



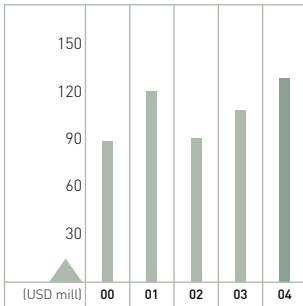
Annual Report 2004

SAFELY WITH SKULD ▶

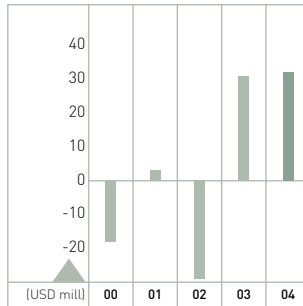


SAFELY WITH SKULD ►

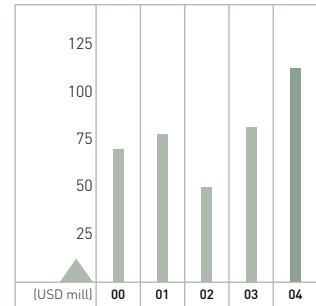
Premiums and calls for own account



Balance carried to contingency reserves



Contingency reserves per year



INDUSTRY HIGHLIGHTS

GROUP AGREES TO INCREASE THE CLUB RETENTION FROM USD 5 TO USD 6 MILLION

The club retention has been standing still at USD 5 million during the past decade. In line with the increase of risk carried by the pool to USD 50 million from policy year 2004, the International Group agreed to increase the club retention to USD 6 million as of policy year 2005. It is likely that club retention will increase further in the years to come.

RECORD HIGH POOL CLAIMS

At the end of policy year 2004, the number of reported pool claims was considerably

higher than in recent years. Furthermore, the extended pool layer to USD 50 million (limit of USD 30 million up to 2004) and some very expensive cases have led to record high pool claims.

OIL SPILLS FROM TANKERS

The Supplementary Fund comes into effect, increasing the amount of compensation available for oil spills from tankers to more than USD 1 billion. The IOPC Fund Working Group established after the Erika incident in 1999 continues to evaluate whether further reform is necessary to the CLC and Fund Convention.

OPA90 DEVELOPMENTS

New regulations are issued to make vessel response plans mandatory for non-tankers. The Athos I spill in Delaware, USA, produced one of the most significant spills since OPA90 came into force, prompting calls for an increase in OPA90 limits.

MARITIME SECURITY

Shipowners successfully comply with the wide reaching requirements of the ISPS Code and the US Maritime Transportation Security Act 2002.

PASSENGER CLAIMS

The IMO continues preparations to bring into force the 2002 Protocol to the Athens Convention. The question of whether clubs will be able to provide insurance to the levels and in the form required remains open.

EUROPE'S GROWING INVOLVEMENT IN MARITIME MATTERS

The European Union continues to show an increasing interest in shipping matters, raising the prospect of regulation of a global business at a regional level.

5-YEAR FINANCIAL SUMMARY

Amount in USD 1 000

	2000	2001	2002	2003	2004
Premiums and calls for own account ¹⁾	89 099	121 082	90 679	109 471	129 263
Claims incurred for own account ²⁾	96 400	114 410	96 835	86 623	85 911
Gross investment revenue ³⁾	18 378	21 795	-1 748	31 012	13 257
Balance carried to contingency reserve	-17 603	3 337	-28 602	31 233	31 551
Contingency reserve	70 151	77 873	50 080	81 593	113 064

¹⁾ The 2001 figures include unbudgeted calls of 15% and 45% for 1999 and 2000 respectively.

²⁾ A proportion of overhead related to claims handlers has been allocated to claims since 2003.

³⁾ Including sale of the Skuld office building in Oslo in 2001, generating a profit of approx. USD 12.7 mill.

SKULD HIGHLIGHTS

CONTINUED POSITIVE TECHNICAL RESULT

No P&I club can over time, sustain a negative technical result without seriously jeopardising its members' funds. The association has continuously worked to achieve a balanced result and is therefore pleased – for the second straight year – to present a positive technical result.

HEALTHY VOLUME GROWTH, WITH A 6.1% RATE INCREASE

In 2004, Skuld has increased the volume of owners' business for the first time in

many years. The club is once again able to show an average achieved price increase that is close to the announced rate increase.

INCREASED FOCUS ON LOSS PREVENTION

The combination of club experience and a strong base of statistical data is proving to be an effective tool to assist members in implementing their loss prevention programmes. Skuld has therefore recruited a Loss Prevention Officer who will further develop this important area.

NEW EXTRANET SERVICE FOR MEMBERS LAUNCHED

As part of Skuld's continued effort to increase service to members, the club has developed an extranet which gives members access to their loss records on a daily basis. In the future, policies and other documentation will also be available on the extranet.

NEW OFFICE IN HAMBURG

Germany is one of the association's growing markets. Skuld has therefore decided to expand by establishing a German branch office to

handle its marketing in the region. This is a continuation of Skuld's strategy of being close to members.

RECORD HIGH FREE RESERVES

Skuld's free reserves now stand at an all time high of USD 113 million – equal to about USD 4 per gross ton.

CONTENTS: This is Skuld p. 2 President & CEO p. 4 Management review p. 8 Corporate governance & CSR p. 18 Report from the Board of Directors p. 20 Consolidated income and expenditure account p. 24 Balance sheet p. 25 Notes p. 26 Auditor's report p. 33 Organisation and addresses p. 34

ENSURING A SAFE JOURNEY. Ensuring a safe journey means evaluating and mitigating all the risks along the way – and recognising possible major threats. You do not need to do it alone. Skuld is there to help!

At Skuld, we try to evaluate risk in advance of possible incidents – in order to prevent them from taking place. By helping members understand the various threats they may encounter and how to avoid them, we do just that.

With Skuld's extensive experience within marine insurance, risk management and loss prevention, we possess an ocean of experience that can aid in this process. You can depend on our experience to help get you where you are going – safely!

REPRESENTATION:

► CORRESPONDENTS ► OFFICE

ALBANIA Ports: 1 Correspondents: 1 ►	BANGLADESH Ports: 3 Correspondents: 4 ►	CAMBODIA Ports: 1 Correspondents: 1 ►	CUBA Ports: 1 Correspondents: 2 ►	EL SALVADOR Ports: 1 Correspondents: 1 ►	FRENCH POLYNESIA Ports: 1 Correspondents: 1 ►	GUAM Ports: 1 Correspondents: 1 ►	INDIA Ports: 5 Correspondents: 7 ►
ANGOLA Ports: 3 Correspondents: 3 ►	BARBADOS Ports: 1 Correspondents: 1 ►	CANADA Ports: 8 Correspondents: 10 ►	CYPRUS Ports: 3 Correspondents: 3 ►	ERITREA Ports: 3 Correspondents: 3 ►	GABON Ports: 2 Correspondents: 2 ►	GUATEMALA Ports: 3 Correspondents: 4 ►	IRAN Ports: 6 Correspondents: 6 ►
ALGERIA Ports: 2 Correspondents: 4 ►	BELGIUM Ports: 2 Correspondents: 2 ►	CHILE Ports: 1 Correspondents: 1 ►	CAMEROON Ports: 1 Correspondents: 1 ►	ESTONIA Ports: 1 Correspondents: 1 ►	GAMBIA Ports: 1 Correspondents: 1 ►	GUINEA Ports: 1 Correspondents: 2 ►	IRAQ Ports: 1 Correspondents: 1 ►
ARGENTINA Ports: 2 Correspondents: 3 ►	BELIZE Ports: 1 Correspondents: 1 ►	CHINA Ports: 7 Correspondents: 10 ►	DENMARK Ports: 1 Correspondents: 1 ►	ETHIOPIA Ports: 1 Correspondents: 1 ►	GEORGIA Ports: 1 Correspondents: 1 ►	GUINEA BISSAU Ports: 1 Correspondents: 2 ►	IRELAND Ports: 3 Correspondents: 3 ►
AUSTRALIA Ports: 16 Correspondents: 19 ►	BERMUDA Ports: 1 Correspondents: 1 ►	COLOMBIA Ports: 5 Correspondents: 6 ►	DJIBOUTI Ports: 1 Correspondents: 1 ►	FALKLAND ISLANDS Ports: 1 Correspondents: 1 ►	GERMANY Ports: 11 Correspondents: 13 ►	HAITI Ports: 1 Correspondents: 1 ►	ISRAEL Ports: 2 Correspondents: 3 ►
AZERBAIJAN Ports: 1 Correspondents: 1 ►	BRAZIL Ports: 12 Correspondents: 15 ►	CONGO Ports: 2 Correspondents: 2 ►	DOMINICAN REPUBLIC Ports: 2 Correspondents: 3 ►	FIJI Ports: 1 Correspondents: 1 ►	GHANA Ports: 2 Correspondents: 4 ►	HONDURAS Ports: 2 Correspondents: 2 ►	ITALY Ports: 20 Correspondents: 21 ►
BAHAMAS Ports: 1 Correspondents: 1 ►	BRITISH VIRGIN ISLANDS Ports: 1 Correspondents: 1 ►	COSTA RICA Ports: 1 Correspondents: 1 ►	ECUADOR Ports: 1 Correspondents: 1 ►	FINLAND Ports: 1 Correspondents: 1 ►	GIBRALTAR Ports: 1 Correspondents: 1 ►	HONG KONG Ports: 1 Correspondents: 1 ►	IVORY COAST Ports: 1 Correspondents: 1 ►
BAHRAIN Ports: 1 Correspondents: 2 ►	BULGARIA Ports: 3 Correspondents: 5 ►	CROATIA Ports: 2 Correspondents: 2 ►	EGYPT Ports: 3 Correspondents: 3 ►	FRANCE Ports: 12 Correspondents: 13 ►	GREECE Ports: 2 Correspondents: 2 ►	ICELAND Ports: 1 Correspondents: 1 ►	JAMAICA Ports: 1 Correspondents: 1 ►

THIS IS SKULD ►

OUR VISION: Skuld's vision is to provide high quality service to members as their preferred partner.

OUR VALUES: Skuld's corporate values reflect respect, honesty and high ethical norms.

OUR SERVICE POLICY: Total customer satisfaction – Skuld strives to stand out from its competitors by offering more value, in terms of the service provided and quality built into its products.

JAPAN Ports: 2 Correspondents: 2	MADAGASCAR Ports: 2 Correspondents: 3	MOZAMBIQUE Ports: 2 Correspondents: 2	NORWAY Ports: 25 Correspondents: 26	PUERTO RICO Ports: 1 Correspondents: 1	SINGAPORE Ports: 1 Correspondents: 2	SWEDEN Ports: 7 Correspondents: 7	U.S.A. Ports: 29 Correspondents: 37
JORDAN Ports: 2 Correspondents: 2	MALAYSIA Ports: 5 Correspondents: 6	MYANMAR Ports: 1 Correspondents: 1	OMAN Ports: 1 Correspondents: 2	QATAR Ports: 1 Correspondents: 1	SLOVENIA Ports: 1 Correspondents: 1	SYRIA Ports: 1 Correspondents: 1	UKRAINE Ports: 6 Correspondents: 9
KENYA Ports: 1 Correspondents: 2	MALTA Ports: 1 Correspondents: 1	NAMIBIA Ports: 1 Correspondents: 1	PAKISTAN Ports: 1 Correspondents: 1	REUNION Ports: 1 Correspondents: 1	SOMALIA Ports: 1 Correspondents: 1	TAIWAN Ports: 3 Correspondents: 4	UNITED ARAB EMIRATES Ports: 3 Correspondents: 4
KUWAIT Ports: 1 Correspondents: 2	MARTINIQUE Ports: 1 Correspondents: 1	NETHERLANDS Ports: 2 Correspondents: 3	PANAMA Ports: 2 Correspondents: 2	ROMANIA Ports: 3 Correspondents: 4	SOUTH AFRICA Ports: 5 Correspondents: 5	TANZANIA Ports: 1 Correspondents: 1	UNITED KINGDOM Ports: 23 Correspondents: 23
LATVIA Ports: 3 Correspondents: 4	MAURITANIA Ports: 1 Correspondents: 1	NETHERLANDS ANTILLES Ports: 2 Correspondents: 2	PAPUA NEW GUINEA Ports: 2 Correspondents: 2	RUSSIA Ports: 7 Correspondents: 8	SOUTH KOREA Ports: 4 Correspondents: 4	THAILAND Ports: 1 Correspondents: 2	URUGUAY Ports: 1 Correspondents: 1
LEBANON Ports: 1 Correspondents: 1	MAURITIUS Ports: 1 Correspondents: 1	NEW CALEDONIA Ports: 1 Correspondents: 1	PERU Ports: 1 Correspondents: 1	SAUDI ARABIA Ports: 5 Correspondents: 5	SPAIN Ports: 19 Correspondents: 21	TOGO Ports: 1 Correspondents: 2	VANUATU Ports: 1 Correspondents: 1
LIBERIA Ports: 1 Correspondents: 1	MEXICO Ports: 8 Correspondents: 8	NEW ZEALAND Ports: 3 Correspondents: 3	PHILIPPINES Ports: 1 Correspondents: 2	SENEGAL Ports: 1 Correspondents: 1	SRI LANKA Ports: 1 Correspondents: 1	TRINIDAD AND TOBAGO Ports: 1 Correspondents: 1	VENEZUELA Ports: 6 Correspondents: 6
LIBYA Ports: 2 Correspondents: 3	MONTENEGRO Ports: 1 Correspondents: 1	NICARAGUA Ports: 1 Correspondents: 1	POLAND Ports: 2 Correspondents: 4	SEYCHELLES Ports: 1 Correspondents: 1	ST. VINCENT Ports: 1 Correspondents: 1	TUNISIA Ports: 5 Correspondents: 6	VIETNAM Ports: 2 Correspondents: 3
LITHUANIA Ports: 1 Correspondents: 1	MOROCCO Ports: 4 Correspondents: 4	NIGERIA Ports: 1 Correspondents: 1	PORTUGAL Ports: 4 Correspondents: 4	SIERRA LEONE Ports: 1 Correspondents: 1	SUDAN Ports: 2 Correspondents: 2	TURKEY Ports: 4 Correspondents: 8	YEMEN Ports: 2 Correspondents: 4

OUR QUALITY OBJECTIVES:

- ▶ First-class claims handling – We aim at optimising our claims handling, balancing member needs with a cost level that ensures sound business results.
- ▶ Dialogue with members and market – Our communication will be open and often, reflecting the true state of the club, inviting interaction with the market.
- ▶ Controlled growth – Our ambition is to increase our relative market share, by being market orientated and focusing on the needs of existing and potential customers.
- ▶ Sound business operations – We focus on running a viable business. Our aim is to obtain positive underwriting results and a sound financial return on our assets, building a constantly stronger financial platform.



CHIEF EXECUTIVE OFFICER ►

A BALANCED SKULD. It's all about balance. A balanced result from a well balanced performance. The balance is found in high ethical values and Scandinavian traditions of a major marine insurer with a history going back to 1897. These roots are combined with a more scientific and modern approach to our core disciplines, which is absolutely essential in a rapidly changing business environment.

In the past year we have seen Skuld's reserves increase to a record level of USD 4 per gross ton. Beyond the above mentioned balance, this achievement would never have been possible without the invaluable support of our members through tougher times. From our current firm foundation, we are building a modern P&I club for the new millennium.

The results of 2004 are further proof that Skuld's enhanced routines for risk selection and setting of premiums have been beneficial for the club.

Some people might question whether Skuld through this change has lost some of its personal touch with members. Have we become a faceless "bean counter" – only looking at numbers? Is it more difficult to do business with us today? On the contrary, I would say! The new Skuld approach and our syndicate structure imply closer and more personalised member support. We constantly strive to maintain consistent quality with transparent underwriting and claims handling that will stand the test of time in protecting our members' best interests. This in one of

several applicable interpretations of "Safely with Skuld", the slogan for this year's annual report.

Playing the role of a commercially sound businessman in a mutual club can be a challenge. Hence, trying to explain the difference between required margins and maximised returns to our mutual members is not always easy. However, there is a strong and logical case for the necessity of building the reserves the club currently holds, which definitely appears to be receiving member support.

It is important to emphasise that our underwriting and claims processes deliver a margin that represents a major portion of our overall results. On the other hand, investment returns form an integral part of results and the running of an insurance company. We have adopted a cautious investment policy which regularly is reviewed by the Board. We are not taking undue risks with our membership's money. The return on investments is therefore not as high as one could expect from speculative instruments, but at a solid level of 3,9% for 2004.

All our markets have performed well in 2004, and I am pleased to report that for the first time in the new millennium, the volume of members and clients in Skuld is now growing. Our decision to open a branch office in Hamburg reflects the extensive activity in the German shipping market. It also reflects the need of our business partners – and especially brokers – to have our full attention and service locally.

The future looks bright. And with this robust balance, you can continue your safe journey with Skuld, knowing that you still will be getting the usual excellent service.



DOUGLAS JACOBSON
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

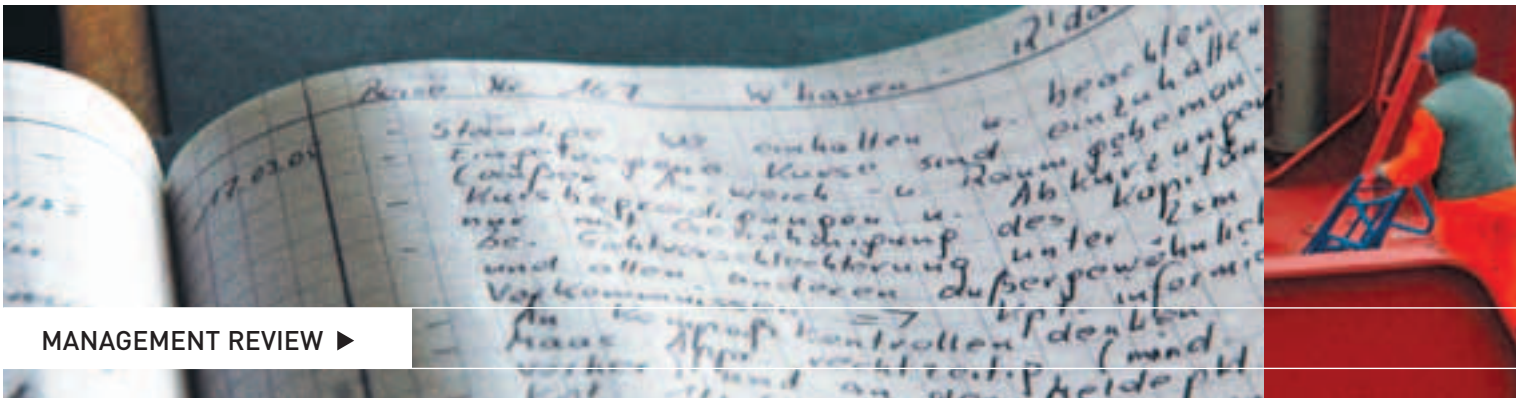


ENSURE A SAFE JOURNEY FOR YOUR CREW ►

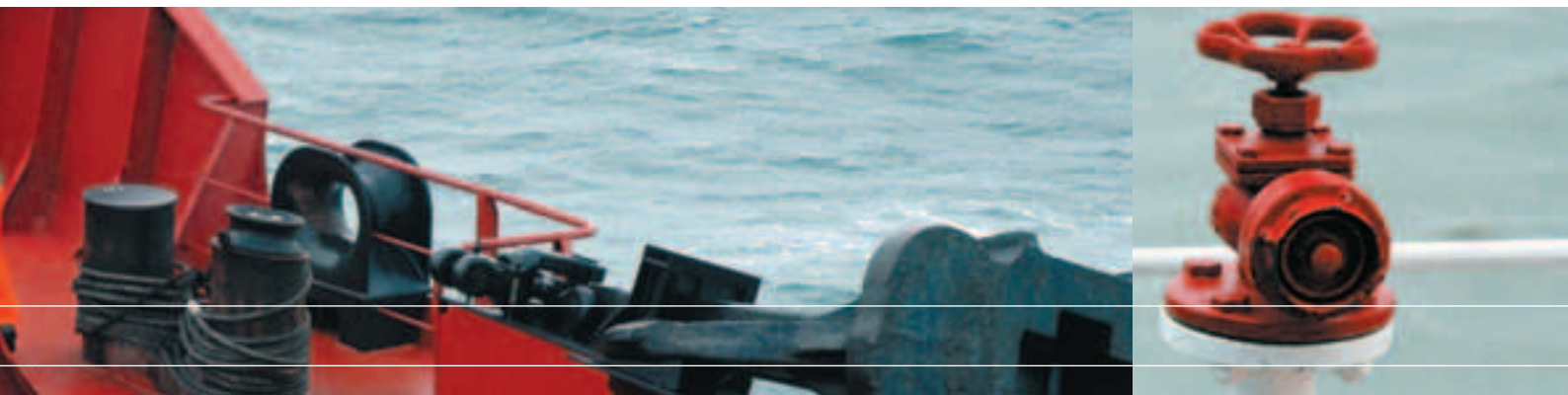
TOXIC GASES AND LACK OF OXYGEN MAY INJURE YOUR CREW. PREPARE SAFETY EQUIPMENT FOR YOUR CREW TO PREVENT ACCIDENTS. ALL SAFETY EQUIPMENT MUST BE UP TO DATE AND IN SUFFICIENT NUMBERS TO BE ADEQUATE FOR ITS PURPOSE. IT IS OF VITAL IMPORTANCE THAT TOXIC GAS MEASUREMENTS, SUCH AS IN THIS PHOTO, ARE AVAILABLE BEFORE ENTERING TANKS.



Skuld has the expertise to help you in preparing your crew for a safe journey.



STRONG RESULTS: The strong 2004 result represents a further improvement in the financial strength of the association. The Skuld balance sheet stands at a record level with a welcome increase in free reserves. By all appearances, measures taken following the turbulent period several years back have borne fruit. However, the danger in all enterprises is that hard-learned lessons may be forgotten and previous mistakes repeated. Only a few years ago, members were complaining – legitimately – about unbudgeted supplementary calls and sharp increases. And already now there are suggestions that perhaps the club has more than sufficient funds.



We disagree and are of the opinion that steady growth in the financial strength of the club must be considered an important aim for the foreseeable future if we are to minimise the risk of high premium fluctuations.

For many years, Skuld has provided its members with loss prevention services – through publications, seminars and technical advice. Like many other clubs, we recognise that loss prevention is of great importance. However, we are also of the opinion that loss prevention is much more than just a traditional technical approach. The club has therefore renewed its focus on loss prevention by recruiting a Loss Prevention Officer. His role will be to focus on both technical and legal loss prevention, in addition to utilising our advanced computer system – implemented three years ago.

BUSINESS VOLUME AND RENEWAL

The tonnage entered with the association grew in the course of 2004. In the midst of ordinary turnover and replacement of fleets in a very buoyant shipping market, the owners' fleet on risk grew by about

100 ships or 2.6 million GT, corresponding to net growth of some 10%. This organic growth is beyond the levels experienced in recent years and indicates firm support by current members.

The start of the renewal season came with the International Group clubs announcing general increases ranging from 0 to 12.5%. Although the majority of the clubs had a general increase of 10 or 12.5%, these increases are still considerably below the past two renewals. In line with the development of the association's results for various product lines, Skuld set a 7.5% general increase for owners' products and a 10% general increase for charterers' products.

This is the first renewal in six years where the club increased its volume of owners' business as of noon on 20 February. The renewal furthermore included commitments for deliveries of newbuildings later in 2005. The sum of new tonnage at the renewal and deliveries later in the year amounted to 2.7 million GT.

The average achieved increase for owners' entries amounted to 6.1%. Once again the club came close to achieving its announced general increase as an average for the fleet.

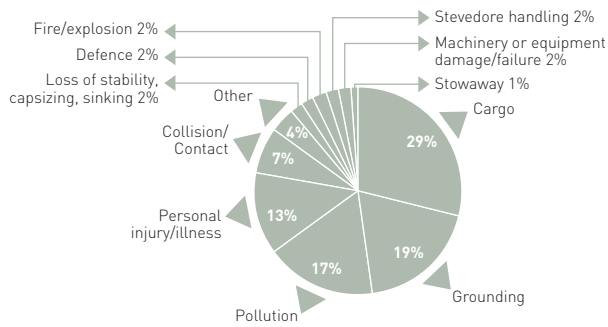
Some accounts in the charterers' book were offered strict renewal terms as a consequence of poor performance. This resulted in some 10% of volume not being renewed, in line with budget expectations. On the other hand, some interesting new accounts were added to the charterers' book, but the projected charterers' volume for 2005 is still expected to be less than in 2004. The average achieved increase for renewed charterers' business was 8,3%.

Being a predominantly fixed premium facility, charterers' products require a better margin than mutual products. It should therefore be noted that charterers' products delivered a return of USD 5 million in 2004 and USD 7 million the year before.

UNDERWRITING

Skuld's focus on proper risk selection and adequate pricing of entered tonnage

Claims costs in percentage of total



TO BE PREPARED, YOU NEED PROPER TRAINING AND MAINTENANCE OF EQUIPMENT.

FIRE-FIGHTING EQUIPMENT IS EXPOSED TO HEAVY WEATHER AND NEEDS REGULAR MAINTENANCE TO PERFORM AS EXPECTED.

continued throughout 2004. These efforts are not insignificant at a time when the OECD issues their report named "The removal of insurance from substandard shipping". The report outlines several possible measures and suggestions for enhancing the policing role of substandard shipping by marine insurers in general and the P&I clubs in particular. The report has not been forgotten by the industry and several measures are under implementation by the International Group centrally, as well as by the individual Group clubs.

Although Skuld maintains a view that P&I clubs and other marine insurers should take care not to gradually take on roles that actually rest with the flag state or with the classification societies, we warmly welcome the objective of these initiatives. The association's risk selection process and survey schemes already meet or exceed the initiatives proposed in response to the OECD report. Nevertheless, cooperation and sharing of information between the clubs can beyond doubt

further tighten the net, making continued operation increasingly difficult for those lacking true quality focus.

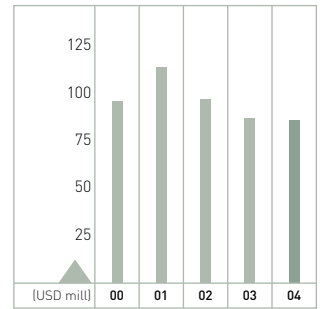
CLAIMS 2004

In the current policy year, Skuld has experienced higher claims costs, but these were generally related to claims above USD 1 million. The major reason for the increase in costs was the number of groundings the club covered during 2004.

LARGE CLAIMS

In 2004, the club had its first pool claim since 2000, but the claim to the pool will be less than USD 3 million. Incoming pool claims have increased this year. The pool statistics show that pool claims are at their highest level ever – an expected 0.60 USD per GT. It is too early to state whether this is a trend, but the associations is monitoring the situation closely.

While the past several years have been favourable, it is still important to remember the major maritime casualties in which the club has been involved, and as a



consequence continue to upgrade and train the emergency response team to be on the alert and ready to go into action whenever needed.

EXTERNAL COSTS

Over the two past years, the association has changed its method of claims handling by focusing more on internal claims handling instead of using external lawyers and correspondents. The club has noted a direct correlation between the number of claims processed by each handler and external costs. By decreasing the number of files per claims handler by 20%, Skuld has achieved a 25% decrease in external costs.

An extra benefit of this move is that claims handlers now have even better control over their files, leading to greater job satisfaction and better claims results.

There has also seen vast improvement in the way claims are reported to the association when claims handlers get more directly involved with members

and become “owners” of a particular member’s case load. This creates a closer bond between claims handlers and members. This relationship enables the club to be a more visible and reliable partner whom members can trust in the daily operation of their vessels. Such regular contact will also be of the greatest assistance when dealing with an emergency.

EXTRANET

At the end of 2004, the association introduced an extranet, a separate website login area for members and brokers, making daily updated claims data available. The extranet allows members to closely monitor their cases and also assists them in their own reporting. So far, feedback from members and brokers has been positive. Moving forward, the intention of Skuld’s extranet will be to give members even more detailed information compared with what is available today. Skuld considers the extranet to be the most optimal tool towards fulfilling its ambition of being the most transparent P&I club for all its members and associates.

LOSS PREVENTION

In 2004, the association increased its focus on loss prevention by recruiting a Loss Prevention Officer who will assist members to meet their specific needs in this important area.

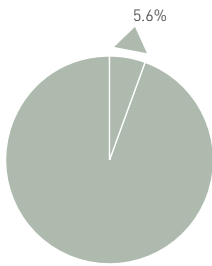
Approximately 2,400 new member claims were handled during 2004. Of that total, cargo claims emerged as the most costly, with groundings coming in second and pollution third.

With regard to cargo claims, statistics show that claims for physical damage, contamination and water damage contributed the most to the high percentage. One incident regarding a claim for cargo lost overboard also contributed heavily to this figure.

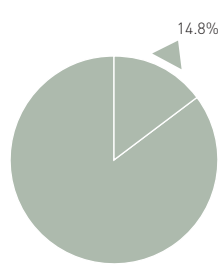
Grounding claims costs increased by 126% from last year due to four costly incidents. These four incidents stood for 95% of total grounding claims.

Pollution claims costs were mainly caused by oil and bunker spills.

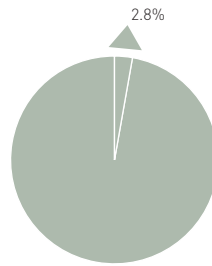
Skuld's share of world fleet



Skuld's share of USCG quality ships



Skuld's share of detentions



Regarding personal illness and injury, heart disease and gastro-intestinal diseases are the two most contributing factors. In addition, broken bones, back and impact injuries rank high on the list.

Skuld members' fleets are of good quality. Of the US Coast Guard list of 885 quality ships, Skuld members account for 131. This is a 14.8% share, and taking into account that Skuld's share of the world fleet is 5.6%, we believe this supports the statement that Skuld is a quality club.

Furthermore, Skuld members' fleets are less exposed to detention than the world fleet average – again evidence that Skuld insures high standard fleets. By analysing the detention lists from Tokyo, USCG and Paris MOUs, only 2.8% of the ships placed on the detention lists were insured by the association. Again, when comparing to Skuld's 5.6% share of the world fleet, Skuld members' fleets are far better than average.

Skuld endeavours to evaluate risk in advance of possible incidents – in order to prevent them from taking place. Helping members understand the various threats they may encounter, is the first step in avoiding accidents.

In order to assist members in finding concise and helpful information on accident prevention, Skuld publishes loss prevention booklets, articles on the website and in Beacon, the association's member magazine.

Skuld has extensive experience in questions relating to loss prevention and risk management and is happy to share this knowledge with members by giving seminars, presentations at officer conferences and through loss prevention projects.

SKULD DEFENCE SERVICES

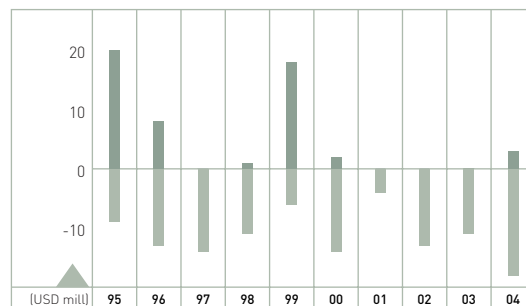
Defence Services manage claims under the FDD (Freight, Demurrage and Defence) insurance as well as advising members on matters such as contract terms, queries and new legal developments.

For example, advice has been given and detailed circulars issued in connection with the implementation last year of the US Trade Act 2002. The association has also been following the evolution of Marpol Annex VI.

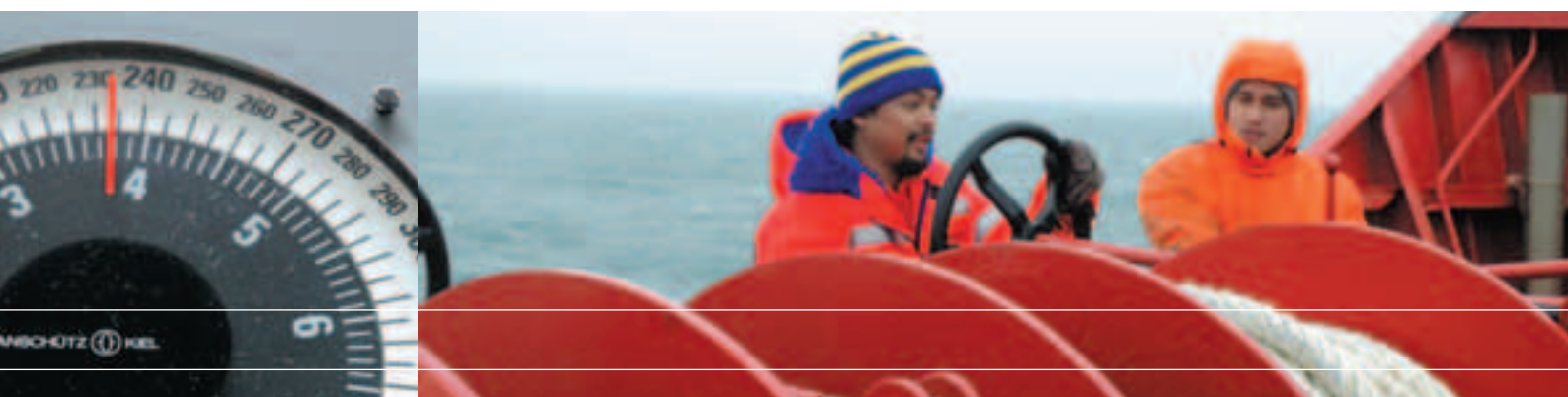
Defence Services staff lawyers work with syndicate leaders to provide a seamless service on both FDD and P&I cases. A primary goal of Defence Services is to address urgent matters quickly for members. It is Skuld's belief that such intervention will lead to lower costs and smoother, safer business relations.

The association aims to strike the right balance between the services on FDD matters provided by its in-house lawyers and those engaged to act from external lawyers. This gives top quality service to members while keeping costs under control.

Straightforward matters, which cannot be resolved and where arbitration is required, may be dealt with in-house. In complicated



Received from pool ■
Paid to pool ■
"Paid to pool" includes IBNR



cases where outside lawyers are required, Skuld Defence Services will use outside lawyers with whom Skuld has long-term arrangements. These arrangements are instituted through a programme of selecting the best value for money. Litigation will be carefully scrutinized to ensure cost control.

GENERAL STATE OF THE MARKET

The shipping market of 2004 was one of the best in many years. Its strength was demonstrated by its resilience through times of some potentially disruptive international events, such as:

- The continued conflict in Iraq
- The tsunami catastrophe in Southeast Asia
- Precipitous increases in fuel prices
- Stricter requirements for trading in the USA

The number of disputes often increases in robust markets. The association is sure that it is well-equipped through its Defence Services structure to guide members safely through disputes.

NEW MATTERS

The association recorded a moderate upturn in the number of FDD files opened for the year. In 2004/05, 532 new FDD matters were opened (whilst a total of 492 were closed). By contrast, in 2003/04, 442 new FDD matters were opened (whilst a total of 640 were closed). These statistics do not include general advice to members which did not necessitate opening a file.

The largest single expense for FDD insurance is external lawyers' fees. The total of estimated payments, plus actual payments, for external lawyers' fees in 2003/04 was USD 2.4 million (IBNR not included). This figure has decreased in 2004/05 to about USD 1.6 million (IBNR not included).

ENTERPRISE RISK MANAGEMENT

Business planning has traditionally been centred on expected (deterministic) values, such as average claims, average return on assets etc. However, this, does not take into account all possible outcomes of a given year. As a response to this problem,

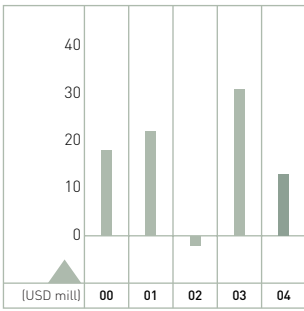
MOORING OPERATIONS ARE HAZARDOUS AND CAUSE A LARGE NUMBER OF INJURIES. TO LOWER THE PROBABILITY OF AN ACCIDENT, MAINTAIN YOUR MOORING EQUIPMENT TO BE SHIP-SHAPE AT ALL TIMES.

Skuld has adopted stochastic modelling as the association's main tool in risk analysis and optimisation.

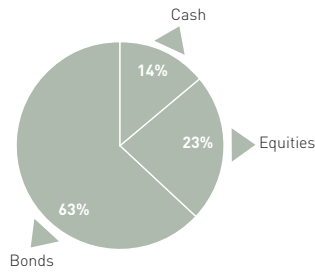
When building stochastic models, the major risk factors are determined, analysed and adjusted for expected future changes. In Skuld's case, the major quantifiable factors are current year's own claims, run-off risk on older policy years, pool claims and investment risk.

These factors are fed into Skuld's risk models where tens of thousands of

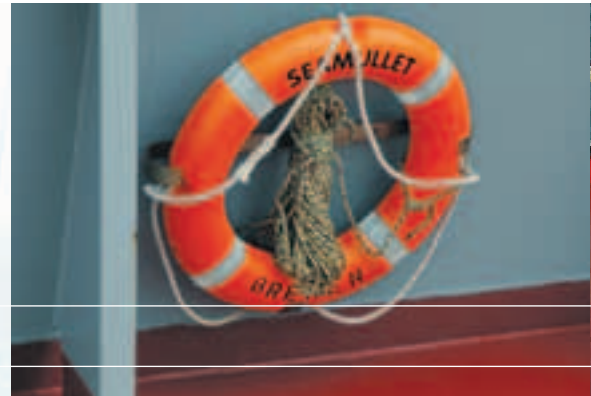
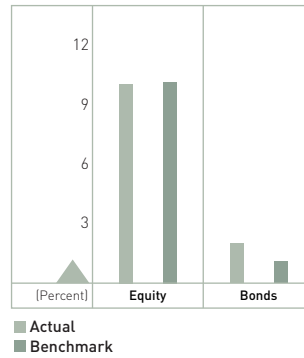
Gross investment return



Asset allocation



Performance above benchmark



AN AWAKE AND ALERT LOOKOUT PREVENTS THE POSSIBILITY OF COLLISION AND GROUNDING.

simulations are run. Each simulation presents a possible result for Skuld, and all the various outcomes are recorded and added up.

Based on the results of Skuld's risk model and studies of the liability characteristics, natural hedges are sought for certain risks. A typical example is the matching of a claim's currency with the investment of a similar amount in that same currency. For other risks, a desired risk level must be chosen. Here, the level of insurance risk and investment risk represents the two key decisions.

This level of analyses provides members with several benefits:

- The risk level can be adjusted so that members get the maximum return on their money in the club without taking an unacceptable risk and thus avoid sudden rate increases or supplementary calls.
- The trade-off between various risk elements such as reinsurance and asset risk can be optimised.

- When reinsurance is purchased, the expected claim under the policy can be estimated and compared to price. This enables the association to choose the best programmes and negotiate better rates.
- The asset allocation can be optimised to give the best possible return for a given risk level.

FINANCIAL RETURNS

2004 was a volatile year for equities. Despite long periods of negative return, the indexed equity portfolio left a 10.1% return as the year closed. Bonds' values were more steady, leaving returns of 2.0% at year-end; 0.9% in excess of the benchmark. The total net investment result was USD 9.5 mill.

With the club's good overall results over the last two years, its risk bearing capacity has increased significantly. During 2005, the overall risk level will be somewhat increased, in order to facilitate collection of higher expected returns. Several asset classes will be added as a means to enhance the portfolio's overall diversification and to improve the risk/return ratio.



REINSURANCE

With increased risk bearing capacity, the association is capable of retaining more insurance risk on its own book. Over the last two years, Skuld has reduced its reinsurance within the club's own retention of USD 6 mill in the International Group. For 2005, Skuld has bought a collar protection with Endurance and Munich Re, covering most types of claims between USD 3 and 6 mill. within certain limits.

As a member of the International Group of P&I Clubs, Skuld takes part in the sharing of risks and the common reinsurance purchases made through the group. This is a highly efficient structure, providing good value for money to shipowners. For 2004 and 2005, Skuld has bought an additional cover protecting the club against unusually high amounts of pool claims. As mentioned previously, 2004 seems to be a very expensive year for the pool, and Skuld expects to recover on this pool reinsurance programme.

HUMAN RESOURCES

Skuld has 127 staff members from 13 nations and with diverse educational backgrounds – with a special emphasis on the legal and maritime areas.

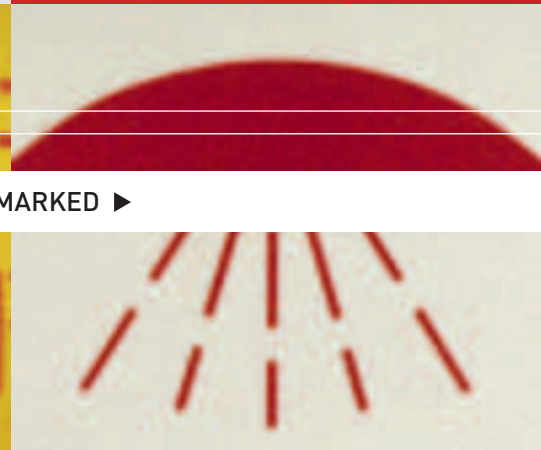
The club's objective is that Skuld shall be an appealing workplace that attracts and retains highly competent staff. To that end, the goal is to continuously develop staff professionally so that they may adapt to new tasks and challenges. Being a human capital company, the competence of its staff is viewed as one of Skuld's most important assets.

Because of this focus, Skuld works for the development of its staff through internal seminars in the areas of underwriting, claims and technical topics, as well as in the association's support processes. An independent course programme has been developed, with external lecturers invited to hold courses on relevant subjects.

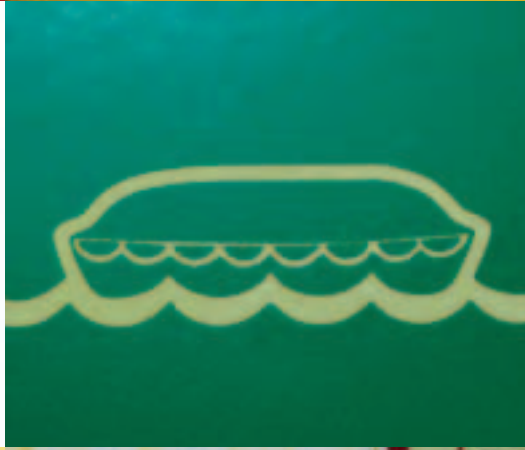
Skuld also encourages employees who want to take education outside work, providing sponsorship programmes. During the last few years, many employees have studied for master level accreditation while working. In addition, staff members often represent Skuld as lecturers at external seminars around the world and serve as elected members on various sub-committees, for example in the International Group.

Skuld's personnel policy emphasises staff advancement possibilities – with a number of our staff members having been promoted to new positions during the last few years.

The positive results for 2004 are of great importance to the whole organisation. Management is grateful for the staff's loyalty and hard work making these results possible.

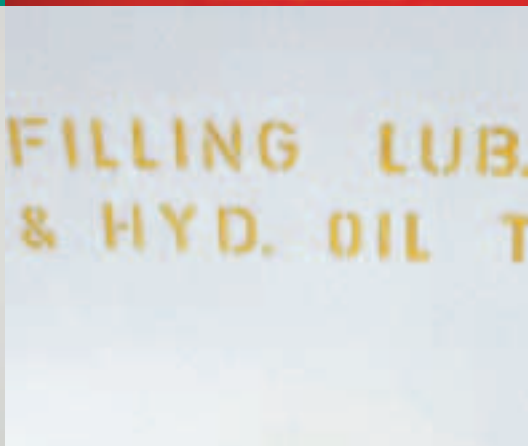


MAKE SURE THAT ALL EMERGENCY EQUIPMENT AND EXITS ARE PROPERLY MARKED ►





These signs are of crucial importance in stressful and hazardous situations.



SOUND GOVERNING PRINCIPLES: Skuld's vision is to provide high quality service to members as their preferred partner. We aim at first class service for the benefit of members. We also aim at quality for the benefit of other stakeholders like brokers, correspondents, employees and the outside world. In order to be a strong and competitive P&I club, we depend upon sound governing principles and a knowledgeable staff well qualified to render the services demanded by our members.

CORPORATE GOVERNANCE AND CORPORATE RESPONSIBILITY ►

CORPORATE GOVERNANCE

Skuld has a tradition of high governing standards. Skuld's Statutes set out the structure and roles of the governing bodies, how they are elected and their mandates. The association's more detailed "Corporate Guidelines" were approved in 2003 and cover the responsibilities of the Board of Directors, its Chairman and the Chief Executive Officer. The purpose is independence and control in governing Skuld, while at the same time ensuring equal terms for members.

The General Meeting is Skuld's highest authority. All members have a right to attend, and votes are distributed according to each member's gross tonnage entered in the association.

The Committee, composed of member representatives, supervises Skuld's business and elects the board.

The Board of Directors, elected mainly among Skuld members, deals with Skuld's

strategy plan, budget and premiums, changes to statutes or rules, International Group association (IGA) issues, reinsurance contracts and internal control procedures.

The CEO is responsible for day-to-day management of the association and communicates with the Board in matters of importance to Skuld. The CEO shall ensure the association's compliance with all applicable legislation and adherence to the code of conduct of the company, i.e. "Ethical Guidelines".

CONTROL FUNCTIONS

The association follows the regulations set forth by the Norwegian FSA for internal control. Control schedules for each department have been set up and controls are either performed monthly or as a part of the ongoing business. In addition to this bottom up analysis, the association performs an annual top down assessment of its major risks. These are evaluated and ranked according to probability and severity.

The club hires an outside consultant to audit the internal control procedures and suggest areas where improved control would be beneficiary. The association's Control Committee oversees that rules and regulations are in place and are being followed. Skuld's auditor, Ernst & Young, audits the club's accounts.

INFORMATION

The Guidelines for the Board of Directors also focus on the responsibility for information related to Board matters. Skuld aims at open and transparent communication with members, employees and other stakeholders. This can be exemplified by quarterly reports and information through Skuld's website. In 2004 Skuld's extranet was opened, granting extended information access to members and brokers.

HUMAN RESOURCES

Being a human capital company, the competence of Skuld's staff is viewed as one of the club's most important assets.



The association's personnel policy emphasises staff advancement possibilities, and continuously developing staff professionally to prepare them for new challenges. More on Human Resources on page 16.

ENVIRONMENT

The association acknowledges its responsibility for applying environment-friendly practices. The fact that vessels entered with Skuld may contribute to environmental pollution, is reflected in risk assessment, loss prevention and emergency response procedures.

To ensure that vessels meet quality standards, Skuld has a policy of inspecting all vessels that are over ten years old when entering the club. These inspections also include an assessment of the risk of the vessel causing environmental damage.

Should an accident occur, part of Skuld's emergency response function is to minimise environmental damage. By working closely with government authorities and other

parties, a quick and successful response is always the goal.

Sound environmental principles shall also be reflected within the association's offices. Skuld encourages awareness when purchasing and using goods and services. Waste material shall be returned for recycling, whenever possible.



REPORT FROM THE BOARD OF DIRECTORS ▶

BACK FROM LEFT: 1 ▶ Erik Gløersen, President of Skuld's Committee 2 ▶ Ulf G. Ryder, Stena Bulk AB 3 ▶ Bernt Wold, Skuld 4 ▶ Peter Wilsund, A.P. Møller – Mærsk A/S 5 ▶ Thomas Bjørn Larsen, Skuld 6 ▶ Arne Birkeland, A/S Billabong 7 ▶ Tom E. Jebsen, Frontline Management AS 8 ▶ John P. Tavlarios, General Maritime Corporation

FRONT FROM LEFT: 9 ▶ Torleiv Aaslestad, independent 10 ▶ Nils Aardal, Vice Chairman, J.O. Odfjell AS 11 ▶ Veli-Matti Ropponen, Chairman, independent 12 ▶ Helfried Beutner, RIGEL Schiffarts GmbH

RENEWED STRENGTH: In what was a very good year for the association, Skuld recorded a profit of USD 31.6 million for 2004, continuing its positive trend of delivering sound results in every quarter for the past two years. The positive results prompted the credit rating agency Standard & Poor's to upgrade Skuld to a BBB rating with stable outlook in November 2004. With these results, Skuld places a number of earlier challenges resolutely in the past and is now positioned to continue playing its role as a strengthened, leading provider of P&I insurance to members and the marine community. The Skuld Board notes with satisfaction that the association once again is one of the few clubs posting a favourable technical result.

The association is constantly seeking ways of assisting members with new products. In the autumn of 2004, Skuld launched a full fledged war hull cover, complementing the already existing P&I war cover. To date the club, insures values for over USD 1 billion.

RESULTS

The net financial result for the year showed a profit of USD 31.6 million, compared to a profit of USD 31.2 million in 2003. The surplus will be transferred to the contingency reserve, which will stand at a record high of USD 113 million, equalling USD 4.0 per GT.

The good results were obtained as a net effect of several achievements, among these fair investment returns and that a significant number of claims on older policy years were closed with a better result than estimated. The association's fixed business (rigs excluded) contributed to the positive results with a surplus of USD 5 million. The technical underwriting result (premiums after covering claims and administration expenses) for the year ended at a strong USD 22.3 million.

Despite the tendency of a softening market towards the end of the renewals ending 20 February 2005, the Board is pleased to note that the result showed a price increase of 6.1% for the owners' book and an 8.3% increase for the charterers' book. An increase of tonnage of about 10% for the owners' book was achieved and a controlled reduction of 9% for charterers' accounts, resulting in a significant strengthening of the average loss ratio for that product line.

GOING CONCERN

In accordance with the Norwegian Accounting Act § 3-3, we confirm that the financial statements have been prepared under the assumption of a going concern. The basis for this assumption lies in income projections for the year 2005–2006 and the association's long-term strategic projections. The association's position is economically and financially sound.

RETURN ON INVESTMENTS

Return on investments was 3.9%. The bond portfolio returned 2.0%, an acceptable 0.9% over benchmark. Equities performed a strong 10.1% and drove total returns to a satisfactory level in a year with historically low interest rates.

REINSURANCE

The association continues to focus on its reinsurance needs and has, as a result, further restructured the composition of the various contracts. A comprehensive risk analysis programme, including use of stochastic models, has been adopted as a tool for the evaluation process and the assessment of new covers and structures. This approach has proved to be very useful. The Board notes with satisfaction that the association has further modified its reinsurance programme which is placed with the Lloyd's market and with other leading reinsurers on favourable terms.

PERSONNEL AND ENVIRONMENT

At the end of 2004, Skuld had 143 staff members equalling 127 man years. The organisation is characterised by substantial experience in claims handling and marine underwriting. Women account for about 50% of the association's work force, and are well positioned at all levels of the association, including syndicate and top management.

Illness related absenteeism totaled 6.6% in 2004 (6.7% in 2003). Due to this high figure, the association has implemented initiatives to reduce illness-related absenteeism, such as rebates on gym memberships, physical therapist availability and a health insurance plan.

No incidences or reporting of work related accidents resulting in significant material damage or personal injury occurred during the year.

While the working environment is considered to be good, efforts for improvement are made on an ongoing basis. Staff climate surveys are performed on a semi annual basis.

The association is unaware of any activity affecting the external environment. However, the club does insure vessels that may potentially contribute to environmental pollution.

The Board of Directors herewith presents the association's Annual Report and Accounts for 2004, which is the association's 108th year of business. The consolidated accounts include the association's subsidiaries APS Generalagenturet for Skuld, Copenhagen; Skuld AB and Skuld AB (New), Stockholm; Skuld (Far East) Ltd., Hong Kong; Skuld Bergen AS; Skuld Hellas Ltd., Piraeus and the wholly owned reinsurance companies Skuld Re II SA and Alvema SA, Luxembourg.

The consolidated accounts also include the association's affiliated club in Bermuda, Skuld Mutual P&I Association (Bermuda) Ltd., Hamilton. In accordance with the two associations' bye-laws, their members enjoy joint membership in both associations, which act as co-insurers on a joint basis with equal insurance conditions and bylaws. The association participates on a joint basis in the International Group of P&I Associations' pooling arrangements and excess loss reinsurance contracts entered via the pool. The accounts are consolidated and the Bermuda Association is subject to Bermuda supervision and reporting.

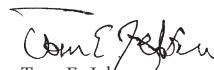
Copenhagen, 11 May 2005



Veli-Matti Ropponen
Chairman


Arne Birkeland


Peter Wilsund


Nils Aardal
Vice Chairman



Tom E. Jølsen


Helfried Beutner


Torleiv Aaslestad


Ulf G. Ryder


John P. Tavlarios


Douglas Jacobsohn
President & CEO

<i>All figures in USD 1 000</i>	<i>Note</i>	<u>2004</u>	<u>2003</u>
TECHNICAL ACCOUNT			
PREMIUMS AND CALLS			
Gross premiums and calls	2	149 194	132 812
- Reinsurance premium		-19 931	-23 340
Earned premiums and calls for own account		<u>129 263</u>	<u>109 471</u>
CLAIMS INCURRED			
Gross claims paid	3	129 782	122 633
- Reinsurance recoveries	3	-22 747	-5 126
Gross change in estimated outstanding claims	3	-57 743	-47 778
- Reinsurers share	3	36 618	16 894
Claims incurred for own account		<u>85 911</u>	<u>86 623</u>
OPERATING EXPENSES			
Acquisition costs	4	14 084	13 431
Administrative expenses	4	6 957	6 347
Net operating expenses		<u>21 041</u>	<u>19 778</u>
Balance carried to non-technical account		<u>22 311</u>	<u>3 071</u>
NON-TECHNICAL ACCOUNT			
Balance from technical account		<u>22 311</u>	<u>3 071</u>
INVESTMENT INCOME			
Investment income		9 366	9 844
Unrealised gains		2 032	22 464
Realised gains / loss on investments		1 859	-1 397
Gain sale real estate		0	100
Total investment income		<u>13 257</u>	<u>31 012</u>
INVESTMENT EXPENSES			
Investment management expenses		<u>962</u>	<u>1 060</u>
FOREIGN EXCHANGE ADJUSTMENTS			
Foreign exchange adjustments		<u>-2 836</u>	<u>-1 572</u>
Balance before tax on ordinary activities		<u>31 770</u>	<u>31 450</u>
TAXES			
Taxes		<u>219</u>	<u>217</u>
Balance carried to contingency reserve		<u>31 551</u>	<u>31 233</u>

<i>All figures in USD 1 000</i>	<i>Note</i>	<u>2004</u>	<u>2003</u>
ASSETS			
FINANCIAL ASSETS			
Real estate		229	229
Mortgages		7 484	6 889
Other loans		937	904
Shares	6	81 690	79 310
Bonds	6	<u>235 143</u>	<u>229 459</u>
Total financial assets		<u>325 482</u>	<u>316 791</u>
DEBTORS			
Members and brokers		2 909	3 485
Reinsurers	7	512	849
Other debtors		836	892
Total debtors		<u>4 257</u>	<u>5 227</u>
OTHER ASSETS			
Fixed assets	5	5 998	6 712
Pension assets		3 157	2 762
Cash at bank		<u>34 451</u>	<u>30 027</u>
Total other assets		<u>43 606</u>	<u>39 501</u>
PREPAYMENTS AND ACCRUED INCOME			
Prepayments and accrued income	8	<u>1 338</u>	<u>1 040</u>
Total assets		<u>374 684</u>	<u>362 558</u>
LIABILITIES			
TECHNICAL PROVISIONS			
Gross provision for outstanding claims	10	284 437	335 882
Reinsurer's share	10	<u>-39 378</u>	<u>-69 965</u>
Provisions for outstanding claims for own account		245 059	265 916
Contingency reserve	9	<u>113 064</u>	<u>81 593</u>
Technical provisions for own account	10, 11	<u>358 124</u>	<u>347 509</u>
PROVISIONS FOR OTHER LIABILITIES			
Pension liabilities		4 168	4 266
Provision for taxation		96	47
Total provisions for other liabilities		<u>4 264</u>	<u>4 313</u>
CREDITORS			
Members and brokers		4 190	2 614
Reinsurers		3 661	3 557
Other creditors		2 604	3 446
Total creditors		<u>10 454</u>	<u>9 618</u>
ACCRUALS AND DEFERRED INCOME			
Accruals and deferred income		<u>1 842</u>	<u>1 118</u>
Total liabilities		<u>374 684</u>	<u>362 558</u>

Copenhagen, 11 May 2005


Veli-Matti Ropponen
Chairman


Nils Aardal
Vice Chairman


Torleiv Aaslestad


Arne Birkeland

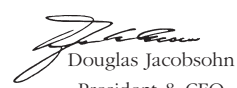

Tom E. Jølsen


Ulf G. Ryder


Peter Wilsund


Helfried Beutner


John P. Tavlaris


Douglas Jacobsohn
President & CEO

Note 1 Accounting Policy

The accounts are prepared in USD, but in the official accounts for Skuld USD have been converted to NOK and Norwegian language has been used. Furthermore, the accounts have been prepared in compliance with the new regulations from the Norwegian Banking, Security and Insurance Commission. These new regulations are based on EU accounting standards.

The USD accounts are based on the official accounts, but some reclassifications have been made to make the accounts more comparable to the accounts of the other P&I clubs.

- Provisions for bad and doubtful debts are included in calls and premiums.
- Interest on overdue payments is included in calls and premiums
- Claims management expenses are included in claims incurred.

There are also some deviations from the official accounts in the Notes.

BASIS OF ACCOUNTING

The accounts are prepared on an annual accounting basis and include the following:

- All premiums for policies commencing during the year.
- The cost of claims incurred and reinsurance for the current year.
- Any adjustments relating to earlier years.
- Operating expenses and investment income.

CONSOLIDATION

The consolidated accounts include the accounts for Skuld Mutual Protection & Indemnity Association (Bermuda) Ltd., and the association's subsidiaries, Skuld AB, Skuld Bergen AS, Skuld Far East Ltd., Skuld Hellas Ltd., Skuld Re, Skuld Re II, Alvema SA and APS Generalagenturet for Skuld, Copenhagen. In the accounts, shares in subsidiaries, receivables from and payables to subsidiaries, and transactions between the association and the subsidiaries, have been eliminated.

CALLS AND PREMIUMS

Calls and premiums include gross calls and supplementary calls, less return premiums and provisions for bad and doubtful debts. These calls and premiums are the total receivable for the whole period of cover provided by the contracts commencing during the accounting period, together with any premium adjustments relating to prior accounting years. The calls and premiums include provisions for estimated future supplementary calls in respect of open policy years.

CLAIMS

The claims expenses include all claims incurred during the year together with claims management expenses. The technical provision for claims outstanding includes an element of claims incurred but not reported (IBNR). Historical data is used in assessing IBNR. Provision for the cost of claims handling is not included.

REINSURANCE PREMIUMS

These include premiums payable to market underwriters, charged to the consolidated income and expenditure account on an accrual basis.

REINSURANCE RECOVERIES

Reinsurance recoveries are accrued to match relevant claims, and include estimated recoveries on estimated outstanding claims.

OPERATING EXPENSES

Account is taken of accruals and prepayments in arriving at operating expenses.

FOREIGN CURRENCY

Assets and liabilities have been translated to USD at the rate of exchange on the balance sheet date.

INVESTMENTS

Account is taken of accrued interest on fixed interest securities and deposits; dividends are credited when receivable. The investments are assessed at market value on the balance sheet date.

Note 2 Premiums distributed by country

<i>Country</i>	<i>Premiums</i>	<i>%</i>
Norway	25 249	16,9%
Nordic countries excl. Norway	21 042	14,1%
Greece	6 456	4,3%
Rest of Europe	53 681	36,0%
USA	13 181	8,8%
Far East	19 904	13,3%
Other	9 680	6,5%
Total gross premiums and calls	149 194	100,0%

Note 3 Net claims incurred

	<i>2004</i>	<i>2003</i>
GROSS CLAIM PAID		
Members' claims	143 219	136 905
Group pooling arrangements	-13 436	-14 271
Gross claim paid	129 782	122 633
REINSURERS' SHARE		
Group pooling arrangements	-11 833	-1 426
Market underwriters	-10 939	-3 729
Other P&I associations	25	29
Reinsurers' share	-22 747	-5 126
Net claims paid	107 036	117 507
CHANGE IN PROVISION FOR GROSS CLAIMS		
Provision opening balance	335 882	391 516
Provision closing balance	284 437	335 882
Change in currency valuation at year end	-6 298	7 856
Change in provision for gross claims	-57 743	-47 778
LESS MOVEMENTS IN PROVISION FOR REINSURERS' SHARE		
Provision opening balance	-69 965	-99 093
Provision closing balance	-39 378	-69 965
Change in currency valuation at year end	6 030	-12 233
Less movements in provision for reinsurers' share	36 618	16 894
CHANGE IN PROVISION FOR FUTURE CLAIMS		
Net change in claims provision	-21 125	-30 884
Claims incurred, for own account	85 911	86 623

Note 4 Net operating expenses

	<i>2004</i>	<i>2003</i>
Administrative expenses	6 957	6 347
Salary, etc.	3 905	4 735
Commissions	6 872	5 401
Marketing	1 070	795
Surveys	161	248
Other acquisition costs	3 307	3 295
Acquisition costs	14 084	13 431
Net operating expenses	21 041	19 778

In the P&L, direct claims cost and a relevant portion of overhead expenses are allocated to claims-, acquisition- and investment expenses respectively.

In accordance with Schedule 3 of the International Group Agreement, the association is required to disclose the Average Expense Ratio for the association's P&I business.

Note 4 cont.

Note 4 cont.

The operating expenses include all expenditure incurred in operating the association's P&I business, excluding expenditure dealing with claims and a reasonable allocation of general overhead expenses. The premium includes all earned premium allocated to the policy year of origin.

For the five years ended 20 February 2005, a ratio of 11.7% (11.6% at 20 February 2004) has been calculated in accordance with the Schedule and guidelines issued by the International Group and is consistent with the relevant Financial Statements.

Note 5 Fixed assets

	<i>Fixed assets</i>
COST	
As at 20 February 2004	10 882
Purchases in the year	606
Sales / scrapping in the year	-958
As at 20 February 2005	<u>10 530</u>
DEPRECIATION	
As at 20 February 2004	4 171
Depreciation on sold / scrapped assets	-945
Depreciation this year	1 286
As at 20 February 2005	<u>4 512</u>
NET BOOK VALUE	
As at 20 February 2004	<u>6 712</u>
As at 20 February 2005	<u>5 998</u>

Note 6 Financial investments

	<i>2004</i>	<i>2003</i>
	<i>Market</i>	<i>Market</i>
	<i>value</i>	<i>value</i>
SHARES		
Norwegian shares	213	164
Foreign shares	81 477	79 146
Total shares	<u>81 690</u>	<u>79 310</u>
BONDS		
Treasuries	47 602	78 325
Asset backed securities	13 116	12 226
Mortgage backed securities	66 235	48 626
Corporate securities	98 302	73 114
Government agency securities	7 783	6 651
Cash and money market	2 106	10 517
Total bonds	<u>235 143</u>	<u>229 459</u>

Note 7 Reinsurance debtors

	<i>2004</i>	<i>2003</i>
Other associations' relating to pooling agreements	14	14
Other reinsurance arrangements	498	835
Total reinsurance debtors	<u>512</u>	<u>849</u>

Note 8 Prepayments and accrued income

	<i>2004</i>	<i>2003</i>
Accrued interest	60	108
Other prepayments	1 278	932
Prepayments and accrued income	<u>1 338</u>	<u>1 040</u>

Note 9 Contingency reserve

	<u>2004</u>	<u>2003</u>
Contingency reserve opening balance	81 593	50 080
Balance carried forward to contingency reserve	31 551	31 233
Difference related to subsidiaries	-79	279
Contingency reserve closing balance	<u>113 064</u>	<u>81 593</u>

Note 10 Provisions for outstanding claims by policy year

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>Closed years</u>	<u>Total</u>
Gross estimated outstanding including IBNR	76 125	33 477	27 208	108 811	245 621
The association's estimated share of other associations' pool-claims including IBNR	<u>13 251</u>	<u>3 717</u>	<u>4 986</u>	<u>16 861</u>	<u>38 815</u>
Gross provision for outstanding claims	<u>89 376</u>	<u>37 194</u>	<u>32 193</u>	<u>125 673</u>	<u>284 437</u>
Estimated outstanding recoveries from:					
Pooling agreements	2 648	0	0	10 852	13 500
Group excess loss	0	0	0	7 914	7 914
Other reinsurers' share	<u>6 620</u>	<u>384</u>	<u>1 952</u>	<u>9 008</u>	<u>17 964</u>
Total estimated outstanding recoveries	<u>9 268</u>	<u>384</u>	<u>1 952</u>	<u>27 774</u>	<u>39 377</u>
Provisions for outstanding claims for own account	80 108	36 810	30 241	97 899	245 059
Contingency reserve	<u>1 294</u>	<u>33 189</u>	<u>-13 290</u>	<u>91 871</u>	<u>113 064</u>
Technical provisions for own account	<u>81 402</u>	<u>69 999</u>	<u>16 952</u>	<u>189 770</u>	<u>358 124</u>

Note 11 Technical provisions for own account

	<u>2004</u>	<u>2003</u>
P&I		
Gross estimated outstanding including IBNR	236 562	287 540
The association's estimated share of other associations' pool-claims including IBNR	<u>38 815</u>	<u>37 712</u>
Gross provision for outstanding claims	<u>275 377</u>	<u>325 251</u>
Estimated outstanding recoveries from:		
Pooling agreements	-13 500	-26 099
Other reinsurers' share	<u>-25 757</u>	<u>-43 767</u>
Total estimated outstanding recoveries	<u>-39 257</u>	<u>-69 865</u>
Provision for outstanding claims for own account	<u>236 121</u>	<u>255 386</u>
FD&D		
Gross estimated outstanding including IBNR	9 059	10 630
The association's estimated share of other associations' pool-claims including IBNR	<u>0</u>	<u>0</u>
Gross provision for outstanding claims	<u>9 059</u>	<u>10 630</u>
Estimated outstanding recoveries from:		
Pooling agreements	0	0
Other reinsurers' share	<u>-121</u>	<u>-100</u>
Total estimated outstanding recoveries	<u>-121</u>	<u>-100</u>
Provision for outstanding claims for own account	<u>8 938</u>	<u>10 531</u>
TOTAL P&I AND FD&D		
Provision for outstanding claims for own account	245 059	265 916
Contingency reserve	<u>113 064</u>	<u>81 593</u>
Technical provision for own account	<u>358 124</u>	<u>347 509</u>

Note 12 Off-balance sheet items

GUARANTEES

Bank Guarantees and "Club Letter of Guarantees" amounting in total to USD 181.9 mill have been issued in connection with claims, of which the latter makes up by far the greater part. The face values of these guarantees greatly exceed the expected payments from the related claims. The expected payments from these claims are fully covered in the provisions made for outstanding claims

The association has entered into a 10 years lease period for the Oslo office building starting 01.12.2002.

FINANCIAL DERIVATIVES

FUTURES CONTRACTS

<i>Security Description</i>	<i>Maturity Date</i>	<i>Number of contracts¹⁾</i>	<i>Historic Cost</i>	<i>Market Value</i>	<i>Unrealized Gain/(Loss)</i>
5 Year US Treasury future	21-03-05	149	16 311	16 199	-112
5 Year US Treasury future	31-03-05	318	34 688	34 573	-115
10 Year US Treasury future	31-03-05	-15	-1 673	-1 672	0
2 Year US Treasury future	31-03-05	-22	-4 594	-4 589	5
2 Year US Treasury future	30-06-05	-1	-208	-208	0
10 Year US Treasury future	30-06-05	-10	-1 116	-1 106	10
EURODOLLAR future	19-09-05	14	3 377	3 371	-6
EURODOLLAR future	19-12-05	14	3 370	3 364	-6
			50 155	49 932	-223

¹⁾ Negative sign indicates a short position.

CURRENCY CONTRACTS

<i>Contract Description</i>	<i>Settlement date</i>	<i>NOK bought forward</i>	<i>USD sold forward</i>
NOK bought outright	14-03-05	4 700	723,1
"	14-04-05	5 900	907,7
"	12-05-05	4 700	723,1
"	14-06-05	11 100	1 707,7
"	14-07-05	4 700	723,1
"	11-08-05	5 900	907,7
"	14-09-05	4 700	723,1
"	13-10-05	5 900	907,7
"	14-11-05	4 700	723,1
"	08-12-05	7 700	1 184,6
"	13-01-06	6 500	1 000,0
"	14-02-06	15 100	2 323,1

Note 13 Financial risk

Interest and currency risks are integrated in the Asset-Liability Management. Asset- and liability sensitivities are "matched" – immunising the claim liabilities towards changes in the general interest rate level. Changes to the value of the association's fixed income securities are accompanied by a corresponding revaluation of the claim liabilities' present value. This is achieved by managing the fixed income portfolio around a constant duration, fixed at the weighted claim duration of 2.9 years. Futures contracts on US Treasuries are used to extend or shorten the duration as needed. The currency mix of the liabilities is matched with an appropriate amount of assets. Derivative contracts (swaps and forward contracts) are used to improve the matching.

The stock portfolio is managed passively, benchmarked against the Morgan Stanley All Country World Index. This implies a risk profile consistent with the global stock market, without overweight towards specific sectors, countries or regions.

Note 14 Policy year statement by class as at 20.02.05

	2004	2003	2002
P&I			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2004	0	128 566	106 923
years to 20 February 2005	141 766	0	0
	141 766	128 566	106 923
Supplementary calls levied in:			
years to 20 February 2004	0	0	0
years to 20 February 2005	0	0	0
	0	0	0
Total calls and premiums	141 766	128 566	106 923
Reinsurance premiums	-22 063	-21 768	-23 422
	119 703	106 799	83 500
Claims incurred net of reinsurance recoveries	-108 952	-83 429	-82 685
	10 751	23 370	815
Net operating expenses	-20 271	-19 465	-16 674
Net investment income	9 067	27 260	1 874
Taxes	-211	-208	-95
	-664	30 957	-14 081
FD&D			
Advance calls, releases and other gross premiums charged in:			
years to 20 February 2004	0	5 762	5 391
years to 20 February 2005	6 325	0	0
	6 325	5 762	5 391
Supplementary calls levied in:			
years to 20 February 2004	0	0	0
years to 20 February 2005	0	0	0
	0	0	0
Total calls and premiums	6 325	5 762	5 391
Reinsurance premiums	0	0	-260
	6 325	5 762	5 131
Claims incurred net of reinsurance recoveries	-3 754	-3 623	-3 522
	2 571	2 138	1 610
Net operating expenses	-997	-1 017	-907
Net investment income	392	1 120	93
Taxes	-8	-9	-5
	1 958	2 232	791
Total P&I and FD&D	1 294	33 189	-13 290

Calls and premiums, reinsurance premiums, claims and commission to brokers are allocated to the policy year to which they relate. Operating expenses and investment income have been allocated to the policy year corresponding to the accounting year.

Note 15 Policy year statement as at 20.02.05 – Mutual and Fixed business

	2004	2003	2002
MUTUAL			
Total calls and premiums	98 028	91 093	79 244
Reinsurance premiums	-12 306	-12 372	-14 895
Claims incurred net of reinsurance recoveries	85 722	78 722	64 350
	-83 071	-61 608	-64 318
	2 651	17 113	31
Net operating expenses	-15 509	-15 659	-14 096
Net investment income	6 573	20 907	1 533
Taxes	-156	-160	-76
	-6 442	22 202	-12 607
FIXED			
Total calls and premiums	50 063	43 235	33 070
Reinsurance premiums	-9 756	-9 396	-8 788
Claims incurred net of reinsurance recoveries	40 307	33 839	24 282
	-29 635	-25 023	-21 061
	10 672	8 816	3 221
Net operating expenses	-5 759	-5 252	-4 330
Net investment income	2 886	7 481	450
Taxes	-63	-57	-24
	7 735	10 987	-683
Total Mutual and Fixed business	1 294	33 189	-13 290

Calls and premiums, reinsurance premiums and claims are allocated to the policy year to which they relate. Commission has been allocated to the respective policy year. Other operating expenses have been allocated to the policy year corresponding to the accounting year. Net investment income has been allocated to the policy year corresponding to the accounting year.



• Statustilførte revisorer

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N-3902 Drammen

Medlemmer av Den norske Revisorforening

• Foretaksregisteret

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To the Annual Meeting of
Assuranceforeningen Skuld (Gjensidig)

Auditor's report for 2004/2005

We have audited the annual financial statements of Assuranceforeningen Skuld (Gjensidig) as of 20 February 2005, showing a net result of TNOK 0 after transfer to contingency reserves of TNOK 213 727 for the Association and TNOK 157 427 for the Group. We have also audited the information in the Annual report concerning the financial statements and the going concern assumption. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Association's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Association's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Association and of the Group as of 20 February 2005, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Association's management has fulfilled its duty to properly register and document the accounting information as required by law and accounting standards, principles and generally accepted practices
- the information in the Annual report concerning the financial statements and the going concern assumption is consistent with the financial statements and comply with law and regulations.

Drammen, 11 May 2005
ERNST & YOUNG AS

Atle Terum (sign.)
State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared for information purposes only.

• Arendal, Bergen, Bæ, Drammen, Fossavåg, Fredrikstad, Hvalerstrand,
Horten, Hårskås, Kongsberg, Kragerø, Kristiansund, Løren, Lavanger,
Lillehammer, Moss, Odøy, Næstved, Oslo, Otta, Porsgrunn/Skien,
Sandnessjøen, Sandnessjøen, Stavanger, Steinkjer, Tromsø, Trondheim, Tvedestrand,
Vikernes, Ålesund

MEMBERS OF THE BOARD OF DIRECTORS 2004–2005

Veli-Matti Ropponen
Chairman
Finland

Nils Aardal
Vice Chairman
J.O. Odfjell AS, Norway

Helfried Beutner
RIGEL Schiffahrts GmbH,
Germany

Arne Birkeland
A/S Billabong, Norway

Tom E. Jebsen
Frontline Management AS,
Norway

Ulf G. Ryder
Stena Bulk AB, Sweden

John P. Tavlarios
General Maritime Corporation,
USA

Peter Wilsund
A.P. Møller – Mærsk A/S,
Denmark

Torleiv Aaslestad
Norway

Thomas Bjørn Larsen
Skuld, Copenhagen

Bernt Wold
Skuld, Oslo

ORGANISATION AND ADDRESSES ►

MEMBERS OF THE COMMITTEE 2004–2005

Erik Gløersen
President
Norway

Harald Andresen
Fred.Olsen & Co., Norway

Capt. Cemil Bayülgen
U.N RoRo İstetmeleri A.S, Turkey

Jørgen P. Dannesboe
Armada Shipping SA,
Switzerland

Manfredi Lefebvre D'Ovidio
Silversea Cruises Holding Ltd,
Monaco

Bengt Engblom
Rederi AB Engship, Finland

Knut Atle Ertland
Continental Ship Management
AS, Norway

Jens Fehrn-Christensen
Dampskibsselskabet "Norden"
A/S, Denmark

Tan Chin Hee
Pacific Carriers Ltd., Singapore

Frank G. Jensen
Clipper Denmark A/S, Denmark

Huang Shao Jie
Associated Maritime Company
(Hong Kong) Limited

Jia Hong Xiang
China Shipping Container Lines
Co. Ltd, China

Lou Kollakis
Chartworld Shipping
Corporation, Greece

Klaus Kjærulff
A/S Dampskibsselskabet TORM,
Denmark

Dick H. Lundqvist
Lundqvist Rederierna AB,
Finland

Shi Meisi
Cosco Container Lines Co., Ltd,
China

Ulrich Niebusch
German Tankers Shipping GmbH
& Co. KG, Germany

Jan-Eric Nilsson
Rederi AB Gotland, Sweden

Karl-Erik Nitter Foss
Star Shipping AS, Norway

Risto Näsi
Fortum Oil OY, Finland

Pericles S. Panagopoulos
Attica Group., Greece

Børge Rosenberg
AS J. Ludwig Mowinckels Rederi,
Norway

Dieter Schardt
Chemikalien Seetransport
GmbH, Germany

Trygve Seglem
Knutsen OAS Shipping A/S,
Norway

Capt. Sergey A. Terekhin
JSC "Sovcomflot", Russian
Federation

Felix H. Tschudi
Tschudi Shipping Company AS,
Norway

Marnix J. van Overklift
Seatrade, The Netherlands

Wang Chun Lin
Sinotrans Shipping Ltd.,
Hong Kong

Hans Petter Westfal-Larsen
Westfal-Larsen Management AS,
Norway

THE ANNUAL GENERAL MEETING

will be held at 1500 hours Tuesday,
6 September 2005 in the Auditorium
on the 4th floor of Ruseløkkveien 26,
Oslo, Norway

MANAGEMENT

Douglas Jacobsohn
President & Chief Executive
Officer

Tor Erik Andreassen
Chief Operating Officer

Svein Sollund
Chief Financial Officer

Eric Jacobs
Executive Vice President,
Marketing & Communication
and General Counsel

Arthur Pilkington
Executive Vice President
Defence Services & Emergency
Response

Ellen Haugom
Senior Vice President
Human Resources & Office
Administration

Claes Westman
Executive Vice President
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