

joy

Norsk Tipping Annual Report 2001

madness



NORSK TIPPING

10 million kroner just like that joy madness ?

If you ask the 10 players who won that much or more on Norsk Tipping's games in 2001, they will tell you that joy is the dominant feeling. The dream of, even once, being struck by such luck is also what inspires 2 million Norwegians to put a few kroner on one of Norsk Tipping's games every week. That adds up to even more money and more merriment – for everyone.





joy for everyone

It may be difficult to fully share your neighbour's merriment if he has won big on Lotto – and not you. But the fact is that we all benefit, whether we play or not. The profit from Norsk Tipping's total activities contributes to financing important sectors of society. In 2001, this profit amounted to NOK 2 757 million; of this, the sports, culture and research sectors received NOK 858 million each, while the Norwegian Foundation for Health and Rehabilitation received NOK 183 million. Since 1948, the activities of Norsk Tipping have generated profits of NOK 56 billion. These are figures that make a difference in all of our lives.

madness

Is it a fair proposition that the government should use games as a source of income and, at the same time, keep humanitarian, private organisations out of profitable gaming sectors? Norway is not so very different from other countries in this respect. Nearly all governments control the gaming market through strict and specific legislation, and, in most countries, the state-controlled gaming organisation is used as a financing instrument for important sectors of society. Within the boundaries of the current legislative framework, Norsk Tipping has developed a fruitful cooperation with humanitarian organisations and intends to develop this further.



joy of participating

In all fairness, the chances of winning big are pretty minute. But the chance is still there - for those who participate. The dream of winning may be the main motivator, but actually participating is what creates the excitement. Why else would so many people follow the draws every week?

madness

Problem gambling is a disorder that affects some persons, also in Norway, even if we are less exposed than players in some other countries. Disordered gambling is, first and foremost, a problem in relation to games that combine the possibility of large prizes with a short period of time between the placing of the bet and the prize draw. That is why this problem is limited with respect to the types of games that Norsk Tipping operates. Norsk Tipping supports research on the causes of disordered gambling.



madness

Is it healthy to win a large sum of money – become a millionaire without doing more than put a few kroner on a lottery? Are we becoming a nation of "Lotto millionaires" who want to become rich – fast? Norsk Tipping's surveys and contacts with first prize winners confirm that the prize money in nearly all cases has had a positive effect on their lives. In 2001, over half of those who won one million kroner or more accepted Norsk Tipping's offer of free advice from an independent financial advisor.

joy of winning

To win big – it's really a different experience. First, the intense rush of joy – then, the long-lasting satisfaction: the absence of financial worries, getting rid of the mortgage, being able to be really generous, the freedom to put some aside, travel, treat yourself to more free time... In 2001, 364 persons won more than one million kroner on Norsk Tipping's games.



joyssæupaw

For a dose of creative madness

Norsk Tipping is bound by a contract to society. As we stand on the threshold of what futurists call the "dream society", we need to become even more creative and look for new ways to meet our obligations under this contract. We need to display a bit of "creative madness", if you like.

For over 50 years, Norsk Tipping has provided excitement and entertainment for Norwegians and, at the same time, generated substantial value for our beneficiaries: sports, culture and research. Our development is a reflection of the development of society at large. The 1960's, 70's and 80's were the age of manual and, later, machine-automated coupon management. In 1992, the company entered the era of

information technology with the introduction of its online system. We are now making the transition into the digital age by making our games available through the Internet and other digital channels. In this way, our players get a wider choice and more freedom to play - how, where, and when they want.

In itself, this is not unique. Today, most companies have introduced digital sales channels to a larger or smaller extent. Still, it is quite special: Mainly because it has been a requirement all along that our Internet-based solution should not jeopardise the absolute confidence players have in Norsk Tipping. There was no available solution in the market that satisfied our extreme security demands. Therefore, we developed our own, in close cooperation with Norway Post and its subsidiary, ErgoGroup. The result is a secure e-business solution and a change in technological infrastructure of a magnitude and

complexity comparable to the introduction of the online system in 1992.

So where does "madness" fit into this picture? When it comes to security – not at all. However, the introduction of the new, digital playing platform is necessary to be able to meet individual players' demands for entertainment and recreation when and where it suits them – for example, in front of the PC at home, or via a mobile telephone or PDA. The players demand freedom of choice, which is exactly what we intend to give them. In the western world, our basic needs as human beings are met. We are now searching for both small and great experiences that will add that extra spice to life in general. In the "dream society", the success of companies will, to a large degree, be determined by their ability to communicate and convey compelling stories, stories with the power to move people. At Norsk Tipping, we have a certain tradition and reputation as able com-

municators, and this ability becomes even more important now that we, for the first time, will communicate on a one-to-one basis with our players. This is why creativity and new ways of doing things – yes, that little dose of creative madness – will be our focus in the time ahead.

In 2001, we have attempted to apply this principle and do things differently. The establishment of the subsidiary, Spillverden AS, is one example. It has been set up to manage the non-material assets we are building up over time - for example, ideas and concepts related to the games, communication and technology. Spillverden is also the formal owner of 50 percent of Buypass AS, a company established in a joint venture with Norway Post, with a mandate of further developing and commercialising the results of the substantial investments made in our new secure e-business solution. During the year, we have also further developed our game

concepts and the TV draws, renewed our visual identity at our 3,850 retail outlets, entertained and won prizes with our advertising, and sought inspiration and new ideas in the greater global world of gaming.

"Madness" shall not be the first word that springs to someone's mind when they think of Norsk Tipping. However, we at Norsk Tipping are determined to continue to think along non-traditional lines and actively adapt to the changes in society around us. In the dream society, Norsk Tipping's vision is to give dreams a chance of becoming reality – for the joy and benefit of us all.

Reidar Nordby, Jr.
President and CEO

'About time', many players will say. The freedom to play at one's own leisure, from a PC. In a simple, secure and fun way. At any rate, different, digital and modern. The launch of Norsk Tipping's games on the Internet will give players a greater freedom of choice and can divert a stream of betting money that otherwise would end up abroad.

madness Games on the Internet, OK. But is it really necessary? And is it secure? It is definitely necessary, both to give players the freedom of choice they are entitled to, and to make sure the proceeds of gaming benefit the Norwegian society. Norsk Tipping has developed its own secure solution in co-operation with Norway Post and its subsidiary, ErgoGroup.

DIGITAL JOY

Throughout 2001, an extensive pilot project was running in preparation of a full launch of Norsk Tipping's games on the Internet. The launch of the new www.norsk-tipping.no in April 2002 represents a milestone in the history of Norsk Tipping and entails significant changes for the players, Norsk Tipping's retailers, and the company itself.

For players, the launch means that all games will be available on the Internet. With a connected PC, a smart-card reader and Norsk Tipping's new player card, players can play anywhere, at any time. The card reader and the player card are core elements of the secure e-business solution the company has developed.

For Norsk Tipping's retailers, the launch means that players now have a new alternative. This does not mean the retailer's days are 'counted' – on the contrary. First, there will always be a large number of players who will prefer the retailer to the PC. Secondly, the retailer can provide something the

PC cannot – personal service and a pleasant atmosphere. For retailers, therefore, it will be important to build on this advantage through continuous training and further development of the gaming environment. Norsk Tipping puts great emphasis on this, and has invested substantially in technology and environmental solutions designed to empower the retailer and raise the level of service he or she can provide.

For Norsk Tipping, the launch means that we have entered the digital era at full force. Technologically, a brand new platform has been developed, the end result of a process that has been going on for many years. Up until now, Norsk Tipping's web site has been an electronic news site – now it is a mature and secure site for both e-business, information and entertainment. However, the greatest change may very well be in the minds of Norsk Tipping's employees. For the first time, Norsk Tipping now has the players as direct customers. This requires a new way of thinking and acting – even more customer and market-oriented.



NOK mill	2001	2000	1999	1998	1997
Games revenue	8 607	8 277	8 042	7 619	6 715
Internal costs, games	672	629	594	581	509
Cost ratio, games	7.8 %	7.6 %	7.4 %	7.6 %	7.6 %
Profit	2 847	2 764	2 719	2 559	2 271
Profit ratio	33.1 %	33.4 %	33.8 %	33.6 %	33.8 %
No. of employees, 31.12.	289	273	260	242	216

A knowledge-based company

Norsk Tipping is a knowledge-based company that aims at managing its intellectual capital – or the "hidden assets" represented by human resources, structures, relations and networks – in an efficient and systematic way. In September, Future Center Norway (FCN) was established at Hamar based on the recognised concept developed by Leif Edvinsson, also founder of Skandia Future Center, Stockholm. Norsk Tipping is a pilot customer, and has accepted a place on the company's board. Through FCN, Norsk Tipping now has access to international expertise in the field of intellectual capital management.

RECOGNITION, ADVERTISING AND COMMUNICATION

In 2001, once again, Norsk Tipping was recognised for high-quality market communication. In January, "Taxi Driver" was awarded the prize "best television commercial of the year". In March, the Prime Minister, on behalf of the "Centre for Gender Equality", awarded Norsk Tipping the "Advertising Prize 2001" for the commercial, "Footballer." In May, Norsk Tipping received a gender equality prize for its use of women's expertise in top management and on the board, presented by the Minister of Trade and Industry, Mrs. Grete Knudsen. In June, the commercial, "Romeo & Juliet," was voted

best football commercial during the European Lotteries Congress in Cannes. The same commercial was named "best sports game commercial" during the World Lottery Association Congress in the U.S. in October, where Norsk Tipping's "Taxi Driver" won the most prestigious prize: "Best of the best" film in any category. In October, the Norsk Tipping film, "Born to be.." won the "Silver Fish" prize for best commercial of the month. In a survey by the magazine "Kampanje," Norsk Tipping's commercials were voted numbers one and two among the most popular commercials.



highlights 2001

Norsk Tipping is a strong brand, and some of the strength relates to the company's visual identity. This is why Norsk Tipping has, for many years, worked systematically with design development as a value-creating activity. In 2001, a comprehensive visual update was carried out at the retail outlets, in line with the company's upgraded visual identity programme. The same visual environment is now pervasive throughout the retailer network, in all TV draws, and on the Internet.



Strengthening the retail network

During the year, Norsk Tipping has made substantial investments in its network of retailers. A comprehensive, interactive training programme has been introduced, along with a retailer Intranet designed to improve efficiency and information exchange.

Extensive e-business initiative








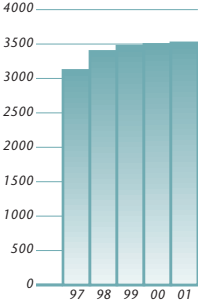
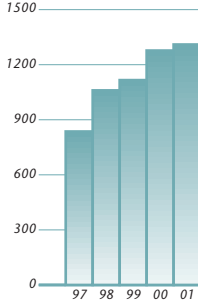
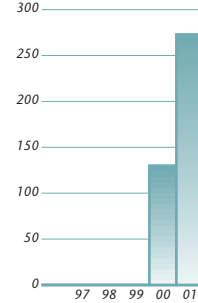
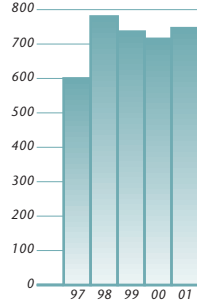
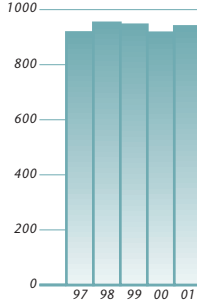
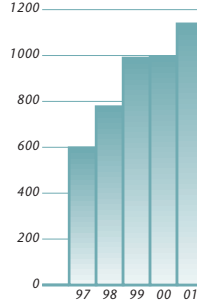
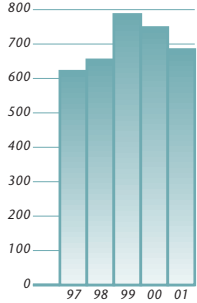


buypass

Norsk Tipping's e-business solution has been developed from scratch in co-operation between Norsk Tipping and Norway Post/ErgoGroup. To manage this technology and exploit future commercial opportunities, Norsk Tipping has, through its subsidiary, Spillverden AS, established the company, Buypass AS, in a joint-venture with ErgoGroup. Buypass markets, sells, and supplies value-adding electronic solutions and services for secure messaging exchange and e-payments, based on an open technological framework and infrastructure.



In May, Norsk Tipping opened games on the Internet in a pilot project with a limited number of players (2 500). In the first phase, games were only available via a PC equipped with a smart card reader. Other digital terminals, like mobile telephones, PDAs and digital TV, are going to be introduced in due course.

	 WWW.NORSK-TIPPING.NO	 WWW.NORSK-TIPPING.NO	 WWW.NORSK-TIPPING.NO		 WWW.NORSK-TIPPING.NO	 WWW.NORSK-TIPPING.NO	 WWW.NORSK-TIPPING.NO	 WWW.NORSK-TIPPING.NO
	<p>THE MILLIONAIRE DREAM ON A SATURDAY – NORWAY’S LARGEST GAME</p> <p>Lotto is the numbers 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>LOTTO ON A WEDNESDAY – NORDIC GAME WITH COMMON FIRST PRIZE</p> <p>Viking Lotto is a Nordic numbers game with large prizes, where Norway counts for 45 per cent of the total turnover. The game is operated jointly by the national lotteries of Norway, Sweden, Denmark, Finland, Iceland and Estonia.</p>	<p>A COMPLEMENTARY GAME AND AN ADDITIONAL OPPORTUNITY</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>		<p>A FEW EXCITING MOMENTS OF TELEVISUAL FUN – EVERY TUESDAY</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>TRADITIONS AND MANY NEW OPPORTUNITIES FOR THOSE INTERESTED IN SOCCER</p> <p>The traditional football pools are subject to continuous product development and appeals to everyone interested in sports.</p>	<p>A GAME THAT APPEALS TO THE YOUNG AND TO THE SPORTS ENTHUSIAST</p> <p>Oddset betting is subject to stiff competition, but is an attractive alternative for those seeking a little dose of everyday excitement.</p>	<p>INSTANTS GAME WITH HIGH IMPULSE ATTRACTION</p> <p>Flax is the largest scratch lottery in Norway, and comes in several versions.</p>
HIGHLIGHTS 2001	<ul style="list-style-type: none"> Easter Lotto with record high prize – NOK 20 million, won by a group of working colleagues. Four giant prize draws 	<ul style="list-style-type: none"> Two giant prize draws 16 rollover draws, whereof two double Largest prize NOK 11 million 	<ul style="list-style-type: none"> Increasing knowledge and popularity through the year. 		<ul style="list-style-type: none"> Extended deadline resulted in increased turnover Five Double-Extra draws 	<ul style="list-style-type: none"> Bonus prize introduced in week 16 New prize record: NOK 8.8 million Changed deadline to 5 minutes before start of game 	<ul style="list-style-type: none"> Steep growth Introduction of doubles and singles New system variations Changed deadline to 5 minutes before start of game 	<ul style="list-style-type: none"> Increase of the "Flax family" to 6 versions Launch of BokstavFlax and MiniFlax
GAMES REVENUE (NOK MILL:)								
GAMES REVENUE (NOK MILL)	3 517	1 310	273		746	939	1 138	684
CHANGE FROM 2000	+ 0.6 %	+ 2.6 %	+ 110 % (est. May 2000)		+ 4.4 %	+ 2.5 %	+ 14.2 %	- 8.6 %
SHARE OF NT'S GAMES	40.9 %	15.2 %	3.2 %		8.7 %	10.9 %	13.2 %	7.9 %
NO. OF PLAYERS / WEEK	1.1 mill	317 000	250 000		323 000	324 000	103 000	216 000
SEX DISTRIBUTION	F: 47 % M: 53 %	F: 49 % M: 51 %	F: 50 % M: 50 %		F: 68 % M: 32 %	K: 27 % M: 73 %	F: 9 % M: 91 %	F: 51 % M: 49 %
AVERAGE AGE	49 years	50 years	48 years		50 years	50 years	30 years	39 years
AVERAGE STAKE PER PLAYER / WEEK	NOK 42	NOK 42	NOK 20		NOK 30	NOK 50	NOK 171	NOK 67
LARGEST GAMING COUNTY	Finnmark	Finnmark	Finnmark		Finnmark	Finnmark	Oslo	Finnmark
LARGEST GAMING MUNICIPALITY	Nordre Land	Torsken	Kvalsund		Måsøy	Løten	Vestre Slidre	Modalen
LARGEST PRIZE PAID OUT	NOK 20 000 000 (week 14 / 2001)	NOK 17 663 498 (week 36 / 1999)	NOK 2 505 000 (week 48 / 2000)		NOK 2 000 000 (prize limit)	NOK 8 843 670 (week 44 / 2001)	NOK 4 980 000 (week 15 / 2000)	NOK 3 600 000 (Dec. 1999)

Sigmund Thue,
Chairman of the Board



Berit Fosheim and
Marit Skaugen Holmberg,
Board Members



board of directors' report

Kjersti Langseth and Torgeir Mjør Grimrud,
Board Members



Anni Onsager,
Vice Chairman



Norsk Tipping's activities in 2001 generated a total profit of NOK 2 847 million, which, after provisions, gave a distributable profit of NOK 2 757 million, an increase of 3.9 per cent. This means that the sports, culture and research beneficiaries each receive NOK 858 million, while profit from the "Extra" game, NOK 183 million, went to health and rehabilitation programmes. Total games revenue increased by NOK 330 million, to NOK 8 607 million.

board of directors' report



The profit from Norsk Tipping's games is distributed in equal shares to the sectors sports, culture and research. The profit from the Extra game goes in its entirety to the Norwegian Foundation for Health and Rehabilitation (HR).



	Culture	NOK 858 mill
	Research	NOK 858 mill
	Sports	NOK 858 mill
	HR	NOK 183 mill

This is a growth in revenue of 4 per cent, and gives Norsk Tipping's games a market share of 38.7 per cent in a gaming market that grew moderately during the year. The Board regards this as a satisfactory result in view of a pronounced uncertainty regarding the overall market's development at the beginning of the year. Tendencies towards stagnation were evident, in combination with continued strong growth for Internet-based games, and hardening competition from other games-related entertainment offerings. For Norsk Tipping, the challenge was to counter these trends with powerful initiatives, and the results confirm that they have succeeded to a great extent.

The games

Oddsens can boast the strongest growth in revenue, of 14.2 percent, or NOK 142 million. This brought revenue past the 1 billion mark for the first time, to NOK 1 138 million. This is very satisfactory, in view of the fierce competition Oddsens experiences from foreign Internet-based games offering better odds and higher prizes, in particular since the other games are privately owned and can generate substantial profits for their owners with a considerably lower

profit margin. During the year, a number of adjustments have been made to the Oddsens concept, including the opportunity of higher odds and higher prizes. The interest in Oddsens grew significantly when the possibility of playing on two matches on Langoddsen and on selected individual games was introduced from December 4. Revenue increased significantly in December, compared to the same month the previous year. In the time ahead, growth is expected to continue for Oddsens along with further product development and improved accessibility through various electronic channels.

Tipping, the other sports game in the portfolio, also grew in 2001. The introduction of "Bonuspotten," extra prize money to one single top prize winner, in mid-April, has contributed to a growth of NOK 23 million, or 2.5 per cent, a nice contrast to the international trend for sports games.

The figures for Lotto confirm its unique position as the by-far biggest and most popular game in the Norwegian market. Surveys show that more than 2 million people play Lotto during the year – and 1.1 million do so on a weekly basis. The total growth in revenue for Lotto, Viking Lotto

and Joker was NOK 198 million. Most of this increase comes after a full year of operation for Joker, compared to 7 months in 2000, when the game was introduced. Joker contributed a weekly turnover of a little more than NOK 5 million and is clearly positioned as a complementary game that does not divert revenue from any of the other numbers games. Lotto on Saturday recorded a modest growth of NOK 22 million, while Viking Lotto increased by NOK 33 million.

Extra, the game operated by Norsk Tipping on behalf of the Norwegian Foundation for Health and Rehabilitation, displayed a growth of NOK 31 million, to NOK 746 million. This represents an increase in weekly revenue of NOK 600,000, which, to a large extent, came as a result of the extension of the game's opening hours, beginning in early July, from 5 p.m. to 6 p.m.

Only the Flax game declined in 2001, by 8.6 per cent. The major cause appeared to be a general decline in the scratch lottery segment, which fell behind the competition from other instant games and lotteries. During 2001, the Flax concept has been under revision, with results we hope to

see in 2002. In the time ahead, focus will lie on improving distribution and logistics, in combination with new sales solutions and an intensified communication effort at the point of sale.

Market development

The traditional gaming market remained relatively stable during the year, both in terms of total size and the relative strength of the various games. Norsk Tipping's games have a market share of 38.7 per cent. The gaming machines hold second place, with a market share of 37.8 per cent. With the introduction of an 18-year age limit on gaming machines, it would seem that adults have become more attracted to the these machines and that total revenue has increased as a result. The most significant market trend, however, is the continuing growth of Internet-based games. According to Norsk Tipping's estimates, this growth amounted to NOK 80 million in 1999 and NOK 250 million in 2000. For 2001, the estimated growth is NOK 200 million, bringing total revenue to NOK 600 million. This still represents a relatively modest share of the total market (2.7 per cent), although the actual total is significant. The profit generated does not end up in Norway.

Games revenue per game (NOK mill)



	Lotto	3 517	40.9 %
	VikingLotto	1 310	15.2 %
	Oddsens	1 138	13.2 %
	Tipping	939	10.9 %
	Extra	746	8.7 %
	Flax	684	7.9 %
	Joker	273	3.2 %
	Total	8 607	100.0 %

When analysing the market and the competitors, one also has to look outside the boundaries of the traditional gaming market, into an extended "dreams market". In this arena, one finds all offers and products that stimulate the fantasy in the borderland between games, services, and entertainment. One example is the many TV-based games and competitions, such as the programme, "Who wants to be a millionaire?" Another example is "day trading" on the stock exchange, advanced Internet games like "Anarchy Online" from the Norwegian company, Funcom, as well as all the activity surrounding game machines like Nintendo and Playstation. In several countries, TV stations are now introducing interactive technology that makes it possible for viewers to participate in games and place bets while the event is shown.

This extended dreams market forms the framework for Norsk Tipping's strategies for the years ahead, as it has been for decisions made and activities started in 2001. It is with this market in mind that the company works hard to develop its expertise and skills in the field of communication and storytelling. The ability to stimulate dreams, create excitement, dynamism, and a stronger element of entertainment

in TV draws, will all be critical factors for future success.

Social and legislative environment

As a state-owned gaming company, Norsk Tipping operates within a clearly defined legislative framework, similar to that in most other countries. The company is an important tool for financing good causes in society and plays a key role in a socially acceptable gaming market. At the same time, it is only natural that this legislative framework is being challenged, both by politicians and other parties with an interest in the gaming market. Norsk Tipping is a centre of expertise in the Norwegian gaming market, and the Board finds it important to strengthen relations with the authorities and the political community even more, to contribute actively to the positive and socially acceptable development of the Norwegian gaming market.

During the year, there has been debate concerning the distribution of the profit generated by Norsk Tipping. In this context, the Board is content to say that a clear link between the company's operation and the beneficiaries is a decided advantage. The co-operation between Norsk Tipping and the Norwegian sports com-

munity serves as an excellent example. During the winter 2001 - 2002, the subject of disordered gambling has been on the public agenda. Disordered gambling is tragic for those involved, and it is important to seek to limit this unwanted side-effect of gaming. At the same time, it is important to view the phenomenon in a broader perspective. Disordered gambling in Norway is, first and foremost, related to gaming machines, where the player sees almost instantaneously whether he or she has won or lost, and which make it possible to lose significant amounts of money in a short time. On the other hand, these machines represent a crucial source of income for voluntary and humanitarian organisations. The sensible regulation of this sector, in a manner that balances these factors, should be a priority for the authorities.

The significant growth potential of the digital gaming market is attractive. Foreign games operators are adapting their offerings to the Norwegian market, and several Norwegian companies have set up business abroad and launched Internet games targeted specifically at Norwegians. Norsk Tipping, Norsk Rikstoto, and Norske Spill AS (owned by 10 humanitarian organisations and the company, Cee.tv) have

already been granted concessions for pilot operations of Internet games. Commissioned by the Ministry of Cultural Affairs, a consultant group has published a report on Norwegian games in the digital future. Norsk Tipping participated, along with representatives from the Norwegian Gaming Board, Rikstoto, The Norwegian Sports Federation, and humanitarian organisations, in proposing changed legislation and additional concessions to meet the competition from abroad. This is a view that Norsk Tipping supports, as it will channel more of the profits to Norwegian beneficiaries. Either way, however, the end result for Norsk Tipping will inevitably be harder competition. This is why the company emphasises the development of competitive digital game concepts.

E-business

The year 2001 was dominated by the preparations for the transition to and release of a new digital business platform in April 2002. After having run a pilot project with 2 500 players since May 2001, the pilot period is being expanded to make Norsk Tipping's games available on the internet on a general basis. Based on the need for a very high security level, Norsk Tipping chose to develop a solution that

gives the company full control of the technological infrastructure. A smart card, and related technology developed in co-operation with ErgoGroup, is a core element of the solution. By using a card reader connected to a PC, or the online terminal at a retail outlet, the player will be identified electronically. Payment and the transfer of prizes may take place via the smart card or via an electronically-accessible account. In the first phase, games will only be available via a PC or a retailer terminal, although preparations are being made for access via other digital channels. The smart card, the physical infrastructure, the underlying gaming systems, and the new digital games portal, www.norsk-tipping.no, make up a secure and flexible IT platform for Norsk Tipping in the years to come.

Company structure

Norsk Tipping has invested significant resources in the development of its e-business solutions, not least when it comes to its unique gaming-related expertise. The solutions developed around secure e-business and e-signatures represent a potential for further development and commercialisation which, in the long term, could give Norsk Tipping additional income. To manage these and other non-material assets







(for example, related to games concepts, TV concepts, etc.), Norsk Tipping established the subsidiary, Spillverden AS, in September 2001. Spillverden is, first and foremost, a tool for management of rights on behalf of Norsk Tipping. Spillverden is the formal owner of 50 per cent of the shares in Buypass AS, which has been established as a joint-venture with Norway Post to further develop and investigate the commercial opportunities of the e-business solution.

Norsk Tipping had already acquired the subsidiary, Fabelaktiv AS, in 2000, which produces the company's TV draws in addition to a number of programmes commissioned by various customers. In sum, this structure provides Norsk Tipping with a more complex and flexible organisation which is better prepared to meet the challenges and exploit the opportunities of a changing marketplace. The subsidiary structure is discussed further in Note 7 to the accounts.

Retailers

Although new digital distribution channels have been introduced, the company's nationwide network of retailers will remain the most important market contact point. Norsk

The Norwegian gaming market (NOK mill)

	Norsk Tipping	8 607	38.7 %
	Horse betting	2 627	11.8 %
	Gaming machines *)	8 400	37.8 %
	Bingo *)	1 400	6.3 %
	Lotteries / scratch lotteries *)	600	2.7 %
	International games *)	600	2.7 %
	Total	22 234	100.0 %

*) Revenue estimate

Source: The Norwegian Gaming Board's annual report 2001



Tipping's position has, to a large extent, been built on the interaction between proprietary technology and the retailer as a meeting point for players. During the year, the company has entered into an even closer dialogue with retailers in order to develop a good cooperative spirit and a way of working together, adapted to the competitive environment of today and tomorrow. In parallel, a comprehensive programme for developing the retailer environment and raising the games expertise among retailers and their employees has been introduced. This includes interactive training, new sales promotion solutions, and a visual upgrade of the retailer environment.

Profile and reputation

Norsk Tipping is one of the country's best known and most profiled companies, primarily as a result of a conscious branding process that has been going on for several years. This process continued in 2001. It included an extensive upgrade of the retail environment, both inside and outside of the outlet, in line with the further development of the company's visual identity pro-

gramme that has been carried out over the last couple of years. The retailers have been the most important contact point between Norsk Tipping and the players, and it is important to meet players with a modern, stimulating, and distinct identity. The Board appreciates the fact that the company wins recognition for its market communication, and views that as a confirmation that the company has developed an effective communications strategy and succeeds in implementing it. In 2001, Norsk Tipping was awarded several prizes, among them, for best TV commercial both domestically and in international contexts such as the European Lotteries and World Lottery Association (WLA), as well as two prizes for promoting equality in general among the genders in both communication and practice.

Intellectual capital

In 2000, the company presented accounts for its intellectual capital for the first time, following a thorough process of mapping the company's non-material assets (the expertise of the employees, the value of non-material rights, systems, relations, etc.). Based on the results of this process,

the company has worked actively in 2001 and introduced a number of measures designed to strengthen its intellectual capital further. This work continues in 2002. The company intends to carry out such processes regularly, as an important element in the structured management of the significant non-material assets the company possesses, not least, in order to develop Norsk Tipping further as an attractive, knowledge-based company.

International orientation

International statistics show that Norsk Tipping ranks high on the lists when it comes to games revenue per capita and games revenue per player. The company has an international reputation for excellent game concepts, technology and communication. At the same time, Norsk Tipping depends on impulses from and cooperation with the international gaming industry, which is why the company emphasises active participation in international industry events. The CEO holds the presidency of the WLA, the World Lottery Association. This requires some input of time, but yields valuable experience and tangible advantages.

Prospects

In the Board's opinion, Norsk Tipping's prospects are good. The company is the largest and the leading gaming company in Norway, with a market leader position and a good reputation. The company has launched digital games and has a unique competitive advantage through its nationwide retailer network. In sum, this is a good platform from which to meet the challenges and increasing competition in the years ahead. There is, however, some uncertainty related to the legislative framework in the longer run. Continued high profits and payments to sports, culture and research will depend on a framework that allows for continued development of concepts and technology within the boundaries of a socially acceptable gaming market.

Organisation, personnel and working environment

In 2001, the employees once again participated with great enthusiasm in demanding projects and in the day-to-day operation of the company. At the start of the year, Norsk Tipping had 273 employees, of whom 227 were full-time and 46 part-time. At the end

of the year, the figures were 289, 240 full-time and 49 part-time. In the Board's view, the working environment is good. Internal communication seems to be constructive and positive, as is co-operation with trade unions and employee representatives.

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 2001, absence figures due to sickness were lower than the previous year (3.5 percent versus 3.8 percent). The company has no prod-

ucts, processes, or other activities that have a negative bearing on the external environment; nevertheless, much emphasis is placed on an environmental approach to all aspects of the business.

Going concern value

A going concern value is assumed as the basis for the annual report and accounts for 2001.

Profit allocation

The total result for the financial year of 2001 amounted to NOK 2 847 million.

Total result	NOK	2 846 909 104
Health and Rehabilitation	NOK	182 757 675
Total profit Norsk Tipping AS	NOK	2 664 151 429
Which is proposed allocated as follows:		
Equalisation fund	NOK	0
Investment fund	NOK	89 191 429
Sports, culture and research	NOK	2 574 960 000
Sum allocated	NOK	2 664 151 429

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 858.3 million.



Distribution of NOK 1.00 played (Norsk Tipping)

- Prizes 52.2 %
- Beneficiaries 32.0 %
- Operations / administration / withheld 8.3 %
- Retailers 7.5 %

The Board of Directors of Norsk Tipping AS
Hamar, 8 March 2002

Sigmund Thue
Sigmund Thue
Chairman

Marit Skaugen Holmberg
Marit Skaugen Holmberg

Torgeir Mjør Grimsrud
Torgeir Mjør Grimsrud

Anni Onsager
Anni Onsager

Kjersti Langseth
Kjersti Langseth

Berit Fosheim
Berit Fosheim

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

Profit and loss account

	Note	2001 NOK mill	2000 NOK mill	Endring NOK mill	Change percentage
OPERATING INCOME, GAMES					
Games revenue	1	8 606.6	8 277.2	329.4	4.0 %
OPERATING COSTS, GAMES					
Prizes		4 494.7	4 294.3	200.4	4.7 %
Games commission		647.4	630.0	17.4	2.8 %
Ordinary internal costs	2	672.3	629.2	43.1	6.8 %
TOTAL OPERATING COSTS, GAMES		5 814.4	5 553.5	260.9	4.7 %
OPERATING RESULT, GAMES		2 792.2	2 723.7	68.5	2.5 %
Other operating income	3	116.5	100.3	16.2	16.2 %
Other operating costs	4	91.8	83.7	8.1	9.7 %
Development costs	2	58.0	52.2	5.8	11.1 %
Depreciations	5	39.5	41.5	- 2.0	- 4.8 %
OPERATING PROFIT		2 719.4	2 646.6	72.8	2.8 %
Gross financial income		162.4	128.9	33.5	26.0 %
Gross financial costs		34.9	11.4	23.5	206.1 %
PROFIT		2 846.9	2 764.1	82.8	3.0 %
The profit is distributed as follows:					
Norsk Tipping AS		2 664.1	2 581.6	82.5	3.2 %
Health and Rehabilitation		182.8	182.5	0.3	0.2 %
Operating percentage, games		32.4 %	32.9 %		
Cost percentage, games		7.8 %	7.6 %		
Cost percentage (incl. games, depr. and dev. cost)		8.9 %	8.7 %		
Profit margin		33.1 %	33.4 %		

Balance sheet

	Note	2001 NOK mill	2000 NOK mill
ASSETS			
Fixed assets			
Buildings / other real estate	6	39.0	35.8
Computer systems / terminals / other fixtures	6	98.0	84.2
Shares in subsidiaries	7	7.5	6.0
Intercompany balances	8	1.1	0.0
Mortgage bonds, housing loans to employees, etc.	9	20.8	14.6
Winnings regulations fund, DnP		0.0	6.2
Total fixed assets		166.4	146.8
Current assets			
Merchandise stock	10	2.0	2.3
Customer receivables	11	5.2	4.4
Claims on retailers	12	149.8	136.1
Intercompany balances	8	0.0	1.0
Other receivables	13	25.9	13.6
Cash reserves		3 297.5	3 091.1
Total current assets		3 480.4	3 248.5
TOTAL ASSETS		3 646.8	3 395.3
EQUITY AND LIABILITIES			
Equity			
Share capital		0.2	0.2
Investment fund	14	465.9	358.0
Total equity		466.1	358.2
Long-term liabilities			
Funds – games	15	255.3	221.1
Long term bank loan		0.0	6.2
Total long-term liabilities		255.3	227.3
Short-term liabilities			
Trade creditors		54.8	45.3
Prize liabilities		132.5	146.3
Prepaid stakes		109.6	113.9
Public duties payable		12.4	8.7
Other short-term liabilities	16	19.4	12.1
Equalisation fund	17	0.0	0.0
Remaining profit for distribution	18	2 596.7	2 483.5
Total short-term liabilities		2 925.4	2 809.8
TOTAL EQUITY AND LIABILITIES		3 646.8	3 395.3

The Board of Directors of Norsk Tipping AS
Hamar, 8 March 2002

Sigmund Thue
Sigmund Thue
Chairman

Marit Skaugen Holmberg
Marit Skaugen Holmberg

Torgeir Mjør Grimsrud
Torgeir Mjør Grimsrud

Anni Onsager
Anni Onsager

Kjersti Langseth
Kjersti Langseth

Berit Fosheim
Berit Fosheim

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

Pet Torgenhagen
Pet Torgenhagen
Financial Manager

Cash flow statement

	2001 NOK mill	2000 NOK mill
Cash flow from operating activities		
Profit	2 846.9	2 764.1
Profit on sale of assets	- 1.0	- 2.2
Investment and project depreciations	39.5	41.5
Changes in claims on retailers	- 14.0	- 38.8
Changes in other short-term liabilities	- 11.8	13.2
Changes in trade creditors	9.5	1.1
Changes in other accruals	- 2.4	- 11.4
Net cash flow from operating activities	2 866.7	2 767.6
Cash flow from investing activities		
Receipts on sale of fixed assets	1.0	2.2
Payments on purchase of fixed assets	- 56.5	- 41.6
Net cash flow from investing activities	- 55.5	- 39.4
Cash flow from financing activities		
Net changes in long-term liabilities	28.0	36.4
Net changes in short-term liabilities	- 7.1	56.0
Net changes in investment fund	107.9	119.5
Payments and allocations of profit	- 2 733.6	- 2 728.5
Net cash flow from financing activities	- 2 604.8	- 2 516.6
Net changes in cash holdings	206.4	211.6
Cash reserves as of 01.01	3 091.1	2 879.5
Cash reserves at the end of the period	3 297.5	3 091.1

Accounting principles

The Act relating to games for cash prizes ("Lov om pengespill") of August 1992. The Act stipulates that a gaming 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, and gives instructions to the Board. 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 the game 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 costs related to games 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 beneficiaries 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: All investments are depreciated over the investment's estimated life time. 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.

Funds per game: 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 VAT.

Notes 2001

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		2001	2000	Change	Change percentage
Lotto	NOK	3 517 189	3 495 242	21 947	0.6
Viking Lotto	NOK	1 309 536	1 276 541	32 995	2.6
Joker	NOK	273 076	130 053	143 023	110.0
Tipping	NOK	938 814	915 888	22 926	2.5
Oddsens	NOK	1 137 612	996 067	141 545	14.2
Flax	NOK	684 273	748 484	- 64 211	- 8.6
Norsk Tipping's games	NOK	7 860 500	7 562 275	298 225	3.9
Extra	NOK	746 104	714 891	31 213	4.4
Total games revenue	NOK	8 606 604	8 277 166	329 438	4.0

2 ORDINARY INTERNAL COSTS / DEVELOPMENT COSTS

Ordinary internal games-related costs and development costs in 2001 include the following:

		Personnel-costs	Other operating costs	Total
Ordinary internal costs (games)	NOK	136 638	535 659	672 297
Development costs (projects)	NOK	4 286	53 732	58 018
Total	NOK	140 924	589 391	730 315

Costs related to employees include the following:

Salaries and fees	NOK	112 933
Social Security tax and Norwegian Public Service Pension Fund	NOK	25 230
Other social costs	NOK	2 761
	NOK	140 924
Benefits in kind	NOK	4 777
Total	NOK	145 701

The total remuneration paid to the company's Board of Directors in 2001 was **NOK 395 000**. The CEO's salary for the year was **NOK 840 000**.

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 116.5 mill** has been entered as other income and distributed to the following beneficiaries:

Norsk Tipping	NOK	115 755
Health and Rehabilitation	NOK	780
Total other income	NOK	116 535

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 91.8 mill** has been charged to the accounts and apportioned to the beneficiaries as follows:

Norsk Tipping	NOK	24 274
Health and Rehabilitation	NOK	67 516
Total other costs	NOK	91 790

5 DEPRECIATIONS

Total depreciations for 2001 amount to **NOK 39.5 mill**.

The following depreciations have been made in 2001:

Vehicles	NOK	1 529
Computer systems / terminals / other fixtures	NOK	13 288
Buildings / other real estate	NOK	389
Total ordinary depreciations	NOK	15 206
The Online-project	NOK	24 295
Total depreciations	NOK	39 501

6 FIXED ASSETS

Book value:

Computer systems / fixtures / vehicles

Cost of acquisitions as of 01.01.2001	NOK	409 656
Disposals in 2001	NOK	2 215
Acquisitions in 2001	NOK	50 290
Cost of acquisitions as of 31.12.2001	NOK	457 731
Accumulated ordinary depreciations	NOK	105 107
Accumulated online depreciations	NOK	254 671
Book value	NOK	97 953

Buildings / real estate

Cost of acquisitions as of 01.01.2001	NOK	144 430
Disposals in 2001	NOK	0
Acquisitions in 2001	NOK	6 194
Cost of acquisitions as of 31.12.2001	NOK	150 624
Accumulated ordinary depreciations	NOK	88 484
Accumulated online depreciations	NOK	23 147
Book value	NOK	38 993

Total book value as of 31.12.2001	NOK	136 946
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Fixed assets, cost of acquisitions as of 31.12.2001

Vehicles	NOK	15 851
Computer systems / machines / fixtures	NOK	150 493
Terminals	NOK	291 387
Cost of acquisitions	NOK	457 731
Office / operations building	NOK	148 020
Holiday cabins	NOK	5 604
Cost of acquisitions	NOK	150 624
Total cost of acquisitions as 31.12.2001	NOK	608 355

Investment overview 1997 – 2001

		2001	2000	1999	1998	1997
Vehicles	NOK	3 290	4 568	3 391	2 513	4 987
Computer systems / machines / fixtures	NOK	47 000	31 903	21 074	23 255	13 644
Terminals	NOK	0	0	48 625	0	0
	NOK	50 290	36 471	73 090	25 768	18 631
Buildings / real estate	NOK	6 194	5 124	3 343	6 779	15 536
Total investments	NOK	56 484	41 595	76 433	32 547	34 167

7 SHARES IN SUBSIDIARIES

Company	Association	Year of acquisition	Business office	Share of ownership	Share of voting rights	Share capital
Fabelaktiv AS	Sudisidiary	2000	Hamar	100 %	100 %	NOK 104 000
Spillverden AS	Sudisidiary	2001	Hamar	100 %	100 %	NOK 1 500 000
Buypass AS	Sudisidiary of subsidiary	2001	Hamar	100 %	100 %	NOK 1 100 000

The companies Fabelaktiv AS, Spillverden AS and Buypass AS have not been consolidated in Norsk Tipping's accounts, in accordance with § 3-8, third subsection, of the Accounting Act. The subsidiaries' accounts are viewed to be insignificant when judging the financial position of Norsk Tipping.

Buypass AS merged with ErgoXchange AS towards the end of 2001, resulting in a 50 % share of ownership in the merged company. However, the merger was not registered with the Register Authorities at year-end.

The accounts for Fabelaktiv AS showed a profit of NOK 0.4 mill and an equity of NOK 2.4 million for the fiscal year 2001. The shares in Fabelaktiv have a cost price of **NOK 6.0 mill**.

8 INTERCOMPANY BALANCES IN THE GROUP

	NOK mill	Long term loans to subsidiaries		Short term loans to subsidiaries	
		2001	2000	2001	2000
Total companies in the Group		1.1	0.0	0.0	1.0

	NOK mill	Subordinated loans	
		2001	2000
Loans at face value		12.4	0.0
Written down		- 12.4	0.0
Total	NOK mill	0.0	0.0

A loan to ErgoXchange / Buypass is fully depreciated. The loan was granted to finance a development project. There is some uncertainty related to the project and to whether the loan will be repaid.

9 MORTGAGE BONDS, HOUSING LOANS, ETC.

Housing loans to employees	NOK	19 808
Instalment agreements (retailers), bonds and certificates	NOK	1 051
Total	NOK	20 859

10 MERCHANDISE STOCK

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

11 CUSTOMER RECEIVABLES

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

12 CLAIMS ON RETAILERS

The retailer accounts are settled weekly. The majority of the claims applies to net sale of games in week 52/2001 which was settled in week 1/2002, while the remaining are running claims. At the end of the year, Norsk Tipping had 3 846 retailers.

13 OTHER RECEIVABLES

This item comprises cost accrued / paid in advance.

14 INVESTMENT FUND

In compliance with the terms of the Act relating to games for cash prizes, and investment fund has been set up for the purpose of raising capital for infrastructure and other future large projects and / or investments. The balance per 31.12.2001 is **NOK 465.9 mill**.

Balance of the investment fund as of 01.01.2001	NOK	358 015
Allocated interest for 2001	NOK	18 661
Allocated from the year's profit	NOK	89 191
Total funds as of 31.12.2001	NOK	465 867

15 FUNDS – GAMES

Separate funds are set up for each game. At year-end, total funds amounted to **NOK 255.3 mill.** The table below shows the balance for the individual games / funds:

Games	As of 31.12.2001	
Lotto	NOK	65 085
Viking Lotto	NOK	107 570
Joker	NOK	5 748
Tipping	NOK	12 855
Oddsén	NOK	10 951
Flax	NOK	27 210
Total Norsk Tipping games	NOK	229 419
Extra	NOK	25 832
Total	NOK	255 251

The funds are built up by adding the part of the prizes that are not paid out after prizes have been rounded down to the nearest NOK, and by prescribed prizes in the individual games; re. the rules for each individual game.

The Ministry of Cultural Affairs defines the governing rules for the funds, which are used for

- paying out legitimate prizes later than 3 months after the date of the draw, prizes following accepted protests, passed over prizes, etc.
- activities that stimulate turnover, e.g. prize additions, extra prizes (for example item or travel prizes) in connection with ordinary or extra-ordinary draws, as well as for marketing activities for the individual games.

16 OTHER SHORT-TERM LIABILITIES

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

17 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 games revenue. In years with high games revenue / profits, the balance of the fund will be increased, while in years of low games revenue / profits, sums are debited from the fund in order to make payments to the beneficiaries. In 2001, **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.

18 PROFIT FOR DISTRIBUTION

The annual profit of **NOK 2 846 909 104** 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 2001 has been apportioned in the following way:

Profit for Health and Rehabilitation	NOK	182 758
Paid on account in 2001	NOK	161 000
Remaining profit to Health and Rehabilitation	NOK	21 758
Profit Norsk Tipping	NOK	2 664 151
Allocated to equalisation fund	NOK	0
Allocated to investment fund	NOK	89 191
Remaining profit to Norsk Tipping	NOK	2 574 960
Total remaining distributable profit	NOK	2 596 718

19 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 from the age of 62) 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 31.12.2001 and covers 307 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 2001.

The following assumptions have been made for the calculations:

Bank interest rate	6.0 %
Salary adjustment	3.3 %
G adjustment	2.9 %
Pension adjustment	2.9 %
Voluntary retirement	0.0 %
Expected rate of return	7.0 %

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.

Report from the Auditor General for 2001

Changes to the pension plan in 2001 are as follows:

With effect from 01.01.2001, changes were introduced in the spouse and children pension. The change is on average cost neutral, but may result in an increase or decrease in pension liability for an individual company. For Norsk Tipping, the net effect is a reduction of approximately NOK 1 mill.

Result:

Gross accumulated pension liabilities as of 31.12.2001	NOK	104.4 mill
Estimated value of pension funds (fictitious fund)	NOK	102.8 mill
Net accumulated liabilities	NOK	1.6 mill
Not booked plan change, early retirement	NOK	0.0 mill
Not booked estimate change, breaking point	NOK	0.0 mill
Not booked plan change, net spouse and children pension	NOK	0.0 mill
Not booked estimate change and deviance		1.3 mill
Net pension liabilities before social security tax	NOK	0.3 mill

Other information:

It should be noted that these figures have **not** been entered into the company's balance sheet as of 31.12.2001.

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 6.1 mill**, and apply to 18 persons. Of these, 5 will transfer to ordinary old-age pension plan in 2002. Funds to cover these liabilities have not been allocated in the balance sheet, but are entered as part of the annual salary costs.

We have audited the annual financial statements of Norsk Tipping AS as of 31 December 2001, showing a profit of NOK 2 664 151 429.46.

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 the Chief Executive Officer. 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 2001, 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.

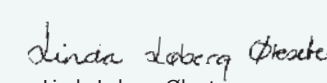
Oslo, 5 April 2002

For the Office of the Auditor General of Norway



Stig Kilvik

Deputy Director General



Linda Løberg Økseter

Senior Auditor

Valued added statement

	NOK mill	
Games revenue		8 606.6
- Prizes to players	4 494.7	
- Purchase of consumables	534.1	
- Other costs	91.8	
- Development costs	58.0	
+ Other income	116.5	5 062.1
Gross value added		3 544.5
- Depreciations	39.5	
+ Net income financial items	127.5	88.0
Net value added		3 632.5

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	59.3	1.6 %
To the employees:		
Salaries (excl. tax deductions and employer's social security and pension contributions)	78.9	2.2 %
To the retailers:		
Games commission	647.4	17.8 %
Retained by the company:		
Investment fund	89.2	2.5 %
To the beneficiaries:		
Health and Rehabilitation	182.8	
Sports	858.3	
Culture	858.3	
Research	858.3	
	2 757.7	75.9 %
Net value added	3 632.5	100.0 %

Organisation

MANAGEMENT

President and CEO
Reidar Nordby jr.

Executive Vice President
Jon Olrud

Vice President Strategy and Business Development
Tollef Imsdalen

Vice President Marketing
Randi B. Sætershagen

Vice President Operations
Jan P. Strømshlid

Vice President Corporate Affairs
Tore Elman Tangen

Vice President Organisation and Personnel
Gro Sørbo

Vice President Security
Morten Schjelderup

BOARD OF DIRECTORS

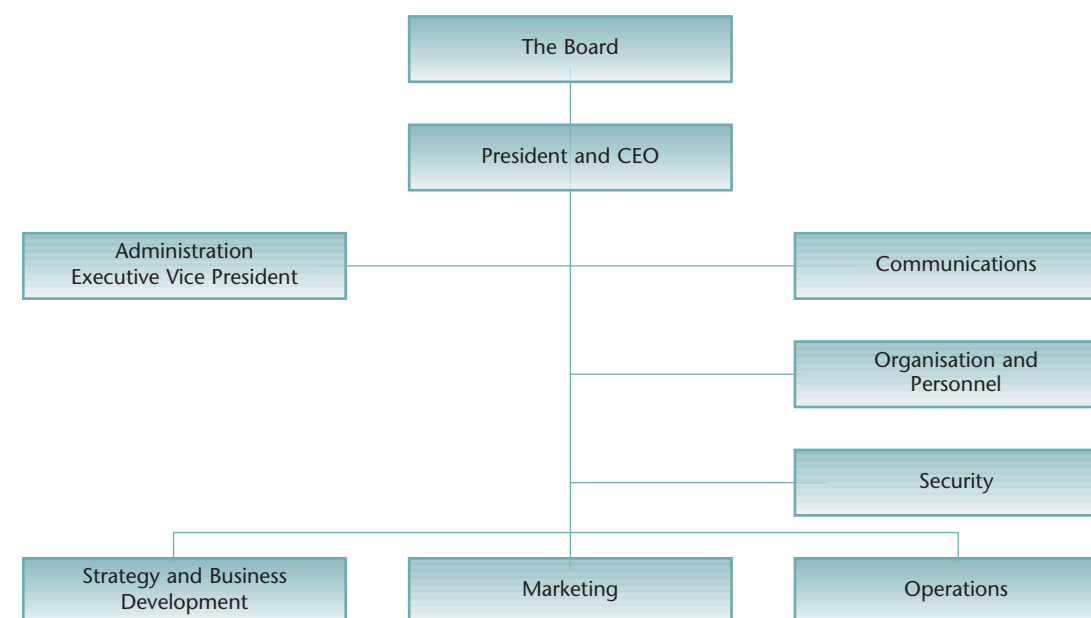
Sigmund Thue, Chairman
Anni Onsager, Vice-Chairman
Berit Fosheim
Torgeir Mjør Grimsrud
Kjersti Langseth
(personal deputy Geir Evensen)
Marit Skaugen Holmberg
(personal deputy Tone Kornberg Andersen)

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

NORWEGIAN GAMING BOARD – SECTION HAMAR

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

The Norwegian Gaming Board, a public body appointed by the Ministry of Cultural Affairs, is responsible for making sure that all games in Norway are run in accordance with the relevant laws and regulations.





giving dreams a chance

dream

?reality

Joy and madness – at the end of the day, it's all in the eye of the beholder. For Norsk Tipping, merriness and joy is a central theme: the joy of participating, the joy of winning, the joy for all of us as members of society. Our objective is to generate the largest possible profit for our beneficiaries. To achieve this, we appeal to people's dreams of winning and the excitement of participating. Our vision is to give dreams a chance of becoming reality.