

ANNUAL REPORT 2005

Gaming fun: funding:  
culture: sports: exclusive rights:  
competition: games:  
creating value



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## We give **the dream** a chance

Norsk Tipping offers games and entertainment to the Norwegian public within a socially responsible framework. The dream of winning is of course a driving force, and our message is that we provide the public with an opportunity to realize that dream under regulated and responsible conditions.

The funds raised through gaming have been **a welcome** and necessary source of funding for socially beneficial purposes throughout the country for more than 50 years.

# Key figures

NOK mill.	2005 <sup>1)</sup>	2004 <sup>1)</sup>	2003	2002	2001
Percentages are relative to games revenue					
Games revenue	9 203	9 617	9 743	9 734	8 607
Prizes	4 829	5 010	5 193	5 281	4 495
Prizes ratio %	52.5 %	52.1 %	53.3 %	54.3 %	52.2 %
Games commissions	660	699	715	724	647
Games commissions %	7.2 %	7.3 %	7.3 %	7.4 %	7.5 %
Operating result 2)	2 682	2 707	2 885	2 913	2 719
Operating margin % 2)	29.1 %	28.1 %	29.6 %	29.9 %	31.6 %
Profit for the year	2 732	2 754	3 077	3 096	2 847
Profit margin %	29.7 %	28.6 %	31.6 %	31.8 %	33.1 %
No. of employees 31 Dec	367	373	312	299	289
No. of retailers 31 Dec	3 954	3 847	3 840	3 849	3 846
No. of terminals 31 Dec	4 470	4 364	4 379	4 386	4 343

1) The figures include revenue and costs from the gaming machines division (Interactive).

2) Exclusive of transfers from funds.

## Games revenue

Euro 1 149 mill. / USD 1 428 mill.

## Profit

Euro 341 mill. / USD 424 mill.

05:1



# 14

## challenging questions

Norsk Tipping's job is to offer the Norwegian public entertaining games, raise funds for the Norwegian sports and culture sectors, and at the same time minimize the unfortunate aspects of money games. President and CEO Reidar Nordby Jr. believes it is possible, desirable and necessary to combine these three tasks.

REIDAR NORDBY JR. ANSWERS INGEBRIGT STEEN JENSEN regarding the challenges relating to 14 challenging questions that are not usually asked in an annual report.





**1:** How do you think Norsk Tipping's gaming monopoly is doing, Mr. Nordby?

"Well, to start I think "monopoly" is an awful word. Monopolies are associated with large, sluggish, lazy enterprises, characterized by poor operations and lack of competitiveness. Monopolies are dull; you're making me want to yawn. 'Exclusive rights' is a far better term. And at the same time I want to say that having a monopoly or exclusive rights is not a privilege, it is a serious obligation to manage an enterprise in a socially beneficial manner."

**2:** How are exclusive rights doing, then?

"They have been undermined, but must be revitalized. This is partly due to the exclusive rights we have in many of our business areas becoming fictitious due to international competition, i.e. foreign bookmakers, online gaming, online poker, etc. And partly because gaming machines here at home are responsible for a steadily larger, and in my view clearly negative, part of the turnover from gaming in Norway – three times more than Norsk Tipping's total turnover. In 2005, Norsk Tipping had a total market share of 20 percent of gaming in and from Norway."

**3:** 20? The number is 20. What should and could it become?

"A realistic ambition is for Norsk Tipping's share to climb to 60 percent of gaming turnover after we have taken over gaming machines in Norway."

**4:** 'Exclusive rights' sounds more like 100 percent, doesn't it?

"We will never achieve 100 percent market revenues, nor is that our wish. Not all money games are regulated through exclusive rights. There are a number of providers of scratch tickets, the bingo market has lots of operators, and there are also a number of national operators. At the same the technology is developing rapidly, and it is difficult to try and renew both national and international legislation at the same pace as this development. The legislation is aimed at protecting Norwegian

players from uncontrolled gaming offers from other countries, but technology has punched holes in this. With a market share of 60 percent – which we can achieve by taking over the gaming machines and otherwise strengthening product development and marketing – we can perform the fundamental tasks the government has assigned us. 100 percent of all the games is not a desire on our part either. Competition is healthy; it is necessary for an enterprise like ours. The worst thing that could happen to us is to end up resting on our laurels. Norsk Tipping has been world class with respect to technology, development and market communications for years, and this will continue."

**5:** You mentioned the tasks Norsk Tipping has been assigned by the authorities. What are they?

"Our role in relation to the authorities is to act as a regulatory mechanism that balances commercial considerations – in other words profits for sports and culture – and social considerations. Our job is to function as a regulator in the gaming market so that there is age limit controls, one prevents money laundering, and that the risk of problem gaming is minimized. This is the government's gaming policy. We cannot do this with a market share for Norsk Tipping of 20 percent."

**6:** A "regulatory mechanism" then? That sounds fun.

"That is just one of our roles. We who work in Norsk Tipping have a threefold task. One part of our job is to minimize the unwanted aspects of money games. Another part is to provide for the beneficiary organizations in the areas of sports and culture, and thirdly it is our job to offer the Norwegian public exciting, engaging and fun games. In short, our job is to get the public to choose from a responsible and attractive selection of games in Norway."

**7:** Good luck. Those sound like at least three completely contradictory interests.

"Absolutely not. None of these – neither the state, the beneficiary organizations nor the players – would get any long-term pleasure out of a gaming market that goes haywire, with an increase in

problem gaming as a result. No one wants a gaming market that serves organized crime. And it is in no one's interests, except those of the private owners of foreign gaming companies, for an increasing stream of cash to leave Norway and end up in some individuals' pockets when the money could have gone to funding sports and culture here at home. A gaming market that produces innocent fun in everyday lives rather than problem gaming, where the profits are spent in society's best interests rather than going to foreign owners', and where financial crime should not be able to occur, is very definitely in all the parties' interests."

**8:** Is it not strange then that players are running to foreign bookmakers and that teams, associations and humanitarian organizations are fighting tooth and nail to stop you taking over gaming machines in Norway?

"That's far too sweeping a description of the situation. 90 percent of the Norwegian public thinks that it is important that the profits from gaming go to socially beneficial purposes and I am convinced that this factor will be even more important in the future. We are continuously increasing and improving the ways we work together with beneficiary organizations to make this mutual benefit visible. Besides, the fact is that 2/3 of all Norwegian teams and associations do not get a dime from gaming machines with the current system. With Norsk Tipping as the gaming machines operator, more of the public will benefit from the profits, while at the same time they will be much more fairly distributed than they are today. At the moment the money from gaming machines is distributed randomly, not in relation to the number of members, not in relation to the level of activity. It is distributed on the basis of how many gaming machines the individual organizations got their hands on by chance when they were distributed. The problem is that no one who is not currently getting their fair share is making as much noise as those who are getting more than their fair share. Remember, 24 000 sports facilities around the country were built with the aid of gaming funds and that no less than 1/4 of the entire culture budget comes from Norsk Tipping. A continued drift away from fair distribution would be dramatic for the whole of Norway."

**9:** The players do not know what is best for them when they use foreign gaming companies?

"We could never imagine being 'bitter' or 'disappointed with' our customers! They deserve exciting, varied, and good gaming opportunities, and we can only succeed by providing them with these. On the other hand, we will never be able to win customers with just the prizes alone. We are also supposed to generate important profits for socially beneficial purposes, a responsibility that foreign gaming companies have never assumed or will ever assume. However, given these challenging constraints, we are going to compete on the basis of everything else: on technology and online solutions, on development and renewal, on excitement and a sense of community. Norsk Tipping has enjoyed broad acceptance in the hearts of the public, and we have to recapture this position, but always in a responsible manner."

**10:** Are you thinking of soccer betting, traditional games that have gone out of fashion?

"Yes, apart from the fact that they have not gone out of fashion. Anyway, the need for a sense of community, to get together during work breaks and with friends, is at least as great now as it ever was. Remember that the soccer betting slip is a part of Norwegian post-war culture, with workmates gathered around a soccer betting slip with their lunchboxes and intense discussions about whether English teams like Arsenal will win at home or Norwegian teams like Lillestrøm will win away. Being one of these actors responsible for such gatherings, part of the glue that holds good environments together, will always be an important task for us. The day we become a nation of loners who play alone on the internet, Norway will have become a poorer nation. By getting the public to choose gaming in which the anticipation, excitement and sense of community are the main points, we are also ensuring that money games can remain innocent fun and provide pleasure in people's everyday lives, not become risky gambling."

**11:** But you have lost Norsk Tipping's strong position in the hearts of the public, is that what you are saying?

"We have not lost it, but it has probably been weakened; we have to be that realistic. A few years with a lot of politics, with lawsuits about gaming machines and continuous delays, changes, sudden starts and stop orders on top of each other have made us less active and visible. We may have lost some of our focus on development as well, if we are being self-critical – which we must be. Despite this I am impressed that my colleagues have managed to maintain their motivation and energy. Some of that forward-looking, dynamic attitude that has characterized us will have to be reinforced in the time ahead."

**12:** But are the really good times for Norsk Tipping behind you?

"I think they lie ahead of us because we have expertise in important areas that is absolutely first class. Our plans for gaming machines, in which the machines become 'kinder', and where the games can be changed and their character completely altered with just a few keystrokes from a control center located in our premises, are pioneering work in a global perspective. It has only been a year since we completed the roll out of the most advanced online terminals that exist and soon flat screens will be arriving at the retailers that allow completely new information opportunities. The new playing card we have developed is also cutting edge ahead of anything else developed. Now we just need final clarification concerning the gaming machine case and we will be equipped to fully regain our dynamic position."

**13:** Won't a more aggressive Norsk Tipping probably mean more gaming addicted Norwegians?

"Quite the opposite. It is today's gaming machines that are responsible for the vast majority of these problems. Up to 90 percent of all turnover from gaming machines comes from people with gaming problems, while the issues associated with games like Lotto, Extra, Joker and Tipping are minimal. And when it comes to Oddsen, where the nature of the games entails a greater risk of

problem gaming, we have unilaterally done much to minimize this – with wager limits, age limits and continuous monitoring. But when you know at the same time that the turnover from gaming machines has accelerated beyond all control and all expectations – from NOK 9 billion in 2001 to NOK 27 billion in 2005 – having Norsk Tipping in the driver's seat here too will result in a dramatic fall in these problems. Our goal is to increase the level of innocent fun and bring the turnover from gaming machines down. The authorities want it back down to the 2001 level, and that can be done without taking away the public's everyday fun – quite the opposite."

**14:** The turnover has fallen Mr. Nordby?

"Yes, it has. We are, of course, not satisfied with this, even though the results – and thus the profits we distribute to sports and culture – are just as great as they were in 2004. However, you should also know that we are responsible for more than just maximizing turnover and the profit. Our owners, i.e. the state and, ultimately, the Norwegian public, are telling us something different from what most owners say: 'It is not just the bottom line that counts.' Just as important is not having a negative effect on society. Our goal is to create as much value for society as possible, and value is measured in more than just money. If one looks at all the value we are meant to create and manage, 2005 has been a good year. And 2006 will be even better. I feel we are well equipped to be innovative, to recapture market shares and deliver games that take into consideration players, beneficiary organizations and society at large."

# Board of Directors Annual Report



**NOK 1 200 mill.**  
Sports



**NOK 1 200 mill.**  
Culture



**NOK 12 mill.**  
Measures related to  
problem gaming



**NOK 195 mill.**  
The Norwegian  
Foundation for Health  
and Rehabilitation

Profit for 2005  
**NOK 2 607 mill.**  
Distributed to socially  
beneficial purposes

Euro 341 mill. / USD 424 mill.

Norsk Tipping's core business is to provide and organize satisfactory forms of money games under public control. The company holds the exclusive rights to offer sports games and certain number games in Norway. Norsk Tipping works according to an ambitious, long-term strategy to make Norway a leading country in the international gaming industry, where responsibility and innovation are key elements.

## Norsk Tipping's purpose and role

The state's ownership of Norsk Tipping is based on the fact that the company is tasked with channeling the Norwegian public's desire to gaming towards a moderate, responsible provision that does not produce social problems. The company shall, within the limits stipulated by the authorities, offer responsible gaming fun with the aim of preventing the negative consequences that result from money games while generating profits for socially beneficial purposes. Since its start in 1948, NOK 68 billion (2005 value) has been channeled to the beneficiaries.

It is important to stress that the greatest possible profit will never be the state's main goal. The authorities' goal is for Norsk Tipping to be an actor that helps develop the gaming market in a direction that is justifiable from a social policy perspective.

## Financial matters

Games revenue in 2005 (52 weeks) amounted to NOK 9 203 million versus NOK 9 617 million in 2004 (53 weeks). This represents a decrease of NOK 414 million or 4.3 percent.

Despite the decrease in games revenue, the company delivered a solid profit for 2005 of NOK

2 732 million versus NOK 2 754 million for 2004. This is a decrease of NOK 22 million, or 0.8 percent.

After allocations to the investment fund the beneficiaries – sports and culture – will each receive NOK 1 200 million, the same as the previous year. NOK 12 million will be allocated to measures to counter problem gaming, also the same as last year.

The Norwegian Foundation for Health and Rehabilitation will receive NOK 195 million, versus NOK 199 million the previous year, which represents a decrease of NOK 4 million, or 2.2 percent.

## Market trends

The total market for money games in Norway has more than doubled in the last five years. This is primarily due to the growth in the gaming machines market and in international games over the internet. The dramatic growth in international games is primarily due to a broader range being on offer, including poker and casino games, and an increase in the number of players. The high prize share in poker and so-called betting exchanges have a major effect on gross turnover, but produces lower profits. Gross turnover meanwhile is an expression of the time spent and attention paid to these games and the increase therefore still indicates a dramatic increase in the interest in internet games.

An MMI survey estimates an increase of NOK 6.6 billion to these games, while preliminary figures from the Norwegian Gaming Board indicates an increase of NOK 2.3 billion, in internet gaming in 2005. The official figures from the authority will not be published until the decrease of 2006, however the estimate provides a good indication of trends. In total the market for money games in Norway is estimated to have increased by 7.2 percent, or

## Background:]

In 1946, a special law was passed to establish a state-owned gaming company in Norway and two years later, in 1948, Norsk Tipping AS started its operations. The company was established as corporation, but is exempt from the Norwegian Companies Act. Norsk Tipping was situated in Oslo from its founding until the summer of 1975, when it moved to Hamar where the company remains to this day.

Up to 1 January 1993, the shares in the company were owned 40 percent by the Norwegian state, 40 percent by the Norwegian Sports Federation, and 20 percent by the Norwegian Football Association. After 1 January 1993, the Norwegian state became the sole owner of the company.

NOK 3.1 billion in 2005. In 2005, Norsk Tipping had a market share of 20.1 percent compared to 37.4 percent in 2001. Norsk Tipping's market share has therefore almost been halved during the period 2001 to 2005. The growth in concession-based lotteries, excluding Flax in 2005, can be ascribed to Norske Spill's "Yezz" scratch ticket venture.

The trends in the international gaming market indicate that there is steadily increasing pressure towards higher top prizes and jackpots. This can also be seen nationally in the form of the interest paid to Viking Lotto on those occasions when the total prize pot is especially high. The turnover associated with the largest V75 pots is another indication.

This trend shows that games that were previously considered pure games of chance have become more acceptable and to some extent very popular. The media's positive coverage of online poker and the focus on happy young people who win large sums may be a contributing reason for this development.

The market is experiencing a generational shift with respect to both games and players. The recruitment of players to Norsk Tipping, which since 1948 has contributed to a general public acceptance of gaming in Norway, and which has created an attractive and responsible gaming market, is more or less cresting due to this trend.

### Norsk Tipping's games

It is important to take into consideration when looking at the games' development that there was one less gaming week in 2005 than the year before.

Five out of the seven games experienced a decrease in turnover. The largest falls were seen in Lotto and Flax. In 2005, our flagship, Lotto, experienced the largest fall in the game's history. A decrease of NOK 154 million, or 4.4 percent, is

larger than the one in 2004. This decrease is in line with international trends and confirms the need for a renewal of the game that in 2006 will celebrate its 20th anniversary in Norway. There have been no fundamental changes in the shaping of the game since it started. The new 'One number is enough' campaign concept, which was launched at the end of 2005 had a positive effect, but shows that individual campaigns are not enough.

The decrease for Flax was 13.7 percent, or NOK 141 million compared to 2004. This was primarily due to the changed competitive situation. The launch of competing scratch tickets and greater competition for the best in-store locations present increasingly greater challenges. Flax is not just competing with other scratch tickets but also with traditional convenience store products such as weekly magazines and chocolate, and in 85 percent of the cases is bought on impulse. Store product placement is therefore a particularly important factor when it comes to sales of this game.

Viking Lotto also experienced a slight decrease in 2005. The decrease was 2.0 percent, or NOK 29 million compared to 2004. The introduction of the Lucky number pot has been a positive factor with respect to turnover, but only when the pot has been very large, and then in combination with jackpots.

Joker continues its positive trend and is, together with Oddsen, the only game that experienced an increase in turnover in 2004. Despite the fact that Joker is a supplementary game to Lotto and Viking Lotto, both of which experienced falls, turnover increased by 2.4 percent, or NOK 18 million, in 2005. The player base also increased. This shows that moderate money games can also be attractive in today's heated market.

While Tipping's decline continues, Oddsen's turnover increased by a total of 0.9 percent, or NOK 12 million. We have turned the trends of 2003 and 2004 around – despite the competitive situation. There has indeed been a decrease in Oddsbomben's turnover, but the largest odds game, Langoddsen, experienced growth of NOK 35 million.

One of the reasons for this is the strongly increasing interest in Norwegian soccer; another is that players are becoming increasingly well informed about French, Spanish and Italian soccer.

Tipping fell by 9.2 percent, or NOK 74 million, from NOK 801 million in 2004. If one adds an average week's turnover, because there was one gaming week less in 2005 than the year before, the decrease is NOK 60 million. Thus the negative trend we have seen in the last 3-4 years is continuing. The game has not been renewed since 1998 and involves a much lower prize share than competing games. While Tipping has a prize share of 50 percent, the Odds games have prize shares of 60 percent and upwards.

## Highlights [05:]

### New player card

In October, Norsk Tipping launched its new player card, a multifunction card with electronic ID (eID). The card is the customer's identification for, among other things, registered games at retailers and via the internet. The card permits fast, secure payments and prize management.

### The Tufte boys

Norsk Tipping joined forces with TV Norge for the successful TV series 'Heia Tufte'. The Tufte soccer team are also honorary ambassadors for the national 'På lag mot mobbing' anti-bullying campaign.





Games revenue by game

**Total NOK 9 203 mill.**

Total games revenue  
Euro 1 149 mill. / USD 1 428 mill.

**36.0 %**

**Lotto**  
NOK 3 311 mill.

**15.7 %**

**Viking Lotto**  
NOK 1 447 mill.

**8.2 %**

**Joker**  
NOK 757 mill.

**7.9 %**

**Tipping**  
NOK 727 mill.

**14.2 %**

**Oddsén**  
NOK 1 308 mill.

**9.6 %**

**Flax**  
NOK 883 mill.

**8.4 %**

**Extra**  
NOK 770 mill.

## Gaming machines

After several attempts to regulate the strongly growing gaming machine market, the Storting (the Norwegian Parliament) decided to introduce an exclusive rights model. Norsk Tipping was tasked to carry out the necessary preparatory work to implement the exclusive rights model for the operation of all the gaming machines in the country.

The main goal of the reform was to prevent and counter the steadily increasing problems associated with problem gaming behavior. In addition to this, a model was also wanted that could prevent crime more effectively and satisfactorily enforce the 18-year-old age limit. The amendments in the law were passed in the Storting on 17 June 2003, and Norsk Tipping has so far worked hard and systematically to carry out this task. Regulation of the market has however encountered strong resistance. Today's gaming machine operators went to court to stop the reform, claiming that it is illegal. In October 2004, The District Court of Oslo found for the gaming machines sector when it stated in a ruling that the exclusive rights model violates the EEA Agreement. However, the authorities' view won in the appeal in the Court of Appeals in the summer of 2005. A unanimous Court of Appeals concluded that the exclusive rights model was a legitimate means of gaining control over the market and clearly within the framework of the EEA Agreement. The opposite party has appealed the case to the Supreme Court.

The case was docketed to come before the Norwegian Supreme Court in January 2006. When EFTA's surveillance authority, ESA, stated in a press release on 18 November 2005 that they would bring the case before the EFTA Court, the Appeals Committee of the Supreme Court chose, however, with a vote of two to one to postpone the hearing of the case. Based on this, the authorities' have

chosen to wait until after the EFTA Court has heard the case before implementing the exclusive rights model.

The case has not yet come before the EFTA Court and the legal proceedings are expected to take at least one year. Norsk Tipping has twice had to postpone a planned start-up of the gaming machine operations due to the legal proceedings. Given that a judgment will not be published before at least 2007, it was necessary to downsize at the beginning of 2006. A total of 22 redundant staff were let go, while the company introduced a number of other costs savings measures at the same time.

The Board of Directors believes it is important to bring the unfortunate aspects of today's gaming machines under control. During the last few years, problem gaming has become a serious social problem. It is important to point out that Norsk Tipping is not part of the ongoing conflict between the authorities and the private operators in the gaming machines market.

An MMI survey in 2005 indicates that around 70 000 Norwegians have problems associated with money games and that approx. 130 000 players are in the danger zone of developing such problems. In addition, this impacts many of their other family members.

The Board looks forward to seeing the company in the future also becoming the state's instrument for developing a responsible, socially beneficial market for gaming machines in Norway, like the company has been doing for the rest of the gaming market since 1948.



**SIGMUND THUE**  
Chairman



**ANNI ONSAGER**  
Vice Chairman



**KNUT JOHANNESSEN**

## Program 150

Program 150 started in August 2004. The program is aimed at increasing the efficiency of the company, and its goal is to reduce operating costs by NOK 150 million over three years.



### Communication and marketing

Norsk Tipping reduced its marketing budget by 20 percent from 2004. This happened in a year when the total advertising market in Norway increased by 13 percent. The reason for the reduction in the use of marketing was that, in consultation with the Ministry of Culture and Church Affairs, we concluded that it was necessary given the situation in the gaming market. This is almost wholly due to the trend in the gaming machines market and the increase in international online gaming – first and foremost internet poker.

Limited marketing and thus less visibility may have been a contributory factor to the decrease in turnover for several of the games. Surveys indicate that the brand recognition of Norsk Tipping's products fell in 2005 and that the decrease in the number of players amounts to approx. 127 000 since 2000. Lotto lost 50 000 players in the last year alone.

Some of Norsk Tipping's games are purchased on impulse, and 'brands' is becoming a steadily more important term in the jungle of offers the games compete against. It is becoming an increasingly greater challenge and increasingly more important to find suitable channels and the correct balance between frequency and intensity in market communications. The company's ad slots are still among the best liked in Norway, and the Lotto ads won both national and international awards in 2005. Norsk Tipping follows set ethical guidelines when producing ads, and the messages are primarily aimed at image enhancement. In 2005, the Ministry of Culture and Church Affairs published new marketing guidelines for state-owned games. Norsk Tipping has made the necessary adjustments to comply with these.

BERIT FOSHEIM



TORGEIR MJØR GRIMSRUD

### Social responsibility

Norsk Tipping relies on an ongoing close dialogue with its social environment to fulfill the expectations the Norwegian society has of it. Our social responsibilities are defined on the basis of this dialogue, which at the same time helps to create strong relationships with and loyalty among players, owners, retailers and other interested parties.

The company has chosen to express the basis for its social responsibility through a set of ethical guidelines.

*"Norsk Tipping shall conduct its business in a fashion that complies with or exceeds the ethical, commercial, legal, social and environmental expectations the society has of us."*

Based on this Norsk Tipping has developed systems that pick up on groups of interested parties' views about the company. Among other things we maintain an active dialogue with various interest groups in the form of meetings and personal interactions. Regular surveys are also conducted among the public, winners, retailers, coworkers and others. The interest parties reveal issues and views that the company takes account of in its operations and comments on in a separate social report.

The work on gaming responsibility and problem gaming behavior were also a high priority area in Norsk Tipping's social responsibility work in 2005. The continuation of a gaming responsibility program and the initiation of various measures in relation to customers, retailers and our own coworkers form part of this work. Norsk Tipping has also maintained its strong and important contacts with expert circles within problem gaming – both nationally and internationally.

### Gaming machines lawsuit

2005 was affected by the fact that the gaming machines lawsuit remains unresolved. In August, the authorities won in the Court of Appeal, in September the gaming machines sector appealed to the Supreme Court, and in November ESA, EFTA's surveillance authority, said the case would be brought before the EFTA Court. The government is currently waiting on the EFTA Court's finding.

### Sølvfisken

Norsk Tipping was awarded second prize in the Norwegian advertising awards, a 'Silver Fish', for its TV ad "De gamle er eldst" ('The old are the oldest').



Gaming market in Norway  
**Total NOK 45 698 mill.**

1) The turnover has been estimated by  
The Norwegian Gaming Board

**59.3 %**

Gaming machines <sup>1)</sup>  
NOK 27 100 mill.

**20.1 %**

Norsk Tipping  
NOK 9 203 mill.

**8.8 %**

Foreign gaming  
websites <sup>1)</sup>  
NOK 4 000 mill.

**6.1 %**

Betting on  
horses  
NOK 2 781 mill.

**4.4 %**

Bingo <sup>1)</sup>  
NOK 2 000 mill.

**1.3 %**

Lotteries/  
other games <sup>1)</sup>  
NOK 614 mill.

## Program 150

As a part of continuous efficiency improvements in all areas of operations, the company established the "Program 150 project" in 2004. Its aim is to improve Norsk Tipping's purchasing terms. Norsk Tipping has been bound by the state's public procurement regulations since 2004.

The company has renegotiated a series of contracts since 1 August 2004 and views this program as an important contribution to maintaining profit margins in times of falling revenue. Since its inception the project has resulted in cost savings of approx. NOK 115 million.

## Subsidiaries' operations

Norsk Tipping has three wholly-owned subsidiaries:

Fabelaktiv AS handles the company's TV draws and also has a broad project-based range of television and film-related projects.

Spillverden AS primarily manages intellectual property rights on behalf of Norsk Tipping, and is also the owner of about 45 percent of the shares in Buypass AS, in which Norway Post's subsidiary, ErgoGroup AS, is the other major owner. Buypass has developed a smart card that provides secure identification and payment when carrying out web-based transactions, and has signed a contract with Norsk Tipping concerning the operation of Norsk Tipping's new player card.

Both Fabelaktiv and Buypass have cutting edge expertise and make contributions to Norsk Tipping that have been regarded as important to the future success of the company and its leading position in the gaming market.

Norsk Tipping Nettnavn AS sets up, registers and owns domain names on the internet and uses these in connection with gaming services for the parent company.

KJERSTI LANGSETH



## Organization, personnel and environment

A reorganization of the structure of the company was implemented from 1 January 2005. The new organizational structure results in a stronger focus on profit centres and delivery units, and the change has, as expected, had an impact on profits through increased efficiency.

Norsk Tipping emphasizes having a varied and dynamic working environment, and views equality among the genders as a natural component of a comprehensive personnel policy. At the end of the year the ratio between female and male coworkers was 44 and 56 percent. In senior and middle management, the ratio between female and male coworkers was 33 and 67 percent.

3 women and 4 men sit on the Board.

At the start of 2005 there were 373 employees in the company of whom 336 were fulltime and 37 were part-time. At the end of the year the number of employees had fallen to 367 of whom 340 were fulltime and 27 part-time. The average number of employees in 2005 was 370.

In the Board's view, Norsk Tipping has a good working environment that is characterized by commitment and openness to change. Internal communication seems to be constructive and positive, as is the cooperation with both trade unions and employee representatives. The rate of absence due to illness in 2005 was 4.6 percent, compared to 4.0 percent in 2004. Short-term absence was 1.1 percent, compared to 1.0 percent in 2004.

Norsk Tipping has, based on political signals, implemented the organizational changes necessary to enable the operation and development of gaming machines. New coworkers were recruited into the company during the last

KNUT BROFOSS



Langoddsen expanded

In November the Langoddsen programs were changed from 60 to 117 matches per program.

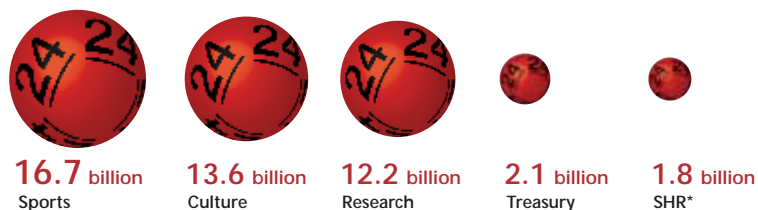
One number is enough

On 19 November 2005, Norsk Tipping launched 'One number is enough' as part of the Lotto draw. 'One number is enough' is a supplementary game to Lotto, not a game of its own. One extra number is drawn in addition to the usual draw. All the played rows that contain this number are entered into a NOK 5 million draw. A total of five winners are drawn who each wins NOK 1 million. 'One number is enough' was also played on Christmas Eve.

Profits from 1948–2005 distributed to socially beneficial purposes

**Total NOK 46.4 billion**

(Nominal NOK)



\*The Norwegian Foundation for Health and Rehabilitation

two years to run this area. The consequence of a further postponement of the gaming machines reform was that Norsk Tipping had to take the necessary measures to protect the company's finances in the best possible manner. This entailed downsizing the workforce. This process was carried out in close cooperation with the trade unions, and joint meetings were held to deal with the various issues associated with this special situation.

Norsk Tipping emphasizes HSE (Health, Safety and Environment) work and follows up on this through its own action plan. None of the company's operations result in emissions into the air or water, but it is nonetheless very conscious of the environmental impact its operations represent through the consumption of resources, transportation impacts, and waste generation. Therefore, Norsk Tipping has, in 2005 as well, in cooperation with its principal paper supplier, produced all of its coupons and programs on environmentally friendly paper, certified with the green swan label.

The company has produced intellectual capital accounts every second year since 2000. These highlight and qualify the company's intangible assets. The next accounts will be included in the 2006 annual report.

### Prospects

In the opinion of the Board the company's prospects are good based on a continuing solid market position and leading gaming competence.

We have noted that some of our games are suffering from "wear and tear" and a decrease in total turnover. However, we are seeing trends, technologies and product development that lead us to believe that 2006 will be a year of moderate growth.

There is still some uncertainty associated with the company's future role as the operator of gaming machines.

Norsk Tipping is pursuing to an ambitious, long-term strategy to make Norway a leading country in the international gaming industry, where responsibility and innovation are key elements.

### Going concern

The Board is of the opinion that the annual accounts provide a correct picture of the company's assets and liabilities, its financial position and its results.

Pursuant to Section 3-3 of the Accounting Act, the Board confirms that the company's annual accounts for 2005 have been prepared on the basis of the going concern assumption.

The Board is not aware of any circumstances that have occurred after the end of the fiscal year that are of significance for the company's future position and results.

### Audit

The company's accounts are audited by the office of the Auditor General. In accordance with adopted procedures, the office of the Auditor General will not publish a final auditor's report until October/ November 2006. After the notes to the accounts, on page 21, you will find the auditors' memorandum for the year 2005.

### Allocation of profit

The total profit from gaming operations in Norsk Tipping as for the 2005 financial year was **NOK 2 731 831 811**.

Total profit	NOK	2 731 831 811
Profit for Health and Rehabilitation	NOK	194 685 758
<b>Profit for Norsk Tipping AS</b>	<b>NOK</b>	<b>2 537 146 053</b>

Which the Board proposes be allocated as follows:

Transfer to equalization fund	NOK	0
Provisions to investment fund	NOK	125 146 053
Measures related to problem gaming	NOK	12 000 000
Profits to beneficiaries	NOK	2 400 000 000
<b>Total allocated</b>	<b>NOK</b>	<b>2 537 146 053</b>

The profits from Lotto, Viking Lotto, Joker, Tipping, Oddsen and Flax, as well as the operator's fee for Extra, are distributed as follows: NOK 1 200 million for sports beneficiaries, NOK 1 200 million for culture beneficiaries, and NOK 12 million for measures related to problem gaming.

#### THE BOARD OF DIRECTORS OF NORSK TIPPING AS

Hamar, 6 March 2006

*Sigmund Thue*

Sigmund Thue  
Chairman

*Kjersti Langseth*  
Kjersti Langseth

*Berit Fosheim*  
Berit Fosheim

*Torgeir Mjor Grimsrud*  
Torgeir Mjor Grimsrud

*Anni Onsager*  
Anni Onsager

*Knut Brofoss*  
Knut Brofoss

*Knut Johannessen*  
Knut Johannessen

*Reidar Nordby Jr.*  
Reidar Nordby Jr.  
President and CEO

# Profit and loss account

	Note	2005 NOK mill. *)	2004 NOK mill. *)	2003 NOK mill.
<b>OPERATING INCOME</b>				
Games revenue	1	9 203.2	9 617.0	9 743.4
Other operating income	2	158.7	145.6	256.4
<b>TOTAL OPERATING INCOME</b>		<b>9 361.9</b>	<b>9 762.6</b>	<b>9 999.8</b>
<b>OPERATING EXPENSES</b>				
Prizes		4 828.7	5 010.4	5 192.7
Games commission		660.0	699.5	714.8
Salaries and personnel expenses	3	221.6	190.3	150.7
Depreciations and write-downs	4	159.1	141.1	53.9
Other operating expenses	5	802.3	998.8	870.9
<b>TOTAL OPERATING EXPENSES</b>		<b>6 671.8</b>	<b>7 040.0</b>	<b>6 982.8</b>
<b>OPERATING RESULT</b>		<b>2 690.1</b>	<b>2 722.6</b>	<b>3 017.0</b>
Gross financial income	6	70.2	55.2	95.1
Gross financial expenses	6	28.5	23.5	34.8
<b>PROFIT FOR THE YEAR</b>		<b>2 731.8</b>	<b>2 754.2</b>	<b>3 077.3</b>
<b>The profit is distributed as follows:</b>				
Norsk Tipping AS		2 537.1	2 555.1	2 874.3
Health and Rehabilitation		194.7	199.1	203.0

\*) 2005 and 2004 include revenues and expenses from the gaming machines division (Interactive).

For a comparison of Norsk Tipping's operations, excluding the games machines division for 2005, against 2004 and 2003, see note 7 on page 19.



## Balance sheet

	Note	2005 NOK mill.	2004 NOK mill.	2003 NOK mill.
<b>ASSETS</b>				
<b>Fixed assets</b>				
<i>Tangible fixed assets</i>				
Buildings/other real estate	8	65.3	68.1	46.1
Computer systems/terminals/other fixtures	8	434.8	429.0	130.3
<i>Financial assets</i>				
Shares in subsidiaries	9	4.4	4.4	4.3
Shares in other companies		0.2	0.2	6.2
Intercompany balances	10	87.5	21.7	21.7
Bonds and other receivables	11	18.2	17.5	19.7
<b>Total fixed assets</b>		<b>610.3</b>	<b>540.9</b>	<b>228.3</b>
<b>Current assets</b>				
<i>Inventories</i>				
Merchandise stock	12	3.2	1.9	1.6
<i>Receivables</i>				
Customer receivables	13	2.5	3.4	1.4
Claims on retailers	14	165.3	130.3	19.8
Other receivables	15	62.7	106.8	22.4
<i>Bank deposits, cash reserves, etc</i>				
Cash reserves		3 413.6	3 399.3	3 807.8
<b>Total current assets</b>		<b>3 647.4</b>	<b>3 641.7</b>	<b>3 853.0</b>
<b>TOTAL ASSETS</b>		<b>4 257.7</b>	<b>4 182.6</b>	<b>4 081.3</b>

# Balance sheet

	Note	2005 NOK mill.	2004 NOK mill.	2003 NOK mill.
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<i>Called up and fully paid share</i>				
Nominal share capital	16	0.2	0.2	0.2
Investment funds	17	1 206.8	1 055.7	897.3
<b>Total equity</b>		<b>1 207.0</b>	<b>1 055.9</b>	<b>897.5</b>
<b>Liabilities</b>				
<i>Provisions for long-term liabilities</i>				
Pension commitments	22	5.0	-	4.2
<b>Total provisions for long-term liabilities</b>		<b>5.0</b>	<b>-</b>	<b>4.2</b>
<i>Other long-term liabilities</i>				
Funds – games	18	264.8	213.8	151.4
<b>Total long-term liabilities</b>		<b>264.8</b>	<b>213.8</b>	<b>151.4</b>
<i>Short-term liabilities</i>				
Trade creditors		63.9	101.8	69.2
Prize liabilities		106.2	116.0	79.8
Prepaid wagers		130.8	113.1	133.3
Unpaid government charges and special taxes		19.1	16.8	14.3
Other short-term liabilities	19	37.3	125.1	20.6
<i>Equalization fund at the</i>				
Ministry of Culture and Church Affairs	20	-	-	-
Remaining profit for distribution	21	2 423.7	2 440.1	2 711.0
<b>Total short-term liabilities</b>		<b>2 781.0</b>	<b>2 912.9</b>	<b>3 028.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4 257.7</b>	<b>4 182.6</b>	<b>4 081.3</b>

## THE BOARD OF DIRECTORS OF NORSK TIPPING AS

Hamar, 6 March 2006

*Sigmund Thue*

Sigmund Thue  
Chairman

*Kjersti Langseth*  
Kjersti Langseth

*Berit Fosheim*  
Berit Fosheim

*Torgeir Mjor Grimsrud*  
Torgeir Mjor Grimsrud

*Anni Onsager*  
Anni Onsager

*Knut Brofoss*  
Knut Brofoss

*Knut Johanness*  
Knut Johanness

*Reidar Nordby Jr.*  
Reidar Nordby Jr.  
President and CEO

*Per Torgenhagen*  
Per Torgenhagen  
Financial Manager

# Cash flow statement

	2005 NOK mill.	2004 NOK mill.	2003 NOK mill.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit	2 731.8	2 754.2	3 077.3
Profit on sale of fixed assets	- 1.0	-1.5	-1.5
Investment depreciations	159.1	98.1	53.9
Write downs to fair value of investments	0.0	43.0	0.0
Changes in claims on retailers	-35.0	-110.5	120.6
Changes in other short-term receivables, current assets and goods in stock	43.6	-86.7	-0.5
Changes in trade creditors	-37.9	32.6	11.8
Changes in other long-term receivables	-66.5	8.1	5.8
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2 794.2</b>	<b>2 737.3</b>	<b>3 267.3</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Receipts on sale of tangible fixed assets	1.5	2.4	2.1
Payments on purchase of tangible fixed assets	-199.8	-462.4	-109.5
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-198.2</b>	<b>-460.0</b>	<b>-107.4</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Net change in long-term liabilities	55.9	62.4	-112.7
Net change in short-term liabilities	-40.6	118.7	12.6
Net change in investment fund	151.1	152.4	216.5
Payments and allocations of profit	-2 748.2	-3 019.1	-3 100.5
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-2 581.7</b>	<b>-2 685.8</b>	<b>-2 984.2</b>
Net change in cash holdings	14.3	-408.5	175.8
Cash reserves as of 01.01	3 399.3	3 807.8	3 632.1
<b>CASH RESERVES AS OF 31.12</b>	<b>3 413.6</b>	<b>3 399.3</b>	<b>3 807.8</b>

# Notes to the accounts\*

All amounts in the tables are in NOK 1 000

\*) The years 2005 and 2004 include revenues, costs and investments related to the gaming machines division (Interactive).

## [ ACCOUNTING PRINCIPLES ]

### General comments:

Norsk Tipping is subject to the Gaming Act of 28 August 1992 (No. 103). The Act states that a state-owned corporation, in which the state owns all the shares, shall be the gaming company. It is the government that stipulates the articles of association, appoints the Board of Directors, and gives instructions to the Board. The Board must make sure that the operations are run in accordance with the company's objective and guidelines. The Board is responsible for ensuring the satisfactory organization and management of the company and shall, among other things, ensure that registration and asset management are subject to adequate controls.

After allocations to reserves, Norsk Tipping's profits for 2005 are to be distributed in 2006 between good causes within sporting and cultural activities, as well as grants to measures aimed at countering problem gaming. The profits from Extra go to the Norwegian Foundation for Health and Rehabilitation.

The accounts are submitted in accordance with the Accounting Act of 1998, with amendments that follow from Norsk Tipping's particular status pursuant to the Gaming Act. The accounts are presented in accordance with Norwegian accounting standards and generally accepted accounting principles. The subsidiaries prepare their accounts in accordance with the Accounting Act, with no amendments. The subsidiaries are not consolidated in Norsk Tipping's accounts, as they are viewed to be insignificant in this respect.

### The Companies Act:

Pursuant to the Gaming Act, Norsk Tipping AS is not bound by the provisions of the Companies Act.

### Principles for accruals and valuations:

The accounts have been prepared, in accordance with generally accepted accounting principles, on the basis of the transaction, earned income, matching, and all-inclusive income principles. Best estimates are used in cases of uncertainty. The accounts follow the calendar year, with the exception of games-related items. Games revenue and corresponding games-related expenses are accrued over 52 rounds of play/weeks in 2005 and thus do not fully correspond 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 the commission is entered in the same way. Dividends received from subsidiaries are taken to income as revenue in the year the dividends are approved at the subsidiary's Annual General Meeting.

### Classification of assets and liabilities:

Assets intended for lasting ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that are due within one year are classified as current assets. Corresponding rules are applied for the classification of long-term and short-term liabilities.

### Tangible fixed assets:

Fixed assets are entered into the accounts at purchasing cost, with deductions for planned depreciations. Depreciations are distributed linearly over the fixed assets' expected financial lifetime. Tangible fixed assets are evaluated to determine whether any fall in value is indicated. If the book value is higher than the fair value, the assets will be written down.

### Receivables:

Customer receivables and other receivables are valued at face value after deductions of provisions for probable losses. Realized losses are charged to the accounts.

### Merchandise stock:

The stock is valued in the accounts at purchase cost.

### Foreign exchange:

The Bank of Norway's reference rates at 31 December have been used to evaluate assets, receivables and liabilities. Both exchange gains and losses are entered under "Financial items".

### Pension commitments and pension costs:

The employees are members of the Norwegian Public Service Pension Fund, and the company's share of the premium is entered into the accounts each year under "Salaries and personnel costs". Funds for company employees on early retirement are entered each year under "Salaries and personnel costs".

The company has pension schemes that entitle employees to agreed future pension benefits, called benefit plans. Pension commitments are calculated according to linear earnings on the basis of assumptions concerning the number of years of pensionable service, the discount rate, future returns on pension funds, future salary adjustments, pensions and benefits from the national insurance and actuarial assumptions concerning mortality, voluntary retirement, etc. The pension funds are evaluated at their fair value. Net pension commitments consist of gross pension commitments with deductions for the fair value of pension funds. Net pension commitments for underfunded schemes are entered into the balance sheet as long-term interest-free liabilities, while net pension funds for overfunded schemes are entered into the balance sheet as long-term interest-free receivables if it is likely that the overfunding can be utilized.

Changes to plans with retrospective effect that are conditional on future earnings are distributed linearly over the time up to when the benefit will have been fully earned. Changes in commitments and pension funds due to changes in and departures from the technical assumptions (estimate changes) are distributed over the estimated average remaining earnings period if the departures exceed 10% of the gross pension commitments/pension funds.

Net pension costs, which are the gross pension costs with deductions for estimated returns on pension funds corrected for the distributed effect of changes in estimates and pension plans, are classified as ordinary operating income and are presented together with salaries and other benefits.

### Effect of changes in accounting principles:

Norsk Tipping AS has implemented "Norwegian Accounting Standard No. 6 (NRS 6) – Pension Costs" in the 2005 annual accounts. Comparative figures in the profit and loss account and the balance sheet for 2003 and 2004 have been converted correspondingly. The effect of the implementation of NRS 6 – Pension Costs has been corrected against equity as of 1 January 2003.

### Tax:

Norsk Tipping AS is exempt from taxation.

### Value Added Tax:

Norsk Tipping's games are not subject to value added tax, while costs and investments include VAT.

## [ 1 ] GAMES REVENUE

The individual games have had the following revenues and development the last three years:

Games	2005	2004	2003
Lotto	NOK 3 310 643	3 464 703	3 537 049
Viking Lotto	NOK 1 446 947	1 475 644	1 369 836
Joker	NOK 757 486	739 448	679 435
Tipping	NOK 726 972	800 699	825 611
Oddsden	NOK 1 307 935	1 295 871	1 613 470
Flax	NOK 882 677	1 023 334	895 517
<b>Norsk Tipping's games</b>	<b>NOK 8 432 660</b>	<b>8 799 699</b>	<b>8 920 919</b>
Extra	NOK 770 568	812 281	822 444
<b>Total</b>	<b>NOK 9 203 228</b>	<b>9 611 980</b>	<b>9 743 363</b>
Gaming machines *)	NOK 0	5 001	0
<b>Total games revenue</b>	<b>NOK 9 203 228</b>	<b>9 616 981</b>	<b>9 743 363</b>

\*) Pilot operation of gaming machines (Interactive) in weeks 35 – 49/2004

Games revenue spans 52 weeks in 2005. Revenue from 1 and 2 January 2005 is included in the accounts for 2004 with a total of NOK 95 million, and corresponding costs (prizes and commissions) with a total of NOK 56 million. Revenue from 1 and 2 January 2006 is included in the accounts for 2005 with a total of NOK 13 million, and corresponding costs (prizes and commissions) with a total of NOK 9 million

## [ 2 ] OTHER OPERATING INCOME

	2005	2004	2003
Retailer commission	NOK 73 840	77 829	79 640
Player card commission	NOK 52 257	38 310	39 676
Transfer from game funds	NOK 8 000	10 000	123 920
Miscellaneous revenues	NOK 24 564	19 429	13 152
<b>Total</b>	<b>NOK 158 661</b>	<b>145 568</b>	<b>256 388</b>

## [ 3 ] SALARIES AND PERSONNEL COSTS

	2005	2004	2003
Salaries and fees	NOK 161 380	152 173	124 182
Social security tax	NOK 26 987	23 955	19 717
Norwegian Public Service Pension Fund *)	NOK 29 732	11 079	3 747
Other social costs	NOK 3 505	3 045	3 021
<b>Total</b>	<b>NOK 221 604</b>	<b>190 252</b>	<b>150 667</b>
Benefits in kind	NOK 7 597	7 393	6 200
<b>Total</b>	<b>NOK 229 201</b>	<b>197 645</b>	<b>156 867</b>

\*) The figures for 2004 and 2003 have been adjusted due to the changed accounting principles for pension costs.

Remuneration, leading employees in 2005	CEO	Board of Directors
Salaries and fees	NOK 1 523	491

The Board of Directors fixes the CEO's total annual remuneration and other terms, while the Ministry of Culture and Church Affairs sets the total remuneration paid to the company's Board of Directors.

At the CEO's own request his salary has remained unchanged from 1 July 2002 to 1 January 2005 when the Board of Directors fixed his salary at NOK 1 500 000. This was adjusted to NOK 1 550 000 on 1 July 2005. The fees paid to the Chairman were NOK 125 000, to each Board member, NOK 70 000, to the first deputy Board member, NOK 35 000, and to other members, NOK 3 000 for each meeting attended.

There are no bonus schemes in the company, either for the management or other employees, nor are there any agreements concerning severance pay or other extraordinary forms of remuneration for any of the employees of Norsk Tipping AS.

The average number of employees in 2005 was 370. No auditing fees or other forms of remuneration were paid to the auditor (the Auditor General).

## [ 4 ] WRITE-DOWNS AND DEPRECIATIONS

	2005	2004	2003
Vehicles	NOK 4 573	3 977	3 310
Computer systems/terminals			
/other fixtures	NOK 141 323	89 012	47 028
Buildings/other real estate	NOK 13 218	5 138	3 579
<b>Total ordinary depreciations</b>	<b>NOK 159 114</b>	<b>98 127</b>	<b>53 917</b>
Write-downs *)	NOK 0	43 000	0
<b>Total amortizations and depreciations</b>	<b>NOK 159 114</b>	<b>141 127</b>	<b>53 917</b>

\*) See Note 8

## [ 5 ] OTHER OPERATING COSTS

	2005	2004	2003
Operations, maintenance and telecommunications	NOK 265 735	297 087	283 167
Costs related to operatorship of Extra	NOK 73 840	77 829	79 640
Commission to retailers for sales of player cards	NOK 21 417	19 583	18 397
Development costs	NOK 41 030	72 286	158 370
Provisions, Interactive	NOK 0	87 000	0
Other internal costs	NOK 400 308	445 001	331 312
<b>Total</b>	<b>NOK 802 330</b>	<b>998 786</b>	<b>870 886</b>

## [ 6 ] FINANCIAL INCOME AND COSTS

	2005	2004	2003
Interest income	NOK 63 894	52 773	88 811
Other financial income	NOK 406	499	1 334
<b>Financial income group</b>	<b>NOK 1 916</b>	<b>567</b>	<b>477</b>
Gain on currency	NOK 4 021	1 368	4 433
<b>Total financial income</b>	<b>NOK 70 237</b>	<b>55 207</b>	<b>95 055</b>
Interest costs	NOK 26 213	15 463	14 011
Other financial costs	NOK 1 387	6 007	20 541
Loss on currency	NOK 932	2 064	205
<b>Total financial costs</b>	<b>NOK 28 532</b>	<b>23 534</b>	<b>34 757</b>

To ensure the predictability of net cash flow and maintain a low risk profile, Norsk Tipping has utilized currency hedging for important transactions. The company's Board of Directors has approved the utilization of hedging.

As of 31 December 2005 the company had a forward foreign exchange contract in which Norsk Tipping purchased SEK 487 million against NOK. The exchange rate as of 31 December 2005 was SEK/NOK 84.75. Norsk Tipping had an unrealized loss on currency as of 31 December 2005 of NOK 39 million. Norsk Tipping has also hedged a further NOK 155 million until 2007 at an average exchange rate of SEK/NOK 89.6. The unrealized loss on currency for this as of 31 December 2005 was NOK 8.4 million. Hedging transactions are booked in accordance with generally accepted accounting principles for this area.



## [ 7 ] NORSK TIPPING, EXCLUSIVE OF THE GAMING MACHINES DIVISION (INTERACTIVE)

		2005	2004	2003
Games revenue	NOK	9 203 228	9 611 980	9 743 363
Other operating income (exclusive of fund income)	NOK	144 894	135 567	132 468
<b>Total operating income</b>	NOK	<b>9 348 122</b>	<b>9 747 547</b>	<b>9 875 831</b>
Ordinary costs	NOK	6 393 657	6 659 288	6 765 963
Development costs	NOK	41 030	72 286	171 214
Depreciations	NOK	117 029	81 413	53 918
<b>Operating result</b>	NOK	<b>2 796 406</b>	<b>2 934 560</b>	<b>2 884 736</b>
Financial income	NOK	68 836	54 703	95 055
Financial costs	NOK	27 337	21 324	34 757
<b>Profit for the year</b>	NOK	<b>2 837 905</b>	<b>2 967 939</b>	<b>2 945 034</b>

(exclusive of the gaming machines division and income from funds)

## [ 8 ] FIXED ASSETS

		Vehicles	Computer systems/ machines/ fixtures	Buildings/ Real estate	Total
Cost of acquisitions as of 1 January 2005	NOK	22 538	982 664	191 692	1 196 894
Disposals for the year	NOK	3 849	86	9 645	13 580
Acquisitions for the year	NOK	1 723	187 757	10 303	199 783
Cost of acquisitions as of 31 December 2005	NOK	20 412	1 170 335	192 350	1 383 097
Accumulated ordinary depreciations	NOK	11 906	664 013	127 079	802 998
Accumulated write-downs	NOK	0	80 000 *)	0	80 000
<b>Book value as of 31 December 2005</b>	NOK	<b>8 506</b>	<b>426 322</b>	<b>65 271</b>	<b>500 099</b>

\*) Accumulated write-downs increased by NOK 37 million in 2005. The increase is related to a provision in 2004 that has been reclassified as accumulated write-downs in 2005.

	Vehicles	Other operational assets	Terminals/ gaming machines	Buildings/ real estate
Financial lifetime	4 years	4-5 years	3-6 years	20 years
Depreciation plan	Linear	Linear	Linear	Linear

### Overview of investments 2001 – 2005

		2005	2004	2003	2002	2001
Vehicles	NOK	1 722	7 938	6 304	3 126	3 290
Computer systems/machines/fixtures	NOK	80 727	62 610	71 209	26 054	47 000
Terminals and gaming machines	NOK	107 031	364 578	21 833	0	0
Total	NOK	189 480	435 126	99 346	29 180	50 290
Buildings/real estate	NOK	10 303	27 224	10 184	3 660	6 194
<b>Total investments</b>	NOK	<b>199 783</b>	<b>462 350</b>	<b>109 530</b>	<b>32 840</b>	<b>56 484</b>

## [ 9 ] SHARES IN SUBSIDIARIES

Company	Year of acquisition	Business office	Share capital	Share of ownership	Share of voting rights	Cost price of stock holding	Book value
Fabelaktiv AS	2000	Hamar	104	100 %	100 %	6 000	2 800
Spillverden AS	2001	Hamar	1 500	100 %	100 %	1 500	1 500
Norsk Tipping Nettnavn AS	2004	Hamar	100	100 %	100 %	110	110
<b>Total</b>						<b>7 610</b>	<b>4 410</b>

The companies Fabelaktiv AS, Spillverden AS and Norsk Tipping Nettnavn AS have not been consolidated in Norsk Tipping's accounts, in accordance with Section 3-8, subsection two, of the Accounting Act. They have been left out because the subsidiaries' accounts are viewed to be insignificant when judging the financial position of Norsk Tipping.

The accounts for Fabelaktiv AS show a profit of NOK 1.5 million and equity of NOK 5.1 million. NOK 750 000 of the profit will be paid out to the parent company as dividends. The dividends will be taken to income in the parent company in 2006, cf. the company's accounting principles.

The accounts for Spillverden AS show a loss of NOK 6.4 million and equity of NOK 26.0 million.

The accounts for Norsk Tipping Nettnavn AS show a profit of NOK 3 492 and equity of NOK 103 492.

#### [ 10 ] INTERCOMPANY BALANCES

	NOK	2005	2004	2003
Long-term receivables	NOK			
Subordinated loans	NOK	87 364	21 614	21 614
Long term loans	NOK	100	100	100
<b>Total intercompany balances</b>	NOK	<b>87 464</b>	<b>21 714</b>	<b>21 714</b>

	NOK	2005	2004	2003
Short-term debt to group companies	NOK	1 707	1 731	2 500
Short-term receivables from group companies	NOK	1 574	2 185	882

#### [ 11 ] BONDS AND OTHER RECEIVABLES

	NOK	2005	2004	2003
Long-term loans to employees	NOK	17 072	15 093	18 909
Installment agreements, bonds and certificates	NOK	1 127	711	826
Net pension commitments in credit	NOK	0	1 721	0
<b>Total</b>	NOK	<b>18 199</b>	<b>17 525</b>	<b>19 735</b>

#### [ 12 ] MERCHANDISE STOCK

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

#### [ 13 ] CUSTOMER RECEIVABLES

This item comprises other short-term receivables (not retailers) 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 continuous outstanding accounts. At the end of the year, Norsk Tipping had 3 954 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 fiscal 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

Pursuant to the provisions of the Gaming Act, an investment fund has been set up for the purpose of raising capital for infrastructure and other future large projects and/or investments.

	NOK	2005	2004	2003
Investment fund's balance as of 1 January	NOK	1 055 771	897 342	680 883
Effect of implementation of NRS 6	NOK	0	5 968	-4 247
Employed	NOK	0	0	58 920
Allocated	NOK	25 927	15 333	113 707
Allocated from the year's profit	NOK	125 146	137 128	165 919
<b>Total as of 31 December</b>	NOK	<b>1 206 845</b>	<b>1 055 771</b>	<b>897 342</b>

#### [ 18 ] FUNDS – GAMES

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

Games	NOK	2005	2004	2003
Lotto	NOK	30 574	27 196	29 072
Viking Lotto	NOK	94 113	70 193	44 801
Joker	NOK	21 393	17 913	9 471
Tipping	NOK	9 068	8 897	5 414
Oddsden	NOK	11 497	9 834	8 770
Flax	NOK	68 995	46 315	19 800
<b>Total Norsk Tipping games</b>	NOK	<b>235 640</b>	<b>180 348</b>	<b>117 328</b>
Extra	NOK	29 067	33 472	34 068
Gaming machines division (Interactive)	NOK	45	24	
<b>Total</b>	NOK	<b>264 752</b>	<b>213 844</b>	<b>151 396</b>

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

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 vacation pay due, bonus pot Tipping, Lucky number pot Viking Lotto, deposits from retailers, and end-of-year accruals and provisions.

#### [ 20 ] EQUALIZATION FUND TO THE MINISTRY OF CULTURE AND CHURCH AFFAIRS

In accordance with "Proposition to the Odelsting no. 52 (1991–92) relating to money games, etc", an equalization 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.

No provisions were made from the profit in 2005 for this purpose. The fund is managed by the Ministry of Culture and Church Affairs, and the allocated funds will be transferred to a separate account in The Bank of Norway after the Annual General Meeting has approved the accounts

#### [ 21 ] REMAINING PROFIT FOR DISTRIBUTION

The profit for the year 2005 was NOK 2 731 831 811. The profit from the TV game Extra goes to the Norwegian Foundation for Health and Rehabilitation. The profit from Norsk Tipping is distributed between the sports and culture sectors and measures to counter problem gaming, after any allocations to the equalization fund and/or investment fund.

The result for 2005 has been allocated as follows:

Profit for the Norwegian Foundation for Health and Rehabilitation	NOK	194 686
Paid on account in 2005	NOK	183 000
<b>Remaining profit to the Norwegian Foundation for Health and Rehabilitation</b>	NOK	<b>11 686</b>
Profit Norsk Tipping	NOK	2 537 146
Allocated to equalization fund	NOK	0
Allocated to investment fund	NOK	125 146
<b>Measures related to problem gaming</b>	NOK	<b>12 000</b>
<b>Remaining profit to Norsk Tipping</b>	NOK	<b>2 400 000</b>
<b>Total remaining distributable profit</b>	NOK	<b>2 423 686</b>

## [ 22 ] PENSION COMMITMENTS

### Norwegian Public Service Pension Fund

#### 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 pursuant to the act relating to the Public Service Pension Fund (the Pensions Act). The benefits covered are retirement, disability, spouse and children pensions. In addition to this, the calculation of benefits from age 62 pursuant to the early retirement scheme (AFP scheme) for the public sector applies. The pension benefits are coordinated with national insurance benefits. The company's part of the premium is entered into the accounts under the item salary and personnel costs.

The premiums and the value of the pension commitments 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 (pursuant to Section 1 of the Pensions Act). The management of the pension funds ("fictitious fund") simulates the management of funds that are placed in long-term government bonds.

The pension fund cannot be transferred in the same way as a private pension scheme and this calculation assumes that the scheme will continue on the Norwegian Public Service Pension Fund. The management simulation assumes that the bonds will be held until their expiry date. The value of the pension fund is therefore calculated at the book value.

#### Result:

#### Pension costs

		2005	2004	2003
Current value of year's pension earnings	NOK	20 046	11 001	8 061
Interest costs of pension liabilities	NOK	10 447	8 585	7 849
Return on pension funds	NOK	-7 532	-8 161	-7 701
Employees' own contributions to pension scheme	NOK	-2 924	-2 654	2 075
Administration costs	NOK	384	188	179
Net pension costs before amortization	NOK	20 421	8 959	10 463
Book effect of estimate deviations	NOK	3 401	799	0
Accrued employer's social security contributions	NOK	3 771	1 750	2 325
<b>Net pension costs</b>	<b>NOK</b>	<b>27 594</b>	<b>11 508</b>	<b>12 788</b>

#### Reconciliation of the pension schemes funded status against amounts in the balance sheet:

		31 Dec 2005	31 Dec 2004	31 Dec 2003
Calculated pension commitments	NOK	247 970	160 716	137 114
Pension funds (at market value)	NOK	-173 770	-150 923	-132 867
Net accrued pension commitments	NOK	74 199	9 793	4 247
Effect of estimate deviations not booked	NOK	-69 857	-11 515	0
Employer's social security contributions	NOK	612	0	0
<b>Net pension commitments</b>	<b>NOK</b>	<b>4 955</b>	<b>-1 721</b>	<b>4 247</b>

#### Financial assumptions:

		2005	2004	2003
Discount rate		4.75 %	6.0 %	6.0 %
Expected salary adjustments		3.5 %	3.0 %	3.3 %
Expected change in national insurance basic amount		3.0 %	2.9 %	2.9 %
Expected return on funds		4.75 %	6.0 %	6.5 %

The assumptions normally utilized within insurance are used as the actuarial assumptions concerning demographic factors and retirement.

# Auditing of the accounts for 2005 for Norsk Tipping AS

Pursuant to the Act of 7 May 2004, relating to the office of the Auditor General, the office of the Auditor General is the auditor for Norsk Tipping.

Upon conclusion of the annual audit, the office of the Auditor General issues a final auditor's report that summarizes the conclusions from the auditing work. The auditor's report is published after the office of the Auditor General has reported its conclusions to the Storting (Parliament) in October/November, cf. the Act related to the office of the Auditor General, Section 18.

The Board of Directors and the Annual General Meeting have been informed of the annual audit's conclusions.

# Games revenue Norsk Tipping [2005]

Nominal amounts in NOK

County	Lotto	Viking Lotto	Joker	Tipping	Oddsden	Flax	Extra	Total
Østfold	207 174 318	87 251 492	42 630 880	49 290 737	87 842 730	55 341 800	44 077 000	573 608 957
Akershus	315 504 759	139 712 880	69 675 320	63 263 420	99 334 164	69 401 600	58 229 900	815 122 043
Oslo	297 165 519	160 319 452	62 059 620	83 384 584	211 831 511	78 927 000	47 520 460	941 208 146
Hedmark	180 210 852	71 591 184	36 435 680	30 464 689	39 908 604	45 256 600	44 122 920	447 990 529
Oppland	162 744 081	62 293 460	36 285 080	30 300 764	45 456 476	39 699 100	40 530 120	417 309 081
Buskerud	188 798 169	79 749 972	41 590 240	34 801 196	57 354 243	43 586 200	40 295 140	486 175 160
Vestfold	149 249 910	60 995 640	32 080 500	31 774 549	58 592 218	45 596 800	33 800 020	412 089 637
Telemark	120 745 521	45 166 576	26 172 120	26 401 440	42 792 779	30 689 500	31 781 700	323 749 636
Aust-Agder	68 037 813	25 749 616	14 192 040	11 637 582	12 949 677	18 425 000	15 443 620	166 435 348
Vest-Agder	92 717 745	36 680 900	20 130 360	20 152 727	40 418 587	25 250 800	19 009 300	254 360 419
Rogaland	218 584 698	90 168 996	48 254 100	52 546 818	105 997 970	74 358 200	45 776 400	635 687 182
Hordaland	314 119 308	135 421 288	73 589 000	77 171 136	152 437 349	81 248 800	73 871 200	907 858 081
Sogn og Fjordane	79 615 437	37 091 284	20 081 280	15 675 314	26 664 088	23 055 500	21 657 120	223 840 023
Møre og Romsdal	171 010 092	74 776 136	40 840 380	28 840 434	61 445 897	46 893 100	45 069 260	468 875 299
Sør-Trøndelag	191 375 649	79 107 112	42 121 720	32 235 660	61 755 187	51 789 100	49 455 100	507 839 528
Nord-Trøndelag	106 700 262	43 918 808	22 338 500	14 889 590	20 358 216	27 948 300	29 144 300	265 297 976
Nordland	179 363 832	79 282 672	49 668 460	30 888 488	47 637 101	62 419 400	56 117 780	505 377 733
Troms	117 835 698	58 032 908	34 282 940	22 675 543	29 399 070	37 685 000	36 289 980	336 201 139
Finnmark	72 222 759	38 313 340	21 891 040	16 179 050	17 411 284	24 222 300	21 257 720	211 497 493
Svalbard	1 656 621	962 808	579 900	436 928	396 725	882 700	344 480	5 260 162
Electronic games (Internet, etc)	75 809 853	40 360 896	22 586 920	53 960 960	87 951 610		16 774 380	297 444 619
<b>Total</b>	<b>3 310 642 896</b>	<b>1 446 947 420</b>	<b>757 486 080</b>	<b>726 971 609</b>	<b>1 307 935 486</b>	<b>882 676 800</b>	<b>770 567 900</b>	<b>9 203 228 191</b>
% of total per game	36.0 %	15.7 %	8.2 %	7.9 %	14.2 %	9.6 %	8.4 %	100.0 %
Per capita NOK 1)	716.39	313.11	163.91	157.31	283.02	191.00	166.74	1 991.48
Per capita EURO 2)	89.47	39.10	20.47	19.65	35.35	23.85	20.82	248.71
Per capita USD 2)	111.16	48.58	25.43	24.41	43.91	29.64	25.87	309.00

1) Statistics Norway as of 1 July 2005 = 4 621 299 (approx. year's average)

2) Conversion rates = Bank of Norway's yearly average for 2005: EURO 1.00 = NOK 8.0073. USD 1.00 = NOK 6.4450

# Games revenue Norsk Tipping [1948 - 2005]

Nominal amounts in NOK mill.

Year	Total games revenue	Lotto	Viking Lotto	Joker	Tipping	Oddsden	Flax	Extra	Other games
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	
2004	9 617.0	3 464.7	1 475.7	739.4	800.7	1 295.9	1 023.3	812.3	5.0
2005	9 203.2	3 310.6	1 446.9	757.5	727.0	1 307.9	882.7	770.6	
<b>Total</b>	<b>140 617.1</b>	<b>54 702.7</b>	<b>14 003.2</b>	<b>3 051.2</b>	<b>40 008.5</b>	<b>12 001.0</b>	<b>8 332.5</b>	<b>6 917.4</b>	<b>1 600.6</b>

OTHER GAMES: Måltips 1989 - 1994, Pengelotteriet 1997 and 1998, gaming machines (pilot project) weeks 35 - 49 in 2004

Price adjusted to 2005 value in NOK billion	196.25	64.76	15.40	3.13	81.35	12.96	9.08	7.44	2.13
Price adjusted to 2005 value in EURO billion	24.51	8.09	1.92	0.39	10.16	1.62	1.13	0.93	0.27
Price adjusted to 2005 value in USD billion	30.45	10.05	2.39	0.49	12.62	2.01	1.41	1.15	0.33

# Distribution of profits Norsk Tipping [1948 - 2005]

Nominal amounts in NOK mill.

Year	Total profit	Sports	Research	Culture	Health and Rehabilitation	Treasury
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	7 886.8	3 431.5	2 629.2	1 223.4		602.6
1990	1 409.9	475.9	229.1	472.3		232.6
1991	1 590.8	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	
2004	2 611.1	1 200.0		1 200.0	199.1	12.0
2005	2 606.7	1 200.0		1 200.0	194.7	12.0
<b>Total</b>	<b>46 407.0</b>	<b>16 722.5</b>	<b>12 212.4</b>	<b>13 644.2</b>	<b>1 782.1</b>	<b>2 045.8</b>
Price adjusted to 2005 value in NOK billion	70.58	25.77	24.25	15.92	1.92	2.72
Price adjusted to 2005 value in EURO billion	8.82	3.22	3.03	1.99	0.24	0.34
Price adjusted to 2005 value in USD billion	10.95	4.00	3.76	2.47	0.30	0.42

## Value added statement [2005]

	NOK mill.	
Games revenue		9 203.2
- Prizes to players	4 828.7	
- Consumption of goods and services	613.1	
- Other costs	121.9	
- Development costs	41.0	
+ Other revenue	158.7	5 446.1
<b>Gross value added</b>		<b>3 757.1</b>
- Depreciations	159.1	
+ Net financial items	41.7	-117.4
<b>Net value added</b>		<b>3 639.7</b>

### THE VALUE ADDED IS DISTRIBUTED AS FOLLOWS:

	NOK mill.	Percentage
<b>National and local government:</b>		
Tax deductions (employees), employer's social security contributions and employer's pension contribution	107.5	2.9 %
<b>Employees:</b>		
Salaries (excl. tax deductions)	110.6	3.1 %
<b>Retailers:</b>		
Commissions from games, player cards and prize payments	689.8	19.0 %
<b>Retained by the company:</b>		
Investment fund	125.1	3.4 %
<b>Profit to:</b>		
The Norwegian Foundation for Health and Rehabilitation	194.7	
Sports	1 200.0	
Culture	1 200.0	
Measures to counter problem gaming	12.0	2 606.7
<b>Net value added</b>	<b>3 639.7</b>	<b>100.0 %</b>



# Corporate governance

## The object of the company

Restrictions against money games have been a principle of Norwegian legislation, and there is broad political agreement that money games should be actively regulated by the rule of law. The object of the company is defined by Norsk Tipping's articles of association: "The company shall, pursuant to the rules of the games stipulated by the Ministry, provide and organize satisfactory forms of money games under public control, with a view to prevent negative consequences of the money games, at the same time as the rational operation of the company shall facilitate as much of the profit from the games as possible being able to go to the purposes mentioned in Section 10 of the Gaming Act." In 2005, the articles of association were amended to define the object of the company more precisely, though this did not otherwise in reality entail any changes for the company. At the same time, a more precise formulation was incorporated to show that Norsk Tipping is also tasked with functioning as the state's instrument in money games policy: "The company's operations shall be associated with the provision of money games aimed at Norwegian citizens or people resident in Norway. Decisions concerning the commencement of other activities or the establishment of subsidiaries shall be made in the Annual General Meeting." Section 10 of the Gaming Act stipulates that the company's profits shall be distributed equally between the sporting and cultural purposes. The funds for sporting purposes are distributed by the Crown. Two thirds of the funds allocated to cultural purposes are distributed by the Storting (the Norwegian Parliament) and one third by the Crown. Profits from the game Extra, which is run on behalf of the Norwegian Foundation for Health and Rehabilitation, are transferred in their entirety to the principal, which is responsible for distributing the funds. Norsk Tipping's ambition is to get the public to choose from a responsible and attractive selection of games in a regulated Norwegian money games market.

## The owner's role

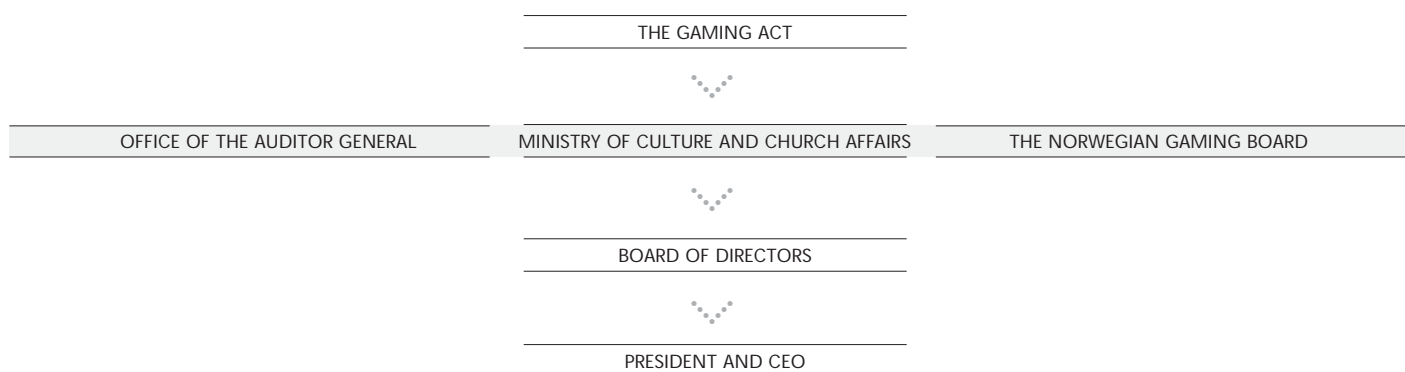
Norsk Tipping is a wholly state-owned corporation under the jurisdiction of the Ministry of Culture and Church Affairs. The enterprise is governed by the Gaming Act of 28 August 1992 (No. 103), and subsequent amendments. The Ministry of Culture and Church Affairs grants permission to introduce new games and decides on the rules of the games. The Ministry also determines the portion of the total amount wagered that is allocated to prizes. The Minister of Culture and Church Affairs constitutes the company's Annual General Meeting. The General Meeting is convened every year as part of

Norsk Tipping's Annual Meeting in April. In addition to this, regular meetings are held between the Ministry and the company in order to maintain an ongoing dialogue concerning the development and practice of the regulations pertaining to Norsk Tipping's operations.

Continuous monitoring and supervision are conducted through the Norwegian Gaming Board. The Gaming Act stipulates detailed regulations concerning the company's operations with regard to the Board's management functions, management of the company's assets, and allocation of the company's profits. These regulations are stated in more detail in the company's articles of association, in instructions to the company's Board of Directors, and in guidelines for allocations to reserves. In June 2005, the company became subject to the guidelines for marketing state-controlled money games. These guidelines were a result of the government's 'Action Plan to Prevent Problem Gambling' of 19 April 2005 and are aimed at ensuring that the marketing is both satisfactory and carried out in a socially defensible manner with respect to limiting problem gaming behavior.

## The Board's role

Norsk Tipping AS is managed by a Board consisting of five independent members appointed by the Ministry of Culture and Church Affairs and two representatives from Norsk Tipping, elected from among and by the employees. In this context, independence means that the members are independent of the beneficiaries. When the Board for 2005-2007 was appointed it was expanded by one member. 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. Norsk Tipping'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 shall make decisions on an independent basis and according to normal business principles. The Board's duties include ensuring that the company is operated in accordance with its objectives, articles of association, and guidelines. Furthermore, the Board is responsible for the satisfactory organization of the company, including overseeing its relationship with retailers. The Board also ensures that bookkeeping and asset management are subject to adequate controls and oversees the CEO's management of the company. The Board submits accounts and an annual report to the Ministry for approval. Furthermore, the Ministry of Culture and Church Affairs 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 strategic 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 office of the Auditor General and The Norwegian Gaming Board

The office of the Auditor General audits the company's accounts. The office of the Auditor General is the Storting's supervisory authority and holds 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 a directorate and supervisory body subordinate to the Ministry of Culture and Church Affairs and oversees and controls private lotteries and state-owned games in Norway.

In connection with the new guidelines for marketing state-controlled money games, the Norwegian Gaming Board has also been tasked with the ongoing assessment of marketing and reports on this to the Ministry of Culture and Church Affairs twice a year.

### Administration and internal control

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

The important balance between generating profits for the beneficiaries and simultaneously ensuring responsible gaming provision guides the processes, measures and systems that are established for the company's corporate governance and organization. In 2005, the focus has been on corporate governance with the clarification of business processes and identification of critical measurement parameters. There was also an even greater focus on efficient, reliable operations through the closer monitoring of operations in weekly management meetings. These deal with reported deviations from key performance indicators for business-critical processes. Norsk Tipping has its own security staff tasked with continuously improving the company's security, risk management and control routines and ensuring that these are implemented in the line organization and in major projects. Critical security incidents are reported directly to the CEO. The company does not have an internal audit function. In 2005, an external company was utilized to obtain an independent evaluation

of a few selected processes in the company. The results were presented to the Board. Equivalent independent evaluations conducted by external parties will be continued in 2006. Norsk Tipping is certified pursuant to the World Lottery Association Security Control Standards. These are international standards for the gaming industry, the objective of which is to ensure that certified companies have an effective security organization and structure within which the games can be run. Furthermore, the standards stipulate that systems must be in place for internal control that ensure good risk management. The certification body, Det Norske Veritas, performs annual audits according to these standards. Risk management is implemented in the company's routines for establishing strategies and goals, and a focus on risk management methods in important operational business processes will continue.

The main focus of the risk management methods is to identify critical areas for the company and ensure goal attainment in these, as well as ensure good quality and security in the operational work. Norsk Tipping has established routines for the monitoring and follow-up of gaming activity at retailers and among players. This is done to ensure both that gaming activity occurs within a responsible framework, and to protect against criminal activity such as embezzlement, financial fraud and money laundering. In order to ensure that the gaming activities take place within a responsible framework, we also ensure our retailers act properly pursuant to the commission contract and our instructions for selling our games.

### Relationship to other legislations

Norsk Tipping is a wholly state-owned corporation. The Gaming Act stipulates that the Companies Act does not apply to Norsk Tipping. However, it does not state meanwhile the extent to which Norsk Tipping is subject to the Accounting Act, but the company's Board of Directors has decided that the Accounting Act shall be complied with as long as this is practically possible. The company is subject to the Act relating to public procurement (Public Procurement Act). The Act relating to procedure in cases concerning the public administration (Public Administration Act), the Act relating to public access to documents in the public administration (Freedom of Information Act), and the Act relating to limited liability companies (Limited Liability Companies Act) do not apply to Norsk Tipping. The company's employees are not covered by the Act relating to public service disputes (Public Service Disputes Act) or the Act relating to civil servants, etc. (Civil Service Act).

**Management  
as of 31 December 2005**

President and CEO  
**Reidar Nordby Jr.**

Deputy CEO  
**Tollef Imsdalen**

Senior Vice President  
**Jon Olrud**

Senior Vice President Sales  
**Randi B. Sætershagen**  
Left 31 January 2006

Senior Vice President Interactive  
**Jan P. Strømliid**  
Took over as Senior Vice President  
Sales on 1 February 2006

Senior Vice President Information  
& External Relations  
**Peer Jacob Svenkerud**

Senior Vice President Finance/Accounting,  
Security & Legal  
**Marie Jore Ritterberg**

Senior Vice President ICT Operations & Staff  
**Mariann Hornnes**

Senior Vice President Lottery Division  
**Thorbjørn A. Unneberg**

**Board of Directors  
as of 31 December 2005**

Sigmund Thue, Chairman since 1997  
Anni Onsager, Vice Chairman since 1995  
Torgeir Mjør Grimsrud, Board member since 1993  
Berit Fosheim, Board member since 2001  
Knut Brofoss, Board member since 2005  
Kjersti Langseth, Board member since 2001  
Knut Johannessen, Board member since 2005

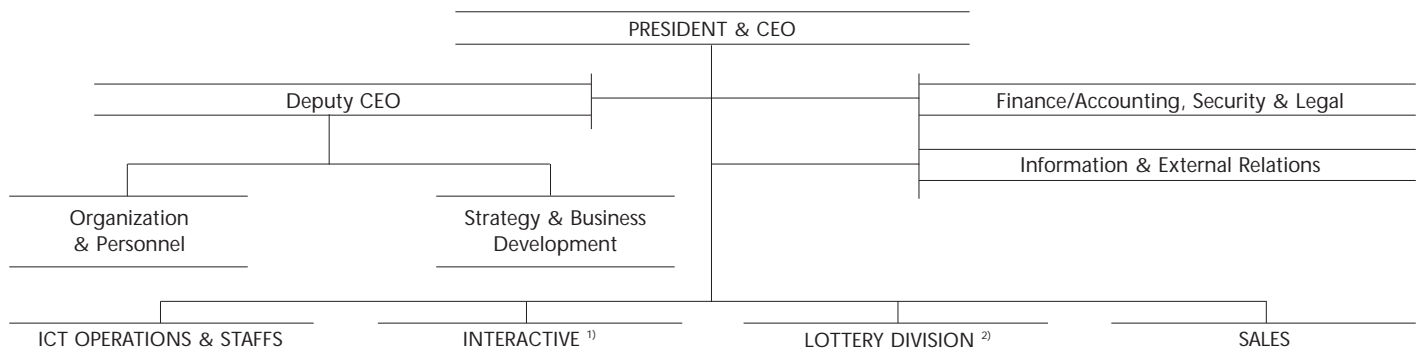
Egil Holen,  
Deputy board member since 1993  
Brit Skurdal Braastad,  
Deputy board member since 1997  
Tone Kornberg Andersen,  
Deputy board member since 2005  
Anne Morseth,  
Deputy board member since 2005

**The Norwegian Gaming Board**

Head Office **Førde**:  
Director General Atle Hamar  
Director Jan Støfring

Section **Hamar**:  
Manager Kaare Sveen

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



1) Gaming Machines Division: due to a postponement in the gaming machines exclusive right case, this division will be "dormant" in 2006.

2) Division Other Games.

# Product overview



Lotto is the numbers game with the big prizes, where everyone has the same chance of winning.  
Games revenue NOK 3 310 642 896  
Player base (number of players): 2 026 000  
Average stake: NOK 44  
Average age: 47  
Gender distribution: 49% men, 51% women



Viking Lotto is a pan-Nordic numbers game with big prizes, in which Norway accounts for approximately 50% of the turnover.  
Games revenue: NOK 1 446 947 420  
Player base (number of players): 917 000  
Average stake: NOK 53  
Average age: 49  
Gender distribution: 53% men, 47% women



Joker is an supplementary game drawn and broadcast during both the Lotto and Viking Lotto draws.  
Games revenue: NOK 757 486 080  
Player base (number of players): 1 002 000  
Average stake: NOK 25  
Average age: 48  
Gender distribution: 47% men, 53% women



Extra is operated by Norsk Tipping on behalf of the Norwegian Foundation for Health and Rehabilitation.  
Games revenue: NOK 770 567 900  
Player base (number of players): 854 000  
Average stake: NOK 29  
Average age: 48 years old  
Gender distribution: 44% men, 56% women



Flax is the largest scratch ticket game in Norway and is an instant game.  
Games revenue: NOK 882 676 800  
Player base (number of players): 1 057 000  
Average stake: NOK 73  
Average age: 42  
Gender distribution: 47% men, 53% women



Oddsén is an attractive alternative for those seeking a little dose of everyday excitement.  
Games revenue: NOK 1 307 935 486  
Player base (number of players): 322 000  
Average stake: NOK 171  
Average age: 36  
Gender distribution: 90% men, 10% women



The football pools are Norsk Tipping's most tradition-rich game.  
Games revenue: NOK 726 971 609  
Player base (number of players): 429 000  
Average stake: NOK 57  
Average age: 41  
Gender distribution: 79% men, 21% women

#### Source of figures:

Player base (number of players): the portion of the Norwegian public over 15 years old that has played one or more times in the last three months.  
The average stake is calculated on the basis of the average weekly turnover for the period divided by the number of players in an average week.



## NORSK TIPPING

Norsk Tipping AS  
NO – 2325 Hamar, Norway  
Tel: (+ 47) 62 51 40 00  
Fax: (+ 47) 62 52 71 52  
Organization no.: NO 925 836 613 MVA  
[norsk-tipping.no](http://norsk-tipping.no)