ANNUAL REPORT 2002

GIEK GARANTI-INSTITUTTET FOR EKSPORTKREDITT

Giek promotes Norwegian exports and investment abroad

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Highlights in 2002 – all schemes

- Giek contributes to new export contracts worth NOK 5.5 billion.
- Offers of new guarantees corresponding to NOK 11 billion are issued.
- Total offers and commitments amounted to NOK 23.8 billion at 31 December.
- The CIS/Baltic States Scheme was terminated at 31 December.
- Giek adapted its environmental policy to the OECD's common guidelines.
- The financial position satisfied the government's requirement that Giek's operations should break even in the long run.

Giek safeguards value creation

- Giek provides guarantees on behalf of the Norwegian state.
- Giek offers competitive guarantees to cover Norwegian industry against the risk of loss on exports and investment abroad.
- These guarantees can cover risk from the tendering phase until credits have been repaid.
- Both political and commercial risks are covered.
- Guarantees are provided in accordance with international requirements for environmental assessments and prevention of corruption.
- Giek offers short-term credit insurance through Giek Kredittforsikring AS.
- Giek is a public enterprise with an independent board which has ultimate decision-making authority.

Key figures for the General Guarantee Scheme

(NOK mill)	2002		2001		2000	
During the year:	Number		Number		Number	
New applications	150	14 556	150	19 746	157	12 583
New offers	108	9 458	95	9 066	111	10 924
New liabilities covered	75	3 562	83	2 680	65	2 129
Premium income		110		116		93
Claims payments		95		47		55
Recoveries		3		9		8
Operating surplus/deficit		26.0		- 78.1		- 1.4
Surplus/deficit for the year		61.7		- 45.4		20.7
At year-end:						
Outstanding offers	79	8 920	71	7 691	77	7 015
Outstanding guarantee liability	239	10 959	249	10 540	237	8 972
Outstanding receivables		289		155		106
Provisions for contingent liabilities		670		608		481

Figures for other schemes are found in the tables on page 22.

Interview with managing director Erling Naper:

Growing need for risk cover

Giek is finding that the uncertain times for Norway's export industries reinforce the need for guarantees. Awareness of greater commercial risk, in combination with political uncertainty and international unrest, has prompted an increasing number of applications. This was reflected in new guarantee offers in 2002 which corresponded to a contractual value of NOK 11 billion.

"How would you describe the business in 2002?"

"Giek was involved in new projects on the same scale as in earlier years. Many offers made during 2002 have been converted to policies, which means that the Norwegian exporter won the contract. The export industry found 2002 a difficult year. We see that many of our clients are struggling with a strong Norwegian krone and high interest rates in addition to the economic downturn. During a year which offered the export industry little to celebrate, it's naturally gratifying and motivating for us that we contributed to ensuring activity for Norwegian companies through solutions for secure financing."

"How has the economic downturn affected results for 2002?"

"Claims expenses increased, but so did recoveries. The income statement showed a strong improvement, but much of that reflects reduced provisions because of the weakness of the US dollar.
Our business is long-term in nature. From that perspective, one fiscal year becomes an instant in time. Viewed in relation to previous years, the 2002 results nevertheless provide a clear indication that our export-promotion business has functioned well."

"What about Giek's involvement in credit insurance?"

"The economic position had a bigger impact on operations in this part of the business, which is conducted by our Giek Kredittforsikring (GK) subsidiary. Given market developments, GK did well. Norwegian exports to eastern and central Europe are expanding, and our reinsurance of sales to these markets has proved a good contribution to this development."

"How competitive are Giek's guarantees?"

"We're very competitive. All the same, a number of factors must be taken into account when drawing comparisons with our counterparts in other countries. The cost of a guarantee is perhaps the easiest to measure. Norwegian industry competes over contracts with other exporters and the guarantee offers they can deploy. Financial solutions often help to decide who gets an order. We place great emphasis on showing the flexibility needed to secure Norwegian companies similar terms to suppliers from other countries. We want to help ensure that price, quality and ability to deliver decide who wins a contract."

"What information do you have about export credit guarantees in other countries?"

"There's a great deal of openness. We collaborate closely with guarantee institutes in other countries through the Berne Union of Credit and Investment Insurers, the OECD's export credit group and frequent meetings at a Nordic level. This cooperation allows us to ensure that our terms and risk assessments are as good as those available to exporters in other countries. The fact that we're organised as an independent public enterprise provides a transparency and security which make it easier to show that the business is not subsidised, but operates in accordance with international agreements. It's worth noting that a growing number of countries see the need for, and establish, state guarantee institutes, and that an independent form of organisation is chosen by the great majority."

"What characterises Giek's risk assessment?"

"I came to Giek from Den norske Creditbank in 1989, and it was perhaps my background in national and international banking which prompted my new employers to state that 'Giek will accept a higher level of risk than the banks without losing money'. Although this phrase suggests an impossible task, it says something about the nature of our business.

"As managing director, I've therefore been very concerned to enhance the organisation's ability to assess both commercial and political risk. This is a matter not only of our many able staff, but also of ensuring acceptable procedures which are predictable and independent of individuals. Our very professional and competent board has made a strong contribution in this context."

"How would you describe Giek's framework conditions?"

"By and large, our framework conditions allow us to offer the export industry a satisfactory predictability and provide good in-house management parameters. This is the 10th year of our new General Guarantee Scheme. We started with a clean sheet – or books, if you like. Since then, we've built up reserves of almost NOK 670 million. That gives us an acceptable foundation for meeting future claims expenses."

"Policy relating to Giek's special schemes seems more changeable?"

"It's perhaps in the nature of things that the special schemes are established to meet what might prove a challenge of limited duration, and there may be disagreement over when the need for such a scheme has passed. The level of risk in Russia and the Baltic states has declined. However, we take the view that, although the stability of the regime has improved, the commercial risk could still be disturbingly high. Moreover, the termination of the CIS/Baltic States Scheme hits the availability of guarantees to the other CIS countries – perhaps with the exception of Kazakhstan."

"What challenges do you see for the future?"

"I'd make particular mention here of the Basle II accord on capital adequacy for banks. International agreement exists today that loans covered by government guarantees can be given zero weighting. In other words, banks don't need to allocate equity for loans backed by such guarantees. Under the Basle II regulations, it will be up to the regulatory authorities in each country to specify practice. Differing practice from country to country will affect the competitiveness of the banks. Giek has called the attention of banking industry representatives to the significance of this for staying in line with competitor countries.

"The International Monetary Fund has proposed international regulations for handling government and private claims against states which default on their payments. That could be significant for risk-taking and pricing by guarantee institutes.

"We've adopted a new environmental policy which accords with the standard developed through the OECD. Achieving good cooperation with the companies in the individual case, so that competitiveness isn't weakened, will be a big challenge for us.

"A revival of the tender guarantee scheme has been proposed. Should this prove desirable, we have the necessary expertise and are ready to manage such a scheme."

Managing director
Erling Naper

Deputy managing director
Edvard Stang

Guarantee department
Assistant managing director
Øyvind Ajer

Evaluation of risk relating to single deliveries, 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

Personnel, budget, accounting and IT.

Legal department
Assistant managing director
Lully C Heje

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

Competence and experience:

Great demand for expertise

Political and economic uncertainties facing the world are greater than they have been for a long time. International economic decline, weakened competitive terms for Norwegian industry and conflict in the Middle East create very insecure times.

Equal treatment and predictability

Both political and commercial risk are growing and spreading to new markets, increasing the need for Giek's services. The ability to assess sources of uncertainty affecting the export industry is becoming more and more important. Giek's expertise is focused on its core tasks of assessing political and commercial risk, devising competitive guarantee products and managing guarantee liabilities and claims in an acceptable way.

Exporters must provide sufficient input for Giek to be able to assess the risks of a contract. It aims for quick consideration of guarantee applications. The scope and character of an export contract determines whether a decision will be taken by the guarantee committee, the management committee or the board.

Commercial risk analysis is more than reading accounts

Trading on credit always raises the question of whether the buyer can meet its payments. Credit rating is a demanding subject. A set of accounts only covers an instant in time. The business may previously been a secure payer, but whether it will remain so is uncertain. An assessment of long-term creditworthiness should include a review of the buyer's ownership, management, organisation, expertise and capacity. Industry knowledge, demand trends and other framework conditions also contribute to an appreciation of the risk. While it will often be difficult to obtain enough information to form a complete picture of the buyer, providing an acceptable basis for reaching a decision will be crucial in obtaining a guarantee from Giek.

Project financing means that all payments due will be met from earnings generated by the project. Understanding the various risk elements in a project is important in assessing its long-term ability to pay.

Giek is organised in such a way that export companies can deal with the same client contact regardless of the market they are selling to. This strengthens understanding of client requirements. The institute aims to provide exporters with guidance on financing and guarantee cover. It collaborates well with banks and other financing institutions. Giek will also want lenders to carry a share of the commercial risk. This ensures an acceptable and overall assessment of the contract.

Political risk

History can offer many examples in which war, social unrest and regime changes have created payment problems and consequent losses for exporters and investors. Government intervention can modify framework conditions so that a buyer can meet its payments. In a number of cases, a country takes on the liability or acts as the debtor. In such circumstances, the country's long-term ability to pay becomes a more important element in the risk picture.

Giek is the only body in Norway offering long-term cover for political risk. Regime understanding, macroeconomic analyses and knowledge of international relations provide the foundation for assessing a country's stability and creditworthiness. Giek keeps constantly updated about a great number of markets to ensure that it can offer good guarantees to exporters and investors. Each country is always subject to a thorough assessment as the basis for pricing guarantees to cover political risk.

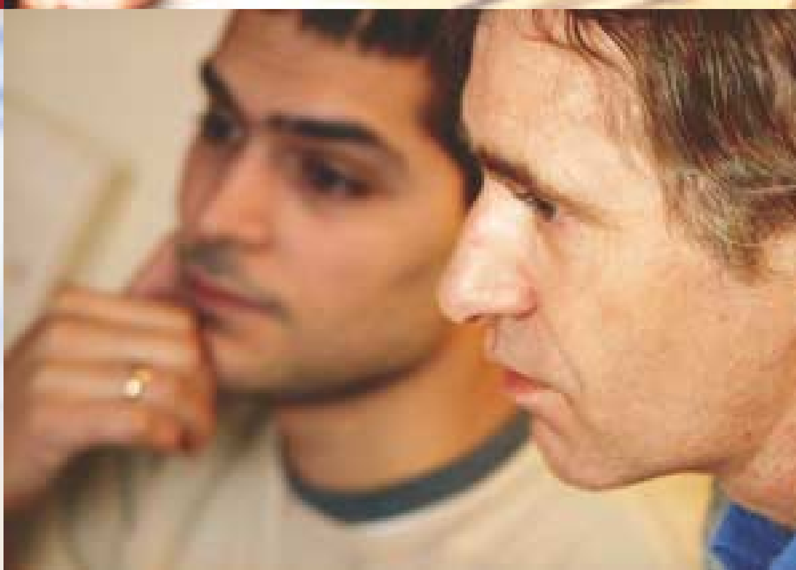
Managing receivables

Great importance is attached by Giek to loss prevention and recovering receivables. In the event of a default on a credit which involves a claim against Giek, the legal department will assess the nature of the non-payment. It will consider which steps can be taken to protect Giek's rights and opportunities for recovery. In that context, maintaining the contractual relationship with other risk-takers involved with the guarantee is important.

Cooperation

Giek participates actively in international cooperation to secure competitive guarantee terms for Norwegian exporters. Such cooperation is pursued through the OECD's export credit group, the Berne Union, Nordic meetings and the Paris Club, an association of creditor nations. This international collaboration is useful in securing good common regulations and ensuring that these are observed. The network also gives access to useful information about offers and conditions in other countries.

The institute had 37 employees in 2002 – 19 women and 18 men. Of this total, 31 had higher education, primarily in economics, law and political sciences. The average period of service was about 10 years, while staff had an average age of 42 years.



Exports:

A buyer's market

Norwegian exporters face ever stronger competition. Foreign buyers expect suppliers to provide an attractive financing solution. Deliveries can be lost without simple, good and flexible guarantee products and competitive export financing.

All the industrialised nations have established government guarantee schemes for their own export industries. Giek works purposefully to secure competitive financing for Norwegian industry through guarantees covering the various types of risk.

Market development

Growth forecasts for the world's leading economies were reduced again and again during 2002. This affects a great many countries and virtually all sectors. Fear of war in the Middle East enhances the sense of insecurity. The propensity to invest is declining in many parts of the world, despite the very low level of international interest rates. This has generated very stiff competition among suppliers.

Interest charges are very high in many newly-industrialised countries, creating a strong desire for financing in currencies with low interest rates. Export credit financing is often regarded as extremely favourable, and represents in some cases the only option. Loans in NOK were not very attractive in 2002. The bulk of the loans covered by Giek were therefore in USD. Moreover, banks face no capital adequacy requirements when loans are guaranteed by Giek.

The institute has traditionally covered a relatively large number of loans to private buyers, not least for exports relating to the shipping or offshore sectors. Countries with a high risk of devaluation or difficult and unstable business conditions often present a high commercial risk, and Giek will seek various types of collateral. Making credit assessments of national authorities and semi-public enterprises is particularly challenging.

Demand for guarantees

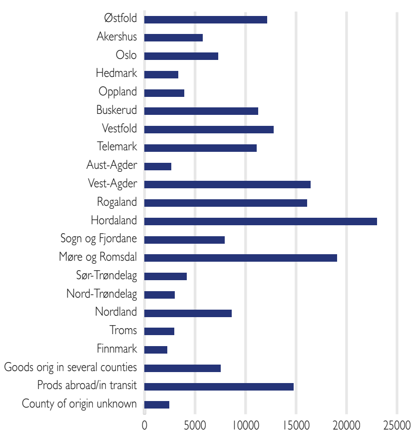
With economic development weak in traditional export markets, Norwegian companies are naturally seeking other outlets. Predictability is important, not least when cultivating new markets. Avoiding frequent changes in its country assessments is therefore one of Giek's objectives. When conditions in a country become unacceptable, the institute will cease to issue new guarantees or adopt a restrictive attitude.

A company pursuing an export contract will usually accept a number of commitments and risks, in some cases as early as the tendering stage. In connection with project financing, a set of different risk points often arise – in agreements with the national authorities, for instance. Giek has the freedom to adapt its products to the possible needs of exporters or banks. A good deal of information about the countries covered by the institute can be found on its web site, but it also encourages clients to make direct contact.

Guarantee products covering various risks

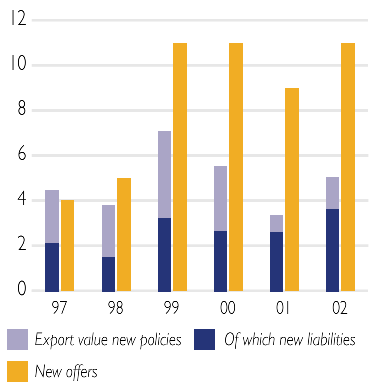
Contracts for delivery with long credit periods are challenging for the export industry. Some suppliers are able to extend credit to buyers on their own account. The more usual practice is that the exporter gets a financial institution to make a loan to the buyer, conditional on providing the right security. In both cases, the buyer will repay the loan over a period of years. Some export contracts have a repayment period which extends over 12 years.

Exports are a regional industry (NOK mill)



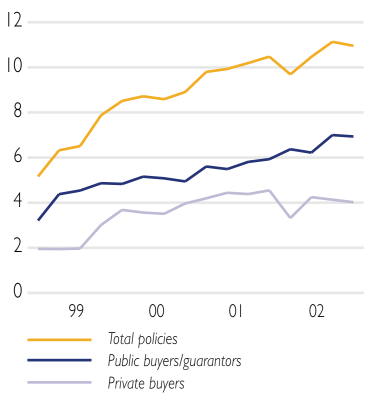
Export statistics by county for traditional commodities, excluding ships, platforms, oil and gas.
Source: Norwegian Trade Council/Statistics Norway

Export value of new offers and policies (NOK bn)



Guarantee offers totalling NOK 11 bn were issued in 2002 as against NOK 9 bn the year before. The export value of policies issued came to NOK 5.1 bn as against NOK 3.4 bn in 2001. Giek's guarantee liability increased from NOK 2.7 bn in 2001 to NOK 3.7 bn.

Development of outstanding guarantee liabilities (NOK bn)



Guarantee liabilities have increased steadily, and totalled NOK 11 bn at 31 December 2002. A substantial proportion cover risks on private buyers. The figures relate only to the general scheme.

Guarantees against default are essential for the banks providing the finance.

A long production period, often for tailormade products, also presents an exporter with risk challenges. If the buyer gets into problems before the delivery has been made, the exporter could be left in the worst case with a product which has no market. Giek's contract guarantees are designed to protect exporters against loss from such risks.

For their part, foreign buyers run the risk that Norwegian companies will not be able to deliver as agreed. The buyer wants security for its own advance payments, and for the delivered product meeting the standard set in the contract. This type of guarantee can be difficult for an exporter to provide, particularly if the contract is large in relation to its own balance sheet and capital adequacy. Giek can counter-guarantee various types of bond which help to meet buyer needs for security and ensure that the exporter can win the contract.

The loan begins to run once a delivery has been made as specified in the contract. Throughout the repayment period, the exporter or financial institution faces an uncertainty relating not only to the foreign buyer's own long-term ability to pay, but also to political conditions which could affect that ability. Giek's long-term export credit guarantees are an instrument which creates security and predictability for exporters and lenders.

OECD – cooperation over a level playing field

An international regulatory regime for export credits and associated guarantees has been built up through the OECD over the years. The OECD's export credit group, to which Giek belongs, has established regulations which limit interest rate subsidies and the use of development aid funds in commercial contracts. Minimum premiums on long-term export credit guarantees were introduced in 1999. Common guidelines were recently adopted for handling issues relating to corruption, the environment and human rights.

Work is under way on making these agreements more "user-friendly". At the same time, they must conform with the more general rules prohibiting export subsidies adopted by the World Trade Organisation (WTO).

Giek's environmental policy

Giek adopted its first environmental guidelines on 26th of November 1998. A set of common guidelines established by the OECD in November 2001 were implemented by the institute during 2002. In addition to the impact on the natural environment, these cover displacement of people and the effect on vulnerable groups. Giek will assess how far external expertise is required to secure a project's environmental acceptability, and possibly which measures must be implemented for approval to be given. The institute is committed to taking account of these issues, and reports on cases where the environmental impact will be monitored.

Hydropower turbine from GE Hydro

Fibreglass-reinforced pipes from Flowtite

Acceptable commercial risk

Enron, WorldCom and Norway's Finance Credit show that bankruptcies are often unexpected, even in countries with well-developed regulatory regimes. Liberalisation and privatisation world-wide mean that a steadily increasing proportion of export credit guarantees cover risks on private buyers.

Assessment of commercial risk by Giek deals precisely with the likelihood that a buyer has the long-term ability to pay.

Shipyard with long traditions

Langsten AS won a contract in 2000 to deliver anchorhandling vessels to Island Offshore II KS in January and March 2003. These ships are the latest generation of highly-specialised units for operations relating to deepwater oil and gas production. They represents a type of shipbuilding in which Norwegian yards and equipment suppliers have substantial experience and are highly competitive.

In addition to handling anchors for drilling rigs, the ships can provide towing, supply and fire-fighting services. One vessel is being built for an assignment with Australia's Interoil off Nigeria, while the other will operate for Sonasurf on the Angolan continental shelf. A similar ship already delivered by Langsten is working for Brazilian state oil company Petrobras.

Prospective work and market opportunities for these vessels are a key element in the risk assessment. A Giek guarantee for this type of delivery is also clearly dependent on the involvement of solid owners with the necessary capital, expertise and experience in the project.

Langsten's contract for the two ships is worth NOK 670 million, while Giek has a maximum liability of just over NOK 360 million – corresponding to 70 per cent of the credit risk, which is reduced over 12 years. Giek has a first mortgage on the two newbuildings as well as a second mortgage on the first ship delivered by Langsten. Eksportfinans ASA is the lender. Giek has also covered the political risk of the project.

Exports represent long-term work

Nera Networks AS in Bergen knows that winning orders can be a lengthy business. It took 18 months before the contract for supplying radio line equipment to Globe Telecom Inc in the Philippines could be signed. A detailed process was required to specify the terms for supplying digital transmission hardware to Globe's mobile network as well as engineering and plans to upgrade existing facilities. That work ran parallel with putting the financing into place.

This demonstrates that Norwegian exporters often face a long and demanding process in overcoming international competition. So it is particularly important that Giek's guarantee offers are predictable. The institute's advisers in such cases often maintain a close dialogue on the opportunities for risk cover and the requirements involved in

Installing telecommunication equipment in Australia

Havila Borgstein – *an earlier anchorhandling delivery from Langsten AS*

Giek Kredittforsikring 2002

order to put a financing solution in place.
When engineering and production for the delivery began in 2002, the value of the contract was put at USD 21.8 million with a credit of USD 19.6 million to be repaid over seven years. Giek covers 80 per cent of the commercial and 90 per cent of the political risk. France's Société Générale is the lender and carries a share of the risk.

Aquaculture technology – a growth industry for exports

Norway is a pioneer in developing new infrastructure and technology for aquaculture. At the same time, the Norwegian fish farming industry is exposed to heavy foreign competition and has recently been through a difficult period. This has reduced investment, hitting suppliers to the aquaculture sector. In such circumstances, the ability to focus on exports becomes important.

Chile is one of the countries to develop a competitive national fish farm industry. The Chilean business also benefits from relatively higher prices in the USA and Japan. Akvasmart ASA at Bryne near Stavanger last year won a contract worth NOK 25 million to deliver eight feeding rafts with associated equipment to Salmones Multiexport Ltda in Chile. Giek is contributing by relieving both commercial and political risk, with the delivered equipment as collateral.

Giek Kredittforsikring AS (GK) had its second year of operation in 2002. This company offers risk cover for credit sales with a term of up to two years. It operates on commercial principles, but focuses in particular on offering risk cover to small and medium-sized export enterprises. This category accounted for 80 per cent of its clients in 2002.

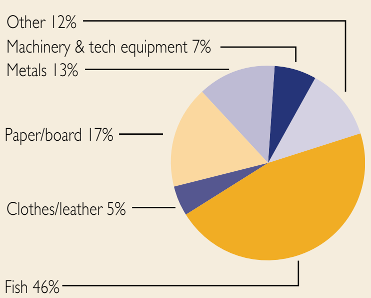
With 13 employees and a board of seven directors, GK is the only Norwegian-owned credit insurance company.

Great emphasis was placed on product improvement and client contacts during 2002. A customer satisfaction survey carried out in late 2002 yielded very satisfactory results. GK wants to offer a personal service to clients, and works actively to maintain a high level of expertise among its staff.

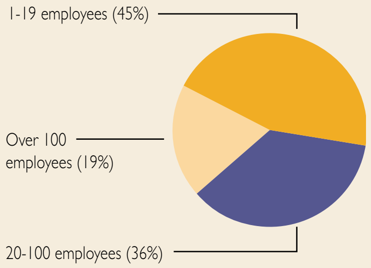
Despite a difficult year for Norwegian exporters, GK could report positive results for 2002. An increase in defaults and bankruptcies in 2002 generated a large number of claims, particularly towards buyers in Poland and Brazil. The company is reinsured in Giek for the credit risk in these countries. During the year, GK noted an increase in applications from Norwegian exporters following the identification of credit risk. As a result, the company's insured volume rose from NOK 8.1 billion in 2001 to NOK 8.4 billion despite an overall contraction in Norwegian exports during 2002.

The proportion of credit sales to western Europe declined from 76 to 73 per cent during the year, while riskier markets – particularly in Asia – increased their share.

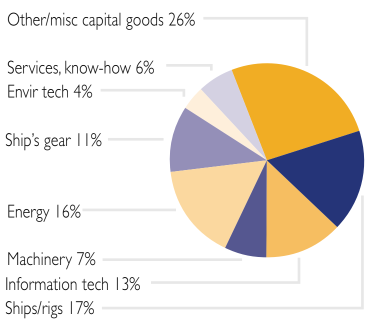
Exports covered



SME share by no of policies



Giek covers all sectors



Offers and liabilities for all schemes totalled NOK 23.8 bn at 31 December 2002. Giek's guarantees are used by companies in all industrial sectors.

Exports of ships and ship's gear

Giek's commitments relating to the export of ships and ship's gear totalled just over NOK 4.8 billion at the end of 2002, and corresponded to 39 per cent of the liabilities pledged under Giek's exposure limit. Most of these related to private buyers. Giek issued offers and policies worth NOK 2.7 billion for ship and ship's gear exports during 2002. NOK 6.3 millions was paid out over the year on claims relating to such exports.

Predictability in an uncertain world

Political conditions can affect exporters and banks in many ways. Such risk relates primarily to the danger of default as a result of war, government intervention, lack of access to convertible currencies, or to the fact that the state itself is the debtor.

Demanding power development

Norwegian industry has long exported expertise, services and technology relating to power development. Such projects are often pursued in countries where the political risk cannot be ignored. Demanding commercial risks apply for such developments, along with environmental and population challenges.

Together with GE Packaged Power Inc of the USA, GE Energy (Norway) is due to deliver and install two gas turbine packages for a Turkish power station in Kirklareli, 225 kilometres north-west of Istanbul. This facility will generate 74.5 MW. The main contract was awarded to the American company, with GE Energy (Norway) as its sub-contractor.

A reinsurance agreement has been concluded by Giek with the Export-Import Bank of the United States. The actual turbines will be produced in the USA, with the rest of the work done in Norway. In this case, Giek provided a guarantee to the Export-Import Bank of the United States in March 2002. The total loan is USD 20.9 million, with Giek's share amounting USD 9.4 million. A guarantee has been provided by Turkey's Tyrkiye Is Bankasi.

Giek cooperates closely with other bodies when considering a guarantee. A number of power developments involve the World Bank, the Nordic Investment Bank and other institutions which make their own assessments. In addition, Giek often uses consultants to analyse individual elements of a development.

Political risk with full cover

Kongsberg Defence Communications AS won a contract in 2002 to supply secure telecommunications equipment to the Romanian foreign ministry for use in the country's embassies. Giek's commitment is NOK 114.1 million, with the government of Romania responsible for payment.

Giek emphasises risk-sharing with the exporter or the financial institution providing the loan. This is intended to ensure that everyone concerned has an interest in the contractual terms and in seeing that payment is made. In many cases, this can have a positive influence on the buyer's dispositions. Involvement by the seller or bank may be less important in cases where a government is responsible for payment or a guarantor. In such cases, Giek can offer up to 100 per cent cover. Full cover is in the interests of exporters and financial institutions because it avoids tying up capital.

Thales Communications AS won a contract from the Slovenian defence ministry, with Giek offering full guarantee cover for political risk. This delivery for mobile field telecommunications equipment is part of a larger international order which also involves deliveries from other countries.

Gunvor Ulstein, CEO of the Ulstein group, delivering the keynote address on the future of Norway's maritime industry at the open house held by Eksportfinans and Giek in March 2003

Giek is covering the Norwegian component, which totals NOK 29.4 million. Its commitment includes a contract guarantee which covers the risk that the contract with Thales will be cancelled before delivery takes place. This represents an important security when developing tailormade technology and solutions to be produced over two years.

Borderline cases growing

Fjellstrand AS in western Norway builds advanced aluminium-hulled ferries. In 2002, the yard won a contract to deliver two of these vessels to serve on the Bosporus in Turkey. This order is worth NOK 350 million, with 20 per cent of the delivery coming from other countries. The Norwegian export credit equals 80 per cent of the contract value. The buyer is the publicly-owned Istanbul Deniz Otobusleri (IDO) ferry company.

In cases where the government or other public authority is part-owner of the buyer company, it cannot be automatically assumed that the state will intervene if the buyer has problems meeting its obligations. A counter-guarantee that the government is liable would be desirable, but increasingly difficult to obtain – especially for smaller contracts. In such instances, Giek would be able to consider other forms of security.

The institute has received a guarantee from the City of Istanbul for Fjellstrand's delivery to IDO. In addition, the vessels are expected to provide collateral. The lender, Den norske Bank carries a part of the risk in the project.

Investment guarantees

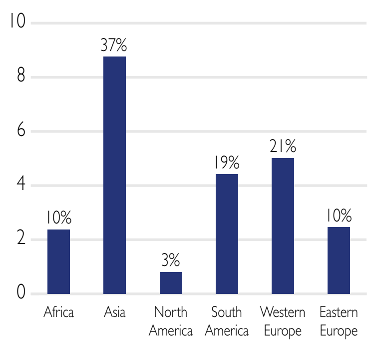
Giek can also guarantee for the political risk associated with foreign investment and associated loans. The cover embraces loss of the capital invested or loan defaults as a consequence of war, government action or currency restrictions.

In addition, losses consequent on breach of contract – such as a licence agreement –– by the authorities in the host country can be covered.

Developing countries

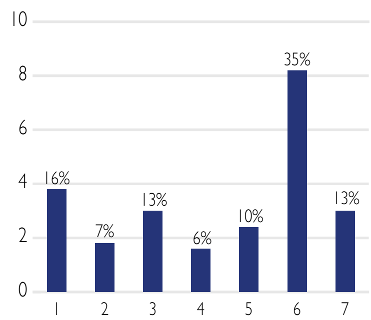
The level of risk in a number of developing countries is too high for Giek to contribute under its General Guarantee Scheme. As a result, the Norwegian authorities have specified that the institute, in cooperation with the Norwegian Agency for Development Cooperation (Norad), can issue export guarantees for these countries.

Cover for all continents (NOK bn)



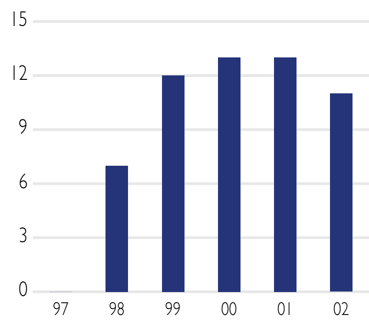
Offers and policies by continent show the geographic spread of the exports assisted by Giek. The institute's exposure to Turkey is substantial, and classified in the graph under Asia.

Political risk – an export challenge (NOK bn)



Giek's liabilities by country group show that demand for guarantees is greatest where the political risk is highest (6 and 7). The share of exports to country groups 1 and 2 represents commercial risk.

Decline in claims under the Developing Countries Scheme (NOK mill)



Claims paid in 2002 related primarily to non-performing receivables in Pakistan and Zimbabwe.

Preventing losses – protecting value creation

Guarantees from Giek prevent unpredictable commercial and political conditions abroad from hurting domestic industry. If foreign buyers default, Giek will meet the outstanding claim. It attaches great importance to an acceptable management of its portfolio of commitments and receivables from foreign buyers.

Claims expenses were larger in 2002 than for several years. Net claims expenses after recovery under the General Guarantee Scheme came to NOK 39 million. The largest amounts related to payments in connection with political risk in Pakistan and Zimbabwe.

After paying a claim, Giek acquires the receivable and takes the necessary steps to ensure recovery of the amount. When payments relate to political risk, the government authorities concerned must be pursued directly. Where commercial risk is involved, collateral must be realised and the debtor – together with possible guarantors – held to account.

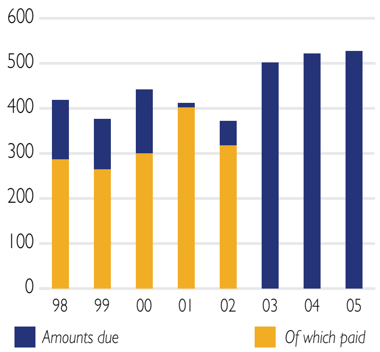
In addition to its actual recovery work, Giek makes active efforts at all times to prevent losses and claims. Export credits for debtors who represent potential problem commitments are kept under careful review. Early action is crucial in safeguarding the interests of exporters, lenders and Giek. The institute collaborates closely with exporters, lenders and guarantors, and participates actively in restructuring and other measures to avoid defaults. In this way, Giek has succeeded in restricting its losses.

Recovery

Giek works purposefully to achieve the highest possible level of recovery. Whenever compensation is paid to exporters or financial institutions, safeguarding the rights associated with the receivables taken over by the institute is important. Receivables are recovered through direct follow-up of each commitment. Good documentation, with clear allocation of responsibilities and risk, is important in recovering a claim. Recovery work for receivables derived from commercial risk will vary from case to case. Giek will consider the appropriate approach in cooperation with the other risk-takers involved. This work can involve everything from legal action against the debtor to active participation by Giek in continued management of the project together with other risk-takers. The institute has, for instance, taken over vessels pledged as collateral and carried on the project until a sale can be achieved.

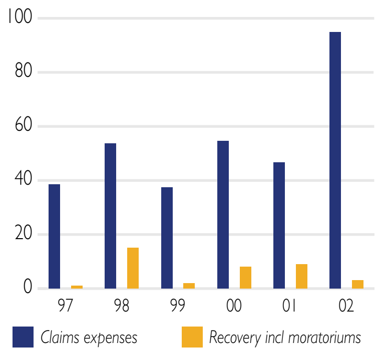
Efforts to recover receivables relating to political risk are often channelled through the Paris Club of creditor nations, which coordinates recovery of receivables. The purpose is to avoid unfair treatment of any creditor country, and to offer heavily indebted nations a repayment structure which accords with their ability to pay. Norway's Ministry of Foreign Affairs has the formal decision-making authority for cases submitted to the Paris Club. Giek's Paris Club receivables derive largely from commitments made

Recoveries under debt agreements (NOK mill) – **all schemes**



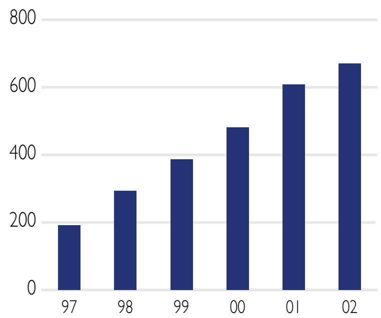
The recoveries under public debt agreements remained high in 2002.

Payment of compensation and recoveries (NOK mill) – **general scheme**



The level of claims expenses under the general scheme reflects the development of the world economy.

Increased provisions (NOK mill) – **general scheme**



Provision for future losses is rising as a result of the development in liabilities and risk. The level of risk in the portfolio for the General Guarantee Scheme showed a moderate increase over the past two years.

in the 1980s and relate to old guarantee schemes. A high recovery percentage is normally achieved through the Paris Club.

Portfolio management

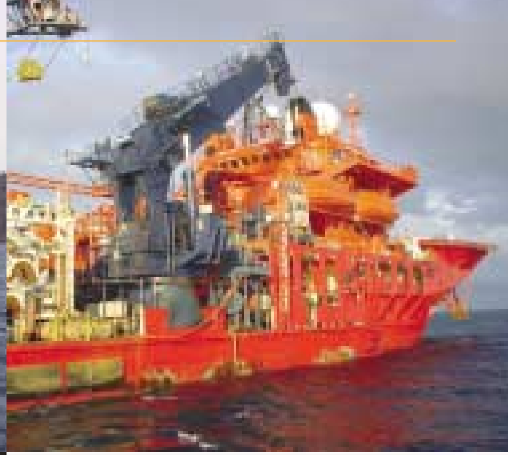
Giek's portfolio is kept under continuous assessment, with the aim of providing the best possible estimate of losses on outstanding guarantee liabilities and the value of uncollected receivables. The need for provisions is determined through an overall assessment of the potential for loss in the portfolio. Generally speaking, provisions account for 80 per cent of premium income, and a review is conducted quarterly to make specific adjustments in individual cases. Provisions increased by NOK 62 million in 2002, and now total NOK 670 million.

Loss estimates are primarily based on country risk assessments and information about problems in individual cases. If developments in a market indicate an enhanced risk of loss, provisions will be increased. During 2002, Giek changed the classification for 20 of the 140 countries assessed regularly. A close eye is kept on commitments in the shipping sector.

Currency risk

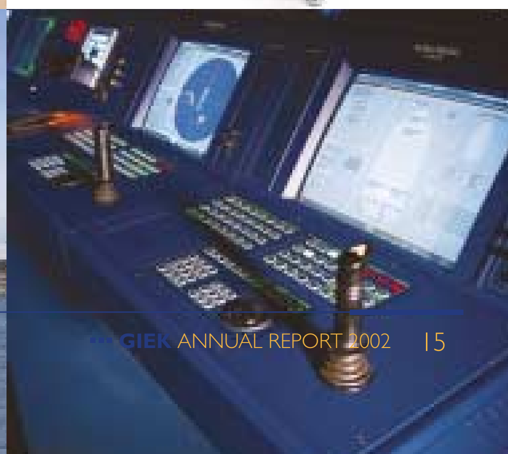
A substantial proportion of the loans guaranteed by Giek are in other currencies, particularly USD. This makes provisions dependent on exchange rate fluctuations. The decline in the USD/NOK rate has reduced Giek's commitments, and therby the need for provisions, not least in 2002 when the rate fell sharply.

A rise in the USD against the NOK could correspondingly burden the accounts in later periods. Giek's present assets in USD refer to receivables, which relate primarily to old schemes. Its assets for the General Guarantee Scheme largely take the form of bank deposits in NOK.





Report of the board of directors 2002

Giek's principal aim is to promote Norwegian exports and investment abroad. Demand for guarantee products continued to rise in 2002, confirming that Giek plays an important role for many exporters. The board takes the view that its financial position satisfies the government's requirement that Giek's operations should break even in the long run.

Strengthened export promotion

Norway's export industry experienced a difficult year in 2002, with international economic decline, high interest rates and a strong norwegian currency. It is therefore gratifying to record that Giek strengthened its contribution to Norwegian export during the year. Results for 2002 and many new policies indicate that Giek's products are competitive in an international context.

During 2002, Giek contributed to export contracts with a total value of NOK 5.1 billion, an increase of NOK 1.7 billion from the year before. New guarantee liabilities in 2002 totalled NOK 3.7 billion. In addition, offers with a total guarantee liability of NOK 11 billion were issued. Liability for offers and commitments totalled NOK 23.8 billion at 31 December, an increase of NOK 2.7 billion over the year.

Developments in international trade with goods and services mean that export contracts often embrace suppliers from several countries. This makes it difficult to maintain the traditional view of Norwegian content in a contract. The board registered an increase in the number of such cases during the year, and has been concerned to show flexibility. When considering guarantees, the board has primarily given weight to whether the export contract has a background in Norwegian expertise and yields earnings for Norway. New reinsurance agreements were concluded in 2002 with other export agencies, so that the risk is shared between the supplier countries.

In 1999 The Storting (parliament) approved a debt plan for unilateral cancellation of Norway's receivables from selected countries under old schemes. Uncertainty persists over the principles for compensation in cases of debt cancellation under Giek's General Guarantee Scheme. It is very important to see the level of compensation in relation to the overall framework conditions, and to ensure that these are on a par with those enjoyed by guarantee institutes in other countries. The board bases its assessment of the financial position on the assumption that Giek will receive such compensation.

The Giek Kredittforsikring (GK) subsidiary provides short-term credit insurance to Norwegian exporters. Giek reinsures GK under the general scheme for exports to non-OECD countries. Such collaboration ensures that Norwegian exporters can obtain cover for markets which would otherwise be very difficult to insure. This business has functioned satisfactorily.

General scheme

Seventy-five policies were issued under the general scheme, with a combined export value of NOK 4.8 billion. The guarantee liability outstanding at 31 December 2002 came to NOK 19.8 billion, including offers. New guarantee liabilities totalled NOK 3.3 billion, and offers worth NOK 9.8 billion were made.

Giek achieved a profit of NOK 61.7 billion for 2002 as against a loss of NOK 45 million the year before. This performance largely reflects changes in provisions, which were again influenced by the development in the USD/NOK exchange rate. A large proportion of the credits covered by Giek are in USD, and the decline in this currency accordingly had a big influence on the institute's liability statistics, income and provisions. Liabilities and offers are calculated in this report on the basis of last year's Storting rate. The real liability is considerably lower.

Claims expenses amounted to NOK 83.2

million in 2002, an increase of 28 per cent from the previous year. A substantial proportion of these expenses relate to political risk in Pakistan and Zimbabwe, and a large part reflects currency losses. Net claims and recovery came to NOK 39 million.

Giek has built up provisions since 1994, when its General Guarantee Scheme was established. The risk of loss in the portfolio increased only marginally during 2002. A rise of NOK 62.1 million in provisions, bringing the total to NOK 669.6 million, reflects higher guarantee liabilities in Turkey, the Dominican Republic, Mexico, Equatorial Guinea and Laos. Provisions were increased for selected commitments in the ship and drilling rig sector. The board regards overall provisions as acceptable in relation to the risk in the portfolio.

CIS/Baltic States Scheme

This scheme covers export markets with fairly substantial commercial and political risk. Three policies were issued, with an export value corresponding to NOK 138 million. New offers represented liabilities of NOK 94 million. The overall guarantee liability under the scheme at 31 December came to NOK 726 million. Claims expenses were NOK 1.25 million.

Operating profit for 2002 totalled NOK 81.8 million, which primarily reflects a substantial adjustment to Russia's risk classification with a corresponding reduction in provisions. The Storting has decided that no new guarantees will be issued under the CIS/Baltic States Scheme because Russia and the Baltic states can now be covered under the general scheme. Giek has noted that this will reduce the level of cover it can offer for commercial risk in Russia and weaken its ability to offer guarantees for exports to a number of the CIS countries.

Developing Countries Scheme

The Storting has approved an exposure limit of NOK 1.5 million for the Developing Countries Scheme. Three small offers were made in 2002. In practice, the limit has almost been reached. A substantial proportion is tied in budget terms to a hydropower project in Uganda.

A profit of NOK 27.4 million was achieved by the scheme in 2002, as against a loss of NOK 17.2 million the year before. This positive result largely reflects the development of the USD/NOK exchange rate, and the consequent reduction in provisions.

At 31 December, the provision fund totalled NOK 286 million. This fund is not interest-bearing and does not appear in the balance sheet for the scheme.

A compensation of NOK 1.9 million has been appropriated for debt cancellation in Uganda. The board is satisfied that Giek has been fully compensated for cancelling the loan principal.

NOK 11.1 million in claims relating to exports to Pakistan and Zimbabwe were paid during 2002.

Old portfolio

Giek administers several schemes under which guarantees are no longer issued. This involves following up commitments from before 1994. Loans covered by the schemes have been drawn on up to 2002. The board attaches great importance to recovering receivables under these schemes through cooperation with other creditor nations in the Paris Club. That also applies to implementing the debt plan and following up decisions made through this international collaboration.

Giek Kredittforsikring

Eighty-one per cent of GK's current policies are issued to small or medium-sized enterprises. Profit before provisions and tax came to NOK 8.9 million. Decline in export cover had a negative effect on results by reducing premium income. A change in the method for making provisions and a weakened portfolio prompted a supplementary provision of NOK 8.3 million. Total provisions amount to NOK 184.6 million.

A dividend of NOK 2 million will be paid.

Prospects and framework conditions

The number of guarantee applications clearly indicates that Giek represents a useful instrument for Norwegian exporters. The board regards predictable and competive terms as very important, in particular during difficult times for the export sector. To reinforce its ability to withstand possible future losses, Giek has proposed merging the schemes for guarantees issued before and after the establishment of the "new" institute in 1994. Combining the present and former general schemes will provide rationalisation gains and a more integrated and long-term perspective on operations as well as enhancing the ability to issue new guarantees.

Giek introduced environmental guidelines for its business in 1998. In 2002, the OECD adopted new guidelines covering the environmental aspect in publicly-supported export credit guarantees. Giek has adapted to these regulations, which impose new requirements for the export industry, financial institutions and processing in Giek. Common guidelines for guarantee institutes in the OECD help to secure a level playing field for exporters.

In recent years, the board has seen a constant demand for risk cover of exports to nations which could fall within the Developing Countries Scheme. Covering risk in countries which present a high level of uncertainty is a good way of contributing to trade and economic development in the developing world. Giek believes that cover for untied mixed credits could be provided under the Developing Countries Scheme. To overcome the present limits on exposure and funds, the institute has proposed that the provision fund becomes interest-bearing and that the CIS and Developing Countries Schemes are merged. This would allow capital accumulated from the CIS scheme to benefit new guarantees.

Oslo, 23 February 2003

Harald Arnkværn (chair)

Anne-Britt Evensen Norum (deputy chair)

Atle Brynestad

Bjørn Kaldhol

Rita Lekang

Thor Listau

Sandra Riise

Income statement

(NOK 1 000)	Notes	General Guarantee Scheme 2002	General Guarantee Scheme 2001	Old portfolio 2002	Old portfolio 2001	CIS/Baltic States 2002	CIS/Baltic States 2001	Developing Countries Scheme 2002	Developing Countries Scheme 2001
Operating income									
Accured premiums	1	109 084	115 902	16 230	19 882	15 218	11 557	4 684	4 971
Premium subsidies	2	-	-	-	-	17 895	23 324	-	-
Charges and credit information		1 358	3 493	-	-	2	50	-	-
Total premium income		**110 442**	**119 395**	**16 230**	**19 882**	**33 115**	**34 932**	**4 684**	**4 971**
Claims and recovery									
Accrued claims expenses	3	- 83 168	- 64 932	- 82 015	- 59 631	7 575	4 654	- 7 332	- 24 256
Exchange rate gains/loss moratoriums	4	- 29 177	169	- 348 208	3 906	- 24 076	283	- 14 733	124
Income moratorium agreements	5	73 403	34 249	502 780	355 581	3 302	8 043	18 057	14 947
Net claims and recovery		**- 38 942**	**- 30 513**	**72 557**	**299 855**	**- 13 199**	**12 981**	**- 4 008**	**- 9 185**
Change in provision									
Guarantee liabilities	7	- 33 124	- 155 542	- 31 078	21 719	56 240	- 34 736	17 766	- 11 656
Administrative expenses	8	- 12 409	- 11 416	- 8 582	- 11 018	- 3 076	- 3 689	- 2 600	- 2 983
Operating profit (loss)		**25 967**	**- 78 076**	**49 127**	**330 438**	**73 080**	**9 487**	**15 842**	**- 18 853**
Interest income		35 732	32 686	40 738	46 897	8 735	5 332	156	297
Other financial items		- 19	- 9	- 9	- 8	- 2	- 2	- 1	- 1
Total financial items		**35 713**	**32 677**	**40 729**	**46 889**	**8 733**	**5 330**	**155**	**296**
Public subsidies	9	-	-	- 405 400	- 321 300	-	-	11 341	1 334
Profit (loss) for the period		**61 680**	**- 45 399**	**- 315 544**	**56 027**	**81 813**	**14 817**	**27 338**	**- 17 223**

Balance sheet

(NOK 1 000)	Notes	General Guarantee Scheme 2002	General Guarantee Scheme 2001	Old portfolio 2002	Old portfolio 2001	CIS/Baltic States 2002	CIS/Baltic States 2001	Developing Countries Scheme 2002	Developing Countries Scheme 2001
Financial assets									
Shares in GK AS	10	35 000	35 000	-	-	-	-	-	-
Cash in hand, bank deposits, postal giro		557 555	484 728	739 332	821 488	153 040	107 699	1 884	3 547
Total financial assets		**592 555**	**519 728**	**739 332**	**821 488**	**153 040**	**107 699**	**1 884**	**3 547**
Foreign receivables									
Debtors, claims payments	3	99 849	70 418	627 326	694 742	49 762	48 486	941	910
Claims provision (receivables)	3	- 65 741	- 52 070	- 334 479	- 354 628	- 49 762	- 48 486	- 346	- 334
Debtors, moratorium agreements	5	128 853	84 627	4 228 568	5 203 444	85 391	111 778	52 252	48 929
Claims provision (moratorium)	3	- 34 963	- 33 851	- 636 454	- 774 111	- 12 809	- 23 473	- 15 676	- 19 571
Valued receivables		**127 998**	**69 124**	**3 884 961**	**4 769 446**	**72 582**	**88 305**	**37 171**	**29 933**
Receivables, Norwegian exporters		- 9 626	- 1 811	- 7	522	-	- 2 719	-	- 46
Other receivables		- 743	-729	7	28	140	180	-	- 29
Total assets		**710 184**	**586 313**	**4 624 293**	**5 591 484**	**225 762**	**193 464**	**39 055**	**33 405**
Equity									
Equity at 1 Jan		- 21 913	- 11 515	2 559 495	2 503 468	108 073	93 256	- 87 190	- 69 967
Equity/subsidies	10	-	35 000	-	-	-	-	-	-
Profit/(loss) for the period		61 680	- 45 399	- 315 544	56 027	81 812	14 817	27 338	- 17 223
Total equity	11	**39 767**	**- 21 913**	**2 243 951**	**2 559 495**	**189 885**	**108 073**	**- 59 852**	**- 87 190**
Provision for guarantee liabilities	7	669 569	607 522	160 244	137 945	35 877	85 391	98 897	120 595
Liability									
Dept plan, remainder to offset	6	-	-	2 220 098	2 893 147	-	-	-	-
Other liabilities		848	705	-	897	-	-	10	-
Total liabilities		**848**	**705**	**2 220 098**	**2 894 044**	**-**	**-**	**10**	**-**
Total equity and liabilities		**710 184**	**586 313**	**4 624 293**	**5 591 484**	**225 762**	**193 464**	**39 055**	**33 405**

Oslo, 23 February 2003

Harald Arnkværn (chair)

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Accounting principles and notes to the accounts

General accounting principles

Giek has no accounts in foreign currency and does not keep currency accounts. All currency transactions are converted into NOK on the transaction date. Currency receivables under moratorium agreements are valued at the current exchange rate. Income and expenses are recorded as they are earned or incurred with the exception of administrative expenses, which are recorded on a cash basis. Future losses on receivables and guarantee liabilities are estimated and a provision recorded in the income statement. The method used for calculating provisions is described in the notes to the individual provision. Partial compensation is assumed for debt cancellations decided by the ministry.

Note 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. Currency variations between invoicing and payment of premiums form part of the premium income.

Note 2 Premium subsidies

Only the CIS/Baltic States Scheme has received premium subsidies, which are appropriated by the Storting (parliament). Taken together, premium paid by the exporter and public subsidy are intended to cover the risk in each guarantee transaction.

Note 3 Claims expenses/provisions

When paying a claim, Giek takes over the exporter's claim against the debtor. This receivable is recorded in 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 in calculating the potential loss on the total receivables portfolio. Any change in receivables and claims provisions from the previous period is recorded as a claims expense.

Changes occur when Giek:

- makes payments and achieves recovery under both old and new guarantees
- writes off receivables
- transfers receivables to moratorium agreements
- is exposed to currency fluctuations
- changes its evaluation of the loss potential for 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 are included as part of the provision for guarantee liabilities. See note 7.

Note 4 Unrealised currency gains and losses on moratorium receivables

Some of the moratorium receivables are in USD and CHF. Changes in the value of receivables owing to currency fluctuations are recorded as an unrealised currency gain or loss. Realised currency gains/losses are recorded as income from moratorium agreements. See note 5.

Note 5 Income and claims under moratorium agreements

Moratorium agreements represent debt repayment agreements with 21 countries achieved through international creditor collaboration in the Paris Club. These receivables result from claims payments arising from political risk. The principal in new agreements is recorded in its entirety as income upon conclusion of the agreement. The income is otherwise affected by changes in current agreements, such as accrued contract interest, consolidation of agreements, debt cancellation, realised currency gains/losses, floating interest rates and payment of penalty interest on overdue payments.

Claims provisions are made for that portion of the moratorium receivables which is assumed to be unrecoverable when the accounts were closed. The method for estimating the loss is described in note 3, and the change in provision is recorded as a claims expense. Giek has assumed that the government will provide a partial refund of any debt cancellation which it requires. For the old portfolio, such refunds are normally set off against the debt plan. See note 6.

Note 6 Debt plan

The Storting adopted the Norwegian debt plan in December 1998 together with the central government budget for 1999. Under this plan, Giek's receivables from certain countries can be cancelled without new appropriations by setting them off against a certain amount appearing as a debt towards the government in the balance sheet.

The debt plan was utilised as follows in 2001 (in NOK thousand):	Old general scheme	Old special scheme
Remaining debt plan limit at 1 January	1 241 794	1 651 353
Debt relief for Tanzania	10 024	30 462
Debt relief for Benin	0	14 262
Debt relief for Guinea	0	80 291
Debt relief for Ivory Coast	10 819	78 891
Debt relief for Egypt	66 000	161 000
Debt relief for Yugoslavia	84 101	0
Debt relief for Sierra Leone	0	32 890
Debt relief for Senegal	0	8 514
Debt relief for D R Congo	95 795	0
Remaining debt plan limit at 31 December	975 055	1 245 043

Note 7 Provision for guarantee liabilities

This provision is intended to cover future losses on all outstanding guarantee liabilities, and corresponds to estimated losses which are derived using a special calculation method. The latter is based on standard rates which vary according to the remaining credit period, type of purchaser and country risk group. The last of these is based on the OECD's country classification system. Changes in the provision reflect both changes in guarantee liabilities and periodic risk reassessment of countries/individual guarantees. Traditional claim provision for known non-performance which has yet to be covered by compensation is included in this provision. All guarantee liabilities in foreign currencies are translated into NOK at the exchange rate stipulated in the Storting's budget resolution for the fiscal year, which is adopted in November of the preceding year. The provision comprises prepaid premiums and provisions made in the income statement.

The effect of these items on the general scheme is illustrated in the table below, in NOK thousands:

General scheme	2002	2001	Change
Prepaid premiums	322 670	293 747	28 923
Increase in provisions in the income statement this year	33 124	155 542	- 122 418
Accumulated increase in the income statement previous years	313 775	158 233	155 542
Provision in the balance sheet	669 569	607 522	62 047

Note 8 Share of administrative expenses

Administrative expenses paid by Giek are allocated to the business areas and other schemes it administers in accordance with a distribution formula set annually, which is intended to reflect the underlying workload.

Note 9 Public subsidies and transfers to the government

The old portfolio annually pays the government a sum specified by the Storting.

Subsidies to the Developing Countries Scheme relate to:	2002	2001
Subsidy for administrative costs from the Norad/NHD loss fund	1 170	1 334
Appropriated debt relief (Uganda)	1 871	0
Liquidity subsidy from the loss fund when paying claims	8 300	0
Total public subsidy to the Developing Countries Scheme	11 341	1 334

Note 10 Shares in GK AS

Giek has held shares in the wholly-owned Giek Kredittforsikring AS (GK) subsidiary from 1 January 2001. These are valued at NOK 35 million, which corresponds to GK's equity when the company was formed. Since the shares did not represent any cost for the General Guarantee Scheme, their amount was recorded as a contribution to equity in 2001.

Company:	No of shares	Nominal value	Book value 31.12.02	Ownership
GIEK Kredittforsikring AS	15 000	1 000	35 000 000	100%

Note 11 Equity

Equity comprises the accumulated profit/loss, including transfers to and from the government. The developing countries scheme also has a loss fund of NOK 286 million (originally NOK 300 million), which is administered and accounted for by the NHD.

Key figures special schemes

(NOK 1 000)	Developing Countries Scheme		CIS/Baltic States Scheme *	
During the year	2002	2001	2002	2001
New applications	76 400	546 400	28 800	46 400
New offers	219 400	14 800	164 300	321 800
New liabilities covered	10 700	178 800	240 900	285 000
Premium income	4 684	4 971	33 115	34 932
Claims payment	11 215	12 939	1 276	506
Recoveries	-	2 754	3 735	11 292
Operating surplus/deficit	15 842	- 18 853	73 080	9 487
Surplus/deficit for the year	27 338	- 17 223	81 813	14 817
At year-end				
Outstanding offers	782 100	625 700	165 400	311 100
Outstanding guarantee liability	741 100	815 100	560 700	611 500
Provisions for contingent liabilities	98 897	120 595	35 877	85 391
Outstanding receivables	53 194	49 839	135 153	160 264
Claims provision	16 022	19 905	62 571	71 959

Key figures various schemes*

(NOK 1 000)	Old General Guarantee Scheme	Old scheme	CIS/Baltic States before 1999	CIS/Baltic States after 1999
During the year				
Premium income	16 195	35	8 520	6 699
Interest income	30 888	9 840	2 854	5 878
Income, moratorium agreements	262 598	240 182	3 302	0
Exchange rate gain/loss on moratorium agreements	- 140 162	- 280 047	- 24 076	0
Accrued claims expence	- 16 811	- 65 204	7 575	0
Administrative expence	- 4 534	- 4 048	- 1 077	- 2 000
Operating profit (loss)	85 445	- 36 318	33 723	39 357
Transfer to government	- 201 500	- 203 900	-	-
At year-end				
Outstanding guarantee liability	1 632 000	15 200	339 700	221 200
Provision for contingent liabilities	158 718	1 526	20 296	15 580
Outstanding receivables	2 678 870	2 177 024	135 153	-
Claims provision	312 401	658 532	62 572	-

* The CIS/Baltic states scheme has been terminated from 2003. Its operating guidelines were significantly amended in 1999, and an accounting distinction introduced then is reported in the table above. The old portfolio business area embraces the old general scheme and the old schemes. The old general scheme corresponds to the present General Guarantee Scheme, but applies for guarantees issued before 31 December 1993. Old schemes embrace the residue of several special schemes which are all being wound up.

Information about guarantee products

The whole-turnover policy

is the main product from Giek Kredittforsikring AS, and secures the exporter against loss on short-term export credits (up to one year). The guarantee covers the risk of the customer defaulting for commercial or political reasons. It basically covers all exports by the company, and sets 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 a specified country are unable to pay for on-going exports.

The letter of credit guarantee

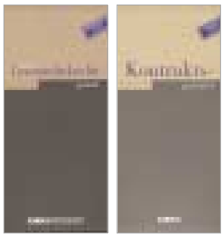
covers the risk of default in connection with letters of credit.

The individual policy

covers risk relating to individual deliveries of goods and services, and is normally issued for longer-term credits (more than two years). It can be provided in the form of a supplier's credit under which the supplier takes out a loan, or the lender can sign a loan agreement with the buyer. Giek will then provide a guarantee directly to the lender, a buyer's credit. The policy can cover both commercial and political risk.

The pre-shipment guarantee

secures the exporter against loss which may arise during the period prior to delivery if signed contracts are not implemented or performed by the buyer owing to liquidation, insolvency or political events.



The investment guarantee

covers political risk relating to investments abroad. It can cover investments in the form of equity, loans, production equipment or other financial expenditure in connection with setting up a business or participating in enterprises abroad. This guarantee is confined to political risk.

The bond guarantee

helps the exporter to provide bid, advance payment or completion guarantees (bonds). It is usually furnished to the buyer by the exporter's bank, and Giek can take on up to 50 per cent of the bank's risk. Any payments made by the bank and Giek must be repaid by the exporter in the event of a lawful call on the bonds – while unfair calls can be covered by Giek through a supplementary policy.

The guarantee for plant materials

covers political risk for loss of plant and machinery used in work abroad. It is confined to political risk.

More information about Giek can be found at www.giek.no, where a free subscription can be obtained to the institute's quarterly newsletter, *Eksportøren*. Alternatively call +47 22 87 62 00 or send an e-mail to giek@giek.no.

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