

ASSURANCEFORENINGEN GARD -gjensidig- Profit & Loss Account

Amounts in USD 000's

| | 21.02.12 to 20.05.12 | 21.02.11 to 20.05.11 |
|--|---------------------------------|---------------------------------|
| Technical account | | |
| Gross written premium | 54,733 | 61,526 |
| Estimated deferred call | 3,970 | 4,601 |
| Change in premium for unearned premiums | (34,315) | (35,731) |
| Ceded reinsurance | (30,597) | (33,561) |
| Reinsurers share of change in provision | 20,301 | 21,248 |
| Net earned premium | 14,091 | 18,082 |
| | | |
| Gross settled claims | 30,131 | 46,867 |
| Reinsurers share of gross settled claims | (15,416) | (29,356) |
| Change in gross claims reserve | (4,769) | (3,239) |
| Reinsurers share of change in claims reserve | 15,169 | 6,164 |
| Net claims cost | 25,115 | 20,436 |
| | | |
| Acquisition costs | 2,492 | 2,202 |
| | | |
| Net operating expenses | 1,351 | 1,486 |
| | | |
| Technical result before change in contingency reserve | (14,867) | (6,042) |
| | | |
| Change in the contingency reserve | 17,818 | 1,085 |
| Technical result | 2,951 | (4,957) |
| | | |
| Non-technical account | | |
| Investment income | (439) | 1,880 |
| Change in unrealized gain of investments | (2,666) | 2,568 |
| Loss on realization of investments | 681 | 709 |
| Investment management expenses | (461) | (198) |
| Non-technical result | (2,885) | 4,959 |
| | | |
| Profit before tax | 65 | 2 |
| | | |
| Taxation | (65) | (2) |
| Net result | 0 | 0 |

ASSURANCEFORENINGEN GARD -gjensidig-**Balance sheet**

Amounts in USD 000's

| | As at | As at |
|---|-----------------|-----------------|
| ASSETS | 20.05.12 | 20.02.12 |
| Investments | | |
| Investments at amortised cost | 3,465 | 3,465 |
| Financial instruments at fair value through profit and loss | 202,558 | 180,181 |
| Total investments | 206,023 | 183,646 |
| Reinsurers share of technical provisions | | |
| Reinsurers share of gross claims reserve | 393,450 | 389,529 |
| Total reinsurers share of technical provisions | 393,450 | 389,529 |
| Receivables | | |
| Receivables from direct insurance operations | 35,034 | 16,139 |
| Receivables from reinsurance operations | 0 | 2,269 |
| Receivables from group companies | 10,140 | 21,549 |
| Other receivables | 3,762 | 2,553 |
| Total receivables | 48,936 | 42,510 |
| Other assets | | |
| Equipment | 2,967 | 2,962 |
| Cash and cash equivalents | 23,918 | 37,191 |
| Total other assets | 26,885 | 40,153 |
| Prepayments and accrued income | | |
| Accrued interest | 1,089 | 844 |
| Accrued income and other prepayments | 36 | 1,440 |
| Total prepayments and accrued income | 1,124 | 2,284 |
| TOTAL ASSETS | 676,418 | 658,121 |

ASSURANCEFORENINGEN GARD -gjensidig-**Balance sheet**

Amounts in USD 000's

| | As at | As at |
|--|-----------------|-----------------|
| LIABILITIES | 20.05.12 | 20.02.12 |
| Technical provisions | | |
| Gross premium reserve | 34,161 | 0 |
| Gross claims reserve | 522,467 | 527,236 |
| Total technical provisions | 556,628 | 527,236 |
| Contingency reserve | | |
| Contingency reserve | 94,873 | 112,691 |
| Total contingency reserve | 94,873 | 112,691 |
| Provision for other liabilities | | |
| Pension obligations | 4,194 | 4,386 |
| Total provisions for other liabilities | 4,194 | 4,386 |
| Creditors | | |
| Creditors arising out of direct insurance operations | 275 | 69 |
| Creditors arising out of reinsurance operations | 15,685 | 4,078 |
| Creditors group companies | 75 | 2,582 |
| Other creditors | 4,294 | 5,679 |
| Total creditors | 20,329 | 12,408 |
| Accruals and deferred income | | |
| Accruals and deferred income | 393 | 1,400 |
| Total accruals and deferred income | 393 | 1,400 |
| TOTAL LIABILITIES | 676,418 | 658,121 |

ASSURANCEFORENINGEN GARD -gjensidig-

Cash flow analysis

(All amounts are stated in USD 000's)

| | 21.02.12 to 20.05.12 | 21.02.11 to 20.05.11 |
|---|---------------------------------|---------------------------------|
| Cash flow from operating activities | | |
| Profit from ordinary operations before tax | 65 | 2 |
| Income tax payable | (65) | (2) |
| Change in receivables and creditors | 1,456 | 19,478 |
| Change in technical provisions and other accruals | 7,653 | 17,157 |
| Net cash flow from operating activities | A 9,109 | 36,635 |
| Cash flow from investment activities | | |
| Purchase/sale of other investment | (22,382) | (3,668) |
| Net cash flow from investment activities | B (22,382) | (3,668) |
| Net change in cash and cash equivalents | A+B (13,273) | 32,967 |
| Cash and cash equivalents at opening balance | 37,191 | 33,359 |
| Cash and cash equivalents at closing balance | 23,918 | 66,326 |

NOTE 1. Accounting Policies

Corporate information

Assuranceforeningen Gard –gjetsidig- is a mutual insurance association.

As a mutual insurance association it is owned by its Members. The registered office of the association is Kittelsbuktveien 31, 4836 Arendal. The association carries out marine liability and legal costs insurances. The principal activity of the association is the insurance of marine Protection and Indemnity risk on behalf of its Members, including the reinsurance of a proportion of the Protection and Indemnity risk underwritten by Gard P. & I. (Bermuda) Ltd as direct insurer.

Basis of preparation of the Accounts

The accounts of insurance companies are subjects to regulations established by the Ministry of Finance. The quarterly Accounts have been prepared in accordance with “Regulations for annual accounts for insurance companies” approved by the Norwegian Ministry of Finance, which includes a limited use of IFRS regarding disclosures to the accounts.

The Association has a dispensation from the requirement to allocate investment return to the technical account.

According to a resolution from the Financial Supervisory Authority of Norway the Association can present the accounts in English language and USD, since the functional currency of the Association is USD. The association is exempted from presenting the statutory administrative expense reserve and the contingency reserve separately.

The quarterly accounts are based on the same accounting principles as used in the annual accounts for the year ended 20.02.2012.

The accounts as at 20.05.2012 has not been audited.

Use of accounting estimates when preparing the accounts

The preparation of the accounts requires the Management to make estimates and assumptions that affects assets, liabilities, revenues, expenses and contingent liabilities. Due to circumstances in the future these estimates can change. Estimates and their assumptions are considered continuously, and accounts adjusted accordingly. Insurance contract liabilities are the main items in the balance sheet based upon judgments and estimates. Estimates are made both for the expected total cost of claims reported and for the expected total cost of claims incurred but not reported at the balance sheet date. Actuarial methods are used in estimating the total cost of outstanding claims.

Note 2. Related party transactions

Reinsurance agreements

The Association and Gard P. & I. (Bermuda) Ltd have entered into mutual reinsurance agreements. The Association reinsures with effect from 20 February 2010 a proportion amounting to 2 per cent (15 per cent for policy years up to 2009) of Gard P. & I. (Bermuda) Ltd’s Protection and Indemnity risk underwritten that is not reinsured elsewhere. With effect from the same date the Association cedes to Gard P. & I. (Bermuda) Ltd by way of reinsurance 25 per cent (85 per cent for policy years up to 2009) of the Association’s retained Protection and Indemnity risk underwritten that is not reinsured elsewhere.

The Association have entered into a stop loss reinsurance agreement protecting the former against an adverse claims development with Gard Reinsurance Co Ltd (a company owned by Gard P.& I. (Bermuda) Ltd).

The Association has entered into a reinsurance agreement with the Gard Cell of Hydra Insurance Company Ltd (the Gard Cell is owned by Gard P. & I. (Bermuda) Ltd), Hydra Insurance Company Limited is a reinsurance company established by the parties to the International Group of P&I Clubs’ Pooling Agreement pursuant to the Bermuda Segregated Accounts Companies Act 2000 as amended for the purpose of reinsuring certain layers of risks retained by the insurers being parties to the said Pooling Agreement.

Insurance agency agreements

The Association has entered into insurance agency agreements with Gard AS and its subsidiaries (Gard AS is owned by Gard P. & I. (Bermuda) Ltd) whereby the companies are delegated authority as an agent and insurance intermediary to perform claims handling and underwriting functions on behalf of the Association.

Note 3. Changes in financial instruments at fair value through profit and loss

In the third quarter there has been a negative development in financial markets resulting in a negative Non-technical result.

Note 4. Changes in the contingency reserve

All amounts are stated in USD 000's

| | 20.05.12 | 20.02.12 |
|-------------------------------------|-----------------|-----------------|
| Contingency reserve carried forward | 112,691 | 116,843 |
| Transfer from contingency reserve | (17,818) | (4,152) |
| Contingency reserve brought forward | 94,873 | 112,691 |

London 03 July 2012

The Board of Directors

ASSURANCEFORENINGEN GARD -gjensidig-

Trond Eilertsen
Chairman

Morten W. Høegh

Jane Sy

Tadeusz Niszczoła
Deputy Chairman

Michael Say

Claes Isacson
Managing Director