2004

ANNUAL REPORT

GIEK GARANTI-INSTITUTTET FOR EKSPORTKREDITT

Contents

This is GIEK

GIEK's objective is the promotion of Norwegian exports and Norwegian investments abroad through the issuance of guarantees on behalf of the Norwegian State.

GIEK offers commercial and political risk cover of exports and political risk cover of international investments. GIEK also offers guarantees for shipbuilding loans.

GIEK's guarantees are designed to be competitive with corresponding schemes in other countries.

GIEK guarantees are awarded in compliance with international agreements.

GIEK's activities are required to break even over time.

GIEK is a supplement to the private commercial assurance and guarantee market.

GIEK guarantees can cover risks from the contract offer through to receipt of payment.

GIEK is a public enterprise with an independent board. The Board's decisions may not be appealed.

GIEK Kredittforsikring AS, which is wholly owned by GIEK, covers credits maturing in less than two years.

www.giek.no

Highlights in 2004

- The value of new applications and new offers increased considerably.
- The outstanding guarantee liability was the highest ever for the General Guarantee Scheme: NOK 12.5 billion.
- GIEK was awarded Deal of the Year by the periodical, Trade Finance.
- Guarantees were provided for exports to 27 countries.
- A new tender guarantee scheme was introduced for development-assistance-financed projects that GIEK manages.
- Approval was granted to introduce a new construction loan guarantee scheme for the shipbuilding industry.
- GIEK celebrated its 75th anniversary.
- The Berne Union's spring meeting was held in Oslo in May.

Key figures for General Guarantee Scheme

	2004		2003		2002		2001		2000	
During year	Number	NOK mill	Number	NOK mill	Number	NOK mill	Number	NOK mill	Number	NOK mill
New applications	176	21 307	221	9 035	150	14 556	150	19 746	157	12 583
New offers	113	18 083	137	6 481	108	9 458	95	9 066	111	10 924
New liabilities covered	55	3 521	114	3 238	75	3 562	83	2 680	65	2 129
Premium income		140		137		110		116		93
Claims payments		96		85		101		54		55
Recoveries		7		9		3		9		8
Operating surplus/deficit		58		89		55,5		-78,1		-1,4
Annual surplus/deficit		58		110		61,7		-45,4		20,7
At year-end										
Outstanding offers	63	9 862	58	2 983	79	8 920	71	7 691	77	7 015
Outstanding guarantee liability	272	12 179	280	10 902	239	10 959	249	10 540	237	8 972
Outstanding receivables		357		288		229		155		106
Provisions for contingent liabilities		713		707		670		608		481
Equity		208		150		40		-22		-12

Figures for other schemes are found in the tables on page 30.

More equal terms

2004 was an eventful year for GIEK. We celebrated our 75th anniversary, and on that occasion we issued a publication with a summary of our 75-year history. An open house was arranged for the sixth time in March. In May, GIEK hosted the Berne Union's spring meeting in Oslo.

This year has seen many major transactions. The volume of offers at the close of the year was nearly NOK 10 billion. Together with guarantees issued, this tied up over NOK 22 billion of the exposure limit of NOK 40 billion. These figures reflect a great need for the guarantees that GIEK provides. The ripple effects of the guarantees on Norwegian subcontractors are not always made sufficiently evident. Very often a large number of subcontractors benefit even though only one contract is covered.

> *"The terms in the guarantee and credit area will be increasingly harmonised in step with the globalisation."*

International cooperation is a very important prerequisite for us. The terms in the insurance industry will be increasingly harmonised in step with globalisation. Network building and the professional contacts that are made through the cooperation between the Nordic countries, in the Berne Union and in the OECD, give us valuable input. The close cooperation with our Nordic colleagues is especially important given that Norway is not a member of the EU.

Useful consultations are taking place between the Berne Union and the OECD. We support this work in order to ensure that guarantees for export credits are good, correctly formulated and easy to use while simultaneously attending to the comprehensive political objectives. There are more member nations in the Berne Union than in the OECD, e.g. China, India and Brazil. Therefore, this work can help ensure a good regulatory framework and equal competitive terms outside of the OECD area.

GIEK's guarantees may be provided to both Norwegian and international financial institutions.

Our guarantees are pledged on behalf of the Norwegian State, so that our customers are always assured of our ability to meet our commitments. With GIEK's high risk exposure and concentration on individual cases, there ought to be a financially sound capital base and a serious attitude to providing correctly for losses so as to indicate the loss risk. A serious attitude to debt relief and the ways in which this shall be handled by guarantee institutes will be one of the major challenges in the coming years. It will be important to make sure that we have adequate reserves and that practices at the different guarantee institutes are equivalent. Therefore, it ought to be a necessary and well-established condition that political decisions to provide debt relief and other assistance must not be made at the expense of the fund that GIEK has amassed.

GIEK's coverage of customer credits through our wholly owned company, GIEK Kredittforsikring AS, has proven to be successful, and the synergy of working together under one roof has had positive effects on the export industry. With our clear profile of concentrating on small and medium-sized firms, we ensure that the Norwegian credit insurance market is diverse and competitive.

We see that more and more countries are establishing guarantee institutes, and it will be a challenge internationally to come up with good ways of cooperating so as to avoid trade distortion.

The cooperation with banks on major projects will require competence and flexibility in order to ensure that Norwegian companies are given equal terms. The challenges are particularily important for marine and offshore projects in unstable areas where private companies or banks cannot assume the risk alone.

Erling Naper, Managing Director

NECESSARY: Guarantees from GIEK helped enable Nor-Reg AS in Hønefoss, Norway, a manufacturer of packaging equipment for the food industry, to win a contract in Romania worth NOK 14.2 million. The contract was financed with a loan from Eksportfinans and a supplier's credit guarantee from GIEK. "The customer demanded amortization over a period of five years. It is completely inconceivable that we would have entered such terms without the guarantees from GIEK," says Chairman of the Board Henning Nordby of Nor-Reg AS. "We are also very satisfied with the service and follow-up that GIEK has provided us," he adds.

Risks covered by GIEK's guarantees

- Risk of credit sales.
- Risk of financing buyer.
- Risk of breach of contract prior to delivery.
- Risk related to bidding, upfront payment and payment requirements pledged by Norwegian supplier to overseas buyer.
- Risk that buyer invokes guarantees unfairly.
- Risk of foreign components in Norwegian export contracts.
- Risk of subcontracts in a transnational project.
- Risk of tenders in development-assistance-financed projects.
- Risk of outfitting contracts for ships and drilling vessels built abroad.
- Risk of long-term funding of ships and drilling vessels for Norway-registered owners when supplied to ships for foreign trade or mobile rigs.
- Risk of construction loans that are granted for building ships at Norwegian yards.

THIS IS THE PROCEDURE IN A GIEK CASE

ADVICE IN THE NEGOTIATING PHASE

When entering new and unknown markets, GIEK can provide guidance as to whether or not the political risk is acceptable. Information may simultaneously be provided about what kind of information GIEK needs in order to process the application.

MAKE OFFERS

Information that shall be submitted in an application includes information about lenders, buyer, payment and delivery terms and a project description. Based on the application and any additional information, GIEK then makes an offer of a guarantee. This offer is a promise that guarantees will be provided on specific terms, including premium amounts, at the start of delivery or when a completely negotiated agreement is ready. The offer is provided to the customer free-of-cost.

ISSUE GUARANTEE

If the exporter decides to make use of the offer and pays the specified premium amount, GIEK will issue a guarantee policy. In addition to ensuring payment, this kind of guarantee is also often a prerequisite for Norwegian and international banks to provide the necessary funding. Given that GIEK's guarantees are State-backed, they will also usually entail lower credit expenses.

PREVENT LOSSES

If the risk in the project increases, the guarantee holder shall immediately contact GIEK, which will initiate necessary measures to prevent losses in cooperation with the relevant parties.

PAY COMPENSATION

If the guaranteed risk should occur and the policy's other conditions have been met, the guarantee holder will be paid the agreed compensation from GIEK. It is incumbent on the guarantee holder to document that the terms and conditions for receiving compensation have been met. When this documentation has been received, the compensation due to commercial risk shall be paid within two months. In the case of political risk, six months may elapse before the compensation is paid. During the waiting period, interest will normally accrue.

RECOVER CLAIMS

When compensation is paid, GIEK can either take possession of the whole claim or let the guarantee holder handle the claim. GIEK will then attempt, in cooperation with the other risk takers in the case, to recover the entire amount paid out through various measures, e.g. restructuring the debt, disposal of securities, prosecution against debtors and/or the guarantor or through the sale of the relevant products (in the case of a contract guarantee).

Covering risk from the initial offer until final repayment

The need for risk moderation varies considerably from company to company and from project to project. Therefore, GIEK offers a wide selection of guarantee products that may cover the whole period from the date when the offer is made until all credit has been paid off. In addition to the regular products, specially adapted guarantees can also be given.

Customer credits with a maturity of up to two years are guaranteed by GIEK's subsidiary, GIEK Kredittforsikring AS. The following are GIEK's main products:

BUYER'S CREDIT GUARANTEE

The Buyer's Credit Guarantee is GIEK's most in-demand product designed to safeguard repayment of a loan given to purchase Norwegian goods or services. This type of guarantee is particularly appropriate for longer credit tenors and may be a necessary condition for the involvement of Norwegian and international banks in the loan funding of an export contract.

The guarantee may cover commercial risk (risk of loss due to bankruptcy or insolvency of the buyer) and political risk (risk of non-settlement due to government intervention in the debtor's native country, transfer risk, hostilities, confiscation, etc. or risk where the buyer is a public entity). GIEK can cover up to 90 per cent of the credit amount for commercial risk and up to 100 per cent of the credit amount for political risk. The guarantee only covers credit periods after delivery.

SUPPLIER'S CREDIT GUARANTEE

The supplier's credit guarantee covers credits that the exporter gives and loans that a financing house gives in return for the exporter's payment claims (invoices) on the buyer. The guarantee can cover up to 90 per cent of the credit amount for commercial risk and up to 100 per cent of the credit amount for political risk. Guarantees are only available for credit periods after delivery. This offering is mostly used for credits maturing at 2-5 years and/or involving relatively small amounts.

CONTRACT GUARANTEE

The Contract Guarantee seeks to provide security against losses that may arise during the production period before delivery, such as if the buyer files for bankruptcy. The Contract Guarantee is especially aimed at long production periods and tailor-made products. In case of breach of contract, the exporter will often be left with a product that he cannot sell. The guarantee covers both his commercial and political risk of such a breach of contract. GIEK can cover up to 90 per cent of the commercial risk and normally up to 95 per cent of the political risk.

LETTER OF CREDIT GUARANTEE

The Letter of Credit Guarantee covers the non-fulfilment of an LC contract. The guarantee is mainly seen as a risk moderator for the exporter's banking associate.

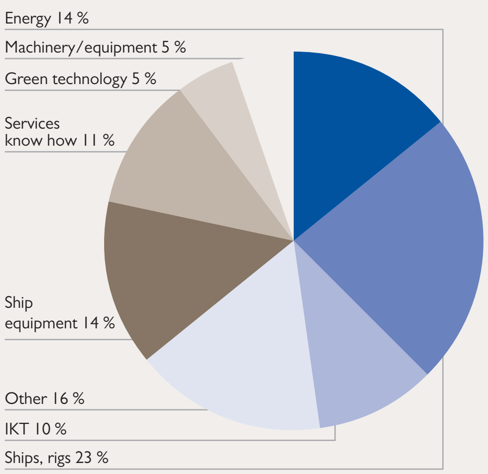
LIABILITY BY TYPE OF GUARANTEE

NOK mill.

Type of guarantee	Outstanding liability
Bond Guarantee	766.5
Investment Guarantee	814.4
Contract Guarantee	164.3
Buyer's Credit Guarantee	10,247.8
Supplier's Credit Guarantee	148.3
Letter of Credit Guarantee	89.5
Total	12,230.8

A buyer's credit guarantee is clearly GIEK's largest product.

GIEK guarantees are employed in most industries



INVESTMENT GUARANTEE

The Investment Guarantee covers the political risk that investments and assets abroad may be subject to. The guarantee covers such factors as loss due to hostilities, currency restrictions and other government intervention – including boycott decisions by the Norwegian government. GIEK can also cover breach of contract by other governments or public agencies in the host country. An investment guarantee may be issued to investors or lenders, and in some cases issued to owners of assets that are kept abroad. Under an investment guarantee for a loan, GIEK may cover the political risk, e.g. a commercial bank loan that is granted to a company where Norwegian investments will also be made.

BOND GUARANTEE

GIEK's Bond Guarantee covers the international buyer's risk when making a purchase from a Norwegian supplier. It is available as a bid guarantee, upfront payment guarantee or performance guarantee. Normally, it is pledged in the form of a bank guarantee (bond) in the name of the buyer, and GIEK will assist the bank with up to 50 per cent of the risk. A bond guarantee is appropriate, for instance, if a ship is built in Norway on behalf of an overseas shipping company. The guarantee provides security to the buyer for the upfront payments and guarantees the buyer that the product will fulfil its contractual requirements. GIEK may also cover the exporter's risk through a separate guarantee against unfair calling on bonds.

GUARANTEE FOR CONSTRUCTION MATERIALS

The Guarantee for Construction Materials covers the risk of damage to or physical loss of construction materials during work abroad. The guarantee covers only political risk.

SHIPBUILDING LOAN GUARANTEE

Shipbuilding loan guarantees may cover loans to shipyards in connection with the construction or conversion of ships in Norway. GIEK can cover 50 per cent of the risk on equal terms with the building loan bank. It is a necessary condition that the purchase of the relevant ship be financed in a satisfactory way. The buyer must also pay 20 per cent of the purchase price during the construction period.

Ensures major investment in Brazil

The partly Norsk Hydro-owned (34 per cent) Alumina do Norte do Brasil S.A. is investing over USD 580 million in an expansion of the company's alumina production in the Barcarena region in the North of Brazil. The Norwegian bank, DnB NOR, has furnished a loan of USD 80 million for this investment, which will give Norsk Hydro access to alumina for many years to come. The loan is secured with an investment guarantee from GIEK.

The guarantee gives 90 per cent coverage of the political risk in connection with the loan. The commercial risk will be assumed by the bank itself.

"We have made a strategic decision to follow Norwegian interests abroad. However, it is crucial for us to moderate the political risk on projects that are located in countries where this type of risk may be considerable. GIEK's guarantees are thus a necessary condition if we are going to assist in funding the project," says general manager Per Aage Jacobsen at the Structured Finance department of DnB NOR.

GIEK has provided an investment guarantee for a large part of Norsk Hydro's new investments in Alunorte in Brazil.

Mexico the largest guarantee market

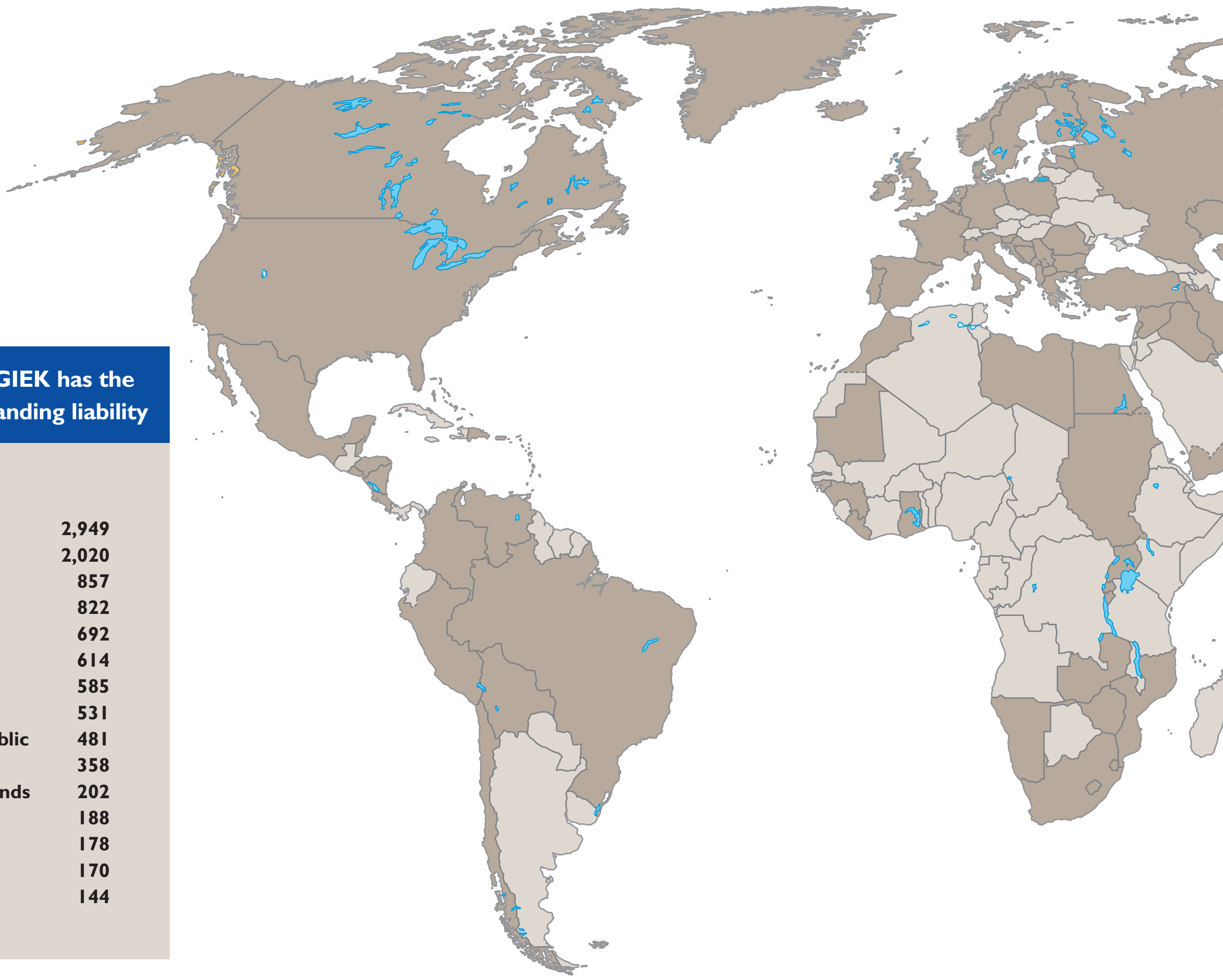
Major guarantees related to the export of oil-related services made Mexico GIEK's largest and most important market, aside from Norway, in 2004. GIEK now has an aggregate guarantee liability of over NOK two billion in Mexico.

The Mexican State oil company, Pemex, is decidedly GIEK's most important single debtor and/or entity liable for payment, with a liability of NOK 1.94 billion. In some major contracts a USA-registered subsidiary of Pemex is listed as the formal buyer.

After Mexico, Turkey and Romania are next on the list of countries where GIEK has the greatest outstanding liabilities. The guarantees are mostly tied to government buyers in Romania, whereas in Turkey they are tied to a number of private buyers. The government of Romania is therefore GIEK's second most important individual exposure, in the sense that the state is backing the government buyers. The nine biggest single debtors and/or individual exposures in GIEK's portfolio are governments.

The reason why Norway is at the top of the list of countries with the greatest guarantee liability, is that GIEK can guarantee delivery of Norwegian ships and Norwegian ship gear to Norwegian ship-owners if the ships and ship gear are destined for foreign trade or offshore operations. The ship projects are usually very cost-intensive, so there is usually also a great risk exposure for each individual project. Therefore, many Norwegian shipyards and shipping or offshore companies are among GIEK's biggest single debtors.

The table below shows that the markets with the greatest risk exposure are found on all continents except Oceania.



This is where GIEK has the greatest outstanding liability

NOK Million	
Norway	**2,949**
Mexico	**2,020**
Turkey	**857**
Romania	**822**
China	**692**
Indonesia	**614**
Tunisia	**585**
Brazil	**531**
Dominican Republic	**481**
Malaysia	**358**
The Cayman Islands	**202**
Malta	**188**
Laos	**178**
Vietnam	**170**
The Philippines	**144**

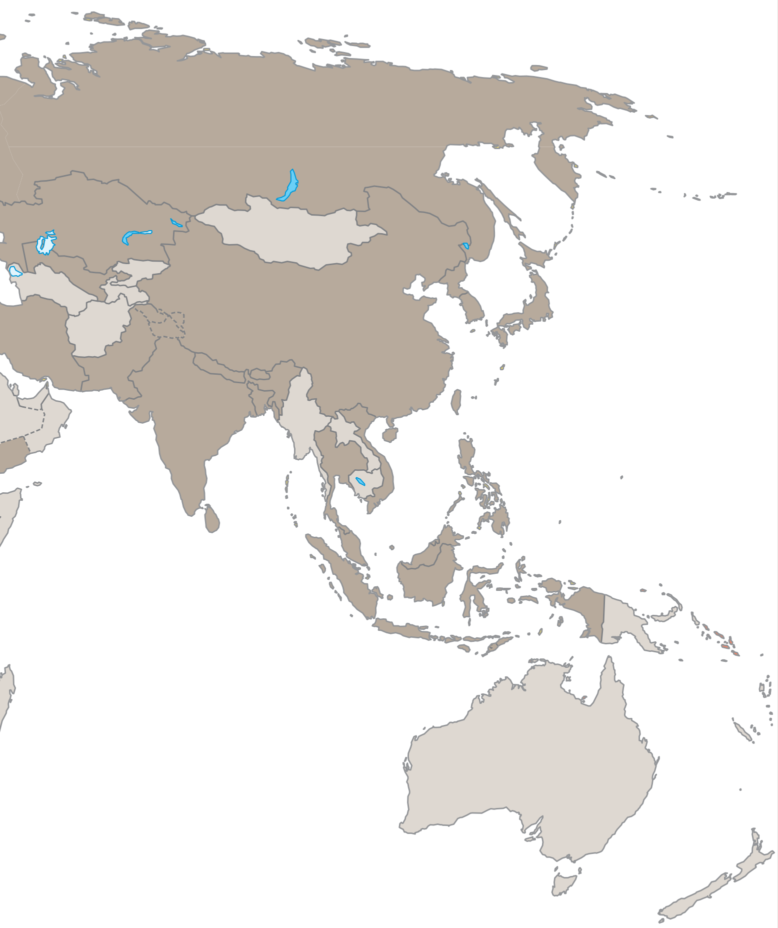
Contributed to the export of NOK 7.6 billion

GIEK assisted export deliveries worth a total of NOK 7.6 billion in 2004, which amounts to 3.4 per cent of the Norwegian exports of goods, excluding oil and gas exports.

At the same time, the export value related to GIEK's offers was extremely high in 2004. All in all, offers were given for contracts worth NOK 32 billion.

Most of the Norwegian exports of goods go to the wealthiest OECD countries, while the exports guaranteed by GIEK mainly go to other markets with higher risk. The value of contracts related to GIEK's offers has amounted to 25-30 per cent of the total exports of goods – including oil and gas – to countries outside of the OECD in recent years.

In addition to the amounts mentioned above, GIEK Kredittforsikring AS insured export contracts valued at NOK 11.7 billion in 2004.



Countries where GIEK has guarantee liability

Major offers

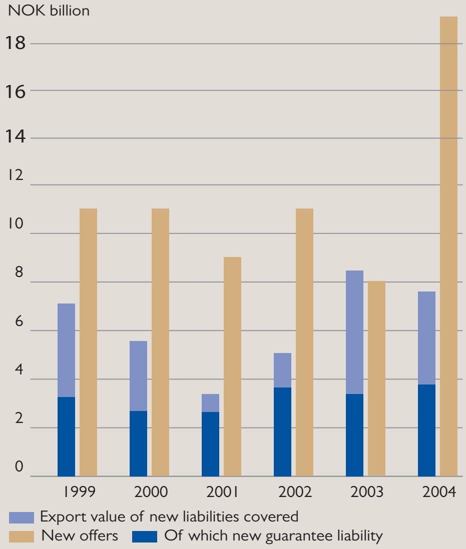
Many new major offers have been issued in 2004. The biggest are associated with the shipping and offshore sectors. Bulgaria, Russia and Iran were the most important markets. At the same time, offers worth nearly NOK one billion were given for major investment guarantees in Brazil and India. We are now seeing an increasing interest in our investment guarantees.

In 2004, GIEK received a number of inquiries from completely new export markets, and offers were issued to Chad, Cameroon, Armenia and Bhutan, among others. These countries are extremely diverse and some of them are undergoing major changes.

For some of the new markets, there are no international risk assessments or similar analyses. Processing cases in these countries is demanding and progress often depends on how the financial solutions have been arranged. In such cases, it is a challenge for GIEK to be able to give the applicant good indications beforehand.

Export value of new offers and new liabilities covered

NOK billion



Guarantee offers worth NOK 18.9 billion were issued in 2004, compared with NOK 8 billion the previous year. The export value of policies issued in 2004 was NOK 7.6 billion, of which GIEK's liability was NOK 3.78 billion.

Standardised premium systems

GIEK has several systems for determining premiums for the various products that are offered. Since the different products have different risk profiles, it has not been possible to develop a single system for all types of guarantees.

The premium system for buyer's credit guarantees and supplier's credit guarantees is the most comprehensive and most frequently used. In this system, the premium is calculated on the basis of the group of countries, credit tenor, type of buyer and rate of coverage. Since all cases are different, there is leeway for a certain amount of adjustment of the standard premium that the system generates.

GIEK's risk classification system has seven groups of countries, where group 1 is best resulting in the lowest premium rate and group 7 is worst resulting in the highest premium rate. This classification is also based on the OECD's country risk rating. Most of the countries in the world are regularly assessed at least once a year to determine whether they need to be upgraded or downgraded.

The buyers or the guarantors for the buyer, if there are any, are thus classified as a state guarantee, a government buyer or a private buyer. A state guarantee gives the lowest premium mark-up, a government buyer without a state guarantee gives a higher mark-up, and a private buyer will normally get the highest mark-up. Distinctions are drawn between two categories of government buyers and four categories of private buyers. A certain amount of judgment is also used, especially in cases that do not fit into the premium system.

This premium system is primarily intended for standard buyers. In connection with project funding, which in GIEK's case is mainly ship-financing, the premium is normally set in cooperation with the market. In such cases, GIEK often accepts the same premium that a bank would charge, especially in connection with guarantees for ships or bond guarantees. Usually, GIEK also accepts the same premium that another country's guarantee institute would charge in connection with reassurance. However, GIEK always assesses whether the premiums in these cases are at the right level.

GIEK also has separate premium systems for investment guarantees, contract guarantees, short-term guarantees and bond guarantees. All of these guarantees are based more on judgment than the system that is employed for buyer's credit guarantees.

For buyer credits (buyer's credit guarantee and supplier's credit guarantee), GIEK is bound by the OECD premium agreement. This sets minimum premiums, based on a system that is similar to GIEK's premium system, but which has no buyer categories. In most transactions, GIEK takes a different premium, which is priced relatively near this minimum premium. The premium agreement does not include ship financing.

GIEK takes part in Deal of the Year

An extensive international financial solution – with participation by GIEK – for a Brazilian oil platform has been selected as the "Deal of the Year" by the financial periodical, Trade Finance.

GIEK is guaranteeing Norwegian deliveries worth over NOK 110 million for this platform, P-52, which shall be built in Singapore and Brazil for the Brazilian oil company, Petrobras S.A. The platform shall extract oil from a depth of 1,800 metres off the coast of Brazil.

The construction contract has a total value of USD 1.4 billion. The lenders in the project are the Brazilian Development Bank BNDES, BNP Paribas, and the Nordic Investment Bank. Together with the Italian guarantee institute, Sace, and the British ECGD, GIEK has provided buyer's credit guarantees. The American US Ex-Im Bank is also expected to provide guarantees.

The Norwegian suppliers to the P-52 platform include Frank Mohn AS, Leirvik Module Technology, AC Marine AS, Oceaning Rotator AS, Det Norske Veritas AS, Norsafe AS, Hernis Scann Systems AS, National Oilwell Norway AS, Glamox International ASA and EDCO AS.

GREAT DEPTHS: The new platform shall extract oil from a depth of 1,800 metres off the coast of Brazil (photo from the Campos area).

The Berne Union helps ensure equal guarantee terms

SPRING MEETING: Delegates from 43 countries attended the Berne Union's meeting in Oslo.

It is crucial that Norwegian exporters be offered equally good terms as exporters in other countries. Active membership in the Berne Union (the International Union of Credit & Investment Insurers) facilitates this.

In addition to being an impetus for equal competitive terms, the Berne Union is a discussion forum for a broad range of matters relating to International guarantee work. At the same time, GIEK derives considerable benefit from the open exchange of information among the members. The organisation also attends to business involving international financial institutions.

PRIVATE AND GOVERNMENT INSTITUTES

The Berne Union has 54 members from 43 countries. These members include both private credit insurance companies, and government export guarantee institutes. All of the members who work with intermediate and long-term credits are affiliated with the national government systems, while the representatives for investments and customer credits come from both the private and public sectors. The organisation was founded in 1934, and GIEK has been a member since 1951. There is great interest in membership and many new members have been accepted in recent years.

A union of newly established guarantee institutes, The Prague Club, has also been formed and is run by the Berne Union. The Prague Club has 30 members. Its main objective is to help the members develop their guarantee offers in an international format.

BIG MEETING IN OSLO

The Berne Union has regular spring and autumn meetings and holds a number of seminars and workshops on guarantee-related topics. The spring meeting in 2004 was held in Oslo with GIEK acting as the host. Delegates from 43 countries attended this meeting, which ran for a week at the beginning of May.

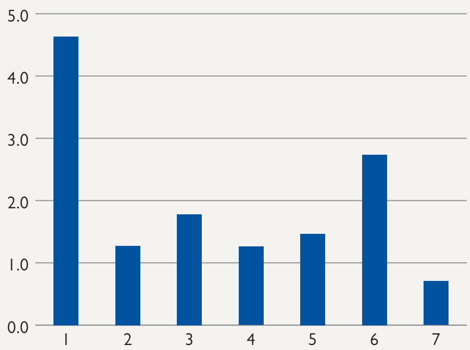
SPECIFIC ISSUES

The work in the Berne Union is divided into three main categories: long-term guarantees, short-term customer credit guarantees and investment guarantees. The topics that are discussed among the members range from specific technical issues related to guarantees and development trends within sectors and countries to matters related to the operation and organisation of the guarantee work.

Some of the topics that were discussed at the spring meeting in Oslo included the handling of document risk in connection with major project funding, distinguishing between political and commercial risk, challenges that arise when local governments become debtors, the effects of the Basel II rules on the guarantee institutes, the developments in the Middle East and models for analysing bankruptcies in companies.

Offers and liability by country group

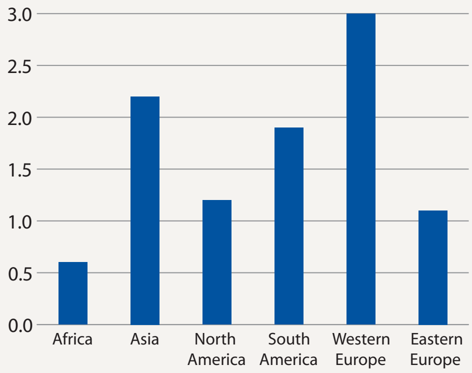
NOK billion



Offers and liability by country group ranked according to risk assessment. For the most part, GIEK classifies countries according to the OECD's country risk rating, where group 1 represents the lowest risk and group 7 the highest risk.

Liability by global region

NOK billion



The guarantee liability is highest in Western Europe. The percentage for Western Europe includes ship contracts for Norwegian shipowners and performance bond guarantees for international customers' coverage of Norwegian suppliers. Contracts in Turkey are also included in the percentage for Western Europe.

The French Ministry of Finance.

Active participant in The Paris Club

At the close of 2004, GIEK had outstanding claims totalling NOK 3.6 billion in accordance with government moratorium agreements with 20 countries. The main proceedings concerning the recovery of this debt are taking place in the Paris Club.

The Paris Club is a group of 19 creditor nations, and its main task is to find coordinated and balanced solutions for government debtors experiencing payment difficulties. It was founded in 1956, when Argentina's debt was rescheduled for the first time.

INFORMAL STATUS

The Paris Club does not have any formal status as an international organisation. The members negotiate among themselves regarding the principles that ought to apply to debt management and regarding agreements with individual countries that require deferred payment or debt reduction. The work in the Paris Club is managed by the French Ministry of Finance. Since 1956, 386 agreements have been signed with 80 countries through the Paris Club.

AGREEMENT AND NON-DISCRIMINATION

The work in the Paris Club is based on five main principles:

1. The "case by case" principle. The decisions are based on specific assessments of the individual debtor nation's special needs.
2. Consensus. Agreement must be reached among all of the participating countries before decisions are made.
3. Non-discrimination. The terms of the agreement shall be the same for all creditors.
4. Creditor solidarity. No creditors may try to obtain better terms than those that derive from a Paris Club agreement.
5. Conditionality. The debtor nation must have an IMF programme – with reforms aimed at improving the country's economic situation – before the negotiations can commence.

TECHNICAL EXPERTISE

Norway's participation in the Paris Club is managed by the Norwegian Ministry of Foreign Affairs. GIEK participates in all relevant work and provides technical expertise. Norwegian state claims that are renegotiated in the Paris Club primarily derive from defaults on state-backed export credits issued by GIEK. The majority of these credits are guaranteed under old guarantee schemes that are now in the process of winding up.

The Paris Club holds meetings ten times a year to review the debt situation in a selection of individual countries, with subsequent debt settlement proceedings with the relevant countries. The poorest countries will have some of their debt written off, while middle-income countries are mainly given debt rescheduling. Many of the countries involved in negotiations are among the poorest and are dealt with under the so-called HIPC initiative (Heavily Indebted Poor Countries Initiative). These countries are entitled to up to 100 per cent debt relief. The debt relief is partly given at decision point, when the country is given the status of an HIPC country, and partly at completion point, when the country has carried out agreed measures in cooperation with the IMF, e.g. approved a plan for reducing poverty.

In 2004, Ghana and Senegal reached the HIPC-completion point and thus no longer have any debt in the moratorium agreements. The Ivory Coast and Guinea Conakry have not managed to follow up the HIPC programme, and the IMF and World Bank are monitoring the situation in these countries before the programme is resumed. Sierra Leone, Dem. Rep. Congo and Gambia have been given the first part of the HIPC debt relief and are attempting to reach completion point.

Under the Debt Plan, the Norwegian government has written off debt worth a total of NOK 1.85 billion during the period 1998-2004. A total of 11 countries have had all of their debt to Norway written off or have achieved significant reductions in their debt to Norway during this period. Some middle-income countries are, or will be, offered a debt swap in exchange for their spending the money on development measures instead. This applies to countries such as Vietnam, Ecuador and Pakistan. For GIEK, the write-off of the claims will be compensated by a full government appropriation to the guarantee scheme or by settlement up to the ceiling in the government's Debt Plan.

Indonesia and other countries affected by the tsunami disaster at Christmas 2004 have been offered debt rescheduling of their due payment in 2005. This is a relatively modest amount.

Sharing risk with other players

GIEK gives priority to risk sharing with other players. Risk sharing meets two needs. One is that GIEK's exposure in the transaction is reduced. The other is that another player goes in and assesses the risk in the transaction.

Roughly speaking, there are three types of risk sharing that occur in transactions covered by GIEK. The most classic of these is a residual, usually somewhere between 5 % and 20 %, which is covered by the exporter or bank, and where GIEK does not require that this residual must be provided on equal terms with GIEK.

100 % COVERAGE ONLY FOR A STATE GUARANTEE

Only in transactions with a pure state guarantee can GIEK cover 100 % of the amount of the loan. In a number of other cases, where we think that the co-guarantor's assessment of the case is of great importance, we will demand that the residual, which is normally 10-30 %, be accepted on equal terms (pari passu) with GIEK. Finally, in some cases, perhaps especially cases involving major projects, we will have a coverage rate of under 70 % on equal terms. In these cases, GIEK will primarily adapt to the bank's terms, and, among other things, normally accept a per-annum premium as opposed to a prepaid single premium, which we usually require.

Another common form of risk sharing is for the risk in a transaction to be divided among several guarantee institutes according to a distribution formula based on which countries the deliveries are coming from.

A third type of risk sharing is co-financing with the World Bank or other multilateral organisations.

PARTICIPATION IMPORTANT

Minor residuals - of 0-20 % - are usually used in transactions where the risk profile is fairly easy to comprehend. If problems arise or there is a default in a case, there will be a clear advantage for GIEK if the lender and/or exporter participate in the process and have the same interests as GIEK. That is why it has been important for GIEK to have a minimum of participation from other players.

REQUIRES SPECIAL EXPERTISE

In pure project funding cases, participation is normally required of a commercial player with special expertise in the area. Project funding is defined in this context as transactions where the guaranteed loan shall be repaid through the project's income flow. This structure is common in ship financing and to an increasing extent in electricity production.

Project funding is generally more complicated, time-consuming and last but not at least more costly than credit to a buyer who has several legs to stand on. In addition to an analysis of technical uncertainty and commercial uncertainty, extensive legal agreements that regulate the relations among the parties must also be prepared in these cases. This is work that GIEK does not perform, and thus it is important to have a commercial player on the team with interests equivalent to GIEK's. In such cases, as a rule, GIEK will also require a significant risk sharing with other players.

SHARING RISK WITH OTHER GUARANTEED INSTITUTES

Risk sharing with guarantee institutes from other countries has become very common in many different types of cases. This has been necessitated by the developments in the market. Some multinational companies only have part of their production in Norway now, and a large number of Norwegian companies make use of big international subcontracts. In major projects, it is more common to operate with a comprehensive financial package instead of several separate loan agreements with each individual country's guarantee institute. Therefore, in major transactions it has become common for several countries' guarantee institutes to be involved.

In recent years, GIEK has signed a number of agreements with other guarantee institutes, cf. the list below. The principle behind these agreements is that the parties reach agreement on which main terms and conditions shall apply, so that it is possible to operate with a policy. The policy is issued by one guarantee institute, and it is then reinsured by one or more other guarantee institutes.

Risk sharing with multilateral development banks has long been a common practice. GIEK finds this kind of cooperation especially useful in major infrastructure projects in high-risk countries. Among other things, GIEK has had good experience with co-financing with the World Bank (especially with MIGA and IFC) on these projects. The World Bank has a strong presence in many countries, and this will often reduce the risk that problems may arise.

MANY REASSURANCE CONTRACTS

GIEK has entered into cooperative agreements with the following guarantee institutes:

EKN(Sweden), EKF (Denmark), FINNVERA (Finland), COSEC (Portugal), OEKB (Austria), HERMES (Germany), EGAP (Czech Republic), KREDEX (Estonia), ECGD (UK), CESCE (Spain), MIGA (The World Bank)

The agreements with the guarantee institutes in the other Nordic countries are a joint agreement. In addition, negotiations are under way on agreements with some other institutes. Agreements may also be drawn up in connection with individual cases. For instance, GIEK has entered into this kind of agreement with US EXIMBANK.

Ship exports the most important business sector

The export of ships and rigs has been the most important business sector for GIEK since it became easier to provide guarantees again in 1993. In the period 1993-2004, guarantees were provided for over NOK 6.3 billion for the export of ships and rigs from Norwegian yards.

The guarantees have covered exports valued at NOK 15.5 billion. Most of the customers have been small or medium-sized shipping companies.

In recent years, GIEK has also taken part in long-term financing of ships and rigs built abroad when a significant share of Norwegian equipment has been used. Moreover, guarantees have been provided for exports to international yards in connection with the export of equipment for ships and rigs. The total liability related to the export of ship gear at the close of 2004 was about NOK 1.4 billion.

Given that GIEK only takes part in the financing of ships and rigs built in Norway, together with ships and rigs built abroad with a large share of Norwegian equipment, the portfolio of guarantees for ships and/or rigs will be somewhat random and skewed. At the close of 2004, 44.5 per cent of GIEK's liability in the ship sector was tied up in offshore vessels, 28.5 per cent in passenger ships and/or ferries and 11.5 per cent in oil platforms. Tankers, dry bulk vessels, ro-ro ships and container ships constituted less than one per cent each of the total liability.

SPECIAL SHIPS

GIEK has also guaranteed loans in connection with a number of special ships, probably because it has often been difficult to obtain normal bank financing for projects of this kind. Special ships and projects in which GIEK has been involved include the first Ramform vessel to PGS, the SeaLaunch platform, and "Navis Explorer II", which has been renamed "Belford Dolphin".

GIEK also provides other types of guarantees beside a guarantee of proper loan servicing in order to promote activities in the maritime sector. These may include guarantees for payment under charter parties that Norwegian shipping companies have abroad and guarantees for licenses that are sold from Norway.

COUNTER-GUARANTEES

GIEK also counter-guarantees with the bank on a 50/50 basis for advances from shipyard customers, and we also provide other guarantees with the yard serving as the point of risk. Starting in 2005, GIEK has expanded its scope of operations by also taking part in construction loans to Norwegian shipyards, cf. article opposite page.

GIEK's involvement in the maritime sector since 1993 may be regarded as successful. A number of profitable projects have been achieved. The losses have not been any greater than in other sectors, and the net premium income from all of these guarantees related to ships, offshore activities, equipment and services is considerable. There are large fluctuations in these markets, and the potential losses are great. GIEK is not aware of any significant impending losses in their ship portfolio.

Deliveries to Color Fantasy

NORWEGIAN SHARE: GIEK has counter-guaranteed the Norwegian deliveries to Color Fantasy.

Guarantees from GIEK have been one of the reasons why there is a lot of Norwegian equipment on Color Line's new flagship, M/S Color Fantasy.

M/S Color Fantasy was delivered from the shipyard, Kværner Masa-Yards, in Finland in December 2004 and sails regularly on the Oslo-Kiel route. With space for 2,750 passengers and 750 cars, it is the world's largest cruise ship with a car deck.

The shipping company has invested a total of EUR 302 million, roughly NOK 2.5 billion, in this new ship. EUR 242 million of this amount have been financed by loan, with Deutsche Bank acting as the lead manager and lender. The loan has a 12-year maturity. The Finnish guarantee institute, Finnvera, has provided guarantees for a total of EUR 172 million in connection with the borrowing.

In order to cover purchases of Norwegian equipment and services, GIEK has counter-guaranteed with Finnvera for seven per cent of the total guarantee amount, which corresponds to the percentage of Norwegian deliveries. "It was useful to include GIEK in the efforts to get the final financing in place. GIEK's contribution made the whole transaction easier," says finance manager Bjørn Paulsen of the Color Group.

New guarantee scheme for shipbuilding loans

In order to make the Norwegian shipbuilding industry more competitive, the Norwegian Storting has approved the introduction of a new guarantee scheme for construction loans to shipyards starting in 2005. This scheme is to be administered by GIEK.

The scheme has an NOK 2.5 billion ceiling for state support. Within this limit, guarantees may be provided to the yards' building loan banks. The scheme is required to break even over time. The financing of the delivery must be in place before a guarantee can be provided.

The scheme covers all types of ships and is not limited to export contracts. Therefore it has a broader scope than GIEK's export schemes. Applications have already been received under the new scheme.

Ensured special delivery to China with GIEK guarantees

Odim ASA, located in Hjørungavåg in the Sunnmøre district, secured its first big contract in China with guarantees from GIEK.

The contract, which is for over NOK 40 million, covers cable handling equipment for seismic vessels belonging to the state-owned shipping company, China Oilfield Services. The contract was signed in 2004 with delivery scheduled for 2005. The cable handling equipment is adapted to a great extent to the customer's requirements for technical solutions. The delivery was secured with a contract guarantee, which took care of security for settlement up to delivery.

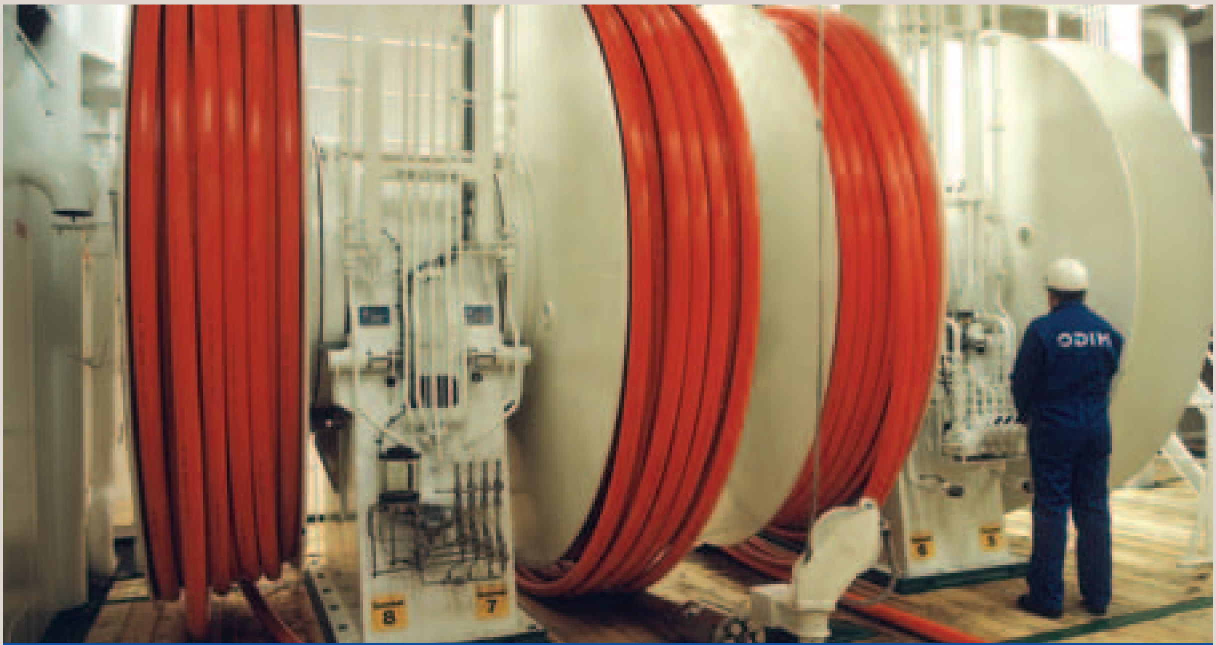
The contract also includes a small amount of credit from Odim ASA during the period until the vessel is ready for delivery from the yard.

This credit is secured with a supplier's credit guarantee from GIEK.

"The GIEK guarantees limit our risk in these kinds of projects and are an important aid that enables us to enter into contracts of this kind," says financial director Arild Hatløy of Odim ASA.

Odim is also the unquestioned world-leading supplier of winches and other cable handling equipment for seismic vessels. Their market share on a global basis comes to almost 80 per cent.

The company will continue its marketing efforts in China. "This is an interesting market that may continue to be important for Odim in the coming years," says Hatløy.



SPECIAL DELIVERIES: Cable handling equipment for seismic vessels.

Recovering claims

When problems arise in an engagement, GIEK makes an active effort to limit losses. As in previous years, GIEK had a number of problem cases in 2004. In some of these cases, solutions were worked out, so that claims were avoided. In other cases, GIEK has paid compensation to the exporter or the exporter's bank.

As a main rule, the compensation is paid when the relevant loans fall due so that the payments may stretch over several years. In 2004, NOK 96 million were paid in compensation under the General Guarantee Scheme.

The lion's share of the compensation in 2004 was due to insolvency in a major telecom project in Mexico. There will be a number of payments in connection with this insolvency. Together with the lender, GIEK is involved in negotiations on the restructuring of the residual loan and recovery of the claims that have arisen in connection with the compensation.

Two fishery projects, the reconstruction of a fishing boat and a cold storage facility in Murmansk, have also been hard hit by insolvency and claims payments. With regard to the fishing vessel, the mortgage debt was sold at a loss. In the case of the cold storage facility, the recovery prospects are still uncertain.

Among claims arising from political risk, the largest amounts relate, as in previous years, to Pakistan and Zimbabwe. The recovery situation, however, varies greatly in these two countries. Pakistan has entered into a repayment agreement and is following it punctually. Zimbabwe shows no desire to negotiate with its creditors, and no payments have been received from Zimbabwe. The political situation in the country is deadlocked, and the very size of the growing indebtedness may prove impossible to handle for any new regime that comes to power in the future. It is not improbable that some of the country's debt will then be written off. As with Pakistan, Indonesia has also entered into a repayment agreement and is following it punctually.

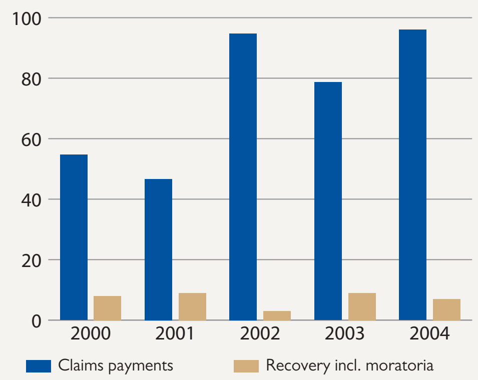
Payments of loss-limiting expenses have also been made under political risk in connection with a major infrastructure project where the Dominican Republic is the buyer. The construction was more expensive than expected, and negotiations are underway to handle the extra costs. It is expected that this case will be resolved in the near future, with some loss incurred by GIEK.

GIEK has also paid compensation for losses under an investment guarantee provided as reassurance to MIGA (the World Bank's Multilateral Investment Guarantee Agency). The payment concerns damages caused in terrorist actions by Maoist rebels in Nepal.

In addition, a little over NOK three million has been paid in connection with a number of minor cases in which GIEK acts as a reinsurer for GIEK Kredittforsikring AS.

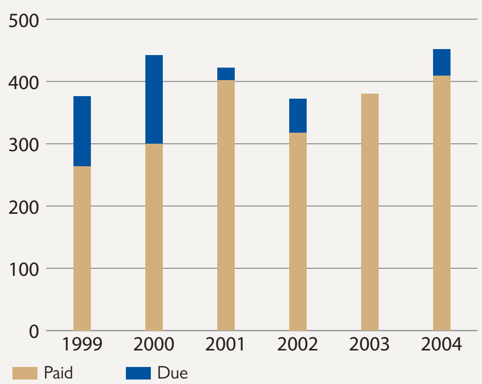
The recoveries under the General Guarantee Scheme amount to about NOK seven million. These mainly consist of payments under the international debt agreements with Indonesia and Pakistan.

Claims payments and recovery
- General Guarantee Scheme
NOK million



The claims payments increased from NOK 78.7 million in 2003 to NOK 96 million in 2004.

Payments under debt relief accords
– all GIEK schemes
NOK million



The debt relief accords have led to cancellation of some debts to certain less developed countries (HIPC) in 2004. GIEK has old claims worth over NOK 220 million that are not yet included in debt accords.

Information, environment and ethics on the agenda

...... In 2004, GIEK's website was revised. Emphasis has been given to making the website a simple, practical tool for providing information about procedures and country cover policy, premium assessments and relevant questions.

...... GIEK's guidelines for the environment shall be revised in lieu of experiences and needs in the autumn of 2005. The body of regulations that are currently in force are in accordance with the OECD`s recommendations. There is considerable focus on this internationally, and in the OECD active efforts are being made by the guarantee institutes to establish as equal attitudes as possible to the challenges we are facing.

...... How states and guarantee institutes are to deal with corruption in connection with export contracts was again the focus of considerable public debate in 2004. GIEK is following the OECD's recommendations, and a special declaration to this effect must be signed by the company before it may be given any guarantees. The guarantee institutes are currently discussing in the OECD whether to set a maximum amount that may be accepted in a case for commissions, etc. It is also being discussed whether corruption shall entail that coverage cannot be claimed, fully or partially, from a guarantee, regardless of who has derived benefits from it.

RENEWED: GIEK's website was revised in 2005.

...... The public relations activities increased in 2004 with more meetings with companies and trade organisations. Particular emphasis was given to increased follow-up of the shipbuilding industry and the oil and gas-related industry.

...... The newsletter, Eksportøren, is issued four times yearly in a circulation of 2000 copies.

...... GIEK has had ethical guidelines for GIEK Kredittforsikring AS for a number of years. These guidelines are also being drawn up for the public enterprise, GIEK, and we expect that they can be approved during the first half of 2005. The proposals and studies that have been made in the government and other public agencies make a valuable contribution to this work.

GIEK Kredittforsikring AS:Guaranteeing short-term credit

GIEK's wholly owned subsidiary, GIEK Kredittforsikring AS (GK), guarantees customer credit with a maturity of up to two years.

The company is run according to common business principles. GK mainly insures claims on foreign buyers. Under certain conditions, claims on Norwegian buyers that are included in the export company's portfolio may also be insured. Moreover, the company may guarantee so-called pre-delivery risk, i.e. the costs accruing prior to delivery, provided that the total risk period (production period plus credit period) does not exceed two years. The cover will insure maximum 90 per cent of the claim in question.

GK will cover risks in the OECD countries (marketable risk) and also in other countries (non-marketable risk). The latter risk is reassured in GIEK, while the other risk is reassured in the private market. GK has been operated in its present form as a commercial corporation since 2001.

On the whole, GK achieved a good profit in 2004, reporting a total guarantee volume of NOK 12.9 billion. Premium revenues rose by 12 per cent to NOK 33.2 million. The profit for the year was NOK 3.8 million.

One of GK's main objectives is to offer risk cover to small and medium-sized export companies. This group accounts for over 80 per cent of the number of policies. All together, GK insures sales of about 200 Norwegian export companies, especially in the fish, paper and metal products industries.

Over 80 % of the guaranteed sales are made to buyers in the OECD countries, with Germany, Britain, Italy and France the main takers.

The Developing Country Scheme fully utilised

The Developing Country Scheme guarantees credits and investments in developing countries where the risk is deemed to be too high for the guarantees to be provided under the General Guarantee Scheme.

A guarantee application must meet certain criteria in order to be considered under the Developing Country Scheme. First and foremost, the buyer must have the necessary credit-worthiness. Moreover, the export must go to one of the least prosperous middle-income countries or a low-income country. The sale or investment must simultaneously have a development-promoting effect, which will be assessed by the Norwegian Agency for Development Cooperation (NORAD).

NEW GUARANTEES AND OFFERS

The scheme has an exposure limit for GIEK's guarantees and offers of NOK 1.5 billion. This limit has for the most part been fully utilised in recent years. In 2003, a large offer was invalidated so that capacity was freed up for new cases. This resulted in many new applications, two new policies and ten new offers in 2004.

PRIMARY CAPITAL FUND COVERS INCREASED RISK

GIEK's increased risk in the Developing Country Scheme is covered by a separate loss fund. At year-end, there was NOK 265 million in the fund, after NOK 12 million of the capital in the fund was used during the year.

NEW LIMIT

In 2004, it was decided that GIEK's liability for guarantees and offers shall not be greater than five times the amount on deposit in the loss fund. Thus, with a fund of NOK 265 million, GIEK's liability may not exceed NOK 1325 million. When existing offers are included, the outstanding liability came to NOK 1380 million in 2004. Hence, GIEK regards the scheme as fully utilised. If the offers are converted to guarantees, however, the scheme may receive sizeable infusions of premiums, which to a great extent may be deposited in the primary capital fund. This will free up new capacity in the scheme.

THE DEVELOPING COUNTRY SCHEME

Liability by country (NOK 1000)

Albania	**145 881**
Nepal	**123 875**
Angola	**56 639**
Honduras	**51 890**
Macedonia	**32 523**
Lesotho	**21 077**
Pakistan	**12 415**
Mozambique	**8 486**
The Maldives	**5 519**
Uganda	**5 235**

Key figures for the Developing Country Scheme

During year, figures in NOK 1000	2004	2003	2002
New applications	251 824	877 200	76 400
New offers	692 468	490 200	219 400
Increase in guarantee liability	21 834	2 800	10 700
Premium income	3 711	3 984	4 697
Claims compensation	11 657	11 066	7 301
Operating surplus/deficit	27 649	22 776	30 619
Annual surplus/deficit	35 733	29 812	27 338
At year-end			
Outstanding offers	906 819	490 200	782 100
Outstanding guarantee liability	473 729	545 900	741 100
Provisions for contingent liabilities	36 411	70 415	98 897
Outstanding receivables	57 984	56 976	53 193
Claims provisions on receivables	16 741	17 159	16 022

New tender guarantee scheme

To mitigate the risk for tenders in aid-financed projects, a new tender guarantee scheme was established in cooperation with Norfund in the autumn of 2004.

The new scheme only covers tenders in countries that can borrow from the World Bank. Priority is given to the so-called least-developed countries (LDCs) and Norway's partner countries.

However, the scheme may only cover projects that are financed by Official Development Aid (ODA) funds from Norway, other OECD countries or multilateral development and financial institutions, and that can be reported to the OECD as development aid.

The scheme requires that tender expenses are at least NOK 80,000. The maximum cover rate is 50 per cent of the total tender expenses, with an upper ceiling of NOK 250,000. No premium is charged for the tender guarantee. The scheme is financed by Norfund.

Expenses that may be compensated must have a direct connection to the preparation of the tender, e.g. travel and accommodation expenses, wages, and consulting fees. Compensation will be based on the official rates for the Norwegian government and the industrial and commercial schemes. Expenses in connection with preliminary studies will not be covered.

Melting furnace to Bhutan

In fierce international competition, Vatvedt Mekaniske Verksted in Sarpsborg, Norway won a contract worth NOK 57.5 million for export of a melting furnace to Bhutan in 2004.

The contract encompasses both the delivery of a melting furnace and engineering work. 85 per cent of the contract amount is financed by loan with a Buyer's Credit Guarantee from GIEK. The loan has a ten-year maturity. The lender is Eksportfinans. "The price we could offer was a decisive reason why we won this contract, so GIEK's guarantee meant a lot for the total result. They made it much easier for us to come up with a competitive solution," says Managing Director Ole Christian Vatvedt.

The customer in Bhutan, Bhutan Ferro Alloys, also had good experience with the previous melting furnace from the Sarpsborg company. It was delivered in 1992 through the now defunct company, Elkem Technology – that time as well with GIEK guarantees.

With only 600,000 inhabitants, the Kingdom of Bhutan is in many ways a special market, with limited international trade. "Although the negotiations took time, the whole agreement process went very well," says Vatvedt.

In recent years, Vatvedt Mekaniske Verksted has made a forceful commitment to exports, e.g. with a separate office in Tunisia. In addition to the Bhutan deal, the company has won contracts in India, Iran and Brazil. It has 70 employees. "Now we are planning to expand. Moreover, we have no plans to outsource production. We firmly believe that we can be just as competitive with all of our main operations located in Norway," says Vatvedt.

BIG CONTRACT: The melting furnace from Vatvedt Mekaniske Verksted will be used in this plant.

Guarantor in a time of change

Orderly and open decision-making processes. Sound principles for credit and risk assessment. Clear division of roles in relation to the authorities. These have been the most important guiding principles for Erling Naper's 16-year period as the head of GIEK. During this period GIEK's activities have undergone major changes, from close ties to the Ministry – including representation on the Board – to an internationally competitive and largely independent operating structure. The 69-year-old has now decided to retire on 31st May.

"You are to take higher risks than the banks without losing any money." This pointedly-worded instruction indicates that it was no simple task that Naper took on when he assumed the top post at GIEK in 1989 after 25 years in banking, beginning with seven years at Hambros Bank in London and then at DnC, where he rose to deputy managing director. He nevertheless knew what he was getting into, after serving several years on the board of GIEK as a representative of the Norwegian Bankers' Association.

At that time, GIEK was still marked by the aftermath of the Ship Export Campaign dating from the end of the 1970s. This had led to some major belt tightening, requiring equal sharing of risk with private actors and what amounted to a ban on participating in the export of ships. GIEK consequently had one of the most restrictive sets of rules in the world at that time, which resulted in a pronounced decline in guarantees furnished for long-term credits, and, not least, weaker Norwegian competitiveness.

NET-BUDGETED PUBLIC ENTERPRISE

Under pressure from several quarters – with the export industries in the lead – the Storting acted in 1993 to approve a new set of rules for GIEK, which took effect 1st January 1994. Once again, GIEK was given operating conditions that were on par with those found in similar agencies abroad. Among other things, its form of governance was changed. GIEK became a net-budgeted public enterprise with a professional board that would take the final credit decisions. The principle of equal sharing of risk was abandoned and GIEK could once again issue guarantees for exports of ships.

However, GIEK did not receive equity or a fund for risk-taking; it was just given an operating requirement that it was sufficient for operations to break even over time. All losses in the starting phase would thus be charged to the Treasury. At the same time, risks had to be taken so that GIEK could fulfil its duties as an institute for promoting exports. "In such a situation it was good to have a board that nonetheless dared to take risks," says Naper, who hastened to add: "Even if our policy beneficiaries were always secure – our guarantees are a direct obligation for the Norwegian State – the board nevertheless would have liked to have had the backing of a fund. It always had to have the balance requirement in mind."

BUILT UP ITS OWN FUND

In the ten years that have elapsed since the start of the new GIEK in 1994, GIEK has built up loss provisions and funds totalling over NOK 900 million – thereby enabling the board to write in its annual reports that both the balance sheet and export promotion requirements have been met.

"Some people might say that we have been too strict – that we haven't taken risks that we should have taken. That may be so. However, I believe that there are very few cases where a company has lost contracts because of a rejection from us. Anyway, based on our overall liability, with policies and offers totalling over NOK 22 billion, a buffer of NOK 900 million is not more than we have to have to stand on solid ground. Not least, such a fund is important for enabling us to provide the necessary offers. An offer is free of charge even if we are assuming an obligation," says Naper. "Seen in relation to our fund build-up, I also believe that our "owners" have the clear impression that we have been careful and have run a tight ship, protecting our funds," he added.

THOROUGHNESS A KEYWORD

The lack of a financial buffer made it extra important to have adequate routines and principles for credit assessment from the very start. The byword in this context has been thoroughness, and Naper has a rule for such work that probably fits risk assessment much better than other questions: "I always also try to present the negative aspects of a case."

The board, which makes the decisions in all major guarantee cases, must have a complete decision-making basis, he insists. "Mutual trust between the management and the board is crucial, and I am happy to say that I have had a very good working relationship with the boards and not least board chairmen Ole Lund, Hans Bendiksby, Harald Arnkværn and Bjørn Kaldhol.

POLITICAL DISTANCE

Naper also points out that the board's independence is a key factor in the Norwegian export guarantee system. "Keeping a distance from politics has been good for Norway and GIEK, and, in my opinion, for the politicians too. The Ministry of Trade and Industry has insisted that GIEK should have simple governance parameters and that the responsibility for living up to them resides with the board. Nevertheless, GIEK must of course also listen to and understand political signals, and incorporate them into our assessments of countries and cases. Should the day ever come where there is a political desire to take control of individual applications and guarantees, then it's time to ask whether there isn't also a need for a different form of organisation."

OPEN DECISIONS: "The assurance that a credit assessment has been done thoroughly and independently is one of the best things we can give our customers," says Managing Director Erling Naper.

CRUCIAL DIVISION OF ROLES

In keeping with this thought, the division of roles in relation to the government and customer groups is a crucial point for Naper. "We need to have clear procedural rules, call them corporate governance rules if you will, so that no one can cast doubts over our impartiality and ability to keep our roles separate. At the same time it is extremely important that government measures are not mixed into a common "soup." If GIEK's operating structure and monetary flows are not transparent to the outside world, we will quickly earn a negative reputation and could be accused of subsidising and distorting competition. We have enough problems with accusations of dumping in this country," he says, continuing: "We must not repeat the mistakes of the Ship Export Campaign. Everyone benefits from orderly and open decision-making processes, not least customers. The assurance that a credit assessment has been done thoroughly and independently is one of the best things we can give our customers. It takes courage to say no, nevertheless we sometimes have a duty to do it. We are not an aid agency; the credits have to be repaid."

The division of roles is also clear with respect to GIEK's subsidiary, GIEK Kredittforsikring AS (GK), which was formed as a separate company pursuant to EU and ESA requirements. GIEK Kredittforsikring deals with short-term customer credit insurance, while GIEK is responsible for the long-term guarantees. "The demand for GK's products has shown that there is a large need to give SMBs good product offerings: the market share is considerable. It is also a great advantage for Norwegian companies and banks that GIEK can offer a full range of insurance and guarantees. This makes it simple for the customers. At the same time it provides political assurance that competition exists in the market," maintains Naper.

INTERNATIONAL COOPERATION BETWEEN PRACTITIONERS

He has also held international offices such as president and vice-president of the Berne Union (the International Union of Credit and Investment Insurers), with members from over 40 countries from every continent. Most of these members act on behalf of their country's government. "The activities of the Berne Union are a collaboration between practitioners, and if we are to remain updated on international developments in guarantee work it is essential that we actively participate in these efforts. My years with the Berne Union convinced me that this is important for Norway and GIEK," says Naper, adding: "The international aspect is also essential for our and our owners' decisions. Short-term Norwegian views based on budgetary considerations or guarantee principles must not put us out of step with what is offered in other countries. The removal of the tender guarantee scheme during its time is unfortunately an example of this."

CAPABLE STAFF

GIEK would not have been where it is today without its capable staff. Given his long record of service in both the private and public sectors, Naper concludes that know-how and work ethics in government agencies do not lag behind those found in the private sector.

GREATER COOPERATION WITH INTERNATIONAL BANKS

A clear trend both abroad and at home is an increasing sharing of risk by guarantee institutes, banks and the companies themselves. The pure political guarantees are not used as often as before because more and more governments see the benefits of keeping their houses in order, while the more project-oriented guarantee cases are increasing in both number and volume. In such cases in particular it is important to have partners with firsthand knowledge of both the actors and market, and who are also willing to take a risk. "It is refreshing that so many international banks now want to work with us. Working with a bank that is willing to take risks is in itself a positive experience. We are now fortunately seeing that the willingness to take risks is also on the way up in Norwegian banks," says Naper.

INTERNAL UPGRADING

Internally GIEK has taken a giant leap forward with the introduction of a completely new accounting and business system. The system simplifies labour-intensive processes, cutting down processing time. However, it has taken tens of thousands of internal hours to get the system up and running. "We are proud of the fact that its implementation has not affected our customers. On the other hand, it would have been good to have used these resources to reach new customer groups. But now everything is in place. I am certain that my successor will find that it is a good tool," says Naper, who in early summer will turn over GIEK's helm to Wenche Nistad.

Report of the Board of Directors 2004

2004 was once again an active year for GIEK. The value of new applications and new offers increased sharply. The outstanding guarantee liability was record high at year-end.

GIEK contributed to new export contracts valued at NOK 7.6 billion in 2004. Liability for these new policies was NOK 3.5 billion, up from NOK 3.2 billion the year before. In addition, over NOK 3 billion worth of policies were issued against losses on investments. GIEK's subsidiary, GIEK Kredittforsikring AS, insured a further NOK 11.7 billion worth of export contracts. GIEK's principal aim of promoting Norwegian exports and Norwegian investments abroad by issuing guarantees was therefore achieved in 2004.

The Board also deems operations to be consistant with the goal of breaking even over time. The annual profit for the General Scheme last year was NOK 58 million.

Potential liability relating to new offers under GIEK's General Scheme was NOK 18 billion, a substantial increase from the year before. There was also a surge of new applications involving some considerable amounts. The Board views this as an expression of Norwegian exporters' continued need to cover the risk in their operations.

At the turn of the year, outstanding offers and current policies tied up NOK 22 billion, out of a limit of 40 billion. This is NOK 8 billion more than the year before. The majority of loans covered by GIEK are in foreign currencies, mainly US dollars. Currency fluctuations therefore have an impact on the overall guarantee liability. Without the weakening of the dollar through the year the increase in the guarantee liability would have been higher in 2004.

Changes in the exchange rate also have an impact on the overall risk level of the guarantee portfolio. With the weakened dollar and a more robust economic situation in important markets, the risk level was assessed as being lower than the year before, so that the provision for losses – calculated as a percentage of the total guarantee liability – was reduced in 2004. The Board considers the provision for contingent liabilities to be satisfactory.

The EU's enlargement by ten new countries will not have any impact on GIEK other than that the reinsured volume from GK Kredittforsikring AS will be significantly reduced, beginning in 2005. The premium revenues from these operations will be correspondingly smaller, but this will not have any great significance for GIEK's overall revenues.

For many years the shipbuilding industry has worked actively to establish a shipbuilding loan guarantee scheme that could make the industry more competitive. The Storting has decided to introduce such a system from 2005. The administration of the scheme has been assigned to GIEK, and could present interesting challenges. Through the shipbuilding loan guarantee scheme, guarantees can be issued to the banks providing construction loans to Norwegian shipyards, with a relief rate of up to 50 per cent. This may make it easier to obtain financing for new projects at Norwegian shipyards. The scheme has a ceiling of NOK 2.5 billion.

In 2004 a new tender guarantee scheme was introduced for relieving the risk in connection with tenders for development assistance-financed projects. The scheme only covers tenders in countries that can borrow from the World Bank. Funded and accounted for by Norfund, it will be administered by GIEK under an agreement between GIEK and Norfund.

Being able to offer guarantee terms and conditions that are competitive with terms at similar agencies in other countries is important to GIEK. GIEK therefore supports international cooperation on harmonising the rules for government guarantees and credit insurance. In 2004 GIEK was actively engaged in the work of the OECD's Export Credit Group, the Berne Union, the Paris Club and other international fora. In May 2004 GIEK hosted the Berne Union's spring meeting, which was held in Oslo.

Environmental protection plays a part in the assessment of guarantee cases. In processing of individual applications the environmental impact is assessed. In line with international guidelines all guarantee applications are split into three categories according to environmental impact. The most stringent of these categories requires a full environmental review of the project, including the preparation of an environmental programme, before a guarantee can be given. GIEK also submits an annual report to the OECD on its environmental assessments.

The Board is satisfied with the results of GIEK's customer satisfaction survey in 2004, which showed that customers found GIEK to be service-minded, thorough and trustworthy. At the same time it provided useful input for improvment, thereby setting the terms for the Board's further work on strategy.

In cooperation with Eksportfinans, GIEK organised yet another successful Open House in 2004, attended by just over 300 customers and contact persons. A brochure on GIEK's long history was prepared in connection with our 75th anniversary.

FRAMEWORK CONDITIONS

In the opinion of the Board, GIEK's working conditions and operating environment are well suited to the international competitive situation. International comparisons show that GIEK's guarantee terms are on par with what the customer can obtain in other Western European countries. One of GIEK's expressed objectives is for Norwegian exporters to have guarantee terms that are just as good as those of their international competitors. Overall, there were no major changes in GIEK's general competitive situation in 2004. International cooperation with other guarantee institutes on common guarantee agreements have made it simple for Norwegian exporters to obtain guarantees covering the sale of products from different manufacturing countries. Based on a joint Nordic reinsurance agreement, a new agreement was signed in 2004 with the Czech and Estonian guarantee institutes.

In the effort to forgive the debts of Heavily Indebted Poor Countries, which primarily takes place through the Paris Club, an ever greater emphasis is now being placed on the development assistance policy aspects, in line with government guidelines. However, in some cases, such politically determined debt forgiveness will cover claims under GIEK's operative schemes, and thus also have an impact on ordinary guarantee activities. The Board assumes that GIEK will be compensated for all politically determined debt forgiveness.

The majority of all loans covered by GIEK's guarantees are in foreign currencies, while GIEK's financial assets are in Norwegian kroner. Fluctuations in exchange rates thus have a direct impact on GIEK's financial stability. For this reason, GIEK has applied to the authorities to place portions of its reserves in foreign currency.

As of 1st January 2005 GIEK has three operative schemes, the General Guarantee Scheme, Developing Country Scheme, and Tender Guarantee Scheme. The Shipbuilding Loan Guarantee Scheme will be operative in the beginning of 2005.

GENERAL GUARANTEE SCHEME

The General Guarantee Scheme's profit came to NOK 58 million, a reduction of NOK 52 million from 2003. The reduction was caused by lower interest income and estimated exchange rate losses on receivables from foreign states plus lower moratorium income. Premium revenues increased compared with the previous year, and accrued claims expenses were reduced.

Seen in relation to these external factors, the Board is well satisfied with the annual profit, which in its entirety will be added to equity.

The number of applications received and processed fell compared with the previous year, while the overall amount applied for rose sharply. Looking at it from a longer perspective, 2003 appears to be an anomaly. A few large individual applications in Eastern Europe made a significant contribution to the sharp growth in guarantees applied for and offered in 2004. However, the average size of the applications in 2004 would have been high compared to the average of recent years even without these large individual applications. The Board has since been informed that the exporter did not win the large contracts.

GIEK has many small and medium-sized companies as customers. Quite often packages are put together where only one of the exporters is listed as the guarantee beneficiary. A substantial number of small companies therefore benefit from GIEK's guarantees, without this fact showing up in GIEK's summaries.

GIEK has been building up a loss fund for the General Guarantee Scheme since 1994, when the scheme was founded without starting capital from the government. The fund is shown on the balance sheet as the sum of equity plus provisions for guarantee liabilities. The provision for guarantee liabilities represents expected losses. At the turn of the year the fund totalled NOK 920 million, NOK 63 million more than at the same time the year before. This represents 7.5 per cent of GIEK's outstanding liabilities. This is a small decline from the year before, when the corresponding share was 7.8 per cent. The Board considers this to be sufficient. However, the reserves over and above expected losses are modest. The Board sees a need to strengthen equity over time in order to withstand large individual losses and short-term fluctuations.

Disbursements on claims amounted to NOK 96 million in 2004. This represents an increase of NOK 17 million from the previous year. The payments are largely due to claims for political risk in Pakistan and Zimbabwe and to a commercial claim in Mexico. Payment problems also arose in connection with certain larger commitments with commercial risk. GIEK is closely monitoring the problem cases and is working actively to avoid losses. In making the provisions the Board pays special consideration to impaired cases.

BJØRN KALDHOL, CHAIRMAN OF THE BOARD
Chairman of the board of University Hospital in Northern Norway HF. Chairman of the board of GIEK Kredittforsikring AS. Various board positions in Norwegian companies and institutions. Former Managing Director of Troms Fylkes Dampskibselskap, TFDS. Member of GIEK's board since 1st January 1998. Took over as chairman of the board of GIEK on 1st April 2003.

ASBJØRN BIRKELAND
Managing Director of Data Invest AS in Bergen, an investment and holding company in electronics and telecommunications. Member of the board of Posten Norge AS, Ergo Group AS and AxxessIT. Former Group Managing Director of NERA ASA. Joined GIEK's board on 1st January 2005.

MARIANNE KARTUM
Attorney practising with Vogt & Wiig Trondheim AS. Joined GIEK's board on 1st April 2003.

Photos: John Petter Reinertesen

GIEK had to make claims payments in connection with cases relating to Pakistan and Zimbabwe. International debt relief accords, so-called moratorium agreements, were signed earlier with Pakistan and Indonesia, and these countries are now paying in full accordance with adopted repayment plans. In the case of Zimbabwe no clarification or payment is expected any time soon, and it is uncertain whether all the claims can be recovered. The Board regards the recovery of debt as an important task for GIEK, and it will continue to place strong emphasis on this work in the future. All defaults are closely monitored to avoid losses. In all, just under NOK 10 million was recovered under the scheme in 2004.

Sixty-five per cent of current offers and outstanding liabilities are related to government buyers and 35 per cent to private buyers. With respect to industries, risk exposure is greatest in projects linked to shipbuilding. The share of guarantees in connection with ship-building rose from 17 per cent in 2003 to 36 per cent in 2004. In recent years the share has ranged between these two numbers. The Board is keeping a special eye on the ship portfolio and considers the overall risk in the portfolio to be limited.

DEVELOPING COUNTRY SCHEME

The Developing Country Scheme was reopened for new applications after capacity was freed in the scheme in 2003 following the lapsing of a major offer. This resulted in ten new offers and two new policies in 2004.

Operating profit came to NOK 27.6 million and annual profit amounted to NOK 35.7 million in 2004.

The scheme's special loss fund, which at establishment was NOK 300 million, amounted to NOK 265 million at year-end. The fund was reduced by all together NOK 12 million in 2004.

The special loss fund is managed and accounted for by the Ministry of Trade and Industry. The fund is not included in the scheme's balance sheet, nor is accrued interest returned to the fund. Excluding the special loss fund the equity in the scheme is negative.

Due to the large number of applications to the Developing Country Scheme, the Board has, for several years, recommended an increase in the exposure limit, which totals NOK 1.5 billion, though it has not been granted. It was decided in 2004 that the liability limit should not exceed five times the balance of the primary capital fund. This means that at year-end the scheme was once again fully utilised.

CIS/BALTIC STATES SCHEME

New offers are not given under the scheme. The development of the portfolio is satisfactory. In 2004, NOK 88 million was transferred to the Treasury.

OLD PORTFOLIO

The operating profit of the Old Portfolio amounted to NOK 250 million in 2004. After transferring NOK 323 million to the Treasury the scheme's annual result came to a deficit of NOK -137 million. The Old Portfolio consists of several defunct schemes under which no more guarantees are issued. All of these schemes date from the period before GIEK's reorganisation in 1994. GIEK's activities under the Old Portfolio largely consist of collecting outstanding claims through the Paris Club, but the liabilities for Venezuela and Indonesia will remain outstanding for a long time.

Claims in the Old Portfolio amounted to NOK 3.8 billion at the end of 2004, compared with NOK 4.3 billion at the same time the year before. The claims volume is being reduced annually as the result of repayments and politically determined cancellation of debt.

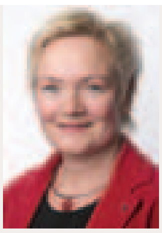
A number of different debt relief accords are tied to the claims volume in the Old Portfolio. The terms governing these agreements are complicated and subject to continual change. The Board would therefore like to point out that the work on these agreements lays claim to significant administrative resources in GIEK.

GIEK KREDITTFORSIKRING AS

GIEK's wholly owned subsidiary, GIEK Kredittforsikring AS (GK), offers credit insurance with terms of under two years, and operates on a commercial basis in the market. It is a limited company whose principal object is to offer risk cover to small and medium-sized export businesses. This group made up more than 80 per cent of customer volume in 2004. This level remains stable. Profit for the year was NOK 3.8 million, 2 million of which was declared in dividend. Results of this fourth year of operations are deemed satisfactory. Premium revenues were somewhat higher than budgeted and were 12 per cent higher than the year before. Claims have been moderate, and the claim volume has been reduced further.

RITA LEKANG
Trades Union Congress Secretary, Norwegian Federation of Trade Unions (LO). Various board positions including Odin Forvaltning AS. Member of GIEK's board since 1st January 2001.

GISÈLE MARCHAND
Managing Director of Norwegian State Pensions Fund. Vice chairman of the board of Innovasjon Norge, member of the boards of Norske Skog ASA, EDB Business Partner ASA and GIEK Kredittforsikring AS. Former Managing Director of the Bates advertising group. Various senior management positions at DnB. Joined GIEK's board on 1st April 2003.



SANDRA RIISE
Managing Director of Norwegian Association of Registered Accountants. Member of the board of GIEK Kredittforsikring AS. Former municipal executive in Andøy Municipality. Member of GIEK's board since 1st January 1999.

OTTO SØBERG
Executive Vice President/COO of Siemens AS. Former Vice Managing Director of Bravida. Various senior management positions at Kværner. Joined GIEK's board on 1st April 2003.

The risks outside the OECD area - so-called non marketable risk - were reinsured by GIEK. In 2004, this insurance produced a net profit of NOK 3.1 million for GIEK. In consequence of the enlargement of the EU ten new member countries were redefined from non-marketable risk to marketable risk in 2004. Beginning in 2005 exports to these countries will be reinsured in the private reinsurance market.

ORGANISATION

In 2004 Managing Director Erling Naper announced that he would retire. The Board has appointed Wenche Nistad as the new managing director. She will assume her duties on 1st June 2005.

Thor Listau retired as board member at the end of the year. He had served on the Board since 20th October 1993. Asbjørn Birkeland was appointed new member of the Board until 31st December 2008. Sandra Riise and Rita Lekang were reappointed to serve until 31st December 2008.

The Board met 13 times in 2004.

At year-end, GIEK had 39 staff members, 19 women and 20 men, totalling 37.2 full-time equivalents. Eighty-seven per cent of the staff have a higher education. GIEK is a stable workplace with a low turnover. No one resigned in 2004. Absence due to illness was 4.9 per cent in 2004.

Four of the seven members of GIEK's board are women. The management consists of two women and four men. Seventy-four per cent of women employees have a higher education while all of the male employees have one. Total administrative expenses amounted to NOK 39 million, NOK 5.8 million more than in 2002. The growth in costs is within budget. Most of the increase is due to final settlement for GIEK's new accounting and business system, which was charged to the 2004 accounts.

Installed in early 2004, the new accounting and business system is a highly suitable tool. It simplifies labour-intensive processes and makes the whole process of filing applications easier for customers. The implementation of the system was a huge undertaking for GIEK and required considerably more internal resources than estimated. Beyond this, the cost overruns have been modest. The Board is pleased that this process has not had a detrimental impact on GIEK's service to its customers. The administration deserves a thank you for the large amount of work it invested in this project.

GIEK revised its website in 2004. The redesign has made the site more user friendly and informative. Among other things, customers can now download application forms and submit sales statements and credit limit applications via the site.

FUTURE PROSPECTS

In the Board's view, ensuring Norwegian exporters an efficient, predictable, timely and competitive guarantee offer is an important task. This requires flexibility and ability to remain focused on GIEK's primary mission.

The Board will emphasise maintaining a professional staff to ensure accommodation, thoroughness and orderliness in application processing. GIEK shall concentrate fully on its core activity, which is to provide export and investment guarantees.

It is also the Board's opinion that GIEK shall take advantage of the opportunities laid out in its Articles of Association, to the extent that they serve the purpose of promoting Norwegian exports. However, the level of risk shall not be increased.

The work of providing information about rules, terms and conditions, risk criteria and cover policy shall be bolstered. For the Board it is important to make GIEK better known among new groups of exporters and other industries than those that have traditionally been among the most frequent users of GIEK's guarantees. This applies in particular to the many small new "knowledge-based" exporters, who will have a clear need for risk cover during the start-up phase in new markets.

Ever more Norwegian companies have built up production capacity abroad. Many also make use of finished components and intermediate goods from several different countries. GIEK will encourage even more long-term reinsurance agreements with guarantee institutes in other countries to simplify the provision of guarantees for these types of companies.

The Board considers GIEK to be well equipped, both in the form of financial resources and internal competencies, to fulfill its task to the benefit of Norwegian companies.

31st December 2004

Oslo, 24th February 2005

Bjørn Kaldhol (Chairman) | Asbjørn Birkeland | Marianne Kartum | Rita Lekang

Gisèle Marchand | Sandra Riise | Otto Søberg

INCOME STATEMENT

(NOK 1000s)	Note	General Guarantee Scheme 2004	General Guarantee Scheme 2003	Old Portfolio 2004	Old Portfolio 2003	CIS/Baltic States 2004	CIS/Baltic States 2003	Developing Country Scheme 2004	Developing Country Scheme 2003
Operating income									
Accrued premium	1	**140 228**	136 818	**10 863**	13 568	**7 262**	11 909	**3 711**	3 984
Income moratorium agreements	2	**20 805**	60 528	**215 051**	216 915	**1 436**	1 931	**7 126**	7 458
Net recovery (excl moratoriums)		**4 028**	3 410	**2 533**	-30	**-**	-1 138	**-**	-
Net other income		**218**	5	**-**	-	**-**	-	**-**	-
Total operating income		**165 279**	200 761	**228 447**	230 453	**8 698**	12 702	**10 837**	11 442
Operating costs									
Accrued claims expenses	3	**-79 801**	-92 087	**-5 730**	130 985	**409**	-8 388	**-11 657**	-11 066
Change in provisions for guarantee liabilities	4	**-10 849**	-5 491	**36 242**	14 078	**3 094**	9 570	**31 603**	24 697
Administrative expenses	5	**-16 689**	-14 682	**-8 384**	-7 923	**-2 076**	-2 030	**-3 134**	-2 297
Total operating costs		**-107 339**	-112 260	**22 128**	137 140	**1 427**	-848	**16 812**	11 334
Operating profit/loss		**57 940**	88 501	**250 575**	367 593	**10 125**	11 854	**27 649**	22 776
Interest income		**11 736**	25 258	**11 016**	23 443	**1 954**	6 792	**25**	152
Realised exchange rate gains/loss		**-924**	1 047	**-14**	-113	**-**	36	**-22**	-508
Exchange rate gains/loss moratoriums	6	**-10 885**	-4 585	**-75 994**	-28 447	**-6 036**	-2 882	**-3 919**	-1 608
Other financial items		**1 997**	1 991	**-**	-4	**-**	-	**-**	-
Total financial items		**1 924**	23 711	**-64 992**	-5 121	**-4 082**	3 946	**-3 916**	-1 964
Public subsidies/transfer to State	7	**-2 000**	-2 000	**-323 000**	-339 600	**-88 000**	4 671	**12 000**	9 000
Profit/loss for the year		**57 864**	110 212	**-137 417**	22 872	**-81 957**	20 471	**35 733**	29 812

BALANCE SHEET

(NOK 1000s)	Note	General Guarantee Scheme 2004	2003	Old Portfolio 2004	2003	CIS/Baltic States 2004	2003	Developing Country Scheme 2004	2003
Financial assets									
Shares in GK A/S	8	**35 000**	35 000		-		-		-
Cash in hand, bank deposits, postal giro		**689 386**	647 057	**802 464**	725 549	**73 753**	156 720	**702**	558
Total financial assets		**724 386**	682 057	**802 464**	725 549	**73 753**	156 720	**702**	558
Foreign receivables									
Debtors, claims payment	3	**175 892**	109 430	**540 360**	556 047	**49 701**	49 742	**1 462**	961
Claims provision (receivables)	3	**-111 052**	-66 907	**-277 536**	-282 692	**-49 701**	-49 742	**-216**	-355
Debtors, moratorium agreements	2	**181 563**	178 827	**3 256 060**	3 778 072	**68 470**	78 971	**56 522**	56 015
Claims provision (moratoriums)	3	**-48 761**	-47 587	**-460 128**	-524 775	**-7 532**	-8 687	**-16 957**	-16 804
Valued receivables		**197 642**	173 763	**3 058 756**	3 526 652	**60 938**	70 284	**40 811**	39 817
Receivables, Norwegian exporters		**296**	302	**-300**	**-**	-	**-**	-	**-**
Other receivables		**495**	1 971	**784**	-1 596	**-**	-	**591**	-
Total assets		**922 819**	858 093	**3 861 704**	4 250 605	**134 691**	227 004	**42 104**	40 375
Equity									
Equity at 1st January		**149 978**	39 766	**2 266 823**	2 243 951	**210 356**	189 885	**-30 040**	-59 852
Profit/loss for the year		**57 864**	110 212	**-137 417**	22 872	**-81 957**	20 471	**35 733**	29 812
Total equity	9	**207 842**	149 978	**2 129 406**	2 266 823	**128 399**	210 356	**5 693**	-30 040
Provision for guarantee liabilities	4	**712 487**	707 337	**98 536**	142 682	**6 292**	16 648	**36 411**	70 415
Liabilities									
Debt plan, remainder to offset	10	**-**		**1 633 762**	1 841 100	**-**	-	**-**	-
Other liabilities	11	**2 490**	778	**-**	-	**-**	-	**-**	-
Total liabilities		**2 490**	778	**1 633 762**	1 841 100	**-**	-	**-**	-
Total equity and liability		**922 819**	858 093	**3 861 704**	4 250 605	**134 691**	227 004	**42 104**	40 375

31st December 2004

Oslo, 24th February 2005

Bjørn Kaldhol (Chairman) Asbjørn Birkeland Marianne Kartum Rita Lekang

Gisèle Marchand Sandra Riise Otto Søberg

ACCOUNTING PRINCIPLES AND NOTES TO THE ACCOUNTS

THE ACCOUNTS PRESENT GIEK'S FOUR BUSINESS AREAS

The accounts for Old General Scheme and Old Special Schemes have been merged under Old Portfolio and the accounts for CIS/Baltic States 1994-1998 and for CIS-Baltic States 1999-2002 have been merged under CIS-Baltic States. These four schemes are in the process of being wound up.

GIEK has no accounts in foreign currency. The bank converts all currency transactions into Norwegian kroner on the transaction date. Currency receivables under moratorium agreements are translated 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 note for the individual provision. Compensation is assumed for debt cancellations decided by the state.

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 are recorded as realised currency gains/losses.

NOTE 2 INCOME AND CLAIMS UNDER MORATORIUM AGREEMENTS

Moratorium agreements represent debt repayment agreements with 20 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, with the exception of forward items, which are taken to income at the claims date. 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 compensation for any debt cancellation that it requires. For the Old Portfolio, such compensation is normally set off against the Debt Plan. See note 10.

NOTE 3 CLAIMS EXPENSES AND 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 that 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, with a manual override option. 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
- changes its estimate 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 4.

NOTE 4 PROVISION FOR GUARANTEE LIABILITIES

This provision is intended to cover future losses on all registered guarantee liabilities at year-end, and corresponds to best estimate of future losses, which are derived using a special calculation method where standard rates are supplemented with manual adjustment. The standard rates shall comprise around 80 per cent of the premium for a new corresponding guarantee, and 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. The portfolio is also reviewed manually, and the provision rates are adjusted as needed. Traditional claims provision for known non-performance that has yet to be covered by compensation is included in this provision. Changes in the provision reflect both changes in guarantee liabilities and risk reassessment of countries/individual guarantees. No provisions are made for offers.

All guarantee liabilities in foreign currencies are translated to NOK at the exchange rate on 15th December 2003, which is the date of the

Storting's approval of exposure limits and budget. The provision for reinsured general guarantees for GK amount to 0.2% of the provision for guarantee liabilities for the General Guarantee Scheme. The provision comprises prepaid premiums and change in the provision 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	2004	2003	Change
Prepaid premiums at 31st December	349 248	354 947	-5 699
Increase in provisions in the income statement this year	10 849	5 491	5 358
Accumulated increase in the income statement previous years	352 390	346 899	5 491
Provision in the balance sheet at 31st December	712 487	707 337	5 150

NOTE 5 SHARE OF ADMINISTRATIVE EXPENSES

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

NOTE 6 UNREALISED CURRENCY GAINS AND LOSSES ON MORATORIUM RECEIVABLES

Some of the moratorium receivables are in USD and CHF. The receivables are recorded at the current exchange rate. Changes in the value of receivables owing to currency fluctuations during the year are recorded as an unrealised currency gain or loss. Realised currency gains/losses are recorded as income from moratorium agreements. See note 2.

NOTE 7 PUBLIC SUBSIDIES AND TRANSFERS TO THE GOVERNMENT

The General Guarantee Scheme forwards the dividend of NOK 2 million received from subsidiary GIEK Kredittforsikring AS to the Ministry of Trade and Industry.

The Old Portfolio annually pays the Treasury a sum specified by the Storting. Since 1999 the accumulated amount thus paid is NOK 3 086 million.

Beyond short-term needs, Developing Country Scheme funds shall be in the primary capital fund in the Ministry of Trade and Industry. The scheme regulates its liquidity by transferring to and from the fund.

For CIS-Baltic States the amount refers to premium subsidies in 2003 and amounts transferred to the Treasury in 2004. Starting 2004 the CIS-Baltic States were given drawing rights in the Treasury so that the transfer would not cause liquidity problems.

NOTE 8 SHARES IN GIEK KREDITTFORSIKRING AS

GIEK has held shares in the wholly owned GIEK Kredittforsikring AS (GK) since 1st 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 to the General Guarantee Scheme, the amount was posted as equity contribution in 2001.

Company	GIEK Kredittforsikring AS
Number of shares	15 000
Nominal value	1 000
Book value 31st December 2004	35 000 000
Ownership share	100 %

NOTE 9 EQUITY

Equity comprises accumulated profit/loss. The Developing Countries Scheme also has a primary capital fund of NOK 265 million (originally NOK 300 million), which is administered and accounted for by the Ministry of Trade and Industry.

NOTE 10 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 2004 (NOK 1000):

	Old General Scheme	Old Special Scheme
Remaining Debt Plan limit at 1st January	971 270	869 830
Debt relief for Senegal		200 389
Debt relief for Ghana		6 949
Remaining Debt Plan limit at 31st December	971 270	662 492

11) OTHER LIABILITIES

The largest item consists of capital set aside in the closing accounts for the State War Risk Insurance of Goods (SVF). This is to cover the expenses for the scheme that have been disbursed after SVF was closed on 30th June 2004. Any unused amounts shall be paid back to the government. The original amount was NOK 1,700,000, and NOK 1,653,605 remained as of 31st December 2004.

Tables

OUTSTANDING GUARANTEE LIABILITY, ALL SCHEMES

NOK billion	2004	2003	2002
General Guarantee Scheme	12,18	9,73	9,39
Other schemes			
Old General Scheme	0,97	1,19	0,02
CIS/Baltic States (1994-1998)	0,13	0,20	0,34
CIS-Baltic States (from 1999)	0,09	0,15	0,22
Old Schemes	0,01	0,01	0,02
Developing Country Scheme	0,47	0,55	0,73

OLD PORTFOLIOS KEY FIGURES

NOK 1000	Old General Scheme	Old Schemes	CIS/Baltic States 1994–1998	CIS/Baltic States 1999–2002
During year 2004				
Premium income	10 845	18 135	4 239	3 023
Interest income	9 059	1 958	805	0
Income moratorium agreements	183 025	32 026	1 436	0
Exchange rate gains/loss on moratorium agreements	14	0	0	0
Accrued claims expenses	11 565	5 835	409	0
Administration expenses	4 662	3 722	1 246	831
Operating profit	215 521	35 054	3 129	6 996
Transfer to Treasury	276 000	47 000	0	88 000
At year-end				
Outstanding guarantee liability	972 984	7 372	127 918	91 428
Provisions for contingent liabilities	98 358	176	2 609	3 684
Outstanding claims	2 289 241	1 507 178	118 171	0
Claims provisions on receivables	273 487	464 177	57 233	0

Management

Managing Director
Erling Naper

Deputy Managing Director
Edvard Stang

Guarantee Department
Department Manager Øyvind Ajer
Assessment of risk for specific contracts, exporter's capacity to perform, market risk and technology factors, and value of securities placed.

International relations, strategy and development
Department Manager Johan E. Mowinckel
Strategy, international cooperation, banking and country risk assessment, information and board secretariat.

Economy and Administration Department
Department Manager Inger Johanne Bjørnstad
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Legal Department
Department Manager Lully C. Heje
Claims, recoveries, development of policy terms, documentation, contract signature, depository, egal advisory services.

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