

2008

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ANNUAL AND  
SOCIAL REPORT

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NORSK TIPPING

## CONTENTS

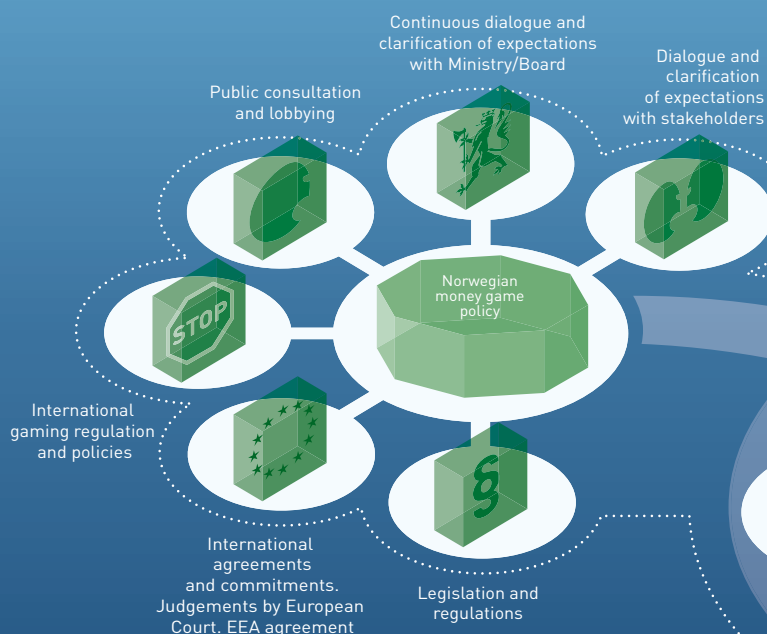
Highlights of 2008 .....	01
A new player on the team .....	02
Directors' report 2008 .....	06
Annual accounts .....	19
Audit memorandum .....	33
Assurance statement for social report .....	38
A time of renewal .....	42
Ability to adapt .....	50
Strategic optimism .....	58
The good contact .....	66
Effective procurement, money saved .....	71
Environmental strategy in the works .....	73
Media and communication .....	77
Balancing the business .....	84
Gaming security is fundamental .....	92
Corporate governance .....	96
GRI index .....	105
Product overview .....	108

# WE GIVE THE DREAM A CHANCE, BOTH FOR OUR PLAYERS AND OUR BENEFICIARIES. GAMING FUNDS BENEFIT SPORTING AND CULTURAL ACTIVITIES THROUGHOUT NORWAY EVERY YEAR.

Norsk Tipping is a wholly state-owned company under the jurisdiction of the Ministry of Culture and Church Affairs.

Broad political agreement prevails in Norway that money games must be regulated to prevent undesirable playing behaviour. Channelling people's gaming activity to Norsk Tipping's products in an ever-tougher market for money games is a key element in Norwegian gaming policy. This provides good official control and guarantees that revenues from money games benefit society.

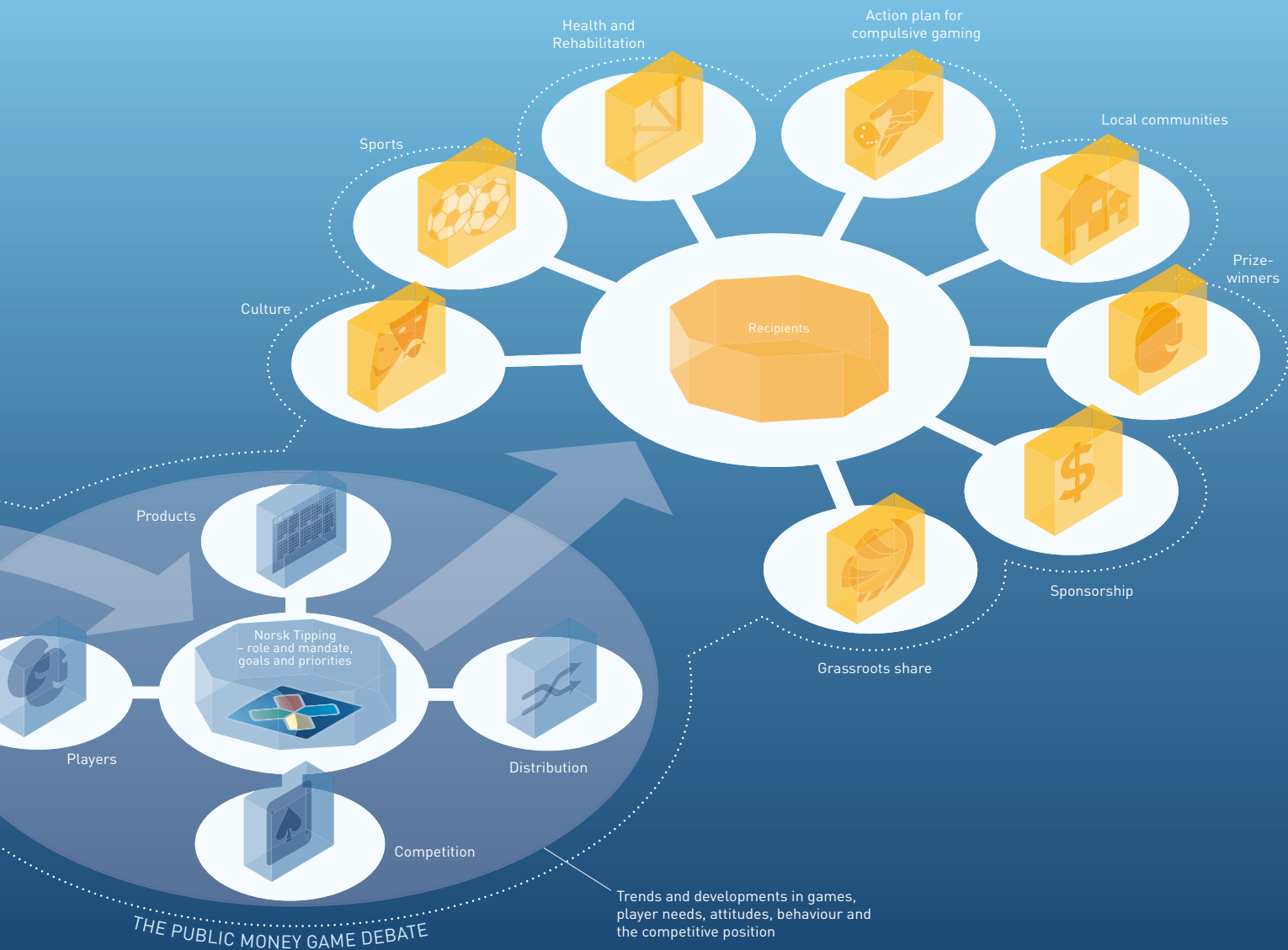
Norsk Tipping has contributed almost NOK 85 billion (price-adjusted) to good causes since 1948 – to the benefit of millions of Norwegians. Responsible and attractive games will continue to secure more billions of kroner for sports, culture and voluntary organisations.



## KEY FIGURES

NOK mill	2008	2007	2006	2005	2004
Games revenue	10 578	10 388	9 619	9 203	9 617
Prizes	5 615	5 510	5 101	4 829	5 010
Prize ratio %	53.1%	53.0%	53.0%	52.5%	52.1%
Game commissions	713	714	675	660	699
Game commissions %	6.7%	6.9%	7.0%	7.2%	7.3%
Operating profit <sup>1</sup>	2 991	2 973	2 742	2 682	2 713
Operating margin % <sup>1</sup>	28.3%	28.6%	28.5%	29.1%	28.2%
Net profit	3 175	3 100	2 838	2 732	2 754
Profit margin %	30.0%	29.8%	29.5%	29.7%	28.6%
Employees at 31 Dec	349	322	324	367	373
Retailers at 31 Dec	4 038	3 973	3 975	3 954	3 847
Terminals at 31 Dec	4 590	4 501	4 501	4 470	4 364

<sup>1</sup> Excluding transfers from funds.  
Percentages in relation to games revenue.



DREAM GRANTS  
Awarded in 2008

100

NEW MINI-PITCHES  
In 2008

205

RECORD TURNOVER  
NOK million

10 578

PLAYER MILLIONAIRES  
In 2008

392

RETAILERS  
In 2008

4 038

AVERAGE NO OF REGISTERED PLAYERS  
per week

1 024 188

# HIGHLIGHTS OF 2008

The first 100 of some 7 000 interactive video terminals (IVTs) were installed. These offer games with a high entertainment value, and also allow the player to deliver Lotto or other traditional Norsk Tipping games. The IVTs represent a gaming concept from the company which has attracted worldwide attention because of the way responsibility and attractiveness are combined in a new playing option.

A new concept for selling games in grocery stores was tested. This allows players to buy instant games (coupon already filled in) together with their groceries at the shop till. A survey showed that both players and store staff were pleased with this way of selling games. It represents a modernisation of the distribution system, tailored to the grocery trade's requirements and player buying habits.

Work on implementing the grassroots share was intensified in the autumn. This allows players to allocate up to five per cent of their stake to a club or association of their choice. It thereby makes Norsk Tipping's object of creating value for sports, culture and voluntary organisations clearer to the players. The scheme came into effect on 1 March 2009.

The company's new strategy plan for 2009–11 was approved. Incorporating an emphasis on renewal, it represents a response to the ambitious targets set for Norsk Tipping by the Ministry of Culture and Church Affairs.

Norsk Tipping achieved a new turnover record of NOK 10 578 million, up by NOK 190 million from the previous peak in 2007. The Keno game made an important contribution to this improvement, with sales of NOK 429 million in its first full year.

The company acquired a new board of directors and chief executive in its 60th anniversary year. County governor Sigbjørn Johnsen became the chair in May, while Thorbjørn Almlid took over as president and CEO on 1 January 2009.

Extensive expansion plans for the company's offices were presented in the autumn, involving a new building of 4 500 square metres. With its total cost estimated at NOK 225 million, this extension is due to be occupied in December 2010.

# A NEW PLAYER ON THE TEAM

**Torbjørn Almlid (59) left his job as head of the Inland Hospital Trust at the end of 2008 to become chief executive of Norsk Tipping. In this interview, he makes it clear that the company plays an important social role.**

logical solutions, and must have attractive games to offer the market – with attention constantly directed at the potentially negative effects of gaming. This is a complex task, which motivates me and everyone else here.

## **What were your first impressions?**

I can't claim to have been a keen player of Norsk Tipping's games, but was very familiar with the company. From outside, I saw a business staffed by able employees with great and appropriate expertise, who were good at performing their social role. My first impression was that the workforce is not only skilled but also very cheerful and pleasant. A second glance revealed this to be a high-tech business. I wasn't actually aware that we operate and develop such advanced solutions.

## **GOOD PLAYERS**

### **What prompted you to accept the job?**

The most important consideration for me was that Norsk Tipping plays an important social role. I could never have accepted a job which didn't involve a relevant social perspective. What's exciting about this place is the link between politics, technology and market. We're charged with doing a responsible job on behalf of the Norwegian government, which rests on a legal framework erected by the Storting (parliament). We build our business on advanced techno-

## **What about the interaction between Norsk Tipping and your owner, the Ministry of Culture and Church Affairs?**

Our expertise and knowledge represent a source of security for our owner, which gives us sensible frameworks for delivering responsible games to the Norwegian gaming market.

## **FAIR PLAY**

### **Two key concepts for Norsk Tipping are attractiveness and responsibility. How can you reconcile these goals?**

I don't think this should be difficult. Attractiveness and responsibility represent the cornerstone of our job to provide a socially useful range of games. Together with the Ministry and the Norwegian Gaming Board, we're required to establish rules for responsible gaming, and we three collectively possess the knowledge needed to reconcile attractiveness and responsibility. Some might feel that working to let large numbers of people play money games isn't responsible, but I believe that our goal must be to get Norwegians to play in the regulated market. As chief executive, I don't see any incompatibilities in that ambition.

We're a prime mover for healthy gaming behaviour, and measures here include intro-



ducing mandatory player registration for all games except Flax. We support an age limit for playing money games and our interactive video terminals (IVTs) incorporate restrictions on losses and good tools for allowing players to set their own limits on playing and losses.

**Norsk Tipping also finds itself caught in the spotlight when attention turns to the negative consequences of money games. How do you respond to the criticism?**

Many people are under the impression that all gaming has a negative side. It can lead to dependence, and we respond aggressively to that reality. One of our most important jobs must accordingly be to document the consequences of our games. Analyses clearly show that these have few negative effects, but we must constantly be able to document that to the world at large.

My goal is that we can demonstrate through an open and transparent business that our activities give pleasure and that our games have few negative side effects. A detailed assessment of each of our games is an important element in such analysis and documentation. Should it turn out that corrections are needed to avoid negative consequences, we'll naturally make them. We must also recognise that ignorance of our activities remains widespread. Far too many people don't know enough about the way we work and the gaming revenues we generate to the benefit of Norwegian society. Dealing with that represents one of our biggest jobs.

**BEST ON HOME GROUND**

**The international gaming companies are expanding their marketing in Norway. How is Norsk Tipping responding to this competition?**

We rely on trust and attractive products. Our

business will be developed by winning the confidence of our owner, the market and other stakeholders. Our primary task is to keep our own house in order, with absolute compliance and transparency. But it's not much help being responsible if the market doesn't find our products attractive. The battle can only be won if players find our games worth playing – and if they aren't left on the sidelines by products from other providers. That means we must make a stronger commitment to games played through electronic channels. This is the arena where we meet the expectations of young adults. We see that the proportion of players who play via the internet and mobile phones is growing, and we'll definitely be participating in this trend.

At the same time, we're pleased that national, regulated money games are enjoying a favourable wind. The European Union has reduced its pressure on national game providers – with money games excluded from the services directive, for instance. That's important for preserving a regulated gaming market in Norway.

**The distribution formula has also been changed from an equal division between culture and sports to 45.5 per cent for sports, 36.5 per cent for culture and 18 per cent for humanitarian and voluntary organisations. Any comments?**

The distribution of profits from our games is decided by the Storting and the government. But I don't think it's a problem that sports get a higher share of game revenues. Through our games and sponsorships, we've always had close links with the sporting world. Cultural life will also benefit from other transfers and grants. We're otherwise proud of the Dream Grant and the Cultural Rucksack. These measures help to encour-



age broad involvement in cultural activities. We've also adopted a new sponsorship strategy, which gives priority to supporting national mass movements in both sports and culture.

#### **SEEKING RENEWAL**

**But you're certainly not short of challenges. After many years of success, aren't Lotto, Viking Lotto and Joker facing a decline in interest?**

These are good games which have accounted for a substantial part of our turnover over many years, and accordingly make a notable contribution to the beneficiaries. We're beginning to see signs that they're losing their appeal, while the average age of the typical Lotto and Joker player is rising. One of our chosen strategic priorities is renewal. This means that we've committed ourselves to developing new products which appeal to players. We must definitely make a commitment to games played through interactive channels. These are the arenas where players in the 18-30 age bracket find it natural to try their luck.

We must also compete with foreign game providers and make a stronger mark in new channels. I can't say anything here and now about what kind of games these will be or what they'll be called, but rest assured that we'll also be applying our expertise and experience in this demanding segment.

**The new IVTs will be rolled out fully during 2009. What expectations do you have for this commitment?**

I regard the new terminals as a good example of our ability to combine responsibility

and attractiveness. We've been given the job of replacing the old slot machines with a more responsible product, and are proud of the IVTs. They're completely new in a global context. The aim is to secure a share of NOK 3 billion in a market which was worth NOK 27 billion at peak. The IVTs were tested in 2008, and responses were positive. It'll be very interesting to see if they appeal to the whole market. I have great expectations that the IVTs will be a success. They also represent a major element in our contribution to renewing the gaming market.

#### **SMART MOVES**

**From 2009, players will be able to allocate five per cent of their stake – the "grass-roots share" – to their own choice of club or society. Comments?**

This concept can be summed up in just one word – clever. It forges a direct link between games and good causes. The players can contribute to the club or society close to their hearts. If this idea proves a success, it means a direct transfer of NOK 250-440 million through the grassroots share.

**Who's going to get yours?**

Mine will go to Hamar Ski Club. I'm a skiing addict.

**What does the Norsk Tipping vision of "we give the dream a chance" mean to you?**

It's an outstanding vision and embraces our whole universe. It also expresses what will be our strength in a future full of challenges and opportunities.

# DIRECTORS' REPORT 2008

**Norsk Tipping found 2008 an important year. New gaming commitments were developed and tested, new and indicative national and supranational decisions were taken – and the company celebrated its 60th anniversary with record a turnover.**

## **Norsk Tipping's social role**

Norsk Tipping conducts its business from Hamar. Its social remit is to be the principal supplier of money games to the pleasure and benefit of the Norwegian people, in the setting of a responsible money game policy. The company's goal is to channel the desire of Norwegians for gaming towards a moderate and responsible provision of games which do not create social problems, while simultaneously creating value for its beneficiaries.

The vision of Norsk Tipping is to give the dream a chance and, through gaming enjoyment, prizes and the allocation of its profit to good causes, the board believes that the company lives up to this vision by turning many dreams into reality.

Responsibility has been a guiding principle for Norsk Tipping ever since its creation in 1948. Striking a balance between attractiveness and responsibility is an absolute requirement for its business, and the company will help to develop the gaming market in a socially acceptable direction.

It must also continuously develop its games to meet growing competition from foreign players. Cross-border money games not least challenge the social policy foundation which underpins Norsk Tipping's role in offering and developing its products.

The Storting (parliament) resolved in 2003 that the distribution formula which determines how Norsk Tipping's profits are allocated should be amended so that organisations with former slot machine revenues would be compensated for the loss of this income. In force since 1 January 2009, the new formula provides the following distribution: 45.5 per cent to sports, 36.5 per cent to culture and 18 per cent to voluntary organisations. In its 2007 White Paper on the voluntary sector, the government resolved that a further NOK 1 billion should be taken from Norsk Tipping's investment fund to compensate voluntary organisations for the loss of slot machine revenues in 2008 and 2009. Up to 0.5 per cent of the company's profits go to the government's action plan to combat compulsive gaming.

Profit from the Extra game is excluded from the formula, and allocated in its entirety to the Norwegian Foundation for Health and Rehabilitation for distribution.

## **A record financial performance**

After exceeding an annual turnover of NOK 10 billion for the first time the year before, the company continued to grow its total revenues in 2008. Games revenue amounted

to NOK 10 578 million, compared with NOK 10 388 million the year before. This represents a rise of NOK 190 million or 1.8 per cent, which reflects several successful product developments and, to a great extent, the introduction of Keno in November 2007.

Turnover growth and continued improvements in operational efficiency also allowed the company to deliver a solid profit of NOK 3 175 million, compared with NOK 3 100 million in 2007. This represents an increase of NOK 75 million or 2.4 per cent.

After transfers from the investment fund, beneficiaries will receive NOK 3 425 million in 2009. This is divided into NOK 1 558 million for sports (45.5 per cent), NOK 1 250 million for culture (36.5 per cent) and NOK 617 million (18 per cent) for humanitarian and voluntary organisations (excluding sports) which had slot machine revenues in 2001. NOK 12 million has been allocated for research into, information on, and prevention or treatment of compulsive gaming, unchanged from 2007. Health and Rehabilitation will receive NOK 240 million, up by NOK 21 million from 2007.

Game revenues represent the most important source of cash flow for Norsk Tipping. Net cash flow from operational activities amounted to NOK 3 412 million, compared with NOK 3 192 million in 2007. This NOK 220 million rise primarily reflected the NOK 75 million improvement in profit and a NOK 254 million change in claims on retailers. See note 11. These increases were partly offset by a NOK 51 million reduction in depreciation on investment.

Norsk Tipping had a total balance sheet of NOK 5 172 million and an equity ratio of 16.5 per cent at 31 December, compared with NOK 5 127 million and 32.2 per cent respectively in 2007. The reduction in equity ratio primarily reflected a transfer from the investment fund for allocation via the distribution formula. In the board's view, Norsk Tipping has a satisfactory financial position.

The company has certain transactions and holdings in foreign currencies, and is accordingly exposed to financial market risk related to changes in interest rates and exchange rates. Currency hedging is used for significant transactions. See note 5.

### Market trends

The overall Norwegian gaming market experienced a sharp fall in turnover after the slot machine ban came into force in 2007. Total turnover for the gaming market in 2006, the last full operating year with slot machines, was NOK 43 547 million. That sank to NOK 33 672 million in 2007. Estimates for 2008 from the Gaming Board and Norsk Tipping indicate that gaming market turnover will be roughly NOK 25 000 million, a decline of about 43 per cent from 2006. With revenues of NOK 10 578 million, Norsk Tipping had an estimated 42 per cent share of the Norwegian gaming market in 2008, compared with 31 per cent the year before.

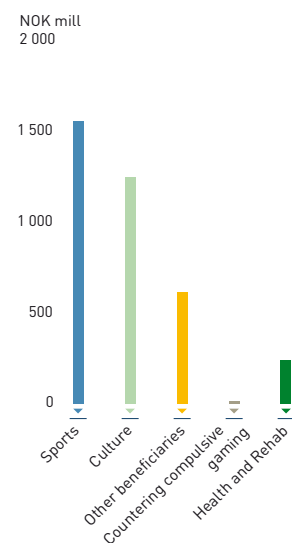
Norsk Tipping estimates that Norwegians staked 6 000–7 000 million on international web games in 2008. This marks a stabilisation of a market which has grown considerably in recent years. The international companies are continuing their aggressive marketing in Norway, and efforts have also been made to build alliances with Norwegian voluntary organisations.

Opinion polls reveal that views on money games are changing. A survey by Synovate in 2008 showed that 33 per cent of the population disagreed with the claim that Lotto, Viking Lotto and Joker are harmless fun. The corresponding figure in 2004 was 28 per cent. Norsk Tipping is prepared to respond to growing expectations in Norwegian society that it should act to prevent social problems related to money games.

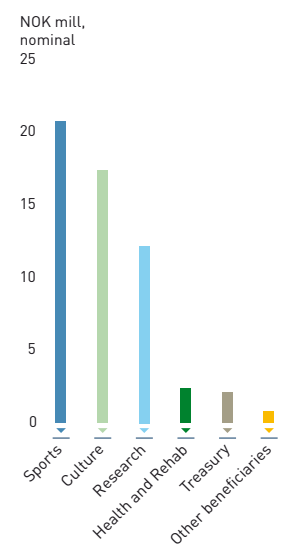
### Gaming regulation under pressure

Important changes were made in 2008 to the Gaming Act, which regulates the responsible money game market in Norway. Transactions are now illegal where financial

PROFIT DISTRIBUTED  
TO GOOD CAUSES, 2008



PROFITS DISTRIBUTED TO  
GOOD CAUSES, 1948–2008





institutions or payment processors know that the transfer is being made to a money game provider without a Norwegian licence. One aim of this amendment is to prevent Norwegian players paying to participate in money games played via the internet and which are neither approved nor controlled by the authorities in Norway.

The board of Norsk Tipping recognises that this will not stop people from playing with foreign gaming operators, but believes that the legal change makes an important contribution to preventing recruitment to such games. It will also reduce the number of players who spend unacceptably large amounts on illegal money games. Several stories were published in 2008 about people who had lost millions of kroner playing international money games on the web.

A number of countries have tightened their regulations to prevent undesirable consequences from money games played on the internet.

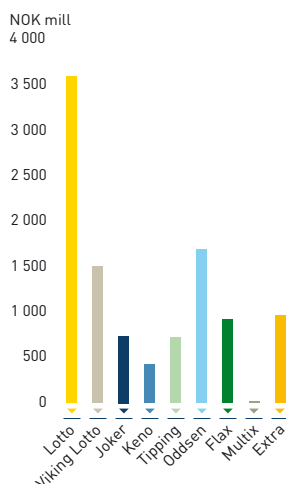
The board recognises that nationally-regulated money games are under heavy pressure from international commercial operators. Cross-border money games emerged fully around 2000 with the expansion of the internet. Operators who provide private commercial internet gaming also challenge national gaming monopolies by contesting the criteria for approving such state-run monopolies in the national courts. A number of these cases later end up in the European Court of Justice.

The private gaming industry is also seeking to mobilise the European Commission in its campaign against regulations which confer exclusive rights. At 31 December, the Commission had prepared 10 cases against individual countries for submission to the European Court, which will test the principle in relation to access to the sports gaming market. This puts a constant pressure on the regulated gaming market. The consequence of the Commission's many initiatives

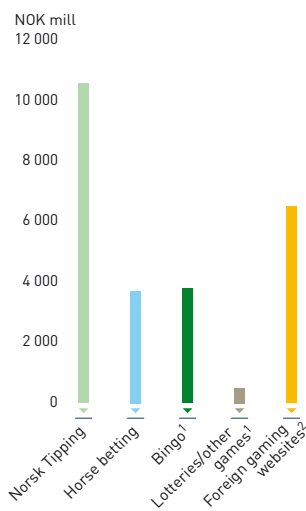


From left:  
Jan Peder Strømslid, Torbjørn Almlid,  
Randi Helene Røed, Peer Jacob  
Svenkerud, Thorbjørn A Unneberg,  
Trond Karlsen and Tollef Imsdalen.

GAME REVENUES  
BY GAME, 2008



GAMING MARKET IN  
NORWAY, 2008



<sup>1</sup> Estimate by the Norwegian Gaming Board  
<sup>2</sup> Estimate by Norsk Tipping

in specific cases often means a liberalisation of the money game market in individual countries. But the European Parliament has so far put a decisive stop to efforts to incorporate money games in the e-commerce, services and the TV directives.

In Norway, the Oslo District Court found in favour of the government over the Ladbrokes case. Ladbrokes had sued the government in the court, which requested an opinion from the Efta Court on the validity of Norwegian legislation in relation to European Economic Area/EU law. The Efta Court found that the government is entitled to forbid the provision and marketing of foreign money games. As a result, the government won the case in the Oslo District Court in 2008, but this decision has been appealed. The case is due to be heard by the Court of Appeal in September 2009.

The board notes that policy frameworks for a number of Norsk Tipping's sister companies in Europe are constantly changing. Although European countries want a restrictive gaming policy, a number of them are now updating their regulations in this area to meet the challenges posed by the international gaming industry.

### Norsk Tipping's games

Several satisfactory product development projects made a positive contribution to revenue growth in 2008, which was also the Keno game's first full sales year. The good financial result was achieved even though the company's player base is contracting and the important base represented by Lotto, Viking Lotto and Joker weakened further.

Lotto remains Norsk Tipping's biggest game, with a turnover of NOK 3 597 million compared with NOK 3 872 million in 2007 – a reduction of NOK 275 million or 7.1 per cent. This largely reflects declining demand over time in the market for the traditionally strong product categories.

Viking Lotto had revenues of NOK 1 502 million, a decline of NOK 58 million or 3.7 per cent from the year before. Given that the game had six fewer jackpot rounds than in 2007, the level of turnover is regarded as satisfactory.

Turnover for Joker largely matched developments for Lotto and Viking Lotto, with revenues of NOK 739 million – a decline of NOK 64 million or eight per cent from 2007.

Flax continued its positive trend from 2007 and increased its turnover by NOK 50 million (5.8 per cent) to NOK 917 million. After a period of decline, Flax had its best sales year since 2004. This increase may be partly attributable to the ban on slot machines, but several successful product launches such as FirkløverFlax and BilFlax also made a positive contribution.

Keno, an odds-based number game with fixed odds and daily draws, had its first full sales year in 2008. It has established itself as a daily game option and is played as a supplement to other products. Turnover came to NOK 429 million.

Extra – operated by Norsk Tipping on behalf of Health and Rehabilitation – increased its turnover by 10.6 per cent or NOK 93 million from 2007 to NOK 967 million partly as a result of the price increase implemented in the autumn of 2007. However, it is important to note that Extra – like Lotto, Viking Lotto and Joker – seems to be showing a tendency to decline in both players and familiarity.

Tipping (the football pools), the company's oldest game, continued the weakly declining trend of recent years. Turnover in 2008 came to NOK 725 million, a decline of NOK 15 million or two per cent from 2007.

Oddsden continued its progress, even though this game is the most vulnerable to competition from foreign gaming operators. Turnover rose by NOK 105 million or 6.6 per cent from 2007 to NOK 1 690 million. This

growth can be attributed to the introduction of more fixed-odds objects and game variants which give players a broader range. The legal ban on transferring money from Norwegian financial institutions to foreign game providers could have a positive impact on future revenues for Oddsen.

Multix, the newest game product in Norsk Tipping's portfolio, was tested in the Hamar region during the second half of 2008. The pilot project showed that the new interactive video terminals (IVTs) and the Multix games were well received. They accordingly represent a valuable contribution to the renewal of Norsk Tipping's product portfolio. Turnover in 2008 was NOK 12 million.

Norsk Tipping's turnover through direct channels – the internet and mobile phones – increased by 31.6 per cent, from NOK 693 million in 2007 to NOK 912 million. These channels accounted for 8.6 per cent of Norsk Tipping's total revenues.

#### **Commitment to renewal**

Despite record revenues in 2008, several of the group's products are showing clear signs of age. At the same time, genuine and growing competition is faced from international providers who promote money games via TV and interactive channels. The board believes that this creates a strong need to refresh the product portfolio, and renewal has been defined as one of Norsk Tipping's three main strategic priorities in its strategic plan for 2009-11. Overall goals for this commitment are to expand the player base, recruit new players, reinforce the loyalty of existing players, develop products based on player needs and modernise distribution.

The launch of Norsk Tipping's new IVTs on 11 August represented an international innovation. Sixteen were tested in the pilot project, and the response from players, retailers, local authority leaders and central government was positive. This project also showed that the IVTs meet the expectations of Norsk Tipping and the Ministry of Culture

and Church Affairs for restricting undesirable gaming behaviour. They unite gaming pleasure, technology and responsibility.

The IVTs have a fixed loss ceiling, with a possible maximum loss of NOK 400 per day and NOK 2 200 per month. A total of 4 500 are due to be installed nationwide during 2009.

New player cards were introduced in the autumn of 2008. These third-generation cards include a hologram which shows that they have electronic identification (eID).

The board also expects positive results from the grassroots share, which allows registered players to assign five per cent of their gaming stake to a club or organisation of their choice. Introduced on 1 March 2009, this innovation will create a closer association between the player's enjoyment of gaming and support for good causes. It could also motivate more of today's non-players to play Norsk Tipping's games, while clarifying the company's social value. At today's level of gaming, the grassroots share could provide Norway's local voluntary organisations with an estimated NOK 250-440 million per annum. Norsk Tipping has helped to facilitate the registration of clubs and organisations for the grassroots share.

A new sales concept for the retail sector was also tested in 2008. This allows players to buy simple instant variants of Lotto, Viking Lotto, Joker, Extra and Keno at the till in grocery stores. That represents a modernisation of this distribution channel, tailored to grocery store requirements and player buying processes. Carried out in Hamar, the pilot project showed that both players and shop staff were very pleased with the concept. It will be rolled out during 2009.

Preparations have also been made for the possible introduction of a new Lotto game called EuroJackpot. This concept is a collaboration between a number of European countries, with the draws to be organised by Norsk Tipping.

Norsk Tipping maintains a constant focus on the renewal of its electronic channels. New game variants have been introduced for mobile phones, for instance. During 2008, the company also comprehensively renewed its website at [www.norsk-tipping.no](http://www.norsk-tipping.no) to make it more of a sales channel.

A good understanding of its players allows Norsk Tipping to modernise its game portfolio and solutions on the basis of player requirements and expectations.

Costs related to the development activities described above and other projects came to NOK 117 million. Research and development activities are expensed on a continuous basis. Norsk Tipping pursues dialogue and specific joint projects with a number of research and higher education institutions, nationally and internationally. That relates both to collaboration with research teams to advance the company's responsibility platform, and to more market-oriented fields of research and study for continuing to develop its range of games.

#### **Responsible gaming for entertainment and pleasure**

Norsk Tipping's games are a source of entertainment and pleasure to most Norwegians. An analysis of calls about money games to the gaming helpline shows that its products are little represented among the problem categories. A decline in the overall number of compulsive gamers in Norway is also gratifying. While 1.7 per cent of players were compulsive in 2007, that proportion was down to 1.3 per cent in 2008. This primarily reflects the ban on slot machines and the crack-down on that market, which also cut the number of calls to the helpline. The latter reports that 51 per cent of first-time calls related to money games on the web, with poker accounting for 43 per cent.

The board believes that Norsk Tipping must continue to make a big commitment through good information and available tools to raising awareness among players to ensure that



From left:  
Siv Tørudbakken, Ingvild Ragna Myhre,  
Knut Brofoss, Helle Stine Næss,  
Sigbjørn Johnsen, Petter Torgerhagen  
and Silvija Seres.





they have their own gaming activity under control.

A number of measures have been adopted by the company to combat compulsive gaming. Through its membership of the World Lottery Association (WLA) and European Lotteries (EL), it is also committed to meeting the industry's standards for responsible gaming.

Norsk Tipping adopted and introduced a responsibility platform in 2008, which is entrenched in its business.

A total of 1 867 461 people held registered player cards at 31 December. This card provides secure electronic identification of the holder, and links with a personal player account. From 23 February 2009, anyone wishing to play Norsk Tipping's games – with the exception of Flax – must hold a player card. That places the company among the world leaders for responsible gaming, and in a unique position to prevent undesirable player behaviour. The card provides an effective age check and opportunities to introduce voluntary or compulsory limits on maximum losses. Registered games remove the incidence of unclaimed prizes, and the aim is also to eliminate possible opportunities for laundering money through unregistered winner tickets. The player card is a key instrument for development work in the company.

Norsk Tipping launched the [spillevelt.no](http://spillevelt.no) web portal on 26 June 2008. This contains rules on sensible gaming, a self-test which allows players to check whether they are at risk of becoming compulsive gamers, and referrals to the helpline and voluntary organisations which cover money games.

The company introduced an e-learning module about dealing with compulsive gamers in December 2008. Developed in-house, this training course is mandatory for all Norsk Tipping personnel, retailers and local operators. The whole workforce is due to have completed it by 31 March 2009.

### **Dialogue with society**

Norsk Tipping is a business with good products and an important social role. Many stakeholders are concerned about the way it exercises its corporate social responsibility (CSR). The company's ambition is accordingly to meet – or preferably exceed – the expectations people have of it in ethical, commercial, legal, social and environmental terms.

A big effort was made by the company in 2008 to implement its principles for responsible gaming. Balancing player expectations for excitement and entertainment with an active commitment to preventing the potentially unfortunate aspects of gaming is CSR in practice.

Norsk Tipping's CSR platform provides clear guidance for its activities, and is operationalised in the business areas through overarching goals, strategies and plans.

Regular surveys are conducted to identify as clearly as possible the expectations which Norsk Tipping's stakeholders have for the company, backed by dialogue through meetings and personal contact. This provides the basis for implementing purposeful strategies and processes, while building a relevant foundation for the company's social reporting. Norsk Tipping publishes an externally-verified social report each year which presents its work on active CSR. This is incorporated in the annual report.

Norsk Tipping again carried out a detailed survey and assessment of its stakeholders in 2008. All dialogue and relevant investigations are analysed with the goal of giving priority to stakeholders and their expectations. This gives Norsk Tipping an objective picture of the challenges it faces, and a basis for assessment which provided one of the important inputs to the preparation of its 2009-11 strategy plan.

Dialogue with key milieus also represents an important factor where responsible gaming

is concerned. The company seeks professional and independent advice and suggestions from expert fora, both nationally and internationally. Work on responsible gaming has a high priority, and is pursued in accordance with special action plans.

### **Stronger on ethics and the environment**

Guidelines for Norsk Tipping's procurement process were developed in 2008 on the basis of the company's code of ethics. While the management teams participated in training on ethical issues, an ethics role-playing game for dilemma training has been developed as part of the implementation of the ethical code in the company. This aims to train all employees in exercising good judgement.

Norsk Tipping initiated work in 2008 on developing an overarching environmental strategy, which is due to be approved by the top management in 2009. Although the company has lacked a specific strategy in this area, it has always taken an active approach to minimising its impact on the environment. Preparatory work on the company's new office building was conducted in 2008 with an emphasis on environmentally efficient solutions, for instance.

The company has a contractual requirement that all coupons and programmes must be printed on unbleached, recycled paper using only non-toxic ink. During 2008, the number of distributed coupons was reduced from 170 million to 163 million. A fee is paid to the Ecolabelling foundation for all products printed on environmentally certified paper carrying the Nordic Swan label.

Norsk Tipping's operations cause little emission to the air or discharge to water, but the board emphasises the importance of having a conscious attitude to the company's environmental impact through resource consumption, transport and waste creation.

### **Communication and reputation**

Norsk Tipping has a visible presence in the

media, both as a business which attracts great interest from journalists and as a marketer.

Media coverage of the company was lower in 2008 than the year before, when the slot machine ban came into force. But it was significantly more positive than in 2007, in part through good winner stories and positive reporting of beneficiaries.

Synovate was commissioned by Norsk Tipping to compile a social accounting for 2004, 2006 and 2008. The company's reputation is strong, but under pressure. That partly reflects changing popular attitudes to money games. While the 2008 survey showed that 57 per cent of Norwegians had a fairly or very good impression of Norsk Tipping, the corresponding proportion for 2004 was 69 per cent. At the same time, 85 per cent of the population wanted money games to be under government control.

Norsk Tipping again came close to the top in the 2008 image survey of large Norwegian companies, and was down one place from 2007 to ninth in the list. Given the criticism directed at money games in general during recent years, the board is satisfied with that result.

Marketing is important for channelling involvement in money games by Norwegian players to the regulated market. Promoting Norsk Tipping as a responsible provider and documenting how its profits contribute to society are other priority goals.

Norsk Tipping was Norway's fifth largest advertiser in 2008, with a gross spend of NOK 177 million on media services. That represents a cut of NOK 4.7 million from 2007. The company's advertising budgets have been reduced by about four per cent over the past five years, while the Norwegian advertising market has grown by 38 per cent in the same period. Foreign gaming companies increased their Norwegian marketing by more than 200 per cent in 2008. Norsk

Tipping's advertising costs represented about 1.5 per cent of its turnover for the year.

The company revised its in-house marketing guidelines during 2008. A new communication strategy was also developed and approved, along with a new sponsorship strategy which focuses on giving more funding to fewer recipients.

Norsk Tipping was nominated in 2008 by the Norwegian Marketing Association for the title of 2007 Marketer of the Year and, although it did not win, this represented recognition of its performance. A key requirement for quality marketing is to devise marketing and communication methods which help the company to achieve the revenue targets set by the government while minimising the risk of compulsive gaming.

The Gaming Board is responsible for checking that marketing and communication are conducted in accordance with the guidelines specified by Norsk Tipping and the Ministry of Culture and Church Affairs. It had no comments in its report for the first half of 2008. The report for the second half will be published in the spring of 2009.

In 2008, Norsk Tipping won the WLA's prize for the best social report of 2007.

#### **Organisation and personnel**

Torbjørn Almlid was appointed the new president and CEO of Norsk Tipping on 24 October. He came from the job of chief executive for the Inland Hospital Trust, and took office on 1 January 2009. The board wishes to thank Axel Krogvig, who served as acting chief executive in 2008, for his contribution to the company's strategic choices and operation.

An optimistic workforce is one of three priority areas in the strategy adopted for Norsk Tipping in 2008. An overarching goal is to strengthen the company's ability to attract and develop able employees. The board believes that an important condition for suc-

cess is to focus attention on management and expertise. As a result, developing management expertise was a priority in 2008. Compliance with the company's core values – interaction, courage, commitment and performance – is also being introduced as a component in performance assessments.

Norsk Tipping's permanent workforce increased in 2008, from 322 to 349. This rise primarily reflected staffing of the operations organisation for the new interactive video terminals.

The gender division in the company at 31 December was 41 per cent women and 59 per cent men. This ratio was 17 per cent and 83 per cent in top management, 30 and 70 per cent for team leaders, and 43 and 57 per cent among middle managers.

Norsk Tipping has pursued equal opportunities and diversity, and will continue to do so through a flexible human resources policy.

The company is characterised by a stable workforce. Staff turnover in 2008 was 4.58 per cent, while in-house transfers totalled 4.87 per cent. Men have a higher in-house turnover than women.

Sickness absence declined from 4.8 per cent in 2007 to 4.2 per cent, which represented an improvement of 12.5 per cent. This was also significantly below the national average. A focus on preventive health work and a broad range of health promotion measures, combined with active follow-up of sick employees, have yielded results. The board is satisfied to see the adoption and implementation of innovative measures, such as information for employees on health, diet and lifestyle factors.

Norsk Tipping gives great weight to work on health, safety and the environment (HSE), and measures are followed up through a dedicated action plan. No injuries or accidents were suffered in the company during 2008.

In-house communication appears to be good and constructive, and collaboration with the unions and their elected officials is positive.

#### **Activities in the subsidiaries**

Norsk Tipping has three wholly-owned subsidiaries.

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

Norsk Tipping's two other subsidiaries, Norsk Tipping Nettnavn AS and Norsk Tipping Domene AS, are responsible for establishing, registering and owning domain names on the instructions of Norsk Tipping to achieve the parent company's goals.

Norsk Tipping also owns 50 per cent of the shares in Buypass AS and Buyinvest AS, with ErgoGroup AS – a subsidiary of Norway Post – as the other owner. Buypass has developed the smart card used among other applications as Norsk Tipping's player card. Both Fabelaktiv and Buypass have cutting-edge expertise, and their deliveries to Norsk Tipping are regarded as important for the company's future development and leading position in the gaming market.

Both Fabelaktiv and Buypass delivered solid results in 2008 and will pay dividend to their owners.

#### **Prospects**

The board takes a positive view of the revenue growth achieved in 2008. Norsk Tipping showed in 2006, 2007 and 2008 that moderate financial expansion is possible despite a contraction in the player base. However, it is important to point out that this rise in revenue derived from several successful product development projects with existing games and a very good expansion in turnover for the company's electronic channels. Keno also had its first full sales year in 2008.

Nevertheless, the board sees a need to renew the portfolio of games. The ability to

implement such a renewal will be crucial for maintaining Norsk Tipping's competitiveness so that it can remain the preferred game provider in Norway.

The board expects competition over games to increase because foreign providers want to position themselves in the Norwegian market. It is 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.

#### **Change of chair and work of the board**

Sigbjørn Johnsen succeeded Sigmund Thue as chair of the board on 21 May 2008. The board wishes to thank Mr Thue for his commitment to and work for the company in a development phase over many years.

The board comprises four women and three men, and the employees are represented by two worker directors. Ten board meetings were held in 2008.

The board would emphasise the important social role played by Norsk Tipping. Gaming revenues maintain and develop positive sporting, cultural, health and rehabilitation activities. Since the financial crisis hit Norway in the autumn of 2008, the private sector's opportunities to sponsor sports and culture have also been reduced. This means that Norsk Tipping's responsibility for securing funds to support the diversity and benefits represented by Norway's voluntary sector will be even more important in the time to come.

The board wishes to thank all employees, retailers and partners for their efforts in 2008, and for their contribution to realising Norsk Tipping's vision: "we give the dream a chance".

### 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 4-5 of the Norwegian Accounting Act, the board confirms that the company's annual accounts for 2008 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 2009, when the results of the audit are submitted

to the Storting pursuant to section 18 of the Auditor General Act.

### Allocation of profit

Total profit from gaming operations in Norsk Tipping AS for fiscal 2008 was **NOK 3 175 433 661**.

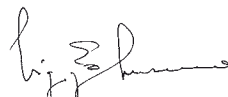
Profit for Health and Rehabilitation NOK 240 464 543

*Pursuant to the recommendations in Proposition no 1 (2008-09) to the Storting, the board proposes that the profit be allocated as follows:*

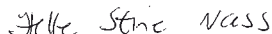
Combating problem gaming	NOK 12 000 000
Transfer from investment fund	(NOK 502 030 882)
Funds to beneficiaries <sup>1</sup>	NOK 3 425 000 000
<b>Total allocated</b>	<b>NOK 3 175 433 661</b>

<sup>1</sup> Funds to beneficiaries break down in 2009 as NOK 1 558.4 million to sports (45.5 per cent), NOK 1 250.1 million to culture (36.5 per cent) and NOK 616.5 million (18 per cent) to humanitarian and voluntary organisations (excluding sports) which had slot machine revenues in 2001.

The board of directors of Norsk Tipping AS  
Hamar, 5 March 2009



Sigbjørn Johnsen  
Chair of the board



Helle Stine Næss



Silvja Seres



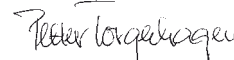
Siv Tørudbakken



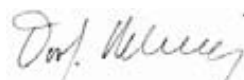
Knut Brofoss



Ingvild Ragna Myhre



Petter Torgerhagen



Torbjørn Almlid  
President and CEO

Amounts in NOK million	Note	2008	2007	2006
<b>OPERATING REVENUE</b>				
Games revenue	1	10 578.7	10 388.4	9 618.9
Other operating revenue	2	140.2	128.8	179.3
<b>Total operating revenue</b>		<b>10 718.9</b>	<b>10 517.2</b>	<b>9 798.2</b>
<b>Operating expenses</b>				
Prizes		5 614.8	5 510.4	5 101.2
Game commissions		712.9	714.2	675.3
Payroll costs	3	242.7	244.0	210.7
Depreciation and reversed write-downs	6	105.4	156.4	172.7
Other operating expenses	4	1 044.7	911.7	888.7
<b>Total operating expenses</b>		<b>7 720.4</b>	<b>7 536.7</b>	<b>7 048.6</b>
<b>Operating profit</b>		<b>2 998.5</b>	<b>2 980.5</b>	<b>2 749.6</b>
Financial income	5	235.0	180.5	128.8
Financial expenses	5	58.1	61.4	40.4
<b>Net profit</b>		<b>3 175.4</b>	<b>3 099.6</b>	<b>2 838.0</b>
<b>Net profit is allocated as follows:</b>				
Health and Rehabilitation		240.4	218.6	198.4
Measures to combat compulsive gaming		12.0	12.0	12.0
Beneficiaries		3 425.0	2 650.0	2 500.0
Transferred (from)/to investment fund		(502.0)	219.0	127.6
<b>Total allocated</b>		<b>3 175.4</b>	<b>3 099.6</b>	<b>2 838.0</b>

## PROFIT AND LOSS ACCOUNT 2008

## BALANCE SHEET

### Assets

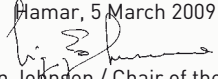
Amounts in NOK million	Note	2008	2007	2006
<b>ASSETS</b>				
<b>Fixed assets</b>				
Tangible fixed assets				
Land, buildings and other real property	6	67.0	56.3	61.0
Vehicles/computer systems/terminals/other fixtures	6	247.0	262.9	353.4
<b>Total fixed assets</b>		<b>314.0</b>	<b>319.2</b>	<b>414.4</b>
Financial fixed assets				
Investment in subsidiaries	7	6.2	2.9	2.9
Investment in associated companies	7	23.3	20.7	20.4
Investment in other companies		0.2	0.2	0.2
Loans to associated companies	8	6.9	15.5	30.4
Other long-term receivables	9	24.6	16.5	15.8
<b>Total financial fixed assets</b>		<b>61.2</b>	<b>55.8</b>	<b>69.6</b>
<b>Total fixed assets</b>		<b>375.2</b>	<b>375.0</b>	<b>484.0</b>
<b>Current assets</b>				
Stock of goods for sale	10	2.3	2.2	3.2
<b>Receivables</b>				
Claims on retailers	11	7.7	147.5	33.1
Other receivables	12	58.2	42.0	37.7
<b>Total receivables</b>		<b>65.9</b>	<b>189.5</b>	<b>70.8</b>
Bank deposits, cash in hand, etc		4 728.4	4 559.9	3 966.0
<b>Total current assets</b>		<b>4 796.6</b>	<b>4 751.7</b>	<b>4 039.9</b>
<b>TOTAL ASSETS</b>		<b>5 171.7</b>	<b>5 126.7</b>	<b>4 523.9</b>



## BALANCE SHEET Equity and liabilities


Amounts in NOK million	Note	2008	2007	2006
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	13	0.2	0.2	0.2
Investment fund	14	854.1	1 650.8	1 373.3
<b>Total equity</b>		<b>854.3</b>	<b>1 651.0</b>	<b>1 373.5</b>
<b>Liabilities</b>				
Provisions				
Pension commitments	18	61.1	48.0	9.8
<b>Total provisions</b>		<b>61.1</b>	<b>48.0</b>	<b>9.8</b>
Other long-term liabilities				
Funds – games	15	334.7	298.1	266.5
<b>Total other long-term liabilities</b>		<b>334.7</b>	<b>298.1</b>	<b>266.5</b>
<b>Total long-term liabilities</b>		<b>395.9</b>	<b>346.1</b>	<b>276.3</b>
Current liabilities				
Accounts payable		78.8	77.4	74.9
Prize liabilities		50.6	77.9	50.0
Prepaid wagers		153.7	162.8	145.5
Unpaid government charges and special taxes		27.2	25.6	17.8
Other current liabilities	16	160.9	114.3	63.6
Remaining profit for payment	17	3 450.5	2 671.6	2 522.4
<b>Total current liabilities</b>		<b>3 921.6</b>	<b>3 129.6</b>	<b>2 874.1</b>
<b>Total liabilities</b>		<b>4 317.5</b>	<b>3 475.7</b>	<b>3 150.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 171.7</b>	<b>5 126.6</b>	<b>4 523.9</b>

The board of directors of Norsk Tipping AS  
Oslo, 5 March 2009

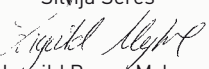
  
Sigbjørn Johnsen / Chair of the board

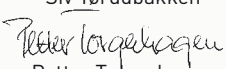
  
Helle Stine Næss

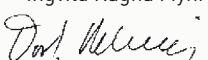
  
Silvija Seres

  
Siv Tørudbakken

  
Knut Brofoss

  
Ingvild Ragna Myhre

  
Petter Torgerhagen

  
Torbjørn Almqvist  
President and CEO

## CASH FLOW STATEMENT

Amounts in NOK million	2008	2007	2006
<b>Cash flow from operating activities</b>			
Net profit	3 175.4	3 099.6	2 838.0
Gain on sale of fixed assets	(0.9)	(1.0)	(0.5)
Depreciation of investments	105.4	156.4	172.7
Change in claims on retailers	139.8	(114.4)	132.2
Change in other current receivables, current assets and stock of goods for sale	(16.3)	(3.4)	27.7
Change in accounts payable	1.4	2.5	11.0
Change in pension commitments	13.1	38.2	4.8
Change in other long-term receivables	(5.4)	13.8	40.5
<b>Net cash flow from operating activities</b>	<b>3 412.5</b>	<b>3 191.7</b>	<b>3 226.6</b>
<b>Cash flow from investing activities</b>			
Receipts from sale of tangible fixed assets	9.6	3.2	11.0
Payments on purchase of tangible fixed assets	(108.8)	(63.4)	(97.6)
<b>Net cash flow from investing activities</b>	<b>(99.2)</b>	<b>(60.2)</b>	<b>(86.6)</b>
<b>Cash flow from financing activities</b>			
Net change in long-term liabilities	36.6	31.6	1.7
Net change in current liabilities	11.8	103.7	(16.5)
Net change in investment fund	(796.7)	277.5	166.5
Payments and allocations	(2 396.6)	(2 950.4)	(2 739.3)
<b>Net cash flow from financing activities</b>	<b>(3 144.8)</b>	<b>(2 537.6)</b>	<b>(2 587.6)</b>
Net change in cash holdings	168.5	593.9	552.4
Cash reserves at 1 Jan	4 559.9	3 966.0	3 413.6
<b>Cash reserves at 31 Dec</b>	<b>4 728.4</b>	<b>4 559.9</b>	<b>3 966.0</b>

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

All amounts in the tables are in NOK 1 000

## ACCOUNTING PRINCIPLES

### General

Norsk Tipping AS 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 possible allocations to reserves, Norsk Tipping's profits for 2008 will be distributed in 2009 between sports, culture and non-sporting voluntary and humanitarian organisations with slot machine revenues in 2001. In addition, the Ministry of Culture and Church Affairs can allocate up to 0.5 per cent of the gaming profit to research on, information about, and prevention and treatment of compulsive gaming. Profits from Extra go to the Norwegian Foundation for Health and Rehabilitation.

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 2008 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

## NOTES to the accounts

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 costs**

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.

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

Games	2008	2007	2006
Lotto	3 596 757	3 871 522	3 727 748
Viking Lotto	1 502 037	1 560 032	1 441 282
Joker	739 490	803 507	769 178
Tipping	725 235	740 452	702 515
Oddsden	1 690 224	1 585 240	1 444 399
Flax	917 467	866 900	761 020
Keno	429 262	86 510	0
Multix	11 489	0	0
<b>Norsk Tipping's games</b>	<b>9 611 960</b>	<b>9 514 163</b>	<b>8 846 142</b>
Extra	966 723	874 207	772 731
<b>Total games revenue</b>	<b>10 578 683</b>	<b>10 388 370</b>	<b>9 618 873</b>

**NOTE 1**  
Games revenue

Games revenue spanned 52 playing weeks in 2008.

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 associated costs (prizes and commissions).

NOK 97.1 million in total revenue for 29-31 December 2008 is included in the accounts for 2009, together with a total of NOK 57 million in associated costs (prizes and commissions).

	2008	2007	2006
Operator's fee for Health and Rehabilitation	91 211	82 916	75 244
Player card sales	21 567	18 903	76 722
Transfers from funds, Extra game	8 000	8 000	8 000
Miscellaneous revenues	19 399	18 999	19 298
<b>Total</b>	<b>140 177</b>	<b>128 818</b>	<b>179 264</b>

**NOTE 2**  
Other  
operating revenue

	2008	2007	2006
Pay and fees	175 027	160 472	157 827
Payroll tax	27 793	24 817	24 861
Pension costs	33 053	54 660	24 443
Other social costs	6 814	4 007	3 576
<b>Total</b>	<b>242 687</b>	<b>243 956</b>	<b>210 707</b>
Benefits in kind	10 531	8 378	7 816

**NOTE 3**  
Payroll costs

Remuneration of leading personnel in 2008

	CEO	Board
Pay and fees	2 197	905
Car allowance	155	
Other allowances	13	
Pension costs	117	

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 previous executive vice president is entitled to 66 per cent of his pay from his departure at the age of 64 until the age of 67. A total of 11 present and former employees in senior positions 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 and other benefits. See other unfunded pension agreements in note 18.

The company's funded pension plans satisfy the requirements of the Act on Mandatory Occupational Pensions.

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 for either senior executives or 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 2008 was 349, compared with 317 in 2007.

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

<b>NOTE 4</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Other operating expenses</b>			
Operation of facilities and computer systems	96 510	91 177	93 373
Telecommunications	53 540	52 879	53 145
Advertising	158 253	160 089	131 765
Cooperation deals, promotion/information	131 771	125 026	118 750
Costs of Norwegian Gaming Board <sup>1</sup>	38 649	8 705	8 926
Costs related to player cards	16 614	16 099	65 000
Operator costs for Health and Rehabilitation	91 211	82 916	75 244
Consultancy support and fees	45 298	33 008	31 378
Consultancy support in development projects <sup>2</sup>	103 801	46 760	24 533
Other operating costs in development projects <sup>2</sup>	13 703	11 354	2 529
Distribution and freight costs	31 711	29 861	29 395
Printed materials and stationery	52 681	56 993	56 048
Other costs	210 955	196 807	198 585
<b>Total</b>	<b>1 044 697</b>	<b>911 673</b>	<b>888 671</b>

<sup>1</sup> The increase reflects compensation to the Gaming Board because of the loss of fees from private slot machine operators. See Proposition no 1 to the Storting 2007-2008.

<sup>2</sup> Development costs in 2008 totalled NOK 117 million.

<b>NOTE 5</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Financial income and expenses</b>			
Interest income	226 396	177 431	100 727
Other financial income	2 189	770	24 364
Financial income subsidiaries and associates	4 102	1 182	1 672
Gain on currency	2 378	1 102	2 051
<b>Total financial income</b>	<b>235 065</b>	<b>180 485</b>	<b>128 814</b>
Interest expenses	55 519	58 804	39 073
Other financial expenses	321	82	321
Loss on currency	2 286	2 558	1 012
<b>Total financial expenses</b>	<b>58 126</b>	<b>61 444</b>	<b>40 406</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 2008, the company had a forward foreign exchange contract with a holding in SEK corresponding to NOK 210 million. The difference between the average exchange rate on existing foreign exchange contracts and the mean SEK/NOK exchange rate at 31 December 2008 meant that Norsk Tipping had an unrealised loss of NOK 8.7 million on foreign exchange contracts. Hedge accounting accords with generally accepted accounting principles in this area.

NOK 23.2 million of other financial income in 2006 comprised liquidation gain related to the winding up of the Spillverden 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 14.

	Vehicles	Computer systems, machines fixtures	Land, buildings, other real property	Total
Acquisition cost at 1 Jan	8 187	1 299 861	193 276	1 501 324
Disposals for the year	2 996	214 579	0	217 575
Acquisitions for the year	465	92 765	15 659	108 889
Acquisition cost at 31 Dec	5 656	1 178 047	208 935	1 392 638
Accumulated ordinary depreciation and write-downs	5 355	931 298	141 945	1 078 598
<b>Book value at 31 Dec</b>	<b>301</b>	<b>246 749</b>	<b>66 990</b>	<b>314 040</b>

**NOTE 6**  
**Tangible fixed assets**

**Leasing costs for 2008:**

Vehicles (lease period 3-5 years)	3 927
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In addition, the company has certain insignificant expensed leases relating to office machines and equipment.

**Depreciation and write-downs**

Depreciation	2008	2007	2006
Vehicles	706	1 764	4 071
Computer systems/machines/fixtures	107 730	149 659	163 716
Land, buildings and other real property	4 926	4 983	4 956
<b>Total depreciation</b>	<b>113 362</b>	<b>156 406</b>	<b>172 743</b>
Reversed write-downs*	8 014	0	0
<b>Total reversed write-downs</b>	<b>8 014</b>	<b>0</b>	<b>0</b>
<b>Total depreciation and write-downs</b>	<b>105 348</b>	<b>156 406</b>	<b>172 743</b>

\* Reversal of write-downs is based on an assessment of fair value. The reversal in 2008 reflects an agreement to sell tangible fixed assets which had previously been written down, where the size of the sale amount forms the basis for assessing fair value.

**Investment overview 2004-2008**

	2008	2007	2006	2005	2004
Vehicles	465	17	737	1 722	7 938
Computer systems/machines/fixtures	42 563	63 162	96 252	80 727	62 610
Terminals	50 202	0	0	107 031	364 578
Land, buildings and other real property	15 659	267	659	10 303	27 224
<b>Total investments</b>	<b>108 889</b>	<b>63 446</b>	<b>97 648</b>	<b>199 783</b>	<b>462 350</b>

Depreciation plan:

	Vehicles	Other fixed assets	Terminals	Buildings real property
Useful life	5 years	3-5 years	3-6 years	20-25 years
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line

**NOTE 7**  
Investment in subsidiaries and associated companies

Company	Year of acquisition	Business office	Shareholding	Voting share	Cost price of holding	Book value
<b>Subsidiaries</b>						
Fabelaktiv AS	2000	Hamar	100.00%	100%	6 000	6 000
Norsk Tipping Nettnavn AS	2004	Hamar	100.00%	100%	110	110
Norsk Tipping Domene AS	2008	Hamar	100.00%	100%	106	106
<b>Total subsidiaries</b>					<b>6 216</b>	<b>6 216</b>
<b>Associated companies</b>						
Buypass AS	2006	Oslo	50.00%	50%	19 011	19 011
Buyinvest AS, being wound up	2006	Oslo	50.00%	50%	4 269	4 269
<b>Total associated companies</b>					<b>23 280</b>	<b>23 280</b>
<b>Total</b>					<b>29 496</b>	<b>29 496</b>

Pursuant to section 3, sub-section 8, paragraph two of the Norwegian Accounting Act, Fabelaktiv, Norsk Tipping Nettnavn and Norsk Tipping Domene 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** show a profit of NOK 6 million and an equity of NOK 7.6 million. Based on developments in the company, the conditions for writing down the value of the shareholding are no longer present. The earlier write-down has accordingly been reversed. Dividend of NOK 0.95 million for 2007 was recognised in the Norsk Tipping accounts for 2008, while a provision of NOK 5.1 million to cover dividend for 2008 has been made in the Fabelaktiv accounts.

The accounts for **Norsk Tipping Nettnavn** show a profit of NOK 6 250 and an equity of NOK 128 325.

The accounts for **Norsk Tipping Domene** show a profit of NOK 2 822 and an equity of NOK 102 822.

The accounts for the **Buypass group** show a profit of NOK 29.3 million and an equity of NOK 76 million. The Buypass board has proposed a provision of NOK 10 million to cover dividend.

The accounts for **Buyinvest, being wound up**, show a loss of NOK 0.5 million and a negative equity of NOK 48 984.

**NOTE 8**  
Intercompany balances

	2008	2007	2006
Subordinated loans	3 000	11 914	26 914
Long-term loans	3 896	3 633	3 449
<b>Total intercompany balances</b>	<b>6 896</b>	<b>15 547</b>	<b>30 363</b>



	2008	2007	2006
Current debt to group companies	563	4 407	0
Current receivables from group companies	0	0	0

	2008	2007	2006
Long-term loans to employees*	24 498	16 312	15 519
Other receivables	113	229	314
<b>Total</b>	<b>24 611</b>	<b>16 541</b>	<b>15 833</b>

\* Mortgage loans are given to employees on the terms applied by the Norwegian Public Service Pension Fund.

**NOTE 9**  
**Other long-term receivables**

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

**NOTE 10**  
**Stock of goods for sale**

Norsk Tipping settles its retailer accounts in arrears at the end of each week, and outstanding receivables are treated as on-going balances. The change in claims on retailers arises because of the settlement for week 52 in 2008 was credited before the end of the year.

**NOTE 11**  
**Claims on retailers**

Norsk Tipping had 4 038 retailers at 31 December.

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 12**  
**Other receivables**

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 13**  
**Share capital**

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.

**NOTE 14**  
**Investment fund**

	2008	2007	2006
Investment fund at 1 Jan	1 650 873	1 373 379	1 206 845
Addition of interest	55 266	58 525	38 926
Addition from net profit	0	218 969	127 608
Transfer to year's profit for distribution	(502 031)	0	0
Paid to voluntary and humanitarian organisations which previously had slot machine revenues	(350 000)	0	0
<b>Total at 31 Dec</b>	<b>854 108</b>	<b>1 650 873</b>	<b>1 373 379</b>

In the period from 1 July 2007 to 31 December 2008, the socially beneficial and humanitarian organisations which had slot machine revenues received no income from such machines or from Norsk Tipping. To ensure that these organisations received revenues in 2008 and to maintain the level of income of the existing beneficiaries, the Ministry of Culture and Church Affairs (KKD) decided that an additional NOK 350 million should be paid from Norsk Tipping's investment fund during 2008. In addition to the ordinary gaming profit for 2008, the KKD has also decided on a transfer from Norsk Tipping's investment fund which brings the total profit for distribution via the distribution formula to NOK 3 425 million. This means a total transfer from the investment fund of NOK 502 million in 2008. (Source: Proposition no 1 to the Storting for 2008-09.)

**NOTE 15**  
**Funds – games**

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

Games	2008	2007	2006
Lotto	30 765	29 393	27 437
Viking Lotto	130 871	114 838	103 069
Joker	25 570	22 529	22 001
Tipping	955	5 516	5 640
Oddsén	3 721	3 128	3 401
Flax	139 259	112 584	97 200
<b>Total Norsk Tipping games</b>	<b>331 141</b>	<b>287 988</b>	<b>258 748</b>
Extra	3 590	10 127	7 766
<b>Total</b>	<b>334 731</b>	<b>298 115</b>	<b>266 514</b>

The funds are built up from that part of the prize amount which is not paid out because prizes are rounded down, 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 16**  
**Other current liabilities**

	2008	2007	2006
Deposits from retailers	7 380	4 851	3 570
Bonus Pot/Million Chance	10 033	14 622	10 684
Holiday pay due	17 761	16 065	15 930
Liabilities player accounts	118 281	67 215	29 195
Accruals	7 413	11 583	4 243
<b>Total</b>	<b>160 868</b>	<b>114 336</b>	<b>63 622</b>

**NOTE 17**  
**Remaining profit for distribution**

Profit from Norsk Tipping's games will be distributed from 2009 in accordance with a new distribution formula approved by the Storting in 2003, with 45.5 per cent for sports, 36.5 per cent for culture and 18 per cent to non-sporting socially beneficial and humanitarian organisations with slot machine revenues in 2001.

In addition, the Ministry of Culture and Church Affairs can allocated up to 0.5 per cent of the profit to research on, information about, and prevention and treatment of compulsive gaming.

Profit from the Extra TV game goes to Health and Rehabilitation.

Total profit 2008		3 175 434
<b>Profit for Health and Rehabilitation</b>		<b>240 465</b>
<b>Profit Norsk Tipping games</b>		<b>2 934 969</b>
Transferred from investment fund		502 031
Available for distribution		3 437 000
Profit for Health and Rehabilitation	240 465	
Payment on account 2008	227 000	13 465
<b>Remaining profit for distribution</b>		<b>3 450 465</b>
<b>Which is divided as follows:</b>		
Remaining profit to Health and Rehabilitation		13 465
Measures related to problem gaming		12 000
Remaining profit Norsk Tipping for beneficiaries		3 425 000
<b>Remaining profit for distribution</b>		<b>3 450 465</b>

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 present and former employees in senior positions with an annual salary of more than 12 times the National Insurance base amount (G), and two pension agreements for former senior executives.

The company has also entered into agreements on pensions funded from operations in the event of the relevant employee's departure as a result of organisational changes.

### 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.

### NOTE 18 Pension commitments

### Result for unfunded and funded pension schemes:

Pension costs	1 Jan-31 Dec		
	2008	2007	2006
Present value of pension earnings for the year	20 087	18 637	14 950
Interest costs of pension commitments	16 679	15 162	11 155
Return on pension assets	(12 026)	(10 808)	(8 493)
Employee contributions to pension scheme	(3 049)	(2 808)	(3 402)
Administrative costs	412	377	337
Net pension costs before amortisation	22 103	20 560	14 547
Recorded effect of estimate variances	4 097	4 693	2 090
Accrued payroll tax <sup>1</sup>	4 124	3 957	2 757
<b>Net pension costs for funded schemes</b>	<b>30 324</b>	<b>29 210</b>	<b>19 394</b>
Employed people included in the calculation	332	329	321

<sup>1</sup> Payroll tax is the net defined benefit pension commitment multiplied by the prevailing percentage for employer's National Insurance contributions. Net actuarial gains and losses not recorded in the balance sheet include payroll tax.

	Unfunded 31 Dec 08	Funded 31 Dec 08	31 Dec 07	31 Dec 06
Calculated pension commitments	24 070	385 191	306 322	241 624
Payroll tax	3 394	22 640	14 544	0
Pension assets (at market value)	0	(224 620)	(203 175)	(182 740)
Net accrued pension commitments	27 464	183 211	117 691	58 884
Unrecorded effect of estimate variations	0	(158 670)	(105 429)	(59 224)
<b>Net pension commitments</b>	<b>27 464</b>	<b>24 541</b>	<b>12 262</b>	<b>(340)</b>
<b>Financial assumptions:</b>				
Discount rate	4.50%	4.50%	5.50%	4.75%
Expected pay adjustments	4.50%	4.50%	4.50%	3.50%
Expected change in NI base amount	4.25%	4.25%	4.25%	3.00%
Expected return on assets	4.50%	4.50%	5.75%	4.75%

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

### Unfunded pensions and pensions funded from operations

The company has three unfunded pension agreements as mentioned in note 3, as well as agreements with employees on pensions funded from operations in connection with their departure from the company.

	Unfunded agreements	Funded from ops
Provision 1 Jan	25 527	10 198
Provision/expense during the period	2 610	1 432
Paid in 2008	(673)	(2 497)
<b>Commitment 31 Dec</b>	<b>27 464</b>	<b>9 133</b>

The provision/expense for the period has been expensed in its entirety in the accounts for 2008.

### Total pension commitments at 31 Dec 2008

Unfunded pension plans	27 464
Funded pension plans	24 541
Pensions financed from operations	9 133
<b>Total pension commitments</b>	<b>61 138</b>

## AUDITOR'S REPORT



Executive officer  
Kristin Sletten, +47 62 55 12 85  
Our date  
5 March 2009  
Our reference  
1.6 2009/309  
KSL/MEH  
Filing code  
680  
Your date  
Your reference

Norsk Tipping AS  
2325 Hamar

### Audit of the accounts of Norsk Tipping AS for 2008

The Office of the Auditor General has audit responsibility for Norsk Tipping, cf. the Act relating to gambling games etc. section 7. On concluding the annual audit, the Office of the Auditor General issues a concluding audit letter (report), which contains the conclusions of the audit. The audit letter is not made public until the Office of the Auditor General has reported the results of the audit to the Norwegian parliament, the Storting, cf. the Act relating to the Office of the Auditor General section 18.

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

By authority

  
Aina Helena Nergård  
Deputy Director General

  
Kristin Sletten  
Assistant Director General

Copy: The Ministry of Culture and Church Affairs  
The board of directors of Norsk Tipping AS, attn. chair of the board Sigbjørn Johnsen



## Games revenue 1948-2008

Nominal amounts in NOK million

Year	Total games revenue	Lotto	Viking Lotto	Joker	Keno	Tipping	Oddsens	Flax	Extra	Multix	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	4 928.6				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		
2008	10 578.7	3 596.8	1 502.0	739.5	429.3	725.2	1 690.2	917.5	966.7	11.5	
<b>Total</b>	<b>171 203.0</b>	<b>65 898.6</b>	<b>18 506.6</b>	<b>5 363.4</b>	<b>515.8</b>	<b>42 176.7</b>	<b>16 720.9</b>	<b>10 877.9</b>	<b>9 531.0</b>	<b>11.5</b>	<b>1 600.6</b>

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

Price adjusted to 2008 value in NOK billion	256.49	80.78	21.10	5.72	0.52	104.41	18.71	12.33	10.64	0.01	2.28
Price adjusted to 2008 value in EUR billion	31.21	9.83	2.57	0.70	0.06	12.70	2.28	1.50	1.29	0.00	0.28
Price adjusted to 2008 value in USD billion	45.51	14.33	3.74	1.02	0.09	18.52	3.32	2.19	1.89	0.00	0.41

Conversion rates = Bank of Norway's annual average for 2008

EUR 1.00 = NOK 8.2194

USD 1.00 = NOK 5.6361

## Distribution of profits 1948-2008

Nominal amounts in NOK million

Year	Total profit	Sports	Research	Culture	Health and Rehabilitation	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	7 886.7	3 431.5	2 629.2				
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	2 270.9	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
2008	3 677.4	1 558.4		1 250.1	240.4	12.0	616.5
<b>Total</b>	<b>55 675.4</b>	<b>20 780.9</b>	<b>12 212.4</b>	<b>17 394.3</b>	<b>2 439.5</b>	<b>2 081.8</b>	<b>766.5</b>
<b>Price adjusted to 2008 value in NOK billion</b>	84.96	31.72	25.92	20.88	2.73	2.94	0.77
<b>Price adjusted to 2008 value in EUR billion</b>	10.34	3.86	3.15	2.54	0.33	0.36	0.09
<b>Price adjusted to 2008 value in USD billion</b>	15.07	5.63	4.60	3.70	0.48	0.52	0.14

Conversion rates = Bank of Norway's annual average for 2008  
EUR 1.00 = NOK 8.2194  
USD 1.00 = NOK 5.6361

<sup>1</sup> For 2007: Organisations which received funds from slot machines in 2001.  
For 2008: Organisations which received funds from slot machines in 2001, excluding sporting organisations.



## Value added statement 2008

	NOK million	
Games revenue		10 578.7
- Prizes to players	5 614.8	
- Consumption of goods and services	728.6	
- Other costs	211.3	
- Development costs	117.5	
+ Other revenue	140.2	6 531.9
<b>Gross value added</b>		<b>4 046.8</b>
- Depreciation	105.4	
+ Net financial items	176.9	71.6
<b>Net value added</b>		<b>4 118.4</b>
<b>VALUE ADDED IS DISTRIBUTED AS FOLLOWS:</b>		
	NOK million	Percentage
<b>National and local government:</b>		
Income tax (employees), payroll tax and employer's pension contributions	111.0	2.7%
<b>Employees:</b>		
Pay and pensions (excl tax deductions)	114.4	2.8%
<b>Retailers:</b>		
Commissions from games, player cards and prize payments	717.6	17.4%
<b>Provided by the company:</b>		
Investment fund	(502.0)	(12.2%)
<b>Profit to:</b>		
Health and Rehabilitation	240.4	
Measures to counter problem gaming	12.0	
Other beneficiaries	616.5	
Culture	1 250.1	
Sports	1 558.4	3 677.4
<b>Net value added</b>		<b>4 118.4</b>
		<b>100.0%</b>

**ASSURANCE  
STATEMENT FOR  
SOCIAL REPORT**



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**DET NORSKE VERITAS**

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**ASSURANCE STATEMENT**

Det Norske Veritas Certification AS hereby states that  
Norsk Tipping's social report 2008

is consistent with relevant internal processes, routines and positions  
demonstrated in the corporation.

This DNV assurance statement is issued on the basis of the audit that has been  
carried out with reference to the  
The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (G3)  
principles of  
materiality, completeness, stakeholder inclusiveness and sustainability context.

The sections "Scope of assurance", "Verification Methodology" and Principal  
Considerations" described below are integral parts of this statement.

#### Scope of verification:

The scope and process of the verification have been agreed with Norsk Tipping. The verification includes the social reporting of Norsk Tipping for 2008, page 42-107 in *the Annual and social report 2008* (referred to as the social report). The report covers social and environmental aspects. The report comprises Norsk Tipping's co-operation with its retailers, but the retailers own operations, as well as those of Norsk Tipping's subsidiaries, are not covered by the report.

#### Method:

The verification was accomplished at Norsk Tipping's head office in January and February 2009. The work carried out by DNV included the following:

- Review of available documents, data and other relevant information
- Interview with 17 employees with various responsibilities within NT
- Phone interviews with five external stakeholders
- Spot check of the mechanisms for implementing Norsk Tipping's ethical guidelines and other relevant guidelines.

Norsk Tipping has been responsible for presenting all relevant data, processes and routines, and the verification is based on the assumption that this information was submitted in a truthful manner.

#### Conclusions:

DNV is of the opinion that the social report of Norsk Tipping gives a complete picture of its work with corporate responsibility.

Norsk Tipping is demonstrating an open and active dialogue with its most important stakeholders. We have reasons to believe that the report is material to the stakeholders. The work on responsible gaming is among other things, well described. We have not found essential inaccuracies in the information presented in the report.

In our opinion, Norsk Tipping gives a balanced presentation of its own activities related to those issues of concern to stakeholders. Among other things Norsk Tipping is transparent about the challenges related to the debate around compulsive gambling, sales and marketing of gambling. The report includes tables and diagrams enabling the reader to compare and evaluate the progress. The report presents activities carried out in 2008 and plans for 2009, however there is room for improvement with respect to establish and follow up on more measurable goals.

DNV has checked the social report against the reporting framework of the Global Reporting Initiative, G3. We hereby confirm that the application level C+ has been met. This does not indicate the quality of the report, but to what extent the G3 framework has been applied.

Det Norske Veritas Certification AS disclaims any liability or co-responsibility for any decision a person or entity would make based on this Verification Statement.

Sign:  Ingebjørg Gravlien Senior Consultant, CR	Sign:  Eli Bleie Munkelien Global Manager CR Services
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Det Norske Veritas AS  
Høvik,  
30. March 2009

## ASSURANCE STATEMENT FOR SOCIAL REPORT

A young boy with blonde hair, wearing a black and yellow soccer jersey, is looking up at a white soccer ball floating in the sky. The background is a blue sky with white clouds. In the lower right, there are green trees and a tall, light-colored building.

PLAYFULNESS



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More than 50 per cent of gaming revenues were paid out as prizes to winners:

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NOK million

**5 614.8**

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Norsk Tipping's consumption of goods and services, development costs and other expenses:

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NOK million

**1 057.4**

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# A TIME OF RENEWAL

The new interactive video terminal (IVT) being introduced by Norsk Tipping reflects the interplay between innovation, social debate and politics. A product of the Norwegian debate on compulsive gaming, its development shifts the focus from gambling to gaming pleasure.

Compulsive gaming first attracted media attention in Norway during the late 1990s. The first treatment centre for compulsive gamers opened in 1998, the Norwegian Association for the Reduction of Gaming and Gambling Problems was founded in 2000, and the helpline was established in 2003 with partial funding from Norsk Tipping.

Private slot machines changed considerably after 2000, becoming more aggressive. The market exploded and, at peak, turnover for these devices was three times greater than for Norsk Tipping. Slot machine players accounted for 80 per cent of calls to the helpline.

#### Government intervention

The lack of responsibility displayed by the slot machine business prompted the Storting (parliament) in 2003 to give Norsk Tipping an exclusive right to operate gaming machines. A pilot project was run by the company from 23 August to 5 December 2004. But an operator and the industry association took the state to court, and the Efta Surveillance Authority (ESA) asked the government to

provide a better justification for the exclusive-right model.

In view of these legal proceedings, Norsk Tipping's gaming machine project was halted in January 2006 and 25 employees were made redundant. The case was not finally settled until 2007, when the government won in both the Efta Court and the Norwegian Supreme Court, and a completely new IVT project could be launched. A first tranche of about 100 terminals was installed in 2008. The device is groundbreaking in a global context. Their unique features include the following.

- The IVTs are networked so that games can be controlled and monitored centrally. They can be quickly replaced or modified, and the games menu can be tailored to different arenas
- All players must be at least 18 years old and identify themselves with a player card. That provides an effective age check
- The IVTs are cashless, and operated by player cards. Winnings are transferred automatically to the account related to the card
- No player can lose more than NOK 400 per day, or NOK 2 200 per month. And they must take a break after one hour's continuous play
- A player can set their own ceiling for losses at a level lower than the system. They can also take breaks or exclude themselves from playing either permanently or for a time
- A player can also use the IVT to play Lotto or other games.

# Avulxin

Interactive menu screen with various food items and buttons:

- OPP NED
- ROSEMARY
- ELINEI ELINEI
- KNIPSER
- rollo
- SWING
- Tryk på skermen eller sett inn spilletast
- Tryk på skermen eller sett inn spilletast
- Skjult meny
- Skjult meny



Tipping (football pools) was the only game from 1948 to 1986. Revenues peaked in 1985 at NOK 1.9 billion.

The Match of the Day on NRK TV with its "pling" began in 1969. This initiated a long and good collaboration between Norsk Tipping and the broadcaster.

NORSK TIPPING – 1948–2008

**Good results**

The new IVTs were tested in a pilot phase during the autumn of 2008. A qualitative field survey interviewed 47 players and 163 non-players, and the following were among its findings.

- Both players and non-players had a relatively good impression of the terminals, although 80 per cent of the non-players were not interested in trying them later
- Playing encourages replaying. Of those surveyed, almost seven out of 10 have played several times – eight out of 10 once a week or more.

Norsk Tipping's conclusions from the pilot phase can be summed up as follows.

- Features incorporated in the IVTs to restrict undesirable player behaviour have functioned very well and in line with the expectations of the company and the Ministry of Culture and Church Affairs
- It showed that players do not regard mandatory use of a player card as a deterrent to using the IVTs. That feature is unique in the world for this type of gaming channel
- Both players and non-players are positive to the loss restrictions incorporated in the IVTs
- Retailers are very satisfied that the IVTs do not attract heavy gamblers, and that people play for the sake of entertainment. They feel this is very different from the old slot machines
- Results from the pilot have attracted

international attention, and experts on compulsive gaming believe that the Norwegian model will influence the industry world-wide. Many countries want to introduce behavioural controls similar to those adopted by Norway and Norsk Tipping.

**Renewal a primary goal**

The IVT has been the largest and most important development project. But it is not the only one. The strategy plan for 2009-11 identifies renewal as a main priority. The overarching goals are to:

- enlarge the player base, recruit new players and strengthen player loyalty
- develop products based on player requirements
- modernise distribution.

These objectives must be seen in the context of a 2.4 per cent decline in the number of unique players from 2007 to 2008. Over the past five years, the number of non-players has almost doubled while the Gaming Board reports that foreign gaming companies have expanded their turnover in Norway.

Projects which have been completed or are under preparation include the following.

- **A new sales concept for grocery stores.** This was tested from May to December in a Rema 1000 supermarket in Hamar. The idea is that players buy an instant game (coupon already filled in) together

Customer satisfaction (CS) with Norsk Tipping

Group	CS 1st half 2008	CS 2nd half 2008	Target	CS 2008
Retailer players	71	69	70	67.4
Web players	70	69	70	66.8
Customer service experienced	84	83	80	81

[80-100 = very satisfied, 70-79 = satisfied, 60-69 = indifferent, below 60 = dissatisfied.]



with their groceries in the store's normal till. This represents a modernisation of distribution, tailored to the grocery trade's needs and player buying habits. The concept is due to be rolled out during 2009

- **Introduction of the grassroots share.** From 1 March 2009, players can assign five per cent of their stake to the club or organisation of their choice
- **Extensive renewal of the TV draws during 2009**
- **Preparations to introduce EuroJackpot as a new number game.** This project is a joint venture between a number of European countries
- **Improved lucky-number pot.** Bigger allocation to ensure larger pots
- **More frequent bonus pots in Tipping,** with the share of prizes being increased from 50 to 55 per cent
- **Introducing a subscription scheme for Norsk Tipping games in 2009**
- **Simplifying opportunities for pool play during 2009**

#### Responsible marketing

The Norwegian Marketing Association nominated Norsk Tipping in 2008 as one of three

finalists for its 2007 Marketer of the Year award. Although the company did not win the award, it regards the nomination as a great recognition. The prize is part of efforts to motivate companies to maintain a high level of quality in their marketing work. Norsk Tipping works continuously to achieve this. A particular quality requirement for its marketing is to frame advertising in such a way that the company achieves its revenue goal while minimising the risk of people becoming compulsive gamers. In other words, it wants to be good at marketing without having sales maximisation as the only goal.

Norsk Tipping ranked in November 2008 as the fifth largest advertiser in Norway, spending NOK 177 million gross on media services during the year. This was down by NOK 4.7 million from 2007, according to figures from Nielsen Media Research. Norsk Tipping's advertising budget has declined by about four per cent over the past five years, while the overall Norwegian advertising market has expanded by no less than 38 per cent. In other words, the company has become less visible in a media picture where foreign gaming companies are promoting

#### Players per game

Game	2007	2008
Lotto	1 594 008	1 540 431
Viking Lotto	1 043 482	996 873
Joker	1 207 077	1 111 839
Flax	878 463	877 000
Keno	196 760	248 542
Extra	852 613	770 785
Tipping	290 016	269 195
Oddsens	173 240	165 323
Multix	-	3 269

Players who played once or more during the year.

The "seafarer's coupon" was introduced at Christmas 1959. This made it possible for sailors in foreign traffic to play the pools, and lasted until 1969. It was reinstated in 1982-87.

The ceiling on prizes was abolished for Lotto in 1990 and for the football pools the following year. Totalling NOK 26.2 million, the highest prize went to a Viking Lotto winner from Kristiansand in 2007.

NORSK TIPPING – 1948–2008

themselves ever more strongly. The latter increased their marketing in Norway during 2008.

Norsk Tipping knows a great deal about the impact of its marketing on different target audiences. The company employs a segmentation model which uses demographic data to describe these audiences. Preparations were made in 2008 for studies which will

provide greater understanding of the effect which different advertising campaigns and methods have on the various segments.

The company revised its in-house marketing guidelines in 2008. These spell out the implications of legislation and statutory regulations governing advertisements for its business.

Other facts about customers, market and games

	2007	2008
Total players (registered)	1 786 985	1 641 867
Average stake per player per year (NOK)	5 596	5876
Total number of prizes paid	29 904 652	56 413 920
Number of prizes paid per week (average)	81 930	1 084 883
Total value of prizes paid (NOK)	5 438 911 201	5 523 411 309
Value of prizes paid per day (NOK) (average) Abt 14 901 126	ca 14 901 126	15 132 633
Number winning NOK 1 million or more	333	371
Share of registered players in total turnover	90.6%	90.0%
Average number of players per week (registered)	1 073 790	1 024 188
Calls answered within 20 seconds by service centre (share)	72.3%	74%
E-mail queries answered by service centre within two hours (share)	99.3%	94.4%

Average stake per week

	2007	2008
Lotto	47	43
Viking Lotto	29	27
Joker	13	13
Flax	19	20
Keno	55	33
Extra	20	24
Tipping	49	47
Oddsen	176	122
Multix	-	207

Total revenue divided by number of players (registered) who played once or more during the year.

All market communication from Norsk Tipping is audited by the Norwegian Gaming Board, which distinguishes in its semi-annual reports between non-conformities and comments. The former are conditions which the board believes to be in conflict with the law, while comments cover aspects which are not illegal but which the board considers undesirable. In its report for the second half of 2007, the board had com-

ments on advertising for Jackpot. This was corrected in 2008. The report for the first half of 2008 contained no comments. Although the report for the second half was not available when this social report went to press, the board says it has not found any non-conformities.

### Introduction of new player cards

Exactly 1 641 867 people held Norsk Tipping's player cards at 31 December. A third-generation card with a revised design was launched during the autumn. The first generation, with a magnetic strip, appeared in 1992 and the first with a chip in 2002. In the latest version, a hologram shows that the holder has electronic identification (eID). A holder can upgrade their card so that it can also be used for a range of operations with companies and organisations offering services over the internet. These include submitting tax returns, signing credit agreements and so forth.

### Code of marketing ethics

Norsk Tipping revised its code of marketing ethics in 2008. This comprises eight points.

- Market communication must be legal, honest and not misleading
- Market communication must not be discriminatory, or contain or suggest improper language, images, actions or behaviour. Caution must be exercised in the use of controversial words and concepts
- Market communication must not be perceived as unreasonably intrusive.
- Market communication must not encourage people to play for more than they can afford. Games should not be promoted as a replacement for or alternative to paid work, or be presented as a financial investment or a means of overcoming personal financial difficulties.
- Market communication must not claim that the outcome of the actual draw in games of chance depends on anything other than chance.
- Full openness must always be maintained about prizes and the probability of players winning. General information on probability, the prize structure, playing rules and so forth must always be readily available. When the specific size of prizes is included in market communication, their probability and the date of the final prize payout for a progressive jackpot must always be specified.
- Special caution must be exercised in relation to children, young people and particularly vulnerable groups. Market communication must not be directed particularly at children and young people below the age of 18.
- Children below the age of 18 must not occupy a central role in marketing communication. The exception is where good causes which benefit from the profits are described, and no individual game is being marketed.

### ACHIEVEMENTS IN 2008

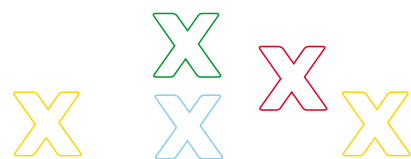
- Launched new interactive video terminals
- Conducted a pilot project with a new sales concept for grocery stores
- Worked on product development/renewal of the games
- Prepared a code of marketing ethics for the company
- Launched a new player card
- Initiated work on renewing Norsk Tipping's visual identity

### PLANS FOR 2009

- Introduce the grassroots share from 1 March, with the aim of getting 60 per cent of players to take advantage of the offer
- Introduce registered play for all games except Flax from 23 February
- Renew TV draws to make them more modern and attractive to young adults
- Prepare to introduce EuroJackpot as a new number game
- Increase the proportion of Tipping (football pools) revenue devoted to prizes from 50 to 55 per cent
- Launch the new concept for grocery stores



**ACTIVE PLAY**



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Players staked the following amount  
on Norsk Tipping's games:

NOK million

**10 578.7**

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Value creation for  
good causes:

NOK million

**3 677.4**

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# ABILITY TO ADAPT

March 2008 marked the 60th anniversary of Norsk Tipping's initial football pool in its first operating year. Before then, the state lottery, local trotting races and the annual bazaar at the community centre had largely ruled the roost.

The Norwegian government determined all the game rules, and used the Swedish model as one of its guidelines when Norsk Tipping was founded.

Since then, interest in the company and its range of products has increased hugely. The debate about money games, their consequences and the legislation governing them has grown at the same pace. Private providers with commercial motives have exploded in number and extent. They challenge legislation and regulation, while the government's opportunities to regulate and control the market diminish.

International commitments, supranational bodies and modern technology contribute to setting limits for democratic control of the market. Cracks also appear to be emerging in the political consensus on this issue.

In the midst of these sweeping developments, Norsk Tipping faces the same remit it had in 1948: meeting the desire of Norwegians for entertainment through betting for and about money – put briefly, money games. With the state as its authoritative

owner and Norway's voluntary sector as important partners and beneficiaries, the company has constructed a solid position for itself in popular opinion – while staying at all times within the constraints set by Norway's traditional and entrenched commitment to prudence – not too much, not too little, and all within a secure and controlled framework.

The products are many and attractive – from the football fan who pockets NOK 100 when a long-odds bet pays off to the lottery winner who walks away with the whole NOK 15-16 million pot and banishes financial worries for themselves and at least one further generation.

## Stable start

The first decades of the company's 60-year history were characterised by stability, predictability and steady growth. In line with the desire for control and acceptable management of the money game market, combined with the expectations of the beneficiaries, Norsk Tipping remained largely off the agenda of social debate.

Although its representatives could encounter some scepticism and opposition when they visited parts of Norway where Pietism was strongly rooted, the history books record little drama.

Revenues and profits expanded steadily throughout the period, and recruitment and training occasionally failed to keep pace. "In



NORSK TIPPING – 1948–2008

Norsk Tipping rolled out the first IVTs to replace the old slot machines.

2008

The Efta Court ruled that the Norwegian gaming machine monopoly does not conflict with the EEA agreement. This means that Norsk Tipping secured a slot machine monopoly. The Supreme Court confirmed the decision, and the old machines were removed from the market on 1 July.

2007

The government banned the use of banknotes in slot machines, cutting both turnover and calls to the helpline by 40 per cent.

2006

the early 1950s, it wasn't unusual for the staff to have to work for 24 hours at a stretch to get the work done within the specified deadlines," chief executive Arne Nickelsen noted when Norsk Tipping celebrated its 25th anniversary in 1973.

#### Move to Hamar

The company nevertheless found itself in the press for something a bit more dramatic than football pool tips and prize forecasts. A debate on decentralising government institutions from Oslo to the provinces also affected Norsk Tipping, and the Storting (parliament) resolved on 1 June 1967 that the company should move to Hamar. Staff responded with a strike which lasted for several days, until they were guaranteed a job in Oslo for the next eight years. The move to Hamar was accordingly postponed until 1975.

#### Pools period

The football pool coupon every Saturday was the company's only product for almost 40 years. It acquired a natural place in daily life, even though marketing was restricted to the sign over the door of the retailers.

However, interest in the pools received plenty of media encouragement. The press carried both tips and results, while the Norwegian Broadcasting Corporation (NRK) transmitted results and forecasts over the radio and eventually the TV.

The Match of the Day at 16.00 every Saturday, accompanied by continuous reporting of results from the matches on the coupon, was instituted in 1969 and made a big contribution to planting English football and the pools coupon in many Norwegian hearts.

#### New games, but not without a fight

The debate over money games in Norway

first began to heat up around 1980, when the Storting established V6 as a national parimutuel game for horse racing. It was to be run by Norsk Rikstoto, which had to build up an organisation for that purpose. In the meantime, Norsk Tipping was assigned to distribute coupons, settle with retailers and handle prizes. The game was a success, which also opened opportunities for Norsk Tipping to secure a new product. But it took until 1986 to establish the new Lotto lottery.

This game sparked a fight. The conflict was not primarily about the principle of a new money game in Norway, although opposition rooted in fears of an exaggerated focus on such products was also expressed. It was the financial aspect of the issue – who should get the profits and what the consequences would be for revenues from the traditional football pools – which created controversy. Lotto profits were intended to go directly to the Treasury, and the Norwegian Confederation of Sports and the Norwegian Football Association were naturally dubious.

Prime minister Kåre Willoch twice had to make the issue a vote of confidence before the issue was resolved by the Storting. Norway's first lottery draw took place on 19 April 1986 and was broadcast live by NRK. A new era had opened for Norsk Tipping.

#### Tempo, technology and tougher demands

The company has been affected over the past two decades by the same trends as the rest of Norwegian society – a growing tempo, more advanced technology, more aggressive product development, players making tougher demands, more critical public opinion and increasingly vigorous attacks on previously predictable frame conditions.

Introducing V6 created greater competition.



A three-year action plan against compulsive gaming was unveiled by the government. Funds for this drive came from Norsk Tipping's profits.

The Gaming Board was established to approve all draws by Norsk Tipping and to assess the company's marketing.

The Norwegian Association for the Reduction of Gaming and Gambling Problems was founded.

2005

2001

2000

There were suddenly more participants in the national market than the football pools and lottery. The government permitted marketing by the legal operators – advertising by Norsk Tipping had previously been confined to a sign at the retailers and the occasional report on changed opening hours during public holidays.

Marketing first took off when Lotto was introduced and, with the slogan "Lotto millionaires aren't like other millionaires", Norsk Tipping established itself among the Norwegian leaders for popular advertising. Over the past 15-20 years, the company has won a number of marketing awards both nationally and internationally.

#### Web boosts competition

The internet has been a shot in the arm for the private participants in the market, and gaming on the web has exploded over the past decade. Players can visit these sites from their own sitting room with good help from marketing on TV channels transmitted from the UK.

National frontiers and bans on domestic operation and marketing are of little help to governments.

From being confined to a few specially interested visitors, the private sector has developed into a serious commercial competitor to Norsk Tipping – as it has done in many other countries with a similar regulatory regime.

Norsk Tipping has also adopted electronic channels for distributing its products. With an advanced player card as the integrator, players can buy their games from retailers, over the web or by mobile phone. Although the electronic channels account for a steady

growing proportion of sales, however, the retailers will remain the most important distributor of the products for the foreseeable future.

Despite the competition, the company's turnover has risen sharply since Lotto was introduced. Contributions to the beneficiaries have increased, and Norsk Tipping has been successful in winning public support for its products. New games have been added, and revenue records are set almost every year. The coupon cross is one of Norway's best-known brand symbols.

Money games have become a highly popular form of entertainment – a development with international parallels.

#### Playing to the courts

Money games have changed both nationally and internationally from an insignificant national business into one of the world's biggest economic activities. This is an industry with high and rapid turnover which causes no pollution and requires no storage space. Money games have become a dream business for major international enterprises, and the global entertainment industry is involved worldwide in developing casino/hotel facilities. But private providers are excluded from traditional money games by national restrictions. The fight against these has been carried on in the courts.

The massive expansion in provision and revenues has given the private sector the muscle to combat the traditional regulation of money games. Through numerous court actions at both EU and national level, it is working to move the boundaries – attacking the motives for the exclusive-right model and demanding a place in the legally regulated market.

NORSK TIPPING – 1948–2008

The first treatment for compulsive gamers was offered at Renåvången in Hedmark. Compulsive gaming had not become an issue in the media until the early 1990s.

1997

Culture became a beneficiary of Norsk Tipping's profits.

1986

Norsk Tipping was established in Oslo. Profits went initially to sports and research. The company moved to Hamar in 1975.

1948

### Continued regulation

The Norwegian government still wants money games to be conducted under strict control and within regulated limits, by and large without commercial competition between the providers making the market more aggressive. In recent years, the increased attention paid to the potentially negative aspects of money games has strengthened the determination of the political majority to maintain these principles. As a radical step to clean up an uncontrolled market which was creating major social problems, the slot machine reform represents a good example of that commitment. The government's opposition to private companies setting up shop in Norway is another. At the same time, the private sector has won wider support in public opinion for its argument that exclusive rights and monopolies are not necessarily the right approach. The former cross-party consensus in the Storting has also begun to show cracks during recent years.

### EEA commitment

The challenge for Norwegian politicians is that they no longer have sovereign authority to regulate money games. Commitments under the European Economic Area (EEA) agreement mean that Norway must apply international legal rules. Preventing competition cannot be motivated by a desire to keep the money. It must be justified by a wish to combat unfortunate social and health consequences. In that respect, Norway's gaming policy accords with the EEA rules.

The Norwegian government has succeeded in both national and international courts by demonstrating that regulation of money games in Norway has rested from the start on clear social policy considerations. Com-

bating undesirable behaviour by channelling revenues to legal and strictly controlled games has always been important. The danger that a free market for money games could cause problems for people has motivated politicians to retain the monopoly.

### Slot machine market

The Storting's decision to ban existing slot machines and commission Norsk Tipping to reform this market in Norway was precisely in line with this desire to regulate to protect.

Participants in the lucrative market took the case to the Norwegian and international courts, but lost. The conclusion is that the government was fully entitled to prohibit the former machines and give the job to a single provider owned by the state and subject to strict rules and controls. Creating a new and socially responsible market for gaming machines represents one of Norsk Tipping's biggest-ever challenges in technological, commercial and reputational terms.

### Challenging competitive climate

The growth in the private sector has been paralleled by a debate on compulsive gaming which has put Norsk Tipping and others in the public limelight. Although all research shows that its games make little contribution to compulsive gaming, the company's product development, marketing and social role have been called into question.

Private providers, not least, have found it in their interests to lay the blame for problems associated with money games at Norsk Tipping's door. Others believe the cause lies precisely with the competitive commercial climate created by the private sector.

Poker over the internet has spread like wildfire in recent years, and now tops the list of

The Gaming Act was passed. Still in force, it established a general ban on money games in Norway with the exception of those with a socially beneficial object.

1902

problem-creating products. The government has instructed Norsk Tipping to refrain from competing for poker players in order not to add to the problems.

### Profit distribution

Throughout its history, Norsk Tipping's operations have been an important source of funding for good causes. Gaming revenues have provided Norway's sports movement with the financial resources to develop all kinds of sporting facilities nationwide. Norwegian culture and research have also benefited from major transfers. The distribution formula has been changed several times, with the latest amendment at the beginning of 2009. After Norsk Tipping took over the national slot machine market, the country's non-sports voluntary sector has also joined the beneficiaries.

The grassroots share is being launched in 2009 as a way for each player to influence where a small proportion of the profit should go. That makes the link between Norsk Tipping and the beneficiaries clearer to all.

### Striking a future balance

Without being attractive to its players, with good products, a high level of security and a solid reputation, Norsk Tipping would be unable to discharge its social remit. This requires it to unite Norwegians interested in money games through a responsible and attractive offer which persuades them to prefer the legal option to unregulated providers with commercial motives. On the other hand, the company must take responsibility for its own products so that it does not help to involve more people in problems and unhealthy playing behaviour.

The question is how this balance should be managed in the future, when external

pressures will increase, policies are determined to a greater extent abroad and player demands grow.

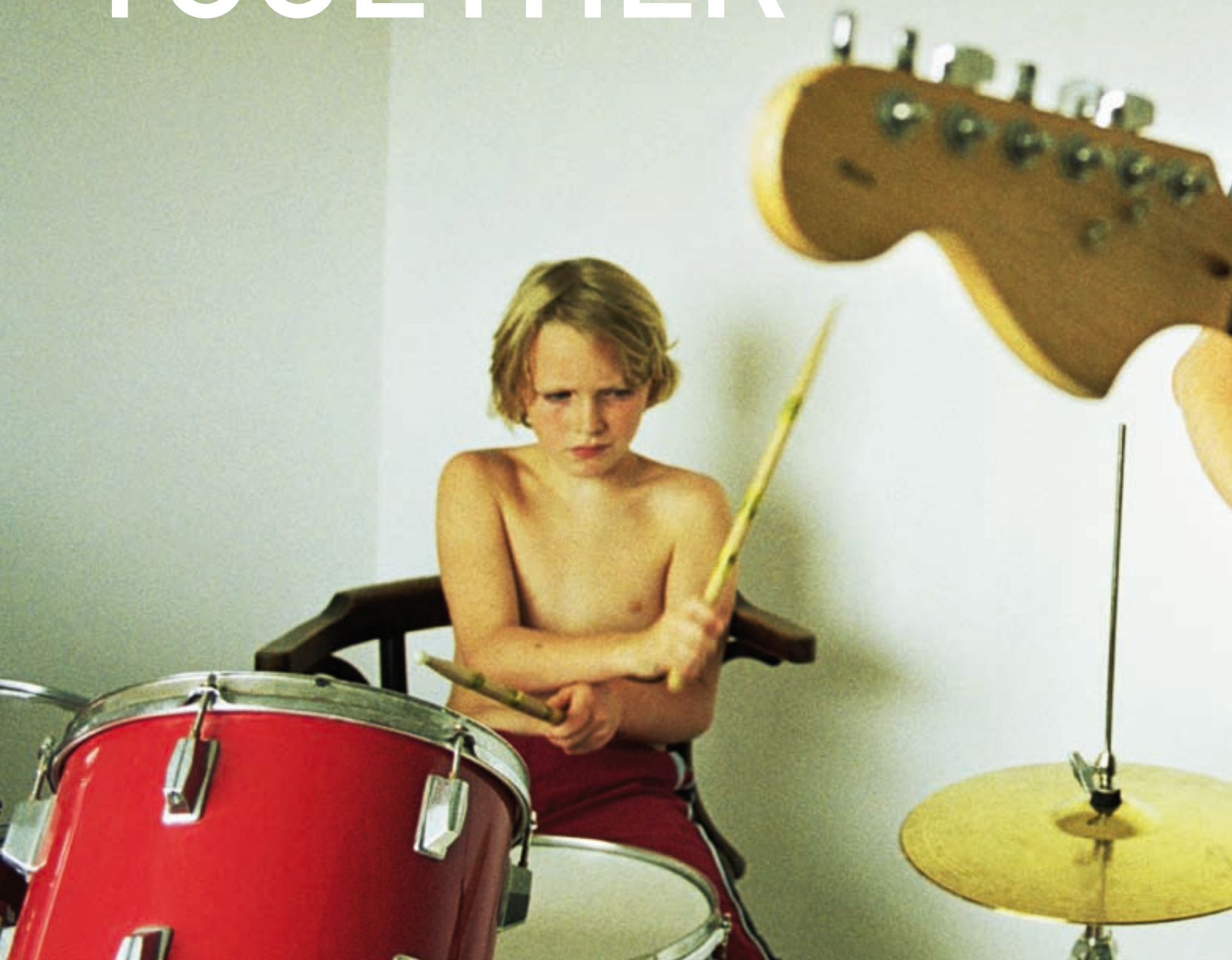
### Interactive video terminal

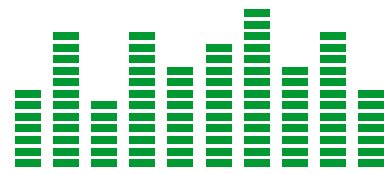
The new IVT is an example of a product developed from a responsible perspective. It combines an attractive offer with built-in restrictions and good tools which the players themselves can use. The latter are encouraged through well-written information and practical systems to reflect on their playing behaviour and to adopt an active attitude towards it. Those who do not wish to use the IVT can take simple steps to exclude themselves for shorter or longer periods. Personal restrictions on the use of time and money, gaming budgets and understanding their personal playing behaviour will help players to manage their money games sensibly.

Anyone who looks at the new IVT can easily conceive the huge strides made since the first football pool coupon was published 60 years ago.

A particular matter for reflection is that the basis for Norsk Tipping's operations and role remains the same as it was when the pools united Norwegians from 1948. But the terrain looks very different today, and pressure is increasing from every side. Player demands, commercial competitors, regulatory requirements, and the expectations of beneficiaries and those dealing with compulsive gaming can often create conflicts of interest. Negotiating a path through this jungle of demands, expectations and opportunities forms the core of Norsk Tipping's challenges in a new age.

# PLAYING TOGETHER





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Pay and pensions (excluding tax deducted)  
totalled:

NOK million

**114.4**

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Roughly 4 000 retailers received  
commission of:

NOK million

**717.6**

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# STRATEGIC OPTIMISM

The strategic plan adopted by Norsk Tipping in 2008 sets an optimistic workforce as one of three main priorities. A key aim is to strengthen the company's ability to attract and develop able employees.

To achieve this optimism, the strategy plan calls for particular attention to be paid to management and expertise. Work on developing management principles has begun. Compliance with the company's core values is being introduced as an element in performance assessments. And all departments have drawn up draft action plans with specific targets.

#### **Expertise a priority**

Norsk Tipping does not calculate the time per employee devoted to training, but expertise enhancement was a priority during 2008. Together with Right Management, the company's partner in this area, a management development course has been developed for managers with personnel responsibility. This covers about 40 people, who are taking the course in three sessions. The first two were held in 2008. This approach creates an arena where managers can meet, provide mutual support and study management in more detail. Participants learn about practical methods of exercising leadership and about developing a coaching leadership style.

#### **Practical personnel management**

A course in practical personnel management

was held in 2008 for managers with this type of responsibility. The programme includes training in policies and core values, union-management agreements, recruitment, an inclusive workplace, legal requirements, safety, financial aspects, conflict resolution and development dialogues. New managers are required to complete all the modules. These are voluntary for other managers with the exception of the safety component, which is mandatory for everyone.

#### **Training on compulsive gaming**

A mandatory e-learning programme on responsible gaming was presented to the workforce on 15 December. It has been developed in-house with assistance from Sweden's Gaming Institute.

All personnel working in customer service, and who thereby provide first-line support, have taken this course.

#### **Commitment to trainees**

Norsk Tipping has participated in the Inland Trainee (previously Vikinglauget Trainee) regional training scheme since 1999, and had five trainees working in various departments during 2008.

Inland Trainee is a forum uniting 11 companies and two industrial clusters which aims to attract highly competent young people to Norway's eastern inland region. Its board has a representative from each company/cluster.

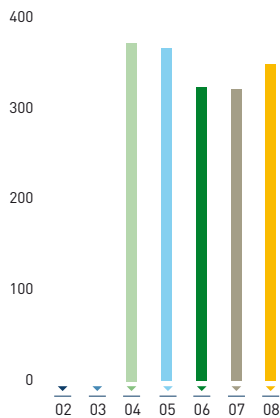


NORSK TIPPING – 1948–2008

Norsk Tipping is now a knowledge-based company. When coupons were read manually, it was a “coupon factory”. There could be about 130 women and one man in the processing rooms.

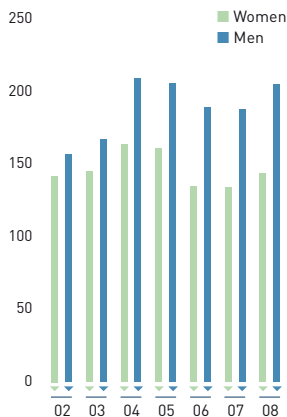
A technological revolution occurred in 1992 when the company converted from manual handling to online submission and coupon checking. This transition marked a fundamental change.

PERMANENT EMPLOYEES



This graph provides an overview of developments in the permanent workforce at 31 December. Temporary staff are excluded.

EMPLOYEES BY GENDER



Participants complete three eight-month modules in up to three companies over two years.

Since the scheme began, 44 trainees have completed one or more modules at Norsk Tipping and seven have become permanent employees there.

Focus on lifestyle

The launch of the company’s first focus group by its healthy living coordinator is an example of measures intended to educate staff about health, diet and lifestyle issues. Nine employees with various health challenges participated in the project, which was organised in collaboration with the Medi 3 Inland health centre. It had a positive health effect and prompted the formation of a new focus group in the autumn of 2008. This scheme has also had a positive environmental effect, providing an arena for personnel from various disciplines and roles to become acquainted.

Specially customised training for pregnant women is also offer as part of the healthy living initiative.

Health, safety and the environment

Regular fire drills for employees form part of ongoing training to enhance the safety of Norsk Tipping’s employees and neighbours. First-aid courses are given annually. The company maintains an internal control book with the focus on preventing various threats. This also provides guidelines for the company’s attitudes on workplace violence and threatening behaviour.

Norsk Tipping collaborates well with employees through the working environment committee. A separate annual report and action plan on HSE provide a detailed overview of work in this area. No special issues were identified in 2008.

Generally speaking, Norsk Tipping has a very extensive HSE programme. This is based on principles for prevention, customising and monitoring. The healthy living coordinator coordinates operational work on HSE, and is responsible for facilitating health-promotion measures and activities to encourage healthy living by employees. This person holds monthly meetings with human resources managers to follow up

Norsk Tipping’s core values

- **Interaction** – making each other good, cross-organisational interdisciplinary collaboration, knowledge-sharing and teambuilding.
- **Courage** – accepting criticism and new ideas, daring to make choices and decisions, challenging established truths, delegating responsibility and authority, and willingness to take risks.
- **Commitment** – encouraging enthusiasm, accepting a proprietary attitude and responsibility, providing a role model, enjoying work, and caring for and about each other.
- **Performance** – creating results, getting the best out of each employee and team, making demands and accepting the consequences of the results.



The Storting resolved in 1967 that Norsk Tipping should move to Hamar. Employees responded with a strike lasting several days, which ended with a promise of a job in Oslo for eight years.

cases of sickness absence and to assist with workplace customisation.

The gender and age composition of the working environment committee is as follows:

- management: one woman (40-49), two men (50-59)
- employees: three men (40-49)
- occupational health service: one woman (30-39)

HSE issues are also discussed with union representatives in collaboration bodies. Fifty-three per cent of the workforce belong to the Norwegian Union of Government Employees (NTL) and the Norwegian Society of Engineers (Nito), which have negotiating rights with the company.

### Equality and diversity

Norsk Tipping gives weight to equal treatment of its employees. No cases of discrimination or bullying were identified in 2008.

In addition to having an inclusive workplace (IA) agreement, the company submits an annual report to the Directorate of Integration and Diversity on its work in these areas.

### Ethics role play

Training on ethical issues has also been given a key place. A role-playing game developed in-house has been conducted at management level and in all departments. Various ethical dilemmas are described on specially produced cards. Development of this game forms part of efforts to enhance awareness of the company's code of ethics.

Norsk Tipping has employees with minority backgrounds. A recruitment guide has been developed which requires that applicants with such backgrounds who are otherwise qualified for the advertised post must be called to an interview.

The company considers it desirable to increase the number of women in senior posts. The hierarchical gender distribution is currently unbalanced, with men over-represented at the topmost levels. Women are over-represented in the rest of the workforce.

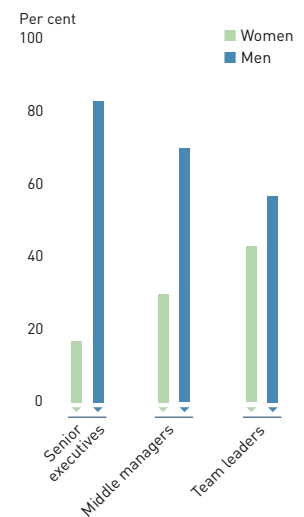
Pay differentials between men and women have declined substantially over the past five years, particularly in the lower ranks where the differences were previously greatest.

### Permanent employees

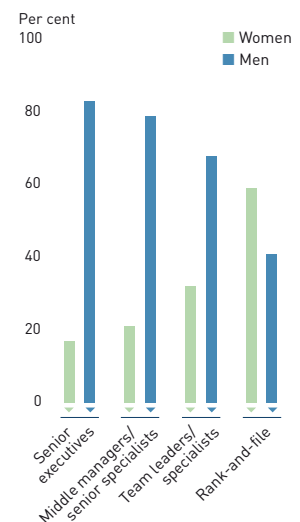
The graph on page 60 presents the development in the number of permanent staff at 31 December. Temporary workers are not included in the overview.

On average, the company had 340 employees and 349 work-years in 2008.

MANAGERS BY GENDER



GENDER DISTRIBUTION BY JOB CATEGORY



The arrival of Norsk Tipping in Hamar meant jobs for local women. Only 31 of 168 employees moved with the company from Oslo in 1975.

Norsk Tipping only got a separate corporate communication department in 1998, celebrated with the cutting of a ribbon by the mayor of Hamar. Communication was previously part of sales and marketing.

No differential treatment of full/part-time/temporary workers employed in Norsk Tipping AS was reported. No benefits given to full-time personnel in the company are withheld from part-time or temporary staff.

All employees have a development dialogue at least once a year.

#### Full/part-time employees

Norsk Tipping wants to customise working conditions for individual employees, and to take account of changing requirements in different life phases. It accordingly seeks to meet requests for reduced working hours.

The table below shows the scope of full-time, part-time and temporary part-time (at the request of the employee) working by gender.

As the table indicates, only women occupy part-time positions in Norsk Tipping.

#### Gender distribution, company

The graph on page 60 shows that the male share of the workforce has risen from 53 to 59 per cent over the past seven years, while the female proportion has declined correspondingly. The male share rose by one percentage point from 2007 to 2008.

At the level of individual posts, the gender distribution has been stable over the past four years, with relatively small variations at each level.

#### Gender distribution, senior and middle management

Norsk Tipping has three levels of management.

#### Full/part-time employees

Gender	Full-time		Part-time		Temporary part-time		Total
	Number	Per cent	Number	Per cent	Number	Per cent	
Women	124	86%	5	3%	15	10%	144
Men	203	99%	0	0%	5	1%	205
<b>Total</b>	<b>327</b>	<b>94%</b>	<b>5</b>	<b>1%</b>	<b>17</b>	<b>5%</b>	<b>349</b>

#### Employees by age group and gender in 2008

Age	Number		Total
	Women	Men	
20–29	11	13	24
30–39	33	66	99
40–49	47	89	136
50–59	38	31	69
60 +	15	6	21
<b>Total</b>	<b>144</b>	<b>205</b>	<b>349</b>

**1. Senior executives** – members of the top management team, reporting to the chief executive (not included in the category)

**2. Middle management** – managers with personnel responsibility, who report to senior executives or other middle managers

**3. Team leaders** – responsible for organising and leading work by a small team

To be regarded as a manager, the person concerned must have personnel responsibility. Membership of a management team is not enough.

Female representation was strengthened at all management levels from 2007 to 2008.

- The proportion of female senior executives increased from 14 to 17 per cent. However, this was not because their number rose but because one male executive left and was not replaced
- The female share of middle management jobs was up from 27 to 30 per cent
- It rose among team leaders from 31 to 40 per cent.

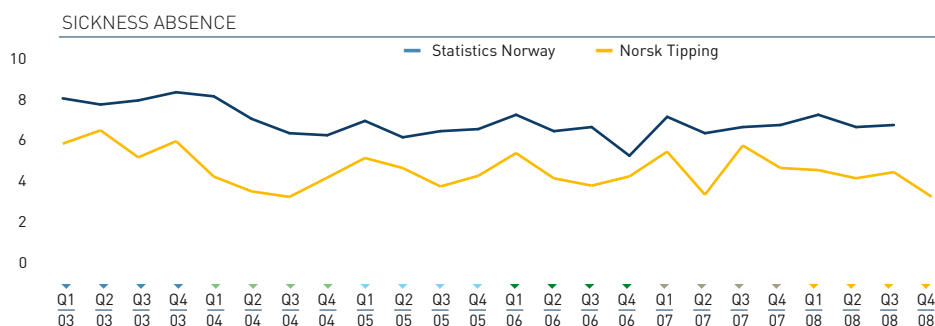
For the three management levels combined, the proportion of women rose from 27 to 31 per cent. This means that female representation in management strengthened by 15 per cent over a year.

**Sickness and short-term absences**

Sickness absence in 2008 was 4.2 per cent, compared with 4.8 per cent the year before. Norsk Tipping is an inclusive workplace company and committed to preventive health work. It works purposefully to promote good health through a broad-based range of activities and active follow-up of people on sick leave.

The graph below shows the development of sickness absence compared with the national average (Statistics Norway) from 2003 to 2008. Norsk Tipping further reinforced the trend towards a level of absence significantly below the national average in 2008. A reduction in doctor-certified absence among women made a particular contribution to the low level for the year.

No injuries or working days lost as a result of occupational illness were reported in 2008.



NORSK TIPPING – 1948–2008

The Willoch government needed two votes of confidence to get Lotto approved. Disagreement focused on the use of the profits. The first draw was on 19 April 1986.

Norsk Tipping was originally owned in 1948 by the state, the Confederation of Sports and the Football Association, with 40, 40 and 20 per cent respectively. The state became sole owner in 1993.

**Sickness absence per quarter in 2008**

Q1	4.7%
Q2	4.3%
Q3	4.6%
Q4	3.4%
Total	4.2%

Norsk Tipping applies Statistics Norway's methodology for calculating sickness absence. This means that absence is calculated as working days off through sickness as a percentage of agreed working days.

**Turnover by age group and gender**

External turnover at Norsk Tipping in 2008 was 4.86 per cent for women and 4.40 per cent for men.

Employees taking retirement are not included in this figure, in line with the prevailing definition of turnover. Two members of staff retired in 2008. Norsk Tipping calculates turnover by date of resignation. This means that it includes everyone who resigned between 1 January and 31 December.

In-house turnover (employees moving to a new post within the company) was almost as high as the external figure, and came to 4.87 per cent. Men had higher in-house mobility than women, at 6.83 and 2.08 per cent respectively. A large proportion of the in-house job changes related to the build-up of the operations organisation for the IVT, and applicants for these posts were overwhelmingly men.

**Pay differentials between women and men by job category**

Norsk Tipping uses a division into four job levels.

- 1. Senior executives** (top management team excluding the chief executive)
- 2. Middle management/senior specialist posts**
- 3. Specialists/team leaders** (at least three years of higher education relevant to the discipline or responsibility for organising the work of a small team)
- 4. Rank-and-file**

Turnover by age group and gender

External and in-house turnover by gender and age group

Age	External turnover			In-house turnover		
	% of women	% of men	% by age group	% of women	% of men	% by age group
20-29	9.09	0.00	4.17	0.00	7.69	4.17
30-39	12.12	10.61	11.11	6.06	7.58	7.07
40-49	4.26	2.25	0.03	2.13	8.99	6.62
50-59	0.00	0.00	0.00	0.00	0.00	0.00
60 -	0.00	0.00	0.00	0.00	0.00	0.00
% of gender	4.86	4.40		2.08	6.83	
% of employees	4.58			4.87		

This provides a relatively undifferentiated breakdown, posing the risk of comparing like with unlike when assessing pay equality. That risk increases further down the hierarchy because the variety of posts increases in groups 3 and 4.

Pay equality has improved substantially in Norsk Tipping since 2001. Changes were small from 2007 to 2008. The position weakened for senior executives (one percentage point) and rank-and-file staff (five percentage points), but improved for team leaders/specialists (one percentage point). It was unchanged for middle managers/senior specialists.

### Working environment survey

Many of the expertise development measures executed and planned in 2008 were a follow-up to employee responses in the 2007 working environment survey. A new poll is due in the spring of 2009.

The 2007 survey found that Norsk Tipping's employees are very proud of the company. This attitude was confirmed by Synovate's reputational accounting in 2008, which interviewed employees and several other target groups about the company. The conclusion was that the workforce takes a very positive view of Norsk Tipping. Not unexpectedly, it has a significantly higher opinion of the business than external groups.

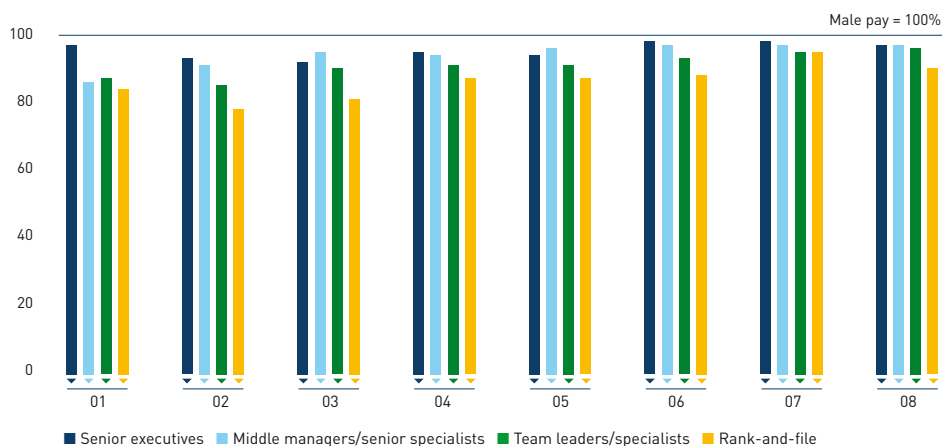
### ACHIEVEMENTS IN 2008

- Offered modules on practical human resources management as required to managers with personnel responsibility
- Measures derived from the working environment survey were given priority at both department and company level
- The company's core values were clarified and integrated in the management development programme
- Measures in the HSE plan were implemented, with the healthy living commitment maintained
- Function and responsibility descriptions were continuously revised

### PLANS FOR 2009

- Carry out a new working environment survey
- Continue the management development programme
- Execute department-by-department development processes
- Execute modules on practical human resources management
- Further develop the company's management principles/characteristics
- Audit company policies
- Keep sickness absence at a maximum of 4.2 per cent

DEVELOPMENT OF FEMALE PAY AS A PROPORTION OF MALE BY JOB CATEGORY  
(BASED ON AVERAGE PAY), 2001-2008



# THE GOOD CONTACT

**Nine out of 10 players take their coupons to the retailer. They may take the opportunity to chat a bit about dreams, football and odds philosophy, and explain why they feel at Keno level 10 that day. The retailer makes Norsk Tipping's games a social activity.**

Retailer numbers passed 4 000 in 2008. They accounted for 90 per cent of all sales of Norsk Tipping games, and received NOK 717 million in commission. These revenues make a big contribution to the income base of many small shops in outlying districts, in part through participation in the Merkur programme. The latter is an important element in the Ministry of Local Government and Regional Development's commitment to small local communities. A collaboration agreement between Norsk Tipping and Merkur runs from 2008 to 2011, and 308 shops have so far become retailers for the company through the programme. They received an average of NOK 72 000 in commission in 2008.

## **Simpler sales**

Many of the retailers are cut-price stores, where the Norsk Tipping terminal and shop till stand side-by-side. The company has developed a new sales concept to improve working conditions for staff and service for shoppers. This allows players to take a Lotto or Keno coupon, for instance, put it on the conveyor with the rest of their shopping and

pay for everything in one go. That cuts out the need to queue twice. The concept was tested from May to December at a Rema 1000 supermarket in Hamar and functioned satisfactorily during this period. Norsk Tipping has obtained Ministry approval for the system in 2009.

## **Secure new extranet**

Norsk Tipping has developed a completely new password-protected extranet to improve communication with its retailers. This was launched with a small group of users in November.

Features include access for retailers to updated turnover figures for their store. An improved information area also provides constant updates on activities in Norsk Tipping. In addition, retailers can find sales tips, printer-ready wall newspapers and various e-learning programmes.

Development of the extranet was paralleled by Norsk Tipping's Common Authentication and Authorisation (FAA) project, which created a solution for secure user identification. Staff at a retailer must log on with their player card, which identifies them and provides various views and levels of access on the extranet. These depend, for instance, on whether they are the shop manager or another employee. Only the authorised person(s), for example, can access the shop's financial reports.

Norsk Tipping believes that its new technological platform provides a significantly



Nine out of 10 kroner spent by Norsk Tipping's players are placed via retailers. Two of the latter are on Svalbard.

Norsk Tipping's most recent game, Keno, was introduced in 2007.

NORSK TIPPING – 1948–2008

better flow of information to and from the retailers. The company has received both positive and negative responses. Some users regard having to use the player card to log on as a barrier, while others feel the solution provides useful content such as access to financial reports. When the new extranet is fully rolled out in April 2009, it will be tailored to the intranets in the various chains. That will lower the threshold for its adoption.

**Operator ID tracks transactions**

Even more secure solutions for monetary transactions have been developed by requiring retailers to have an operator ID. The player card is once again the key. Because the checkout person's card must be used for any dealings with a player account, all such transactions are traceable. This means in part that possible attempts at embezzlement or other illegalities can be identified. Norsk Tipping has also had a dialogue with the Norwegian Data Inspectorate concerning the operator ID. Comments from the inspectorate have been reviewed and will be incorporated in the overall assessment. Norsk Tipping appointed a data protection ombuds-

man in 2008, whose job includes developing systems and routines to protect the privacy of players and employees.

**Retailer training**

All terminal operators will receive training on Norsk Tipping's games and the subject of gaming responsibility. It has developed e-learning programmes on these topics, which operators at the retailers take via the extranet. The player card again plays an important role in this context. Completion of an e-learning programme is recorded on the operator's card so it can be used as an electronic CV if the holder applies for a job with another retailer.

Some of these solutions had not been finalised when the roll-out of the interactive video terminals (IVTs) began. The first operators accordingly received their training manually. All retailers and local operators will be taking the course electronically from the first half of 2009.

Classroom teaching is also provided by the company at its Hamar offices. The basic two-

Turnover per channel (NOK million)

	2007	2008	Change
Retailers	9 696	9 666	(30)
Internet	664	828	164
Mobile phone	29	84	55
<b>Total</b>	<b>10 388</b>	<b>10 578</b>	<b>190</b>



day course was given 35 times in 2008 for a total of 579 participants. This programme is aimed primarily at the person responsible for gaming and other staff at newly recruited retailers or ones with new owners. In addition, the one-day course on games and responsible gaming was given 11 times for 109 participants. This is aimed to a greater

extent at established retailers and does not include terminal training.

#### Pool packages to continue

For a number of years, many retailers have offered their customers a share in game packages. The retailer can, for instance, assemble a package of many different games and sell shares to players. This social form of gaming is difficult to conduct when all play must be registered through the use of player cards. Norsk Tipping introduced mandatory registered play on 23 February 2009, and is giving high priority to finding solutions for the sale of pool packages.

#### Retailers by county

County	Retailers
Akershus	300
Aust-Agder	102
Buskerud	191
Finnmark	118
Hedmark	202
Hordaland	372
Møre og Romsdal	287
Nordland	281
Nord-Trøndelag	132
Oppland	208
Oslo	351
Østfold	208
Rogaland	289
Sogn og Fjordane	141
Sør-Trøndelag	239
Svalbard	2
Telemark	151
Troms	167
Vest-Agder	137
Vestfold	160
	<b>4 038</b>

#### Retailers by umbrella chain

Umbrella chain	Retailers
Reitan Gruppen	760
NorgesGruppen	1683
COOP	671
ICA Norge AS	448
Other grocery stores	16
BK-Gruppen – Gyda	42
Best	7
Select Service Partner	9
Other convenience stores	209
Esso	45
Shell	24
Statoil	52
Other	2
Not in an umbrella chain	70
	<b>4 038</b>

#### ACHIEVEMENTS IN 2008

- Tested the distribution concept for game sales in grocery stores
- Implemented a new system for e-learning by retailers
- Opened a new extranet for retailers
- Implemented the operator ID system to enhance security in money transactions at retailers
- Renewed the collaboration deal with the Merkur programme. As part of this agreement, Norsk Tipping appointed 11 new retailers in 2008.
- Introduced the company's new IVTs

#### PLANS FOR 2009

- Introduce mandatory player registration from 23 February
- Aim is to register 212 800 players in 2008, including player card renewals
- Implement e-learning programmes about the games and responsible gaming to help develop retailer competence
- Develop solutions for selling shares in game packages at retailers
- Extend the new extranet to those retailers who did not get access in 2008, with the goal of 2 300 users in 2009
- Work closely with retailers on introducing the grassroots share
- Recruit 12 new retailers in outlying districts through the Merkur programme

Norsk Tipping suffered a true fiasco in 1988, when it introduced 13 matches on the football pool coupon. It reverted to 12 the following year.

NORSK TIPPING – 1948–2008

**Popular service centre**

The central place occupied by Norsk Tipping in Norwegian hearts is indicated by the number of calls to its customer service centre, which is staffed by about 40 employees daily between 07.00 and 22.00. It received just over 298 000 calls in 2008. In addition, the staff conducted about 35 000 sales calls to retailers – partly to follow up sales targets.

About half the calls to the centre come from retailers. The average response time – how long it takes for a call to be answered – was 18 seconds in 2008. The average length of retailer calls was 1.51 minutes. An immediate solution was found to 91.4 per cent of calls.

This performance has been achieved through purposeful efforts to build expertise. The figures explain why Norsk Tipping's players and retailers are very satisfied with the service received. Service is measured by customer service experience (CSE), where players and retailers are asked a number of questions after they have been in contact with the service centre, and rate a number of aspects. The maximum score is 100. A result between 60 and 70 is characterised as "indifferent", 70-80 is "good" and over 80 "very good". The average CSE score in 2008 was 83.5, which is well above the company's target of 80. According to the Norwegian Customer Satisfaction Barometer, this represents a very strong result.

Customer satisfaction with the service centre

	Retailers	Players	Total
Customer service experienced (CSE)	88.5*	79**	83.5
Phone service (% calls answered in 20 sec)	76.1	71.2	74.0
Average waiting time	18 sec	23 sec	20 sec
Average length of call	1 min 51 sec	3 min 3 sec	2 min 21 sec
E-mail service (% answered in 2 hours)			94.4
Average waiting time			44 min 31 sec
Issues resolved on first call			91.4%

\* Target 80 \*\* Target 75

# EFFECTIVE PROCUREMENT, MONEY SAVED

The company consumed goods and services worth a total of NOK 1 057 million in 2008, and made purchases from 1 122 suppliers. As a strong buyer, and in line with its social remit, the company is duty-bound to pay constant attention to ensuring good and cost-saving procurement guidelines. This requirement has been actively observed for a long time, with continued positive results.

## NOK 313 million in five years

More appropriate buying procedures and guidelines, combined with in-house training in procurement processes, have produced a good and efficient purchasing structure in the company.

Since Norsk Tipping became subject to the Act concerning Public Procurement in 2004, it has achieved an estimated NOK 313 million in savings through such measures as:

- cancelling existing contracts and subjecting procurement to competitive tendering
- renegotiating the biggest contracts
- paying great attention to the quality of work with suppliers
- improving attitudes to and expertise on

One of Norsk Tipping's goals is to ensure that the largest possible proportion of its revenues goes to sports and culture. Good and efficient purchasing helps to reach that target.

procurement in the whole organisation through advice, courses and conferences.

## Ethics at every stage

Norsk Tipping introduced a new overarching code of ethics in 2007, and this has formed the basis for developing its procurement guidelines. Important points include the assessment of conflicts of interest. Everyone involved in procurement processes must make such an evaluation.

## In-house training

To achieve the most effective possible observance of the procurement guidelines, the company has worked a great deal on in-house training. A basic course has been supplemented with programmes on negotiating techniques and developing specifications. These programmes aim to help build

## ACHIEVEMENTS IN 2008

- Held information meetings with personnel involved in procurement for the company
  - a working meeting was held in April with six buyers and procurement coordinators in the departments
  - the procurement department held meetings in June-August and November-December with every unit in the company
- Carried out an analysis which will form part of the decision base for introducing a new and more efficient electronic procurement tool
- Implemented an in-house course for staff who have or will get procurement responsibilities. Roughly 50 people participated
- Improved existing tools and processes by installing a new version of the procurement portal
- Implemented a special tool for the procurement portal which registers all purchases worth more than NOK 100 000

## Key figures 2008

Cost of goods and services consumed in NOK million (incl VAT)	1 057
Public invitations to tender	47
Suppliers	1 122
Invoices received	8 325

#### PLANS FOR 2009

- Complete ethical guidelines for suppliers
- Prepare routines for commercial and professional follow-up of contracts
- Investigate an electronic ordering function
- Assess expanded invoice checking, traceability and internal control in cooperation with the accounts department
- Introduce electronic receipt of invoices in cooperation with the accounting department
- Implement management of procurement-related environmental standards in line with the company's overarching strategy on the environment, which is under preparation
- Adopt electronic tools and make bigger demands on user units to plan and demonstrate need
- Hold semi-annual meetings of the units for exchanging experience, reporting and training.

positive attitudes and a good culture in the procurement field, so that all purchases are made cost-effectively and in accordance with in-house and external guidelines.

#### Electronic processes and efficiency

In line with the government's recommendations and wishes, Norsk Tipping has begun work to enhance the efficiency of its procurement process through the use of electronic tools. An e-commerce analysis in 2008 will form the basis for continued work on such aspects as an electronic ordering function.

#### Competitive tendering

A total of 47 purchases were subject to public competitive tendering in 2008 (contracts worth NOK 100 000 to NOK 150 000 000).

Major purchases include:

- distribution services (contracts with a combined value of close to NOK 150 million)
- media agency (new provider)
- canteen goods (all categories)
- many property-related contracts (building trades and technical facilities)
- various service contracts (events, personnel services, advice in many areas).

Suppliers are local, national and international. That accords with the Public Procurement Act, which requires all bidders to be treated equally and prohibits the use of geographical considerations in their selection.

#### Ethical trade

Norsk Tipping works continuously to establish guidelines for ethical trade in the organisation. This work is based on existing standards for such transactions at national and international levels. The company has started to develop its own ethical guidelines for suppliers. It is also working on a statement of ethical principles which will be attached to competitive tendering documents. Covering such issues as human and labour rights, this is intended to be signed by both parties when the contract is awarded.

#### Revised procurement policy

A new overall procurement policy for the organisation was introduced in 2006. It has been revised twice, most recently in December 2008. The whole document was then reviewed and updated, and procurement guidelines based on the policy were established.

#### Comments from the Auditor General

The Office of the Auditor General conducted a comprehensive audit of Norsk Tipping during 2007. Its Document 1 for 2007 noted that the company had made some substantial purchases which failed to comply with the procurement regulations. This comment has been carefully followed up. Contracts have been reviewed and regularised pursuant the Public Procurement Act.

#### Suppliers by size\*

Category	No of suppliers	Share of total number	Purchases less VAT (in NOK 1 000)	Share of total purchases
All	1 122	100.0%	839 719	100.0%
> NOK 1.7 mill	74	6.6%	753 835	89.7%
NOK 0.5-1.7 mill	71	6.3%	51 985	6.2%
NOK 5 000-500 000	668	59.5%	33 450	4.0%
< NOK 5 000	309	27.5%	448	0.1%

\* Excluding Fabelaktiv and commissions for Buypass

# ENVIRONMENTAL STRATEGY IN THE WORKS

Like the rest of society, Norsk Tipping has a responsibility to take an integrated approach to environmental issues. While the company has not previously formulated a specific environmental strategy, it has always been concerned to ensure that the business makes the smallest possible impact on the environment. A number of measures are taken every year to meet society's requirements and Norsk Tipping's self-imposed standards for environmental work. That forms the basis for work on the new strategy.

## A strategic approach

An overarching environmental strategy for the whole organisation will embrace the company's guidelines and strategy as well as a description of future action in this area.

Norsk Tipping has so far:

- held meetings with the responsible employees in the various departments to review their approach to and work on the environment
- held external meetings with organisations which face similar environmental challenges in order to secure advice and suggestions for the work of creating an overarching strategy
- outlined a possible process for progressing work, where environmental management will be an integrated part of the whole business.

An important element in the environmental strategy will be to establish performance parameters for the various areas concerned.

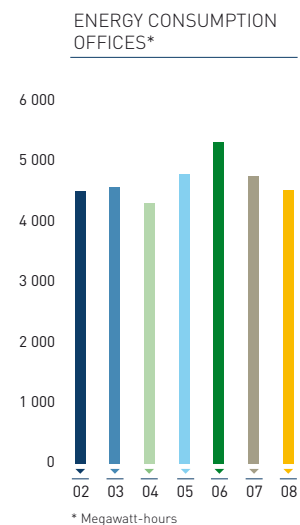
**Norsk Tipping wants to comply with the environmental standards expected by society. The company accordingly worked in 2008 to develop an overarching strategy for the environment, and aims to have this finalised and approved by the management team during 2009.**

## New building

Preparations were made in 2008 to build an extension to the company's premises. Specific attention was paid to the environment during the planning process. Work will begin in August 2009 on constructing a 4 564-square-metre annex to the existing building. This will house two computer rooms in the basement, offices for 60 staff on the ground floor and a canteen on the first floor. Since the two computer rooms will consume large amounts of electricity, Norsk Tipping has been very conscious during its planning of the need to accord with the principles in the national Green IT project. The company is also adhering to the new government directive for energy consumption in buildings. It is committed to environment-friendly heating, and the building will be connected to a district heating system.

## Energy and management

Norsk Tipping's aim is to reduce total electricity consumption year by year, which it has succeeded in doing through a purposeful commitment to energy saving. Measures in



Norsk Tipping was operator for the Norsk Rikstoto Foundation from 1982 to 1993.

Norway has a general ban on money games. The Gaming Act of 1902 is still in force. Exemptions are given to companies which give the profits from games to good causes.

## NORSK TIPPING – 1948–2008

### ACHIEVEMENTS IN 2008

- Initiated work on establishing an overarching environmental strategy for the whole organisation
- Introduced new waste handling routines to increase recycling
- Replaced ventilation fans on the remaining facilities
- Installed photocells in part of the lighting system
- Installed a new cooling plant
- Conducted a tendering process for coupon distribution which included environmental measures
- Continued efforts to reduce the production and distribution of coupons
- Implemented a return scheme for slot machines and concluded agreements with approved suppliers
- Made environment-friendly changes to parts of the office buildings, including the installation of new carpet tiles
- Installed time switches

### PLANS FOR 2009

- Complete and entrench the organisation's overarching environmental strategy
- Implement environmental measures in the new building

2008 included the installation of photocells in parts of the lighting system for its offices. Attention is paid to energy efficiency in the organisation, and the ventilation system was accordingly modernised during the year with the installation of frequency-controlled fan motors. Energy consumption is recorded, but saving targets have not been set.

#### Total consumption

2006	5 325 megawatts
2007	4 755 megawatts
2008	4 528 megawatts

Electricity is Norsk Tipping's principal energy source. Were anything to happen to the power system, however, it can use heating oil instead. The company consumes some 4 000 litres of oil per annum.

### Coupons, Oddsen programmes and retailer materials

Norsk Tipping's impact on the environment relates primarily to its production of coupons, Oddsen programmes and materials

distributed to retailers. Coupons distributed declined by almost seven million in 2008, from 170 million to roughly 163 million. The number of Oddsen programmes remained more or less unchanged from 2007 at 15 million. Efforts to reduce the volume of printed material will continue, particularly in connection with the development of the new environmental strategy. Measures in 2008 included a revision of the distribution system to ensure that materials dispatched accord as closely as possible with each retailer's requirements.

The company's contracts specify that all coupons and Oddsen programmes must be printed on unbleached recycled paper and with non-toxic ink. These materials have been certified by the Nordic Swan label since 2004, which means that their production satisfies a number of environmental standards and that they are printed on Nordic Swan-labelled paper.

### Waste

Category	2007	2008	Change
Mixed food waste	69.5 tonnes	56.97 tonnes	- 12.53 tonnes
Wood		6.08 tonnes	- 0.42 tonnes
Paper/cardboard	36.0 tonnes	56.01 tonnes	+ 20.1 tonnes
Blank plastic foil	1.0 tonnes	1.02 tonnes	+ 0.02 tonnes
Glass/metal	1.0 tonnes	1.75 tonnes	+ 0.75 tonnes
<b>Total</b>	<b>114 tonnes</b>	<b>124.98 tonnes</b>	<b>+ 10.98 tonnes</b>

Norsk Tipping became the only company in the world with all-registered gaming on 23 February 2009. The first player card was issued in connection with the change to online transactions in 1992.

### Transport

Norsk Tipping has guidelines for transport, which include a requirement that employees use public transport where possible and that one of the company's vehicles be used for business travel when a car is needed.

The company uses Norway Post's Bring service. This has a clear approach to and guidelines on the environment.

### Waste management

Waste sorting bins were established throughout the company's premises in 2008. Norsk Tipping works continuously to sort and facilitate recycling of its waste. Statistics for 2008 show that the volume of sorted paper and cardboard increased, while residual waste was reduced by almost 20 per cent. The big expansion in paper/cardboard waste reflected a major clear-out of stocks in January and February, when all paper/cardboard was thrown away.

No sanctions or fines have been imposed on Norsk Tipping for failure to comply with environmental regulations.

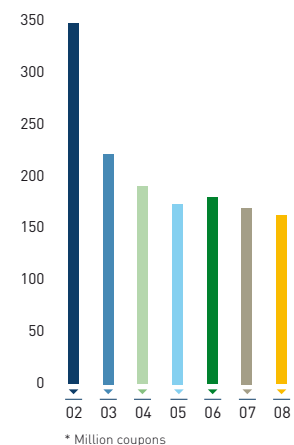
The 1 300 old slot machines held in an Oslo warehouse were returned to the supplier, who sold them to a new client.

Norsk Tipping has routines for sorting and facilitating the recycling of its waste.

- fluorescent tubes are treated as hazardous waste and placed in a separate container
- residual waste is sorted at the reception point
- paper and cardboard are placed in their own containers
- a separate refrigerated room is provided for food scraps and wet waste.

Reducing waste will be an important element in future work on the organisation's overarching environmental strategy.

RECYCLABLE COUPONS  
DISTRIBUTED\*







# MEDIA AND COMMUNICATION

A new version of Norsk Tipping's communication strategy drawn up in 2008 emphasises that the corporate communication department will help the company to reach its overall goals. That includes contributing to reaching the company's revenue target, improving its reputation, highlighting its value creation and beneficiaries, and strengthening work on corporate social responsibility (CSR). In other words, the strategy balances the company's commercial interests against the expectations various stakeholders have of it. This involves no conflict of interest. Norsk Tipping believes that a good reputation, based in part on its commitment to responsible gaming and CSR in general, helps to enhance value creation.

## In the spotlight

As expected, press coverage of Norsk Tipping was lower in 2008 than the year before, when the slot machine ban was adopted. A general feature of print media coverage was a significantly more positive tone than in 2007. Figures from media monitoring agency Infopaq show 3 231 references or an average of 269 per month. That corresponds to the 2006 level. Media stories which involved Norsk Tipping directly or indirectly include the following.

- **The Ladbrokes court case.** The Ladbrokes gaming company sued the government in 2004 after its application for a licence to operate in Norway had been rejected. This case was not heard until 2008,

**Norsk Tipping is among the companies in Norway which receives the most media coverage, and pressure from this source has increased sharply in recent years. That reflects a more critical view of money games in public opinion as well as a professionalisation of the company's corporate communications.**

with a judgement delivered in October. Ladbrokes lost, and accordingly cannot operate or market its games in Norway. Norsk Tipping regards the judgement as an acceptance of the Norwegian exclusive-right model, with the company as the government's instrument in gaming policy. Ladbrokes has appealed.

- **The ban on payment processing.** This amendment to the law specifies that transferring stakes to or winnings from foreign money games without a Norwegian licence is illegal.
- **Interactive video terminals.** Multix was the Norsk Tipping game with the most coverage in 2008. The number of stories was particularly high in the summer months, when local politicians protested about the roll-out of the IVTs. Since these were presented and demonstrated, the criticism has become more muted. The IVTs accounted for 51 per cent of the negative exposure received by Norsk Tipping in 2008.

Until the introduction of Lotto, Norsk Tipping was prohibited from marketing. It has subsequently stuck with the concept that "Lotto millionaires are not like other millionaires".

The winter Olympics at Lillehammer in 1994 led to the introduction of Oddsen. At the same time, Måltips was dropped after being offered since 1989.

NORSK TIPPING – 1948–2008

- **Positive product coverage.** A total of 371 players became krone millionaires from Norsk Tipping games in 2008. Stories about these winners in the print media totalled 415, compared with 565 the year before. The most positive reports included the story of a Polish electrician who won NOK 1 million on Flax.
- **Coverage of the beneficiaries.** The Dream Grant and the Dream Concerts are among the projects which annually attract big positive attention in the media. These two measures have accounted for about 10 per cent of the company's positive exposure every year, and the same held true in 2008. A total of 226 stories about the Dream Grant and Concerts appeared, compared with 242 the year before. Stories about the beneficiaries make a big contribution to the positive coverage, and their number in 2008 was higher than in the previous four years. Since measurements began in 2004, cash for good causes has been covered in 15 per cent of the positive stories. That percentage was up to no less than 30 per cent in 2008.
- **Debate on compulsive gaming.** Synovate and Sintef Health again published sepa-

rate surveys of Norwegian gaming habits in 2008. The Synovate poll, commissioned by Norsk Tipping, concluded that the number of compulsive gamers in Norway has declined from about 62 000 to roughly 50 000 after the slot machine ban. Sintef's study for the Norwegian Gaming Board found that the scope of the problem was as great as it had been before the ban. This generated debate in the media. Some argued that the Sintef survey showed that Norwegian gaming policy, with the slot machine ban, has been ineffectual. That prompted reactions, not least from specialists on compulsive gaming. They maintained that the survey's conclusions were based on wholly insufficient numbers, with big margins of uncertainty. See page 84 for more details about the Synovate survey.

**Social accounting**

Synovate has produced a social accounting for Norsk Tipping in 2004, 2006 and 2008. The study presented in the spring of 2008 was followed up by an omnibus survey in the autumn. Results from the main accounting in 2008 showed that Norsk Tipping's reputation is strong but under pressure. Synovate believes that this reflects changed attitudes

Norsk Tipping in the print media

	2007	2008
Number of stories about Norsk Tipping	5 227	3 231
Number of positive stories	3 119	2 762
Number of negative stories	1 951	1 924
Percentage positive stories	60	85
Advertising value of positive stories (NOK)	24.3 mill	19.6 mill
Average paq value*	0.23	0.48

\* The paq value is the sum of all positive and negative stories. The quotient is calculated on the basis of the medium's readership, length of the article, its position, etc, and the way Norsk Tipping is presented. The highest paq is +5, and the lowest is -5.

among Norwegians to money games, not least as a result of the debate on compulsive gaming related to slot machines.

Some findings from the 2008 social accounting include:

- 57 per cent of Norwegians had a fairly or very good impression of Norsk Tipping, compared with 69 per cent in 2004
- attitudes to gaming are changing, with 33 per cent disagreeing with the statement that "Tipping, Lotto and Viking Lotto are harmless fun" compared with 28 per cent in 2004
- most people want government control of money games, with 85 per cent in favour.

Comparing the two polls on the public's view of Norsk Tipping in 2008 shows progress during the year for such indicators as information and CSR. These have been in decline during recent years, and Norsk Tipping is satisfied that a purposeful commitment to strengthening its work on CSR appears to have reversed the negative trend.

### **Strong image**

Norsk Tipping scored highly in the 2008 image survey of large Norwegian companies, occupying ninth place overall compared with eighth the year before.

It was ninth for CSR and morals, compared with seventh in 2007, second for profitability (unchanged), fifth for advertising and communications (fourth) and 16th for the environment (11th).

The company's placing in this survey has shown a slight downward trend in recent years, but it regards the 2008 result as very good in light of the criticism directed at money games in general over the period.

### **New sponsorship strategy**

Norsk Tipping concerns most Norwegians. That puts the company under an obligation to maintain a close dialogue with various stakeholders, not least through sponsorships. The justification for Norsk Tipping's involvement in such partnerships is to demonstrate its values, what it stands for and what it contributes to society. Sponsorships thereby help to strengthen the company's reputation and legitimacy. They are also intended to help boost its revenues. Collaboration with the Football Association of Norway (NFF), for instance, aims to secure gaming objects.

One change in the new sponsorship strategy for the 2009-11 period is a reduction in the number of partners. This reflects a desire to follow up the agreements better and to secure a more unified focus.

Negotiations were conducted in 2008 on a new deal with the NFF, the largest partner by far, and this agreement is due to be signed in February 2009.

### **TV draws**

Norsk Tipping's TV draws on the Norwegian Broadcasting Corporation (NRK) have constantly developed and changed. Viewer numbers again remained very good in 2008, with an average audience of more than 700 000 for the Lotto draw on Saturday and about 450 000 for the Extra and Viking Lotto draws on Tuesday and Wednesday respectively.

Broadcasts for Extra and Keno were adjusted in 2008, when a number of programmes changed after NRK converted to a three-channel structure. The Extra draw was reduced from 14 to nine minutes, creating a tighter format. In addition to presenting the draw, the time is used to inform about spe-

NORSK TIPPING – 1948–2008

Sports and research were originally the only beneficiaries. The distribution formula meant that research was the winner as revenues rose.

When Magne Stuen tried to recruit retailers in a rural west Norwegian community in 1947, he was almost physically ejected by the head of the local evangelical movement. The pools were regarded as sinful.

cific projects which benefit from the game – which Norsk Tipping operates on behalf of Health and Rehabilitation.

Under an agreement with NRK, Keno’s programme was transferred from channel 1 to channel 2 and tailored to the latter’s format to give a simpler presentation.

A major process was pursued by the company in 2008 to upgrade the graphics, music and design of the Lotto and Viking Lotto programmes. Incorporating a number of changes, the new concept will be presented in the spring of 2009.

All TV draws are webcast at [www.norsk-tipping.no](http://www.norsk-tipping.no). A new video player adopted for the website improves the presentation of the draws and the advertising films.

**Internet**

Norsk Tipping’s website at [www.norsk-tipping.no](http://www.norsk-tipping.no) functions both as a gaming platform and as an information channel for

the company. Work was launched in 2008 to create a clearer distinction between these two functions. Manoeuvring around the site will become easier in 2009, making company information more accessible.

A separate site for information about compulsive gaming was established in 2008 at [www.spillevett.no](http://www.spillevett.no). See page 87.

**Profit distribution**

According to the annual report from media monitoring agency Infopaq, “70 per cent of the stories about the beneficiaries make a strong contribution to promoting Norsk Tipping as a benefactor”. Providing details about the distribution of its profits is accordingly an important job for the company. Gaming profits for 2007 were allocated 50-50 to sports and culture during 2008. In addition, funds were provided to ease the transition following the loss of slot machine revenues. Sporting allocations are made by the Crown, while two-thirds of the funds for cultural purposes are allocated by the

Principal partners

**The 10 largest agreements in 2008**

Football Association of Norway (incl media deal)	NOK	56 200 000
Norwegian Confederation of Sports/Olympic Committee	NOK	12 700 000
The Norwegian Ice Hockey Federation	NOK	2 800 000
The Norwegian Handball Federation	NOK	1 900 000
Norwegian Council for Music and Art Schools	NOK	1 800 000
Norwegian Band Federation	NOK	1 000 000
European Football Pools	NOK	740 000
Peer Gynt Spelet	NOK	450 000
Elverum Music Festival	NOK	400 000
By:Larm music festival	NOK	400 000

Storting (parliament) and one-third by the Crown.

### Sports

NOK 1 418 000 000 was distributed from Norsk Tipping to sporting recipients, including NOK 1 250 000 000 from ordinary profits and NOK 168 000 000 in transitional payments.

### Culture

Norsk Tipping's profits contributed NOK 1 250 000 000 to culture. Among recipients, the following were fully financed by gaming funds:

The Cultural Rucksack*	NOK 167 000 000
Cultural buildings	NOK 124 000 000
Volunteer Fund**	NOK 125 000 000

\* The Cultural Rucksack is a national programme for children and young people which covers all forms of artistic and cultural expression.

\*\* The Norwegian Children and Youth Council (LNU) received 67.5 per cent of payments from the Volunteer Fund, the Council for Music Organisations in Norway 26 per cent, and the Norwegian Theatre Council 6.5 per cent.

### Sporting beneficiaries

Sporting facilities in local authorities	NOK	625 000 000
Construction policy programme	NOK	54 000 000
Facilities for outdoor life in the mountains	NOK	11 000 000
National facilities	NOK	15 000 000
Special facilities	NOK	4 620 000
Research and development work	NOK	20 380 000
Anti-doping work	NOK	24 800 000
Physical activity and inclusion in sports clubs	NOK	10 600 000
Outdoor activities for children and young people	NOK	5 600 000
Norwegian Confederation of Sports, Olympic and Paralympic Committees	NOK	354 000 000
Grants to local sports clubs and associations	NOK	168 000 000
<b>Total</b>	<b>NOK</b>	<b>1 418 000 000</b>

### ACHIEVEMENTS IN 2008

- Carried out a social accounting
- Conducted new surveys on attitudes to gaming and the scale of compulsive gaming
- Prepared a new communication strategy, and entrenched this in the organisation
- Led development work with an e-learning module on responsible gaming for employees and retailers
- Pursued PR activities on gaming, including the Lotto Festival
- Established [www.spillevelt.no](http://www.spillevelt.no)

### PLANS FOR 2009

- Make company information easier to access on the website
- Reach a new collaboration agreement with the Football Association of Norway
- Implement extensive promotional and information campaigns on the grassroots share



# PLAY SPACE

LEARN  
FROM  
THE  
BEST



Non-game revenues and net financial items contributed:

NOK million

**317.1**

By far the largest share of value creation benefits the good causes. These received:

NOK million

**3 677.4**

# BALANCING THE BUSINESS

The need to balance attractiveness with responsibility is fundamental to Norsk Tipping's operations. Recent figures show that the number of compulsive gamers in Norway is declining.

Seven out of 10 problem gamers are men, the survey found. The 15-24 age group stood out, accounting for 22 per cent of players with problems. All three surveys indicate that gaming problems are greatest in the lowest income groups. Single people are over-represented.

The 2008 survey indicated that spending on games among problem payers had increased considerably from 2007. In the latter year, compulsive gamers spent 12 times more on money games than people without gaming problems. Responses to the 2008 poll showed that this proportion had risen to 26 times more.

### Responsibility demanded

The polls show that public opinion on gaming is changing. What was earlier considered harmless fun is now more widely viewed as a controversial activity. According to Synovate's 2008 survey, 61 per cent of Norwegians do not regard gaming as harmless fun. Norsk Tipping is accordingly geared to respond to greater expectations from society that it take steps to prevent social problems related to money gaming.

That gaming can cause problems is a known fact, and Norsk Tipping meets it head-on through systematic work. Its role is to enhance player awareness through good information and simple behavioural tools which equip people to control their own gaming activity. The company will not, and cannot, provide treatment for compulsive

The company must earn money and create value for the community, but cannot be indifferent to the way this is achieved.

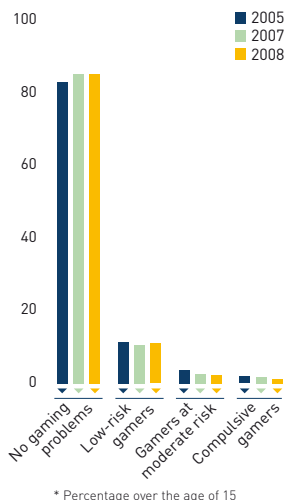
### Fewer compulsive gamers

Synovate and the Norwegian National Centre for Addiction Issues conducted surveys of national gaming habits and compulsive gaming in 2005, 2007 and 2008 with funding from Norsk Tipping.

All three of these inquiries aimed to identify Norwegian attitudes on various aspects of money gaming, how often people play and the extent of compulsive behaviour. Another important goal was to provide a picture of trends in attitudes and habits.

The 2008 survey showed that the number of gamers in Norway with problems is continuing to decline. It was 1.3 per cent of the population or 51 000 people. That compared with 1.7 per cent (62 000) and 1.9 per cent (71 000) in 2007 and 2005 respectively. After rising from 2005 to 2007, the proportion of people with no gaming problems at all was stable in 2008.

NORWEGIAN POPULATION\* BY DEGREE OF PROBLEMS WITH GAMING







The debate on money gaming problems is fairly new in Norway. Written by Hans Olav Fekjær, the first book on the subject appeared in 2002.

NORSK TIPPING – 1948–2008

sive gamers. That must be done by professionals.

Norsk Tipping works purposefully to give players opportunities to take personal responsibility for their own gaming behav-

our. Specialists on dependency regard this as the most effective approach to preventing the negative effects of money gaming, without being regarded as intrusive and authoritarian.

## STANDARDS AND BASIC PRINCIPLES

Norsk Tipping has undertaken to comply with the industry standards for responsible gaming developed by the World Lottery Association (WLA) and European Lotteries (EL). The company belongs to both these organisations.

It has also adopted a responsibility platform which comprises seven principles for responsible gaming. These are entrenched in the business.

### 1. Norsk Tipping will administer games securely and safely

Game security involves preserving the integrity of the company's games – ensuring that sales, conduct (draws, winner selection and registering of results) and payment of prizes are conducted in accordance with game rules and in-house guidelines. Norsk Tipping must also observe the WLA's security control

standard and check that its retailers and local operators comply with their contracts.

Various approaches have been adopted to preserve security in all these areas, and several measures were implemented in 2008. See page 92.

### 2. Norsk Tipping will show responsibility in developing games and services

The company knows that different games have various elements which can prompt vulnerable groups to develop compulsive behaviour. It responds to this by amending and developing its games. Norsk Tipping has a range of systems and processes which aim to enhance awareness in developing, introducing, distributing and evaluating new and existing games and services.

Its goal for the future is to be able to use

actual behavioural data to identify which factors prompt unfortunate player behaviour and thereby adopt corrective measures in good time. This will ensure that all the games it launches and operates meet the requirement of being both responsible and attractive. Close collaboration is maintained in this area with reputable researchers on compulsive gaming.

Good processes were pursued with stakeholders in 2008 to develop and launch the new interactive video terminals (IVTs) in line with society's requirements for an attractive and responsible future product.

### **3. Norsk Tipping will make it possible for players to exercise control over their own gaming through good information and voluntary behavioural tools**

The company's role is to enhance player awareness through good information and personal tools, so they can take control of their own gaming and adopt healthy playing behaviour. Its goal is to ensure that players get the right information at all times, so they have a basis for conscious choices about their own gaming.

An example of such tools is the opportunity to set a personal limit for playing on the IVTs and for how much they can lose per day or month. See page 42.

In the longer term, Norsk Tipping plans to allow players to set limits for playing all its games in all its channels.

### **Introduction of registered play**

Mandatory registered play was introduced by Norsk Tipping on 23 February 2009 for all its games with the exception of Flax. This gives it a tool which can make it a world leader for responsible gaming.

The player card provides secure identification of the holder regardless of whether they play via retailers, the internet, mobile phones or the IVTs. It provides a secure age check and allows the holder to set personal limits on the IVT as well as to bar themselves from playing its games. The card also ensures that all winnings are paid quickly and without charge to the right person, and gives the holder full control and an overview of transactions in every channel.

Norsk Tipping has maintained a continuous dialogue with the Norwegian Data Inspectorate on registered gaming. The inspectorate has been critical of the fact that gaming details will now be registered for each player.

### **Good information essential**

Norsk Tipping provides open information about the probability of winning and the laws of chance for all its games. The helpline number is easily accessible in all the company's channels and is printed on player materials.

The [www.spillevett.no](http://www.spillevett.no) website was launched in 2008 to provide players, next of kin and others with information about what Norsk

NORSK TIPPING – 1948–2008

Research received three times as much of the profit as sports in 1960. The distribution formula was changed in 1967 to the advantage of sports, but about two-thirds still went to research.

A pilot project on providing games over the internet began in 2001. The project became permanent the following year.

Tipping does to be a responsible game provider. It describes the company's role in relation to people who have or could develop problems with money games, and the tools it makes available so players can take control of their own gaming. The site also provides facts about the gaming market and compulsive gaming, and details about where support and help are available to those who have their own problems with gaming or who know somebody who does.

**4. Norsk Tipping's marketing and information about its products and services must comply with the company's responsibility profile and applicable guidelines**

Many foreign gaming companies want to recruit Norwegian players. Marketing is accordingly necessary to channel players towards Norsk Tipping's range. It must not be aggressive or encourage people to play beyond their means. The company seeks in all its communication and marketing to comply with the government's guidelines on

Principal problem game (or the only one)

	Number	Percentage
Poker	217	43%
Betting	66	13%
Bingo machines	40	8%
Horse betting	39	8%
Casino games	40	8%
Bingo	21	4%
Other money games	21	4%
Football pools	7	1%
Lotto/Extra	4	0.8%
Scratch cards	3	0.6%
Keno	2	0.4%
Slot machines	12	2%
Not the issue	16	3%
Uncertain/would not say	2	0.4%
Non-money games	18	4%
<b>Total</b>	<b>508</b>	<b>100%</b>

The principal problem game in first-time calls to the helpline. When players have problems with more than one game, the one which represents the principal problem is also recorded.

Source: Helpline for compulsive gamers, call statistics 2008.

marketing money games and its own code of marketing ethics.

The latter code was revised in 2008. This process made the code clearer, and enhanced awareness and ownership of its provisions within the organisation and among its partners. The code is on page 47.

### 5. Norsk Tipping will communicate and report openly on the way it operates as a responsible game provider

It is important for Norsk Tipping that all relations with its stakeholders are based on trust, honesty and openness. The company communicated and documented its work on responsibility and compulsive gaming through in-house and external publications throughout 2008. It gave many presentations on this subject nationally and internationally, and staged an annual meeting with Norwegian specialists on compulsive gaming at which the participants set the agenda.

The company's annual and social reporting aims to provide a coherent picture of what it

stands for. This involves not only focusing on the positive aspects of the company, but also on providing a full and fair presentation of Norsk Tipping's results on important social issues. To ensure this, the report is verified by Det Norske Veritas.

### 6. Norsk Tipping will train employees, retailers and local operators in pursuing a responsible gaming business

An e-learning programme on responsible gaming was developed in 2008. All employees, retailers and local operators are due to take this course in order to acquire good knowledge and understanding of responsible gaming. Launched in December, the programme is due to be completed by all employees in the first quarter of 2009.

### 7. Norsk Tipping will have adequate knowledge and access to expertise about responsible gaming

The company seeks the views of groups affected by or particularly interested in its business, and ensures that these are taken into account by in-house decision proc-

#### ACHIEVEMENTS IN 2008

- Established a responsibility platform and entrenched principles for responsible gaming
- Developed and launched the www.spillevelt.no information site
- Developed and implemented responsibility tools for the IVT (Multix)
- Developed and launched an e-learning programme on responsible gaming for all employees, retailers and local operators
- Financed a new survey on compulsive gaming
- Complied with the industry's responsibility standards (WLA, EL)
- Maintained a good dialogue with interest organisations and specialists on compulsive gaming
- Participated in professional exchanges with the other Nordic state-owned gaming companies

#### PLANS FOR 2009

- Comply with the company's seven principles for responsible gaming
- Ensure that all employees complete the e-learning programme on compulsive gaming
- Establish targets for responsible gaming
- Comply with the industry's responsibility standards (WLA, EL)

Average amount wagered over one year, regardless of game

	2005	2007	2008
No gaming problems	NOK 1 185	NOK 1 345	NOK 1 175
Low-risk players	NOK 3 136	NOK 4 460	NOK 4 125
Problem players	NOK 13 670	NOK 16 125	NOK 30 500

Source: Survey of gaming habits and problems in the Norwegian population 2008, Synovate.

Norwegian research had an annual income of NOK 3 million from funds before Norsk Tipping's creation. It received NOK 2 million from the company after just one year, and NOK 6 million in 1950.

Until 1985, Norwegians had to be aged 18 or over to play the pools. Introduction of a general age limit is now under discussion. Oddsen was confined to over-18s from 2004.

esses. Various meeting places have been established with stakeholders to pursue a dialogue on issues and challenges related to compulsive gaming and the company's role.

Norsk Tipping keeps updated on research and survey findings related to compulsive gaming. This knowledge is applied to its work on ensuring healthy gaming behaviour among its players. The new IVTs are visible evidence of that approach. Decisions by the company build on recognised national and international knowledge.

The company participates in a Nordic forum

for corporate social responsibility and compulsive gaming. And the state-owned gaming companies in this region meet twice a year to exchange knowledge and discuss various issues.

#### **Calls to the helpline**

The number of calls to the helpline for compulsive gamers and applications for treatment have declined. Researchers believe this is a direct result of government regulation. Prohibiting the use of banknotes with slot machines from 1 July 2006 and the ban on these devices from 1 July 2007 were important measures.

## **RESPONSIBLE GAMING RULES**

**Playing money games is a personal responsibility, and Norsk Tipping recommends that all players observe its rules on responsible gaming.**

**Rule 1:** Decide in advance how much you can afford to lose

**Rule 2:** Decide in advance how much time you can devote to money games

**Rule 3:** Never play for more than you can admit to your family and friends

**Rule 4:** Never believe that you can win back what you have lost

**Rule 5:** Never borrow money in order to play

### Developments 2006, 2007 and 2008 (main problem money game<sup>1</sup>)

	Banknote ban 1 July		Slot machine ban 1 July		1st half 2008	2nd half 2008
	1st half 2006	2nd half 2006	1st half 2007	2nd half 2007		
Poker	58	68	82	114	110	107
Bingo/bingo machines <sup>2</sup>	5	30	32	19	24	37
Betting/pools	22	23	25	38	37	36
Casino games	3	4	4	17	17	23
Horse betting	16	5	14	18	20	19
Scratch cards	3	3	1	4	3	0
Lotto/Extra/Keno <sup>3</sup>	3	2	3	8	3	3
Other money games	7	8	6	18	6	15
Slot machines	711	270	253	14	8	4
Not stated	12	9	13	1	8	10
<b>Total</b>	<b>840</b>	<b>422</b>	<b>433</b>	<b>251</b>	<b>236</b>	<b>254</b>

<sup>1</sup> Possible non-money games forming the principal problem are excluded from the figures. <sup>2</sup> Bingo machines were first registered separately from 1 July 2006. <sup>3</sup> Keno was introduced in November 2007.

Source: Helpline for compulsive gamers, call statistics 2008.

### Main problem game played on an electronic platform

Game	Total
Poker	207
Casino games	38
Betting	34
Horse betting	25
Football pools	3
Lotto/Extra/Keno	1
Bingo	5
Other money games	16
Not stated	4
Non-money games	17
<b>Total</b>	<b>349</b>

The selection is limited to first-time calls. Some callers have played on several electronic platforms, but most play on the web at home.

Source: Helpline for compulsive gamers, call statistics 2008.

# GAMING SECURITY IS FUNDAMENTAL

Gaming security is primarily about protecting the integrity of Norsk Tipping's games – ensuring that sales, conduct (draws, winner selection and registration of results) and payment of prizes accord with game rules and in-house guidelines.

But it is also about making sure that everyone concerned complies with the regulations – that retailers do not permit people to play on credit, that they do not sell age-restricted games to underage customers, or otherwise breach their duties. And it is about ensuring that the games are not misused by criminals for such purposes as money laundering. Last but not least, it is about protecting players against possible abuse, either through their own unfortunate excessive gaming or through the misuse of their player card or identity by others.

## Various approaches

Norsk Tipping works along several lines and with the aid of various approaches to maintain security in all these areas.

- **Information and education:** The basis for gaming security is that everyone knows which rules apply and the responsibility they bear for preventing breaches of the security rules.

All employees of Norsk Tipping are required to undergo annual security training, which concentrate on the company's routines

and rules for security, non-conformance and irregularities. The company has also developed its own role-playing ethics game, which focuses on malpractice and ethical dilemmas.

- **Surveillance and reporting of non-conformances:** Unusual player behaviour often provides the first sign that something is wrong. If the company picks this up, it will always conduct further investigations to check whether the abnormal activity is mere chance or has other causes.
- **Draws:** A representative for the Gaming Board is present when Norsk Tipping handles equipment used to make all physical draws.
- **Unclaimed prizes:** Prizes which remain unclaimed by the deadline are paid into a special fund. Unclaimed prizes totalled NOK 4.9 million in 2008. The fund can be utilised in accordance with regulations issued by the Ministry of Culture and Church Affairs, with prizes in campaigns as one application. To prevent a prize being claimed by somebody without entitlement to it, investigations are conducted into how unregistered prizes are claimed over a period and the scope of such claims by comparison with the normal level.
- **Sanctions:** Respect for the prevailing regulations also depends on Norsk Tipping's willingness to impose sanctions in the event of breaches. If retailers fail to meet





Norsk Tipping made a profit of NOK 5 million in its first operating year. This has later increased. Up to 2008, almost NOK 85 billion (price-adjusted) has been distributed to good causes.

Turnover milestones:  
NOK 100 million in 1959,  
NOK 1 000 million in 1979,  
NOK 10 000 million in 2007.

## NORSK TIPPING – 1948–2008

### ACHIEVEMENTS IN 2008

- Established dialogue with several retail chains over gaming security measures
- Implemented a system to provide secure identification of operators for certain critical services in order to achieve better traceability of transactions. That applies particularly to financial services and the issue of digital IDs
- Established fixed quarterly meetings with Buypass on security and non-conformities relating to player cards and accounts
- A number of meetings were held with the Gaming Board to monitor operations and plan changes. Continuous contact was maintained with the board on follow-up of non-conformities in commercial processes during the year
- Carried out risk assessments to counter opportunities for dishonesty at retailers. One measure was the introduction of the operator ID.

the deadlines for settling their accounts with Norsk Tipping, their terminals are disconnected until payment has been made. This is done to reduce the risk of financial dishonesty and opportunities for gaming on credit. No retailers lost the right to sell the company's games in 2008 because of their failure to comply with routines for checking customer age when selling Oddsden.

- **Dialogue:** The police and public prosecution service have provided information from time to time which indicates that the company's games are being used to launder criminal spoils. Contact with these law enforcement agencies is important both for tackling specific cases and for identifying possible general issues which need to be followed up. The police are notified when specific suspicions of money laundering arise. Norsk Tipping also assists police investigations into other cases.
- **Risk analyses:** Systematic risk identification is an important preventive measure. During 2008, the company updated risk assessments involving all its departments – partly to identify risks that its games and systems might be misused and to its commercially critical processes. The assessment showed that Norsk Tipping has an acceptably low level of risk for in-house dishonesty related to its games and gaming systems. New reviews are being conducted in certain areas to provide quality assurance that the level of security is sufficiently high.

- **Security requirements for gaming companies:** Norsk Tipping has chosen to adopt the WLA's security control standards (SCS) as the minimum level for its measures in this area. These measures are based on the company's goals, limits for accepting risk and risk assessments. Norsk Tipping is certified every year by Det Norske Veritas for its compliance with the SCS. It was certified in the summer of 2008 to the 2006 version, which incorporates the ISO 27001 information security standard.

### Marked decline in card misuse

The number of cases of theft and misuse of player cards declined sharply from 70 in 2007 to 45 in 2008. Most incidents involve retailer staff seeking to steal from player cards. Because prizes over NOK 10 000 are paid to the player's bank account, the amounts involved in such attempts will be small. Further measures were adopted in 2008 to improve traceability and prevent these incidents, and developments are being kept under observation. Each case demonstrates the importance of players taking the same care of their card as a debit or credit card. Norsk Tipping holds regular meetings with its suppliers to follow up issues related to the use of the electronic ID function.

No formal complaints relating to card or identity theft were received from players in 2008. Two cases of unauthorised changes to PIN numbers were recorded and nine where cards were mixed up and PIN numbers changed for that reason. Norsk Tipping

investigated all these cases and followed up the non-conformity with the player concerned.

### Unusually heavy gaming

Norsk Tipping has systems which pick up unusually heavy gaming so that it can take measures to prevent excess play. Deciding how much people want to wager or where the pain threshold lies in individual cases is not up to the company. But it has established in-house routines to monitor this. Letters are sent to heavy gamers, informing them of

how much they have spent and where help can be obtained if they feel that their play has got out of control. Should their gaming continue at the same high level, the person will receive a second letter. One consequence of this routine is that the company ends up writing to a number of player pools or others who deliver games collectively on one player card, and who are consequently not in any risk zone with regard to their level of play. Players who win back their stake also receive letters in accordance with the same routine.

As the table shows, the number of letters sent to heavy gamers has risen every year since this service began in 2004. Because Norsk Tipping knows nothing about the personal financial position of the players, their other gaming behaviour or whether they are individuals or groups, it would not be reasonable to conclude that problem gaming is on the increase. No distinction is made when mailing these letters between winners or loser. Norsk Tipping looks only at the amount of play. In a number of cases, the letters have also turned out to be sent to the leader of a gaming pool. When the number of letters is related to the fact that about 1.5 million customers play Norsk Tipping's games every week, it confirms that the proportion of heavy gamers is very low.

Letters to heavy gamers

	(from 1 June) 2004	2005	2006	2007	2008
Letter 1	18	36	57	93	113
Letter 2			19	62	91

### PLANS FOR 2009

- Implement annual meetings with the chains on common goals and measures for gaming security
- Develop a solution for the retailers which focuses on their gaming security routines to reduce the risk of financial dishonesty even further. This will also focus on information security
- Hold quarterly meetings with Buypass on security and non-conformities relating to player cards and accounts
- Hold quarterly meetings with the Gaming Board to coordinate changes in the games, follow up non-conformities at an overall level and update/amend guidelines and routines
- Continue to operationalise the company's management system for information security
- Restrict all games to registered players with the aid of the player card
- Renew WLA and ISO 27001 certification

# CORPORATE GOVERNANCE

**Broad political agreement exists in Norway that the opportunity to play money games should be 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 Gaming Act, the company's profits were divided equally between sporting and cultural purposes until 2008. Funds for sporting purposes were allocated by the Crown. Two-thirds of the funds for cultural purposes were allocated by the Storting (parliament) and one-third by the Crown.

From 1 January 2009, the distribution formula was changed to give 45.5 per cent of profits to sports, 36.5 per cent to culture and 18 per cent to voluntary and humanitarian organisations. Up to 0.5 per cent has been allocated to the government action plan to counter compulsive gaming.

Profits from the Extra game, operated on behalf of the Norwegian Foundation for Health and Rehabilitation, are transferred in their entirety to the latter for distribution.

## **Norsk Tipping's principal strategy**

Through work on the strategy plan for 2009-11 and associated strategy processes, clear goals and performance parameters have been set for the company's operations. The plan is entrenched in the company's articles of association, strategic platform and objects. Its three priority areas are room to manoeuvre, renewal and optimism. Principal priorities under the first heading are the company's reputation and work to be a responsible game provider, under the second comes commercial development, and under the third lie such in-house conditions as expertise development, performance, ability to act and cost control.

Last amended by royal decree on 15 March 2007, the articles specify the following object for the company's operations:

- "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."

The owner's expectation is that Norsk Tipping will bring players together in support of an attractive and responsible selection of products in a controlled Norwegian market for money games. Pursuant to section 10 of

### Norsk Tipping's share capital

Pursuant to section 5 of the Gaming Act, the company has a share capital of NOK 150 000. No dividend is paid, but profits from the gaming business are distributed pursuant to section 10 of the Gaming Act.

Shares in Norsk Tipping are not negotiable. Section 3 of the Gaming Act requires that the state owns all the shares. Since the shares are not negotiable, the company does not need to develop principles for dealing with a take-over of the business.

### Norsk Tipping's core values and code of ethics

The company's values base and ethical guidelines specify important principles for Norsk Tipping's corporate governance.

#### Its core values are:

- **Interaction** – making each other good, commitment to interdisciplinary processes, knowledge-sharing and teamwork
- **Commitment** – encouraging enthusiasm and a proprietary attitude, providing good role models, enjoying work, and caring for and about each other.
- **Courage** – accepting criticism and new ideas, daring to make choices and decisions, challenging and delegating responsibility and authority, and willingness to take risks.
- **Performance** – creating results and exploiting the organisation's full potential.

The board conducted its annual review of the company's code of ethics in December 2008, and chose to make no changes. The provisions of the code apply to employees and directors of Norsk Tipping as well as to temporary staff and consultants. They include instructions for avoiding conflicts of interest. The code can be found on Norsk Tipping's website (in Norwegian only).

### External offices for employees

The company has a policy on the holding of external offices by employees. Revised on 10 March 2008, this sets clear rules for

reporting offices held outside of employment with Norsk Tipping. The policy applies to all employees, and includes special regulations on reporting for senior executives. The presentation of the directors in this annual report specifies which other offices they hold.

### The owner's role

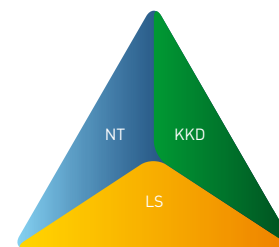
Norsk Tipping is a wholly state-owned company under the jurisdiction of the Ministry of Culture and Church Affairs. Its business is regulated by the Norwegian Gaming Act of 28 August 1992 (No 103), as subsequently amended. The Ministry grants permission to introduce new games and determines their rules.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

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.

Article 6 of the company's articles of association specify that the annual general meeting will be held annually in connection with the company's annual meeting. As a company in which the AGM comprises a single person, the Minister, Norsk Tipping has no formalities concerning notice, proxies or supporting documents in advance of the meeting.

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.

### 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 stakes 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, which also distributes the funds
- ▶ **LS - Norwegian Gaming Board**  
The Gaming Board is an official regulator appointed by the KKD, which works to ensure that all gaming operations in Norway are conducted in accordance with legislation and the rules of the games.

### 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 Auditor General is also conducting an expanded audit for the 2000-2007 period. A final report is expected to be presented in the first half of 2009.

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.

### 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. Norsk Tipping observes the Norwegian Accounting Act with modifications required to ensure that the accounts give a true and fair picture. 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).

### The board's role

The board and its composition are regulated by article 3 of the articles of association. It comprises five independent directors appointed by the Ministry of Culture and

#### BOARD OF DIRECTORS

**Sigmund Thue**  
Chair from 1997 to  
1 May 2008

**Sigbjørn Johnsen**  
Chair from 21 May 2008

**Ingvild Myhre**  
Deputy chair from 2007

**Knut Brofoss**  
Director from 2005

**Silvija Seres**  
Director from 2007

**Siv Tørudbakken**  
Director from 2007

**Helle Stine Næss**  
Director from 2007

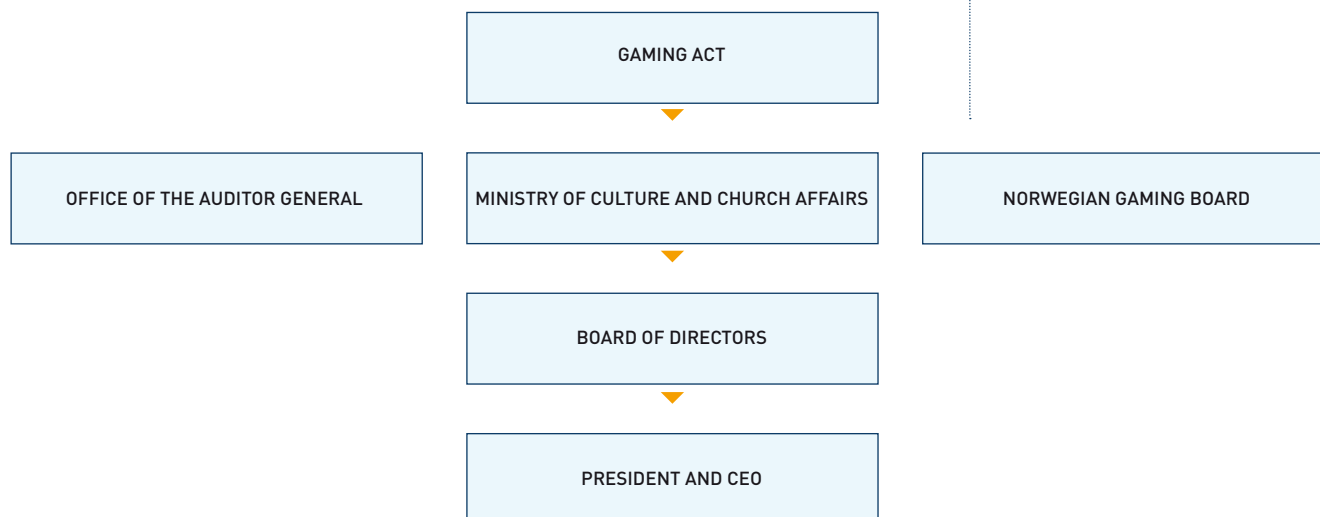
**Petter Torgerhagen**  
Director from 2007

**Per-Øyvind Sandberg**  
Alternate from 2007  
to 9 April 2008

**Brit Skurdal Braastad**  
Alternate from 1997

**Knut Johannessen**  
Personal alternate from 2007  
for Helle Stine Næss

**Rita Helgesen**  
Personal alternate from 2007  
for Petter Torgerhagen



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 of the board must accord with section 20, sub-section 6, paragraph 1 of the Norwegian Companies Act.

Norsk Tipping's employees have opportunities to raise issues through the worker directors. The company'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. Instructions for the chief executive were revised in December 2008. The instructions for the board are issued by royal decree.

The company's general meeting appoints the chair. He is not a member of the executive management. The deputy chair is appointed by the Ministry of Culture and Church Affairs. Directors receive a fixed annual fee which is independent of the company's results. The size of the fee is specified in the annual accounts in this report.

#### Work of the board

The board has an annual calendar which specifies which fixed issues are considered at each board meeting. This indicates that the strategy plan is approved in June and that a two-day meeting is held in November to consider plans for the coming year. The board also has a list of issues to be followed up annually, and this is presented at each board meeting.

No use of sub-committees is made in the board's work, but an appointment committee was established in connection with the recruitment of a new chief executive in 2008.

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 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. The board observes official guidelines and the company's code of ethics on conflicts of interest when consider-

ing matters. An annual assessment is made of the board's mode of work.

#### 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 remuneration of the chief executive is specified in the annual accounts.

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.

Norsk Tipping is certified in accordance with the World Lottery Association's security

#### DIRECTORSHIPS OUTSIDE NORSK TIPPING:

##### Sigbjørn Johnsen

Chair:  
Cermaq ASA  
SOS Children's Villages, Norway  
Director:  
SOS Children's Villages, International

##### Sigmund Thue

Chair:  
OIS AS  
Otta Sag & Høvleri AS  
Dølastugu Eiendom AS  
Kvikne's Hotel AS  
Thue Holding AS  
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  
Hurtigruten ASA

##### Knut Brofoss

None

##### Silvija Seres

Director:  
Aschehoug  
Norwegian Board of Technology  
GeoKnowledge AS  
Faster Imaging AS

##### Siv Tørudbakken

Chair:  
Bompengeselskapet RV2 Kongsvingervegen AS  
Deputy chair:  
Bompengeselskapet E6 Gardermoen – Moelv AS  
Kompetanse- universitets- og forskningsfondet i Innlandet AS

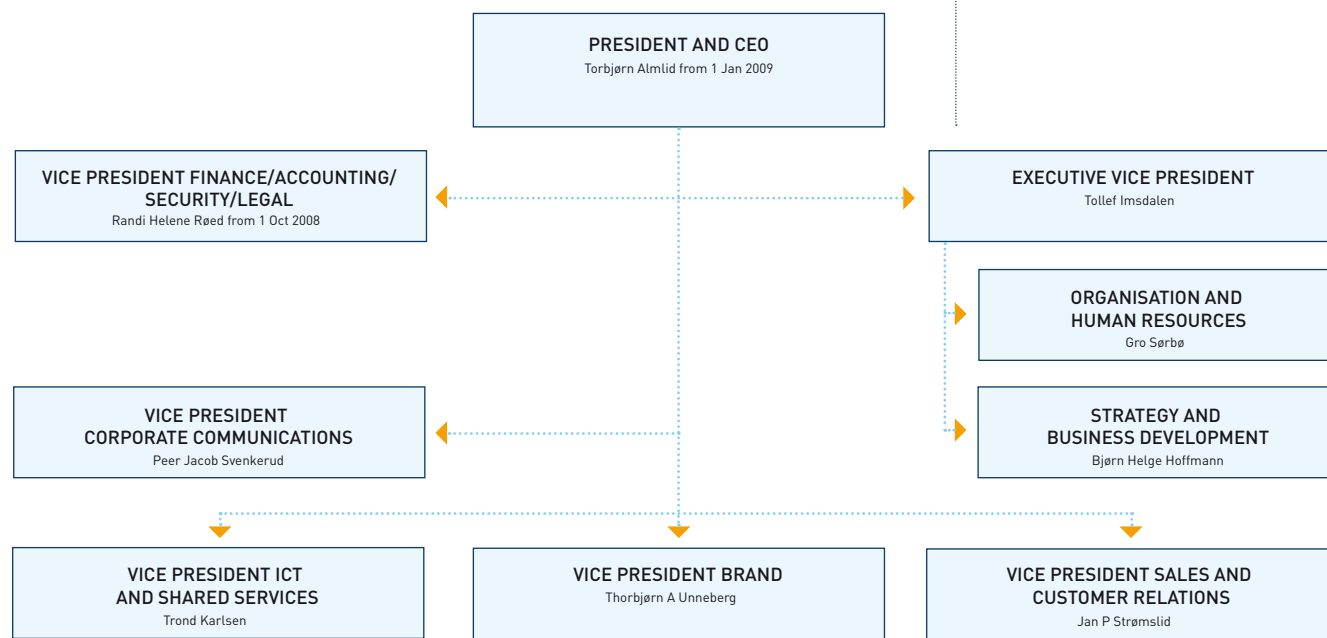
##### Helle Stine Næss

Director:  
Ikomm AS

##### Petter Torgerhagen

None





control standards. These international norms for the gaming industry are intended to ensure that certified businesses run their games within an effective security organisation and structure. Pursuant to the security standard, Norsk Tipping has established an information security management system (ISMS), where risks related to the company's business processes are updated annually. Det Norske Veritas conducts an annual audit based on these standards.

Annual reports are submitted to the board on the status of the company's operational risk areas and other identifiable risks at company level. The status review embraces the measures taken by the company to control risk. Norsk Tipping does not have an internal audit function, but internal audits are conducted by the security staff. An external company is used to obtain an independent evaluation of selected processes in the company. This includes the status of its risk areas and the measures adopted to control risk. The results are presented to the board.

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 its instructions for selling the games.

Article 6 of the articles of association contains more detailed provisions on contact between the executive management and the Ministry as owner.

#### Organisation of CSR

Pursuing corporate social responsibility (CSR) is an integrated part of the business and rooted in the company's core values, vision and overall strategies. For Norsk Tipping, CSR involves a commitment to conduct

the business in a fashion which meets or exceeds the ethical, commercial, legal, social and environmental expectations which society has of it.

Work on CSR is a continuous process in Norsk Tipping. The board and chief executive are ultimately responsible for the development of and compliance with rules and guidelines. Entrenchment with the management is secured through regular meetings with the chief executive, reporting to the

senior management team, and participation in strategy and planning processes.

Norsk Tipping works continuously to integrate CSR and responsible game provision in its management and reporting systems. The social report is prepared in accordance with the international Global Reporting Initiative (GRI), and clear goals are established for responsible game provision.

The CSR unit is placed in the corporate



communication department, where two employees have this as their main job. They work closely with the company's various business areas to develop plans and strategies for and to entrench and coordinate work on CSR. The business areas are responsible for developing, executing and evaluating approved measures and processes in their respective departments.

Norsk Tipping's principle for CSR are:

- We will conduct our business in a manner which fulfils or exceeds the environmental, ethical, commercial and social expectations which society has of us
- We will base our operations on responsibility, integrity and openness
- We will listen to society at large and seek to balance the interests of different groups in a way which secures a long-term perspective and legitimacy
- We will satisfy customer needs for entertainment and excitement within a secure and socially responsible framework
- We will contribute actively to countering potentially undesirable aspects of our games
- We will offer our employees a good and safe working environment, where consideration for each member of staff occupies a central place
- Our relationships with suppliers and partners will be based on honesty, integrity and predictability over mutual requirements and expectations
- We will act responsibly and cautiously towards the environment
- We will develop our operations within a socially responsible framework in order to secure stable and long-term funding for beneficiaries
- We will have an open social reporting and communication

#### **The company's stakeholders**

Dialogue with those who are affected by or affect Norsk Tipping's business is fundamental for its work on CSR. All dialogue and relevant surveys are reviewed every year, and the factual data used as the basis for

prioritising stakeholder groups and their expectations. The goal is to secure an objective picture of the issues faced by the company, and to apply that knowledge to support its further development. This assessment has been one of the most important inputs in drawing up the 2009-11 strategy plan.

#### **Dialogue in 2008**

##### **CUSTOMERS**

Norsk Tipping's CSR towards players involves offering attractive games in a responsible way. Regular player satisfaction surveys give the company valuable feedback on the job it does. Should the company be contacted by players or next of kin who believe that they or their relatives are playing too much, they are referred on to professionals with expertise on gaming problems.

##### **NORWEGIAN SOCIETY**

Norsk Tipping depends on a close dialogue with society at large, and accordingly conducts a major social accounting every other year to learn how it is regarded by the outside world. The company also attends many international conferences and seminars where experience is exchanged with other gaming companies, for instance, from all over the world. Norsk Tipping also holds its own meetings and seminars to which guests from the international gaming industry are invited. It maintains a close dialogue on responsible gaming with a number of organisations and advisers/researchers in Norway and abroad who provide valuable input about society's expectations of the company and its opportunities for fulfilling these. A great deal of work is also devoted by Norsk Tipping to communicating its social remit to society at large, partly with the aid of various information campaigns and the Spill magazine produced in-house. The company's annual and social reports are another of the measures used to communicate with the outside world.

##### **IN-HOUSE**

Communication with employees takes place continuously through job reviews, depart-

mental and town hall meetings, employee surveys and the intranet.

Regular contacts are maintained with the unions.

#### **PARTNERS**

Retailers are the cornerstone of Norsk Tipping's distribution system, and its face to many thousands of customers every day. The company conducts regular surveys of retailer satisfaction. Norsk Tipping is also dependent on a close dialogue with suppliers and partners who help it to fulfil its social remit.

More detailed information on the company's dialogue with its different stakeholder groups can be found in various other sections of this report.

#### **Open reporting**

Norsk Tipping's annual and social report is published every year ahead of its annual meeting. It converted in 2007 to reporting in accordance with the Global Reporting Initiative (GRI), which comprises a set of principles plus recommendations for a reporting standard. The latter aims to establish a global norm for sustainability reporting. This means that Norsk Tipping reports in terms of a triple bottom line – financial, environmental and CSR. The goals have been discussed, and the measures adopted are entrenched in and followed up in the company's various business areas. This report relates to Norsk Tipping's activities in Hamar and its stakeholders. Subsidiaries are not included.

The company was not involved during 2008 in legal violations or breaches of voluntary guidelines concerning product labelling

and health and safety aspects related to its own products and services. Nor has it been directly involved in formal legal disputes related to anti-competition activities, nor been fined in such a connection.

All relevant financial, environmental and social effects of Norsk Tipping's operations are detailed in the report. The company has opted to integrate the annual and social reports for 2008, but the framework adopted for the 2007 social report is unchanged. No significant amendments have occurred in scope or measurement methods from 2007. Norsk Tipping has assessed the report in relation to the application level requirements in the GRI's guidelines, and has determined that it satisfies the specifications for level C+.

Before publication, the report has been reviewed by Det Norske Veritas as the external assessor. Norsk Tipping believes that this enhances its credibility, objectivity and quality.

#### **Norwegian code of practice**

This section has been compiled in accordance with the Norwegian code of practice for corporate governance drawn up by the Norwegian Corporate Governance Board (NCGB). The objective of the code is to ensure that companies listed on regulated exchanges in Norway practise a corporate governance which clarifies the division of roles between shareholders, the board and the executive management more comprehensively than is required by legislation.

The code is directed primarily at companies with shares listed on regulated exchanges in Norway. Since Norsk Tipping is not a listed company, it does not report on some sections of the code.

# GRI INDEX

The table below is based on the Global Reporting Initiative (GRI), a voluntary reporting standard for financial, environmental and social issues. It specifies which indicators in the GRI standard have been wholly or partly covered in Norsk Tipping's annual and social report for 2008.

Certain indicators in the GRI standard have little relevance for the company, lie outside its area of influence or are difficult to report on. A complete list of all the indicators, an assessment of their relevance and the results is available – in Norwegian only – on the Norsk Tipping website at [www.norsk-tipping.no](http://www.norsk-tipping.no).

	INDICATOR	PAGE
<b>1</b>	<b>STRATEGY AND ANALYSIS</b>	
1.1	Statement from the most senior decision-maker of the organisation (CEO)	3
1.2	Description of key impacts, risks and opportunities	6, 50-55, 103-104
<b>2</b>	<b>ORGANISATIONAL PROFILE</b>	
2.1	Name of the organisation	1
2.2	Primary brands, products and/or services	108
2.3	Operational structure of the organisation	16-17, 101
2.4	Location of organisation's headquarters	6
2.5	Number of countries where the organisation operates	Norway
2.6	Nature of ownership and legal form	96-99
2.7	Markets served	6-10
2.8	Scale of the reporting organisation	6-19
2.9	Significant changes during the reporting period	6-19
2.10	Awards received in the reporting period	16, 79
<b>3</b>	<b>REPORT PARAMETERS</b>	
	<b>Report profile</b>	
3.1	Reporting period for information provided	104
3.2	Date of most recent previous report	104
3.3	Reporting cycle	104
3.4	Contact point for questions regarding the report or its contents	See cover
	<b>Report scope and boundary</b>	
3.5	Process for defining report content	101-104
3.6	Boundary of the report	104
3.7	State any specific limitations on the scope or boundary of the report	104
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period	104

	INDICATOR	PAGE
3.9	Data measurement techniques and the bases of calculations	58, 63
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	104
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	104
3.12	GRI table identifying the location of the standard disclosures in the report.	105-107
	Assurance	
3.13	Policy and current practice with regard to seeking external assurance for the report	104
<b>4</b>	<b>GOVERNANCE, COMMITMENTS AND ENGAGEMENT</b>	
	<b>Governance</b>	
4.1	Governance structure of the organisation	96-104
4.2	Indicate whether the chair of the highest governance body is also an executive officer	99
4.3	The number of members of the highest governance body who are independent and/or non-executive members	98
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	99
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives, and the organisation's performance	99
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	100
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics	98-99
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental, and social performance and the status of their implementation	96-104
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of performance	98-100

	INDICATOR	PAGE
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	99-101
	<b>Commitments to external initiatives</b>	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	47, 86-90
4.12	Externally developed principles, or other initiatives which the organisation subscribes to or endorses	86
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations	86
	<b>Stakeholder engagement</b>	
4.14	List of stakeholder groups engaged by the organisation	102-104
4.15	Basis for identification and selection of stakeholders with whom to engage	103
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	14-15, 102-104
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those	60, 65, 66, 70, 84, 89, 94
	<b>Economic performance indicators</b>	
	<b>Economic performance</b>	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	37
EC3	Coverage of the organisation's defined benefit plan obligations	31-32
EC4	Significant financial assistance received from government	Norsk Tipping does not receive such support
	<b>Market presence</b>	
EC6	Policy, practices, and proportion of spending on locally-based suppliers	72
	<b>Indirect economic impacts</b>	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind or pro bono engagement	Norsk Tipping made no such investments in 2008
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	6, 66, 80-81
	<b>Environmental performance indicators</b>	
	<b>Materials</b>	
EN1	Materials used by weight or volume	75

	INDICATOR	PAGE
EN2	Percentage of materials used that are recycled input materials	74
	<b>Energy</b>	
EN3	Direct energy consumption by primary energy source	73-74
EN5	Energy saved due to conservation and efficiency improvements	Norsk Tipping has not established any target figures
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	74
	<b>Water</b>	
	<b>Emissions, effluents and waste</b>	
EN16	Total direct and indirect greenhouse gas emissions by weight	Norsk Tipping has not established any target figures
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	73-74
EN22	Total weight of waste by type and disposal method. Products and services	74
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	73-75
	<b>Compliance</b>	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	75
	<b>Transport</b>	
EN29	Significant environmental impacts of transporting products and other goods and materials, and transporting members of the workforce	75
	<b>Overall</b>	
EN30	Total environmental protection expenditures and investments by type	Norsk Tipping has not established any target figures
	<b>SOCIAL PERFORMANCE INDICATORS</b>	
	<b>Labour practices and decent work performance indicators</b>	
	<b>Employment</b>	
LA1	Total workforce by employment type, employment contract and region	60-63
LA2	Total number and rate of employee turnover by age group, gender and region	64
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	61

	INDICATOR	PAGE
	<b>Labour/management relations</b>	
LA4	Percentage of employees covered by collective bargaining agreements	61
	<b>Occupational health and safety</b>	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees	61
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region	63
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases	60
LA9	Health and safety topics covered in formal agreements with trade unions	61
	<b>Training and education</b>	
LA10	Average hours of training per year per employee by employee category	58
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	58, 64
LA12	Percentage of employees receiving regular performance and career development reviews	61
	<b>Diversity and equal opportunity</b>	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, etc.	61-63
LA14	Ratio of basic salary of men to women by employee category	61, 64-65
	<b>Human rights performance indicators</b>	
	<b>Investment and procurement practices</b>	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Under implementation
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Norsk Tipping has not established any target figures
	<b>Non-discrimination</b>	
HR4	Total number of incidents of discrimination and actions taken	61
	<b>Society</b>	
	<b>Corruption</b>	
S02	Percentage and total number of business units analysed for risks related to corruption	94
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures	61, 92
S04	Actions taken in response to incidents of corruption	68-68, 92, 94-95

	INDICATOR	PAGE
	<b>Public policy</b>	
S05	Public policy positions and participation in public policy development and lobbying	9
S06	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	Norsk Tipping makes no such contributions
	<b>Anti-competitive behaviour</b>	
S07	Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices, and their outcomes	105
	<b>Compliance</b>	
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	105
	<b>Product responsibility</b>	
	<b>Customer health and safety</b>	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	42, 44, 86-90
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	105
	<b>Product and service labelling</b>	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	47, 87
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	105
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	42, 44, 70, 84
	<b>Marketing communications</b>	
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	47
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	47
	<b>Customer privacy</b>	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	94
	<b>Compliance</b>	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning	105

# PRODUCT OVERVIEW



Games revenue: NOK 3 596 756 740  
Player base: 1 540 431  
Average stake per week per player: NOK 43  
Average age: 51  
Gender distribution: 51% men, 49% women



Games revenue: NOK 1 502 037 480  
Player base: 996 873  
Average stake per week per player: NOK 27  
Average age: 52  
Gender distribution: 53% men, 47% women



Games revenue: NOK 739 489 540  
Player base: 1 111 839  
Average stake per week per player: NOK 13  
Average age: 51  
Gender distribution: 51% men, 49% women



Games revenue: NOK 966 722 970  
Player base: 770 785  
Average stake per week per player: NOK 24  
Average age: 53  
Gender distribution: 44% men, 56% women



Games revenue: NOK 917 466 900  
Player base: 877 000  
Average stake per week per player: NOK 20  
Average age: 41  
Gender distribution: 48% men, 52% women



Games revenue: NOK 429 262 390  
Player base: 248 542  
Average stake per week per player: NOK 33  
Average age: 48  
Gender distribution: 59% men, 41% women



Games revenue: NOK 1 690 223 585  
Player base: 165 323  
Average stake per week per player: NOK 122  
Average age: 41  
Gender distribution: 83% men, 17% women



Games revenue: kr 725 235 004  
Player base: 269 195  
Average stake per week per player: NOK 47  
Average age: 50  
Gender distribution: 72% men, 28% women



Net revenue from pilot: NOK 11 488 786  
Player base: 3 269  
Average stake per week per player: NOK 207  
Average age: 40  
Gender distribution: 81% men, 19% women

Source: Norsk Tipping database. The exceptions are Flax and Multix, where player information is not contained in the database and is accordingly derived from market analyses.

Player base: proportion of the Norwegian population over the age of 15 which has played one or more times during the last three months. Multix and Oddsen have a lower age limit of 18.  
Average stake: total revenue divided by the number of unique players during the year  
Average stake Flax: average weekly turnover divided by the number of players in an average week



NORSK TIPPING AS  
NO-2325 Hamar  
Norway  
Telephone: +47 62 51 40 00  
Telefax: +47 62 52 71 52  
Org no: NO 925 836 613 MVA

[www.norsk-tipping.no](http://www.norsk-tipping.no)