Annual Report 2007

GIEK Garanti-instituttet for eksportkreditt

This is GIEK

■ GIEK guarantees export credits for buyers of Norwegian goods and services. By covering risk and facilitating competitive financial solutions, GIEK promotes exports of Norwegian goods and services, as well as Norwegian investments abroad. GIEK is a public enterprise.

■ GIEK offers risk cover 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 Kredittforsikring AS, which is wholly owned by GIEK.

■ GIEK provides cover for 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 Ministry of Trade and Industry establish the general regulatory framework for GIEK's activities.

Contents

Highlights in 2007

■ Continued growth in exports from maritime industries.

■ GIEK contributed to export contracts and foreign investments valued at NOK 33.3 billion.

■ The profit/loss for the year for the General Guarantee Scheme (GIEK's main scheme) went from a profit of NOK 159 million in 2006 to a loss of NOK 31 million in 2007, due to a major increase in liability and thus high provisions for losses.

■ The total volume of new guarantees increased from NOK 6 billion in 2006 to NOK 13.6 billion in 2007.

■ The exposure limit for the General Guarantee Scheme was increased from NOK 40 to NOK 50 billion.

Our products

Buyer Credit Guarantee
Covers the risk associated with individual deliveries of goods and services and are normally furnished for long-term credits (over two years). GIEK guarantees repayment of the loan raised by the buyer to finance deliveries from a Norwegian exporter. GIEK can cover up to 90 per cent of the total credit amount for commercial risk and up to 100 per cent for political risk.

Supplier Credit Guarantee
Covers the risk associated with individual deliveries of goods and services and are normally furnished for short- or medium-term credits (up to five years) and/or smaller credits. GIEK guarantees repayment of the credit a Norwegian exporter provides to the buyer. GIEK can cover up to 90 per cent of the total credit amount for commercial risk and up to 100 per cent for political risk.

Pre-Shipment Guarantee
The Pre-Shipment Guarantee protects the exporter against losses that may occur during the production period prior to delivery if the contracts entered into are not performed or fulfilled by the buyer as a result of bankruptcy, insolvency or political events. GIEK can cover up to 90 per cent of the amount of risk for commercial risk and up to 100 per cent for political risk.

Bond Guarantee
Helps the exporters furnish guarantees for tenders, advance payments or completion (bonds). The guarantees are normally furnished to the buyer by the exporter's bank, and GIEK can accept up to 50 per cent of the bank's risk.

Investment Guarantee
Covers political risk associated with Norwegian investments abroad. The guarantees can cover investments in the form of equity, loans, production equipment or other financial benefits for the establishment of an independent company or participation in a financial enterprise abroad. This guarantee scheme covers political risk only. The guarantee cover can be furnished over a period of up to 20 years for a maximum of 95 per cent. The guarantee can be adapted largely to the needs of the investor.

Building Loan Guarantee
The Building Loan Guarantee guarantees the repayment of loans made by construction loan banks to Norwegian shipyards in connection with the shipyard's financing of new vessels under construction. The intention of the scheme is to cover up to 50 per cent of the risk of the regular construction loan banks.

Tender Guarantee
Guarantee scheme for the recovery of expenses related to participation in international competitive tendering for development assistance financed projects in developing countries that are entitled to loans from the World Bank. No premium is charged for Tender Guarantees.

Credit insurance
Protects the exporter against losses on short-term export credits (up to 720 days). Insurance is provided by GIEK's subsidiary GIEK Kredittforsikring AS.

Read more about our products and download our application forms at www.giek.no.

GIEK's organisation

GIEK's Management, from the left: Johan E. Mowinckel, Øyvind Ajer, Lully C. Heje, Wenche Nistad, Edvard Stang, Håkon A. Løe. Not present when the photo was taken: Inger Johanne Bjørnstad and Harald Øien.

Managing Director
Wenche Nistad

Underwriting Department
is responsible for customer relations and sales as well as the processing of guarantee applications. The Underwriting Department assesses risk, including the evaluation of the buyer's creditworthiness, the exporter's implementation capability, market and technology factors, and the assessment of available securities. Assistant Managing Director: Øyvind Ajer.

Department for Country Assessment and International Relations
is responsible for the assessment of banks and countries, international debt agreements, international cooperation and environmental assessments. Assistant Managing Director: Johan E. Mowinckel.

Legal Department
is responsible for handling defaults, claims and recoveries, the development of policy terms, documentation, contract execution, depository and legal advisory services. Assistant Managing Director: Lully C. Heje.

Administration Department
is responsible for the budget, accounts and general administration. Assistant Managing Director: Inger Johanne Bjørnstad.

Division for Business Support
is responsible for IT, archives, statistics and board secretariat. Head of Division: Håkon A. Løe.

Director
is responsible for contact with the public policy system, Berne Union and Ministry of Trade and Industry. Director: Edvard Stang.

Personnel Manager
is responsible for human resources and the administration budget. Harald Øien.

GIEK ever more in demand

Good international market conditions have yielded growth in Norwegian business and industry in 2007. One year ago GIEK reported a doubling in the value of Norwegian companies' GIEK-guaranteed contracts, and this value has doubled again in 2007. The volume of new applications in 2007 was almost NOK 45 billion, an increase from NOK 31 billion in new applications in 2006.

Heavy pressure on the maritime industries
The trend is particularly obvious in the maritime industries and oil sector. The order books at Norwegian shipyards are full, and there is heavy pressure on the shipyards' banks. It is highly likely that these banks will be unable to take on the substantial commitments requested by the market. A need for relief arises and the consequence is an increase in the request for GIEK's services. In 2007 we experienced that the exposure limit for the Building Loan Guarantee Scheme for ships was fully utilised, and the Government's response was to double the exposure limit for this scheme from NOK 2.5 billion to NOK 5 billion.

Unrest in the financial markets did not increase GIEK's risk
As a result of unrest in the financial markets, the funding costs of the banks that GIEK cooperates with are high. This cost increase will in turn have to be passed on to the customers. The risk associated with GIEK's portfolio has not yet increased as a result of this, as GIEK's exposure is related largely to the energy sector and oil and gas, which have had very good earnings in 2007.

Tight exposure limits
The exposure limit for GIEK's General Guarantee Scheme was increased from NOK 40 to NOK 50 billion in the Central Government Budget for 2007. The Central Government Budget for 2008, however, does not make provisions for any further increase in the exposure limits. With the enormous volume of applications we are now seeing, there is a real risk that the limit of NOK 50 billion will be exceeded in 2008. If so, this will have consequences for Norwegian business and industry, especially in the coastal areas where suppliers of equipment to ships, oil and gas provide many regional jobs.

Secure future market shares
In the summer of 2007 I visited one of the world's largest shipyards, Hyundai Heavy Industries in South Korea. The shipyard imports a lot of equipment and technology, but Norwegian goods and services only account for three per cent of the imports. High technology industry in Norway should recognise the opportunity here and secure future market shares. The order books are full now, but we cannot rely on the good times to last for ever. Production in low-cost countries can help maintain our competitiveness.

Small enterprises must invest abroad
GIEK does of course not work only with major companies with huge contracts. The fact is that over half of all our cases involve small or medium-sized companies that export or invest abroad. In 2007 we have focused on reaching an even broader segment of the small and medium-sized companies, and in the autumn of 2007 we launched a campaign aimed at environmental technology, defence technology and IT companies. In the summer of 2007 the periodical Computerworld wrote this about GIEK: "A financial guarantee for income sounds like a dream. It is possible, however, even for the IT industry, but you must be willing to invest internationally and not just in Norway." GIEK hopes that the IT industry and other technology sectors wish to make such investments. GIEK wants to do even more to reach these important target groups.

Can cover local costs
Up until last year GIEK could not in practice finance local subcontractor deliveries associated with Norwegian exports. Following a Norwegian proposal, the OECD softened up its rules in the autumn of 2007, and local costs may account for up to 30 per cent of contracts from 2008. GIEK is very pleased that this long process has borne fruits. The new rules will benefit Norwegian exporters as well as business and industry in many developing countries. Many Norwegian companies have an international orientation, and they are dependent on subcontractor deliveries from other countries. It is also positive that business and industry in the recipient countries will receive more orders as a result of the new rules.

Recycling reduces poverty
When GIEK replaced all its PCs in 2007 we were not only the first Norwegian company to migrate to the Windows Vista operating system. It was also our pleasure to sign an agreement with the organisation Fair, who provided environment-friendly recycling of our computer equipment. GIEK's second-hand computers have found a new home in a school on Madagascar. We believe it is especially positive that our contribution is part of a project that aims at economic growth and the reduction of poverty by focusing on education for women.

Wenche Nistad
Managing Director

Mussels clean the seas

The inhabitants of Lysekil in Sweden have a lot to thank mussels for. After the mussels have eaten the nitrogen in the seawater, they can be sold as a delicacy at a good profit. The sea is cleaner and the municipality avoids the cost of building a new purification plant.

GIEK provided a Buyer Credit Guarantee for Nordic Shell Holding AS in 2006 in connection with farming mussels, which act as natural nitrogen filters in the sea. In 2007 the company reported good results, with a total harvest of 3,500 tonnes of mussels.

"It was decisive for the implementation of this project that GIEK provided an export credit guarantee," says Ulf Syversen, General Manager of Nordic Shell Holding AS.

Since the mid-1990s, algea and plant plankton growth in the sea has increased steadily. An increased discharge of nutrients from industries, agriculture and households has contributed to this growth, which in turn results in the formation of sludge in the sea. In Norway the construction of purification plants for waste water did not start in earnest until around 1970. The EU now requires that 75 per cent of all the nitrogen shall be removed from municipal sewage. Several municipalities may therefore be required to invest in expensive, new purification plants, which may in turn entail an increase in the water and sewerage rates for the inhabitants.

Too many nutrients
"All seawater in Skagerrak contains too much nitrogen. This contributes to increased algea and plankton growth, in the same way that plants grow more when a field is fertilised. Increased growth results in the formation of sludge on the seabed," Ulf Syversen explains.

There is, however, an alternative to expensive purification plants: Mussels. When mussels are farmed they also act as a natural filter that effectively cleans the seawater. Mussels eat algae and plant plankton, which have in turn consumed nitrogen.

A natural filter
Mussel farms function as enormous ecological filters that purify the sea for surplus algea and plant plankton, so that the seawater becomes clearer. The plants absorb the nitrogen, and when the mussels eat the plants, the nitrogen is transferred to the mussels.

"When we harvest the mussels, we remove the nitrogen from the cycle, and the environmental condition of the sea is reversed to the way it was 50 to 60 years ago," says Ulf Syversen.

A sought-after commodity
In addition, the mussels are a sought-after commodity. Therefore, it is both socio-economically and environmentally prudent to install mussel farms that absorb nitrogen from the sea, instead of investing in land-based purification plants for municipal sewage systems. After all, a land-based purification plant is an expense item that the inhabitants must pay for in the form of increased rates.

"The advantages of mussels are many: Cleaner oceans, new profitable industries and lower municipal rates for the inhabitants," says Ulf Syversen.

The mussels are sold on the European market. Mussels are fresh produce, and customers demand that the mussels are delivered within 36 hours of harvesting.

"And our mussels are healthy and taste extremely good," Ulf Syversen promises.

Project
Export of equipment to a mussel farming plant in Lysekil, Sweden. Mussels absorb nitrogen, and the farms function as natural biofilters. The mussels are then sold as sought-after delicacies. When a municipality invests in mussel farm, they are purchasing a nitrogen quota at the same time. The project is approved by the Swedish environmental authorities.

Bedriftene
- *Nordic Shell Holding AS applied for an export credit guarantee from GIEK in 2006 when its subsidiary Nordic Shell Production AB was to purchase a farming plant.*
- *Various companies provided processing equipment for mussels.*
- *Nordic Shell Production AB assisted during the planning stage.*

What did GIEK do?
GIEK provided a Buyer Credit Guarantee to Nordea Bank Norge ASA. The guarantee covered a loan granted to Nordic Shell Production AB for the procurement of a processing plant for mussels that was delivered from various exporters. The value of the contract was NOK 4 million, and GIEK's liability was for NOK 2 million.

What is nitrogen?
Nitrogen (N) is a vital element that is an important component of proteins, nucleic acids, enzymes, vitamins and hormones. Plants absorb nitrogen from inorganic nitrogen compounds in soil and water. Humans require about 1 g of nitrogen daily. We can get this, for example, by eating 100 g of mussels or similar amounts of meat and fish.

Sources: Aschehoug og Gyldendals Store Norske Leksikon and Nordic Shell Holding AS.

"When we harvest the mussels, we remove the nitrogen from the cycle, and the environmental condition of the sea is reversed to the way it was 50 to 60 years ago." ULF UYVERSEN

Board of Directors' report

2007 has been an active year for GIEK. This reflects the high level of activity globally throughout the year. In particular, the maritime industries have been important to GIEK. There has been a high volume of orders for vessels for oil and gas industry operations, from both Norwegian and foreign shipyards. This has resulted in more guarantees with very large contract amounts and a high number of subcontractors.

The high volume of orders in the maritime sector has resulted in more guarantees with very large contract amounts.

The Board of Directors is very satisfied with this development. In the opinion of the Board of Directors, the primary objectives of export promotion and balance in the long term have been achieved in 2007.

The increased volume for guarantee liabilities and offers has caused the total amount committed under all schemes to increase from NOK 33 billion to NOK 38 billion at the end of 2007. New guarantee liabilities were NOK 13.6 billion (NOK 6.0 billion in 2006).

The operating profit before provisions for losses on guarantee responsibilities was very good for all the active schemes. As soon as a guarantee is active, a provision is allocated for the loss of the entire guarantee amount, while the premium income is accrued over the term of the policy. In periods with strong growth in guarantee liabilities, GIEK will therefore show a loss in the accounts. This has been the situation for two of the three active schemes in 2007.

There have been few cases with payment problems, and few claims paid in 2007. A significant amount has been recovered.

The Board of Directors attaches importance to ensuring that GIEK is known among Norwegian exporters. Communication work was stepped up in 2007, and a person responsible for communication was employed.

GIEK guarantees were a component in new export contracts with a combined value of NOK 33 billion in 2007. NOK 5.6 billion in Construction Loan Contracts come in addition to this. The subsidiary GIEK Kredittforsikring AS contributed to short-term export contracts valued at NOK 16 billion.

The Ministry of Trade and Industry has implemented an evaluation of GIEK. This is expected to be finished during the spring of 2008. The Board of Directors places great emphasis on this work and hopes that the evaluation will provide a good foundation for evaluating the measures proposed by the Board of Directors. The aim is to ensure that Norway maintains a flexible and good system for internationally competitive export guarantees.

GIEK's framework conditions

At the end of the year NOK 33.5 (30) billion of the guarantee exposure limit of NOK 50 billion was utilised for the General Guarantee Scheme. At the same time GIEK had received applications for over NOK 24 (11) billion. This illustrates the reason why the Board of Directors pointed out the necessity of a higher guarantee exposure limit for the General Guarantee Scheme in 2007.

It is the activities in the offshore and maritime sectors in particular that have strengthened this development in 2007.

The USD exchange rate fell by almost 14 per cent in 2007. GIEK applies the current exchange rate in its accounts and when calculating utilisation under the guarantee exposure limit. The fall in the exchange rate has, relatively speaking, resulted in an increased capacity throughout the year. The liability that GIEK has in USD accounts for around 72 per cent of the total liability.

The Board of Directors is pleased with the confirmation from the Financial Supervisory Authority of Norway that the general terms and conditions of GIEK guarantees to lenders satisfy the requirements for zero weighting in accordance with the Basel II regulations.

The Board of Directors has requested that the articles of association be amended so that the promotion of Norwegian interests, in addition to the promotion of exports, shall be used as the foundation for operations, as is the case now with several other guarantee institutes. The Board of Directors has also submitted specific proposals for other amendments to the articles of association, such as the authority to provide 100 per cent cover of commercial risk in connection with guarantees for contracts valued at less than NOK 15 million. The reason for this is to make it easier for SME to utilise the export credit scheme, and thereby easier for them to compete in the export markets.

The general improvement in the world economy in 2007 resulted in an improved risk classification for a number of countries and consequently a reduced risk level in GIEK's total portfolio. Nevertheless, the risk profile for the most difficult countries has not changed much. The bank crisis with regard to high risk loans in the private market, especially in the US, has reduced the banks' lending capacity over the last six months.

An increased openness between the different export credit agencies has made it easier in recent years to compare framework conditions, pricing, guarantee terms and credit policies. Importance is attached to a maintained participation in international cooperation, especially in the Paris Club, OECD and Berne Union.

Previously, the OECD placed strong restrictions on the financing of local subcontractors in connection with export credits. Several years ago Norway did, however, propose that it should be possible to finance the buyer's local share. The OECD amended their regulations in 2007, and local costs can now account for up to 30 per cent of the contract. These new regulations will enter into effect from 2008. It will be exciting to see whether this change will have the desired effects.

Environmental consciousness is emphasised both within GIEK's own operations as well as in the assessment of guarantee applications. In accordance with the OECD guidelines to which Norway has acceded, cases are categorised into one out of three categories based on their assumed impact on the environment. An evaluation is made of the environmental consequences and any preventative measures. This is evaluated against international environmental standards. Cases that represent a major environmental risk are reported to the OECD. The Board of Directors has made provisions so that GIEK's own procedures go somewhat further than the OECD instructions, by stipulating that small cases and shipping guarantees shall also be evaluated. In 2007 GIEK reported two cases to the OECD, which included Qatalum in Qatar. An employee responsible for environmental assessments has been employed in 2008.

In accordance with an OECD decision, GIEK introduced new and stricter anti-corruption regulations in the application process in 2007. A number of provisions are specified in the guarantee terms and conditions, and the exporter must sign an anti-corruption declaration before an offer is made.

General Guarantee Scheme

Strong growth in the portfolio has caused a sharp increase in the provisions for losses on the portfolio – despite a slight decline in the risk level. Provisions for losses are allocated in their entirety upon start-up, and are gradually reduced according to the reduction in the guaranteed amount. Premium income, however, is accrued over the term of the policy in step with any increase or reduction of the guaran- teed amount. If there is a significant increase in new liability, the provisions for losses will therefore increase disproportionately, provided that the risk level remains the same. As a result of this, the profit/loss for the year for the General Guarantee Scheme was negative NOK 31 million, which is NOK 190 million less than in 2006.

The premium income was NOK 171 million, NOK 25 million higher than in 2006. Other income, which is also related to the provision of guarantees, has increased from NOK 6 million to NOK 35 million.

NOK 11.4 billion in new guarantee liabilities was issued in 2007, compared to NOK 4.9 billion in 2006. The change in provisions for losses on guarantee liabilities was NOK 315 million higher in 2007 than in 2006. The US dollar exchange had the opposite effect, but made less of an impact. The strong increase in recoveries is attributed in particular to a recovery in connection with a claim case in Mexico.

New applications totalling almost NOK 40 billion (28) were received in 2007. New offers totalling NOK 14.3 billion were made.

The trend towards more cases where the point of risk is private buyers rather than public buyers has continued. Of the combined new guarantee liabilities, 95 per cent were cases with private buyers.

Several substantial guarantees for the export of ships, maritime equipment and rigging services have contributed to the growth in offers and policies in 2007. The first individual guarantee granted in 2007 was related to a loan to Marathon Oil for the delivery of equipment to a FPSO vessel for NOK 2.2 billion in connection with the

GIEK has granted guarantees related to the construction of the aluminium plant Qatalum in Qatar.

development of an oilfield in the North Sea. Another major commitment that GIEK has contributed to is an aluminium project in Qatar for Norsk Hydro, where 30 international banks and other guarantee institutes have cooperated on the financing.

GIEK has granted a guarantee of NOK 1.9 billion. Other significant commitments for GIEK in 2007 include guarantees to Aker Drilling and Stena Drillmax, valued at NOK 1.7 billion and NOK 1 billion, respectively. Significant guarantees have also been provided in connection with Sevan Drilling and Seadrill X. These apply primarily to Norwegian deliveries of equipment in connection with the construction of units for operations in the oil and gas sector. Pemex in Mexico remains a major single buyer, and the combined liability under current policies was NOK 1.8 billion at the end of 2007.

The Board of Directors is concerned that GIEK share the risk with the private market in such large cases. In the opinion of the Board of Directors, the major export guarantees in 2007 show that GIEK is an important and valuable tool for Norwegian companies and banks, to safeguard and support export contracts. GIEK's role in this form of cooperation with the banks has been a good and important supplemental instrument for the market.

There is a high concentration of maritime industries in the portfolio. The risk associated with these commitments is considered acceptable, primarily because of sound levels of equity and earnings in the sector.

Norway is the country where GIEK has the greatest guarantee liability. The reason for this is the fact that guarantees are provided for the delivery of equipment to ships and rigs that are built abroad on behalf of Norwegian owners, and for ships and rigs that have Norwegian owners with earnings abroad. Six countries account for 70 per cent of the portfolio: Norway, USA, Bermuda, Qatar, Mexico and Russia.

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. As of 31 December 2007 the fund totalled NOK 1.2 billion, NOK 156 million more than at the same time the year before. The fund corresponds to 5.8 per cent of the outstanding liabilities at the end of the year. This share was 7.7 per cent in 2006.

Provisions for losses on guarantee liabilities increased by NOK 187 million. This is attributed primarily to the increase in the overall policy liability, which is currently NOK 21.3 billion. Based on the risk profile in the portfolio the Board of Directors considers the provisions for losses on guarantee liabilities to be adequate.

The amount of claims paid was reduced from NOK 67 million in 2006 to NOK 23.1 million in 2007. At the end of the year 24 cases were in default. Claims were paid in five new cases in 2007. GIEK is still paying large claims, due to political risk, for non-performance in Zimbabwe and Pakistan.

The Board of Directors is satisfied that there are few new claim cases and that total claim payments are low. The combined payments are considered to be well within an acceptable level.

Outstanding guarantee liabilities
General Guarantee Scheme, NOK million

Country, point of risk	Outstanding guarantee liabilities
NORWAY	5,468.1
USA	2,273.8
BERMUDA	2,182.8
QATAR	1,891.5
MEXICO	1,837.3
RUSSIA	1,129.3
SINGAPORE	953.8
PHILIPPINES	545.2
TURKEY	540.0
INDONESIA	402.3

New guarantee liabilities
General Guarantee Scheme, NOK million

Country, point of risk	New guarantee liabilities
NORWAY	3,007.2
USA	2,184.6
QATAR	1,891.5
BERMUDA	1,615.9
SINGAPORE	953.8
PHILIPPINES	515.6
PERU	282.4
UNITED KINGDOM	257.7
MEXICO	147.0
BRITISH VIRGIN ISLANDS	92.0

In 2007 GIEK's Managing Director Wenche Nistad and Board Member Rita Lekang visited the shipyard in South-Korea where Stena Drillmax is being built. Alex Cawthorne represented Stena Drilling.

Recoveries outside moratorium agreements under the General Guarantee Scheme totalled NOK 96.2 million. A significant amount was recovered from a case with a private buyer in Mexico following efforts over many years.

The General Guarantee Scheme received NOK 14.7 million in compensation in 2007 for the political decision to implement annual swaps in Pakistan. In place of a transfer to Norway, Pakistan transfers payment to the Asia Development Bank's Pakistan Earthquake Fund (PEF), which was established after the earthquake in 2005. This Norwegian contribution to PEF is used for the physical rebuilding of schools in two provinces in Pakistan.

Developing Country Scheme
Guarantees can be provided for loans in connection with exports to, and investments in, developing countries, where the risk is considered to be too high for guarantees under the General Guarantee Scheme. In addition, there is a requirement that the exports or investments must promote development. In markets covered by this scheme, competitive tendering processes take a long time and companies often meet many obstacles. Offers under this scheme take up space under the guarantee exposure limit for a long time before it is clear whether a contract will be awarded. This means that the guarantee exposure limit must have a certain level if the policies are to attain a collective volume that will give the guarantee scheme reasonable premium income.

The Board of Directors considers this scheme to be an important tool for Norwegian business and industry's participation in development work.

One policy has been issued, three offers have been made and six applications were received in 2007. No investment guarantees have been issued under the scheme.

At the end of the year, NOK 1.1 billion was utilized under the exposure limit. The guarantee exposure limit was increased to NOK 2.1 billion from 1 January 2007. However, an additional limit has been set so that the effective guarantee exposure limit cannot exceed seven times the amount on deposit in the primary capital fund. As of 31 December 2007 the primary capital fund totalled NOK 300 million after a transfer of NOK 21.6 million at the end of the year. Consequently, the additional limit does not reduce the exposure limit at the end of the year. At the end of the year there were three applications for around NOK 900,000 for consideration. Thus there may be a capacity problem under the scheme in the near future, unless the guarantee exposure limit is increased further.

The profit/loss for the year for the scheme was negative NOK 31.6 million, NOK 60.4 million less than in 2006. The operating loss was NOK 11 million, compared with an operating profit of NOK 24 million in 2006. The reason for the low operating profit was attributed primarily to significant provisions for losses on guarantee liabilities in connection with a new policy on Uganda in the autumn of 2007, as well as reduced income from moratorium agreements. The fact that the profit/loss for the year is around NOK 21 million less than the operating profit/loss is attributed primarily to the transfer of NOK 21.6 million to the primary capital fund.

The scheme is required to break even over time, including the primary capital fund. The primary capital fund was NOK 300 million as of 31 December 2007 and is not included in the Developing Country Scheme's balance sheet. Interest earned is not returned to the fund either. The Board of Directors is pleased that the primary capital fund shall be administrated by GIEK and be included in the scheme's balance sheet from and including the accounting year 2008.

Compensation has been paid under two guarantees, one on Malawi and one on Zimbabwe. In addition, there have been recoveries in the form of compensation for debt relief for Malawi.

Liability under the Developing Country Scheme is associated with a few countries, and Uganda, Ghana and Albania account for two-thirds of the liability. The most significant deliveries are in the energy sector.

Building Loan Guarantee Scheme – Norwegian shipyards
The high number of contracts awarded to Norwegian shipyards has contributed to great interest from regional

The Building Loan Guarantee Scheme's profit for 2007 was 1.8 million NOK.

Representatives of GIEK's Board of Directors and Management visited Ulstein in June 2007. From the left: Assistant Managing Director Johan E. Mowinckel, Board Member Sandra Riise, Board Member Asbjørn Birkeland, Assistant Managing Director Øyvind Ajer, Assistant Managing Director Lully C. Heje, Board Member Jon Lund, Managing Director Wenche Nistad, Chairman of the Board Bjørn Kaldhol, Director Edvard Stang, Head of Division Håkon A. Løe

banks for cover under the Building Loan Guarantee Scheme to shipyards. The Building Loan Guarantee Scheme is an important contributor to the economic growth along the coast. Guarantees under this scheme are relatively short term.

In April 2007 the guarantee limit was increased to NOK 5 billion. The number of applications and the utilisation of the guarantee exposure limit has been high in 2007. The good order situation at Norwegian shipyards contributed to a high number of applications towards the end of 2006. This has entailed that the previous guarantee exposure limit of NOK 2.5 billion was fully utilised at the start of 2007. The Government quickly proposed an increase of the limit. This was well received by the industry and the Board of Directors.

The banks that are counter-guaranteed under the scheme are regional banks, and their capacity has increased as a result of this coverage. The commitments in 2007 have been distributed among a total of nine shipyards. The general price increase for materials and operators, has, combined with a very high level of activity, resulted in the shipyards experiencing delays and cost overruns.

Of the total income of NOK 15.7 million in 2007, NOK 11.4 million was premium income and NOK 4.2 million was other guarantee-related income.

A total of 23 new applications were received, 24 new offers were given and 18 new guarantees were issued in 2007. Since the scheme became operative in March 2005, applications have been received for the construction of a total of 30 ships. New guarantees were given for NOK 1.8 billion in 2007, compared with NOK 1.1 billion in 2006. The volume of offers and guarantees at the end of 2007 rose to NOK 3.5 billion. In addition, GIEK had applications worth NOK 200 million for consideration at the end of the year.

The Building Loan Guarantee Scheme was a new scheme in 2005. The profit for 2007 was NOK 1.8 million, NOK 20 million more than the previous year. The operating profit was NOK 1.6 million. No claim has been paid under the scheme.

Tender Guarantee Scheme
GIEK is responsible for processing applications under the Tender Guarantee Scheme. The scheme is otherwise financed and administered by Norfund. Nine applications were received and six guarantees were issued under the scheme in 2007. One application was rejected, and one application was withdrawn so that there was one application under consideration at the end of the year.

Of the 46 guarantees granted under this scheme, 15 per cent won the competitive tendering. Claims have been paid under almost half of the guarantees.

The agreement between GIEK and Norfund has been extended, and it is currently valid until the end of 2008.

Schemes in the process of winding up
Schemes in the process of winding up include the CIS/Baltic States Schemes and the Old Portfolio.

After the net transfer of a total of NOK 689 million to the state, the profit/loss for the year was negative NOK 593 million, NOK 46 million higher than in 2006. The combined operating profit/loss for the schemes totalled NOK 128 million.

CIS/Baltic States Schemes
The total outstanding guarantee liabilities at the end of the year were NOK 41 million, divided among four policies. The profit/loss for the year for the schemes was NOK 6.3 million.

Old Portfolio
This portfolio consists of guarantees in schemes from the period before GIEK's reorganisation in 1994. The outstanding guarantee liabilities in the Old Portfolio were over NOK 497 million at the end of the year.

The activities under this portfolio consist primarily of the collection of outstanding claims under moratorium agreements through the Paris Club. Peru has repaid all its debts in 2007, around NOK 192 million. The government paid compensation for loss on interest.

GIEK is currently following up 13 government moratorium agreements, many of which have complicated terms. The largest outstanding claim is Poland's debt of around NOK 430 million under the Old General Guarantee Scheme. Considering payments being made and future debt relief measures, the Board of Directors expects that after 2010 the only remaining agree ments will be with Egypt, Serbia, Pakistan and Indonesia. Payments will then be moderate.

Claims against Sudan, Burma, Somalia and Zimbabwe that are not included in moratorium agreements are handled as ordinary claims against debtors. There are a total of 24 cases that have not been terminated and these are treated as non-performing cases under the Old Portfolio.

The Old Portfolio had an operating profit/loss of NOK 129 million in 2007. After a transfer of a total of NOK 689 million to the government the profit/loss for the year was negative NOK 599 million. The Government accepted to cancel all remaining debt related to the Ship Export Campaign for Peru, Ecuador, Egypt and Jamaica without compensation to GIEK. The elimination of these receivables resulted in an accounting loss of NOK 400 million.

Receivables in the Old Portfolio have been reduced from NOK 2.8 billion in 2006 to NOK 1.7 billion in 2007, NOK 1.2 billion of which is linked to moratorium agreements.

GIEK Kredittforsikring AS (GK)
The operations of GK have been very satisfactory in 2007. The insured volume and premiums were at the same level as last year, and losses were very small. GK, which is a wholly-owned subsidiary of GIEK, offers credit insurance for credits with terms of less than two years. The company is one of three commercial players in the Norwegian export credit insurance market. GK shall in particular offer risk cover to small and medium-sized export businesses. Since the start-up in 2001, more than 80 per cent of the customer volume has consisted of such companies.

Risk outside the OECD area – so-called non-marketable risk – is reinsured by GIEK. This yielded a net contribution to GIEK's profit/loss of negative NOK 0.4 million in 2007. The credit insurance of "non-marketable risk" accounted for around 10 per cent of GK's insured volume. GK reinsures the remaining portion of its operations in the private market.

GK achieved a profit for the year after provisions and taxes of NOK 7.5 million. The Board of Directors in GK has proposed that NOK 1.96 million of this profit be distributed as a dividend to GIEK, which will transfer this to the government treasury.

Total insured credit sales were NOK 17.6 billion (17.4). This yielded a gross premium income of NOK 43.0 million, NOK 27.8 million of which was premium for own account. Gross claims expenses were NOK 19.0 million, NOK 10.7 million of which were expenses for own account. There has been a relatively low number of claims in 2007, but the non-performing portion of the portfolio has increased as a result of a weaker economy.

The Board of Directors is satisfied with the development of the company.

GK's profit/loss is not consolidated in GIEK's accounts, since GIEK is a public enterprise and GK is a limited liability company.

Organisation
Marianne Kartum and Otto Søberg resigned from the Board of Directors on 31 May 2007. Malin Stensønes and Jon Lund were appointed as new board members from the same date. Gisèle Marchand resigned from the Board of Directors on 6 September 2007, and Christine Rødsæther was appointed as a new board member. A total of 15 board meetings were held.

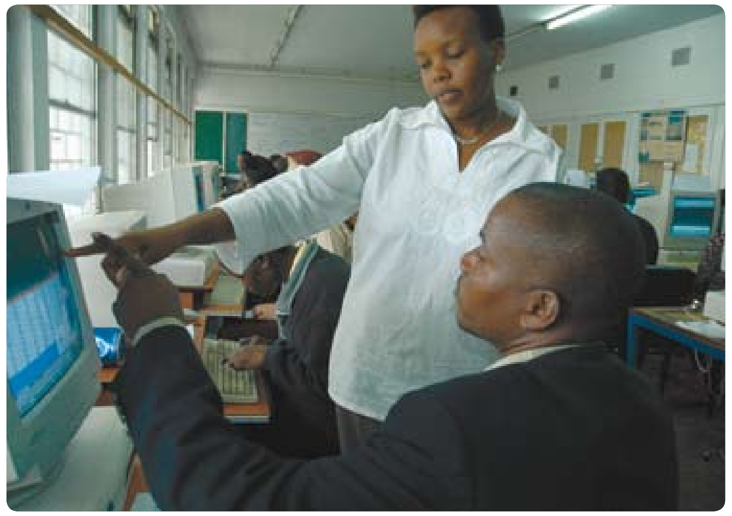
The management team was expanded in connection with an internal reorganisation on 1 December 2007.

At year-end, GIEK had 39 employees and a total of 38.1 full-time equivalents. Six employees have resigned and one employee retired in 2007. The number of employees has increased by two during the year. Turnover has increased and was 19 per cent in 2007.

The working environment in GIEK is considered to be good.

Absence due to illness was 5.4 per cent in 2007. The corresponding figures for 2006 were 3.9 per cent. There have been no injuries or accidents in 2007.

A greater number of Building Loan Guarantee applications and an increase in the oil/gas and maritime sectors have entailed that GIEK is experiencing



In 2007 GIEK donated all its used PCs to Fair, an international non-profit NGO aiding developing countries by supplying resources within ICT.

GIEK wishes to contribute to the financing and implementation of good projects in developing countries.

an overstretched situation with regard to capacity in this area. The Board of Directors desires to strengthen the capacity and competence of the organisation, but this is challenging in today's labour market.

In 2007 GIEK based its reporting to the Ministry of Trade and Industry (MTI) on the newly developed management by objectives and results system. The Board of Directors feels that this provides a good picture of the achievement of its goals.

GIEK's routines were reviewed in 2007. An effort will be made in 2008 to simplify and make the routines more accessible.

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. The system will make it possible to rapidly offer goods in transit insurance if the scheme is implemented by the Government.

The total administrative expenses for GIEK's operations were NOK 45.5 million in 2007, compared to NOK 40 million in 2006. The administrative expenses related to reinsurance for GK (ceding commission) comes in addition to this and amounted to NOK 2.8 million in 2007, compared to NOK 1.9 million in 2006. Reference is made to Note 5 to the accounts for more details on the administrative accounts.

Equal opportunities

Four of the seven members of the Board of Directors are women. The Managing Director is a woman and the management team consists of three women and five men. Of the 39 employees, 49 per cent are women and 51 per cent are men. Salary levels are determined on a gender neutral basis.

Environment

GIEK does not pollute the external environment and contributes towards creating a "green state". In connection with the replacement of all of the company's PCs, a three-year agreement was signed for the refurbishment and recycling of machines. The PC equipment that GIEK donated is now in place in a school in Madagascar. GIEK's contribution is part of a project that focuses on education for women in order to achieve local economic growth.

GIEK contributes to financing operations that may have a negative impact on the environment and the surrounding community. In these cases, GIEK attaches importance to ensuring that adequate preventative measures are implemented. GIEK's expertise in the environmental area has been strengthened from the beginning of 2008.

Ethics

GIEK has established its own code of ethics for employees and board members that acts as a supplement to the general statutory regulations. The employees' awareness and updating is ensured through annual courses and reviews for all the employees. The employees and board members report annually in accordance with these regulations.

Visibility

GIEK actively seeks to ensure a good balance between public access and respect for the fact that banks and companies require confidentiality, especially during the period prior to signing contracts and the issuance of guarantees. In cooperation with the companies, in 2007 considerable emphasis was placed on highlighting our activities through active use of our website, which was upgraded in 2007 and shows an increased number of hits. We have achieved positive editorial publicity and have contributed to debates in the media. GIEK has been active in giving presentations and has been present at events with industry organisations and export companies. An effort to present our products in various languages with user-friendly texts started in 2007.

GIEK cooperates with other parts of the public policy system to make the guarantee schemes known among the companies. A joint Internet portal has, for example, been established, which will be operative in 2008.

The Board of Directors emphasises that the efforts to make GIEK's products visible will continue in 2008.

Future prospects

The world has been in an economic upswing in recent years. However, unrest in the international economic markets in 2007 and the beginning of 2008 entails uncertainty with regards to the direction the development will take in the year to come. The Board of Directors believes that GIEK's tools will be of great importance to the companies, regardless of the economic situation. GIEK will be a tool that can be counted on for the promotion of Norwegian exports. Good capacity in the operative schemes is of vital importance for such reliability.

GIEK's portfolio has shown significant growth, with an increased number of large policies and a major concentration on the maritime industries. Measures have been implemented especially for the follow up of the largest cases, including the spreading of risk through reinsurance. The Board of Directors will follow this development closely.

The international framework related to guarantees for exports to developing countries has changed. There has been limited use of GIEK's special scheme for this area in recent years due to a number of reasons. The Board of Directors has pointed out its concerns to the Ministry of Trade and Industry that the changes in the framework (sustainable lending) and the aforementioned restrictive exposure limits for the Developing Country Scheme, will make it even more difficult for Norwegian companies to be suitable contributors to the development of these countries. The Board of Directors points out that GIEK would like to contribute its expertise so that good projects in these countries can receive financing and be realised, and it looks forward to seeing an amendment of policies with this objective in mind.

The Board of Directors considers it to be very important that GIEK has the capacity to follow up the strong increase in demand. The Board of Directors has therefore pointed out that there may be a need to increase the guarantee exposure limits further, especially for the General Guarantee Scheme. The current framework is flexible and good, but in certain areas there is a need for changes to ensure Norwegian competitiveness. The Board of Directors hopes that the initiated evaluation of GIEK will illustrate these matters and lead to specific changes.

The loss fund for the General Guarantee Scheme, equity and provisions for losses is currently considered adequate to cover losses at normal levels, but the level of risk is high in many cases. The reserves are therefore still modest.

31st December 2007

Oslo, 27th March 2008

Bjørn Kaldhol *Board Chairman*	Asbjørn Birkeland	Rita Lekang	Jon Lund
Sandra Riise	Christine Rødsæther	Malin Stensønes	Wenche Nistad *Managing Director*

Income statement

NORWEGIAN GUARANTEE INSTITUTE FOR EXPORT CREDITS
Income statement for all schemes

Amounts in units of NOK 1000	Note	General guarantee sheme		Developing country sheme schemes		Building loan guarantee		Total active schemes wound up (Note 11)		Total Schemes being	
		2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
OPERATING INCOME											
Accrued premium	1	170 505	145 771	6 901	6 509	11 415	1 742	188 821	154 023	7 459	10 657
Income from moratorium agreements	2	12 329	14 684	2 862	10 231	0	0	15 191	24 915	-344 034	120 948
GIEK's share of recoveries		96 194	7 889	3 702	4 261	0	0	99 895	12 150	283	4 508
Other income		34 616	6 010	0	300	4 244	114	38 860	6 424	0	
TOTAL OPERATING INCOME		313 644	174 355	13 464	21 301	15 660	1 856	342 768	197 512	-336 292	136 113
OPERATING COSTS											
Accrued claims expenses	3	-88 403	1 430	-1 219	-2 039	0	0	-89 622	-609	469 268	-377 998
Change in provisions for guarantee liabilities	4	-328 817	-13 560	-19 193	7 708	-11 797	-19 082	-359 807	-24 934	1 540	10 835
Administrative expenses	5	-30 807	-25 655	-4 003	-2 483	-2 275	-921	-37 085	-29 059	-6 232	-3 524
TOTAL OPERATING COSTS		-448 027	-37 785	-24 415	3 186	-14 072	-20 003	-486 513	-54 602	464 576	-370 688
OPERATING PROFIT/LOSS		-134 383	136 569	-10 951	24 487	1 588	-18 147	-143 746	142 909	128 284	-234 575
FINANCIAL INCOME AND EXPENSES											
Interest income		37 300	21 143	626	89	204	2	38 130	21 235	42 073	31 717
Realised exchange rate gains/losses		26	3 947	-502	-90	0	0	-476	3 858	-1 018	-95
Exchange rate gains/losses on unrealised receivables	6	-19 893	-17 581	-6 330	-4 165	0	0	-26 222	-21 746	-80 908	-40 776
Exchange rate gains/losses on bank deposits		-28 330	-11 887	0	0	0	0	-28 330	-11 887	0	0
Exchange rate gains/losses on unrealised guarantee liability provision		114 421	26 889	7 153	3 437	0	0	121 573	30 326	7 398	4 757
Other financial itemsr		1 963	1 963	0	0	0	0	1 963	1 963	0	-1
NET FINANCIAL ITEMS		105 486	24 474	947	-729	204	2	106 638	23 748	-32 456	-4 399
PROFIT BEFORE TRANSFERS TO/FROM STATE		-28 897	161 044	-10 003	23 758	1 792	-18 144	-37 108	166 657	95 828	-238 973
Public subsidies/transfer to state	7	-1 964	-1 964	-21 617	5 059	0	0	-23 581	3 096	-688 800	-399 900
PROFIT/LOSS FOR THE PERIOD		-30 860	159 080	-31 621	28 817	1 792	-18 144	-60 689	169 752	-592 972	-638 873

Balance sheet

NORWEGIAN GUARANTEE INSTITUTE FOR EXPORT CREDITS
Balance sheet for all schemes

Amounts in units of NOK 1000	Note	General guarantee sheme		Developing country sheme schemes		Building loan guarantee scheme		Total Schemes being wound up (Note 11)	
		2007	2006	2007	2006	2007	2006	2007	2006
FINANSIELLE ANLEGGSMIDLER									
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 payment	3	158 706	276 152	2 280	1 109	0	0	533 558	558 961
Provisions for losses on claims payment receivables.	3	-103 311	-150 293	-755	-444	0	0	-278 322	-301 458
Debtors, moratorium agreements	2	146 921	177 293	41 033	64 456	0	0	1 244 286	2 287 546
Provisions for losses on moratorium receivables	3	-25 151	-30 396	-7 386	-11 602	0	0	-223 576	-721 786
TOTAL NET RECEIVABLES – FOREIGN		177 165	272 757	35 172	53 520	0	0	1 275 947	1 823 263
Other receivables		9 979	11 276	0	1 929	2 818	-299	0	-13 551
TOTAL RECEIVABLES		187 144	284 032	35 172	55 449	2 818	-299	1 275 947	1 809 712
Bank deposits		1 023 687	770 478	35 925	10 683	10 640	168	1 277 885	1 406 034
TOTAL ASSETS		1 245 830	1 089 510	71 098	66 132	13 459	-131	2 553 832	3 215 746
EQUITY									
Equity 01/01		-505 684	-346 604	-21 233	7 584	19 213	1 068	-1 584 877	-2 223 751
Profit/loss for the year		30 860	-159 080	31 621	-28 817	-1 792	18 144	592 972	638 873
TOTAL EQUITY	9	-474 824	-505 684	10 388	-21 233	17 421	19 213	-991 906	-1 584 877
PROVISIONS									
Provisions for losses on guarantee liabilities	4	-768 979	-581 853	-81 486	-43 949	-30 880	-19 082	-47 391	-63 788
LIABILITIES									
Debt plan, remainder to offset	10	0	0	0	0	0	0	-1 514 535	-1 565 121
Other liabilities		-2 028	-1 973	0	-950	0	0	0	-1 960
TOTAL LIABILITIES		-2 028	-1 973	0	-950	0	0	-1 514 535	-1 567 081
TOTAL EQUITY AND LIABILITIES		-1 245 830	-1 089 510	-71 098	-66 132	-13 459	131	-2 553 832	-3 215 746

31st December 2007

Oslo, 27th March 2008

Bjørn Kaldhol
Board Chairman

Asbjørn Birkeland

Rita Lekang

Jon Lund

Sandra Riise

Christine Rødsæther

Malin Stensønes

Wenche Nistad
Managing Director

Notes to the accounts

GENERAL ACCOUNTING PRINCIPLES

The annual accounts for the General Guarantee Scheme, Developing Country Scheme, Building Loan Guarantee Scheme and guarantee schemes in the process of being wound 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. Administrative expenses are recorded on a cash basis. The schemes pay for administrative expenses in accordance with a distribution formula, cf. Note 5.

The accounts for guarantee schemes in the process of being wound 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 dividends, which are recorded when they are received. Future losses on receivables and guarantee liabilities are calculated by a best-effort estimate and changes in the provisions are recorded in the income statement. The method used for calculating changes in the provisions is described in the note for the individual provision.

Compensation is assumed for debt cancellations decided by the state. It was decided in the Central Government Budget for 2007 that all debt associated with the ship export campaign's credits to Ecuador, Peru, Egypt and Jamaica was to be cancelled without cancellation. This was carried out by GIEK in 2007.

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 a liquidity risk since 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.

FOREIGN CURRENCY EXPOSURE

A summary of the exposure in currencies that represent more than 10 per cent of the guarantee liabilities as of 31 December 2007 is provided below for the General Guarantee Scheme. The scheme also has guarantee liabilities in CAD, CHF, DKK, JPY and SEK.

Amounts in units of NOK 1000 in the relevant currencies	USD	EUR
Valued receivables	26,986	187
Bank deposits	74,305	15,333
Provisions for guarantee liabilities	-108,545	-15,562
Total exposure	**-7,254**	**-42**

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. Reinsurance. 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 (ceeding commission), provided this exceeds an agreed annual minimum amount, see Note 5.

2. Cost sharing. GK pays its share of the overhead costs such as office rent, IT costs, reception costs, etc. Payments are made monthly based on the budget with an annual settlement based on the actual costs.

3. IT system. GIEK and GK implemented a new financial accounting and workflow 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 means to cover annual administrative expenses, while the scheme's funds shall be in the primary capital fund that is administered by the Ministry of Trade and Industry (MTI). Funds are therefore transferred between MTI and GIEK as required to regulate the liquidity. Funds beyond a primary capital fund of NOK 300 million may be kept in the scheme's interest-bearing account with GIEK.

2. Contingency Scheme for War Risk Insurance of Goods. The contingency system is administered by GIEK and the objective of the system 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. Transfer of bank deposits. For the Old General Scheme and Old Special Schemes annual transfers are made to MTI proportionate 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.

Premiums for the Building Loan Guarantee Scheme are 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, consolidation of agreements, debt cancellation, realised currency gains/losses and floating interest rates.

Loss provisions are made for the portion of the moratorium receivables that is assumed to be unrecoverable when the accounts were closed. Standard rates for groups of countries and reasons for claims 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 PROVI-SIONS 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.

The loss 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 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, for example, 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. Provisions are made for the best estimate of future losses. Provisions for known non-performance not yet covered by compensation are included in these provisions. 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 per cent 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 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/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 below in units of NOK 1000:

General garantee Scheme	2007	2006	Change from 2006
Prepaid premiums as of 31 December	288,295	315,565	-27,270
Increase in provisions in the income statement this year, including currency gains	214,396	-13,329	227,725
Accumulated increase in the income statement from previous years	266,288	279,617	-13,329
Guarantee liability provisions on the balance sheet as of 31 December	**768,979**	**581,853**	**187,126**

Notes to the accounts

5) SHARE OF ADMINISTRATIVE EXPENSES

GIEK's administrative expenses are recorded on a cash basis. The guarantee schemes and other schemes that GIEK administers cover the payroll and other operating costs in accordance with a distribution formula that is set annually. This formula shall reflect the underlying workload.

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.

GIEK has a 10-year office lease that is non-terminable until 2015. The rent was originally NOK 3.15 million with an index-linked adjustment of 75%.

Summary of GIEK's administrative expenses in 2007 in units of NOK 1000.

Type of expense	Amounth 2007	Amounth 2006
Wages and salaries	18,740	17,465
Fees, other remunerations and reimbursements	92	340
National Insurance contributions	3,105	2,499
Pension contributions	1,578	1,699
TOTAL payroll items	**23,515**	**22,003**
Buildings, machinery and fixtures	6,406	6,120
Expert assistance	8,217	5,983
Other operating expenses	7,352	5,940
Total operating expenses	**21,975**	**18,043**
Total	**45,490**	**40,045**
GK Ceeding Commission	2,792	1,910
Provisions for VAT	0	-4,646
Net administrative expenses	**48,282**	**37,309**

GK Ceeding Commission has been entered in the accounts of 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), Tender Guarantee Scheme for Norfund and parts of GK's administration. Remuneration for this amounted to NOK 5.0 million in 2007, compared with NOK 4.9 million in 2006.

Remunerations to the Board and Managing Director in 2007, in units of NOK 1000:

Managing Director	Wages and salaries	Benefits in kind	Pension contri-butions	Total remune-ration
Wenche Nistad	996	0	70	1.066

Board of Directors	Fees	Total remune-ration	Period in 2007
Bjørn Kaldhol	135	135	Jan – Dec
Asbjørn Birkeland	80	80	Jan – Dec
Rita Lekang	80	80	Jan – Dec
Sandra Riise	80	80	Jan – Dec
Marianne Kartum	34	34	Jan – Dec
Otto Søberg	34	34	Jan – Dec
Gisèle Marchand	60	60	Jan – Dec
Jon Lund	46	46	Jun – Dec
Malin Stensønes	46	46	Jun – Dec
Christine Rødsæther	26	26	Sep – Dec
Total remuneration	**621**	**621**	

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 STATE

The General Guarantee Scheme transfers dividends received from GIEK Kredittforsikring AS to the Ministry of Trade and Industry (MTI). In 2007 GIEK has taken dividends of NOK 1,963,000 to income, which have been transferred to MTI.

The Old General Scheme and Old Special Schemes annually pay the Treasury the sum specified by the Storting, NOK 689 million for 2007. The accumulated transfers from 1999 to 2007, inclusive, total NOK 4,526 million.

Beyond short-term needs, the 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. After the transfer of NOK 21.6 million in 2007, the fund has grown to NOK 300 million, and further requirements to transfer liquidity to the fund is no longer necessary.

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 the GK's equity when the company was formed. The shares are valued annually when a write-down test is performed. When the shares were acquired nothing was paid from the General Guarantee Scheme, and the amount was recorded as an equity contribution from MTI in 2001. The registered office of GK is in Oslo.

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 as of 31 Dec 2007	35.000.000
Ownership/ Voting%	100 %
GK´s profit for the year 2007	7.513.771
GK´s book equity as of 31 Dec 07	50.279.765

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

9) EQUITY

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

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 2007 (in units of NOK 1000):

	Old general scheme	Old special scheme
Remaining debt plan limit as of 1 January	946,447	618,674
Debt cancellation for Sierra Leone		50,586
Remaining debt plan limit as of 31 December	946,447	568,088

11) KEY FIGURES IN 2007 FOR SCHEMES BEING WOUND UP

Amounts in units of NOK 1000	Old general scheme	Old special scheme	CIS/ Baltic states 1994-1998	CIS/ Baltic states 1999-2002	Total
Profit/ loss					
Operating income	7.874	-345.184	772	246	-336.292
Operating costs	-90.277	-375.562	1.040	223	-464.576
Operating profit/ loss	98.152	30.377	-268	22	128.284
Profit/ loss for the year	-514.526	-84.698	4.893	1.359	-592.972
Balance sheet					
Valued receivables as of 31 Dec.	688.805	587.142	0	0	1.275.947
Provisions for guarantee liabilities as of 31 Dec.	42.216	0	192	4.984	47.392

The operating profit for schemes in the process of being wound up was NOK 128 million. After the transfer of NOK 689 million to the Ministry of Trade and Industry (MTI) during the year there is a combined loss of NOK 593 million for the schemes.

Recycled glass becomes a versatile material

The material is extremely light, yet you can walk or drive on it. GIEK has provided a Buyer Credit Guarantee for a factory that manufacturers insulation and filler from the glass we throw away.

"If GIEK had not participated in the manner they have in this project, we would not have got under way this fast," says Harald Sæthre, Managing Director of Has Consult AS.

"Without GIEK the entire process might have taken an extra year. Now we will be in production in August 2008, and this is something we profit from, both in the short and long term," says Sæthre.

Many application areas

Has Consult AS in Trondheim has exported technology and equipment to a factory in Sweden that manufactures the foam glass Hasopor from recycled glass. The glass is crushed to resemble flour and mixed with an environmentally friendly chemical that acts in a manner similar to baking powder, before the mixture is heated in purpose-built ovens. When the product is cooled and hardens, it breaks into small, porous pieces that have many application areas in the building and construction sector, such as insulation in roads and buildings, for sports fields and parks, and for drainage.

The material insulates against frost, heat and sound and does not absorb water. These properties make Hasopor suitable as insulation under and around buildings.

Since the foam glass also prevents frost penetration, it has proven to be very efficient in combating frost heave, which creates major problems throughout Europe.

Less emissions

"When manufacturing foam glass the CO_2 emissions are lower than when manufacturing other materials with the same area of application," says Frank Tholfsson of Svensk Glasåtervinning, which delivers glass to the plant in Sweden.

Not so discerning

Every year thousands of tonnes of recycled glass are destroyed because they contain elements of ceramics and porcelain. Then the mixture is not suitable for the production of new bottles or glass. Has Consult AS, however, is not so discerning:

"If one or two flower pots end up in the recycled glass, it will nevertheless make an excellent product," assures Harald Sæthre.

Project

Export of technology and equipment for the production of foam glass in Sweden. Foam glass is used as a filler and insulation in the building and construction sector.

Company

Has Consult AS is a company based in Trondheim that delivers technology and equipment for the production of foam glass. The borrower in the project is Hasopor Hammar AB, a company were Has Holding AS owns 70 per cent.

What did GIEK do?

Provided Swedbank with a Buyer Credit Guarantee for a loan financing the technology and equipment to a foam glass factory in Sweden. The value of the contract was SEK 53 million and GIEK's liability was SEK 33 million.

Norwegian-Spanish cooperation provides advanced offshore vessels

Old oil wells must be shut down in a secure manner. GIEK and the Spanish guarantee institute CESCE joined forces to provide guarantees when TSMarine Contracting Ltd ordered two advanced offshore vessels for use during oil well shutdowns and interventions.

The head office of TSMarine Contracting Ltd is located in Aberdeen. The company also has offices in Perth, Australia, Singapore and Bergen, and it specialises in the shutdown of oil wells and other subsea assignments for the oil and gas industry.

"TSMarine was in the early stages of its development as a company, and we felt that GIEK's contribution was decisive for enabling us to get our financing," says General Manager of TSMarine, Alasdair Cowie.

Shutdowns are necessary when an oilfield has ceased production. The demand for TSMarine's services is great, and there is reason to believe that the market is growing.

"In the coming years we will see a strong demand for our services and vessels for the shutdown of abandoned oil wells, and intervention in existing wells to maintain production," Alasdair Cowie predicts.

The infrastructure in offshore projects will in time be considered outdated, and wells must be shut down as a result of environmental legislation.

"Operators require innovative and economic solutions for such shutdowns, and these requirements form the foundation for TSMarine's operations," says Cowie. TSMarine operates at both ends of the market:

"The other leg TSMarine has to stand on is intervention in producing wells to increase production through measures in the well," Cowie states.

With few competitors on the market, TSMarine should not have any problem finding assignments in the foreseeable future.

Project

Guarantees for loans for two offshore vessels under construction at the Astilleros de Huelva shipyard in Spain with Norwegian equipment deliveries totalling EUR 30 million for each vessel.

Companies

Established in 2004, TS Marine Contracting Ltd is a Scottish company with Norwegian ownership interests. It specialises in oil well shutdowns and interventions.

Norwegian equipment deliveries to the vessels include cranes, tool handling systems and mini-subs. The following are, for example, subcontractors participating in the project:

- *Rolls Royce Marine AS*
- *Hydramarine AS*
- *Kongsberg Maritime AS*
- *SubSea Interventions AS*

The vessels are developed in cooperation with Marin Teknikk AS.

What did GIEK do?

GIEK guaranteed portions of the loan together with the Spanish guarantee institute CESCE. Financing was provided through cooperation with ABN AMRO Bank in London and Madrid. GIEK's liability is just over EUR 16 million for each vessel.

Norwegian exports secure water supplies in Brazil and Argentina

Pipes developed in Norway contribute to securing stable water supplies in Brazil and Argentina. The Norwegian company Flowtite Technology AS has delivered equipment for pipe production, and GIEK is participating with two Buyer Credit Guarantees.

"The cooperation with GIEK is an important prerequisite for our success," says Tomas Andersson, Managing Director of Flowtite Technology AS.

"GIEK enables a healthy and stable platform for our customers and ensures good project execution and delivery from Flowtite Technology AS," says Andersson.

Considerably more water
These pipes can transport considerably more water than traditional pipes with the same diameter. In addition, they do not corrode.

"The pipes have a special smooth interior surface that facilitates the flow of water through the pipes. In addition, the pipes last for a very long time," says Agnar Gilbu, Senior Consultant at Flowtite Technology AS.

Developed in Norway
The production facilities for the special, glass fibre reinforced polyester pipes are developed in Norway and the technology has been spread to 19 countries.

"It is the first time they have utilised this technology in Brazil, while Argentina will be embarking on major national water supply projects," says Agnar Gilbu.

The pipes will ensure good and stable water supplies for cities, population centres and agriculture, and they will result in major cost savings for the countries involved.

Project
Export of equipment for production of pipes to improve the supply of water in Brazil and Argentina.

Company
Flowtite Technology AS delivers technology and equipment for the production and development of glass fibre reinforced polyester pipes all over the world.

What did GIEK do?
GIEK provided two Buyer Credit Guarantees to ABN AMRO Bank, for loans provided to the buyer of the equipment for pipe production in Brazil and Argentina. GIEK's liability is NOK 52 million.

The innovative glass fibre pipes transport much more water than traditional pipes with the same dimensions.

Key figures for 2007

Key figures for the General Guarantee Scheme

	2007		2006		2005		2004		2003	
During year	Number	NOK million	Number	NOK million	Number	NOK million	Number	NOK million	Number	NOK million
New applications	160	39 751	182	28 106	187	24 645	176	21 307	221	9 035
New offers	130	14 345	144	15 148	139	14 182	113	18 083	137	6 481
New polices	101	11 400	77	4 889	77	2 980	55	3 521	114	3 238
Premium income		171		146		146		140		137
Claims expenses		88		-1		125		80		92
Recoveries		109		23		22		7		9
At year end										
Outstanding offers	66	11 625	77	15 303	64	12 831	63	9 862	58	2 983
Outstanding guarantee liabilities	295	21 332	271	14 089	284	12 483	272	12 179	280	10 902
Outstanding receivables		306		453		462		357		288
Provisions for losses on guarantee liabilities		769		582		640		712		707
Operating profit/loss		-134		137		99		58		89
Profit/loss for the year		-31		159		139		58		110
Equity		475		506		347		208		150
Guarantee liabilities reinsured for GK		525		492		268		358		307
Total outstanding guarantee liabilities		21 857		14 581		12 751		12 537		11 209

Key figures for the Developing Countries Scheme

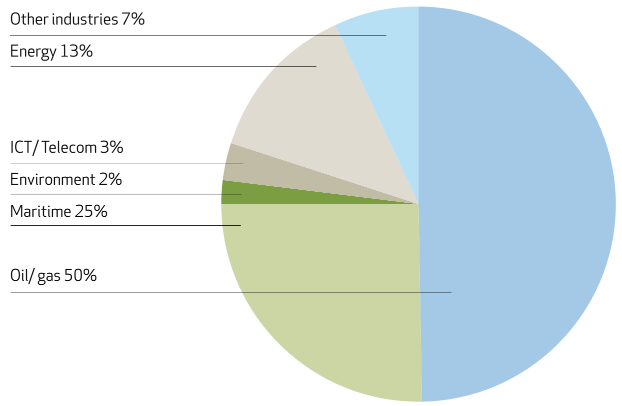
During year (NOK 1000)	2007	2006	2005
New applications	1 397 820	274 728	812 600
New offers	628 433	294 472	240 461
New policies	373 023	0	208 700
Premium income	6 901	6 509	4 129
Claims expenses	1 219	2 039	8 753
Recoveries	6 564	14 492	8 862
At year end (NOK 1000)			
Outstanding offers	306 218	657 261	800 100
Outstanding guarantee liabilities	802 559	536 965	625 600
Outstanding receivables	43 313	65 565	73 038
Provisions for losses on guarantee liabilities	81 486	43 949	59 485
Operating profit/loss	-10 951	24 487	1 513
Profit/loss for the year	-31 621	28 817	-13 277

Outstanding guarantee liabilities, Developing Countries Scheme 2007

Country, point of risk	Outstanding guarantee liabilities (NOK million)
UGANDA	378.3
GHANA	143.3
ALBANIA	101.9
NEPAL	62.4
ANGOLA	42.9
HONDURAS	30.5
MACEDONIA	18.9
BANGLADESH	14.1
LESOTHO	5.8
MOZAMBIQUE	2.8
ZIMBABWE	1.6
Total	**802.6**

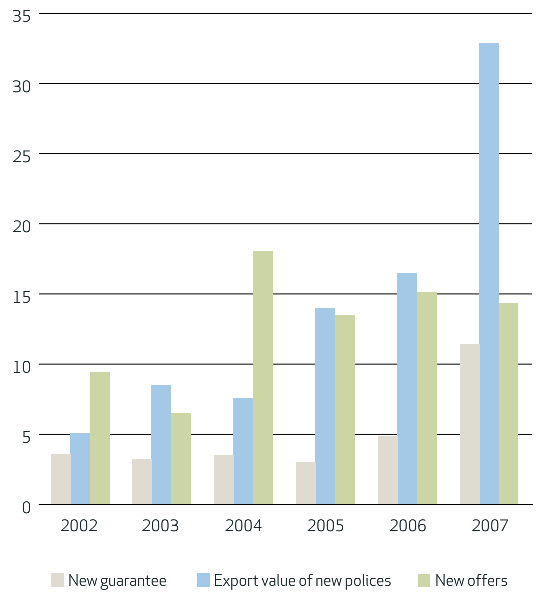
Outstanding guarantee liabilities

by product groups 2007, General Guarantee Scheme



Export value of new policies

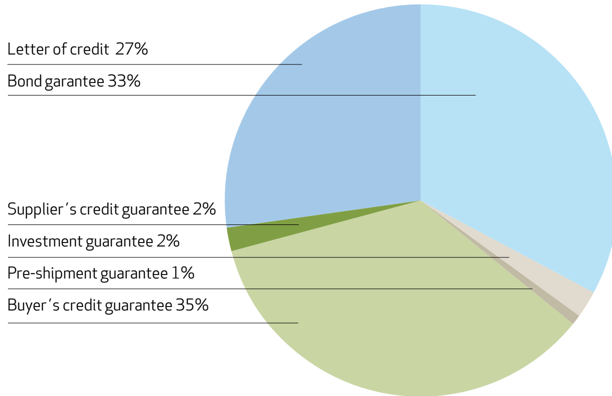
NOK billion, General Guarantee Scheme



Offers were issued for guarantees valued at NOK 14.3 billion in 2007. Export value of policies issued in 2007 totalled NOK 32.9 billion. GIEK's liability was NOK 11.4 billion of this amount.

Number of new policies

by type of guarantee 2007, General Guarantee Scheme



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