



Financial Investment Company MOLDOVA SA

Current report according to: Law 297/2004, NSC Regulations no. 1/2006 and 15/2004
Date of report: Aug 11, 2006
Name of issuing company: Financial Investment Company Moldova S.A.
Company head office: Bacau, Pictor Aman street no. 94 C, Bacau County
Telephone/Fax no.: 0234/576740, fax 0234/570062; 0234/570101
Unique registration code at the Trade Registry Office: 2816642
Serial Number in the Trade Registry: J04/2400/92
NSC Registry No.: PJR09SIIR/040001/14.12.2005
Subscribed and paid-in capital: 51908958.8 RON
Regulated market trading
Issued securities: BVB (Bucharest Stock Exchange)

ACTIVITY REPORT OF THE BOARD OF DIRECTORS OF FIC MOLDOVA FOR THE 1ST SEMESTER OF 2006

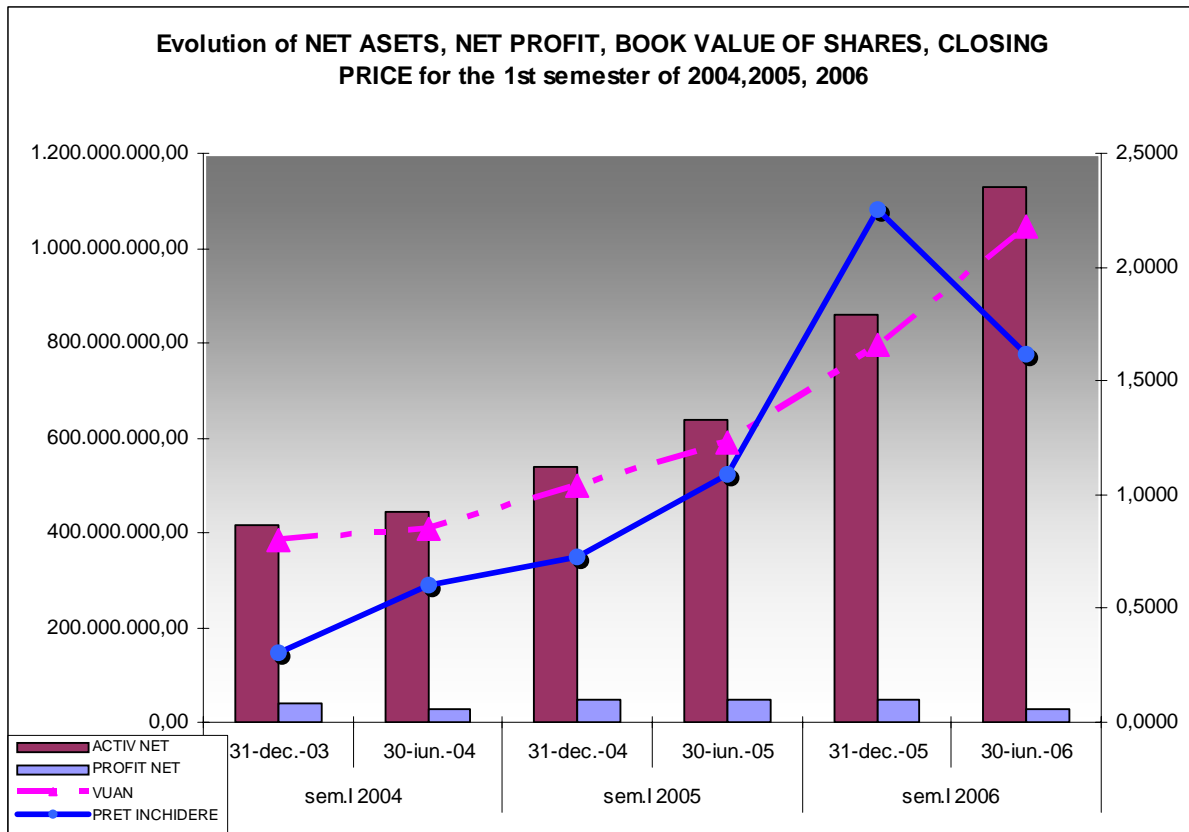
I. GENERAL OBJECTIVES, SPECIFIC INDICATORS

The general meeting of shareholders of Apr 29, 2006 approved as performance indicators for the analysis of FIC Moldova SA activity the net profit, book value of shares and investment program for the 2006 fiscal year, as follows :

- o book value of shares – an annual percentual increase of 20% in comparison to the value recorded on Dec 31, 2005
- o net profit – an increase of approximately 12% compared to the level forecasted for 2005 (the value of the net profit proposed is approx. 39 mil. RON);
- o the investment program outlined in the Revenue and Expense Budget is drafted for 70 mil. RON, its main source of financing being revenue from sales

Book value of shares recorded an increase in value exceeding the target for the entire year 2006 (31,41% compared to 20%).

Item name	Jun 30 2004	Jun 30 2005	Jun 30 2006
Net assets value (RON)	441.983.700	636.908.600	1.129.253.991
Book value (RON / share)	0,8515	1,2270	2,1755
BSE closing price / share on Jun 30 (RON)	0,6050	1,0900	1,6200
Book value / closing price	1,41	1,13	1,34
Net profit	27.156.262	49.427.400	29.675.970
Net profit / net assets (%)	6,14	7,76	2,63



Net Profit provided in the Revenue and Expense Budget for 2006 is 39.200.000 RON, in the 1st semester being 75.70% achieved (29.675.970 RON).

The financial result was affected negatively by the foreclosure of FIC Moldova by the State Assets Recovery Agency for promissory notes endorsed by the former Private Property Fund II Moldova, information brought to the attention of the market through press releases in the 1st semester.

Investments made in the first semester (including those about to be registered) amounted to more than 28 mil. RON and comprise approx. 40,4% of the annual objective.

Listed stock acquisitions comprised the largest portion, of about 90% ; investments were also made in fund titles, preemption rights, shares of closed type issuers and financial derivatives.

In the circumstances of a stock market crisis commencing in May, determined by a convergence of political, economic, situational and psychological factors, FIC2 titles maintained a high liquidity and the stock market capitalization of FIC Moldova recorded an increase.

Volume of FIC Moldova shares traded	Jun 30 2004	Jun 30 2005	Jun 30 2006
Number of shares traded	183.725.000	222.211.500	214.721.506
Total value (RON)	76.875.200	244.292.300	476.501.304
Semestrial average price (RON / share)	0,4184	1,0994	2,2192

II. ACHIEVEMENT OF OBJECTIVES IN THE ACTIVITY PLAN

II.1. ACHIEVEMENT OF FINANCIAL OBJECTIVES

II.1.1. PORTFOLIO MANAGEMENT

II.1.1.a. Portfolio reconfiguration and optimization

Between Jan 1, 2006 and Jun 30, 2006, share portfolio management objectives were pursued, as set forth in the FIC Moldova activity program for the year 2006.

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

Portfolio restructuring was carried out by:

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

- **increasing the share capital** in 6 companies, totaling 12.942.081 RON in nominal value from reserves;
- **decreasing the share capital** in 1 company, totaling 138,16 RON in nominal value;
- **write-off** of 8 companies in which the liquidation procedure according to Law 64 / 1995 was finalized, resulting in the elimination from the portfolio of participations held, 1.570.443 RON in nominal value.
- **write-off** of 3 companies absorbed through fusion, resulting in the elimination from the portfolio of participations held, 474.811,4 RON in nominal value and increase of participations in absorbing companies, 319.000,0 RON in nominal value.

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

- **sales** – the sale of participations (full or partial) in 23 companies, 4.379.629,60 RON in nominal value;
- **acquisitions** – involving stock in 32 companies, 3.560.575,00 RON in nominal value;
- **direct investment** (primary placement) – in 4 companies, 7.014.082,04 RON in nominal value, for preserving the percentage held.

II.1.1.a.1 Evolution of the portfolio at nominal value

Restructuring operations throughout the year led to a decrease of the number of companies in the portfolio, therefore on Jun 30, 2006 the portfolio comprises 311 companies, in which shares totaling 307.317.851,84 RON in nominal value are held. Of these, 88 companies in which FIC Moldova holds shares worth 54.059.208,70 RON in nominal value, representing 17,75 % of total participations at nominal value, are undergoing various stages of administrative / judicial liquidation or judicial reorganization.

The detailed status of investments according to Regulation no. 15 / 2004 – annex 17 of NSC is presented in annex IV.2.

II.1.1.a.2. Portfolio structure

In the 1st semester of 2006, portfolio reconfiguration and optimization led to the following structure according to:

- type of shares (listed / unlisted):

Portfolio structure	Total nominal value of the package				Total market value* of the package			
	Thousand RON		%		Thousand RON		%	
	31.12.05	30.06.06	31.12.05	30.06.06	31.12.05	30.06.06	31.12.05	30.06.06
Securities								
Traded stock, Of which:	131.786	115.988	45,46	37,74	708.291	841.425	75,79	76,14
Companies listed at BSE	58.207	64.511	20,08	20,99	637.246	757.568	68,19	68,55
Unlisted companies, traded through the BSE system	12.629	12.728	4,36	4,14	7.263	15.869	0,78	1,44
Comp. listed in BVB-BER*	60.950	19.057	21,02	6,20	63.782	47.796	6,82	4,32
Comp. listed in BVB-BER – extra stock market*		19.692		6,41		20.192		1,83
Untraded stock, Of which:	158.121	191.330	54,54	62,26	226.236	263.663	24,21	23,86
Closed companies	87.928	102.243	30,33	33,27	190.282	209.383	20,36	18,95
Listed, untraded companies	10.822	10.252	3,73	3,34	318	285	0,03	0,03
Listed, untraded in last 90 days companies	59.371	78.834	20,48	25,65	35.636	53.995	3,82	4,88
Total	289.907	307.318	100,00	100,00	934.527	1.105.088	100,00	100,00

* These items are regulated by BSE and tracked beginning 1st semester 2006

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

<u>-size of participation in comprised companies ;Specification</u>	30.06.2005		31.12.2005		30.06.2006	
Insignificant participations: % SIF < 10%						
Number of companies	141		135		133	
Nominal value (thousand RON) / percentage	127.979	47,85	151.575	52,28	164.614	53,56
Significant participations: 10% ≤ % FIC < 33%						
Number of companies	158		148		139	
Nominal value (thousand RON) / percentage	106.295	39,74	105.760	36,48	112.233	36,52
Control participations: 33% ≤ % SIF < 50%						
Number of companies	25		22		21	
Nominal value (thousand RON) / percentage	13.872	5,19	13.414	4,63	12.921	4,21
Majority participations: : % SIF ≥ 50%						
Number of companies	21		21		18	
Nominal value (thousand RON) / percentage	19.322	7,22	19.158	6,61	17.558	5,71
Total participations:						
Number of companies	345		326		311	
Nominal value (thousand RON) / percentage	267.468	100,00	289.907	100,00	307.326	100,00

- field of activity :

SECTOR	31.12.2005				30.06.2006			
	Nr. S.C.	%	Nominal value of participations (thousand RON)	%	Nr. S.C.	%	Nominal value of participations (thousand RON)	%
BANKING, INSURANCE	10	3,05	105.285	36,32	10	3,22	119.928	39,02
MACHINERY MANUFACTURE	27	8,23	49.309	17,01	27	8,68	53.776	17,50
TEXTILES & GARMENTS	62	18,90	30.602	10,56	58	18,65	30.127	9,80
CHEMICALS	12	3,66	28.692	9,90	11	3,54	29.057	9,45
AGRICULTURE	79	24,09	22.971	7,92	72	23,15	21.681	7,05
METALLURGY	10	3,05	20.948	7,23	9	2,89	19.043	6,20
FOOD INDUSTRY	25	7,62	7.994	2,76	23	7,40	7.792	2,54
COMMERCE, RESTAURANTS	31	9,45	5.567	1,92	27	8,68	5.516	1,79
OTHERS	70	21,95	18.538	6,38	74	23,79	20.406	6,65
TOTAL	326	100,00	289.907	100,00	311	100,00	307.326	100,00

II.1.1.a.3. Administration of participations held

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

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

II.1.1.b. Investing-disinvesting activity

II.1.1.b.1 Investing activity

➤ Investing activity - shares – on the secondary market

The severe adjustments recorded on the stock markets as well as the unpredictable evolutions recorded in quotations as well as liquidity imposed a prudent approach in the implementation of investment programs. Nonetheless, the structuring of a portfolio consisting of liquid titles with growth potential remained an important objective, in parallel with the increase in volume of speculative operations and the extension of activity towards derivative financial instruments.

In these circumstances, acquisition programs were targeted at 36 issuers, with a total acquisition value of 18,94 mil. RON (excluding trading commissions), as compared to 23.69 mil. RON in the corresponding period of 2004.

We specify that in the case of some issuers, acquisition programs initiated / continued in the 1st semester of 2006 result in the reception of free shares (eg. 48.861.204 TLV shares) and in granting the right to subscribe (at prices below the market quotation) in registered capital increase operations. In the latter case, the value of subscriptions for listed issuers, paid / due to be paid (and registered in the following period) is 6,57 mil. RON.

➤ Investment activity – shares – subscriptions during registered capital increase operations

In the Jan 1, 2006 – Jun 30, 2006 period direct investments were made by participating in the increase of registered capital of 4 issuers in the portfolio, in order to preserve the percentage held. Share investments totalling 7.014.082,04 RON in nominal value were recorded, at a price of 19.359.013,4 RON, as follows:

- one listed company, in which shares 4.500.000 RON in nominal value were subscribed at an equal price.
- 3 unlisted companies, in which the sum of 14.859.013,4 RON was subscribed for shares 2.514.082,5 RON in nominal value

We specify that in the 1st semester of 2006 FIC Moldova subscribed in 8 other companies shares 1.735.866 RON in nominal value, at a price of 5.354.958,3 RON, these placements pending registration.

➤ Investment activity – other instruments

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

- fund titles – 2,29 mil. RON,
- preemption rights – 0,017 mil. RON,
- shares of closed type issuers - 0,006 mil. RON
- derivative financial instruments (BMFMS) - 0,22 mil RON.

In this context we also bring to attention the subscription in IPO Transelectrica (realized in the first semester but recorded in the following period) worth 1,79 mil. RON.

Stage of fulfillment of the objectives

In relation to the objectives set fort by the General Meeting of Shareholders by the approval of the activity program for the current year, investments made (including those pending registration)

amount to 28,3 mil. RON and represent approx. 40,4% of the annual objective (investment on the capital market totalling 70 mil. RON).

II.1.1.b.2 Disinvesting activity

Share packages of 24 issuers (7 of closed-end type, of which 1 with the ownership right transfer in the third quarter) were subject to disinvestment operations during the first half of 2006. Revenue from these sales amounted to 11,82 mil RON as compared to 25,19 mil RON in the 1st semester of 2005 while related costs (calculated considering the historic cost and excluding transaction fees) totalled 6,47 mil RON as compared to 3,15 mil RON in the corresponding period of 2005.

Stage of fulfillment of the objectives

In the Revenue from Sale of Stock category, the program approved by the GMS provides an amount of 59 mil. RON. In these conditions, in the 1st semester, the degree of fulfillment of the annual objective is approx. 20%.

II.1.2. PRESENTATION OF THE ECONOMIC AND FINANCIAL STATUS

Financial statements provide information regarding the financial status and performance of the company. They were audited, in view of issuing a review report, by Deloitte Audit LLC Bucharest.

Financial statements are drawn up in RON and drafted according to the requirements of Romanian accounting norms, namely: Accounting Law no. 82 / 1991 republished, National Securities Commission Order no. 75 / 2005 and National Securities Commission Regulation no. 1 / 2006 regarding the accounting report system for Jun 30 2006, of entities regulated and supervised by the National Securities Commission.

Financial statements recognize investments in the portfolio on Jun 30 2006 based on the historic cost according to OMF 1752/2005 requirements .

The financial status is reflected in balance sheet items.

	<u>31.12.2005</u>	<u>30.06.2006</u>
A. Non-current assets, of which:	372.679.845	386.901.976
I. Intangible assets	234.479	112.616
II. Tangible assets	9.449.587	9.194.962
III. Financial assets	362.995.779	377.594.396
B. Current assets, of which:	25.292.097	122.384.438
I. Inventories	18.040	37.910
II. Receivables	19.576.106	7.215.406
III. Short-term financial instruments	5.624.145	4.830.170
IV. Cash and bank accounts	73.806	154.952
C. Prepaid expenses (chapter 471)	48.654	31.532
D. Current liabilities	40.936.194	48.618.251
E. Current assets minus net current liabilities	(17.325.337)	(36.797.793)

F. Total assets minus current liabilities	355.354.508	350.104.183
H. Long-term debt	81.756.022	68.007.268
I. Provisions for risks and expenses	1.729.894	449.512
J. Owners' equity, of which:	273.598.486	282.096.915
I. Share capital	51.908.959	51.908.959
III. Reevaluation reserves Sold C	6.235.347	6.235.109
IV. Reserves	236.255.284	276.482.823
Reported result following application of EEC		
V. Directive IV	(20.801.104)	(82.205.946)
VI. Result of the fiscal year	48.585.106	29.675.970
- Profit appropriation	48.585.106	-

Long term financial instruments represent **94,61 %** of the **399.140.414 RON** total assets and consist of:

	<u>31.12.2005</u>	<u>30.06.2006</u>
● Investments in companies	257.719.356	306.220.306
● Other financial instruments	105.276.423	71.374.092
Of which:		
● Bank deposits	69.403.323	38.991.196
● Deposit certificates	32.337.000	32.337.000
● Government securities	2.221.320	-
● Other claims	120.463	12.463
● Interest from investments	1.194.317	33.433

Cash and liquidities:

	<u>31.12.2005</u>	<u>30.06.2006</u>
● Cash and bank accounts	73.806	154.952
● Bank deposits	69.403.323	38.991.196
● Deposit certificated	32.337.000	32.337.000
● Government securities	2.221.320	-
TOTAL	<u>104.035.449</u>	<u>71.483.148</u>

The company's liabilities on Jun 30, 2006 –have the following structure:

Row	Balance on Jun 30 2006	Due date		
		Under 1 yr.	1 to 5 yr.	Over 5 yr.
LIABILITIES	1=2+3+4	2	3	4
Commercial payables	01 16.880	16.880	-	-
Commercial papers payable	02 5.670.522	5.670.522	-	-
Other liabilities	03 42.930.849	42.930.849	-	-
TOTAL, of which:	04 48.618.251	48.618.251	-	-
Suppliers	05 16.880	16.880	-	-
to BARA for promissory notes	06 5.670.522	5.670.522	-	-
to government and special funds	07 1.157.501	1.157.501	-	-
Dividends payable	08 41.388.779	41.388.779	-	-
Various payables	09 86.746	86.746	-	-
Other liabilities to staff and social insurance	10 296.823	296.823	-	-

For the listed liabilities no guarantees were made or mortgages granted. FIC has no outstanding loans.

Current liabilities on Jun 30 2006 total **399.171.946 RON**, of which:

Short term debt	48.618.251
Provisions for risks and expenses	68.007.268
Precollected revenue	449.512
Owners' equity	282.096.915

Provisions for risks and expenses include :

Provisions for deferred tax	44.908.481
Provisions for contingent debt	23.098.786

The company's financial performance is reflected in the income statement.

Item name	Row no.	30.06.2005	30.06.2006
A. REVENUE FROM OPERATIONS			
TOTAL (row 02 to 11)	1	70,706,696	90,727,386
1. Revenue from financial investments	2	30,123,641	32,828,208
3. Revenue from financial instruments	4	7,848,866	3,483,144
4. Revenue from ceded financial investments	5	25,194,360	10,770,512
6. Revenue from provisions, reactivated claims and various debtors	7	3,469,398	39,871,907
7. Revenue from exchange rate variations	8	923,966	2,396,647

8. Revenue from interest	9	144,986	129,570
10. Other revenue from operations	11	3,001,479	1,247,398
B. EXPENSES WITH OPERATIONS			
TOTAL (row 13 to 20)	12	17,161,271	60,155,427
12. Expenses with ceded financial investments	14	3,157,487	5,773,768
13. Expenses with exchange rate variations	15	899,626	1,665,478
15. Expenses with commissions and fees	17	607,473	670,880
16. Expenses with banking and similar services	18	18,984	17,163
17. Depreciations, provisions, losses from receivables and miscellaneous receivables	19	6,441,277	47,125,065
18. Other expenses with operations (row 21 + 22 + 23 + 26 + 27)	20	6,036,424	4,903,073
a. Expenses with materials	21	402,262	306,476
b. Expenses with electricity and water	22	82,082	93,925
c. Expenses with staff, of which: (row 24 + 25)	23	2,831,406	3,221,352
c1. Salaries	24	2,148,303	2,468,136
c2. Expenses related to social security	25	683,103	753,216
d. Expenses related to external services	26	2,645,138	1,201,365
	27	75,536	79,955
e. Expenses with other taxes and similar payments			
C. CURRENT RESULT			
- profit (row 01 - 12)	28	53,545,425	30,571,959
19. TOTAL REVENUE (row 01 + 30)	34	70,706,696	90,727,386
20. TOTAL EXPENSE (row 12 + 31)	35	17,161,271	60,155,427
G. GROSS MARGIN			
- profit (row 34 - 35)	36	53,545,425	30,571,959
21. INCOME TAX			
- Expenses with income tax	38	4,152,729	895,989
22. Other tax expenses	39	(34,684)	0
H. FINANCIAL RESULT			
- profit (row 36 - 38 - 39)	40	49,427,380	29,675,970

Net sales by FIC MOLDOVA amount to **4.996.744 RON**.

Gross Income is **90.727.386 RON**.

Registered expense items that exceed **20 %** of gross income are:

● Expenses with exchange rate variations	1.665.478
● Depreciation, provisions, losses from claims	47.125.065
● Expenses with staff	3.221.352
● Expenses with external services	1.201.365

In the first semester of 2005, provisions were established that influenced expenses, thus:

● contingent debts as promissory notes	17.623.158
● provisions for depreciation of claims	29.049.777
● provisions for depreciation of investments	138.103
	<hr/>
TOTAL	46.811.038

and provisions that influenced capital accounts (like deferred tax) amounting to **1.769.626 RON**.

In the 1st semester of 2006, a series of provisions that influenced income were cancelled, as follows:

● provisions for promissory notes and profit participation	33.144.651
● provisions for depreciation of claims	3.171.786
● provisions for materials depreciation	652
● provisions for investments depreciation	7.690
● provisions for financial instruments depreciation	3.547.128
	<hr/>
TOTAL	39.871.907

and provisions that influenced capital accounts of **(3.111) RON**.

Dividends declared by FIC Moldova for the 2005 fiscal year were **34.779.003 RON**, of which **5.335.358 RON** were paid up to Jun 30 2006.

CASH FLOW STATEMENT

ITEM / PERIOD	JUNE 2005	JUNE 2006
1. Cash at beginning of period (a+b)	151,242,721.16	104,017,729.45
a. Current accounts	56,892.33	55,529.25
b. Financial investments	151,185,828.83	103,962,200.20
DEPOSITS	3,067,263.02	69,403,880.20
DEPOSIT CERTIFICATES	33,900,000.00	32,337,000.00
GOVERNMENT SECURITIES	114,218,565.81	2,221,320.00
A. Operations (2-3)	(8,423,382.03)	(47,954,998.52)
2. Cash inflows	2,373,690.76	11,373,289.06
-rent + utilities	529,517.96	621,006.12
-various debtors, restitution of advances	40,595.98	18,257.20
-transport of employees	10,830.49	6,962.37
-inflows from sale of merchandise	67,098.45	72,683.80
-amounts pending resolution	7,928.69	10,004,083.61
-restitution of taxes	3,740.60	0.00
-suppliers	5.00	1,214.96
-other inflows	1,713,973.59	133,859.53
-receipt of material pledges	0.00	34,051.79
- exchange rate variations	0.00	1,169.68
- Astra litigation compensations	0.00	480,000.00

ITEM / PERIOD	JUNE 2005	JUNE 2006
3.Cash outflows	10,797,072.78	59,328,287.58
-Expenses with employees + collaborators	4,780,487.48	3,232,531.09
-suppliers	1,221,586.60	1,561,712.43
-profit tax	2,482,646.42	881,939.00
-VAT	390,291.12	75,380.00
-local tax	2,172.39	55,926.00
-discount advances	82,599.34	86,389.65
-banking comissions	18,983.58	17,159.01
-wares supply	66,174.99	62,547.11
-AP discount	3,525.85	3,591.07
-other payments	1,718,353.41	3,113.39
- restitution of auction pledges	0.00	140,200.00
- amounts pending discount	0.00	2,790.00
- amounts pending resolution	0.00	10,001,391.46
- payments to SARA	0.00	43,178,105.77
- exchange rate variations	0.00	9,211.60
- sponsorships	30,251.60	16,300.00
B.Investment activity(4-5)	30,846,410.04	20,778,941.81
4. Cash inflow	62,475,824.77	49,486,527.84
-deposit interest	8,952,385.26	3,253,813.40
-titles interest	0.00	109,942.32
-checking account interest	5,174.45	267.50
-bonds interest + coupon	1,390,641.43	705,799.62
-receipt from sale of shares	23,469,764.92	7,874,446.25
-receipt from BRD depository	0.00	5,726,495.88
-dividends of portfolio companies	26,714,107.64	31,815,762.87
- vanzari sale of fixed assets	1,943,751.07	0.00
5.Cash outflow	31,629,414.72	28,707,586.03
-acquisitions of fixed assets	189,409.28	52,483.30
-acquisitions of titles	29,733,605.45	15,674,000.18
-acquisitions of bonds	1,706,400.00	0.00
-payments of BRD depository	0.00	12,981,102.55

II.1.3. RISK MANAGEMENT

Description of the company's exposure to risk

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

a) Exchange rate risk

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

promissory notes denominated in US dollars and Euros as well as bank deposits denominated in EUR.

b) Economic environment risk

The Romanian economy continues to present specific emerging economy features. There is still a significant degree of uncertainty regarding the future political, economic and social environment development. The Company's management can not predict the nature of changes that can occur in the Romanian economic environment and their effect on the financial situation and on the Company's operational and treasury results.

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

FIC does not have a formal policy to cover the risk associated with the economic environment.

c) Interest rate risk

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

d) Credit risk

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

FIC does not have a 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 rapidly liquidate investments in such instruments at a value close to the one determined based on the calculation model for the financial companies net asset value, provided in Regulation 15 / 2004 issued by the National Securities Commission (CNVM) in order to fulfil the own liquidity requirements.

FIC does not have a formal policy to cover the credit risk.

f) Tax related risk

The Romanian fiscal system is subject to various interpretations and permanent changes, which may be retroactive. In certain situations, the fiscal authorities may adopt a position which differs from FIC Moldova's position and may calculate certain fiscal raises and penalties.

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 submission. 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.

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

Portfolio exposure on Jun 31, 2006, according to the net asset value calculated and certified by the depository, BRD – GSG Bucuresti, was the following:

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

Type of asset	Asset value (RON)	Weight in total assets	Limit imposed
Closed shares (excepting BCR and Bancpost, according to the provisions of art.275 para (2))	22.686.332,84	1,893	
Closed bonds (municipal and corporative)	1.194.976,00	0,099	
Deposit certificates	31.898.612,10	2,661	
TOTAL	55.779.920,94	4,653	< sau = 20%

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

Up to Apr 30, 2006, holdings of TLV shares exceeded the 10% threshold set forth.

On Jun 30, 2006 these are within the limit, precisely 8,433% .

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

- *On Jun 31, 2006 there was one company – BRD Bucuresti (48,008%) which did not comply with item b) provisions for which provisions of the next paragraph are applicable:*

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

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

Group name	Asset value (RON)	Weight in total assets (%)	Limit imposed
BT GROUP , of which:			
TLV shares	101.089.409,18	8,433	
TLV bonds	1.184.811,00	0,099	
BT Maxim and BT Invest 1 shares	2.892.898,00	0,241	
GROUP TOTAL	105.167.118,18	8,773	< sau = 50%

The total holding in BT group does not exceed the limit imposed.

d) The weight of derivative financial instruments, excepting those traded outside regulated markets, which may not exceed 20% of the total – *not applicable*.

e) The weight of current account and cash may not exceed 10% of the total assets.

On Jun 30 2006 the weight thereof was 0,020 % (237.395,72 RON/1.198.715.311,44 RON), much below the limit allowed.

f) The weight of bank deposits with the same bank may not exceed 30% of the total assets.

Total holdings in bank deposits amount to 3,256 % of the total assets (39.024.629,59 RON/1.198.715.311,44 RON).

g) Total holdings in derivative financial instruments may not exceed the total net asset value.

The value of the derivative financial instruments = 9.280 RON < net asset value = 1.129.253.991,44 lei.

h) The weight of total participation in the Association of Collective Investment Organizations (AOPC) may not exceed 50% of the total assets.

AOPC name	Asset value (RON)	Weight in total assets (%)	Limit imposed
XFOA shares	12.605,42	0,001	
BT Invest 1 securities	904.898,00	0,075	
TOTAL AOPC	917.503,42	0,076	< or = 50%

The actual weight does not exceed the limit imposed.

II.2. ACHIEVEMENT OF NON-FINANCIAL OBJECTIVES IN THE 1ST SEMESTER OF 2006

II.2.1. STATUS OF LITIGATIONS

In the 1st semester of 2006 the Legal Service of the Financial Investment Company Moldova recorded 260 files involving litigations.

Of the 260 litigation files recorded in the 1st semester of this year a total of 225 files are in court, in various judicial stages and 35 cases were closed as a consequence of their resolution.

The structure of these litigations in relation to the judicial position:

- **SIF MOLDOVA as a plaintiff: 175 cases in court in various judicial stages;**
- **SIF MOLDOVA as a defendant: 50 cases in court in various judicial stages.**

As regards the effort to recover amounts due to our company by various debtors, as a consequence of diligences made by the Juridical Service during this semester, a total sum of 40.515,43 RON was recovered, representing receivables fully settled in litigations involving claims from overdue dividends, as well as the amount of 480.000 RON arising from a judicial transaction.

I. LITIGATIONS IN WHICH FIC MOLDOVA IS A PLAINTIFF

- **total litigations = 210, of which 35 were settled during the 1st semester of 2006**
- **total litigations in court = 175 at the end of this year, in various stages of litigation;**
- **value of litigations = 10.753.758,77 RON**, of which 800.713,69 RON in litigations involving recovery of overdue dividends, 5.044.092,70 RON in bankruptcies and judicial reorganisations and 4.908.952,38 RON in lawsuits involving claims
- **value of litigations in foreign currency**, divided according to object :
 - **10.552.110,68 USD; 199.313 EURO**, in judicial liquidations;

- ❑ **4.619.314,00 USD**, in cases involving claims;
- ❑ **3.730.000,00 USD**, in draft oppositions
- ❑ **16.137.482,79 USD**, in contestations for fulfillment

These litigations are categorized thus:

1. Litigations involving the repealment of illegal resolutions of General Meeting of Shareholders of portfolio companies = 79 cases, of which 7 were finalized during this year, a number of 72 files remaining in court in various stages of litigation.

22 cases were filed in the 1st semester of this year, their object being mainly increases or decreases of the registered capital of companies in the FIC portfolio, operations adversely affecting our company's participation quota in the respective companies.

As regards the solved cases it is worth mentioning the manner of resolution of the litigation with "Asigurare-Reasigurare Astra S.A." After the sale of FIC Moldova stock in the company, the litigation was solved by a judicial transaction involving the waiving by our company of the right of litigation in exchange for compensation worth 480.000 RON.

Finally, it is worth mentioning that from these litigations 31 cases were solved by court decisions favorable to FIC Moldova and in 15 cases the action was rejected.

2. Litigations involving recovery of overdue dividends = 29 cases, of which 15 were finalized during 2006, 14 litigations remaining in court or undergoing foreclosure ([annex IV.6.2](#)).

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

As a consequence of efforts made during the 1st semester of 2006, 40.515,43 RON were recovered as a result of these litigations.

Regarding the receivable amounting to 7.081,05 RON from "Gastroinvest S.A." Iasi, we specify that the litigation was solved amiably by direct settlement. In this situation, a rescheduling agreement was signed, the instalments and due dates being respected up to the date of the present report. All instalments are guaranteed by the debtor with commercial papers.

3. Litigations involving judicial reorganisation and bankruptcy procedure = 39 cases of which 36 in court and 3 solved and closed ([annex IV.6.3](#)).

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

During this semester only two receivables were declared, respectively in the judicial liquidation files involving S.C. Onsal S.A. Onesti and S.C. Max Invest S.R.L. Bucuresti. Regarding the receivable from S.C. Max Invest S.R.L. Bucuresti, S.C. Lerus S.R.L. Sibiu and S.C. Editip S.A. Tulcea, we specify that initially, these receivables were declared at bankruptcy as being qualified debts. After the foreclosure of our company by SARA, based on orders no. 1427 of Jun 1, 2006 and 1437 of Jun 16, 2006, the correction of the Creditors' table was requested in the bankruptcy file of these companies, in order to be included in the table with certified receivables.

Obviously as a result of this foreclosure, the pursuit of bankruptcy cases is centered on the liability of former administrators that contributed to the insolvency of the respective bankrupt companies and thus prejudiced FIC Moldova. This kind of cases were initiated in bankruptcy cases involving S.C. Pol Handel Impex S.R.L. Suceava, S.C. Aust Rom S.A. Tusnad Sat, S.C. C.B. Investitii S.R.L. Bucuresti, S.C. Max Invest S.R.L. Bucuresti, S.C. Cona Impex S.R.L. Beresti-Tazlau and S.C. Genexim S.R.L. Bacau.

As regards the solved cases, bankruptcy procedure was closed without FIC settling the declared receivable, mentioning that for the amount of 500.288,73 RON against S.C. Cona Impex S.R.L. Beresti-Tazlau a request was made for liability of the administrators, case still in lower court.

In this category are 44 permanent consultation cases, in files where FIC Moldova is not a creditor but a shareholder of companies undergoing bankruptcy.

4. Litigations involving various financial claims = 13 cases, of which 12 remaining in court and one solved ([annex IV.6.4](#)).

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

Throughout this semester, 2 actions of this type were initiated in which foreign citizens are involved.

In this context the admission by a final and irrevocable ruling of FIC's request to incur liability of the former administrator of S.C. Aust Rom 95 S.A. Tusnad Sat (former beneficiary of an endorsement of a promissory note), the defendant being forced to pay 470.000 USD.

5. Litigations with various objects = 9 cases, of which 3 were solved during this year and 6 are still in court.

In the course of this year, three litigations were initiated. That against S.C. Iason S.A. Brasov involves not just the cancellation of a convention but the obligation of the company's administrators to compensate the damage to our company, the amount having to be determined in a specialist expertise to be done in the case.

The action against S.C. "1 JUNE" S.A. Timisoara – insolvent company – essentially involves the removal of the blocking order issued by the bankruptcy trustee against shares owned by FIC in this company, measure that prevents an eventual decision to sell the stock.

Also, the action of FIC Moldova against the Independent Monitor Registry Bucharest was admitted, Bucharest Court also ordering the defendant to compensate trial expenses to our company, amounting to 1.477,23 RON, decision that at the present moment is not final and irrevocable.

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

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

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

Litigations involving draft oppositions and contestations to the foreclosure of promissory notes endorsed by FPP II Moldova = 32 cases in court, against SARA ([annex IV.6.6](#)).

In cases involving draft oppositions, amounting to 7, we note the favourable ruling in the opposition involving promissory notes issued by S.C. Exotic Com S.R.L. Piatra Neamt worth 450.000 USD, litigation in which the court sustained the opposition and ordered the cancellation of the promissory note. As regards the other oppositions, they were submitted this semester, being in lower court. In cases in which the court decided to waive its competence FIC submitted an appeal that is to be solved in the next period.

Cases involving oppositions aim at the formal cancellation of these claims. In these cases FIC is involved as a challenger against SARA but the specification in the table found in [annex IV.6.6](#) of the value of the promissory note was done exclusively for the identification of the promissory note. We specify that the amount indicated as a value of the promissory note in [annex IV.6.6](#) draft oppositions in court – is not the amount requested by FIC from SARA.

Some of the promissory noted mentioned in the oppositions are also found in the table of contestations to fulfillment.

In these cases FIC contests the legality of the foreclosure started and carried out by SARA, in case FIC's contestation is admitted the recovery of amounts foreclosed illegally following to be pursued.

The contestations to fulfillment, numbering 25 cases, were submitted this semester, after the initiation by SARA of the foreclosure procedure based on the two orders issued in June 2006. The litigations are in lower or appellate court, noting that FIC's appeal only concerns the declination of competence by the court and not a ruling in the substance of the case.

7. Criminal litigations = 9 cases in court, in two of which criminal prosecution was ceased or not started and 3 cases are still being investigated.

II. LITIGATIONS IN WHICH FIC MOLDOVA IS A DEFENDANT

- total litigations in court – 50, in various judicial stages;

- **value of litigations in RON = 5.065.614,41 RON**, of which 4.445.614,41 RON in litigations involving claims and 620.000 RON in cases involving direct draft oppositions against SARA;
- **value of litigations in foreign currency**, in direct actions against SARA:
 - ❑ **7.070.140,00 USD;**
 - ❑ **1.090.00,00 DEM.**

Litigations in this category are classified thus:

1. Litigations with various objects and claims files = 26 files in court in various judicial stages;

There are 12 cases involving various objects, referring to requests by third parties to establish the nullity of sale contracts, the write-off of mentions, financial claims or the cancellation of the Ordinary General Meeting of Shareholders no. 9 / Apr 29, 2006 of Fic Moldova.

Involving the litigation with Filip Gelu in which he requests the write-off of the mortgage filled in on behalf of FIC Moldova we mention that in case no. 178 / 2006 Bacau Tribunal – Commercial Section declined its competence to try the case in favour of Bacau Court. Our company filed an appeal, the court issuing a term for a ruling for August of this year.

There are 13 cases involving the claiming of fixed assets, referring to claims of certain assets. In 12 cases they involve requests by certain persons from companies in the portfolio of FIC Moldova. In these cases, our company is called as a guarantor by companies effectively holding those assets.

As regards the action initiated by Suceveanu Margareta claiming from FIC Moldova 785 m² of real estate located in Bacau, str. Trotus, nr. 5, Bacau County, as well as the razing of buildings erected on that land, respectively 5 garages, a valuables vault, a grocery store and a public toilet, the case is pending resolution with a term in September of the current year.

2. Litigations involving direct bill actions and disputes for cancellation = 10 cases, against Bankcoop ([annex IV.6.9](#)).

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

3. Litigations involving special actions in claims = 14 cases, against SARA ([annex IV.6.10](#)).

These cases were initiated by SARA, based on special procedural provisions in the Government Emergency Ordinance no. 51 of 1998.

The initiation of these litigations was announced by our company through the publication of current reports in June of 2006.

We specify that these litigations initiated by SARA involve a claim through which SARA requests FIC to pay amounts in promissory notes previously cancelled by the court through final and irrevocable rulings.

Excepting the case involving S.C. Symbol Electronica S.R.L. Bacau (initiated in 2003) in which SARA was ruled in favour of up to this moment, for an amount exceeding that declared at the bankruptcy meeting of S.C. Symbol Electronica S.A. The other 12 cases were submitted during the 1st semester of 2006. At this time, these cases are in lower court, namely the Bacau Court of Appeal.

Through these actions, SARA aims at being granted a new warrant for foreclosure (court decision) against our company as a consequence of the cancellation of promissory notes, without showing the same aggressiveness towards the issuers of promissory notes that were the true beneficiaries of amounts received from the former Bancorex S.A.

Regarding the case involving the claim submitted by SARA for the payment by FIC of amounts in promissory notes issued by S.C. Symbol Electronica S.R.L. Bacau, against the ruling of the High Court for Cassation and Justice – the Commercial Section, a dispute for cancellation and a request for review were submitted, requests that are to be settled during the 2nd semester of the current year.

Reporting of the company's litigations according to the provisions of art. 113, para. A, letter (j) of NSC Regulation no. 1 / 2006 and art. 27 letter (l) and (m) of BSE Regulation no. 3 / 2001.

During the 1st semester of 2006, FIC MOLDOVA reported 13 events related to litigations initiated by SARA against FIC MOLDOVA (involving claims) as well as actions initiated by FIC against SARA by contestations for fulfillments. Reports were drawn up according to the provisions of NSC Regulation no. 1 / 2006 and BSE Regulation no. 3 / 2001 previously mentioned.

We specify that the reporting of the litigations was done taking into consideration the possibility of them having a significant influence on the activity of FIC MOLDOVA as well as the possible influences on the trading price of securities of FIC MOLDOVA.

[Annex IV.6.11](#) mentions all reports issued.

I.2.2. RELATIONS WITH SHAREHOLDERS AND CAPITAL MARKET INSTITUTIONS

FIC Moldova fulfilled all obligations ensuing from legal provisions, as follows:

a. In relation to capital market institutions

a.1. Periodic reports towards NSC and BSE

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

- annual report at Dec 31, 2005 – transmitted to NSC and BSE, published in synthesis in the press, available at the company head office and presented for consultation on the company website (www.sifm.ro).

- quarterly report at Mar 31, 2006 transmitted to NSC and BSE (according to the financial calendar), included in the www.sifm.ro website and available in written form for consultation at the company head office. In the Bursa newspaper of May 11, 2006 the issuance towards shareholders of

the report was notified, according to Law 297 / 2004 and NSC Regulations no. 15 / 2004 and 1 / 2005.

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

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

- significant transactions – sale / subscription of shares of SC Metex SA Tulcea Condmag Brasov, CNTEE Transelectrica, Banca Transilvania;

- other important aspects communicated: financial calendar, payment of dividends, modification of Articles of Incorporation, notifications regarding SARA notices / foreclosures / litigations.

b. In relations with shareholders

Obligations to inform FIC Moldova shareholders were respected by the issuance of press releases, publishing of reports, information through the electronic system of the capital market, offering equal treatment to shareholders. Information in the reports was related to:

- the organization and conduct of the Ordinary General Meeting of Shareholders of 28 / 29.04.2006: convocation of the meeting (Bursa newspaper and the local Desteptarea newspaper of Jan 27, 2006, the Official Gazette part IV, no. 370 / Feb 1, 2006), informative material related to the agenda, decisions (Bursa Newspaper of May 3, 2006, the Official Gazette part IV, no. 1476 / May 15, 2006);
- reports of the Board of Directors : annual report and the 1st quarterly report of 2006 (Bursa newspaper of 11.04.2006 and 11.05.2006);
- information regarding the payment of dividends (Bursa newspaper of 24.05.2006);
- significant transactions;
- approval of BD members and the modification of Articles of Incorporation (Bursa newspaper of 05.07.2006, Official Gazette part IV, no. 2044 / 30.06.2006) ;
- other events.

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

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

Appropriation and payment of dividends towards shareholders was carried out according to decisions adopted by the Ordinary General Meeting of Shareholders of April 29, 2006 - dividends were paid through the pay office (shareholders – natural persons) and bank transfer (natural and juridical persons) on request, thus:

Status of payments up to **Jun 30, 2006** is as follows:

SHAREHOLDERS	NO. OF SHAREHOLDERS	DIVIDENDS PAID up to Jun 30, 2006 (RON)			
		2003	2004	2005	TOTAL
Juridical persons (transfer)	58	0.00	5,427.00	2,792,196.59	2,797,623.59
Natural persons (transfer/pay office)	1933	22587.13	32965.07	2543161.2	2600646.4
TOTAL	1991	22,587.13	38,392.07	5,335,357.79	5,398,269.99

II.2.3. INTERNAL AUDITING AND CONTROL ACTIVITY

The internal audit activity in the first quarter of 2006

The internal audit activity is carried out on the basis of the engagement plan agreed in compliance with the company's objectives.

The audit plan for 2006 was approved in the Board meeting of February 24, 2006. The internal audit plan was drawn up with a view to covering all the activities and operations during three years and to providing for the audit continuity from the previous period.

The main objectives of the internal audit are:

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

The internal audit is carried out in the following forms:

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

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

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- protection of assets;

compliance with laws, regulations and contracts.

In the 1st semester of 2006 the following operations were submitted to auditing :

- the liabilities of FIC Moldova resulting from guarantees granted (promissory notes);
- the inventory of assets and liabilities, the evaluation of asset and liability items on occasion of the inventory in the balance sheet drawn up on Dec 31, 2005;
- the management of human resources; the closing and conduct of the Collective Work Contract; the remuneration of staff.

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

The internal audit consider that the activities and operations carried out during the first semester of 2006, which were subject to the audit, conform to the corporate policies, programmes and management, according to the legal provisions and internal regulations.

Activity of the Internal Control Department for the 1st quarter of 2006, according to the provisions of art. 37-41 of NSC Regulation no. 15 / 2004 and Investigations Plan of the Internal Control Department for the year 2006, approved in the FIC Moldova Board of Directors' meeting of Feb 24, 2006 and registered with NSC with number 734 on Mar 3, 2006 the activity of the representative of the Internal Control Department consisted of the following:

1. In the Dec 16, 2005 – Jan 20, 2006 period the control of the calculation and pay of commissions, taxes and other amounts due to NSC and capital market entities was performed thus:

- a) A share of 0,1% of the monthly net assets due to NSC, art. 5 and paragraph 2 of the annex;
- b) Fees charged by NSC for the issuance of individual acts;
- c) Monthly dues for the National Union of the Collective Investment Organizations;
- d) Depository commissions;
- e) Trading commissions;
- f) Commissions and services of BSE;
- g) Commissions for registry services;
- h) Commissions for receipts related to bonds;

The internal control report regarding the calculation and pay of commissions, taxes and other amounts due to NSC and capital market entities was presented and approved in the Board of Directors' meeting of FIC Moldova of Jan 26, 2006.

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

Compliance with the provisions of art. 188 of NSC Regulation no. 15 / 2004 regarding FIC Moldova investments in assets listed in art. 101 paragraph (1) and art. 102 para. (1) latter b) of Law no. 297 / 2004, as well as in assets mentioned in art. 187 letter a) and b) of the aforementioned regulation.

Period under investigation: Aug 1, 2005 – Mar 31, 2006.

This report was presented and approved in the FIC Moldova Board of Directors' Meeting of Apr 27, 2006.

3. In the Apr 24, 2006 – May 15, 2006 compliance by FIC Moldova with legal regulations regarding privileged information was examined.

Compliance by FIC Moldova with the provisions of Law 297 / 2004, NSC Regulation no. 13 / 2004 and NSC Regulation no. 1 / 2006 regarding the regime of privileged information was examined.

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

The internal control report regarding compliance by FIC with legal provisions related to privileged information was presented and approved in the Board of Directors' meeting of May 26, 2006.

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

Compliance by FIC Moldova with the provisions of Law 297 / 2004 and Regulation no. 15 / 2004 regarding the evaluation of shares held by FIC Moldova .

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

This report is to be presented in the FIC Moldova Board of Directors' Meeting of Jul 28, 2006.

5. Permanent activities of the Internal Control Department:

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

III. IMPORTANT EVENTS, SIGNIFICANT TRANSACTIONS

Important events in the 1st semester of 2006 were subject to continuous and periodic reports, being brought to the attention of market institutions and shareholders by reports, publication in national newspapers and on the company website www.sifm.ro as mentioned in chapter I.2.2.

Significant transactions (amounting to more than 500.000 \$) closed in the 1st semester of 2006 were :

	Significant transaction	Transmitted to BSE / NSC	Published in the press on:
1	Sale of shares SC METEX SA Tulcea	02/22.02.2006	BURSA newspaper 23.02.2006
2	Acquisition of shares SC CONDMAG SA Brasov	1773/22.05.2006	BURSA newspaper 23.05.2006
3	Subscription of shares C.N.T.E.E. TRANSELECTRICA SA	2039/15.06.2006	BURSA newspaper 16.06.2006
4	Subscription of shares BANCA TRANSILVANIA SA	2137/22.06.2006	BURSA newspaper 23.06.2006
5	Subscription of shares C.N.T.E.E. TRANSELECTRICA SA	2169/27.06.2006	BURSA newspaper 28.06.2006

President general Manager
Sorin Mihail TURTOESCU

Financial Manager,
Liana MARIN