S.C. ALLIANZ TIRIAC ASIGURARI S.A.

Consolidated Financial Statements

Year ended 31 December 2001

Contents

General information

S.C. ALLIANZ TIRIAC ASIGURARI S.A. (“ALLIANZ TIRIAC” or "the Company") has been incorporated in Romania as a joint stock company since 1994 and is licensed by CSA (the Insurance Supervision Commission) to conduct insurance activities in Romania.

The Company operates through its head office located in Bucharest and 145 ~~33~~ branches ~~and 97~~ and offices (2000~~1999~~: 130~~2~~ branches and ~~84~~ offices) located in Bucharest and other cities and towns in Romania. The ~~a~~address of the registered office is ~~as follows:~~

Bucharest, Căderea Bastiliei Street, No. 80-84.

The Co~~co~~mpany developed a retail network comprising 3,220~~070~~ natural persons acting as insurance agents and ~~90~~ 281 institutional~~ised~~ insurance agents (2000~~1999~~: 3,070~~1,505~~ natural persons and 90~~84~~ institutional~~ised~~ insurance agents).

The share capital structure as at 31 December 2001 is presented below:

	Number of shares (thousands)	**Percentage held**
ALLIANZ AKTIENGESELLSCHAFT	20,400	51%
VESANIO TRADING LIMITED	17,394~~6~~	43.49%
Other shareholders (with less than 5% each)	2,~~204~~206	5.51%
	40,000	100%

The Company has a wholly owned subsidiary, S.C. ASIT REAL ESTATE S.R.L., a company established in 1999 that provides construction services in the real estate sector.

Consolidated income statement

for the year ended 31 December 2001

In thousands of euro	*Notes*	**2001**	**2000 (Unaudited)**
Non life insurance ~~business~~			
	3		
Gross premiums written		68,101	43,724
Premiums ceded		(36,189)	(24,741)
Premiums written, net of reinsurance		*31,912*	*18,983*
Change in unearned premiums - gross		(16,477)	(13,141)
Change in unearned premiums ceded		7,633	11,116
Change in unearned premiums ~~–~~ net of reinsurance		*(8,844)*	*(2,025)*
Earned premiums, net of reinsurance	*2*	**23,068**	**16,958**
Gross claims paid		(24,016)	(11,708)
Amounts ceded ~~in reinsurance~~		11,310	4,470
Claims paid, net of reinsurance		*(12,706)*	*(7,238)*
Change in the provision for outstanding claims, gross		(5,411)	(3,717)
Change in the provision for outstanding claims ceded		3,847	2,024
Changes in provision for outstanding claims, net of reinsurance		*(1,564)*	*(1,693)*
Recoveries		*1,026*	*~~-~~0*
Claims incurred, net of reinsurance	*3*	**(13,244)**	**(8,931)**
Commissions and expenses	*4*	(1,901)	(4,288)
Net investment income	*5*	931~~730~~	463~~410~~
Underwriting result		**8,854~~8,653~~**	**4,202~~4,101~~**
Other non underwriting expenses (net)	*6*	(4,728)~~(4,527)~~	(4,700)~~(4,647)~~
Other non underwriting provision		(106)	(101)
Net foreign exchange and t~~T~~ranslation gain		843	2,942
Operating profit before taxation		**4,863**	**2,343**
Income tax (expense)/recovery	*7*	(939)	384
Net p~~P~~rofit for the year		**3,924**	**2,727**

The consolidated financial statements were approved by the Board of Directors and were signed on its behalf by:

Dr. Klaus Juncker
Chairman

Consolidated income statement (continued)

for the year ended 31 December 2001

In thousands of euro	*Notes*	**2001**	**2000 (Unaudited) 2000~~1~~**
Life insurance ~~business~~			
Gross premiums written		171	0~~171~~
Premiums ceded		(4)	0~~(4)~~
Earned ~~Pr~~premiums written, net of reinsurance		**167**	**0~~167~~**
Change in ~~aggregate life~~aggregate reserve		(103)	0~~(103)~~
Other underwriting expenses		(359)	0~~(359)~~
Net investment income		20	0~~20~~
Underwriting result		**(275)**	**0~~(275)~~**
Other non underwriting expenses (net)		(1,085)	0~~(1,085)~~
Net foreign exchange and t~~T~~ranslation gain		177	0~~177~~
Operating loss before taxation		**(1,183)**	**0~~(1,183)~~**
~~Taxation~~Income tax	7	1	0~~1~~
Loss for the year		**(1,182)**	**0~~(1,182)~~**

~~There are no comparative figures for 2000 as the Company started life insurance business in 2001.~~

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Dr. Klaus Juncker
Chairman

Consolidated Balance sheet
As at 31 December 2001

In thousands of euro	*Notes*	**2001**	**2000**
Assets			
Intangible assets		**45**	**18**
Investments			
~~Land and buildings~~ Real estate	*8*	984~~13,475~~	966~~10,460~~
~~Participating interest, held to maturity~~Investments in affiliates	*9*	18	18
Government registered bonds	*10*	2,455	166~~2,105~~
~~Bank~~ Short term deposits	*11*	1,808	2,105~~166~~
Equity securities, available for sale		104	-
		5,369~~17,860~~	**3,255~~12,749~~**
Investments held on account and at risk of life insurance policyholders		**77**	**-~~0~~**
Accounts r~~Accounts R~~receivable			
Accounts receivable on direct insurance business	*12~~0~~*	28,773	14,661
Other ~~accounts receivable~~		1,163	1,310
		29,936	**15,971**
Reinsurers' share of technical provisions	*13, 17*	**27,550**	**15,[illegible]**
Other assets			
Property, ~~plant,~~ equipment ~~Tangible fixed assets~~ and inventories	*15~~3~~*	19,118~~6,627~~	14,441~~4,947~~
Cash with ~~at~~ banks ~~on current accounts and~~ and cash on hand	*14~~2~~*	5,107	5,698
Deferred acquisition cost	*19*	2,866	1,157
Other ~~assets~~		654	130
		27,745~~12,388~~	**21,426~~10,775~~**
Total assets		**90,722**	**55,702**

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Chairman

Consolidated Balance sheet (continued)

As at 31 December 2001

In thousands of euro	*Notes*	**2001**	**2000**
Shareholders' ~~E~~equity			
Issued ~~Subscribed~~ capital	*16~~4~~*	3,425	3,425
~~Accumulated profit~~Retained earnings		6,632	3,890
~~Reserves~~Revaluation reserve~~s~~	*15*	529	529
		10,586	**7,844**
~~Underwriting funds and provisions~~Insurance reserves			
Unearned premiums	*17~~5~~*	39,500	22,939
Claim and claim settlement reserve	*1~~5~~7*	12,818	5,985
~~Aggregate policy reserve~~ Other reserves		103~~26~~	~~-~~0
		52,421	**28,924**
Other liabilities			
Accounts payable on direct insurance and reinsurance business	*1~~6~~8*	14,426	10,603
Deferred reinsurance commission	*19~~1~~8~~7~~*	7,117	3,876
Other liabilities	*20~~17~~*	1,703	1,373
Accruals and deferred income	*22*	4,469	3,082
		27,715	**18,934**
Total liabilities		**77,270**	**46,701**
Total equity and liabilities		**90,722**	**55,702**

The consolidated financial statements were approved by the Board of Directors and were signed on its behalf by:

Dr. Klaus Juncker
Chairman

Consolidated statement~~s~~ of changes in equity

for the year ended 31 December 2001

In thousands of euro	**~~Share~~ Issued capital**	**Retained earnings**	**Revaluation reserve**	**Total**
Balance at 1 January 2000 (unaudited)	3,425	1,163~~734~~	529	5,117~~688~~
Net profit for the year (unaudited)	~~-~~0	2,727	~~-~~0	2,727
Balance at 31 December 2000	**3,425**	**3,890**	**529**	**7,844**
Net profit for the year	0	2,742	0	2,742
Balance at 31 December 2001	**3,425**	**6,632**	**529**	**10,586**

Consolidated statement of cash flows

for the year ended 31 December 2001

In thousands of euro	*Notes*	**2001**
Operating activities		
Net p~~P~~rofit after ~~before~~ tax, aggregated for non life and life insurance		**2,742**
Adjustments for:		
Depreciation and amortisation		964
~~Net interest income~~Unrealised investment income	*5*	(951)
Release of provision		1,531
		4,286~~00~~
~~**Operating profit before changes in operating assets**~~		~~**4,200**~~
Changes in operating assets and liabilities		
Increase in receivables and other assets		(16,019)
Increase in inventories		(169)
Increase in ~~net technical provision~~underwriting funds and provision, net		10,905
Increase in ~~payables and~~ other liabilities		5,~~543~~555
Increase in deferred acquisition cost		1,534
Cash flows from operating activities		**~~6,163~~~~5,994~~6,092**
Investing activities		
~~Purchase~~ Acquisition of real estate~~land and buildings investment~~	*8*	(4~~(3,361~~)
~~Proceeds~~ Acquisition of ~~tangible assets~~property ~~plant~~ and equipment	*15*	(5,614)~~(2,257)~~
~~Purchase~~ Acquisition of equity securities, available for sale		(104)
~~Purchase~~ Acquisition of other assets~~intangible assets~~~~software~~		(57)
Interest and similar income		951
Proceeds from disposal of property and equipment ~~tangible assets~~		~~232~~134
Proceeds from sale of investments in ~~land and buildings~~real estate ~~investments~~		3
Cash flows used by ~~from~~ investing activities~~:~~		**(4,691)~~(4,593762)~~**
Net increase~~/(decrease)~~ in cash balances		**1,401**
Cash and cash equivalents at 1 January 2001~~composed of:~~	*23~~1~~*	7,969
Cash and cash equivalents at 31 December 2001~~, composed of~~	*2~~1~~3*	**9,370**

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1 *Significant accounting policies*

S.C ALLIANZ TIRIAC ASIGURARI S.A. (further referred as “the Company” or “ALLIANZ TIRIAC”) is a company domiciled in Romania. The consolidated financial statements of the Company for the year ended 31 December 2001 comprise the Company and its subsidiary, S.C ASIT Real Estate S.A

The significant accounting policies adopted in the preparation of the consolidated financial statements of ALLIANZ TIRIAC are set out below:

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with ALLIANZ GROUP Accounting Policies. Their main function is to provide ALLIANZ GROUP with the necessary information for the consolidation of ALLIANZ TIRIAC.

The ALLIANZ GROUP Accounting Policies are consistent with the Seventh EC Directive and International Accounting Standards (IAS). All the standards currently in force for the year under review have been adopted in the presentation of the consolidated financial statements. References are made in the notes to the standards relevant for specific transactions.

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Balances and transactions with the subsidiary are eliminated in preparing the consolidated financial statements. The consolidated financial statements have been prepared on basis of consolidation consistent with the one applied for the consolidated financial statements for the year ended December 31, 2000.

(c) Basis of preparation

The consolidated financial statements are presented in euro, rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investments held for trading, investments available-for-sale investment property and other financial instruments.

(d) Standards applicable in hyperinflationary economies and foreign exchange transactions

The Company operates in a highly inflationary economy. The Company's management considers that the measurement currency, as defined by SIC-19 (Standing Interpretations Committee - 19), is the euro, due to the fact that most of the premiums are linked to the euro, the claims paid are denominated in euro and management uses euro-based reports to monitor the Company's financial performance.

In accordance with SIC-19, since the measurement currency of the Company is euro, the consolidated financial statements are prepared in euro and transactions in foreign currencies (all currencies other than euro) are recorded at the exchange rate prevailing at the date of the transaction based on IAS 21.

Until 31 December 2000, the Company applied IAS 29 according to which the financial statements of an enterprise that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the balance sheet date i.e. non monetary items are restated using a general price index from the date of acquisition or contribution. The previous year's figures in the balance sheet, income statement and notes to the financial statements have been restated accordingly to make years comparable.

Application of SIC 19

The accounts of the Company are maintained in accordance with Romanian accounting regulations and requirements, stated in historical ROL, prepared in compliance with Romanian statutory requirements. In order to translate the Romanian statutory accounts into euro in accordance with IAS 21 and SIC-19, the following procedures were followed:

- monetary items (such as cash, accounts receivable and payable) denominated in foreign currencies (i.e. all currencies other than euro) at the balance sheet date are reported in euro using the year end exchange rates (of 27,881 ROL/EUR for 31 December 2001 and 24,118 ROL/EUR for 31 December 2000);
- non monetary items (such as real estate~~property, plant and equipment~~, property and equipment, unearned premium reserve~~,~~ ~~inventory~~and share capital) which are carried in terms of historical cost denominated in a foreign currency are reported using the historical exchange rate from the date of transaction (purchase or contribution);
- revenues and expenses are reported in euro using the average exchange rate ROL/EUR as an estimate for the historical exchange rate from the date of transaction;

- exchange differences arising on the settlement of monetary items or on reporting the enterprise's monetary items at rates different from those at which they were initially recorded during the period; or reported in previous financial statements, are recognized as income or expenses in the period in which they arise.

The above-described method of translation of the statutory accounts stated in historical ROL into euro should not be considered as a representation that the ROL amounts could have been or could be converted into euro at the closing ROL/EUR rate, or any other rate.

(e) Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenue and expenses for the period. Actual results could differ from those estimates.

The areas subject to these uncertainties are as follows:

- gross provisions for unearned premiums
- reinsurers' share of the unearned premiums provision
- accounts receivable from insurance operations
- accounts payable from reinsurance operations
- foreign exchange and translation gains/losses
- premiums ceded
- commission for brokers
- deferred acquisition cost

(f) Non life insurance operations

The technical result for non life is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

Written premiums

Gross premiums written include all amounts due according to insurance contracts during the accounting period, irrespective of whether these amounts relate wholly or partly to subsequent accounting periods.

Unearned premiums

The provision for unearned premiums comprises the amount representing that part of gross premiums written which are estimated to be earned in the following or subsequent financial years. It is calculated as a sum of the provisions calculated for each individual policy.

Acquisition costs

Policy acquisition costs are those expenses incurred in the acquisition of business. Acquisition costs comprise commissions, allocation of other variable policy issue and underwriting expenses which relate directly to the production of the business. In general insurance deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date. The deferred acquisition cost is calculated per each policy. Only the commissions are deferred. Other acquisition costs have been charged as incurred.

Claims

Claims incurred in respect of general business include all claims incurred in the period, whether reported or not.

Provisions for claims outstanding, based on case estimates and statistical methods, are established for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date whether reported or not, together with related internal and external claims settlement expenses. Where applicable, provisions are disclosed net of the prudent estimates for salvage and subrogation recoveries. Anticipated reinsurance and other recoveries are disclosed separately as assets.

Whilst the Board of Directors considers that the gross provision for claims and the related reinsurance recoveries are fairly stated, the ultimate liability may differ as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of the provisions are reflected in the consolidated financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

~~Gross operating expenses~~Non underwriting expenses

~~Gross operating expenses consist of policy acquisition costs and administration costs. Acquisition costs consist of promotion costs, commissions of both the sales force of the Company and the external sales force (agents, dealers, agents working in outside companies,~~

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~~companies), the wages of the sales force excluding commissions and other costs connected to the sales force).~~

~~A~~Non underwriting expenses ~~dministration costs~~ consist of labour costs, depreciation of tangible fixed assets, energy costs and other costs which are not accounted for as a part of acquisition costs.

Reinsurance ceded

Premiums, claims and acquisition cost are recorded net of amounts ceded to, and recoverable from, reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims and adjustment expenses are recorded separately from estimated amounts payable to policyholders.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

(g) Life insurance operations

Premium income

Premiums in respect of life assurance business are accounted for when due from policyholder.

Aggregate policy reserve

The aggregate policy reserve for life insurance products where the full investments risk is carried by the policyholder which is calculated based upon the amounts paid by the policyholder, changes in the market value of the corresponding investments less amounts redeemed for insurance purposes and management expenses.

(h) Investments

Investments in debt and equity securities

Holdings of debt and equity investments have to be classified and subdivided into the following four categories:

- loans issued by group entities (loans and receivables originated by the enterprise);
- held-to-maturity (debt investments which are to be held to their maturity date);

- available-for-sale;
- trading (trading portfolio).

The valuation of these investments depends on the category under which they are classified. Loans issued by group entities, government bonds and debt investments held to maturity are recognized at amortized cost whilst trading and available-for-sale securities are shown at fair value. Other investments available for sale are shown at their fair value at the balance sheet date and represents investments units bought by the Company and not allocated to the policyholders.

Investment property

Land and buildings are valued separately, distinguishing between them by means of an estimate if necessary. Valuation is at cost in each case. In the case of buildings the cost figures are reduced by scheduled depreciation to reflect their economic useful life. In the event of any permanent diminution in value, buildings and land are written down to their recoverable amount.

Purchase cost generally comprises all expenditure incurred in acquiring ownership of the property. This represents primarily the purchase price and all other expenses incurred to acquire and enjoy ownership of the land (incidental acquisition expenses).

Short term deposits

Short term deposits are valued at their face value.

Investments held on account and risk of the life insurance policyholder

Investments are stated at the fair value at the balance sheet. Unrealised holdings gains and losses are matched by a corresponding increase or decrease in the insurance reserve for life insurance business to the extent that the investment risk is carried by the policyholder.

(i) Investment income

Investment income is recognised on an accruals basis. Realised gains and losses represent the difference between the purchase price and the net sales proceeds.

(j) Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation. The carrying amounts of fixed assets are reviewed to determine whether they are in excess of their recoverable amount at balance sheet date. If the carrying amount exceeds the recoverable amount, the fixed assets are written down to the lower amount.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance leases is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is provided on the basis of equal annual instalments to write off the revalued amount of fixed assets over their remaining useful economic lives as follows:

Category	**Years**
Buildings	50
Equipment and furniture	2-15
Computers	1-5
Vehicles	5

(k) Intangible assets

Intangible assets, which are acquired by the Company, are stated at cost less accumulated amortisation.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The intangible assets are amortised from the date the asset is available for uses. The estimated useful life for software is two years.

(l) Employees' benefits

The Company, in the normal course of business, makes payments to the Romanian state on behalf of its employees for pensions, health care and unemployment care. All employees of the Company are members of the Romanian state pension plan. The Company does not operate any pension scheme or post retirement benefit plan.

(m) Accounts receivable

Accounts receivable are stated at face value, less a provision for doubtful collection if deemed necessary.

(n) Cash at bank on current accounts and cash on hand

Cash at bank on current accounts and cash on hand include all debit balances on current accounts at banks and the cash on hand.

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2 *Earned premiums, net of reinsurance*

In thousands of euro	2001	2000 (Unaudited)
Accident and health	1,256	1,265
Motor vehicles	11,045	8,095
Property	3,564	3,065
Marine	336	732
Third party liability	5,262	2,988
Others	1,605	813
Total	**23,068**	**16,958**

Earned premiums as at 31 December 2001 can be analysed as follows:

In thousands of euro	Gross premiums written	Premiums ceded	Change in unearned premiums, gross	Change in unearned premiums ceded	Earned premiums, net of reinsurance
Accident and health	2,189	(993)	(298)	358	1,256
Motor vehicles	37,333	(18,971)	(14,433)	7,116	11,045
Property	9,948	(5,928)	(591)	135	3,564
Marine	2,347	(2,031)	(129)	149	336
Third party liability	11,988	(5,938)	(1,344)	556	5,262
Others	4,296	(2,328)	318	(681)	1,605
Total	**68,101**	**(36,189)**	**(16,477)**	**7,633**	**23,068**

Earned premiums as at 31 December 2000 can be analysed as follows:

In thousands of euro	**Gross premiums written**	**Premiums Ceded**	**Change in unearned premiums, gross**	**Change in unearned premiums ceded**	**Earned premiums, net of Reinsurance**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	**Unaudited**
Accident and health	1,937	(581)	(84)	(7)	1,265
Motor vehicles	20,849	(11,075)	(9,572)	7,893	8,095
Property	7,922	(4,749)	(910)	802	3,065
Marine	2,285	(1,532)	(22)	1	732
Third party liability	6,615	(3,096)	(938)	407	2,988
Others	4,116	(3,708)	(1,615)	2,020	813
Total	**43,724**	**(24,741)**	**(13,141)**	**11,116**	**16,958**

3 *Claims incurred, net of reinsurance*

In thousands of euro	**2001**	**2000 (Unaudited)**
Accident and health	(305)	(404)
Motor vehicles	(8,593)	(5,236)
Property	(1,510)	(753)
Marine	(476)	2
Third party liability	(2,579)	(2,326)
Others	219	(214)
Total	**(13,244)**	**(8,931)**

Net incurred claims as at 31 December 2001 can be analysed as follows:

In thousands of euro	**Gross claims paid**	**Amounts ceded**	**Change in the provision for outstanding claims**	**Change in provision for outstanding claims ceded**	**Recoveries**	**Claims incurred, net of reinsurance**
Accident and health	(429)	184	(192)	132	-	(305)
Motor vehicles	(15,199)	7,382	(2,439)	1,663	-	(8,593)
Property	(1,871)	1,059	(837)	139	-	(1,510)
Marine	(100)	43	(384)	(35)	-	(476)
Third party liability	(3,992)	1,820	(2,285)	1,358	520	(2,579)
Others	(2,425)	822	726	590	506	219~~20~~
Total	**(24,016)**	**11,310**	**(5,411)**	**3,847**	**1,026**	**(13,244)**

Net incurred claims as at 31 December 2000 can be analysed as follows:

In thousands of euro	**Gross claims paid**	**Amounts Ceded**	**Change in the provision for outstanding claims**	**Change in provision for outstanding claims ceded**	**Recoveries**	**Claims incurred, net of reinsurance**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**		
Accident and health	(571)	188	25	(46)	-	(404)
Motor vehicles	(6,663)	2,283	(2,311)	1,455	-	(5,236~~6~~)
Property	(1,475)	764	(94)	52	-	(753)
Marine	(170)	149	133	(110)	-	2
Third party liability	(2,458)	525	(925)	532	-	(2,326)
Others	(371)	561	(545)	141	-	(214)
Total	**(11,708)**	**4,470**	**(3,717)**	**2,024**	**-**	**(8,931)**

4 *Commissions and expenses*

In thousands of euro	**2001**	**2000 (unaudited)**
Brokers commissions	(5,2~~7,9~~03)	(2,~~964~~783)
Other acquisition costs	(2,700)	(181)
Change in deferred acquisition costs (net)	(1,625)	(2,856)
Administrative expenses	(4,348)	(5,548)
Reinsurance commissions	11,975	7,080
Total	**(1,901)**	**(4,288)**

5 *Net investment income*

In thousands of euro	**2001**	**2000 (unaudited)**
Income from investments in Government bonds and bank deposits	620	436
Income from investments in land and buildings	279	27
Other	52	-
Total income	**951**	**463**
Depreciation buildings	(20)	-
Net	**931**	**463**

6 *Other non underwriting expenses (net)*

In thousands of euro	**2001**	**2000 (unaudited)**
Other operating income	256	223
Gain from disposal of property and equipment	134	36
	390	**259**
Expenses for services agreements	(999)	(824)
Other taxes	(1,024)	(1,046)
Software amortisation	(30)	(5)
Depreciation of property and equipment	(914)	(505)
Other operating expenses	(2,120)	(2,560)
Loss from disposal of property and equipment	(31)	(19)
	(5,118)	**(4,959)**
Total	**(4,728)**	**(4,700)**

The number of employees at 31 December 2001 was 1,060 (2000: 813).

7 *Taxation*

In thousands of euro	**2001**	**2000 (unaudited)**
Current taxation	0	(272)
Deferred tax - non life (see note 21)	(939)	656
Deferred tax - life	1	0
Total	**(938)**	**384**

In thousands of euro	**2001**
Profit before tax, aggregated for non life and life insurance	**3,680**
Taxation at statutory rate of 25%	**(920)**
Tax effect of non taxable income	324
Tax effect of non deductible items	(153)
Loss carried forward	41
Other permanent differences	(230)
Taxation in the income statement	**(938)**

8 *Real estate*

In thousands of euro	**Offices**
Cost	
Balance at 1 January 2001	972~~9,559~~
Additions	4~~1,137~~
Transfers	34~~982~~
Balance at 31 December 2001	**1,010~~11,675~~**
Depreciation	
Balance at 1 January 2001	6~~94~~
Charge for the year	20~~200~~
Balance at 31 December 2001	**26~~294~~**
Carrying amount	
At 1 January 2001	966~~9,465~~
At 31 December 2001	984~~11,381~~

9 ~~The real estate includes revaluation differences in amount of 529 thousands euro, as a result of t~~Investment in affiliate

The investments in amount of 18,000 Euro represent of shares held in "ŢIRIAC Aviation" representing 5.3% of the company's share capital. "ŢIRIAC Aviation" provides services for aviation, fuel handling and air transport.

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10 Government registered bonds

In thousands of euro	**31 December 2001**
In euro	0
In ROL	0
In foreign currencies	2,455
Total	**2,455**

Treasury bills denominated in other foreign currencies have a discount rate ranging between 6.75% and 7.5% as at 31 December 2001.

The maturity of treasury bills is as follows:

In thousands of euro	**31 December 2001**
Up to 3 months	567
3 months to 1 year	1,888
Total	**2,455**

Comparative information for 31 December 2000 was not available.

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11 *Short term deposits*

In thousands of euro	**31 December 2001**
In euro	550
In ROL	333
In foreign currencies	925
Total	**1,808**

The short-term deposits in euro bear market interest rates of 3.27% per annum.

The short-term deposits in ROL bear market interest rates varying between 28% and 36% per annum.

The short-term deposits in other foreign currencies bear market interest rates of 1.65% per annum.

Comparative information for 31 December 2000 was not available.

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~~10~~12 *Accounts receivable on direct insurance business*

In thousands of euro	**31 December 2001**	**31 December 2000**
Accounts receivable on direct insurance business	30,433	14,790
Less provision for doubtful receivables	(1,660)	(129)
Total	**28,773**	**14,661**

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~~11~~13 *Reinsurers' share of technical provisions*

In thousands of euro	**31 December 2001**	**31 December 2000**
Reinsurers' share of the unearned premiums provisions	20,462	12,829
Reinsurers' share of the outstanding claims	6,057	2,203
Provision for recoveries, salvage and subrogation	1,031	-
Total	**27,550**	**15,032**

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~~12~~14 *Cash with banks and cash on hand*

In thousands of euro	**31 December 2001**			**31 December 2000**		
	In ROL	**In foreign currencies**	**Total**	**In ROL**	**In foreign currencies**	**Total**
Cash in hand	676	18	**694**	560	15	575
Cash with banks	2,865	1,468	**4,333**	2,206	2,795	5,001
Cash in transit	80	-	**80**	122	-	122
Total	**3,621**	**1,486**	**5,107**	**2,888**	**2,810**	**5,698**

Accounts with banks amounting to 686 thousand euro are pledged as collateral deposits. The accounts with banks are net of a provision of 106 thousand euro representing money deposited with BTR (31 December 2000: 101 thousand euro).

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~~13~~15 *Property, equipment and inventories*

In thousands of euro	**31 December 2001**	**31 December 2000**
Property and equipment	18,820~~6,329~~	14,312~~4,818~~
Inventories	298	129
Total	**19,118~~6,627~~**	**14,441~~4,947~~**

Property and equipment can be further analysed as follows:

In thousands of euro	**Land and buildings ~~for own use~~**	**Buildings under constructions**	**Furniture, EDP, and office equipment**	**Motor vehicles**	**Total**
Cost					
Balance at 1 January 2001	12,700~~3,489~~	371	1,863	1,178	16,112~~6,530~~
Additions	2,562~~523~~	1,318	1,145	589	5,614~~2,257~~
Disposals	(41)~~(38)~~	0	(134)	(60)	(235)~~(232)~~
Trransfer to other assets			(11)	0	(11)
Transfers	1,070~~122~~	(1,104)	~~(11)~~	0	(34)~~111~~
Balance at 31 December 2001	**16,291~~4,096~~**	**585**	**2,863**	**1,707**	**21,446~~8,666~~**
Depreciation					
Balance at 1 January 2001	244~~156~~	0	928	628	**1,800~~1,712~~**
Charge for the year	270~~69~~	0	414	230	**914~~713~~**
Disposals	(4)~~(4)~~	0	(33)	(51)	**(88)**
Balance at 31 December 2001	**510~~221~~**	**0**	**1,309**	**807**	**2,626~~2,337~~**
Carrying amount					
At 1 January 2001	12,456~~3,333~~	371	935	550	14,312~~4,818~~
At 31 December 2001	15,781~~3,875~~	585	1,554	900	18,820~~6,329~~

A market valuation was performed on the land and buildings during 1998. As a result of the valuation, the Company increased the value of land and buildings by 529 thousands Euro.

At 31 December 2001 and 2000, leased assets included in the table on the previous page, where the Group is a lessee under a finance lease, comprise vehicles:

In thousands of euro	31 December 2001	31 December 2000
Cost – capitalised finance leases	507	394
Accumulated depreciation	(194)	(99)
Net book value	**313**	**295**

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~~14~~16 *Issued capital*

The issued capital of the Company is represented by 40,000 shares (2000: 40,000) of 1,864,300 ROL each (1999: 925,000). The main shareholders are:

In thousands of euro	31 December 2001	%	31 December 2000	%
ALLIANZ AKTIENGESELLSCHAFT	1,747	51	1,747	51
BANCA COMERCIALA "ION ŢIRIAC"	-	-	685	20
VESANIO TRADING LIMITED	1,489	43.49	608	17.75
Other shareholders (with less than 5% each)	189	5.51	385	11.25
Total	**3,425**	**100**	**3,425**	**100**

~~15~~17 *Insurance reserves*

As at 31 December 2001

In thousands of euro	**Accident and health**	**Motor vehicles**	**Property**	**Marine**	**Third party liabilities**	**Others**	**Total**
Unearned premium reserve	834	28,875	4,633	263	2,537	2,358	39,500
Less reinsurance ceded (see note 13)	(409)	(15,009)	(2,502)	(195)	(1,006)	(1,341)	(20,462)
Unearned premium reserve, net of reinsurance	***425***	***13,866***	***2,131***	***68***	***1,531***	***1,017***	***19,038***
Claim reserve and claim settlement reserve	340	5,808	1,359	470	4,424	417	12,818
Less reinsurance ceded (see note 13)	(173)~~573)~~	(2,866)	(305)	(30)	(1,970)	(713~~313~~)	(6,057)
Less recoveries reserve (see note 13)					(516)	(515)	(1,031)
Net claims	***~~(~~167~~233~~***	***2,942***	***1,054***	***440***	***1,938***	***(811~~411~~)***	***5,730***

As at 31 December 2000

In thousands of euro	**Accident health**	**Motor vehicles**	**Property**	**Marine**	**Third party liabilities**	**Others**	**Total**
Unearned premium reserve	536	14,441	4,043	134	1,193	2,592	22,939
Less reinsurance ceded (see note 13)	(51)	(7,893)	(2,367)	(46)	(450)	(2,022)	(12,829)
Unearned premium reserve, net of reinsurance	***485***	***6,548***	***1,676***	***88***	***743***	***570***	***10,110***
Claim reserve and claim settlement reserve	148~~1~~	3,276~~2,948~~	422~~349~~	86~~200~~	1,459~~1,764~~	594~~583~~	5,985
Less reinsurance ceded (see note 13)	(41)~~50~~	(1,203)	(166)	(65~~(155~~)	(612)	(116)	(2,203)
Net claims	***107~~191~~***	***2,073~~1,745~~***	***256~~183~~***	***21~~45~~***	***847~~1,152~~***	***478~~467~~***	***3,782***

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~~16~~18 *Accounts payables related to insurance and reinsurance business*

In thousands of euro	31 December 2001	31 December 2000
Non life		
Amounts payables to reinsurers	11,688	9,165
Amounts payables to agents	2,700	1,438
	14,388	**10,603**
Life		
Amounts payables to reinsurers	2	0
Amounts payables to agents	36	0
	38	**0**
Total	**14,426**	**10,603**

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~~17~~19 *Deferred acquisition cost and reinsurance commissions*

The deferred acquisition costs and reinsurance commissions can be analysed as follows:

In thousands of euro	31 December 2001	31 December 2000
Deferred acquisition costs, non life		
Balance as at 1 January	1,157	627
Movement during the year	1,616	530
Balance as ~~at 31~~at 31 December	**2,773**	**1,157**
Deferred acquisition cost - life	**93**	**0**
Total	**2,866**	**1,157**
Deferred reinsurance commission		
Balance as at 1 January	3,876	490
Movement during the year	3,241	3,386
Balance as at 31 December	**7,117**	**3,876**

~~Notes to the consolidated financial statements~~

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~~18~~20 *Other liabilities*

In thousands of euro	31 December 2001	31 December 2000
Non life		
Other liabilities related to taxation	620	876
Liabilities under service agreement	326	176
Deferred tax liabilities (see note 21)	283	0
Other	385	321
	1,614	**1,373**
Life	**89**	**0**
Total	**1,703**	**1,373**

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~~19~~21 *Deferred tax liabilities*

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25% (2000: 25%).

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

In thousands of euro

Deferred tax liabilities	**Receivables**	**Property and equipment**	**DAC**	**Other liabilities**	**Total**
At 1 January 2001	**(6,838)**	**(132)**	**0**	**0**	**(6,970)**
Charged/(credited) to the income statement	(4,519)	0	0	0	(4,519)
At 31 December 2001	**(11,357)**	**(132)**	**0**	**0**	**(11,489)**
Deferred tax assets	**-**	**-**			
At 1 January 2001	**0**	**0**	**680**	**6,946**	**7,626**
Charged/(credited) to the income statement	0	0	281	3,299	3,580
At 31 December 2001	**0**	**0**	**961**	**10,245**	**11,206**
Net liability					**(283)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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~~20~~22 *Accruals and deferred income*

The amounts recorded as at 31 December 2001 and 2000 of 4,469 thousand Euro and 3,082 thousand Euro relate to the cash received for the insurance coverage to be earned in future periods.

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~~21~~23 *Cash and cash equivalents*

In thousands of euro	**31 December 2001**	**31 December 2000**
Bank deposits	1,808	2,105
Government registered bonds	2,455	166
Cash at bank and bank accounts	5,107	5,698
Total	**9,370**	**7,969**

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~~22~~24 *Related parties*

The Company provides services to related parties companies on normal commercial terms and receives services from those companies on similar terms. At year-end the aggregate amounts outstanding under transactions, arrangements and agreements entered into by the Company with directors and officers and persons connected with directors were:

Premiums written

In thousands of euro	**2001**
S.C Banca Comercială Ion Ţiriac SA	115
S.C Autorom SRL	198
S.C Romcar SRL	89
S.C Ţiriac Leasing SA	154
S.C Ion Ţiriac Air SA	29
Mr. Ion Ţiriac	13
Total	**598**

Claim incurred

In thousands of euro	**2001**
S.C Banca Comercială Ion Ţiriac SA	16
S,C Autorom SRL	13
S.C Romcar SRL	22
S.C Ţiriac Leasing SA	8
S.C Ion Ţiriac Air SA	2
Total	**61**

Premiums ceded

In thousands of euro	**2001**
Allianz AG Munchen life	4
Allianz AG Munchen non life	7,387
Total	**7,391**

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~~23~~25 *Contingencies*

Legal proceedings

The Company is subject to a number of proceedings arising from the normal conduct of its business. The Directors believe that the ultimate resolution of these matters will not have a material adverse effect on the results of operations.

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~~24~~26 *Risk Management*

(a) Insurance risk

In writing premium, the Company incurs insurance risk, i.e. the risk that the Company will incur a claim in respect of the business written. Concentration of insurance risk could result in a material loss for the Company if an event or series of events were to affect a whole policy type or the Country of Romania. The Company minimises its insurance risk by careful assessment of customers, established exposure limits, extensive reinsurance programs and the application of a prudent provisioning policy in respect of claims insurance, both reported and not reported.

(b) Market risk

Romanian economy is at early stage of development and there is a considerable degree of uncertainty surrounding the likely future direction of domestic economic policy and political development. Management is unable to predict what changes in condition will take place in Romania and what effect these might have on the financial position and the results of operations and cash flows of the Company

(c) Liquidity risk

The Company's policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they fall due.

(d) Interest rate risk

The Company has a significant amount of assets that yield an interest income. The Company matches the future receipts from these assets with its insurance liabilities

(e) Credit risk

Credit risk represents the accounting loss that would be recognized if counterparties failed to perform as contracted. To control exposure to credit risk, the Company performs ongoing credit evaluations of the financial condition of these counterparties.

The Company is exposed to credit risk from financial instruments with respect to the possible default of counterparties. Nevertheless management does not expect any significant loss to arise, other than those provided for in the financial statements.

(f) Foreign exchange risk

The Group is exposed to currency risk through transactions in foreign currencies. As the currency in which the group presents its consolidated financial statements is the euro, the Group financial statements are affected by movements in the exchange rates between these currencies and the euro. In order to avoid losses arising from adverse movements in exchange rates, the Company is currently pursuing the policy of diversifying its portfolio of currencies.

(g) Taxation risk

The taxation system in Romania is subject to varying interpretations and to constant changes, which may be retroactive. In certain circumstances the tax authorities can be aggressive and arbitrary in assessing tax penalties and interest. Although the actual tax due on a transaction may be minimal, penalties can be significant as they may be calculated based on the value of the transaction and can be as high as 0.15% per day. In Romania, tax periods remain open to tax audits for a period of 5 years from the end of the period.