

Annual report 2006



NORSK TIPPING

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Two sides to our business:

We have a responsibility to society which is just as important as our commercial responsibility. But we will also manage our business in such a way that it generates a solid fund for socially beneficial purposes. This report deals with our financial results and the distribution of our funds.



We would urge you to read our social report for 2006 to learn more about our contribution to society and about the way we work on challenges which go beyond finance and distributing funds.

Key figures

NOK mill	2006 ¹	2005 ¹	2004 ¹	2003	2002
<i>Percentages are relative to games revenue</i>					
Games revenue	9 619	9 203	9 617	9 743	9 734
Prizes	5 101	4 829	5 010	5 193	5 281
Prize ratio %	53.0%	52.5%	52.1%	53.3%	54.3%
Game commissions	675	660	699	715	724
Game commissions %	7.0%	7.2%	7.3%	7.3%	7.4%
Operating profit ²	2 742	2 682	2 707	2 885	2 913
Operating margin % ²	28.5%	29.1%	28.1%	29.6%	29.9%
Profit for the year	2 838	2 732	2 748	3 069	3 096
Profit margin %	29.5%	29.7%	28.6%	31.5%	31.8%
Employees at 31 Dec	324	367	373	312	299
Retailers at 31 Dec	3 975	3 954	3 847	3 840	3 849
Terminals at 31 Dec	4 501	4 470	4 364	4 379	4 386

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

² Excluding transfers from funds.

Games revenue 2006

EUR 1 195 mill / USD 1 499 mill

Profit 2006

EUR 353 mill / USD 442 mill



Distribution of funds

NOK 1 250 million
to sports

NOK 1 250 million
to culture

NOK 198 million
to the Norwegian Foundation for
Health and Rehabilitation

NOK 12 million
to measures to counter problem
gaming

NOK 2 710 million
IN TOTAL for socially beneficial
purposes



Good odds?

As this interview goes to press, one of the most important decisions concerning Norsk Tipping's future operations has been taken. The Efta Court has found in the Norwegian government's favour on the power to establish an exclusive right to operate gaming machines. This means that Norsk Tipping will once again be dusting off earlier plans, revising them and integrating them in its operational planning for the years to come.

But what concerns president and chief executive officer Reidar Nordby Jr most are nevertheless the new opportunities in the overall gaming market, which is increasingly dominated by digital developments.

Q: Norsk Tipping's turnover increased to an impressive NOK 9.6 billion in 2006. But it looks as if the company's shares would still have been given a "hold" rating by analysts had they been listed on the Oslo Stock Exchange. Do you agree with that analysis?

A: The point is precisely, of course, that we aren't a commercial company and definitely not listed. Metaphorically speaking, however, the answer is yes. We must be judged on our prospects and, although the Efta judgement on gaming machines went the government's way, many unresolved legal processes are going on in both Norway and Europe. The Efta decision definitely strengthens faith in the future, but we undoubtedly depend on support and encouragement from all positive forces both in 2007 and in the years to come if the ideals associated with our company are to continue finding successful expression.

Q: What do you personally think of the outlook?

A: I'm optimistic by nature, and actually believe that our

good reputation as an instrument of social policy in the gaming market will continue to pay off in the time to come. Developing this market as acceptably and moderately as possible is now high on the agenda among politicians throughout Europe.

Q: But doesn't it run a bit against the mood of the times to be so committed to control and responsibility?

A: Quite the contrary. Even those who have traditionally been our sharpest critics gave us signals in 2006 which indicated that we have broad support for our work on controlling what people spend on gaming. Nor are we any kind of "party killer" – in fact, we're absolutely the best at games which people enjoy. We're still the one who gives the dream a chance.

Q: And Norsk Tipping, sports and society in general presumably need clear signals and decisions right now which can prevent a victory for uncontrolled gaming?



A: Absolutely correct. This really is a fateful time for the policy of controlled gaming. A big and important battle has been won, but a lot of money is at stake and powerful forces are literally at work.

Q: You lost 51 000 players last year. Isn't that actually a step in the right direction, particularly given that you nevertheless succeeded in increasing revenue?

A: If the issue really were that straightforward, the answer would be yes. Given our purpose and role, on the other hand, it would have been far better if we retained all our players – and even attracted more. That's because the figures show a sharp expansion in the unregulated sector of the gaming market. I don't like the idea of 51 000 Norwegians chancing large sums on the internet instead. Our revenue grew in part because of the higher price per row in Lotto and partly because of a programme to improve Oddsen. But we should go further and also win back our players. We currently have about 22 per cent of the market, and that should be increased if we are going to perform our social task well. You can't regulate the market with moderate games through a market share of this kind. The goal is a tripling if we include our new gaming machine concept. The market has never seen more generous and entertaining machines.

Q: Easier said than done, perhaps? Youngsters are surely unlikely to play Lotto the way mature adults do in the sticks?

A: With backing from the Efta judgement and with a renewed mandate from the Ministry, we're ready to enter the market with entertaining and responsible machines as well as advanced solutions for player cards, mobiles, PCs and so forth. Together with 4 000 retailers, we occupy an incredibly strong position for customer service and distribution. When today's youngsters grow up, they'll be able to play completely new games as well as classics like the football pools and Lotto. That's what makes me optimistic. In reality, we're a classic Volvo with a Porsche engine under the bonnet. We may look a bit safe and dull, but we are the ones who know how to run advanced modern games and to cultivate the dream and the pleasure of gaming in an extremely well-regulated fashion. We reach out to players through both new and existing channels.

Q: Are we talking about completely new games, or are they the good old ones in a new guise?

A: The answer is a bit of both, but it's naturally particularly exciting to see whether we can score future hits with completely new popular favourites. The Keno number game is ready, along with an exciting new variant of Oddsen. We're also considering a new variant of Lotto. What all these have in common is that they're conducted

in a secure social framework. We'll continue to deliver good gaming entertainment, rather than gambling and chance. If we get the opportunity, we'll be innovative in competition with the international actors. Today's young people have been raised in a digital world, whilst the rest of us are "digital immigrants". In our plans for the future, we've also got to relate to the digital lifestyle and to the priorities set by the new consumers in an entertaining but still responsible way.

Q: How important is technology in the innovation process?

A: It's fundamental. The new player card with a smart chip to provide secure electronic identification will increase our ability to make games simpler and more secure both for players and for us. Very few outsiders believed we would succeed when the first player card was introduced in 1992. It took off like a rocket! I think we'll see the same development for the new version.

Q: How interested are politicians in gaming?

A: I'm very satisfied with the interest being shown by both Norwegian and foreign politicians. The responsibility is ours if we're not perceived as sufficiently dynamic. At times, the problem could undoubtedly have been that we're even more cautious than the authorities want us to be – so that our ambitions get a little overshadowed. That's something we must try to avoid. As I say, the board, my colleagues and I are all optimists. What's fundamentally important for this optimism is that we have broad political support for our commercial and social goals.

Q: So what's your biggest dream for Norsk Tipping in the years to come?

A: I naturally don't have just one. I want to see a further strengthening of the concept which underlies the value chain we represent. Maintaining control over money games in society to the benefit of most people is the most important consideration.

Q: And what about sports?

A: You've certainly got plenty of dreams to choose from there. Sport holds up a mirror to the whole nation's state of health. Norway qualifying for the European Cup in football isn't entirely unimportant. The excitement and enthusiasm which sports represent are important for a great many Norwegians. The whole sports movement, Norway's cultural sphere and the rest of the country's voluntary sector should have a predictable financial base. This is the best way we can help to ensure that dreams large and small are fulfilled. We'll do our part of that job.

Norsk Tipping president and chief executive officer Reidar Nordby Jr interviewed by Nils Petter Nordskar.



Report of the board of directors 2006

Increased turnover despite stronger competition and a contraction in the player base

Norsk Tipping's object and role

In Report no 13 (2006-2007) to the Storting (parliament) – known as the ownership White Paper – the Norwegian government reaffirmed Norsk Tipping's role as an instrument of official policy in the gaming market:

“The object of the government's ownership of Norsk Tipping AS is to channel the desire of Norwegians to play towards a moderate and responsible provision which does not create social problems. Within the limits established by the authorities, the company will offer responsible gaming pleasure with the aim of preventing the negative consequences of money games and of generating funds for socially beneficial purposes. However, commercial profitability will never be the government's most important goal. The government wants Norsk Tipping to be an actor which helps to develop the gaming market in an acceptable social policy direction.”

This object forms the basis for Norsk Tipping's business – to provide and organise money games in satisfactory forms under public control. The company holds the exclusive rights to offer sports games and certain number games in Norway.

Financial matters

The board is satisfied that the decline in turnover during 2005 was reversed in 2006. Games revenue amounted in 2006 to NOK 9 619 million compared with NOK 9 203 million the year before. This represents an increase of NOK 416 million or 4.5 per cent.

As a result of the increase in turnover and continued improvements in operational efficiency, the company also delivered a solid profit of NOK 2 838 million compared with NOK 2 732 million in 2005. This represents an increase of NOK 106 million, or 3.9 per cent.

After allocations to the investment fund and measures to counter problem gaming, the beneficiaries – sports and culture – will each receive NOK 1 250 million. This represents an increase of NOK 50 million from the year before. The Norwegian Foundation for Health and Rehabilitation (SHR) will receive NOK 198 million, up by NOK 3 million or 1.5 per cent from 2005.

Market trends

After many years of strong growth, the overall market for money games in Norway declined in 2006. This reflected a drop in gaming machine turnover as a result of the government's ban on using notes from the second half of 2006. It remains unclear how substantial the downturn in gaming machine turnover will be, but the largest operators saw revenue fall by more than 40 per cent in the autumn of 2006. Norsk Rikstoto (horse betting) made stable progress, whilst bingo experienced a small increase owing to an expansion in the number of bingo machines.

International games experienced strong growth in 2006, primarily because of an expansion in the player base and active product development. The Norwegian Gaming Board estimates the total size of the international gaming market to be at least NOK 5.3 billion. Much of the growth in international gaming is attributable to poker, which has seen a substantial increase in its player base. The money circulating in poker and other games provided through “betting exchanges” cannot be directly compared with turnover in traditional games. It nevertheless provides an indication of the popularity of these games and of the amount of time and attention devoted to them.

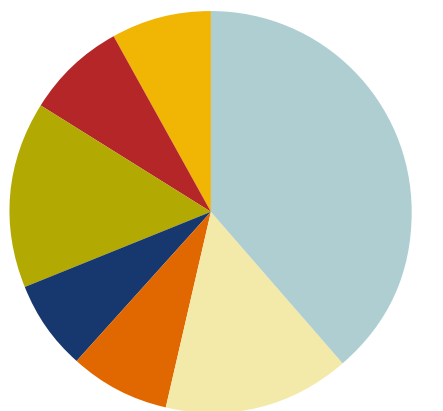
The regulated Norwegian market for money games is estimated to have totalled about NOK 38 billion in 2006. This represents a decline of roughly 10 per cent from the year before, reflecting the drop in turnover for the gaming machine sector. Norsk Tipping increased its share of the total market, including international games, from 20 per cent in 2005 to 22 per cent.

While Norsk Tipping is experiencing a decline in the player base, as will be noted in the comments on the individual games, it sees that technology is changing the market and that this primarily affects younger players. Today's young people have grown up in a digital world, with the internet and mobile phone technology as a natural part of their daily lives, and this influences their expectations of what games should be.

To respond to these market changes, the company must align itself more strongly towards digital channels – but in a manner which does not create undesirable problems with player behaviour. This is fully possible, and will form part of the company's market strategy in coming years.

Game revenues by game: NOK 9 619 mill

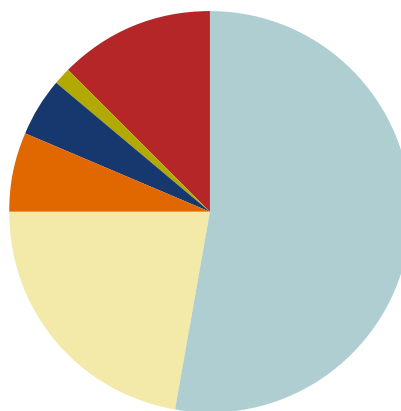
EUR 1 195 mill USD 1 499 mill



- Lotto: 38.8% NOK 3 728 mill
- Viking Lotto: 15.0% NOK 1 441 mill
- Joker: 8.0% NOK 769 mill
- Tipping: 7.3% NOK 703 mill
- Oddsden: 15.0% NOK 1 444 mill
- Flax: 7.9% NOK 761 mill
- Extra: 8.0% NOK 773 mill

Gaming market in Norway: NOK 43 298 mill

EUR 5 378 mill USD 6 746 mill



- Gaming machines¹: 52.9% NOK 22 900 mill
- Norsk Tipping: 22.2% NOK 9 619 mill
- Horse betting: 6.4% NOK 2 779 mill
- Bingo¹: 4.9% NOK 2 100 mill
- Lotteries/other games¹: 1.4% NOK 600 mill
- Foreign gaming websites¹: 12.2% NOK 5 300 mill

¹ Estimated by the Norwegian Gaming Board.

Norsk Tipping's games

The increase in turnover during 2006 can be mainly attributed to growth for Lotto and Oddsden. In the case of Lotto, this primarily reflects an increase in the price per row. Oddsden's increase can be attributed more to the introduction of new game variants and additional play options in Langoddsen.

Lotto is Norsk Tipping's largest game by far, with a turnover of NOK 3 728 million in 2006 compared with NOK 3 311 million the year before. This is the best performance in the game's 20-year old history. The increase of NOK 417 million or 12.6 per cent from 2005 reflects the introduction of a higher row price in the 14th round of play. Prizes were also adjusted, with the first prize doubling on average, and an extra prize – the Million Chance – was introduced. The results of these changes have been in line with expectations.

Viking Lotto showed a slight decline for the second year in a row, with a turnover of NOK 1 441 million against NOK 1 447 million in 2005. This represents a decline of NOK 6 million.

Joker continued its progress from 2005 and yielded a turnover of NOK 769 million – up by NOK 12 million or 1.6 per cent. The game is a supplement to Lotto and Viking Lotto, and showed a positive trend despite the contracting player base of the two main games. This confirms that Joker is a popular supplement among players.

Tipping (the football pools), the company's oldest game, achieved a turnover of NOK 703 million. A decline of NOK 24 million or 3.3 per cent from 2005, this accords with the trend in recent years and was as expected. The game has experienced little renewal over the past few years and is now also meeting competition from foreign gaming companies as well as Norsk Tipping's own Oddsden games.

For its part, Oddsden made progress without showing evidence of any increase in the number of problem players. Turnover rose by NOK 136 million or no less than 10.4 per cent to NOK 1 444 million. This primarily reflects a range of minor product changes for Langoddsen during the year. Opportunities to play on individual events were introduced in connection with the Turin Olympics, and the number of playing options has been increased.

Turnover for Flax declined by NOK 122 million or 13.8 per cent to reach NOK 761 million, compared with NOK 883 million in 2005. This reflects an increasingly difficult competitive position, with competing scratch cards and a tougher fight over shelf space and exposure in shops.

Extra – operated by Norsk Tipping on behalf of the Norwegian Foundation for Health and Rehabilitation (SHR) – saw turnover rise by NOK 3 million, from NOK 770 million to NOK 773 million.

Although Oddsden and Lotto yielded an overall rise in turnover for Norsk Tipping, the company can see signs that a number of its games are becoming outdated. A reduction in the player base for all its games is particularly worrying. Over a three-year period, Norsk Tipping has lost more than 174 000 players. This clearly highlights the need for renewal.

A contraction in the player base is moreover affecting most established games, such as Norsk Rikstoto, gaming machines and lotteries.

At the same time, the public knows less about Norsk Tipping's games – with the exception of Flax – than it did a year ago. This probably reflects a relatively lower profile as a result of reduced spending on marketing in an expanding advertising sector.



New player card

Norsk Tipping introduced a new player card on 24 October 2006 to be used at the retailer sites. Based on smart card technology, this card provides secure identification of the player (electronic ID), more effective payment of prizes, greater security and freedom from fees in all transactions. The player card is used to submit registered games through all the company's sales channels, including the internet and mobile phones.

The new card was phased in during 2006. All the former cards are now out of the market and replaced by the new version. A total of 1.7 million of these had been issued by 31 December.

Following the introduction of the new player card, the proportion of unregistered games has declined slightly. This means that customers are experiencing the card positively, with many benefits. The proportion of unregistered turnover for all Norsk Tipping's games at 31 December stood at just over 10 per cent and declining in line with the number of sold player cards. This accordingly represents a positive trend.

The new player card opens additional opportunities for preventing problem gaming and for developing new customer services. These are solutions and services which Norsk Tipping will offer in the time to come now that all player cards are of the new version.

Norsk Tipping's customer register does not require a licence under Norway's Data Protection Act. However, the company is required to report to the Norwegian Data Inspectorate on its customer register and the types of information it collects and uses.

Regulatory regime

A big question mark continues to hang over the future regulatory regime for Norsk Tipping. In line with the strong expansion in internet gaming, a growing number of actors see their interests served by challenging today's regulations both with the Norwegian authorities and in the European Union/European Economic Area.

The Efta Surveillance Authority (ESA) took Norway to the Efta Court on 16 March 2006, claiming that the Storting's decision to give Norsk Tipping the exclusive right to operate gaming machines conflicted with sections 31 and 36 of the EEA agreement.

Following the ESA's charge, the Norwegian government submitted on 18 May a comprehensive response covering 225 pages. The ESA delivered a written counter-response on 31 July, while Norway produced its reply to this on 13 September. That completed the written submissions.

The Efta Court held a hearing on 8 November and delivered its judgement on 14 March 2007, which found for the Norwegian government. This means that the Storting decision can now be implemented, even though the appeal must also be formally approved by the Norwegian Supreme Court. Norsk Tipping will await further clarification from the Ministry on the introduction of an exclusive right model with the company as operator, but expects to be operational with its gaming machine solution within a year.

In addition to the gaming machine issue, Ladbrokes plc has also taken the rejection of its application to operate and provide money games and lotteries to the Oslo Court of Appeals.

This case was received by the court in December 2004, and it decided on 30 January 2006 to submit the issue to the Efta Court

by requesting an advisory ruling on five questions. This request was submitted to the court on 18 August 2006.

The Efta Court took its normal approach to the case and a verbal hearing was held on 31 January 2007. As matters currently stand, this case looks likely to spend several years in the Norwegian courts.

International issues are also significant for Norsk Tipping. The European Parliament has resolved that money games will be exempted from the EU's services directive. The consequence of this decision is that such games are not defined as an ordinary service which can be provided across national frontiers. International gaming companies will therefore be unable to establish a presence in Norway and offer their services freely on the basis of the directive.

All the signs are also that money games will be exempted from the EU's TV directive, which will similarly prevent gaming companies from offering money games in connection, for instance, with the broadcast of sporting events on TV.

Possible changes in the regulatory regime could obviously be significant for Norsk Tipping's position in the Norwegian gaming market and for its opportunities to fulfil its social policy role. However, the clarification of the gaming machine issue strengthens the basis for regulating the Norwegian money game market and thereby Norsk Tipping's role as the government's instrument in this context.

Norsk Tipping is neither a party to the legal processes currently under way nor involved in the political discussion over gaming policy. The board would nevertheless stress the importance of securing control over the unfortunate aspects of today's gaming market, and regards a strong Norsk Tipping with a substantial market position as an important instrument for regulating this sector.

Communication and marketing

Norsk Tipping reduced its spending on marketing during 2005. This coincided with a substantial general expansion in the advertising market. The total market has grown by 52.4 per cent over the past five years, while Norsk Tipping's spending rose by 4.4 per cent over the same period. Although the company developed roughly in line with the rest of the market in 2006, primarily as a result of an increased communication requirement in connection with the renewal of Oddsen and Lotto, this involved a substantial relative reduction in visibility in 2005 and 2006. The marketing cut-back was prompted by the strong growth in the gaming market, since the company did not want to contribute to heating it even further.

However, reduced visibility has helped to weaken Norsk Tipping's brands. This could in turn explain some of the decline in the player base for its games.

A number of Norsk Tipping's games are impulse buys, and the challenge of balancing the need for clear and effective market communication against a desire to limit problem gaming is becoming ever greater.

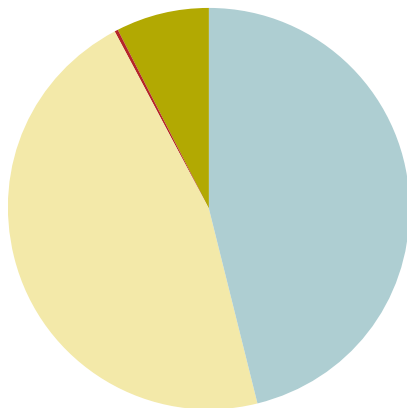
Advertising films from Norsk Tipping are among the most popular in Norway. An important reason for this is their informal style, use of humour and focus on an image-building message. Lotto films again won national and international prizes in 2006.

The Ministry of Culture and Church Affairs has drawn up guidelines for marketing state-owned games. Norsk Tipping



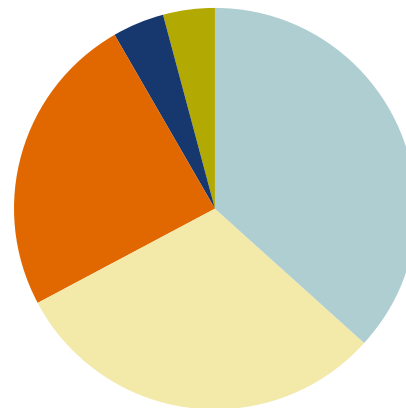
Profit distributed for socially beneficial purposes, 2006: NOK 2 710 mill

EUR 337 mill USD 422 mill



■ Sports: NOK 1 250 mill
 ■ Culture: NOK 1 250 mill
 ■ Countering problem gaming: NOK 12 mill
 ■ SHR: NOK 198 mill

Profits distributed for socially beneficial purposes in 1948–2006, in nominal kroner: NOK 49.1 bn



■ Sports: NOK 18.0 bn
 ■ Culture: NOK 14.9 bn
 ■ Research: NOK 12.2 bn
 ■ Treasury: NOK 2.0 bn
 ■ SHR: NOK 2.0 bn

applies established ethical guidelines when developing its advertising and other marketing measures in line with the Ministry's guidelines.

Social responsibility

Norsk Tipping has great ambitions and a wide-ranging strategy for developing its social responsibility. This represents a logical consequence of its role.

The starting point for this work is a desire to satisfy or exceed society's expectations of the company in ethical, commercial, legal, social and environmental terms.

Good processes are required to identify what these expectations are and how to satisfy them. The company's strategies and action plans in this area are accordingly based on an open and close dialogue with its many stakeholders. Expectations are clarified through meetings, personal dialogue and regular surveys. The issues identified in this way form an important foundation for the company's strategy and planning process and for its social reporting.

In keeping with Norsk Tipping's role, work on gaming responsibility and problem gaming behaviour is given high priority and conducted in accordance with specific action plans. This work permeates the organisation and concerns most of the company's stakeholders. Measures are pursued in relation to customers, retailers and the employees. To ensure specialist and independent contributions and advice in this work, the company maintains close and continuous contact with the most important expert groups – both national and international – in the field of gaming safety and problem gaming.

Norsk Tipping publishes an externally-verified social report which provides a broad and extensive account of work in this field. Operations in subsidiaries and associated companies
 Norsk Tipping has two wholly-owned subsidiaries.

Fabelaktiv AS produces the company's TV draws, and otherwise has a broad assignment-based range of television and film-related projects.

Norsk Tipping Nettnavn AS is responsible for establishing, registering and owning domain names on the internet and for using these in connection with gaming services for the parent company.

Spillverden AS was wound up in 2006, with its existing operations transferred to the parent company. As a result, Norsk Tipping now owns just over 45 per cent of the shares in Buypass AS, with ErgoGroup AS – a subsidiary of Norway Post – as the other principal owner. Buypass has developed a smart card which provides secure user identification and payment for 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 deliveries relating to Norsk Tipping's core business. These are regarded as important for the company's future success and leading position in the gaming market.

Organisation, personnel and the environment

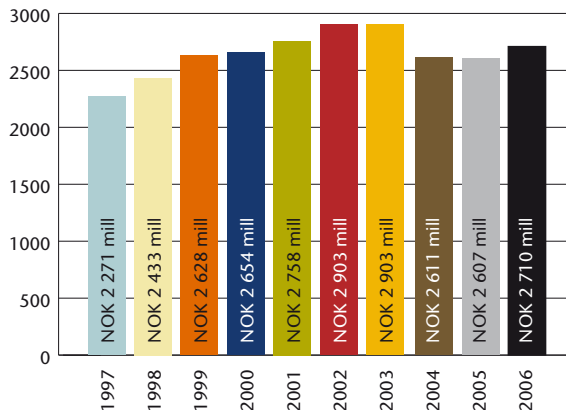
As a result of the decision by the Ministry of Culture and Church Affairs to postpone the introduction of the exclusive right model for the gaming machine market, Norsk Tipping was compelled for the first time in its history to make employees redundant. A total

Board of directors (from left):

Torgeir Mjør Grimsrud, Anni Onsager, Sigmund Thue, Knut Johannessen, Kjersti Langseth, Berit Fosheim and Knut Brofoss.



Distribution of profit over the past 10 years in nominal kroner: NOK 26.5 bn



of 22 people had to leave the company. For the same reason, a large number of employees were redeployed to new posts. This created many demanding challenges for the workforce and the company.

Although the downsizing was prompted by the winding up of the gaming machine division, the company opted in collaboration with the unions to base redundancies on the seniority principle. Most departments were accordingly affected. Because the bulk of the employees in Norsk Tipping's recently-established Fagernes branch had low seniority, it was shut down completely. However, four of the Fagernes staff were offered a job at Norsk Tipping's Hamar offices.

The downsizing was conducted in close consultation with the unions and with a high level of involvement by the chief executive and the company's top management team. All the employees made redundant have subsequently succeeded in finding other work.

As a result of the downsizing and other measures to improve efficiency, the Norsk Tipping workforce declined from 2005. The company had 367 employees at 1 January, of whom 322 were full-time and 45 part-time. At 31 December, the workforce had fallen to 324, including 287 full-time and 37 part-time. The average number of employees in 2006 was 345, a reduction of 25 from the year before. Work-years declined from 354 in 2005 to 335.

Because the government won its case, the company will again have to staff up the gaming machine division in order to be able to implement the Storting's decision on introducing an exclusive right with Norsk Tipping as operator.

The gender division in the company as of 31 December was 42 per cent women and 58 per cent men. These proportions were 22 and 78 per cent among senior and middle management. The board has three female directors and four male.

Norsk Tipping gives weight to having a diversified and dynamic working environment, and regards equality of opportunity as a natural part of a unified human resources policy. The company will accordingly continue its programme in this area, particularly with a view to increasing the proportion of women in management jobs.

The board takes the view that Norsk Tipping has a good working environment, characterised by respect, commitment and adaptability. In-house communication appears constructive and positive, while cooperation with the trade unions and their elected officials is very good. No serious accidents at work were reported in 2006. Sickness absence in 2006 was 4.57 per cent, compared with 4.59 per cent the year before. Short-term absence was 0.89 per cent, compared to 1.12 per cent in 2005.

The company conducts a survey every other year which yields an accounting for its intellectual capital. This identifies and qualifies its intangible assets.

The 2006 survey revealed a weakening in a number of important areas. One explanation could be the reduced room for manoeuvre experienced by many employees in recent years as a result of the lack of clarity over gaming machines. The problems identified by the survey will be addressed in the company's plans for employee and expertise development and more generally through its work on health, safety and the environment (HSE). A more extensive account of this activity can be found in the company's social report for 2006.

Norsk Tipping gives weight to HSE work and follows this up through a specific action plan. None of the company's operations cause emissions to the air or discharges to water, but Norsk Tipping nonetheless has a conscious attitude to the environmental impact represented by its operations through consumption of resources, transport and waste creation. All ventilation fans were replaced in 2006 and a new central control system was installed for technical functions. Both these measures have reduced energy consumption. Since 2005, all the company's coupons and programmes have been printed on certified environment-friendly paper carrying the Green Swan label.

Prospects

In the board's view, prospects for the company are good on the basis of a solid market position and front-end gaming expertise.

The decision in the gaming machine case lays the basis for

Senior management team (from left):

Marie Jore Ritterberg, Tollef Imsdalen, Jon Olrud, Jan P Strømslid, Peer Jacob Svenkerud, Reidar Nordby Jr, Trond Karlsen and Thorbjørn A Unneberg.

Norsk Tipping to confirm its role as the government's instrument in the gaming market.

Norsk Tipping has technology, expertise and plans which make it possible to strengthen its relative market position. Although a need to renew certain of the products has been noted, the company has shown during 2006 that it is possible to plan moderate growth through the renewal of existing products. Expansion over and above this will depend on securing the opportunity to introduce new gaming concepts.

Norsk Tipping is pursuing to an ambitious long-term strategy to make Norway a pioneer in the international gaming industry, particularly in areas relating to responsibility and innovation.

Going concern

The board believes that the annual accounts provide a true and fair picture of the company's assets and liabilities, its financial position and its results.

Pursuant to Section 3-3 of the Norwegian Accounting Act, the board confirms that the company's annual accounts for 2006 have been prepared on the basis of the going concern assumption.

After the end of the fiscal year, the Efta Court has found for the government in the gaming machine case. This confirms the board's view that the going concern assumption is realistic. The board is not otherwise aware of any circumstances since the end of the fiscal year which are significant 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 approved procedures, the Office of the Auditor General will not publish a final auditor's report until October/November 2007. An audit memorandum for fiscal 2006 can be found on page 29, after the notes to the accounts.

Allocation of profit

Total profit from gaming operations in Norsk Tipping AS for the 2006 fiscal year was **NOK 2 837 978 342**.

Total profit	NOK	2 837 978 342
Profit for Health and Rehabilitation	NOK	198 370 313
Profit for Norsk Tipping AS	NOK	2 639 608 029
Which the board proposes should be allocated as follows:		
Transfer to investment fund	NOK	127 608 029
Combating problem gaming	NOK	12 000 000
Funds to beneficiaries	NOK	2 500 000 000
Total allocated	NOK	2 639 608 029

The profits from Lotto, Viking Lotto, Joker, Tipping, Oddsen and Flax plus the operator's fee for Extra will be distributed as follows in 2007: NOK 1 250 million to sports, NOK 1 250 million to culture and NOK 12 million for measures on problem gaming.

THE BOARD OF DIRECTORS OF NORSK TIPPING AS
Hamar, 15 March 2007

Sigmund Thue

Sigmund Thue
Chair of the board

Kjersti Langseth
Kjersti Langseth

Anni Onsager
Anni Onsager

Torgeir Mjør Grimsrud
Torgeir Mjør Grimsrud

Berit Fosheim
Berit Fosheim

Knut Brofoss
Knut Brofoss

Knut Johannessen
Knut Johannessen

Reidar Nordby Jr.
Reidar Nordby Jr.
President and CEO



Profit and loss account

<i>Amounts in NOK mill</i>	<i>Note</i>	2006	2005	2004
Operating revenue				
Games revenue	1	9 618.9	9 203.2	9 617.0
Other operating revenue	2	179.3	158.7	145.6
Total operating revenue		9 798.2	9 361.9	9 762.6
Operating expenses				
Prizes		5 101.2	4 828.7	5 010.4
Game commissions		675.3	660.0	699.5
Payroll costs	3	210.7	221.6	190.3
Depreciation and write-downs	4	172.7	159.1	141.1
Other operating expenses	5	888.7	802.3	998.8
Total operating expenses		7 048.6	6 671.8	7 040.0
Operating profit		2 749.6	2 690.1	2 722.6
Gross financial income	6	128.8	70.2	55.2
Gross financial expenses	6	40.4	28.5	23.5
Net profit		2 838.0	2 731.8	2 754.2
Net profit is distributed as follows:				
Norsk Tipping AS		2 639.6	2 537.1	2 555.1
Health and Rehabilitation		198.4	194.7	199.1

The figures include revenue and expenses for the gaming machine division (Interactive).
See note 7 for a comparison of Norsk Tipping's operations excluding the gaming machine division.

Balance sheet

<i>Amounts in NOK mill</i>	<i>Note</i>	2006	2005	2004
ASSETS				
Fixed assets				
Tangible fixed assets				
Buildings/real property	8	61.0	65.3	68.1
Computer systems/terminals/other fixtures	8	353.4	434.8	429.0
Financial fixed assets				
Shares in subsidiaries and associated companies	9	23.2	4.4	4.4
Shares in other companies		0.2	0.2	0.2
Intercompany balances	10	30.4	87.5	21.7
Bonds and other receivables	11	15.8	18.2	17.5
Total fixed assets		484.0	610.3	540.9
Current assets				
Inventories				
Stock of goods for sale	12	3.2	3.2	1.9
Receivables				
Accounts receivable	13	0.3	2.5	3.4
Claims on retailers	14	33.1	165.3	130.3
Other receivables	15	37.3	62.7	106.8
Bank deposits, cash in hand, etc				
Cash in hand		3 966.0	3 413.6	3 399.3
Total current assets		4 039.9	3 647.4	3 641.7
TOTAL ASSETS		4 523.9	4 257.7	4 182.6



Balance sheet

Amounts in NOK mill	Note	2006	2005	2004
EQUITY AND LIABILITIES				
Equity				
Paid-in equity				
Nominal share capital	16	0.2	0.2	0.2
Investment fund	17	1 373.3	1 206.8	1 055.7
Total equity		1 373.5	1 207.0	1 055.9
Liabilities				
Provisions				
Pension commitments	21, 22	9.8	5.0	0.0
Total provisions		9.8	5.0	0.0
Other long-term liabilities				
Funds – games	18	266.5	264.8	213.8
Total long-term liabilities		266.5	264.8	213.8
Current liabilities				
Accounts payable		74.9	63.9	101.8
Prize liabilities		50.0	106.2	116.0
Prepaid wages		145.5	130.8	113.1
Unpaid government charges and special taxes		17.8	19.1	16.8
Other current liabilities	19	63.6	37.3	125.1
Remaining profit for payment	20	2 522.4	2 423.7	2 440.1
Total current liabilities		2 874.1	2 781.0	2 912.9
TOTAL EQUITY AND LIABILITIES		4 523.9	4 257.7	4 182.6

THE BOARD OF DIRECTORS OF NORSK TIPPING AS
Hamar, 15 March 2007

Sigmund Thue
Sigmund Thue
Chair of the board

Kjersti Langseth *Anni Ønsager* *Torgeir Mjør Grimsrud* *Berit Fosheim* *Knut Brofoss* *Knut Johannessen*
Kjersti Langseth Anni Ønsager Torgeir Mjør Grimsrud Berit Fosheim Knut Brofoss Knut Johannessen

Reidar Nordby Jr
Reidar Nordby Jr
President and CEO

Per Torgenhagen
Per Torgenhagen
Financial Manager

Cash flow statement

<i>Amounts in NOK mill</i>	2006	2005	2004
Cash flow from operating activities			
Net profit	2 838.0	2 731.8	2 754.2
Gain on sale of fixed assets	- 0.5	- 1.0	- 1.5
Depreciation of investments	172.8	159.1	98.1
Write-down of investments to fair value	0.0	0.0	43.0
Change in claims on retailers	132.2	- 35.0	- 110.5
Change in other current receivables, current assets and stock of goods for sale	27.7	43.6	- 86.7
Change in accounts payable	11.0	- 37.9	32.6
Change in pension commitments	4.8	5.0	0.0
Change in other long-term receivables	40.5	- 66.5	8.1
Net cash flow from operating activities	3 226.6	2 799.2	2 737.3
Cash flow from investing activities			
Receipts from sale of tangible fixed assets	11.0	1.5	2.4
Payments on purchase of tangible fixed assets	- 97.6	- 199.8	- 462.4
Net cash flow from investing activities	- 86.6	- 198.3	- 460.0
Cash flow from financing activities			
Net change in long-term liabilities	1.7	51.0	62.4
Net change in current liabilities	- 16.5	- 40.6	118.7
Net change in investment fund	166.5	151.1	152.4
Payments and allocations	- 2 739.3	- 2 748.2	- 3 019.1
Net cash flow from financing activities	- 2 587.6	- 2 586.6	- 2 685.8
Net change in cash holdings	552.4	14.3	- 408.5
Cash reserves at 1 Jan	3 413.6	3 399.3	3 807.8
Cash reserves at 31 Dec	3 966.0	3 413.6	3 399.3



Notes to the accounts*

All amounts in the tables are in NOK 1 000

* The accounts contain figures from the gaming machine division. See note 7 for a comparison of Norsk Tipping's operations excluding the gaming machine division.

ACCOUNTING PRINCIPLES

General

Norsk Tipping is subject to the Norwegian Gaming Act of 28 August 1992 (No 103).

The Act states that a company wholly-owned by the state will act as the gaming enterprise. The government determines the articles of association, appoints the board of directors, and issues instructions for the board. The board is charged with ensuring that the business is pursued in accordance with the company's object and guidelines. The board is responsible for ensuring the satisfactory organisation and management of the company and that such matters as registration and asset management are subject to adequate controls.

After allocations to reserves, Norsk Tipping's profits for 2006 will be distributed in 2007 between good causes in the fields of sports and culture, and as grants to measures aimed at countering problem gaming. Profits from Extra go to the Norwegian Foundation for Health and Rehabilitation (SHR).

The accounts are compiled in accordance with the Norwegian Accounting Act of 1998, with such modifications as follow from Norsk Tipping's particular status pursuant to the Gaming Act. The accounts are presented in accordance with Norwegian accounting standards and Norwegian generally accepted accounting principles. The subsidiaries prepare their accounts in accordance with the Accounting Act without modifications.

The subsidiaries are not consolidated in Norsk Tipping's accounts, since they are regarded as insignificant in this context.

The Companies Act

Pursuant to the Gaming Act, Norsk Tipping AS is not subject to the provisions of the Norwegian Companies Act.

Principles for accruals and valuations

In accordance with generally accepted accounting principles, the accounts have been prepared 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 2006 and thus do not correspond fully with the calendar year. 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. Commission is treated in the same way.

Dividends received from subsidiaries are recognised in the year in which the dividends are approved at the subsidiary's annual general meeting.

Classification of assets and liabilities

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

Tangible fixed assets

Fixed assets are recorded in the accounts at their purchase cost, with deductions for planned depreciations. Depreciations are charged on a straight-line basis over the expected useful life of the assets. Composite fixed assets are decomposed when the various components have different useful lives. Tangible fixed assets are tested to determine whether any fall in value has occurred. Should the book value of an asset be higher than its fair value, for reasons which are not expected to be temporary, the asset will be written down to its fair value. Costs related to normal maintenance and repairs are expensed on a continuous basis. The cost of major replacements and renewals which significantly extend the useful life of a tangible fixed asset is capitalised.

Receivables

Accounts receivable and other receivables are valued at face value after deducting provisions for expected bad debts. Realised losses are expensed on a continuous basis.

Stock of goods for sale

Stock is valued in the accounts at the lower of purchase cost and expected sales price. A deduction is made for obsolescence.

Foreign exchange

Assets, receivables and liabilities in foreign currencies have been valued on the basis of the Bank of Norway's reference rates at 31 December. Currency gains and losses are recorded 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 recorded in the annual accounts under payroll costs.

The company has pension schemes which entitle employees to defined future pension benefits, called defined benefit plans.

Pension commitments are calculated on a straight-line earning of pension benefits on the basis of assumptions concerning the number of years of pensionable service, the discount rate, future returns on pension assets, future salary adjustments, pensions and benefits from the National Insurance System and actuarial assumptions concerning mortality, voluntary retirement and so forth. Pension assets are valued at fair value. Net pension commitments comprise gross pension commitments less the fair value of pension assets. Net pension commitments in underfunded schemes are recorded in the balance sheet as long-term interest-free liabilities, while net pension assets in overfunded schemes are recorded as long-term interest-free receivables if it is likely that the overfunding can be utilised.

Changes to plans with retrospective effect which are conditional on future earnings are allocated on a straight-line basis over the period until the benefit has been fully earned. Changes in commitments and pension assets owing to changes in and variances from the technical

assumptions (estimate changes) are allocated over the estimated average remaining earnings period if the variances exceed 10 per cent of gross pension commitments/assets.

Net pension costs, which are gross pension costs less the estimated returns on pension assets and corrected for the allocated effect of changes in estimates and pension plans, are classified as an ordinary operating expense and presented as a payroll cost.

Agreements concluded on pensions funded from operations are expensed in their entirety under payroll costs in the year when the agreement is established.

Tax

Norsk Tipping AS is exempt from taxation.

VAT

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

NOTE 1 Games revenue

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

Games	2006	2005	2004
Lotto	3 727 748	3 310 643	3 464 703
Viking Lotto	1 441 282	1 446 947	1 475 644
Joker	769 178	757 486	739 448
Tipping	702 515	726 972	800 699
Oddsden	1 444 399	1 307 935	1 295 871
Flax	761 020	882 677	1 023 334
Norsk Tipping's games	8 846 142	8 432 660	8 799 699
Extra	772 731	770 568	812 281
Total	9 618 873	9 203 228	9 611 980
Gaming machines*	0	0	5 001
Total games revenue	9 618 873	9 203 228	9 616 981

* Pilot operation of gaming machines (Interactive) in weeks 35-49 of 2004.

Games revenue spanned 52 playing weeks in 2006.

NOK 13 million in total revenue from 1 and 2 January 2006 is included in the accounts for 2005, together with a total of NOK 9 million in corresponding costs (prizes and commissions).

NOK 22 million in total revenue from 1-3 January 2006 is included in the accounts for 2007, together with a total of NOK 16 million in corresponding costs (prizes and commissions).

NOTE 2 Other operating revenue

	2006	2005	2004
Operator's fee	75 244	73 840	77 829
Player card commissions	76 722	52 257	38 310
Transfers from game funds	8 000	8 000	10 000
Miscellaneous revenues	19 298	24 564	19 429
Total	179 264	158 661	145 568



NOTE 3 Payroll costs

	2006	2005	2004
Pay and fees	157 827	161 380	152 173
Payroll tax	24 861	26 987	23 955
Pension costs	24 443	29 732	11 079
Other social costs	3 576	3 505	3 045
Sum	210 707	221 604	190 252
Benefits in kind	7 816	7 597	7 393
Total	218 523	229 201	197 645

Remuneration of senior executives in 2006	CEO	Directors
Pay and fees	1 550	580

The board of directors determines the total annual remuneration and other conditions of employment for the chief executive, while the Ministry of Culture and Church Affairs determines the total remuneration of directors. As in earlier years, the chief executive receives a car allowance of NOK 60 000.

With the exception of the chief executive, who receives 70 per cent of his salary, employees with a salary of more than 12 times the National Insurance base amount (G) were covered until 2006 by a collective pension policy which secured them 66 per cent of their salary from the age of 67. This scheme will be replaced, since the collective pension policy formally expired in 2006.

The chair of the board receives a fee of NOK 125 000, each director receives NOK 70 000, the first alternate NOK 35 000 and other alternates NOK 3 000 per board meeting attended.

The company has no bonus schemes, either for the management or for other employees, nor are any of the employees of Norsk Tipping AS covered by agreements concerning severance pay or other extraordinary forms of remuneration. The average number of work-years in 2006 was 335.

The decline in payroll costs from 2005 to 2006 largely reflects the downsizing related to the gaming machine issue.

No auditing fees or other forms of remuneration were paid to the auditor (the Auditor General).

NOTE 4 Depreciation and write-downs

These are broken down as follows:	2006	2005	2004
Vehicles	4 071	4 573	3 977
Computer systems/terminals/other fixtures	163 716	141 323	89 012
Buildings/real property	4 956	13 218	5 138
Total ordinary depreciation	172 743	159 114	98 127
Write-downs*	0	0	43 000
Total depreciation and write-downs	172 743	159 114	141 127

* See note 8

NOTE 5 Other operating expenses

	2006	2005	2004
Operations, maintenance and telecommunications	257 044	265 735	297 087
Operating costs for SHR	75 244	73 840	77 829
Retailer commission for player card sales	34 456	21 417	19 583
Development costs	27 062	41 030	72 286
Provisions (gaming machine division)	0	0	87 000
Other internal costs	494 865	400 308	445 001
Total	888 671	802 330	998 786

NOTE 6 Financial income and expenses

	2006	2005	2004
Interest income	100 727	63 894	52 773
Other financial income	24 364	406	499
Financial income group	1 672	1 916	567
Gain on currency	2 051	4 021	1 368
Total financial income	128 814	70 237	55 207
Interest expenses	39 073	26 213	15 463
Other financial expenses	321	1 387	6 007
Loss on currency	1 012	932	2 064
Total financial expenses	40 406	28 532	23 534

To ensure predictability for net cash flow and to maintain a low risk profile, Norsk Tipping has utilised currency hedging for important transactions. The board of directors has approved this practice.

At 31 December 2006, the company had a forward foreign exchange contract whereby Norsk Tipping has purchased SEK 334 million against NOK. The SEK/NOK exchange rate at 31 December 2006 was 91.34, and Norsk Tipping had an unrealised currency loss of NOK 10 million at that date. Hedge accounting accords with generally accepted accounting principles in this area.

Other financial income comprises NOK 23.2 million in liquidation gain related to the winding up of the Spillverden AS subsidiary.

NOTE 7 Norsk Tipping excluding gaming machine division (Interactive)

	2006	2005	2004
Games revenue	9 618 873	9 203 228	9 611 980
Other operating revenue (excluding fund income)	170 799	144 894	135 567
Total operating revenue	9 789 672	9 348 122	9 747 547
Ordinary costs	6 826 749	6 393 657	6 659 288
Development costs	27 062	41 030	72 286
Depreciation	116 310	117 029	81 413
Operating profit	2 819 551	2 796 406	2 934 560
Financial income	128 780	68 836	54 703
Financial expenses	40 403	27 337	21 324
Net profit (less gaming machine division and income from funds)	2 907 928	2 837 905	2 967 939

NOTE 8 Tangible fixed assets

	Vehicles	Computer systems/ machines/fixtures	Buildings/Real property	Total
Acquisition costs at 1 Jan 2006	20 412	1 170 335	192 350	1 383 097
Disposals for the year	9 547	19 363	0	28 910
Acquisitions for the year	737	96 252	659	97 648
Acquisition costs at 31 Dec 2006	11 602	1 247 224	193 009	1 451 835
Accumulated ordinary depreciation	7 774	822 766	132 036	962 576
Accumulated write-downs	0	74 866*	0	74 866
Book value at 31 Dec 2006	3 828	349 592	60 973	414 393

* The increase relates to a provision in 2004 which was reclassified as accumulated write-downs in 2005.



	Vehicles	Other fixed assets	Terminals/ gaming machines	Buildings/ real property	
Useful life	4 years	4-5 years	3-6 years	20 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	
Investment overview 2002-2006					
	2006	2005	2004	2003	2002
Vehicles	737	1 722	7 938	6 304	3 126
Computer systems/ machines/fixtures	96 252	80 727	62 610	71 209	26 054
Terminals and gaming machines	0	107 031	364 578	21 833	0
	96 989	189 480	435 126	99 346	29 180
Buildings/real estate	659	10 303	27 224	10 184	3 660
Total investments	97 648	199 783	462 350	109 530	32 840

NOTE 9 Shares in subsidiaries and associated companies

	Year of acquisition	Business office	Shareholding	Voting share	Cost price of holding	Book value
Fabelaktiv AS	2000	Hamar	100.00%	100%	6 000	2 800
NT Nettnavn AS	2004	Hamar	100.00%	100%	110	110
Buypass AS	2006*	Oslo	45.05%	50%	19 011	19 011
Buyinvest AS	2006*	Oslo	28.00%	28%	1 342	1 342
Total					26 463	23 263

* Shares transferred from Spillverden AS, which was wound up in 2006.

Pursuant to section 3-8, sub-section two of the Norwegian Accounting Act, Fabelaktiv AS and Norsk Tipping Nettnavn AS are not consolidated in Norsk Tipping's accounts. They have been excluded because their accounts are regarded as insignificant for assessing the financial position and results of Norsk Tipping.

The accounts for **Fabelaktiv AS** show a profit of NOK 0.7 million and an equity of NOK 5.8 million.

The accounts for **Norsk Tipping Nettnavn AS** show a profit of NOK 1 343 and an equity of NOK 104 835.

The accounts for **the Buypass group invest** show a profit of NOK 33 million and an equity of NOK 41.4 million.

The accounts for **Buyinvest AS** show a loss of NOK 0.2 million and an equity of NOK 0.9 million.

The Spillverden AS subsidiary was wound up during 2006, with outstanding assets and liabilities transferred to Norsk Tipping at book value in accordance with the pooling of interests principle.

NOTE 10 Intercompany balances

	2006	2005	2004
Long-term receivables			
Subordinated loans	26 914	87 364	21 614
Long-term loans	3 449	100	100
Total intercompany balances	30 363	87 464	21 714

	2006	2005	2004
Current debt to group companies	0	1 707	1 731
Current receivables from group companies	0	1 574	2 185

NOTE 11 Bonds and other receivables

	2006	2005	2004
Long-term loans to employees	15 408	17 072	15 093
Other receivables	425	1 127	711
Net pension commitments in credit	0	0	1 721
Total	15 833	18 199	17 525

NOTE 12 Stock of goods for sale

The stock of goods for sale, which comprises purchased goods for shop and canteen, is valued at the lower of purchase cost and estimated sales price.

NOTE 13 Customer receivables

This item comprises other short-term receivables (not retailers) from various customers.

NOTE 14 Claims on retailers

Norsk Tipping settles its retailer accounts in arrears at the end of each week for sales of games, and outstanding receivables are treated as on-going balances. Norsk Tipping had 3 975 retailers at 31 December.

NOTE 15 Other receivables

This item comprises pre-paid/accrued costs and loans/advances to employees. None of the receivables fall due later than 12 months from the end of the fiscal year.

NOTE 16 Share capital

The company's share capital comprises three shares, each with a nominal value of NOK 50 000. These are wholly owned by the state, represented by the Ministry of Culture and Church Affairs.

NOTE 17 Investment fund

Pursuant to the Gaming Act, an investment fund has been created with a view to building up funds for new infrastructure and other future requirements relating to large projects and/or investments.

	2006	2005	2004
Investment fund at 1 Jan	1 206 845	1 055 771	897 342
Effect of implementing Norwegian Accounting Standard (NRS) 6	0	0	5 968
Addition	38 926	25 927	15 333
Addition from net profit	127 608	125 147	137 128
Total at 31 Dec	1 373 379	1 206 845	1 055 771



NOTE 18 Funds – games

Each game has its own fund. The table below shows the balance at 31 December for each game/fund.

Games	2006	2005	2004
Lotto	27 437	30 574	27 196
Viking Lotto	103 069	94 113	70 193
Joker	22 001	21 393	17 913
Tipping	5 640	9 068	8 897
Oddsén	3 401	11 497	9 834
Flax	97 200	68 995	46 315
Total NT games	258 748	235 640	180 348
Extra	7 766	29 067	33 472
Gaming machine division	0	45	24
Total	266 514	264 752	213 844

The funds are built up from that part of the prize amount which is not paid out because prizes are rounded down to the nearest NOK, and from prescribed prizes in each game. See the rules of each game.

The funds are applied in accordance with the company's more detailed rules to pay out legitimate prizes claimed later than three months after the draw, for prizes awarded after accepted complaints, missed prizes and so forth, for revenue-boosting activities such as prize supplements, additional prizes (including physical/travel prizes) in connection with ordinary or extra draws/rounds, and for marketing of the respective games.

Guidelines governing the funds are established by the Ministry of Culture and Church Affairs.

NOTE 19 Other short-term liabilities

This item consists of holiday pay due, the bonus pot for Tipping, the Lucky Number pot for Viking Lotto, deposits from retailers, and year-end accruals and provisions.

NOTE 20 Remaining profit for payment

Profit from Norsk Tipping is distributed to sporting and cultural beneficiaries and to measures to counter problem gaming, after possible allocations to the investment fund. Profit from the Extra TV game goes to the Norwegian Foundation for Health and Rehabilitation (SHR).

Total profit 2006		2 837 978
Profit for SHR		- 198 370
Profit Norsk Tipping		2 639 608
Allocated to investment fund		- 127 608
Remaining profit		2 512 000
Profit for SHR	198 370	
- Payment on account 2006	188 000	10 370
Remaining profit for payment		2 522 370
Which is divided as follows:		
Remaining profit to SHR		10 370
Measures related to problem gaming		12 000
Remaining profit to Norsk Tipping for distribution to culture and sports		2 500 000
Remaining profit for payment		2 522 370

NOTE 21 Pension commitments

Norwegian Public Service Pension Fund (SPK)

About the pension scheme:

Norsk Tipping AS has a collective pension scheme for its employees in the Norwegian Public Service Pension Fund. The scheme provides benefits pursuant to the Norwegian Act concerning the Public Service Pension Fund (the Pensions Act). Benefits provided are retirement, disability, spouse and child pensions. In addition comes the calculation of benefits from the age of 62 under the AFP early retirement scheme for the public sector. Pension benefits are coordinated with National Insurance benefits. The company's share of the premium is recorded annually in the accounts under payroll costs.

Premiums and the value of pension commitments for the SPK pension scheme are calculated on the basis of actuarial assumptions. However, the scheme is not funded. Pension payments are guaranteed by the state (pursuant to section 1 of the Pensions Act). A management of the pension assets ("fictitious assets") is simulated as if the assets were 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 remain in the SPK. The simulation assumes that the bonds will be held until their expiry date. The pension assets are accordingly valued at the book value.

Result:

Pension costs	2006	2005	2004
Present value of pension earnings for the year	14 950	20 046	11 001
Interest costs of pension commitments	11 155	10 447	8 585
Return on pension assets	- 8 493	- 7 532	- 8 161
Employees' contributions to pension scheme	- 3 402	- 2 924	- 2 654
Administrative costs	337	384	188
Net pension costs before amortisation	14 547	20 421	8 959
Recorded effect of estimate variations	2 090	3 401	799
Accrued payroll tax	2 757	3 771	1 750
Net pension costs	19 394	27 594	11 508

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

	31.12.2006	31.12.2005	31.12.2004
Calculated pension commitments	241 624	247 970	160 716
Pension assets (at market value)	- 182 740	- 173 770	- 150 923
Net accrued pension commitments	58 884	74 199	9 793
Unrecorded effect of estimate variations	- 59 224	- 69 857	- 11 515
Payroll tax	0	612	0
Net pension commitments	- 340	4 955	- 1 721

Financial assumptions:

Discount rate	4.75%	4.75%	6.0%
Expected pay adjustments	3.5%	3.5%	3.0%
Expected change in National Insurance base amount	3.0%	3.0%	2.9%
Expected return on assets	4.75%	4.75%	6.0%

Actuarial assumptions concerning demographic factors and retirement are based on assumptions normally applied in the insurance business.



NOTE 22 Pensions funded from operations

The company concluded agreements with employees in 2006 on pensions funded from operations in connection with their departure from the company. This related to downsizing in connection with the gaming machine issue.

Provision 1 Jan 06	NOK 0.0 mill
Provision during the period	NOK 11.0 mill
Paid in 2006	NOK 0.9 mill
Commitment 31 Dec 2006	NOK 10.1 mill

The amount of NOK 11 million was expensed in its entirety for 2006, while NOK 10.1 million represents the outstanding liquidity commitment at 31 December 2006.

Auditing the accounts for 2006 for Norsk Tipping AS

Pursuant to the Act of 7 May 2004 concerning the Office of the Auditor General, the Office of the Auditor General is the auditor for Norsk Tipping AS.

Upon conclusion of the annual audit, the Office of the Auditor General issues a final auditor's report which summarises the conclusions of its audit.

Pursuant to section 18 of the Act concerning the Office of the Auditor General, the auditor's report is published after the Office of the Auditor General has reported its conclusions to the Storting in October/November.

The Board of Directors and the Annual General Meeting have been informed of the results of the annual audit.

Games revenue Norsk Tipping 2006

County	Lotto	Viking Lotto	Joker	Tipping	Oddsen	Flax	Extra	Total
Østfold	231 020 635	86 275 696	44 123 660	44 909 639	85 489 942	47 638 600	44 042 140	583 500 312
Akershus	349 593 933	136 969 916	69 234 920	59 375 869	108 775 183	59 026 200	57 704 460	840 680 481
Oslo	323 626 923	154 864 268	60 626 380	76 689 855	229 701 788	67 860 800	46 073 060	959 443 074
Hedmark	200 816 542	70 299 952	36 412 760	27 521 650	41 437 918	39 998 400	43 667 800	460 155 022
Oppland	181 262 352	61 775 660	36 152 620	28 012 361	44 941 572	34 235 500	40 042 600	426 422 665
Buskerud	207 450 976	77 498 420	40 985 420	33 048 764	57 192 166	36 613 300	39 628 120	492 417 166
Vestfold	166 875 317	60 039 752	32 393 240	29 171 223	57 655 538	38 871 400	33 597 260	418 603 730
Telemark	134 814 845	44 833 132	26 074 320	24 704 695	50 819 912	26 280 100	31 302 700	338 829 704
Aust Agder	74 628 736	25 034 388	13 962 360	10 423 827	16 242 477	15 675 000	14 932 040	170 898 828
Vest Agder	102 858 888	35 207 872	19 817 180	18 927 442	43 608 272	21 338 700	18 565 740	260 324 094
Rogaland	246 226 929	89 196 880	49 185 660	48 828 136	120 591 548	64 622 300	45 723 880	664 375 333
Hordaland	349 324 308	133 036 176	73 544 700	72 103 425	147 523 102	69 870 600	72 986 060	918 388 371
Sogn og Fjordane	89 234 364	37 099 224	20 569 740	14 491 317	27 766 669	19 653 000	21 156 400	229 970 714
Møre og Romsdal	194 365 641	74 038 484	41 856 000	27 350 475	61 861 566	41 559 500	45 079 860	486 111 526
Sør Trøndelag	212 710 663	77 288 900	42 265 160	29 475 518	86 299 194	45 147 400	48 938 580	542 125 415
Nord Trøndelag	119 838 255	43 109 212	22 887 260	13 569 134	21 649 928	24 067 800	29 055 880	274 177 469
Nordland	201 376 571	78 324 284	48 785 720	28 627 067	49 032 492	53 936 500	55 557 360	515 639 994
Troms	132 256 447	56 639 560	33 764 720	20 471 479	34 071 875	33 093 200	35 898 040	346 195 321
Finnmark	82 101 340	38 569 260	21 478 560	15 603 932	17 272 536	20 811 900	21 455 880	217 293 408
Svalbard	1 937 624	965 776	623 760	393 156	263 601	720 200	360 060	5 264 177
Electronic games	125 426 453	60 215 220	34 434 140	78 816 024	142 201 238		26 962 900	468 055 975
Total	3 727 747 742	1 441 282 032	769 178 280	702 514 988	1 444 398 517	761 020 400	772 730 820	9 618 872 779

Per cent of total per game	38.8%	15.0%	8.0%	7.3%	15.0%	7.9%	8.0%	100%
Per capita NOK ¹	799.88	309.26	165.05	150.74	309.93	163.29	165.81	2 063.96
Per capita EUR ²	99.35	38.41	20.50	18.72	38.50	20.28	20.60	256.36
Per capita USD ²	124.63	48.19	25.72	23.49	48.29	25.44	25.83	321.59

¹ Statistics Norway at 1 July 2006 = 4 660 387 inhabitants (approx annual average)

² Conversion rates = Bank of Norway's annual average for 2006:

EUR 1.00 = NOK 8.0510

USD 1.00 = NOK 6.4180

Games revenue Norsk Tipping 1948-2006

Nominal amounts in NOK million	Total games revenue							Other games	
Year	Lotto	Viking Lotto	Joker	Tipping	Oddsen	Flax	Extra		
1948				18.2					
1949				37.4					
1950-1959				802.4					
1960-1969				1 589.0					
1970-1979				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	
2006	9 618.9	3 727.7	1 441.4	769.2	702.5	1 444.4	761.0	772.7	
Total	150 236.0	58 430.4	15 444.6	3 820.4	40 711.0	13 445.4	9 093.5	7 690.1	1 600.6

Other games: Måltips 1989-1994, Pengelotteriet 1997 and 1998
Gaming machines (pilot project) weeks 35-49 in 2004

Price adjusted to 2006 value in NOK billion	210.30	69.95	17.19	3.97	83.88	14.70	10.05	8.38	2.18
Price adjusted to 2006 value in EUR billion	26.12	8.69	2.13	0.49	10.42	1.83	1.25	1.04	0.27
Price adjusted to 2006 value in USD billion	32.77	10.90	2.68	0.62	13.07	2.29	1.57	1.30	0.34



Distribution of profits Norsk Tipping 1948-2006

Nominal amounts in NOK million

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
2006	2 710.4	1 250.0		1 250.0	198.4	12.0
Total	49 117.4	17 972.5	12 212.4	14 894.2	1 980.5	2 057.8
Price adjusted to 2006 value in NOK billion	74.88	27.60	24.80	17.53	2.16	2.79
Price adjusted to 2006 value in EUR billion	9.30	3.43	3.08	2.17	0.27	0.35
Price adjusted to 2006 value in USD billion	11.67	4.30	3.86	2.73	0.34	0.44

Value added statement 2006

	NOK mill	
Games revenue		9 618.9
- Prizes to players	5 101.2	
- Consumption of goods and services	625.1	
- Other costs	206.0	
- Development costs	27.1	
+ Other revenue	179.3	5 780.1
Gross value added		3 838.8
- Depreciation	172.7	
+ Net financial items	88.4	- 84.3
Net value added		3 754.5

Value added is distributed as follows:

	NOK mill	Percentage
National and local government:		
Income tax (employees), payroll tax and employer's pension contributions	99.0	2.6%
Employees:		
Pay (excl tax deductions)	107.8	2.9%
Retailers:		
Commissions from games, player cards and prize payments	709.7	18.9%
Retained by the company:		
Investment fund	127.6	3.4%
Profit to:		
Norwegian Foundation for Health and Rehabilitation	198.4	
Sports	1 250.0	
Culture	1 250.0	
Measures to counter problem gaming	12.0	72.2%
Net value added	3 754.5	100.0%

Corporate governance

Object of the company

Restrictions on money games have been a long-standing principle in Norwegian legislation, and broad political agreement exists that opportunities to play such games should be actively regulated under statutory authority. Norsk Tipping's articles of association define the object of the company, and specify that it will function as the government's instrument in gaming policy:

"The company will, pursuant to the rules of the games established by the Ministry, provide and organise money games in satisfactory forms under public control, with a view to preventing the negative consequences of these games while also facilitating, through the rational operation of the company, the application of as much as possible of the profit from the games to the purposes mentioned in section 10 of the Gaming Act."

"The company's operations will relate to the provision of money games directed at Norwegian citizens or people resident in Norway."

Norsk Tipping's ambition is to persuade players to choose from an attractive and responsible selection of games in a controlled Norwegian market for money games.

Pursuant to section 10 of the Gaming Act, the company's profits will be distributed equally between sporting and cultural purposes. Funds for sporting purposes are allocated by the Crown. Two-thirds of the funds for cultural purposes are allocated by the Storting (parliament) and one-third by the Crown. Profits from the Extra game, operated on behalf of the Norwegian Foundation for Health and Rehabilitation (SHR), are transferred in their entirety to the SHR, which is responsible for their distribution.

The owner's role

Norsk Tipping is a wholly state-owned company under the jurisdiction of the Ministry of Culture and Church Affairs. Its business is regulated by the Norwegian Gaming Act of 28 August 1992 (No 103), as subsequently amended. The Ministry grants permission to introduce new games and determines their rules. It also determines the portion of the total amount wagered which is allocated to prizes.

The Minister of Culture and Church Affairs constitutes the company's general meeting. The annual general meeting is held every year as part of Norsk Tipping's annual meeting in April. In addition, meetings take place at least twice a year between the Ministry and the company in order to maintain an on-going dialogue on Norsk Tipping's operations. Regulatory supervision is exercised by the Norwegian Gaming Board.

The Gaming Act specifies detailed regulations for the company's operations with regard to the board's management functions, management of the company's assets and the distribution of its profits. These regulations are amplified in the company's articles of

association, in the instructions for the board of directors and in guidelines on allocations to reserves.

The board's role

Norsk Tipping AS is led by a board comprising five independent directors appointed by the Ministry of Culture and Church Affairs and two worker directors elected by and from among the employees of Norsk Tipping. "Independent" in this context means that the directors are independent of the beneficiaries of the company's profits.

Directors are appointed for a two-year term. In line with official goals on equal opportunities, the board has been evenly divided between men and women for many years.

Norsk Tipping's chief executive attends board meetings but does not have the right to vote. The Ministry of Culture and Church Affairs has issued instructions for the board, which specify that the directors take decisions on an independent basis in accordance with normal commercial principles. The board's duties include ensuring that the company is run in accordance with its object, articles of association and guidelines. It is also responsible for the satisfactory organisation of the company, including supervising its relationship with retailers.

The board must ensure that bookkeeping and asset management are subject to adequate controls, and supervises the chief executive's management of the company. It submits accounts and an Annual report to the Ministry for approval. Furthermore, the Ministry of Culture and Church Affairs will be kept informed about issues of principle which are significant for the company's operations. As part of the annual strategy and planning processes, strategic plans are submitted to the board for approval during the spring. The board evaluates and approves action plans and budgets, and thereby plays an active part in the governance of the company.

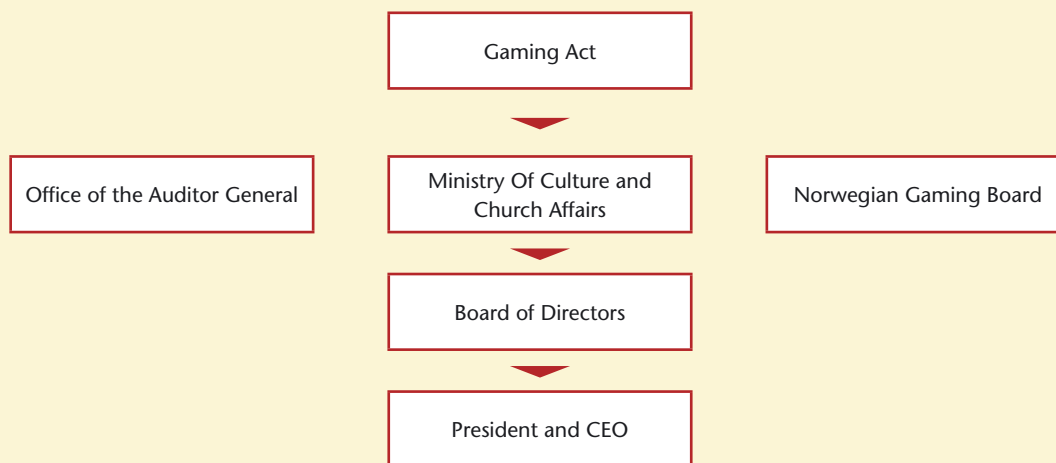
Office of the Auditor General and the Norwegian Gaming Board

The company's accounts are audited by the Office of the Auditor General, which is the Storting's supervisory agency and independent of the government administration.

The Norwegian Gaming Board monitors the company's compliance with relevant legislation and game rules. It also continuously assesses whether the company's marketing activities accord with the guidelines on promoting government-controlled money games.

The Gaming Board is a directorate and regulatory agency subordinate to the Ministry of Culture and Church Affairs, and is responsible for regulating and monitoring private lotteries and government-owned games in Norway.





Administration and internal control

The chief executive is responsible for the day-to-day management of the company and is appointed by the board, which also determines his/her remuneration and other conditions of employment, including pension terms.

The important balance between generating profits for the beneficiaries while ensuring responsible gaming provision guides the processes, measures and systems established for the company's corporate governance and organisation. Work continued in 2006 on implementing and further developing corporate governance and risk management for the company. Norsk Tipping's own security staff is responsible for continuously developing the company's security, risk management and control routines, and for ensuring that these are implemented in the line organisation and in major projects. The company does not have an internal audit function. An external company is used to obtain an independent evaluation of selected processes in the company. The results are presented to the board.

Norsk Tipping is certified in accordance with the World Lottery Association's security control standards. These international standards for the gaming industry aim to ensure that certified businesses run their games within an effective security organisation and structure. They also require that internal control systems are in place to ensure good risk management. Det Norske Veritas conducts the annual audit in accordance with these standards.

Norsk Tipping has established routines for monitoring and following up gaming activity at retailers and among players. This is done both to ensure 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 gaming activities are conducted within a responsible framework, the company also checks that retailers comply with their contract with Norsk Tipping and the company's instructions for selling the games.

Relationship to other legislation

Norsk Tipping is a wholly state-owned company. The Gaming Act stipulates that the Companies Act does not apply to it. While the Act does not explicitly clarify how far Norsk Tipping is subject to the Norwegian Accounting Act, its board of directors has decided that the company will comply with the latter to the extent that this is feasible. The company is subject to the Act concerning Public Procurement. The Act concerning Procedure in the Public Administration (Public Administration Act) and the Act concerning Public Access to Documents Held by the Public Administration (Freedom of Information Act) do not apply to Norsk Tipping. Nor are its employees subject to the Act concerning Public Service Disputes (Public Service Disputes Act) or the Act concerning Civil Servants, etc (Civil Service Act).

Directorships outside Norsk Tipping AS:

Sigmund Thue

Chair of the board:

Thue & Selvaag Gruppen AS
 OIS AS
 Otta Sag & Høvleri AS
 Dølastugu Eiendom AS
 Kvikne's Hotel AS
 Thue Holding AS

Deputy Chair of the board:

Sykehuset Innlandet HF

Director:

Eidsiva Energi AS
 Oppland Energi AS
 INES AS
 Lillehammer University College
 Executive committee, Inland University

Anni Onsager

Chair of the board:

ADCOM DATA AS
 ADCOM AS

Director:

HOA – Hamar Olympic Facilities
 Vita AS

Torgeir Mjør Grimsrud

Chair of the board:

HÅG AS
 Niki AS
 Leopold Invest AS
 Winter Chamber Music Festival

Director:

Rondane Holding AS

Berit Fosheim

None

Knut Brofoss

None

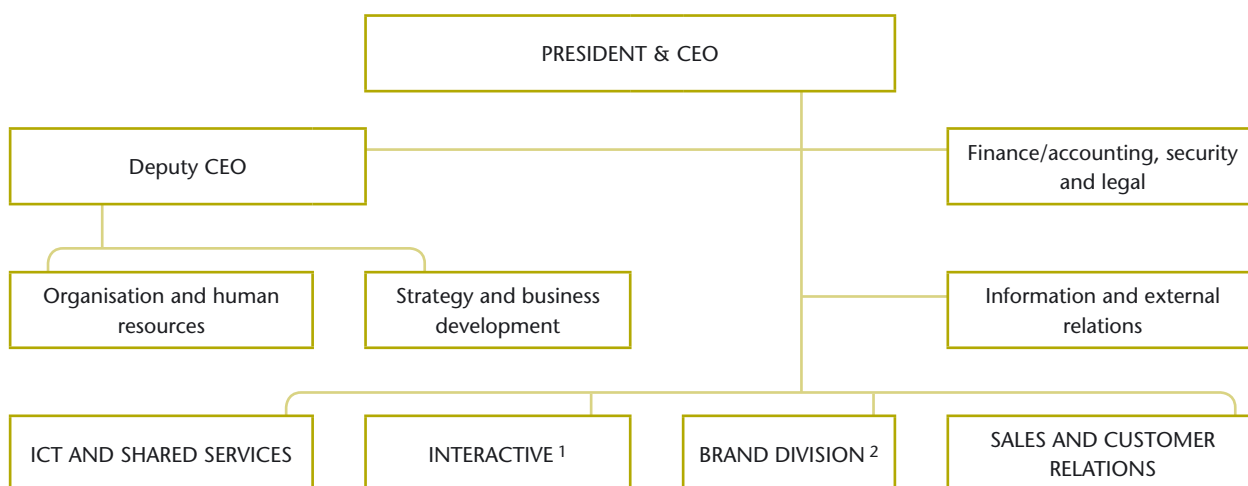
Knut Johannessen

None

Kjersti Langseth

None

Organisation and management



¹ Gaming machine division: owing to the postponement of the gaming machine case, this division was dormant in 2006.

² Other games division

Management at 31 December 2006

President and CEO
Reidar Nordby Jr

Deputy CEO
Tollef Imsdalen

Senior vice president
Jon Olrud

Senior vice president sales
and customer relations
Jan P Strømslid

Senior vice president information
and external relations
Peer Jacob Svenkerud

Senior vice president finance/accounting,
security and legal
Marie Jore Ritterberg

Senior vice president ICT and shared services
Trond Karlsen

Senior vice president brand division
Thorbjørn A Unneberg

Board of Directors

Sigmund Thue, Chair of the board since 1997
Anni Onsager, Deputy chair since 1995
Torgeir Mjør Grimsrud, Director since 1993
Berit Fosheim, Director since 2001
Knut Brofoss, Director since 2005
Kjersti Langseth, Director since 2001
Knut Johannessen, Director since 2005

Egil Holen, First alternate since 1993
Brit Skurdal Braastad, Alternate since 1997
Tone Kornberg Andersen, Alternate since 2005
Anne Morseth, Alternate since 2005

Norwegian Gaming Board

Head office, Førde:
Atle Hamar, Director general
Jan Støfring, Director

Hamar section:
Kaare Sveen, Manager

The Norwegian Gaming Board is a regulatory agency appointed by the Ministry of Culture and Church Affairs, and responsible for ensuring that all gaming in Norway is conducted in accordance with the relevant legal provisions and game rules.



Product overview



Lotto is the numbers game with the big prizes, where everyone has the same chance of winning.

Games revenue NOK 3 727 747 732
Player base (number of players): 1 964 000
Average stake: NOK 54
Average age: 47
Gender distribution: 49 % men, 51 % women



Viking Lotto is a pan-Nordic numbers game with big prizes, with Norway accounting for about 50% of turnover.

Games revenue: NOK 1 441 282 032
Player base (number of players): 814 000
Average stake: NOK 58
Average age: 48
Gender distribution: 56 % men, 44 % women



Joker is a supplementary game drawn and broadcast during the Lotto and Viking Lotto draws.

Games revenue: NOK 769 178 280
Player base (number of players): 956 000
Average stake: NOK 27
Average age: 48
Gender distribution: 49 % men, 51 % women



Extra is operated by Norsk Tipping on behalf of the Norwegian Foundation for Health and Rehabilitation.

Games revenue: NOK 772 730 820
Player base (number of players): 806 000
Average stake: NOK 30
Average age: 49
Gender distribution: 45 % men, 55 % women



Flax is the largest scratch card game in Norway, and an instant game.

Games revenue: NOK 761 020 400
Player base (number of players): 911 000
Average stake: NOK 80
Average age: 40
Gender distribution: 46 % men, 54 % women



Oddsen is an attractive alternative for those seeking a little dose of everyday excitement.

Games revenue: NOK 1 444 398 517
Player base (number of players): 258 000
Average stake: NOK 214
Average age: 35
Gender distribution: 89 % men, 11 % women



The football pools: Norsk Tipping's most historic game.

Games revenue: NOK 702 514 988
Player base (number of players): 358 000
Average stake: NOK 65
Average age: 43
Gender distribution: 82 % men, 18 % women

Source of figures:

Player base (number of players): Proportion of the Norwegian public over the age of 15 to have played one or more times during the last three months. The average stake is calculated on the basis of average weekly accrued turnover divided by the number of players in an average week.

Learn more about our commitment and contribution to society in our social report.



NORSK TIPPING
norsk-tipping.no