Annual report 2006

GIEK Garanti-instituttet for eksportkreditt

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Facts about GIEK

- GIEK is a public enterprise whose main objective is to guarantee export credits for Norwegian companies. By covering risk and facilitating competitive financial solutions, GIEK promotes exports of Norwegian goods and services as well as Norwegian investments abroad.

- GIEK offers risk coverage for exports of goods and services to over 150 countries. The majority of the guarantees cover exports to complex markets. Credit periods running for two years or less are covered by GIEK's wholly owned subsidiary GIEK Kredittforsikring AS.

- GIEK provides coverage for both commercial risk (the risk that a buyer will go bankrupt or default on payment for other reasons) and political risk (the risk of non-payment due to government intervention, war, expropriation, etc. and risk of losses from sales to a government agency). Guarantees are issued in compliance with international agreements.

- GIEK's Board of Directors has final decision-making authority in individual cases, whereas the Norwegian Storting and the Ministry of Trade and Industry establish the general regulatory framework for GIEK's activities.

Risks covered by GIEK's guarantees

- Risk related to credit sales.
- Risk related to financing on the part of the buyer.
- Risk related to a pre-delivery breach of contract
- Risk related to bidding, upfront payment and performance requirements pledged by Norwegian supplier to overseas buyer.
- Risk related to unfair calling on a guarantee by the buyer.
- Risk related to foreign components in Norwegian export contracts.
- Risk related to subcontracts in a transnational project.
- Risk related to long-term funding of equipment, ships and drilling vessels for Norway-registered owners when supplied to ships for foreign trade or mobile rigs.
- Risk related to construction loans granted for building ships at Norwegian yards.
- Risk related to tenders in aid - financed projects.
- GIEK's guarantees cover credits running for two years or longer. In general, a Norwegian share of at least 30 per cent is required if a contract is to be covered by a GIEK guarantee. In some cases, a lower share of Norwegian deliveries can be accepted.

GIEK's guarantee schemes

The General Guarantee Scheme is GIEK's main scheme. The scheme provides commercial and political risk coverage for exports as well as political risk coverage for investments.

The Construction Loan Scheme comprises guarantees for construction loans to Norwegian shipyards.

The Developing Country Scheme provides coverage for 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.

The Tender Guarantee Scheme moderates the risk for tenders in aid-financed projects. Under this scheme, liability is limited to the assessment of the application.

ENSURED THE FINANCING: *GIEK has issued guarantees for loans of up to USD 60 million for Sevan Marine's first production vessel, SSP Piranema, which is currently chartered by the Brazilian company Petrobras.*

The Tananger-based company has developed a cylinder-shaped production unit that consists mostly of Norwegian technology and equipment. In total, approximately 60 per cent of SSP Piranema's construction costs of USD 265 million can be related to Norwegian deliveries.

"GIEK has been an extremely important contributor in bringing this project to a successful close. Without GIEK's participation, it would have been difficult to arrange the necessary loans," states Managing Director Jan Erik Tveteraas of Sevan Marine ASA.

Highlights in 2006

- Continued rapid export growth, especially in maritime industries.
- GIEK contributed to export contracts for almost NOK 20.3 billion.
- The profit for the year for the General Guarantee Scheme increased to NOK 159 million.
- The total volume of new guarantees issued for all guarantee schemes was doubled, going from NOK 3 billion to almost NOK 6 billion .
- The Storting approved an increase in the exposure limit for the General Guarantee Scheme to NOK 50 billion and in the exposure limit for the Developing Country Scheme to NOK 2.1 billion, starting in 2007.
- Very strong interest in the new Construction Loan Guarantee Scheme for shipyards. At year-end, there was nearly full capacity utilisation under the scheme.
- Efforts to create "a simpler GIEK" were intensified. Simplified administrative and office processes were introduced for guarantees under NOK 15 million.

Key figures for the General Guarantee Scheme

	2006		2005		2004		2003		2002	
During year	Number	NOK million	Number	NOK million	Number	NOK million	Number	NOK million	Number	NOK million
New applications	179	28 106	187	24 645	176	21 307	221	9 035	150	14 556
New offers	142	15 148	139	14 182	113	18 083	137	6 481	108	9 458
New liabilities covered	77	4 889	77	2 980	55	3 521	114	3 238	75	3 562
Premium income		146		146		140		137		110
Claims expenses		-1		125		80		92		83
Recoveries		23		22		7		9		3
At year-end										
Outstanding offers	77	15 303	64	12 831	63	9 862	58	2 983	79	8 920
Outstanding guarantee liability	271	14 089	284	12 483	272	12 179	280	10 902	239	10 959
Outstanding receivables		453		462		357		288		229
Provisions for contingent liability		582		640		712		707		670
Operating profit/loss		137		99		58		89		55,5
Profit/loss for the year		159		139		58		110		61,7
Equity		506		347		208		150		40
Policy liability reinsured for GK		492		268		358		307		243
Total outstanding policy liability		14 089		12 751		12 537		11 209		11 202

Tool for growth

An extremely good international market situation is now yielding impressive growth figures in many Norwegian companies. This is quite apparent in the maritime and oil-related industries, which are both benefiting from the boom in the world economy and profiting from many years of technological development in a competitive domestic business environment.

Many Norwegian suppliers to the oil and gas industry are among the world's leading companies in their field, especially in seismic mapping, subsea installations, floating production, offshore services and building of specialized ships. During the past ten years, these companies have more than tripled their sales abroad, so that the export of Norwegian equipment to the oil and gas industry has become substantially greater than our traditional exports of fish.

Maritime industries increasingly important
This trend is also evident in GIEK's accounts. Almost two thirds of our guarantee portfolio is now related to the maritime sector, compared with 50 per cent one year ago. The volume of new guarantees rose simultaneously by over 60 per cent from 2005 to 2006. Another positive development is that the export value of GIEK-guaranteed contracts for Norwegian companies has doubled in two years. As a rule, there are many subcontractors associated with each contract, and as a consequence these guarantees have been important for the order backlog in a large number of Norwegian companies.

This kind of export growth is not achieved without taking risks. Much of the exploration and production activity within the oil and gas sector takes place in challenging new markets. Another characteristic of these markets is that competitive financing is required in order to win contracts. Thus, GIEK is a necessary tool for the growth of our high-tech, capital-intensive maritime industries – and in order to do a good job, you have to have good tools.

Moreover, we at GIEK deem our own risk in these big maritime projects to be acceptable, primarily because of the participants' sound levels of equity and earnings.

Non-partisan agreement
With continued favourable prospects for growth for the maritime export industries, it is extremely welcome that the authorities are now raising the exposure limit for all our operative guarantee schemes, and that there is non-partisan agreement on this. We regard this as a recognition of the importance of GIEK's contribution to ensure good working conditions for Norwegian export-oriented business and industry.

We have implemented a number of new internal measures in order to become an even better tool for Norwegian export businesses. Among other things, the documentation requirements have been reduced considerably in all cases with guarantee liability under NOK 15 million. Calculated in numbers, these cases constitute over 50 per cent of all new offers. Many Norwegian companies – perhaps newly established, innovative companies in particular – may thereby benefit from this simplification. We are now working on a number of new measures to further simplify the administrative and office processes.

Clearer management by objectives
It is also important that we have introduced a new system of management by objectives and results. This has clarified our goals, enabling us to focus all efforts on the concerns that are important to our clients. At the same time, clear, mutual goals make it easier to manage and organise the activities. Good measurement criteria also make it easier to check how well we meet our obligations to society.

New competitive situation
One important measurement criterion for GIEK is to be competitive with corresponding schemes in other countries. Is not necessarily becomming easier to meet this requirement . Many big countries that are increasingly active in important markets are not members of the OECD, and consequently, their guarantee institutes do not need to comply with the OECD's general provisions for premium levels and other guarantee terms and conditions. This may give rise to a new competitive situation to which it is important to pay attention.

Wenche Nistad
Wenche Nistad,
Managing Director

"The value of Norwegian companies' GIEK-guaranteed contracts has been doubled in two years."

Increased plough sales with GIEK guarantees

A new financing solution with loans guaranteed by GIEK has helped give Kverneland a substantial sales increase in Romania.

"The guarantees provide a lower rate of interest and more favourable terms," confirms Kverneland Area Manager Sigmund Olsen. "With this financing solution, we also avoid payment problems, so that all our efforts can be concentrated on the marketing."

In 2006, GIEK issued buyer's credit guarantees to the Romanian company General Leasing SA for the import of ploughs and other agricultural machinery from Kverneland ASA. These guarantees cover political and commercial risks for a loan of NOK five million from HVB Leasing Romania.

Romania is a growing market for ploughs from Kverneland's factory in Norway.

Contributed to the first fish farming contract

In 2006, the Bergen-based company Eco Farm won its first major order of equipment for land-based fish farming of cod, through a NOK 6 million contract with the Faroe Island company Faroe Cod Farm.

GIEK guaranteed 80 per cent of a loan of NOK 5.3 million to the buyer. This was also the first guarantee case that was processed according to GIEK's new rules relating to simplified documentation. "GIEK's guarantees were of tremendous assistance in helping us realise the project. We are also very satisfied with the quick, flexible processing of our guarantee application," says Eco Farm manager Ole-Hermann Rognsøy.

GIEK's guarantee products

GIEK offers a wide selection of long-term guarantees, adapted to Norwegian export businesses' needs for risk cover:

The Buyer Credit Guarantee, which covers repayment of a loan given to a buyer of Norwegian goods or services. The participation of Norwegian or international banks as lenders is often conditional on such guarantee.

The Supplier Credit Guarantee, which covers credits given by the exporter. The guarantee is usually used for credits of two to five years and/or involving small credit amounts.

The Contract Guarantee, which covers loss incurred pre delivery during the production period. This guarantee is especially aimed at long production periods and "tailor-made" products.

The Bond Guarantee, which covers international buyers' risk when buying from a Norwegian supplier. The guarantee is available as a tender guarantee, upfront payment guarantee or performance guarantee, to moderate the risk for the bank of the buyer. GIEK may also provide coverage to the exporter for the risk related to unfair calling on bonds.

The Investment Guarantee, which covers the political risk that investments and assets abroad may be subject to.

The Letter of Credit Guarantee, which covers the risk of non-fulfilment of an LC contract.

The Construction Loan Guarantee, which covers loans to shipyards in connection with the construction or conversion of ships in Norway.

The Tender Guarantee, which moderates the risk for tenders in aid-financed projects.

Special products. In addition to the regular products, specially adapted guarantees can also be given.

The Construction Loan Scheme ensures new contracts

Guarantees under the Construction Loan Scheme will help ensure the activity of many Norwegian shipyards and their subcontractors for many years.

Through this scheme, the shipyards' banking connections receive guarantees that cover half of the risk in connection with new construction loans. In this way, the banks can double their ceilings for lending to the individual shipyard and furnish loans to new projects.

Norwegian shipyards finance many of their new contracts through loans from regional banks. As the shipbuilding industry has more than doubled its order backlog from 2005 to 2006, to over NOK 44 billion, many of these banks were approaching their capacity limits for loans to shipyard customers in 2006. The banks are subject to rules imposed by the authorities as well as to their own provisions relating to how great a risk may be taken for individual customers and individual industries. Thus, GIEK received a number of new applications under the Construction Loan Scheme in the autumn of 2006. Experience has shown that almost all offers under this scheme become policies.

High tech

Projects under the Construction Loan Scheme consist mainly of technologically advanced new vessels with price tags ranging from NOK 100 to 900 million. The shipowners who contract these ships must pay a minimum of 20 per cent of the contract amount during the construction period. The shipyard must often secure financing for the remaining costs in the project up until delivery. Without such loans, there will be no contract.

The scheme became operative in 2005. By the end of 2006, applications had been submitted for the construction of 30 ships, corresponding to about 16 per cent of all ships on order at Norwegian shipyards. The applications include projects for both foreign and Norwegian owners. Moreover, all of the applications have come from regional and local banks.

Many subcontractors

The share of Norwegian technology and Norwegian equipment for each of the ships is substantial. Norwegian shipyards have for a great part evolved into specialised assembly companies, with expertise in combining specialised equipment from other manufacturers. Consequently, the Construction Loan Scheme is of great importance to a considerable number of large and small Norwegian manufacturers of high-tech maritime equipment.

More stable activity

Many of the applications under the Construction Loan Scheme involve future projects, some of which are scheduled for delivery in 2010. Thus, the scheme also helps facilitate a more predictable, and stable long-term activity for the shipyards.

Ensures necessary construction loan

In May 2007, Flekkefjord Slipp & Maskinfabrikk AS delivered a newly designed 89-meter anchor handling tug, ordered by Solstad Rederi AS in Skudeneshavn, Norway. The ship is the first of several new vessels from the Flekkefjord shipyard that is financed by a loan guaranteed through GIEK's Construction Loan Scheme.

Several newbuildings at Flekkfjord Slipp & Maskinfabrikk are financed with GIEK-guaranteed loans.

Of the anchor handling tug's total construction costs of over NOK 400 million, about NOK 300 million are financed through loans from the shipyard's bank, Sparebanken Rogaland.

GIEK covered 50 per cent of the risk of this loan. "The amounts now involved in every single project are so large that it is crucial to bring in a partner such as GIEK. The Construction Loan Scheme also entails a longer term contract horizon," says the shipyard's finance manager Odd Egil Skregelid.

REFERENCE PLANT: *In 2006, the Trøndelag-based company Aqualyng AS delivered two seawater desalination plants to Taiwan, with an order value of over NOK 35 million.*

GIEK issued a buyer's credit guarantee of almost NOK 27 million for the financing of the delivery and a contract guarantee of NOK 6.7 million during the production period. "Financing has become an increasingly more important competitive element in our markets. It is a very clear trend. Therefore, GIEK is an extremely important partner for us," says Aqualyng's Director of Finance Dagfinn Tangvik.

The Taiwan plant produces pure drinking water from seawater.

Rapid growth in guarantee liability in new maritime markets

GIEK's guarantee liability in Norway nearly quadrupled in 2006 as a result of several large ship and rig projects for Norwegian shipowners and the new Construction Loan Scheme for shipyards. After Norway, Bermuda and Russia were the two markets where GIEK's liability increased the most in 2006.

Major shipbuilding projects also explain the increase in these two markets. Bermuda is on the list because the owner companies of the buyers in two major projects are registered in Bermuda. The deliveries in these two projects go to shipyards in third countries, mainly to South Korea. The new guarantees in Russia, on the other hand, are mainly linked directly to Russian buyers.

Spain was the third most important growth market for GIEK's guarantees in 2006 as a result of Norwegian deliveries to a major offshore vessel.

Mexico is still the market where GIEK has the highest guarantee liability, and the oil company Pemex is GIEK's most important point of risk. The liability in Mexico increased by NOK 385 million after an increase of over NOK 500 million the previous year.

For a number of years, Norway has also topped the list of countries in which GIEK has the highest guarantee liability. The reason for this is primarily that GIEK can guarantee the sale of Norwegian ships and ship equipment to Norwegian ship owners if such deliveries are to be used for vessels in foreign trade or offshore operations. New guarantees covering construction loans to Norwegian shipyards further increase the guarantee liability in Norway.

New guarantee liability in 2006
NOK mill., all schemes

Point of risk	
Norway	2 811
Bermuda	667
Russia	639
Spain	405
Mexico	386
Ukraine	323
Panama	216
India	133
USA	96
Ghana	87

Outstanding liability in 2006
NOK mill., all schemes

Point of risk	
Norway	4 613
Mexico	2 224
Russia	1 406
Turkey	668
Bermuda	667
Indonesia	615
Romania	573
China	505
Tunisia	443
Venezuela	433

New rules against corruption

In keeping with the new OECD recommendations, GIEK introduced new anti-corruption rules in 2006.

Pursuant to the new rules, all guarantee applicants must submit an anti-corruption declaration before an offer can be issued, wherein the exporter must declare that it neither has acted nor will act in violation of the Norwegian General Civil Penal Code's provisions on corruption. The exporter must also confirm that all payments and commissions that do not pass directly between buyer and seller only cover relevant performance.

Before an offer can be given, the exporter must declare that neither itself nor anyone who acts on its behalf has been indicted or sentenced for corruption in the last five years. In addition, none of the participants in the relevant transaction may be included on the World Bank system's lists of companies that are barred due to corruption. The exporter shall also understand and accept the importance of having good internal control systems against corruption.

If the rules on anti-corruption are not followed, GIEK may refuse further draw downs on the loan and demand recourse for any payment made under the guarantee.

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GIEK's main objective is to promote Norwegian exports and Norwegian investments abroad by issuing guarantees on behalf of the Norwegian State. GIEK's activities are required to break even over time. The year 2006 was a prosperous one for Norwegian exports, with a rapid growth for GIEK. A good volume increase in offers and commitments resulted in an increase from NOK 28 billion to NOK 34 billion in the aggregate amount utilised under all schemes. The strong increase in the demand for risk coverage was a contributing factor in the Storting's (the Norwegian Parliament) decision to increase the ceiling for GIEK's main schemes starting in 2007. The Board of Directors is very satisfied that the authorities are supporting a predictable offer of export credit coverage to Norwegian exporters.

GIEK issued guarantees to Norwegian companies for NOK 17 billion worth of export contracts in 2006. The value of construction loan contracts amounted to an additional NOK 3.5 billion. Altogether, this amounts to a doubling in two years. The corresponding figures were NOK 15 billion in 2005 and NOK ten billion in 2004. The Board of Directors is most satisfied with this development. In addition to being a result of strong export growth, these figures also illustrate the organisation's ability to handle such growth in a good manner. It is the opinion of the Board that the main goals of GIEK's activities were achieved in 2006.

In addition to the above-mentioned NOK 17 billion worth of export contracts, the subsidiary GIEK Kredittforsikring AS insured short-term export contracts worth NOK 12.5 billion. GIEK and GIEK Kredittforsikring AS were thus involved in export contracts and investments abroad totalling more than NOK 29 billion in 2006.

The Board of Directors is dedicated to reaching Norwegian exporters with information about the services offered by GIEK. GIEK has intensified its marketing activities in 2006 with an expansion of GIEK's web site, in addition to new printed material and an active participation in various fora, often along side other trade facilitation organisations.

Further, a process has been initiated to create "a simpler GIEK". This process includes the introduction of a pilot scheme under which the documentation requirements are simplified for guarantees with a maximum liability for GIEK of less than NOK 15 million. This simplification is expected to save time and result in lower costs for GIEK's customers.

The profit in 2006 for GIEK's main scheme, the General Guarantee Scheme, was NOK 159 million. This reflects the positive trend apparent in many countries where GIEK has risk exposure. This positive result provides GIEK with an increased capacity to meet the challenges of a changing economic future. The Board of Directors is satisfied with the profit performance. It is deemed to be in good accordance with the objective that GIEK's activities shall break even in the long run. These results enable GIEK to increase its equity and thus improve the ability to cover further substantial individual risks as well as possible recessions in business cycles.

GIEK's framework conditions

With a rapid increase in liability as well as in the volume of applications, the Board of Directors reported in the Annual Report for 2005 that the exposure limit for the General Guarantee Scheme might be fully utilised before long. Increased activity, especially in the maritime sector, helped amplify this trend further in 2006. In the third quarter, NOK 28 billion out of an exposure limit of NOK 40 billion had been utilised, while applications had been submitted for over NOK 11 billion. On this basis, the Storting decided in the Central Government Budget for 2007 to increase the exposure limit to NOK 50 billion. Simultaneously, the exposure limit for the Developing Country Scheme was increased from NOK 1.5 to 2.1 billion.

The rapid increase in the number of contracts awarded to Norwegian shipyards gave rise to considerable interest in the new Construction Loan Scheme for shipyards. In 2006, the volume of applications exceeded the scheme's exposure limit of NOK 2.5 billion, which had been established in 2005. In Proposition no. 43 to the Storting (2006-2007), the Government proposed raising the scheme's ceiling from NOK 2.5 to NOK 5.0 billion. The Board of Directors considers this an important contribution to ensuring employment and economic growth in Norwegian coastal communities. Further, the increased limits for the Construction Loan Scheme will help make Norwegian shipyards more competitive internationally. Raising the ceiling provides the industry with more predictable conditions and enables the companies to better meet changing business cycles.

A general improvement in the world economy has reduced the over all level of risk exposure in GIEK's guarantee portfolio. A further consequence is an improved risk classification for a number of countries as well as a lower level of guarantee premiums for Norwegian exporters in these markets. However, the risk profiles in the most disadvantaged countries have remained mostly unchanged.

GIEK's active participation in the OECD's Export Credit Group, the Berne Union, the Paris Club and other international fora provides a good understanding of the international market for export credit guarantees. The trend in recent years towards greater openness among the different institutes facilitates the

In 2006 the Board of Directors visited a customer in Turkey. Here from an orientation tour of Celiktrans Shipyard outside Istanbul.

comparing of regulatory frameworks, pricing, guarantee terms and conditions and credit policies.

In recent years, the Board of Directors has noted a trend toward GIEK being requested to participate in flexible financial solutions, which at times may be difficult to reconcile with GIEK's framework conditions. This is especially true for maritime cases.

General guarantee scheme

The profit for 2006 for the General Guarantee Scheme came to NOK 159 million, which was NOK 20 million higher than in 2005. A substantially lower amount of claims paid were the main reason for this improvement. The operating profit was NOK 137 million, an increase of NOK 38 million from the previous year. Premium income amounted to NOK 146 million, roughly the same as in 2005.

The number of new applications, offers and commitments remained at the same level as the previous year. There was, however, a substantial growth in the volume of applications, offers and commitments in 2006. The volume of new guarantee policies increased from NOK 3.0 billion in 2005 to NOK 4.9 billion in 2006. A total of NOK 30.5 billion was utilised for offers and commitments at year-end. Several substantial guarantees for exports of ships, maritime equipment and rig services strongly contributed to this growth.

The total volume of new applications in 2006 was 14 % higher than the previous year, but at year-end the volume of applications amounted to no more than NOK 6.7 billion, 44 % lower than at the close of 2005. In January 2007, however, new applications worth NOK 6.5 billion were submitted, bringing the volume of applications back to the level of the previous year.

The composition of the guarantee portfolio has changed somewhat in recent years, with a higher number of guarantees covering private buyers than the corresponding number for guarantees covering public buyers. This trend was further intensified in 2006. Of the total new guarantee liability of NOK 4.9 billion in 2006, over NOK 4.4 billion related to guarantees covering private buyers while slightly less than NOK 0.5 billion related to guarantees covering public buyers. Thus, at the close of 2006, GIEK saw for the first time a greater total of guarantee liability for private buyers than for public buyers.

The rapid growth in the export of Norwegian ships, rigs and maritime equipment is also reflected in the composition of GIEK's guarantee portfolio. Two thirds of the portfolio now relates to the maritime sector, divided between the export of ships (30 %), maritime equipment (21 %) and maritime services (14 %). The corresponding totals for these three groups of goods and services came to 50 % in 2005.

The above numbers show a high concentration of exposure on the maritime sector. The risk in these commitments is deemed to be acceptable, primarily because of sound levels of equity and earnings in the sector. The increase in guarantees to the maritime sector also illustrates how GIEK promotes Norwegian export by providing good working conditions to expanding industries. It further indicates how GIEK's guarantees are attractive to the maritime industries.

The largest single guarantee issued in 2006 was a Buyer Credit Guarantee for approximately NOK 970 million covering deliveries in connection with the construction of a new drilling rig for Eastern Drilling ASA at Samsung Heavy Industries in South Korea. This transaction is one of the largest contracts with which GIEK has ever been involved. In 2006, GIEK also issued a Buyer Credit Guarantee worth NOK 570 million for deliveries of equipment related to the construction of another rig for a foreign buyer at the same shipyard. In addition, a third Buyer Credit Guarantee worth over NOK 500 million was issued for the delivery of Norwegian ship equipment, to the Russian Sevmash shipyard. Pemex in Mexico is the largest single buyer covered with a total liability in current policies of NOK 2.2 billion at the close of 2006. GIEK issued one investment guarantee in 2006. The guarantee provided coverage for political risk in connection with Aker Yards' investments in a shipyard in the Ukraine. The guarantee amount was NOK 320 million.

GIEK has been increasing its reserves for the General Guarantee Scheme since the establishment of the scheme in 1994. The fund is reported in the Balance Sheet as the sum of equity and provisions for losses on guarantee liabilities. At year-end, the fund was worth NOK 1.1 billion, NOK 101 million more than at the same time the previous year. The fund amounted to 7.7 % of outstanding liability at year-end. In 2005, the percentage was 7.9 %.

The state visit to India in November 2006 paved the way for new business opportunities and increased trade between Norway and India.

The change in provisions for guarantee liabilities is NOK 92 million higher than the numbers for 2005. This is mainly attributed to the increase in total guarantee liability, which is now at NOK 14.1 billion. Based on the risk profile in the portfolio, the Board of Directors considers the provision for loss to be adequate.

The amount of claims paid was sharply reduced, from NOK 144 million in 2005 to NOK 67 million in 2006. No claims were paid on new defaults in 2006. A number of claims paid refers to older cases, with payments relating to a Mexican telecommunications company constituting a substantial share. In the course of several years, GIEK has negotiated the restructuring of this claim. The negotiations were concluded with a final restructuring agreement in 2006. GIEK continues to pay compensation on substantial claims for non-performance in Zimbabwe and Pakistan.

The Board of Directors is satisfied with the trend for claims payments. The scope of new claims for compensation is low. The total payments are considered to be well within an acceptable level. This is a trend that is fully in line with the general state of the world economy.

Recoveries outside moratoria under the General Guarantee Scheme came to a total of nearly NOK 7.9 million, a substantial proportion of which is from the abovementioned Mexican debtor. A politically decided swap of Pakistan's debt was compensated with NOK 26 million.

The developing country scheme
The Developing Country Scheme has been fully utilised throughout the year. No new policies were issued under the scheme in 2006. Two offers were cancelled, while two new offers were given for a total of NOK 294.5 million.

The request for coverage under the Developing Country Scheme in 2006 greatly exceeded the scheme's capacity. Four new applications were submitted for guarantees worth a total of NOK 275 million in 2006 in addition to applications for NOK 937 million that were already submitted at the beginning of the year.

The Developing Country Scheme covers credits and investments in developing countries where the risk is deemed to be too high for coverage to be provided under the General Guarantee Scheme. Certain conditions must be met in order to qualify for coverage under the Developing Country Scheme; e.g. the export must promote development. GIEK's increased risk is covered by a special primary capital fund for the scheme.

The operating profit for the scheme came to NOK 24.5 million. The profit for the year was NOK 28.8 million, which was NOK 42 million higher than in 2005. Payments to/from the primary capital fund constituted NOK 23 million of this increase, and NOK 8 million relates to increased income. The primary capital fund is not included in the Developing Country Scheme's balance sheet, nor is accrued interest returned to the fund.

The exposure limit for the scheme was NOK 1.5 billion in 2006, with an additional limit of five times the amount on deposit in the primary capital fund, which originally amounted to NOK 300 million. At year-end, the primary capital fund amounted to NOK 278 million, so that the actual ceiling was NOK 1.4 billion.

The scope of policies is relatively low. Commitments amounted to NOK 537 million at year-end, while the offers came to NOK 681 million.

In markets covered under this scheme, the tendering process is time consuming and the exporters often encounter a number of barriers. As a consquence, offers tend take up space under the permissible ceiling for a long time before a contract is assessed. In the opinion of the Board of Directors, this demonstrates how the ceiling must attain a certain level before the scheme can attain a scope that affords a reasonable influx of premium.

According to the decision in the Storting, the maximum exposure limit for the Developing Country Scheme was raised to NOK 2.1 billion starting 1 January 2007, with an additional limitation linked to the primary capital fund. The actual exposure limit at the beginning of 2007 will thus be NOK 1.95 billion. At year-end, there were valid applications for NOK 657 million in the Developing Country Scheme. If commitments are issued in all of these cases, the scheme will once again be fully utilised.

The construction loan guarantee scheme
The high number of contracts awarded to Norwegian shipyards contributed to the great demand for coverage under the Construction Loan Scheme at the close of 2006. The exposure limit of NOK 2.5 billion was fully utilised at the beginning of 2007.

GIEK was present when Bhutan Ferro Alloys took over a smelting furnace from Vatvedt Mekaniske Verksted AS.

Only two offers were given under this scheme in 2005, for a total of NOK 240 million. The volume of offers and commitments had increased to NOK 1.9 billion by the end of 2006. Almost NOK 1.1 billion of this amount were new guarantee commitments and approximately NOK 800 million represented offers. In addition, GIEK was processing applications for approximately NOK 500 million under the scheme. In contrast to GIEK's other schemes, nearly all offers under the Construction Loan Scheme will be utilised.

20 new applications were received, 19 new offers were given and ten new policies were issued in 2006. Since the scheme became operative in March 2005, applications have been received for the construction of a total of 30 ships.

By the end of January, the application volume had increased to NOK 963 million, while offers and commitments still constituted NOK 1.9 billion. As mentioned, the Government has proposed to increase the scheme's exposure limit to NOK 5 billion.

The Construction Loan Scheme is still under development. The operating profit/loss was NOK -18.1 million, and the profit/loss for the year was NOK -18.1 million in 2006. This loss was due to the fact that provisions for loss were made on the total liability at the start of the drawing on the guaranteed loan. The premium income, which starts out low and increases in step with the draw downs on the loan, increased to NOK 1.7 million. The first guarantee policies under the scheme were issued in June 2006, and consequently a large amount of premium income has yet to be generated under the scheme. The liquidity in the scheme is maintained through loans from the General Guarantee Scheme. This debt has increased to NOK 1.4 million. There has been no payment of claims.

It is primarily the shipyards' local and regional banks that have applied to cooperate with GIEK under the Construction Loan Guarantee scheme. These banks are limited by restrictions on the commitment volume they can cover within a specific sector or on an individual customer. Because of this situation, the Board of Directors' believe that it is important to raise the exposure limit under the scheme now, to allow Norwegian shipyards to take full advantage of the extremely good order situation in the market. An increase in the exposure limits will also benefit the many small and medium-sized subcontractors to the shipyards.

The tender guarantee scheme

GIEK is responsible for processing applications under the Tender Guarantee Scheme, which is financed and administered by Norfund. 16 applications were received, and 12 guarantee policies were issued under the scheme in 2006.

The scheme covers the risk associated with tenders in aid-financed projects. Compensation is paid under the guarantee if the company is not awarded the contract. An increasing number of potential applicants have become aware of the guarantee scheme, and the volume of applications is increasing. Of a total of 56 applications from the outset, 13 have resulted in claims for compensation.The Board of Directors believes that some regulations should be revised in order to improve the scheme for the benefit of its users.

The exposure limit for the scheme is NOK ten million. At year-end, NOK 2.1 million of this was utilised, and the scheme was consequently well within its exposure limit.

Schemes in the process of winding up

Schemes in the process of winding up include the CIS/Baltic States schemes and the Old Portfolio. The total operating profit/loss for these schemes amounted to NOK -235 million. The profit/loss for the year came to NOK -639 million, NOK 605 million lower than in 2005, where the major loss derived from the Old Portfolio. Substantial upfront payments were received from two countries under the schemes.

The CIS/Baltic States Scheme

One last remaining offer expired in 2006. At year-end, the total outstanding guarantee liability was reduced to NOK 87.9 million, divided among 11 policies. In 2006, Russia redeemed its entire debt in the moratorium agreement prior to the due date with a payment of NOK 42 million. The profit for the year in these schemes came to NOK 8.2 million.

Old portfolio

This portfolio consists of guarantees in schemes from the period before GIEK's reorganisation in 1994. The activities under this portfolio consist primarily of the collection of outstanding claims through the Paris Club. The outstanding guarantee liability in the Old Portfolio came to almost NOK 650 million at year-end.

The Old Portfolio had an operating profit/loss of NOK -242 million and a profit/loss for the year of NOK -647 million in 2006. The main factor affecting this loss was the decision in the Central Government Budget for 2007 to unconditionally write off all debt related to the Ship Export Campaign for Peru, Ecuador, Egypt and Jamaica, without appropriation and without charging the Debt Plan's allocations. This write off amounts to nearly NOK 400 million, and is mainly charged to the Old Special Scheme.

Upfront payments of NOK 97 million have been received from Algeria. Both Algeria and Russia have thereby settled their entire debt to GIEK, which according to plan should not have been settled until 2020.

Claims in the Old Portfolio have been reduced from NOK 3.3 billion in 2005 to NOK 2.8 billion at the close of 2006. These claims are linked to a number of different debt relief accords, many of which have complicated terms.

GIEK Kredittforsikring AS

GIEK's wholly-owned subsidiary, GIEK Kredittforsikring AS (GK) offers credit insurance with terms of less than two years and is one of three commercial players in the Norwegian market. The company's principal objective is to offer short term risk cover to small and medium-sized export businesses. Since the beginning, more than 80 % of the customer volume has consisted of such companies.

GK's risk outside of the OECD – so-called non-marketable risk – is reinsured by GIEK. This reinsurance agreement yielded a net contribution to GIEK's profit/loss of NOK 3.2 million in 2006. The credit insurance of "non-marketable risk" amounted to about 8 % of GK's insured sales. The remaining sales are reinsured in the private market.

GK achieved a profit for the year after provisions and taxes of NOK 5.4 million. The Board of Directors of GK has proposed that NOK 1.96 million of this profit be distributed as a dividend to GIEK, which will transfer it to the Treasury.

Total insured credit sales came to NOK 17.4 billion. This gave a gross premium income of 41.7 million, of which the premium for own account amounted to NOK 28.1 million. Gross claims expenses were NOK 14.6 million, 11.0 million of which were for own account. The volume of claims has been consistently low throughout the year, with the exception of one major case.

On this basis, the Board of Directors is well satisfied with the development in the company, which had been in operation for five years in 2006.

GK's profit/loss is not consolidated into GIEK's accounts as GIEK is a public enterprise and GK is a limited liability company.

Organisation

There have been no changes in the composition of the Board of Directors or the management team in 2006. The Board met 15 times.

At year-end, GIEK had 37 staff members, of which 16 were women and 21 were men, totalling 35.7 full-time equivalents.

At the start of the year, several administrative tasks previously performed by GIEK for GIEK Kredittforsikring AS (GK) was transferred to GK. As a result, four GIEK employees transferred to GK in 2006. In addition, two employees transferred to other activities, while one employee retired.

The absence due to illness was 3.9 % in 2006. The corresponding figures for 2005 were 5.1 %. There have been no injuries or accidents.

GIEK introduced a new system of management by objectives and results as well as a new internal control system in 2006. The system of management by objectives and results is designed according to defined primary and secondary goals with a designation of specific indicators for effectiveness. The system has been developed in cooperation with the Ministry of Trade and Industry. Following the introduction of the new system, the reporting system has been adapted to new measurement criteria.

The internal control system is based on risk assessment in connection with the achievement of GIEK's primary and secondary goals. Risk assessment of the different work processes in GIEK has been conducted at both the comprehensive and detailed level. At the comprehensive level, competence building in the organisation and the interaction between the different departments according to a relatively complicated administrative system were regarded as the biggest risks. The risk assessment is followed up with action plans, and is updated annually. The Board of Directors regards them as useful tools in the monitoring of effectiveness in GIEK.

Since 2004, GIEK has been responsible for the secretariat of the Contingency Scheme for the State War Risk Insurance of Goods (BSV), on behalf of the Ministry of Trade and Industry. In 2006, an administrative system was procured for BSV. The system will make it possible to rapidly offer goods-in-transit insurance if the scheme is implemented.

The total administrative expenses for GIEK came to NOK 37.3 million in 2006, after the transfer of provisions for Value Added Tax of NOK 4.6 million that were made in 2005. The provisions for Value Added Tax from 2005 were transferred because, in the spring of 2005, the Ministry of Finance gave dispensation to public agencies for the period 1 July 2001 to 31 December 2006. This dispensation was recently extended to 1 January 2008.

Equal opportunities

It is important to GIEK to ensure full equal opportunity in all parts of our operations. Four of the seven Board members are women. The Managing Director is a woman and the management team consists of three women and three men. Salary levels are determined on a gender neutral basis.

Environment

The social work environment is regarded as good, and the stability of our staff is seen as an expression of this.

GIEK makes a concerted effort to take environmental issues into consideration both in its own operations as well as in its assessment of guarantee applications. All applications are categorised into one of three classes according to the assumed environmental impact, in keeping with guidelines specified by the OECD. GIEK's own activities do not pollute the external environment.

Future prospects

In the efforts to ensure Norwegian exporters efficient and competitive risk coverage, the Board of Directors will attach importance to maintaining the main features of our activities while continuing to adapt our guarantee schemes to the changing needs of the Norwegian business community and altered conditions in the international market.

Norway has proposed to the OECD that the buyer's local share may be financed. However, certain OECD countries have opposed such a change.

The Board of Directors wants to point out that premium levels have been reduced in a number of countries as a result of a lower level of risk, and that the trend toward lower premiums in a number of previously high-risk markets will probably continue. However, the guarantee institutes that must comply with OECD regulations lie somewhat behind in adapting to this market development.

The Board of Directors considers that the OECD's ship definitions and the Norwegian implementation of these definitions into our guarantee schemes are dated and should be revised to reflect the actual challenges involved in financing ships and rigs. An active effort should be made to promote this in the OECD.

One of the main tasks for the Board of Directors is to further simplify GIEK's application processes for the benefit of both exporters and buyers. An extensive effort has been launched to achieve such simplification under the slogan "a simpler GIEK". The efforts at simplification, which have already resulted in simpler documentation requirements when GIEK's liability is under NOK 15 million, will continue with new measures. For example, the Board of Directors has proposed that GIEK's Articles of Association should be revised to allow for 100 % commercial risk coverage in such cases. This will particularly benefit small and medium-sized exporters.

The Board of Directors will also intensify efforts to promote competence building with regard to both credit rating and industry expertise. Included in these efforts is the improvement of expertise on the shipyard and shipping industry.

Another important task is to further familiarise the user groups with GIEK. Information activities will be intensified in 2007.

GIEK will attach importance to further developing its cooperation with the other trade facilitation organisations, with the aim of increased coordination of tasks.

It is important to GIEK to continue its active participation in international fora such as the OECD and the Berne Union.

In keeping with decisions in the OECD, GIEK is introducing new and even stricter anti-corruption rules starting 1 January 2007. These rules have been incorporated into the guarantee terms and conditions, and the exporter must sign an anti-corruption declaration before an offer is given.

The Board of Directors considers it to be important that GIEK attain the capacity to support the rapid growth in demand at Norwegian shipyards in accordance with the Government's proposed increase of the exposure limit for the Construction Loan Scheme to NOK 5 billion. This will help ensure employment and long-term economic growth in Norwegian coastal communities, and Norwegian shipyards will become more competitive internationally.

With an exposure limit of NOK 50 billion for the General Guarantee Scheme, GIEK will, under normal conditions, be well-equipped to fulfil its tasks as an active contributor to increased growth in the export-oriented industries. However, the Board of Directors has noted a trend according to which Norwegian firms compete for substantial export contracts. The Board of Directors will follow this trend closely as a number of these major cases could easily cause the new exposure limit to be fully utilised. The reserves, including equity and provisions for losses, are considered to be adequate to cover normal levels of loss. Over and above this, however, the reserves remain too modest.

Due to the great demand for coverage under the Developing Country Scheme, the Board of Directors will make efforts to further increase the scheme's exposure limit.

31 December 2006

Oslo, 22 March 2007

Bjørn Kaldhol
Chairman

Asbjørn Birkeland

Marianne Kartum

Rita Lekang

Gisèle Marchand

Sandra Riise

Otto Søberg

Wenche Nistad
Managing Director

Income statement

Amount in units of 1000		General Guarantee Scheme		Developing Country Scheme		Construction Loan Guarantee Scheme		TOTAL Active Schemes		TOTAL Schemes being wound up, note 12	
	Note	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
OPERATING INCOME											
Accrued premium	1	145 771	146 220	6 509	4 129	1 742	0	154 023	150 349	10 657	13 815
Income from moratorium agreements	2	14 684	18 969	10 231	8 862	0	0	24 915	27 831	120 948	138 151
GIEK's share of recoveries		7 889	4 753	4 261	0	0	0	12 150	4 753	4 508	2 112
Other income		6 010	763	300	0	114	0	6 424	763	0	0
TOTAL OPERATING INCOME		174 355	170 704	21 301	12 991	1 856	0	197 512	183 695	136 113	154 079
OPERATING COSTS											
Accrued claims expenses	3	1 430	-125 429	-2 039	-8 753	0	0	-609	-134 182	-377 998	81 330
Change in provisions for guarantee liabilities	4	-13 560	78 784	7 708	366	-19 082	0	-24 934	79 150	10 835	563
Administrative expenses	5,11	-25 655	-24 985	-2 483	-3 091	-921	-1 068	-29 059	-29 144	-3 524	-5 800
TOTAL OPERATING COSTS		-37 785	-71 630	3 186	-11 478	-20 003	-1 068	-54 602	-84 177	-370 688	76 093
OPERATING PROFIT/LOSS		136 569	99 075	24 487	1 513	-18 147	-1 068	142 909	99 519	-234 575	230 171
FINANCIAL INCOME AND EXPENSES											
Interest income		21 143	15 491	89	105	2	0	21 235	15 596	31 717	19 244
Realised exchange rate gains/losses		3 947	-172	-90	-202	0	0	3 858	-373	-95	-19
Exchange rate gains/losses on unrealised receivables	6	-17 581	8 049	-4 165	5 160	0	0	-21 746	13 209	-40 776	80 350
Exchange rate gains/losses on bank deposits		-11 887	11 079	0	0	0	0	-11 887	11 079	0	0
Exchange rate gains/losses on unrealised guarantee liability provisions		26 889	4 839	3 437	-1 853	0	0	30 326	2 986	4 757	1 023
Other financial items		1 963	2 000	-0	-0	0	0	1 963	2 000	-1	-0
NET FINANCIAL ITEMS		24 474	41 286	-729	3 211	2	0	23 748	44 496	-4 399	100 598
PROFIT BEFORE TRANSFER TO/FROM STATE		161 044	140 361	23 758	4 723	-18 144	-1 068	166 657	144 015	-238 973	330 769
Public subsidies/Transfer to state	7	-1 964	-1 599	5 059	-18 000	0	0	3 096	-19 599	-399 900	-364 824
PROFIT/LOSS FOR THE PERIOD		159 080	138 761	28 817	-13 277	-18 144	-1 068	169 752	124 416	-638 873	-34 054

Balance sheet

Amount in units of 1000		General Guarantee Scheme		Developing Country Scheme		Construction Loan Guarantee Scheme		TOTAL Schemes being wound up, note 12	
	Note	2006	2005	2006	2005	2006	2005	2006	2005
FIXED ASSET INVESTMENTS									
Shares in subsidiaries	8	35 000	35 000	0	0	0	0	0	0
TOTAL FIXED ASSET INVESTMENTS		35 000	35 000	0	0	0	0	0	0
RECEIVABLES									
Debtors, claims payments	3	276 152	262 149	1 109	3 157	0	0	558 961	566 864
Provisions for losses on claims payment receivables	3	-150 293	-182 152	-444	-445	0	0	-301 458	-305 341
Debtors, moratorium agreements	2	177 293	199 845	64 456	69 881	0	0	2 287 546	2 821 908
Provisions for losses on moratorium receivables	3	-30 396	-51 726	-11 602	-20 964	0	0	-721 786	-392 291
TOTAL NET RECEIVABLES – FOREIGN		272 757	228 117	53 520	51 628	0	0	1 823 263	2 691 140
Receivables from Norwegian exporters		-1 320	-824	-331	0	1 133	0	0	0
Other receivables		12 596	1 302	2 260	0	-1 431	-1 068	-13 551	-0
TOTAL RECEIVABLES		284 032	228 595	55 449	51 628	-299	-1 068	1 809 712	2 691 140
Bank deposits		770 478	729 598	10 683	273	168	0	1 406 034	1 222 590
TOTAL ASSETS		1 089 510	993 194	66 132	51 901	-131	-1 068	3 215 746	3 913 730
EQUITY									
Equity 01.01		-346 604	-207 842	7 584	-5 693	1 068	0	-2 223 751	-2 257 805
Profit/loss for the year		-159 080	-138 761	-28 817	13 277	18 145	1 068	638 874	34 054
TOTAL EQUITY	9	-505 684	-346 604	-21 233	7 584	19 213	1 068	-1 584 877	-2 223 751
PROVISIONS									
Provisions for losses on guarantee liabilities	4	-581 853	-640 145	-43 949	-59 485	-19 082	0	-63 788	-90 598
Provisions for value added tax	11	-85	-4 731	0	0	0	0	0	0
LIABILITIES									
Debt plan, remainder to offset	10	0	0	0	0	0	0	-1 565 121	-1 599 381
Other liabilities		-1 889	-1 714	-950	0	-0	-0	-1 960	-0
TOTAL LIABILITIES		-1 889	-1 714	-950	0	-0	-0	-1 567 081	-1 599 381
TOTAL EQUITY AND LIABILITIES		-1 089 510	-988 462	-66 132	-51 901	131	1 068	-3 215 746	-3 913 730

31 Desember 2006

Oslo, 22 March 2007

Bjørn Kaldhol
Chairman

Asbjørn Birkeland

Marianne Kartum

Rita Lekang

Gisèle Marchand

Sandra Riise

Otto Søberg

Wenche Nistad
Managing Director

Notes to the accounts

GENERAL ACCOUNTING PRINCIPLES

The annual accounts for the General Guarantee Scheme, the Developing Country Scheme, the Construction Loan Scheme and guarantee schemes in the process of winding up consist of an income statement, balance sheet, and notes to the accounts. The annual accounts have been prepared in accordance with the principles found in the Norwegian Accounting Act whenever appropriate. The adaptations made are described in greater detail in the notes below. The administrative expenses are recorded on a cash basis.

The accounts for guarantee schemes in the process of winding up have been consolidated, but the key figures for each scheme are presented in Note 12. This applies to the Old General Scheme, Old Special Schemes, CIS/Baltic States 1994-1998 and CIS/Baltic States 1999-2002.

Income and expenses are recorded as they are earned or incurred with the exception of administrative expenses, which are recorded on a cash basis and a dividend when it is received. Future losses on receivables and guarantee liabilities are calculated by a best-effort estimate and changes in provisions are recorded in the income statement. The method used for calculating changes in provisions is described in the note for the individual provision. Compensation is assumed for debt cancellations decided by the state. However, the Storting resolved in the central government budget for 2007 that all debt tied to the Ship Export Campaign's credits to Ecuador, Peru, Egypt and Jamaica shall be unconditionally cancelled, without appropriation and without charging the Debt Plan's allocations.

Receivables, bank deposits and provisions in foreign currency are converted into Norwegian kroner in accordance with the current exchange rate principle. The bank converts all currency transactions at the rate in effect on the transaction date.

GIEK issues guarantees on behalf of the Norwegian State. GIEK does not have any liquidity risk because there are established procedures for drawing on the State's liquidity.

CHANGES FROM LAST YEAR

Changes in the accounting principles:

There are no significant changes in the accounting principles. Under the Construction Loan Scheme, the calculation method for provisions is different from the method under the General Guarantee Scheme, but the principle of a standard provision of 80% of the premium and any manual adjustments of this provision that may be necessary, is the same, see note 4.

Changes in the presentation:

In the presentation of the accounts, a column has been added that shows the "Total active schemes".

FOREIGN CURRENCY EXPOSURE

A summary of the exposure in currencies that represent more than 10 per cent of the guarantee liabilities at 31 December 2006 is provided below for the General Guarantee Scheme. The scheme also has guarantee liabilities in CAD, CHF, DKK, JPY and SEK and receivables in AED and SEK.

Amounts in units of a thousand in the relevant currencies	USD	EUR
Valued receivables	37.281	402
Bank deposits	25.690	17.747
Provisions for guarantee liabilities	- 64.954	- 19.287
TOTAL exposure	**-1.982**	**-1.138**

CLOSELY RELATED PARTIES

GIEK owns a wholly-owned subsidiary, GIEK Kredittforsikring AS (GK). The following types of transactions take place between GIEK and GK:

1. *Reassurance*. GIEK reinsures guarantee liabilities for GK on market-based terms that are renegotiated annually. GIEK receives a proportionate share of the guarantee premium and premium for excess loss (XL) cover. GK is paid for its work by a percentage of GIEK's guarantee premium (ceding commission), provided this exceeds an agreed annual minimum amount, see note 5.
2. *Cost sharing*. GK pays its share of the joint costs such as office rent, accounting services, archival storage, IT costs, payroll, etc. Payments are made monthly based on the budget with an annual settlement based on the actual costs. Starting on 1 April 2006, GK established its own accounting department and performed work on archival storage, accounting and the payroll itself.
3. *IT-system*. GIEK and GK implemented a new accounting and business system for guarantee cases in 2004. GK pays its share of the development costs monthly, distributed over the estimated useful life of the system.

GIEK is a public enterprise under the Ministry of Trade and Industry (MTI). The following types of transactions take place between GIEK and MTI:

1. *Fund for Developing Country Scheme*. The Developing Country Scheme shall only have the liquidity necessary to meet short-term needs, including the possibility of covering annual administrative expenses, while the scheme's funds shall be in the primary capital fund that is administered by MTI. Funds are therefore transferred between MTI and GIEK as required to regulate the liquidity. Starting in 2006, funds beyond a primary capital fund of NOK 300 million may be kept in the scheme's interest-bearing account with GIEK.
2. *The Contingency Scheme for War Risk Insurance of Goods*. The contingency system is administered by GIEK and the goal is to ensure that the authorities have a secretariat for maintaining and, if necessary activating a Contingency Scheme for State War Risk Insurance of Goods in order to encourage the shipping of goods by sea in a crisis or war.
3. *Dividends*. Dividends from GK are transferred to MTI.
4. *Premium subsidies*. For CIS-Baltic States, the remaining provision for premium subsidies was transferred to the Treasury in 2006.
5. *Transfer of bank deposits*. For the Old General Scheme and Old Special Schemes, annual transfers are made to MTI according to the size of the bank deposits in the preceding year.

GIEK is a public enterprise that administers the Tender Guarantee Scheme for Norfund.

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 the invoiced and paid premiums are recorded as realised currency gains/losses.

The premium for the Construction Loan Scheme is paid in arrears. Accrued premiums are taken to income.

2) INCOME AND CLAIMS UNDER MORATORIUM AGREEMENTS

Moratorium agreements represent debt repayment agreements with 16 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 when GIEK takes possession on the claim date. The income is otherwise affected by changes in current agreements, such as accrued contract interest, payment of penalty interest on overdue payments, consolidation of agreements, debt cancellation, realised currency gains/losses and floating interest rates.

Provisions are made for that portion of the moratorium receivables that is assumed to be unrecoverable when the accounts were closed. Standard rates for groups of countries are used to estimate the loss potential for the total receivables portfolio, but these rates can be overridden manually if we have information that allows us to make a better estimate. The country groups are based on the OECD's country classification system. Receivables that are included in the Debt Plan are valued at what compensation will be paid by the Ministry of Foreign Affairs when the Debt Plan is carried out. Changes in the provisions are recorded as claims expenses.

3) CLAIMS EXPENSES AND PROVISIONS FOR LOSSES ON RECEIVABLES AS A RESULT OF CLAIMS PAYMENTS

When paying a claim, GIEK takes over the exporter's claim against the debtor. This receivable is recorded on the balance sheet.

Provision is made for 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 to estimate the recovery potential in the total receivables portfolio, but these rates can be overridden manually if we have information that allows us to make a better estimate.

The net change in receivables and provisions for losses on receivables from the previous period are recorded as a claims expense. The change in provisions for losses on moratorium receivables are also included in the claims expenses. 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.

4) PROVISIONS FOR LOSSES ON GUARANTEE LIABILITIES

This provision is intended to cover future losses on all registered guarantee liabilities at year-end, and they correspond to the best estimate of future losses. Provision for known non-performance that has yet to be covered by compensation is included in this provision. Provisions are made for current guarantees based on a special calculation method where standard rates are supplemented with manual adjustment. The standard rates shall comprise around 80% of the premium for a new corresponding guarantee. The premium varies according to the remaining credit period, type of buyer and country risk group. The country groups are based on the OECD's country classification system. In cases where a claim has been paid, the standard rate for provisions for receivables is used instead, see Note 3. If the standard rate system does not reflect the risk, the standard rates are manually adjusted up or down. This is especially relevant if a notice of default is received, deferred payment is sought, or for cases with commercial risk.

Changes in the provisions reflect both changes in guarantee liabilities and risk reassessment of countries or individual guarantees. No provisions are made for guarantee offers.

The provisions for losses on guarantee liabilities comprise prepaid premiums and changes in the provisions made in the income statement. The development of these items for the General Guarantee Scheme is illustrated in the table above in units of NOK 1000:

General guarantee scheme	2006	2005	Change from 2005
Prepaid premiums at 31 December	315.565	360.529	-44.964
Increase in provisions in the income statement this year, including currency gains	-13.329	-83.623	70.294
Accumulated increase in the income statement from previous years	279.617	363.239	-83.622
Guarantee liability provisions on the balance sheet at 31 December	**581.853**	**640.145**	**-58.292**

5) SHARE OF ADMINISTRATIVE EXPENSES

GIEK's administrative expenses are recorded on a cash basis. They are distributed among the guarantee schemes and other schemes administered by GIEK in accordance with a distribution formula that is set annually so as to reflect the underlying workload. Provisions for value-added tax of TNOK 4,731 in 2005 have been partly transferred in 2006. This applies to the share that includes VAT for work performed for GK, and amounts to TNOK 4,646, see note 11.

GIEK's employees are members of the Norwegian Public Service Pension Fund. Future pension costs are not recorded because the accounts are kept on a cash basis. As a public enterprise, GIEK is exempt from the requirements in the Act relating to mandatory occupational pensions.

Summary of GIEK's administrative expenses in 2006 in units of NOK 1000.

Type of expense	Amount 2006	Amount 2005
Wages and salaries	17.465	16.913
Fees, other remunerations and reimbursements	340	650
National insurance contributions	2.499	3.117
Pension contributions	1.699	1.748
TOTAL payroll items	**22.002**	**22.428**
Buildings, machinery and fixtures	6.120	7.135
Expert assistance	5.983	3.201
Other operating expenses	5.940	5.394
Total operating expenses	**18.043**	**15.730**
Total	**40.045**	**38.158**
GK Ceding Commission	1.910	1.988
Provisions for VAT	-4.646	4.731
Net administrative expenses	**37.309**	**44.877**

GK Ceding Commission and transferred provisions for VAT have been entered in the General Guarantee Scheme.

In addition to operating the guarantee schemes, GIEK's administration takes care of the operation of the Contingency Scheme for the State War Risk Insurance of Goods (BSV), the Tender Guarantee Scheme for Norfund, part of GK's administration, and the closing of GI (The Guarantee Institute for Ships and Drilling Rigs). Remuneration for this amounted to MNOK 4.9 in 2006 compared with MNOK 9.4 in 2005.

Remunerations to the Board and Managing Director in 2006, in units of NOK 1000:

Managing director	Wages and salaries	Benefits in kind	Pension contri-butions	Total remune-ration
Wenche Nistad	938	3	78	1.019

Board of Directors	Fee	Total remuneration
Bjørn Kaldhol	115	115
Asbjørn Birkeland	60	60
Marianne Kartum	60	60
Rita Lekang	60	60
Gisèle Marchand	60	60
Sandra Riise	60	60
Otto Søberg	60	60
Total remuneration	**475**	**475**

The Office of the Auditor General is GIEK's auditor. GIEK is not charged for auditing services.

6) UNREALISED CURRENCY GAINS/LOSSES ON RECEIVABLES

Receivables in foreign currencies are recorded in accordance with the current exchange rate principle. Changes in the value of the receivables due to currency fluctuations during the year are recorded as unrealised currency gains or losses. Realised currency gains or losses for moratorium receivables are recorded as income from moratorium agreements. See note 2. Realised currency gains or losses for other receivables are recorded as claims expenses, see Note 3.

7) PUBLIC SUBSIDIES AND TRANSFERS TO THE GOVERNMENT

The General Guarantee Scheme forwards dividends received from GIEK Kredittforsikring AS to the Ministry of Trade and Industry. The amount has been NOK 2 million annually from 2001 to 2005. In 2006, a dividend of TNOK 1,963 was transferred and taken to income when received.

The Old General Scheme and Old Special Schemes annually pay the Treasury the sum specified by the Storting, NOK 399 million for 2006. The accumulated transfers from 1999 total NOK 3,837 million.

Beyond short-term needs, Developing Country Scheme funds shall be in the primary capital fund in the Ministry of Trade and Industry (MTI). The scheme regulates its liquidity by transferring to/from the fund. The requirement to transfer liquidity to the fund in MTI no longer applies from 2006 when the fund reaches NOK 300 million.

8) SHARES IN GIEK KREDITTFORSIKRING AS

GIEK has held shares in the wholly-owned subsidiary GIEK Kredittforsikring AS (GK) since 1 January 2001. The shares are valued at NOK 35 million, which corresponds to GK's equity when the company was formed. An annual write-down test is performed. Since the shares did not represent any cost to the General Guarantee Scheme, the amount was recorded as an equity contribution from MTI in 2001.

If the shares had been recorded in accordance with the equity method of accounting, the profit/loss of the subsidiary less dividends paid would have been added to the cost price so that the value in GIEK's accounts would be equal to GK's equity. The transfer of dividends to MTI would have been deducted from GIEK's equity.

NOK

Company	GK AS
Number of shares	15.000
Nominal value	1.000
Book value at 31 Dec. 2006	35.000.000
Ownership %	100 %
GK's profit for the year 2006	5.385.243
GK's book equity 31 Dec. 2006	44.729.494

GIEK's and GK's accounts are not consolidated because GIEK is a public enterprise.

9) EQUITY

Equity comprises accumulated profit/loss. The Developing Countries Scheme also has a primary capital fund of NOK 278 million (originally NOK 300 million), which is administered and accounted for by the Ministry of Trade and Industry.

10) DEBT PLAN

The Storting adopted the Norwegian Debt Plan in December 1997 together with the central government budget for 1998. It was updated in 2004. Under this plan GIEK's receivables from certain countries can be cancelled without new appropriations by setting them off against a certain limit.

The Debt Plan was utilised as follows in 2006 (in units of NOK 1000):

	Old General Scheme	Old Special Scheme
Remaining Debt Plan limit at 1 January	969.760	629.621
Debt cancellation for Serbia-Montenegro	23.313	
Debt cancellation for Sierra Leone		10.946
Remaining Debt Plan limit at 31 December	946.446	618.673

11) PROVISIONS FOR VALUE-ADDED TAX

In a letter of 14 December 2005, the Oslo County Tax Assessment Office concluded that GK's share of GIEK's administrative expenses is to be regarded as taxable services from GIEK to GK.

Provisions for value added tax of TNOK 4,731 were made in the General Guarantee Scheme in 2005. The percentage related to the work for GK amounting to TNOK 4,646 was transferred in 2006. See the Ministry of Finance's letter of 23 March 2006 where it is accepted that relevant government activities are given an opportunity to defer VAT-liability until 1 January 2007. This deadline has now been extended to 1 January 2008. It is not necessary to be registered in the VAT Registration List prior to this date. Thus, the activities will not be deductible for VAT input tax, and VAT output tax can not be collected.

GIEK has still allocated TNOK 84 for a possible tax obligation for GIEK's share of the maintenance costs for the OECD's minimum premium system. This work is performed by the Belgian Guarantee Institute. The reason for this is that the issue has not been cleared with the authorities.

12) KEY FIGURES IN 2006 FOR SCHEMES BEING WOUND UP

Amounts in units of NOK 1000

	Old General Scheme	Old Special Schemes	CIS-Baltic States 1994-1998	CIS-Baltic States 1999-2002	TOTAL
Operating income	94.740	37.967	2.637	769	136.113
Operating costs	25.294	348.790	-3.021	-375	370.688
Profit/loss for the year	-257.613	-389.514	6.486	1.767	-638.873
Valued receivables at 31 December	1.156.278	666.984	0	0	1.823.263
Provisions for guarantee liabilities at 31 December	57.648	0	647	5.493	63.788

GIEK's management

Managing Director
Wenche Nistad

Strategy and communication

Guarantee Department
Assistant Managing Director
Øyvind Ajer

Processes guarantee applications. Assesses the risk of deliveries, which entails, for example, evaluation of the buyer's creditworthiness, exporter's implementation capability, market risk and technology factors, and the value of securities placed. Responsible for customer contact and sales. The department has three teams based on the sectors of our clients: "Maritime Sector", "Telecom and Environmental Technology" and "Energy and Other Capital Goods".

Department for Country Assessment and International Relations
Assistant Managing Director
Johan E. Mowinckel

Banking and country risk assessment, international debt agreements, international cooperation and board secretariat.

Legal Department
Assistant Managing Director
Lully C. Heje

Breaches, claims, recoveries, development of policy terms, documentation, contract signature, depository, legal advisory services.

Administration Department
Assistant Managing Director
Inger Johanne Bjørnstad

Personnel, IT, budget, accounts, statistics and general administration.

Director
Edvard Stang

Contact with public policy system, the Berne Union and Ministry of Trade and Industry.

Tables

Liability per scheme, MNOK at 31 December 2006

Scheme	New applications	New offers	New guarantee liabilities	Valid applications	Valid offers	Outstanding liabilities	Tied up under the limit	Lapsed offers
General Guarantee Scheme	28 106	15 148	4 889	6 743	15 303	14 089	29 392	3 152
Construction Loan Scheme	2 326	1 652	1 064	496	828	1 089	1 917	
Old General Scheme						646	646	
CIS/Baltic States 1994-1998						40	40	71
CIS/Baltic States 1999-2002						48	48	
Developing Country Scheme	275	295		657	681	537	1 218	
Total	**30 707**	**17 094**	**5 952**	**7 896**	**16 813**	**16 449**		**3 223**

Outstanding liability The Developing Country Scheme

NOK 1000, exchange rate on 31 December 2006

Country	Total
Albania	124 295
Angola	49 763
Bangladesh	18 557
Ghana	166 222
Honduras	40 274
Laos	707
Lesotho	9 422
Macedonia	23 914
Malawi	3 633
The Maldives	1 001
Mozambique	4 714
Nepal	86 919
Uganda	5 235
Zimbabwe	2 308
Total	**536 965**

Key figures from operations, cash 2006, NOK 1000

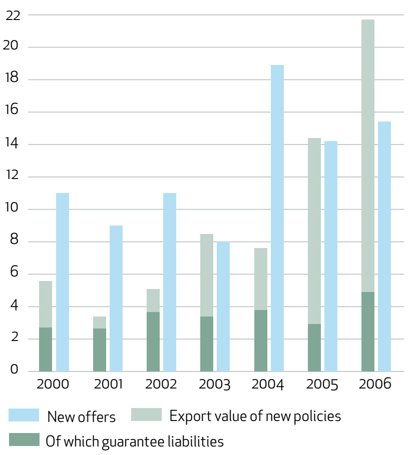
	2006	2005
Premiums	104 232	177 637
Recoveries	596 282	731 390
Compensation	88 502	165 012
Transferred to the Treasury	399 900	264 824

Key figures for the Developing Country Scheme, NOK 1000

During year	2006	2005	2004
New applications	274 728	812 600	494 604
New offers	294 472	240 461	692 468
New policies	0	208 700	21 834
Premium income	6 509	4 129	3 711
Claims expenses	2 039	8 753	11 657
At year-end			
Outstanding offers	657 261	800 100	906 819
Outstanding guarantee liability	536 965	625 600	473 729
Provisions for losses on guarantee liabilities	43 949	59 485	36 411
Outstanding receivables	65 565	73 038	57 984
Provisions for bad debts	12 046	21 409	16 741
Operating surplus/deficit	24 487	1 513	22 244
Annual surplus/deficit	28 817	-13 277	35 733

Export value of new policies

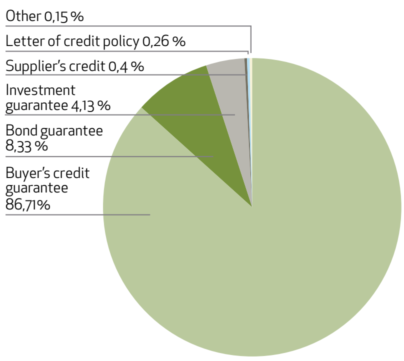
NOK billion General Scheme



Offers of guarantees worth NOK 15.4 billion were given in 2006. The export value associated with policies issued in 2006 rose to NOK 16.8 billion. GIEK's liabilities amounted to NOK 4.9 billion of this.

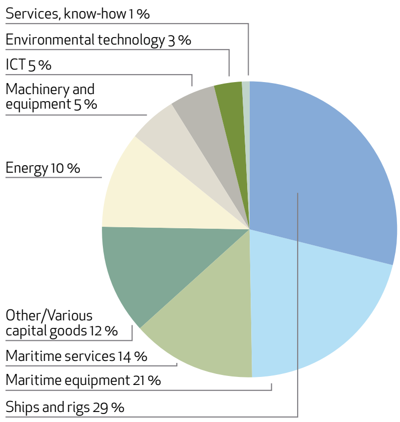
Outstanding liabilities

Type of guarantee



Outstanding liabilities

By product group



Consultancy and project management: Dørum Kommunikasjon AS. Design and print: Tellus Works Creative AS. Photos: Stavanger Aftenblad, page 4, Scanpix, page 7, John Petter Reinertsen, page 19.

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