

Presentation, debate and approval of the Board of Directors' Activity Report for the year 2005; discharge of the acts of the Board members for 2005.

BOARD OF DIRECTORS' ACTIVITY REPORT FOR THE YEAR 2005

The Board of Directors has permanently aimed at carrying out the resolutions of the Ordinary General Meeting of Shareholders of Apr 24, 2005 and at respecting the attributions resulting from the FIC Moldova articles of incorporation and current legislation:

1. Leadership by objectives, in view of increasing the performance of the issuer;
2. Promptness and accuracy of information dissemination regarding all important issues related to the issuer, according to the NSC and Bucharest Stock Exchange (BVB) requirements;
3. Respecting and protecting the rights of shareholders as prescribed in – Law no. 31/1990 republished, Law no. 297/2004, in relevant normative acts and in the FIC Moldova articles of incorporation by:
 - equal treatment of all shareholders regardless of stock owned;
 - continuous contact with shareholders – at the head office (through the staff of the Shareholder Communication Service) and at field offices (through the assigned staff).

The activity report was approved by the Board of Directors, in the meeting of March 31, 2005.

FACTS ABOUT THE COMPANY

- The title of the company is Moldova Financial Investment Company SA, it has the legal form of a joint stock company; it operates according to the articles of incorporation, of Law no. 31/1990 R, Law no. 164/1999, Law no. 297/2004 and NSC regulations. The company is the successor of the Private Ownership Fund II – Moldova, reorganized and transformed according to the provisions of Law no. 133/1996;
- The subscribed and paid-in registered capital is 51.908.958,8 RON, divided into 519,089,588 shares with a par value of 0.1 RON;
- The shares are listed at the Bucharest Stock Exchange in the 1st tier, beginning Nov 01 1999;
- The record of shares and shareholders is maintained according to legal specifications, by Regisco SA Bucharest – company authorized by the NSC as an independent registry company. According to Law no. 31/1990 R – art. 175, modified by art.78 of Law no. 161/2003, fillings were submitted to the Trade Registry Office with the Filling Registration Certificate no. 21700/12.9.2003;
- Asset depository services are performed by Romanian Development Bank (BRD) – Groupe Societe Generale S.A. Bucharest – depository contract approved by NSC in Approval no. 113/14.12.2005.

Financial Investment Company Moldova S.A. is registered at:

- Bacau Chamber of Commerce, Industry and Agriculture – unique registration code 2816642, fiscal attribute R;
- National Securities Commission – Decision no. 1902/Aug. 30, 1999 of permanent authorization;
- Securities Registry – Registration Certificate no. 418/Sep 7, 1999;
- National Securities Commission– Decision no. 1841 / Jun 16, 2005 regarding the Board of Directors membership modification.
- National Securities Commission– Decision no. 3368 / Dec 14, 2005 authorizing modification of the Articles of Incorporation comprised in the Additional Act authenticated under no. 531 / Oct 14, 2005;
- National Securities Commission – Approval no. 113/ Dec 14, 2005 approving actual leadership;
- National Securities Commission - Attestation no. 257/ Dec 14, 2005 – registration of FIC Moldova in NSC Registry at no. PJR09SIIR/040001;
- National Securities Commission - Attestation no. 258/ Dec 14, 2005 – inclusion of FIC Moldova in the Association of Collective Investment Organizations (Association of Collective Investment Organizations) category with a diversified investment policy.

I. ANALYSIS OF FIC MOLDOVA ACTIVITY

I. GENERAL OBJECTIVES, SPECIFIC INDICATORS

The main objective, approved by the General Meeting of Shareholders, of the company's activity program for 2005 is the maximization of the value of its own shares. The fulfillment of this objective has a direct component, consisting of the realization of parameters set forth in the Revenue and Expense Budget and an indirect component, consisting of the reflection of company performance in market indicators (price and liquidity of shares, book value of shares, etc.).

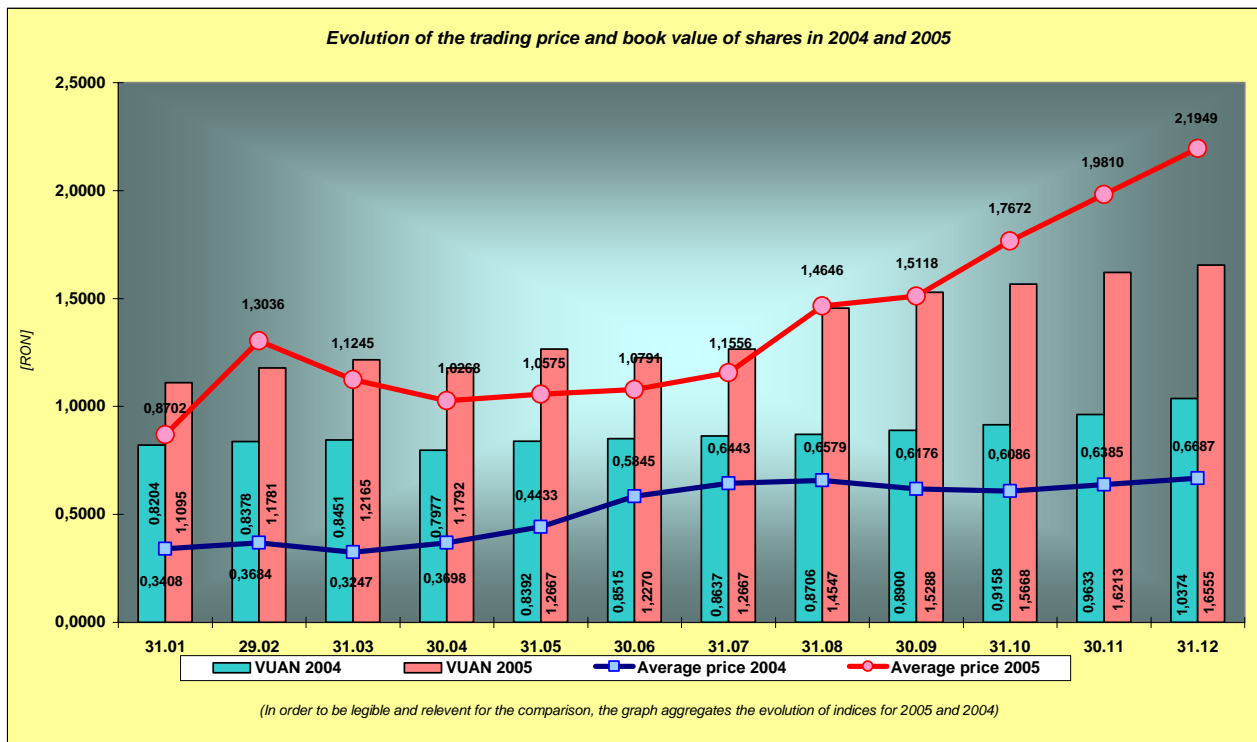
The Board of Directors is aiming at an increase of the assets management indices, a prudent management of dividend policy to ensure a balance between the continuation of activity in optimum conditions and the satisfaction of shareholder expectations and compliance with corporate governance principles.

The realization of aforementioned objectives and the evaluation of company performance are reflected in indicators specific to economic evolution.

- **Book value of shares (RON/share)** – is determined (according to NSC regulations) according to the monthly structure of stock administered by FIC Moldova. It recorded an annual percentual increase of 59,58%, varying from 1,0374 RON / share on Dec 31, 2004 to 1,6555 RON / share on Dec 31, 2005.
- **Trading price** – determined by the stock market. Throughout 2005, its trend has considerably surpassed the book value of shares because investors appreciated the intrinsic value of FIC2 shares as well as the profit performance recorded. In these circumstances, FIC2 shares recorded sustained growth of the trading price throughout 2005, the closing price of trading sessions varying by 210,34%. Annual average prices and closing prices recorded in the last trading sessions of the year are presented chronologically in the following table:

FIC 2 Shares	2003	2004	2005	Variation (%) 2004-2003	Variation (%) 2005-2004
Average price (RON/share)	0,2552	0,4958	1,4555	94,28%	193,57%
Closing price (RON/share)	0,3050	0,7250	2,2500	137,70%	210,34%

Trading price / Book value Ratio –determined by the ratio between the book value of shares and the average monthly trading price. In the analysed timeframe this ratio had a decreasing annual trend, from 1,27 in January to 0,75 in December.



- the average trading price exceeded the book value of shares in the second half of the year 2005 and punctually in February, whereas in 2004 it did not exceed the book value;
- the increase in trading price as well as assets of FIC Moldova considerably exceeded the inflation index for the period under scrutiny as well as the banking interest for RON or foreign currency deposits;
- the difference in trends of the two categories of indicators suggests that the direct and indirect components of the main objective of maximizing the assets value of FIC 2 are hard to quantify in their contribution to the price, but determinant to the evolution, thus:
 - o internal events, reported according to NSC regulations regarding corporate governance principles (profit, exceeding the Revenue and Expense Budget, significant transactions, major effects of important holdings, dividend values) have determined essential changes of the trend or its acceleration;
 - o external events derived from changes in legislation, administration or the entire Romanian macroeconomic environment are also responsible for modifications in the price trend.

- **Stock market capitalization:** recorded a major increase from 347,1 mil. RON at the end of 2004 to 1.167,95 mil. RON at the end of 2005 (in the context of a variation of stock market capitalization from 34.147,36 mil. RON in 2004 to 56.065,59 mil. RON in 2005).
- **The volume of transactions** in 2005 was 825,79 mil. RON, placing FIC Moldova on the fourth place in terms of liquidity in the stock market top of the following year, realizing 10,67% of the total traded value in 2005 in the BSE of 7.738,91 mil. RON.

The free-float index for FIC Moldova is 100% (the number of traded shares exceeded the total number of shares) expressing a very good liquidity of these titles. In 2005 552.919.000 FIC 2 shares were traded.

I.2. COMPLETION OF FINANCIAL OBJECTIVES

I.2.1. PORTFOLIO MANAGEMENT

Aiming at an optimal management of holdings, FIC Moldova shaped its investment strategy by means of a risk management system that implies the application of prudence rules. Thus, it respected the legal regulations regarding ownership limitations while investing in securities and financial instruments generating above average profit.

Remodeling the portfolio to the structure recommended by the NSC regulations for the Association of Collective Investment Organizations category with diversified investment policy involved reconfiguring the portfolio according to the new proportions of the assets.

Shares and associated securities

At the end of 2004, the greatest percentage measuring 74% of the portfolio was represented by shares. This percentage increased throughout the last year to 87,15%, the assets consisting of shares and associated securities having a value of 934.689.291 RON on Dec 31, 2005.

According to the type of shares, listed shares hold the greatest percentage. On Dec 31, 2004 the value of listed shares and associated securities was 306.110.200 RON, whereas on Dec 31, 2005 it was 744.407.159 RON, increasing by 143%. Thus, the liquidity of the portfolio increased with the percentage of listed shares from 46,5% to 69,41%. Unlisted shares decreased in their percentage, from 27,5% at the end of 2004 to 17,74% at the end of 2005.

Bonds

The total value of bonds on Dec 31, 2005 is 3.704.168 RON, representing 0,35% of total assets. Its share is slightly down from 0,37% in 2004. Regarding structure, municipal bonds comprise 66% of total bonds. Corporate bonds completed in 2005 the portfolio diversity range, but investments have not influenced the share of the bonds category due to the influence of consistent shares holdings.

Government securities

Holdings in these instruments were markedly decreased in favour of investments in listed stock, realizing considerable decreases both in value and in percentage. Whereas at the end of 2004 their value was 115.343.665 RON, after one fiscal year they decreased to 2.237.147 RON. Analysing the structure of the portfolio in terms of percentages, government securities decreased in 2005 from 17,58% to 0,21%, realizing a reorientation of this type of assets towards investments in listed securities, which are much more profitable. The variation of the BET index in 2005 shows that the stock market brought an average performance ten times higher than banking interest

Association of Collective Investment Organizations and Securities Collective Investment Organization titles

The share of this type of assets was insignificant at the end of 2004. In view of diversifying the portfolio its increase was pursued, by way of investments in Association of Collective Investment Organizations and Securities Collective Investment Organization titles worth 1.147.033 RON at the end of 2005, representing 0,11% of total assets; percentage approximately equal to that of corporate bonds at that date.

Deposit certificates

Deposit certificates recorded a slight decrease (11%) throughout 2005, from 34.386.139 RON to 30.611.731 RON, respectively a decrease of its share of total assets, from 5,24% in 2004 to 2,85% at the end of 2005.

Bank deposits

The share of this item during 2005 increased by 88% due to the increase in value from 37.461.456 RON to 70.569.472 RON. At the end of 2005, the share of these instruments in total assets was 6,58%.

I.2.1.a. Portfolio restructuring

Between Jan 1, 2005 – Dec 31, 2005 the portfolio was managed according to the FIC Moldova 2005 activity program.

FIC Moldova continued the portfolio restructuring policy in view of increasing its profitability, pursuing the increase in value of the investments in profitable companies or in companies with advantageous trading opportunities and the decrease of investments in companies with a difficult or stagnant economic and financial situation.

The restructuring of the portfolio was performed by:

- a) Modifying the investment by performing legal operations of increasing/decreasing or writing off the registered capital, thus:

- increase of the registered capital from reserves at 18 companies, totalling 20.829.312,28 RON nominal value;
- decrease of the registered capital of 6 companies, totalling 331.058,55 RON nominal value;
- write off of the investments in 6 companies finishing liquidation procedures according to Law no. 31 / 1990 or 64 / 1995, totalling 326.518,10 RON;
- division of 2 companies, resulting in the entry of 6 new companies into the portfolio.

- b) Modifying the investment of FIC Moldova as a result of share trading, direct investment or withdrawal from association, as follows:

- sale – of investments from 49 companies has been registered, totalling 11.624.506,42 RON in nominal value;
- acquisition – of shares of 37 companies, totalling 13.007.909,40 RON in nominal value;
- direct investment – in 19 companies, totalling 6.952.574,2 RON in nominal value, in order to preserve the percentage held.

I.1.2.a.1. Evolution of the portfolio at nominal value

The restructuring operations led to the decrease of the number of companies in the portfolio, thus on Dec 31, 2005 the portfolio comprised stock in 326 companies, totalling 289.907.135,51 RON in nominal value. Of these, 87 companies, in which FIC Moldova holds stock worth 44.880.126,70 RON in nominal value, representing 15,48% of total investments at nominal value, are in various stages of administrative/judicial liquidation or judicial reorganization.

I.2.1.a.2. Portfolio structure

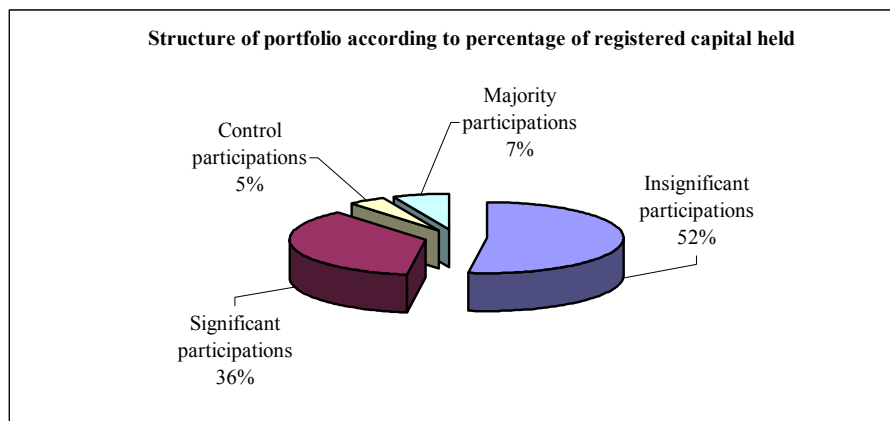
Between Jan 1, 2005 and Dec 31, 2005, operations led to the following structure:

Portfolio Structure Securities	Total nominal value of stock				Total market value* of stock			
	Thousand RON		%		Thousand RON		%	
	31.12.04	31.12.2005	31.12.04	31.12.05	31.12.04	31.12.05	31.12.04	31.12.05
Traded stock, of which:	138.215,96	131.786,30	52,88	45,46	305.355,72	708.291,33	62,86	75,79
Comp. listed at the BSE	34.364,69	58.206,56	13,15	20,08	235.579,57	637.245,79	48,49	68,19
Unlisted comp, traded through the BSE system	12.235,08	12.629,56	4,68	4,36	8.024,94	7.263,11	1,65	0,78
Comp. listed at RASDAQ	91.616,19	60.950,18	35,05	21,02	61.751,21	63.782,43	12,71	6,82
Untraded stock, of which:	123.191,91	158.120,84	47,12	54,54	180.429,93	226.235,97	37,14	24,21
Closed comp.	86.692,70	87.927,79	33,16	30,33	171.650,54	190.282,13	35,33	20,36
Listed, untraded comp.	11.916,36	10.822,03	4,56	3,73	1.117,10	317,78	0,23	0,03
Listed comp., untraded in the previous 12 mo.	24.582,85	59.371,02	9,40	20,48	7.662,28	35.636,06	1,58	3,81
Total	261.407,87	289.907,14	100,00	100,00	485.785,64	934.527,31	100,00	100,00

*Market value is determined according to NSC Regulation no. 15/2004

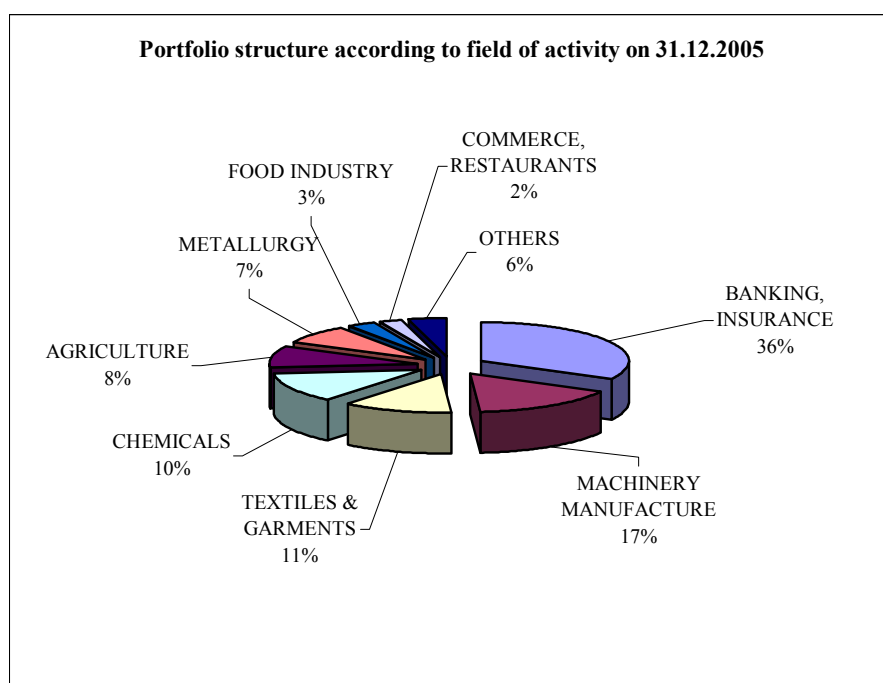
Increasing the investments in companies with a high potential for generating dividends, market value increase and with profitable trading possibilities, acquiring stock in new companies, consolidating existing ownership, as well as direct investments, led to the modification of the portfolio structure, as follows:

Specification	31.12.2004		31.12.2005	
Insignificant investments: % FIC < 10%				
Number of companies	132		135	
Nominal value (RON)/ %	124.081,32	47,47	151.575,41	52,28
Significant investments: 10% ≤ % FIC < 33%				
Number of companies	171		148	
Nominal value (RON)/ %	105.893,76	40,51	105.760,18	36,48
Control investments: 33% ≤ % FIC < 50%				
Number of companies	28		22	
Nominal value (RON)/ %	15.373,84	5,88	13.413,59	4,63
Majority investments: % SIF ≥ 50%				
Number of companies	22		21	
Nominal value (RON)/ %	16.058,96	6,14	19.157,96	6,61
Total investments :				
Number of companies	353		326	
Nominal value (RON)/ %	261.407,88	100,00	289.907,14	100,00



Compared to 12.31.2004, the FIC Moldova portfolio structure by field of activity looks as follows:

SECTOR	31.12.2004				31.12.2005			
	Nr. S.C.	%	Nominal value of investments (RON)	%	Nr. S.C.	%	Nominal value of investments (RON)	%
BANKING, INSURANCE	11	3,12	85.611,00	32,75	10	3,05	105.285,17	36,32
MACHINERY MANUFACTURE	27	7,65	42.491,49	16,25	27	8,23	49.309,46	17,01
TEXTILES & GARMENTS	62	17,56	30.820,89	11,79	62	18,90	30.602,19	10,56
CHEMICALS	12	3,40	33.106,41	12,66	12	3,66	28.692,22	9,90
AGRICULTURE	82	23,23	23.373,79	8,94	79	24,09	22.971,11	7,92
METALLURGY	10	2,83	20.894,93	7,99	10	3,05	20.948,20	7,23
FOOD INDUSTRY	26	7,37	7.949,60	3,04	25	7,62	7.993,82	2,76
COMMERCE, RESTAURANTS	40	11,33	6.364,79	2,43	31	9,45	5.567,28	1,92
OTHERS	83	23,51	10.797,98	4,13	70	21,95	18.537,69	6,38
TOTAL	353	100,00	261.407,88	100,00	326	100,00	289.907,14	100,00



I.2.1.a.3. Portfolio management

FIC Moldova continued to improve its portfolio management and monitoring activity, in order to raise the value and profitability of investments held in companies. The steps taken in this direction have emphasized implication through General Meetings of Shareholders and Boards of Directors in the companies in which FIC Moldova holds majority or control positions, as well as those in which capital investments have been made, in order to impose effective managing practices, in order to ensure the company's development and attainment of profit, or crisis policies to ensure the company's recovery.

Concomitantly, the promotion of European principles of corporate management, fair treatment of shareholders and business ethics was pursued, in order to impose correct managerial conducts and practices that would ensure the company's development, attainment of profit and the protection of FIC Moldova interests in portfolio companies in which it holds insignificant, significant or control positions, in

order to stop unfair practices of decapitalization, of modifications of articles of incorporation in order to delegate attributions of the General Meeting of Shareholders towards Boards of Directors or restricting the rights to trade stock, etc.

I.2.1.b. Investing-disinvesting activity

Investing activity

Stock investment – in the primary market

During 2005 direct investments in companies totalling 13.003.672,6 RON in nominal value at a price of 27.057.495,6 RON were recorded, thus:

1. direct investments in companies listed on the stock market were recorded thus:

- investments in 9 companies were subscribed and registered, 5.780.789,4 RON in nominal value, at a price of 7.489.681,5 RON;
- investment in one company was subscribed, pending registration in 2006, 4.500.000 RON in nominal value at an equal price.

We specify that subscriptions done in the 4th term of 2004 in 2 companies were registered, 49.209,4 RON in nominal value, at an equal price.

2. direct investments in closed companies were recorded thus:

- investments in 7 companies were subscribed and registered, 265.550,70 RON in nominal value, at an equal price;
- investments in 2 companies were subscribed, pending registration in 2006, 2.457.332,50 RON in nominal value at a price of 14.802.263,4 RON.

We specify that subscriptions done in the 4th term of 2004 in 2 companies were registered, 857.024,70 RON in nominal value, at a price of 1.843.460,2 RON.

Stock investment – in the secondary market

The objective of building a portfolio comprised of liquid securities with a potential of growth has been realized by the continuation of acquisition programs centered on issuers listed on regulated markets from different economic sectors (finance and banking, oil industry, pharmaceuticals, etc.) Acquisition programs targeted stock with a total value of 60,02 mil. RON (in 2004 investments worth 17,73mil. RON were recorded).

Bonds investment

Subscriptions in bonds issues (municipal and corporate) were made, worth 2,94 mil. RON (in 2004 0,7 mil. RON were subscribed).

Investment in Association of Collective Investment Organizations / Securities Collective Investment Organizations

On Dec 31, 2005 FIC Moldova held 3.120 investment titles in the Businessmen's Fund (Fondul Oamenilor de Afaceri) 8.467,90 RON in nominal value and 14.033,14 RON in market value.

During the year 1.073.000 RON were invested in investments in the BT Maxim Fund.

II.1.1.b.2. Disinvesting activity

In the course of 2004 stock belonging to open and closed issuers was subjected to disinvesting operations. A revenue from sales of 31,78 mil. RON was recorded with a profit of 26,65 mil. RON, results markedly higher than in 2004 when revenue from sales worth 10,57 mil. RON was recorded with a profit of 6,40 mil. RON. It should be observed that the sale in 2005 of the Cometex – Suceava stock generated 58,6% of total income, whereas the profit associated to this operation represented 70% of the total profit from sales of titles.

1.2.2. ECONOMIC AND FINANCIAL RESULTS

Financial statements supply information regarding the financial status and performance of the company and have been audited by the KPMG AUDIT LLC Bucharest company.

The currency used in the statements is RON.

The financial status is reflected in balance items compiled according to Accounting Regulations aligned to European Economic Community 4th directive and International Financial Statement Standards.

The main asset categories of the 2005 fiscal year compared to the preceding fiscal year are:

ACTIV	Row no.	31.12.2003	31.12.2004	31.12.2005
Non-Current Assets				
Intangible Assets				
3. Grants, patents, licences, trademarks, similar rights and values and other intangible assets	03	135.089	102.644	96.376
5. Advances and pending intangible assets	05	-	-	138.103
Total: (row 01 to 05)	06	135.039	102.644	234.479
Tangible Assets				
1. Land and buildings	07	7.431.711	10.889.175	8.801.686
2. Equipment	08	828.011	927.900	487.948
3. Furniture and fixture	09	251.756	213.135	159.953
4. Advances and pending tangible assets	10	9.519	-	-
TOTAL: (row 07 to10)	11	8.520.997	12.030.210	9.449.587
Financial Assets				
5. Securities as assets	16	370.934.824	484.108.572	933.868.797
6. Other claims	17	147.742.170	152.948.711	105.276.423
Total: (row 12 to 18)	19	518.676.994	637.057.283	1.039.145.220
Non-current assets – Total	20	527.333.030	649.190.137	1.048.829.286
Current Assets				
Inventory				
ASSET	Row no.	31.12.2003	31.12.2004	31.12.2005
1. Consumables	21	15.879	21.115	18.040
4. Advance payments for inventory purchase	23	560	-	-
Total: (row 21 to 23)	24	16.439	21.115	18.040
Receivables				
1. Trade receivables	25	446.148	184.708	127.844
4. Other receivables	28	5.792.668	2.436.135	19.449.074
Total: (row 25 to 29)	30	6.238.816	2.620.843	19.576.918
Short Term Financial Investments				
3. Other short term financial investments	33	4.029.380	3.334.756	5.624.145
Total: (row 31 to 33)	34	4.029.380	3.334.756	5.624.145
Cash and Bank Accounts	35	110.955	66.259	73.806
Current Assets – Total	36	10.395.590	6.042.973	25.292.909
Prepaid Expenses	37	45.950	45.700	48.654
Total assets		537.774.570	655.278.810	1.074.170.849

LIABILITIES	Row no.	31.12.2003	31.12.2004	31.12.2005
Current Liabilities				
4. Accounts payable	41	174.316	159.666	248.435
5. Commercial papers payable	42	2.596.161	3.081.102	13.531.361
8. Other liabilities, including taxes payable and social	45	10.584.983	15.418.259	17.939.474

security liabilities				
Total: (row 38 to 45)	46	13.355.460	18.659.027	31.719.270
Current Assets Less Net Current Liabilities (row 36+37-46-61.2)	47	(3.523.531)	(12.828.329)	(8.107.601)
Total Assets Less Current Liabilities (row 20+47-61.1)	48	523.809.499	636.361.808	1.040.721.685
Non-Current Liabilities				
5. Commercial papers payable	53	15.710.790	12.440.676	9.217.735
8. Other liabilities, including taxes payable and social security liabilities	56	47.946.016	47.899.466	135.819.039
Total: (row 49 to 56)	57	63.656.806	60.340.142	145.036.774
Provisions for risks and expenses				
2. Other provisions	59	44.551.197	38.215.788	38.620.278
Total provisions: (row 58 + 59)	60	44.551.197	38.215.788	38.620.278
Deferred Revenue (row 61.1+61.2) of which:	61	609.611	257.975	1.729.894
2. Precollected revenue	61.2	609.611	257.975	1.729.894
Equity and Reserves				
Share Capital (row 63 to 64) of which:	62	51.908.959	51.908.959	51.908.959
2. Subscribed and paid capital	64	51.908.959	51.908.959	51.908.959
Reevaluation Reserves <u>Balance C</u>	66	5.676.951	8.880.719	6.235.347
Reserves (row 69 to 72)	68	381.517.320	416.971.653	723.108.558
1. Legal reserves	69	6.336.748	8.137.127	9.300.275
4. Other reserves of which:	72	375.180.572	408.834.527	713.808.283
- reserves constituted from free shares/notes	73	66.276.397	74.678.233	87.559.073
-reserves from fair value evaluation	74	77.548.709	173.604.635	488.839.285
Reported result <u>Balance C</u>	75	23.501.734	60.044.547	75.811.769
<u>Balance D</u>	76	23.501.734	-	-
Result of Fiscal Year <u>Balance C</u>	77	39.202.817	45.745.895	48.585.105
Profit appropriation	79	39.202.817	45.745.895	48.585.105
Total Equity (row 62+65+66-67+68+75-76+77-78-79)	80	415.601.496,	537.805.878	857.064.633

The increase of balance items, using the year 2003 as a reference point:

Total increase (percent)	2003	2004	2005
• Non-current assets, of which:	100	123,1 1	198,89
• Financial assets	100	122,8 2	200,35
• Current assets	100	58,13	243,30
• Total assets	100	121,8 5	199,74
• Liabilities	100	102,5 8	229,52
• Provisions	100	85,78	86,69
• Equity	100	129,4 0	206,22

The maximization of the company's value was determined by financial assets, growth favored by improvement in the portfolio structure and by the increased dynamism of the stock market.

The main item in the total assets is financial assets (96,74% for 31.12.2005), consisting of:

	<u>RON</u>	<u>Share of total assets</u>
• Titles of companies in the portfolio	933.868.797	86,94%
• Other financial receivables mainly consisting of monetary market investments	105.276.423	9,80%

The company's liabilities increased especially in the 2005 fiscal year due to recording the deferred profit tax, calculated for all potential income in the following period, leading to the following composition of the total:

• Deferred profit tax calculated accordingly:	<u>RON</u>
• reserves from fair value evaluation of the patrimony	93.100.816
• reserves constituted from free titles	16.668.748
• reserves constituted from the initial portfolio	24.680.438
• differences between accounting and fiscal bases	1.786.558
Total	136.236.560

Continuing to apply the prudence principle for the 2005 fiscal year, provisions for expenses and corresponding income were created and cancelled, as follows:

Name of provision	Transfers			Balance on Dec 31, 2005
	Balance on Jan 1, 2005	incoming	outgoing	
	Col. (1)	Col. (2)	Col. (3)	
Provisions for risks and expenses	38.215.788	7.006.509	6.602.019	38.620.278
Provisions for receivable devaluation	1.496.009	(112.625)	187.453	1.195.931
Provisions for bad debts	20.508.826	9.790.818	2.113.437	28.186.207
Provisions for materials devaluation	222	430	-	652
Provisions for tangible non-current assets depreciation	31.248	24.941	157	56.032
Provisions for other securities devaluation	416.588	388.864	114.583	690.869
Total	60.668.681	17.098.937	9.017.649	68.749.969

The company's performance expressed in the profit and loss account, presented chronologically:

	ITEM NAME	Row no.	31.12.2003	31.12.2004	31.12.2005
A.	REVENUE FROM OPERATIONS – TOTAL (row 02 la 11)	01	145.529.006	74.849.362	90.559.196
1	Revenue from financial assets	02	20.043.432	16.934.728	30.253.988
3	Revenue from financial instruments	04	6.350.920	28.884.706	12.630.196
4	Revenue from ceded financial investments	05	84.369.106	10.727.297	31.782.098
6	Revenue from provisions, reactivated claims and various debtors	07	21.384.024	14.192.797	9.017.648
7	Revenue from exchange rate variations	08	896.503	928.894	1.647.357
8	Revenue from interest	09	512.049	690.979	286.382

10	Other revenue from operations	11	11.972.972	2.489.961	4.941.527
B.	EXPENSES WITH OPERATIONS - TOTAL (row 13 to 20)	12	99.986.353	21.911.107	37.042.254
12	Expenses with ceded financial investments	14	69.746.079	4.178.735	5.124.025
13	Expenses with exchange rate variations	15	1.157.482	1.235.677	1.487.494
15	Expenses with commissions and fees	17	1.273.190	1.060.387	1.495.608
16	Expenses with banking and similar services	18	24.307	32.593	33.268
17	Depreciations, provisions, losses from receivables and miscellaneous receivables	19	9.128.303	2.714.201	18.515.376
18	Other expenses with operations (row 21+22+23+26+27)	20	18.656.992	12.689.514	10.386.483
	a. Expenses with materials	21	395.873	505.611	645.881
	b. Expenses related to electricity and water	22	146.349	153.934	167.320
	c. Expenses with staff, of which: (row 24+25)	23	4.193.302	4.802.696	5.975.815
	C1. Salaries	24	3.129.283	3.786.871	4.526.451
	C2. Expenses related to social security	25	1.064.019	1.015.825	1.449.364
	d. Expenses related to external services	26	13.697.007	7.003.641	3.440.700
	e. Expenses with other taxes and similar payments	27	224.461	223.632	156.767
C.	OPERATIONAL RESULT				
	-profit (row 01-12)	28	45.542.653	52.938.255	53.516.942
19	TOTAL REVENUE (row 01+30)	34	145.529.006	74.849.362	90.559.196
20	TOTAL EXPENSE (row 12+31)	35	99.986.353	21.911.107	37.042.254
G.	GROSS MARGIN				
	-profit (row 34-35)	36	45.542.653	52.938.255	53.516.942
21	PROFIT TAX		6.339.836	7.192.360	4.931.837
	-current tax expense	38	6.344.009	7.236.284	5.309.747
	-revenue from deferred tax expense	39	9.987	90.266	528.227
22	Expenses with deferred tax	40	5.814	46.342	150.317
H.	NET INCOME				
	-profit (row 36-38+39-40)	41	39.202.817	45.745.895	48.585.105
I.	EARNINGS PER SHARE (RON/SHARE)				
	- basic	43	0,0729	0,0881	0,0936

Growth of items in the profit and loss account:

Total growth (percent)	2003	2004	2005
• Revenue from operations, of which:	100	51,43	62,23
• from financial investments	100	84,49	150,94
• from ceded financial investments	100	12,71	37,67
• from provisions, reactivated claims	100	66,37	42,17
• Cheltuieli din activitatea curentă, din care:	100	21,91	37,05
• ceded financial investments	100	5,99	7,35
• amortisation and provisions	100	29,73	202,83
• other expenses with operations	100	68,01	55,67
• Gross margin	100	116,24	117,51
Total growth (percent)	2003	2004	2005
• Profit tax (16 % for 2005)	100	113,45	77,79
• Net profit	100	116,69	123,93

Whereas in the year of reference 2003 it recorded 67.213.095 RON of revenue from sale of titles and 58.271.859,8 RON corresponding expenses for the sale of SIDEX Galați, it can be appreciated that the trading activity has a growing tendency comparing 2005 with 2004 and 2004 with 2003.

In a total of 90.559.196 RON of revenue, the main sources during the 2005 fiscal year were:

- Revenue from dividends from portfolio companies 33,41 %
- Revenue from sale of titles 35,10 %
- Revenue from financial instruments 13,95 %
- Revenue from provisions and reactivated claims 9,96 %
- Other revenue 7,58 %

In a total of 37.042.254 RON of expenses, the main sources during the 2005 fiscal year were:

- Expenses with operations 28,04 %
- Amortization and provisions 49,98 %
- Expenses with sale of titles 13,83 %
- Expenses with commissions and fees (NSC, BSE, Registry, audit, Deposit company) 4,04 %
- Other expenses 4,11 %

Cash flows:

	2003	2004	2005
• Cash and equivalents at beginning of period	2.231.692	145.494.183	151.242.722
• Cash and equivalents at end of period	145.494.183	151.242.721	71.680.173
• Cash flow	143.262.491	5.748.538	(79.562.549)

The company is permanently preoccupied with ensuring sufficient funds for settling liabilities and fulfilling the demands of development. In the 2008 fiscal year, the negative cash flow is caused by a decisional structure based on investment in the capital market.

Main economic indices

- **Liquidity indicators – no. of times**

- **Current liquidity indicator** = current assets / current liabilities

2003 = 10.395.590/133.554.60 = 0,78

2004 = 6.042.973/18.659.027 = 0,32

2005 = 25.292.909/31.719.270 = 0,80

- **Immediate liquidity indicator** = (current assets – inventories) / current liabilities

2003 = (10.395.590–16.439)/13.355.460 = 0,78

2004 = (6.042.973–21.115)/18.659.027 = 0,32

2005 = (25.292.909–18.040)/ 31.719.270= 0,80

- **Activity indicators – no. of times**

- **Fixed assets turnover** = revenue from operations / fixed assets

$$2003 = 145.529.005 / 527.333.030 = 0,28$$

$$2004 = 74.849.361 / 649.190.136 = 0,12$$

$$2005 = 90.559.196 / 1.048.829.286 = 0,09$$

- **Total assets turnover** = revenue from operations / total assets

$$2003 = 145.529.006 / 537.728.620 = 0,27$$

$$2004 = 74.849.361 / 655.233.110 = 0,11$$

$$2005 = 90.559.196 / 1.074.170.849 = 0,08$$

- **Liabilities turnover – receivables** = average receivables balance / turnover x 365

$$2003 = \frac{(81.991.020 + 6.238.816)/2}{145.529.005} \times 365 = 111 \text{ days}$$

$$2004 = \frac{(6.238.816 + 2.620.843)/2}{74.849.361} \times 365 = 21,60 \text{ days}$$

$$2005 = \frac{(19.576.918 + 2.620.843)/2}{90.559.196} \times 365 = 44,73 \text{ days}$$

- **Profitability indicators**

- **Profitability of working capital**

= profit before payment of interest and profit / working capital tax

$$2003 = 45.542.653 / 479.258.302 = 9,5 \%$$

$$2004 = 52.938.255 / 636.361.808 = 8,32\%$$

$$2005 = 53.516.942 / 1.040.721.685 = 5,14\%$$

- **Earnings per basic share**

- **Earnings per basic share calculated according to IAS 33 provisions**

= net profit attributable to common stock / no.of common stock

$$2003 = 39.202.817 / 519.089.588 = 0,0755 \text{ RON per share}$$

$$2004 = 45.745.895 / 519.089.588 = 0,0881 \text{ RON per share}$$

$$2005 = 48.585.739 / 519.089.588 = 0,0936 \text{ RON per share}$$

The current liquidity indicator (current assets indicator), respectively the immediate liquidity indicator (the acid test indicator) express the ratio between current assets and current liabilities, respectively in current assets less inventories. The values obtained are lower than those recommended (around 2), but taking into account that investments in government securities, and banking deposits are registered as financial fixed assets, it is assumed there is no insolvency risk for current liabilities.

The profitability of the working capital represents the profit obtained by FIC per unit of resources invested, both by FIC and its creditors. The earnings per share represents the net profit generated by FIC attributable to common shares.

Profit appropriation

DESTINATION	Row no.	2005
A. NET PROFIT TO APPROPRIATE		
(row 02 to 08)	01	48.585.105
1. For constitution of legal reserves	02	1.163.148
2. For statutory or contractual reserves	03	
3. Reserves constituted as own sources of financing	04	
4. Other reserves or appropriations provided by law	05	
5. For coverage of accounting loss from previous years	06	
6. For dividends	07	34.779.003
7. Other appropriations	08	
B. UNAPPROPRIATED PROFIT	09	12.642.954

Registration of profit appropriation is done by approval of the General Meeting of Shareholders. Dividends proposed by FIC Moldova for the year 2005, totalling 34.779.003 RON, correspond to a gross dividend per share of 0.067 RON.

From dividends declared for the 2004 fiscal year, 31.145.378,28 RON in value, 24.132.183,51 RON were paid to shareholders up to the date of Dec 31, 2005.

Compliance with the Revenue and Expense Budget

	FORECASTED 2005	REALIZED 31.12.2005	PERCENT REALIZED
	1	2	3=2/1
A. Total revenue, of which:	61,300,000.00	90,559,196.01	148%
1. Revenue from operations	2,900,000.00	12,446,771.00	429%
I. Revenue from penalties	100,000.00	434,634.59	435%
II. Revenue from active cessions	1,800,000.00	1,884,472.24	105%
III. Other revenue	1,000,000.00	1,224,598.77	122%
IV Revenue from provisions	0	8,903,065.40	-
2. Financial revenue	58,400,000.00	78,112,425.01	134%
I. Revenue from investments.	23,400,000.00	30,253,988.26	129%
II. Revenue from sale of securities	20,000,000.00	31,782,097.66	159%
III. Other financial revenue including interest	15,000,000.00	15,961,756.45	106%
IV Revenue from provisions	0	114,582.64	-
B. Total expenses, of which:	24,363,713.60	37,042,253.95	152%
1. Expenses with operations	13,363,713.00	14,439,093.21	108%
I. Expenses with operations incurred	13,363,713.60	12,146,880.74	91%
II. Expenses with provisions	0	2,292,212.47	-
2. Financial expenses	11,000,000.00	22,603,160.74	205%
I. Financial expenses incurred	5,000,000.00	2,281,753.37	46%
II. Expenses with sale of securities	6,000,000.00	5,124,024.54	85%
III. Expenses with provisions		15,197,382.83	-
C. Gross margin	36,936,286.40	53,516,942.06	145%
D. Taxable income	12,886,286.40	35,121,064.45	273%
E. Income tax	2,061,805.80	5,309,747.27	258%
F. Deferred income tax	0	-377,910.73	-
G. Net profit	34,874,480.60	48,585,105.52	139%
B. Total expenses, of which:	800,000.00	1,163,147.69	144%

I.3. ACHIEVEMENT OF NON-FINANCIAL OBJECTIVES

I.3.1. STATUS OF LITIGATIONS

In the records of FIC Moldova, on 12.31.2005, 250 files - in court and solved – in which our company is involved as a plaintiff, defendant, main or accessory intervening party.

The litigations of FIC Moldova as a plaintiff – civil and criminal – comprise 201 files, of which 131 are in court in various stages and 70 were solved irrevocably by the end of the year.

The cases in which we are defendants number 49, 30 being in court and 19 already solved.

To the aforementioned judicial complaints are added 453 legality approvals granted for the conduct of specific operations as well as the 55 files regarding opinions and legal consultancy issued in relation to certain practical problems arisen in the conduct of FIC Moldova activity.

As a consequence of diligences made during 2005, a total sum of **1.282.782,20 RON** was recovered, representing:

- **1.249.942,20 RON**, receivables settled in full, in litigations regarding overdue dividends or other receivables, the respective files being subsequently archived.

- **32.840 RON**, receivables settled in part, in cases in court regarding the recovery of overdue dividends and the procedure instituted by Law no. 64/1995 republished.

Litigations in which FIC Moldova is a plaintiff

total litigations = 201, of which 70 were settled during 2005;

- **total litigations in court = 131 at the end of this year, in various stages of litigation;**
- **value of litigations = 10.767.231,41 RON**, of which 678.530,84 RON in litigations involving recovery of overdue dividends, 5.432.340,27 RON in bankruptcies and judicial reorganisations and 4.656.360,30 RON in lawsuits involving claims;
- **value of litigations in foreign currency**, divided according to object :
 - **7.520.000 USD; 199.313 EURO**, in judicial liquidations;
 - **669.314 USD**, in cases involving claims;
 - **10.637.485,79 USD**, in draft oppositions, of which 2.400.000 USD pending resolution and 8.237.482,79 USD solved irrevocably..

These litigations are categorized thus:

1. Litigations involving the repealment of illegal resolutions of General Meeting of Shareholders of portfolio companies – 86 files, of which 31 were finalized during this year, a number of 55 files remaining in court in various stages of litigation.

It can be seen that the object of these litigations remains relatively unchanged in comparison to previous years, meaning that the cases were initiated in court as a consequence of increases or decreases of registered capital of companies in the FIC Moldova portfolio that negatively affected the quota of investment of our company in the registered capital of the respective companies.

We specify that our company's effort has concentrated mainly on the prevention of the emergence of such problems or their amiable resolution before the adoption of the resolution. In these conditions, throughout 2005 29 files with this object have been promoted.

In the structure of these litigations, it can be pointed out that from the total number of 86 files 4 are suspended, 38 are won, 28 were settled unfavourably for FIC Moldova and in two cases our company filed for aborting the trial, *as a consequence of their amiable resolution*.

2. Litigations involving recovery of overdue dividends – 31 cases, of which 14 were finalized during 2005, 17 litigations remaining in court or undergoing foreclosure.

In all litigations involving claims from overdue dividends it can be seen that our company prevailed, FIC Moldova's action being fully admitted.

As a consequence of efforts made during 2005 1.089.362,63 RON, were recovered as a result of these litigations, at the end of the year the sum remaining in litigation and pending recovery being 678.530,84 RON.

3. Litigations involving judicial reorganisation and bankruptcy procedure – 41 cases of which 36 in court and 5 solved and closed.

Files falling under the incidence of Law no. 64 / 1995 republished mostly involve the bankruptcy procedure, in which our company mainly has the quality of a simple creditor, thus being involved in the conduct of the liquidation, by the formulation of requests allowed by the legal frame of this matter: requests for the declaration of the receivable, observations and objections to the reports of liquidators, requests to establish liability of former administrators from the respective companies.

Thus, during this year, the procedure of judicial reorganization and bankruptcy was initiated at a series of companies, where as a consequence our company declared its claim, as follows : S.C. Genexim S.R.L. Bacau, S.C. Cona Impex S.R.L. Beresti-Tazlau, S.C. Agrodelta Sireasa S.A. Tulcea, S.C. Recomar S.R.L. Braila, S.C. C.B. Investitii S.R.L. Bucuresti, S.C. Lerus S.R.L. Agnita. The closing of the procedure was also decided in a number of cases, but as the decision did not become irrevocable until the end of the year 2005, the files were not yet archived. This is the case with the following companies, mentioning that as a consequence of liquidation operations, FIC Moldova's claim could not be settled, the sums obtained during the procedure being insufficient compared to the sums declared at the creditors' meeting : S.C. Bere Nova S.A. Braila, S.C. Stanriz S.A. Stancuta, S.C. Pyretus S.A. Falciu, S.C. Armonia S.A. Botosani.

In the course of this year a single partial settlement of a receivable can be reported, namely in relation to the bankruptcy procedure of debtor S.C. Baile Apemin S.A. Stoiceni, where as a result of distributions, FIC Moldova cashed in the sum of 4.198,09 RON.

4. Litigations involving various financial claims – 14 cases, of which 7 remaining in court and 7 solved.

As can be seen in the structure of these cases, the claims of FIC Moldova against former administrators of bankrupted companies predominate. Since the claims of FIC Moldova could not be settled in the course of the bankruptcy procedure, our company has filed an action to establish personal joint liability of the respective natural persons, that provided the management of the debtor companies and that by their actions contributed to the arising of the state of insolvency.

Throughout this year, 4 actions of this type were initiated, of which one was already admitted. The archived files were also admitted, but the claims were not recovered due to the lack of foreclosable goods in the property of the respective natural persons.

Regarding the cases solved it can be pointed out that they led to the recovery of claims totalling 189.221,48 RON.

5. Litigations with various objects = 10 cases, of which 4 were solved during this year and 6 are still in court, either in lower court or suspended.

In the course of this year, only two litigations were initiated, of which the most important is that involving the action in administrative court in opposition to NSC București. The object : the annulment of Notice no. 13 / Jan 21, 2005 emitted by NSC and that resolves that : 1) the right of preemption is also granted in the situation of an increase in registered capital with a contribution in kind ; 2) the quorum and voting requirements in the extraordinary general meeting are different according to whether or not the right of preemption is granted. Assessing this Notice as being illegal, in contradiction to the provisions of art. 218 of Law 31 / 1990 and art. 240 of the Capital Market Law, our company filed an action in court, action found at the end of 2005 in lower court.

6. Litigations involving draft oppositions = 8 files in opposition to State Assets Recovery Agency București involving 13 promissory notes.

These litigations were mostly solved, only four cases being still in court, of which two pending resolution, one suspended and one involving the appeal initiated by SARA București regarding the promissory notes issued by Exotic Com L.L.C. Piatra Neamt worth 450.000 USD.

The other files involving draft oppositions were solved in favour of SARA, rejecting the FIC Moldova contestation to the promissory notes issued by S.C. Lerus S.R.L. Agnita, S.C. Bel Ami Invest S.A., S.C. Dicom S.A. Bucuresti, S.C. Trust Ares S.R.L. Piatra Neamt, S.G.I. S.R.L. Bucuresti and endorsed by the former Private Property Fund II Moldova.

7. Criminal litigations = 6 cases in court, initiated against the following natural persons : Gherghina Ionel, administrator at SC Tigris Comp S.A. Topoloveni; Baiceanu Nicoleta; administrators of SC Agmus SA Iasi; general managers of BANKCOOP Iasi field office; notary public Filip Gelu.

In the criminal case involving the prosecution of persons in the Bankcoop S.A. Iasi field office, the prosecuting attorney disposed the cessation of prosecution as a consequence of the elapse of the special period prescribed in the statute of limitations. Our company initiated a complaint against the decision of the prosecuting attorney *that was rejected*.

During this year, our company filed a criminal complaint against the aforementioned Filip Gelu, for the felony of abuse of service against personal interest. The action is actually aimed at the nonfulfillment by the notary public of the legal obligations in relation to the authentication of a mortgage contract closed between FIC Moldova and S.C. Symbol Electronica S.R.L. Bacau, circumstance potentially leading to negative consequences for the contracting parties. The complaint was filed with the Prosecutor's Office of the Bacau Court of Appeals for further investigation.

Litigations in which FIC Moldova is a defendant

total litigations – 49, of which 19 were solved during 2005;

total litigations in court – 30, in various judicial stages;

1. Litigations in this category are grouped thus:

Litigations with various objects and claims files – 29 files, of which 20 are in court and 9 were solved;

There are 12 cases involving various objects, referring to requests by third parties to establish the nullity of sale contracts or the write-off of mentions or financial claims.

Related to claims, it is worth mentioning the action initiated against our company by the General Department of Public Finance of Harghita County, that requests in court forcing our company (as a shareholder and together with the former management) to cover the unsettled liabilities arising from the bankruptcy procedure of debtor S.C. Filatex S.A. Harghita. The litigation involves the sum of 4.445.511,02 RON and is currently in lower court.

There are 10 cases involving the claiming of fixed assets, referring to requests by certain persons from companies in the portfolio of FIC Moldova. In these cases, our company is called as a guarantor by companies effectively holding those assets for compensation in the case the claim is admitted.

Suceveanu Margareta initiated a new action claiming 785 m² of real estate located in Bacau, str. Trotus, nr. 5, as well as the razing of buildings erected on that land, respectively 5 garages, a valuables vault, a grocery store and a public toilet. The case is pending resolution in lower court, namely Bacau Court.

2. 2. Litigations involving distrains and direct bill actions – 20 cases, against Bankcoop, of which 10 cases in court and 10 solved.

The cases involving the action for cancellation initiated by the Romanian Prosecutor General in court in the High Court for Cassation and Justice – the Commercial Section – were solved by the overruling of these appeals. The ruling is irrevocable, our company initiating a dispute for cancellation against it.

I.3.2. RELATIONS WITH SHAREHOLDERS AND CAPITAL MARKET INSTITUTIONS

In order to apply OECD principles in the code of management and administration, FIC Moldova, in its relation with shareholders, puts an emphasis on:

1. Protection and ensurance of shareholders' rights: property rights (protection by confidential code lists, transfer confirmations, updates), the right to participate in General Meetings of Shareholders (directly – by convocation, announcements, publishing – or by representation –

provision of special proxies, ballots for voting by correspondence, lists of representatives, information), the right to information (directly, in writing, publishing, on the website) and the right to receive dividends (with or without an express request).

2. Equal treatment of shareholders, irrespective of holding level.

3. Ensuring compliance to obligations to inform and report to the market and capital market institutions (NSC, BSE) and to answer the requests of these institutions.

Communication obligations are regulated by specific requirements of NSC and BSE – NSC regulations no. 13 / 2004 and 15 / 2004, BSE regulation no. 3/2001, the provisions of Law 297/2004 regarding the capital market and the 2005 financial reporting calendar.

Relating to the aforementioned legislation, FIC Moldova fulfilled all obligations ensuing from legal provisions, as follows:

a. In relation to capital market institutions

Periodic reports towards NSC and BSE

- weekly reports – status of net assets - transmitted to BSE
- monthly reports – status of net assets (Annex 16 of NSC Regulation no. 15 / 2004) transmitted to NSC, BSE and presented on the company website and portfolio structure (Annex 17 of NSC Regulation no. 15 / 2004) – transmitted to BSE;
- 2004 yearly report, 2005 1st quarterly, 1st half year and 3rd quarterly reports transmitted to NSC and BSE, published in summary in the press („Bursa” newspaper of Apr 8, 2005, Apr 29, 2005, Aug 17, 2005 and Nov 1, 2005) and presented for consultation on the company website (www.sifm.ro);

Current reports towards NSC and permanent reports towards BSE

- the preparation and progress of the Ordinary General Meeting of Shareholders of Apr 22/23, 2005;
- significant transactions (involving securities – Banca Transilvania, SC Mecanica Ceahlau SA, SC Rulmenti SA, SC Confectia Miercurea Ciuc SA, SC Cometex SA, SC Biofarm SA, SC Asigurare – Reasigurare Astra SA, SC Aker SA, Banc Post SA);
- other important issues communicated: financial calendar; authorization of the membership of the FIC Moldova Board of Directors; details regarding the payment of dividends towards shareholders denomination of the nominal value of shares and registered capital as a consequence of the provisions of Law 348 / 2004; closing a Financial Audit contract with Deloitte & Touche.

b. In relation to shareholders

Obligations to inform FIC Moldova shareholders were respected by the issuance of press releases, publishing of reports, information through the electronic system of the capital market and through the company website, offering equal treatment to shareholders. The organization of activity at the head office and representative offices allows and ensures the operative solution of requests by shareholders received directly or by correspondence.

Appropriation and payment of dividends towards shareholders was carried out according to decisions adopted by the Ordinary General Meeting of Shareholders of April 23, 2005.

I.3.3. INTERNAL AUDITING AND CONTROL ACTIVITY

Internal auditing activity performed in the 2005 fiscal year

The main activities and operations carried out by FIC Moldova that were submitted to internal auditing during 2005, according to the internal audit plan, involve:

- motivating the decision regarding the acquisition and sale of securities (shares and bonds);
- appropriation and payment of dividends due to shareholders of FIC Moldova for the 2002 fiscal year and unpaid dividends at Dec 31, 2002 for the previous fiscal years (2001 and 2000);
- structure of the FIC Moldova portfolio and its evaluation according to NSC instructions regarding the calculation of net assets of financial investment companies;
- respecting the legal provisions and internal norms regarding the general inventory of the patrimony and the bookkeeping of the inventory results;

- financial instruments: recognition, evaluation and presentation of information regarding financial instruments in financial statements; fiscal considerations;
- publication and transmission of legal reports
- the investment and prudent administration of the FIC Moldova portfolio policies;
- the sale of shares through direct negotiation and operations carried out based on the mediation and portfolio administration contracts signed with financial investment services companies;
- the representation of FIC Moldova interests in General Meetings of Shareholders of issuers in which it is a shareholder;
- the renting, the management and discounting of amounts proceeding from rental contracts.

Internal auditing reports periodically to the Board of Directors in relation to the purpose of the auditing activity, the responsibility and the execution according to the plan. The reports include the significant risks and aspects of control and management, as well as other problems requested by the Board of Directors.

The opinion of internal auditors, the results of their activity, conclusions, recommendations and suggestions, as well as the measures taken during the auditing activity were included in the periodic internal auditing reports presented to the FIC Moldova Board of Directors. Based on the conclusions and recommendations of the internal auditing, the Board of Directors took the appropriate measures to manage the risks identified.

The internal auditors consider that the audited activities and operations carried out during 2005 comply to company management, policies and programs, legal provisions and internal regulations. There were no instances in which the Board of Directors decided to accept significant risks.

Activity of the Internal Control Department for the September 2005 – January 2006 period

According to art. 62 of Law no. 297 / 2004 regarding the capital market and art. 32 – 36 of NSC Regulation no. 15/2004 regarding the authorization and functioning of Investment Administration Companies, of collective investment organizations and depositories, in the meeting of Jun 24, 2005 the Board of Directors of FIC Moldova decided the organization of the Internal Control Department "specialized in the supervision of compliance by the company and its staff of legislation in force related to the capital market, as well as internal regulations".

According to the provisions of art. 37-41 of NSC Regulation no. 15 / 2004 and Investigations Plan of the Internal Control Department for the September 2005 – January 2006 period, approved in the FIC Moldova Board of Directors' meeting of Aug 26, 2005 and registered with NSC with number 30317 on Sep 2, 2005 the activity of the representative of the Internal Control Department consisted of the following:

1. In the Sep 15, 2005 – Sep 23, 2005 period – control of the means of information of the FIC Moldova employees regarding the juridical regulations applicable to the capital market, internal regulations and operational and work procedures. The associated report was presented and approved in the FIC Moldova Board of Directors' meeting of Sep 30, 2005.

2. In the Oct 10, 2005 – Oct 17, 2005 period – the verification of the compliance with art. 127 of NSC Regulation no. 15 / 2004. The associated internal control report was presented and approved in the FIC Moldova Board of Directors' meeting of Oct 28, 2005.

3. In the Oct 18, 2005 – Oct 20, 2005 period – the compliance with the provisions of NSC Directions no. 11 of Aug 12, 2005 regarding Financial Investment Companies in shares issued by other FIC's. The internal control report was presented and approved in the FIC Moldova Board of Directors' meeting of Oct 28, 2005.

4. In the Oct 3, 2005 – Oct 25, 2005 period – the control of the calculation of the Net Assets Value and Book Value of Shares of FIC Moldova in the Aug 1, 2005 – Oct 25, 2005 period in compliance to the provisions of NSC Regulation no. 15 / 2004 and NSC Decision no. 2509 / Aug 25, 2005. The report was presented and approved in the Board of Directors' meeting of Oct 28, 2005.

5. In the Nov 1, 2005 – Dec 14, 2005 period – the control of the drafting, transmission and publishing of legal reports towards NSC and capital markets entities. The report was presented and approved in the FIC Moldova Board of Directors' meeting of Dec 16, 2005.

6. In the Dec 16, 2005 – Jan 20, 2006 period the control of the calculation and pay of commissions, taxes and other amounts due to NSC and capital market entities was performed. The report was presented and approved in the FIC Moldova Board of Directors of Jan 26, 2006.

7. Permanent activities of the Internal Control Department:

- a) Informing FIC Moldova and its employees about the legal regulations applicable to the capital market;
- b) Regularly monitoring and checking the application of legal provisions relevant to the capital market and of internal regulations;
- c) The supervision of complaints resolution;
- d) Analysis and approval of documents and reports sent to NSC and capital market institutions;
- e) Analysis and approval of internal documents comprising operations subjected to the internal control visa;
- f) Analysis and approval of informative and advertising materials.

I.4. RISK MANAGEMENT

- **DESCRIPTION OF THE COMPANY'S EXPOSURE TO RISK**

By nature of its activities, SIF Moldova is exposed to various risks, among which there are the financial risk, the speculation risk, the operational risk, the business risk, portfolio risks. The management aims at reducing the potentially adverse effects, associated to these risk factors, on the financial performance of the company.

Credit risk – financial risk

SIF Moldova is exposed to the credit risk related to financial instruments, generated by the possible failure of a third party to pay its liabilities to the Company.

Liquidity risk – financial risk

SIF Moldova's financial instruments may include investments in shares which are not traded on an organized market, and subsequently may have a low liquidity. Therefore, the Company can encounter difficulties if it decides to rapidly liquidate investments in such instruments at a value close to the one determined based on the calculation model for the financial companies net asset value, provided in Regulation 15 / 2004 issued by the National Securities Commission (CNVM) in order to fulfil the own liquidity requirements.

Exchange rate risk – speculative risk

Most of the Company's financial assets and liabilities are expressed in the domestic currency, therefore the exchange rate fluctuations do not affect operations significantly. Exposure to the exchange rate fluctuations is mainly caused by the debts and receivables generated by the promissory notes denominated in US dollars and Euro.

Interest rate risk – speculative risk

Most of the Company's financial assets and liabilities do not bear interest, therefore the market interest rate fluctuations do not significantly affect SIF Moldova's operations. The surplus of cash or equivalents available is invested in short term investment securities with maturity of up to 3 or 6 months. The fixed income securities in which SIF Moldova invested incur maturities of up to 12 months.

Economic environment risk – business risk

The Romanian economy continues to present specific emerging economy features. There is still a significant degree of uncertainty regarding the future political, economic and social environment development. The Company's management is surveying the nature of changes that can occur in the Romanian economic environment and their effect on the financial situation and on the Company's operational and treasury results.

Among the characteristics of the Romanian economy is a currency not entirely convertible outside its borders, a low degree of liquidity of the capital market and wide ranges of variation in the national currency exchange rates.

Tax related risk – business risk

The Romanian fiscal system is subject to various interpretations and permanent changes, which may be retroactive. In certain situations, the fiscal authorities may adopt a position which differs from FIC Moldova's position and may calculate certain fiscal raises. Although the actual tax on a transaction can be minimum, penalties can be high considering that they can be calculated at the transaction value.

Fiscal legislation in Romania, as well as the fiscal measures enforcement, change frequently and are subject to interpretations, sometimes different, of various authorities. The Government of Romania subordinates a number of agencies authorized to control both Romanian and foreign entities operating in Romania. These controls are to a high extent similar to those effected in many other countries, but they may extend over legal or regulation areas in which the Romanian authorities may be interested. Furthermore, these authorities seem to be less submitted to strict regulations, and the companies under control seem to be less protected than usual in other countries.

Statements regarding taxes can be subjected to control and review over a period of five years, in general, after their submittal. In compliance with the legal regulations in force in Romania, periods subject to control may be later additionally controlled.

The Company's management considers that it recorded correct values in the accounts related to taxes and other debts to the state, although there is a risk that authorities have a different view on these issues. The latest check of The Public Finance Ministry covered the period until September 30, 2004. Therefore, SIF Moldova's debts from that date till the 30th of June, 2005, may be subject to a later check.

Portfolio risk

• COMPLIANCE WITH LEGAL REGULATIONS REGARDING OWNERSHIP LIMITATIONS

The portfolio risk is regulated by NSC through the obligation to observe ownership limitations provided in art.188 of NSC Regulation no. 15 / 2004 .

Starting with the date at which Regulation no. 15 / 2004 became operative, Jul 1, 2005, the compliance of categories of investments with the standard's specifications was surveyed monthly and no situation was recorded in which it exceeded the standard.

On Dec 31, 2005, the exposure of the portfolio is as follows:

- a) The percentage of securities and monetary market instruments not admitted for trading do not exceed the limits imposed ($\leq 20\%$ of assets), the level recorded being 5,104%.

<i>Type of asset¹</i>	<i>Value of assets (RON)</i>	<i>Percentage of total assets</i>	<i>Imposed limitation</i>
Closed stock (except BCR and Bancpost)	22.428.302,33	2,091	
Closed bonds (municipal and corporate)	1.705.761,02	0,159	
Deposit certificates	30.611.731,49	2,854	
TOTAL	54.745.794,84	5,104	$\leq 20\%$ of assets

- b) Exposure by issuer – TLV stock holding exceed the first ownership threshold, of 10% of total assets (10.712 %). The percentage of bonds acquired, of 0.12 % total assets, is not admitted for trading and are not taken into account for exposure by issuer.

The imposed threshold is 80% of total assets for all issuers that exceed 10%, at this date TLV being the only issuer.

¹ Unlisted stock, deposit certificates are taken into account and the provisions of art. 275 (2) for the exclusion of holdings in BCR and Banc Post .

- c) Exposure by issuers belonging to a group ($\leq 50\%$ of assets) – financial instruments issued by the TLV group and registered in the FIC Moldova portfolio are:

<i>Name of group</i>	<i>Value of assets (RON)</i>	<i>Percentage of total assets</i>	<i>Imposed limitation</i>
BT GROUP, of which :			
TLV shares	114.877.329,30	10,712	
TLV bonds	1.269.642,46	0,118	
Titles of BT Maxim	1.133.000,00	0,106	
GROUP TOTAL	117.279.971,76	10,936	$\leq 50\%$ of assets

- d) Derivatives outside regulated markets ($\leq 20\%$ of assets) – not applicable
- e) Values of current accounts and cash ($\leq 10\%$ of assets) indicated in the structure of net assets of FIC2 are 0,005%, the level recorded being far below the allowed limit
- f) Bank deposits in the same bank ($\leq 30\%$ of assets) – total bank deposits is 6,580% of total assets
- g) Derivatives ($<$ net assets) – not applicable
- h) Investment titles in Association of Collective Investment Organizations ($\leq 50\%$ of assets) – the percentage of these titles in total assets is insignificant (0.001%) representing holdings in the Businessmen's Mutual Fund.

II. FIC MOLDOVA DIVIDEND POLICY

In the last three years, the General Meetings of Shareholders approved with a majority of votes the payment to shareholders of dividends due within 60 days of the date of the GMS.

According to legislation in force, the expenses associated to the payment of dividends were borne by shareholders, proportionally with the amounts due.

The payment of dividends were made through the services of the Romanian Post National Company, by bank transfer or at the pay office.

In the case of the deceased shareholders the dividends were paid after the transfer of shares to the heirs, at their request, by bank transfer or at the pay office.

All the information related to the payment of dividends (GMS, methods and procedures, periods) were communicated to shareholders according to information requirements (press, website, BSE and NSC electronic system, posters).

The status of dividend payments for the last three years is the following:

Payment made in:	2002 Dividend (430 ROL/share)		2003 Dividend (494 ROL/share)		2004 Dividend (600 ROL/ share)	
	No. of shareholders	ROL	No. of shareholders	Lei (ROL)	No. of shareholders	Lei (ROL)
2003	278,135	170,347,242,540	235,795		182,532	241,321,835,100
2004		5,466,005,980		195,962,175,789		
2005		2,686,708,700		5,019,850,000		
TOTAL	278,135	178,499,957,220	235,795	200,982,025,789	182,532	241,321,835,100
Dividend due		223,208,522,840		256,430,256,472		311,453,752,800
% paid		79.97%		78.38%		77.48%

III. SIGNIFICANT EVENTS

1. Ordinary and Extraordinary General Meetings of Shareholders of FIC Moldova

The Ordinary General Meeting of Shareholders of FIC Moldova of Apr. 22 / 23, 2005

The Ordinary General Meeting of Shareholders of FIC Moldova was held on April 23, 2005, at the second convocation, when quorum requirements were met, in order to analyze the problems on the agenda of the convocation and adopt valid decisions relating to these. At the second convocation participated shareholders and representatives holding 157.775.493 shares representing 30,396% of FIC Moldova's registered capital.

The decisions adopted were published through the press release in „Bursa” newspaper in the April 29, 2004 issue, in the Official Gazette no. 1434 part IV of May 4, 2004, communicated to the Trade Registry Office of the Bacau Court for filling in the registry and were displayed at the head office, FIC Moldova representative offices in nine counties and Bucharest and posted on the company website www.sifm.ro.

The Extraordinary General Meeting of FIC Moldova Shareholders of Apr 23 / 24, 2004

The Extraordinary General Meeting of Shareholders – total present shares – 157.776.498 (30,3965% of the registered capital) did not fulfill the statutory and legal conditions for the adoption of decisions.

The shareholders were consulted regarding the issues on the agenda, recording affirmative votes in a majority for all the problems brought to the attention of the shareholders. These options will back the efforts of the Board of Directors to implement applicable regulations corresponding to the problems in debate.

2. Significant transactions carried out and reported during 2005 (more than 500.000 USD in value):

	Report	Reported to BSE	Reported to NSC	Published in the press
1	Significant transaction- acquisition of shares Banca Transilvania	05/49/06.01.2005-fax	05/49/06.01.2005-fax	BURSA newspaper07.01.2005
2	Significant transaction- investment in capital increase SC MECANICA CEAHLAU SA Piatra Neamt	34/337/03.02.2005-fax	34/337/03.02.2005-fax	BURSA newspaper04.02.2005
3	Significant transaction- investment in capital increase SC RULMENTI SA Barlad	102/769/17.03.2005-fax	102/769/17.03.2005-fax	BURSA newspaper18.03.2005
4	Significant transaction- sale of stock SC Confectia Miercurea Ciuc SA	152/1447/04.05.2005-fax	152/1447/04.05.2005-fax	BURSA newspaper05.05.2005
5	Significant transaction- sale of stock SC Cometex SA Suceava	1587/13.05.2005-fax	1587/13.05.2005-fax	BURSA newspaper16.05.2005
6	Significant transaction- investment in registered capital increase Banca Transilvania (TLV)	230/2037/23.06.2005-fax	230/2037/23.06.2005-fax	BURSA newspaper24.06.2005
7	Significant transaction- acquisition of shares SC BIOFARM SA Bucuresti	302/2430/16.08.2005-fax	302/2430/16.08.2005-fax	BURSA newspaper17.08.2005
8	Significant transaction- acquisition of shares SC BIOFARM SA Bucuresti	2741/23.09.2005-fax	2741/23.09.2005-fax	BURSA newspaper26.09.2005
9	Significant transaction- acquisition of shares SC BIOFARM SA Bucuresti	2828/06.10.2005-fax	2828/06.10.2005-fax	BURSA newspaper07.10.2005
10	Significant transaction- sale of stock SC Asigurare - Reasigurare ASTRA SA Bucuresti	3484/09.12.2005-fax	3484/09.12.2005-fax	BURSA newspaper12.12.2005
11	Significant transaction – subscription of shares SC AKER SA Braila	3595/22.12.2005-fax	3595/22.12.2005-fax	BURSA newspaper23.12.2005
12	Significant transaction - subscription of shares BANCPOST SA Bucuresti	3613/27.12.2005-fax	3613/27.12.2005-fax	BURSA newspaper28.12.2005

**President General Manager,
Manager,**

Sorin Mihail TURTOESCU

Financial

Liana MARIN

2. Presentation, debate and approval of financial statements for the year 2005, accompanied by the financial auditor's opinion; approval of net profit appropriation for 2005; Approval of transfer of unappropriated profit from 2002, 2003, 2004 to "other reserves"; approval of gross dividend per share; approval of dividend distribution to shareholders by the National Postal Company.

The Financial statements (Balance sheet, Profit and loss account, Statement of changes in equity, cash flow statement and explanatory notes) were approved in the Board of Directors' meeting of Mar 31, 2006.

The financial statements were edited by SC DELOITTE AUDIT SRL, that expressed an unreserved approval.

Profit appropriation

DESTINATION	Row no.	2005
A. NET PROFIT TO APPROPRIATE		
(row 02 to 08)	01	48.585.105
1. For constitution of legal reserves	02	1.163.148
2. For statutory or contractual reserves	03	
3. Reserves constituted as sources of financing	04	
4. Other reserves or appropriations provided by law	05	
5. For coverage of accounting loss from preceding years	06	
6. For dividends	07	34.779.003
7. Other appropriations	08	
B. UNAPPROPRIATED PROFIT	09	12.642.954

Recording the profit appropriation is done based on the approval of the General Meeting of Shareholders. The dividends proposed by FIC Moldova for 2005 in the amount of 34.779.003 RON, assume a gross dividend per share of 0,067 RON.

Unappropriated profit from 2002, 2003, 2004

For the continuation and acceleration of the investment process, the appropriation to other reserve funds of unexpended profit from the previous fiscal years (2002, 2003, 2004) is proposed, in the amount of 26.625.839, 59 RON.

Methods of distribution / payment of dividends proposed:

- Within **60 days** from the holding of the OGMS for supplying the dividends for the shareholders, complying with the legal deadlines for their payment;
- Shareholders are entitled to dividends for all the shares owned;
- The expenses associated with the payment of dividends are to be borne by shareholders, in proportion to the amounts due;
- Payment through the services of the Romanian National Postal Company (with NSC Approval no. 390 / 2004), with the following characteristics related to the payment of dividends to juridical and natural persons thus:
 - For shareholders – juridical persons, the payment of dividends is made by direct bank transfer, in the account indicated by the beneficiary;
 - For shareholders – natural persons owning more than 95 shares, payment is made by postal services;
 - For shareholders owning more than 975 shares, payment can be done on request by bank transfer or pay office, on the condition of receiving of requests before the date of submitting the dividends for payment by postal services and the presentation of documents requested regarding the right to access the account indicated;

- For shareholders – natural persons owning less than 95 shares, payment is made by request, at the FIC Moldova pay office;
- The payment of unclaimed dividends is to be made by FIC Moldova on the request of the beneficiary;

In the case of deceased shareholders the dividends are to be paid after the transfer of the shares in the name of the heirs, on their request, by bank transfer or at the pay office.

3. Information regarding the status of FIC Moldova liabilities resulting from the endorsement of promissory notes by F.P.P. II MOLDOVA; discussion and approval of legal approaches and methods of settling these liabilities.

During 2005, from a total of 8 litigations arising from promissory notes endorsed by the former Private Property Fund II Moldova against the State Assets Recovery Agency, 5 litigations were finalized.

These litigations were related to the opposition to a fulfillment initiated by FIC Moldova to the summons to execute promissory notes issued by various issuers and endorsed by the former Private Property Fund II Moldova.

As a consequence of irrevocable rulings, the opposition of FIC Moldova was overruled, finding that the procedural and cause faults invoked by FIC Moldova as grounds for the contestation of the pay of promissory notes are unfounded.

The litigations mentioned are as follows:

No.	Promissory note issuer	Promissory note value	Currency	Court ruling
1.	Lerus S.R.L. Agnita	230.000,00	USD	Opposition overruled
2.	Lerus S.R.L. Agnita	720.000,00	USD	Opposition overruled
3.	Bel Ami Invest Alba Iulia	750.000,00	USD	Opposition overruled
4.	Digicom S.A. Bucuresti	3.032.482,79	USD	Opposition overruled
5.	SGI S.R.L. Bucuresti	500.000,00 650.000,00 800.000,00 900.000,00 655.000,00	USD	Opposition overruled
6.	Exotic S.R.L. P. Neamt	450.000,00	USD	In court
7.	Trust Ares S.R.L. P. Neamt	500.000,00	USD	In court
8.	Symbol Electronica S.R.L.	1.950.000,00	USD	In court
	TOTAL	11.137.482,79	USD	

Two cases are still pending resolution, involving oppositions to fulfillment (items no. 6 and 7 in the table) and one case involving a review request submitted by our company in the Symbol Electronica case (position 8 in the table).

In the case involving the opposition of FIC Moldova to the promissory note issued by S.C. TRUST ARES S.R.L. Piatra Neamt worth de 500.000 USD, a dispute for cancellation was filed by FIC Moldova, pending trial in 2006.

In the case involving the opposition of FIC Moldova against the summons to execute two promissory notes worth 100.000 USD and 350.000 USD issued by S.C. EXOTIC COM S.R.L. Piatra Neamt, SARA filed an appeal pending resolution in 2006 by the Bacău Court of Appeal.

Regarding the promissory notes worth 1.950.000 USD, we specify that FIC Moldova secured the cancellation of two promissory notes, but the High Court for Cassation and Justice issued a new ruling that violates the case law principle. As a consequence, a request for review was filed, pending resolution by the High Court for Cassation and Justice.

Regarding the situation arising from the protocol concluded with SARA, this is stagnant, payment being suspended at this moment as a consequence of lack of confirmations from the last situation related

to the payment rescheduling. Payments are to be resumed as soon as the approval of SARA is received for the proposals submitted or any other resulted proposal.

After the receipt of confirmations , payments are to be made according to the plan, the status of payments being tracked and highlighted in the financial statements.

Also during 2005, efforts to pursue debtors from promissory notes were undertaken, foreclosing the patrimony of debtors and requesting the incurring of liability of the company administrators, where the patrimony does not cover the debt owed to our company, as a consequence of foreclosure of promissory notes by SARA from FIC Moldova as an endorser.

In cases involving the appeal for cancellation filed by the Romanian Prosecutor General against the foreclosure by Bankcoop of our company based on 8 promissory note, we specify that the High Court for Cassation and Justice overruled these appeals. Against the rulings in these appeals for cancellation, our company filed a dispute for cancellation, pending resolution.

Concerning the methods of settling these litigations, we specify that we intend to extend the pursuit of liabilities to the patrimony of administrators of the debtor in order to ensure a percentage of recovery as high as possible.

Concomitantly, the foreclosure procedure will be pursued and the protection of FIC Moldova interests will be ensured by all legal means, in relations to creditors as well as with debtors.

4. The election of two administrators in order to fill the number of seven positions in the Board of Directors; the approval of remunerations for the members of the Committee of Directors (effective leaders); the approval of monthly wages for the other administrators.

4.1. The election of two administrators in order to fill the number of seven positions in the Board of Directors;

By Decision no. 13 of the Ordinary General Meeting of Shareholders of Apr 23, 2005, six administrators were named for the Board of Directors of FIC Moldova, for a four year term of office (2005 – 2009).

The National Securities Commission, by Decisions 1841 / Jun 16, 2005 and 1884 / Jun 21, 2005 authorized the administrators elected by the GMS and disposed the filling of the positions in the company Board of Directors for which "FIC Moldova is to undertake all legal measures". According to art. 7 para. (1) of the Articles of Incorporation of the company, authorized by NSC Decision no. 3368 / Dec 14, 2005, the filling in of positions in the B.D. is done in the first OGMS.

As a consequence of the publishing of Law no. 7 / 2006 regulating the statute of the parliamentary public official in the Romanian Official Gazette no. 35 / Jan 16, 2006, the secretary general of the Romanian Senate Dan Constantin Vasiliu became incompatible with the quality of member of the B.D., according to art. 9, para. (1)c), which led to the inclusion in the agenda of the OGMS of item 4.1. as follows: "The election of two administrators for the completion of the number of seven members of the Board of Directors";

In the meeting of Mar 31, 2006, the Board of Directors is informed of the resignation of administrator Vasiliu Dan Constantin, motivated by his position as a secretary general of the Senate and the possible incompatibility of this function with that of administrator of FIC Moldova, taking into account the stage of the Bill regarding the rejection of Government Emergency Ordinance no. 2 / 2006 for the suspension of the application of the provisions of Law no. 7 / 2006 regarding the status of the parliamentary public official.

At the date of the drafting of this material, the necessary documents have been submitted to ORC Bacau for the issuance of the request to register a Filling regarding the resignation of Mr. Vasiliu Dan Constantin.

In the Convocation of the Ordinary General Meeting published on Jan 27 in the Bursa newspaper, the local daily Deșteptarea and in the Official Gazette part IV no. 370 / Feb 1, 2006 a notice was appended regarding the deadline for the submission of applications for the position of administrator, Feb 10, 2006. For the support of candidates in drafting the documentation required by relevant regulations model forms were drawn up for the component parts of the application and supplied at the documentation centres mentioned in the Convocation and on the www.sifm.ro website, starting Jan 27, 2006.

In the Jan 27 – Feb 10 period applications were submitted by:

1. DOROS Liviu Claudiu (FIC no. 751/ 30.01.2006)
2. CLIVETI Mihai (FIC no. 865 /01.02.2006)
3. MORARU Lidia (FIC no. 1140 /10.02.2006)
4. COSMA Romeo Daniel (FIC no. 1142 /10.02.2006)
5. MACOVEI Ioan (FIC no. 1143 /10.02.2006)
6. NEACSU Dragos - Valentin (FIC no. 1218 /10.02.2006)

The commission named by the Board of Directors analyzed the content of these applications in relation to the provisions of Regulation 15 / 2004, validated all files and sent them for the information of NSC.

According to the specifications of the Convocation, the suitable candidates were placed on the vote by mail ballot forms and on the special proxy, in the chronological order of the recording of the applications, forms that were placed at the disposal of the shareholders beginning with Mar 6, 2006.

4.2. Approval of remuneration for the members of the Committee of Directors (effective leaders);

The Board of Directors proposes to the GMS to calculate the remunerations for the members of the Committee of Directors (effective leaders) based on a multiplication coefficient applied to the average category salary of personnel with higher education, as follows:

- coefficient 5 for the President – General Manager;
- coefficient 4,5 for the Vicepresident – Assistant General Manager;
- coefficient 4 for a Director in the Directors' Committee.

Furthermore it proposes that the members of the Directors' Committee should benefit from the rights and obligations provided in the Collective Labour Contract concluded between the Board of Directors and the representatives of the employees.

4.3. Approval of monthly wages for the other administrators.

The Board of Directors proposes to the GMS that the wages for administrators that are not part of the Directors' Committee should be 20% of the salary of the President – General Manager.

5. Presentation, discussion and approval of the Income and Expense Budget and of the Activity Program for the year 2006.

2006 INCOME AND EXPENSE BUDGET

		Forecasted for 2005	Achieved in 2005	Forecasted for 2006	Percentage achieved in 2005	Percentage forecasted in relation to 2005	Percentage forecasted 2006 in relation to 2005 achievement
		1	2	3	4=2/1	5=3/1	6=3/2
A.	Total revenue	61.300.000	90.559.196	93.550.000	148%	153%	103%
B.	Financial revenue	58.400.000	78.475.143	92.070.000	134%	158%	117%
	· Revenue from financial investments (dividends)	23.400.000	30.253.988	30.000.000	129%	128%	99%
	· Revenue from receivables (bank interest and bonds)	15.000.000	12.916.578	4.000.000	86%	27%	31%
	· Revenue from ceded financial investments	20.000.000	31.805.733	56.570.000	159%	283%	178%
	· Financial revenue from titles adjustment	0	1.374.164	0	0%	0%	0%
	· Revenue from exchange rate differences	0	1.647.357	0	0%	0%	0%
	· Revenue from provisions	0	114.583	0	0%	0%	0%
	· Other financial revenue	0	362.740	1.500.000	0%	0%	414%
C.	Revenue from operations	2.900.000	12.084.053	1.480.000	417%	51%	12%
	· revenue from rent and associated activities	900.000	819.761	800.000	91%	98%	98%
	· revenue from provisions	0	8.903.065	0			0%
	· other revenue from operations	2.000.000	2.361.227	680.000	118%	29%	29%
D.	Total expenses	24.363.714	37.042.254	51.500.000	152%	211%	139%
E.	Financial expenses	11.000.000	23.048.990	36.500.000	210%	332%	158%
	· expenses with ceded financial investments	6.000.000	5.124.025	29.500.000	85%	492%	576%
	· expenses with transaction commissions	0	405.044	1.000.000	0%	0%	247%
	· expenses with titles adjustment	0	794.200	0	0%	0%	0%
	· expenses with exchange rate differences	0	1.487.494	0	0%	0%	0%
	· expenses with banking services	0	33.268	50.000	0%	0%	150%
	· other financial expenses	5.000.000	15.204.959	5.950.000	304%	119%	39%
F.	Expenses with operations	13.363.714	13.993.264	15.000.000	105%	112%	107%
G.	Gross margin	36.936.286	53.516.942	42.050.000	145%	114%	79%
H.	Profit before tax	12.886.286	33.939.816	12.050.000	263%	94%	36%
I.	Profit tax (current and deferred)	2.061.806	4.931.837	2.850.000	239%	138%	58%
J.	Net Profit	34.874.480	48.585.105	39.200.000	139%	112%	81%

2006 Activity Program

The FIC Moldova global strategy is incorporated in the company's general management process and corresponds to the requirements specified in the relevant legislation in force and in the Articles of Incorporation, representing a combined corporate strategy of development and consolidation.

The main objective derived from this strategy is the maximization of the value of its own shares. The means of achieving this objective are:

- directly – by means of the instruments of implementation of the global strategy: the activity program and the revenue and expense budget, focusing on the product strategy aimed at the increase in value of the administered assets;
- indirectly – the company policy aims at accomplishing the mission to satisfy the demand of customers in an excellent fashion, by expression of the company's performance in the evolution of the market indicators (price, liquidity, book value of shares, etc.)

The Board of Directors aims at increasing the company patrimony management indices, a dividend policy that ensures a balance between the continuation of activity in optimal conditions, the satisfaction of shareholder expectations and compliance with corporate governance principles. The annual results are to be surveyed, analyzed and reported in relation to the realization of specific actions to accomplish functional objectives and their contribution to the realization of strategic objectives as directed in the company policy.

The FIC Moldova Board of Directors proposes to the shareholders as performance indices for the analysis of activity the net profit, the book value of shares, the gross dividend and furthermore proposes their level for the 2006 fiscal year as follows:

- net profit – an increase of approximately 12% in relation to the level forecasted for the year 2005 (the proposed value for the net profit is approximately 39 mil. RON);
- book value of shares – an annual percentual increase of 35% is proposed related to the value recorded on Dec 31, 2005;
- dividend policy – the policy of appropriating dividends to shareholders will be continued from the dividends collected from the portfolio companies and at the level provided in the revenue and expense budget. These considerations are based on the decrease in the profitability of the dividend under the significance level in relation to the price of shares.

The revenue and expense budget was drawn up and the main directions of activity were established based on these elements, activity centered on trading operations.

The investment program is tallied at 70 mil. RON and the main source of its financing is revenue from sales (resulted from disinvestments, speculation on financial instruments listed on regulated markets, interest) representing over 50 mil. RON.

By directing the cash flows towards investment in the capital market a gross margin from trading activities of approx. 27 mil. RON is estimated.

The FIC Moldova Board of Directors undertakes the objectives proposed in the Activity Program in the context of the macroeconomic environment characterized by:

- the official inflation target for the year 2006 is 5%, with a possibility of upwards correction;
- 2006 is the last year before joining the European Union, which necessitates the continuation of the portfolio reconstruction activity towards representative investments in issuers interested in the stock

market, aiming at the increase of liquidity. The selections are to take into account the degree to which they comply to EU requirements;

- the marked increase in competition in investments due to the increase of the country rating.

1. Functional Objectives

Maximizing the value of shares is accomplished by the utilization of advantages deriving from the "diversified investment policy organization" that is FIC Moldova, in order for the predicted efficiency derived from all financial instruments to be correlated to an accepted level of risk.

Management policy established as a main route of action for the accomplishment of its mission and objectives is the criterion of diversification of its portfolio, in which the greatest weight would be held by investments in shares. The portfolio remodelling, by increasing the investments in shares is also based on the fact that in 2006 monetary profitability is in a continued decrease.

All allocation and restructuring of the portfolio is to be done in compliance with the requirements of prudence standards required by the legal system in force. The acquisition of shares is to take into consideration the avoidance of exposure risk for a small number of issuers, in the conditions prevalent in the capital market.

1.1. The share portfolio

The strategic option of accelerating / amplifying the shares acquisition operations on the stock markets is correlated with the level of profitability ensured, as well as with the active portfolio restructuring policy, in order to improve its quality.

In this context, the main activity should be, starting from now, to build a portfolio comprising representative investments in issuers interested in the stock market, as in the future trading listed stock is to become the main source of income. The delay of this process, for various reasons, implies significant costs of opportunity that will be reflected in the value of assets and the liquidity of FIC Moldova portfolio.

The process is to take into account the characteristics of the regulated marked newly created as a consequence of the BSE - BER (Romanian Electronic Stock Market) merger and its structure, influencing the selection of already listed issuers and creating the possibility of listing new companies.

For the category of directly productive issuers it is to be taken into account that for the first time, in the calculation of the industrial confidence index at the beginning of this year, a negative value was recorded (the index does not vary greatly between sectors, the only ones with a positive index being the information technology industry and the metallurgic industry; a negative but better than the industry average index is recorded in the machinery and equipment industry, the rubber processing and textiles industries) and also that utility prices have increased, in the context of Romania having the highest energy consumption in Europe (the cost of utilities represent between 10 and 20% of production costs and even more).

Objectives specific to the administration and management of the portfolio are:

- the dynamic optimization of the share portfolio and the ensuring of the bases of the realization of a portfolio with an increased profitability and an accepted level of risk;
- the increase of the quality and effectiveness of the management act – regarding the portfolio management as well as companies – in order to accomplish the indicators drawn up in the revenue and expense budget draft;
- the ensuring of the appreciation of net assets;
- the increase in importance of risk management;
- the permanent supervision of compliance with legal regulations regarding ownership limitations.

During the portfolio administration process the operations carried out involve:

Performance measurement and evaluation operations

These operations derive from global strategy and are aimed at:

- the establishment and pursuance of the attainment by companies in the portfolio of profitability levels that allow the maximization of revenue for shareholders by the rigorous analysis of economic and financial results, revenue and expense budgets and proposed investment programs, analysis leading to the implementation of objectives concordant to actual possibilities;
- the supervision and monitoring of management performance, identifying in real time the optimum moments for intervention with corrective measures;
- the analysis of causes leading to certain performance and the determination of factors liable for the profitability obtained. In this direction the operations related to registered capital of issuers in the portfolio are to be monitored, their investment in the registered capital of other companies, partnerships, sales, rentals, guarantees, mortgages, pledges, mergers, divisions, modifications in articles of incorporation, realization of recovery and restructuring;
- promotion of corporate governance principles, equitable treatment of shareholders, business ethics in order to impose correct management conduct and practices to ensure company development, attainment of profit and the protection of shareholder interests;
- the special monitoring of the target segment of companies for investment by FIC Moldova;
- the financial support of portfolio companies by the selection of programs considered viable, either directly, by the appropriation of an increased share of the profit for investment or modernization necessities, or by the identification of other sources for the financing of projects (risk funds, funds allotted by various national and international organizations) and the acceleration of efforts towards accessing them;
- the categorization of investments based on performance analysis and perspectives in strategic categories: holding and acquisition (motivated by dividends, economic growth, size of stock, investments), in observation and monitoring, in elimination (by sale, dissolution / liquidation), in order to take the appropriate decisions according to the portfolio management practice on developed capital markets.

Trading and monitoring operations

The finishing touches of the portfolio reconstruction are to take into account the investment criteria applicable based on specific evaluations, implying: the positive evolution of the field of activity the potential investment belongs to, the size of the market and growth perspectives, as well as the level of management performance. The continuous monitoring of the exposure of the portfolio to the investment opportunities offered by the market is to determine the measure in which the portfolio corresponds to the objectives established and to the limitations imposed.

The strategic allocation of assets (the determination of types of shares this important segment of the portfolio is to be constructed from and the proportions in which they are to be represented) does not exclude the methods of tactical short-term allocation in the context of the selection of securities that would lead to the modification of the portfolio by:

- the increase in registered capital of companies from reserves (when this operation is beneficial to the company);
- division / merger, aiming at the increase in economic performance of the companies;
- exchange of investments with SARA, according to the opportunities which might arise;
- identifying opportunities for the financing of companies and the coverage of financing needs by primary issuance of shares;
- continuing FIC Moldova investment policies for the technological support of companies in the portfolio in order to increase their value for the appreciation of the entire stock;

- drawing up a dividend policy differentiated by segment of mature profit-generating companies and companies with growth potential that aim at the maximization of the intrinsic value of their assets;

The FIC Moldova investment policy will focus (in the objective conditions offered by the regulated market by a selective growth of stock) on issuers rigorously selected based on accomplishments and the quantification of budgets presented, correlating the economic indices with the stock market indices. Considering that the average stock market capitalization coefficient Price / Profit at the end of 2005 is 15,78 (calculated only for the shares of profitable companies and discounting aberrant values) and taking into account that the 2006 fiscal year is preceding the integration in E.U.⁶, the following considerations are to be taken into account:

- the continuation of the acquisition of shares on the stock market for issuers in development, with growing economic and financial indicators and very good liquidity, that can ensure a profitability superior to that of other financial products. The listing of the big state companies is to be given particular attention, as well as the offer of the Property Fund.
- additional allocation for a better representation in the portfolio structure of issuers in economic sectors appreciated as being in development and in which investment opportunities can be better exploited, as: financing, banking, insurance / industry, utilities / production of pharmaceuticals / services / IT;
- the acquisition of shares in order to consolidate control and decision positions in companies, by transactions on the market , participation in public offers (the forecasts predicting the decrease of the performance supplement derived from capital increases are taken into account);
- the participation in the increase in registered capital of issuers or in the issuance of bonds by the aforementioned for the conservation or consolidation of positions in companies with a high potential;

According to the quality of the issuers subjected to the disinvesting process the following considerations are to be taken into account:

- ensuring profit by selling shares belonging to issuers that, by their own financial evolution as well as the evolution of market listings, favorize the attainment of attractive profitability;
- the transformation into liquid assets of stock belonging to issuers whose financial counterperformance and inadaptability to EU requirements does not justify their retention in the portfolio, in which case disinvestment at the value of the acquisition cost may represent the optimum solution;
- the performance increase from dividends is decreasing (due to the generalized increase in prices);
- identifying the optimum “exit” moment from investments, in order to obtain the profitability needed to resume the investment process on a larger scale, in order to ensure the development and maximization of assets in the portfolio.

1.2.The securities portfolio (bonds, other financial products with a fixed or variable revenue)

The participation titles portfolio administration strategy (Securities Collective Investment Organizations, Association of Collective Investment Organizations) is to comply with the target investment objectives provided in the budget and to implement the diversification principle relating to assets owned.

⁶ According to the study published by the Applied Economics Group: "The approaching of the moment of integration into the European Union creates anxiety among companies, as more than half of them do not comply with European and environmental protection standards. The sectors with the highest degree of readiness for integration are: rubber processing, machinery and equipment and electronics. In the opposite situation, the sectors with a higher than average proportion of unprepared companies are the metallurgic industry, the textiles industry and the food industry.

The trading of derivative instruments – futures contracts and options – is to exploit the possibilities for supplemental revenue (monetization) and to support the market tendencies (hedging) as a consequence of continuous monitoring and measuring of portfolio exposure to investment risk. The implementation of these active investment strategies is to correct the portfolio in a dynamic fashion, responding to the change of expectations regarding the evolution of the market.

Also in view of diversification, the opportunities to acquire various categories of bonds are to be capitalized on, taking into account their small share in the portfolio in the context of the profitability tendency of this market sector decreasing.

The orientation towards well-established external capital markets in order to identify financial products with profitabilities similar to those of shares in emerging markets or even support assets traded in eastern markets that are effectively emergent (e.g. the Republic of Moldova – the most emergent European market in 2005; Ukraine)

1.3. The financial – monetary instrument portfolio

Through the management of available monetary assets a certain profitability rate is to be ensured and an optimum threshold of liquid assets is to be established, managing risks by diversifying the investment spectrum through investment in the most profitable fixed revenue monetary instruments offered in the monetary market.

Bank deposits are to be placed for medium and short terms, with different maturity dates, in order to ensure cash for settling the company's current liabilities, as well as the necessary amounts for the acquisition of securities.

Financial products with a fixed or variable revenue are to be acquired in an amount corresponding to the share of these instruments in the total portfolio and in correlation to the stage of regulation and development of transactions on the regulated primary / secondary market.

2. Strategic objectives

2.1. FIC Moldova – conduct appropriate for a renowned financial investment company, through compliance with OECD corporate governance principles

In relations with shareholders and stock market institutions

- ensuring full transparency of FIC Moldova: promptness of reporting and publishing reports, continual information of investors, directly, by press releases or on the www.sifm.ro website;
- ensuring promptness and accuracy of public information;
- offering shareholders the possibility to monitor the company's performance directly;
- availability in relation to stakeholders, persons, interest groups;
- equitable treatment of all shareholders, regardless of stock owned;
- protection and ensurance of shareholders' rights regardless of category:
 - property rights;
 - the right to participate in General Meetings of Shareholders (directly – by convocation, announcements, publishing – or by representation – provision of special proxies, lists of representatives, information);
 - the right to information (directly, in writing, on the website);
 - the right to receive dividends (with or without an express request).
- ensuring compliance of obligations to inform and report to the market and capital market institutions (NSC, BSE) and to answer the requests of these institutions;

- developing and maintaining a positive image by transparency in relations with investors, partners, mass-media and shareholders.

In relations with portfolio companies

Corporate governance principles are being constantly promoted, as well as an equitable treatment of shareholders and business ethics, in order to impose correct management conduct and practices that would ensure the development of the company, the attainment of profit and the protection of shareholder interests.

2.2. Organizational development

In parallel to the operational activity the optimization of company logistics is taken into consideration, especially by developing the information system (e.g. the development of specialized in-house modules), the permanent qualification of personnel according to the complexity of financial instruments traded on regulated markets that are to be engaged as well as organizational flexibility, in the structural as well as task components, aspect that will reflect in the FIC Moldova internal regulations.

6. Presentation, debate and approval of the FIC Moldova development strategy for the 2007-2009 period.

General characteristics of the macroeconomic environment in which FIC Moldova is operating

The FIC Moldova development strategy in 2007-2009 is drawn up based on the assumption of stability of legislation relevant to the specific activity of the Financial Investment Companies, the harmonization with European directives done by Law 297 / 2004 and NSC secondary regulations being finalized. Financial Investment Companies are not subject to European regulations; NSC categorized FIC's as Association of Collective Investment Organizations with a diversified investment policy, according to art. 188 of NSC Regulation no. 15 / 2004.

The FIC Moldova investment activity also takes into account government predictions of the evolution of the macroeconomic environment regarding sectors with a development potential and the measures to support them taken by the state (e.g. sectors producing items with a pool of natural resources, products with a high added value).

In structuring the FIC Moldova portfolios the following events were also taken into account being evaluated as having a significant impact on establishing strategy:

1. The stage and tendencies of regulated markets and the alternative trading system; the effect of this reorganization in the share portfolio will be the registration of a decrease in companies admitted for trading on a regulated market and their transfer to ATS or withdrawal from trading, with the corresponding modification in net assets;
2. The "investment grade" rating for Romania, leading to capital attracted by cheap labour and opportunities offered by the integration of Romania into EU in 2007, as well as speculative capital, having effects on FIC investment activity (increasing the competition of capital on the stock market, as this capital would be interested in primary offers, oversubscription will decrease the rentability level of the investment);
3. Integration in EU, forecasted for Jan 1, 2007, will influence FIC Moldova activity
 - positively – harmonization with European legislation will bring confidence to foreign investors, which may bring among FIC shareholders institutional investors, characterized by medium / long term ownership and a high level of connections in the business environment

- negatively – the activity of companies in the portfolio will suffer in relation to the financial result; costs will be incurred to fulfil environmental and technological standards that will lead to FIC, as a shareholder in these companies, to not appropriate dividends in the first years.
4. The liberalization of the capital account not later than the date of integration results in bringing the monetary bonuses to the EU level.
 5. The inflation target announced by the National Bank of Romania is 4% for 2007, 3% for 2008, 3% for 2009.

2. The general institutional objectives of FIC Moldova

The field of activity as defined in the company's Articles of Incorporation specifies the general and the derived objectives that FIC Moldova has to undertake and manage.

The main objective of FIC Moldova, that subordinates its entire activity, is to protect the property of its approx. 9 million shareholders and maximize the value of its own shares – to ensure profit from dividends and from the increase of FIC Moldova shares, listed in BSE, category I.

The fulfilment of this objective has a direct component, by attainment of indicators set forth in the revenue and expense budget and an indirect component, consisting of the reflection of company performance in market indicators (price and liquidity of shares, book value of shares).

The beneficiaries of FIC Moldova activity are the shareholders and the entire activity of the company is focused on ensuring a balance between the requirements of shareholders and the perpetuation of activity in optimum conditions. The establishment of objectives and the attainment of performance aims to harmonize the requirements specific to the various categories of shareholders, taking into account the diversified range of investors, from small shareholders – FIC's are Collective Investment Organizations with a wide accesibility, the nominal value of shares is 0,1 RON by derogation from Law 297 / 2004 and are attractive issuers on the domestic market as well as for domestic and foreign institutional investors.

3. Statagic directions for the FIC Moldova investment policy

The stages our company went through led to the accumulation of vast experience in portfolio administration operations, investment in fixed revenue instruments (bonds, government securities), financing of companies in the portfolio, investment in new businesses, investment programs in the capital market, initiated in a prudent manner in 2004 and from 2005 massive investment programs, allowing FIC Moldova to direct its activity as a specialist in financial instrument investments (portfolio investments – short / medium term investments).

From 2007 to 2009 FIC Moldova will continue the trend set in 2006, characterized by dynamism in the trading activity.

Annual investments on the capital market are forecasted to reach approximately 70.000.000 RON (level proposed for the year 2006) and the trading activity will generate a significant part of the company's profit.

The main source of liquidity for the support of the annual investment program is the revenue from sales, associated to investments in issuers in the inherited portfolio and the speculative portfolio, component that will increase its share in the general structure of holdings.

Cash flows for the 2007-2009 period support the drawing up of revenue and expense budgets aiming at an annual increase of 12% of the net profit.

3.1.Assets structure

The FIC Moldova investment policy is drafted taking into account the following considerations:

- Financial Investment Company Moldova is categorized by NSC regulations as an Association of Collective Investment Organizations with a diversified investment policy. The activity of Associations of Collective Investment Organizations is not regulated by European Council directives.

- FIC Moldova investment policy is characterized by investment in differentiated portfolios constituted on a short, medium or long term.
- FIC Moldova invests mainly in shares of Romanian companies with perspectives of development.
- The FIC Moldova investment strategy is to:
 - diversify its financial asset portfolios, in order to capitalize on the opportunities in financial markets; in order to obtain the best results FIC Moldova invests in several sectors, companies and financial instruments;
 - maintain as a basic component of its portfolios investments in shares, in correlation to the history of the founding of the Private Property Fund / Financial Investment Company, to the stage of development of financial instrument markets and the specialization of FIC staff;
 - buy shares / invest in companies belonging to sectors expected to have the greatest growth;
 - ensure the greatest part of the share portfolio by holdings in medium and large companies;
 - bring additional value to companies by becoming involved in their management;
 - take advantage of the staff's entrepreneurship by founding new companies, participating in large national / European projects, public – private partnerships if the opportunity arises;
 - offer FIC Moldova investors a portfolio characterized by a medium risk.

The portfolio structure of the company and the administration strategies for every type of asset (including investment plans) are determined in relation to these major directives.

- FIC Moldova investments are made in compliance to prudence rules imposed by the supervision and control authority that regulates FIC activity, the National Securities Commission:
 - a) it cannot hold more than 20% of its assets as securities and monetary market instruments not admitted for trading;
 - b) it cannot hold more than 10% of its assets as securities and / or monetary market instruments issued by the same issuer, mentioned in art. 101 para.(1) letter a) and b) of Law no. 297 / 2004. The 10% limit may be increased up to a maximum of 40% on condition of the total value of securities and monetary market instruments held by a Association of Collective Investment Organizations in each of the issuers in which it has holdings exceeding 40% not in any case exceeding 80% of its total assets. This limitation is not applied to deposits and transactions with derivative financial instruments negotiated outside regulated markets and concluded with financial institutions subjected to prudential supervision;
 - c) it cannot hold more than 50% of its assets in financial instruments issued by entities belonging to the same group;
 - d) exposure to counterpart risk in a transaction involving derivative financial instruments traded outside regulated markets cannot exceed 20% of its assets, regardless of the transaction counterpart;
 - e) the value of current accounts and cash should be at most 10% of its assets. This limit can be exceeded up to a maximum of 30% on condition of the respective sums originating from the issuance of participation titles, from deposits reaching maturity or from the sale of financial instruments in the portfolio, and the respective excess not continue for more than 30 days;
 - f) it cannot establish and hold bank deposits in a percentage greater than 30% of its assets in one bank;

g) the global exposure related to derivative financial instruments cannot exceed the total value of its total assets;

h) it cannot hold more than 50% of its assets as investments in Associations of Collective Investment Organizations.

In establishing the structure of the assets managed, the determination of the minimum amount of current assets necessary for the functioning of the company, for taking advantage of investment opportunities and for maintaining the FIC Moldova basic portfolio (companies generating dividends, with growth potential) are to be taken into account.

The diversification of assets and the constitution of portfolios is to be accomplished by direct investment or by investment vehicles, taking into account the level of specialization of the staff and the barriers to entry.

3.2. The share portfolio administration – a mix of administration strategies

The share portfolio administration activity consists of an active administration by carrying out issuer monitoring, investment protection and adding value by management activities, that integrate in the continuous portfolio optimization process by modifying its composition.

According to the ownership level of the investments, the management activity is carried out, as appropriate, by monitoring the issuer's activity in order to act towards the protection of the investment or by participation in the company's management, directly, by representatives or by concluding strategic alliances with sophisticated financial investors with compatible investment objectives. FIC Moldova does not aim at having majority or control stock holdings.

The Private Property Fund portfolio strategy, the inherited portfolio, has the following directives:

- reducing the large number of companies as they affect performance by dissipating the focus of the activity and increasing the administration costs. A numerical objective is not targeted, as the activity is characterized by a diversification of investments by investing in new issuers (newly constituted portfolio) and at the same time the company has the organisational capacity to manage a large number of issuers. All efforts are to be made as shareholders for the acceleration of judicial liquidations according to Law 64 / 1995 .
- for companies with low performance and without recovery potential, strategies involve the sale of investments, even under accounting value, and the resulting cash flows are to be invested in lucrative investments in the capital market.
- the restructuring of companies with recovery potential (from sectors forecasted as profitable) is carried out from an organizational perspective (the closing of nonviable facilities, the reorganization of indirectly productive activities / outsourcing), as well as financing the activity, directly correlated to the ownership level.

The FIC Moldova investment policy, the basic component in the permanent portfolio optimization process, is concentrated, in the objective conditions offered by regulated markets, towards:

- issuers with good financial performance, with listing growth potential and with liquid assets allowing the implementation of acquisition programs of reasonable magnitude;
- the growth of the portfolio by stock market investments in new issuers, concentrating on companies proposed for privatization by government programs (Government Decision (HG) 1481 / 2005 regarding the incorporation of the "Property Fund" ("Fondul Proprietatea"), HG 1172 / 2005 regarding the approval of Romania's Industrial Policy for the 2005 – 2008 period and the Action Plan for the implementation of Romania's Industrial Policy in the 2005 – 2006 period);

- investments in shares in sectors that are not yet listed on the stock market; focusing on viable / performant economic sectors has been difficult, as not all of these sectors are represented on regulated markets;
- the continuation of the acquisition of shares on the stock market, for issuers in full development, with growing economic and financial indicators and very good liquidity, that can ensure superior profitability to that offered by other financial products (deposits, government securities, etc.).

3.3. *The derivatives portfolio*

Investments in derivatives supported by shares aim at the reduction of investment market risks (arbitration for investments in shares) and a speculative purpose, of maximizing the profit (by confirming predictions regarding the evolution of the market).

The coverage of risks by fixed term transactions is necessary for a dynamic portfolio, the trading portfolio, which FIC Moldova plans to own as a significant share of its assets.

3.4. *Investments in commercial papers*

The markets for drafts, promissory notes, etc. are to be monitored and the investment decision determined by the maturity of the market, the profitability of the investment and its risk. Investments are to be made directly or by investment vehicles.

3.5. *The financial – monetary instrument portfolio*

Starting with 2007, as a consequence of the finalization of the liberalization of capital accounts, the attractiveness of investments in financial-monetary instruments will be decreased, the interest will be harmonized with that of the EU and the access of non-residents at all financial-monetary instruments (deposits, deposit certificates, government securities) will be allowed.

The size of portfolios is to be correlated to the necessary short-term liquidities estimated by FIC Moldova.

3.6. *The bonds portfolio*

Municipal bonds represent an attractive investment taking into account the low risk and low management costs, and every issue will be analyzed individually for the profitability offered in order to make the appropriate decision.

A category of interest in the structuring of the FIC Moldova portfolio is represented by bonds issued by finance and banking companies, investments in which in addition to the usual elements of analysis the compliance to exposure limitations by issuer is also supervised, rule included in the prudence policy imposed by NSC.

In the perspective of a positive development of the real estate sector, mortgage instruments are forecasted to be attractive for investments, and the constitution of this segment of assets is to be done directly or through specialized Associations of Collective Investment Organizations.

3.7. *Investments on foreign markets*

The expansion of investments to foreign markets is subject to the attention of the company analysts, and the decision not to invest until now was based on a profitability lower than that of domestic companies (reports of insurance companies, life insurance divisions, that have in their portfolios shares and bonds of foreign companies, the presence on the Romanian capital market of many foreign funds).

When investment on foreign markets will be considered opportune, the constitution of a portfolio may be carried out in stages, investments managed and then made directly, or FIC Moldova specialists can act directly.

4. Organizational development

The company administration and management defined as institutional objectives the following directions:

- The consolidation and development of the company image;
- Voluntary compliance with international standards in FIC activity (OECD, ISO 9001).

5. General performance indicators for 2007 - 2009

The FIC Moldova Board of Directors proposes to shareholders the following performance indicators in the 2007 – 2009 period that are considered as reflecting the concerted result of actions undertaken:

- Net Profit : an annual growth of the net profit of 12% is proposed in relation to the forecast of the previous year, level superior to that of the annual inflation index predicted by the government and that ensures a financing component for the company's activity.
- The book value of shares, the reference market indicator – an annual percentual increase of 20% is proposed, a level which the administration considers can be attained by the structuring of the portfolio in terms of the adequate reflection of financial instruments and profitable sectors and by the methods of increasing the net assets available to FIC (by investment programs, listing other issuers, modifying participations, increasing the efficiency of companies...).

This percentage of appreciation is estimated to be realized barring the occurrence of major events that may appear in the company's activity (e.g. the listing of the Romanian Commercial Bank).

- dividend policy – in order to support the investment program and in the conditions of the ratio between dividends and the market value of FIC 2 shares being insignificant, the annual appropriation of dividends towards FIC shareholders is proposed, drawing on the dividends received from portfolio companies, within the limits of the annual Revenue and Expense Budget to be approved by the shareholders.

The strategic option for a FIC Moldova development stage between 2007 and 2009 proposed by the Board of Directors is the foundation of the realization of the performance indicators presented; the method of accomplishing this strategy is comprised mainly of dynamizing the investment activity by increasing the ceiling allotted to investments (over the 2006 level) and in intensifying the trading operations within the investing-disinvesting cycle.

The investment program will reflect in the annual cash flow, constructed by maintaining the general principles: i) maintaining the FIC basic portfolio, generating dividends and with a growth potential; ii) dividends received from companies will be appropriated to shareholders, in the limits of the Revenue and Expense Budget drawn up annually; iii) maintaining an adequate ceiling of current assets; iv) maintaining operational expenses at a reasonable ratio of the revenues; v) the increase of revenue from disinvesting in companies with low performance and their superior fructification by redirecting investments towards the regulated market.

The results estimated by the accomplishment of the program presented are viable in the context of macroeconomic government predictions presented at this time.

If the development potential of the company will be estimated as being limited by the available (internal) investment resources and the structure of the shareholders will allow it, the option of attracting additional (external) financial resources is taken into account, by issuing additional shares and / or bonds.

In this direction, the schedule of actions will be drafted in advance, in correlation to the statutory and legal decisional prerogatives in FIC Moldova, in order to adopt decisions that would allow the fastest implementation of financing programs.

In the category of preparatory stages that can be approached in advance is the contracting of a rating agency for FIC Moldova, operation that ensures the company the access to financing through bonds as well as the allocation of a risk index for its activity.

The FIC Moldova strategy between 2007 and 2009 is based on the preservation of performance realized in the years preceding the integration in the EU, measured by the indicators proposed in the context of adopting a strategy of development presented, centered on development by investments and the

adequate structuring of the portfolio in order to respect a prudent administration and the marking of a high financial performance of financial assets.

7. Debate and approval of the prescription of the right to request the payment of dividends due to shareholders and not claimed within three years and their registration on "other reserves".

During 2005 the dividends allotted for 2002 and 2003 and not claimed by shareholders were submitted for payment.

In compliance to Law 31 / 1990 Republished, art. 67 para. (5) "the right to receive dividends is prescribed in 3 years from the date of their distribution". Motivated also by the small percentage of disbursement of the dividends unclaimed from 2002, the prescription and registration of the unpaid sum up to the date of the General Ordinary Meeting of Shareholders, representing dividends unpaid from 2002, in "other reserves" is proposed.

The amount associated to unpaid dividends of 2002 calculated on Mar 31, 2006 is 4.316.600,59 RON. Taking into account the fact that at the date of the drafting of the present material there are ongoing payments up to the date of Apr 15, 2006, the sum proposed for prescription is to be communicated in the General Meeting.

8. Approval of the date of May 16, 2006 as the date for the identification of the shareholders affected by the GMS decisions.

According to Law 297 / 2004 - art. 238, by derogation from the provisions of Law no. 31 / 1990R, the identification of shareholders that are to benefit from dividends or other rights and who are affected by the decisions of the decisions of the General Meeting of Shareholders is to be decided by the latter. This date will be at least 10 working days from the date of the General Meeting of Shareholders.

According to this provision the date of May 16, 2006 is proposed.

9. Notice regarding the position of the Board of Directors in the process of privatization of the Romanian Commercial Bank.

The privatization of the Romanian Commercial Bank has generated and continues to generate a special interest, in the mass-media as well as in the perspective of capital market investors, that aim to evaluate and anticipate the economic effects that are caused or may be caused by this privatization in the short, medium and long term.

It is known that the BCR shares in the FIC Moldova portfolio account for a large share of the value of FIC net assets, which necessarily implies certain analyses and reevaluations regarding the evolution of BCR. As a consequence of these changes, a detailed analysis of the environmental conditions in which these changes are effected is in order.

In this regard, the structuring of a general policy of approach towards all problems connected to the participation of FIC Moldova to the registered capital of BCR is imposed.

The present notice originated in the analysis of the situation and especially in the analysis of documents regulating the organizations and functioning of the bank and the eventual modifications that

are to be made in the BCR Articles of Incorporation, as a consequence of the changes that are to take place in the shareholding of this company.

Generally, the privatization of a company in which the government owns the majority of shares raises specific issues related to the method of transfer of the property of the shares, the taking over of leadership by the new majority shareholders, as well as certain associated clauses related to the investments required by the company and agreed upon by the parties.

The requirements related to the protection of the minority shareholder are not, unfortunately, a priority for the seller of the shares owned by the government, which leads to the interests of minority shareholders to be sometimes sacrificed or ignored.

In the case of the BCR privatization, the negotiation commission initiated discussions related to the identification and clarification of interests of minority shareholders in order to protect them, within the limitations of legal and statutory directives.

It is worth mentioning that in the BCR articles of incorporation there are firm clauses that impose the adoption of decisions only if certain voting requirements are met. These requirements are included in order to lead to an understanding between several shareholders among which minority shareholders, in order for the decisions adopted to represent the true will and interest of the company. Thus the BCR minority shareholders are actively protected.

The statutory clauses through which the protection of minority shareholders was accomplished are exclusively by convention, resulted from the agreement of shareholders and which complement legal provisions (included in Law no. 31 / 1990 republished and modified) regarding the adoption of decisions in the supervision council or in the general meeting of shareholders.

These specific clauses of protection of the minority shareholders, included in the BCR Statute, involve the adoption of decisions in the supervision council with unanimous votes (in the context of minority shareholders having representatives in the supervision council) and in the general meeting the adoption of decisions is provided with the vote of shareholders representing at least 75% of the registered capital. These clauses were generically named the supermajority clause.

Taking into consideration the contract that was to be concluded between the representatives of the Romanian State and the buyer of the shares, a special attention was devoted to the presentation of general interests of BCR minority shareholders and the means by which these interests can and must be protected at the conclusion of the privatization contract.

The main condition imposed by the Negotiation Commission for the privatization of BCR was to realize a successful privatization. This involved the formulation of reasonable, typical and justified requirements, in order for them not to impact negatively on the privatization process.

Taking into account this imperative condition, FIC Moldova identified and supported mainly the following major interests of minority shareholders:

1. The realization of a legal protection of minority shareholders by implementing corporate governance rules provided in the capital market legislation;
2. The listing of shares in a reasonable period, on a regulated and supervised market, in order for them to be evaluated and traded at market value;
3. The modification of the BCR articles of incorporation in order to suspend clauses of supermajority only at the moment of listing the bank on a regulated and supervised market.
4. Granting the possibility for minority shareholders to have representatives in the supervision council on the entire period of FIC's holding a minimum of 20% of the bank's registered capital;
5. Establishing reasonable rules regarding the appropriation and distribution of profit resulted from the company activity, as dividends – a minimum of 40% of net profit according to IFRS.
6. Preserving, throughout the entire period in which the bank is not listed, of the supermajority clause in adopting decisions in the general meeting of shareholders in the case of important events such as: merger, division, liquidation or dissolution of the bank; the relocation of the company headquarters; reorganization, consolidation or alienation of fixed assets exceeding 25% of the bank's funds; increasing the value of the registered capital except in order to respect banking prudence requirements according to BNR regulations or in order to make a public offer;

modifying or eliminating the statutory clauses for the protection of minority shareholders. This clause is to be automatically suspended at the moment of the bank being listed on a regulated and supervised market;

7. The automatic reactivation of the supermajority clause in case for various reasons, the company is not listed or after its listing, it no longer fulfills listing requirements and is removed from the list.
8. The increase of the value of the registered capital of the company by including legal reserves before any other increase in value of the registered capital.

The attempt to lead the representatives of the state to include such restrictive and potentially inconvenient clauses in the negotiation contract was a prolonged collective effort in which the general interest of minority shareholders was the main consideration.

Some of the aforementioned requirements were included in the privatization contract concluded with the buyer, being mentioned in Chapter 13 of the sale contract of BCR shares.

There are some failures too, some clauses not being expressed clearly enough in the privatization contract and possibly leading to diverging interpretations, and some clauses not being mentioned in the privatization contract.

One of the clauses not appearing explicitly in the privatization contract is the requirement of modifying the BCR articles of incorporation in order for the provisions related to supermajority being suspended beginning with the moment of listing of the bank, and in the event of a delisting, the supermajority clauses to be reactivated automatically.

This requirement does not appear explicitly in the privatization contract and there are reasons to believe that it was not negotiated with the buyer of the shares, remaining to be settled subsequently by direct negotiation between the majority shareholder and minority shareholders.

In art. 13.2 para. g) of the privatization contract are included some clauses that may be interpreted as an obligation to reinsert supermajority clauses which appears to satisfy in part the solicitation of minority shareholders.

Also, the requirement relating to the increase in value of the registered capital with legal and statutory reserves of BCR prior to any other increase of the value of the registered capital is not found in the privatization contract.

The assumption that the clause of suspension of the supermajority rule was not negotiated with the buyer of the shares is supported by the fact that following the conclusion of the privatization contract, SARA, as a holder of BCR shares in the name of the Romanian State, formulated a proposal to modify the BCR articles of incorporation. The proposal to modify the BCR articles of incorporation is a contractual obligation undertaken by SARA by the privatization contract – Pre-finalization conditions – 4.1. letter m).

According to the aforementioned contractual clause, one of the pre-finalization conditions of the sale contract of the BCR shares is the convocation by SARA of the extraordinary general meeting of BCR shareholders and the adoption of the statute modification decisions.

In the future, the necessary diligences are to be made for negotiation with SARA and subsequently with the buyer of the shares of the modifications that are to be made in the articles of incorporation, so as to ensure respecting the interests of minority shareholders.

Finally, we specify that all the aforementioned informations in this notice constitute public information, brought to the attention of the public concerned by SARA by publishing the provisions of the privatization contract on the website, as well as by regular, operational, non-confidential mail by our company and by SARA.

10. Notice regarding the modifications in the ARTICLES OF INCORPORATION imposed by Law no. 297 / 2004 regarding the capital market and NSC regulations.

Presentation and approval of the modifications in the ARTICLES OF INCORPORATION imposed by Law no. 297 / 2004 regarding the capital market and NSC regulations

The National Securities Commission has analyzed the FIC Moldova application for authorization as an Association of Collective Investment Organizations with a diversified investment policy, filed with NSC on Sep 2, 2005 and the subsequent documents for completion, modification or clarification² and issued Decision no. 3368 / Dec 14, 2005 for the Authorization of modifications in the FIC Moldova articles of incorporation comprised in the Additional Act authenticated inder no. 531 / Oct 14, 2005.

The decision to authorize the modifications of the FIC Moldova articles of incorporation was issued on condition of the operation, by Mar 19, 2006 of the following modifications:

The elimination of the mention "including the persons involved" from art. 3 para (8)

~~No natural or juridical person, including those involved as defined in the law regulating the capital market, is to acquire shares in the investment company if, as a result of such acquisition, the natural or juridical person in cause owns more than 1% of the total shares subscribed or of the votes.~~

the elimination of art.14 para (2)-(4)

~~Shreholders that own 1 % of the company's registered capital, including the involved persons, cannot own shares of investment administration companies.~~

~~The company that provides depository services for another company cannot own shares in the latter. The members in the Board of Directors or the executive leadership of the depository company, the persons involved or the owners of more than 5 % of the registered capital of the respective depository company cannot own shares either.~~

~~In the company, a financial investment services company, the members of its Board of Directors, of the executive leadership, cannot own more than 1% of the registered capital.~~

Since by the deadline in the Decision, the parliamentary decision for the approval of Government Ordinance 41 / 2005 regarding the regulation of financial measures was not finalized [legislative act that represents the basis for the modification of art. 3 (8)], the management of FIC Moldova requested from NSC the postponement of the deadline for the implementation of the modifications, request approved by NSC decision no. 647 / Mar 13, 2006 "The deadline provided in art. 2 of Decision 3368 / Dec 14, 2005 is postponed by 30 days".

The FIC Moldova Board of Directors, assembled on March 31, the current year, took notice of the approval of Government Ordinance no. 41 / 2005 in the meeting of the Plenum of the Chamber of Deputies of Mar 28, 2006 and approved the modification of the additional act to the articles of incorporation authenticated on Oct 14, 2005:

art.3 (8) and 3(9) are modified according to the provisions of art.286¹ of GO 41 / 2005

art.14 para. (2)-(4) are eliminated according to NSC Decision no. 3368 / Dec 14, 2005 and transmitted these modifications for the approval of NSC.

² NSC recording number 32457/21.09.2005, 33064 /06.10.2005, 35277/18.10.2005, 36753/31.10.2005, 37550/04.11.2005, 38786/14.11.2005 .

In the time remaining until the OGMS, the company management will make sustained efforts in relation to the institutions involved and in correlation to the calendar associated to the final stages of the legislative proceedings (*in Apr 3, 2006 GO 41 / 2005 in the form adopted by the Chamber of Deputies, was sent to the President of Romania for promulgation*), in order for the modifications in the Articles of Incorporation operated in compliance to art. 286 (3) of Law 297 / 2004 to be authorized by NSC.