Balance sheet as of December 31 2004 (thousand of roubles)

Assets

Items	Item code	As of the beginning of the year	As of the end of the year
1	2	3	4
I. Assets			
Total intangible assets	110	2,426	1,118
Total investment, including:	120	3,338,393	6,090,359
plots of lands	121	—	—
buildings	122	23,234	22,981
total financial investment in subsidiaries, related companies and other entities, including:	130	2,420,075	4,586,030
shareholdings in subsidiaries and related companies	131	57,581	940,528
debt securities issued by subsidiaries and related companies and loans made thereto	132	41,019	49,733
participations in subsidiaries and related companies	133	31,993	136,887
shares of other entities	134	1,014,347	1,536,142
debt securities of other entities and loans made thereto	135	1,275,134	1,922,738
participations in other entities	136	1	2
other investment, including:	140	895,084	1,481,348
federal and municipal debt securities	141	78,085	294,296
term deposits with banks	142	609,898	1,056,613
other investment	145	207,101	130,439

Items	Item code	As of the beginning of the year	As of the end of the year
1	2	3	4
Premium deposits with reinsureds	150	837	185,969
Reinsurers' share within insurance reserves, including:	160	1,244,297	814,644
within life insurance reserves	161	5,123	5,768
within reserve for unearned premiums	162	398,286	419,899
within reserve for losses	163	840,888	388,977
Total accounts receivable on insurance and coinsurance, including:	170	689,579	1,221,031
policyholders	171	348,450	747,902
insurance agents	172	35,467	63,918
other accounts receivable	175	305,662	409,211
Accounts receivable on reinsurance	180	726,375	1,084,410
Other accounts receivable due for over 12 months after the reporting date	190	174	167
Other accounts receivable due within 12 months after the reporting date	200	600,335	941,535
Fixed assets	210	294,561	296,071
Construction in progress	220	132,605	120,899
Deferred tax assets	230	—	101
Total inventories, including:	240	50,377	64,985
materials and other similar valuables	241	21,962	33,590
deferred expenses	242	28,415	31,395
other inventories and expenses	245	—	—
Value added tax on purchased valuables	250	706	1,702
Cash	260	1,019,502	1,375,904
Other assets	270	3,485	3,485
Total for Section I	**290**	**8,103,652**	**12,202,380**
TOTAL ASSETS	**300**	**8,103,652**	**12,202,380**

Shareholders' funds and liabilities

Items	Item code	As of the beginning of the year	As of the end of the year
1	2	3	4
II. Capital and reserves			
Authorised capital	410	432,000	1,069,017
Treasury shares	415	—	—
Additional capital	420	331,610	442,776
Reserve capital, including:	430	37,647	37,647
reserves made under applicable law	431	37,647	37,647
reserves made under constituent documents	432	—	—
Undistributed profit (uncovered loss)	470	667,994	546,092
Total for Section II	**490**	**1,469,251**	**2,095,532**
III. Insurance reserves			
Reserves for life insurance	510	289,372	249,225
Reserves for unearned premium	520	2,605,144	3,533,245
Reserves for losses	530	2,403,173	2,469,212
Other insurance reserves	540	23,065	430,781
Reserves for obligatory medical insurance	550	—	—
Total for Section III	**590**	**5,320,754**	**6,682,463**
IV. Liabilities			
Due on premium deposits to reinsurers	610	—	—
Long–term borrowings and loans	615	—	—
Deferred tax liabilities	620	—	1,639
Short–term borrowings and loans	625	881	10,288
Total accounts payable on insurance and coinsurance, including:	630	244,192	283,698
policyholders	631	202,241	184,698
insurance agents	632	19,155	38,222
other creditors	635	22,796	60,778
Total accounts payable on reinsurance	640	383,596	921,430
Other accounts payable including:	650	553,657	2,070,133
due on payroll	651	1,655	647
due to Federal non–budgetary funds	652	19	447
due on tax liabilities	653	48,871	172,806
other creditors	655	503,112	1,896,233

Items Liabilities	Item code	As of the beginning of the year	As of the end of the year
1	2	3	4
Due to shareholders (founding members) on income benefits	660	—	—
Deferred income	665	1,578	733
Reserves for future expenses	670	10,419	13,009
Preventive reserves	675	119,324	123,455
Other liabilities	680	—	—
Total for Section IV	**690**	**1,313,647**	**3,424,385**
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	**700**	**8,103,652**	**12,202,380**

SHAREHOLDERS' FUNDS AND LIABILITIES	Item code	As of the beginning of the year	As of the end of the year
1	2	3	4
Statement on valuable items shown on off-balance sheet accounts			
Leased fixed assets	910	3,072	1,726
including those under deeds of lease	911	372	1,726
Inventories accepted for safe–keeping	920	—	856
Insolvent debtors' bad debt written–off	940	—	—
Security for liabilities and payments received	950	—	—
Security for liabilities and payments issued	960	—	10,288
Housing depreciation	970	—	—
Outdoor facilities depreciation and similar items	980	—	41
Goodwill received for leasehold	990	—	—

Profit and loss account for the year ended December 31 2004
(thousand roubles)

Items	Item code	For the reporting year	For the previous year
1	2	3	4
I. Life insurance			
Insurance premiums, net of reinsurance	010	37,760	558,144
total insurance premiums	011	37,992	1,643,073
ceded to reinsurers	012	(232)	(1,084,929)
Total return on investment, including:	020	1,366	64,647
interest receivable	021	969	55,535
gains from participations in other entities	022	8	146
financial investment valuation adjustment	023	352	8 966
Benefit payments, net of reinsurance	030	(94,423)	(732,233)
total benefit payments	031	(94,423)	(2,169,893)
reinsurers' share	032	—	1 437 660
Changes in life insurance reserves, net of reinsurance	040	40,792	(453)
total changes in life insurance reserves	041	40,147	(4,204)
changes in reinsurers' share within reserves	042	645	3,751
Expenses on handling insurance, net of reinsurance	050	(4,423)	(116,537)
expenses on insurance contract–making	051	(3,750)	(108,367)
other expenses on handling insurance	052	(673)	(8,170)
fees and bonuses on reinsurance contracts	055	—	—
Total expenses on investment, including:	060	(477)	(10,260)
changes in financial investment through valuation adjustment	061	(204)	(3,109)
Result for life insurance operations	070	(19,405)	(236,692)

Items	Item code	For the reporting year	For the previous year
1	2	3	4
II. Non-life insurance			
Insurance premiums, net of reinsurance	080	7,993,914	5,375,809
total insurance premiums	081	10,099,068	7,869,963
ceded to reinsurers	082	(2,105,154)	(2,494,154)
Changes in reserve for unearned premiums, net of reinsurance	090	(906,488)	(244,461)
total changes in reserve for unearned premiums	091	(928,101)	(386,426)
changes in reinsurers' share within reserve	092	21,613	141,965
Incurred losses, net of reinsurance	100	(3,741,594)	(3,310,144)
Benefit payments, net of reinsurance	110	(3,223,644)	(2,392,518)
total benefit payments	111	(3,914,039)	(2,982,991)
reinsurers' share	112	690,395	590,473
Changes in reserve for losses, net of reinsurance	120	(517,950)	(917,626)
total changes in reserves for losses	121	(66,039)	(1,406,585)
changes of reinsurers' share in reserves	122	(451,911)	488,959
Changes in other insurance reserves	130	(407,716)	(23,065)
Provision from insurance premiums, including:	150	(49,336)	(25,313)
provision for guarantee reserve	151	(12,578)	(4,674)
provision for current compensatory reserve	152	(25,156)	(9,347)
Expenses related to handling insurance, net of reinsurance	160	(1,008,194)	(472)
expenses related to insurance contract–making	161	(996,913)	(519,056)
other expenses related to handling insurance operations	162	(229,045)	(79,760)
fees and bonuses related to reinsurance contracts	165	217,764	126,671
Result from non–life insurance operations	170	1,880,586	1,300,681

Items	Item code	For the reporting year	For the previous year
1	2	3	4
III. Other income and expense not attributed to sections I and II			
Total return on investment, including:	180	363,208	309,644
interest receivable	181	257,557	265,998
income from participations in other entities	182	2,196	700
changes in financial investment through valuation adjustment	183	93,647	42,946
Total expenses on investment, including:	190	(126,756)	(49,142)
changes in financial investment through valuation adjustment	191	(54,291)	(14,894)
Administrative expenses	200	(1,708,146)	(1,170,955)
Total operating income, net of investment income, including:	210	106,976	69,746
interest receivable	211	8,465	1,789
Total operating expenses, net of investment expenses, including:	220	(21,871)	(4,937)
interest payable	221	(2,547)	(1,992)
Non–operating income	230	132,843	52,868
Non–operating expenses	240	(421,008)	(194,290)
Profit (loss) before taxation	250	186,427	76,923
Deferred tax assets	260	101	—
Deferred tax liabilities	270	(1,639)	—
Current income tax	280	(92,791)	(42,710)
Net profit (loss) for the reporting period	**300**	**92,098**	**34,213**

Items	Item code	For the reporting year	For the previous year
1	2	3	4
FOR REFERENCE ONLY			
Permanent tax liabilities (assets)	301	50,363	—
Basic dividend (loss) per share	305	0.86	—
Diluted dividend (loss) per share	306	—	—

Breakdown for particular profits and losses

Items	Item code	For the reporting year		For the previous year	
		profit	loss	profit	loss
1	2	3	4	5	6
Penalties, fines and forfeits acknowledged or claimed subject to court judgement (or arbitration award)	310	114	1 316	162	313
Profit (loss) for previous years	320	2,655	13,228	230	12,908
Recovery of damages caused by non–performance or misperformance of obligations	330	100	722	72	52
Exchange rate translation	340	87,949	136,234	29,727	99,260
Provision for appraisal reserves	350	x	—	x	—
Written–off accounts receivable and accounts payable with expired prescription	360	2,499	37,800	33	2
	370	—	—	—	—

Statement on changes in shareholders' funds (thousand roubles)

I. Changes in shareholders' funds

Items	Item code	Authorised capital	Additional capital	Reserve capital	Undistributed profit (uncovered (loss)	Total
1	2	3	4	5	6	7
Balance as of 31 December for the year antecedent to the previous year	010	432,000	331,610	35,936	635,492	1,435,038
2002 (previous year)						
Changes in accounting policy	020	X	X	X	—	—
Result from asset revaluation	030	X	—	X	—	—
	040	X	—	—	—	—
Balance as of 1 January of the previous year	050	432,000	331,610	35,936	635,492	1,435,038
Result from foreign currency recalculations	060	X	—	X	X	—
Net profit	070	X	X	X	32,502	32,502
Dividend	080	X	X	X	—	—
Provision for reserve fund	090	X	X	1,711	—	1,711
Capital increase due to additional issue of shares (contributions made by third parties as incoming shareholders)	100	—	X	X	X	—
Increased nominal value of shares (additional contributions from members)	110	—	X	X	X	—
corporate entity reorganisation	120	—	X	X	—	—
Decreased capital due to diminished nominal value of shares (diminished participation nominal value)	130	—	X	X	X	—
reduced number of shares (participation repayment)	140	—	X	X	X	—
corporate entity reorganisation	150	—	X	X	—	—
Fixed asset written–off	160	—	—	—	—	—
Balance as of 31 December of the previous year	210	432,000	331,610	37,647	667,994	1,469,251
2003 (reporting year)						
Changes in accounting policy	220	X	X	X	—	—
Result from fixed asset revaluation	230	X	—	X	—	—
	240	X	—	—	—	—

Items	Item code	Authorised capital	Additional capital	Reserve capital	Undistributed profit (uncovered (loss)	Total
1	2	3	4	5	6	7
Balance as of 1 January of the reporting year	250	432,000	331,610	37,647	667,994	1,469,251
Result from foreign currency recalculations	260	X		X	X	
Net profit	270	X	X	X	92,098	92,098
Dividend	280	X	X	X	—	—
Provision for reserve fund	290	X	X	—	—	—
Capital increase due to additional issue of shares (contributions made by third parties as incoming shareholders)	300	109,017	X	X	X	109,017
Increased nominal value of shares (additional contributions from members)	310	528,000	X	X	X	528,000
corporate entity reorganisation	320	—	X	X	—	—
Decreased capital due to diminished nominal value of shares (diminished participation nominal value)	330	—	X	X	X	—
reduced number of shares (participation repayment)	340	—	X	X	X	—
corporate entity reorganisation	350	—	X	X	—	—
authorised capital increase	360	—	111,166	—	(214,000)	(102,834)
Balance as of 31 December of the previous year	410	1,069,017	442,776	37,647	546,092	2,095,532

II. Reserves

Items	Item code	Balance	Received	Applied	Balance
1	2	3	4	5	6
Reserves made under applicable law					
Reserve fund					
(name of reserve)					
Data for the previous year	510	35,936	1,711	—	37,647
Data for the reporting year	520	37,647	—	—	37,647
(name of reserve)					
Data for the previous year	530	—	—	—	—
Data for the reporting year	540	—	—	—	—
Reserves made under constituent documents					
(name of reserve)					
Data for the previous year	550	—	—	—	—
Data for the reporting year	560	—	—	—	—
(name of reserve)					
Data for the previous year	570	—	—	—	—
Data for the reporting year	580	—	—	—	—
Appraisal reserves					
Reserve for investment depreciation					
(name of reserve)					
Data for the previous year	610	2,135	—	(2,131)	4
Data for the reporting year	620	4	—	(4)	—
Reserve for bad debt					
(name of reserve)					
Data for the previous year	630	783	1,624	(783)	1,624
Data for the reporting year	640	1,624	—	(1,624)	—
(name of reserve)					
Data for the previous year	650	—	—	—	—
Data for the reporting year	660	—	—	—	—
Reserves for future expenses					
Guarantee reserve for obligatory motor third party liability					
(name of reserve)					
Data for the previous year	710	—	4,674	(1,211)	3,463
Data for the reporting year	720	3,463	12,578	(11,704)	4,337
Reserve for current compensatory payments					
(name of reserve)					
Data for the previous year	730	—	9,347	(2,423)	6,924
Data for the reporting year	740	6,924	25,156	(23,409)	8,671

Reference data

Items	Item code	Balance as of the beginning of the reporting year		Balance as of the beginning of the reporting year	
1	2	3		4	
1) Net assets	810	1,469,251		2,095,532	
		From the budget		From non–budgetary funds	
		For the reporting year	For the previous year	For the reporting year	For the previous year
		3	4	5	6
2) Received for: Total expenses with respect to ordinary business, including:	820	—	—	—	—
	821	—	—	—	—
	822	—	—	—	—
	823	—	—	—	—
Capital investment in non–working assets, including:	830	—	—	—	—
	831	—	—	—	—
	832	—	—	—	—
	833	—	—	—	—

Annex
to the balance sheet (thousand roubles)

1. Intangible assets

Items	Item code	Available as of the beginning of the reporting year	Received	Withdrawn	Available as of the end of the reporting year
1	2	3	4	5	6
Intellectual property assets (exclusive rights for intellectual property results), including:	110	—	—	—	—
from the title holder with respect to software, database	111	—	—	—	—
from the owner with respect to trade mark and service mark, goods origin local denomination	112	—	—	—	—
Establishment expenses	120	—	—	—	—
Goodwill	130	—	—	—	—
	140	—	—	—	—
Others	150	5,690	2	(516)	5,176

Items	Item code	As of the beginning of the reporting year	As of the end the reporting year
1	2	3	4
Total intangible asset amortisation, including:	160	3,264	4,058
Others	161	3,264	3,879
	162	—	—
	163	—	—
Others	164	—	179

2. Fixed assets

Items	Item code	Available as of the beginning of the reporting year	Received	Withdrawn	Available as of the end of the reporting year
1	2	3	4	5	6
Buildings	210	79,253	8,888	(4,677)	83,464
Installations and transmission devices	215	—	601	—	601
Machinery and equipment	220	98,236	27,870	(10,875)	115,231
Carriage vehicles	225	32,231	21,965	(9,550)	44,646
Implements	230	24,459	4,492	(1,276)	27,675
Other fixed assets	235	161,905	12,316	(5,366)	168,855
Plots of land and nature exploitation assets	240	—	—	—	—
Total	**245**	**396,084**	**76,132**	**(31,744)**	**440,472**

Items	Item code	As of the beginning of the reporting year	As of the end of the reporting year
1	2	3	4
Total fixed asset amortisation, including:	250	78,289	121,420
buildings and installations	251	3,340	4,199
machinery, equipment and carriage vehicles	252	38,551	62,756
others	253	36,398	54,465
Total fixed assets transferred in rent, including:	260	34,326	34,835
buildings	261	25,300	25,300
installations	262	9,026	4,029
	263	—	5,506
	264	—	—
Fixed assets put in dead storage	270	—	—
Total fixed assets received in rent, including:	275	3,072	1,726
other equipment	276	3,072	1,726
	277	—	—
	278	—	—
Real estate put into operation and in registration	280	—	—

	Item code	As of the beginning of the reporting year	As of the end of the reporting year
FOR REFERENCE ONLY	2	3	4
Fixed asset revaluation result:			
original cost	291	—	—
amortisation	292	—	—

	Item code	As of the beginning of the reporting year	As of the end of the reporting year
	2	3	4
Changes in fixed asset value through added construction, outfitting, rehabilitation or partial liquidation	295	1 260	920

3. Financial investment

ITEMS	Item code	Long–term		Short–term	
		As of the beginning of the reporting period	As of the end of the reporting period	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4	5	6
Total financial investment in subsidiaries and related companies, including:	310	130,593	832,195	—	294,953
shares	311	57,581	645,575	—	294,953
bonds	312				
promissory notes	313	—	15,914	—	—
loans made	314	41,019	33,819	—	—
contributions to shareholdings (participations)	315	31,993	136,887	—	—
Total financial investment in other entities, including:	320	722,535	1,131,921	1,566,947	2,326,962
shares	321	209,725	300,820	804,622	1,235,323
bonds	322	233,745	715,747	—	20,070
promissory notes	323	162,603	11,999	762,325	1,056,788
loans made	324	116,461	103,353	—	14,781
contributions to shareholdings (participations)	325	1	2	—	—
Federal and municipal debt securities	330	78,085	294,296	—	—
Term deposits	335	593,598	1,051,113	16,300	5,500
Investment shares	337	46,945	30,439	—	—
Others	340	160,156	100,000	—	—
Total	**345**	**1,731,912**	**3,439,964**	**1,583,247**	**2,627,415**
Out of total amount, those financial investment having current market value					
Total financial investment in subsidiaries and related companies, including:	350	—	—	—	—
shares	351	—	—	—	—
bonds	352	—	—	—	—
promissory notes	353	—	—	—	—
Total financial investment in other entities, including:	360	235,379	518,395	803,087	1,239,917
shares	361	1,634	85,736	803,087	1,219,847
bonds	362	233,745	432,659	—	20,070
promissory notes	363	—	—	—	—

Items	Item code	Long–term		Short–term	
		As of the beginning of the reporting period	As of the end of the reporting period	As of the beginning of the reporting period	As of the end of the reporting period
1	2	3	4	5	6
Federal and municipal debt securities	370	28,133	294,296	—	—
Investment shares	377	—	—	—	—
Others	380	—	—	—	—
Total	**385**	**263,512**	**812,691**	**803,087**	**1,239,917**
FOR REFERENCE ONLY					
With respect to financial investment having current market value, change in value through valuation adjustment	390	8,424	(15,709)	31,490	42,288
With respect to debt securities, difference between original value and nominal value is charged to the financial result of the reporting period	395	—	—	—	—

4. Accounts receivable and payable

Items	Item code	As of the beginning of the reporting year	As of the end of the reporting year
1	2	3	4
Total accounts receivable with respect to insurance and coinsurance operations, including:	410	689,579	1,221,031
accounts receivable with respect to premiums in life insurance	411	25,021	6,812
accounts receivable with respect to premiums in non–life insurance	412	453,884	994,812
due from insurer's representatives who entered into a obligatory motor third party liability policy, with respect to recovery claims from policyholders and their payments	413	—	—
From item 410, outstanding debt matured within three months after the reporting date which is not overdue	415	211,602	351,120

Items	Item code	As of the beginning of the reporting year	As of the end of the reporting year
1	2	3	4
Total accounts receivable with respect to reinsurance operations, including:	420	726,375	1,084,410
outstanding debt matured within three months after the reporting date which is not overdue	425	430,387	754,092
Other accounts receivable: total short term accounts receivable, including:	430	600,335	941,535
due from members (founding members) with respect to contributions to the authorised capital	431	—	—
due with respect to remuneration payable to insurance agent, surveyor, average adjuster	432	22	—
due from insurer's representatives with respect to benefit payments under obligatory motor third party liability policy	433		
	434	—	—
others	438	600,313	941,535
total long–term accounts receivable, including:	440	174	167
	441	—	—
	442	—	—
others	448	174	167
Total	**449**	**2,016,463**	**3,247,143**
Accounts payable with respect to insurance and coinsurance operations	450	244,192	283,698
Accounts payable with respect to reinsurance operations	460	383,596	921,430
Other accounts payable: total short term accounts payable, including:	470	520,929	2,054,239
settlements on provision from obligatory motor third party liability premiums to guarantee reserve and current compensatory reserve	471	—	—
settlements with insurers entered into a obligatory motor third party liability policy, with respect to damages claims and payments with providers	472	—	—
settlements with providers	473	48,881	29,724
tax payments	474	19,094	146,704

Items	Item code	As of the beginning of the reporting year	As of the end of the reporting year
1	2	3	4
loans	475	--	--
borrowings	476	881	10,288
	477	--	--
others	478	452,073	1,867,523
Total long-term accounts payable, including:	480	33,609	26,182
loans	481	--	--
borrowings	482	--	--
tax payments	483	29,796	26,102
others	488	3,813	80
Total	**489**	**1,182,326**	**3,285,549**

5. Expenses made (breakdown per expense items)

Items	Item code	For the reporting year	For the previous year
1	2	3	4
Expenses to purchase material	510	94,517	34,506
Payroll expenses	520	1,838,255	1,137,857
Provision for social benefits	530	18,277	16,493
Amortisation	540	47,482	41,303
Other expenses	550	1,451,741	910,375
Total per expense items	560	3,450,272	2,140,534
Change in balance (increase [+], decrease [–]): in deferred expenses	580	2,980	2,041
Reserve for expected expenses	590	2,590	10,419

6.Security

Items	Item code	Balance as of the beginning of the reporting year	Balance as of the end of the reporting year
1	2	3	4
Total received, including:	610	—	—
promissory notes	611	—	—
Property in pledge, including:	620	—	112,313
fixed assets	621	—	—
securities and other financial investment	622	—	—
others	623	—	112,313
	630	—	—
	640	—	—
Total issued, including:	650	—	10,288
promissory notes	651	—	155
Property in pledge, including:	660	—	—
fixed assets	661	—	—
securities and other financial investment	662	—	—
others	663	—	—
	670	—	—
	680	—	—

Explanatory note to the annual financial statements for 2004

Profile

Russian Insurance People's Society (ROSNO) was registered as a legal entity by the Moscow Registration Chamber on January 14 1992 (Certificate of incorporation series MRP No.007.205).

The company is located at:
Ozerkovskaya nab., 30, Moscow, 115184, Russia

Shareholders:
Sistema Joint-Stock Financial Corporation,
Allianz AG and others.

Executive authority:
Leonid A. Melamed,
General Director

Licences for insurance business issued by the Russian Ministry of Finance:
№ 4026d issued November 1 2002; № 4028V issued November 1 2002; № 4327D issued June 6 2003; № 4534V issued November 5 2003;

Operational indicators key finantial indicators:

- Premiums unde volontary lines of insurance in 2004 made 8 876 352 thousand roubles.
- Premiums unde obligatory lines of insurance in 2004 made 1 260 708 thousand roubles