



FIC MOLDOVA S.A.
SOCIETATEA DE INVESTITII FINANCIARE

**FIC MOLDOVA S.A.
INDEPENDENT AUDITOR'S REPORT
AND
SEMESTRIAL ACCOUNTING REPORT
FOR THE SIX MONTH PERIOD ENDING
JUNE 30, 2006**

**DRAFTED IN COMPLIANCE WITH
NATIONAL SECURITIES COMMISSION
ORDER NO. 75 / 2005**

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

Revision Report

We have revised the present balance sheet of FIC Moldova (“The company”) drafted on Jun 30, 2005, the income statement and the informative data form 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, National Securities Commission Order no. 75 / 2005, belongs to the Company management. 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 Auditing 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.

Based on our revision, nothing has drawn our attention as to lead us to believe that the appended financial statements do not offer a correct view, under all significant aspects in compliance to Romanian accounting norms, namely Accounting Law no. 82 / 1991 republished and the National Securities Commission no. 75 / 2005.

We draw attention to Notes 6 and 17, which explain the change in accounting policy applicable from Jan 1, 2006. According to Order 75 / 2005 and Regulation no. 1 / 2006, both issued by NSC, the valuation of securities in the Company’s portfolio was done in the basis of the historical cost, and for those in which a decrease in value under the historic cost occurs a provision is recorded, unlike reports drafted up to Dec 31, 2005 in which the evaluation of securities was recorded in accounting according to Regulation no. 15 / 2004 issued by the National Securities Commission, regulation that provides that in the case of listed shares fair value is calculated based on the weighted average stock market price in the previous 3 calendar months, and in the case of unlisted shares the fair value is calculated based on the net assets weighted according to the amount held.

Deloitte Audit S.R.L.
București, 3 august 2006

FIC MOLDOVA
BALANCE SHEET
ON JANUARY 1, 2006 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

A	Row no. B	Balance	
		01.01.2006 1	30.06.2006 2
A. NON-CURRENT ASSETS			
I. INTANGIBLE ASSETS			
1. Constitution expenses (acc. 201 - 2801)	01	-	-
2. Development expenses(acc. 203 – 2803 - 2903)	02	-	-
3. Grants, patents, licences, trademarks, similar rights and values and other intangible assets (acc. 2051 + 2052 + 208 – 2805 – 2808 – 2905 - 2908)	03	96.376	112.616
4. Goodwill fund (acc. 2071 – 2807 – 2907 - 2075)	04	-	-
5. Advances and pending intangible assets (acc. 233 + 234 - 2933)	05	138.103	-
TOTAL: (row 01 to 05)	06	234.479	112.616
II. TANGIBLE ASSETS			
1. Land and buildings (acc. 211 + 212 – 2811 -2812 – 2911 - 2912)	7	8.801.686	8.657.813
2. Equipment (acc. 213 – 2813 - 2913)	8	487.948	390.642
3. Furniture and fixture (acc. 214 – 2814 - 2914)	9	159.953	146.507
4. Advances and pending tangible assets (acc. 231 + 232 - 2931)	10	-	-
TOTAL: (row 07 to10)	11	9.449.587	9.194.962
III. FINANCIAL ASSETS			
1. Shares held in affiliated entities (acc. 261 - 2961)	12	-	-
2. Loans granted to affiliated entities (acc. 2671 + 2672 -2965)	13	-	-
3. Securities in the form of investments (acc. 263 - 2963)	14	-	-
4. Loans granted to entities in which the company is an investor (acc. 2675 + 2676 - 2967)	15	-	-
5. Securities and other financial instruments as assets (acc. 262 + 264 + 265 – 2962 - 2964)	16	257.719.356	306.220.306
6. Other claims (acc. 2673 + 2674 + 2678 + 2679 – 2966 - 2969)	17	105.276.423	71.374.092
TOTAL: (row 12 to 18)	18	362.995.779	377.594.398
TOTAL NON-CURRENT ASSETS (row 06 + 11 + 19)	19	372.679.845	386.901.976

FIC MOLDOVA
BALANCE SHEET
ON JANUARY 1, 2006 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

A	Row no.	Balance	
		01.01.2006	30.06.2006
	B	1	2
B. CURRENT ASSETS			
I. INVENTORY			
1. Consumables (acc.302 + 303 +/- 308 + 351 – 392 - 395)	20	18.040	24.830
2. Work in progress (acc. 332 - 394)	21	-	-
3. Advances for inventory purchase (acc. 4091)	22	-	13.080
TOTAL: (row 21 to 22)	23	18.040	37.910
II. RECEIVABLES (Amounts to be received in more than one year have to be presented separately for each item.)			
1. Notes receivable (acc. 2675* + 2676*+2678*+2679* – 2966* – 2969* + 4092 + 411 + 413 + 418 – 491)	24	127.845	150.939
2. Receivables from companies in the group (acc. 4511 + 4518 - 4951)	25	-	-
3. Receivables from participation interest (acc. 4521 + 4528 - 4952)	26	-	-
4. Other Receivables (acc.425 + 4282 + 431 + 437 + 4382 + 441 + 4424 + 4428 + 444 + 445 + 446 + 447 + 4482 + 4582 + 461 + 473 – 496 + 5187)	27	19.448.261	7.064.467
5. Receivables from subscribed and unpaid capital (acc. 456 - 4953)	28	-	-
TOTAL: (row 24 to 28)	29	19.576.106	7.215.406
III. SHORT TERM FINANCIAL INVESTMENT			
1. Shares held in affiliated entities (acc. 501 - 591)	30	-	-
3. Other short term financial investments (acc. 5031 + 5032 + 505 + 5061 + 5062 + 5071 + 5072 + 5081 + 5082 + 5088 + 5089 - 593 - 595 - 596 - 597 - 598 + 5113 + 5114)	31	5.624.145	4.830.170
TOTAL: (row 30 to 31)	32	5.624.145	4.830.170
IV. CASH AND BANK ACCOUNTS (acc. 5112 + 5121 + 5122 + 5123 + 5124 + + 5125 + 5311 + 5314 + 5321 + 5322 + 5323 + 5328 + 5411 + 5412 + 542)			
TOTAL CURRENT ASSETS (row 23 + 29 + 32 + 33)	34	25.292.097	12.238.438
C. PREPAID EXPENSES (acc. 471)			
	35	48.654	31.532

FIC MOLDOVA
BALANCE SHEET
ON JANUARY 1, 2006 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

A	Row no. B	Balance	
		01.01.2006 1	30.06.2006 2
D. CURRENT LIABILITIES			
1. Loans from bonds issues (acc. 1614 + 1615 + 1617 + 1618 + 1681 - 169)	36	-	-
2. Notes payable (acc.1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	37	-	-
3. Precollected revenue (acc. 419)	38	-	-
4. Accounts payable (acc. 401 + 404 + 408)	39	248.435	16.880
5. Commercial papers payable (acc. 403 + 405)	40	22.749.096	5.670.522
6. Liabilities to companies in the group (acc. 1661 + 1685 + 2691 + 4511 + 4518)	41	-	-
7. Liabilities involving participation interest (acc. 1662 + 1686 + 2692 + 4521 + 4528)	42	-	-
8. Other liabilities, including taxes payable and social security liabilities (acc. 1623 + 1626 + 167 + 1687 + 2698 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481 + 4551 + 4558 + 456 + 457 + 4581 + 462 + 473 + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	43	17.938.663	42.930.849
TOTAL: (row 36 to 43)	44	40.936.194	48.618.251
E. CURRENT ASSETS LESS NET CURRENT LIABILITIES (row 34 + 35 - 44 - 60.2)	45	(17.325.337)	(36.797.793)
F. TOTAL ASSETS LESS CURRENT LIABILITIES (row 19 + 45 - 60.1)	46	355.354.508	350.104.183
G. NON-CURRENT LIABILITIES			
1. Loans from bonds issues (acc. 1614 + 1615 + 1617 + 1618 + 1681 - 169)	47	-	-
2. Long term loans (acc.1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	48	-	-
3. Precollected revenue (acc. 419)	49	-	-
4. Trade debt (acc. 401 + 404 + 408)	50	-	-
5. Commercial papers payable (acc. 403 + 405)	51	-	-
6. Liabilities to institutions or companies in the group (acc. 1661 + 1685 + 2691 + 4511 + 4518)	52	-	-

FIC MOLDOVA
BALANCE SHEET
ON JANUARY 1, 2006 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

	Row no.	Balance	
		01.01.2006	30.06.2006
A	B	1	2
7. Liabilities involving participation interest (acc. 1661 + 1686 + 2692 + 2693 + 4521 + 4528)	53	-	-
8. Other liabilities, including tax debt and social security debt (acc.1623 + 1626 + 167 + 1687 + 2698 + 421 + 423 + 424 + 426 + 427 + 4281 + 431 + 437 + 4381 + 441 + 4423 + 4428 + 444 + 446 + 447 + 4481 + 4551 + 4558 + 456 + 457 + 4581 + 462 + 473 + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	54	-	-
TOTAL: (row 47 to 54)	55	-	-
H. PROVISIONS			
1. Provisions for pensions and similar obligations (acc.1515)	56	-	-
2. Provisions for taxes(acc. 1516)	57	43.135.744	44.908.482
3. Other provisions (acc.1511 + 1512 + 1513 + 1514 + 1518)	58	38.620.278	23.098.786
TOTAL PROVISIONS: (row 56 +57 + 58)	59	81.756.022	68.007.268
I. PRECOLLECTED REVENUE (row60.1 + 60.2) of which:	60	1.729.894	449.512
1. Subsidies for investments (acc. 131)	60.1	-	-
2. Precollected revenue (acc. 472)	60.2	1.729.894	449.512
J. EQUITY AND RESERVES			
I. CAPITAL (row 62 to 63) of which:	61	51.908.959	51.908.959
1. Subscribed and unpaid capital (acc. 1011)	62	-	-
2. Subscribed and paid capital (acc. 1012)	63	51.908.959	51.908.959
II. SHARE PREMIUM (acc. 104)	64	-	-
III. REZERVE DIN REEVALUARE (acc. 105)			
Balance C	65	6.235.347	6.235.109
Balance D	66	-	-
IV. RESERVES (row 68 to 73 -74)	67	236.255.284	276.482.823
1. Legal reserves (acc. 1061)	68	9.300.275	9.300.275
3. Statutory or contractual reserves (acc. 1063)	69	-	-
3. reserves constituted from free shares/notes (acc. 1065*)	70	87.559.073	98.185.218
4. reserves from fair value evaluation (acc.1066)	71	-	-

FIC MOLDOVA
BALANCE SHEET
ON JANUARY 1, 2006 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

	Row no.	Balance	
		01.01.2006	30.06.2006
A	B	1	2
5. reserves representing surplus from revaluation reserves (acc.1067)	72	1.986.012	1.986.269
6. other reserves (acc.1068)	73	137.409.924	167.011.061
7. treasury shares (acc.109)	74	-	-
V. REPORTED RESULT (acc. 117)			
Balance C	75	-	-
Balance D	76	20.801.104	82.205.946
VI. RESULT OF FISCAL YEAR (acc. 121)			
Balance C	77	48.585.106	29.675.970
Balance D	78	-	-
Profit appropriation (acc. 129)	79	48.585.106	-
TOTAL EQUITY (row 61 + 64 + 65 - 66 + 67 + 75 - 76 + 77 - 78 - 79)	80	273.598.486	282.096.915

President
Sorin Mihai Turtoescu

Financial Manager
Liana Marin

FIC MOLDOVA
INCOME STATEMENT
ON JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

ITEM	Row no.	30.06.2005	30.06.2006
A	B	1	2
A. REVENUE FROM OPERATIONS			
TOTAL (row 02 to 11)	1	70.706.696	90.727.386
1. Revenue from financial assets (acc. 761)	2	30.123.641	32.828.208
2. Revenue from short term financial investment (acc. 762)	3	-	-
3. Revenue from receivables as assets (acc. 763)	4	7.848.866	3.483.144
4. Revenue from ceded financial investments (acc. 758* + 764)	5	25.194.360	10.770.512
5. Revenue from services performed (acc.704)	6	-	-
6. Revenue from provisions, reactivated claims and various receivables (acc. 754 + 781 + 786)	7	3.469.398	39.871.907
7. Revenue from exchange rate changes (acc. 765)	8	923.966	2.396.647
8. Revenue from interest (acc.766)	9	144.986	129.570
9. Revenue from fixed assets production (acc. 721 + 722)	10	-	-
10. Other revenue from operations (acc.768 + 706 + 708 + 767)	11	3.001.479	1.247.398
B. EXPENSES WITH OPERATIONS			
TOTAL (row 13 to 20)	12	17.161.271	60.155.427
1. Losses related to claims resulting from investments (acc. 663)	13	-	-
2. Expenses related to ceded financial investments (acc. 658* + 664)	14	3.157.487	5.773.768
3. Expenses with diferente de curs valutar (acc. 665)	15	899.626	1.665.478
4. Expenses related to interest (acc. 666)	16	-	-
5. Expenses related to commissions and fees (acc. 622)	17	607.473	670.880
6. Expenses with banking and similar services (acc. 627)	18	18.984	17.163
7. Depreciations, provisions, losses from claims and various receivables (acc. 654 + 681 + 686)	19	6.441.277	47.125.065

FIC MOLDOVA
INCOME STATEMENT
ON JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

ITEM	Nr. row	30.06.2005	30.06.2006
A	B	1	2
1. Other expenses with operations (row 21 + 22 + 23 + 26 + 27)	20	6.036.424	4.903.073
a. Expenses with materials (acc. 602 + 603 + 604)	21	402.262	306.476
b. Expenses related to electricity and water (acc. 605)	22	82.082	93.925
c. Expenses with staff, of which: (row 24 + 25)	23	2.831.406	3.221.352
c1. Salaries (acc. 621 + 641 + 642)	24	2.148.303	2.468.136
c2. Expenses related to social security (acc. 645)	25	683.103	753.216
d. Expenses related to external services (acc. 611 + 612 + 613 + 614 + 623 + 624 + 625 + 626 + 628 + 658** + 667 + 668)	26	2.645.138	1.201.365
e. Expenses with other taxes and similar payments (acc. 635)	27	75.536	79.955
C. OPERATIONAL RESULT			
-profit (row 01-12)	28	53.545.425	30.571.959
-loss (row 12-01)	29	-	-
	30	-	-
GAINS (acc. 771)	31	-	-
LOSSES (acc. 671)		-	-
RESULT			
-profit (row 30-31)	32	-	-
-loss (row 31-30)	33	-	-
TOTAL REVENUE (row 01+30)	34	70.706.696	90.727.386
TOTAL EXPENSE (row 12+31)	35	17.161.271	60.155.427
GROSS MARGIN	36	53.545.425	30.571.959
-profit (row 34-35)	37	-	-
PROFIT TAX			
-tax expense (acc. 691)	38	4.152.729	895.989
22. Other tax expense (acc. 698)	39	(34.684)	-

FIC MOLDOVA
INCOME STATEMENT
ON JUNE 30, 2006 AND JUNE 30, 2005
(all amounts are in RON, unless otherwise specified)

ITEM	Nr. row	30.06.2005	30.06.2006
A	B	1	2
H. NET INCOME			
- profit (row 36 - 38 - 39)	40	49.427.380	29.675.970
- loss (row 37 + 38 + 39) sau (row 38 + 39 -36)	41	-	-

President
Sorin Mihai Turtoescu

Financial Manager
Liana Marin

FIC MOLDOVA
INFORMATIVE DATA – on June 30, 2006

I. DATA REGARDING THE NET INCOME	Row No.	NO. OF UNITS	AMOUNTS
Units recording profit	1	1	29.675.970
Units recording loss	2	0	0

II. DATA REGARDING PAYMENTS DUE	Row No.	TOTAL (col.2+3)	OF WHICH :	
			FOR CURRENT ACTIVITY	FOR INVESTMENT ACTIVITY
		1	2	3
Payments due - total(row 04 + 08 + 14 to 18 + 22). of which :	3	17.615.656	17.615.656	-
Suppliers - total(row05 to 07). of which :	4	-	-	-
- over 30 days	5	-	-	-
- over 90 days	6	-	-	-
- over 1 year	7	-	-	-
Payments due to social security - total (row 09 to 13). of which :	8	-	-	-
- contributions to state social security by employers, employees and others	9	-	-	-
- contributions to health insurance funds	10	-	-	-
- contributions to additional pensions	11	-	-	-
- contributions to unemployment fund	12	-	-	-
- other social security liabilities	13	-	-	-
Liabilities to special funds	14	-	-	-
Liabilities to other creditors	15	17.615.656	17.615.656	-
Overdue taxes to state budget	16	-	-	-
Overdue taxes to local budget	17	-	-	-
Overdue bank loans - total (row19 to 21). of which:	18	-	-	-
- due in 30 days	19	-	-	-
- due in 90 days	20	-	-	-
- due in 1 year	21	-	-	-
Overdue interest	22	-	-	-

III. AVERAGE NO. OF EMPLOYEES	Nr. row	JUNE 30, 2005	JUNE 30, 2006	
average no. of employees	23	113	112	

FIC MOLDOVA
INFORMATIVE DATA – on June 30, 2006

IV. PAYMENT OF DUES AND INTEREST	Ro w no.	AMOUNTS
Gross revenue from interest paid by Romanian juridical pers. to non-resident natural pers. from EU member states, of which:	24	-
- taxes due to state budget	25	-
Gross revenue from interest paid by Romanian juridical pers. to non-resident juridical pers. from EU member states, of which:	26	-
- taxes due to state budget	27	-
Revenue from interest paid by Romanian juridical pers. to non-resident juridical pers. from EU member states, of which:	28	-
- taxes due to state budget	29	-

V. LIABILITIES DEFERRED ACCORDING TO PROVISIONS OF .ART.3(4) OF GOVT. EMERGENCY ORDNANCE 37/2004 REGARDING MEASURES TO DECREASE OVERDUE DEBTS, REPORTED IN EXTRA BALANCE SHEET ACCOUNTS	Ro w no.	AMOUNTS
Deferred liabilities towards budgets	30	-
Deferred trade liabilities	31	-

VI. FOOD STAMPS	Ro w no.	AMOUNTS
Cost of food stamps given to employees	32	-

FIC MOLDOVA
STATEMENT OF CHANGES IN EQUITY
For January 1, 2006 to June 30, 2006
(all amounts are in RON, unless otherwise specified)

Owners' Equity Item	Balance on Jan 1, 2006	Increases		Decreases		Balance on Jun 30, 2006
		Total, of which	By transfer	Total, of which	By transfer	
Subscribed capital	51.908.959	-	-	-	-	51.908.959
Revaluation reserves	6.235.347	-	-	238	283	6.235.109
Legal reserves	9.300.275	-	-	-	-	9.300.275
Reserves representing surplus from revaluation reserves	1.986.012	283	283	26	-	1.986.269
Other reserves	137.409.924	30.920.309	30.920.308	1.319.172	-	167.011.061
Reserves from securities obtained free of charge	87.559.073	12.942.082	-	2.315.937	-	98.185.218
Reported result representing unappropriated profit or uncovered loss	Balance C	74.047.797	-	-	61.404.842	12.642.955
	Balance D	-	-	-	-	-
Reported result from compliance with accounting regulations of European Economic Communities 4th Directive	Balance C	-	-	-	-	-
	Balance D	94.848.901	-	-	-	94.848.901
Result of fiscal year	Balance C	48.585.106	29.675.970	48.585.106	48.585.106	29.675.970
	Balance D	-	-	-	-	-
Profit appropriation	48.585.106	-	-	48.585.106	48.585.106	-
Total Owners' Equity	273.598.486	73.538.644	30.920.591	65.040.215	61.405.125	282.096.915

FIC MOLDOVA
STATEMENT OF CHANGES IN EQUITY
For January 1, 2006 to June 30, 2006
(all amounts are in RON, unless otherwise specified)

Information on the statement of changes in equity

Owners' equity was influenced in the 1st semester of 2006 by:

1. Increases of 73.538.644 RON. consisting of:

• other reserves	30.920.309
• registration of GMS 2006 Decision regarding reserves from unappropriated profit in previous fiscal years	26.625.840
• registration of GMS 2006 Decision regarding reserves from expiration of dividends	4.294.469
• reserves representing surplus from revaluation reserves	283
• net profit in the 1st semester of 2006	29.675.970
• Reserves from securities obtained free of charge in the 1st semester of 2006	12.942.082

2. Decreases of 65.040.215 RON. consisting of:

• revaluation reserves transferred to reserves representing surplus from revaluation reserves resulted from transfer of assets. Corrected with the corresponding profit tax (283 – 16 % = 238)	238
• updating of deferred income tax resulted from transfer of reevaluated assets	26
• write-off from the Commercial Registry of companies in the initial portfolio in the risk reserve	1.319.172
• sale of free shares turned into revenue of the period	2.315.937
• profit appropriation	61.404.842
of which:	
• for constitution of other reserves	26.625.840
• dividends	34.779.002

FIC MOLDOVA
CASH FLOW STATEMENT
FOR YEARS ENDING JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

ITEM / PERIOD	JUNE 2005	JUNE 2006
1. Cash at beginning of period (a+b)	151.242.721	104.017.729
a. Current accounts	56.892	55.529
b. Financial investments	151.185.829	103.962.200
DEPOSITS	3.067.263	69.403.880
DEPOSIT CERTIFICATES	33.900.000	32.337.000
GOVERNMENT SECURITIES	114.218.566	2.221.320
A. Operations (2-3)	(8.423.381)	(47.954.998)
2. Cash inflows	2.373.691	11.373.290
-rent + utilities	529.518	621.006
-various debtors, restitution of advances	40.596	18.257
-transport of employees	10.830	6.962
-inflows from sale of merchandise	67.098	72.684
-amounts pending resolution	7.929	10.004.084
-restitution of taxes	3.741	-
-suppliers	5	1.215
-other inflows	1.713.974	133.860
-receipt of material pledges	-	34.052
- exchange rate variations	-	1.170
- Astra litigation compensations	-	480.000
3. Cash outflows	10.797.072	59.328.288
-Expenses with employees + collaborators	4.780.487	3.232.531
-suppliers	1.221.587	1.561.713
-profit tax	2.482.646	881.939
-VAT	390.291	75.380
-local tax	2.172	55.926
-discount advances	82.599	86.390
-banking commissions	18.984	17.159
-wares supply	66.175	62.547
-AP discount	3.526	3.591
-other payments	1.718.353	3.113
- restitution of auction pledges	-	140.200
- amounts pending discount	-	2.790
- amounts pending resolution	-	10.001.391
- payments to SARA	-	43.178.106
- exchange rate variations	-	9.212
- sponsorships	30.252	16.300
B. Investment activity(4-5)	30.846.410	20.778.942
4. Cash inflow	62.475.824	49.486.528
-deposit interest	8.952.385	3.253.813
-securities interest	-	109.942
-checking account interest	5.174	268
-bonds interest + coupon	1.390.641	705.800
-receipt from sale of shares	23.469.765	7.874.446
-receipt from BRD depository	-	5.726.496
-dividends of portfolio companies	26.714.108	31.815.763
- vanzari sale of fixed assets	1.943.751	-
5. Cash outflow	31.629.414	28.707.586
-acquisitions of fixed assets	189.409	52.483
-acquisitions of securities	29.733.605	15.674.000
-acquisitions of bonds	1.706.400	-
-payments of BRD depository	-	12.981.103

FIC MOLDOVA
CASH FLOW STATEMENT
FOR YEARS ENDING JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

EXPLANATIONS / PERIOD	JUNE 2005	JUNE 2006
C. Financing activity (5-6)	(14.385.281)	(5.366.603)
5. Cash inflow	10.828	3.678
- return of dividends	10.828	3.678
6. Cash outflow	14.396.109	5.370.281
- shareholder dividends	14.396.109	5.370.281
TOTAL CASH FLOW (A+B+C)	8.037.748	(32.542.659)
CASH AT END OF PERIOD	159.280.469	71.475.070
a. Checking accounts	120.280	146.874
b. Financial investments	159.160.189	71.328.196
DEPOSITS	1.147.335	38.991.196
DEPOSIT CERTIFICATES	27.580.000	32.337.000
GOVERNMENT SECURITIES	130.432.854	-

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

1. FIXED ASSETS

Cost	Gross value			Balance on Jun 30, 2006
	Balance on Jan 1, 2006	Increase	Decrease	
	1	2	3	4=1+2-3
Intangible assets	189.894	38.323	1.939	226.278
Land	138.103	-	-	138.103
Buildings	262.496	-	5.580	256.916
Equipment	8.879.689	-	-	8.879.689
Vehicles	944.024	2.500	20.819	925.705
Furniture and fixture	571.744	-	-	571.744
Pending tangible assets	254.642	11.660	-	266.302
Advances for intangible assets	-	-	-	-
TOTAL	11.240.592	52.483	28.338	11.264.737

Depreciation	Balance on Jan 1, 2006	Depreciations and Provisions		Balance on Jun 30, 2005
		Depreciation in period	Discounts and revenue from provisions	
	5	6	7	8=5+6-7
Intangible assets	93.518	22.083	1.939	113.662
Land	-	138.103	-	138.103
Buildings	30.012	-	5.580	24.432
Equipment	310.487	143.873	-	454.360
Vehicles	847.869	19.338	20.820	846.387
Furniture and fixture	179.951	80.469	-	260.420
Intangible assets	94.689	25.105	-	119.795
TOTAL	1.556.526	428.971	28.339	1.957.159

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

1. NON-CURRENT ASSETS (continued)

Net value	Net accounting value	
	Balance on Jan 1, 2006	Balance on Jun 30, 2006
	9 = 1 - 5	10 = 4 - 8
Intangible assets	96.376	112.616
Land	138.103	-
Buildings	232.484	232.484
Equipment	8.569.202	8.425.329
Vehicles	96.155	79.318
Other non-current assets	391.793	311.324
Tangible assets pending	159.953	146.507
Intangible assets	-	-
TOTAL	9.684.066	9.307.578

Status of non-current assets

i. Increases in non-current assets worth 52.483 RON derive from:

• Acquisition of intangible assets	38.323
• Acquisition of tangible assets	7.528
• Investments initiated in 2005 fiscal year for tangible and intangible non-current assets	6.632

ii. Decreases in non-current assets worth 28.338 RON derive from:

• Intangible non-current assets removed from records	1.939
• Corrections of non-current assets	20.819
• write-off of land as a consequence of dispossession by civil ruling	5.580

iii. Depreciation calculated and reflected corresponding to groups of non-current assets worth 428.971 RON consists of:

• Depreciation registered in 2006 fiscal year for tangible and intangible non-current assets	290.868
• Depreciation corrections resulted from the implementation of Order 75 / 2005	138.103

iv. Depreciation associated to discounts worth 28.339 RON consists of:

• Depreciation of intangible non-current assets removed from records	1.939
• Depreciation associated to write-off of tangible assets	18.710
• Provision corrections	7.690

v. Status of non-current assets

• Net value of intangible assets	112.616
• Net value of tangible assets	9.194.962

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

2. PROVISIONS

Name of provision	Balance on	Transfers		Balance on
	Jan 1, 2006	Incoming	outgoing	Jun 30, 2006
	1	2	3	4=1+2-3
Provisions for taxes	43.135.744	1.769.626	(3.111)	44.908.481
Other provisions	38.620.279	17.623.158	33.144.651	23.098.786
Provisions for receivable devaluation	1.195.931	(135.705)	8.174	1.052.052
Provisions for bad debts	28.186.207	29.187.880	3.163.613	54.210.474
Provisions for materials devaluation	652	-	652	-
Provisions for tangible non-current assets depreciation	56.032	138.103	7.690	186.445
Provisions for other securities devaluation	250	-	-	250
Provisions for other non-current securities devaluation	94.986.648	-	3.547.128	91.439.520
Total	206.181.743	48.583.062	39.868.797	214.896.008

• Provisions for receivable devaluation on June 30, 2006	1.052.052
•litigations for unpaid dividends	260.956
•bad debts	37.904
•various	753.192
• Provisions for bad debts on June 30, 2006	54.210.474
•debtors from money orders	53.286.837
•unpaid dividends with irrevocable decisions	842.611
•various rents with irrevocable decisions	81.026
• Other provisions from:	23.098.786
•provisions for debts associated with promissory notes	20.831.944
•profit participation	2.266.842

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

3. PROFIT APPROPRIATION

DESTINATION	Row no.	<u>2005</u>
A. NET PROFIT TO APPROPRIATE (row 02 to 08)	01	48.585.105
1. For constitution of legal reserves	02	1.163.148
2. For statutory or contractual reserves	03	
3. Reserves constituted as own sources of financing	04	
4. Other reserves or appropriations provided by law	05	
5. For coverage of accounting loss from previous years	06	
6. For dividends	07	-
7. Other appropriations	08	-
B. UNAPPROPRIATED PROFIT	09	<u>47.421.957</u>

On Apr 29, 2006, the General Meeting of Shareholders decided the appropriation of net profit obtained in the 2005 fiscal year, for the following purposes:

• legal reserves	1.163.148
• dividends	34.779.003
• unappropriated profit	12.642.954
TOTAL	<u>48.585.105</u>

For the profit obtained in the 1st semester of 2006, amounting to 29.675.970 RON no appropriation was recorded.

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

4. ANALYSIS OF OPERATIONS RESULT

INDICATORS	Row no.	30.06.2005	30.06.2006
Revenue from financial assets (acc. 761)	01	30.123.641	32.828.208
Revenue from short term investments (acc. 762)	02	-	-
Revenue from financial instruments (acc. 763)	03	7.848.866	3.483.144
Revenue from ceded financial investments (acc. 758*+764)	04	25.194.360	10.770.512
Revenue from services performed (acc. 704)	05	-	-
Revenue from reactivated claims and various receivables (acc. 754)	06	-	-
Revenue from provisions (acc. 781+786)	07	3.469.398	39.871.907
Revenue from exchange rate changes (acc. 765)	08	923.966	2.396.647
Revenue from interest (acc. 766)	09	144.986	129.570
Revenue from non-current assets production, tangible Intangible (acc.721+722)	10	-	-
Other revenue from operations (row 12 to 19)	11	3.001.479	1.247.398
- from research and studies (acc. 705)	12	-	-
- from dues and rent (acc. 706)	13	365.209	393.739
- from other various activities (acc. 708)	14	22.755	33.611
- from subsidies (acc. 741)	15	-	-
- from other revenue (acc. 758**)	16	2.097.636	807.011
- from discounts (acc. 767)	17	-	11
- from other financial revenue (acc. 768)	18	515.879	13.026
Revenue from operations (row 01 to 11)	19	70.706.696	90.727.386
Losses from receivables related to participations participări (acc. 663)	20	-	-
Expenses related to ceded financial investments (acc.658 + 664)	21	3.157.487	5.773.768
Expenses with exchange rate changes (acc.665)	22	899.626	1.665.478
Expenses with interest (acc.666)	23	-	-
Expenses with commissions and fees (acc.622)	24	607.473	670.880
Expenses with banking and similar services (acc.627)	25	18.984	17.163
Losses from receivables and various debtors (acc.654)	26	7.246	18.651
Expenses with provisions and depreciation (acc.681+686)	27	6.434.031	47.106.414
Other expenses with operations (row 29+30+31+34+47)	28	6.036.424	4.903.073
- with materials (acc.602+603+604)	29	402.262	306.476
- with electricity and water (acc.605)	30	82.082	93.925
- with staff (row 32+33)	31	2.831.406	3.221.352
- salaries (acc.621+641+642)	32	2.148.303	2.468.136

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

4. ANALYSIS OF OPERATIONS RESULT (continued)

INDICATORS	Row	30.06.2005	30.06.2006
- insurance and social security (acc.645)	33	683.103	753.216
- external services (row35 to 46)	34	2.645.138	1.201.365
- maintenance and repair (acc.611)	35	44.449	45.935
- dues and rent (acc.612)	36	8.164	8.939
- insurance premiums (acc.613)	37	19.334	19.785
- studies and research (acc.614)	38	-	-
- protocol, advertising (acc. 623)	49	40.832	46.993
- transport of goods and personnel (acc.624)	40	592	-
- travel, transfers (acc.625)	41	31.093	43.683
- post and telecommunications (acc.626)	42	105.958	100.925
- other services by third parties (acc.628)	43	98.100	98.288
- other expenses (acc.658)	44	1.819.688	836.817
- expenses involving discounts (acc.667)	45	-	-
- other financial expenses (acc.668)	46	476.928	-
- expenses with taxes and similar disbursements (acc.635)	47	75.536	79.955
Expenses with operations (row 21 to 28 + 47)	48	17.161.271	60.155.427
RESULT FROM OPERATIONS (row 20-48)	49	53.545.425	30.571.959

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

5. STATUS OF RECEIVABLES AND PAYABLES

a) Status of receivables

RECEIVABLES	Row	Balance on	Maturity		
		JUNE 30, 2006	Under 1 yr.	1 to 5 yrs.	Over 5 yrs.
		1=2+3+4	2	3	4
Gross accounts receivable	01	1.202.991	1.202.991	-	-
Provisions for receivable devaluation	02	1.052.052	1.052.052	-	-
Net account receivables	03	150.939	150.939	-	-
Other receivables, net	04	7.064.467	7.064.467	-	-
TOTAL. of which:	05	7.215.406	7.215.406	-	-
• Receivables from transactions with shares	05	224.887	224.887	-	-
• Receivables from promissory notes	07	53.286.837	53.286.837	-	-
Provision for receivables depreciation from endorsed promissory notes	08	53.286.837	53.286.837	-	-
• Uncashed dividends	09	1.724.715	1.724.715	-	-
• Receivables from irrevocable court decisions	10	694.990	694.990	-	-
Provision for depreciation of receivables from dividends	11	842.611	842.611	-	-
Receivables from cash investment in other companies' registered capital	12	5.340.448	5.340.448	-	-
• Other receivables	13	3.064	3.064	-	-
• Other provisions	14	81.026	81.026	-	-

b) Status of payables

LIABILITIES	Row	Balance on	Maturity		
		JUNE 30, 2006	Under 1 yr.	1 to 5 yrs.	Over 5 yrs.
		1=2+3+4	2	3	4
Accounts payable	01	16.880	16.880	-	-
Commercial notes payable	02	5.670.522	5.670.522	-	-
Other payables	03	42.930.849	42.930.849	-	-
TOTAL, of which:	04	48.618.251	48.618.251	-	-
• Suppliers	05	16.880	16.880	-	-
• SARA for promissory notes	06	5.670.522	5.670.522	-	-
• Payables towards government and special accounts	07	1.157.501	1.157.501	-	-

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
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(all amounts are in RON, unless otherwise specified)

• Dividends payable	08	41.388.779	41.388.779	-	-
• Various payables	09	86.746	86.746	-	-
• Other payables with staff and social security	10	296.823	296.823	-	-

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

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

A. Accounting principles

Evaluation of items in the 1st semester of 2006 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 and presented in compliance to Accounting Regulations harmonized with European Economic Community 4th Directive applicable to institutions regulated and supervised by the National Securities Commission („NSC” / „CNVM”), approved by NSC President Order no. 75 / 16.12.2005

Financial statements are drawn up and presented in RON.

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 RON. All amounts are expressed in RON

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

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) 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.

e) 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.

f) 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.

ii. Recognition

FIC recognizes financial assets on the date on which they are transfered 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.

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

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 weighted average cost method to determine the financial assets cost.

g) 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 value depreciation 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.

h) 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 consists of the current 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.

j) Tangible and intangible assets

Tangible assets are recorded in the accounting documents at their historic cost, less the accrued depreciation. 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.

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
FOR JUNE 30, 2005 AND JUNE 30, 2006
(all amounts are in RON, unless otherwise specified)

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

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

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

<u>Asset</u>	<u>Years</u>
Buildings	40
Equipment	2 -12
Vehicles	4 - 8

Land is not subject to depreciation.

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 depreciation 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 3 years maximum.

k) Reserves from tangible assets revaluation

The increase or decrease arising from a revaluation of tangible assets was reflected thus:

- 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.

- 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 6.

ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
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- 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.

l) Other receivables

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

m) 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.

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
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SHARES AND BONDS

The registered capital is formed of 519.089.588 ordinary shares, dematerialized, of 0.10 RON nominal value each, according to the Filing 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, thus:

- 1 share corresponds to one vote;
- ownership is limited to 1% of the registered capital, namely 519.090 shares

The structure by category of the FIC Moldova shareholding on Jun 30, 2006 is as follows:

No.	Type of shareholder	No. of shareholders	Shares	%
1	Romanian natural person	8.073.809	323.165.401	62,26%
2	foreign natural person	750	9.841.979	1,90%
3	Romanian juridical person	369	87.418.082	16,84%
4	foreign juridical person	80	98.664.126	19,01%
5	total natural persons	8.074.559	333.007.380	64,15%
6	total juridical persons	449	186.082.208	35,85%
	TOTAL (5+6)	8.075.008	519.089.588	100.00%

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
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(all amounts are in RON, unless otherwise specified)

7. INFORMATION REGARDING THE EMPLOYEES, MANAGERS AND DIRECTORS

- 1) Average number in 1st semester: 112 (1st semester of 2005 : 113) permanently employed and 22 (1st semester of 2005 : 15) collaborators:**

Of which:	Employed	Collaborators
Directors (Board members)	3	3
Managers	3	
with high education	69	
with lower forms of education	37	
Other collaborators		19

- 2) Salaries paid or to be paid, totalling 2.468.136 RON (1st semester of 2005 : 2.148.303 RON) corresponding to the 1st semester:**

of which:	Salaries
	374.126 RON
Directors	
Managers	110.183 RON

- 3) Social insurance expenses: 753.216 RON (1st semester of 2005 : 683.103 RON)**

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 15.16 % of total salary expenditure of SIF Moldova, whereas the managers salaries represent 4.46 %. 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.

FIC MOLDOVA
NOTES AND ACCOUNTING POLICIES FOR FINANCIAL STATEMENTS
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(all amounts are in RON, unless otherwise specified)

8. CALCULATION AND ANALYSIS OF MAIN INDICATORS

• **Liquidity Indicators – no. of times**

- **Current ratio** = current assets / current debts

$$\begin{array}{l} \text{JUNE} \\ \text{2006} \end{array} \quad 30, = 12.238.438/48.618.251 = 0.26$$

- **Quick ratio** = (current assets - inventory) / current debts

$$\begin{array}{l} \text{JUNE} \\ \text{2006} \end{array} \quad 30, = (12.238.438 - 37.910)/48.618.251 = 0.25$$

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

- **Non-current assets turnover** = turnover / non-current assets

$$\begin{array}{l} \text{JUNE} \\ \text{2006} \end{array} \quad 30, = 90.727.386/386.901.976 = 0.24$$

- **Total assets turnover** = turnover / total assets

$$\begin{array}{l} \text{JUNE} \\ \text{2006} \end{array} \quad 30, = 90.727.386/399.140.414 = 0.23$$

- **Receivables turnover** = Average receivables / turnover x 365

$$\begin{array}{l} \text{JUNE} \\ \text{2006} \end{array} \quad 30, = \frac{(7.215.406 + 19.576.106)/2}{90.727.386} \times 365 = 53.90 \text{ days}$$

• **Profitability indicators**

- **Profitability of working capital**

= profit before interest and profit tax / working capital

$$\begin{array}{l} \text{JUNE} \\ \text{2006} \end{array} \quad 30, = 30.571.959/282.096.915 = 11 \%$$

• **Earnings per basic share**

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

$$\begin{array}{l} \text{JUNE} \\ \text{2006} \end{array} \quad 30, = 29.675.970/519.089.588 = 0.06 \text{ RON per share}$$

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

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

9. 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.

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10. OTHER INFORMATION(continued)

b) Reconciliation of accounting result with fiscal result

	<u>Before tax</u>	<u>Tax</u>	<u>After tax</u>
1. Total revenue - accounting	90.727.386		
2. Total revenue – fiscal	85.956.469		
3. Temporary differences (2-1)	(4.770.918)		
4. Tax free revenue	69.152.988		
5. Taxable revenue (2 – 4). of which:	16.803.481		
6. Total expense - accounting	60.155.427		
7. Total expense - fiscal	60.336.078		
8. Temporary differences (7-6)	180.651		
9. Non deductible expenses	49.236.279		
10. Fiscally deductible expenses (7-9). of which:	11.099.799		
11. Expenses deductible with legal reserve	-		
12. Total deductible expenses (10 + 11)	11.099.799		
13. Taxable profit (5-12)	5.703.682		
14. Current profit tax (13*16%)		912.589	
15. Deduction for sponsorships		16.600	
16. Profit tax due (14-15)		895.989	
17. Net profit (1-6-16)			29.675.970

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.

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10. OTHER INFORMATION (continued)

d) Commitments granted and received recorded outside the balance

	<u>January 1, 2006</u>	<u>June 30, 2006</u>
• commitments granted under the form of endorsement (granted by the Private Ownership Fund II "Moldova")	(36.353.437)	(20.831.944)
• commitments received	(319.674)	(301.892)
• penalties for bad debtors	11.429.886	11.391.297
• other extrabalance accounts	573.536	573.536
• inventory items	<u>416.850</u>	<u>401.708</u>
TOTAL	<u>(24.252.839)</u>	<u>(8.767.295)</u>

Provisions of 20.831.944 RON, equivalent of 6.377.172,82 USD; 542.839,44 EUR, (at the exchange rate communicated by the Romanian National Bank for June 30, 2004), were constituted for the commitments granted under the form of endorsement by the former Private Ownership Fund II "Moldova".

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10. STATUS OF THE FINANCIAL INVESTMENTS PORTFOLIO

a) Financial Assets

- RON

Participations in::	Cost value	Positive difference	Negative difference	Market value on 30.06.2005
Companies traded at the Bucharest Stock Exchange - BVB	129.397.085	626.274.356	36.479	755.634.962
Companies traded at BVB BER	26.384.271	22.776.992	1.364.818	47.796.445
Companies traded at BVB BER – extra stock market	20.732.406	3.852.459	4.393.194	20.191.671
Total participations in listed and traded companies	176.513.762	652.903.807	5.794.491	823.623.078
Companies not listed, traded through the electronic system of BVB	12.647.497	7.248.116	4.027.023	15.868.590
Closed companies	115.690.657	122.155.031	28.465.739	209.379.949
Companies listed and not traded	10.252.408	164.186	10.131.916	284.678
Companies listed and not traded during the last 90 days	79.185.585	28.683.844	53.874.711	53.994.718
Total participations in not listed or not traded companies	217.776.147	158.251.177	96.499.389	279.527.935
TOTAL PARTICIPATIONS PORTFOLIO	394.289.909	811.154.984	102.293.880	1.103.151.013
Participations in OPCVM and / or AOPC	3.369.917	10.607	475.020	2.905.504
Total investments portofolio – gross value	397.659.826	811.165.591	102.768.900	1.106.056.517
Provisions for securities amortization	91.439.520			
Total investments portofolio – net value	306.220.306			

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

- RON -

Percentage of ownership	Number of companies	Value revalued as per June 30, 2006
Under 10%	132	942.528.413
Between 10% and 20%	61	89.851.970
Between 20% and 50%	99	45.236.980
Over 50%	17	27.466.558
TOTAL	309	1.105.083.921

We mention that in holdings under 10% are holdings in S.C. IMPACT București, BANCA COMERCIALA CARPATICA, VRANCART ADJUD and S.C.ROMPETROL RAFINARE Constanta, categorized as short term financial investments.

b) Short term financial investments

- RON -

	Cost value	Positive difference	Negative difference	Market value on 30.06.2005
Municipal bonds	2.900.055	96.163	-	2.996.218
Shares	1.875.075	209.579	151.747	1.932.907
Other financial instruments	55.040	-	11.734	43.306
Total short term financial investments	4.830.170	305.742	163.481	4.972.431

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11. STATUS OF BANK DEPOSITS

a) Bank deposits

Bank deposits denominated in RON

- RON-

Bank name	Acc. sym bol	Deposit amount		Interest amount		Weight in total	Date of	
		Term < 60 days	Term > 60 days	%	Value at term end		Constitution	Term
Unicredit Bacau	RON	150.930		3,75	47	0,39	30.06.2006	03.07.2006
BRD BACAU	RON	16.297.366		6,00	8.149	41,80	30.06.2006	03.07.2006
Transilvania Bacau	RON	2.000.000		7,50	9.167	57,67	28.06.2006	20.07.2006
Transilvania Bacău	RON	5.000.000		7,82	32.583	57,67	28.06.2006	28.07.2006
Transilvania Bacău	RON	5.000.000		7,82	32.583	57,67	28.06.2006	28.07.2006
Transilvania Bacău	RON	5.000.000		7,82	32.583	57,67	28.06.2006	28.07.2006
Transilvania Bacău	RON	2.393.000		7,82	15.594	57,67	28.06.2006	28.07.2006
Transilvania Bacău	RON	300.000		7,82	1.890	57,67	29.06.2006	28.07.2006
Transilvania Bacău	RON	2.000.000		7,70	13.689	57,67	01.06.2006	03.07.2006
Transilvania Bacău	RON	794.200		7,70	5.436	57,67	01.06.2006	03.07.2006
B.C.Carpatica Ag.Bacau	RON	55.700		7,50	343	0,14	26.06.2006	26.07.2006
TOTAL	X	38.991.196			152.064	100,00	X	X

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12. GROSS REVENUE STRUCTURE

Indicators	<u>Account</u>	<u>30 June 2005</u>	<u>30 June 2006</u>
1 Revenues from financial investments (dividends due to SIF Moldova)	761	30.123.641	32.828.208
2 Revenues from short term financial investments	762	-	-
3 Revenues from receivable interest	763	7.848.866	3.483.144
4 Revenue from ceded financial investments	764	25.194.360	10.770.512
5 Revenues from commissions related to works and services performed	704	-	-
6 Revenues from exchange rate differences	765	923.966	2.396.647
7 Revenues from interest	766	144.986	129.570
8 Revenues from reactivated claims and various receivables (debtors)	754	-	-
9 Revenues from production related to own fixed assets	721 722	- -	- -
10 Revenues from provisions	781 786	3.440.830 28.568	39.559.496 312.411
11 Other revenues			
- from studies and research	705	-	-
- from dues and rents	706	365.209	393.739
- from other various activities	708	22.755	33.611
- from subsidies	741	-	-
- from other sources	758	2.097.636	807.011
- from discounts obtained	767	0	11
- from other financial revenues	768	515.879	13.026
12 Revenues from subsidies for extraordinary events and equivalent	771 772	- -	- -
13 Revenues from deferred profit tax	791	58.580	-
15 TOTAL REVENUES		<u>70.765.276</u>	<u>90.727.386</u>

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13. STRUCTURE OF EXPENSES

Indicators	Acct.	2005	2006
Losses related to claims resulting from participations	663	-	-
Expenses related to ceded financial investments	664. 658	3.157.487	5.773.768
	622	607.473	670.880
Expenses related to commissions and fees	665	899.626	1.665.478
Expenses related to exchange rate differences	666	-	-
Expenses related to interest	627	18.984	17.163
Expenses with banking services and equivalent	654	7.246	18.651
Losses related to receivables and various debtors	681	505.650	47.106.414
	686	5.928.381	-
Expenses related to external services			
-maintenance and repair	611	44.449	45.935
-dues and rents	612	8.164	8.939
-insurance payments	613	19.334	19.785
-protocol, advertisement and promotion	623	40.832	46.993
-transport of goods and persons	624	592	-
-travel and transfer expenses	625	31.093	43.683
-post and telecommunication	626	105.958	100.925
-other services performed by third parties	628	98.100	98.288
-other expenses	658	1.819.688	836.817
-expenses related to offered discounts	667	-	-
-other financial expenses	668	476.928	-
Expenses with inflation adjustments	688	-	-
Expenses with other taxes and equivalent payments	635	75.536	79.955
Other expenses			
- expenses with consumables	602	379.895	294.910
- expenses with materials of inventory kind	603	22.073	11.395
- expenses with materials not in stock	604	294	171
- expenses with energy and water	605	82.082	93.925
- expenses with collaborators	621	183.249	132.530
- salaries	641	1.965.054	2.335.606
- insurance and social expenses	645	683.103	753.216
Expenses related to calamities and extraordinary events	671	-	-
Profit tax	6911	4.152.729	895.989
Deferred profit tax	6912	23.896	-

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Other expenses with taxes, not reflected by the items above	698	<u>-</u>	<u>-</u>
TOTAL EXPENSES		<u>21.337.896</u>	<u>61.051.416</u>

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14. STRUCTURE OF EXPENSES (continued)

Expenses with commissions and fees	670.880
• Expenses with external auditors' fees	4.848
• Expenses with depository company commissions	57.210
• Expenses with NSC commissions	487.696
• Expenses with SSIF commissions for shares traded	36.255
• Expenses with shareholder registry services	37.393
• Expenses with B.S.E.	-
• Expenses with juridical assistance	41.591
• Other expenses with commissions	5.887

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14. 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.

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

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Regulation no. 15 / 2004, 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.

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15. CONTINGENT OBLIGATIONS AND LIABILITIES

On June 30, 2006, FIC was involved in 50 court cases as a defendant and in 175 cases as a plaintiff.

FIC management, on the basis of information received from company lawyers, estimates that it is probable to incur losses from these litigations and as a consequence recorded a provision to this purpose of 20.831.944 RON, the equivalent of 6.377.172.82 USD; 542.839.44 EURO and 620.000 RON.

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17. Reevaluation of initial balances

Financial statements on June 30, 2006 were drawn up based on the Ministry of Finance Order no. 75 / 2005 in force from January 1, 2006.

Evaluation rules in Section 5 Subsection 3 provide the following:

- at item 5.13 – items presented in financial statements are evaluated based on the acquisition cost principle;
- at item 5.19 they provide that negative differences found in non-depreciable assets between the inventory value and the net accounting value are recorded based on an adjustment for amortization or loss of value.

Taking into account the fact that in the drafting of financial statements for 2005 the provisions of the Ministry of Finance and NSC Order no. 1746 / 106 / 2002 according to which financial instruments were evaluated at fair value, balance values in financial statements drawn up for June 30, 2006 are not comparable.

According to the provisions of NSC Order no. 75 / 2005 balances existing at December 31, 2005 were revaluated and transcribed as follows in order to ensure the comparability of data.

	R o w no	Beginning of year revaluated	Beginning of year reported	Account transfers	Note	Revaluatio n differences	Note
TOTAL: (row 01 to 05)							
Intangible assets	6	234.479	234.479			0	
TOTAL: (row 07 to 10) Tangible assets	11	9.449.587	9.449.587			0	
TOTAL: (row 12 to 17) Financial assets	18	362.995.77 9	1.039.145.2 20			676.149.44 1	(a)
TOTAL: (row 20 to 22)							
Inventory	23	18.040	18.040			0	
TOTAL: (row 24 to 28)							
Receivables	29	19.576.105	19.576.918	(811)		2	
TOTAL: (row 30 to 31) Short term financial investment	32	5.624.145	5.624.145			0	
IV. CASH AND BANK ACCOUNTS	33	73.806	73.806			0	
C. PREPAID EXPENSES (acc. 471)	35	48.654	48.654			0	
Total assets		398.020.59 5	1.074.170.8 49	(811)		676.149.44 3	
TOTAL: (row 36 to 43) Current liabilities	44	40.936.194	31.719.270	9.216.924 (52.353.47)	(e)	0	
TOTAL: (row 47 to 54) Long term liabilities	55	0	145.036.774	9)	(f)	92.683.295	(b)
TOTAL PROVISIONS: (row 56+57+58)	59	81.756.022	38.620.278	43.135.744	(g)	0	
I. PRECOLLECTED REVENUE (row 60.1+60.2) of which:	60	1.729.894	1.729.894			0	

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I. CAPITAL (row 62+63) of which:	61	51.908.959	51.908.959			0	
III. REVALUATION RESERVES (acc. 105)		6.235.347	6.235.347			0	
IV. RESERVES (row 68 to 73-74)	67	236.255.28	4	723.108.558	1.899.323 (h)	488.752.59	7 (c)
V. REPORTED RESULT (acc. 117)		(20.801.10	4)	75.811.769	(1.899.323)	94.713.550	(d)
VI. RESULT OF FISCAL YEAR (acc. 121)		48.585.105	48.585.105			0	
		(48.585.10	(48.585.105				
Profit appropriation (acc. 129)	79		5))		0	
		398.020.59	1.074.170.8			676.149.44	
Total liabilities		6	49	(811)		2	

Differences from revaluation:

(a) The decrease in total volume of financial assets with 676.149.441 RON resulted from the following influences:

- the elimination of fair value amounting to 581.853.413 RON associated to the securities portfolio on Dec 31, 2005 and their recording at historical cost;
- recording of adjustments for value loss amounting to 94.296.028 RON associated with investments with a fair value lower than the historical cost.

(b) Decrease in volume of long term debts by 92.683.295 RON resulted from the following influences:

- cancellation of the deferred profit tax associated with the elimination of reserves from the fair value evaluation of investments, amounting to 93.100.816 RON
- elimination of deferred tax to recover on Dec 31, 2005 corresponding to the reported result amounting to 417.521 RON.

(c) The total volume of reserves decreased by 488.752.597 RON, representing:

- reserve from fair value evaluation of existing participations on Dec 31, 2005 amounting to 581.853.413 RON.
- deferred tax corresponding to the reserve generated by the fair value evaluation of existing participations on Dec 31, 2005, amounting to 93.100.816 RON

(d) The decrease in the reported result by 94.713.550 RON was generated by

- the registration of adjustments for the value loss associated to investments held at Dec 31, 2005 with a fair value lower than the historical cost amounting to 94.296.028 RON.
- the elimination of the deferred tax to recover on Dec 31, 2005 corresponding to the result reported, amounting to 417.521 RON.

Account transfer:

(e) The increase in volume of current liabilities by 9.216.924 RON representing the reclassification of non-current liabilities from Dec 31, 2005 as current liabilities on Jan 1, 2006.

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(f) The decrease in volume of non-current liabilities by 52.353.479 RON as a consequence of:

- the reclassification of non-current liabilities from Dec 31, 2005 into current liabilities on Jan 1, 2006 amounting to 9.217.735 RON
- the transfer to „Tax provisions” of the credit balance of the account „Deferred profit tax” previously included in non-current liabilities on Dec 31, 2005 amounting to 43.135.744 RON.

(g) The increase in volume of the provisions by 43.135.744 RON is owed to the transfer of the credit balance of the „Deferred profit tax” account from Dec 31, 2005 to the „Provisions for risks and expenses: on Jan 1, 2006 according to the requirements of Regulation 1752 / 2005.

(h) The increase in volume of the reserves by 1.899.323 RON was generated by the following influences:

- the transfer of the reported result associated to the reevaluation reserve to reserve accounts according to the requirements of Regulation 1752 / 2005 amounting to 1.986.012 RON.
- the reclassification from reserves to reported result of the amount of 86.689 RON representing the reserve from fair value revaluation of shares transferred from the held for sale category into the speculative purpose category according to the requirements of Regulation 1752 / 2005.