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NORSK TIPPING ANNUAL REPORT 2003

Dynamic gaming company
– and socially responsible

– a demanding
balancing act



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03:

Feb:

NEW TERMINALS

Norsk Tipping signs a contract with EssNet AB for the delivery of new online terminals. Deployment starts according to plan, March 1, 2004. This constitutes one of the largest IT projects in Norway.

Apr:

HELPLINE

Norsk Tipping contributes to the establishment of the country's first telephone helpline for compulsive players.

May:

GAMES OFFERED THROUGH DIGITAL TV

Norsk Tipping launches games via digital television. This is a test project with only one game thus far, Langoddsen.

Jun:

AMENDED LEGISLATION

On June 12, the Norwegian Parliament decides to change the law related to games for money prizes, giving Norsk Tipping the exclusive right to operate gaming machines in Norway from 2006.

Oct:

GAMING MACHINES DIVISION ESTABLISHED

On October 1, Norsk Tipping's division for gaming machines is established. The division is later named Norsk Tipping Multispill. Later this month, EssNet Interactive AB is awarded the contract for delivery of 10 000 gaming machines.

Nov:

THE GAMBELLI CASE

The Gambelli case is up for decision by the European Court of Justice, and receives much attention in the media. The gaming machine industry interprets the Court's ruling to be in their favour, and an indication that the gaming monopoly will be dismantled. The Ministry of Culture and Church Affairs comments that the ruling will not influence the Norwegian authorities' right to regulate and control the national gaming market. They also state that the Gambelli case will not give foreign companies access to the national market to a greater extent than today: "The Gambelli case will not change the position of the national gaming companies."

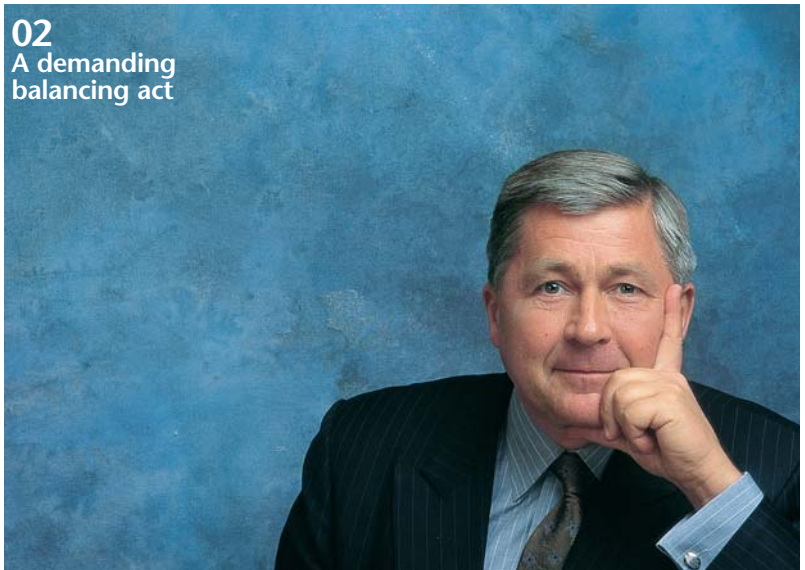
MAIN FIGURES

NOK mill	2003	2002	2001	2000	1999
Percentages are relative to games revenue					
Games revenue	9 743	9 734	8 607	8 277	8 042
Prizes	5 193	5 281	4 495	4 294	4 150
Prize ratio	53.3 %	54.3 %	52.2 %	51.9 %	51.6 %
Games commissions	715	724	647	630	607
Games commissions	7.3 %	7.4 %	7.5 %	7.6 %	7.5 %
Operating costs, games	755	718	672	629	594
Cost ratio, games	7.8 %	7.4 %	7.8 %	7.6 %	7.4 %
Profit	3 069	3 096	2 847	2 764	2 719
Profit ratio	31.5 %	31.8 %	33.1 %	33.4 %	33.8 %
No. of employees, Dec. 31	312	299	289	273	260
No. of retailers, Dec. 31	3 840	3 849	3 846	3 801	3 788
No. of terminals, Dec. 31	4 379	4 386	4 343	4 251	4 212

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Footballers cannot take green grass for granted



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A demanding balancing act?

Norsk Tipping was founded after World War II. The purpose was to establish a moderate and controlled games offering that could also finance important tasks in society. This ideal purpose has, continuously, been an important driving force and a source of inspiration. At the same time, social responsibility has continuously been a cornerstone of Norsk Tipping's operations. "This double focus has been with us since 'Day One.' But requirements at both ends of the scale have become tougher, and there can be no doubt that the balancing act has become more challenging," says President and CEO, Reidar Nordby, Jr.



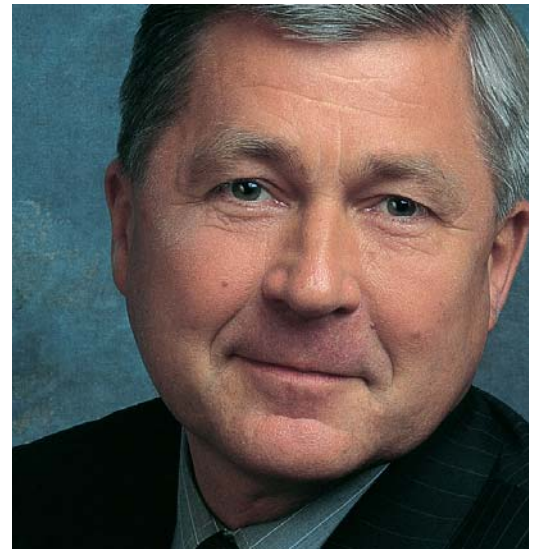
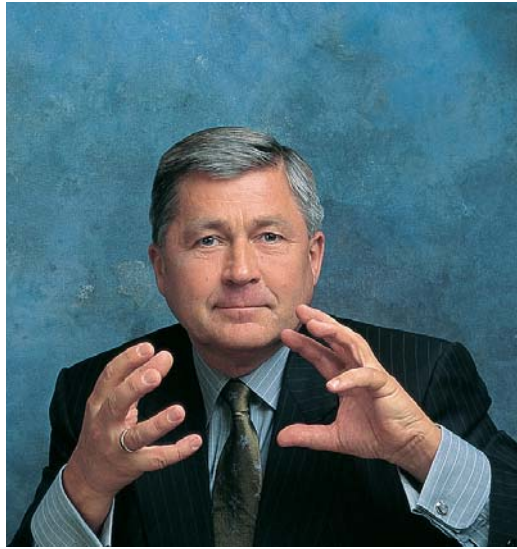


Photo: Morten Krogvold

➔ On the one hand: The requirement for an economic result that benefits sports, culture and humanitarian organisations. On the other: Rock-solid responsible business conduct and a conscientious attitude towards the negative side-effects of gaming. During the last couple of years, the Norwegian gaming market has undergone radical changes that make the balancing even more important and challenging. Reidar Nordby, Jr., President and CEO of Norsk Tipping since 1989, explains.

“ OUR ACCOUNTS HAVE MORE THAN ONE BOTTOM LINE. THEY ARE ALL EQUALLY IMPORTANT. ”

What is the essence of this balancing act?

In Norway – as in most other countries – state-run games are a way of raising money for beneficial causes. By offering attractive games and the opportunity to win money prizes, Norsk Tipping has, on behalf of the country, collected a "voluntary tax" that amounts to NOK 64 billion, re-calculated to the value of Norwegian kroner today. At the same time, it is obvious that games may have negative side-effects. Herein lies the core of the balancing act: the weighing of the community's need to finance causes that benefit all, as well as the majority's legitimate expectations of an attractive games offering, against the individual's right to be protected against unnecessary temptations that, for some people, may lead to serious consequences. This is also the double reason why the state of Norway has imposed strict control measures in the games market: to protect the economic interests of society at large and at the same time guarantee that games are offered within a socially acceptable environment.

Why has it become more demanding to balance these interests?

The gaming market is potentially very profitable, and it is perfectly logical that private interests

would like a 'piece of the pie.' The advances of technology have made it easier to challenge the games monopoly. On the Internet, there are already thousands of foreign sites that offer money games, even though, in fact, it is illegal to offer such games to Norwegian consumers in Norway online. In parallel, we have seen a tremendous growth in turnover in the gaming machines sector. Adding to this, the traditional definition of the games market will no longer suffice: today, games and entertainment offers are abundant, some of them with substantial money prizes, promoted in newspapers, on the radio and TV, increasingly with the mobile telephone as the channel of playing and paying. Games have become a more prominent part of our everyday lives and, as a consequence, negative side-effects have become more prominent, too. For Norsk Tipping, this means, on the one hand, that competition has become tougher and that we must work even harder to meet the public's expectations for a sound profit and a competitive games offering. On the other hand, this development also underlines the requirement for social responsibility. The balancing, therefore, is not only more demanding, but also more important than it used to be.

Problem gambling is a hot topic. What is Norsk Tipping's position?

Compulsive gambling is a serious problem – first and foremost for those directly affected, but also for families and society at large. We take this problem very seriously. We take it into account in the way we design our games and our communication. Problem gambling is a key topic in our retailer and employee training programmes, and we engage in a number of ancillary activities, such as supporting research and treatment programmes. Although the problem is not primarily related to the games Norsk Tipping offers, it remains relevant for us – for instance, in the case of Oddsens. This year, we have made significant changes to the game's rules that limit the maximum stake per play combination and, beginning in 2004, an 18-year old age limit was introduced. These are examples of the balancing act in practice – we are reducing the risks of excessive play, knowing very well that this will have a marked negative effect on turnover.

As an operator of gaming machines it must become even more challenging to strike the balance?

We are very humble as we take on the formidable task we have been entrusted with, as the future sole operator of all gaming machines in Norway. It is exactly the need to reduce the problems associated with problem gambling that prompted Parliament to make this decision. At the same time, these machines constitute an important source of income for humanitarian and voluntary organisations. Our ambition is crystal clear: We will redefine the gaming

machines market – transform it from a gambling arena with a predominantly negative effect on society, to a sound, fun and responsible gaming arena – with an economic result comparable to that of 2001. The main vehicles of change will be a completely new generation of gaming machines, and significantly improved control mechanisms.

And the marketing pressure will increase accordingly?

Even with our exclusive rights in parts of the games market, we are subject to fierce competition. We have to be present in people's minds to make sure that a little of their surplus money benefits society, and does not end up in the pockets of private businessmen. In my view, effective marketing is not only a necessity to keep up turnover, but also to maintain a good dialogue with our real principals, the Norwegian people. The fact is that our marketing, for the main part, is profiling in nature – not direct sales promoting and aggressive. Intelligent and creative advertising, with a good portion of humour and folk wisdom, has helped build the great confidence we enjoy with the public. It is also worth contemplating what kind of marketing scene we would see without a monopoly, with several private companies competing for the same 'buck.'

Does Norsk Tipping try wearing too big a hat? Shouldn't the company's role be to concentrate on maximising funds raised for good causes, and leave it to the authorities to make sure the right balance is struck?

It is true that the Parliament defines the legislative framework in which we operate, and that the Ministry of Culture and Church Affairs makes sure we operate within these boundaries. Nonetheless, as the country's by-far largest and most dominant company in the gaming market, we clearly have a responsibility to balance the needs of individual stakeholders. This is something we have always done – it is in our veins and an integral part of the job. To further underline this, we have changed the wording in our mission statement. It used to read: "...create a greatest possible profit for beneficiary causes." Now, we have changed this to "create greatest possible value for the Norwegian society." The difference between "profit" and "value" is significant and underlines the fact that our accounts have several bottom lines, all of which are equally important. In addition to generating a profit, our job is to reduce negative effects, develop a varied and attractive games offering and, by and large, be a company that in its field contributes to developing society in a positive direction.

“ WE WILL REDEFINE THE ENTIRE GAMING MACHINE MARKET – INTO A SOUND, FUN AND RESPONSIBLE OFFERING – WITHOUT A POORER RESULT. ”

NEW GAMING MACHINES, that are less aggressive and more entertaining, will be introduced when Norsk Tipping takes charge of this market. The illustrations are conceptual sketches.




Illustration: Grid (The illustrations are conceptual sketches)

**Footballers can't
take green grass
for granted**

THE PROCEEDS FROM NORSK TIPPING'S ACTIVITIES FINANCE NORWEGIAN SPORTS. For more than 50 years, these funds have been a crucial source for financing sports arenas all over the country. These funds are the platform upon which the vital arena infrastructure has been built.





→ The most visible result of Norsk Tipping's contribution to society is the many sports arenas that have been partially financed through gaming proceeds. In 2003, the sports sector's share of the profit was NOK 1.2 billion.

The most visible result of Norsk Tipping's contribution to society is the many sports arenas that have been partially financed through gaming proceeds. Who knows how Norway would have financed the Winter Olympics in 1994 without contributions from Norsk Tipping's players? And how many young athletes' talents would have been wasted had it not been for the opportunities provided by the facilities made possible by gaming proceeds?

These funds are really a cornerstone of the arena infrastructure in Norway. In 2003 alone, the sports sector received NOK 1.2 billion from Norsk Tipping. Since 1948, that total sum (price adjusted) has amounted to nearly NOK 23 billion. It is not hard to imagine the enormous consequences should this financing source dry up.

What is the alternative?

Today, most of the profit from gaming goes back to society. The authorities' strict regulation of this vulnerable market has thus far secured this arrangement. However, the current model is under constant attack, particularly by foreign companies. International book-makers see potential in Norway, and are ready to offer their products, given the chance. If this were to become a reality, parts of the proceeds from games would disappear abroad to private investors. To maintain a corresponding level of financing for the sports



arena sector, the bill would have to be sent to the taxpayers. The same would occur for substantial sums that are allocated to culture – also a beneficiary of Norsk Tipping's games. Approximately one fourth of the national culture budget is financed by Norsk Tipping's proceeds. Substantial sums are also allocated to humanitarian organisations.

Gaming is not just another business

More and more voices are heard that are critical of the state's exclusive rights in the gaming market, with particular reference to gaming machines. Opponents of Parliament's decision claim that introducing exclusive rights for Norsk Tipping goes against all trends in business, where competition-based markets are the order of the day. What these critics seem to ignore is the fact that gaming is not just another business.



This is illustrated simply by looking at the painful consequences that the liberal, competitive gaming machines market has had for society. Over 100 operators have, over many years, been competing fiercely. The machines have become continuously more aggressive and addictive, and are present nearly everywhere people go, with little or no age control. During the course of a few years, Norway has

become the most liberal country in Europe when it comes to gaming machines. The authorities' ambitions for a responsible market have been shattered through this extreme development and the conscious, liberal interpretation of existing legislation by private operators.

If the same development should take place in the rest of the gaming market, the consequences would be serious – even disregarding the financial consequences for the many beneficiaries of Norsk Tipping today. No wonder, therefore, that both the authorities and the majority of the Norwegian population are keen to preserve the exclusivity model of the gaming market. Because, after all, footballers can't take green grass for granted.

2003

THE PROCEEDS FROM NORSK TIPPINGS OPERATIONS ARE ALLOCATED TO SOCIALLY BENEFICIAL CAUSES

		SPORTS	CULTURE	RESEARCH	HUMANITARIAN ORGANISATIONS	THE TREASURY
AMOUNT 2003 →		1 200 MILL	1 200 MILL	300 MILL	203 MILL	–
BENEFICIARY SINCE →		1948	1986	1948	1996	1986–1991 and 1995–1998
TOTAL DISTRIBUTED (price adjusted to NOK 2003) →		22.9 BN	13.2 BN	23.8 BN	1.5 BN	2.6 BN

Not everyone has their dream come true...

THE FIGHT AGAINST PROBLEM GAMBLING HAS HIGH PRIORITY

The dream of winning – preferably the big prize – is the main motivator that makes people put a few kroner on one of Norsk Tipping's games. As a rule, that's all there is to it, without other particular consequences. But for some, the dream turns out to be a nightmare. Compulsive gambling is a real and increasing problem in Norway, and, for Norsk Tipping, it is a task of high priority to contribute to reducing this problem as much as possible.

Hello, this is

THE HELPLINE is a toll-free helpline service where compulsive gamblers and their families can get help, support and advice. The service is run by a hospital in cooperation with the Norwegian Gaming Board.

The Helpline is manned by personnel with professional competencies in crisis management, debt problems and games-related issues. The service is financed by the Norwegian Gaming Board, Norsk Tipping and Norsk Rikstoto.

800 800 40
www.hjelpelinjen.no



"RESPONSIBLE GAMING" is the title of a brochure about Norsk Tipping's social responsibilities, published in 2003. The brochure explains how Norsk Tipping relates to its stakeholders.

Compulsive gambling is an increasing problem in Norway – first and foremost related to gaming machines, but also with other games where rather large prizes can be won, and where there is a short time between placing the bet and any prizes being paid. The fact that problems are greatest for young people between 15 and 25 years of age underlines the necessity of reducing the problem. Young people should be spared the burden of bringing compulsive gambling problems with them into adult life.

What is compulsive gambling?

Compulsive gambling is both a physiological and psychological phenomenon. Those affected almost constantly feel an urge to play and find it hard to control this urge. The consequences are serious for the individual. Guilt, lies, anxiety and depression result in a reduced quality of life and may lead to family problems, the break-up of relationships and problems at work. The economic consequences may also be serious. In many cases, the economy of the family is completely ruined, with grave debt problems. For spouses, children and other family members, the hardship can be hard to bear, both on a practical and emotional level. In short: the human suffering and adverse economic and practical consequences make compulsive gambling a serious problem for individuals and society.

Problem gambling and Norsk Tipping's games

The problems associated with compulsive gambling have increased significantly in Norway, in line with the explosive proliferation of gaming machines. This is the background for the Parliament's decision, in 2003, to give Norsk Tipping exclusive rights

to operate such machines. The goal is clear: Problem gaming shall be reduced as much as possible. Norsk Tipping will implement a number of measures to make this happen, of which the most significant probably is to replace all current machines with new, less aggressive ones. In addition to gaming machines, excessive, compulsive play is also a relevant problem in connection with Oddsen. For this game, Norsk Tipping introduced an 18 year age limit in 2003, and has, in addition, imposed limitations on the maximum stake per terminal.

Programme for responsible gaming

Norsk Tipping takes problem gambling seriously and takes this concern into consideration in our product offerings and our communications. To secure the best possibly coordinated and efficient efforts, we have developed a "Programme for responsible gaming." This programme describes the information we offer and preventive actions we take vis-à-vis players, retailers, partners and employees. In addition to enforcing age limits and stake restrictions, we also have clear restrictions for those playing our games vi Internet, and we inform our players about the chances of winning at the retailers, in our advertising, and in our television draws. The subject is also an integral part of our mandatory and extensive training programme for retailers. The objective is to make them aware of, and, to the greatest extent possible, to help them to prevent, risk behaviour by players. Finally, we also cooperate closely and exchange information and knowledge with various institutions and professionals, participate in various related special projects and provide financial support. The compulsive gambling Helpline is one practical example.

from Norsk Tipping
You're a winner...



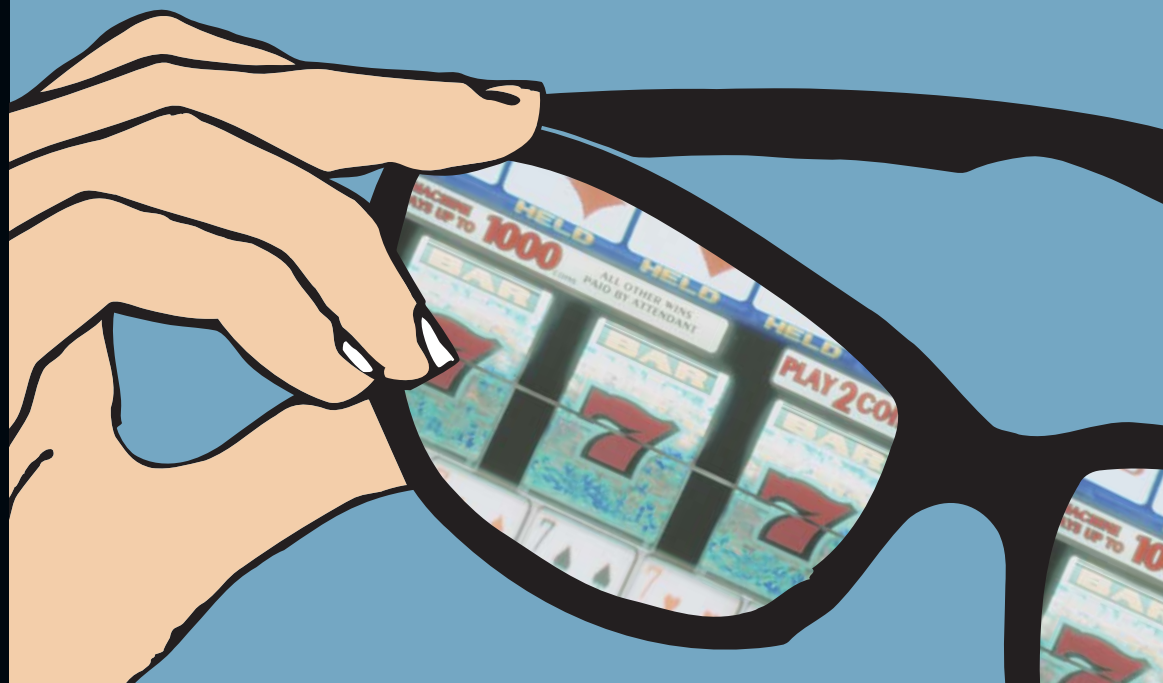
The gaming machines shall be harnessed

"The gaming machines market will be dismantled and resurrected in a brand new, controlled and responsible format. What used to be an arena of gambling and madness for the few will become an arena of joy and entertainment for the many." This is one way of describing the perhaps greatest challenge ever for Norsk Tipping.





Jan Peder Strømshid, previously Vice President of Operations at Norsk Tipping, is in charge of the preparations to establish gaming machines operations. In this interview, he lets us in on the ambitions, plans and status of this extensive project.



➔ The gaming machines operation has been organisationally established as a separate division of Norsk Tipping, which has been named "Norsk Tipping Multispill" (meaning, literally, 'multi-games'). Currently, the division has 30 employees, but this number will increase to approximately 80, when the division is fully manned, during the Fall of 2004.

In face of this great challenge, Strømshid is humble, but also confident and goal-oriented. Humble, because of the magnitude of the task of reforming a market with a negative reputation and the many problems that have to be tackled; confident that the company and its employees have what it takes in commitment and expertise; and very goal-oriented, working towards meeting specific demands and expectations.

"We have taken on a great responsibility and an enormous job on behalf of our owners and society. We are determined to live up to this responsibility. The gaming machines market is today associated with compulsive gambling and also crime. This will not be the case in the future. Rather than changing the current market, we will create a new one – a

positive market that people will want to associate with. The gaming machines will provide entertainment for the players and funds for beneficial causes."

Strømshid recalls the mixed feeling of joy and anxiety when Norsk Tipping received notice of the Norwegian Parliament's decision on June 12, 2003 – notwithstanding the thorough preparations and certainty that Norsk Tipping was the best instrument to implement the authorities aspirations. "It was definitely a statement of confidence from our owners, and a confirmation of our 50-year long track record of combining responsible gaming with creating sizeable profits for society. At the same time, we knew that we now had to do things differently. We are venturing into a market very different from the one we have been dominating for years. This is a challenge that appeals to our entire organisation. The

demanding balancing act between maximising profits and retaining responsibility has developed a flexible and creative culture – and now we will really have to make use of it."

High ambitions

The requirements placed on Norsk Tipping by the authorities are very high and demand a highly motivated organisation. Norsk Tipping Multispill's vision statement says everything about the level of ambition: "A world-class pioneer, that changes madness for the few into joy for the many."

"It may seem high-flown and over-ambitious to describe ourselves as a "world-class pioneer," but we really do mean it. No-one has ever turned a gaming machine market upside down the way we now are doing. The type of technology and the gaming concepts we have chosen are quite unique," states Strømshid.



Senior Vice President Multispill
Jan P. Strømshid

Following a proposition of the Ministry of Culture and Church Affairs, the Norwegian parliament decided in June, 2003 to change the "Act relating to games for cash prizes" to obtain better control of the gaming machines market. Norsk Tipping has been given exclusive rights to operate gaming machines in Norway.

THE AUTHORITIES' GROUNDS ARE SOCIO-POLITICAL. Since 2001, turnover on gaming machines has increased from approximately NOK 8.5 billion to NOK 22 billion in 2003. In the wake of this increase, problems of excessive play and compulsive gambling have increased significantly. Norway has had the most liberal legal regime in Europe related to gaming machines, allowing aggressive machine types that promote fast games and high wagers. The state-run monopoly, with Norsk Tipping as the sole operator, will reduce the risk of thousands of Norwegians becoming addicted to excessive play.

THE FIRST GAMING MACHINES FROM NORSK TIPPING WILL BE DEPLOYED DURING THE FALL OF 2004. Deployment will then be carried out successively, in step with the expiration of current concessions. All current concessions will have expired by December 31, 2005. From January 1, 2006, Norsk Tipping will be the sole operator, and from June 30, 2006, all Norsk Tipping's machines will be deployed and in operation.

THE NORWEGIAN PARLIAMENT'S DECISION

- All current gaming machines will be removed from the market and replaced by less aggressive Interactive Video Terminals.
- The new IVT's will be connected in a network, providing Norsk Tipping and the authorities better control of all money flows.
- The number of terminals will be reduced from approximately 18 000 to 10 000.
- The new machines will not pay cash prizes but, instead, a prize receipt that can be cashed.
- The machines will be removed from entrance areas of shopping centres and other non-controllable areas, to rooms where the age limit of 18 years can be effectively enforced.

From gambling to entertainment

Multispill will have a varied games offering that will also appeal to new groups of players. We have been criticised because we have stated an intent to recruit more players. But the fact is that we want to recruit more players that play for less money. We will change the focus from gambling to entertainment. In today's gaming machines market, approximately 500 000 players account for a turnover of NOK 22 billion. Our ambition is to change this by increasing the number of players and reducing the average wager per player. In this way, we will discourage excessive play, reduce problem gambling and create a new gaming machines market – one that has a positive reputation and that contributes with predictable income for its beneficiaries.

A unique concept

Norsk Tipping Multispill will offer a completely new concept for gaming machines. One unique aspect will be that all machines will be hooked into a network, and controlled from servers at Norsk Tipping. The games on the 10 000 machines will be downloaded from these servers, which will make it easy to tailor-make games for various purposes, upgrade games and replace them.

All games will be run online from the server, but will appear to be running locally on the individual gaming machine. This means that Norsk Tipping will, at all times, have full control of each machine. The system will control and log all game sequences, time consumption and money flows. Routines will be put in place to halt games, or similar measures, to discourage excessive play. The store owner will also have a master machine that, at any time, provides a full overview of all activity on all of his or her terminals. This also provides an opening for electronic communication between the store owner and Norsk Tipping.

"We will be able to offer advice and other information, in addition to operating a separate and targeted, Internet service for store owners. All store owners must also be certified, in order to satisfy our demands for security. The certification will document that store owners have gained a thorough knowledge of playing rules, regulations and other legal requirements. And, not least important, certification will give them a solid basis for recognising and preventing symptoms of problem gambling," Strømslid explains.

Norsk Tipping has commissioned the Swedish company, EssNet Interactive AB, to deliver 10 000

gaming machines, or IVT's – Interactive Video Terminals, 2 500 master terminals for store owners, a games portfolio and a central server system. This contract was an important milestone on the way to creating a new, exciting and responsible gaming machines market.

Various expectations to be met

Strømslid has clear opinions about how Norsk Tipping Multispill will meet the somewhat contradictory expectations of various stakeholder groups. Some are most concerned with our ability to maintain a high level of profit for the beneficiaries, while others are only concerned with our ability to reduce the negative influence of the gaming machines.

"By being co-localised with the rest of Norsk Tipping's operations, we will benefit from synergies, through common IT systems, administrative systems and other common functions. This will ensure very cost-effective operations and reduced operating costs, compared to the gaming machines industry today. In this way, we will be able to reduce the number of machines and gross turnover without significantly reducing the profit," states Jan Peder Strømslid.

The global world of games

The entire world is playing. There is hardly a country or culture where gaming is not a part of everyday life, although gaming is prohibited in some countries. What does the global world of gaming look like today – and where is it going now that the border-defying Internet games are challenging the national games?

In most countries, money games are subject to strict regulations and government control. This, of course, has to do with the potential negative side-effects of gaming. In the interests both of society at large and the individual citizen, governments all over the world have seized control of the gaming market. Norway is part of this international tradition, although the degree of exclusivity for national games and the extent to which the gaming market is regulated varies from country to country, and between cultures. In some countries, for example, gaming is completely prohibited on religious grounds, with the consequence that illegal gaming is flourishing.

There are no exact figures that define the size of the global gaming market – it is too fragmented.

However, when we in Norway, alone, spend more than NOK 30 billion on money games, it is obvious that the figures are enormous. The Italian gaming company, SISAL, has estimated the total spending on games in the world to be in the region of NOK 2 000 billion.

And spending is on the rise, particularly in Asia. However, the big money is spent in North America – with enormous jackpots, the world's top prize to date of approximately NOK 2.2 billion, and the highest per-capita spending. Some estimates indicate that North America's share of the world's total spending on gaming is over 30 per cent – in spite of the fact that gaming, in principle, is prohibited in the US. But the various states are allowed to grant

exceptions to this federal law – which they certainly do.

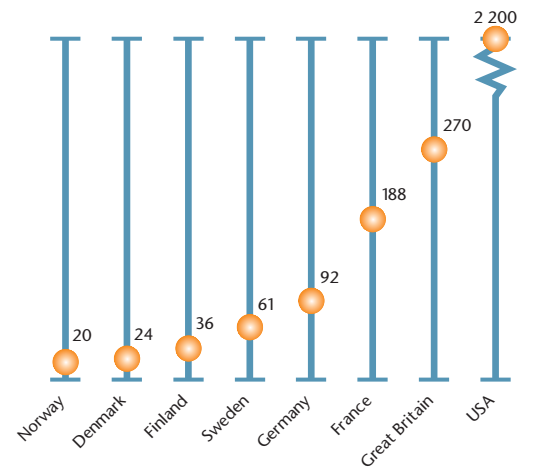
In Europe, too, money games are very popular: it is estimated that over 40 percent of the world's gaming turnover takes place here. The Italians are high in these statistics: they were also the inventors of Lotto, the world's most popular game. It accounts for approximately 20 per cent of global gaming turnover.

Norway and the Nordic countries are also fairly high on the lists. Measured by the wager per capita in state-owned companies, the Nordic countries are placed between rank number 10 and 20. American states that allow gaming machines dominate the Top-10 list. When it comes to games of chance and





Top prizes in Norway are low compared to many other countries. (Figures in NOK mill.)



how the global gaming scene will develop, as more and more turnover shifts over to the electronic arena. The Internet is, as everyone knows, a medium that exceeds national borders and makes it difficult for national authorities to retain the desired overview and control. It is hardly surprising that more and more gaming sites appear on the Internet, run by private interests looking to profit from the opportunities that lie in offering games with, potentially, the entire world population as customers. As a rule, these sites are purely commercial undertakings, run by persons and companies that have no beneficiaries to consider, and that may put any profit made in their own pockets.

games of skill (the categories operated by Norsk Tipping), the Nordic countries find themselves on the Top-10 list of wagers-per-capita. However, a long way remains to reach the unchallenged top position – held by Singapore. More statistics: the three gaming companies in the world with the highest turnover operate in Japan, Italy and England – all offering Lotto to large populations.

Following Lotto on the popularity list are casinos – which we do not have in Norway. Various forms of betting games, including horse betting, follow, and scratch lotteries also constitute a popular category. The key question in the global gaming industry is

Moreover, these operators have attractive competitive advantages: their costs are low – a game may, basically, be run off a small PC server, and as mentioned, there are no beneficiaries to consider. As a consequence, they can offer their players better odds and greater chances of winning. The operators can ‘make do’ with only a small share of the turnover, and still become enormously rich. The danger this poses for society is as grave as it is obvious: if the money spent on gaming goes to foreign, private Internet operators, beneficiaries will be seriously hurt while, at the same time, control of negative side-effects will be significantly reduced.

The state-owned gaming companies have a "gentlemen's agreement" not to challenge each other's national markets. In other words, it is the private operators that are driving the globalization of games. And they do not limit themselves to just Internet games. Expekt is one example of a net-based operator that is also building a physical distribution network by setting up gaming outlets, so far in Austria and Malta. Along with many others, they are ready to attack any market that may loosen up their legislation.

It is against this background that politicians, authorities, beneficiaries and state-owned companies the world over fight the same battle to maintain control. Experience shows that it is not just a question of deciding to stay in control – control has to be created through active measures. The national gaming companies need to be given a legislative framework that makes it possible for them to stay in control – and then it must be up to each company to be creative, responsible and future-oriented enough to make people actually prefer their games.



Who benefits from creative advertising?

Norsk Tipping has, over the years, won much acclaim for its advertising, both at home and abroad – for which we are both happy and proud. Luckily, there is no inherent contradiction between creativity and social responsibility.

Norsk Tipping has long traditions as a marketer and advertiser. In fact, we have been doing it since 1948, when the company was founded as an instrument for financing the rebuilding of the country after the war. The task is still the same: to create a profit for the benefit of important tasks in society – in a responsible, balanced and socially acceptable way.

Market communication is required to make people choose Norsk Tipping's games in competition with other entertainment offerings. This is why Norsk Tipping is, today, one of the country's major advertisers, present in Norwegian media such as TV, radio, printed media and the Internet. We also run results and news services through the press, and produce TV draws in accordance with established editorial principles. The objective of all our communication activities is to promote the games and the company as advocates of joy and entertainment, in a socially responsible context.

For many years, the task was simple. Marketing was all about announcing the existence of the one game available: the football pools. Competition could be summarized in one word:

"Pengelotteriet" – the national ticket lottery. Later, reality changed – at first, gradually, and, during the last few years, radically. Today, the competitive arena is complex, and competition is fierce from an array of games and entertainment offerings, with people's notions of entertainment, games and advertising rapidly changing. This is why it is becoming constantly more important – perhaps also more demanding – to stand out in the marketplace with clear and noticeable communication, without promoting irresponsible gaming.

The question is how to do this in practise, considering the fact that games of chance with money prizes in Norway is, in principle, prohibited, as it is in most other countries. But because people will organise and play such games, anyway, the state has established Norsk Tipping with exclusive rights, and created other restrictions to limit the negative side-effects of gaming. The role of the gaming monopoly is two-fold – to raise funds and to guarantee a responsible market. This double focus is also reflected in Norsk Tipping's marketing communications.



One of the roles of communication is certainly to influence people to choose Norsk Tipping's games rather than other offerings, but not at any price. This is why we have established clear guidelines that form a framework for all our marketing activities and communications.

Norsk Tipping's advertising focuses on the joy of playing, and seeks to influence the many to participate with a small stake, with humour and an unassuming tone as important ingredients. We promote the individual characteristics of each game, and seek to build each one as a separate brand. Norsk Tipping is well-known as the author of its games, and is the guarantor that all games are safe and responsible. In other words, our advertising is more brand-building than it is sales promotion. Of course, this does not mean that we refrain from informing our players about rollover jackpots, or other factors that make it particularly interesting to participate in predominantly entertaining games such as Lotto or Viking Lotto.

Our advertising, therefore, is not dominated by the opportunities of winning big prizes. Our ethical guidelines ascertain that our com-

munication shall not be regarded by the public as aggressive, either in content or in scope. They are crystal clear also on other important points: We do not direct our communication towards children and young people, for instance by using typical youth media, using youngsters in our advertising, or using a creative language suited typically for young target groups. We do not urge people to spend as much as possible on our games, rather the opposite. The objective is to influence as many as possible to participate because it is fun and entertaining – not to have each individual spend as much as possible. Moreover, we make a specific effort to communicate that, after all, the chances of winning are fairly modest.

Our own and independent surveys confirm that confidence in the company amid the public is high. This underscores that there is a clear connection between the messages in the advertising and what people experience in contact with the games and the company. What we offer is, first and foremost, entertainment and the joy of playing within a socially acceptable framework. Our product is responsible gaming, which is also reflected in our market communication.

Norsk Tipping bases its marketing on 7 ethical guidelines:

1. All communication promoting games shall be legal, honest, and shall not appear offensive or importunate.
2. Norsk Tipping's market communication shall not be misleading.
3. We shall be completely open about the chances of winning for each individual game.
4. We shall take particular care that our market communication does not address or adversely affect children, youngsters and vulnerable groups.
5. Young people under 18 shall not play a central part in our advertising for games.
6. Norsk Tipping's advertising shall not stimulate excessive play.
7. Information about inappropriate gaming behaviour and information of assistance for vulnerable groups shall be readily available.

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Board of Director's Report

2003 was a demanding and important year in the history of Norsk Tipping. Games revenue increased modestly compared to the previous year, following several years of significant growth. The stagnation was both a result of increasing competition and measures taken to reduce excessive play. The year was also dominated by preparations to take on operatorship of the gaming machines market in Norway.

Games revenue increased, from the prior year, by NOK 9 million, or 0.1 per cent, to NOK 9 743 million. Total profit amounted to NOK 3 069 million, a reduction of 0.9 per cent. After provisions, this amounts to a distributable profit to sports, culture, science and humanitarian beneficiaries of NOK 2 903 million. The sports and culture sectors each received NOK 1 200 million, while the science sector received NOK 300 million. The profit from the game Extra, NOK 203 million, went to health and rehabilitation programmes.

The Board is satisfied that the level of games revenue, overall, was maintained in a year when revenue for Oddsen was significantly reduced. Active efforts compensated for this reduction, and resulted in increased revenue for other games such as Flax and Joker. The reduction in total profit is the result of increased costs related to preparations for operatorship of gaming machines, as well as reduced financial income due to significantly lower interest rates. Operating profit for the games alone, however, is still better than in the previous year. The company's market share has been significantly reduced, and is now below 26 per cent. This is the result of the continuing strong growth in gaming machines as well as foreign Internet-based games.

Development of the games

The games of chance, Lotto, Viking Lotto and Joker, displayed a total growth of 3 per cent and confirmed their position as the company's largest group of

games and the most popular games in the market. Total games revenue was NOK 5 586 million. Lotto on Saturday recorded a reduction in revenue, while revenue for Viking Lotto on Wednesday increased somewhat. However, Joker recorded the greatest increase, from NOK 472 million to NOK 679 million, or nearly 44 per cent. This illustrates that a natural peak is about to be reached for the traditional Lotto games, while there still is room for increasing revenue through attractive additional games, both within the Lotto segment and other segments.

Flax is another example of this. Flax is a typical game of impulse that competes with other scratch lotteries at news stands, kiosks and other retail outlets. The combination of new Flax versions and increased exposure at point-of-sale resulted in an increase in games revenue of over 12 per cent, or nearly NOK 100 million. Total revenue for the Flax games amounted to NOK 896 million.

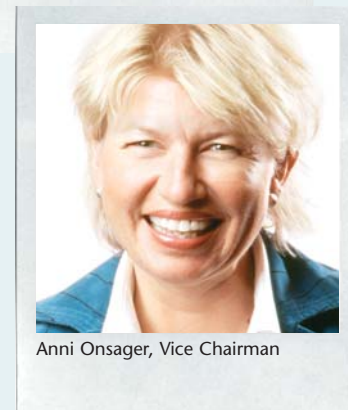
Extra, the game operated on behalf of the Norwegian Foundation for Health and Rehabilitation, continued its positive trend from the previous two years. Revenue grew by 3.5 per cent to NOK 822 million, which is satisfactory, particularly for the many health and rehabilitation projects benefiting from the proceeds.

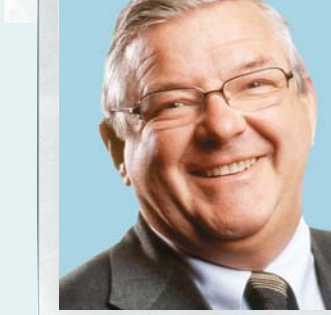
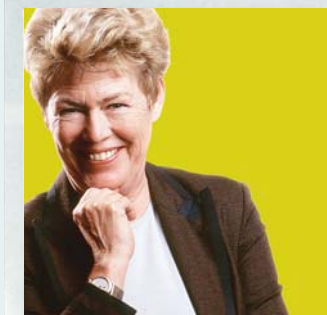
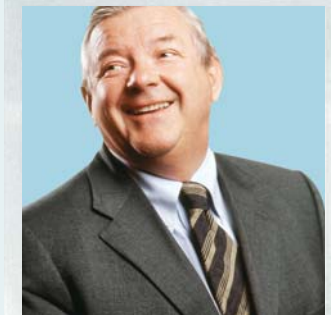
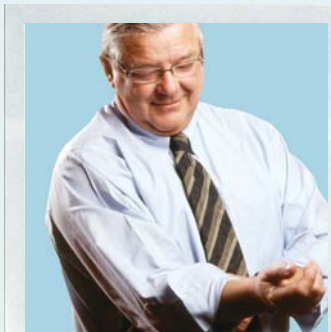
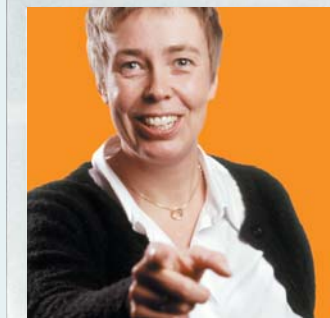
The sports games showed a marked reduction. Combined, Oddsen and Tipping recorded a drop in games revenue of 10 per cent. For Tipping, this is

in line with the international trend for football pools. However, a reduction of 5.5 per cent is less than what might be expected. With a games revenue of NOK 826 million, Tipping is still a major game in the Norwegian market.

Oddsen is the game in Norsk Tipping's portfolio which has been most attractive to players outside the main target group for Norsk Tipping's games. These players' gaming behaviour tends to be professional, with large stakes, and they are therefore in the group of players that risk becoming victims of problem gambling and other negative social side-effects. Norsk Tipping has initiated several measures related to Oddsen to reduce these risks. In combination with fierce and increasing competition from Internet-based games, this has resulted in a significant reduction for Oddsen of nearly 13 per cent, or NOK 234 million.

The measures introduced include a significant reduction of the stake limit per play combination, to NOK 5 000. This means that it is now only possible to bet NOK 5 000 per combination per terminal. From January 1, 2004, an 18 year age limit was introduced for Oddsen. These measures are consistent with Norsk Tipping's role as a socially responsible company. With this strong commitment and constantly increasing competition from international Internet games, it will remain a great challenge to defend the market position for Oddsen in the time ahead.





Berit Fosheim

Kjersti Langseth

Torgeir Mjør Grimrud

Marit Skaugen Holmberg

Market development

The Norwegian gaming market continued to grow in 2003. According to figures from the Norwegian Gaming Board, total turnover was NOK 38.1 billion (including foreign Internet games). This is an increase of 23 per cent from the year before. It also means that each Norwegian spent NOK 8 345, on average. Nearly all of this growth has taken place within the segments for gaming machines and international Internet games.

The gaming machines segment increased by 43 per cent, from NOK 15.4 to NOK 22.1 billion in gross turnover. This comes on top of an increase of 67 per cent from 2001 to 2002. According to statements from involved companies, this is a result of conscious strategic decisions. There has been a massive and continuous replacement of machines over the last years, into more aggressive and fast machines. In addition, the most addictive machine types have been deployed at locations where the flow of people is high and where age control has been more or less absent. The result has been that machines income has gone up and new players have been recruited. Total expenditures in the gaming machines market are now more than double that of Norsk Tipping's segment.

The growth in the market for international Internet games also continued at full force in 2003. Norwegian Internet players generated revenue of approximately NOK 1 400 million for international

bookmakers, an increase of 73 per cent over the preceding year. Professional players prefer games where the odds are highest and the payback opportunities greatest – regardless of current legislation, where the proceeds go, and what risk is associated with playing on these sites. In addition, it is fair to assume that the number of players has increased significantly. Such games have attracted attention and been given 'PR' in the media, and there is an increasing number of companies prepared to challenge Norwegian legislation.

Horse betting, organised through Norsk Rikstoto, continued to lose market share. Revenue decreased by nearly 3 per cent to NOK 2 414 million, corresponding to a market share of 6.3 per cent.

The turnover from bingo, lotteries and other games displays a reduction of nearly 4 per cent and was NOK 2 413 million. This results in a market share identical to that of horse betting.

Another clear trend in the gaming market is the abundance of games and competition offered through various media, often with the mobile telephone as the channel and payment method. This represents a challenge to the traditional definition of the gaming market, and the money spent therefore does not appear in official statistics. This development is driven both by technological advances and new generations' demands and expectations related to entertainment. In other words, the competition

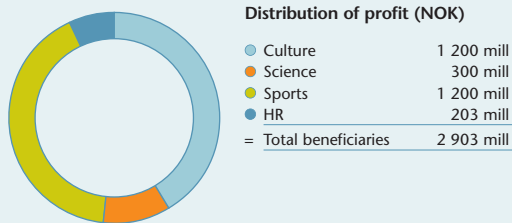
is not only about the player's money, but about their willingness to spend time and attention on various games and entertainment offerings.

The Board is of the opinion that this development underlines the need for a comprehensive and responsible approach to the further development of the gaming market. If the intention behind the monopoly – of control, responsibility and funds generated to beneficiary causes – are to be upheld, it is important that the company's legislative framework is continuously adapted to the prevailing competitive arena.

Norsk Tipping in society

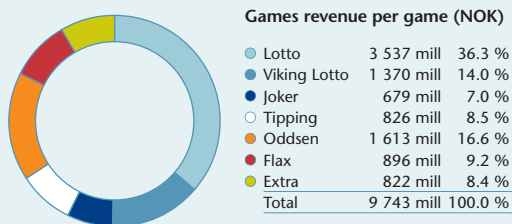
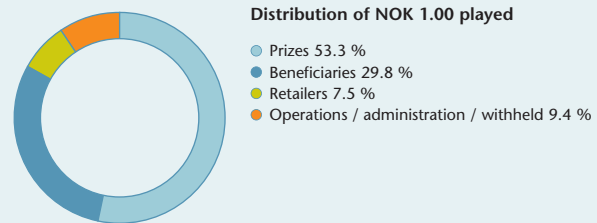
The administration of its exclusive rights in the gaming market in a responsible and socially beneficial way is founded in the company's mission and is a key concern for the Board. The company's role in society means taking a balanced view and considering the needs of all direct and indirect stakeholders. Based on the company's tradition, role in society, value platform and code of conduct, the Board's intention is for Norsk Tipping to be an organisation that contributes to a positive development of the Norwegian gaming market and society at large.

A company's reputation and its effect on individuals and society can be hard to measure in precise terms. However, to the greatest extent possible, it is important to base decisions and evaluations on facts and concrete knowledge. Last year, for the



The profit from Norsk Tipping's games is distributed to the sectors sports, culture and science.

The profit from the game Extra goes in its entirety to the Norwegian Foundation for Health and Rehabilitation.



*) Revenue estimate / Source: Statistics from The Norwegian Gaming Board

first time, the company issued a social responsibility report as an integral part of the annual report. The objective is to broaden the scope and relevance of this reporting year by year.

In a time when basic material needs are well covered, surveys indicate that more money and wealth will make people neither more nor less happy. The question of what role Norsk Tipping's offering plays in such a context is therefore relevant. Do the games appeal first and foremost to a dream of greater material wealth and, hence, an unsound focus on money, or are they by-and-large a daily stimulant and an innocent daydream of economic freedom and new opportunities? To shed light on this and related questions, Norsk Tipping has commissioned the Faculty of Theology at the University of Oslo to execute a research project about the effect of the games on individuals. The results of the project are planned for completion in the first half of 2004.

On behalf of Norsk Tipping, the market research agency, MMI Univero, undertook, in 2003, a survey related to Norsk Tipping's corporate reputation. The results confirm that the company enjoys a unique position and great confidence with the Norwegian public. In addition, Norsk Tipping recorded the second best score for total impression in MMI's annual survey of corporate brand strength in Norway. The survey maps the public's impressions and attitudes towards large companies in Norway, and was carried out for the 12th time in 2003.

Problem gambling

The dilemma related to problem gambling is an important issue for the company and the Board. It is important to state that the problem, first and foremost, is not related to the games currently operated by Norsk Tipping. The company's games portfolio is characterised by its many games with a strong element of entertainment, of which Lotto is a prime example, with approximately 1.5 million players on a weekly basis, and an average stake of NOK 45.

However, as the country's dominant gaming company, Norsk Tipping assumes a responsibility for contributing to reducing the extent of this problem. The company takes special care and focuses on a sound balance when it comes to designing and marketing its games. One practical result of this balanced attitude is the previously mentioned measures that have been implemented for Oddsden. Norsk Tipping also cooperates with leading professional bodies and institutions related to problem gambling, and has an extensive information programme as an integral part of its operations.

Promoting a sound gaming industry

The company's social involvement also includes initiatives on the fringes of its core business. Norsk Tipping feels a commitment to contribute in areas to promote sound development of a future-oriented gaming industry in Norway. In 2002, the company supported the establishment of university-level studies in Experience Production and Interactive Media at Hedmark University College, in Hamar. Studies began in the Fall of 2003. Norsk Tipping's contribution to date has been to put its expertise at the school's disposal. In 2003, the company expanded its engagement within the education sector by supporting a new Master's degree program within IT Security at Gjøvik University College, providing lecturers, based on the company's leading expertise in this field.

Norsk Tipping has also agreed to contribute to establishing and operating a state-owned gaming company in Sri Lanka, in the wake of Norway's peace initiatives in the country. The objective is to establish a responsible and modern company that can contribute positively to the development of Sri Lankan society, based on the expertise and experience of Norsk Tipping. The activities in Sri Lanka are based on the same principles of social responsibility that Norsk Tipping applies in Norway, and proceeds will be used for causes benefiting society – to start, a fund for educational services.

Gaming machines operated by Norsk Tipping

In 2003, the Norwegian Parliament, decided to grant Norsk Tipping exclusive rights to operate gaming machines in Norway. The background was the need to obtain better control of the negative side-effects related to this large part of the gaming market. Norsk Tipping was regarded as the best instrument to manage this sector in a responsible and professional way. In accordance with this decision, Norsk Tipping has initiated one of the biggest and most challenging projects in the history of the company, both organisationally and technologically. The project will entail deployment of 10 000 new gaming machines, a complete technological infrastructure, and the establishment of an organisation that, fully manned, will employ approximately 80 persons.

In the wake of the Norwegian parliament's decision, an intense public debate has taken place regarding the appropriateness of state exclusivity in the gaming market, in which private companies affected by the decision have been particularly active. The new law has been challenged before the ESA (EFTA Surveillance Authority). The European Court of Justice's ruling in the so-called Gambelli case in Italy, in the Fall of 2003, is being suggested as support by those who oppose the Norwegian parliament's new law. Although not formally a legal party in this matter, the Board of Norsk Tipping is in agreement with the Norwegian authorities, who have expressed their opinion that the facts of the Gambelli case are so distinguishable that the case does not hold relevance for Norway. On the contrary, the Gambelli ruling supports the exclusive rights model, as long as it is grounded in necessary socio-political and crime-preventive conditions. This is precisely what the Norwegian legislation does.

Norsk Tipping is working hard and enthusiastically to implement the project through its division, Norsk Tipping Multispill. The company has ambitions for redefining the gaming machines market

and creating a gaming arena without the negative side-effects it currently has. The Board is confident that the authorities' intentions and goals will be met, for the benefit of a responsible and well-functioning gaming market in Norway.

Strengthened distribution

The retailers form the core of the company's distribution network, connected to the central system via online terminals. A nationwide replacement of this terminal network was initiated in 2003. This will increase efficiency and reduce operating costs, and, at the same time, retain the current system's high level of security and control. The use of the company's interactive outlet on the Internet increased, consistent with the general increase in Internet usage. However, the Internet remains a marginal additional channel that provides freedom of choice for players who wish to have the flexibility of being able to play from home.

Communication and marketing

Norsk Tipping has built its corporate reputation through conscious communication and dialogue with players and other stakeholders, e.g. through its advertising, at the retailers, and through television draws. In 2003, too, the company received recognition for its marketing communications, and maintained its position as one of the companies with the best advertising.

In the debate related to problem gambling and the Norwegian legislative framework, voices have been heard claiming Norsk Tipping's advertising is aggressive. The Board strongly disagrees with this claim. On the contrary, the company's advertising is balanced and mainly profiling, with the joy of playing and humour as important ingredients, and is based on well-defined ethical guidelines. Only to a limited extent does advertising directly and actively urge players to participate, usually in the case of indicating rollover jackpots for the Lotto games, or to incite to instant gaming. To offer games via the Internet or mobile telephone is part of a continuous adaptation to the preferences of the players and the general technological development of society, and cannot be seen as an aggressive marketing strategy.

Communication with the company's stakeholders takes place also in a number of other arenas. Norsk Tipping cooperates with its beneficiaries, through various sponsorates and projects, based on sound business principles. These are important elements of an extensive programme of dialogue that includes all of the company's stakeholders.

Organisation, personnel and environment

2003 was another year of renewal. In particular, the gaming machines project has been substantial. A number of processes were continued and new ones initiated to further develop the organisation in preparation for tomorrow's gaming market. The company's value platform – consisting of the core values, courage, engagement, performance and cooperation – was introduced with vigour and enthusiasm in a process that included all employees. Within a short period of time, this platform was adopted by the organisation, and constitutes, today, the fundamental framework for its daily operations.

Norsk Tipping emphasises a varied and vigorous culture, based on a belief that this makes the company better equipped to meet the challenges and opportunities the future holds. In this context, the principle of equality among the genders is a natural component of a comprehensive personnel policy, without a specific focus on percentages and formal requirements. In 2003, the company published a separate equality report. Of the company's employees, 46 per cent were female. In top and middle management, the corresponding number is 31 per cent. See also the Social Report section of this Annual Report.

At the beginning of the year, Norsk Tipping had 299 employees, of whom 269 were full-time and 30 part-time. The corresponding figures at year's end were 312 employees, 279 full-time and 33 part-time. In the Board's view, the working environment is good. Internal communication seems to be constructive and positive, as is cooperation with both trade unions and employee representatives. Figures for absence due to illness were 5.4 per cent, a small reduction compared to the prior year. Short-term absence was 1.3 per cent, compared to 1.6 per cent previously. The company participates actively in the 'Inkluderende Arbeidsliv,' or 'Inclusive Worklife', programme.

Norsk Tipping has, for many years, emphasised structured 'SHE' work (safety, health and environment), and follows up on this, on an annual basis, through a separate action plan. The company has no products, processes or other activities that entail emissions to water or soil. Nevertheless, much emphasis is placed on controlling other impacts on the environment, such as consumption and recycling of paper and plastic resources, transportation effects, and waste generation

Since 2000, the company has issued accounts of its intellectual capital every other year, rating and

quantifying the immaterial assets of the company. 2003 was an intermediary year in which the company worked actively to strengthen its intellectual capital, for the ongoing management and further development of Norsk Tipping as an attractive, knowledge-based company.

Prospects

In the Board's opinion, Norsk Tipping's prospects are good, based on its leading market position and expertise. The management and employees are working on continuous development, and adaptation to a changing market environment. With a successful launch, and full operation of all gaming machines in the country, the company's revenues and profits will increase significantly. At the same time, there is little reason to expect that gaming competition will be lower, nor that pressure opposed to the exclusive rights model will diminish. This represents a considerable challenge in the coming years. Against this background, the management and Board have developed an ambitious, long-term strategy to make Norway a leading nation in the international gaming industry, where responsibility and innovation are key elements.

Auditors

The company's accounts are audited by the Auditor General.

Going concern value

A "going concern value" is assumed as the basis for this annual report and the accounts for 2003.

Profit allocation

The total result for the financial year of 2003 amounted to NOK 3 069 million.

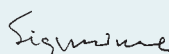
Total result	NOK 3 068 953 502
Result Health and Rehabilitation	NOK 203 034 468
Result Norsk Tipping	NOK 2 865 919 034

Which is proposed allocated as follows:

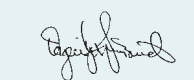
Equalisation fund	NOK 0
Investment fund	NOK 165 919 034
Sports, culture and science	NOK 2 700 000 000
Sum allocated	NOK 2 865 919 034

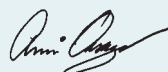
The profits from Lotto, Viking Lotto, Joker, Tipping, Oddsen and Flax, as well as the operator's fees for Extra, are in 2004 distributed as follows: 2/18 to science, 8/18 to sports and 8/18 to culture; NOK 300 million, NOK 1 200 million and NOK 1 200 million respectively.

The Board of Directors of Norsk Tipping AS
Hamar, 12 March 2004


Sigmund Thue
Chairman

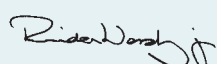

Marit Skaugen Holmberg


Torgeir Mjør Grimsrud


Anni Onsager


Kjersti Langseth


Berit Fosheim


Reidar Nordby, Jr.
President and CEO

Profit and loss account

	Note	2003 NOK mill	2002 NOK mill	2001 NOK mill
OPERATING INCOME				
Games revenue	1	9 743.4	9 734.3	8 606.6
Other operating income	2	256.4	193.6	116.5
TOTAL OPERATING INCOME		9 999.8	9 927.9	8 723.1
OPERATING COSTS				
Prizes		5 192.7	5 281.1	4 494.7
Games commission		714.8	723.7	647.4
Salaries and personnel costs	3	146.1	128.7	136.6
Development costs		171.2	81.8	58.0
Other operating costs	4	712.5	686.0	627.5
Depreciations	5	53.9	48.4	39.5
TOTAL OPERATING COSTS		6 991.1	6 949.7	6 003.7
OPERATING RESULT				
		3 008.7	2 978.2	2 719.4
Gross financial income	6	95.1	165.3	162.4
Gross financial costs	6	34.8	47.8	34.9
PROFIT FOR THE YEAR		3 069.0	3 095.7	2 846.9
The profit is distributed as follows:				
Norsk Tipping AS		2 866.0	2 893.1	2 664.1
Health and Rehabilitation		203.0	202.6	182.8

Balance sheet

ASSETS	Note	2003 NOK mill	2002 NOK mill	2001 NOK mill
Fixed assets				
<i>Tangible assets</i>				
Buildings/other real estate	7	46.1	39.5	39.0
Computer systems/terminals/other fixtures	7	130.3	81.9	98.0
<i>Financial assets</i>				
Shares in subsidiaries	8	4.3	7.5	7.5
Shares in other companies	9	6.2	6.2	0.0
Intercompany balances	10	21.7	18.7	1.1
Bonds and other receivables	11	19.7	29.6	20.8
Total fixed assets		228.3	183.4	166.4
Current assets				
<i>Inventories</i>				
Merchandise stock	12	1.6	1.8	2.0
<i>Receivables</i>				
Customer receivables	13	1.4	0.3	0.6
Claims on retailers	14	19.8	136.1	149.8
Other receivables	15	22.4	22.8	30.5
<i>Bank deposits, cash reserves, etc.</i>				
Cash reserves		3 807.8	3 632.1	3 297.5
Total current assets		3 853.0	3 793.1	3 480.4
TOTAL ASSETS		4 081.3	3 976.5	3 646.8
EQUITY AND LIABILITIES				
Equity				
<i>Paid in capital</i>				
Share capital	16	0.2	0.2	0.2
<i>Retained earnings</i>				
Investment fund	17	901.6	680.9	465.9
Total equity		901.8	681.1	466.1
Liabilities				
<i>Long-term liabilities</i>				
Funds – games	18	151.4	264.1	255.3
Total long-term liabilities		151.4	264.1	255.3
<i>Short-term liabilities</i>				
Trade creditors		69.2	57.4	54.8
Prize liabilities		79.8	68.5	132.5
Prepaid stakes		133.3	130.7	109.6
Public duties payable		14.3	15.5	12.4
Other short-term liabilities	19	20.6	20.6	19.4
Equalisation fund	20	0.0	0.0	0.0
Remaining profit for distribution	21	2 711.0	2 738.6	2 596.7
Total short-term liabilities		3 028.1	3 031.3	2 925.4
TOTAL EQUITY AND LIABILITIES		4 081.3	3 976.5	3 646.8

The Board of Directors of Norsk Tipping AS
Hamar, 12 March 2004

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 CEO

Per Torgersen
Per Torgersen
Financial Manager

Cash flow statement

	2003 NOK mill	2002 NOK mill	2001 NOK mill
Cash flow from operating activities			
Profit	3 069.0	3 095.7	2 846.9
Profit on sale of assets	-1.5	-1.3	-1.0
Investment and project depreciations	53.9	48.4	39.5
Changes in claims on retailers	120.6	9.6	-14.0
Changes in other current assets	-0.5	8.2	-11.8
Changes in trade creditors	11.8	2.6	9.5
Changes in other accruals	5.8	-28.5	-2.4
Net cash flow from operating activities	3 259.0	3 134.8	2 866.7
Cash flow from investing activities			
Receipts on sale of fixed assets	2.1	1.3	1.0
Payments on purchase of fixed assets	-109.5	-32.8	-56.5
Changes in project costs	0.0	0.0	0.0
Net cash flow from investing activities	-107.4	-31.5	-55.5
Cash flow from financing activities			
Net changes in long-term liabilities	-112.7	8.8	28.0
Net changes in short-term liabilities	12.6	-38.5	-7.1
Net changes in investment fund	220.7	215.0	107.9
Payments and allocations of profit	-3 096.5	-2 953.9	-2 733.6
Net cash flow from financing activities	-2 975.9	-2 768.7	-2 604.8
Net changes in cash holdings	175.7	334.6	206.4
Cash reserves as of 01.01	3 632.1	3 297.5	3 091.1
Cash reserves as of 31.12	3 807.8	3 632.1	3 297.5

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 2003

All amounts appearing in the tables are in NOK 1 000.

01:

GAMES REVENUE

Games		2003	2002	2001
Lotto	NOK	3 537 049	3 610 164	3 517 189
Viking Lotto	NOK	1 369 837	1 338 892	1 309 536
Joker	NOK	679 435	471 785	273 076
Tipping	NOK	825 611	873 717	938 814
Oddsden	NOK	1 613 470	1 846 757	1 137 612
Flax	NOK	895 517	798 629	684 273
Norsk Tipping's games	NOK	8 920 919	8 939 944	7 860 500
Extra	NOK	822 444	794 385	746 104
Total games revenue	NOK	9 743 363	9 734 329	8 606 604

02:

OTHER OPERATING INCOME

		2003	2002	2001
Sales internal canteen/shop	NOK	4 681	4 899	4 840
Start-up fees from new retailers	NOK	2 230	3 002	4 110
Sales of player cards	NOK	39 676	40 252	32 474
Fees from operatorship of Extra	NOK	79 640	74 758	67 516
Transfers from game funds	NOK	123 920	65 000	3 000
Sundry income (Royalties from the TV channel NRK1, reimbursement of initial costs Flax/DnP, profit from the reimbursement of assets, fees for consulting services rendered)	NOK	6 241	5 721	4 595
Total other operating income	NOK	256 388	193 632	116 535

03:

SALARIES AND PERSONNEL COSTS

		2003	2002	2001
Salaries and fees	NOK	124 182	109 896	112 933
Social Security tax	NOK	19 717	16 910	17 440
Norwegian Public Service Pension Fund	NOK	12 025	8 385	7 790
Other social costs	NOK	3 021	2 705	2 761
Total	NOK	158 945	137 896	140 924
Benefits in kind	NOK	6 200	5 767	4 777
Total	NOK	165 134	143 663	145 701

Salaries and personnel costs, ordinary operations	NOK	146 100	128 682	136 638
Salaries and personnel costs, development projects	NOK	12 845	9 214	4 286
Total	NOK	158 945	137 896	140 924

Remuneration, leading employees 2003		CEO	Board of Directors
Salaries and fees	NOK	1 300	453

The Board of Directors fixes the CEO's total annual remuneration, while total remuneration paid to the company's Board of Directors is set by the Ministry of Culture and Church Affairs.

No contracts exist governing severance pay or other extraordinary forms of remuneration for any of Norsk Tipping's employees.

The average number of employees was 305. No fee was paid to the auditor (the Auditor General).

04:

OTHER OPERATING COSTS

		2003	2002	2001
Product purchases internal canteen/shop	NOK	4 369	5 302	4 538
Costs related to operatorship of Extra	NOK	79 640	74 758	67 516
Start-up costs for new retailers	NOK	807	1 413	3 884
Commission to retailers for sales of player cards, commission related to Internet games	NOK	18 397	15 095	15 853
Other internal costs	NOK	609 303	589 402	535 659
Total	NOK	712 516	685 970	627 450

05: DEPRECIATIONS

		2003	2002	2001
Vehicles	NOK	3 310	2 475	1 529
Computer systems/terminals/other fixtures	NOK	37 303	21 026	13 288
Buildings/other real estate	NOK	1 009	613	389
Total ordinary depreciations	NOK	41 622	24 114	15 206
The Online-project	NOK	12 295	24 295	24 295
Total depreciations	NOK	53 917	48 409	39 501

06: FINANCIAL INCOME AND COSTS

		2003	2002	2001
Interest income	NOK	88 811	163 617	160 940
Other financial income	NOK	1 811	1 429	1 195
Gain on currency	NOK	4 433	311	319
Total financial income	NOK	95 055	165 357	162 454
Interest costs	NOK	14 011	22 262	18 852
Other financial costs	NOK	20 541	18 273	13 459
Loss on currency	NOK	205	7 297	2 627
Total financial costs	NOK	34 757	47 832	34 938

07: FIXED ASSETS

Book value:			Computer systems/ machines/ fixtures	Buildings/ real estate	Total
		Vehicles			
Cost of acquisitions as of 01.01.2003	NOK	16 328	463 989	154 284	634 601
Disposals in 2003	NOK	4 171	0	0	4 171
Acquisitions in 2003	NOK	6 304	93 042	10 184	109 530
Cost of acquisitions as of 31.12.2003	NOK	18 461	557 031	164 468	739 960
Accumulated ordinary depreciations	NOK	9 977	149 069	90 106	249 152
Accumulated online depreciations	NOK	0	286 121	28 288	314 409
Book value	NOK	8 484	121 841	46 074	176 399

	Vehicles	Computer systems/ machines/ fixtures	Buildings/ real estate	The Online-project - terminals	The Online-project - Real-estate/ buildings
Economic lifetime	4 years	4-5 years	20 years	4-6 years	20 years
Depreciation plan	Linear	Linear	Linear	Own depr. plan	Own depr. plan

Investments' overview 1999-2003

		2003	2002	2001	2000	1999
Vehicles	NOK	6 304	3 126	3 290	4 568	3 391
Computer systems/ machines/fixtures	NOK	71 209	26 054	47 000	31 903	21 074
Terminals	NOK	21 833	0	0	0	48 625
Total	NOK	99 346	29 180	50 290	36 471	73 090
Buildings/real estate	NOK	10 184	3 660	6 194	5 124	3 343
Total investments	NOK	109 530	32 840	56 484	41 595	76 433

08:

SHARES IN SUBSIDIARIES

Company	Association	Year of acquisition	Business office	Share capital in NOK	Share of ownership	Share of voting rights	Cost prize of the share-holding	Book value
Fabelaktiv AS	Subsidiary	2000	Hamar	104	100 %	100 %	6 000	2 800
Spillverden AS	Subsidiary	2001	Hamar	1 500	100 %	100 %	1 500	1 500
Total							7 500	4 300

The companies Fabelaktiv AS and Spillverden 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.

The accounts for **Fabelaktiv AS** show a deficit after tax of NOK 14.3 million and a negative equity of NOK 13.7 million. To improve the company's equity situation, Norsk Tipping has decided to make a capital deposit, partly by converting debt and partly as a cash deposit. Following this deposit, Fabelaktiv will have a satisfactory equity position and solidity.

The accounts for **Spillverden AS** show a profit after tax of NOK 9.6 million and an equity of NOK 10.7 million.

09:

SHARES IN OTHER COMPANIES

Company	No. of shares	Year of acquisition	Share capital in NOK	Share of ownership	Share of voting rights	Cost prize of the share-holding	Book value
onTarget AS	2 048	2002	2 048	9 %	9 %	6 200	6 200

10:

INTERCOMPANY BALANCES

		2003	2002	2001
Subordinated loans	NOK	21 614	9 614	0
Long term loans	NOK	100	9 100	1 100
Total intercompany balances	NOK	21 714	18 714	1 100

11:

BONDS AND OTHER RECEIVABLES

		2003	2002	2001
Long-term loans to employees	NOK	18 909	24 537	19 808
Instalment agreements (retailers), bonds and certificates	NOK	826	5 106	1 051
Total	NOK	19 735	29 643	20 859

12:

MERCHANDISE STOCK

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

13:

CUSTOMER RECEIVABLES

This item comprises other short-term receivables on various customers.

14:

CLAIMS ON RETAILERS

Norsk Tipping settles its retailer accounts at the end of each week, for sales of games, while other receivables are running claims. At the end of the year, Norsk Tipping had 3 840 retailers.

15: OTHER RECEIVABLES

This item comprises costs accrued/paid in advance and short-term loans/pre-paid salaries to employees. None of the receivables are due later than one year after the end of the accounting year.

16: SHARE CAPITAL

The company's share capital is divided across three shares, each with a nominal value of NOK 50 000. The state, represented by the Ministry of Culture and Church Affairs, owns 100% of the shares.

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 infrastructure and other future large projects and/or investments.

		2003	2002	2001
Balance of the investment fund as of 01.01.	NOK	680 883	465 867	358 015
Employed	NOK	58 920	0	0
Allocated interest	NOK	13 707	21 879	18 661
Transferred from funds – games	NOK	100 000	0	0
Allocated from the year's profit	NOK	165 919	193 137	89 191
Total funds as of 31.12.	NOK	901 589	680 883	465 867

18: FUNDS – GAMES

Separate funds are set up for each game. The table below shows the balance for the individual games/funds:

Games		2003	2002	2001
Lotto	NOK	29 072	65 279	65 085
Viking Lotto	NOK	44 801	98 597	107 570
Joker	NOK	9 471	11 429	5 748
Tipping	NOK	5 414	4 600	12 855
Oddsens	NOK	8 770	19 637	10 951
Flax	NOK	19 800	33 207	27 210
Total Norsk Tipping games	NOK	117 328	232 749	229 419
Extra	NOK	34 068	31 334	25 832
Total	NOK	151 396	264 083	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 funds are allocated according to particular rules for payment of legitimate prizes claimed later than three months after the draw; for prizes following accepted complaints, missed prizes, etc.; revenue-boosting activities like prize contributions, extra prizes (including physical prizes, travel prizes) in connection with ordinary or extra draws; as well as for marketing of the respective games.

As per December 31, 2003, an extraordinary transfer has been made to the investment fund, see note 17. This has been done with approval from the Ministry of Culture and Church Affairs.

The rules pertaining to the funds are set by the Ministry of Culture and Church Affairs.

19: OTHER SHORT-TERM LIABILITIES

This item consists of deposits from retailers, vacation pay due, bonusprize Pausetipping, end-of-year accruals, etc.

20:

EQUALISATION FUND TO THE MINISTRY OF CULTURE AND CHURCH 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 taken from the fund in order to make payments to the beneficiaries. In 2003, no funds have been allocated to the equalisation fund. The fund is at the disposal of the Ministry of Culture and Church Affairs and the allocated funds are transferred to a separate account in The Bank of Norway, after Norsk Tipping's year-end accounts have been approved by the Annual General Meeting.

21:

REMAINING PROFIT FOR DISTRIBUTION

The annual profit of NOK 3 068 953 502 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 distributed between the sectors sports, culture and research after any allocations to the equalisation fund and/or investment fund.

The result for 2003 is allocated as follows:

Profit for Health and Rehabilitation	NOK	203 034
Paid on account in 2003	NOK	192.000
Remaining profit to Health and Rehabilitation	NOK	11 034
Profit Norsk Tipping	NOK	2 865 919
Allocated to equalisation fund	NOK	0
Allocated to investment fund	NOK	165 919
Remaining profit to Norsk Tipping	NOK	2 700 000
Total remaining distributable profit	NOK	2 711 034

22:

PENSION PLANS

Norwegian Public Service Pension Fund

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 31.12.2003 and covers 320 persons.

The premiums and the value of the pension liabilities for the Norwegian Public Service Pension Fund 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 2003.

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	6.5 %

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.

The bank interest rate is assumed to be level with long-term risk-free interest. A ten year Norwegian state bond has had an interest rate around 6 % during the last years, as per mid December 2003 the interest rate is approximately 4.7 %. Since the assets (the fictious funds) in the Norwegian Public Service Pension Fund have been placed as fixed assets in the longest state bonds, this means that expected return should not deviate much from the bank interest rate. The return in 2003 will vary depending on the time of implementation of the fictious fund, but is for Norsk Tipping just below 7 %.

The other actuarial assumptions are the same as those use by Norwegian Public Service Pension Fund.

Note specifically that the disability provisions are increased from 150 % to 200 % of K1963. Also, the administration reserve has been strengthened from 1 % to 2 %, while the security reserve has been reduced from 150 % to 50 % of the old requirements set by Kredittilsynet (The Banking, Insurance and Securities Committee of Norway). In total, for Norsk Tipping, this amounts to an increase in liabilities of NOK 2.3 million. The amendments of the disability, administration and security reserves are Norsk Tippings adjustments to the new requirements for pension schemes and insurance companies.

For 2003, an adjustment has been made in the calculation of the year's liabilities. This will result in somewhat higher calculated costs.

Result:

Gross accumulated pension liabilities as of 31.12.2003	NOK	137.1 mill
Estimated value of pension funds (fictious fund)	NOK	132.8 mill
Net accumulated liabilities	NOK	4.2 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	NOK	-14.9 mill
Net pension liabilities before social security tax	NOK	-10.7 mill

Other information:

It should be noted that these figures have **not** been entered into the company's balance sheet as of 31.12.2003.

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 1.2 mill and apply to 8 persons as of 31.12.2003. Of these, 5 will transfer to ordinary old-age pension plan during the course of 2004. Funds to cover these liabilities have not been allocated in the balance sheet, but are entered as part of the annual salary costs.

2003 ACCOUNTS – LETTER FROM THE AUDITOR GENERAL

The Auditor General has audited the 2003 annual financial statements of Norsk Tipping AS.

We have conducted our audit in accordance with current legislation and good auditing practices of the Auditor General. Our task is to verify that revenues, costs and assets of all kinds are accounted for in accordance with current rules and regulations, as well as assess whether the amounts and disclosures in the financial statements may be accepted. We have performed the auditing, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements.

The Auditor General's opinion is that the financial statements give a true and fair view of the financial position of Norsk Tipping AS.

In accordance with the Law regarding State Auditing of February 8, 1918, it is the Auditor General's right and duty to approve the financial statements of bodies subordinate to the Government Ministries.

The Auditor General hereby approves the 2003 financial statements of Norsk Tipping AS.

The Audit General has, as part of the audit of the 2003 financial statements of Norsk Tipping AS, raised some issues related to Norsk Tipping's execution of ownership in subsidiaries. This work is not finalised and will be continued in our audit of the Ministry of Culture and Church Affairs.

Oslo 29 March 2004

for the office of the Auditor General of Norway

Gunn Ida Ovren

Gunn Ida Ovren
Deputy Director General

Wenche Grimsrud Naug

Wenche Grimsrud Naug
Audit Advisor

Norsk Tipping and corporate social responsibility

Norsk Tipping has two main tasks: To contribute to stable and long-term financing of important sectors of society, and to be the authorities' instrument for securing a controlled gaming arena. There is a certain degree of conflict between the two objectives, and Norsk Tipping's mandate requires that we manage to balance the risk of negative social implications against the need to secure stable income.

At the same time, Norsk Tipping's activities and execution of its social responsibilities are subject to increased interest and scrutiny. Various stakeholder groups – organisations, media, authorities and pressure groups – more and more explicitly articulate what they expect from Norsk Tipping and how they are influenced by Norsk Tipping's activities. All of this – as well as a genuine desire to contribute to a positive development of society in general and the gaming market in particular – forms the basis for our commitment, our definitions and our plans in the area of corporate social responsibility.

In 2003, Norsk Tipping published its first social report, as the first step towards complete social reporting. During the last year, we have further prepared and developed our reporting platform, through a thorough development and implementation process related to our code of conduct, our strategies and action plans related to corporate social responsibility.

Our revised plans reflect a comprehensive approach to social responsibility, which will form the basis for all future work in this field and also for our reporting. This year, we have chosen to focus on these plans as the stepping stone for more comprehensive social reporting in the years to come.

Norsk Tipping's definition of social responsibility

Our basic view is that social responsibility is an integral part of our daily operations and includes all aspects of our activities that may have ethical, social or environmental implications for society.

Our definition of social responsibility is as follows:

"We will run our operations in a manner which meets or exceeds the environmental, commercial, legal and social expectations placed on us by society".

The implication of this definition is that society's expectations govern the execution of our own operations. At the very basic level, this means that everything we do shall be in compliance with all legislation, rules and regulations. However, since expectations often extend beyond the formalities set by legislation, this commitment means that we will

– to the extent possible – go further than legislation prescribes in order to meet expectations.

Basic elements

Norsk Tipping's plan for social responsibility rests on three main pillars:

1. Well-defined core values and a robust ethical platform

The core of this platform is a clear and carefully prepared code of conduct which clearly signals what we stand for and what ideals we fight for. During 2003, we have put substantial work into developing and implementing our code of conduct.

2. Stakeholder dialogue as a vehicle for constant improvement

We will actively seek to obtain a clear picture of society's expectations and what they entail. Consequently, we will seek active dialogue with all groups and stakeholders that have a legitimate interest in our operations. This will be a main input to continuous and concrete improvement work.

We will define "ground zero" relative to all stakeholders and issues. This will also form a starting point by which all future performance can be measured.

3. Complete and relevant reporting and communication

Norsk Tipping's stand is that all future social and environmental reporting shall be relevant, in view of the expectations that do exist, and truthful, in relation to the actual performance of the company. To secure this, we will base our efforts within this area on internationally recognised standards and processes. In concrete terms, we will apply Accountability's so-called 'AA1000' standard. (Accountability, The Institute of Social and Ethical AccountAbility, is an international non-profit organisation, and 'AA1000' is a standard for organising and reporting on social responsibility).

This means that the following principles will be applied for our social reporting in the years to come:

- Or social reports will be verified by an external auditor.
- They will objectively reflect the current situation and, to the extent possible, be complete in relation to themes and issues covered.
- They will focus primarily on the issues that are most important, seen through the eyes of society. All information related to our social responsibility shall be truthful, readily available and meaningful. The work will be executed with a view to continuous improvement, with real integration with all other business processes.

Implementation of social responsibility

Based on the principles described above, Norsk Tipping aims to publish its first complete social report in connection with the 2004 Annual Report.

1. Implementation and follow-up of the code of conduct

We will carry out a communication and education programme internally, and for our retailers and partners. The intention is to increase understanding of, and knowledge of, our code of conduct. We will also develop further guidelines and procedures in specific areas required to ensure compliance with the code of conduct.

2. Execution of existing plans

In several areas, not least compulsive gambling, concrete action plans have been developed. In the time ahead, our focus will be to secure implementation of these plans. We are also introducing measures that will increase the organisation's knowledge related to the compulsive gambling issue, knowledge designed for action across various organisational areas.

3. Stakeholder dialogue and further mapping of expectations and issues

The results from our recent survey to unveil attitudes, expectations and issues will form the basis for further dialogue with various stakeholders, with the aim of developing clear action plans in areas that require more attention.

4. Development of performance indicators

To be able to deliver on our ambitions for meaningful, objective and complete multiple-line

reporting, we will develop clear and relevant performance indicators. This work will take place in cooperation with our stakeholders and provide a framework for our reporting in the years to come.

Dialogue – a key tool to build stronger relationships

No successful company can ignore the environment in which it operates. Neither can any company over time operate in conflict with the views and interests of key stakeholders. The basis for sustainable development of the company lies in building strong relationships with stakeholders and, as much as possible, define goals, ambitions and strategies that the stakeholders can support.

Such a view rests on two fundamental acknowledgements:

- Rules and regulations often represent only a minimum of what is required.
- Various groups will have different interests and, hence, different expectations for Norsk Tipping.

The borders of social responsibility must be defined jointly

Any company can, in principle, justify its entire operation as long as it adheres to the requirements of the law. In practice, however, this is not the case. First, the borders defined by legislation are not always crystal clear. Second, expectations may not be aligned with the requirements of the law.

Therefore, the definitions of what socially responsible behaviour means, in practise, must be defined in a dialogue with society and key stakeholders. Norsk Tipping has defined dialogue as the most important tool in the field of social responsibility.

All stakeholders must be heard

Norsk Tipping's activities directly and indirectly influence several groups in society. We will cooperate with all of these to define our social responsibility.

Our aim is to establish relations with all stakeholders based on mutual trust, predictability and truthfulness. In particular, the following stakeholders will be prioritised:



Important issues

An important input to the stakeholder dialogue will be the reputation survey that has been initiated, the results of which will be available in the Spring, 2004.

Although the preliminary results show that Norsk Tipping's reputation is strong among all groups, results from the qualitative portion of the survey indicate that Norsk Tipping must, in the coming years, relate to new and changing expectations from its environment:

- Problem gambling has become a far more prominent issue. Expectations related to Norsk Tipping's involvement are great from all groups. Since special groups are often the victims of this problem, it also has social dimensions.
- It is a clear expectation that Norsk Tipping should retain its innovative power. At the same time, young people should be protected.
- Norsk Tipping's constitutional mandate is widely supported, but the degree of support varies according to political preferences. It is not for Norsk Tipping to decide in which shape and form gaming should take place in Norway. However, given the existing legal platform, it is our job to secure our legitimacy and credibility among all stakeholders.
- Consistent with new challenges, openness and high-quality reporting will be important.

- The income base for retailers – particularly in non-suburban areas – is an issue related to any substantial growth in turnover over the Internet.

This list illustrates some of the scope of issues our stakeholders are concerned with. Further dialogue is required to more accurately define these expectations and determine where the borders of Norsk Tipping's responsibility should lie.

Actions 2003

Although our activities this year and our social reporting have focused on our plans for the future, our activity level has been high related to several social responsibility issues.

Code of conduct

We have revised and further developed our ethical platform and developed a concrete plan for implementation.

Problem gambling

In cooperation with research institutions, treatment services, next of kin organisations, the Ministry of Culture and Church Affairs, and the Norwegian Gaming Board, Norsk Tipping has developed a comprehensive action plan to curb problem gambling. This work influences all of our operations and is an important guide for product development, marketing and information.

Helpline

Norsk Tipping has contributed financially to a telephone helpline for players suffering from compulsive gambling and their families.

Limitations imposed for Oddsen

Based on results from research, we have imposed an 18 year age limit for all odds-based games. We have also lowered the maximum wager per combination per terminal from NOK 400 000 to NOK 5 000.

Equality among genders

Norsk Tipping has, for several years, made a conscious effort to provide equal opportunities for all employees. In December, Norsk Tipping received the "equality prize" given by the Norwegian Women's University, for our efforts to recruit women to leading management positions.

Operational data

Players

Norsk Tipping has nearly two million registered players holding player cards. Every week, approximately one and a half million customers participate in one or more of the company's games. Approximately 70 000 are direct customers that place their bets via the Internet.

The company's games are distributed through a nationwide network providing central control and transparency. The company and its games-related processes are certified according to WLA (World Lottery Association) Security Standards.

Employees

Norsk Tipping has over 300 employees, and is the leading centre of games-related expertise in Norway. The work location for all employees is the company's offices in Hamar. We actively facilitate personal and professional development and make it possible for employees to adapt working hours, time input and tasks in accordance with various phases of their lives. We also work actively for equality between the sexes in all positions, including management.

Norsk Tipping's personnel policies and benefits are laid down in separate documents and guidelines. Individual job appraisal meetings are held annually for all employees, forming the basis for individual development plans. Surveys of the company's intellectual capital are carried out on a regular basis, forming the basis for action plans for the company, organisational groups and the individual employee.

Retailers

Norsk Tipping has 3 840 retailers. They constitute the core of the company's nationwide distribution network and the main arena for contact between the company and the players.

Norsk Tipping offers an extensive training programme at the company's training centre at Hamar, as well as self-study course materials.

A separate Intranet has been established to secure good communication between the company and the retailers. Each individual retailer is followed, through a separate plan, with systematic and periodic reporting.

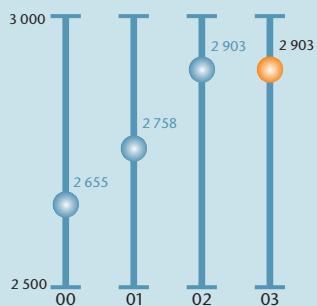
Suppliers

Norsk Tipping is a significant purchaser of goods and services, development purchases and investment purchases – locally, regionally, nationally and internationally. At regular intervals, Norsk Tipping evaluates its supplier contracts and carries out competitions and tender processes in accordance with acknowledged principles for openness and the equal treatment of participants.

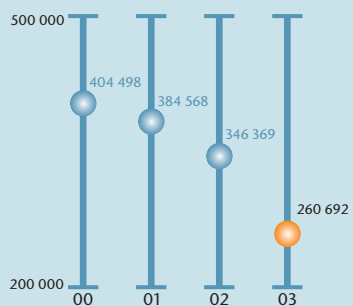
Environment

Norsk Tipping's activities do not adversely affect the environment, as there are no emissions to air or water. Nonetheless, Norsk Tipping is conscious of the environmental impact resulting from consumption of resources, transportation, waste generation, etcetera.

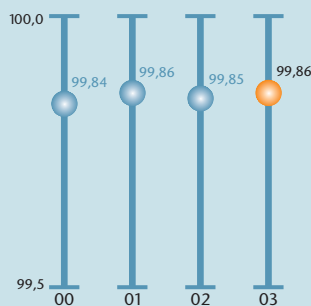
The company has environmental clauses in its contracts with suppliers of goods. These include the requirement that all coupons and programmes be printed on unbleached, recyclable paper, and with poison-free ink. The company has established internal routines for efficient energy consumption, waste handling and recycling of resources.



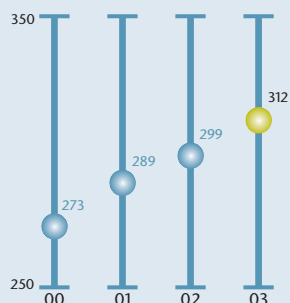
Profit for distribution to the beneficiaries, in NOK million



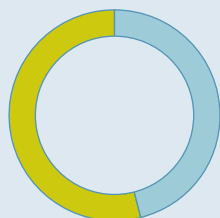
No. of unclaimed prizes (re-allocated to players in the shape of extra prizes, etc.)



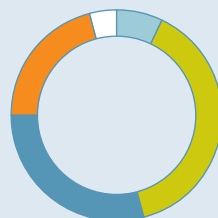
Availability of terminal network in per cent.



No. of employees as of 31.12



Sex distribution 312 employees
 ● Women 145 (46 %)
 ● Men 167 (54 %)

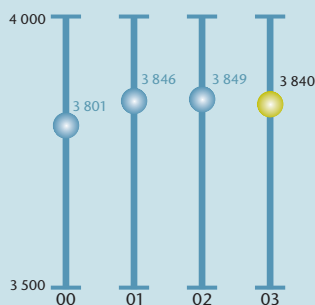


Age distribution 312 employees
 ● Age 20–29 years: 22 (7 %)
 ● Age 30–39 years: 121 (39 %)
 ● Age 40–49 years: 91 (29 %)
 ● Age 50–59 years: 65 (21 %)
 ● Age 60 years and above: 13 (4 %)

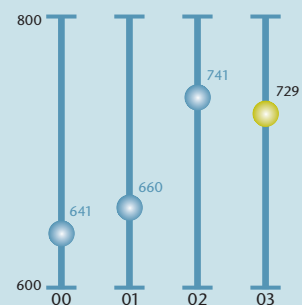
No. of retailers per county 31.12.03

Akershus	267
Aust-Agder	94
Buskerud	189
Finnmark	111
Hedmark	185
Hordaland	354
Møre og Romsdal	266
Nordland	282
Nord-Trøndelag	122
Oppland	192

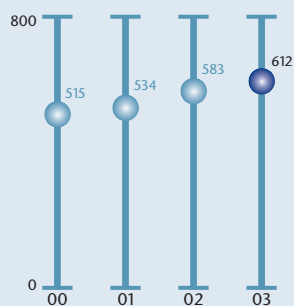
Oslo	354
Rogaland	271
Sogn og Fjordane	126
Sør-Trøndelag	228
Telemark	144
Troms	167
Vest-Agder	126
Vestfold	155
Østfold	206
Svalbard	1



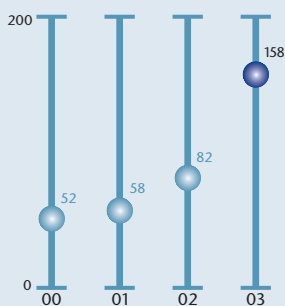
No. of retailers as of 31.12



Total reported retailer commission, in NOK mill



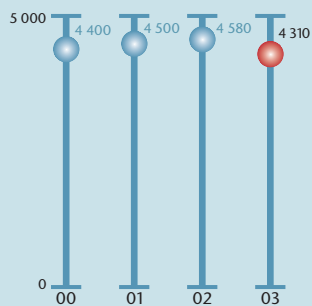
Purchases of goods and services, in NOK mill



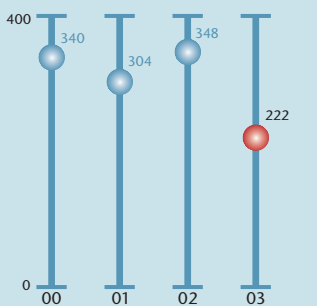
Development purchases, in NOK mill



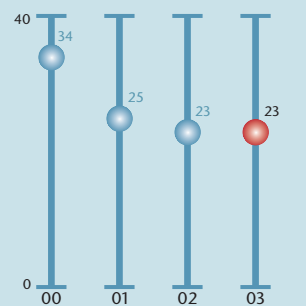
Investment purchases, in NOK mill



Energy consumption office building, in mega-watt hour



No. of recyclable coupons distributed, in millions



No. of recyclable Oddsen programs distributed, in millions

Games revenue Norsk Tipping 2003 – by county

County	Inhabitants	Retailers	Lotto	Viking Lotto	Joker	Tipping	Oddsén	Flax	Extra	Total	Per inhabitant
Østfold	255 992	206	220 386 312	84 541 155	37 584 940	58 180 483	106 574 335	55 337 927	46 868 060	609 473 212	2 381
Akershus	485 751	267	343 499 355	133 287 639	64 186 340	76 289 404	138 112 483	70 098 856	63 761 720	889 235 797	1 831
Oslo	518 105	354	330 113 847	156 752 109	56 306 300	106 890 211	254 705 079	80 217 888	53 866 280	1 038 851 714	2 005
Hedmark	188 432	185	192 445 830	68 847 543	33 445 500	36 031 609	49 578 190	44 985 282	47 062 980	472 396 934	2 507
Oppland	183 752	192	173 907 435	60 002 133	32 981 160	34 684 445	54 344 344	37 862 540	44 045 080	437 827 137	2 383
Buskerud	241 998	189	205 513 611	76 983 855	38 303 560	40 716 024	64 805 405	45 372 083	44 481 820	516 176 358	2 133
Vestfold	218 866	155	163 895 733	59 962 971	29 610 500	38 156 148	75 581 475	43 586 839	36 596 780	447 390 446	2 044
Telemark	166 021	144	126 545 805	42 936 057	23 611 940	29 807 818	59 435 095	26 521 961	33 672 740	342 531 416	2 063
Aust Agder	103 261	94	72 180 639	24 658 005	13 194 480	12 789 897	18 305 651	19 050 321	16 922 320	177 101 313	1 715
Vest Agder	159 790	126	98 382 192	34 322 997	17 794 940	22 081 419	48 462 701	24 601 760	20 936 300	266 582 309	1 668
Rogaland	386 951	271	238 125 591	85 437 738	43 271 520	61 247 483	123 140 451	74 066 637	49 549 740	674 839 160	1 744
Hordaland	443 304	354	335 678 619	130 529 061	65 009 840	90 898 836	197 944 692	83 007 818	78 617 280	981 686 146	2 214
Sogn og Fjordane	107 335	126	87 671 874	35 343 273	18 329 020	19 292 254	31 926 843	23 900 857	24 124 240	240 588 361	2 241
Møre og Romsdal	244 565	266	184 503 063	72 290 934	36 733 440	36 308 620	74 309 532	48 495 812	48 014 780	500 656 181	2 047
Sør-Trøndelag	269 133	228	209 743 170	79 180 290	39 702 320	40 641 873	105 468 303	54 067 466	53 646 060	582 449 482	2 164
Nord-Trøndelag	127 803	122	115 649 256	43 896 303	20 461 220	17 398 812	32 267 458	28 178 406	30 403 060	288 254 515	2 255
Nordland	236 950	282	193 807 440	74 023 932	46 055 640	36 918 107	58 773 526	68 681 838	59 665 940	537 926 423	2 270
Troms	152 377	167	126 568 380	52 889 367	30 702 580	27 826 793	44 301 730	40 899 540	38 150 100	361 338 490	2 371
Finmark	73 273	111	77 141 856	35 125 788	20 324 940	18 282 826	19 889 008	26 090 609	22 384 120	219 239 147	2 992
Svalbard	1 448	1	1 635 321	658 875	420 000	361 434	500 866	492 748	361 260	4 430 504	3 060
Internet games			39 654 012	18 166 392	11 404 840	20 806 834	55 042 969		9 313 120	154 388 167	
Entire country ¹⁾	4 565 107	3 840	3 537 049 341	1 369 836 417	679 435 020	825 611 330	1 613 470 136	895 517 188	822 443 780	9 743 363 212	2 134
Percentage of total per game			36.3 %	14.0 %	7.0 %	8.5 %	16.6 %	9.2 %	8.4 %	100.0 %	
Per inhabitant in NOK			775	300	149	181	353	196	180	2 134	
Per inhabitant in USD ²⁾			109.40	42.37	21.01	25.53	49.90	27.70	25.44	301.35	
Per inhabitant in EURO ²⁾			96.80	37.49	18.59	22.60	44.16	24.51	22.51	266.66	

¹⁾ Statistics Norway, per July 1st 2003 (approximate year average)

²⁾ The Bank of Norway's yearly averages for 2003: USD 1.00 = NOK 7.0824 / EURO 1.00 = NOK 8.0039

Games revenue Norsk Tipping 1948–2003

Nominal figures in NOK million

Year	Total games revenue	Lotto	Viking Lotto	Joker	Tipping	Oddsén	Flax	Extra	Måltips and Pengeletteriet
1948	18.2				18.2				
1949	37.4				37.4				
1950–1959	802.4				802.4				
1960–1969	1 589.0				1 589.0				
1970–1979	5 496.4				5 496.4				
1980–1989	20 804.0	4 928.7			15 563.9				311.4
1990	3 870.9	1 879.4			1 676.3				315.2
1991	4 254.1	2 482.1			1 484.5				287.5
1992	4 470.8	2 857.9			1 348.1				264.8
1993	4 659.6	2 755.6	382.5		1 253.7				267.8
1994	4 940.7	2 776.1	674.6		1 028.4	341.1			120.5
1995	5 871.8	2 996.6	805.9		935.8	530.2	603.3		
1996	6 243.4	3 111.5	910.1		879.4	567.4	635.0	140.0	
1997	6 715.0	3 116.7	836.5		916.8	598.2	620.9	600.4	25.5
1998	7 619.5	3 393.3	1 060.0		951.6	777.4	654.3	780.0	2.9
1999	8 042.3	3 469.8	1 116.2		944.9	989.0	786.1	736.3	
2000	8 277.2	3 495.2	1 276.6	130.0	915.9	996.1	748.5	714.9	
2001	8 606.6	3 517.2	1 309.5	273.1	938.8	1 137.6	684.3	746.1	
2002	9 734.3	3 610.2	1 338.9	471.8	873.7	1 846.7	798.6	794.4	
2003	9 743.3	3 537.1	1 369.8	679.4	825.6	1 613.5	895.5	822.4	
Total	121 796.9	47 927.4	11 080.6	1 554.3	38 480.8	9 397.2	6 426.5	5 334.5	1 595.6

Lotto from 1986

Måltips 1989–1994

Pengeletteriet 1997 and 1998

Price adjusted to 2003 value in NOK billion	173.73	56.77	12.20	1.59	78.21	10.13	7.02	5.72	2.09
Price adjusted to 2003 value in USD billion	24.52	8.02	1.72	0.22	11.04	1.43	0.99	0.81	0.29
Price adjusted to 2003 value in EURO billion	21.71	7.09	1.52	0.20	9.77	1.27	0.88	0.72	0.26

The Bank of Norway's yearly averages for 2003: USD 1,00 = NOK 7, 0824 / EURO 1,00 = NOK 8,0039

Distributed profit Norsk Tipping 1948–2003

Nominal figures in NOK million

Year	Total profit	Sports	Research	Health and		The Treasury
				Culture	Rehabilitation	
1948	5.0	3.0	2.0			
1949	10.0	4.0	6.0			
1950–1959	266.5	73.3	193.2			
1960–1969	543.6	158.3	385.3			
1970–1979	1 847.1	842.2	1 004.9			
1980–1989	7 886.7	3 431.5	2 629.2	1 223.4		602.6
1990	1 177.3	475.9	229.1	472.3		232.6
1991	1 274.8	427.4	205.8	641.6		316.0
1992	1 590.0	530.0	530.0	530.0		
1993	1 650.0	550.0	550.0	550.0		
1994	1 704.0	568.0	568.0	568.0		
1995	1 988.6	594.0	594.0	594.0		206.6
1996	2 147.0	631.0	631.0	631.0	36.5	217.5
1997	2 270.8	622.6	622.6	622.6	181.7	221.4
1998	2 433.4	667.0	667.0	667.0	207.3	225.1
1999	2 627.9	812.0	812.0	812.0	191.9	
2000	2 654.5	824.0	824.0	824.0	182.5	
2001	2 757.7	858.3	858.3	858.3	182.8	
2002	2 902.6	1 050.0	600.0	1 050.0	202.6	
2003	2 903.0	1 200.0	300.0	1 200.0	203.0	
Total	41 189.2	14 322.5	12 212.4	11 244.2	1 388.3	2 021.8
Price adjusted to 2003 value in NOK billion	64.01	22.88	23.77	13.23	1.49	2.64
Price adjusted to 2003 value in USD billion	9.04	3.23	3.36	1.87	0.21	0.37
Price adjusted to 2003 value in EURO billion	8.00	2.86	2.97	1.65	0.19	0.33

The Bank of Norway's yearly averages for 2003: USD 1,00 = NOK 7, 0824 / EURO 1,00 = NOK 8,0039

Value Added Statement 2003

	NOK mill	NOK mill
Games revenue		9 743.4
- Prizes to players	5 192.6	
- Purchase of consumables	612.3	
- Other costs	88.3	
- Development costs	158.4	
+ Other income	256.4	5 795.2
Gross value added		3 948.2
- Depreciations	53.9	
+ Net income financial items	60.3	6.4
Net value added		3 954.6
THE VALUE ADDED IS DISTRIBUTED AS FOLLOWS:		
	NOK mill	Percentage
To the state and the local councils:		
Tax deductions (on employees' salaries) and employer's social security and pension contributions	71.6	1.8
To the employees:		
Salaries (excl. tax deductions and employer's social security and pension contributions)	84.4	2.1
To the retailers:		
Commission from games, player cards and prize payouts	729.7	18.5
Retained by the company:		
Investment fund	165.9	4.2
To the beneficiaries:		
Health and rehabilitation		203.0
Sports		1 200.0
Culture		1 200.0
Research		300.0
	2 903.0	73.4
Net value added	3 954.6	100.0

Corporate Governance

Norsk Tipping is aware of the important role the company has in society, and emphasises corporate governance, which is good, reliable, and in compliance with expectations from the state, as its owner, and society-at-large. The governance shall take into consideration the interests of the company's stakeholders and contribute to its purpose of benefiting society.

The owner's roles

Norsk Tipping is a state-owned limited liability company under the jurisdiction of the Ministry of Culture and Church Affairs. The operation is governed by the Act relating to games for cash prizes, of 28 August 1992, no. 103, with subsequent amendments. The Norwegian parliament's amendment on June 12, 2003, which was enforced January 1, 2004, gives Norsk Tipping the exclusive right to operate gaming machines in Norway. The Ministry of Culture and Church Affairs, therefore, as Norsk Tipping's owner, applies the same attitude to the gaming machines segment as to the other games operated by Norsk Tipping.

A restricted money games market has been a principle in Norwegian legislation. There has been broad agreement across political parties that money games should be positively regulated by the letter of the law. The channelling of games through a state-owned company has been regarded as an appropriate way of organising money games, since it provides good control opportunities within a stable legal framework. In turn, this provides the opportunity to limit negative gaming behaviour as a result of a fiercely competitive market and negative development of the gaming market. In addition, public control ensures that profit from money games benefits society-at-large.

The Ministry of Culture and Church Affairs commissions new games and decides on the rules of the games. The Ministry also determines the portion of the total wager which will be returned to players as prizes.

The Minister of Culture and Church Affairs convenes the company's general assembly. The general

assembly is held every year, normally in April, in connection with the company's annual meeting, at which time the Board and management report on operations of the previous year. Additional meetings are held at both the political and administrative levels. However, the majority of meetings are held between the company's administration and the Ministry.

The role of the Board

Norsk Tipping AS is managed by a Board consisting of four independent members appointed by the Ministry of Culture and Church Affairs, and two employee representatives, elected from among and by the employees. In this context, independence means that the members are independent of the beneficiaries. The Board members are appointed for a period of two years. Consistent with the authorities' goal relating to equality between the sexes, there has been an even share of men and women on the Board for a number of years. The company's CEO participates in Board meetings, but without the right to vote.

The Ministry of Culture and Church Affairs has issued instructions for the Board, stating that the Board will make decisions on an independent basis and according to normal business principles. The Board's tasks include ensuring that the company is operated in accordance with its objectives, bylaws and guidelines. Furthermore, the Board is responsible for the satisfactory organisation of the company, including overseeing its relationship with retailers. The Board also ensures that book-keeping and asset management are subject to adequate controls, and oversees the CEO's management of the company. The Board presents accounts and an annual report to the Ministry for approval.

Furthermore, the Ministry is kept informed about questions of principle crucial to the company's operations.

In the annual strategy and planning processes, the Board is presented with plans for approval during the spring. The Board evaluates and approves action plans and budgets, and plays, through this process, an active part in the governance of the company.

The Auditor General and the Norwegian Gaming Board

The Auditor General audits the company's accounts. The Auditor General is the Parliament's control body and has an independent position relative to other state institutions. The Norwegian Gaming Board oversees the company's compliance with relevant legislation and the rules of the games. The Norwegian Gaming Board is subordinate to the Ministry of Culture and Church Affairs, with the task of overseeing and controlling private lotteries and state-owned games.

The administration

The CEO is responsible for the day-to-day operations of the company. The CEO is appointed by the Board, which also sets the CEO's compensation and oversees other contractual matters, including pension schemes.

In connection with Norsk Tipping's future take-over of the gaming machines market, a new division was established in 2003, Norsk Tipping Multispill. The division is subject to control by the CEO. Other organisational changes at Norsk Tipping this year include the following: Market and Sales have been split into two departments, and a new department,

Finance and Staffs, has been established. Economy, Organisation and Personnel, Security and Common functions are all included in the new department.

The Act relating to games for cash prizes states that Norsk Tipping is not governed by the Companies Act. Also, no reference is made to the applicability of the Accounting Act. However, the company's Board of Directors has decided the Accounting Act shall be adhered to, as far as is practically possible. The Act relating to the administration and management of governmental bodies (the 'forvaltningsloven'), and the Act relating to public administration and regulation (the 'offentlighetsloven') are not applicable to Norsk Tipping. In addition, the Act relating to public services (the 'tjenestetvistloven') and the Act

relating to civil servants (the 'tjenestemannsloven') are not applicable to the company's employees.

Norsk Tipping is certified in accordance with WLA Security Control Standards. These are international standards for the gaming industry, the objective of which is to ensure that certified companies have an efficient security organisation and structure for the operation of the games. Furthermore, the standards state that systems must be in place for internal control that ensure good risk management. Det Norske Veritas performs annual audits according to these standards.

In 2003, Norsk Tipping has further developed its plans in the area of corporate social responsibility,

entailing a new and broader approach. The background for this is, in particular, the fact that the operatorship of gaming machines requires an even more intense focus on the challenging balance between responsibility and competitive operations. The plan's objective is to ensure Norsk Tipping's ability to meet its two main objectives: contribute to stable and long term financing of causes benefiting society and, at the same time, be the authority's instrument for ensuring that games are operated in a controlled environment. These plans are founded on Norsk Tipping's mission, which states the company's commitment to creating the greatest possible value for Norwegian society, primarily through developing and operating games with a high entertainment value, within socially responsible borders.



Organisation

Management as of 31.12.2003

President and CEO
Reidar Nordby, Jr.

Deputy CEO
Jon Olrud

Senior Vice President Strategy and Business Development
Tollef Imsdalen

Senior Vice President Marketing
Randi B. Sætershagen

Senior Vice President Multispill
Jan P. Strømslid

Senior Vice President Information and External Relations
Peer Jacob Svenkerud

Senior Vice President Finance and Staffs
Marie Jore Ritterberg

Senior Vice President ICT Operations
Mariann Hornnes

Senior Vice President Sales
Thorbjørn A. Unneberg

Board of Directors

Sigmund Thue, Chairman
Anni Onsager, Vice Chairman
Berit Fosheim
Torgeir Mjør Grimsrud
Kjersti Langseth
(Personal deputy Reidar Aasen)
Marit Skaugen Holmberg
(personal deputy Geir Evensen)

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

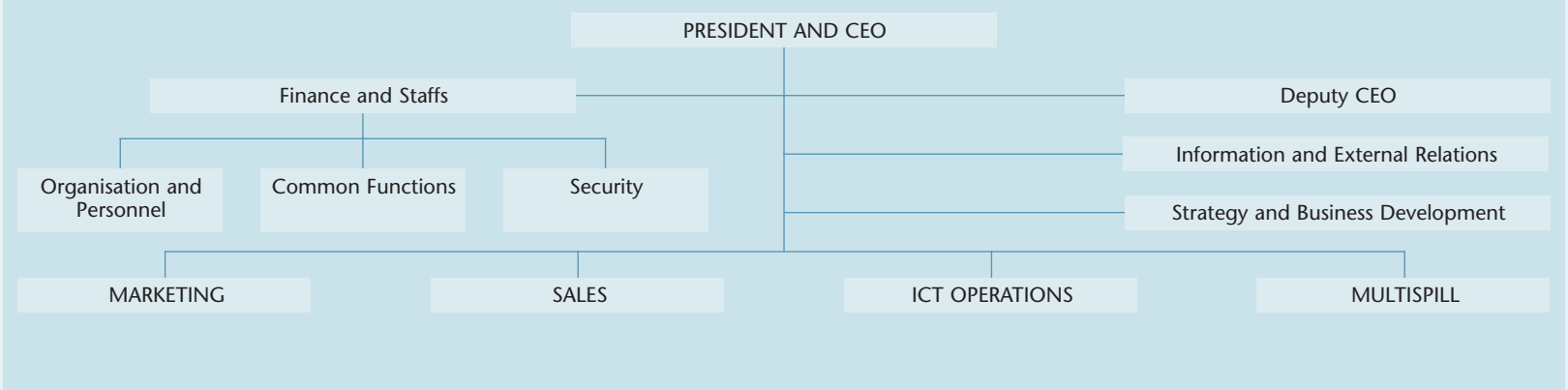
Norwegian Gaming Board

Head Office Førde:
Managing Director Atle Hamar
Director Jan Støfring

Section Hamar:
Manager Kåre Sveen

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

Organisation as of 31.12.2003

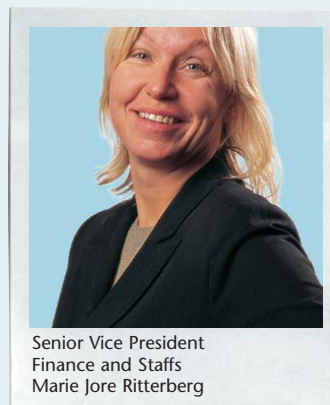




President and CEO
Reidar Nordby, Jr.



Deputy CEO
Jon Olrud



Senior Vice President
Finance and Staffs
Marie Jore Ritterberg



Senior Vice President Strategy and
Business Development
Tollef Imsdalen



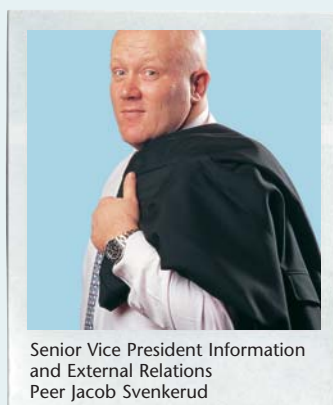
Senior Vice President Multispill
Jan P. Strømshlid



Senior Vice President Sales
Thorbjørn A. Unneberg



Senior Vice President Marketing
Randi B. Sætershagen



Senior Vice President Information
and External Relations
Peer Jacob Svenkerud



Senior Vice President ICT
Operations
Mariann Hornnes

Norsk Tipping's games 2003



The millionaire dream on a Saturday – Norway's largest game

Lotto is the numbers game with the largest 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.

The millionaire dream on a Wednesday – Nordic game with a common first prize

Viking Lotto is a Nordic numbers game with large prizes, in which Norway accounts for approximately 50% of the total turnover. The game is operated jointly by the national lotteries in Norway, Sweden, Denmark, Finland, Iceland and Estonia.

An additional opportunity – both on Wednesday and Saturday

Joker complements the Lotto and Viking Lotto games on Saturday and Wednesday, where the draw is on the player card number.

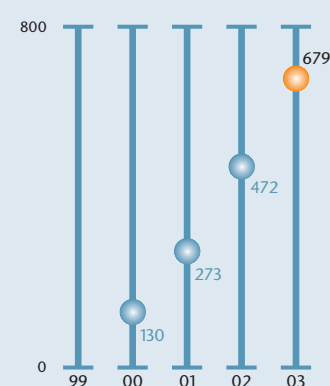
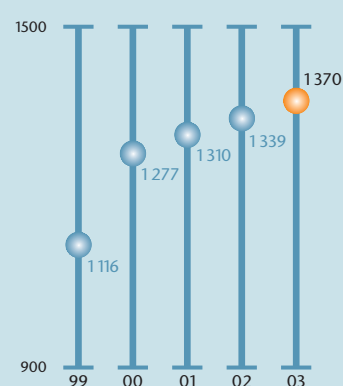
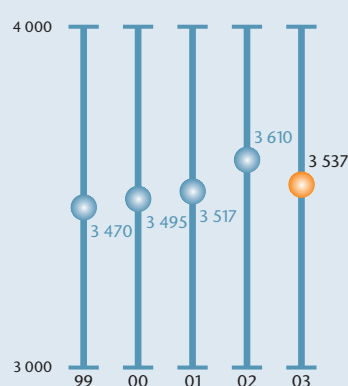
Highlights 2003

- Four giant prize draws

- Two giant prize draws
- 13 rollover jackpots

- Record turnover week 11, NOK 15 254 340
- Record prize week 52, NOK 3 383 000

Games revenue (NOK mill)



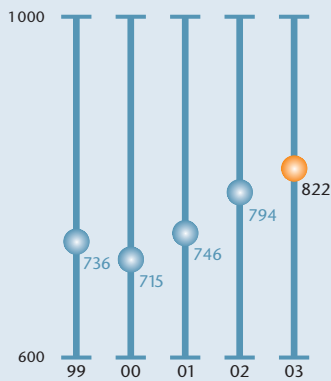
Games revenue (NOK mill)	3 537	1 370	679
Change from 2002	- 2.0 %	+ 2.3 %	+ 43.9 %
Share of NT's games	36.1 %	14.0 %	7.0 %
No of players / week	1 530 000	540 000	546 000
Sex distribution	F: 47 % M: 53 %	F: 38 % M: 62 %	F: 48 % M: 52 %
Average age	50 years	51 years	50 years
Average stake per player / week	NOK 45	NOK 42	NOK 24
Largest gaming county per cap	Finnmark	Finnmark	Finnmark
Largest gaming municipality per cap	Nordre Land	Hemsedal	Nesseby
Largest prize payed out	NOK 20 000 000 (2001 and 2003)	NOK 17 663 498 (1999)	NOK 3 383 000 (2003)



A few exciting moments of televised fun – every Tuesday

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.

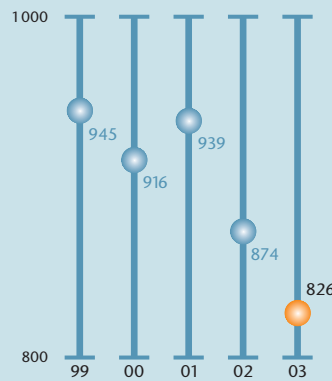
- Five Double Extra draws
- Seasonal activities on TV with viewer contests



More fun for those interested in soccer

The traditional football pools are subject to continuous product development, and appeal to everyone interested in sports.

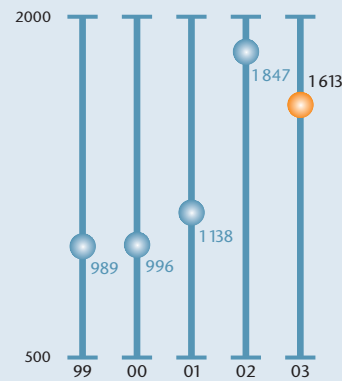
- Highest prize in week 25, NOK 5 499 570 (Sunday)
- Bonus prize was over NOK 5 million in week 46 (Saturday), and was shared by 7 persons



The highlight of the day

Oddset betting is subject to stiff competition, but is an attractive alternative for those seeking a little dose of everyday excitement.

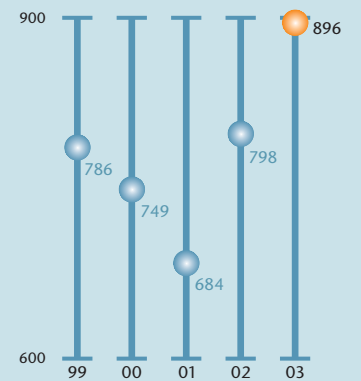
- Highest odds paid for Oddsbomben in 2003 was NOK 444 651 (October 6)



Instant game with high impulse attraction

Flax is the largest scratch lottery in Norway, and comes in several versions.

- Launch of the additional games DuoFlax and FaraoFlax
- Success prolonged with cars as additional prizes
- Reintroduction of TV in the media mix



822

+ 3.5 %

8.4 %

582 000

F: 62 % M: 38 %

50 years

NOK 27

Finnmark

Namsskogen

NOK 2 000 000 (prize limit)

826

- 5.5 %

8.5 %

258 000

F: 25 % M: 75 %

43 years

NOK 62

Finnmark

Ørland

NOK 8 843 670 (2001)

1 613

- 12.7 %

16.6 %

168 000

F: 12 % M: 88 %

33 years

NOK 195

Oslo

Ulvik

NOK 4 980 000 (2000)

896

+ 12.3 %

9.2 %

262 000

F: 46 % M: 54 %

40 years

NOK 65

Finnmark

Hasvik

NOK 3 600 000 (1999)