



# Financial Investment Company MOLDOVA SA

Annual report according to:	Law 297/2004, NSC Regulations no. 1/2006, 31 / 2006 and 15/2004 and BSE Code
For the fiscal year	2007
Date of report:	Mar 30, 2007
Name of issuing company:	Financial Investment Company Moldova S.A.
Company head office:	Bacau, Pictor Aman street no. 94 C, Bacau County
Telephone/Fax no.:	0234/576740, fax 0234/570062; 0234/570101
Web/e-mail	<a href="http://www.sifm.ro">www.sifm.ro</a> , <a href="mailto:sifm@sifm.ro">sifm@sifm.ro</a>
Fiscal registration code:	RO 2816642
Serial Number in the Trade Registry:	J04/2400/92
NSC Registry No.:	PJR09SIIR/040001/14.12.2005
Subscribed and paid-in capital:	51908958.8 RON
Regulated market trading	
Issued securities:	BVB (Bucharest Stock Exchange)

## FIC MOLDOVA BOARD OF DIRECTORS' ACTIVITY REPORT FOR THE YEAR 2006

The Board of Directors has permanently aimed at carrying out the resolutions of the Ordinary General Meeting of Shareholders of Apr 29, 2006 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 modified by Law no. 441 / 2006, in 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  
Mar 30, 2007.*

## 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. 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 and Law no. 164/1999,;

\* 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;

\* Shareholding structure on Mar 1, 2007:

	Natural Persons			Juridical Persons			Total		
	Shareholders	Shares	% RC	Shareholders	Shares	% RC	Shareholders	Shares	% RC
<b>Residents, of which:</b>	<b>7,391,667</b>	<b>307,769,044</b>	<b>59.290%</b>	<b>396</b>	<b>82,911,927</b>	<b>15.973%</b>	<b>7,392,063</b>	<b>390,680,971</b>	<b>75.263%</b>
<i>deceased</i>	<i>55,641</i>	<i>47,738,133</i>	<i>9.197%</i>			<i>0.000%</i>	<i>55,641</i>	<i>47,738,133</i>	<i>9.197%</i>
<i>holdings &lt;= 5 shares</i>	<i>6,863,836</i>	<i>34,313,665</i>	<i>6.610%</i>	<i>4</i>	<i>19</i>	<i>0.000%</i>	<i>6,863,840</i>	<i>34,313,684</i>	<i>6.610%</i>
<i>holdings &gt; 5 shares</i>	<i>472,190</i>	<i>225,717,246</i>	<i>43.483%</i>	<i>392</i>	<i>82,911,908</i>	<i>15.973%</i>	<i>472,582</i>	<i>308,629,154</i>	<i>59.456%</i>
<b>Non-residents</b>	<b>534</b>	<b>7,353,394</b>	<b>1.417%</b>	<b>114</b>	<b>121,055,223</b>	<b>23.321%</b>	<b>648</b>	<b>128,408,617</b>	<b>24.737%</b>
<b>TOTAL</b>	<b>7,392,201</b>	<b>315,122,438</b>	<b>60.707%</b>	<b>510</b>	<b>203,967,150</b>	<b>39.293%</b>	<b>7,392,711</b>	<b>519,089,588</b>	<b>100.000%</b>

No individual holdings were recorded over 1% of the registered capital on Mar 1, 2007.

\* 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 Central Depository (S.C. Depozitarul Central S.A.)

\* 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.

\* The company's financial auditor is Deloitte Audit LLC București.

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

\* Bacau Chamber of Commerce, Industry and Agriculture – fiscal registration code RO 2816642;

\* 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 authorizing the Board of Directors membership.

\* 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.1. GENERAL OBJECTIVES, SPECIFIC INDICATORS**

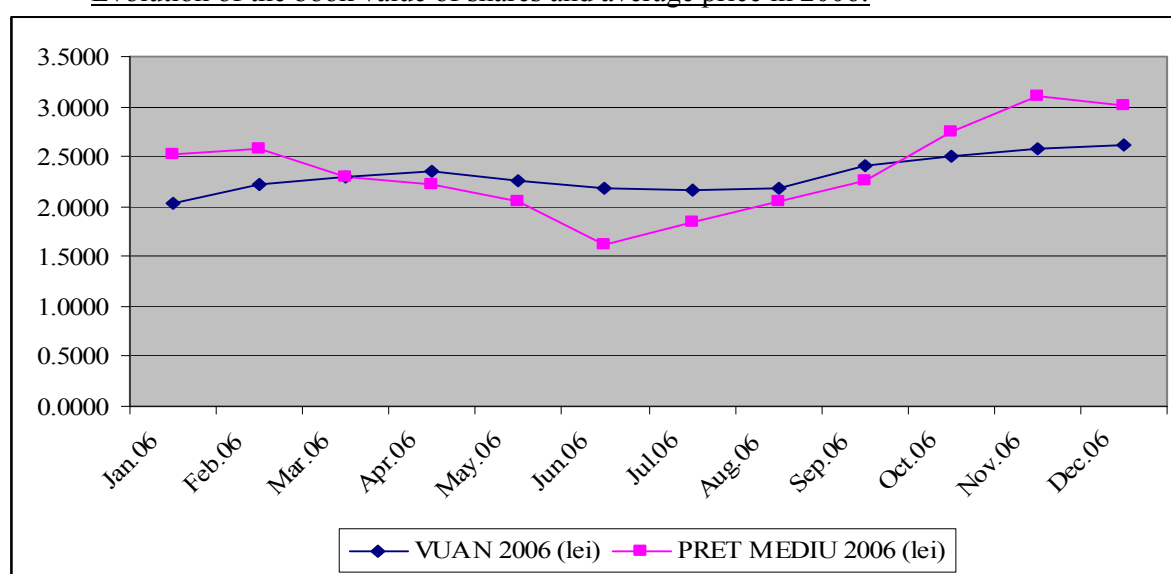
The FIC MOLDOVA activity plan for 2006 included as main strategic objectives:

- the book value of shares – annual percentual increase of 35%
- net profit – an increase of approximately 12% compared to the level provided for the previous year
- a 70 mil. RON investment program, the main source of financing being revenue from financing.

**Book value of shares (BVS)** recorded an increase in value superior to the target set (57,98% compared to 35%), varying between 1,6555 RON / share (Dec 31, 2005) to 2,6156 RON / share (Dec 31, 2006). This performance was based mainly on the increase in assets by 331.659.942 RON, at the end of 2006 FIC MOLDOVA managing net assets worth 1.404.119.979 RON.

The positive evolution of the BVS led to a favourable attitude of investors with regard to FIC 2 shares, these having a high liquidity, increasing the average annual price by 69% compared to the previous year and by trading values superior to the BVS.

Evolution of the book value of shares and average price in 2006:



**Net profit** was realized 123% amounting to 48.341.224 RON compared to the forecasted 39.200.000 RON; the continuous portfolio structure optimization process allowed the objectives set forth regarding revenue from financial assets (dividends) and profit from ceded financial investments to be exceeded and led to the constant increase in shareholder wealth (owner's equity).

Indicator	2003	2004	2005	2006
Net assets value (RON)	416.210.581	538.508.200	859.338.860	1.357.737.578
Net profit (RON)	39.202.817	45.745.895	48.585.105	48.341.224
Book value of shares on the last day of the year (RON)	0,8018	1,0374	1,6555	2,6156
Average trading price in the last trading session of the year (RON)	0,2986	0,7219	2,2541	3,2655

Compared to the **investment program** adopted, worth 70 mil. RON, investments realized in 2006 (including those to be recorded in 2007) amount to 47,9 mil. RON, representing 68,61% of the annual objective. The level of attainment of the investment objectives was affected by the market's evolution, by the fact that no new attractive issuers were listed and by the oversubscription recorded that led to the decrease of the investment in Transelectrica.

Primary and secondary investments were made in listed stock and rights associated to those amounting to 44,16 mil. RON, investments amounting to 0,26 mil. RON in shares of closed type issuers, investments amounting to 2,29 mil. RON in fund securities and 1,24 mil. RON in derivative financial instruments, all the investments having been made in Romanian assets.

Significant changes in the portfolios managed are presented as follows:

ASSETS, OF WHICH:	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006
	RON		Percentage of total assets %	
Listed stock + preemption rights	744.407.159	1.092.845.918	69,41%	77,85%
Unlisted stock	190.282.132	231.094.153	17,74%	16,46%
Government securities	70.569.472	58.501.739	6,58%	4,17%
Deposit certificates	30.611.731	-	2,85%	0,00%
Bank deposits	2.237.147	-	0,21%	0,00%

## **I.2. ACHIEVEMENT OF FINANCIAL OBJECTIVES**

### **I.2.1. PORTFOLIO MANAGEMENT**

#### **I.2.1.a. Portfolio reconfiguration and optimization**

Between Jan 1, 2006 and Dec 31, 2006, share portfolio management objectives were pursued, as set forth in the FIC Moldova activity program for the year 2006.

FIC Moldova continued the portfolio reconfiguration and optimization policy in view of increasing its profitability, aiming at increasing the value of participations in profitable companies or in companies with advantageous trading opportunities and decreasing participations in companies in difficult economic and financial situations or without perspective.

These objectives were realized by:

a) Modifying the participation by legal operations of increasing / decreasing the share capital or writing off, thus:

- **increasing the share capital** in 19 companies, totaling 20.704.602,4 RON in nominal value from reserves;
- **decreasing the share capital** in 3 companies, totaling 5.175.535,6 RON in nominal value;
- **write-off** of 13 companies in which the liquidation procedure was finalized, resulting in the elimination from the portfolio of participations held, 2.961.410,5 RON in nominal value.
- **write-off** of 3 companies absorbed through fusion, resulting in the elimination from the portfolio of participations held, 474.811,4 RON in nominal value and increase of participations in absorbing companies, 319.000,0 RON in nominal value.

b) The modification of FIC Moldova participations following transactions finalized by the transfer of property rights (sales / acquisitions), direct investment or withdrawal from association, as follows:

- **sales** – the sale of participations (full or partial) in 54 companies, 9.995.095,8 RON in nominal value;
- **acquisitions** – involving stock in 34 companies, 5.789.785 RON in nominal value;
- **direct investment** (primary placement) – in 14 companies, 10.335.412 RON in nominal value;

#### **Evolution of the portfolio at nominal value**

Restructuring operations throughout the year led to a decrease of the number of companies in the portfolio, therefore on Dec 31, 2006 the portfolio comprises 279 companies, in which shares totaling 308,4 mil. RON in nominal value are held. Of these, 90 companies in which FIC Moldova holds shares

worth 54,8 mil. RON in nominal value, representing 17,77% of total participations at nominal value, are undergoing various stages of administrative / judicial liquidation or judicial reorganization.

### **Portfolio structure**

In the Jan 1, 2006 – Dec 31, 2006, portfolio reconfiguration and optimization led to the following structure according to:

- type of shares (listed / unlisted):

Portfolio structure	Total nominal value of the package				Total market value* of the package			
	Thousand RON		%		Thousand RON		%	
	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06	31.12.05	31.12.06
<b>Securities</b>								
<b>Traded stock,</b> Of which:	<b>131.786</b>	<b>136.842,2</b>	<b>45,46</b>	<b>44,36</b>	<b>708.291</b>	<b>1.058.700</b>	<b>75,79</b>	<b>79,97</b>
Companies listed at BSE	58.207	75.223,9	20,08	24,9	637.246	937.429	68,19	70,81
Unlisted companies, traded through the BSE system	12.629	11.793,5	4,36	3,8	7.263	13.530	0,78	1,02
Comp. listed in BVB- BER*	60.950	29.157	21,02	9,4	63.782	73.371	6,82	5,54
Comp. listed in BVB- BER – extra stock market*		20.667,8		6,7		34.369		2,6
<b>Untraded stock,</b> Of which:	<b>158.121</b>	<b>171.606,7</b>	<b>54,54</b>	<b>55,64</b>	<b>226.236</b>	<b>265.240</b>	<b>24,21</b>	<b>20,03</b>
Closed companies	87.928	126.594,2	30,33	41	190.282	231.094	20,36	17,46
Listed, untraded companies	10.822	8.333,2	3,73	2,7	318	247	0,03	0,02
Listed, untraded in last 90 days companies	59.371	36.679,3	20,48	11,9	35.636	33.900	3,82	2,56
<b>Total</b>	<b>289.907</b>	<b>308.449</b>	<b>100,00</b>	<b>100,00</b>	<b>934.527</b>	<b>1.323.940</b>	<b>100,00</b>	<b>100,00</b>

\* These items are regulated by BSE and tracked beginning 1<sup>st</sup> semester 2006

\*\* Market value is determined according to NSC Instruction no. 15/2004<sup>11</sup>.

<sup>1</sup> Thus, the value is calculated using:

"a) the average weighted price method calculated for the last 90 days in the case of securities and monetary market instruments traded in the specified timeframe;

b) the average weighted price calculated from the date of an event involving a change in the par value of the share, the distribution of free shares or in other such circumstances influencing the market value of securities or monetary market instruments mentioned in letter a), if the event occurred in the period specified in letter a);

c) the procedure set forth in paragraph (3) for securities not traded in the timeframe specified in letter a);

(3) The evaluation of shares not admitted for trading in a regulated market in Romania, held by an Association of Collective Investment Organizations (AOPC) established by Articles of Incorporation, for an issuer, is based on the value of the owner's equity of the issuer as reported in the latter's latest financial report, transmitted to the Public Finances Ministry (M.F.P.). In the case of credit institutions, the calculation is based on the value of the owner's equity as stated in the reports sent to the National Bank of Romania (B.N.R.).

(4) The shares of companies undergoing judicial reorganization or liquidation are included in the net assets of ACIO established by Articles of Incorporation with a null value, up to the conclusion of the procedure.

(5) The shares of companies in the ACIO portfolio established by Articles of Incorporation with negative values of the owner's equity are included in the calculation of the net assets with a null value.

(6) In the case of shares held by ACIO established by Articles of Incorporation in credit institutions of insurance insurance-reinsurance or reinsurance companies, the value recorded in the ACIO assets is the value calculated by applying the weight held by the ACIO in the registered capital of the issuer to the owner's equity of the issuer, irrespective of the weight of the specified holding." (quoted from NSC Regulation no. 15 / 2004)

- size of share held in comprised companies:

Specification	31.12.2005		31.12.2006	
<b>Insignificant shares: % SIF &lt; 10%</b>				
Number of companies	279		116	
Nominal value (thousand RON) / percentage	151.575	52,28	169.373	54,91
<b>Significant shares: 10% ≤ % FIC &lt; 33%</b>				
Number of companies	148		129	
Nominal value (thousand RON) / percentage	105.760	36,48	108.946	35,32
<b>Control shares: 33 % ≤ % SIF &lt; 50 %</b>				
Number of companies	22		21	
Nominal value (thousand RON) / percentage	13.414	4,63	12.059	3,91
<b>Majority shares: % SIF ≥ 50 %</b>				
Number of companies	21		13	
Nominal value (thousand RON) / percentage	19.158	6,61	18.071	5,86
<b>Total shares:</b>				
Number of companies	326		279	
Nominal value (thousand RON) / percentage	289.907	100,00	308.449	100,00

- field of activity:

FIELD	31.12.2005				31.12.2006			
	Nr. S.C.	%	Nominal value of participations (thousand RON)	%	Nr. S.C.	%	Nominal value of participations (thousand RON)	%
BANKING, INSURANCE	10	3,05	105.285	36,32	10	3,6	125.901	40,8
MACHINERY MANUFACTURE	27	8,23	49.309	17,01	27	9,7	54.917	17,8
TEXTILES & GARMENTS	62	18,90	30.602	10,56	45	16	26.501	8,6
CHEMICALS	12	3,66	28.692	9,90	11	4	24.840	8
AGRICULTURE	79	24,09	22.971	7,92	64	23	19.684	6,4
METALLURGY	10	3,05	20.948	7,23	9	3	17.793	5,8
FOOD INDUSTRY	25	7,62	7.994	2,76	23	8	8.094	2,6
COMMERCE, RESTAURANTS	31	9,45	5.567	1,92	24	8,6	6.652	2
OTHERS	70	21,95	18.538	6,38	66	23,6	24.066	7,8
<b>TOTAL</b>	<b>326</b>	<b>100,00</b>	<b>289.907</b>	<b>100,00</b>	<b>279</b>	<b>100,00</b>	<b>308.449</b>	<b>100,00</b>

The top 10 companies in the portfolio classified by the market value of the FIC Moldova share on December 31, 2006:

Nr	Company	City	Field of Activity	Market value of FIC share on Dec 31, 2006 (thousand RON)
1	BRD GSG	Bucuresti	Banking	665.384
2	BCR	Bucuresti	Banking	179.955
3	BANCA TRANSILVANIA	Cluj	Banking	162.577
4	MITTAL STEEL ROMAN	Roman	Metallurgy	44.922
5	PETROM	Bucuresti	Services related to oil extraction	39.964
6	BIOFARM	Bucuresti	Pharmaceuticals	32.206
7	BANCPOST	Bucuresti	Banking	26.630
8	MECANICA CEAHLAU	Piatra- Neamt	Machinery manufacture	13.267
9	TESATORIILE REUNITE	Bucuresti	Textiles	11.144
10	RULMENTI	Barlad	Machinery manufacture	10.780

### **Administration of participations held**

FIC Moldova continued to improve its portfolio administration and monitoring activity, to the aim of increasing the value and profitability of participations held in companies. Measures taken to this purpose involved as a priority the implication through General Meetings of Shareholders and Boards of Directors in companies in which FIC Moldova holds majority or control positions, as well as in those in which capital investments were made, in order to impose effective management policies to ensure development of the company and attainment of profit, or crisis policies to ensure the recovery of the company.

At the same time, European corporate management principles were promoted, together with the equitable treatment of shareholders and business ethics, in order to impose correct management conduct and practices, to ensure the development of the company, attainment of profit and the protection of FIC Moldova interests in the companies in which it holds insignificant, significant or control positions, in order to stop disloyal practices of decapitalization by majority shareholders, modification of articles of incorporation to the purpose of delegating certain attributions of the GMS towards the Board of Directors or restraining the right to trade shares, etc.

### **I.2.1.b. Investing-disinvesting activity**

#### **Investing activity**

#### **Investing activity - on the primary market**

In the Jan 1, 2006 – Dec 31, 2006 period direct investments were made by participating in the increase of registered capital of 13 issuers in the portfolio and by participating in the incorporation of a company. Share investments totalling 10,3 mil. RON in nominal value were recorded, at a price of 28,7 mil. RON, as follows:

- 7 listed companies, in which shares 7,6 mil. RON in nominal value were subscribed at a price of 13,65 mil. RON.
- 7 unlisted companies, in which the sum of 15,05 mil. RON was subscribed for shares 2,70 mil. RON in nominal value.

Of these, investments made at the end of 2005 and registered in 2006 had a nominal value of 6,4 mil. RON, at a price of 19,3 mil. RON.

We specify that in the Jan 1, 2006 – Dec 31, 2006 period FIC Moldova subscribed shares 1,8 mil. RON in nominal value in 4 more companies, for an equal price, these investments pending registration.

#### **Investing activity - on the secondary market**

The construction of a portfolio comprising liquid securities with growth potential remained an important objective, in parallel with the increase in volume of speculative operations and the development of activity in the market of derivative financial instruments.

In the context of unpredictable evolutions marking the capital market for an extended period of time, with significant corrections and uncertainty regarding the evolution of quotations, FIC Moldova policy was cautious but consistent in the direction of increasing holdings in attractive issuers, respectively in speculation of titles with high liquidity. In these conditions, in 2006, acquisition operations were targeted at the shares of 34 issuers (32 listed in regulated markets), with a total acquisition value (excluding trading commissions) of 33,20 mil. RON compared to 60,02 mil. RON in 2005.

We specify that in the case of some issuers, acquisition programs initiated before materialized in:

- ◆ the receipt of free shares – shares with a total nominal value of 6,21 mil. RON;
- ◆ the granting of subscription rights, at prices below the market quotation, in the process of registered capital increase – operations assuming an investment of 10,37 mil. RON.

#### ***Investment activity – other instruments***

For reasons associated with the necessity for a varied portfolio as well as the exploitation of opportunities, investments were made in:

- fund titles – 2,29 mil. RON,
  - preemption rights – 0,017 mil. RON,
- derivative financial instruments (BMFMS) - 1,24 mil RON

#### ***Investment in securities issued by Association of Collective Investment Organizations (AOPC) / OPCVM***

On Dec 31, 2006 FIC held 3.120 securities of The Businesspersons' Fund ("Fondul Oamenilor de Afaceri") 8.468 RON in nominal value and 16.114,49 RON in market value.

#### **Disinvesting activity – on the secondary market**

Share packages of 56 issuers (of which 29 of closed-end type) were subject to partial / total sale operations during 2006, 54 being concluded and 2 in operation. Revenue from these sales amounted to 48,18 mil RON as compared to 31,78 mil RON in 2005, with a profit (calculated on the basis of historical cost) of 34,73 mil. RON compared to 26,65 mil. RON recorded at the end of 2005.

## **I.2.2. PRESENTATION OF THE ECONOMIC AND FINANCIAL STATUS**

Financial statements (balance sheet and income statement) are based on Accounting Regulations harmonized with the European Economic Community 4<sup>th</sup> Directive, applicable to institutions regulated and supervised by the National Securities Commission (C.N.V.M.), approved by NSC President Order no. 75 / Dec 16, 2005.

The comparability of this data is ensured for 2005 and 2006 fiscal years.

These statements were audited by Deloitte Audit LLC București.

Financial statements are drawn up in RON.

The financial status is reflected on balance sheet items, drafted in compliance with Accounting Regulations harmonized with European Community 4<sup>th</sup> Directive.

The main assets of the 2006 fiscal year, compared to the preceding fiscal years, are:

A	Row No.	Balance	
		January 1, 2006	December 31, 2006
	B	1	2
<b>A. NON-CURRENT ASSETS</b>			
<b>I. INTANGIBLE ASSETS</b>			
3. Grants, patents, licences, trademarks, similar rights and values and other intangible assets	03	96.375	128.439
5. Advances and pending intangible assets	05	138.103	-
TOTAL: (row 01 to 05)	06	234.478	128.439
<b>II. TANGIBLE ASSETS</b>			
1. Land and buildings	7	8.801.686	8.501.896
2. Equipment	8	487.948	311.586
3. Furniture and fixture	9	159.953	120.699
TOTAL: (row 07 to 10)	11	9.449.587	8.934.181
<b>III. FINANCIAL ASSETS</b>			
5. Securities as assets	16	257.719.356	321.282.334
6. Other claims	17	120.463	102.350
TOTAL: (row 12 to 17)	18	257.839.819	321.384.684
NON-CURRENT ASSETS – TOTAL (row 06 + 11 + 18)	19	267.523.884	330.447.304
<b>B. CURRENT ASSETS</b>			
<b>I. INVENTORY</b>			
1. Consumables	20	18.040	19.193
3. Advances for purchase of inventories	22	-	13.365
TOTAL: (row 20 to 22)	23	18.040	32.558
<b>II. RECEIVABLES (Amounts due to be received after more than one year must be presented separately for each item)</b>			
1. Trade receivables	24	105.283.804	58.612.587
4. Other receivables	27	19.449.074	2.042.496
5. Receivables from subscribed and unpaid capital	28		
TOTAL: (row 24 to 28)	29	124.732.878	60.655.292
<b>III. SHORT TERM FINANCIAL INVESTMENTS</b>			
3. Other short term financial investments	31	5.624.145	5.020.619
TOTAL: (row 30 to 31)	32	5.624.145	5.020.619
<b>IV. CASH AND BANK ACCOUNTS</b>			
CURRENT ASSETS - TOTAL (rd. 23 + 29 + 32 + 33)	34	130.448.869	68.958.365
<b>C. PREPAID EXPENSES (acct. 471)</b>			
	35	48.654	116.361
TOTAL ASSETS		397.972.753	399.409.401
<b>D. CURRENT LIABILITIES</b>			
4. Accounts payable	39	248.435	400.879

	Row No.	Balance	
		January 1, 2006	December 31, 2006
A	B	1	2
5. Commercial papers payable	40	22.749.096	5.083.848
8. Other liabilities, including taxes payable and social security liabilities	43	17.939.473	23.975.448
TOTAL: (row 36 to 43)	44	40.937.004	29.460.175
E. CURRENT ASSETS LESS NET CURRENT LIABILITIES (row 34 + 35 - 44 - 60.2)	45	87.830.625	39.604.447
F. TOTAL ASSETS LESS CURRENT LIABILITIES (rd. 19 + 45 - 60.1)	46	355.354.509	370.051.751
G. NON-CURRENT LIABILITIES			
2. Provisions for taxes	57	43.135.744	41.437.613
3. Other provisions	58	38.620.278	20.272.909
TOTAL PROVISIONS: (row 56 + 57 + 58)	59	81.756.022	61.710.522
I. DEFERRED REVENUE (row 60.1+60.2) of which:	60	1.729.894	10.558
2. Precollected revenue	60.2	1.729.894	10.558
J. EQUITY AND RESERVES			
I. EQUITY (row 62 to 63) of which:	61	51.908.959	51.908.959
- Subscribed and paid capital	63	51.908.959	51.908.959
III. REEVALUATION RESERVES			
Balance C	65	6.235.347	6.229.774
IV. RESERVES (row 68 to 73 -74)	67	236.255.284	259.293.957
1. Legal reserves	68	9.300.275	10.325.933
3. Reserves constituted from free shares/notes	70	87.559.073	94.158.350
5. Reserves representing surplus from reevaluation reserves	72	1.986.012	1.991.956
6. other reserves	73	137.409.924	152.817.718
V. REPORTED RESULT			
Balance D	76	20.801.103	56.407.027
VI. RESULT OF FISCAL YEAR			
Balance C	77	48.585.106	48.341.224
Profit appropriation	79	48.585.106	1.025.658
TOTAL EQUITY (rd. 61 + 64 + 65 - 66 + 67 + 75 - 76 + 77 - 78 - 79)	80	273.598.487	308.341.229

The increase / decrease of balance sheet items, using the year 2005 as a reference point, for which the comparability of data is ensured:

<b>Balance sheet items</b>	<b>2005</b>	<b>2006</b>
• Non-current assets, of which:	100,00	123,52
• Financial assets	100,00	124,64
• Current assets	100,00	52,86
• Total assets	100,00	100,36
• Liabilities	100,00	104,14
• Provisions	100,00	75,48
• Equity	100,00	112,70

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.

	<u>RON</u>	<u>Share of total assets</u>
• Securities of companies in the portfolio	326.302.953	81,70 %
• Total receivables	60.655.083	15,19 %

The company's liabilities decreased in the 2006 fiscal year by 28%, 11.476.829 RON in absolute value.

Continuing to apply the prudence principle for the 2006 fiscal year, provisions for expenses and corresponding income were created and cancelled, as follows:

<b>Name of provision</b>	<b>Transfers</b>			<b>Balance on Dec 31, 2006</b>
	<b>Balance on Jan 1, 2006</b>	<b>incoming</b>	<b>outgoing</b>	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4=1+2-3</b>
Provisions for taxes	43.135.744	(1.700.890)	(2.759)	41.437.613
Other provisions	38.620.279	20.984.399	39.331.769	20.272.909
Provisions for receivable devaluation	1.195.931	(217.918)	13.803	964.210
Provisions for bad debts	28.186.207	30.161.253	20.306.034	38.041.635
Provisions for materials devaluation	652	588	652	588
Provisions for tangible non-current assets depreciation	56.032	138.103	121.273	72.862
Provisions for other securities devaluation	250	110.961	-	111.211
Provisions for other non-current assets devaluation	94.986.648	22.963.907	25.839.867	92.110.688
<b>Total</b>	<b>206.181.743</b>	<b>72.440.612</b>	<b>85.610.639</b>	<b>193.011.716</b>

• <b>provisions for receivable devaluation on December 31, 2006</b>	<b>964.210</b>
• litigations for uncashed dividends	172.425
• bad debts	38.594
• various	753.191
• <b>provisions for bad debts on 31 December, 2006</b>	<b>38.041.635</b>
• provisions for debts from promissory notes	37.124.057

• uncashed dividends with final rulings	874.763
• rents with various final rulings	42.815
<b>• other provisions resulted as a consequence of :</b>	<b>20.272.909</b>
• provisions for debts associated to PN	16.911.668
• profit participation	3.361.241
• of which: - for Directors	775.671
- for employees	2.585.570

**Adjustments for value depreciation constituted** amounting to **72.440.612 RON**, influenced the expense and owner's equity accounts as follows:

	<u>Expenses</u>	<u>Owner's Equity</u>
• provisions for taxes	-	(1.700.890)
• other provisions	20.984.399	-
• provisions for receivable devaluation	(217.918)	-
• provisions for bad debts	217.918	-
• provisions for bad debts	29.943.544	-
• Total provisions for bad debts	<u>30.161.462</u>	-
• provisions for materials devaluation	588	-
• provisions for fixed assets devaluation	138.103	-
• provisions for other securities devaluation	110.961	-
• provisions for other fixed securities devaluation	<u>1.922.000</u>	<u>21.041.907</u>
<b>Total</b>	<b><u>53.099.595</u></b>	<b><u>19.341.017</u></b>

**Cancellation of adjustments for devaluation** amounting to 85.610.639 RON, influenced the revenue and owner's equity accounts, as follows:

	<u>Revenue</u>	<u>Owner's Equity</u>
• provisions for taxes	-	(2.759)
• other provisions	39.331.769	-
• provisions for receivable devaluation	13.803	-
• provisions for bad debts	20.306.034	-
• provisions for materials devaluation	652	-
• provisions for fixed assets devaluation	121.273	-
• provisions for other securities devaluation	<u>20.118</u>	<u>25.819.749</u>
<b>Total</b>	<b><u>59.793.649</u></b>	<b><u>25.816.990</u></b>

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

Item name	Row no.	31.12.2005	31.12.2006
A	B	1	2
<b>A. REVENUE FROM OPERATIONS</b>			
<b>TOTAL (row 02 to 11)</b>	<b>1</b>	<b>90.559.196</b>	<b>151.022.844</b>
1. Revenue from financial assets	2	30.253.988	32.828.453

2. Revenue from financial instruments	4	12.630.196	-
3. Revenue from ceded financial investments	5	31.782.098	47.700.647
4. Revenue from provisions, reactivated claims and various	7	9.017.648	59.793.650
5. Revenue from exchange rate variations	8	1.647.357	2.440.757
6. Revenue from interest	9	286.382	6.012.774
7. Other revenue from operations	11	4.941.527	2.246.563
<b>B. EXPENSES WITH OPERATIONS</b>			
<b>TOTAL (row 13 to 20)</b>	<b>12</b>	<b>37.042.254</b>	<b>97.698.428</b>
12. Expenses with ceded financial investments	14	5.124.025	12.516.902
13. Expenses with exchange rate variations	15	1.487.494	5.408.711
15. Expenses with commissions and fees	17	1.495.609	1.881.634
16. Expenses with banking and similar services	18	33.268	37.558
17. Depreciations, provisions, losses from receivables and	19	18.515.375	53.727.518
18. Other expenses with operations	20	10.386.483	24.126.105
a. Expenses with materials	21	645.881	511.140
b. Expenses related to electricity and water	22	167.320	195.948
c. Expenses with staff, of which: (row 24+25)	23	5.975.816	8.917.451
c1. Salaries	24	4.526.452	7.218.804
c2. Expenses related to social security	25	1.449.364	1.698.647
Expenses related to external services	26	3.440.699	14.292.133
Expenses with other taxes and similar payments	27	156.767	209.433
<b>C. OPERATIONAL RESULT</b>			
- profit (row 01 - 12)	28	53.516.942	53.324.416
<b>D. GAINS</b>	30		
<b>E. LOSSES</b>			
<b>F. NET GAINS</b>			
<b>TOTAL REVENUE (row 01+30)</b>	<b>34</b>	<b>90.559.196</b>	<b>151.022.844</b>
<b>TOTAL EXPENSE (row 12+31)</b>	<b>35</b>	<b>37.042.254</b>	<b>97.698.428</b>
<b>G. GROSS MARGIN</b>			
- profit (row 34 - 35)	36	53.516.942	53.324.416
21. PROFIT TAX			
- profit tax expense	38	5.309.747	4.983.192
22. Other tax expenses	39	-377.911	
<b>H. NET INCOME</b>			
- profit (row 36 - 38 - 39)	40	48.585.106	48.341.224

Growth of items in the profit and loss account, using the year 2005 as a reference point, for which the comparability of data is ensured:

<b>Items</b>	<b>% +/-</b>
• Revenue from operations, of which:	66,77
• from financial investments	8,51
• from ceded financial investments	50,09
• from provisions, reactivated claims	563,07
• Expenses with operations, of which:	163,75
• ceded financial investments	144,28
• amortisation and provisions	190,18
• other expenses with operations	132,28
• Gross margin	(0,36)
• Profit tax	(6,15)
• Net profit	(0,5)

In a total of 151.022.844 RON of revenue, the main sources during the 2006 fiscal year were:

• Revenue from dividends from portfolio companies	21,74 %
• Revenue from sale of titles	31,58 %
• Revenue from interest	3,98 %
• Revenue from provisions and reactivated claims	39,59 %
• Other revenue	3,10 %

In a total of 97.698.428 RON of expenses, the main sources during the 2006 fiscal year were:

• Other expenses with operations	24,69 %
• Amortization and provisions	54,99 %
• Expenses with sale of titles	12,81 %
• Expenses with commissions and fees (NSC, BSE, Registry, audit, Deposit company)	1,93 %
• Other expenses	5,58 %

Net sales, in the 2006 fiscal year, amounted to 35.183.745 RON.

#### **Cash flows, calculated by the direct method:**

	<b>2005</b>	<b>2006</b>
• Cash and equivalents at beginning of period	151.242.721	104.017.729
• Cash and equivalents at end of period	104.017.729	61.344.937
• Cash flow	(47.224.992)	(42.672.792)

The company is permanently preoccupied with ensuring sufficient funds for settling liabilities and fulfilling the demands of development. In the 2006 fiscal year, the negative cash flow is caused by a decisional structure based on investment in the capital market.

### Main economic indices

- Liquidity indicators – ratios

- Current ratio = current assets / current liabilities

December 31, 2005	=	130.448.869/40.937.004	=	3,19
December 31, 2006	=	68.958.365/29.460.175	=	2,34

- Quick ratio = (current assets - inventory) / current liabilities

December 31, 2005	=	(130.448.869–18.040)/ 40.937.004	=	3,19
December 31, 2006	=	(68.958.365 – 32.558)/29.460.175	=	2,34

- Activity indicators – no. of times

- Fixed assets turnover = revenue from operations / fixed assets

December 31, 2005	=	90.559.196/267.523.884	=	0,34
December 31, 2006	=	151.022.844/330.447.304	=	0,45

- Total assets turnover = revenue from operations / total assets

December 31, 2005	=	90.559.196/398.021.407	=	0,23
December 31, 2006	=	151.022.844/399.522.484	=	0,38

- Receivables turnover = average receivables balance / turnover x 365

December 31, 2006	=	$\frac{(124.732.878+60.655.083)/2}{151.022.844}$	x 365	=	224 days
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- Liabilities turnover = (average liabilities balance / purchase of goods) x 365

December 31, 2006	=	$\frac{(12.278+13.772)/2}{577.927}$	x 365	=	8,23 days
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- Profitability indicators

- Profitability of working capital

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

December 31, 2005	=	53.516.942/273.598.487	=	19,56%
December 31, 2006	=	53.324.416/308.341.229	=	17,29 %

- Earnings per basic share  
= net profit attributable to common stock / no.of common stock

December 31, 2005	= 48.585.106/519.089.588	0.0936 RON per share
December 31, 2006	= 48.344.613/519.089.588	= 0.09 RON per share

The indicators cannot be compared due to the application of different accounting regulations, namely:

- 2005 International Accounting Standards
- 2006 European Economic Community 4th Directive

The current ratio (current assets indicator), respectively the quick ratio (the acid test indicator) express the ratio between current assets and current liabilities, respectively in current assets less inventories.

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

<b>DESTINATION</b>	<b>Row no.</b>	<b>2005</b>	<b>2006</b>
<b>A. NET PROFIT TO APPROPRIATE (row 02 to 08)</b>	<b>01</b>	<b>48.585.106</b>	<b>48.341.224</b>
1. For constitution of legal reserves	02	1.163.148	1.025.658
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>B. UNAPPROPRIATED PROFIT</b>	<b>09</b>	<b>12.642.955</b>	<b>47.315.566</b>

From the dividends declared for the 2005 fiscal year, amounting to 34.779.003 RON, the amount of 24.265.961,06 RON was paid as of Dec 31, 2006.

## Realization of the REB 2006

	Forecasted 2006	Realized 2006	Percentage realized
	1	2	3=2/1
<b>A. Total revenue</b>	<b>93.550.000</b>	<b>151.022.844</b>	<b>161%</b>
<b>B. Financial revenue</b>	<b>92.070.000</b>	<b>146.530.597</b>	<b>159%</b>
<input type="checkbox"/> Revenue from investments (dividends)	30.000.000	32.828.454	109%
<input type="checkbox"/> Revenue from claims (bank interest + bonds)	4.000.000	6.012.774	150%
<input type="checkbox"/> Revenue from ceded financial investments	56.570.000	47.713.674	84%
<input type="checkbox"/> Revenue from exchange rate variations	-	2.440.757	-
<input type="checkbox"/> Revenue from provisions	-	57.404.883	-
<input type="checkbox"/> Other financial revenue	1.500.000	130.055	9%
<b>C. Revenue from operations</b>	<b>1.480.000</b>	<b>4.492.247</b>	<b>304%</b>
<input type="checkbox"/> Revenue from rent and associated activities	800.000	1.027.801	128%
<input type="checkbox"/> Revenue from provisions	-	2.388.766	-
<input type="checkbox"/> Other revenue from current activity	680.000	1.075.680	158%
<b>D. Total expenses</b>	<b>51.500.000</b>	<b>97.698.428</b>	<b>190%</b>
<b>E. Financial expenses</b>	<b>36.500.000</b>	<b>81.264.159</b>	<b>223%</b>
<input type="checkbox"/> Expenses with ceded financial investments	29.500.000	12.516.903	42%
<input type="checkbox"/> Expenses with commissions for transactions	1.000.000	150.964	15%
<input type="checkbox"/> Expenses with exchange rate variations	-	5.408.711	-
<input type="checkbox"/> Expenses with banking and similar services	50.000	37.558	75%
<input type="checkbox"/> Expenses with provisions	-	49.600.250	-
<input type="checkbox"/> Other financial expenses	5.950.000	13.549.773	228%
<b>F. Expenses with operations</b>	<b>15.000.000</b>	<b>16.434.269</b>	<b>110%</b>
<b>G. Gross margin</b>	<b>42.050.000</b>	<b>53.324.416</b>	<b>127%</b>
<b>H. Taxable profit</b>	<b>12.050.000</b>	<b>31.345.363</b>	<b>260%</b>
<b>I. Profit tax</b>	<b>2.850.000</b>	<b>4.983.192</b>	<b>175%</b>
<b>J. Net profit</b>	<b>39.200.000</b>	<b>48.341.224</b>	<b>123%</b>

### I.2.3. 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.

- a) **Exchange rate 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 USD and EUR as well as bank deposits denominated in EUR.

**b) Economic environment 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.

FIC MOLDOVA does not have a formal policy for covering the economic environment risk.

**c) Interest rate 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.

**d) Credit risk**

FIC 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.

FIC MOLDOVA does not have a formal policy for covering the credit risk.

**e) Liquidity risk**

FIC 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 fulfill the own liquidity requirements.

FIC MOLDOVA does not have a formal policy for covering the liquidity risk.

**f) Tax related 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.

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 December 31, 2006, may be subject to a later check.

## COMPLIANCE WITH LEGAL REGULATIONS REGARDING OWNERSHIP LIMITATIONS

### Compliance with the provisions of art. 188 of National Securities Commission Regulation no. 15/2004

Portfolio exposure on Dec 29, 2006, according to the net asset value calculated and certified by the depository, BRD – GSG Bucuresti, was the following:

a) The weight of securities and monetary market instruments not accepted for trading may not exceed 20% of the total assets (closed shares, closed bonds and deposit certificates).

Type of asset	Asset value (RON)	Weight in total assets	Limit imposed
Closed shares (excepting BCR and Bancpost, according to the provisions of art.275 para (2))	24.509.358,90	1,745	
Closed bonds (corporate)	1.067.288,18	0,076	
Deposit certificates	0,000	0,000	
<b>TOTAL</b>	<b>25.576.647,08</b>	<b>1,821</b>	<b>&lt; or = 20%</b>

b) The weight of securities and monetary market instruments registered or traded on the Stock Exchange (issuer level) may not exceed 10% of the total assets:

On Dec 29, 2006 holdings of TLV shares exceed the prescribed 10% threshold, respectively 11,581%.

The weight of TLV bonds is not calculated, as they are not accepted for trading.

The 10% limit may be exceeded, provided that the weight of VM total value and of the monetary market instruments registered or traded on the Stock Exchange for issuers which exceed 10%, does not exceed 80% of the total assets.

c) The weight of financial instruments issued by entities belonging to the same group may not exceed 50% of the total assets.

Group name	Asset value (RON)	Weight in total assets (%)	Limit imposed
<b>BT GROUP</b> , of which:			
TLV shares	162.577.444,26	11,579	
TLV bonds	1.067.288,18	0,076	
BT Maxim and BT Invest 1 shares	4.146.153,00	0,295	
<b>GROUP TOTAL</b>	<b>167.790.885,44</b>	<b>11,950</b>	<b>&lt; or = 50%</b>

On the whole, BT Group holdings do not exceed the limit imposed.

d) The weight of derivative financial instruments outside regulated markets may not exceed 20% of the total – not applicable.

e) The weight of current account and cash may not exceed 10% of the total assets.  
On Sep 29, 2006 the weight thereof was 0,237% (3.330.280,07 RON / 1.404.119.978,65 RON).

f) The weight of bank deposits with the same bank may not exceed 30% of the total assets.  
Total holdings in bank deposits amounts to 4,167 % of the total assets (58.501.738,97 RON/1.404.119.978,65 RON).

g) Total holdings in derivative financial instruments may not exceed the total net asset value.  
The value of the derivative financial instruments (premium) = 382.514,00 RON < net asset value = 1.357.737.577,65 RON.

h) The weight of total participation in ACIO (AOPC) may not exceed 50% of the total assets.

ACIO name	Asset value (RON)	Weight in total assets (%)	Limit imposed
XFOA shares	16.114,49	0,001	
BT Invest 1 securities	1.424.153,00	0,101	
<b>TOTAL ACIO</b>	<b>1.440.267,49</b>	<b>0,102</b>	<b>&lt; or = 50%</b>

The actual weight does not exceed the limit imposed.

### **I.3. ACHIEVEMENT OF NON-FINANCIAL OBJECTIVES IN 2006**

#### **I.3.1. STATUS OF LITIGATIONS**

In the records of FIC Moldova, on Dec 31, 2006 there are 284 cases with various objects. During this year, 157 litigations are in court in which FIC Moldova is a plaintiff and 46 in which it is involved as a defendant. The total number of cases settled is 81.

Besides the lawsuits mentioned there are 223 legality approvals granted by FIC Moldova for the conduct of specific operations, 9 files for the validation of documentation in order to participate in auctions organized by the company for the transfer the stock held in various companies, as well as 53 files involving juridical opinions and consultancy, issued in relation to certain practical issues arisen in the activity of FIC Moldova. We also include together with the legal consultancy granted 50 files involving insolvency procedure, included in company records and in which FIC Moldova does not have the quality of a creditor, but only that of a shareholder, cases in which a series of records were formulated and the representation in court was assured.

As a consequence of diligences made, receivables worth a total of 275.972,78 RON were recovered, in litigations involving claims from overdue dividends and rent.

#### **Litigations in which FIC Moldova is a plaintiff**

- **total litigations = 232, of which 75 were settled in 2006;**
  - **total litigations in court = 157, in various stages of litigation;**
- value of litigations in RON = 11.251.686,93 RON**, of which 698.097,93 RON in litigations involving recovery of overdue dividends, 5.538.655,40 RON in bankruptcies and judicial reorganisations and 5.005.933,60 RON in lawsuits involving claims;

- **value of litigations in foreign currency**, divided according to object : **18.722.561 USD** and **199.313 EUR** in bankruptcy cases; **5.051.424,68 USD** and **300.000 DEM** in lawsuits involving claims; **30.810.043,45 USD** in contestations for fulfillment.

**These litigations are categorized thus:**

**1. Litigations involving the repealment of illegal resolutions of General Meeting of Shareholders of portfolio companies – 91 cases**, of which 36 were finalized during this year, a number of 55 files remaining in court in various stages of litigation.

The object of the decisions contested in court mainly consists of increases in registered capital, modifications of articles of incorporation, decreases of registered capital, approval of investments and non-profitable loans for companies and as a novelty the withdrawal of companies from trading on the regulated market.

Concerning the withdrawal of companies from trading our company initiated litigations with the following companies: S.C. Sanex S.A., S.C. Vascar S.A., S.C. Vigotex S.A. si S.C. Intfor S.A. The withdrawal from trading was based on NSC regulations deemed illegal by our company. In addition, the companies in cause interpreted and applied legal provisions in a particular way and violated the rights our company had in the procedure of withdrawal from trading, causing pecuniary damages.

Regarding the litigations involving the cancellation of GMS decisions for the increase of the registered capital and considered illegal and prejudicial by our company we specify the following aspects:

The operations to increase the registered capital were made in the following ways:

a) by cash without the prior revaluation of the company assets and without granting an issuance premium as well as without granting a preemption right to minority shareholders;

b) by over-evaluated tangible goods with no importance for the respective companies' field of activity and without an adequate economic or financial reason or justification (ex: S.C. Prodvinalco S.A., S.C. Deltalact S.A. Tulcea, S.C. Agrocomplex S.A. Barlad, Societatea de Asigurare – Reasigurare Astra S.A. Bucuresti).

In addition, some increases of registered capital with a contribution in tangible assets were made without compliance to legal provisions regarding the voting quorum provided in art. 240 in Law no. 297 / 2004, the defendant companies invoking the incidence of NSC Notice no. 13 / 2004 modified by NSC Notice no. 98 / 2005.

Regarding the aforementioned legal provisions FIC MOLDOVA requested their cancellation as a main course of action, and concomitantly initiated unlawfulness exceptions within the trials where they were invoked.

It is worth mentioning that NSC Notice no. 13 / 2004 modified by NSC Notice no. 98 / 2005 was cancelled by Civil Ruling no. 1990 from Sep 26, 2006 pronounced by the București Court of Appeals at the request of our company.

These actions to increase the registered capital resulted in the creation of an advantage exclusively for the majority shareholder that artificially increased its share held to the detriment of minority shareholders.

In all the aforementioned situations, the result was severe prejudice brought to our company's interests, by the significant decrease of the share held by FIC MOLDOVA.

Regarding the cases solved during this year it is worth mentioning the means of resolution of the litigation against "S.C. Asigurare-Reasigurare Astra S.A.", respectively FIC MOLDOVA's disinvestment by a judicial transaction involving our company waiving the right to sue in exchange for damages worth 480.000 RON.

In the structure of the cases solved it can be shown that in nine cases FIC MOLDOVA ceased trial as a consequence of the transfer of the stock held in the respective companies, eight actions were rejected and in 18 cases the action was admitted, resulting in the cancellation of the illegal decisions and the reversal of parties to the situation before their execution.

**2. Litigation involving the recovery of overdue dividends = 29 cases**, of which 19 were finalized in 2006, 10 remaining in court or in the foreclosure phase.

The transaction between FIC MOLDOVA and Simat Sighișoara representing a debit from overdue dividends associated to the 1997 fiscal year was concluded by the parties during the judicial reorganization procedure of this company. The rescheduling convention was concluded also taking into account the fact that we are shareholders in this company, therefore the conclusion of the reorganization of "S.C. Simat S.A." and the closure of the insolvency procedure is advantageous for all parties involved, respectively the debtor company, shareholders as well as the creditors of this company.

The litigation with "S.C. Gastroinvest S.A." Iași was also solved by transaction. As a consequence of the conclusion of a rescheduling convention, the debit amounting to 7.081,05 RON was covered in full.

In our litigations involving claims arising from overdue dividends it can be seen that our company obtained favourable rulings, FIC MOLDOVA's action being fully admitted. As a consequence of efforts undertaken during 2006 in these litigations 216.504,42 RON were received during 2006.

**3. Litigations involving the judicial reorganization and bankruptcy procedure = 43 cases** of which 34 litigations in court and nine cases solved and archived.

The majority of cases under the incidence of the Law regarding insolvency procedure involve the bankruptcy of the respective companies, procedure in which FIC MOLDOVA mainly has the quality of a priority creditor, being involved as such in the conduct of the liquidation, by formulating the requests allowed by the legal framework of the matter: requests to declare the receivable, observations and objections to the liquidators' reports, requests to incur the liability of the former managers of the respective companies.

During this year receivables were declared in the bankruptcy files of S.C. Onsal S.A. Onești, S.C. Max Invest S.R.L. București și Nova Bank București. Introductory requests promoted by FIC MOLDOVA for the initiation of the procedure were formulated for debts owed by S.G.I. București, Digicom S.R.L. București and Asociația Pas Tranzitour Piatra Neamț. Up to the end of this year only the case involving S.C. Digicom S.A. București was settled with a decision to initiate the bankruptcy procedure.

It is worth mentioning that these actions were initiated subsequently to the foreclosure of FIC MOLDOVA by SARA (State Assets Recovery Agency) București, on which occasion FIC MOLDOVA came into possession of the promissory notes foreclosed and thus gained certain, liquid and claimable receivables. Also as a consequence of the foreclosure by SARA, we formulated requests to update the creditors' table, to the aim of transforming the qualified debt into a certain one. This is the case of S.C. Editip S.A. Tulcea, S.C. Max Invest S.R.L. București, S.C. Lerus S.R.L. Sibiu și S.C. Aust Rom S.A. Tușnad Sat. It is worth noticing that in the case of the latter two companies the registration was done among the priority receivables, as a consequence of the priority of the rights of the creditor SARA – public creditor.

We also specify that this category of litigations is initiated during the procedure of requesting the personal joint liability for statutory managers of the debtor companies, actions motivated by the fact that the debtors' liabilities can not be covered from the assets of the respective company. Therefore, the creditors attempt to cover their receivable from the personal property of the former managers, this kind of action being promoted by our company in the bankruptcy cases involving: S.C. Pol Handel Impex S.R.L. Suceava, S.C. Aust Rom S.A. Tușnad Sat, S.C. C.B. Investitii S.R.L. București, S.C. Max Invest S.R.L. București, S.C. Cona Impex S.R.L. Beresti-Tazlău, S.C. Genexim S.R.L. Bacău și S.C. Editip S.A. Tulcea.

Concerning the cases solved, the bankruptcy case was concluded without FIC MOLDOVA settling the receivable declared, mentioning that for the amount of 500.288,73 RON receivable from S.C. Cona Impex S.R.L. Berești-Tazlău a request was formulated to incur personal joint liability by managers, action still in lower court.

The only case in which there was no effective possibility to pursue the debtor is that involving S.C. Invest House S.R.L. București for a receivable amounting to 1.880.000 USD arising from two promissory notes issued by this company and endorsed by FIC MOLDOVA. As a consequence of the foreclosure of FIC MOLDOVA by SARA for this amount, our company no longer had the possibility to foreclose the issuer, the debtor having already been written off from the commercial registry as a consequence of the

conclusion of the bankruptcy procedure. According to the law, the re-opening of the procedure is not possible, therefore the case was closed without initiating an action in court.

**4. Litigations involving various monetary claims = 16 cases**, of which 13 in court and three solved.

As can be seen, the claims of FIC MOLDOVA against former managers of bankrupt companies predominate among these litigations. Since the receivables of FIC MOLDOVA could not be settled during the bankruptcy procedure, as we have shown in the section regarding litigations involving insolvency procedure, FIC MOLDOVA initiated an action to incur joint personal liability of natural persons that ensured the management of the debtor companies and who by their deeds contributed to the arising of the state of insolvency. It is also worth mentioning that the amount involved in these litigations actually represents the receivables declared in the bankruptcy procedure.

During this year three actions of this type were initiated, mentioning the fact that two of these actions are against persons residing abroad – Irak and France – situation in which the litigation will generate expenses with foreign procedures but also take a longer period of time to be solved.

We note the admission of the action against the former manager of S.C. Aust Rom 95 S.A. Tuşnad Sat, the defendant being ordered to pay the amount of 470.000 USD in the account of the bankrupt company, representing the promissory note issued by the debtor company and endorsed by the Private Property Fund 2 (FPP II) Moldova. The ruling remained irrevocable during this year by the rejection of the appeal by the defendant, specifying that the foreclosure will also be costly and lengthy, considering that the former manager is not a Romanian citizen and resides in Austria.

Also in 2006 the procedure to foreclose the former managers of S.C. Relona Trans S.R.L. Bacău and S.C. Trust Ares Impex S.R.L. Piatra Neamţ, the named Relu Teodorescu and Naforrita Sorin, as well as the requests against persons that guaranteed the liabilities of S.C. Max Invest S.R.L. Bucureşti. This is the case of S.C. Best Oil S.R.L. Bucureşti and S.C. Simpex Comp S.R.L. Iaşi, at this moment the case being appealed at the request of FIC Moldova.

Finally, among the cases won by FIC this year is counted the case against the Romanian Commercial Bank, at the request of FIC Moldova the defendant being ordered to pay the amount of 4.313.220,91 RON.

We mention the Nova Bank case among those solved, debtor from which the amount of 206.922,34 RON was recovered prior to the initiation of bankruptcy in this bank.

**5. Litigations with various objects = 9 cases**, of which five were solved during this year and four are still in court.

Among those in court, two actions were admitted: that against the Independent Monitor Registry Bucureşti, the defendant being ordered to mention the write-off of FIC MOLDOVA from the quality of shareholder of S.C. Tricotaje Unitatea S.A. Bucureşti, quality that we never had; the action against NSC, the court canceling the Notice no. 13 of Jan 21, 2005 that decided, against the provisions of art. 218 of Law no. 31 / 1990 and art. 240 of the Capital Market Law that the preference right is also granted in the situation of the increase in registered capital with contributions in tangible goods and the quorum and voting requirements in the extraordinary general meeting vary according to whether or not the preemption right is granted.

In the cases solved, it is worth mentioning that the rulings pronounced are mostly favourable to our company: the stock held in FIC MOLDOVA was transferred to Sofert Bacău, Remat Botoşani and Iason Braşov, thus the actions were rejected for the lack of processual capacity of FIC MOLDOVA, also concerning the lawsuit against 1 Iunie S.A. Timişoara – insolvent company – it was essentially aimed at waiving the distraint ordered by the bankruptcy trustee of the shares held by FIC MOLDOVA in this company, measure that prevented an eventual decision to transfer the stock. The lawsuit lost its object as according to the present regulations, the shares of an insolvent company can not be transferred by their owners.

**6. Litigations involving draft oppositions and contestations to the foreclosure of promissory notes endorsed by FPP II Moldova = 35 cases** in court, most of them initiated during this year, as a consequence of the foreclosure initiated by SARA against FIC MOLDOVA. A single case was archived due to the request to cease the trial formulated by FIC MOLDOVA.

In the cases involving draft oppositions, amounting to eight cases, we point out the favourable resolution of the opposition involving the promissory notes issued by S.C. Exotic Com S.R.L. Piatra Neamț and S.C. Avicom S.A. Opișenești. The cases have no monetary value, the object of the cases consisting of aspects regarding the way in which the promissory notes were issued.

We point out that from eight cases in four the ruling involves at the end of 2006 the decision to waive capacity from the Bacău Court to the Court of Appeals.

The same ruling is pronounced in cases involving the contestations to fulfillment, where from 27 cases, in 21 a waiving was pronounced, either to the Bacău Court of Appeals or to that in București.

The decisions to waive were appealed by FIC MOLDOVA and in those in which the appeal was rejected a dispute for cancellation was initiated. The means of appeal against the decision to waive are essentially based on the fact that the resolution of these cases should be done in the first court and not by the Court of Appeals, considering that it involves the foreclosure of a draft – the promissory note – governed by special laws. Our company requested the total cassation of the decisions for other reasons too, such as those involving the case not having been solved in lower court or the court not ruling in all exceptions invoked by FIC MOLDOVA.

Most cases, as was pointed out, are in the court of appeals, at the end of 2006 only the appeal involving the P.N. issued by S.C. Trust Ares S.R.L., being favourably solved, the decision ruling that the lower court has the capacity to try the contestation for fulfillment.

Two rulings to admit the contestation for fulfillment formulated by FIC MOLDOVA are also worth mentioning, resulting in the cancellation of the foreclosure procedures undertaken by SARA, namely the decisions involving Max Invest București for P.N. amounting to 800.000 USD and Digicom București for P.N. amounting to 3.032.482,79 USD.

The decisions were appealed by both SARA and FIC MOLDOVA. Our company's criticisms involve this time aspects regarding which the court has not yet ruled, issues such as those involving the nullity of the foreclosure acts undertaken by SARA, the limitation of the obligation to pay the promissory note, the lack of a valid writ of execution. The cases are in the court of appeals.

**7. Criminal litigations = 10 cases**, of which six are in court and four are solved, according to the report.

#### **Litigations in which FIC MOLDOVA is a defendant**

- **total litigations = 52, of which 46 in court in various judicial stages and 6 solved;**
  - **Value of litigations in RON = 5.117.643,21 RON**, of which 4.497.643,21 RON in litigations involving claims and 620.000 RON in cases involving direct draft oppositions against SARA;
  - **Value of litigations in foreign currency**, in direct actions against SARA: 7.110.140 USD and 1.090.000 DEM.

Litigations in this category are classified thus:

**1. Litigations with various objects and claims files = 22 files** in court in various judicial stages;

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

Regarding the cases involving claims we point out the lawsuit in which the Public Finance General Division of Harghita County has requested incurring joint liability for FIC MOLDOVA for the amount of 4.445.511,02 RON, representing the unsettled liability in the bankruptcy case of S.C. Filatex S.A., company in which FIC is a shareholder. The creditor plaintiff PFGD Harghita requested incurring the liability of FIC MOLDOVA together with the other shareholders of S.C. Filatex S.A. and together with the other statutory managers.

The lower court rejected the case against our company and in appeal, the Târgu Mureș Court of Appeals ordered the plaintiff P.F.G.D. Haghita to pay the amount of 1.428,92 RON as trial expenses towards the appellant FIC MOLDOVA.

A claim against FIC MOLDOVA is also involved in the lawsuit initiated by S.C. Incom Iași, the value of claims amounting to 52.028,8 RON and arising from various stock sale contracts. The case is in lower court.

Regarding the litigation with Filip Gelu in which he requests the write-off of the mortgage filled in on behalf of FIC Moldova we mention that in case no. 178 / 2006 Bacau Tribunal – Commercial Section declined its competence to try the case in favour of Bacau Court. FIC MOLDOVA's appeal against this decision was ruled favourably, the case being submitted for trial by Bacău Tribunal – the Commercial Section. At the end of this year, there was no ruling made in lower court to admit or reject the request to write off the mortgage.

The two lawsuits to cancel decision no. 9 of the general meeting of shareholders of FIC MOLDOVA initiated by S.C. Bicol Grup S.A. Galați and S.C. Stordas Grup S.A. Galați are suspended as of the end of 2006.

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 in order to pay damages for them in the event that the claim is admitted.

As regards the action initiated by Suceveanu Margareta claiming from FIC Moldova 785 m<sup>2</sup> of real estate located in Bacău, str. Troțuș, nr. 5, Bacău County, 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 Court admitted the plaintiff's request. The decision was appealed by our company. The reconventional request of FIC MOLDOVA initiated in this claims lawsuit against the plaintiff Suceveanu Margareta and consisting of claims arising from the cost of buildings erected by FIC MOLDOVA was suspended until the final ruling of the claim.

Also in a claims lawsuit, namely the one initiated by Paulian Dan, the court admitted the plaintiff's action and ordered our company to pay damages for the parcel with a surface of 10.117 mp located in Iași. FIC MOLDOVA's appeal against this order was admitted and the ruling was nullified on the grounds that the case had been tried by a court without the necessary capacities. The case was sent for trial to the Iași Tribunal – the Civil Section.

There are 6 cases solved in this category of lawsuits. All the lawsuits solved, according to the Report, are favourable to FIC MOLDOVA.

## **2. Litigations involving direct bill actions and disputes for cancellation = 10 cases, against Bankcoop.**

The litigations were solved during this year by the rejection of the dispute for cancellation initiated by FIC MOLDOVA and the cases will be archived during 2007.

## **3. Litigations involving direct bill actions = 14 cases, against SARA București.**

Except for the case involving S.C. Symbol Electronica S.R.L. Bacău in which SARA has so far prevailed, the other 12 cases were initiated during this year. It is important to specify that all these cases were initiated by SARA after FIC MOLDOVA, by a final and irrevocable court ruling, cancelled the endorsement of the respective promissory notes, thus exonerating our company from the obligation to pay these amounts.

In three cases with this object FIC MOLDOVA initiated a non-constitutionality dispute of certain provisions in the Government Emergency Order no. 51 / 1998 regarding the valuation of bank assets.

SARA's direct action was rejected in 11 of the 14 cases in court, the court ruling the limitation of the right to act invoked by our company as being valid. The decisions are final but not irrevocable, the appeal initiated by SARA pending resolution by the High Court of Cassation and Justice – the commercial section in 2007.

### **I.3.2. RELATIONS WITH SHAREHOLDERS AND CAPITAL MARKET INSTITUTIONS, COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES**

In order to apply OECD principles in the code of management and administration, FIC Moldova, in its relation with shareholders, focuses 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. 1 / 2006 and no. 15 / 2004, BSE Code, the provisions of Law no. 297 / 2004 regulating the capital market and the 2006 financial reporting schedule.

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

#### ***a. In relation to capital market institutions***

##### **a.1. Periodic reports towards NSC and BSE**

- weekly and monthly reports – status of net assets, status of assets and detailed status of investments (Annexes 16 and 17 of NSC Regulation no. 15 / 2004), drafted and transmitted to BSE and NSC according to regulations in force;

- annual report on Dec 31, 2005 – transmitted to NSC and BSE, published in synthesis in the press ("Bursa" newspaper of Apr 11, 2006), available at the company head office and presented for consultation on the company website ([www.sifm.ro](http://www.sifm.ro)).

- quarterly report on Mar 31, 2006 transmitted to NSC and BSE (according to the financial schedule), included in the [www.sifm.ro](http://www.sifm.ro) website and available in written form for consultation at the company head office. In the Bursa newspaper of May 11, 2006 the issuance towards shareholders of the report was notified, according to Law 297 / 2004 and NSC Regulations no. 15 / 2004 and 1 / 2006.

- 1<sup>st</sup> half of 2006 report, transmitted to NSC and BSE, published in brief in the press ("Bursa" newspaper of Aug 14, 2006), available at the company headquarters and presented for reference on the company website ([www.sifm.ro](http://www.sifm.ro)).

- quarterly report on Sep 30, 2006 transmitted to NSC and BSE (according to the financial schedule), included in the [www.sifm.ro](http://www.sifm.ro) website and available in written form for consultation at the company head office. In the Bursa newspaper of Sep 11, 2006 the issuance towards shareholders of the report was notified, according to Law 297 / 2004 and NSC Regulations no. 15 / 2004 and 1 / 2006.

##### ***a.2. Continual reports to NSC and continuous reports to BSE***

- regarding the Ordinary General Meeting of Shareholders of Apr 28 / 29, 2006 – reports regarding the preparation, preliminary financial results, convocation, informative materials, decisions, notifications, etc;

- significant transactions – sale / subscription of shares of SC Metex SA Tulcea, Condmag Brasov, CNTEE Transelectrica, Banca Transilvania, SC Turism Felix SA, SC Tesatoriile Reunite SA București, SC Apartamentul SA Tulcea, SC Mittal Steel Roman SA, SC Matex SA Deva, SC Firmelbo SA Botosani;

- other important aspects communicated: financial calendar, payment of dividends, modification of Articles of Incorporation, authorization of Board of Directors member by the NSC; reporting of lawsuits involving the company in compliance with the provisions of art. 113, para. A, letter (j) in the NSC Regulation no. 1 / 2006 and art. 27 letters (l) and (m) of BSE Regulation no. 3 – notifications regarding notices / communications / foreclosures / SARA litigations; decision to cancel the dispute related to the OGMS Decision from Apr 29, 2006 to elect a member of the Board of Directors.

### ***b. In relations with 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, offering equal treatment to shareholders. Information in the reports was related to:

- the organization and conduct of the Ordinary General Meeting of Shareholders of Apr 28 / 29, 2006: convocation of the meeting (Bursa newspaper and the local Desteptarea newspaper of Jan 27, 2006, the Official Gazette part IV, no. 370 / Feb 1, 2006), informative material related to the agenda, decisions (Bursa Newspaper of May 3, 2006, the Official Gazette part IV, no. 1476 / May 15, 2006);
- reports of the Board of Directors : annual report on Dec 31, 2005, 1st quarter report of 2006, 1<sup>st</sup> half of 2006 report and 3<sup>rd</sup> quarter report of 2006 (Bursa newspaper of Apr 11, 2006, May 11, 2006 Aug 14, 2006 and Jun 30, 2006);
- information regarding the payment of dividends (Bursa newspaper of May 24, 2006 and Nov 15, 2006);
- significant transactions;
- approval of BD member and the modification of Articles of Incorporation (Bursa newspaper of Jul 5, 2006, Official Gazette part IV, no. 2044 / Jun 30, 2006) ;
- other events.

All press releases related to the reports are found on the company website [www.sifm.ro](http://www.sifm.ro) (modules – reports, notifications, GMS).

The organization of activity at the head office and field offices allows and ensures the operative resolution of requests by shareholders directly or by correspondence.

### **I.3.3. INTERNAL AUDITING AND CONTROL ACTIVITY**

#### **The internal auditing activity**

The internal audit represents the objective analysis of the whole activity of the entity, in order to provide an independent evaluation of risk management, control and management processes.

Internal auditing operates under the direct supervision of the Board of Directors of FIC MOLDOVA. The internal auditing activity is carried out by the internal auditing division, by employees of FIC MOLDOVA.

**The internal auditing activity** is carried out on the basis of the engagement plan agreed in compliance with the company's objectives. The plan for the internal auditing activities and the resources necessary are communicated to the Board of Directors for revision and approval. The subsequent changes occurring are also communicated.

The audit plan for 2006 and the subsequent changes were approved in the Board meeting of February 24, 2006 and Dec 15, 2006. The internal audit plan was drawn up with a view to covering all the

activities and operations for three years and to ensuring the continuity of the audit from the previous period.

The objectives of the internal audit are:

- to support the company in identifying and assessing significant risks, thus contributing to the risk management systems improvement;
- to support the company in maintaining an adequate control system, assessing its effectiveness and efficiency and contributing to its permanent improvement.

The internal audit is carried out in the following forms:

- thorough evaluation of the management and Internal Supervision systems, aiming at finding if they work economically, efficiently and effectively, in order to identify deficiencies and formulate recommendations for their correction – system audit;
- examination of criteria set with a view to implementing the objectives of FIC Moldova SA, in order to identify whether they are correct for the results evaluation and to appreciate whether results conform to the objectives – performance audit;
- examination of actions from the viewpoint of respecting the principles, procedures, legal and regulatory provisions – regularity audit.

The internal auditing activity evaluates the risk exposures related to governance, operations and information systems regarding:

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- protection of assets;
- compliance with laws, regulations and contracts.

The main activities of FIC MOLDOVA subjected to internal auditing in 2006, according to the internal auditing plan involve:

- the liabilities of FIC Moldova resulting from guarantees granted (promissory notes);
- the inventory of assets and liabilities, the evaluation of asset and liability items on occasion of the inventory in the balance sheet drawn up on Dec 31, 2005;
- the management of human resources; the closing and conduct of the Collective Work Contract; the remuneration of staff
- the appropriation and payment of dividends due to the shareholders of FIC MOLDOVA for the 2003 and 2004 fiscal years and of dividends not paid as of Dec 31, 2003.

The internal audit reports periodically to the Board of Directors about the scope of the auditing activity, the authority, responsibility and implementation according to its plan. Reports include significant risks and aspects of control and management, as well as other problems requested by the Board of Directors.

The internal auditor's opinion, activity results, conclusions, recommendations and proposals, as well as the plan of actions applied in the course of the audit activity, were included in the periodic internal audit report presented to the Board of Directors of FIC Moldova. Based on the conclusions and recommendations made by the internal audit, the Board of Directors took the necessary measures in order to manage the identified risks.

The internal audit considers that the activities subjected to auditing in 2006 conform to the company's policies, programs and management and to the legal provisions and internal regulations. There were no situations in which the Board of Directors decided to accept significant risks.

### ***Activity of the Internal Supervision Department***

According to the provisions of art. 62 of Law 297 / 2004 regarding the capital market and art. 32-36 of NSC Regulation no. 15 / 2004 regulating the authorization and operation of SAI, 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 Supervision Department "specialized in the supervision of compliance by the company and its staff of the legislation in force relevant 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 Supervision Department for the year 2006, approved in the FIC Moldova Board of Directors' meeting of Feb 24 and transmitted to NSC with no. 734 on Mar 3, 2006 the activity of the representative of the Internal Supervision Department in the Jan 1 – Dec 31, 2006 materialized in the following:

**1. In the Dec 16, 2005 – Jan 20, 2006 period the calculation and pay of commissions, taxes and other amounts due to NSC and capital market entities were audited.**

#### *Structures examined:*

- The Economic Department – the Depository Service and the Financial Accounting Service;
- The Shareholder Relations Service;
- The Transactions Department – Transactions Service.

*Period under review:* Aug 1, 2005 – Dec 31, 2005.

*Review procedure.* The review was done by consulting and checking all documents related to the calculation, recording and payment of commissions, taxes and other amounts due to capital market entities, examining compliance with legislation, principles, procedural and technical rules as well as the identification of possible faults.

The internal supervision report regarding the calculation, recording and payment of commissions, taxes and other amounts due to NSC and capital market entities was presented and approved in the Board of Directors meeting of Jan 26, 2006.

**2. In the Feb 27, 2006 – Apr 21, 2006 period the compliance with legal provisions regarding the FIC Moldova investment policy was examined.**

#### *Structures examined:*

- The Economic Department – the Depository Service and the Financial Accounting Service;
- The Portfolio Management Department – Portfolio Management Service;
- The Transactions Department – Transactions Service;
- The Shareholder Relations Service.

*Period under review:* Aug 1, 2005- Mar 31, 2006.

*Review procedure.* The review was done by consulting and checking all documents related to the calculation and supervision of the requirements for the ownership of assets provided in art. 188 of NSC Regulation no. 15 / 2004. The audit examined compliance with law, principles, procedural and technical rules as well as the identification of possible faults related to compliance with prudence requirements and rules related to investments made by FIC MOLDOVA in the Aug 1, 2005 – Mar 31, 2006.

The internal supervision report regarding compliance with legal regulations regarding FIC MOLDOVA's investment policy was presented and approved in the Board of Directors meeting of Apr 27, 2006.

**3. In the Apr 24, 2006 – May 15, 2006 period compliance by FIC MOLDOVA with legal provisions regarding privileged information was examined.**

#### *Structures examined:*

- The Economic Department – the Depository Service;
- The Objectives Strategy Service;
- The Shareholder Relations Service.

*Period under review:* Aug 1, 2005 – May 15, 2006.

*Review procedure:* The review was done by the consultation and examination of all reports and documents that contained privileged information. The review examined compliance with law, procedural and technical rules as well as the identification of possible faults related to the status of privileged information.

The internal supervision report regarding compliance by FIC MOLDOVA with legal regulations regarding privileged information was presented and approved in the Board of Directors meeting of May 26, 2006.

**4. In the May 22, 2006 – Jul 24, 2006 period compliance with legal regulations regarding the evaluation of shares held by FIC Moldova was examined.**

*Structures examined:*

- The Economic Department – the Depository Service;
- The Portfolio Management Department – Portfolio Management Service;
- The Computer Bookkeeping Desk.

*Period under review:* Aug 1, 2005 – Jun 30, 2006.

*Review procedure:* The review was done by the consultation and examination of all reports and documents, as well as recording, processing and transmission of data, monitoring the compliance with law, procedural and technical rules as well as the identification of possible faults related to the evaluation of FIC MOLDOVA's share portfolio.

The internal supervision report regarding compliance with legal regulations regarding the evaluation of FIC MOLDOVA's share portfolio was presented and approved in the Board of Directors meeting of Jul 28, 2006.

**5. In the Sep 1, 2006 – Oct 20, 2006 compliance by FIC MOLDOVA with legal regulations regarding reporting requirements was examined.**

*Structures examined:*

- The Economic Department – the Depository Service;
- The Portfolio Management Department – Portfolio Management Service;
- The Transactions Department – Transactions Service;
- The Shareholder Relations Service.

*Period under review:* Jan 1, 2006 – Sep 30, 2006.

*Review procedure:* The review was done by the consultation and examination of all reports and documents related to transparency requirements and reporting obligations provided in regulations, monitoring the compliance with law, procedural and technical rules as well as the identification of possible faults related to the drafting, publication and transmission of legal reports towards NSC and capital market entities.

The internal supervision report regarding compliance with legal regulations regarding reporting requirements was presented and approved in the Board of Directors meeting of Oct 27, 2006.

**6. In the Oct 10, 2006 – Nov 22, 2006 compliance with legal regulations regarding the calculation of the value of FIC MOLDOVA's net assets was examined.**

*Structures examined:*

- The Economic Department – the Depository Service and the Financial Accounting Service;
- The Portfolio Management Department – Portfolio Management Service;
- The Transactions Department – Transactions Service;
- The Computer Bookkeeping Desk.

*Period under review:* Oct 1, 2005 – Oct 30, 2006.

*Review procedure:* The review was done by the consultation and examination of all reports and documents, as well as recording, calculation, processing and transmission of data, monitoring the compliance with law, procedural and technical rules as well as the identification of possible faults related to the calculation of the value of FIC MOLDOVA's total assets and net assets.

The internal supervision report regarding compliance with legal regulations regarding the calculation of the value of FIC MOLDOVA's net assets was presented and approved in the Board of Directors meeting of Nov 24, 2006.

7. In the Nov 23, 2006 –Dec 22, 2006 **compliance with legal regulations regarding the calculation, recording and payment of commissions, taxes and other amounts due to NSC and capital market entities** was examined.

*Structures examined:*

- The Economic Department – the Depository Service and the Financial Accounting Service;
- The Transactions Department – Transactions Service.

*Period under review:* Jan 1, 2006 – Dec 22, 2005.

*Review procedure.* The review was done by the consultation and examination of all documents related to the calculation, recording and payment of commissions, taxes and other amounts due to capital market entities, monitoring the compliance with law, principles, procedural and technical rules as well as the identification of possible faults.

The internal supervision report regarding compliance with legal regulations regarding the calculation, recording and payment of commissions, taxes and other amounts due from FIC MOLDOVA to NSC and capital market entities was presented after its completion in the Board of Directors meeting of Jan 26, 2007.

8. Permanent activities of the Internal Control Department: informing FIC Moldova and its employees about the legal regulations applicable to the capital market; regularly monitoring and checking the application of legal provisions relevant to the capital market and of internal regulations; the recording and supervision of complaints resolution; the analysis and approval of documents and reports sent to NSC and capital market institutions; the analysis and approval of internal documents comprising operations subjected to the internal control visa; the analysis and approval of informative and advertising materials.

9. According to the provisions of NSC Regulation no. 15 / 2004 and internal Regulations of the Internal Control Department the following records are kept: a public record containing complaints by shareholders and their means of resolution; a registry containing the investigations and checks carried out, their duration, period and outcome, as well as the proposals and decisions taken for their correction; a registry for the recording of all documents subject to the internal control visa.

## **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 General Meetings.

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

The appropriation and payment of dividends towards shareholders took place in compliance to the decisions adopted in the OGMS of Apr 29, 2006. At the request of shareholders payments of dividends were made through the pay office (shareholders – natural persons), bank transfer (natural and juridical persons) and dividends due to shareholders were submitted for payment by money order.

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 decisions, 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:	2003 Dividend		2004 Dividend		2005 Dividend	
	<i>(0,0494 RON / share)</i>		<i>(0,0600 RON / share)</i>		<i>(0,0670 RON / share)</i>	
	No. of shareholders	RON (RON)	No. of shareholders	RON (RON)	No. of shareholders	RON (RON)
2004	221.446	19.596.217,58				
2005	17.137	695.797,33	187.438	24.452.760,91		
2006	8.103	246.826,70	11.133	522.905,33	120.111	24.265.961,06
<b>TOTAL paid up to Dec 31, 2006</b>	<b>246.686</b>	<b>20.538.841,61</b>	<b>198.571</b>	<b>24.975.666,24</b>	<b>120.111</b>	<b>24.265.961,06</b>
<b>Dividend due</b>		25.643.025,65		31.145.375,28		34.779.003,00
% paid		80,10%		80,19%		69,77%

### **III. SIGNIFICANT EVENTS**

#### **Significant events in 2006**

Significant events in 2006 (as defined in Regulation no. 1 / 2006 art. 113 letters A, B, F, G paragraphs (3) and (4) and art. 117 letter A, NSC Regulation no. 31 / 2006 and Law 297 / 2004, art. 224) were subject to continual / continuous reports, being brought to the attention of market institutions (NSC and BSE) and shareholders by reports, publication in national newspapers and on the company website [www.sifm.ro](http://www.sifm.ro), according to legal regulations in force, as mentioned in chapter II.3.2. of the present report.

The significant events of 2006 subject to reporting were: Board of Directors decisions regarding the convocation of the general ordinary meeting, the convocation of the GMS, preliminary financial data, reports regarding the proceedings of the meetings, GMS decisions, changes in the company's management and Articles of Incorporation, their registration with the Commercial Registry Office, lawsuits in which the company was involved, terms and procedures for the payment of dividends, extrabalance operations weighing on the financial results, liabilities of the company, significant acquisitions and transfers of assets (amounting to more than \$500.000).

**Significant events arising after the end of the fiscal year** (according to NSC Order no. 75 / 2005) – not applicable.

### **IV. COMPANY MANAGEMENT**

The FIC Moldova Board of Directors was elected by the OGMS Decision of Apr 23, 2005 for a 4 year term (2005 – 2009), numbering 6 members, authorized by NSC Decisions no. 1841 / Jun 16, 2005 and 1884 / Jun 21, 2005.

As a consequence of the resignation of a member due to the incompatibility of his function with the position of Director of FIC Moldova (according to Law no. 7 / 2006 regulating the status of the parliamentary public servant), by OGMS Decision of Apr 29, 2006 a new member was elected, authorized by NSC by Decision no. 40 / Jun 28, 2006.

The composition of the FIC Moldova Board of Directors as of Dec 31, 2006 is the following:

- |                           |   |
|---------------------------|---|
| 1. Turtoescu Sorin Mihail | - President General Manager                 |
| 2. Ceocea Costel          | - Vicepresident Assistant General Manager   |
| 3. Matei Alexandru        | - Member, Chief of the Management Committee |
| 4. Bontas Dumitru         | - Member                                    |





