The Gard
Half Annual Report

20th August 2004

Committees and Boards

New members
At the Annual General Meeting, which took place in Arendal on 20th August, the following new members were elected to the various Committees:

The Committee
Nicolas Frangistas
Franco Compania Naviera, Piraeus
Sjur Galtung,
Wilh. Wilhelmsen ASA, Oslo
Morten Høegh,
Leif Høegh & Co. AS, Oslo
Jan Lissow,
Interorient/Alpha Tank, Limassol
Oscar Spieler,
Frontline Management AS, Oslo
Hans Ivar Vigen,
The J.J. Ugland Companies, Grimstad

The Executive Committee
Trond Eilertsen,
Oslo

Retirements
The following had notified the Association that they did not wish to stand for re-election:

The Committee
Leif Terje Løddesøl,
Wilh. Wilhelmsen ASA, Oslo
Øivind O Larsen,
The J.J. Ugland Companies, Grimstad

The Executive Committee
Dieter Ostendorf,
Hamburg

The Annual General Meeting thanked all the retiring members for their valuable contribution and dedication shown to the Association during their terms of service.

Review of operations

Review of policy years

Closed years

Upon closure of the 2000 policy year in October 2003, the surplus on all closed years, including 2000, stood at USD 272 million. As at 20th August 2004, this surplus was estimated at USD 264 million.

Open years

The 2001 policy year

Reported claims were down by 13 per cent at 12 months from policy year inception, compared with the 2000 policy year. Except for the immediate preceding year, the 2001 policy year ended well above the level of any previous year and was coupled with a negative investment income. During the period 12 to 18 months into the policy year, there were signs that claims had been estimated too conservatively and that the year would improve. This trend has continued and the year is now expected to produce a deficit of USD 16 million. The year was closed in October 2004 with no further call beyond the forecast 25 per cent already levied.

The 2002 policy year

The value of reported claims for this year 12 months from inception was 8 per cent above that reported for the 2001 policy year, and above the level for any prior year with the exception of 2000. During the period after 12 months from inception, claims have developed marginally better than expected and the year is now assumed to produce a surplus of USD 16 million which compares with an estimated surplus of USD 5 million as at 20th February 2003.

It is expected the year will be closed in October 2005 with no further call being levied.

The 2003 policy year

The value of reported claims for this year 12 months from inception was 16 per cent above that reported for the 2002 policy year and, hence, above the level of any previous year.

There is an increase both in number and value of claims in the lower value bands, which can be expected, given the substantial increase in entered tonnage of nine per cent. There is also an increase in the value of claims in the band between USD 2 and USD 5 million. It is too early to say whether this signifies a trend or whether it is of a haphazard nature. Nonetheless, the total claims volume at year end was not significantly above the budgeted figure. The investment returns of the year reached an unprecedented 20.9 per cent resulting in a year end surplus of USD 80 million. During the period from 12 to 18 months there has been an improvement in incurred claims and the surplus of the year is now estimated to reach USD 91 million.

It is expected the year will be closed in October 2006 with no further call being levied.

The 2004 policy year

The first six months of the year have seen an increase in reported claims compared with the previous year, both in volume and in number. The increases must be viewed against an increase in tonnage and the number of ships entered, and the shift in composition of tonnage that has taken place over the last few years. Based on reported claims as at 20 August the total estimate for claims for the year is marginally above the level forecast.

It should be emphasised that any estimate for the 2004 policy year is preliminary at this stage. In addition to uncertainties surrounding claims, there is generally a risk involved in the estimated return on investments. Based on current assumptions, and with a full deferred call of 25 per cent, it is believed the 2004 policy year will balance.

Tonnage

Table A - Entered tonnage as at 20th August 2004

	20th August 2004		20th February 2004	
	gt (000)	gt %	gt (000)	gt %
Owners' entries				
Tankers	28,383	39%	26,988	39%
Bulk carriers	13,373	18%	12,690	18%
Obo/ore/oil carriers	2,019	3%	1,984	3%
Gas carriers	2,641	4%	2,585	4%
Dry cargo vessels	20,606	28%	19,717	28%
Miscellaneous vessels	5,443	8%	5,401	8%
	72,465	**100%**	**69,365**	**100%**
Owners' non-poolable				
Mobile Offshore Units	7,315		7,052	
	7,315		**7,052**	
Total owners' tonnage	**79,780**		**76,417**	

Tonnage

Gard has seen a strong inflow of new tonnage, with a net increase of 3 million gt during the 6 months to 20th August 2004.

Out of gross attachments of 7.5 million gt, newbuildings amounted to 3 million gt, representing 100 new vessels.

The total owners' tonnage as at 20th August 2004 is close to 80 million gt, and the total overall tonnage, including charterers is well in excess of 120 million gt.

Funds and investments returns

The Association's total assets net of current liabilities, with investments stated at market values, amounted to USD 883 million, compared to USD 809 million as at 20th February 2004, and USD 723 million at the same time last year.

The general contingency reserve has increased to USD 344 million. This compares to USD 328 million as at 20th February 2004 and USD 276 million as at 20 August 2003.

The increase in the general contingency reserve can be attributed to a USD 14 million technical surplus, a USD 5 million increase in the value of the investment in Gard Marine & Energy, partly offset by a negative result of USD 3 million on the non-technical account.

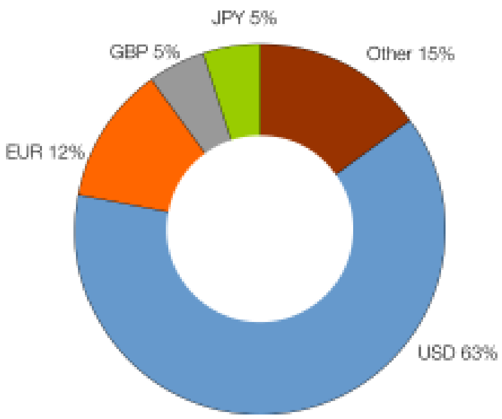
The technical account surplus reflects above budget growth in premium income and a significant improvement in prior year claims. Operating expenses are developing as forecast in local currencies, but show a significant increase when converted into USD, reflecting in particular the strength of NOK.

The USD 3 million investment loss in the period reflects poor market conditions in both bonds and equities. The result contrasts with an investment gain of USD 38 million in the same period last year.

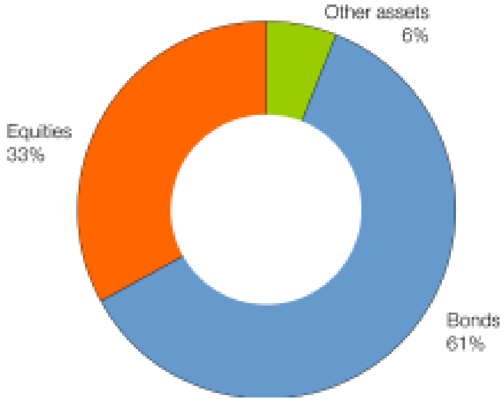
The allocation of the Association's investment funds by currency and by instrument can be seen in Table B.

Table B

Portfolio by currency



Portfolio by instrument



Accounts

Financial highlights

SUMMARY INCOME AND EXPENDITURE ACCOUNTS

All amounts are stated in USD millions

	Parent company Gard P&I		Gard M&E		Combined consolidated accounts	
	Half year to 20.08.04	Half year to 20.08.03	Half year to 20.08.04	Half year to 20.08.03	Half year to 20.08.04	Half year to 20.08.03
Premiums and calls	141	125	121	0	262	125
Premiums and calls net of reinsurance	109	97	97	0	206	97
Net claims incurred	75	85	76	0	151	85
Net operating expenses	20	16	21	0	41	16
Result on technical account	14	(4)	0	0	14	(4)
Result on non-technical account*)	(3)	38	0	0	(3)	38
Surplus/(Deficit)	11	34	0	0	11	34
Estimated supplementary call	25%	25%			25%	25%

*) The non-technical account includes income, expenses of fund management and taxation.

SUMMARY BALANCE SHEETS

All amounts are stated in USD millions

	Parent company Gard P&I		Gard M&E		Combined consolidated accounts	
	As at 20.08.04	As at 20.02.04	As at 20.08.04	As at 20.02.04	As at 20.08.04	As at 20.02.04
Investments at market value	654	626	506	444	1,160	1,070
Cash and equivalents	34	39	29	30	63	69
Other net assets/(liabilities)	196	144	42	94	122	123
Net assets	884	809	577	568	1,345	1,262
Owner's equity	0	0	200	199	0	0
Unearned premium reserve for own account	51	0	84	73	135	73
Provision for outstanding claims	489	481	293	296	782	777
General contingency reserve	344	328	0	0	344	238
Minority interests	0	0	0	0	84	84
Net equity and liabilities	884	809	577	568	1,345	1,262