

EGMS
13/14 Jan. 2016
pct 3



Performanță
Transparență
Calitate

Performance
Transparency
Quality

Approval of the activity report of the board of directors regarding the status of the implementation of 2014-2018 multiannual strategy and investments made (2014-2018 Investment Policies Statement, approved through GOSM no. 8/15.04.2014; Activity Programme 2015, approved by GOSM no. 7.02.04.2015);

Consultation regarding the benchmarks of 2016 Activity Programme and the mandate of the Board of Directors to draft the 2016 Activity Programme.

Bacău, str.Pictor Aman, nr. 94C, jud. Bacău, cod poștal 600164,
tel. 0234 576 740, fax: 0234 570 062
e-mail: sifm@sifm.ro, actionariat@sifm.ro
website.: www.sifm.ro

1. Status of the implementation of multiannual strategy – 2014-2018 Investment Policy Statement, approved by OGMS Decision no. 8/15.04.2014, 2015 Activity Programme approved by OGMS Decision no.7/02.04.2015.
Perspectives regarding the achievement degree of 2015 Investment Programme .

1.1. Our Goals

2015 Activity Programme (approved by shareholders in OGMS /02.04.2015) has been based on a strategy of mixed resource assignment towards the share market and the simultaneous implementation of some “private equity” investment projects to insure the sustainability of SIF Moldova’s activity and the satisfaction of shareholders’ interests, both on the short and long term.

In year 2015 we have continued the reconfiguration of assets portfolio with the objective on increase the average and long time potential, according to the specifications of each portfolio and the evolution of macroeconomic environment:

- **“CORE” Portfolio**– offers increase potential as the capital market evolves and liquidity of SIF Moldova assets, representing the generating pillar of new investment sources.
- **“Majority Holdings” Portfolio** - with a “private equity”-type approach that involves the development of some existent majority holdings (real estate, agriculture) and new investments through specialized entities in the sectors where factors considered to be generators of sustainable increase (*population consumption*) cumulatively meet, as shown by the consumption indicators forecast and the increase of “disposable” incomes, *development/ rethinking of agriculture* especially value-added agriculture, niche agriculture, in which Romania can strengthen its competitive advantage.
- **“SELL” Portfolio**– continuation of the restructuring / sale of “historic” share portfolio.

The idea behind the “Majority Holdings” Portfolio is to enter the investment policy within the prudential limitations defined by specific regulations and insure the transparency in the communication with shareholders, as envisioned in the Corporate Governance Code. The operational framework of companies in this portfolio is conceived through gradual capital increase, by shareholder’s contributions and credit. As investment projects are implemented and developed, it is estimated that there will be a need to draw available financing resources through listings on the capital market.

Investment projects selection criteria

- a IRR that is sustainable through operation and/or valorification, improved by accessing bank credits ;
- a competent management to develop the company that develops the purchased company;

- project-related risks and activity sector ;

The reality we live in, after the financial crisis, a reality characterized by interests reaching historic minimal values, the risk of managing a monetary mass dramatically increased through liquidities injunctions of FED and ECB, sudden and unsustainable rise of some assets classes (bonds, shares on some markets) requires a rethinking of investment grounds.

In this context, SIF Moldova considers that the exposure on direct investments in the real investments though private equity type investments in fields in which Romania has experience and proven expertise, supported by request and included in Romania's National Development Strategy represents the right answer to the need to generate higher yield for the shareholders, given the continuous yield decrease from monetary markets or the increase of this market's volatility.

According to the *2014-2018 Investment Policy Statement* and *2014 and 2015 Activity Programme* (materials approved by GMS 2014 and 2015) SIF Moldova has an investment strategy of developing the "Majority Holdings" Portofolio, characterized by:

- a) Project implementation in various activity sectors and business development through specialized companies (companies setup by SIF from within the group) and/or on companies from SIF Moldova's historic portfolio.
- b) investments represent a "Private equity" type approaches that involve the development of existent majority holdings (real estate, agricultural machines), as well as new investments through specialized entities; investment decisions with a high degree of maturity/ impact on expected profits on average and long term.

The management policy for the companies in the portfolio, targets the permanent monitoring of the portfolio companies' activities, the main objectives monitored being:

- Evaluation of the companies' real potential;
- Estimation of the investment needs for activity development;
- Improvement of economic-financial results;
- Promotion of an effective management;
- Ascertainings the ways to capitaliza on participations;
- Implementation of adequate corporate governance rules.

1.2. What we have achieved

According to the multiannual strategy and the annual investment programme (2014, 2015) SIF s-a inregistrat ca *grup* (ASF Decision no. 352/02.03.2015; the documentation for compoence update has been delivered; at present, SIF is the mother company of SIF Moldova group, comprised of 11 branches, of which 3 are indirect SIF holdings, being setup by the branches where SIF is a majority shareholder. -

SIF Moldova has analysed and implemented investments (some of which are in the project phase), which :

- a) *Are according to the directions and principles presented in 2015 Activity Programme approved by the shareholders (OGM of 02.04.2015).*
- b) *Were presented to the shareholders through current and periodical reports (distinct section of SIF Moldova Group) and through the notification in the General Balance Meetings on 15.04.2014 and 02.04.2015)*
- c) *the following are subjected to the internal control mission of the Conformity Departments (Internal Control, Internal Audit, Risk Management) for the 2014-2015 period:*

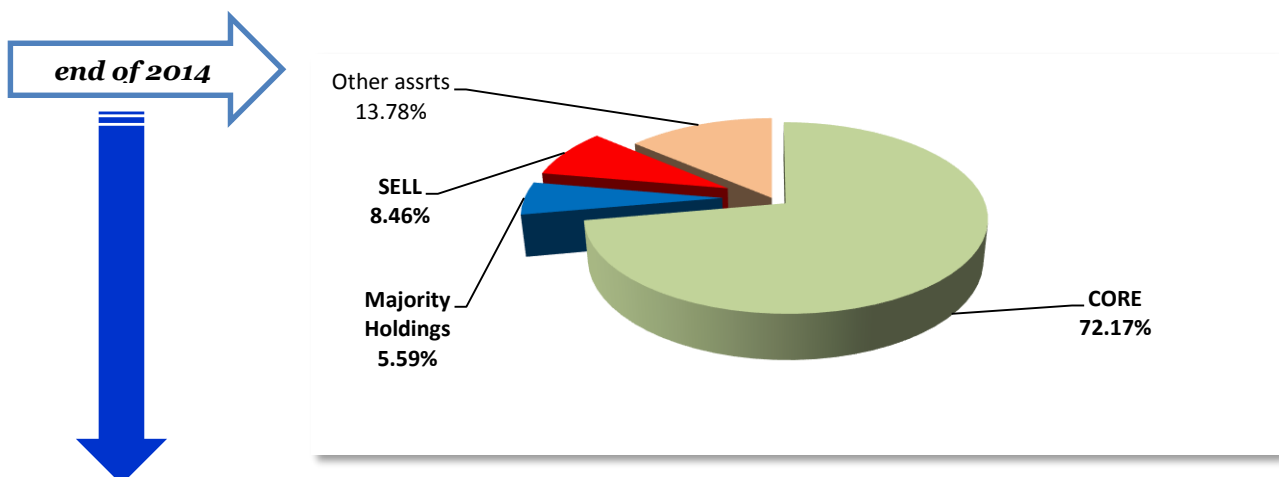
1. Investments made in branches

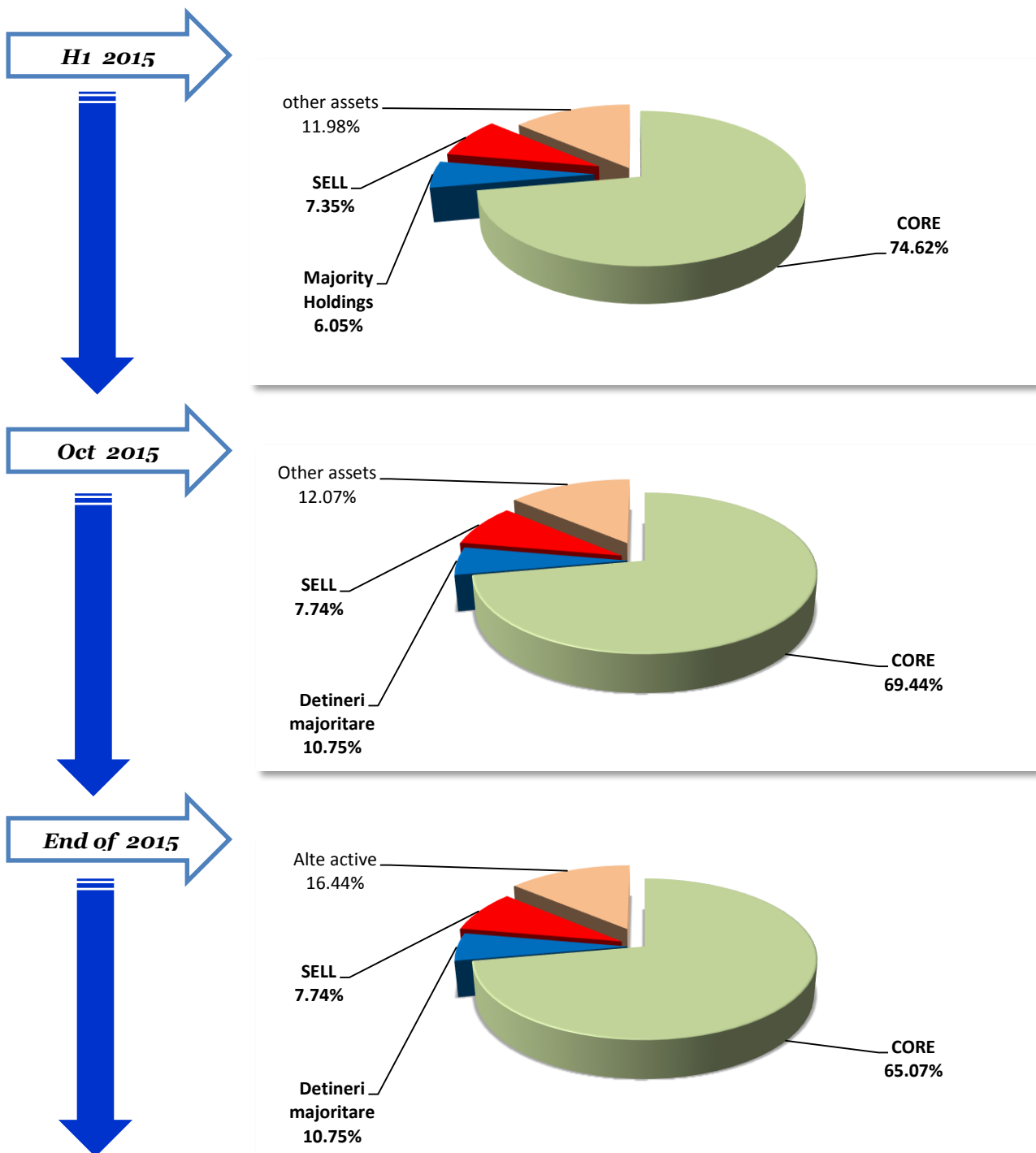
- The control reports have covered the activity carried out between 2013-2015 (30.09)
- The control reports have covered the activity carried out between 2013-2015 (30.09)
- The reports and their conclusions (approved by the Board of Directors) have been presented to ASF and financial auditor, Deloitte Audit

2. Monitoring the investment closing legal and prudential limits and operational risks management method

- Control reports targeted all issuers closet o the holding limits (01.01-30.09.2015)
- Conclusions :
 - there is no exceeding of legal limits, on teh status reporting days.
 - for the cases when the holding limits are passively exceeded, a case that is not legally regulated, we have set up mechanisms and adopted internal management measures (for example:/TLV shareholding)
- Regarding SIF holdings: 1. no exceeding of legal limits were identified; 2. the holdings are managed from the perspective of abiding by the 5% legal limit and incidental provisions regarding concentrated holdings (Art. 2861 of Law no297/2004, CNVM Regulation no.6/2012)
- The report and their conclusions (approvaed by the Board of Directors) have been forwarded to ASF and financial auditor, Deloitte Audit

Evolution of defined portfolios (% in of total assets value)





According to 2015 Activity Plan (approved in GSM/ 02.04.2015), the equivalent of euro 20-25 mil will be assigned for the investments in the "Majority Holdings" portfolio namely max 67% with the possibility of recalibration depending of the opportunities offered by the market. The total amount of the above-mentioned investments will not exceed 10% of the total assets managed.

The weight modification for both the "CORE" and "Majority Holdings" Portfolios, has been made based on the re-assignment of liquitiites generated by the assets portfolios and the evolution registered by the BVB listed titles quotations.

This process exactly describes the strategy, that is to assign assets from classes with a low yield (cash or historic investments – minority, difficult to monitor, many in companies in various stages of insolvency/ reorganization/bankruptcy) to “CORE” classes (which allow dividend stability and predictability, transparency and liquidity) and “Majority Holdings” (which insure high yield under controlled and assumed risk conditions).

2.1. Decision-making process

Through the manner of responsibilities assignment within the Board of Directors and on the level of the executive management, we have tried the valorization of the expertise of the managers/ directors in fields such as share market, banking system, business, conformity, etc.

On the level of the executive management, in 2015 the Management Committee has been set up again in 2015 with the assignment of responsibilities on the operational level: PDG – general coordination of the activity and direct coordination of the support/ conformity departments, VPDGA – coordination of the Investments Management Department – “CORE”, “SELL” portfolios and Brokerage activity, MC Manager – Coordination of “Majority Holdings” Portfolio. (Annex 1: *analysis– authorization– approval– implementation flux*)

The dual management principles were included in the unitary management structure through the control of the executive management, including, through the increase of role of Consultations Committees of the Board of Directors on assigned fields, namely: investment policies and strategies- The Investment Strategies Policy Committee, policies that aim to improve the structure of the organization, human resources, remuneration – Nomination Committee, policies regarding financial reporting, internal/external audit and risk management – Audit Committee.

The monitoring of the investments closing legal and prudential limits and operational risks management methods – investments in branches and methods of decision-making have been the object of some certifications / verifications/ internal verification made by conformity departments (Internal Control, Internal Audit, Risk Management) both in real time, during the investment process, and afterwards, and the conclusions were that all legal and incidental internal regulations were abided by. Conclusions of the reports: TLV share holdings were targeted – regarding the abidance by the 10% legal holding limit, a limit that can be increased up to max. 40% of total SIF Moldova assets and shares with SIFs – regarding the abidance by the legal holding limit of 5% of share capital.

Analysis of the meeting of conformity obligations for the investments made by SIF Moldova in braches – Approved branch investment decisions have been implemented within the limits and conditions approved by the competent decision bodies (Board of Directors, GMS, specialized companies); through instruments implemented by SIF Moldova the obligations imposed through the Articles of Incorporation, Management Contracts, mandate contracts in GMSs, reports set on the level of the SIF Moldova Group are periodically monitored. (Annex 2 – *Currrent BVB/ASF Reports*)

Independent evaluations - In order to insure the quality of the management of assets under the application of some risk management policies, evaluation activities have been conducted for areas such as:

1. Internal audit and risk management (Deloitte Audit Report- 2014, 2015)- the auditor's recommendations have been implemented.
2. IT Risk Evaluation (Deloitte Audit Report - 2015)- the auditor's recommendations are / (being) implemented

Institutional certification

1. Quality Management System (ISO 9001 – URS / annual certification)
2. IT Security Management System (ISO 270001 – URS / annual certification)

2. 2016 Activity Programme perspectives/ Projections

Given the macroeconomic, geopolitical factors and recent evolutions of international markets, which have a powerful effect on the volatility of capital markets in Romania, 2016 Activity Programme aims to continue with the strategies adopted in 2015.

The key elements of the activity programme are :

- **Investment policy** aims to increase the value of the managed assets on the long term, constantly generate yield from transactions and dividends through the continuous optimization of assets.
- **Dividend policy**
 - Within the context of capital market volatility, SIF Moldova aims to find an optimum balance between the need to insure the resources to support investment programs in order to increase VUAN and the expectations of shareholders on the short term, that is dividend distribution.
 - The dividend policy retains the coordinates of the 2014-2018 Investment Policies Statement approved in the GMS on 15.05.2014.

2.1. Assets structure and investment policy

In 2016, the managers' strategy targets the management of resources/ assets for the purpose of obtaining average and long term income, managed through specialized structures.

Investment opportunities are selected depending on the long-term increase potential of assets value and implicitly of the activity sector, in parallel with the implementation of a strict control of potential risks.

The process of optimisation of the management structure is a constant concern of the Board of Administrations regarding the implementation and abidance by the principles in the Corporate Governance Code of SIF Moldova. This includes details regarding the management structures and specific responsibilities, focused on approaches such as the

qualitative selection of assets portfolios and their specialized management. Investment activity is carried out abiding by the prudential and legal exposure limitations, in agreement with macro-economic tendencies.

In 2016, investments in the “Majority Holdings” Portfolio will focus on the real-estate sector given the average and long-term increase potential of this sector. The residential development of some key real estate properties in SIF Moldova will be the main focus. Part of the investment process will be represented by the development of already implemented projects (investments for upgrading /extension etc.)

The strategic objective of the exposure of SIF Moldova on listed shares will be further insured through the orientation of the companies in the Majority Holdings Portfolio toward the capital market, through ATS listings, for the purpose of drawing development resources, by co-opting new investors.

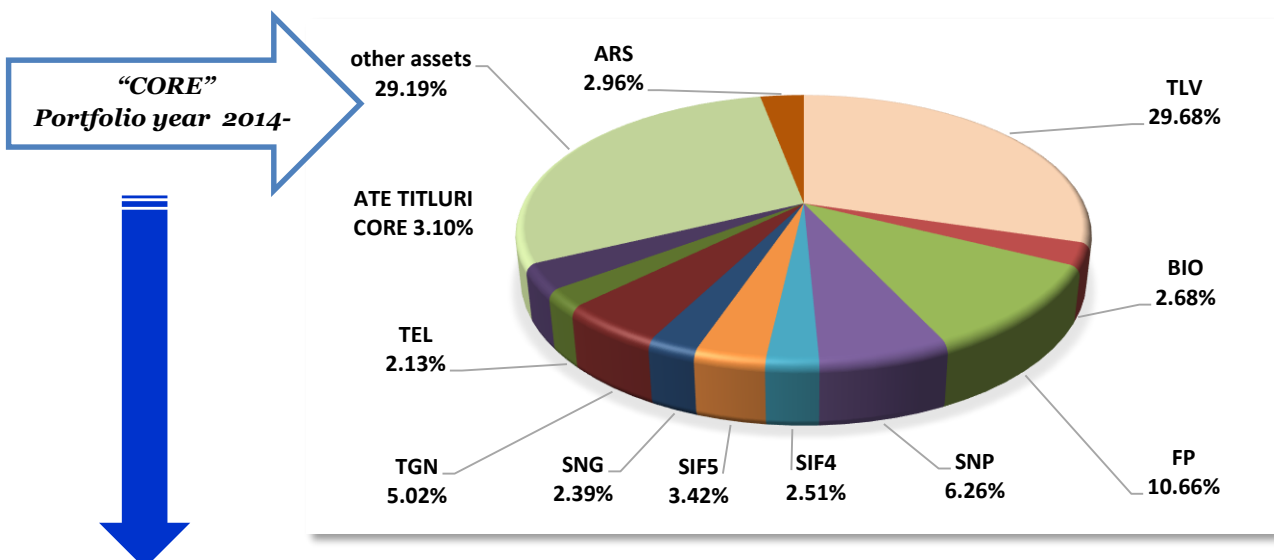
The exposure on the energy and utilities sectors will be maintained, as these are able to provide constant and predictable liquidities.

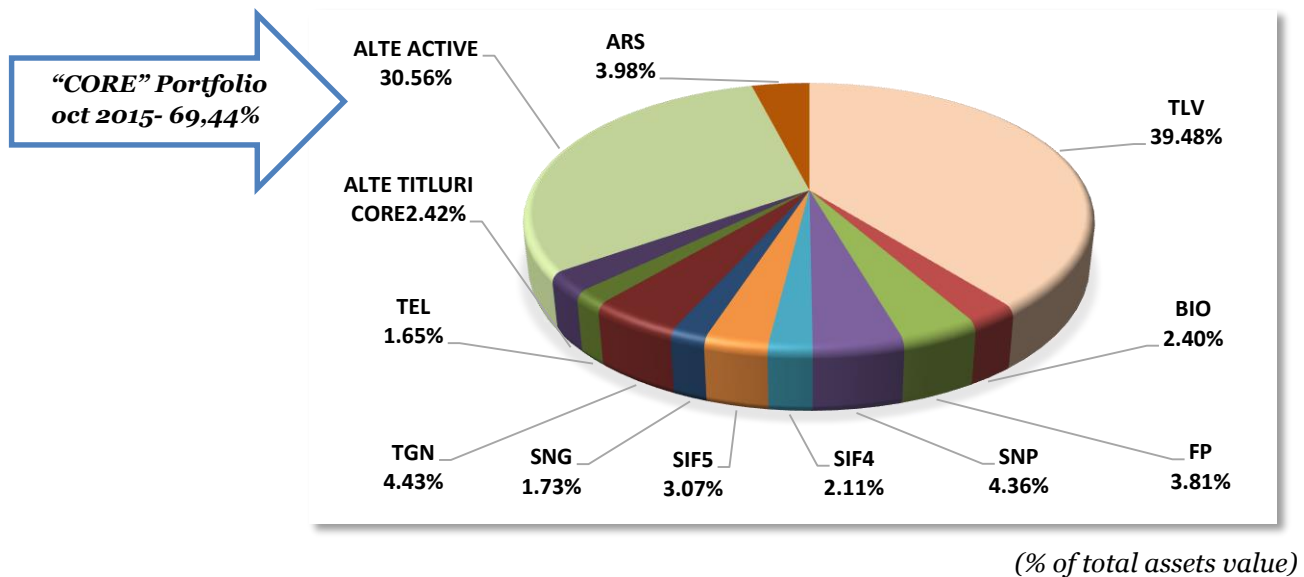
The financial-banking sector, which in 2015 has shows a real stabilization through the resuming of crediting, remains a focus of SIF Moldova, who has already assigned important resources to a solid bank, constantly developing after the absorption of another local player.

2.2. “CORE” Portfolio

Core Portfolio (defined based on the liquidity and performance of assets on the average on long term) insures the remuneration of the insted capital through dividends and uses the increase potential of the capital market.

The strategic exposure on the two key sectors, energy and financial with the possible adjustments/issuer, total or partial, are possible depending on the results of some performance optimisation techniques and yield/ risk analysis.





The operations carried out between 1.01.2015 - 30.10.2015, have resulted in the *exposure increase on issuer Banca Transilvania* to 39,48%:30.10.2015 (29,68%:31.12.2014) in total SIF Moldova assets, according to 2015 Activity Programme.

The later evolution of Banca Transilvania (TLV) share has confirmed the estimates / expectations of SIF Moldova, the issuer significantly contributing to the performance of the portfolio. For the purpose of abiding by the legal and prudential limits, SIF Moldova has implemented an internal mechanism for the management of the exposure subjected to quotation title fluctuation.

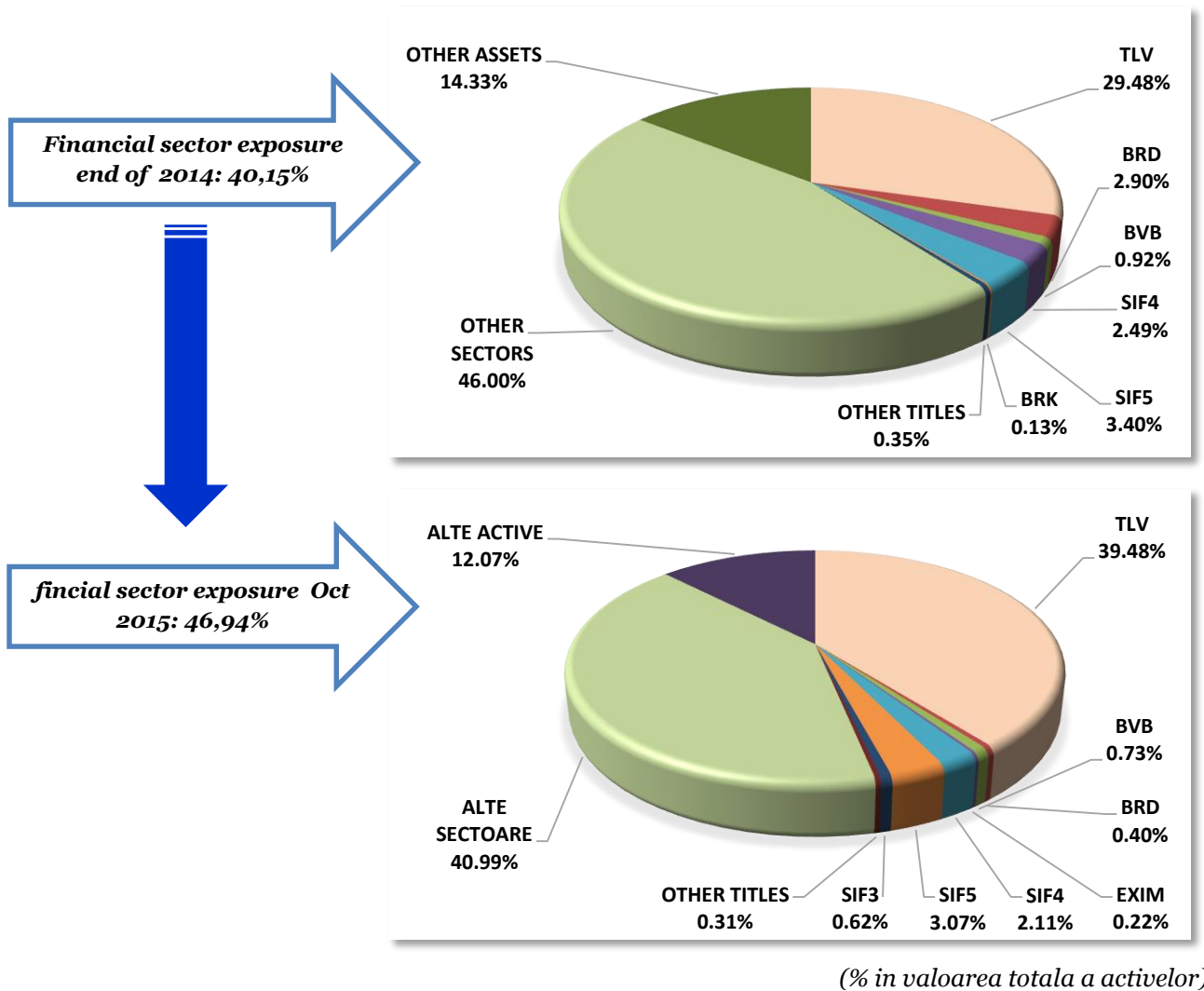
Exposure on Banca Transilvania (TLV) will be maintained in 2016 as well, due to the share increase potential, based on the high cash quantity and the held cash equivalents (1/3 of assets) and the increase of own capitals, following the registrations of the 1,564 mld lei profit resulted from the purchase of Volksbank. Through Volksbank integration, the total TLV assets will reach 43,8 milliard lei at the end of this year, according to the updated budget, approved by shareholders on 8th October. The growth of Banca Transilvania over the following years will be insured by the increase of the net credit balance by 40% following Volksbank takeover. Increase of credit balance will feed the income from commissions and interest in the following years, main income sources for the bank.

Given the large quantity of cash equivalents held by TLV and the increase of own capitals, there could be premises for dividend distribution in year 2015.

Monetary policy measures of ECB continue to support the dynamic monetary mass and loans. The financing costs of banks have stabilized at the lowest historic values in the 2nd trimester 2015, and the favourable crediting conditions have continued to support the gradual recovery of loan dynamics. The positive dynamics of monetary mass is supported by the continuous, gradual recovery of crediting in the private sector.

Investment in AOPC titles

- policies were implemented regarding the valorification of the purchase possibility for issuers from AOPC categories, SIF being able to benefit from the same investment alternatives as other AOPCs (FP) according to ASF Decision no. 23/05.02.2014
- investments in this category are defined as short/term investments, speculative in nature, following the covering of liquidity risks and portfolio diversification.
- were made based on the multiannual strategy and CPIS recommendations,
- legal holding limits are not exceeded

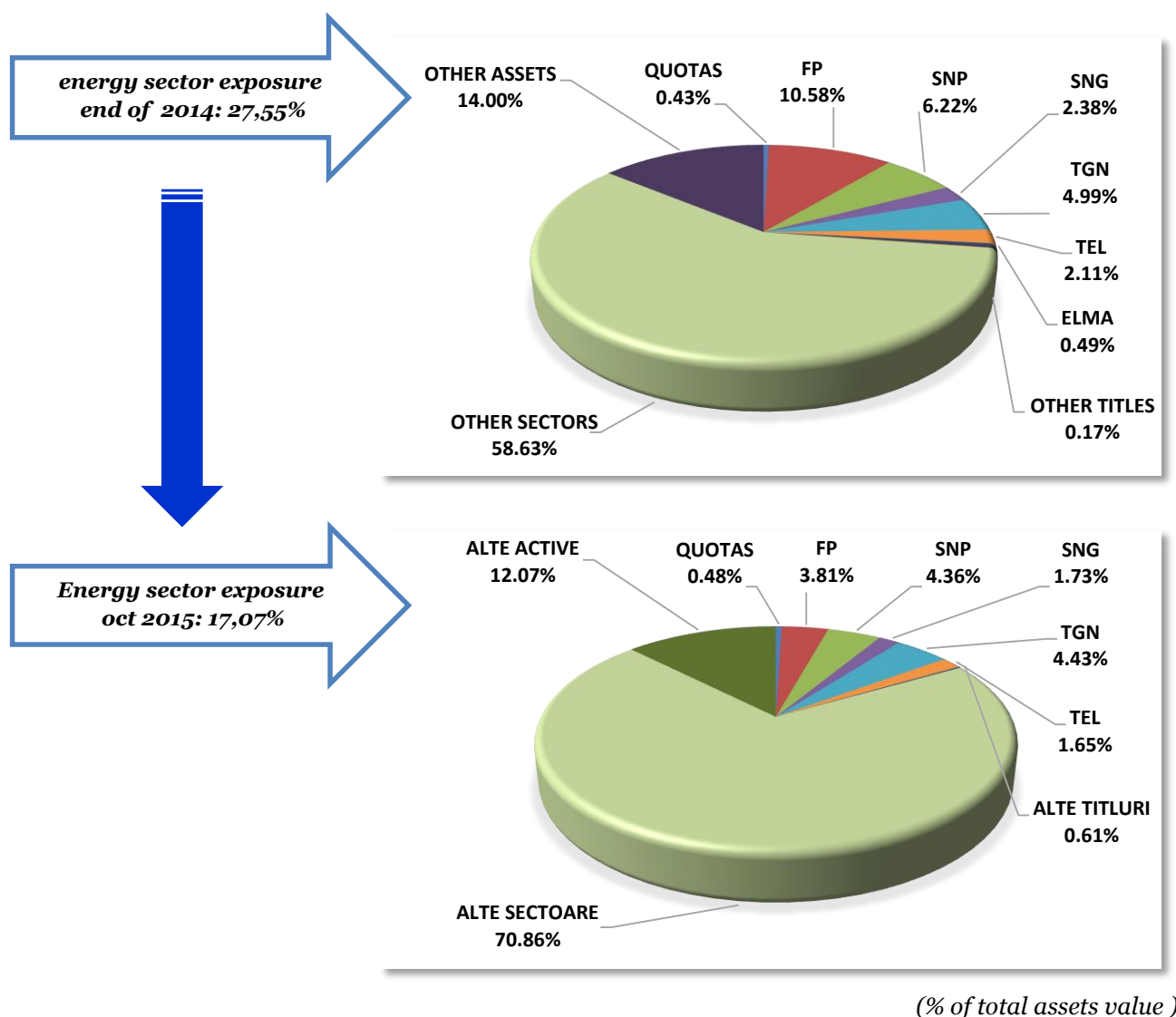


The energetic –utilities sector, the main generator of dividends has a 17,07% weight in the total assets on 30.10.2015 (31.12.2014:27,55%). The reduction of the sector’s weight has been mainly determined by the decrease of SNP quotation, as an effect of the reduction of petrol price and the marking of profit on FP issuer. We estimate that the income from dividends will maintain at a similar level to that in 2015 given the solid background of companies and some predictable dividend policies.

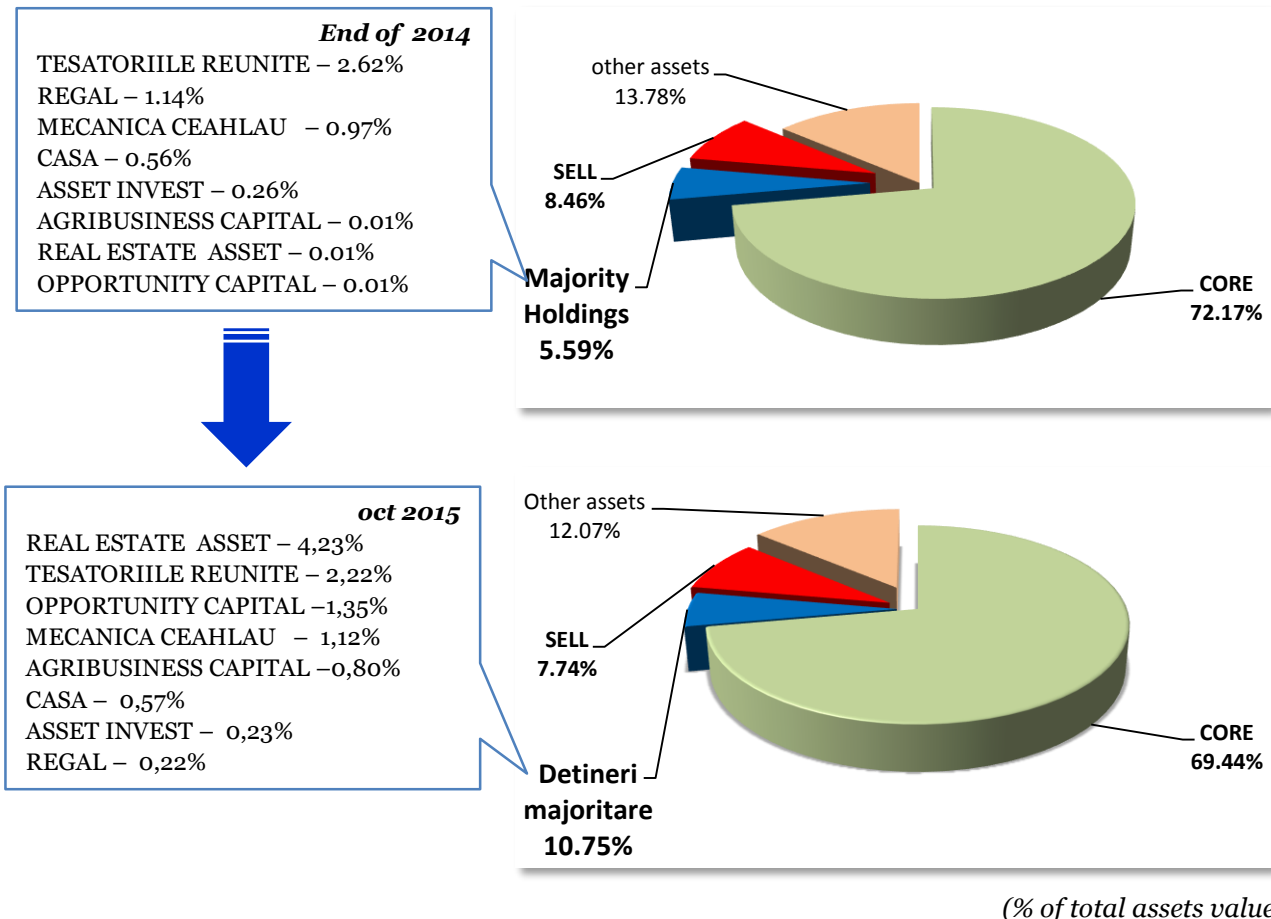
The constant and consistent dividend flux is an anchor of SIF Moldova’s financial strategies. Therefore, we intend to maintain the exposures in the energetic sector, if the fundamental indicators remain attractive.

The new tax conditions applicable since 01.01.2016, foresee the reduction of dividend tax from 16% to 5%. For this purpose we will analyse the share sales/listing of companies in the energetic field run by the Romanian state of Fondul Proprietatea, for the purpose of making the most of investment opportunities.

These participations, along with the Banca Transilvania holding represent a strong nucleus of the portfolio, able to support the performance of the net assets from quotation and dividend increase.



2.3. Majority Holdings Portfolio (DM)



Teh weight of “Majority Holdings” in total assets has raised from 30.10.2015 to 10,75% (5,59%:31.12.2014). In October the weight of this portfolio has dropped due to the increase of total assets as a consequence of BVB listed titles and especially TLV.

SIF Moldova through its Strategy for 2014-2018 period has proposed a “equity-type” approach in sectors with valuation potential and in which investors (mainly the international ones) cannot easily expose themselves, selected in order to generate long-term NAV yield.

Investments are based on the use of measurement methods generally used in the private equity sector:

1. Cash multipliers
2. Internal profitability rate (IPR), takes into consideration the value of money in time and represents the value of the update rate needed for updated cash entries to be equal to updated exits. *The acceptance condition for an investment* is that the internal profitability rate be higher than the investment cost that is to be made (WACC). In year 2015 we have invested in projects with IPRs between 15,1 and 32%, above the minimum value imposed by the strategy of 15%. These profitability rates represent a substantial premium in relation to the capital cost and the capital market yield in the last 3 to 5 years. Our investment efforts will be focused in 2016 on reaching a IPR of at least 15%, as well.

Risk analysis also includes a project sensitivity analysis. The sensitivity analysis determines the way the performance indicators (for example IPR) are evolving, depending on the variation of specific indicators. In order to improve IPR we have selected a resource

mix including credits and capital contributions. We intend to continue this approach in 2016 as well.

2016 Investment budget will be assigned on the main 2 Portfolios (“CORE” and “Majority Holdings”) with the possibility of recalibration, depending on the opportunities offered on the market.

The yield /risk benchmarks of each investment will be carefully monitored by internal procedural structures.

2.3.1. Real Estate Asset S.A.

The investment project of REA consists in the construction and operation in association of Veranda Mall Commercial Centre in Bucharest, in Obor-Colentina area. The investment falls into the proximity malls category, being located in a highly-populated area, with commercial traffic

According to CBRE – Romania Special Report-How active is the Romanian Retail Market 2015 study, Romania is ranked 22 out of 67 markets regarding the attractiveness of future retails extensions. The study has included all international brands that have entered Romania starting with 2013. From the perspective point of view, it is estimated that new international brands enter since Romania’s attractiveness as a retail destination will rise. International fashion brands, franchises and main European retails on the market will lead the expansion model in Romania. .

In order to implement the investment, SIF Moldova has subscribed to the increase of share capital of REA, the amount of 65.566.529 lei of which it paid the amount of 44.741.944 lei. REA has purchased on 05.08.2015 a number of 6.555.211 Prodplast Imobiliare (PPLI) shares worth 39.921.234,9 lei (for a price of 6,09 lei/share and a number of 643.859 NORD (NORD) shares worth 4.828.942,5 lei for a price of 7,5 lei/share). Through these purchases, REA has acquired shareholder quality in PPLI and NORD and entered an Agreement regarding the protection of the minor shareholder’s rights, regarding:

- a) appointment of Board of Directors members in PPLI and Veranda ;
- b) dividend policy;
- c) protection of PPLI and Veranda participants against dilution;
- d) Implementation of the Agreement in the Articles of Association of PPLI, NORD and Veranda.

In 2016 we are mainly focused on the residential development of some properties in SIF Moldova portfolio. We think that the comeback of the market is largely accomplished and along with the constant request for apartments at average prices and areas, this sector qualifies for investment.

According to the study “Real estate market analysis first half of 2015-Darian DRS SA, Romanian real estate market in the first half of 2015 is on a rising trend on all real estate sectors. The best signal of the comeback of real estate market is given by the interest shows

by new investors on the Romanian market, as well as by the restart of some projects that have been on hold over the last period.

An interesting aspect of the market is the orientation of potential request towards newly built apartments, to the detriment of old ones.

2.3.2. Agribusiness Capital S.A.

The company's objective is the selection of projects from the agricultural field that would lead to the achievement of profitability of business and capital increase indicators. The main activity of the company has been carried out by Agrintens.

The purchase of a blueberry farm by Agrintens has had the purpose of obtaining income through specialized and professional management and later sale at high prices. The advantages of such a crop are based on its long exploitation term (40 to 50 years), high tolerance to diseases and pests, as well as high production yield. .

The investment in the intensive blueberry crop has been based on the average and long term increase potential of this type of crop. In 2015 SIF Moldova has participated to the increase of the share capital with the amount of 10.453.259 lei. Agribusiness Capital has financed the investment project Blueberry Farm, increasing the share capital of Agrintens SRL. The results of the 2015 harvesting campaign have confirmed the expectations foreseen in the financial forecasts (income as of 30.09.2015: 3.083.367 lei that is a net profit of 1.182.717 lei). The company's management estimates that a 3 mil lei EBITDA will be reached in 3 years, that is an annual yield of 30%.

The agricultural sector remains a sector of interest for SIF Moldova in 2016 as well. For the investment in the agricultural sector we estimate an important yield potential over the following years (farms, plantations, lands with high income generation potential). inves. Agribusiness Capital S.A. analysis projects for the purchase of agricultural assets, aiming to professionally manage them and then sell them at higher prices.

2.3.3. Opportunity Capital S.A.

Research has mainly focused on the Romanian hotel market, that is mountain resorts with important tourist traffic or located in large financial and business centres.

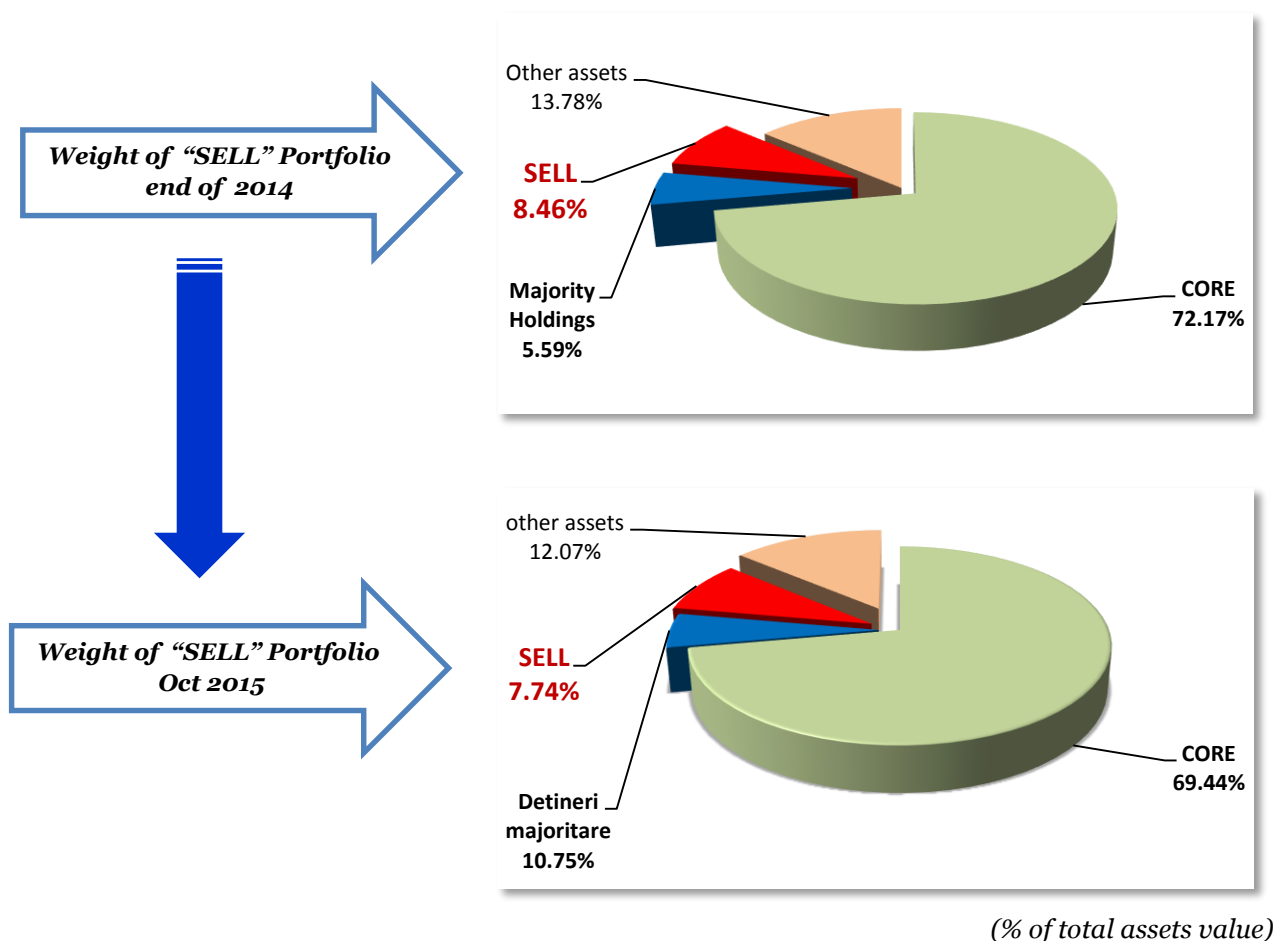
In 2015 SIF Moldova subscribed to the increase of the share capital of Opportunity Capital SA the amount of 19.476.248 lei of which it paid up 5.471.248 lei, for the purpose of financing an investment in the hotel field. In 2015 Opportunity Capital SA forecasts a new share capital increase of 15 mil lei for the purchase of another asset.

The tourism sector has an increase potential in the following years based on the economic increase and the increase of people's incomes (arrivals registered in tourist units in September 2015 have increased by 18,5% in comparison to those in September 2014 while the registered overnighting have increased by 16,9% in comparison to those in September 2014, source: INS.

In 2016, we will continue the opportunist approach towards various fields of activity, depending on the potential. In particular, we are analysing companies undergoing restructuring, transformation opportunities and added value creation through new management.

The investments of this company will focus on distress businesses with increase /extension potential, less real estate and agri-business. The target businesses will be characterized by products/ services with a defined competitive advantage, temporary capital needs for development and a specialized management team with experience in the field.

2.4. "SELL" Portfolio



In case of "SELL" Portfolio, comprised of companies that have exhausted their increase potential, we aim, depending on possibilities, to sell most of the participation or transfer it to Asset Invest SA company (SIF Moldova holding: 100%).

The weight of "SELL" Portfolio in total assets has dropped on 30.10.2015 to 7,74% (8,46%:31.12.2014).

In order to insure the financial balance of the company, we will aim to maintain an optimum level of assets with high liquidity degree, and continue investments in the held majority holdings.

3. Benchmarks for the estimation of 2016 Investment Budget

We will abide by the legal conditions/ limitations:

- 20% limit applied for assets, less balance debts;
- 20% limit of total assets in closed companies;
- The more restrictive limit shall apply.

Liquidities management plays an important role in creating an optimum structure in order to insure the fruition of investment opportunities, payment of dividends to shareholders, resources needed to carry out the company's activity.

Investment projects benchmarks:

- Consolidation of investment projects implemented in 2015
- Development of a residential project on a company in SIF Moldova's portfolio, located in urban areas with rising development/request potential.
- Analysis of other investment projects that satisfy the profitability/risk criteria, with average and long term impact on the performance increase of the defined portfolio.

4. Dividend policy

The dividends that SIF Moldova has offered over the last years have largely exceeded the yields offered by bank deposits that have been on a descendent path over the last years due to the monetary relaxation policy adopted by RNB.

Therefore, within the context of capital markets' volatility, the Board of Directors aims to find an optimum balance between the need to insure resources to support investment projects that are to be developed in 2016, expectations of shareholders on the short term, that is the distribution of dividends and the expectations of shareholders on the long term, that is the increase of NAV and implicitly of the price.

Draft decisions:

- 1. Approves the Activity Report of the Board of Directors regarding the status of the implementation of multiannual strategy, according to 2014-2018 Investment Policy Statement (approved by OGMS Resolution no. 8/15.04.2014) and 2015 Activity Programme (approved by OGMS Resolution no. 7/02.04.2015).**
- 2. Following the process of consulting the shareholders mandates the Board of Directors to draw up the 2016 Activity Program, based on the benchmarks presented within EGMS.**

President CEO

PdD. Costel Ceocea