GIEK ANNUAL REPORT 2001

01

GIEK GARANTI-INSTITUTTET FOR EKSPORTKREDITT

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Design og produksjon: Reclamo grafisk senter

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Important events in 2001

- GIEK Kredittforsikring A/S started up as an independent company
- Reorganisation by sectors in the Guarantee department
- Contract signed for a new accounting and underwriting support system
- New Assistant Director General in the Administration Department
- Pakistan stopped payment on its commitments to GIEK
- The Storting raised the total commitment limit to NOK 40 billion
- Premium income of over NOK 100 million recorded for the first time

Explanation of words and terms

The Berne Union of Credit and Investment Insurers – International organisation with the objective of safeguarding guarantee institutes' common interests, and ensuring the application of sound principles in the financing of international trade and investments. Government and private export credit institutions and investment-guarantee institutions may become members.

Total exposure limit Maximum liability limit for total exposure, including offers and commitments.

Debt relief strategy/debt plan Debt relief strategy for Norwegian forgiveness of the poorest developing countries' debt to the Norwegian government.

HIPC initiative (Heavily Indebted Poor Countries) Multilateral plan for debt relief to the most heavily indebted countries, under the direction of the IMF, the Paris Club and the World Bank.

Commercial risk Risk of the buyer going into liquidation or being unable to pay for other reasons.

Moratorium agreement Agreement, often under the direction of the Paris Club, allowing a debtor country to postpone payment of debts to a creditor country.

New guarantee liability Maximum liability for policies issued during this period.

The Paris Club The Paris Club is an informal association of creditor countries, and treats government-to-government receivables / debt. This collaboration makes it possible for debtor countries in trouble to negotiate with all their creditors at once.

Political risk Risk of war, expropriation, and acts by public authorities that prevent payment. If the debtor is a foreign state or public company, failure to pay counts as political risk.

Offer Written, binding offer of a guarantee.

Commitments (Policies) Liability under issued guarantees.

What does GIEK do?

Exporters of goods and services often require insurance against the risk of non-payment when buyers ask for the delivery to be financed. Especially if the risk is high, whether it is political or commercial, the need for GIEKs insurance will arise.

Exports valued USD 500 billions are annually covered by guarantee institutions like GIEK. GIEK ensures that risk cover available to Norwegian exporters are comparable to what is offered in other countries. GIEK's policies and terms are fully competitive internationally.

GIEK can cover risks during the period between entering into a contract and delivery, as well as after delivery. Political risks associated with investments abroad can also be covered.

If the credit period is less than two years, it will be covered by GIEK Kredittforsikring AS, a company owned by GIEK. If the buyer is not from one of the wealthier OECD countries, GIEK will provide reinsurance to the company.

Our authorities demand that the operations shall break even in the long term. The premium level for political risk is regulated through the OECD.

GIEK has developed special competence to evaluate both political and commercial risk factors. In complex and major projects, such as shipping, offshore, etc., external consultants are invited to assist. We collaborate closely with the other national guarantee institutes through the Berne Union with regard to country and corporate risk assessments as well as the development of our terms and conditions.

GIEK is governed by a Board of Directors that consists of 7 members appointed by the Government. It operates independently. Decisions on individual matters are not subject to appeal. The Minister of Trade and Industry has parliamentary responsibility for GIEK.

Key figures for the General Guarantee Scheme

NOK Mill.

During the year		**2001**		**2000**		**1999**
New applications	*(150)*	19.746	*(157)*	12.583	*(139)*	11.747
New offers	*(95)*	9.066	*(111)*	10.924	*(105)*	10.630
New liabilities covered		1.574		2.694		3.262
Premium income		116		93		48
Claims payments		47		55		37
Recoveries		9		8		2
Operating surplus/deficit		-78,1		-1,4		8,8
Surplus/deficit for the year		-45,4		20,7		25,7
At year end						
Outstanding offers	*(71)*	7.691	*(77)*	7.015	*(68)*	7.251
Outstanding guarantee liability	*(249)*	10.540	*(237)*	8.972	*(194)*	7.941
Outstanding receivables		155		106		56
Provisions for contingent liabilities		608		481		386

Almost all new business is done under the General Guarantee Scheme, called Public Section until last year.
Figures for other schemes are found in tables page 20.

Managing Director's **comments**

2001 was a turbulent year in many ways. Japan's very problematic economic development continued as well as the weak development of the US economy and in certain European countries. The terrorist attack on Manhattan on 11 September created further pressure and uncertainty and new dynamics in the political processes in several regions, the consequences of which are unclear.

The decline on the world's stock exchanges and markets has also been dramatic. We experienced megabankruptcies, such as Enron in the private sector, and in reality also in Argentina, when it declared in December that it was unable to fulfil its payment commitments. Incidentally, GIEK has insignificant outstanding liabilities in Argentina.

Norwegian exporters have shown renewed confidence in GIEK during this period. Our ever increasing guarantee liability indicates that there is a need for our risk cover products and that they are competitive. The demand has been high, and our guarantee limits have been increased on two occasions during the year. We have been forced to exclude only a very limited number of countries from cover.

Norway has decided to untie aid and a scheme of untied mixed credits as been set up. GIEK is pleased that there is renewed political interest in improving the guarantee products for these countries. The exposure limit for 2002 for such credits was, however, not increased, and therefore the guarantee scheme still does not have capacity for new guarantees.

GIEK assists the Ministry of Foreign Affairs with the administration of claims against other states through the Paris Club, mostly referring to commitments made in the 1970s. Pakistan and Zimbabwe have defaulted on loans in 2001. Pakistan's agreed to a debt restructuring in the Paris Club.

International efforts to reduce the debt of the poorest countries are continuing. Yugoslavia was granted significant debt forgiveness in 2001. This illustrates that even the debt of wealthier countries can be forgiven. Traditionally, we have regarded the chances of recovering from such countries as good. With these new developments, the risk for losses from political risk claims has risen sharply. It is therefore unfortunate that there is no political clarification as to whether GIEK will be compensated for debt forgiveness which is granted due to Norwegian foreign and development aid policy.

A small profit was reported for the first full year of operations for our subsidiary, GIEK Kredittforsikring AS, which offers credit insurance for short-term credits. Taking into account that this was the company's first full year of operations, we are very satisfied. GIEK Kredittforsikring AS expanded its range of products, initiated cooperation with CreditAlliance, a global actor in this market, and maintained its volume and customer base with a small and medium-sized enterprise profile. The level of activity shows keen interest for such products from small enterprises.

The credit insurance market is marked by consolidation and establishment of big multinational entities. Three major groups, NCM/Gerling, Coface and Hermes/Euler dominates. As a result of the cooperation with CreditAlliance (Coface), all three of these groups are represented in the Norwegian market. This means that the overall offerings to the Norwegian export industry should be good.

The development of intermediate and long-term credits reflects that there is a great deal of focus on covering political risks, especially in Asia and Latin America. We have observed a number of major international projects that require more cooperation between the guarantee institutions of other countries, in addition to greater flexibility and improved efficiency. It is interesting to note in this connection that there appears to be a greater capacity in the private market for risk sharing, especially in the investment guarantee area. We must assume that there will be increased need for reinsuring other guarantee institutions and sharing risk in the coming years, not just on the basis of the individual guarantees, but also on the basis of seeking an active stance in relation to the risk in our own portfolio.

We value the importance of the work of the OECD not least in relation to the environment and corruption. Our seminar in February on these subjects was very well attended. Our stricter terms and conditions in these areas are in line with those introduced by other guarantee institutions. Our impression is that Norwegian exporters have a good comprehension of the seriousness of these problems and the necessity to implement specific measures. We would like to thank the participants, and in particular the presenters at the seminar, whose enthusiasm raised its quality.

2001 has been a year of major internal challenges. A completely new accounting and underwriting support system is under development. A large number of computer consultants have worked in consultation with GIEK's own staff throughout the year. We hope that we have managed to prevent this from creating any problems for our customers. We are approaching the date when the system is to be implemented. The costs are high for a small organization like GIEK but we are on budget. The replacement of our existing system was called for by requirements from the government authorities. We hope that this upgrade will also benefit our customers.

It was a great loss when our colleague and friend, Ola Nørstebø, Assistant Director General of the Administration Department over many years, passed away on 1 June. Inger Johanne Bjørnstad has been appointed as his successor.

Erling Naper
Managing Director

GIEK's organisation






Managing Director
Erling Naper

Deputy Managing Director
Edvard Stang

Guarantee Department
Assistant Managing Director Øyvind Ajer
Head of Division Ole Whist

Evaluation of risk relating to single deliveries, e.g. evaluation of the purchaser's creditworthiness, the exporter's implementation ability, market and technological factors and valuation of securities, if any.

International Matters, Strategy and Development
Assistant Managing Director Johan E. Mowinckel

Strategy, international collaboration, evaluation of banks and countries, information, secretariat to the Board of Directors

Finance and Administration Department
Assistant Managing Director
Inger Johanne Bjørnstad
Head of Division Harald Øien

Personel, budget, accounts, international debt agreements.

Legal Department
Assistant Managing Director Thorvald Boye
Head of Division Lully C. Heje

Claims, recoveries, development of policy terms, documentation, signing of agreements, depository, legal advice.

Board of directors' report

Operations in general

2001 was a satisfactory year for GIEK's operations. The downturn in the world economy appears to have increased the need of Norwegian exporters to cover their risks. The high demand illustrates the need for and the significance of GIEK's contribution to the promotion of Norwegian exports.

The first full year of operations for our subsidiary GIEK Kredittforsikring AS (GK) was in 2001. The reorganisation has been successful, and GIEK now offers a full range of products to cover risk for Norwegian export contracts together with GK. GIEK's products and services are competitive internationally. The board is keen on adapting the guarantee products to the needs of Norwegian companies.

GIEK received applications for almost NOK 20 billion in 2001. GIEK was pleased that the Storting decided to increase GIEK's total exposure limit in the revised national budget for 2001 and then subsequently in the national budget for 2002.

NOK 20.1 billion of the total guarantee limit of NOK 35 billion was utilised at the end of the year. In addition, applications were received for around NOK 19 billion. GIEK and its subsidiary (GK) facilitated exports valued at over NOK 8 billion in 2001.

GIEK enjoyed high premium income in 2001. War, terrorism and a sharp decline in the world economy marked the world situation in 2001. The risk associated with GIEK's portfolio increased and necessitated higher provisions against future losses.

2001 was also marked by comprehensive work on our new computer system, which demanded a great deal of resources.

A total of 14 board meetings were held.

Framework conditions

GIEK's primary objective is to promote exports. In the opinion of the board, we successfully achieved our goals, and the operations show an acceptable balance. The board believes that the framework conditions under which GIEK operates are well-adapted to the international financial environment. In the main GIEK's framework conditions are appropriate.

The international debt write-off endeavours have continued. In 2001 debt has also been forgiven in countries that are not among the poorest. This applies to Pakistan and Yugoslavia. Debt forgiveness by Norway will mean that payments to GIEK from debtor countries will be reduced significantly. Increasingly more generous debt relief will weaken the balance sheet of all the schemes. In earlier years the board assumed that GIEK would be given compensation for debt forgiveness. It is not satisfactory that there is still no final clarification on this matter.

General Scheme

The board has dealt with many applications throughout the year. The total guarantee liability as at 31 December 2001 was NOK 10.8 billion, incl. GIEK's reinsurance of GK, and the total outstanding offers were NOK 7.7 billion. NOK 2.1 billion of the exposure limit is pledged in the Old General Scheme.

Premium income as well as claims expenses and provisions rose. The claim payments were relatively low, and Pakistan accounted, as expected, for the largest amounts. Provisions are being built up continuously and currently total NOK 607.5 million. This corresponds to 5.7 % of the outstanding liability. The board considers this to be satisfactory.

The operating profit for the year was NOK -78 million including provisions expenses of NOK 155 million. The deficit for the year was NOK 45 million. The higher dollar exchange rate in combination with the high USD exposure has entailed significant costs in the form of increased provisions. The negative balance at the end of 2001 was approximately NOK 22 million, which represents a reduction of approximately NOK 10 million in relation to the previous year. The scheme is breaking even in the opinion of the board.

Several of the ship contracts in which GIEK is involved are major contracts exposed to market risks. There have been no new major non-performing guarantees in 2001. The board is keeping the ship portfolio under close observation. Extra provisions have been made for ship guarantees that are deemed as being of particularly high risk, and some claim payments must be expected in the coming years. Ships represent the largest product group in the portfolio.

GIEK reinsures GK's non-marketable risk. The definition of what is non-marketable follows the EU competition rules and applies to a credit period of less than 720 days outside the OECD area but including the poorer OECD member states. This cover applies primarily in 2001 to fish exports to Poland and Brazil. The losses are relatively large, but the recoveries are large as well.

CIS/Baltic states scheme

NOK 45 million was appropriated for premium subsidies in 2001, and NOK 35 million of the appropriation was used. Pursuant to Proposition no. 1 to the Storting, funds were earmarked for collaboration between the Russian business sector and the North Norwegian engineering industry. GIEK received no application for such projects. In 2001 guarantees and offers for Norwegian exports valued at NOK 607 million were issued. The size of the premium subsidy limit the opportunity to issue new guarantees under this scheme.

The level of risk in this region is high. This risk level has, however, improved somewhat since the scheme was established. NOK 25 million has been appropriated for premium subsidies in 2002. The board expects the whole subsidy to be utilised.

Fish exports, paper and agricultural machinery are the most covered sector under the scheme.

Developing countries scheme

One new guarantee was issued in 2001 for a transaction to Macedonia. The exposure limit hinder any new guarantees. At year end NOK 1,440 million of the total exposure limit of NOK 1.5 billion was pledged in the form of offers and policies. New cover is possible only to the extent that old guarantees are settled or lapse.

The scheme is currently making claim payments related to Pakistan and Zimbabwe.

There is a high demand for capacity under this scheme. The board believes therefore that a significant increase in the guarantee limit should be considered.

A proposal is currently being made so that guarantees can be issued for untied mixed credits, i.e. for deliveries from countries other than Norway in certain development aid projects. The board believes that GIEK is well-suited for this task and is prepared to take on this job.

Old portfolio

GIEK administers several schemes where guarantees are no longer issued: the Old General Scheme, the Old Special Scheme for developing countries, as well as other schemes based on earlier special Storting resolutions. The operations consist primarily of recovering claims from commitments made during the 1980s. The board attaches great importance to GIEK's participation in recovery work through the Paris Club and the moratorium agreements.

The international debt relief efforts are of great significance to this work. Parts of these operations are encompassed by the government's debt plan and the so-called HIPC initiative. GIEK attaches importance to following up the requirements and implementing debt relief. This is a priority area that requires a great deal of resources.

Credit insurance

GIEK's subsidiary GIEK Kredittforsikring AS is now responsible for our short-term credit insurance products. 2001 was the company's first full year of operations. The credit insurance market was marked by continued pressure on premiums and high claim payments last year. The operating profit was therefore somewhat weaker than expected. The board is satisfied with the first full year of operations. The volume of non-marketable business is increasing, which illustrates the need for our participation.

International consolidation occurred in the industry during 2001, which included two mergers among the major European credit insurance companies. This will also affect the Norwegian market, since they both are established here.

The primary objective of GIEK Kredittforsikring AS is to reach out to small and medium-sized enterprises and assist them with their export promotions. The company was quite successful in this area.

GIEK's Board of Directors. From left Ann-Britt Evensen Norum, Bjørn Kaldhol, Harald Arnkværn, Rita Lekang and Tor Listau.

Environment and corruption

The OECD has prepared common guidelines for the environment and corruption. These guidelines are not always as far-reaching as the Norwegian authorities would have liked. The board is nevertheless satisfied that an international consensus has been reached and has implemented changes to GIEK's terms and conditions.

Future outlook

Guarantees with complex financial arrangements present new challenges. The board encourage the administration's close collaboration with banks and other financial institutions that are involved in Norwegian exports. The board will continue its endeavours to make GIEK a more open and outward-looking organisation. Reinsurance agreements with the guarantee institutions of other states facilitate the work of exporters and banks where a transaction has components from several countries.

The development of GIEK's new accounting and underwriting support system has priority. It is expected that the system will be implemented in the second half of 2002. This work has been in progress for one and a half year. It represents a major investment for a small company. The board is following this work very closely.

The board attaches importance to open and active information, as well as strengthening collaboration with the Norwegian Trade Council, NORAD, the Norwegian Industrial and Regional Development Fund (SND) and NORFUND.

Oslo, 14 February 2002

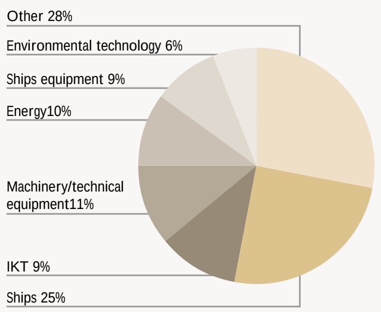
Harald Arnkværn (Chairman) Anne-Britt Evensen Norum (Deputy Chairman)

Atle Brynestad Bjørn Kaldhol Rita Lekang Thor Listau Sandra Riise

New organisation

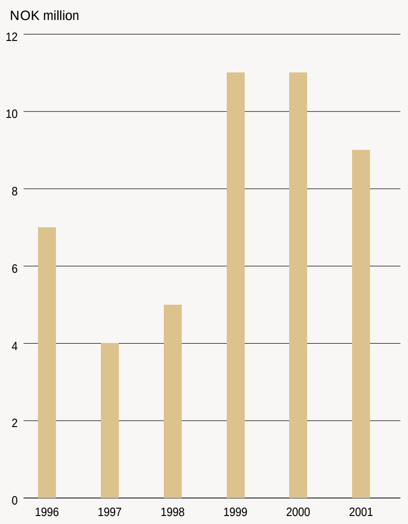
The Guarantee Department has been divided into three teams by sector: Traditional Industry, the Shipping and Offshore Industry and Communication and Environmental Industries (IKT). Traditional Industry includes energy and power plants; Shipping and Offshore includes ships' equipment and fish farming while IKT includes primarily industrial telecommunications equipment and purification plants.

Outstanding offers and commitments per industry



Many sectors of the Norwegian economy are represented in GIEK's portfolio. The shipping industry's share is large but shrinking.

Firm offers



More than NOK 9 bn in new offers were issued in 2001. GIEK received NOK 19 bn in applications. The Norwegian parliament increased the total exposure limit to NOK 40 bn, thus allowing GIEK to handle the large numbers of applications.

The Guarantee Department was formely organised by region. Now our customers can contact the same underwriter regardless of where in the world they will be exporting. The underwriters will at the same time be given an opportunity to familiarise themselves more thoroughly with the various sectors and their characteristics and special risks.

Collaboration and competence development

GIEK has extensive collaboration with banks, the guarantee institutes of other countries, The Norwegian Trade Council, NORAD, Norfund and many Norwegian embassies. Some of the credits that are covered by GIEK are furnished by foreign banks. We also cooperate very closely with Eksportfinans ASA, which is the most used lender in projects with risk cover from GIEK, while the larger Norwegian banks are the most active lenders in shipping projects.

Our contact with other guarantee institutes is institutionalised through the Berne Union. A number of reinsurance agreements allow the institutes to be relieved from risk when appropriate. Common guidelines for guarantee activities have been prepared through the OECD and Berne Union. Extensive cooperation with colleagues in other government and non-government credit insurance companies provides useful information and an opportunity for professional development. Regular meetings are held with our Nordic colleagues for the exchange of information and professional advancement. A greater understanding and competence is continuously sought, and we regard participation in seminars as well as contact with exporters and relevant special interest organisations to be important.

A knowledge-based enterprise

GIEK focuses on the analysis of the buyer's and debtor's creditworthiness for each individual delivery (credit). Maintenance of a high level of technical guarantee expertise, as well as expertise in country risk assessment and financial analysis, is of decisive importance to GIEK.

We have a staff with a high academic and professional level. A broad range of tasks must be performed at GIEK. The employees have education and experience in various disciplines. This helps to create an interesting and challenging working environment.

At the end of 2001 GIEK had 39 employees, 20 female and 19 male employees. The average age of our employees is 41.7; 45.9 for men and 37.8 for women. Four of our employees resigned in 2001, i.e. a turnover rate of 10.5%. The average period of employment at GIEK is 9.9 years, and there is no significant difference between women and men. 85% of GIEK's employees have a university or college education. 100% of the men and 70% of the women have such education. The salaries and social benefits paid to employees totalled NOK 16.7 million. 5.6% of regular working hours were lost due to illness.

Competitive products

GIEK has a complete range of guarantee products. GIEK can very often accommodate the needs of the exporters, for instance with regard to sub-deliveries from third countries and special financing arrangements. As to country risk cover and premiums, GIEK is fully competitive with the guarantee products offered in other countries.

The exporters are offered many types of risk cover. A growing number of customers are benefiting from our pre-shipment guarantee, which covers risks prior to delivery. By taking out a pre-shipment guarantee, an exporter can cover his own costs of production in the event that the buyer goes into liquidation during the production period, which may occur suddenly e.g. in connection with a foreign exchange crisis.

The political risks associated with investments, including boycotts and breach of contract, can be covered through an investment guarantee. The risks associated with the loss of plant equipment abroad can be covered, as well as the banks' risks when they furnish bond guarantees in connection with Norwegian exports, such as bid bonds, advance payment bonds or completion bonds.

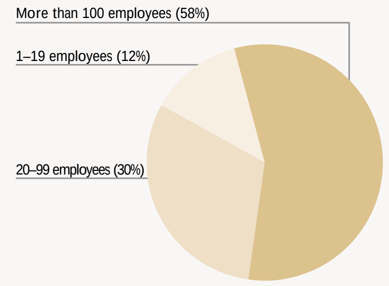
Norwegian exports – a changing concept

The production of goods and services is marked increasingly by an international division of work, where the various components in a contract are manufactured by a large number of different companies and countries. Design, management and service often represent a significant share of the value created, and thus a significant share of the contract. In order to meet this globalising trend, GIEK has reduced the minimum Norwegian content required in the contract. The rules have been made more flexible, but it must still be demonstrated that the exports in question will specifically benefit companies situated in Norway.

When significant portions of the production are from a country, whose guarantee institutes has a reinsurance agreement with GIEK, then this portion of the risk can be covered through such reinsurance cooperation. GIEK has agreements with a number of guarantee institutions and is seeking additional agreements. This means that the exporter can get risk relief easier and faster without having to seek guarantees from several guarantee institutions.

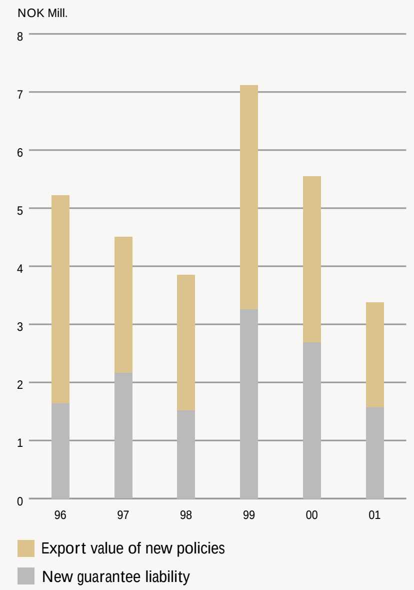
The World of ResidenSea was built at Fosen Shipyard. The contract would probably ended up in Germany had GIEK not covered part of the performance bonds offered by banks.

Size of costumers



GIEK aims to serve small and medium sized companies. 42% of all policies relates to these costumers.

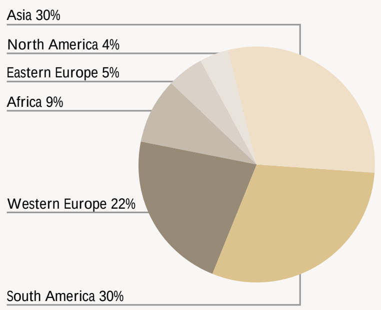
Policies issued



The size and number of policies issued varies a lot from one year to the other. Exports related to one contract is often the double of the risk amount GIEK assumes. The figure does not include NOK 1 bn that has been reinsured from GIEK Kredittforsikring AS in 2001.

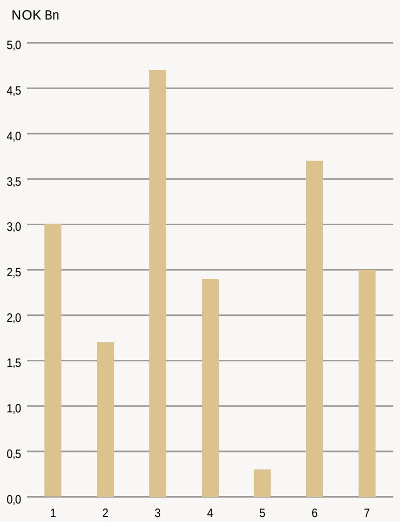
Sound basis for decision

Outstanding offers and commitments per region



Asia and South America are the most important markets. 8,6% of exports to Western Europe relates to transactions where the buyer is a Norwegian shipowner.

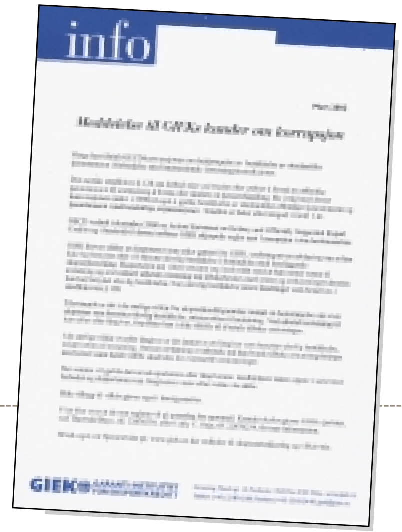
Outstanding commitment per country risk group



Country group 1 represent the lowest risk and group 7 the highest risk. GIEK classify countries according to the OECD country risk rating that is updated regularly.

A creditworthy buyer is not necessarily enough for the success of a project. If the environmental consequences are not assessed properly, the subsequent costs may be so great that the buyer will go bankrupt. The violation of international human rights conventions can increase the risk of a boycott and effect projects negatively. GIEK has therefore reason to take a closer look at several factors that affect the overall risk associated with a project or delivery. This entails that the social and environmental factors must be assessed in addition to the financial and economic factors for individual projects.

GIEK's terms always require compliance with the applicable legislation. Moreover, common guidelines for these areas are being prepared by the OECD, and GIEK will implement these guidelines in the same manner as other countries.



Combating corruption

Relatively new legislation throughout the OECD area criminalizes bribery of foreign public officials. Agreements in the OECD impose certain guidelines on GIEK. GIEK has implemented terms that are uniform with those in other Nordic countries. The new corruption rules entail certain additional restrictions in our terms and conditions, and we invite our users to familiarise themselves with the new terms.

GIEK held a seminar for our clients and other business associates in February 2001 on these subjects. It appears that the Norwegian business community is up-to-date on these problems, and many companies have their own internal procedures already in place.

Norwegian hydroelectric power technology has had success in many corners in the world, like here in Costa Rica. Costa Rica has been keen to emphasize environmental sustainability in its development plans.

Developing Countries Scheme

The political situation in Zimbabwe is deteriorating. In recently held presidential elections all local election observers were dismissed and sometimes fenced in. None of the due amounts that GIEK covers were paid in 2001. (AP Photo/pool)

When GIEK considers the country risk to be unacceptably high, a project can nevertheless be evaluated under the Guarantee Scheme for Developing Countries under certain conditions. Firstly, the exports must go to a middle or low income country. The developmental effect must be documented, which is mostly done by NORAD, the Norwegian aid agency. The project must also satisfy criteria related to an evaluation of the buyer's and the country's creditworthiness.

The scheme is subject to a break-even requirement in the same manner as the other operative schemes. However, in addition to the premium income, a provision fund of NOK 300 million has been granted, which can be drawn upon for the payment of claims. The fund is not recorded on the balance sheet, but it is taken into account when the break-even requirement is assessed. The fund does not bear any interest, which GIEK believes it should.

Since it is assumed that the premium income under this scheme will not be adequate to cover the claims, guarantees cannot be issued unless the total funds (equity and provisions) are sufficient. The guarantee limit has been fully subscribed in recent years. No guarantees of any significance have therefore been issued under this scheme. A proposal has been made to raise the total exposure limit and increase the granted fund.

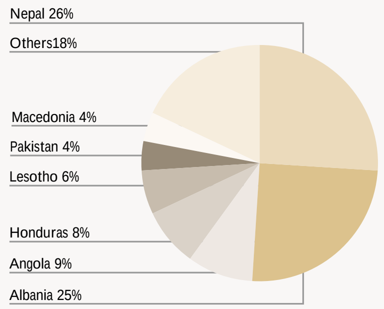
Untying aid

The Storting has resolved to untie Norwegian development aid. GIEK guarantees and the Developing Countries Scheme in particular have always been used when so-called mixed credits have been granted by Norway. A mixed credit is a loan that is provided at the same time as a grant, and together these two elements finance an export contract. The resolution to untie aid entails that the export contract does not have to be awarded to a Norwegian exporter in order for the grant element to be accorded. International competitive bidding is a prerequisite.

Since the total exposure limit for the Developing Countries Scheme is fully utilised, it has not been possible this year to offer financing even if a Norwegian exporter was to win an international bidding round. This has contributed to an acceleration of the efforts to expand the exposure limit.

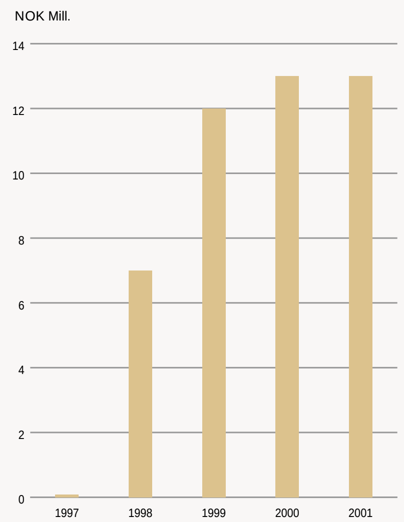
The aid authorities have also proposed that GIEK shall be permitted to cover deliveries from third countries, in order to promote South-South trade using mixed credits from Norway. Such an elimination of the Norwegian content requirement will only apply to the Developing Countries Scheme. GIEKs role is to subject the individual projects to a thorough analysis with regard to risks and the developmental effect. GIEK wellcomes the use of the Scheme for such untied credits in addition to normal credits.

Commitments under Scheme for Developing Countries



The portfolio of this Scheme is concentrated on a few countries.

Claims paid, Scheme for Developing Countries

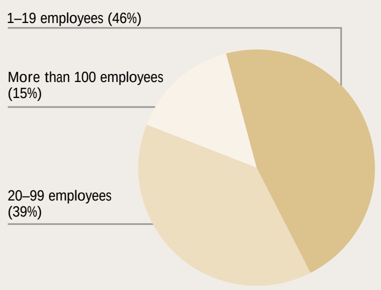


Claims paid under this scheme relates primarily to transactions on Pakistan and Zimbabwe. Claim payments are superior to premiums and a special fund is drawn upon.

GIEK Kredittforsikring AS

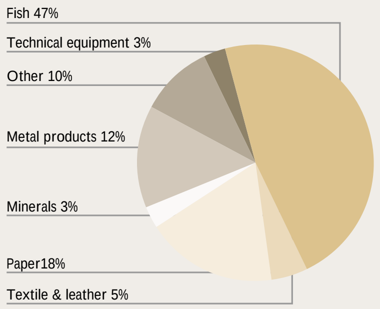
Credit insurance for up to two years for buyers in wealthier OECD countries, so-called marketable risk, is regulated by the European Union. The regulations apply to Norway through the EEA agreement. This part of the business has to operate according to ordinary company legislation. 2001 was the first full year of operations for GIEK Kredittforsikring AS (GK), which is a wholly owned subsidiary of GIEK.

Size of costumers



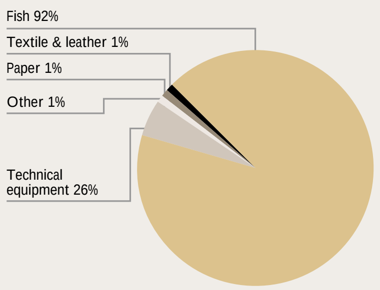
GIEK aims to serve small and medium sized companies. This group represents 85% of GK's customers.

Export covered per industry



GK's portfolio reflects traditional Norwegian exports.

Claims paid



Most claim payments are related to fish, also in 2001.

The new company has continued the operations of the former Commercial Section of GIEK and offers risk cover for credit sales with a term of up to two years in any country. The company reinsures its marketable risk in the international reinsurance market. The credit risk to buyers in non-marketable countries is reinsured or covered on behalf of GIEK.

The credit insurance market in Norway has been marked by growth, mergers and acquisitions in recent years. GIEK Kredittforsikring AS is the only remaining norwegian owned company in the market.

The company is operated on the basis of commercial principles, and it focuses in particular on risk cover products for small and medium-sized export enterprises. The cost of operating small volume policies is generally high. Small and medium-sized enterprises represented 85% of the customer base of GIEK Kredittforsikring AS.

Focus on small and medium-sized enterprises

Companies with less than 20 employees represent 46% of all the current policies, and companies with between 20 and 100 employees represent 39%. It is important for GK'sincome that it has some major policies in its portfolio. The company's strategy is to improve its products for small exporters. To this effect exporters are now offered risk cover for sales to Norwegian buyers as well. This makes life simpler for these companies since they can now insure all their credit sales under the same policy. A possibility has also been opened up for covering pre-shipment risk.

It is important for the company to have close relationship with its customers in order to stop deliveries as soon as problems arise. GK's underwriters therefore travel regulary to visit customers as well as foreign buyers.

In order to offer even better service, GK has entered into a cooperation agreement with CreditAlliance. Thereby credit information improves and the company gets a local presence that makes it easier to follow up defaults and claims.

The company has 11 empoyees and a seven member board. Personal service is one of the company's most important competitive advantages, and an active effort is made to maintain a high level of expertise to satisfy the requirements of the customers.

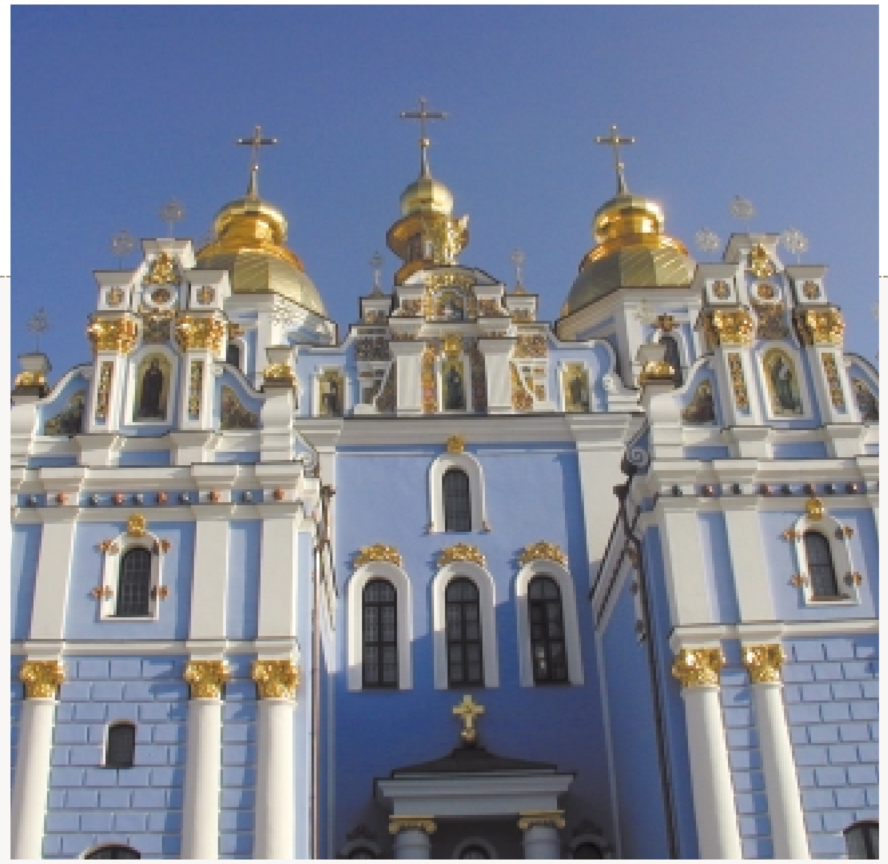
Financial results

In 2001 there was issued over 4000 credit limits. This is an increase of 30% in relation to what GIEK's Commercial Section reported in 2000. The premium income increased to NOK 24.4 million. Claims payments also rose sharply and totalled MNOK 19.0, of which NOK 8.0 million was covered by reinsurance. The operating surplus was TNOK 705 in 2001, while the surplus for the year was NOK 2.7 million.

Traditional Norwegian raw material exports account for the greatest share of the guarantee liability. Fish, metals and paper represent 75% of the volume. Most of the claims payments are in the fish industry. Close to 75% of covered exports go to Western Europe. 41% of claims payments in 2001 were related to buyers in non-marketable countries.

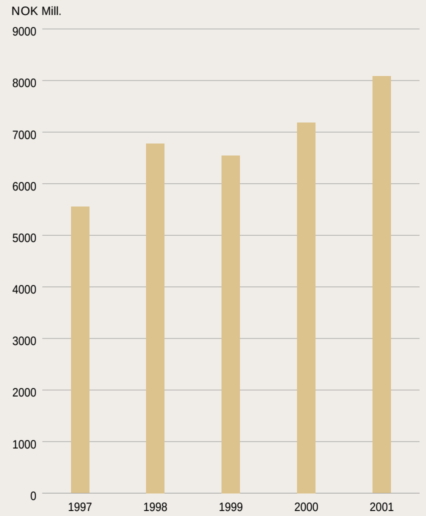
Fish represent close to 50% of the export covered.

GIEK kredittforsikring AS has entered into a cooperation agreement with Credit Alliance. This is from a visit to Die Allgemeine Kreditt in Mainz Germany.



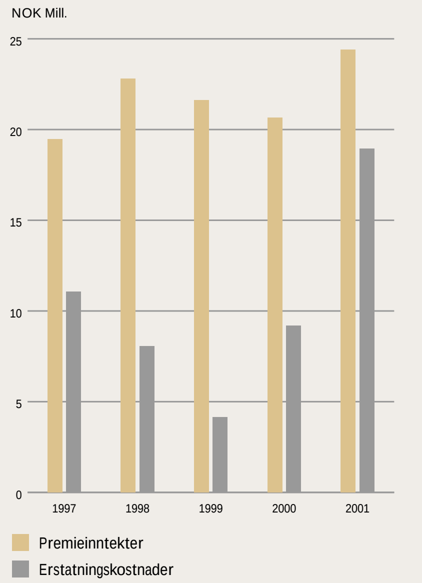
GK offers risk cover for sales in all parts of the world. This is from Ukraine.

Covered export



In 2001 covered exports increased with 1 billion. Much of the increase wasd due to an increase in covered fish export.

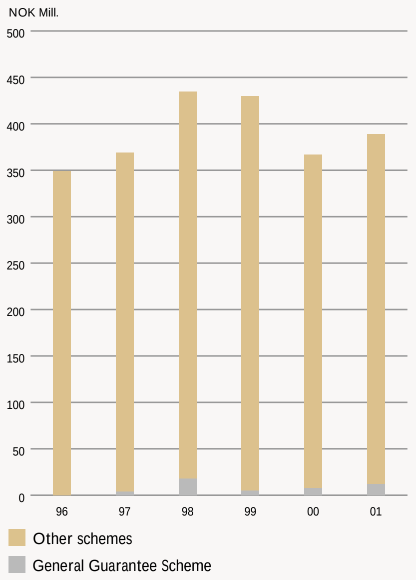
Premium and claims paid



The difficult situation in the world economy resulted in large claim payments in 2001.

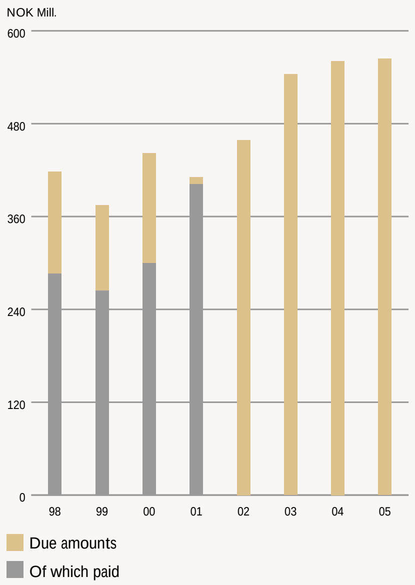
Recovery work and debt relief

Total Recoveries



Total recoveries include recoveries under international debt agreements. Amounts recovered in 2001 are at the same level as earlier years. The large majority relates to transactions accounted for in the Old Portfolio.

Recoveries under international debt agreements



Considerable amounts are recovered under agreements negotiated in the Paris Club of public creditors. Arrears under these agreements were particularly low in 2001, mostly due to Ecuador's resumption of payments.

It has been clear for a while that Argentina has a serious debt problem. The depth of the crisis came as a surprise to many, and losses are significant. GIEK does not have exposure in this market. (REUTERS/Enrique Marcarian)

When there is a default on a credit, GIEK will reimburse the guarantee holder for hiss loss and take over the claim against the buyer. GIEK will safeguard its rights in the same manner as other creditors and will if necessary institute legal proceedings to recover the debt. In some cases security in the form of collateral can be realised, and thus the claim payment can be recovered in full or in part. Significant amounts of loss can be avoided by active follow-up.

Loss avoidance and recovery is the primary task of GIEK's Legal Department in addition to the maintenance of policies and supply of internal legal advice. Several major cases of claims were concluded in 2001 without significant losses thanks to strenuous recovery efforts. Deliveries to a wood factory in Paraguay, which unfortunately did not function the way it was intended to, and an underwater crawler in Indonesia, where the buyer refused to pay with reference to the unrest in the country in 1998, can be mentioned in particular.

The Paris Club

In the event of a default where the buyer is a government agency or the non-payment is due to intervention by the government in the receiving country, the claim is often subject to negotiations in the so-called Paris Club. Traditionally, the recovery percentage for such claims is significant. GIEK has new claims in this category on Pakistan and Indonesia. There are also new claims on Zimbabwe, but this country has not initiated debt negotiations.

Claims that originated during the debt crisis in the 1980s total NOK 5.4 billion. These claims are recorded in the accounts under Old Portfolio. A significant portion of these claims are encompassed by the Debt Plan adopted by the Storting in 1998.

Debt forgiveness requires the consent of the Paris Club members and The World Bank/IMF. The receiving countries must undertake to implement certain social programmes prior to the actual implementation of the debt agreement. In 2001, significant debt forgivness was offered to Yugoslavia, and Pakistan was granted particularly favourable repayment terms. Neither Yugoslavia nor Pakistan are among the poorest and most dept-laden developing countries, and are not on the list of states eligible for debt write-offs (HIPC). Generous debt relief terms reduce the recovery potential, and thus the financial value of such government claims.

Claims and provisions for future losses

In 2001 claims payments totalled NOK 96 million. NOK 84 million was due to political risk. NOK 47 million was paid under the General Guarantee Scheme, and most of this was related to political risk. The largest amounts, regardless of scheme, are associated with claims on Pakistan. The numbers are significantly lower than last year.

With regard to the commercial risk, where the recovery opportunities are normally lower than for political risk, claim payments have been moderate. No significant payments have been made for ship contracts, which represents 25% of the outstanding liabilities.

Provisions are made for future losses when the policy is issued. The estimated expected losses under current policies determines the provision for guarantee liabilities on the balance sheet. The provision vary over time depending on changes in the risk group of the host country, the assessment of the byuer and the remaining credit time. In the event of a default, the provision will in most cases increase significantly.

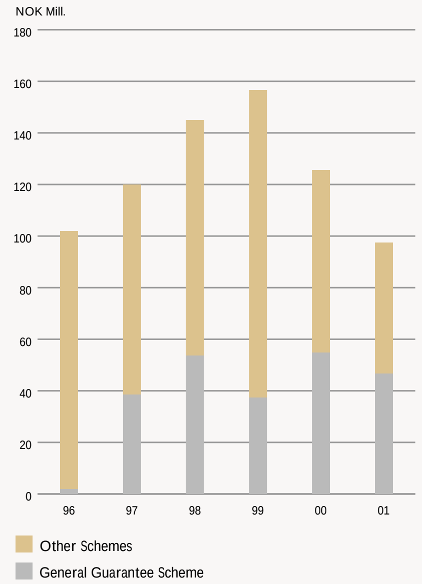
When claims are paid, the corresponding receivables will normally be transferred to GIEK. The chances of recovery of the receivables is assessed and a corresponding claims provision is made in the accounts. An increase in the claim provision reduces the value of the claim on the balance sheet. An increase is recorded in the income statement as an expense. In 2001 the claim expenses totalled NOK 144 million, NOK 65 of which referred to the General Guarantee Scheme.

The provisions for guarantee liabilities for 2001 increased from NOK 480 million to NOK 607 million, which is an increase of 26%. Approximately NOK 60 million of the increase (NOK 127 million net) is attributed to the higher USD exchange rate. (GIEK uses the Storting rate, which increased from 8.0 NOK/USD in 2000 to 9.1 in 2001.) A significant portion of the increase is due to increased liability primarily in the Dominican Republic, Mexico, Romania and Turkey.

Approximately NOK 40 million is due to the increased risk level in Pakistan and Indonesia. The higher risk results in an increase in the estimated future losses in relation to the outstanding liabilities from 5.4% to 5.7%. The calculation of the portfolio's commercial risk is the same as at the end of the previous year. It is stressed that the loss estimates are uncertain. This applies to the individual countries, as well as the fact that the risk is associated with a relatively small number of countries. Since more risk is being assumed in countries with previously little exposure, there is a trend towards a better risk spread.

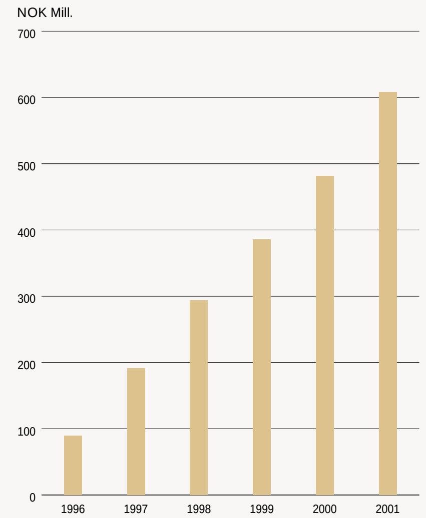
Pakistan is under pressure from many corners; it's neighbours, internal groups and the USA. The president has managed to keep a certain degree of stability. Pakistan recently got a very favorable debt agreement with its foreign public creditors. (REUTERS)

Claims paid



Total claim payments were relatively low in 2001. Claim payments under the General Guarantee Scheme were only slightly lower than the year before.

Provisions for guarantee liabilities



Provisions increases naturally as the outstanding commitments increase. The general risk level in the portfolio also influences provisions. The risk level under the General Guarantee Scheme has increased very modestly over the last two years.

Income statement

(NOK 1000)	Note	General Guarantee Scheme 2001	General Guarantee Scheme 2000	Old Portfolio 2001	Old Portfolio 2000	CIS/Baltic States 2001	CIS/Baltic States 2000	Scheme for Developing Countries 2001	Scheme for Developing Countries 2000
Operate income									
Accured premiums	1	115 902	93 420	19 882	22 720	11 557	11 279	4 971	3 171
Premium subsidies	2	-	-	-	-	23 324	15 287	-	-
Charges and credit information		3 493	1 415	-	-	50	45	-	-
Total premium income		**119 395**	**94 835**	**19 882**	**22 720**	**34 932**	**26 611**	**4 971**	**3 171**
Claims and recovery									
Accrued claims expenses	3	-64 932	-52 338	-59 631	-9 089	4 654	-16 405	-24 256	-17 473
Exchange rate gains/loss moratoriums	4	169	4 033	3 906	190 196	283	10 778	124	3 546
Income, moratorium agreements	5	34 249	24 857	355 581	116 885	8 043	373	14 947	14 503
Net claims and recovery		**-30 513**	**-23 447**	**299 855**	**297 991**	**12 981**	**-5 254**	**-9 185**	**576**
Change in provision for guarantee liabilities	7	-155 542	-63 236	21 719	8 179	-34 736	6 245	-11 656	-23 402
Change in security provision	8	-	-	-	43 475	-	60 406	-	-
Administrative expences	9	-11 416	-9 508	-11 018	-7 521	-3 689	-3 991	-2 983	-1 334
Operating profit (loss)		**-78 076**	**-1 356**	**330 438**	**364 844**	**9 487**	**84 018**	**-18 853**	**-20 989**
Interest income		32 686	22 095	46 897	49 054	5 332	3 191	297	129
Other financial items		-9	-15	-8	-6 278	-2	-43	-1	-3
Total financial items		**32 677**	**22 079**	**46 889**	**42 776**	**5 330**	**3 148**	**296**	**126**
Public subsidies	10	-	-	-321 300	-1 370 300	-	-	1 334	8 434
Profit (loss) for the period		**-45 399**	**20 724**	**56 027**	**-962 680**	**14 817**	**87 166**	**-17 223**	**-12 429**

GIEK operates the General Guarantee Scheme, the CIS/Baltic Scheme and the Scheme for Developing Countries. GIEK also administers old schemes with no new underwriting, but with follow up and recovery activites. These are reported under Old Portfolio. The three schemes in operation are required to break even over time.

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Balance sheet

(NOK 1000)	Note	General Guarantee Scheme 2001	General Guarantee Scheme 2000	Old Portfolio 2001	Old Portfolio 2000	CIS/Baltic States 2001	CIS/Baltic States 2000	Scheme for Developing Countries 2001	Scheme for Developing Countries 2000
Financial assets									
Shares in GK A/S	11	35 000	100	-	-	-	-	-	-
Cash in hand, bank deposit, postal giro		484 728	404 532	821 488	751 642	107 699	58 318	3 547	4 768
Earned interest		-	112		344		-		
Total financial assets		**519 728**	**404 744**	**821 488**	**751 986**	**107 699**	**58 318**	**3 547**	**4 768**
Foreign receivables									
Debtors, claims payments	3	70 418	51 530	694 742	701 272	48 486	76 834	910	800
Claims provision (of receivables)	3	-52 070	-41 205	-354 628	-322 160	-48 486	-63 348	-334	-800
Debtors, moratorium agreements	5	84 627	54 756	5 203 444	5 216 596	111 778	111 670	48 929	36 735
Claims provision (moratorium)	5	-33 851	-11 499	-774 111	-780 225	-23 473	-39 084	-19 571	-7 714
Valued receivables		**69 124**	**53 582**	**4 769 446**	**4 815 483**	**88 305**	**86 071**	**29 933**	**29 020**
Receivables, Norwegian exporters		-1 811	11 608	522	514	-2 719	190	-46	372
Other receivables		-729	46	28	-	180	125	-29	-
Total assets		**586 313**	**469 980**	**5 591 484**	**5 567 983**	**193 464**	**144 704**	**33 405**	**34 160**
Equity									
Equity at 1st. Jan.		-11 515	-32 238	2 503 468	3 466 148	93 256	6 090	-69 967	-57 538
Equity/subsidies		35 000	-	-	-	-	-	-	-
Profit (loss) for the period		-45 399	20 724	56 027	-962 680	14 817	87 166	-17 223	-12 429
Total equity	**12**	**-21 913**	**-11 515**	**2 559 495**	**2 503 468**	**108 073**	**93 256**	**-87 190**	**-69 967**
Provision for guarantee liabilities	7	607 522	480 522	137 945	159 883	85 391	51 448	120 595	104 127
Liability									
Debt plan, remainder to offset	6	-	-	2 893 147	2 904 633	-	-	-	-
Other liabilities		705	972	897	-	-	-	-	-
Total liabilities		**705**	**972**	**2 894 044**	**2 904 633**	**-**	**-**	**-**	**-**
Total equity and liabilities		**586 313**	**469 980**	**5 591 484**	**5 567 983**	**193 464**	**144 704**	**33 405**	**34 160**

Notes to the accounts

General accounting principles

The accounts show GIEK's four business areas.
GIEK has no accounts in foreign currency. All currency transactions are exchanged into NOK on the transaction date. Valuation of currency receivables under moratorium agreements are done at the current exchange rate, see also Note 7.

Income and expenses are recorded as they are earned or incurred with the exception of administrative expenses, which are recorded on a cash basis. Provisions for future losses are recorded in the income statement when the loss potential has been estimated. The method used for calculating provisions is described in the notes to the individual provisions. Compensation is assumed for debt write-offs which are imposed by the Ministry.

1 Premiums

Income relating to several accounting periods is accrued in relation to the remaining guarantee liability, which gives proportionately more income when the guarantee is new and the liability highest. Exchange rate variations between invoicing and the payment of premiums are part of the premium income.

2 Premium subsidies

Only the CIS/Baltic States Scheme has received premium subsidies. The Storting grants the subsidy. Together the premium paid by the exporter and the subsidy are supposed to cover the risk of the single transaction.

3 Claims expenses / claims provisions

When paying a claim, GIEK takes over the exporter's claim against the debtor. This receivable is recorded on the balance sheet.
The claims provision corresponds to the portion of the claim which is assumed to be unrecoverable when the accounts are closed.
Standard rates for groups of countries and reasons for claims are used for valuation of the total receivables portfolio. The standard rates can be overridden due to factors related to specific cases. Any change in the receivables and claims provisions from the previous period are recorded as a claims expense.

Changes occur because GIEK:

- Makes payments and recoveries on both old and new guarantees
- Writes off receivables
- Transfers receivables to moratorium agreements
- Is exposed to exchange rate variations
- Changes its evaluation of the loss potential in specific guarantees or generally in relation to countries/groups of countries.

Provisions for known non-performance and claims which have been received but not yet paid is included as part of the provision for guarantee liabilities, see note 7.

4 Unrealised exchange rate gains and losses on moratorium receivables

Some of the moratorium receivables are in USD and CHF. Changes in the value of the receivables due to currency fluctuations are recorded as an unrealized exchange rate gain or loss. Realized exchange rate gains or losses are recorded as income from moratorium agreements, see note 5.

5 Income and claims under moratorium agreements

Moratorium agreements are debt repayment agreements with 20 countries on the basis of international creditor collaboration through the Paris Club. The receivables have arisen as a result of claims payments due to political risk. The principal in new agreements is taken to income in its entirety when the agreement is entered into. The income is also affected by changes in current agreements, such as accrued contract interest, consolidation of agreements, debt forgiveness, realised exchange rate gains or losses, adjustable interest and payment of penalty interest on overdue payments.

Claims provisions are made for the portion of the moratorium receivables which is assumed to be unrecoverable when the accounts were closed. GIEK has assumed that a partial refund will be paid by the Treasury for any imposed debt forgiveness. In the case of the Old Portfolio the write-offs are set off against the debt plan, see note 6.

6 Debt plan

The Storting adopted the Norwegian debt plan in December 1998 along with the national budget for 1999. The debt plan entails that GIEK's receivables from specific countries can be forgiven by setting them off against a certain amount appearing as a debt towards the Treasury in the balance.

The debt plan was utilised as follows in 2001 (in NOK thousand):	Old General Scheme	Old Special Scheme
Remaining debt plan limit as at 1 January	1,241,794	1,662,838
Debt relief to Benin	0	9,983
Debt relief to Senegal	0	1,502
Remaining debt plan limit as at 31 December	1,241,794	1,651,353

7 Provision for guarantee liabilities

This provision is supposed to cover future losses on all outstanding liability. The provision corresponds to the estimated losses according to a special calculation method. Provision for known non-performance not yet compensated for is included in this provision. No provisions are made for guarantee offers. The calculation method is based on standard rates that vary according to the remaining credit period, type of purchaser and risk group of countries. The risk group is based on the OECD's country classification system. Changes in the provision are due both to changes in the guarantee liabilities and to periodic reassessment of the risk associated with countries/individual guarantees. All the guarantee liabilities in foreign currency are translated into NOK according to the exchange rate stipulated by the Storting's budget resolution for 2001.

The item «Change in provisions for guarantee liabilities» in the income statement also includes the change in prepaid premiums which explains differences between this item and relevant items in the balance. The effect on the General Scheme is illustrated in the table below:

General Scheme	2001	2000	Change
Provision for guarantee liabilities	607.522	480.502	- 127.020
Prepaid premiums	293.747	322.279	- 28.532
Total = Change in provision for guarantee liabilities			- 155.552

8 Security provision

The security provision was an extra security provision that was wound up in 2000 by reversal on the income statement for all the guarantee schemes, see note 7.

9 Share of administrative expenses

Administrative expenses paid by GIEK are shared between the business areas and other schemes administered by GIEK in accordance with a distribution formula that is set annually so as to reflect the work load.

10 Public subsidies and transfers to the treasury

Since 1999 the Storting has stipulated annually an amount that is to be paid to the Treasury from the Old Portfolio. Subsidies to the Developing Countries Scheme in 2001 were to cover administrative expenses.

11 Shares in GK AS

The operations of GIEK's former Commercial Section business area were transferred to the wholly-owned subsidiary GIEK Kredittforsikring AS (GK) as of 1 January 2001. Liabilities totalling MNOK 165 were transferred to this limited company. The Storting appropriated MNOK 200 to cover the limited company's equity and liabilities. It is estimated that the retained capital for short-term credit insurance will correspond to this amount over time. The shares are valued at MNOK 35 which corresponds to the equity in GK at the time of the formation of the company. 15,000 shares with a nominal value of NOK 1000 have been issued. The premium on the shares totalled MNOK 20.

12 Equity

The equity for the General Scheme consists of the accumulated profit/loss and an equity contribution of MNOK 35 for the shares of GIEK Kredittforsikring AS. It is required that the scheme breaks even over time. The improvement in equity since the major losses in 1998 has slowed somewhat in 2001.

Key figures Special Schemes

Key figures current special schemes

Figures in thousand NOK During the year	Development Country Scheme 2001	2000	CIS/Baltic State Scheme* 2001	2000
New applications	546 400	153 700	46 400	41 100
New offers	14 800	717 300	321 800	199 700
New liabilities covered	178 800	140 900	285 000	146 400
Premium income	4 971	3 171	34 932	26 611
Claims payments	12 939	13 220	506	739
Recoveries	2 754	1 662	11 292	224
Operating surplus/deficit	-18 853	-20 989	9 487	84 018
Surplus/deficit for the year	-17 223	-12 429	14 817	87 166
At the end of the year				
Outstanding offers	625 700	553 800	311 100	1 238 600
Outstanding guarantee liability	815 100	783 200	611 500	387 300
Provisions for contingent liabilities	120 595	104 127	85 391	51 448
Outstanding receivables	49 839	37 535	160 264	188 504
Claims provisions	19 905	8 514	71 959	102 432

Key figures Various schemes *

Figures in thousand NOK During the year	Old General Guarantee Scheme	Old Schemes	CIS/Baltic state before 1999	CIS/Baltic State after 1999
Premium income	19 839	43	6 225	5 333
Interest Income	27 329	19 559	1 865	3 467
Income, moratorium agreements	243 533	112 048	8 043	0
Exchange rate gain/loss on moratorium agreements	850	3 056	283	0
Accrued claims expense	-37 280	-22 351	4 568	0
Administrative expenses	-5 292	-5 726	-1 476	-2 213
Operating profit (loss)	242 563	87 876	-1 423	10 910
Transfer to Treasury	0	321 000	0	0
At the end of the year				
Outstanding guarantee liability	1 857 800	19 100	370 100	241 400
Provisions for contingent liabilities	135 656	2 289	55 299	30 092
Outstanding receivables	3 199 523	2 698 662	160 264	–
Claims provisions	85 921	698 781	71 959	–

* In 1999 the operating guidelines for CIS/Baltic State Scheme were changed and it was decided to distinguish the accounts before and after that year as reported in the lower Table. Under the heading Old Portfolio in the accounts one might distinguish between the Old General Guarantee Scheme and Old Schemes. The Old General Guarantee Scheme, which is the predecessor of the current General Guarantee Scheme, relates to policies issued before 31.12.1993. Old Schemes contains a number of special schemes where the activity is being wound up.

NYTTIG project nears completion!

Project managers of «NYTTIG», from left Håkon A. Løe (GIEK) and Kristinn Gudlaugson (Ementor).

«The underwriting support system handles GIEK's products, which are guarantees issued to Norwegian exporters.» This sentence is a brief factual description from Ementor's project database of the solution currently emerging from a major commitment by both GIEK as the customer and Ementor as the supplier. The solution is the result of a long process of requirement specification, solution development, programming and testing. Many people are involved on a daily basis and when the final account is settled, approx 30,000 hours will have been invested in the project. GIEK itself has invested around 10–11,000 of these hours which is a significant portion of the overall project. GIEK had stipulated at the outset that it was to be involved in all phases of the project's organisation and implementation. GIEK's employees work as part of Ementor's team, even though their degree of involvement may vary somewhat over time.

The close integration between the customer and supplier in the project is challenging in itself, but it also offers many benefits. From the supplier's perspective, close cooperation ensures that the specifications and design will be followed up very closely. The solutions that are developed, first on paper and then on the screen, can be followed up and tested in the environment where they will be used. This provides a high degree of continuous quality control, and it simplifies the final acceptance testing in connection with the delivery of the project. I also have a feeling that GIEK feels a strong sense of ownership to the solution. Many people in GIEK have been involved in design, quality review of the specifications and the preparation of test specifications and documentation. It should thus be possible to phase in the solution without any glitches.

For GIEK's part, I think that most people will agree when I say that it has at times been rough going, a lot of work, and that some has been left with a feeling of losing some contact with their normal day-to-day work. Experience has shown that it is difficult for a customer to have key staff using most of their time on a project. Ementor's general opinion is that GIEK has put in a tremendous effort in this project. We firmly believe that we were well prepared and that we carried out our tasks with a great deal of enthusiasm. In hindsight, I hope that we can look back on the period from when the first lines were drawn on brown paper taped to the walls until the new solutions appeared on our screens as a valuable learning experience. We have at the same time managed to maintain the company's day-to-day operations. This is of course a feat in itself, when we take into account GIEK's size in relation to the number of hours that have been invested in the project.

For Ementor's part, we should not try to hide the fact that the form of contract chosen represents a challenge. As integrated members of the project group, GIEK has defined obligations, but Ementor is nevertheless responsible! It is not always easy to maintain the formality of the contract and at the same time have close and continuous interaction. Working together with overlapping tasks all the time means that it is sometimes difficult to know what role to play at any one time. I firmly believe nevertheless that we have managed to distinguish between these roles with a reasonable degree of success. I also feel that we have had fun together! In the final analysis, this is important for any successful cooperation.

Being equal partners in the day-to-day work is important. There is no doubt that a project like NYTTIG requires a well-functioning transfer of professional competence to the developer group, who in turn has a clear responsibility to transfer system competence back to GIEK, so that GIEK is able to manage the system in its own organisation. I have a clear impression that the project has been successful so far. The bulk of the programming work has been completed, conversion of the data is under preparation and the final testing is about to be performed. Now we will see if the project's motto holds true: NYTTIG will make GIEK qualified and the customer satisfied! Good luck with your work!

Oslo, 18 March 2002

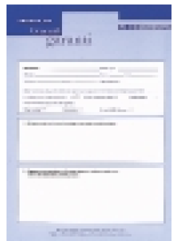
Øyvind Bastiansen
Ementor

Information about guarantee products

The Whole-Turnover Policy is GIEK's main product, and secures the exporter against loss on short-term export credits (up to one year). The guarantee covers the risk of the customer failing to pay in connection with ongoing exports, and may cover both commercial and political risk. Basically the guarantee covers all the company's exports, and places an upper limit on how much the exporter is allowed to have outstanding with a single buyer at any given time.

The One Year Policy is a by-product of the whole-turnover guarantee, which also secures the exporter against loss on short-term export credits (up to one year). The guarantee covers the risk that one or more specified customers in one specified country will be unable to pay in connection with ongoing exports.

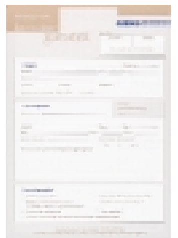
The Letter of Credit Guarantee covers the risk of failure to pay in connection with letters of credit.



The Individual Policy covers risk relating to individual deliveries of goods and services and is normally issued for longer-term credits (more than 2 years). It may be furnished in the form of suppliers' credit in which the supplier himself takes out a loan, or the lender can sign a loan agreement with the buyer. GIEK will then furnish a guarantee directly to the lender, a buyers' credit. The policy may cover both commercial and political risk.

The Pre-shipment Guarantee secures the exporter against loss that may arise during the production period prior to delivery if signed contracts are not implemented or performed by the buyer due to liquidation, insolvency or political events.

The Investment Guarantee covers political risk relating to investments abroad. The guarantee can cover investments in the form of equity, loans, production equipment or other financial outlays in connection with setting up business or participating in enterprises abroad. This guarantee covers political risk only.



The Bond Guarantee can help the exporter to furnish bid, advance-payment or completion guarantees (bonds). The guarantee is usually furnished to the buyer by the exporter's bank, and GIEK can take on up to 50 % of the bank's risk. Any payments that have to be made by the bank and GIEK, must be repaid by the exporter in the case of lawful calling on bonds – while unfair calling can be covered by GIEK through a supplementary policy.

The Guarantee for Plant Material covers political risk for loss of plant and machinery used in work abroad.

More information about GIEK can be found on www.giek.no. You may there make a free subscription to our quarterly newsletter, Eksportøren, or call +47 22 87 62 00 or mail to giek@giek.no