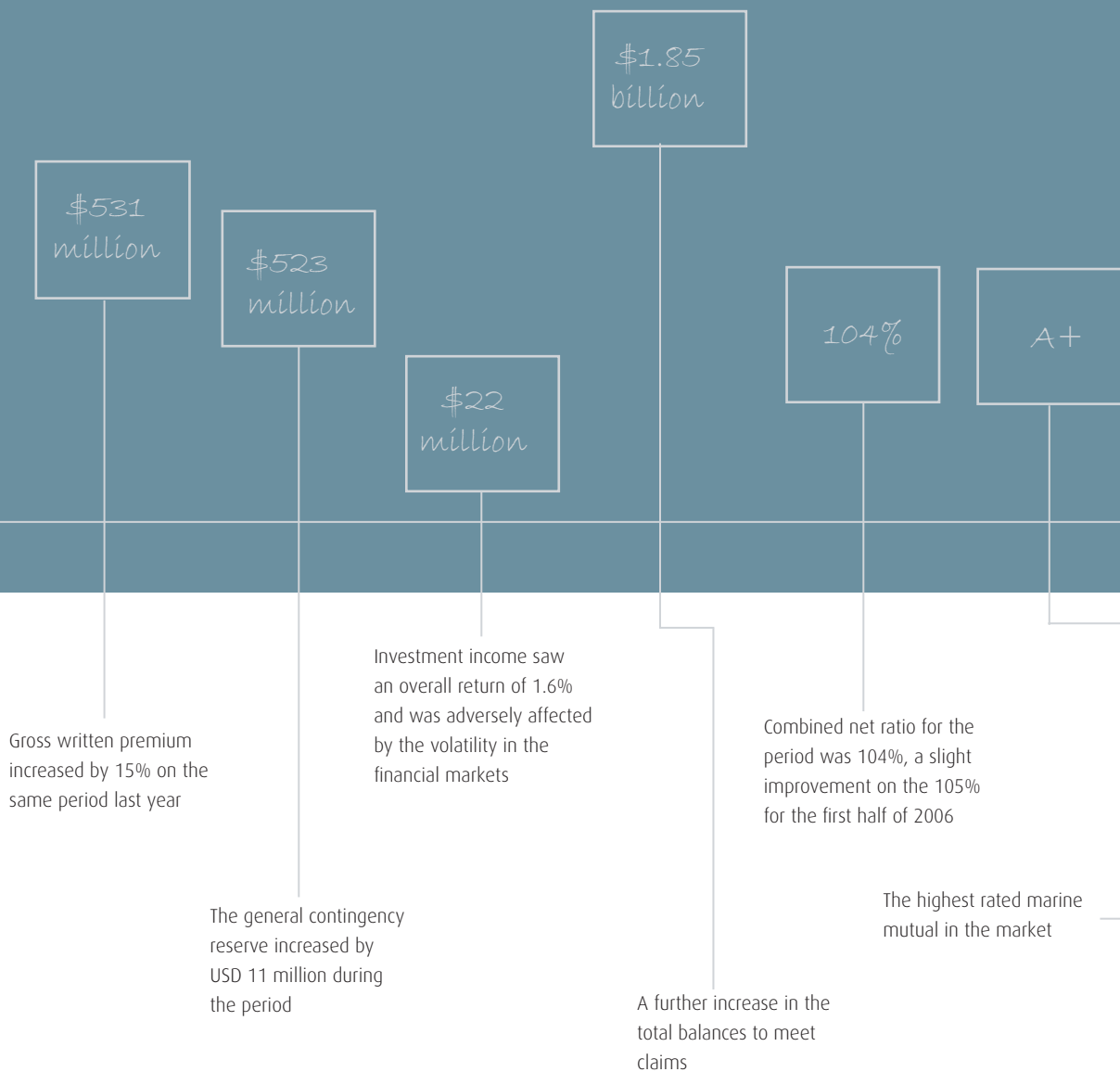


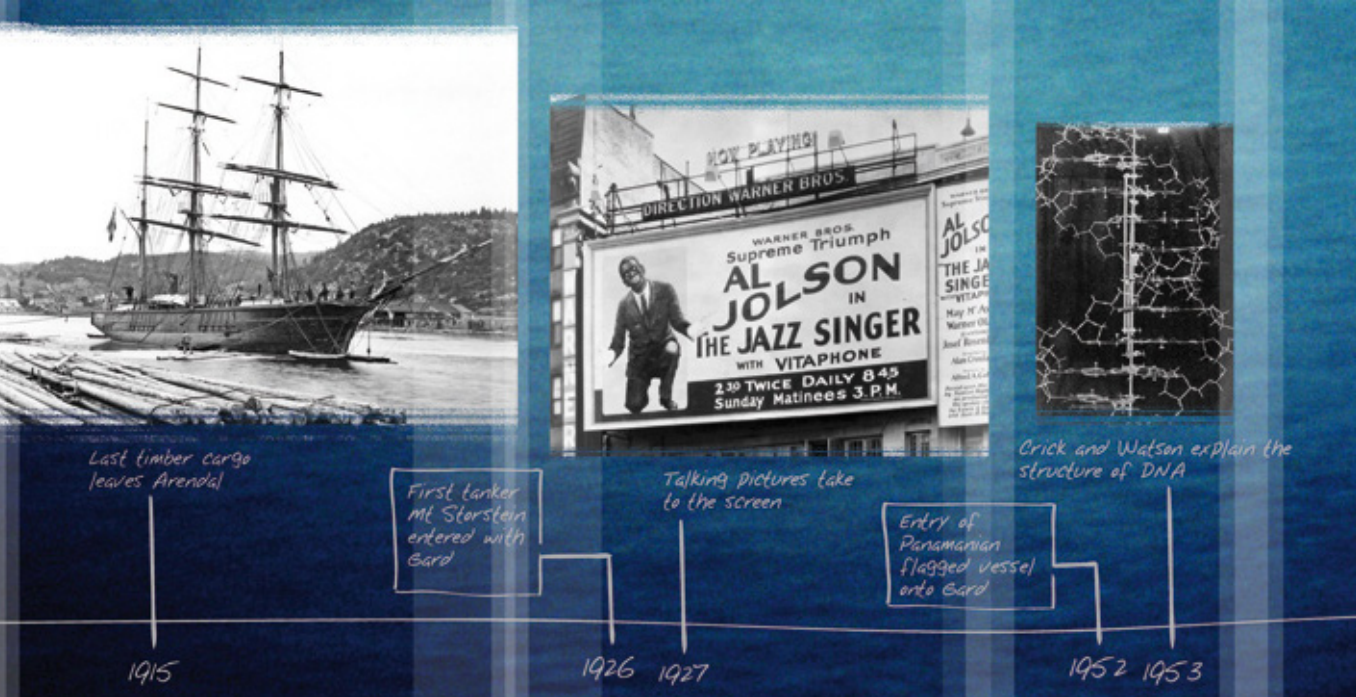


Half Year Management Report
20th August 2007



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chief executive's statement

2006 could be one of the worst years for the hull market since 1999/2000, and the P&I industry is being affected by many of the same causes. Despite losses trending up and premiums heading down, there is still more new capital entering these markets. In markets as competitive as ours there is no room for complacency, but we are pleased to announce good results across all areas of the business for the first half of the 2007 policy year. Gross written premium for the first half year was USD 531 million, a 15% increase on the same period last year.

The frequency of claims in P&I has remained on target, however, their severity, combined with a further deterioration in pool claims, means that the technical result is below target. Gard has been fortunate in avoiding many of the large marine claims that have affected the market in the last year and, as a result, the combined net ratio for marine is well ahead of budget. The year has also started very well for energy with premiums above budget and claims well below. Overall the Group can report a combined net ratio of 104% for the six months to 20 August, a slight improvement on the 105% for the first half of 2006.

Investment income in the first six months was adversely affected by the volatility in the global financial markets, although Gard had no direct exposure to the US sub prime market. Overall, non-technical items made a contribution of USD 22 million to the results, a 1.6% investment return for the period. In total, Gard Group's free reserves increased from USD 512 million to USD 523 million in this period.

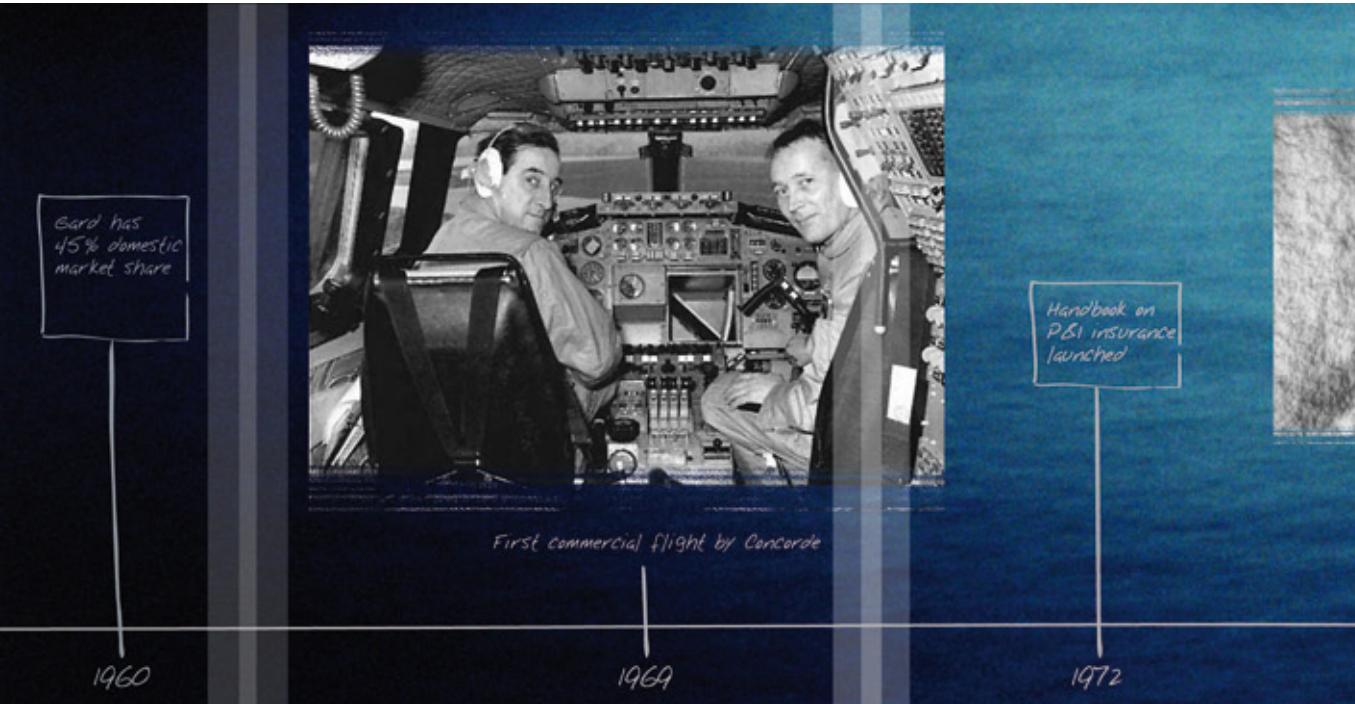
With the bulk of the assets of both Assuranceforeningen Gard and Gard P&I (Bermuda) Ltd now being held in Bermuda, it has been decided to restructure Gard's governance arrangements. The Committee of Assuranceforeningen Gard has been abolished and key operating decisions are now taken by the Executive Committee. The members of both of these bodies have been elected to a new, enlarged Board of Directors for Gard P&I (Bermuda) Limited, which will retain the functions previously performed by the Committee, and whose sub-committee will carry out the day to day Board functions. This new structure will be completed by 20 February 2008.

As a long term partner for our Members and clients, our primary concern is the future stability of the business. Our main focus is to offer a sustainable relationship and, in a tough environment, this means having the right levels of capitalisation and financial security, including top rated reinsurance support. With this in place we are confident that we can offer the broadest set of products to meet a wide range of risk management issues.

Claes Isacson
Chief Executive



Across the Group, gross written premium was 15% up on the same period last year.



P&I

We saw a good start to the 2007 policy year, earning premium income of USD 329 million in the first six months. Volumes have also continued to grow; we saw 8.7 million gt of new entries, growing in line with our market share, and experienced a low outflow of 2.8 million gt. Newbuildings account for about 45% of new entries.

We are continuing to see a substantial percentage of second hand tonnage being entered by existing Members, showing that they are still choosing to put their ships with Gard – even though we may not always be the cheapest option.

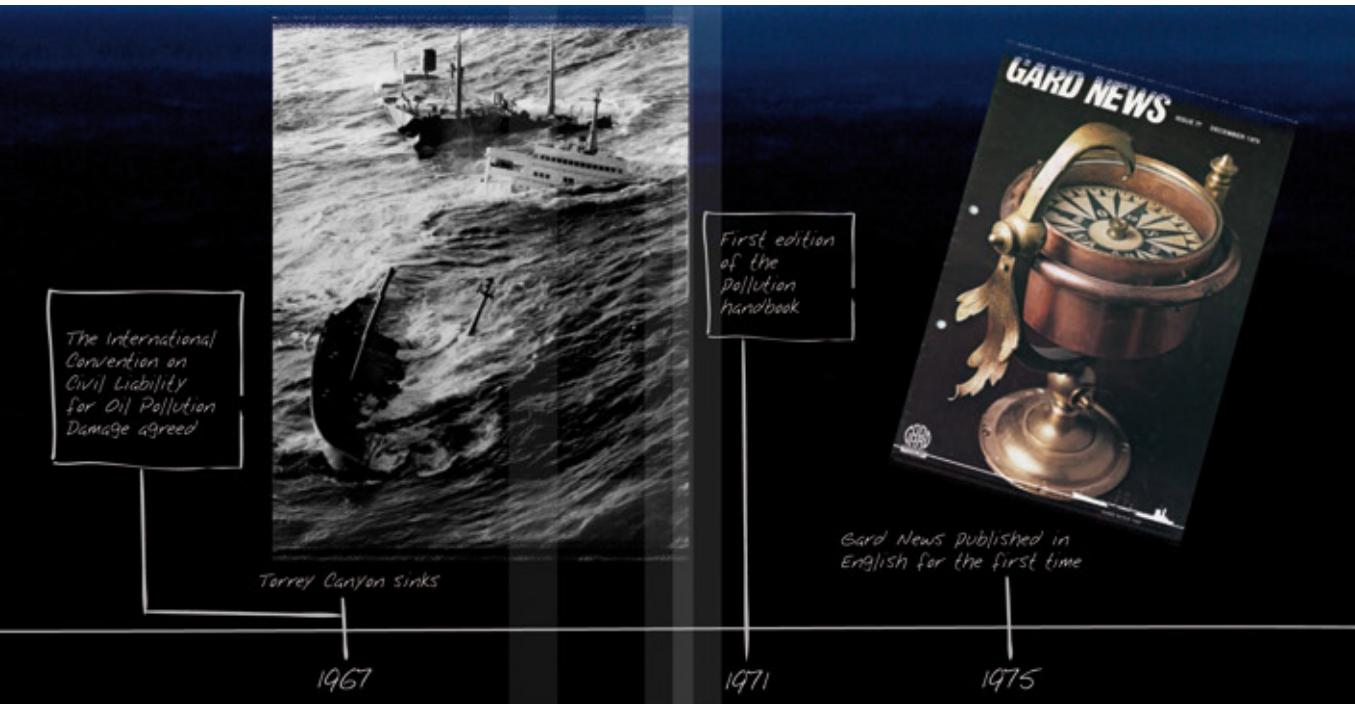
In terms of our portfolio, we have made good strides forward in Asia, with tankers being a prominent part of the inflow of tonnage from both new and existing Members. Our strategy to balance our portfolio between different market segments is also progressing well; tankers now account for 37% of the portfolio, and the proportion of small, dry cargo ships has slightly decreased during the first six months of the policy year.

In the coming months, we will be focusing on improving the technical underwriting results for mutual P&I, as well as continuing to develop additional products to reinforce our position as market leaders for charterers, offshore, energy and special products.

Marine

It has been a solid start to the policy year, with underwriting results for the marine business area being on budget, despite challenging market conditions. The team has worked very hard and we are pleased to say that we are renewing a considerable amount of business on better terms than expected as a result. However, we are still willing to lose business where we do not believe we can get the right price for the risk.

The marine market as a whole is experiencing poor underwriting results and losses are increasing in terms of frequency and severity. The 2006/7 underwriting year has been hit by a number of major losses, estimated to total USD 600 million. Gard has been fortunate not to see its fair share of these, but there is no room for complacency.



underwriting

Despite the loss profile of the market, there is an ongoing battle for market share among the underwriting community, which is making it difficult to adjust pricing to take account of the deteriorating claims picture.

Energy

The year started strongly in energy, with business renewing well and a good claims performance. Given the benign claims environment, results for the first six months are ahead of budget.

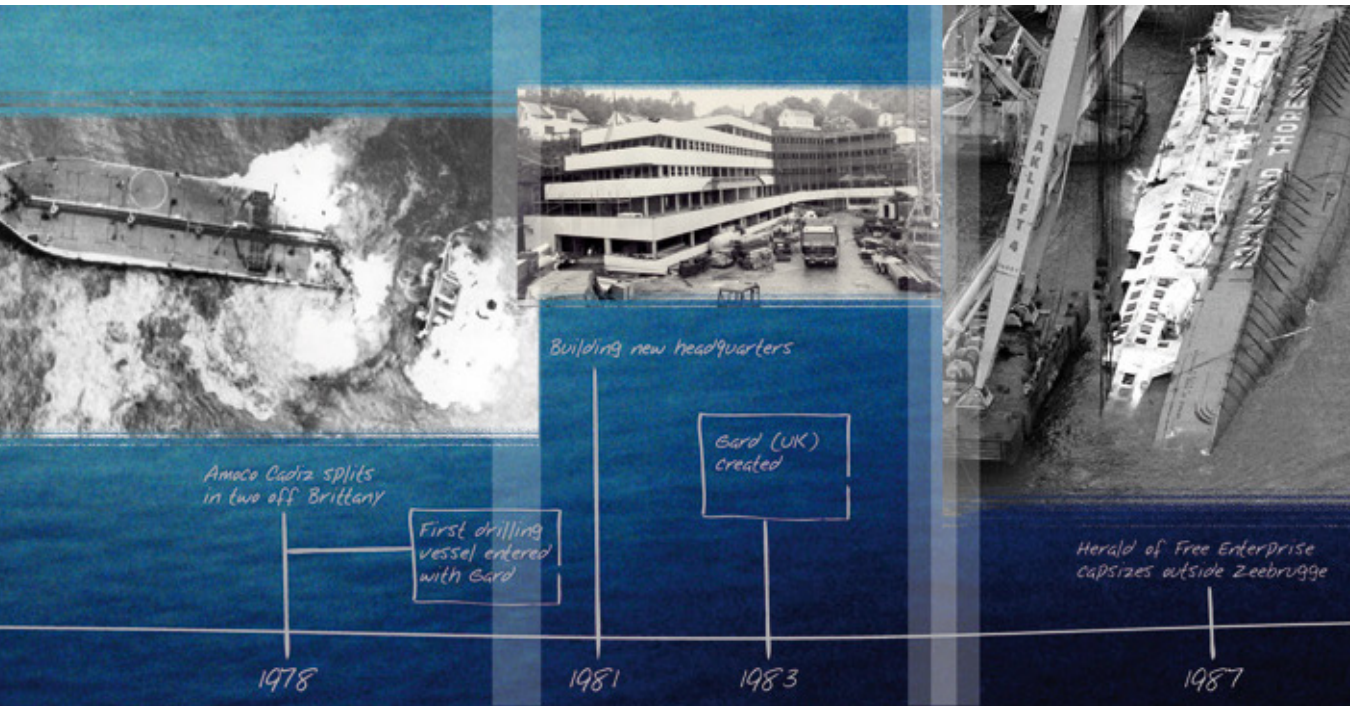
Our strategy of focusing underwriting only on certain terms and in certain jurisdictions has been successfully implemented, and we are pleased to say that we are able to continue with a transparent and balanced energy portfolio as a result. This is a testament to our long-term commitment to the industry and the strength of the relationships that we have been building.

Asset values for rigs and platforms are still very high, which increases demand and sustains the price of cover. While this is a good environment for Gard to operate in, occasionally we are challenged on capacity.

We expect to see this strong market becoming increasingly competitive as new players look to it for the opportunities that it can offer. Rates are also likely to be affected as the good results being seen across the industry have created downward pressure on pricing.



The severity of claims in both P&I and marine has increased significantly in the last few years.



claims

P&I

The development of P&I claims has outstripped expectations during the first half of 2007. This is partly due to the largest loss for the 2007 policy year so far – a major claim in the form of a ro-ro vessel, REPUBLICA DI GENOVA, capsizing during loading operations in Antwerp in March. This led to claims in respect of pollution, cargo, wreck removal and more. There was also an increase in more routine claims during the first half year compared to the same period last year, but it is too early to tell if this represents a permanent shift in the lower to middle value band of claims. Consequently, results are currently worse than budget, but they are improving after the rough start to the year.

In April, there was a second capsizing off Shetland which resulted in the loss of anchor handling vessel the BOURBON DOLPHIN, as well as the tragic loss of eight lives. The location and circumstances of this loss were such that there was a high degree of local and international media interest in it. Our claims personnel were able to prove that they are on hand to offer help and support for owners and operators when they most need it, working closely with the owners to help them to manage the media and this sensitive story as effectively

as possible. Such additional claims assistance is an expanding area of activity for us.

Marine

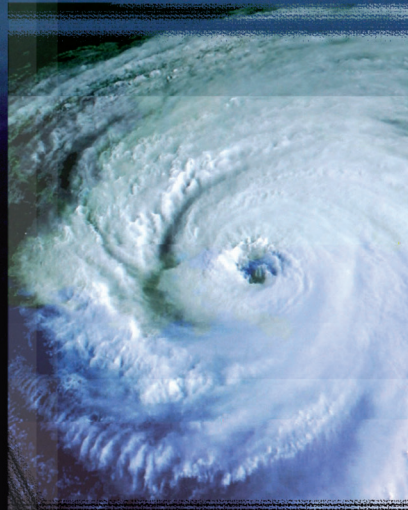
The trend for higher severity and lower frequency of claims is continuing. The lack of capacity in shipyards for repairs – and the subsequent delays and costs that result – remains the primary issue in marine claims, and suggests that costs are unlikely to decrease in the near future.

Therefore, we have been focusing our efforts on helping owners to tackle this capacity problem. For example, earlier this year we were able to secure time in a yard in Bergen for an owner and came up with the idea of recruiting additional labour from Romania to get the vessel back in operation as soon as possible. Everyone working on the ship was incentivised to meet an aggressive timetable and the deadline was met.

We are also adding value by conducting debriefings with owners after more serious incidents in order to share the lessons learned.



Exxon Valdez spill, Alaska



Hurricane Katrina causes global insurance loss of \$66 billion

Gard's reserves stand at USD224m

Norwegian Marine Insurance Plan updated

Loss Prevention and Risk Assessment department formed

1986

1989

1996

2001

2005

claims

Energy

2007 has continued to be a quiet year, with few new claims. Despite the ongoing lack of shipyard capacity and concern about loss of hire deductibles, overall results have been good. There are, however, significant constraints in repair facility availabilities for Mobile Offshore Units. Waiting periods of 6 to 10 weeks to be taken into a yard for repairs that can be carried out whilst moored at the quay side are not unexpected. If drydocking is required the waiting time is up to a year in certain areas. This means that if loss of hire is insured, deductible periods of 45 to 60 days will have lapsed before repairs commence and, in the worst case, the whole indemnity period has elapsed before the unit can be returned to operations.

At the time of writing, results have been good for the year so far. However, two force 5 storms have already made landfall this year, and Hurricane Dean missed the Pemex offshore facilities by a narrow margin. While Gard has limited exposure to fixed installations in the Gulf of Mexico, this will inevitably have an effect on the market overall.

Loss prevention and risk assessment

We are still experiencing an increasing demand for our loss prevention services.

The strong flow of new entries on the P&I side means that the risk assessment team has been working on a large number of entry surveys. The department is constantly monitoring portfolio parameters such as blacklisted flags, non-IACS entries, detentions, class suspensions and withdrawals, as well as potential quality associations such as 'Green Award' and 'Qualship 21' – and works to ensure that the growth in entries is within these parameters.

Working closely with claims executives, the department also has a strong focus on claims that may have an effect on sister ships or vessels of a similar design, and it aims to spot these early in the process. A current case involves engine damage that has a total exposure of USD 4.1 million, and the early signs are that the damage is related to faulty design. With 157 of these engines worldwide, such proactivity could help to prevent further substantial claims in future.

Summary combined consolidated income and expenditure accounts and balance sheet

Summary combined consolidated income and expenditure accounts

All amounts are stated in USD 000's

Six months to 20 August	2007	2006
Premiums and calls*	343,306	302,884
Premiums earned net	299,739	261,493
Claims costs net**	262,762	232,732
Operating expenses net	48,021	41,812
Result on technical account	(11,044)	(13,051)
Result on non-technical account	22,217	31,763
Surplus	11,173	18,712
Combined Ratio Net (CRN)	104%	105%

* Premiums and calls include one half of estimated total calls for the P&I business and gross earned premium for the marine and energy business.

** Claims handling costs share of operating expenses net are included in Claims costs net.

Summary combined consolidated balance sheet

All amounts are stated in USD 000's

At	20 August 2007	20 February 2007
Investments at market value	1,304,823	1,336,754
Cash and equivalents	202,983	137,309
Other net assets	341,525	258,831
Net assets	1,849,331	1,732,894
Unearned premium reserve for own account	220,247	147,391
Provision for outstanding and unreported claims	1,016,975	978,416
Other liabilities	88,955	95,106
General contingency reserve	523,154	511,981
Net equity and liabilities	1,849,331	1,732,894

Net equity investment in the wholly owned subsidiary Gard Marine & Energy Limited was USD 241 million at 20 August 2007 (USD 219 million at 20 February 2007).

Gard P&I and M&E result on technical account

Income and expenditure accounts on lines of business

All amounts are stated in USD 000's

Six months to 20 August 2007	P&I	M&E	Combined consolidated accounts
Premiums and calls	195,808	147,498	343,306
Net premiums earned	169,545	130,194	299,739
Claims incurred net	163,257	86,428	249,685
Claims handling costs	11,600	1,477	13,077
Net claims costs	174,857	87,905	262,762
Net operating expenses excluding claims handling costs	18,208	29,813	48,021
Result on technical account	(23,520)	12,476	(11,044)
Result on non-technical account	12,853	9,364	22,217
Result ordinary operations	(10,667)	21,840	11,173
Claims ratio net	103%	68%	88%
Expense ratio net	11%	23%	16%
Combined Ratio Net	114%	90%	104%
Insurance margin	-6%	17%	4%

This report has been prepared by Gard AS, managers of Assuranceforeningen Gard (the Association), from data and accounts provided by the Association and its 'sister' company, Gard P&I (Bermuda) Limited (the Bermuda Association) and Gard Marine & Energy Limited.