

# 2007

ANNUAL REPORT



NORSK TIPPING





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Norsk Tipping has been through a year which demanded the ability to tackle unforeseen incidents. Despite a fair degree of turbulence, this was nevertheless a good year and one characterised by innovatory thinking in the organisation. The company attracted greater media attention than ever and, although the negative stories were much in evidence, the figures show that positive coverage has never been greater. Compulsive gaming continued to attract great attention in 2007, and Norsk Tipping will continue to take this issue very seriously in 2008.

The company achieved revenues of roughly NOK 10 billion, representing a growth of NOK 770 million. The new Keno game enjoyed a very successful launch at the end of the year. During the same period, a new acting chief executive was appointed. But the most important consideration for the general public is nevertheless that Norsk Tipping can distribute almost NOK 2.9 billion to sport, culture and voluntary organisations – which makes it a very important social actor and source of support for society.

## Key figures

Amounts in NOK mill	2007	2006	2005	2004	2003
Games revenue	10 388	9 619	9 203	9 617	9 743
Prizes	5 510	5 101	4 829	5 010	5 193
Prize ratio%	53.0%	53.0%	52.5%	52.1%	53.3%
Game commissions	714	675	660	699	715
Game commissions%	6.9%	7.0%	7.2%	7.3%	7.3%
Operating profit <sup>1)</sup>	2 973	2 742	2 682	2 713	2 885
Operating margin% <sup>1)</sup>	28.6%	28.5%	29.1%	28.2%	29.6%
Net profit	3 100	2 838	2 732	2 754	3 069
Profit margin %	29.8%	29.5%	29.7%	28.6%	31.5%
Employees at 31 Dec	322	324	367	373	312
Retailers at 31 Dec	3 973	3 975	3 954	3 847	3 840
Terminals at 31 Dec	4 501	4 501	4 470	4 364	4 379

<sup>1)</sup> Excluding transfers from funds.

Explanations: Prize ratio %: prize ratio as a percentage of games revenue  
 Game commissions %: games commission as a percentage of games revenue.  
 Operating margin %: operating profit as a percentage of games revenue.  
 Profit margin %: Net profit as a percentage of games revenue.

### Games revenue

EUR 1 296 mill. / USD 1 773 mill.

### Net profit

EUR 359 mill. / USD 492 mill.





NOK 2 881 million

for socially beneficial purposes




# Balancing act

interview with Axel Krogvig

Axel Krogvig  
Acting chief executive





## Norsk Tipping will be both attractive and responsible

Axel Krogvig took over as president and CEO of Norsk Tipping towards the end of 2007. He had scarcely learnt how to find the coffee machine and the photocopier before the quiet of a Norwegian Christmas descended over Hamar. A few weeks into 2008, Mr Krogvig has become a master at walking the tightrope. He is both truthful and committed when he maintains that one of Norsk Tipping's most important challenges is to strike the right balance between responsibility

**Is a good financial performance compatible with the responsibility you're required to show about undesirable player behaviour? Can you be both attractive and responsible?**

It's not only possible, but necessary. If we're going to fulfil the social duty we've been given – to implement Norwegian gaming policy in a responsible way – we must ensure that our games are attractive. After all, we can see that pressure is being put on the market by alternative choices for players. That applies to Norway, but we see it particularly in the global gaming market which uses the internet to exert influence and to carry out the transactions. If we aren't attractive, players will quickly lose interest in our games and our responsibility will be of limited value. It's no good being responsible if players reject us for less responsible competitors.

**Norsk Tipping topped NOK 10 billion in turnover for 2007. That's impressively large, but is the company satisfied with eight per cent growth in a year when competitor gaming machines were removed from the Norwegian market?**

NOK 10 billion isn't a very important figure in

itself, but it's obviously fun to see it on the monitor. That happened on 18 December, I think at 14.28. After three or four years of stable turnover, we're very pleased to have achieved an increase of NOK 770 million. And the fact that all our gaming products achieved growth, ranging from four to 14 per cent, is important for us. NOK 87 million of the expansion came from Keno, but this game wasn't launched until 5 November.

**If we exclude Keno, you've lost players this year. What's needed to reverse this trend?**

One thing we need to do is to make ourselves more attractive to younger customer groups. Keno has allowed us to attract many new players, but we definitely need to become more visible in the market for games delivered via mobile phones and the web. We also have great expectations for the new generation of gaming terminals we're introducing in 2008, in terms of both increased revenues and growth in the player base.

**When will these terminals be introduced, and what will they mean for Norsk Tipping's income?**

The goal is to carry out a pilot introduction

by the summer and to roll out the terminals in September. They represent a completely new generation of such machines, which don't accept coins or banknotes – you can only play if you're registered and hold one of our player cards. We're naturally very interested to see what sort of reception these terminals will receive in the market. But we expect them to contribute to positive growth in our turnover and profit, and thereby to provide more money for Norwegian culture and sport.

**Norsk Tipping's spending on marketing and advertising was cut by 20 per cent a few years ago. It's now back at the previous level. Does this mean that the company has become more aggressive in promoting its games?**

It's not part of our job or our ethos to be aggressive. I'd say that we're now back at a normal level. Being highly visible in the market is a necessary part of the balancing act between responsibility and attractiveness.

**Does Norsk Tipping have an organisation suited for the challenges it faces, or are changes needed?**

I believe the organisation is tailored to the



exciting challenges we face. We don't need major changes, but some supplements are undoubtedly required. Introducing the new gaming terminals will expand the scale of the business, and new types of games will call for the recruitment of fresh expertise.

**Web- and mobile-based turnover rose by almost 50 per cent last year, but nevertheless accounts for less than seven per cent of the total. Does the company want to increase this share even further, or would it prefer to get as much as possible of its revenues via the retailers?**

We want growth across the board, and much of this expansion must come from web- and mobile-based games. This doesn't mean we're giving less priority to retailers. We must quite simply attract younger players, and need to recognise that these probably have a closer relationship with mobiles and the web than with our retailers. At the same time, we must strengthen our work via the latter. They are and will remain our most important sales channel.

**Svenska Spel in Sweden offers poker on the web. Will Norsk Tipping introduce such games?**

This is a political issue. We don't have poker in our development portfolio. Were it to become a legal web game for Norwegians, however, the appropriate course for us would be to have a presence in this gaming market and to ensure that poker can also be offered and conducted in responsible forms.

**The average age of Norsk Tipping's players is high. What will the company be doing to recruit more young players?**

It's true that our players have a high average age, and the player base for the traditional games has declined somewhat. But "recruiting" young players isn't a form of words we

like to use – it's a little too active in relation to our responsible approach. We are concerned to be attractive, not least by renewing ourselves and introducing new games. Stronger growth for mobile- and web-based games would be one way to attract younger players as well.

**Most people would agree that Norsk Tipping's games are "good". Doesn't the company feel it's unreasonable to be criticised for contributing to compulsive gaming?**

We can't ignore the reality that a small proportion of players are in danger of developing into compulsive gamers. I think it's important that we don't get upset by this criticism, but accept it in a constructive spirit. We must constantly ensure that our business is conducted in such a way that the proportion of players with problem behaviour steadily declines. In that context, I'd mention that our goal for 2008 is for all our games – apart from Flax – to be open only to registered players using a player card.

**How can player cards do anything about compulsive gaming?**

Through these cards, we can give the individual player an opportunity to influence their own gaming behaviour before they're in the middle of a game. The player can, for instance, specify a maximum they can lose during a day or a week. This represents an extension of the responsible approach we're taking. We want an opportunity to monitor how games are conducted, and to pick up danger signals in player behaviour and the individual games.

**Might some people see this as another example of government nannyism?**

It's important here that players have the opportunity to influence and control their

own gaming behaviour. We're more concerned to monitor our own games than to keep tabs on the individual player. In any event, everything we do in this area will accord with recommendations and guidelines from the Norwegian Data Inspectorate and with our laws and regulations.

**We've heard that players will be able to decide through the "grassroots share" how some of the profit should be applied. Why does Norsk Tipping want to introduce this scheme?**

The grassroots share is actually a political proposal intended to compensate for the loss of gaming machine revenues, with an eye to sports clubs and organisations who'd lose a lot from that. The intention is that up to five per cent of a stake can be earmarked for a sports club or an organisation chosen by the player. We're positive to allowing players to make a choice from their own hearts. By involving the individual, we attract greater attention to and knowledge of the fact that all our profit is ploughed back into the community, to culture and sport for children and young people.

**What does the vision "we give the dream a chance" mean for you personally?**

I think our vision is exciting, it stakes out a course and it generates energy. It means something, both for the player looking for a little excitement and dreaming of the big win and for the recipients of our profits – all those people who're involved in voluntary cultural and sporting activities. They also get an opportunity to realise their dreams, whether through a new musical instrument, a new multipurpose centre or other measures to promote activity in Norway's voluntary sector.



## Directors' report 2007

### Norsk Tipping's object and role

Norsk Tipping's business is rooted in the government's concern to channel the desire of Norwegians for gaming towards a moderate and responsible provision which does not create social problems. Within the limits set by the authorities, the company will offer responsible gaming pleasure which aims to prevent the negative consequences of money games and to generate funds for socially beneficial purposes. Norsk Tipping has been one of the largest financial contributors to Norwegian sport and culture for 60 years.

The largest possible profit will never be the most important goal for Norsk Tipping or for the government's ownership of the company. On the contrary, the government's expressed wish is that Norsk Tipping serves primarily as an actor which helps to develop the gaming market in an acceptable direction in terms of social policy.

Norsk Tipping conducted its business from Oslo between March 1948 and the summer of 1975, when the company moved to Hamar at the decision of the Storting (parliament). The business has since been pursued from that town.

### Social effect of money games

Money games have become part of everyday entertainment, and it is important for Norsk Tipping to offer exciting games which provide playing pleasure for its customers. But money games can also have negative aspects which may create major problems for society and the individual.

Norsk Tipping's role in this picture is to

support government policy on money games through a preventive approach to compulsive gaming and a controlled, responsible development of the market. In this way, the government can implement its money game policy to ensure that the Norwegian gaming market is strictly regulated and that the money games on offer are socially involving and enjoyable for the players.

Gaming machines have demonstrated that gaming provision without sufficient government control and supervision can lead to increased compulsive gaming, with negative effects for the player, their family, their friends and their colleagues. The introduction of an exclusive right to operate such machines accordingly represents an important government measure to curb the unfortunate aspects of gaming.

Within this policy framework, Norsk Tipping is responsible for developing and offering attractive money games. This means that the company must constantly develop its games to meet growing competition from foreign actors and to bring players inside a regulated Norwegian gaming market. This also ensure profits which go to Norwegian purposes rather than to foreign companies with purely commercial interests.

### Financial matters

Turnover exceeded NOK 10 billion in 2007 for the first time in the company's history. All Norsk Tipping's games enjoyed an increase in turnover from 2006. The board is very satisfied with the results for the year, which confirm that the decline in turnover



experienced in 2004-05 has been reversed.

Games revenue amounted to NOK 10 388 million in 2007, compared with NOK 9 619 million the year before. This represents an increase of NOK 769 million or eight per cent.

Turnover growth and continued improvements in operational efficiency also allowed the company to deliver a solid profit of NOK 3 100 million, compared with NOK 2 838 million in 2006. This represents an increase of NOK 262 million, or 9.2 per cent.

After allocations to the investment fund, the beneficiaries – sports and culture – will each receive NOK 1 250 million while organisations which obtained revenues from gaming machines in 2001 will get NOK 150 million. NOK 12 million has been allocated for measures to counter problem gaming, unchanged from 2006. The Norwegian Foundation for Health and Rehabilitation (SHR) will receive NOK 219 million, up by NOK 20 million from 2006.

**Market trends**

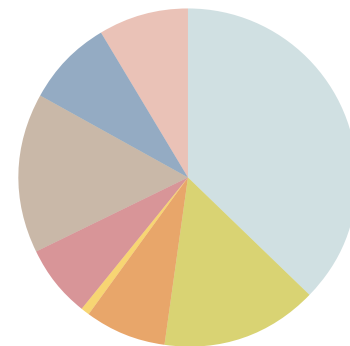
The ban on gaming machines which came into force in the summer of 2007 resulted in a substantial decline in the overall gaming market. How large the fall in turnover will be remains unclear for the moment, but estimates from the Norwegian Gaming Board indicate that turnover for the whole gaming market will be roughly NOK 33 billion as against NOK 43 billion in 2006. That would in the event represent a decline of almost 23 per cent.

Eliminating gaming machines is likely to have led to some growth in turnover for almost all other gaming categories. Norsk Tipping's games experienced an increase from NOK 9.6 billion to NOK 10.4 billion, Norsk Rikstoto

(horse betting) went up from NOK 2.8 billion to NOK 3.2 billion and Bingo from NOK 2.1 billion to NOK 2.6 billion. Lotteries excluding Flax declined from NOK 525 million to NOK 500 million. However, the largest and most striking growth was for international money games. According to estimates from the Gaming Board, these increased their turnover in Norway from NOK 5.3 billion to NOK 6.3 billion or by 18.9 per cent. That compares with the eight per cent increase for Norsk Tipping over the same period.

The substantial expansion in turnover for international money games clearly indicates that competition from foreign operators is genuine and growing. Although none of these operators has a licence to conduct business in Norway, they use aggressive marketing to demonstrate how easily accessible these games are and constantly introduce new product variants. Signs can also be seen that these operators are seeking to build alliances with Norwegian humanitarian organisations. In addition, they are trying to gain market acceptance through activities intended to highlight their form of responsibility. Nevertheless, this can only be regarded as part of systematic efforts by these companies to challenge Norwegian policy on money games.

Most money games are now experiencing a decline or levelling off in their player base. After a long period with little renewal in Norsk Tipping's portfolio of games, it was accordingly important to introduce the new Keno game. This could win back some of the player groups who have disappeared to other types of money games. In this way, Norsk Tipping can help to channel the desire for gaming among Norwegians into the regulated market.



**Game revenues by game:**  
**NOK 10 388 mill** EUR 1 296 mill USD 1 773mill

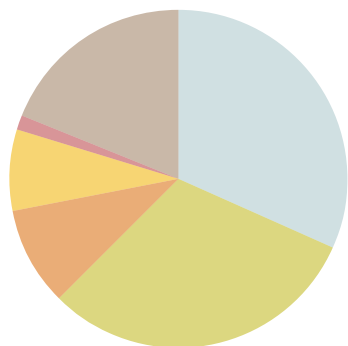
Lotto	NOK 3 872 mill	37.3%
Viking Lotto	NOK 1 560 mill	15.0%
Joker	NOK 803 mill	7.8%
Keno	NOK 87 mill	0.8%
Tipping	NOK 740 mill	7.1%
Oddsen	NOK 1 585 mill	15.3%
Flax	NOK 867 mill	8.3%
Extra	NOK 874 mill	8.4%

Another positive feature of 2007 was the decline in the number of compulsive gamers. A survey carried out for Norsk Tipping by Synovate MMI and the Norwegian National Centre for Addiction Issues in the summer of 2007 found a significant reduction in the proportion of players in Norway with gaming problems. This decline totalled 45 000 people from 2005 to 2007, and mainly reflected decreased use of gaming machines and the restrictions imposed on the gaming machine market in 2006.

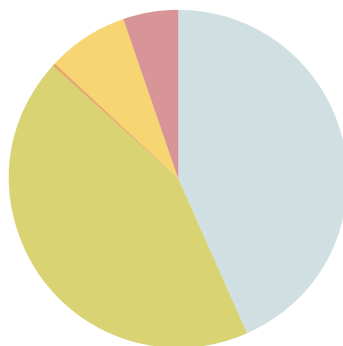
At the same time, the report from our helpline indicates that challenges presented by international games such as poker and other types of entertainment gaming on the web have increased. In the second half of 2007, 52 per cent of all calls to the helpline about money games related to poker.

Helpline calls also confirm another trend, namely that the distinction between money games and other types of entertainment games is disappearing. Almost 20 per cent of calls related to games without money prizes. The Synovate MMI survey confirmed this development. It also shows that the desire for money prizes is not the only factor which breeds compulsion. Other parameters, such as a player's feelings of mastery, play a role.

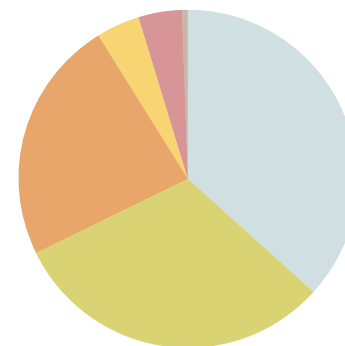


**Gaming market in Norway:****NOK 33 650 mill** EUR 4 198 mill USD 5 742 mill

Gaming machines <sup>1)</sup>	NOK 10 700 mill	31.8%
Norsk Tipping	NOK 10 388 mill	30.9%
Horse betting	NOK 3 162 mill	9.4%
Bingo <sup>1)</sup>	NOK 2 600 mill	7.7%
Lotteries/other games <sup>1)</sup>	NOK 500 mill	1.5%
Foreign gaming websites <sup>1)</sup>	NOK 6 300 mill	18.7%

**Profit distributed for socially beneficial****purposes, 2007: NOK 2 881 mill** EUR 359 mill USD 492 mill.

Sports	NOK 1 250 mill
Culture	NOK 1 250 mill
Countering problem gaming	NOK 12 mill
SHR	NOK 219 mill
Other beneficiaries	NOK 150 mill

**Profits distributed for socially beneficial purposes in 1948-2007, in nominal NOK: NOK 52 bn**

Sports	NOK 19.2 mrd
Culture	NOK 16.1 mrd
Research	NOK 12.2 mrd
Treasury	NOK 2.1 mrd
SHR	NOK 2.2 mrd
Other beneficiaries	NOK 0.2 mrd

<sup>1)</sup> Preliminary estimate by the Norwegian Gaming Board.

Technological developments continue to contribute to changes in the gaming market. The range of games offered through electronic channels is constantly increasing, and consumers are only a key press from most types of money games. At the same time, the technology – with the digitalisation of games and increasingly similar user interfaces – is eliminating the distinctions between different forms of entertainment, including the boundaries between money games and other types of games and entertainment. In addition, customers expect most services – including games – to be readily accessible over the web.

The results are particularly evident among young adults who have grown up with modern information technology and who play Norsk Tipping's traditional games to only a limited extent. Their expectations of what a game should be differ significantly from those of earlier generations. An important challenge for Norsk Tipping will be to offer game concepts and related services which appeal to youthful sections of the adult population. Norsk Tipping must offer games to young people through the channels they prefer and are accustomed to. It is fully possible to do this in a way which does not create problems related to player behaviour.

**Norsk Tipping's games**

All Norsk Tipping's games achieved a satisfactory increase in turnover during 2007. The company also secured the expected turnover for its new Keno game, which was introduced in early November. A total of 197 000 people played Keno in the first eight weeks after its launch.

Lotto is Norsk Tipping's largest game by far, with a turnover of NOK 3 872 million in 2007 compared with NOK 3 728 million the year before – an increase of NOK 144 million or 3.9 per cent. This is the highest turnover in the game's history. The rise largely reflects the introduction of a higher row price in April 2006 and three rounds with Gold Lotto. Experience shows that the latter helps to boost turnover. Even good campaigns related to the game, such as "One Number is Enough" and the Lotto Festival, are not enough to compensate for the signs of aging in the actual game.

Viking Lotto increased its turnover after two years of slight decline. The figure of NOK 1 560 million in 2007 was NOK 119 million or 8.3 per cent up from NOK 1 441 million in 2006.

Joker continued its progress from 2006 and

yielded a turnover of NOK 803 million – up by NOK 34 million or 4.4 per cent.

Tipping (the football pools) is the company's oldest game and has been in decline for a number of years. That trend was reversed in 2007, however, when the game achieved a turnover of NOK 740 million – up by NOK 37 million or 5.3 per cent from 2006. Given the game's long history, the company is very pleased with the development of turnover for Tipping.

Oddsden made continued progress. Turnover rose by NOK 141 million or 9.8 per cent to NOK 1 585 million. This is largely attributable to a doubling in the number of playing opportunities for Langoddsen in the weekends and growing interest among Norwegians in this type of game. Of all the company's games, Oddsden is the one most exposed to competition from abroad.

Flax has been the Norsk Tipping game with the biggest decline in recent years. Turnover increased during 2007 for the first time in many years, and Flax achieved the largest percentage growth in turnover of any of the games. This can probably be attributed to the ban on gaming machines introduced on 1 July 2007. Turnover came to NOK 867 million,



an increase of NOK 106 million or 13.9 per cent.

Norsk Tipping's new Keno game, introduced on 5 November, achieved a turnover of NOK 87 million. This was in line with expectations. Keno is an odds-based number game with fixed odds and daily draws. It differs from Lotto in that the player can determine how many numbers (two to 10) they want to play on, how many successive days they want to play and how high the row price should be between NOK 5 and NOK 100.

Extra – operated by Norsk Tipping on behalf of the Norwegian Foundation for Health and Rehabilitation (SHR) – enjoyed a very good rise in turnover of NOK 101 million or 13.1 per cent, from NOK 773 million to NOK 874 million. The game was relaunched in September with such features as a double winning chance, twice as many prizes, new prize categories and a TV draw in a new format. As part of the relaunch, the price per row was raised from NOK 3 to NOK 4.

With the substantial rise in turnover achieved by Norsk Tipping overall, it might seem that the negative trend experienced for some of the company's games over the past couple of years has been reversed.

However, this does not mean that renewal is no longer required. On the contrary, a number of indications suggest a strong need for a revamp since a number of the company's products are showing clear signs of becoming outdated even though turnover has risen. Despite their 2007 performance, both Flax and Tipping are below their 2004 level and a continued decline in the player base can be seen for a number of Norsk Tipping's games.

Although player knowledge of the company's

products improved somewhat in 2007, it remains lower than in 2005 with the exception of Tipping and Extra. This probably reflects reduced investment in market communication in 2005-06. Spending on this aspect returned to the 2004 level for 2007.

Moreover, the decline in the player base is not a phenomenon confined to Norsk Tipping. The same trend can also be seen with other established games such as Rikstoto, Bingo and lotteries, and the player base for international web games also looks like levelling off. However, signs indicate that these games have secured a more stable and loyal customer base than before, which could affect the terms of competition in the long run.

Norsk Tipping's turnover through electronic channels increased by 48 per cent, from NOK 468 million in 2006 to NOK 693 million.

#### **Registered players at 1.8 million**

The player card is used to play registered games through all the company's sales channels, including the internet and mobile phones. An electronic ID (e-ID) incorporated in the card provides secure identification of the player and links with a personal player account. Using the player card and account has resulted in simpler, faster, cheaper and more efficient payment of prizes both for customers and for Norsk Tipping as provider.

Norsk Tipping had 1.8 million registered players at 31 December, which means that half the Norwegian population over the age of 18 holds its player card. No other lottery has anything like the same card penetration, which confirms that the player card has been a great success. The number of games played in registered mode was just over 90 per cent at 31 December. Norsk Tipping plans to confine all its games to registered players





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work-years in 2007

Board of directors (from left): Knut Brofoss, Helle Stine Næss, Ingvild Myhre, Sigmund Thue, Siv Tørudbakken, Silvija Seres and Petter Torgerhagen.



during 2008, with the exception of Flax.

The new player card is a key instrument for developing the company's range of games because it provides new opportunities for introducing attractive services while making it possible to curb undesirable player behaviour.

#### Policy framework

Regulatory uncertainties related to the gaming machine issue were clarified during 2007.

The most important clarification was provided by the Efta Court's conclusion on whether the Norwegian state has the power to give Norsk Tipping an exclusive right to operate gaming machines. On 14 March 2007, almost four years after the Storting resolved to give such a right to Norsk Tipping, the court finally concluded that conferring an exclusive right was a legally acceptable instrument for limiting the harmful effects associated with money games. The court thereby extended an important principle from earlier judgements in the EU, which is that money games constitute a special market and that the national state itself, within defined limits, can determine how it should be regulated.

This decision was followed up on 26 June with a similar judgement by the Norwegian Supreme Court. The latter also found that Norsk Tipping's exclusive right to operate gaming machines did not contravene the European Economic Area agreement, as had been claimed by the gaming machine industry. With these judgements in hand, the government could implement the Storting's decision and a ban on the former gaming machines was imposed with effect from 1 July 2007.

For Norsk Tipping, this means that the company has now been commissioned to plan and implement the deployment of new gaming terminals in Norway from the summer of 2008. It will thereby be able to make a significant contribution to ensuring that this part of the market is also characterised by responsibility and moderation, in line with its mandate and government policy.

In addition to the gaming machine case, the Efta court has delivered a opinion to the Oslo District Court in the Ladbrokes case. This followed an appeal by Ladbrokes plc against the rejection of its application for permission to operate and provide money games and lotteries, which prompted the Oslo District Court to request an opinion from the Efta Court. Issued on 29 May, the latter acknowledges that strict government controls and a monopoly can be imposed, and provides guidelines on how the Norwegian court should determine whether Norwegian regulation of money games accords with the EEA agreement.

The case is due to be heard by the Oslo District Court in May 2008.

During 2007, the government also took the initiative on limiting competition from foreign internet-based gaming companies through a proposed ban on aiding and abetting remote gaming activity by processing payments for games which lack a Norwegian licence. Under the proposal, processing payments for remote money games will be illegal when the payment processor – usually a bank or credit card issuer – is aware that the payment is being made to a money game provided without a Norwegian licence. The proposal was circulated for public consultation in January 2008.

White Paper no 39 (2006-2007) on the voluntary sector was considered by the Storting in December 2007. This document confirms the principles of the government's money game policy, and describes several changes and measures:

- In connection with the roll-out of Norsk Tipping's gaming machines, an annual consultation scheme will be established with the Norwegian Association of Local and Regional Authorities (KS) to provide quality assurance and take care of local authority interests in relation to location and the selection of local operators.
- In line with the Storting's decision to introduce an exclusive-right model, the distribution formula will be amended to include that part of Norway's voluntary sector which lost its gaming machine revenues as a result of the change. The revised formula will be implemented from 2009.
- To compensate organisations for the loss of earlier gaming machine revenue, the government will devote NOK 1 billion from Norsk Tipping's investment fund to offset income reductions experienced by voluntary organisations in 2008 and 2009.
- The government also wants to introduce a "grassroots share" to Norsk Tipping's share of revenues from registered games. This means that a player can decide which teams/associations should receive their share of the wager on a game. The new scheme means that up to five per cent of the stake can be channelled to the player's preselected cause.

Norsk Tipping as a company is neither a party to the legal actions currently under way nor involved in the political discussion on various aspects of money game policy. Nevertheless, the outcome of these processes will be

important for Norsk Tipping's opportunities to discharge its mandate, and the board would accordingly express satisfaction that important regulatory aspects were clarified during the year.

### **Communication and marketing**

Marketing is necessary if Norsk Tipping is to channel money gaming activity by Norwegian players to the regulated market. This represents the principal strategy for the company's marketing. In addition, such work will promote Norsk Tipping as a responsible actor and demonstrate how its profits contribute to the community.

Norsk Tipping's gaming business creates a big responsibility for informing the players who use its games and products. That applies, for instance, to information about special prizes and aspects of the games.

Advertising films from Norsk Tipping are among the most popular in Norway. An important reason for this is their informal style and use of humour. Their role is to build knowledge of the brands without conveying aggressive buying messages.

It was gratifying to note that two of the company's advertising films were nominated for Norway's Silverfish awards in 2007. The Flax film "Welcome back" won in August and the Keno film "Tough in pyjamas" in December.

Marketing costs for the games were reduced in 2005-06, but returned to the 2004 level in 2007. The increase reflected the launch of Keno and a stronger focus on promotional marketing. It should be noted in this context that the total advertising market in Norway expanded by 46 per cent in 2003-07, while growth for Norsk Tipping over the same

period was much more modest at roughly three per cent. As a result, Norsk Tipping became significantly less visible.

Norsk Tipping spends about 1.8 per cent of its turnover on advertising. In other words, these costs represents a relatively small proportion of the company's turnover compared with other major buyers in the Norwegian advertising market.

The Ministry of Culture and Church Affairs has drawn up guidelines for marketing state-controlled money games. These have not called for any major changes to Norsk Tipping's marketing. Some clarifications have been made, but the new guidelines are largely in accordance with the principles applied earlier by Norsk Tipping for its marketing on the basis of its own code of marketing ethics. Norsk Tipping's own guidelines for preparing advertisements and other marketing measures amplify the ministry's.

Under the guidelines, the Norwegian Gaming Board is responsible for checking that marketing accords with the rules. Norsk Tipping reports all campaigns and marketing activities to the board, whose reports on this aspect have concluded that Norsk Tipping's marketing by and large accords with the rules. Where non-conformances have been identified, the company has made the necessary adjustments.

### **Corporate social responsibility**

As a logical consequence of its role and mandate, Norsk Tipping has a special duty to display good understanding of its corporate social responsibility (CSR). Its starting point 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, face-to-face 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 mandate, work on responsible gaming is given high priority and conducted in accordance with specific action plans. To ensure specialist and independent contributions and advice in this work, the company maintains close and continuous contact with the most important experts – both national and international. On the security side, a department-by-department assessment of commercial and operational risks was conducted in 2007. Including aspects related to the company's ethical guidelines, these analyses have been followed up with specific improvement plans and the company has revised its ethical guidelines.

Norsk Tipping publishes an externally-verified social report which provides a broad and extensive account of work in this field. This report is now integrated with the annual report.

### **Organisation, personnel and the environment**

It emerged in the autumn of 2007 that Norsk Tipping's chief executive, Reidar Nordby Jr, had received benefits from the company in the form of gardening work on his private property which exceeded the level agreed with the board. As a consequence of this affair, Mr Nordby resigned as chief executive





Turnover topped

NOK 10 billion

Senior management team (from left): Peer Jacob Svenkerud, Trond Karlsen, Axel Krovgig, Marie Jore Ritterberg, Jan P Strømslid, Tollef Imsdalen and Thorbjørn Unneberg

on 27 November. He had headed the company for 19 years. The board would extend its thanks to Mr Nordby for his work on and commitment to the company's operations and renewal during this period.

On 10 December, the board appointed Axel Krogvig as acting chief executive. Mr Krogvig was a senior adviser at that time with Nortura BA, where he had previously been chief executive, and he took office on the day of his appointment by the board.

Norsk Tipping's organisation successfully displayed robustness and unity in a constructive manner during this demanding period.

No major changes otherwise occurred in Norsk Tipping's organisation during 2007. The number of employees remained stable, declining slightly over the year. While there were 324 employees at 1 January, divided between 287 full-time and 37 part-time personnel, the total had been reduced to 322 at 31 December. That figure broke down into 300 full-time employees, five part-time and 17 temporarily part-time. The average number of employees during the year was 323. Total work-years came to 317.

The gender division in the company at 31 December was 42 per cent women and 58 per cent men. These proportions were 14 per cent and 86 per cent in top management, 22 and 78 per cent for middle management, and 31 and 69 per cent among team leaders. The board has four female directors and three male.

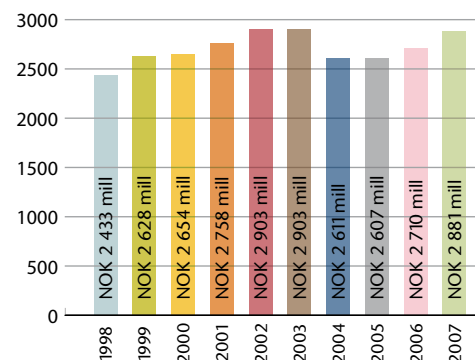
Norsk Tipping gives weight to diversity, and regards equality of opportunity as a natural part of a unified human resources policy. The board would refer to the company's report and action plan in this area.

Norsk Tipping has always had a very stable workforce. Turnover of staff in 2007 was five per cent, while in-house transfers totalled 3.1 per cent. The latter are a positive indication that employees have the opportunity to move to other jobs within the company.

The board takes the view that Norsk Tipping has a good working environment, characterised by well-being, pride and commitment. This was also confirmed by the employee survey conducted in 2007 in cooperation with TNS Gallup. The latter's international index for the intensity of employee commitment placed Norsk Tipping among the top 20 per cent among north European companies (TNS Gallup's experience database).

In-house communication appears constructive and positive, and cooperation with the trade unions and their elected officials is positive. This also seems to have a positive impact on sickness absence, which has been relatively low in Norsk Tipping during recent years. Sickness absence in 2007 was 4.8 per cent, compared with 4.6 per cent the year before. Short-term absence was 1.1 per cent, compared to 0.9 per cent in 2006.

Norsk Tipping gives weight to work on health, safety and the environment, and follows this up through a specific action plan. The company has no operations which cause emissions to the air or discharges to water, but nonetheless has a conscious attitude to its environmental impact through resource consumption, transport and waste creation. Since 2005, all the company's coupons and programmes and a number of other publications – including this annual and social report – have been printed on certified environment-friendly paper carrying the Nordic Swan label. We pay a fee to the



**Distribution of profit over the past 10 years in nominal NOK:**

Ecolabelling foundation for these products.

#### Activities in the subsidiaries

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's other subsidiary, **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.

Norsk Tipping also owns 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 the smart card used among other applications for Norsk Tipping's player card.



Both Fabelaktiv and Buypass have cutting-edge expertise and deliveries to Norsk Tipping which are regarded as important for the company's future success and leading position in the gaming market.

### Prospects

The board takes a positive view of the turnover growth achieved in 2007. However, it is important to point out that this rise derived from increases in row prices, successful campaigns for some of the games and the ban on gaming machines. Despite a decline in the player base, Norsk Tipping managed to demonstrate in both 2006 and 2007 that moderate financial growth can be achieved by renewing existing games and by introducing the new Keno game.

Nevertheless, the board sees a need to renew the portfolio of games. The opportunity to implement such a renewal will be crucial for Norsk Tipping's competitiveness and for its ability to remain the preferred game provider in Norway.

The board expects that competition over games will increase in the time to come because foreign actors want to position themselves in the Norwegian market. It is

therefore important that Norsk Tipping pursues an ambitious long-term strategy for further development of its games to make them attractive and meet demand in a responsible manner.

In this way, Norsk Tipping can contribute to making 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 3-3a of the Norwegian Accounting Act, the board confirms that the company's annual accounts for 2007 have

been prepared on the basis of the going concern assumption. The board is not 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 2008, when this is submitted to the Storting.

### Allocation of profit

Total profit from gaming operations in Norsk Tipping AS for the 2007 fiscal year was NOK 3 099 565 992.

<b>Total profit</b>	NOK 3 099 565 992
Profit for Health and Rehabilitation	NOK 218 597 008
<b>Profit for Norsk Tipping AS</b>	<b>NOK 2 880 968 984</b>


Pursuant to the recommendations in Proposition no 1 (2007-08) to the Storting, the board proposes that the profit should be allocated as follows:

Transfer to investment fund	NOK 218 968 984
Combating problem gaming	NOK 12 000 000
Other beneficiarie <sup>1)</sup>	NOK 150 000 000
Funds to beneficiaries <sup>2)</sup>	NOK 2 500 000 000
<b>Total allocated</b>	<b>NOK 2 880 968 984</b>

<sup>1)</sup> Other beneficiaries are organisations which received funds from gaming machines in 2001

<sup>2)</sup> Funds to beneficiaries break down in 2008 to NOK 1250 million to sports and NOK 1250 million to culture.

The board of directors of Norsk Tipping AS  
Hamar, 6 March 2008


  
Sigmund Thue,  
Chair of the board

  
Ingvild Myhre

  
Knut Brofoss

  
Silvija Seres

  
Siv Tørudbakken

  
Helle Stine Næss

  
Petter Torgerhagen

  
Axel Krogvig,  
Acting president and CEO

## Profit and loss account

<i>Amounts in NOK mill</i>	<i>Note</i>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>OPERATING REVENUE</b>				
Games revenue	1	10 388.4	9 618.9	9 203.2
Other operating revenue	2	128.8	179.3	158.7
<b>TOTAL OPERATING REVENUE</b>		<b>10 517.2</b>	<b>9 798.2</b>	<b>9 361.9</b>
<b>OPERATING EXPENSES</b>				
Prizes		5 510.4	5 101.2	4 828.7
Game commissions		714.2	675.3	660.0
Payroll costs	3	244.0	210.7	221.6
Depreciation	7	156.4	172.7	159.1
Other operating expenses	4	911.7	888.7	802.3
<b>TOTAL OPERATING EXPENSES</b>		<b>7 536.7</b>	<b>7 048.6</b>	<b>6 671.8</b>
<b>OPERATING PROFIT *</b>		<b>2 980.5</b>	<b>2 749.6</b>	<b>2 690.1</b>
Financial income	5	180.5	128.8	70.2
Financial expenses	5	61.4	40.4	28.5
<b>NET PROFIT</b>		<b>3 099.6</b>	<b>2 838.0</b>	<b>2 731.8</b>
Net profit is distributed as follows:				
Norsk Tipping AS		2 881.0	2 639.6	2 537.1
Health and Rehabilitation		218.6	198.4	194.7

\* See note 6 for Norsk Tipping excluding the gaming machine division



## Balance sheet

<i>Amounts in NOK mill</i>	<i>Note</i>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>				
<b>Fixed assets</b>				
<b>Tangible fixed assets</b>				
Land, buildings and other real property	7	56.3	61.0	65.3
Computer systems/terminals/other fixtures/vehicles	7	262.9	353.4	434.8
<b>Total fixed assets</b>		<b>319.2</b>	<b>414.4</b>	<b>500.1</b>
<b>Financial fixed assets</b>				
Investment in subsidiaries	8	2.9	2.9	4.4
Investment in associated companies	8	20.7	20.4	-
Investment in other companies		0.2	0.2	0.2
Loans to associated companies	9	15.5	30.4	87.5
Bonds and other receivables	10	16.5	15.8	18.2
<b>Total financial fixed assets</b>		<b>55.8</b>	<b>69.6</b>	<b>110.2</b>
<b>Total fixed assets</b>		<b>375.0</b>	<b>484.0</b>	<b>610.3</b>
<b>Current assets</b>				
Stock of goods for sale	11	2.2	3.2	3.2
<b>Receivables</b>				
Accounts receivable	12	0.3	0.3	2.5
Claims on retailers	13	147.5	33.1	165.3
Other receivables	14	41.7	37.3	62.7
<b>Total receivables</b>		<b>189.5</b>	<b>70.8</b>	<b>230.6</b>
Bank deposits, cash in hand, etc		4 559.9	3 966.0	3 413.6
<b>Total current assets</b>		<b>4 751.7</b>	<b>4 039.9</b>	<b>3 647.4</b>
<b>TOTAL ASSETS</b>		<b>5 126.7</b>	<b>4 523.9</b>	<b>4 257.7</b>

# Balance sheet

<i>Amounts in NOK mill</i>	<i>Note</i>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	15	0.2	0.2	0.2
Investment fund	16	1 650.8	1 373.3	1 206.8
<b>Total equity</b>		<b>1 651.0</b>	<b>1 373.5</b>	<b>1 207.0</b>
<b>Liabilities</b>				
<b>Provisions</b>				
Pension commitments	20, 21	48.0	9.8	5.0
<b>Total provisions</b>		<b>48.0</b>	<b>9.8</b>	<b>5.0</b>
<b>Other long-term liabilities</b>				
Funds – games	17	298.1	266.5	264.8
Total other long-term liabilities		298.1	266.5	264.8
<b>Total long-term liabilities</b>		<b>346.1</b>	<b>276.3</b>	<b>269.7</b>
<b>Current liabilities</b>				
Accounts payable		77.4	74.9	63.9
Prize liabilities		77.9	50.0	106.2
Prepaid wagers		162.8	145.5	130.8
Unpaid government charges and special taxes		25.6	17.8	19.1
Other current liabilities	18	114.3	63.6	37.3
Remaining profit for payment	19	2 671.6	2 522.4	2 423.7
<b>Total current liabilities</b>		<b>3 129.6</b>	<b>2 874.1</b>	<b>2 781.0</b>
<b>Total liabilities</b>		<b>3 475.7</b>	<b>3 150.4</b>	<b>3 050.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 126.7</b>	<b>4 523.9</b>	<b>4 257.7</b>

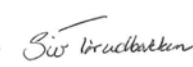
The board of directors of Norsk Tipping AS  
Hamar, 6 March 2008

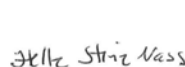
  
Sigmund Thue,  
Chair of the board

  
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Siv Tørudbakken

  
Helle Stine Næss

  
Petter Torgerhagen

  
Axel Krogvig,  
Acting president and CEO



## Cash flow statement

<i>Amounts in NOK mill</i>	2007	2006	2005
<b>Cash flow from operating activities</b>			
Net profit	3 099.6	2 838.0	2 731.8
Gain on sale of fixed assets	-1.0	-0.5	-1.0
Depreciation of investments	156.4	172.8	159.1
Change in claims on retailers	-114.4	132.2	-35.0
Change in other current receivables, current assets and stock of goods for sale	-3.4	27.7	43.6
Change in accounts payable	2.5	11.0	-37.9
Change in pension commitments	38.2	4.8	5.0
Change in other long-term receivables	13.8	40.5	-66.5
<b>Net cash flow from operating activities</b>	<b>3 191.7</b>	<b>3 226.6</b>	<b>2 799.2</b>
<b>Cash flow from investing activities</b>			
Receipts from sale of tangible fixed assets	3.2	11.0	1.5
Payments on purchase of tangible fixed assets	-63.4	-97.6	-199.8
<b>Net cash flow from investing activities</b>	<b>-60.2</b>	<b>-86.6</b>	<b>-198.3</b>
<b>Cash flow from financing activities</b>			
Net change in long-term liabilities	31.6	1.7	51.0
Net change in current liabilities	103.7	-16.5	-40.6
Net change in investment fund	277.5	166.5	151.1
Payments and allocations	-2 950.4	-2 739.3	-2 748.2
<b>Net cash flow from financing activities</b>	<b>-2 537.6</b>	<b>-2 587.6</b>	<b>-2 586.6</b>
Net change in cash holdings	593.9	552.4	14.3
Cash reserves at 1 Jan	3 966.0	3 413.6	3 399.3
<b>Cash reserves at 31 Dec</b>	<b>4 559.9</b>	<b>3 966.0</b>	<b>3 413.6</b>

Norsk Tipping AS uses the indirect model when preparing its cash flow statement.

# Notes to the accounts

All amounts in the tables are in NOK 1 000

## 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 2007 will be distributed in 2008 between good causes in the fields of sports and culture, grants to measures aimed at countering problem gaming and to other beneficiaries. 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 2007 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. Research and development costs are expensed on a continuous basis.

### 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 depreciation. Depreciation is

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 and other pension agreements 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:

<b>Games</b>	2007	2006	2005
Lotto	3 871 522	3 727 748	3 310 643
Viking Lotto	1 560 032	1 441 282	1 446 947
Joker	803 507	769 178	757 486
Keno	86 510	0	0
Tipping	740 452	702 515	726 972
Oddsden	1 585 240	1 444 399	1 307 935
Flax	866 900	761 020	882 677
<b>Norsk Tipping's games</b>	<b>9 514 163</b>	<b>8 846 142</b>	<b>8 432 660</b>
Extra	874 207	772 731	770 568
<b>Total games revenue</b>	<b>10 388 370</b>	<b>9 618 873</b>	<b>9 203 228</b>

Games revenue spanned 52 playing weeks in 2007.

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

NOK 4.3 million in total revenue from 1 January 2008 is included in the accounts for 2007, together with a total of NOK 2.3 million in corresponding costs (prizes and commissions).

**NOTE 2 Other operating revenue**

	2007	2006	2005
Operator's fee for SHR	82 916	75 244	73 840
Player card sales	18 903	76 722	52 257
Transfers from funds, Extra game	8 000	8 000	8 000
Miscellaneous revenues	18 999	19 298	24 564
<b>Total</b>	<b>128 818</b>	<b>179 264</b>	<b>158 661</b>

**NOTE 3 Payroll costs**

	2007	2006	2005
Pay and fees	160 472	157 827	161 380
Payroll tax	24 817	24 861	26 987
Pension costs	54 660	24 443	29 732
Other social costs	4 007	3 576	3 505
<b>Sum</b>	<b>243 956</b>	<b>210 707</b>	<b>221 604</b>
Benefits in kind	8 378	7 816	7 597
<b>Total</b>	<b>252 334</b>	<b>218 523</b>	<b>229 201</b>

Remuneration of senior executives in 2007	Former CEO	Present CEO (Acting from 10 Dec 2007 until 1 Jul 2008)	Board
Pay and fees	1 650	133	804
Car allowance	60	0	0
Other allowances	83	0	0
Pension costs *)	150	0	0

\*) The company's share of pension premiums calculated on reported pay.

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. Where pension agreements are concerned, the previous chief executive is entitled to 60 per cent of his pay from the age of 62 and thereafter 65 per cent from the age of 65 until the age of 67. The former deputy chief executive is entitled to 66 per cent of his pay from his departure at the age of 64 until the age of 67. Employees with a salary of more than 12 times the National Insurance base amount (G) are covered by a collective retirement pension which entitles them to 66 per cent of their salary from the age of 67. These three agreements are expensed in their entirety as pension costs and recorded as pension commitments in the accounts for 2007. See unfunded pension agreements in note 20.

The chair receives a fee of NOK 200 000, the deputy chair receives NOK 130 000, other directors receive NOK 110 000 and alternate directors receive NOK 6 000 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 2007 was 317 compared with 335 in 2006.

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

**NOTE 4 Other operating expenses**

	2007	2006	2005
Operations, maintenance and telecommunications	250 543	257 044	265 735
Operating costs for SHR	82 916	75 244	73 840
Retailer commission for player card sales	5 890	34 456	21 417
Development costs	58 114	27 062	41 030
Other internal costs	514 210	494 865	400 308
<b>Total</b>	<b>911 673</b>	<b>888 671</b>	<b>802 330</b>

**NOTE 5 Financial income and expenses**

	2007	2006	2005
Interest income	177 431	100 727	63 894
Other financial income	770	24 364	406
Financial income subsidiaries and associates	1 182	1 672	1 916
Gain on currency	1 102	2 051	4 021
<b>Total financial income</b>	<b>180 485</b>	<b>128 814</b>	<b>70 237</b>
Interest expenses	58 804	39 073	26 213
Other financial expenses	82	321	1 387
Loss on currency	2 558	1 012	932
<b>Total financial expenses</b>	<b>61 444</b>	<b>40 406</b>	<b>28 532</b>

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 2007, the company had a forward foreign exchange contract whereby Norsk Tipping has a holding in SEK corresponding to NOK 249 million. The SEK/NOK exchange rate at 31 December 2007 was 84.59, and Norsk Tipping had an unrealised currency loss of NOK 24.5 million at that date. Hedge accounting accords with generally accepted accounting principles in this area.

Other financial income in 2006 comprises NOK 23.2 million in liquidation gain related to the winding up of the Spillverden AS subsidiary.

Interest expenses largely comprise internal interest rates on the investment fund. This has been charged under the authority of the guidelines for funds in Norsk Tipping adopted by the Ministry of Culture and Church Affairs. The interest rate applied is the same as the rate obtained by Norsk Tipping at any given time on its deposits in the Bank of Norway. See also note 16.



**NOTE 6 Norsk Tipping excluding gaming machine division**

	2007	2006	2005
Games revenue	10 388 370	9 618 873	9 203 228
Other operating revenue (excluding fund income)	120 818	170 799	144 894
<b>Total operating revenue</b>	<b>10 509 188</b>	<b>9 789 672</b>	<b>9 348 122</b>
Ordinary costs	7 318 933	6 826 749	6 393 657
Development costs	58 114	27 062	41 030
Depreciation	120 187	116 310	117 029
<b>Total expenses</b>	<b>7 497 234</b>	<b>6 970 121</b>	<b>6 551 716</b>
<b>Operating profit</b>	<b>3 011 954</b>	<b>2 819 551</b>	<b>2 796 406</b>

**NOTE 7 Tangible fixed assets**

	Vehicles	Computer system machines /fixture	Land buildings /other real property	Total
Acquisition cost at 1 Jan 2007	11 602	1 247 224	193 009	1 451 835
Disposals for the year	3 432	10 525	0	13 957
Acquisitions for the year	17	63 162	267	63 446
Acquisition cost at 31 Dec 2007	8 187	1 299 861	193 276	1 501 324
Accumulated ordinary depreciation and write-downs	6 967	1 038 147	137 019	1 182 133
<b>Book value at 31 Dec 2007</b>	<b>1 220</b>	<b>261 714</b>	<b>56 257</b>	<b>319 191</b>

**Total leasing costs for 2007:**

Office machines	583
Vehicles	2 198
<b>Total leasing costs</b>	<b>2 781</b>

**Depreciation:**

Depreciation breaks down as follows:	2007	2006	2005
Vehicles	1 764	4 071	4 573
Computer systems/machines/fixtures	149 659	163 716	141 323
Land, buildings and other real property	4 983	4 956	13 218
<b>Total depreciation</b>	<b>156 406</b>	<b>172 743</b>	<b>159 114</b>

**Investment overview 2003-2007**

	2007	2006	2005	2004	2003
Vehicles	17	737	1 722	7 938	6 304
Computer systems/machines/fixtures	63 162	96 252	80 727	62 610	71 209
Terminals and gaming machines	0	0	107 031	364 578	21 833
Land, buildings and other real property	267	659	10 303	27 224	10 184
<b>Total investments</b>	<b>63 446</b>	<b>97 648</b>	<b>199 783</b>	<b>462 350</b>	<b>109 530</b>

**Depreciation plan:**

	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

**NOTE 8 Investment in subsidiaries and associated companies**

Company	Year of acquisition	Business officer	Share-holding	Voting share	Cost price of holding	Book value
Fabelaktiv AS	2000	Hamar	100,00%	100%	6 000	2 800
Norsk Tipping Nettnavn AS	2004	Hamar	100,00%	100%	110	110
Buypass AS	2006	Oslo	45,05%	50%	19 011	19 011
Buyinvest AS	2006	Oslo	32,00%	32%	1 690	1 690
<b>Total</b>					<b>26 811</b>	<b>23 611</b>

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 1.9 million and an equity of NOK 6.8 million.

The accounts for **Norsk Tipping Nettnavn AS** show a profit of NOK 7 240 and an equity of NOK 122 075.

The accounts for the **Buypass group** show a profit of NOK 15.2 million and an equity of NOK 56.6 million.

The accounts for **Buyinvest AS** show a loss of NOK 0.4 million and an equity of NOK 0.5 million.

**NOTE 9 Intercompany balances**

	2007	2006	2005
Subordinated loans	11 914	26 914	87 364
Long-term loans	3 633	3 449	100
<b>Total intercompany balances</b>	<b>15 547</b>	<b>30 363</b>	<b>87 464</b>

	2007	2006	2005
Current debt to group companies	4 407	0	1 707
Current receivables from group companies	0	0	1 574

**NOTE 10 Bonds and other receivables**

	2007	2006	2005
Long-term loans to employees	16 312	15 519	17 198
Other receivables	229	314	1 001
<b>Total</b>	<b>16 541</b>	<b>15 833</b>	<b>18 199</b>

**NOTE 11 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 12 Customer receivables**

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

**NOTE 13 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 3 973 retailers at 31 December.

**NOTE 14 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 15 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 16 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.

	2007	2006	2005
Investment fund at 1 Jan	1 373 379	1 206 845	1 055 771
Addition of interest	58 525	38 926	25 927
Addition from net profit	218 969	127 608	125 147
<b>Total at 31 Dec</b>	<b>1 650 873</b>	<b>1 373 379</b>	<b>1 206 845</b>

In the period from 1 July 2007 to 31 December 2008, the socially beneficial and humanitarian organisations which had gaming machine revenues will receive no revenue from gaming machines or from Norsk Tipping. To ensure that these organisations receive revenues in 2008 and to maintain the level of income of the existing beneficiaries, the Ministry of Culture and Church Affairs (KKD) intends to pay an additional NOK 350 million from Norsk Tipping's investment fund during 2008. Similarly, the KKD intends to pay NOK 650 million from the investment fund in 2009, so that the overall payout will be NOK 1 billion. (Source: Proposition no 1 to the Storting for 2007-08.)

**NOTE 17 Funds – games**

Each game except Keno has its own fund. The table below shows the balance for each game/fund.

Games	2007	2006	2005
Lotto	29 393	27 437	30 574
Viking Lotto	114 838	103 069	94 113
Joker	22 529	22 001	21 393
Tipping	5 516	5 640	9 068
Oddsén	3 128	3 401	11 497
Flax	112 584	97 200	68 995
<b>Total Norsk Tipping's games</b>	<b>287 988</b>	<b>258 748</b>	<b>235 640</b>
Extra	10 127	7 766	29 067
Gaming machine division	0	0	45
<b>Total</b>	<b>298 115</b>	<b>266 514</b>	<b>264 752</b>

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 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 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 18 Other short-term liabilities**

	2007	2006	2005
Deposits from retailers	4 851	3 570	905
Bonus pot/Million Chance	14 622	10 684	2 268
Holiday pay due	16 065	15 930	16 987
Current liabilities player accounts	67 215	29 195	7 094
Accruals	11 583	4 243	10 053
<b>Total at 31 Dec</b>	<b>114 336</b>	<b>63 622</b>	<b>37 307</b>

**NOTE 19 Remaining profit for payment**

Profit from Norsk Tipping is distributed to sporting and cultural beneficiaries, measures to counter problem gaming, and other beneficiaries (organisations which received funds from gaming machine activities in 2001), 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 2007		3 099 566
Profit for SHR		218 597
Profit Norsk Tipping AS		2 880 969
Allocated to investment fund		218 969
Remaining profit		2 662 000
Profit for SHR	218 597	
Payment on account 2007	209 000	9 597
<b>Remaining profit for payment</b>		<b>2 671 597</b>
<b>Which is divided as follows:</b>		
Remaining profit to SHR		9 597
Measures to counter problem gaming		12 000
Other beneficiaries		150 000
Remaining profit to Norsk Tipping for distribution to culture and sports		2 500 000
<b>Remaining profit for payment</b>		<b>2 671 597</b>

**NOTE 20 Pension commitments**

Norsk Tipping AS has both funded (financed via fictitious assets in the Norwegian Public Service Pension Fund – SPK) and unfunded pension schemes. The funded pensions schemes are managed by the SPK. See the more detailed presentation of the schemes below. The unfunded schemes relate to collective retirement pension agreements for employees with an annual salary of more than 12 times the National Insurance base amount (G), and two pension agreements for former senior executives.

**Norwegian Public Service Pension Fund – SPK****Description of the 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 are held until their expiry date. Pension assets are accordingly valued at the book value.

**Result for unfunded and funded pension schemes:**

<b>Pension costs 1 Jan-31 Dec</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Present value of pension earnings for the year	18 637	14 950	20 046
Interest costs of pension commitments	15 162	11 155	10 447
Return on pension assets	-10 808	-8 493	-7 532
Employee contributions to pension scheme	-2 808	-3 402	-2 924
Administrative costs	377	337	384
Net pension costs before amortisation	20 560	14 547	20 421
Recorded effect of estimate variances	4 693	2 090	3 401
Accrued payroll tax	3 957	2 757	3 771
<b>Net pension costs</b>	<b>29 210</b>	<b>19 394</b>	<b>27 593</b>
	Unfunded	Funded	
	31.12.2007	31.12.2007	31.12.2006 31.12.2005
Calculated pension commitments	22 347	306 322	241 624 247 970
Payroll tax	3 180	14 544	0 612
Pension assets (at market value)	0	-203 175	-182 740 -173 770
Net accrued pension commitments	25 527	117 691	58 884 74 812
Unrecorded effect of estimate variances	0	-105 429	-59 224 -69 857
<b>Net pension commitments</b>	<b>25 527</b>	<b>12 262</b>	<b>-340 4 955</b>



**Financial assumptions:**

Discount rate	5.50%	5.50%	4.75%	4.75%
Expected pay adjustments	4.50%	4.50%	3.50%	3.50%
Expected change in National Insurance base amount	4.25%	4.25%	3.00%	3.00%
Expected return on assets	5.75%	5.75%	4.75%	4.75%

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

**NOTE 21 Pensions funded from operations/severance pay**

The company concluded agreements with employees on pensions funded from operations in connection with their departure from the company.

Provision 1 Jan 2007	NOK 10.1 mill
Provision during the period	NOK 2.4 mill
Paid in 2007	NOK 2.3 mill
<b>Commitment 31 Dec 2007</b>	<b>NOK 10.2 mill</b>

The amount of NOK 2.4 million was expensed in its entirety for 2007, while NOK 10.2 million represents the outstanding liquidity commitment at 31 December 2007.

## Auditing the accounts for 2007 for Norsk Tipping AS

Pursuant to section 7 of the Gaming Act, 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 memorandum (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.

The accounts of Norsk Tipping AS have been audited, and the board of directors has been informed of the results of the audit.

## Games revenue Norsk Tipping 2007

County	Viking								Totalt
	Lotto	Lotto	Joker	Keno	Tipping	Oddsens	Flax	Extra	
Østfold	236.1	91.0	45.5	3.4	45.6	82.8	53.0	49.1	606.4
Akershus	358.2	144.9	71.5	5.1	59.8	112.8	68.9	64.1	885.2
Oslo	327.8	163.0	62.8	6.1	78.7	236.3	80.2	50.5	1 005.4
Hedmark	206.0	75.4	37.9	4.6	28.6	41.4	45.2	49.3	488.6
Oppland	186.1	65.9	37.2	3.4	28.4	44.7	38.4	44.6	448.7
Buskerud	214.9	82.5	42.5	3.7	34.1	62.2	43.1	44.2	527.3
Vestfold	170.9	63.9	33.5	2.5	30.3	64.0	45.6	37.0	447.7
Telemark	139.4	49.1	27.1	2.3	25.1	40.0	30.8	35.4	349.1
Aust-Agder	77.5	27.3	15.0	1.3	11.8	18.1	19.6	17.0	187.6
Vest-Agder	106.6	37.9	20.7	1.5	19.0	46.3	24.2	20.6	277.0
Rogaland	256.1	96.5	51.5	3.9	51.7	148.7	71.7	50.8	730.9
Hordaland	362.9	144.1	76.3	6.5	73.9	151.4	84.1	81.7	980.9
Sogn og Fjordane	90.9	38.9	20.8	2.1	14.4	29.3	23.3	23.6	243.3
Møre og Romsdal	199.5	80.2	43.1	3.7	27.7	66.1	48.9	50.9	520.1
Sør-Trøndelag	219.7	84.0	44.4	4.0	29.8	85.3	50.6	55.0	572.6
Nord-Trøndelag	121.9	45.9	23.4	1.9	13.9	22.6	25.9	33.0	288.5
Nordland	205.7	82.3	49.0	4.5	29.7	52.8	56.4	62.2	542.6
Troms	135.8	59.9	33.6	3.6	20.7	34.4	33.5	39.6	361.2
Finmark	83.4	41.8	21.3	2.4	15.2	17.0	23.0	23.7	227.8
Svalbard	1.9	0.9	0.6	0.0	0.2	0.2	0.7	0.4	4.9
Electronic games	170.2	84.6	45.8	19.8	101.8	228.8		41.5	692.6
<b>Total</b>	<b>3 871.5</b>	<b>1 560.0</b>	<b>803.5</b>	<b>86.5</b>	<b>740.5</b>	<b>1 585.3</b>	<b>866.9</b>	<b>874.2</b>	<b>10 388.4</b>
<b>Per cent of total per game</b>	<b>37.3%</b>	<b>15.0%</b>	<b>7.8%</b>	<b>0.8%</b>	<b>7.1%</b>	<b>15.3%</b>	<b>8.3%</b>	<b>8.4%</b>	<b>100.0%</b>
Per capita NOK <sup>1)</sup>	822.93	331.60	170.79	18.39	157.39	336.95	184.27	185.82	2 208.14
Per capita EUR <sup>2)</sup>	102.67	41.37	21.31	2.29	19.64	42.04	22.99	23.18	275.49
Per capita USD <sup>2)</sup>	140.43	56.59	29.15	3.14	26.86	57.50	31.44	31.71	376.82

<sup>1)</sup> Statistics Norway at 1 July 2007 = 4 704 573 inhabitants (approx annual average)

<sup>2)</sup> Conversion rates = Bank of Norway's annual average for 2007

EUR 1.00 = NOK 8.0153

USD 1.00 = NOK 5.8600

## Games revenue Norsk Tipping 1948-2007

Nominal amounts in NOK million

Year	Total games revenue	Lotto	Viking Lotto	Joker	Keno	Tipping	Oddsen	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	
2006	9 618.9	3 727.7	1 441.4	769.2		702.5	1 444.4	761.0	772.7	
2007	10 388.4	3 871.5	1 560.0	803.5	86.5	740.5	1 585.3	866.9	874.2	
<b>Total</b>	<b>160 624.4</b>	<b>62 301.9</b>	<b>17 004.6</b>	<b>4 623.9</b>	<b>86.5</b>	<b>41 451.5</b>	<b>15 030.7</b>	<b>9 960.4</b>	<b>8 564.3</b>	<b>1 600.6</b>

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

Price adjusted to 2007 value in NOK billion	222.30	74.36	18.88	4.80	0.09	85.27	16.40	10.99	9.31	2.20
Price adjusted to 2007 value in EUR billion	27.73	9.28	2.35	0.60	0.01	10.64	2.05	1.37	1.16	0.27
Price adjusted to 2007 value in USD billion	37.94	12.69	3.22	0.82	0.02	14.55	2.80	1.88	1.59	0.37



## Distribution of profits Norsk Tipping 1948-2007

Nominal amounts in NOK million

Year	Total profit	Sports	Research	Culture	SHR	Treasury	Other beneficiaries <sup>1)</sup>
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	
2007	2 880.6	1 250.0		1 250.0	218.6	12.0	150.0
<b>Total</b>	<b>51 998.0</b>	<b>19 222.5</b>	<b>12 212.4</b>	<b>16 144.2</b>	<b>2 199.1</b>	<b>2 069.8</b>	<b>150.0</b>
Price adjusted to 2007 value in NOK billion	78.34	29.06	24.99	18.91	2.40	2.83	0.15
Price adjusted to 2007 value in EUR billion	9.77	3.62	3.12	2.36	0.30	0.35	0.02
Price adjusted to 2007 value in USD billion	13.37	4.96	4.26	3.23	0.41	0.48	0.03

<sup>1)</sup> Organisations which received funds from gaming machines in 2001.

## Value added statement 2007

	NOK mill	
Games revenue		10 388.4
- Prizes to players	5 510.4	
- Consumption of goods and services	669.5	
- Other costs	192.4	
- Development costs	58.1	
+ Other revenue	128.8	6 301.6
<b>Gross value added</b>		<b>4 086.8</b>
- Depreciation	156.4	
+ Net financial items	119.0	-37.4
<b>Net value added</b>		<b>4 049.4</b>

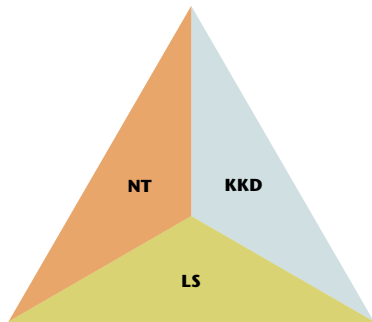
### Value added is distributed as follows:

	NOK mill	Percentage
<b>National and local government:</b>		
Income tax (employees), payroll tax and employer's pension contributions	95.6	2.4%
<b>Employees:</b>		
Pay and pensions (excl tax deductions)	134.1	3.3%
<b>Retailers:</b>		
Commissions from games, player cards and prize payments	720.1	17.8%
<b>Retained by the company:</b>		
Investment fund	219.0	5.4%
<b>Profit to:</b>		
Norwegian Foundation for Health and Rehabilitation	218.6	
Measures to counter problem gaming	12.0	
Other beneficiaries	150.0	
Sports	1 250.0	
Culture	1 250.0	2 880.6
<b>Net value added</b>	<b>4 049.4</b>	<b>100.0%</b>





## Corporate governance



### Division of responsibilities, games

#### KKD - Ministry of Culture and Church Affairs

- Owner of Norsk Tipping
- Decides which games should be offered and sets their rules
- Determines how large a share of the amounts wagered should go to prizes
- Allocation of the company's profit

#### NT - Norsk Tipping

- Operates money games
- The Extra game is operated on behalf of the Norwegian Foundation for Health and Rehabilitation (SHR), which also distributes the funds

#### LS - Norwegian Gaming Board

- Regulator

### 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 the development and practice of the regulations governing Norsk Tipping's operations.

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.

As part of the exercise of its ownership, securing good transparency and an adequate degree of control of the activities pursued in Norsk Tipping's subsidiaries is important for the Ministry of Culture and Church Affairs. On that basis, the following provisions were incorporated in the company's articles of association in 2007 to clarify and define the area of operation for Norsk Tipping's subsidiaries: "The articles of



association of subsidiaries must clearly specify the business of the subsidiary and this business must be associated with activities which fall within the object of Norsk Tipping's business." The instructions for the board of directors were amended to specify the responsibility of the board to supervise the business of the subsidiaries, together with a supplement to ensure transparency and that problems related to cross-subsidisation do not arise. "Subsidisation from the exclusive-right area to other areas which do not fall within Norsk Tipping's core area is not permitted. Significant agreements between companies within the Norsk Tipping group must be in writing."

#### **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. To clarify the requirement for gender representation, the articles of association were amended in 2007 to specify that the gender division in the board must accord with section 20-6, sub-section 1 of the Norwegian Companies Act. Norsk Tipping's employees have opportunities to raise issues through the worker directors. 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 responsible for the satisfactory organisation and management of the company, including the supervision of its relationship with the retailers. The board must also 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. An annual evaluation of its work is carried out by the board at its December meeting. The board observes official guidelines and the company's ethical guidelines on conflicts of interest when considering matters.

#### **Office of the Auditor General and the Norwegian Gaming Board**

The Gaming Act specifies that the company's accounts are audited by the Office of the Auditor General, which is the Storting's supervisory agency and reports the results of its audit to the Storting. Before a matter is reported to the Storting, the findings of the Auditor General must be submitted to the responsible Minister for comment. The Auditor General's audit falls into two parts:

the audit must confirm that the accounts do not contain significant errors or deficiencies, and it must check that the transactions expressed in the accounts accord with the Storting's decisions and conditions, and with the applicable regulations. The content otherwise accords with the Auditor General's standards and guidelines for audit work.

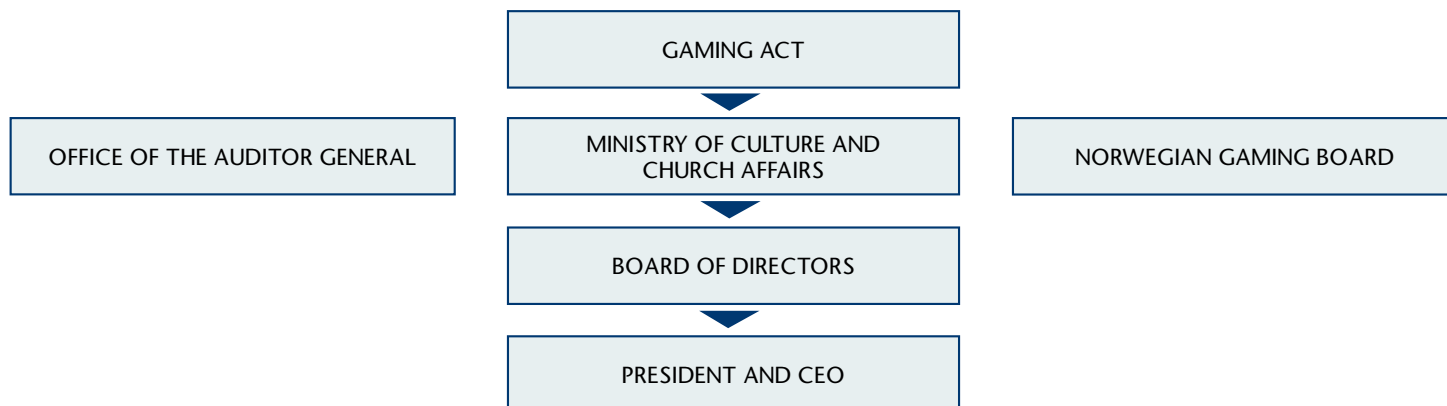
The Norwegian Gaming Board supervises the company's compliance with relevant legislation and game rules. It also continuously assesses whether the company's marketing activities accord with the guidelines on promoting government-controlled money games. Its evaluations are reported twice a year to the owner.

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 a responsible provision of games guides the processes, measures and systems established for the company's corporate governance and organisation.

Norsk Tipping has its own security staff, which 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 are intended 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

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

###### Deputy chair

Sykehuset Innlandet HF

###### Director

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

##### Ingvild Myhre

###### Chair

Simula Research Laboratory AS

###### Director

Folketrygdfondet  
DataRespons ASA  
Telecomputing ASA  
Simrad Optronics ASA  
AS Backe  
Multiconsult AS

##### Knut Brofoss

None

##### Silvija Seres

###### Director

Opera Software ASA  
Profdoc ASA  
Faster Imaging AS

##### Siv Tørudbakken

###### Chair

Bompengeselskapet E6 Gardermoen  
Moelv AS  
Kjørekontoret Innlandet AS

###### Deputy chair

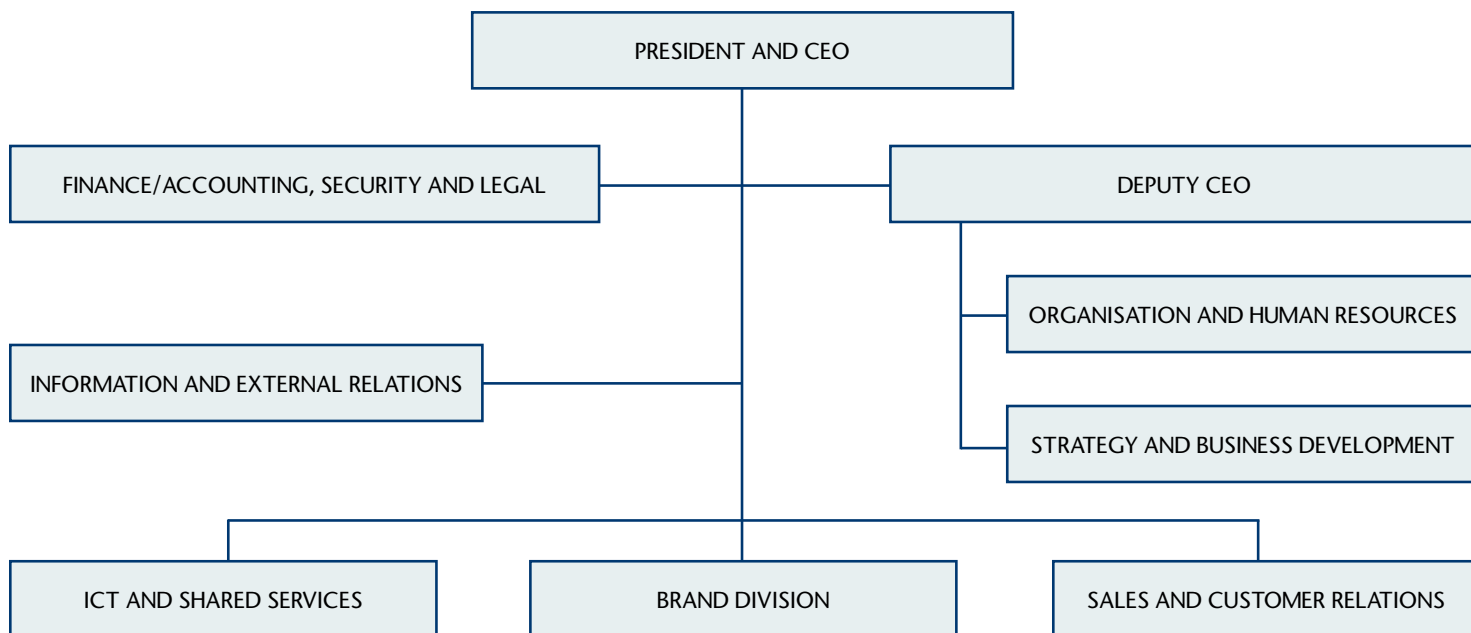
Bompengeselskapet Rv2  
Kongsvingervegen AS  
Kompetanse-, universitets- og forskningsfondet i Innlandet AS

##### Helle Stine Næss

None

##### Petter Torgerhagen

None



**Management**

President and CEO

**Reidar Nordby Jr** to 27 Nov 2007

**Axel Krogvig**

Acting chief executive from 10 Dec 2007

Deputy CEO

**Tollef Imsdalen**

Senior vice president finance/  
accounting, security and legal

**Marie Jore Ritterberg**

Senior vice president information  
and external relations

**Peer Jacob Svenkerud**

Senior vice president ICT and  
shared services

**Trond Karlsen**

Senior vice president brand division

**Thorbjørn A Unneberg**

Senior vice president sales and customer  
relations

**Jan P Strømshlid**

Senior vice president

**Jon Olrud**

**Board of directors**

Sigmund Thue, chair since 1997

Ingvild Myhre, deputy chair since 2007

Knut Brofoss, director since 2005

Silvija Seres, director since 2007

Siv Tørudbakken, director since 2007

Helle Stine Næss, director since 2007

Petter Torgerhagen, director since 2007

Per-Øyvind Sandberg, alternate since 2007

Brit Skurdal Braastad, alternate since 2007

Knut Johannessen, personal alternate since  
2007 for Helle Stine Næss

Rita Helgesen, personal alternate since 2007  
for Petter Torgerhagen

**Norwegian Gaming Board**

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

Head office, Førde:

Atle Hamar, director-general

Jan Støfring, director

Hamar section:

Kaare Sveen, manager





## Product overview



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

Games revenue: NOK 3 871 521 704

Player base: 1 594 008

Average stake: NOK 77

Average age: 51

Gender distribution: 51% men, 49% women



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

Games revenue: NOK 1 560 032 016

Player base: 1 043 482

Average stake: NOK 68

Average age: 52

Gender distribution: 52% men, 48% women



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

Games revenue: NOK 803 506 820

Player base: 1 207 077

Average stake: NOK 22

Average age: 51

Gender distribution: 50% men, 50% women



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

Games revenue: NOK 874 207 570

Player base: 852 613

Average stake: NOK 44

Average age: 53

Gender distribution: 44% men, 56% women





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

Games revenue: NOK 866 899 800

Player base: 878 643

Average stake: NOK 19

Average age: 41

Gender distribution: 45% men, 55% women



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

Games revenue: NOK 1 585 240 396

Player base: 173 240

Average stake: NOK 452

Average age: 41

Gender distribution: 82% men, 18% women



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

Games revenue: NOK 740 452 018

Player base: 290 016

Average stake: NOK 127

Average age: 49

Gender distribution: 71% men, 29% women



**Keno is an odds-based game with a daily draw, and involves choosing the numbers the player believes will come up in that evening's draw.**

Games revenue: NOK 86 510 165

Player base: 196 760

Average stake: NOK 154

Average age: 49

Gender distribution: 58% men, 42% women

\* Figures for Flax are based on market analyses, and could contain margins of error. Flax cannot be played as a registered game.

Source of figures:

Player base: proportion of the Norwegian public over the age of 15 which has 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.