of Internet games. The company has been preparing these games throughout a test period, and will be ready to intro-

duce a number of games soon after legislation has been changed.

Through 2000 and into 2001, Norsk Tipping has been running an extensive e-business project that has engaged considerable resources. This project is comparable to the introduction of the online system 10 years ago in terms of technological shift, implications for operational procedures and the players' gaming experience. The project has by no means been limited to getting Norsk Tipping's games onto the Internet. We face a technological future offering far more fundamental challenges and opportunities than are presented by the Internet alone. When the Internet and digital TV technologies have converged, a new market will open up and consumers' preferences and purchasing habits will change dramatically, not least when it comes to games and entertainment. Norsk Tipping's new smart card, which has been developed in co-operation with Ergo Group (previously Posten/SDS) and Telenor, and which was pre-launched in 1999, is at the heart of Norsk Tipping's e-business solution. It facilitates a secure, electronic identification and makes possible a number of flexible solutions, developed according to players' requirements.

By means of the smart card and related technology, players can identify themselves and play via PC or set-top boxes that convert traditional TVs to Internet terminals with new, interactive functionality, as well as via mobile telephones, handheld computers – and of course via a Norsk Tipping terminal at one of many retailers. The smart card can also be used to pay stakes and receive prizes, as well as to transfer money between the card and the player's bank account. Opportunities for additional use are virtually unlimited, as the games related information occupies only a small proportion of the card's storage capacity.

The smart card, the central gaming system and the infrastructure that supports it, constitute a secure and up-to-date technological platform for Norsk Tipping's business in the years to come.

**Reputation and profile**

Today, Norsk Tipping has 2.1 million player cards registered in its database. Approximately 97 per cent of turnover comes from players using their cards. The nationwide online system and the services provided by the player card, result in high numbers of electronic transactions every week, up to 600 per second. The new smart card technology

## Board of Directors' Report

will give the company unique opportunities for direct communication with the individual player, and may be used to provide individually tailored information, as well as making the gaming experience more direct and interactive. In developing these opportunities, customer understanding and creativity are key qualities that the company will encourage in the years ahead. However, our new offerings will always be founded in a sincere respect for our customers' integrity.

Norsk Tipping's ambition is to be clearly at the forefront of technology. However, just as much emphasis will be put on safeguarding the company's reputation and the crucial trust it enjoys among the playing public. In the future, a good reputation might well be the most important factor for building loyalty in a market where the effort of switching to another supplier is limited to a mere mouse click. Therefore, in our application of new technology, Norsk Tipping will never cross the boundaries for acceptable communication and marketing. Security, ethics, creativity and environmental consciousness will continue to be cornerstones of our systematic work to build Norsk Tipping's profile

and reputation. When the online technology was introduced 10 years ago, it was accompanied by a major redesign of the company's identity. The core of the strategy was to build Norsk Tipping into a strong corporate brand and owner of individual games brands – with the realisation that the company's reputation would be an important competitive factor in the future. Now, with the introduction of the next generation technological platform, we are repeating the exercise of modernising and strengthening our corporate identity, which started in 1999 and will be completed in 2001. Key words that describe our new identity are "dream", "enthusiasm", "excitement" and "entertainment". These are reflected in both our visual identity and our vision – "we give the dream a chance", as well as in the new shop exteriors and interiors now being installed throughout the retailer network.

The company's profile will also be largely determined by the appearance of our draws and shows on TV. This is why in 2000 the company acquired its long-term supplier of TV productions, Video Øst, later renamed Fabelaktiv AS and made a subsidiary of Norsk Tipping. This

Ummi Oliv



Reidar Aasen



was undertaken to secure control of the entire value chain, but also to improve our internal expertise on the all-important presentation of the draws. During the year, a TV co-ordinator was recruited, our expertise in TV graphics was considerably strengthened and the development of technology and systems has been ongoing, all with the aim of making the TV draws more interesting and entertaining.

### Important network of retailers

For more than 50 years, Norsk Tipping's nationwide network of retailers has constituted an important competitive advantage. This will continue to be the case, even with the advent of new technology that presents the player with a greater choice. The retailers' future lies in expanding the players' experience by creating a friendly and stimulating environment. This represents a great opportunity for the retailer and the company. At the end of 2000, Norsk Tipping had 3 801 retailers and throughout the year they were the beneficiaries of an extensive training programme.

### International orientation

For a small company like Norsk Tipping, an international outlook is important for





securing future-oriented development in the home market. This is the reason for the company's strong international focus and commitment. In 1999, the company hosted the international lottery congress Oslo Relations '99. In 2000, Norsk Tipping's CEO Reidar Nordby Jr. was elected president of the World Lottery Association, WLA, a global organisation with a membership of more than 100 gaming companies. This provides Norsk Tipping with unique insight into international trends, as well as opportunities to help promote a sound development of the gaming industry.

The Board interprets Mr. Nordby's appointment as an affirmation that Norsk Tipping is recognised internationally as a professional gaming company, with leading technology, creative marketing and a responsible attitude towards, and understanding of, its role in society. The increasing number of international consultancy assignments the company is asked to undertake further confirms this. Although such work generates marginal additional revenue, it is nevertheless important because of the expertise and experience accumulated in the process.

#### **Expertise development**

Norsk Tipping's accrued expertise and experience represent considerable non-material value. The company wants to clarify and visualise these resources to better manage and develop them in a structured way. This is why from 2000 onwards, the company will present its intellectual accounts, which document and quantify the intellectual capital the company possesses. This will be an important tool in further developing Norsk Tipping as a leading knowledge-based company.

#### **Prospects**

In the Board's opinion, Norsk Tipping's prospects are good. The company commands a leading position in the market and has a good standing and reputation amongst its customers and society in general. The retailer network represents a unique competitive advantage, and a new technological platform is near completion. Also important is our position as the undisputed centre of games expertise in Norway. Overall, this makes the company well prepared to meet the challenges of an increasingly competitive gaming market.

#### **Organisation and personnel**

In 2000, the organisation was once again challenged to display its agility and motivation, particularly in relation to the complex e-business project and the introduction of Joker. The company is an attractive employer, and a number of highly qualified new employees have been recruited to foster a dynamic environment within the organisation. At the start of the year, Norsk Tipping had 260 employees, of which 209 were full-time and 51 part-time. At the end of the year, the figures were 273, 227 and 46 respectively. This gives an average number of 267 employees.

#### **Health, Environment and Safety (HES)**

Norsk Tipping has for many years emphasised structured HES work and followed it up via a separate action plan. In the Board's view, the company has a good working environment. In 2000, absence figures due to sickness were low (3.8 per cent). Internal communication seems to be constructive and positive, as is co-operation with trade unions and employee representatives. At the beginning of 2001, a project was initiated by the internal medical service with the objective of improving employees' health.

## Board of Directors' Report

The company has no products, processes or other activities that have a bearing on the external environment; nevertheless much emphasis is placed on an environmentally friendly approach to all aspects of the business. For example, for a number of years all coupons and tick-

ets have been printed using non-toxic ink on recycled and recyclable paper.

### Going concern value

A going concern value is assumed as the basis for the annual report and accounts for 2000.

### Profit allocation

The total result for the financial year of 2000 amounted to NOK 2 764 100 139.

Total result	kr 2 764 100 139
Health and Rehabilitation	kr 182 465 919
<b>Total profit, Norsk Tipping</b>	<b>kr 2 581 634 220</b>
Which is proposed allocated as follows:	
Equalisation fund	kr 0
Investment fund	kr 109 634 220
Sports, culture and research	kr 2 472 000 000
<b>Total</b>	<b>kr 2 581 634 220</b>

The profits from Lotto, Joker, Viking Lotto, Oddsen, Tipping and Flax, as well as the operator's fee for Extra, are distributed in equal thirds to the sports, culture and research sectors. Each of these sectors is allocated a sum of NOK 824 million.

The Board of Directors of Norsk Tipping AS  
Hamar, 5 March 2001

*Sigmund Thue*  
Signature  
Sigmund Thue  
Chairman

*Marit Skaugen Holmberg*  
Marit Skaugen Holmberg

*Torgeth Mjøl Grimsrud*  
Torgeth Mjøl Grimsrud

*Unni Olav*  
Unni Olav

*Anni Onsager*  
Anni Onsager

*Reidar Aasen*  
Reidar Aasen

*Reidar Nordby*  
Reidar Nordby  
President and Chief Executive Officer

Intellectual Capital Sweden AB has prepared Norsk Tipping's intellectual capital accounts with the standardised measurement tool IC Rating™. The method is based on structured interviews with internal and external respondents who have good insight into the company's business and the environment in which it operates.

## Intellectual capital

### Definitions

Intellectual capital: Value-creating factors that do not appear in the traditional balance sheet, but which nonetheless are of critical importance to the company's long-term profitability. Intellectual capital consists of four main elements:

#### Business idea

The strength of the company's business idea and strategy in relation to the potential and risk of the business sector in which it operates.

#### Organisational structural capital

Non-material rights and process capital (e.g. efficiency and dynamism in working processes and methods, IT systems, reusable expertise and company culture).

#### Human capital

Management's and employees' capabilities, expertise, loyalty and ability to develop and utilise the intellectual capital and contribute to operational effectiveness.

#### Relational structural capital

The strength of the external relations network, the strength of the brand expressed in degrees of knowledge, reputation and differentiation, and the value driving power of customers in terms of the size, composition, loyalty and potential of the customer base.

### Methodology

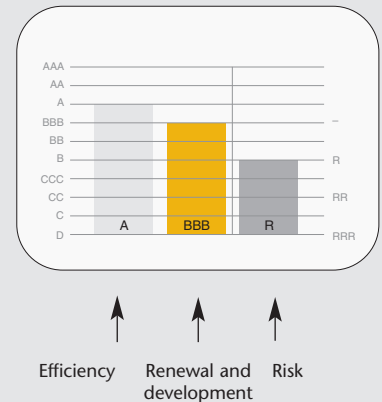
IC Rating™ is based upon data collected through structured and quantifiable interviews with management, key personnel and external interests. Each of the intellectual capital's four elements is rated from three perspectives: 1) efficiency; 2) efforts of renewal and development; 3) risk. The first two perspectives are presented by means of a 10 level scale denominated by letters. The risk scale has 4 levels. Plus and minus signs denote nuances within each category.

"Norsk Tipping is one of the pioneers to publish and visualise its intellectual capital in this manner. This kind of transparency is requested by the US Stock Exchange Authorities in the report "The Unseen Wealth", published by the Brookings Institute, Washington, November 2000".

#### Leif Edvinsson

Founder of Future Centre International

### The measurement tool IC Rating™



#### Efficiency

The value/efficiency of the intellectual capital today

AAA	Extremely high efficiency
AA	Very high efficiency
A	High efficiency
BBB	Relatively high efficiency
BB	Average efficiency
B	Relatively low efficiency
CCC	Low efficiency
CC	Very low efficiency
C	Extremely low efficiency
D	No efficiency

#### Renewal and development

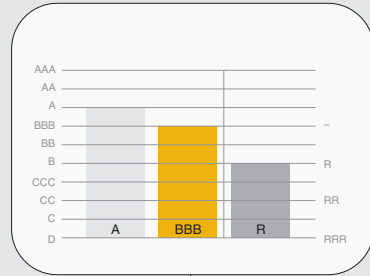
Efforts made to renew and develop the intellectual capital

AAA	Extremely good efforts
AA	Very good efforts
A	Good efforts
BBB	Relatively good efforts
BB	Average efforts
B	Relatively weak efforts
CCC	Weak efforts
CC	Very weak efforts
C	Extremely weak efforts
D	No efforts

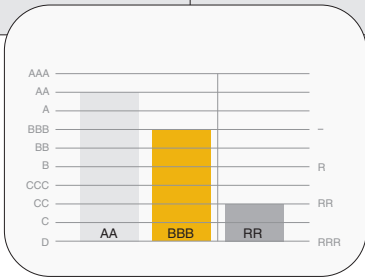
#### Risk

The risk of reduction of the intellectual capital's current value

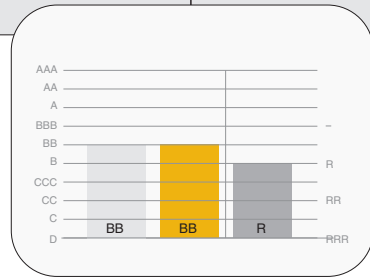
–	Ignorable
R	Average risk
RR	High risk
RRR	Very high risk



**Intellectual capital**



**Business idea**



**Organisational structural capital**

The business idea has a very high efficiency. Relatively good efforts are made to renew and develop this element. However, the risk of reduced efficiency is high. This is primarily a result of increasing competition, particularly from Internet-based games.

Public legislation both protects and reduces Norsk Tipping's growth potential. For now, legislation prevents Norsk Tipping from using the Internet as a distribution channel, while at the same time competitors cannot establish competing games within Norsk Tipping's core area.

The market position of games like Lotto and Tipping and the infrastructure provided by Norsk Tipping's extensive retailer network, give the company a unique position. During the next three years, Norsk Tipping is expected to grow in parallel with the general market, with continued high demand for the company's products. However, in the longer run demand is predicted to slow down as a result of increasing competition from other operators, both physical and digital. Norsk Tipping's profitability is expected to remain higher than the rest of the market, since the company's experience and expertise secures cost-efficient operations. In addition, the prize payback ratio is relatively low compared to competitors, but profit distribution to beneficiaries is correspondingly high.

The high risk inherent in the business idea relates to international Internet-based competitors and a possible future de-regulation of the market.

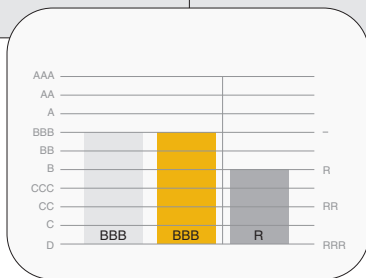
This element of the intellectual capital has an average efficiency and the renewal efforts are assessed to be average. The risk of a reduction in efficiency is also average.

The strongest areas are processes for marketing and market surveillance, with well-developed procedures.

The routines for handling relations with retailers work well. They are based on retailers handling daily contact with the players, while Norsk Tipping only occasionally has direct player contact. As new opportunities emerge for increased direct player contact, more mature customer relation routines will be required.

The routines for sharing expertise among employees, as well as systems for ensuring a feeling of commitment and participation on the part of the employees, display an average efficiency. Much of this happens informally. This could be improved by the documentation and communication of common routines and processes. Also, increased integration between departments could provide greater flexibility and better proliferation of knowledge within the organisation.

Norsk Tipping has a high efficiency rating and makes relatively good efforts to renew and develop its intellectual capital. The risk of a reduction of current efficiency is assessed to be average. The business idea and the relational structural capital are the strongest elements of Norsk Tipping's intellectual capital.



**Human capital**

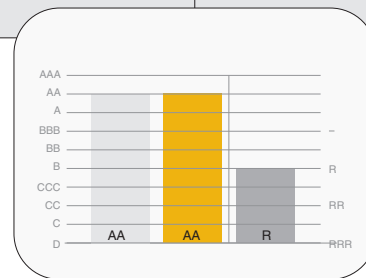
The human capital has a relatively high efficiency and renewal efforts are good. The risk of reduction is assessed to be average.

External leadership is very strong. The management has good strategic capabilities and are perceived to be strong negotiators. Their ability to communicate the company's mission and vision is strong. They are also perceived to be very business-oriented.

However, internal leadership has potential for improvement when it comes to building a desirable, future-oriented company culture and more effective internal communication.

Employees have solid knowledge of the company's products and the market. Loyalty is strong and motivation relatively high. There is, however, a need to strengthen the motivation of younger employees through more attractive compensation plans linked to individual performance. To promote creativity and innovation, levels of expertise need to be increased. The employees are seen to be productive and to deliver quality.

In 2001, the company established the development program "For a change...". Improvement processes have been initiated to build a desired company culture and to develop internal leadership capabilities.



**Relational structural capital**

The structural capital based on external relations has a very high efficiency, coupled with very good efforts of renewal and development. The risk of reduction in efficiency is regarded to be average.

The strongest part of Norsk Tipping's relations lies in the retailer network. Good efforts are made to improve direct contact with players by the development of the player card's functionality. The media network is very strong. The management has a strong formal and informal network that spans authorities and the international gaming industry. The international network is useful when it comes to product development.

Norsk Tipping has some of Norway's most recognised credible brands. The company's market position and its beneficiary causes give it a visible and unique position. Good efforts are made to continually develop the brands and to retain their high value.

The principal strength of Norsk Tipping's customer base is its size – there are 2.1 million player cards registered. These cards are the predecessors of the smart-card concept, which is under development. Through its retailers, Norsk Tipping enjoys a good relationship with its customers. On the negative side, the company has not succeeded in attracting younger players.

## Profit and loss account

	Note	2000 NOK mill	1999 NOK mill	Change NOK mill	Change percentage
<b>OPERATING INCOME, GAMES</b>					
Games revenue	1	8 277.2	8 042.3	234.9	2.9 %
<b>OPERATING COSTS, GAMES</b>					
Prizes		4 294.3	4 149.5	144.8	3.5 %
Games commission		630.0	606.7	23.3	3.8 %
Internal costs	2	629.2	594.3	34.9	5.9 %
<b>TOTAL OPERATING COSTS, GAMES</b>		<b>5 553.5</b>	<b>5 350.5</b>	<b>203.0</b>	<b>3.8 %</b>
<b>OPERATING RESULT, GAMES</b>		<b>2 723.7</b>	<b>2 691.8</b>	<b>31.9</b>	<b>1.2 %</b>
Other operating income	3	100.3	104.5	- 4.2	- 4.0 %
Other operating costs	4	83.7	81.6	2.1	2.6 %
Current development costs	5	52.2	21.5	30.7	142.8 %
Depreciations	6	41.5	63.6	- 22.1	- 34.7 %
<b>TOTAL OPERATING RESULT</b>		<b>2 646.6</b>	<b>2 629.6</b>	<b>17.0</b>	<b>0.6 %</b>
Net income financial items	7	117.5	86.9	30.6	35.2 %
Extraordinary income		0.0	2.3	- 2.3	- 100.0 %
<b>PROFIT</b>		<b>2 764.1</b>	<b>2 718.8</b>	<b>45.3</b>	<b>1.7 %</b>
<b>The profit is distributed as follows:</b>					
Norsk Tipping AS		2 581.6	2 526.9	54.7	2.2 %
Health and Rehabilitation		182.5	191.9	- 9.4	- 4.9 %
Operating percentage, games		32.9 %	33.5 %		
Cost percentage, games		7.6 %	7.4 %		
Cost percentage (incl. games, depr. and dev. cost)		8.7 %	8.4 %		
Profit margin		33.4 %	33.8 %		

## Balance sheet

	Note	2000 NOK mill	1999 NOK mill
<b>ASSETS</b>			
<b>Fixed assets</b>			
Buildings and real estate	8	35.8	33.4
Vehicles, fixtures and equipment	8	84.2	86.5
Shares in subsidiary	9	6.0	0.0
Mortgage bonds, housing loans to employees, etc.	10	14.6	8.5
Winnings regulations fund, DnP	11	6.2	6.9
<b>Total fixed assets</b>		<b>146.8</b>	<b>135.3</b>
<b>Current assets</b>			
Merchandise stock	12	2.3	3.1
Customer receivables	13	4.4	3.1
Claims on retailers	14	136.1	97.4
Loan to subsidiary	15	1.0	0.0
Other receivables	16	13.6	28.3
Cash reserves		3 091.1	2 879.5
<b>Total current assets</b>		<b>3 248.5</b>	<b>3 011.4</b>
<b>TOTAL ASSETS</b>		<b>3 395.3</b>	<b>3 146.7</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		0.2	0.2
Investment fund	17	358.0	238.5
<b>Total equity</b>		<b>358.2</b>	<b>238.7</b>
<b>Long-term liabilities</b>			
Prize funds	18	221.1	184.0
Long term bank loan	19	6.2	6.9
<b>Total long-term liabilities</b>		<b>227.3</b>	<b>190.9</b>
<b>Short-term liabilities</b>			
Trade creditors		45.3	44.2
Prize liabilities		146.3	113.2
Prepaid stakes		113.9	96.5
Tax deductions, employer's social security and contributions, etc.		8.7	8.0
Other short-term liabilities	20	12.1	7.3
Equalisation fund	21	0.0	0.0
Remaining profit for distribution	22	2 483.5	2 447.9
<b>Total short-term liabilities</b>		<b>2 809.8</b>	<b>2 717.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3 395.3</b>	<b>3 146.7</b>

The Board of Directors of Norsk Tipping AS  
Hamar, 5 March 2000

*Sigmund Thue*  
Signature  
Sigmund Thue  
Chairman

*Marit Skaugen Holmberg*  
Marit Skaugen Holmberg

*Torgeir Mjør Grimsrud*  
Torgeir Mjør Grimsrud

*Unni Olav*  
Unni Olav

*Anni Onsager*  
Anni Onsager

*Reidar Aasen*  
Reidar Aasen

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

*Kjell Johanson*  
Kjell Johanson  
Financial Manager

## Cash flow statement

	2000 NOK mill	1999 NOK mill
<b>Cash flow from operating activities</b>		
Profit	2 764.1	2 718.8
Profit on sale of assets	- 2.2	- 0.2
Investment and project depreciations	41.5	63.6
Changes in claims on retailers	- 38.8	30.2
Changes in other short-term liabilities	13.2	- 15.4
Changes in trade creditors	1.1	5.4
Changes in other accruals	- 11.4	- 4.2
<b>Net cash flow from operating activities</b>	<b>2 767.6</b>	<b>2 798.2</b>
<b>Cash flow from investing activities</b>		
Receipts on sale of fixed assets	2.2	0.2
Payments on purchase of fixed assets	- 41.6	- 76.4
Changes in project costs	0.0	41.1
<b>Net cash flow from investing activities</b>	<b>- 39.4</b>	<b>- 35.1</b>
<b>Cash flow from financing activities</b>		
Net changes in long-term liabilities	36.4	35.7
Net changes in short-term liabilities	56.0	- 57.8
Net changes in investment fund	119.5	96.5
Payments and allocations of profit	- 2 728.5	- 2 396.5
<b>Net cash flow from financing activities</b>	<b>- 2 516.6</b>	<b>- 2 322.1</b>
Net changes in cash holdings	211.6	441.0
Cash reserves as of 1/1	2 879.5	2 438.5
<b>Cash reserves at the end of the period</b>	<b>3 091.1</b>	<b>2 879.5</b>



## 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 the Norwegian Foundation for 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:** From and including the financial year 2000, all investments are depreciated over the investment's estimated life time. For the Online project, this principle has been used in the entire project period. 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 Norwegian Public Service 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.

**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.

All amounts appearing in the tables are in NOK 1000

### 1 GAMES REVENUE

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

Games		2000	1999	Change	Change percentage
Lotto	NOK	3 495 242	3 469 802	25 440	0.7
Viking Lotto	NOK	1 276 541	1 116 228	160 313	14.4
Joker	NOK	130 053	0	130 053	-
Tipping	NOK	915 888	944 900	- 29 012	- 3.1
Oddsden	NOK	996 067	988 995	7 072	0.7
Flax	NOK	748 484	786 046	- 37 562	- 4.8
<b>Norsk Tipping's games</b>	<b>NOK</b>	<b>7 562 275</b>	<b>7 305 971</b>	<b>256 304</b>	<b>3.5</b>
Extra	NOK	714 891	736 346	- 21 455	- 2.9
<b>Total games revenue</b>	<b>NOK</b>	<b>8 277 166</b>	<b>8 042 317</b>	<b>234 849</b>	<b>2.9</b>

### 2 INTERNAL COSTS/REMUNERATIONS

Internal games-related costs for 2000 include the following:

Personnel costs	NOK	117 424
Other operating costs	NOK	511 785
<b>Total internal costs</b>	<b>NOK</b>	<b>629 209</b>

Costs related to employees include the following:

Salaries and fees	NOK	93 296
Social Security tax and Norwegian Public Service Pension Fund	NOK	21 255
Other social costs	NOK	2 873
	NOK	117 424
Other costs	NOK	4 522
<b>Total</b>	<b>NOK</b>	<b>121 946</b>

The total remuneration paid to the company's Board of Directors in 2000 was NOK 378 300. The CEO's salary for the year was NOK 800 000. 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 operator's fees to Norsk Tipping for the operation of Extra, sales of player cards, approved reimbursement of initial costs (the DnP/Flax concept), profit from the reimbursement of assets, sales internal canteen/shop, start-up fees from new retailers 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 100.3 mill** has been entered as other income and distributed to the following beneficiaries:

Norsk Tipping	NOK	99 535
Health and Rehabilitation	NOK	780
<b>Total other income</b>	<b>NOK</b>	<b>100 315</b>

#### 4 OTHER OPERATING COSTS

This item includes operator's fee for the Norwegian Foundation for Health and Rehabilitation to Norsk Tipping for its operation of Extra, commission to retailers for the sale of player cards, product purchases to internal canteen and shop, start-up costs in relation to new retailers and other sundry expenses.

A total sum of **NOK 83.7 mill.** has been charged to the accounts and apportioned to the beneficiaries as follows:

Norsk Tipping	NOK	20 819
Health and Rehabilitation	NOK	62 834
<b>Total other costs</b>	<b>NOK</b>	<b>83 653</b>

#### 5 CURRENT DEVELOPMENT COSTS

Costs in connection with substantial projects in 2000

(e-business and Joker)	NOK	52 189
------------------------	-----	--------

#### 6 DEPRECIATIONS

Total depreciations for 2000 amount to **NOK 41,5 mill.**

The following **ordinary** depreciations have been made in 2000:

Vehicles	NOK	1 086
Computer systems/machines/fixtures	NOK	4 356
Building/other real estate	NOK	206
<b>Total</b>	<b>NOK</b>	<b>5 648</b>

#### The Online project:

In accordance with the company's depreciation plan, depreciation for the Online project amounts to **NOK 35,9 mill.**

#### 7 NET INCOME FINANCIAL ITEMS

Total net income financial items amounts to **NOK 117,5 mill.:**

##### Financial income

Interest/financial income	NOK	127 790
Profit on exchange	NOK	1 076
<b>Total financial income</b>	<b>NOK</b>	<b>128 866</b>

##### Financial costs

Interest/financial costs	NOK	11 105
Loss on exchange	NOK	311
<b>Total financial costs</b>	<b>NOK</b>	<b>11 416</b>

<b>Net income financial items</b>	<b>NOK</b>	<b>117 450</b>
-----------------------------------	------------	----------------

## 8 FIXED ASSETS

**Book value:****Machines/fixtures/vehicles**

Cost of acquisitions as of 01.01.2000	NOK	458 515
Disposals in 2000	NOK	85 330
Acquisitions in 2000	NOK	36 471
Cost of acquisitions as of 31.12.2000	NOK	409 656
Accumulated ordinary depreciations	NOK	141 916
Accumulated online depreciations	NOK	183 536
Book value	NOK	84 204

**Buildings/real estate**

Cost of acquisitions as of 01.01.2000	NOK	139 306
Disposals in 2000	NOK	0
Acquisitions in 2000	NOK	5 124
Cost of acquisitions as of 31.12.2000	NOK	144 430
Accumulated ordinary depreciations	NOK	88 094
Accumulated online depreciations	NOK	20 578
Book value	NOK	35 758
<b>Total book value as of 31.12.2000</b>	<b>NOK</b>	<b>119 962</b>

**Fixed assets, cost of acquisitions as of 31.12.2000**

Vehicles	NOK	14 527
Computer systems/machines/fixtures	NOK	150 467
Terminals	NOK	244 662
Cost of acquisitions	NOK	409 656
Office/operations building	NOK	142 466
Holiday cabins	NOK	1 964
Cost of acquisitions	NOK	144 430
<b>Total cost of acquisitions as 31.12.2000</b>	<b>NOK</b>	<b>554 086</b>

**Investment overview 1996 – 2000**

		2000	1999	1998	1997	1996
Vehicles	NOK	4 568	3 391	2 513	4 987	1 474
Computer systems/machines/fixtures	NOK	31 903	21 074	23 255	13 644	10 396
Terminals	NOK	0	48 625	0	0	0
	<b>NOK</b>	<b>36 471</b>	<b>73 090</b>	<b>25 768</b>	<b>18 631</b>	<b>11 870</b>
Buildings/real estate	NOK	5 124	3 343	6 779	15 536	5 960
<b>Total investments</b>	<b>NOK</b>	<b>41 595</b>	<b>76 433</b>	<b>32 547</b>	<b>34 167</b>	<b>17 830</b>

## 9 SHARES IN SUBSIDIARY

Effective 03.01.2000, Norsk Tipping acquired all shares in Video Øst AS (now Fabelaktiv AS). The acquisition cost was **NOK 6 million**. Norsk Tipping has experienced a substantially increased involvement – both in terms of quantity and quality – when it comes to TV presentations of draws. The Company made a strategic decision to secure the entire value-chain and subsequently acquired all shares in Video Øst, which for a number of years had been the Company's TV production company.

According to the Accounting Act, § 3-8, a subsidiary should not be consolidated if the subsidiary's area of operation is significantly different from that of the Parent Company and the omission does not influence an evaluation of the company's position and result. The accounts for Fabelaktiv AS for 2000 show a profit before tax of NOK 955 332 and a profit after tax of NOK 672 733. The equity is NOK 2.8 million, hereof NOK 0.1 million as paid-in equity and NOK 2.7 million as other equity.

**10 MORTGAGE BONDS, HOUSING LOANS, ETC.**

Loans to employees	NOK	13 845
Instalment agreements (retailers), bonds and certificates	NOK	758
<b>Total</b>	<b>NOK</b>	<b>14 603</b>

Long-term loans to employees are all granted according to the loan regulations of the Norwegian Public Service Pension Fund.

**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 Det norsk Pengeletteri (DnP).

**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 52/2000 which was settled in week 1/2001, while the remaining are running claims. At the end of the year, Norsk Tipping had 3 801 retailers.

**15 LOAN TO SUBSIDIARY**

Fabelaktiv AS, Hamar (Norsk Tipping's wholly-owned subsidiary) acquired all shares in Valley Vision AS, Oslo, in November 2000. The purchase price, **NOK 1 million**, is in its entirety paid by Norsk Tipping and is granted as an interest-bearing, short-term loan to Fabelaktiv AS.

**16 OTHER RECEIVABLES**

This item comprises cost accrued/paid in advance.

## 17 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 01.01.2000	NOK	238 481
Credited to the fund:		
Interest for 2000	NOK	9 900
Allocated from the year's profit	NOK	109 634
<b>Total funds as of 31.12.2000</b>	<b>NOK</b>	<b>358 015</b>

## 18 PRIZE FUNDS

Prize funds have been set up for all the individual games. At the end of the year, total funds amounted to **NOK 221.1 million**.

The table below shows the balance for the individual games/funds:

<b>Games</b>	<b>As of 31.12.2000</b>	
Lotto	NOK	55 790
Viking Lotto	NOK	92 937
Joker	NOK	1 317
Tipping	NOK	22 681
Oddsden	NOK	6 472
Flax	NOK	17 047
<b>Total Norsk Tipping games</b>	<b>NOK</b>	<b>196 244</b>
Extra	NOK	24 904
<b>Total</b>	<b>NOK</b>	<b>221 148</b>

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.

## 19 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.

## 20 OTHER SHORT-TERM LIABILITIES

This item consists of returned prizes, deposits from retailers, end-of-year accruals, etc.

## 21 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 2000, **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.

## 22 REMAINING PROFIT FOR DISTRIBUTION

The annual profit of NOK 2 764 100 139 is distributed to two different beneficiaries. The profit from Extra goes to the Norwegian Foundation for Health and Rehabilitation, while the profit for Norsk Tipping 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 2000 has been apportioned in the following way:

Profit for Health and Rehabilitation	NOK	182 466
Paid on account in 2000	NOK	171 000
<b>Remaining profit to Health and Rehabilitation</b>	<b>NOK</b>	<b>11 466</b>
<b>Profit Norsk Tipping</b>	<b>NOK</b>	<b>2 581 634</b>
Allocated to equalisation fund	NOK	0
Allocated to investment fund	NOK	109 634
<b>Remaining profit to Norsk Tipping</b>	<b>NOK</b>	<b>2 472 000</b>
<b>Total remaining distributable profit</b>	<b>NOK</b>	<b>2 483 466</b>

## 23 PENSION PLANS

### Norwegian Public Service Pension Fund (SPF)

About the pension scheme:

Norsk Tipping AS has a group pension scheme for its employees in the Norwegian Public Service Pension Fund. The scheme covers benefits according to the act relating to the Public Service 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 31.12.2000 and covers 297 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 2000.

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 %

The early retirement execution factor is set to 20 %. Calculation-wise, this is done by assuming that everyone takes out full early retirement pension from the age of 66. Other actuarial assumptions are the same as used by the Public Service Pension Fund.

Changes to the pension plan in 2000 are as follows:

Effective 01.05.2000, the so-called breaking point was cancelled for employed members. This entails that all income up to 12G (NOK 589 080) is included as pension-earning for all earlier employment. The change does not affect already running pension payments.

The change has two effects:

- 1) A one-time increase in accumulated liabilities
- 2) Running pension accumulation becomes more expensive

The calculation assumes that the Company handles the change by entering the one-time cost increase into the accounts over two years. For practical purposes, the service pension fund has calculated the one-time effect as of 01.01.2000 (not as of 01.05.2000). According to the service pension fund's assessment, this will have a marginal effect on the estimated values as of 31.12.2000.

Further pension plan changes to the pension plan will be made in 2001 ("net spouse pension"). This future change is not reflected in the calculations for 2000.

Result:	
Gross accumulated pension liabilities as of 31.12.2000	96.6 NOK mill
Estimated value of pension funds (fictious fund)	93.2 NOK mill
Net accumulated liabilities	3.4 NOK mill
Not booked plan change, breaking point	2.2 NOK mill
Not booked estimate change and deviance	0.7 NOK mill
<b>Net pension liabilities before social security tax</b>	<b>0.5 NOK mill</b>

The under-absorption will be covered by Norsk Tipping during 2001.

Other information:

It should be noted that these figures have not been entered into the company's balance sheet as of 31.12.2000.

**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 9.2 million, and apply to 24 persons as of 31.12.2000. Of these, 6 will transfer to ordinary old-age pension in 2001. 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 2000

We have audited the annual financial statements of Norsk Tipping AS as of 31 December 2000, showing a profit of NOK 2 581 634 220.06. 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 have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and good auditing practice. Good auditing practice requires 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 as of 31 December 2000, 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

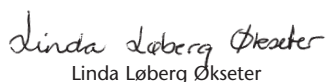
Oslo, 28 March 2001

For the Office of the Auditor General of Norway



Stig Kilvik

Deputy Director General



Linda Løberg Økseter

Senior Auditor

## Valued added statement

		<b>NOK mill</b>
Operating income		8 277.2
- Prizes to players	4 294.3	
- Purchase of consumables	514.7	
- Other costs	83.7	
- Current development costs	52.2	
+ Other income	100.3	4 844.6
<b>Gross value added</b>		<b>3 432.6</b>
- Depreciations	41.5	
+ Net income financial items	117.5	76.0
<b>Net value added</b>		<b>3 508.6</b>

### THE NET VALUE ADDED IS DISTRIBUTED AS FOLLOWS:

	<b>NOK mill</b>	<b>Percentage</b>
<b>To the state and local councils:</b>		
Tax deductions (on employees' salaries) and employer's social security and pension contributions	51.2	1.5 %
<b>To the employees:</b>		
Salaries (excl. tax deductions and employer's social security and pension contributions)	63.3	1.8 %
<b>To the retailers:</b>		
Games commission	630.0	18.0 %
<b>Retained by the company:</b>		
Investment fund	109.6	3.1 %
<b>Allocated:</b>		
Health and Rehabilitation	182.5	
Sports	824.0	
Culture	824.0	
Research	824.0	75.6 %
<b>Net value added</b>	<b>3 508.6</b>	<b>100.0 %</b>

# Organisation

## MANAGEMENT

President and CEO  
**Reidar Nordby Jr.**,  
Executive Vice President  
**Jon Olrud**,  
Vice President Planning  
and Development  
**Tollef Imsdalen**,  
Vice President Marketing  
**Randi B. Sætershagen**,  
Vice President Operations  
**Jan P. Strømshid**,  
Vice President Corporate Affairs  
**Tore Elman Tangen**,  
Vice President Organisation  
and Personnel  
**Gro Sørnbø**,  
Vice President Security  
**Morten Schjelderup**.

## 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

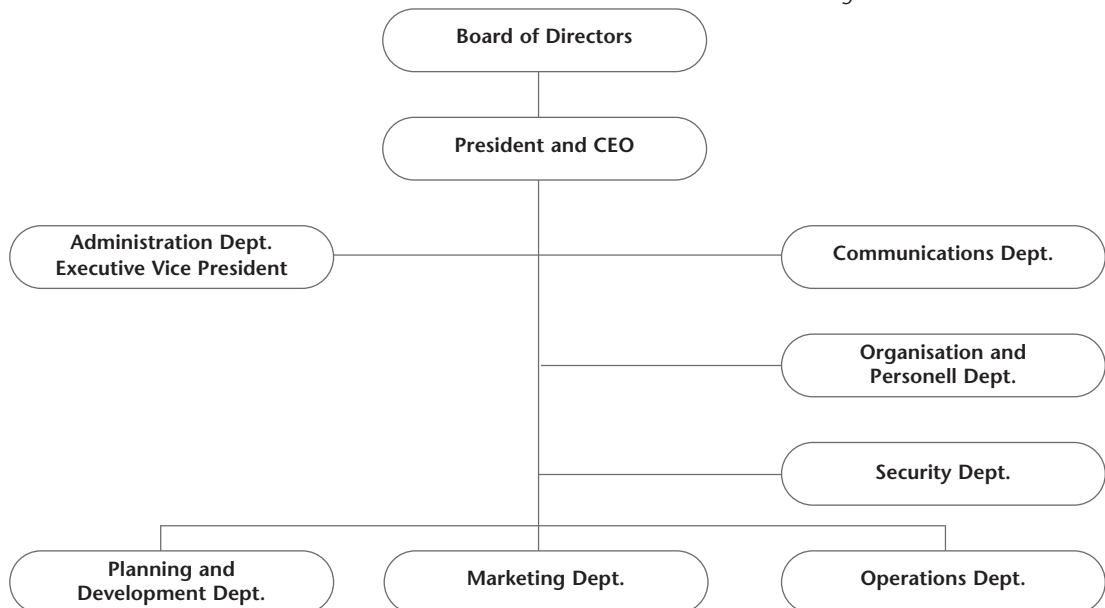
## STATE CONTROL BOARD

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

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

## NORWEGIAN GAMING BOARD

*The Norwegian Gaming Board was established 01.01.2001. The Board has the overall responsibility for supervising the Norwegian gaming market. The State Control Board, which currently reports to the Ministry of Cultural Affairs, will report to the Norwegian Gaming Board from 2002.*





## NORSK TIPPING

Norsk Tipping AS, N-2325 Hamar, Norway  
Phone: +47 62 51 40 00, Fax: +47 62 52 71 52  
[www.norsk-tipping.no](http://www.norsk-tipping.no)