

FIC MOLDOVA S.A.

**FINANCIAL STATEMENTS
30.06.2005**

Drafted in accordance with Public Finance Ministry
and National Securities Commission President
Order no. 1742 / 106 / 2002

SIF MOLDOVA S.A.
CONTUL DE PROFIT SI PIERDERE
PENTRU PERIOADA DE SASE LUNI ÎNCHEIATA LA 30 IUNIE 2005
(Sumele sunt exprimate în mii lei, dacă nu se precizează altfel)

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Deloitte

Deloitte Audit S.R.L.
Str. Stefan Iulian nr. 38,
Sector 1, Bucuresti, 011248
România

Tel: +40 (21) 2221661
Fax: +40 (21) 222 16 60

E-mail :
Romania@DeloitteCE.com
www.deloitte.ro

Reg. Com.: J40 / 6775 / 95
C.U.I. 7785924

To the Board of Directors
and shareholders
of FIC Moldova
Bacau, România

Revision Report

We have revised the present balance sheet (code 10) of FIC Moldova (“The company”) drafted on Jun 30, 2005, the income statement (code 20) and the informative data form (code 30) for the period ending on this date. The responsibility for drawing up these financial statements and the informative data form in compliance with the requirements of Romanian accounting norms, specifically Accounting Law no. 82 / 1991, republished, Public Finance Ministry Order no. 1742 / 106 / 2002, belongs to the Company management. These financial statements are presented in the format prescribed by the Order no. 36 / 2005 for the approval of Instruction no. 9 / 2005 regarding the accounting reporting system of Jun 30, 2005 of entities regulated and supervised by the NSC. Our responsibility lies in issuing a report regarding these financial statements, based on the revision performed.

We have performed the revision of financial statements and informative data form in compliance to International Audit Standards (IAS) and auditing norms issued by the Chamber of Financial Auditors of Romania, applicable to the revision undertaking. These standards require us to plan and carry out the revision in view of obtaining a moderate reassurance of the fact that the financial statements are free of significant misstatements. A revision is limited primarily to the investigation of company staff and analytical procedures applied to financial data, and consequently offers a lesser guarantee than an audit. We have not performed an audit and as a consequence do not express an auditing opinion.

1. Financial statements drawn up on Jun 30, 2005 do not include the cash flow statement and all explanatory notes, the Company complying to the requirements of National Securities Commission Order no. 36 / 2005 for the approval of Instruction no. 9 / 2005 regarding the accounting reporting system of Jun 30, 2005 of entities regulated and supervised by the NSC.

2. The evaluation of securities in the Company portfolio was carried out according to National Securities Commission Instruction no. 4 / 1999, instruction that provides that in the case of listed securities, the fair value is calculated based on the net assets weighted according to control, reported in periodic financial statements requested by the Finance Ministry. The value obtained by applying this method of calculation does not always reflect the fair value of these securities.

Based on our revision, excepting the lack of information referred to in paragraph 1 above and the effect of eventual rectifications necessary in relation to paragraph 2 above, in case these could be determined, nothing has made us believe that the appended financial statements do not represent a truthful view, in compliance with Romanian accounting norms, specifically Accounting Law no. 82 / 1991, republished, Public Finance Ministry Order no. 1742 / 106 / 2002 modified by National Securities Commission Order no. 36 / 2005.

The financial statements and appended informative data form were drawn up in compliance to the National Securities Commission Order no. 36 / 2005 for the approval of Instruction no. 9 / 2005 regarding the accounting reporting system of Jun 30, 2005 and must not be used by third parties not familiar with the requirements of these Orders, that differ from OMFP Provisions 1742 / 106 / 2002.

Deloitte Audit S.R.L.
Bucuresti, 3 august 2005

FIC MOLDOVA
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

Owners' Equity Item	Balance on	Increases			Decreases		Balance on
	Jan 1, 2004	Total,	By transfer		Total,	By	Jun 30, 2005
	1	of which	2	3	of which	transfer	6
Subscribed capital	519,089,588	-	-	-	-	-	519,089,588
Revaluation reserves	88,807,187	(877)	-	-	22,800,340	16,698,793	66,005,970
Legal reserves	81,371,268	11,710,893	11,710,893	-	-	-	93,082,161
Other reserves, of which:							
From Law 133	1,548,594,337	(6)	-	-	251,669,568	-	1,296,924,763
From securities obtained free of charge	746,782,329	22,033,267	-	-	35,174,046	-	733,641,550
From evaluation of financial instruments							
Credit balance	1,736,046,349	1,190,701,145	-	-	109,790,510	-	2,816,956,984
Other reserves	56,922,251	21,453,961	-	-	-	-	78,376,212
Reported result	-	-	-	-	-	-	-
Unappropriated profit	600,176,148	-	-	-	333,917,753	-	266,258,395
Uncovered loss	-	-	-	-	-	-	-
Reported result from first-time use of IAS, less IAS 29							
Credit balance	-	-	-	-	-	-	-
Debit balance	-	-	-	-	-	-	-
Result from accounting policy change MFP Order 1088 / 2004							
Credit balance	-	-	-	-	-	-	-
Debit balance	(2,220,403)	-	-	-	-	-	(2,220,403)
Surplus from revaluation reserves	2,489,722	16,698,793	16,698,793	-	2,980,898	-	16,207,617
Result of fiscal year							
Credit balance	457,458,946	494,273,802	-	-	457,458,946	-	494,273,802
Debit balance	-	-	-	-	-	-	-
Profit appropriation							
Debit balance	457,458,946	11,710,893	11,710,893	-	457,458,946	-	11,710,893
TOTAL OWNERS' EQUITY	5,378,058,776	1,745,160,085	16,698,793	11,710,893	756,333,115	16,698,793	6,366,885,746

FIC MOLDOVA
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

Information on statement of changes in equity

Owners' equity was influenced in the 1st semester of 2005 by:

1. Increases of 1,745,160,085 thousand ROL, consisting of:

• legal reserves constituted from 1st semester of 2005 profit appropriation, according to Law 31 / 1990 – republished:	11,710,893
• corrections for reserves from fixed asset revaluation	(877)
• other legal reserves, of which:	1,234,188,367
• reserves constituted according to Law 133, by portfolio corrections	(6)
• reserves from shares obtained free of charge	22,033,267
• reserve increases from financial instrument revaluation, of which:	1,190,701,145
• reserves created by recording positive adjustments	1,203,970,420
• updating receivable by deferred income tax	(13,269,275)
• other reserves	21,453,961
• surplus from revaluation reserves	16,698,793
• 1st semester of 2005 profit	494,273,802
• profit appropriation for 1st semester of 2005	(11,710,893)

2. Decreases of 756,333,115 thousand ROL, consisting of:

• revaluation reserves decrease	22,800,340
• for ceded assets	16,337,187
• updating of deferred income tax	6,463,153
• decrease of other legal reserves	396,634,124
• recognition of deferred income tax debt	247,033,288
• capital decrease in companies in the portfolio by write-off	4,636,280
• decreases in securities obtained free of charge, of which:	35,174,046
• decrease in registered capital in companies for which shares were obtained free of charge	37,673,290
• updating of deferred income tax	(2,499,244)
• decrease in reserves from revaluation of financial instruments, of which:	109,790,510
• recording of negative adjustments, by updating balances at beginning of fiscal year influenced by improvement of portfolio quality	(82,844,669)
• recognition of debt with deferred income tax from positive adjustments of portfolio, according to IAS 12	192,635,179
• profit appropriation for 2004 fiscal year, according to GMS 2005 decision	333,917,753
• recording of deferred income tax debt	2,980,898
• registration in compliance with Accounting Law of profit accounts associated to 2004 fiscal year	-
• 2004 profit	457,458,946
• 2004 profit appropriation	(457,458,946)

PRESIDENT
Sorin Turtoescu

ECONOMIC MANAGER
Liana Marin

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

1. NON-CURRENT ASSETS

1.1. Tangible and intangible assets

Cost	Gross value			Balance on Jun 30, 2005
	Balance on Jan 1, 2005	Increase	Decrease	
	1	2	3	4=1+2-3
Intangible assets	1,586,117	259,671	3,825	1,841,963
Land	6,796,605	78,999	4,250,644	2,624,960
Buildings	102,395,443	44,951	13,643,504	88,796,890
Equipment	8,546,905	123,776	11,313	8,659,368
Vehicles	4,909,898	-	-	4,909,898
Furniture and fixture	2,459,258	-	(87,164)	2,546,422
Pending tangible assets	-	84,667	-	84,667
Advances for intangible assets		2,762,062	1,381,031	1,381,031
TOTAL	126,694,226	3,354,126	19,203,153	110,845,199

Depreciation	Depreciations and Provisions			Balance on Jun 30, 2005
	Balance on Jan 1, 2004	Depreciation in period	Discounts and revenue from provisions	
	5	6	7	8=5+6-7
Intangible assets	559,672	170,961	3,825	726,808
Land	61,209	1	-	61,210
Buildings	239,092	1,432,787	3,791	1,668,088
Equipment	4,177,806	2,128,002	13,025	6,292,783
Vehicles	-	1,048,934	-	1,048,934
Furniture and fixture	327,907	275,815	(87,165)	690,887
TOTAL	5,365,686	5,056,500	(66,524)	10,488,710

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

1. NON-CURRENT ASSETS (continued)

Net value	Net accounting value	
	Balance on Jan 1, 2005	Balance on Jun 30, 2005
	<u>9 = 1 - 5</u>	<u>10 = 4 - 8</u>
Intangible assets	1,026,445	1,115,155
Land	6,735,396	2,563,750
Buildings	102,156,351	87,128,802
Equipment	4,369,099	2,366,585
Vehicles	4,909,898	3,860,964
Other non-current assets	2,131,351	1,855,535
Tangible assets pending	-	84,667
Advances for intangible assets	-	1,381,031
TOTAL	<u>121,328,540</u>	<u>100,356,489</u>

Status of non-current assets

i. Increases in non-current assets worth 3,354,126 thousand ROL, derive from:

	<u>thousand ROL</u>
• Acquisition of intangible assets	259,671
• Acquisition of tangible assets	247,726
• Investments initiated in 2005 fiscal year for tangible and intangible non-current assets	2,846,729

ii, Decreases in non-current assets worth 19,203,153 thousand ROL, derive from:

	<u>thousand ROL</u>
• Intangible non-current assets removed from records	3,825
• Decreases in non-current assets, of which	17,818,297
• sales	17,894,148
• Corrections of non-current assets	(75,851)
• Investments initiated in 2005 fiscal year for tangible and intangible non-current assets	1,381,031

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

1. NON-CURRENT ASSETS (continued)

iii. Depreciation calculated and reflected corresponding to groups of non-current assets worth 5,056,499 thousand ROL consists of:

	<u>thousand ROL</u>
• Depreciation registered in 2005 fiscal year for tangible and intangible non-current assets	4,531,222
• Depreciation corrections	525,277

iv, Depreciation associated to discounts - 66,524 thousand ROL consists of:

• Depreciation of intangible non-current assets removed from records, fully depreciated	3,825
• Depreciation associated to sales of tangible assets	3,791
• Revenue from provisions for tangible assets	1,571
• Depreciation corrections	(75,711)

v, Status of non-current assets

• Net value of intangible assets	2,496,186
• Net value of tangible assets	97,860,303
Total	<u><u>100,356,489</u></u>

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

2. PROVISIONS

Name of provision	Balance on Jan	Transfers		Thousand ROL
	1, 2005	Incoming	outgoing	Balance on Jun 30, 2005
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4=1+2-3</u>
Provisions for risks and expenses	382,157,882	31,790,613	20,957,087	392,991,408
Provisions for receivable devaluation	14,960,090	(2,505,420)	988,690	11,465,980
Provisions for bad debts	205,088,256	22,203,390	12,460,957	214,830,689
Provisions for materials devaluation	2,216	-	-	2,216
Provisions for tangible non-current assets depreciation	312,483	-	1,571	310,912
Provisions for other securities devaluation	4,165,875	3,888,643	285,679	7,768,839
Total:	<u>606,686,802</u>	<u>55,377,226</u>	<u>34,693,984</u>	<u>627,370,044</u>

	<u>thousand ROL</u>
<ul style="list-style-type: none"> • Provisions for receivable devaluation on Jun 30, 2005 11,465,980 <ul style="list-style-type: none"> •litigations for unpaid dividends 3,555,027 •bad debts 1,643,582 •various (Bankcoop) 6,267,371 	<u>thousand ROL</u>
<ul style="list-style-type: none"> • Provisions for bad debts on Jun 30, 2005 214,830,689 <ul style="list-style-type: none"> •debtors from money orders 201,436,666 •unpaid dividends with irrevocable decisions 13,314,507 •various rents with irrevocable decisions 79,516 	<u>thousand ROL</u>
<ul style="list-style-type: none"> • Provisions for risks and expenses on Jun 30, 2005, associated to contingent debt, resulted from Private Property Fund money order endorsement 392,991,408 	
<ul style="list-style-type: none"> • Provisions for other securities devaluation 7,768,839 <ul style="list-style-type: none"> • Provisions for securities devaluation for companies undergoing liquidation that had own investments 6,894,009 • other securities provisions 2,500 • Provisions for securities devaluation for companies pending start of liquidation procedure 872,330 	

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

4. ANALISYS OF OPERATIONS RESULT

INDICATORS	Row no.	thousand ROL	
		30,06,2004	30,06,2005
Revenue from financial assets (acc. 761)	01	167,784,166	301,236,406
Revenue from short term investments (acc. 762)	02	-	-
Revenue from financial instrument (acc. 763)	03	149,624,276	78,488,657
Revenue from ceded financial investments (acc. 758*+764)	04	45,061,066	251,943,606
Revenue from services performed (acc. 704)	05	-	-
Revenue from reactivated claims and various receivables (acc. 754)	06	12,710	-
Revenue from provisions (acc. 781+786)	07	25,439,238	34,693,984
Revenue from exchange rate changes (acc. 765)	08	2,074,299	9,239,660
Revenue from interest (acc. 766)	09	3,955,888	1,449,863
Revenue from non-current assets production, tangible Intangible (acc.721+722)	10	-	-
Other revenue from operations (row 12 to 19)	11	17,016,641	30,014,784
- from research and studies (acc. 705)	12	-	-
- from dues and rent (acc. 706)	13	4,450,640	3,652,094
- from other various activities (acc. 708)	14	246,108	227,546
- from subsidies (acc. 741)	15	-	-
- from other revenue (acc. 758**)	16	11,069,403	20,976,356
- from discounts (acc. 767)	17	-	-
- from other financial revenue (acc. 768)	18	1,250,490	5,158,788
- from inflation adjustment (acc. 788)	19	-	-
Revenue from operations (row 01 to 11)	20	410,968,284	707,066,960
Losses from receivables related to participations participari (acc. 663)	21	-	-
Expenses related to ceded financial investments (acc. 658*+664)	22	21,940,674	31,574,871
Expenses with exchange rate changes (acc. 665)	23	322,425	8,996,257
Expenses with interest (acc. 666)	24	-	-
Expenses with commissions and fees (acc. 622)	25	5,160,761	6,074,733
Expenses with banking and similar services (acc. 627)	26	192,134	189,836
Losses from receivables and various debtors (acc. 654)	27	39,314	72,461
Expenses with provisions and depreciation (acc. 681+686)	28	24,600,089	64,340,304
Other expenses with operations (row 30+31+32+35+48)	29	49,953,125	60,364,237
- with materials (acc. 602+603+604)	30	3,046,797	4,022,618
- with electricity and water (acc. 605)	31	856,791	820,824
- with staff (row 33+34)	32	21,525,285	28,314,062
-salaries (acc. 621+641)	33	17,778,833	21,483,030

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

4. ANALISYS OF OPERATIONS RESULT (continued)

INDICATORS	Row No.	thousand ROL	
		30.06.2004	30.06.2005
-insurance and social security (acc. 645)	34	3,746,452	6,831,032
-external services (row 36 to 47)	35	23,433,055	26,451,373
-maintenance and repair (acc.611)	36	527,869	444,487
-dues and rent (acc. 612)	37	116,719	81,642
-insurance premiums (acc. 613)	38	224,420	193,343
-studies and research (acc. 614)	39	-	-
-protocol, advertising (acc. 623)	40	400,515	408,322
-transport of goods and personnel (acc. 624)	41	-	5,920
-travel, transfers (acc. 625)	42	438,469	310,927
-post and telecommunications (acc. 626)	43	1,064,596	1,059,578
-other services by third parties (acc. 628)	44	787,086	980,999
-other expenses (acc. 658**)	45	2,191,881	18,196,880
-expenses involving discounts (acc. 667)	46	-	-
-other financial expenses (acc. 668)	47	17,681,500	4,769,275
-expenses with inflation adjustment (acc. 688)			
-expenses with taxes and similar disbursements (acc. 635)	48	1,091,197	755,360
Expenses with operations (row 21 to 29)	49	102,208,522	171,612,699
RESULT FROM OPERATIONS (row 20-49)	50	308,759,762	535,454,261

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

5. STATUS OF RECEIVABLES AND PAYABLES

a) Status of receivables

thousand ROL

RECEIVABLES	Nr. <u>row</u>	Balance on Jun 30, 2005	<u>Due date</u>		
			Under 1 yr.	1 to 5 yrs.	Over 5 yrs.
		<u>1=2+3+4</u>	<u>2</u>	<u>3</u>	<u>4</u>
Gross account receivables	01	11,845,500	11,845,500	-	-
Provisions for receivable devaluation	02	11,465,980	11,465,980	-	-
Net account receivables	03	379,520	379,520	-	-
Other receivables, net	04	124,801,034	124,801,034	-	-
TOTAL	05	125,180,554	125,180,554	-	-
Other receivables, net, of which:	04	124,801,034	124,801,034	-	-
• Current accounts in brokerage firms	06	7,061	7,061	-	-
• Payables from promissory notes	07	202,524,439	202,524,439	-	-
• Uncashed dividends	08	39,396,118	39,396,118	-	-
• Payables from irrevocable court decisions	09	9,054,810	9,054,810	-	-
• Other payables	10	62,070,837	62,070,837	-	-
• Payables from share sale contracts	11	3,963,843	3,963,843	-	-
• Payables from cash investment in other companies' registered capital	12	22,614,615	22,614,615	-	-
• Payable from endorsed promissory notes depreciation provision	13	(201,436,666)	(201,436,666)	-	-
• Provision for dividend receivable devaluation	14	(13,314,507)	(13,314,507)	-	-
• Other provisions	15	(79,516)	(79,516)	-	-

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

5. STATUS OF RECEIVABLES AND PAYABLES (continued)

b) Status of payables

thousand ROL

LIABILITIES	Row No.	Balance on Jun 30, 2005	Under 1 yr.	Due date	
				1 to 5 yrs.	Over 5 yrs.
		1=2+3+4	2	3	4
Accounts payable	01	855,119	855,119	-	-
Commercial notes payable	02	159,617,940	31,684,460	127,933,480	-
Other payables	03	1,321,250,973	380,882,272		940,368,701
TOTAL, of which:	04	1,481,724,032	413,421,851	127,833,480	940,368,701
• Suppliers	05	855,119	855,119	-	-
• AVAB for promissory notes	06	159,617,940	31,684,460	127,933,480	-
• Payables towards government and special accounts	07	52,173,799	52,173,799	-	-
• Dividends payable	08	324,195,171	324,195,171	-	-
• Various payables	09	212,960	212,960	-	-
• Other payables with staff and social security	10	4,300,342	4,300,342		-
• Deferred income tax payables	11	940,368,701	-		940,368,701

For the specified payables no guarantees or mortgages were submitted. FIC Moldova has no outstanding loans.

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

A. Accounting principles

Evaluation of items in 2004 financial statements is done according to the following accounting principles:

The going concern principle – the company will continue normal operations in the foreseeable future without being unable to continue or forced to significantly restrain its activity.

The consistent methods principle – the application of the same rules, methods, norms regarding the evaluation and registration in accounting of assets, ensuring comparability of accounting information.

The prudence principle – all value adjustments due to asset depreciation were taken into account, as well as all the foreseeable liabilities and potential losses during the current fiscal year or during a previous fiscal year.

The independent accounting period principle – the revenues and expenses of the fiscal year were recorded regardless of the date of collection or payment.

The independent evaluation of asset and liability items – in order to establish the total value corresponding to balance sheet item the value of each individual asset or liability item was determined separately.

The noncompensation principle – asset values were not compensated with liabilities, respectively revenues with expenses, except compensations between assets and liabilities admitted by Public Finance Ministry and NSC President Order no. 1742/106/2002.

The prevalence of economic over legal principle – the information presented in the financial statements reflect the economic reality of events and transactions, not only their legal form.

The materiality principle – any item that has a significant value is presented individually in financial statements.

B. Significant accounting policies

a) the basis of financial statement drafting

The financial statements were drafted in compliance to Accounting Regulations harmonized with European Economic Community 4th Directive and International Financial Reporting Standards („IFRS”), applicable to institutions regulated and supervised by the National Securities Commission („NCS” / „CNVM”), approved by Public Finance Ministry and NSC President Order no. 1742/106/2002.

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

Semestrial financial statements were drawn up based on the checking balance resulted after the application of IAS, without IAS 29 – „Financial reporting in hyperinflationist economies” and Interpretation 19 of the Committee for the Interpretation of International Accounting Standards („IAS”) – „Reporting currency – Evaluation and presentation in financial statements according to IAS 21 and IAS 29”.

Financial statements are drawn up and presented in ROL, rounded to the nearest thousand.

Financial statements were drawn up based on accounting principles defined in Order 1742/106/2002 and IAS – 34 – ad-interim financial reporting, considering the ad-interim reporting period as a distinct accounting period, equal in status to a fiscal year. In this case there are no estimates or allocations differing from those used for yearly financial reporting.

Status financial statements were drawn up based on the going concern principle.

Accounting policies were consistently applied by FIC throughout the fiscal year.

b) Functional and presentation currency

The functional currency of financial statements is the ROL. All amounts are expressed in ROL, rounded to thousand ROL.

c) Bases of consolidation

FIC has not consolidated the entities in which it holds investments nor applied the method of equation, considering that these investments are kept temporarily in the investment portfolio or that FIC does not control the financial and operational policies of these entities, even if it holds participations exceeding 50% of the registered capital of these entities. FIC has categorized all its investments in participations as parts in associated companies and evaluated them according to the model provided in NSC Instruction no. 2 / 2003.

d) Use of estimations

The drafting of financial statements in compliance to accounting standards harmonized with the 4th Directive of European Economic Communities and International Accounting Standards approved by Public Finance Ministry and NSC President Order no. 1742/106/2002 as subsequently modified and completed, requires the management of FIC to make estimations and hypotheses that affect the reported values of assets and liabilities, the presentation of contingent assets and liabilities at the date of draft of the financial statements and the expenses reported for the respective period. If events following balance sheet date supply additional information regarding the estimations made, these are taken into account.

FIC MOLDOVA
ACCOUNTING NOTES AND POLICIES
FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

e) Foreign currency variations

Operations stated in foreign currency are recorded in ROL, at the official exchange rate on the date of disbursement. Monetary assets and liabilities expressed in foreign currency are translated into ROL on the balance sheet date using the exchange rate on his date.

The exchange rate of main foreign currencies on Jun 30, 2005 were:

<u>Currency</u>	<u>Jun 30, 2005</u>
Dollar (USD)	29.891 ROL
Euro (EUR)	36.050 ROL

f) Going concern

The present financial statements were drafted based on the going concern principle that states that FIC Moldova will continue normal operations in the foreseeable future. In order to evaluate the applicability of this presumption, management is analysing the predictions regarding future cash receipts.

Based on these analyses, management believes that FIC Moldova will be able to continue operations in the foreseeable future and consequently the application of the going concern principle in the drafting of financial statements is justified.

g) Financial instruments

i. Classification

Financial instruments held for trading are instruments produced or acquired mainly in order to generate short term profit.

Financial assets created by FIC are loans and receivables created by supplying money to a debtor, other than those initiated in order to sell immediately or shortly. On Jun 30, 2005, financial assets created by FIC consist of bank deposits, government securities and deposit certificates.

Investments held to maturity are those financial assets with fixed or determinable payments and fixed due date that FIC firmly intends and is able to keep until maturity. The company does not hold this kind of financial instruments as of Jun 30, 2005.

Financial instruments available for sale, defined as those assets not representing loans and receivables produced by FIC, financial assets held for trading or investments held until maturity. As of Jun 30, 2005, FIC categorized here all investments, municipal bonds and receivables from third parties not classed in the categories above.

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6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

ii. Recognition

FIC recognizes financial assets on the date on which they are transferred to FIC. Increases or decreases recorded on financial assets originating in the modification of participations acquired by registered capital increases / decreases by issuers are recognized in FIC owners' equity.

iii. Evaluation

Financial instrument are initially evaluated at cost.

After initial recognition, financial instruments held for trading and financial assets available for sale are reevaluated by applying an evaluation model explained in the following paragraphs.

According to the provisions of Order 1742 / 106 / 2002, financial assets are presented in the balance sheet at accounting value less cumulated amortization provisions (see art. 5.25 – Evaluation at balance sheet date). Also, articles 5.67 and 5.68 specify the application of IAS 39 provisions for the presentation, recognition and evaluation of financial instruments.

FIC management considers that abidement by the provisions of Order 1742 / 106 / 2002 regarding the evaluation of financial instruments would lead to presenting a different image of SIF Moldova's financial position as compared to the evaluation model adopted at national level by the institutions regulated and monitored by NSC (CNVM).

Therefore, SIF Moldova opted for the revaluation of the financial instruments held for trading and available for sale, based on the calculation model of the financial investment companies net asset value provided by the Instructions no. 4/1999 issued by NSC (CNVM), modified by Instruction no. 2/2003. At the same time, the company opted to apply neither the provisions of Order 1742/106/2002 regarding the financial instruments evaluation nor the provisions of IAS 39 "Financial instruments – recognition and evaluation".

Thus, the revalued value of the participation securities listed on the markets regulated and supervised by NSC (CNVM), i.e. Bucharest Stock Exchange and RASDAQ, was computed on the basis of the weighed average price of the latest 12 calendar months, for every single financial instrument.

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6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

The revalued value of the participation securities not traded on the above mentioned regulated markets was calculated as the issuing companies' net asset value presented in the financial statements drawn up by the respective companies, weighed and reduced as follows:

- weighing with the percentage of ownership in the registered capital for the participations where SIF Moldova holds more than 50% of the issuer's registered capital and for the participations in banks and insurance companies;
- weighing with the percentage of ownership in the registered capital and reduction of 15% of the resulting value for participations where SIF Moldova holds between 33% and 50% of the issuer's registered capital;
- weighing with the percentage of ownership in the registered capital and reduction of 25% of the resulting value for participations where SIF Moldova holds between 5% and 33% of the issuer's registered capital;
- weighing with the percentage of ownership in the registered capital and reduction of 50% of the resulting value for participations where SIF Moldova holds below 5% of the issuer's registered capital;
- weighing with the percentage of ownership in the registered capital and reduction of 100% of the resulting value for participations in issuing companies undergoing reorganization or judiciary liquidation procedures, or recording negative net worth.

All gains and losses resulted by revaluation are recognized in the shareholders' equities, except for those related to securities held for trading, which are recognized in the income statement.

iv. Derecognition

A financial asset is derecognized when the Company loses the contractual rights control regarding the respective asset. SIF Moldova loses this control when it realizes the rights over the benefits specified in the contract, the rights expire, or SIF Moldova gives up the respective rights.

Financial debts are derecognized when the liability specified in the contract is discharged, was cancelled or expired.

Derecognition of sold financial assets is done on the settling date.

Gain or loss realized at the derecognition moment is calculated in relation to the financial asset historic cost and recorded in the income statement.

SIF Moldova uses the weighed average cost method to determine the financial assets cost.

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6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

h) Assets depreciation

The assets accounting value is reviewed at every end of period in order to determine whether there are losses from depreciation. The financial assets are analyzed on the day of every balance sheet, to see whether there is any objective indication showing that an asset can be depreciated. If any such indication exists, the Company must estimate the recoverable value of the asset.

The depreciation value is recognized if the accounting value of an asset, or of the cash generating unit to which it belongs, is higher than the recoverable value.

Value depreciations are recognized in the income statement, according to the relevant legal provisions.

i) Interest revenues and expenses

Interest revenues and expenses are recognized in compliance with the engagement accounting principles.

j) Profit tax

The profit tax related to the reporting period contains the current tax and the deferred tax.

The current tax is the tax to be paid for the reporting period's profit, determined on the basis of the percentage applied on the balance sheet day and of all the adjustments related to the previous periods.

The deferred tax is determined using the balance sheet liabilities method for those temporary differences which appear between the tax calculation fiscal basis for assets and liabilities and the accounting value thereof, used for reporting in the financial statements. The deferred tax is calculated on the basis of the tax rates provided by the laws in force to be applied in the period when the temporary difference is realized.

The receivable concerning the deferred tax is recognized only to the extent in which a future taxable profit is likely to be achieved, after the compensation with the fiscal loss of the previous years and with the profit tax to be recouped. The receivable concerning the deferred tax is diminished to the extent in which the related fiscal benefit is unlikely to be achieved.

The profit tax rate utilized to calculate the deferred tax as of Jun 30, 2005 is of 16% (as of December 31, 2003 it was 25%), applicable to the profits realized in Romania. According to the modifications of the fiscal regulations, the profit tax was reduced as from January 1, 2005

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6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

k) Tangible and intangible assets

Tangible assets are recorded in the accounting documents at their historic cost, less the accrued amortization. Later, tangible assets were revalued, according to the legal regulations issued to this purpose, taking into account the inflation rate, the usefulness of the goods, their condition and the market price.

The latest revaluation was done as of December 31, 2004, by an authorized independent evaluator. This revaluation was done for all of the non-current assets groups, excepting the following:

Apparatus, control and measure equipment

Non-current assets completely depreciated as of December 31, 2004

Amortization is calculated by the linear method during the life time estimated for each item from the non – current assets category, as follows:

The purchase cost contains: the purchase price, non – recoverable taxes, transport expenses and other accessory expenses necessary for setting in operation or for entering under administration.

Maintenance and repair of the assets are recorded as expenses when they occur, and the improvements made are capitalized. Improvements are capitalized if they expand the asset life time or if they significantly increase their capacity to generate economic benefits.

Non – current assets in process are not subject to amortization until they start being used.

Intangible assets are recorded at their cost, less the accrued amortization.

The intangible assets amortization is recorded in the income statement on the basis of the linear method during the estimated useful operation period thereof. The estimated life period for the intangible assets is of 5 years maximum.

l) Reserves from tangible assets revaluation

According to the provisions of IAS 16, the plus or minus resulting from tangible assets revaluation was reflected as follows:

If the book value of an asset is increased after a revaluation, this increase is recorded directly in the shareholders' equity accounts credit, under the title of "Differences from revaluation"; the increase found through revaluation is recognized as a revenue to the extent in which it compensates a decrease from the revaluation of the same asset, previously recognized as an expense.

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If the book value of an asset is diminished after a revaluation, this decrease is recognized as an expense; the decrease resulting from the revaluation is deducted from any corresponding surplus from revaluation, to the extent in which the decrease does not exceed the value previously recorded as a revaluation surplus for the same asset.

m) Other receivables

Other receivables are recorded at nominal value less the provision for depreciation thereof.

n) Pensions and other post – retirement benefits

SIF Moldova effects payments on behalf of its employees to the state pension, health insurance and unemployment systems. All of the Company's employees are members of the Romanian pension system. SIF Moldova is not engaged in any other pension system and, consequently, does not assume any other commitments of the kind. The Company is not engaged in any post – retirement benefits system and has no obligation to provide services subsequent to its former or present employees retirement.

7. SHARES AND BONDS

The registered capital is formed of 519.089.588 ordinary shares, dematerialized, of 1.000 ROL nominal value each, according to the Filling Certificate no.5520/26.07.1999.

The ordinary shares' owners are entitled to receive annual dividends and have voting right in the General Meeting of Shareholders, each share representing one vote.

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8. INFORMATION REGARDING THE EMPLOYEES, MANAGERS AND DIRECTORS

1) 1) Average number in 1st semester of 2005: 113 permanently employed and 15 collaborators:

Of which:	<u>Employed</u>	<u>Collaborators</u>
Directors (Board members)	3	4
Managers	3	-
with high education	72	-
with lower forms of education	35	-
Members of the Auditors' Commission*	-	2
Other collaborators	-	9

* The Auditors' Commission functioned up to Apr 23, 2005, when the General Meeting of Shareholders of FIC Moldova took place.

2) Salaries paid or to be paid, totalling 21,483,030 thousand ROL, corresponding to the 1st semester, of which:

	<u>Salaries</u>
Directors	2,549,821 thousand ROL
Managers	895,369 thousand ROL,

3) Social insurance expenses: 10,158,249 thousand ROL (10,640,188 thousand ROL in 2003)

Directors' pay is approved by the General Meeting of Shareholders. Managers' salaries and eventual bonuses are subject to debate and approval of the Board of Directors. Directors' pay represents 11,87 % of total salary expenditure of SIF Moldova, whereas the managers salaries represent 4,17 %. The operational staff salaries are negotiated by categories of qualification, based on the Collective Work Contract, concluded between the employees' representatives and the Board of Directors.

NOTA 9 - OS

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10. **OTHER INFORMATION**

a) General information about the Company:

The Financial Investment Company MOLDOVA S.A. (SIF Moldova), was established on January 1 1997, through the reorganization of the Private Ownership Fund II Moldova (Fondul Proprietatii Private II Moldova), in compliance with the provisions of Law 133/1996, into a self – managed financial investment company.

The Company is registered with:

- The Chamber of Commerce, Industry and Agriculture Bacau – unique registration code 2816642, fiscal attribute R.
- The National Securities Commission (CNVM) – Decision no. 1902 / 30.08.1999 of permanent authorization.
- Securities Register Office – Registration certificate no. 418 / 07.09.1999

The head office address is: strada Pictor Aman nr.94 C, Bacau, Romania.

The Company operates through its head office in Bacau and its 10 representative offices in Romania.

SIF Moldova shares are listed at the Bucharest Stock Exchange (BVB), 1st tier, with the code SIF2, since November 1, 1999.

Share and shareholders' evidence is held, under the relevant legal terms, by S.C. Regisco SA Bucuresti.

The assets depository services are provided by Banca Romana de Dezvoltare - B.R.D. – Societe Generale S.A. Bucuresti – a banking company authorized by The National Securities Commission (CNVM).

SIF Moldova's activity consists of:

- the management of the portfolio of shares held in commercial companies; SIF Moldova's own shares were issued corresponding to the ownership certificates and to the nominative coupons utilized in the privatization process;
- the administration of the Company's own securities portofolio and investing in securities, in compliance with the regulations in force.

c). Information regarding the relations with subsidiaries, associated companies, or other companies in which strategic share packages are owned

The Company's management has not identified relations with affiliated parties, according to the provisions of Order 1742/106/2002.

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10. OTHER INFORMATION

d) Commitments granted and received

thousand ROL

	01.01.2005	30.06.2005
• commitments granted under the form of endorsement (granted by the Private Ownership Fund II "Moldova")	382,157,882	392,991,408
• commitments received	7,111,772	7,164,346
• penalties for bad debtors	4,601,158	3,152,962
• other accounts similar to debtors written off the assets and pursued onwards	27,614,,951	27,432,837
• inventory items	3,686,467	3,880,954
TOTAL	<u>425,172,230</u>	<u>434,622,507</u>

Provisions of 382.157.882 th ROL, equivalent of 13.147.482,79 USD, at the exchange rate communicated by the Romanian National Bank for December 31, 2004, were constituted for the commitments granted under the form of endorsement by the former Private Ownership Fund II "Moldova".

11. STATUS OF THE FINANCIAL INVESTMENTS PORTFOLIO

Financial Assets

i) Participations in:

	Cost value	thousand ROL Value revalued as per June 30, 2005
Companies traded at the Bucharest Stock Exchange - BVB	600,223,732	3,634,802,635
Companies traded at RASDAQ	1,027,029,477	789,750,950
Total participations in listed and traded companies	<u>1,627,253,209</u>	<u>4,424,553,585</u>
Companies not listed, traded through the electronic system of BVB	140,514,246	77,922,626
Closed companies	887,876,301	1,761,854,834
Companies listed and not traded	111,975,889	6,058,526
Companies listed and not traded during the last year	252,284,323	93,867,859
Total participations in not listed or not traded companies	<u>1,392,650,759</u>	<u>1,939,703,845</u>
Total participations portfolio	<u>3,019,903,968</u>	<u>6,364,257,430</u>

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11. STATUS OF THE FINANCIAL INVESTMENTS PORTFOLIO (continued)

SIF Moldova's portfolio companies can be classified by the percentage owned in the issuers' registered capital, as follows: Thousand ROL

Percentage of ownership	Number of companies	Value revalued as per June 30, 2005
Under 10%	139	5,496,373,575
Between 10% and 20%	69	383,958,252
Between 20% and 50%	109	292,461,145
Over 50%	21	214,925,748
Total	338	6,387,718,720

We mention that in holdings under 10% are holdings in S.C. IMPACT Bucuresti and S.C.ROMPETROL RAFINARE Constanta, categorized as short term financial investments.

ii) Short term financial investments	Cost value	Value revalued as per June 30, 2005
Municipal bonds	28,057,834	28,057,834
Shares	20,169,594	23,461,290
Other financial instruments	378,423	378,423
Total short term financial investments	48,605,851	51,897,547

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12. STATUS OF FINANCIAL ASSETS INCLUDED IN OTHER RECEIVABLES

Financial assets included in other receivables are detailed in the following table:

	<u>Thousand ROL</u>	
	<u>December 31, 2004</u>	<u>June 30, 2005</u>
Bank deposits	30,672,630	11,473,348
Government securities	1,142,185,658	1,304,328,540
Deposit certificates	339,000,000	275,800,000
	-	-
Blocked amounts in bank accounts	16,193,830	5,158,635
Receivable interest	1,434,988	1,411,022
Other receivables		
Total	<u>1,529,487,106</u>	<u>1,598,171,545</u>

a) Bank deposits

i. Bank deposits denominated in ROL

Bank	Name Account symbol	Deposit amount		Interest amount		Weight in total	Date of	
		Term < 60 days	Term > 60 days	%	Value at term end		Constitution	Term
Unicredit Bacau	RO41UNCR0400107 28778407T	10,060,000		5.50	7,579	100	29.06.2005	04.07.2005
TOTAL	X	<u>10,060,000</u>		X	<u>7,579</u>	<u>100</u>	X	X

ii. Bank deposits denominated in other currencies

Bank	Name Account symbol	Deposit amount		Interest amount		Weight in total	Date of	
		Term < 60 days	Term > 60 days	%	Value at term end		Constitution	Term
BCR Bacau	2532,10-272,57/EUR		39,205,21	3.60	1,430,99	100	25.10.2004	25.10.2005
TOTAL	in EURO		<u>39,205,21</u>		<u>1,430,99</u>	<u>100</u>	X	X
TOTAL	Echivalent in thousand ROL	X	<u>1,413,348</u>	X	<u>53,877</u>	<u>100</u>	X	X

Total bank deposits **11,473,348**

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12. STATUS OF FINANCIAL ASSETS INCLUDED IN OTHER RECEIVABLES (continued)

b) Government securities

Name		Value of securities		Interest amount		Weight	thousand ROL Date of	
Bank	Account symbol	Term < 60 days	%	Value at term end	in total	Acquisition	Term	
BCR Bacau	335.3-272.49	183,721,102	7.00	1,107,430	14.08	10,06,2005	11.07.2005	
BCR Bacau	335.3-272.49	298,537,889	7.10	1,884,106	22.89	23,06,2005	25.07.2005	
BCR Bacau	335.3-272.49	52,841,877	7.20	338,188	4.05	27,06,2005	29.07.2005	
B.Transilvania BC	313P200000069	66,089,693	7.20	422,974	5.07	02,06,2005	04.07.2005	
B.Transilvania BC	313P200000069	15,550,713	7.20	96,414	1.19	10,06,2005	11.07.2005	
B.Transilvania BC	313P200000069	121,247,692	7.20	775,985	9.30	23,06,2005	25.07.2005	
B.Transilvania BC	313P200000069	161,427,740	7.20	1,033,138	12.38	23,06,2005	25.07.2005	
B.Transilvania BC	313P200000069	216,484,608	7.20	1,385,501	16.60	23,06,2005	25.07.2005	
B.Transilvania BC	313P200000069	14,638,140	7.00	253,321	1.12	04,05,2005	01.08.2005	
Bancpost Bacau	308P0308P200020178	10,131,604	7.25	65,293	0.78	02,06,2005	04.07.2005	
Bancpost Bacau	308P0308P200020178	8,574,200	7.25	53,529	0.66	10,06,2005	11.07.2005	
Bancpost Bacau	308P0308P200020178	44,953,300	7.25	470,761	3.45	23,05,2005	14.07.2005	
Bancpost Bacau	308P0308P200020178	10,088,000	7.25	127,992	0.77	12,05,2005	14.07.2005	
Bancpost Bacau	308P0308P200020178	4,997,500	7.50	95,785	0.38	18,04,2005	19.07.2005	
Bancpost Bacau	308P0308P200020178	17,864,200	7.50	334,954	1.37	20,04,2005	19.07.2005	
Bancpost Bacau	308P0308P200020178	20,000,000	7.50	375,000	1.53	20,04,2005	19.07.2005	
Bancpost Bacau	308P0308P200020178	31,223,932	7.25	176,068	2.39	23,06,2005	21.07.2005	
Bancpost Bacau	308P0308P200020178	10,769,000	7.25	69,400	0.82	23,06,2005	25.07.2005	
Bancpost Bacau	308P0308P200020178	8,290,800	7.25	53,430	0.64	23,06,2005	25.07.2005	
Bancpost Bacau	308P0308P200020178	6,896,550	7.50	135,057	0.53	29,04,2005	01.08.2005	
T O T A L:		1,304,328,540		9,254,326	100.00			

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12. STATUS OF FINANCIAL ASSETS INCLUDED IN OTHER RECEIVABLES (continued)

c) Deposit certificates

		<u>thousand ROL</u>						
Name		Value of deposit certificate		Interest amount		Weight	Date of	
Bank	Account symbol	Term < 60 days	Term > 60 days	%	Value at term end	in total	Constitution	Term
B.R.D. Bucuresti	303P200001109	275,800,000	-	6.70	1,591,213	100.00	10.06.2005	11.07.2005
T O T A L:	X	275,800,000	-	X	1,591,213	100.00	x	x

13. GROSS REVENUE STRUCTURE

Indicators		<u>Account</u>	<u>30.06.2004</u>	<u>30.06.2005</u>
1	Revenues from financial investments (dividends due to SIF Moldova)	761	167,784,166	301,236,406
2	Revenues from short term financial investments	762	-	-
3	Revenues from receivable interest	763	149,624,276	78,488,657
4	Revenue from ceded financial investments	764	45,061,066	251,943,606
5	Revenues from commissions related to works and services performed	704	-	-
6	Revenues from exchange rate differences	765	2,074,299	9,239,660
7	Revenues from interest	766	3,955,888	1,449,863
8	Revenues from reactivated claims and various receivables (debtors)	754	12,710	-
9	Revenues from production related to own fixed assets	721 722	- -	-
10	Revenues from provisions	781 786	25,439,068 170	34,408,305 285,679
11	Other revenues			
	from studies and research	705	-	-
	from dues and rents	706	4,450,640	3,652,094
	from other various activities	708	246,109	227,546
	from subsidies	741	-	-
	from other sources	758	11,069,402	20,976,356
	from discounts obtained	767	-	-

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	other financial revenues	768	1,250,490	5,158,788
12	Revenues from subsidies for extraordinary events and equivalent	771	-	-
		772	-	-
13	Revenues from inflation adjustments	788	-	-
14	Revenues from deferred profit tax	791	476,589	585,798
15	TOTAL REVENUES		<u>411,444,873</u>	<u>707,652,758</u>

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14. STRUCTURE OF EXPENSES

Indicators	Acct.	30.06.2004	<u>thousand</u> <u>ROL</u> 30.06.2005
Losses related to claims resulting from participations	663	-	-
Expenses related to ceded financial investments	664	21,940,674	31,574,871
	658	-	-
Expenses related to commissions and fees	622	5,160,760	6,074,733
Expenses related to exchange rate differences	665	322,425	8,996,257
Expenses related to interest	666	-	-
Expenses with banking services and equivalent	627	192,134	189,836
Losses related to receivables and various debtors	654	39,314	72,461
	681	2,763,517	5,056,497
Expenses related to provisions and amortization	686	21,836,572	59,283,807
Expenses related to external services			
- maintenance and repair	611	527,869	444,487
- dues and rents	612	116,719	81,642
- insurance payments	613	224,420	193,343
- studies and research	614	-	-
- protocol, advertisement and promotion	623	400,515	408,322
- transport of goods and persons	624	-	5,920
- travel and transfer expenses	625	438,469	310,927
- post and telecommunication	626	1,064,596	1,059,578
- other services performed by third parties	628	787,087	980,999
- other expenses	658	2,191,881	18,196,880
- expenses related to offered discounts	667	-	-
- other financial expenses	668	17,681,500	4,769,275
Expenses with inflation adjustments	688	-	-
Expenses with other taxes and equivalent payments	635	1,091,197	755,360
Other expenses			
- expenses with consumables	602	2,911,352	3,798,949
- expenses with materials of inventory kind	603	130,209	220,731
- expenses with materials not in stock	604	5,236	2,938
- expenses with energy and water	605	856,791	820,824
- expenses with collaborators	621	1,544,288	1,832,486
- salaries	641	16,234,545	19,650,544

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- insurance and social expenses	645	3,746,452	6,831,032
Expenses related to calamities and extraordinary events	671	-	-
Profit tax	6911	37,577,653	41,527,293
Deferred profit tax	6912	96,077	238,964
	698	-	-
Other expenses with taxes, not reflected by the items above			
TOTAL EXPENSES		<u><u>139,882,252</u></u>	<u><u>213,378,956</u></u>

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FOR THE SIX MONTH PERIOD ENDING JUNE 30, 2005
(Amounts stated in thousand ROL, unless specified otherwise)

15. RISK MANAGEMENT

By nature of its activities, SIF Moldova is exposed to various risks, among which there are the exchange rate risk, the risk related to the economic environment, the interest rate risk, the credit risk, the liquidity risk and the tax related risk. The Company's management aims at reducing the potentially adverse effects, associated to these risk factors, on the financial performance of SIF Moldova.

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 US dollars and Euro, as well as by the bank deposits denominated in Euro.

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 cannot foresee the nature of changes to occur in the Romanian economic environment and their effect on the financial situation and on the Company's operational and treasury results.

Among the national economy's features, it is worthy to mention a domestic currency which is not fully convertible outside Romania, a low capital market liquidity degree and a wide range of the national currency exchange rate fluctuation.

SIF Moldova has no formal policy to cover 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 other equivalent 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

SIF Moldova is exposed to the credit risk related to financial instruments, generated by the likeliness that a third party possibly fails to pay its liabilities to the Company.

SIF Moldova has no formal policy to cover the credit risk.

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15. RISK MANAGEMENT (continued)

e) Liquidity risk

SIF Moldova's financial instruments may include investments in shares which are not traded on an organized market, and subsequently may have a low liquidity. Therefore, the Company can encounter difficulties if it decides to liquidate rapidly investments in such instruments at a value closed to the one determined based on the calculation model for the financial companies net asset value, provided by the Instructions no. 4/1996 modified and completed by the Instructions no. 2/2003, issued by the National Securities Commission (CNVM) in order to fulfil the own liquidity requirements.

SIF Moldova has no formal policy to cover the liquidity risk.

f) Tax related risk

The Romanian fiscal system undergoes various interpretations and permanent changes, which can be retroactive. In certain situations, the fiscal authorities may adopt a position which differs from the Bank's position and may calculate certain interests and fiscal penalties. Although the actual tax on a transaction can be minimum, penalties can be high considering that they can be calculated at the transaction value, so they can reach as much as 0,06% per day.

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

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

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

16. SUBSEQUENT EVENTS

According to Law 348/2004 adopted by the Romanian Parliament, as from the 1st of July 2005, the national currency of Romania shall be denominated at a parity of 10.000 ROL to 1 new Leu (RON).

PRESEDINTE
Sorin Turtoescu

DIRECTOR ECONOMIC
Liana Marin