

ROSNO

**Consolidated Interim Condensed
Financial Statements**

**For the Nine-Month Period Ended
30 September 2011**

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2011**

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated interim condensed financial statements of ROSNO and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated interim condensed financial statements that present fairly the financial position of the Group at 30 September 2011, the results of its operations, cash flows and changes in equity for the nine-month period then ended, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

In preparing the consolidated interim condensed financial statements, management is responsible for:

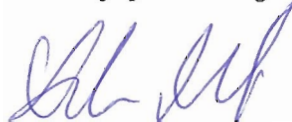
- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated interim condensed financial statements; and
- preparing the consolidated interim condensed financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated interim condensed financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated interim condensed financial statements as at and for the nine-month period ended 30 September 2011 were authorised for issue by the Management Board on 19 December 2011.

On behalf of the Management Board:



Hakan Danielsson
President

Moscow



Christian Mueller
Chief Financial Officer Rosno Group

Moscow



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Independent Auditors' Report on Consolidated Interim Condensed Financial Information

To the Shareholders and Board of Directors of ROSNO

We have audited the accompanying consolidated interim condensed financial information of ROSNO and its subsidiaries (the "Group"), which comprise the consolidated interim condensed statement of financial position as at 30 September 2011, and the consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the nine month period then ended (the "consolidated interim financial information").

Management's Responsibility for the Consolidated Interim Condensed Financial Information

Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*, and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this consolidated interim financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated interim financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated interim financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated interim financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the consolidated interim financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated interim financial information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated interim financial information as at 30 September 2011 and for the nine month period then ended is prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

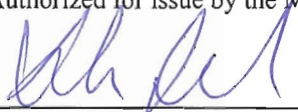
ZAO KPMG
19 December 2011

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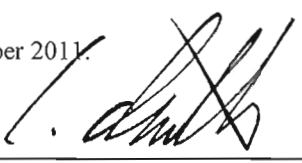
Consolidated Interim Condensed Statement of Financial Position as at 30 September 2011
(in thousands of Russian Roubles)

	Note	30 September 2011	31 December 2010
Assets			
Cash and cash equivalents		5 931 754	2 318 313
Deposits with banks		4 717 600	8 098 191
Promissory notes and originated loans		31 600	56 619
Investment securities available-for-sale		7 245 570	6 516 399
Receivables	4	5 416 210	4 594 648
Prepayments		4 622 100	4 167 113
Reinsurers' share of provision for unearned premiums	5	562 821	721 389
Reinsurers' share of loss provision	6	1 549 930	2 037 391
Deferred acquisition costs		1 997 125	2 076 170
Goodwill		182 858	182 358
Deferred tax assets		94 250	51 698
Other assets		121 411	147 871
Investments in associated undertakings		38 761	38 761
Investment property		85 468	87 139
Property, plant and equipment		1 950 259	2 156 497
Total assets		34 547 717	33 250 557
Liabilities			
Provision for unearned premiums	5	10 337 205	9 478 364
Loss provision	6	5 097 072	5 652 760
Payables		2 927 562	2 858 344
Obligatory medical insurance liability		9 696 398	8 056 764
Borrowings		-	551 461
Other liabilities		193 057	102 375
Deferred tax liability		78 809	41 683
Total liabilities		28 330 103	26 741 751
Equity			
Share capital		6 272 906	6 272 906
Share premium		61 780	61 780
Additional paid-in capital		2 393 280	2 282 854
Fair value reserve for investment securities available-for-sale		193 495	436 039
Foreign exchange translation reserve		2 513	(12 179)
Accumulated deficit		(2 706 750)	(2 532 968)
Equity attributable to shareholders of the parent		6 217 224	6 508 432
Non-controlling interests		390	374
Total equity		6 217 614	6 508 806
Total liabilities and equity		34 547 717	33 250 557

Authorized for issue by the Management Board and signed on its behalf on 19 December 2011.



 Hakan Danielsson
 President



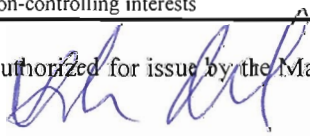
 Christian Mueller
 Chief Financial Officer Rosno Group


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Consolidated Interim Condensed Statement of Comprehensive Income for the Nine-Month Period Ended 30 September 2011
(in thousands of Russian Roubles)

	Note	Period ended 30 September 2011	Period ended 30 September 2010
INSURANCE			
Gross premiums written		17 289 160	16 609 845
Premiums ceded		(1 234 718)	(1 487 066)
		16 054 442	15 122 779
Change in provision for unearned premiums, net	5	(1 009 610)	(1 192 666)
Net premiums earned		15 044 832	13 930 113
Gross claims paid		(9 847 107)	(14 849 492)
Claims ceded		1 117 048	6 651 774
		(8 730 059)	(8 197 718)
Claims handling expenses		(689 486)	(636 842)
Change in loss provision, net	6	97 735	(82 326)
Net claims incurred		(9 321 810)	(8 916 886)
Net acquisition costs		(4 521 386)	(4 249 406)
Insurance operating expenses		(1 588 585)	(1 753 993)
Change in provision for impairment of insurance receivables	4	6 343	(609 647)
Other insurance income		1 740	1 724
Insurance activity result		(378 866)	(1 598 095)
INVESTMENT			
Interest income		561 421	750 323
Realized gains less losses arising from investment securities available-for-sale		95 539	79 917
Impairment of securities available-for-sale		(140 693)	-
Other investment income		6 005	26 344
Change in provision for impairment of promissory notes and originated loans		-	7 010
Investment operating expenses		(109 370)	(113 015)
Investment activity result		412 902	750 579
OTHER			
Other commission income		876 370	794 214
Other operating expenses		(990 079)	(914 899)
Foreign exchange gains net of losses/ (losses net of gains)		3 424	(66 774)
Change in provision for impairment of other receivables	4	(1 856)	(9 061)
Other income		102 131	113 888
Other expenses		(9 283)	(57 208)
Other activity result		(19 293)	(139 840)
Profit/ (loss) from operations		14 743	(987 356)
Income tax (expense)/ credit		(188 759)	9 331
Net loss for the period		(174 016)	(978 025)
Other comprehensive income			
Fair value reserve for investment securities available-for-sale:			
Net change in fair value of investment securities available-for-sale, net of tax		(278 667)	307 646
Net change in fair value of investment securities available-for-sale transferred to profit or loss, net of tax		36 123	(63 934)
Translation difference		14 692	4 651
Other comprehensive (loss)/ income, net of tax		(227 852)	248 363
Total comprehensive loss for the period		(401 868)	(729 662)
(Loss)/gain for the period attributable to:			
Equity holders of the parent		(174 032)	(978 347)
Non-controlling interests		16	322
Total comprehensive (loss)/gain for the period attributable to:			
Equity holders of the parent		(401 884)	(729 984)
Non-controlling interests		16	322

Authorized for issue by the Management Board and signed on its behalf on 19 December 2011.


Hakan Danielsson
President


Christian Mueller
Chief Financial Officer Rosno Group

ROSNO**Consolidated Interim Condensed Statement of Cash Flows for the Nine-Month Period Ended 30 September 2011**
(in thousands of Russian Roubles)

	Note	Period ended 30 September 2011	Period ended 30 September 2010
Cash flows from operating activities			
Gross premiums received		17 231 138	15 342 387
Ceded premiums paid		(1 607 172)	(1 227 973)
Gross claims paid		(9 140 460)	(14 763 815)
Claims ceded received		683 833	3 028 540
Acquisition costs paid		(4 744 844)	(4 768 053)
Claims handling expenses paid		(688 316)	(636 919)
Commission income on reinsurance outwards received		138 430	62 038
Interest income received		517 995	847 123
Operating expenses paid		(2 743 967)	(2 408 490)
Other commission income received		887 246	818 927
Rental income received		-	3 814
Other income received		104 492	108 905
Other expenses paid		(17 188)	(47 413)
Income tax paid		(165 684)	(37 051)
Cash flows from/ (used in) operating activities before changes in operating assets and liabilities		455 503	(3 677 980)
Changes in operating assets and liabilities			
Net decrease/ (increase) in deposits with banks		3 375 947	(25 275)
Net decrease in promissory notes and other originated loans		35 147	31 710
Net increase in receivables		(130 791)	(299)
Net (increase)/ decrease in prepayments		(644 878)	1 155 492
Net decrease/ (increase) in other assets		26 228	(2 039)
Net increase in payables		416 997	276 551
Net increase in obligatory medical insurance liability		1 639 634	23 862
Net (decrease)/ increase in other liabilities		(71 067)	54 779
Net cash inflow/ (outflow) from operating activities		5 102 720	(2 163 199)
Cash flows from investing activities			
Net acquisition of investment securities available-for-sale		(1 034 578)	(184 950)
Net acquisition of property, plant and equipment		(63 436)	(298 872)
Increase in investment in subsidiaries		(250)	-
Net cash outflow from investing activities		(1 098 264)	(483 822)
Cash flows from financing activities			
Increase in additional paid-in-capital		110 426	71 033
Sale of treasury shares		-	64 080
(Decrease)/ increase in borrowings		(551 461)	2 371 434
Net cash (outflow)/ inflow from financing activities		(441 035)	2 506 547
Effect of exchange rate changes on cash and cash equivalents		50 020	(13 028)
Net decrease in cash and cash equivalents		3 613 441	(153 502)
Cash and cash equivalents as at the beginning of the year		2 318 313	3 434 763
Cash and cash equivalents as at the end of the period		5 931 754	3 281 261

Authorized for issue by the Management Board and signed on its behalf on 19 December 2011.



Hakan Danielsson
President



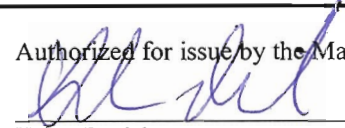
Christian Mueller
Chief Financial Officer Rosno Group

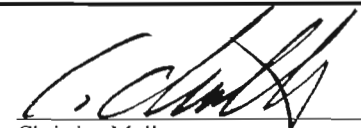
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Consolidated Interim Condensed Statement of Changes in Equity for the Nine-Month Period Ended 30 September 2011
(in thousands of Russian Roubles)

	Share capital	Share premium	Additional paid-in capital	Fair value reserve for investment securities available-for-sale	Foreign exchange translation reserve	Accumulated deficit	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	2 416 384	3 905 382	2 175 429	178 867	(17 335)	(1 236 504)	7 422 223	3 917	7 426 140
Total comprehensive loss for the period									
(Loss)/gain for the period	-	-	-	-	-	(978 347)	(978 347)	322	(978 025)
Other comprehensive income									
Net change in fair value of investment securities available-for-sale, net of tax of RUB 76 912 thousand	-	-	-	307 646	-	-	307 646	-	307 646
Net change in fair value of investment securities available-for-sale transferred to profit or loss, net of tax of RUB 15 984 thousand	-	-	-	(63 934)	-	-	(63 934)	-	(63 934)
Translation difference	-	-	-	-	4 651	-	4 651	-	4 651
Total comprehensive loss for the period	-	-	-	243 712	4 651	(978 347)	(729 984)	322	(729 662)
Additional paid-in capital	-	-	71 033	-	-	-	71 033	-	71 033
Increase in share capital	3 843 602	(3 843 602)	-	-	-	-	-	-	-
Sale of treasury shares	12 919	-	36 392	-	-	-	49 311	-	49 311
Balance at 30 September 2010	6 272 905	61 780	2 282 854	422 579	(12 684)	(2 214 851)	6 812 583	4 239	6 816 822
Balance at 1 January 2011	6 272 906	61 780	2 282 854	436 039	(12 179)	(2 532 968)	6 508 432	374	6 508 806
Total comprehensive loss for the period									
(Loss)/gain for the period	-	-	-	-	-	(174 032)	(174 032)	16	(174 016)
Other comprehensive income									
Net change in fair value of investment securities available-for-sale, net of tax of RUB 69 667 thousand	-	-	-	(278 667)	-	-	(278 667)	-	(278 667)
Net change in fair value of investment securities available-for-sale transferred to profit or loss, net of tax of RUB 9 031 thousand	-	-	-	36 123	-	-	36 123	-	36 123
Translation difference	-	-	-	-	14 692	-	14 692	-	14 692
Total comprehensive loss	-	-	-	(242 544)	14 692	(174 032)	(401 884)	16	(401 868)
Increase in investment in subsidiary	-	-	-	-	-	250	250	-	250
Additional paid-in capital	-	-	110 426	-	-	-	110 426	-	110 426
Balance at 30 September 2011	6 272 906	61 780	2 393 280	193 495	2 513	(2 706 750)	6 217 224	390	6 217 614

Authorized for issue by the Management Board and signed on its behalf on 19 December 2011.


Hakan Danielsson
President


Christian Muller
Chief Financial Officer Rosno Group

1. Principal Activities

These consolidated interim condensed financial statements include the financial statements of ROSNO (“the Company”) and its subsidiaries. The Company and its subsidiaries together are referred to as the “Group”.

The Open Joint-Stock Company Insurance Company “ROSNO”, trading as “ROSNO”, is registered in the Russian Federation in 1992. The principal activities of ROSNO and its subsidiaries are the provision of insurance. In addition its subsidiary, ARAM, provides assets management services within the Russian Federation. The Group operates under insurance and reinsurance license (№ 0290 77 dated 16 April 2009) issued by the Ministry of Finance of the Russian Federation. Insurance business written by the Group includes medical, property, casualty, life, personal insurance and reinsurance. The Group has a license of professional participant of the securities market (№077-09185-001000 dated 8 June 2006) for carrying out investment activities. The Group has also contracted with Government Fund for Obligatory Medical Insurance (GFOMI), which carries out an obligatory medical insurance program to provide Russian Federation citizens with free of charge medical services via certain appointed insurers, including the Group. The Group has contracted with GFOMI to administer a portion of this program and receives commissions for providing this service.

At 30 September 2011 the Company has 89 branches (31 December 2010: 88) within the Russian Federation. At 30 September 2011 the Company’s subsidiaries have further 128 branches (31 December 2010: 147).

The Company’s registered office is located at the following address: Russia, 115184, Moscow, Ozerkovskaya Naberezhnaya, 30.

The Company is 100% ultimately owned and controlled by Allianz SE, a worldwide insurance company (31 December 2010: 100%), which has publicly available financial statements.

These consolidated interim condensed financial statements were authorised for issue on 19 December 2011 by the Management Board.

2. Basis of Preparation

Statement of compliance. The consolidated interim condensed financial statements of the Group have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010, as these consolidated interim condensed financial statements provide an update of previously reported financial information.

Basis of measurement. The consolidated interim condensed financial statements are prepared on the historical cost basis except that available-for-sale securities are stated at fair value.

Presentation currency. These consolidated interim condensed financial statements are presented in Russian Roubles (“RUB”), which is the presentation currency of the Group. Financial information presented in RUB has been rounded to the nearest thousand.

Use of estimates. Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated interim condensed financial statements in conformity with IFRS. Actual results could differ from these estimates.

3. Significant Accounting Policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2010.

4. Receivables

	30 September 2011	31 December 2010
Receivables arising out of direct insurance operations	3 782 364	3 394 631
Receivables arising out of claims ceded	1 696 607	1 184 048
Other receivables	904 590	786 459
Receivables arising out of premiums assumed	91 862	293 210
Less: Provision for impairment	(1 059 213)	(1 063 700)
Total receivables	5 416 210	4 594 648

The provision for impairment of receivables is estimated as follows:

- Receivables that are more than one month overdue are provided for totalling RUB 341 033 thousand (31 December 2010: RUB 398 215 thousand).
- Receivable due from one reinsurance company is fully provided for totalling RUB 718 180 thousand (31 December 2010: RUB 665 485 thousand).

Movements in the provision for impairment of receivables are as follows:

	30 September 2011	31 December 2010
Provision for impairment of receivables as at 1 January	1 063 700	422 700
(Recovery of)/charge for provision for impairment of receivables during the period	(4 487)	641 000
Provision for impairment of receivables as at the end of period	1 059 213	1 063 700

5. Provision for Unearned Premiums

Movements in the provision for unearned premiums are as follows:

	2011			2010		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Provision for unearned premiums as at 1 January	9 478 364	(721 389)	8 756 975	9 282 455	(1 262 764)	8 019 691
Change in provision for the period	843 176	166 434	1 009 610	532 855	659 811	1 192 666
Effect of change in foreign currency exchange rates	15 665	(7 866)	7 799	3 730	(942)	2 788
Provision for unearned premiums as at 30 September	10 337 205	(562 821)	9 774 384	9 819 040	(603 895)	9 215 145

6. Loss Provision

	30 September 2011				31 December 2010			
	Outstanding claims provision and IBNR	Loss adjustment expense reserve	Future policies benefits reserve	Total	Outstanding claims provision and IBNR	Loss adjustment expense reserve	Future policies benefits reserve	Total
Gross provision	4 592 900	370 656	133 516	5 097 072	5 217 358	310 625	124 777	5 652 760
Reinsurer's share of provision	(1 473 794)	(76 120)	(16)	(1 549 930)	(2 037 391)	-	-	(2 037 391)
Loss provision, net of reinsurance	3 119 106	294 536	133 500	3 547 142	3 179 967	310 625	124 777	3 615 369

Movements in the loss provision are as follows:

	30 September 2011				30 September 2010			
	Outstanding claims provision and IBNR	Loss adjustment expense reserve	Future policies benefits reserve	Total	Outstanding claims provision and IBNR	Loss adjustment expense reserve	Future policies benefits reserve	Total
Loss provision, net of reinsurance, as at 1 January	3 179 967	310 625	124 777	3 615 369	3 926 015	292 403	122 207	4 340 625
(Decrease)/increase in provision, gross	(661 734)	60 031	2 666	(599 037)	(6 628 973)	402 092	2 697	(6 224 184)
Increase/(decrease) in reinsurer's share in provision	577 422	(76 120)	-	501 302	6 306 510	-	-	6 306 510
Effect of change in foreign currency exchange rates	23 451	-	6 057	29 508	9 348	-	605	9 953
Loss provision, net of reinsurance, as at 30 September	3 119 106	294 536	133 500	3 547 142	3 612 900	694 495	125 509	4 432 904