SIF MOLDOVA
SOCIETATE DE INVESTITII FINANCIARE

Activity Report of the Board of Directors

- *1st Half of 2014* -

URS is a member of Registrar of Standards (Holdings) Ltd.

Dear shareholder,
We would like to present you the main details in the evolution of SIF Moldova in H1 2014 and the projections of future activity, in accordance with the "Declaration of investment policies for 2014-2018" and the "Activity Program for 2014" (documents approved by shareholders in the OGAS of Apr 15, 2014).

Portfolio structure
In the framework of the multiannual strategic directives, the creation of an asset portfolio containing mainly listed assets (80,6% of the total value of assets) was maintained as a main objective. At the same time, the financial and energy sectors were maintained as main sectors in the portfolio structure (financial – 39,3% respectively energy – 26,5% of the total value of assets. Concomitantly, the process of decreasing the number of investments in the portfolio was accelerated, recording an exit from 15 companies and the increase in holdings per issuer, so that there is direct positive influence on portfolio performance.

The investment process
In accordance with the presented strategies and in the given macroeconomic context, sale operations, growing markedly compared to H1 2013, were mainly aimed at recalibration in the financial sector through sales of banking securities and the purchase of non-UCITS securities, namely those of SIFs. The Erste investment was sold (Jun 30, 2013: 21.4% of total assets), while the investment in Transilvania Bank increased to 23,35% of total assets (H1 2013: 9,85%). As a consequence of the ASF Decision no. 23 / Feb 5, 2014, through which investments in non-UCITS SIFs were allowed, SIF Moldova invested in H1 2014 in SIF4, SIF5 and SIF1 at the level of 6,09% of total assets. Investments in SIF4 and SIF5 were carried out within the legal ownership limit of 5. The purchase decisions were based on the potential for price growth in the context of a favorable forecast for the evolution of the stock market and the gradual recognition by investors of the value of net assets in the market price.

Financial performance
The acceleration of the process of recalibration of the portfolio to the aforementioned specifications, as a basis for future development, generated as of H1 2014 a net profit of 182 mil. RON (155% of the 2014 Revenue and Expenses Budget – REB), recording revenue from ceded financial investments of 284 mil. RON (145% of the 2014 REB), respectively of a profit from sales of securities of 198 mil. RON (146% of the 2014 REB).

Projects in progress
Following the portfolio reclassification strategy, a second stage of the process of transferring non-performing companies towards the Asset Invest SA Bacau company (where SIF Moldova holds 99,85% of the share capital) was finalized, an operation that resulted in the improvement of the management of the share portfolio by decreasing monitoring costs and ensuring the basis for attracting specialized management to Asset Invest SA. On the other hand, to the end of eliminating secondary activities of managing real estate and focusing resources towards investment activities, the process of transferring non-current assets (buildings and the associated land) from the SIF Moldova patrimony towards SC CASA SA (a company where SIF Moldova holds 97,53% of the share capital). In order to include the rates of return expected in the process of rebuilding the portfolio, a series of opportunities are being studied, analyzed as distinct projects, mainly oriented towards the fields included in the long term strategy approved by shareholders in the OGAS of AGAO/15.04.2014 *(current report of Jul 9, 2014)*.

Respectfully,
Costel Ceocea, PhD
President & CEO of SIF Moldova

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[1] The structure of the report complies with the provisions of the CNVM / ASF Regulation no. 1 / 2006 regarding issuers and operations with securities. We specify that in order to ensure compatibility and continuity at the level of the information provided to shareholders / investors, the structure of the report complies with the main points in the yearly report template (annex 32 to the CNVM / ASF Regulation no. 1 / 2006), an approach that covers all information provided in the template for the half yearly report (annex 31).

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Analysis of activity

1.1 Description of the primary activity

TYPE OF THE INVESTMENT COMPANY

SIF Moldova is a non-UCITS, mainly focused on the Romanian market, operating as a closed fund with investments in shares, having a medium level of risk and temporary liquidity investments in fixed income instruments.

The legal framework – SIF Moldova is a financial investment company of the closed type, constituted in accordance with the provisions of Law no. 133 / 1996 for the transformation of Private Property Funds into financial investment companies, classified in the "non-UCITS - Undertakings for Collective Investment in Transferable Securities (A.O.P.C.) category, with a diversified investment policy", attested by the National Securities Commission (CNVM) with Attestation no. 258 / Dec 14, 2005.

Purpose – creation of value for shareholders through diversification.

Object of activity:

- Management of financial instruments designated as such by ASF regulations;
- Other associated activities, in compliance with legal regulations in force;
- According to the classification of activities in the NACE Rev. 2, the activities conducted by SIF Moldova are included in the 6499 class "Other financial intermediary services not classified somewhere else".

1.2 . General information

Related information in ***The SIF Moldova Corporate Governance Code*** *Chapter 2. About us. Defining the operating framework*

Subscribed and paid-in share capital:	51.908.958,8 lei
No. of outstanding shares:	519.089.588
Nominal value:	0,1 RON/share
Shareholding structure:	100% private
free float:	100%

Regulated market trading issued securities:
Bucharest Stock Exchange – Tier I

International identifiers: Bucharest Stock Exchange: SIF2
ISIN: ROSIFBACNOR0
Bloomberg: BBGID BG000BMN5F5
Reuters: SIF2.BX

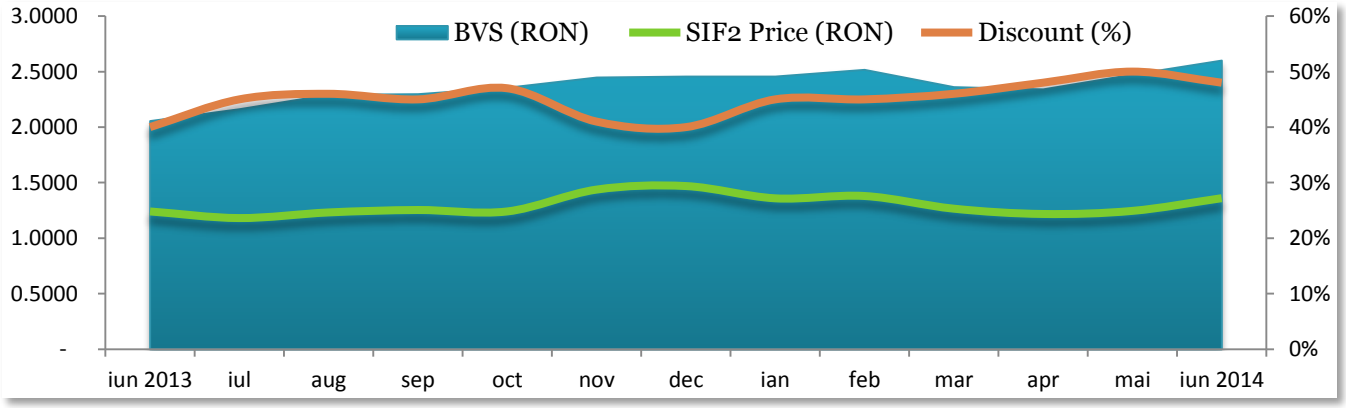
1.3 Evaluation of activity. Objectives. Results.

1.3.1. Achievement of objectives

Evolution of asset value
(CNVM/FSA regulation approach [2])

Indicator (mil RON)	2012	H1 2013	2013	H1 2014	H1 2014/H1 2013 (%)
Total assets (mil RON)	1.144	1.189	1.339	1.442	121
Net assets (mil RON)	1.090	1.066	1.275	1.350	127
Book value of shares (RON)	2,10	2,05	2,45	2,60	127
Market price (RON)	1,45	1,24	1,47	1,36	110
Discount (%) Market price / Book value of shares	31	40	40	48	

BVS evolution / SIF2 price / Discount (YOY)



Objective:
Maintaining the main weight in shares, mainly listed shares

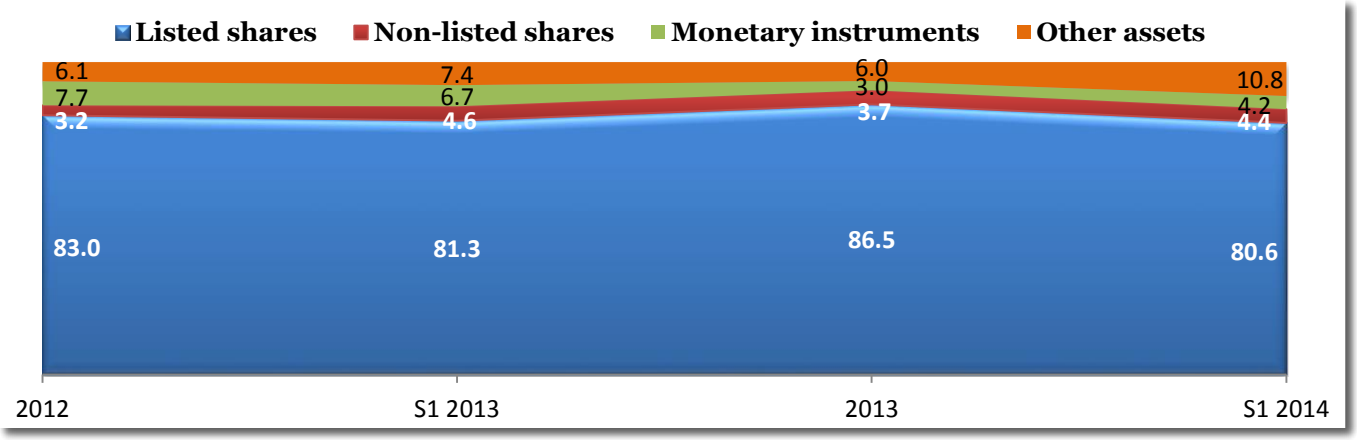
Evolution of the structure of assets

Structure of assets (% of the total value of assets)	2012	H1 2013	2013	H1 2014	Spread H1 '14 - H1 '13
Shares, of which:	86,33	85,93	91,03	85,07	-0.84
- listed	83,04	81,31	86,46	80.66	-0.63
- unlisted	3,29	4,62	4,57	4,41	-0.21
UCITS + non-UCITS securities (fund units)	3,34	3,12	3,34	3,02	-0.10
Monetary instruments (deposits, liquidities)	7,71	6,72	2,99	4,27	+2.47
Bonds (municipal, corporate)	0,88	1,29	0,96	0,76	-0,53
Other assets	1,74	2,94	1,68	6,88	+3,94

[2] Annex 1 to the report features: (1) situation of net assets as of Jun 30, 2014 (annex 16) as well as (2) detailed situation of SIF Moldova assets as of Mar 31, 2013 (annex 17) – drafted in accordance with CNVM / ASF Regulation no. 15/2004 and CNVM / ASF DM no. 23 /2012

Portfolio evolution by type of asset

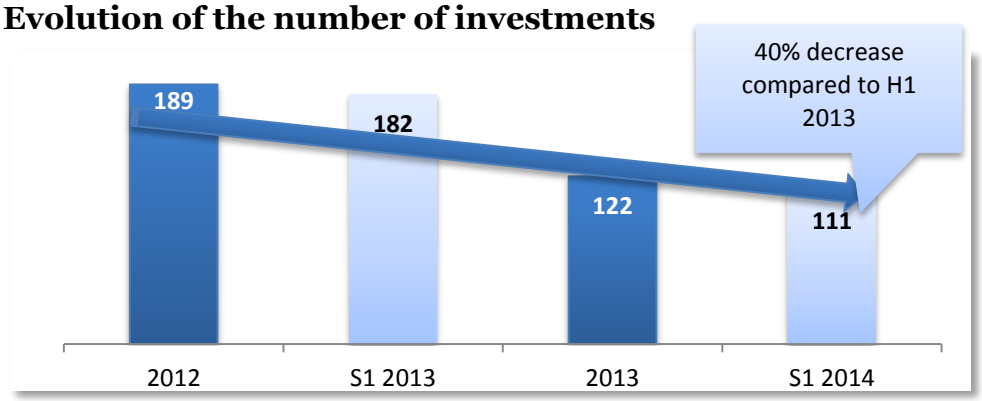
(% of the total value of assets)



1.3.2. Share portfolio

Evolution of the number of investments

Objective:
The decrease in number of investments and the increase of investment / issuer, positively influencing the portfolio.

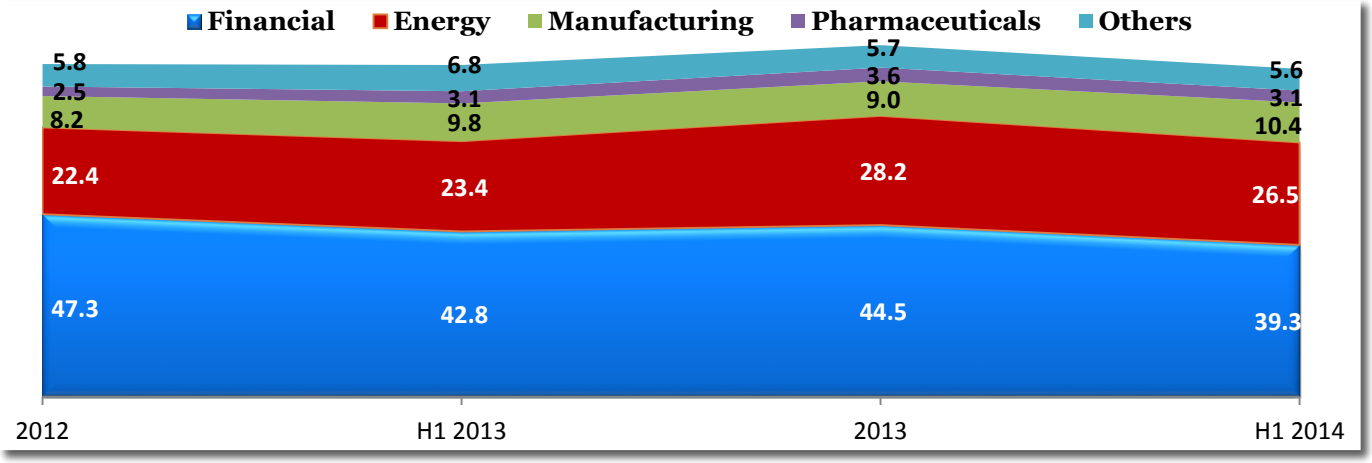


Share portfolio evolution by sector

(% of the total value of assets)

Objective:
Maintaining the financial and energy sectors with important weights in the portfolio

Exposure by sector	2012	H1 2013	2013	H1 2014	Spread H1 '14 - H1 '13
Financial	47,33	42,80	44,48	39,30	-3,50
Energy	22,47	23,41	28,23	26,51	+3,10
Manufacturing	8,19	9,84	8,97	10,45	+0,61
Pharmaceuticals	1,78	2,49	3,61	3,44	+0,95
Commerce	2,56	3,17	3,61	3,18	+0,01
Construction	0,91	1,04	0,87	0,82	-0,22
Agriculture	1,27	0,71	0,63	0,60	-0,11
Others	1,82	2,53	0,63	0,78	-1,75

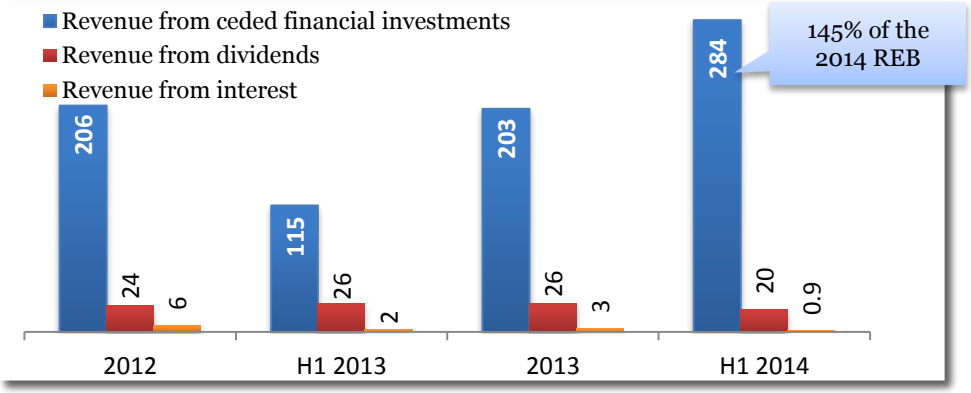


Top companies in the portfolio (30.06.2014)

Issuer	% held in the issuer's share capital	weight in total assets > 1%
BANCA TRANSILVANIA	8,53	23,35
FONDUL PROPRIETATEA	1,33	10,66
BRD	1,85	8,46
OMV PETROM	0,38	7,19
SNTGN TRANSGAZ	2,27	3,83
SIF OLTENIA	4,91	3,74
BIOFARM	13,81	2,99
SIF MUNTENIA	4,94	2,32
SNGN ROMGAZ	0,24	2,28
AEROSTAR	14,62	1,95
TESATORIILE REUNITE	92,08	1,92
TRANSELECTRICA	1,39	1,59
RULMENTI BARLAD	6,00	1,44
REGAL	93,01	1,11
MECANICA CEAHLAU	55,10	1,09
TOTAL		73,92

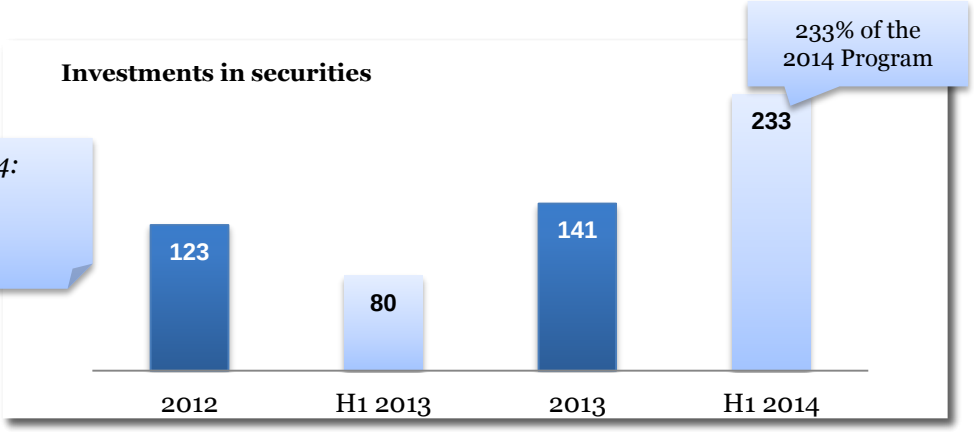
1.3.3. Operations

Indicator (mil RON)	2012	H1 2013	2013	H1 2014	H1 2014/H1 2013 (%)
Revenue from ceded financial investments	206	115	203	284	247
Revenue from dividends	24	26	26	20	77
Revenue from interest	6	2	3	0,9	45



Indicator (mil RON)	2012	H1 2013	2013	H1 2014	H1 2014/H1 2013 (%)
Investments in securities	123	80	141	233	291

Investments in securities H1 2014:
232 mil. RON - shares
1 mil. RON –fund units



Strategic approaches. The main operations carried out in H1 2014.

The operations carried out in H1 2014 fall within the directives presented in the Declaration of Investment Policies 2014 – 2018 and of the 2014 Activity Program (approved by the O-GAS of Apr 15, 2014) and that are aimed at accelerating the portfolio restructuring process, redefining the categories of shares and the means of managing them, from the perspective of diversifying and exploiting investment opportunities.

Recalibrations in the financial sector

Trading operations carried out in the 1st half of 2014 were mainly aimed at securities in the financial and banking sector. The weight of the sector in total assets is of 39.3% (H1 2013 42.8%; 31.12.2013: 44,48%). The financial and banking portfolio underwent an elaborate optimization process in H1 2014, consisting of operations of transfer of banking securities and purchase of non-UCITS, namely SIF securities.

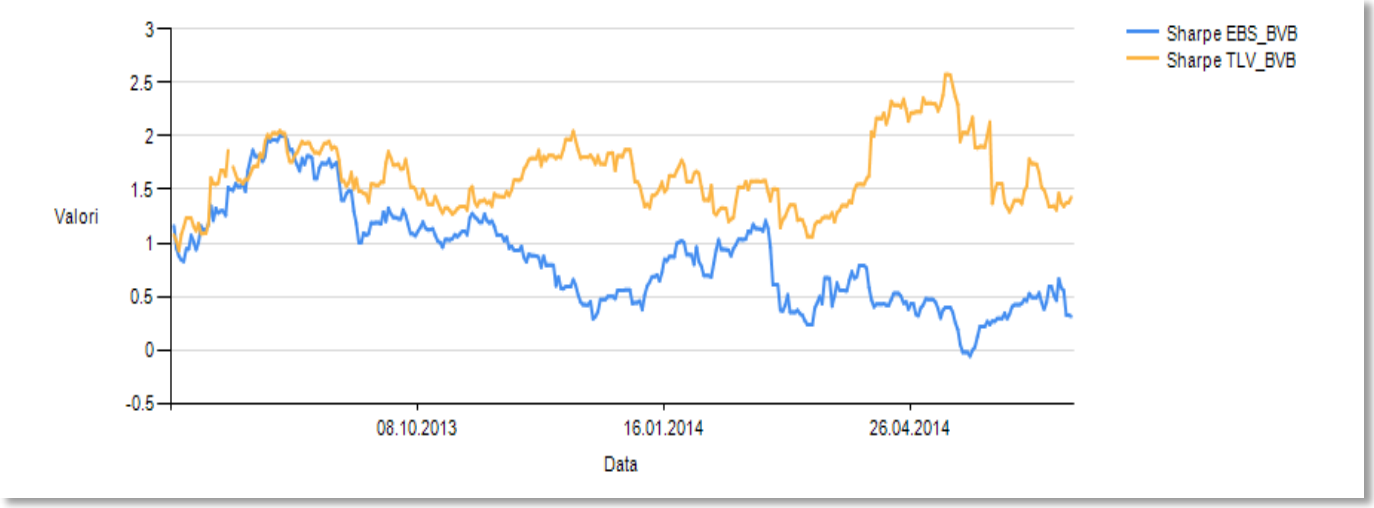
In H1 2014, the Erste investment was sold (Jun 30, 2013: 21.4% of total assets), while the investment in the Transilvania Bank increased to 23,35% of the total assets (H1 2013: 9,85%). The operations were carried out in accordance with the macroeconomic tendencies and the perspectives for the sector.

Issuers in the banking sector have to comply with requests by BNR to clean balance sheets, with negative consequences on profitability as a consequence of the possible additional provisions. The request by BNR consists of the elimination from the balance sheet of non-performing investments that were provisioned fully or 90% and of recording them in extra-balance sheet accounts. In the case of credits over 360 days overdue for which no recovery actions were initiated, the banks must determine what cash flows the clients in cause can produce in order to return credits and constitute provisions for the uncovered part. Concomitantly, regarding exposures to bankrupt clients, BNR requests covering credits with provisions of 90% of the gross exposure, which will be progressively issued as the reorganization plans are implemented. The impact of the BNR requirements will be different for each bank, determined by the policy applied for granting credit in the 2007-2010 period, by the quality of the assets held, by the solidity of guarantees constituted and by the level of provisioning of non-performing credits.

On the other hand, in the current macroeconomic context regarding the evolution of the financial - banking sector and in terms of preliminary financial results of banks in the Romanian banking

system where SIF Moldova has some holdings, the Board of Directors, on the recommendation of the Investment Policies Strategies Committee reviewed the opportunity to capitalize its investments in the sector (exposure as of 31.12.2013 - 44.5%) and maintaining the exposure on Banca Transilvania. This is motivated by the preliminary financial results of the bank and institutional capacity of information about the evolution of this issuer. The strategy adopted by the Board on the recommendation of the Investment Policies and Strategies Committee for H1 2014 and towards 2014 is validated by the results communicated by issuers in the Romanian banking sector.

Sharpe[3] ratio for the EBS and TLV issuers in the Aug 1, 2013 – Jun 30, 2014 period (prices in RON)



In this context, the Transilvania Bank (TLV) had a credit granting policy more prudent than that of other banks and a high degree of coverage through provisions and guarantees of non-performing credits, amounting to around 122% (the cost of risk according to IFRS in TLV constantly had values very close to the RAS value). The superior level of the degree of coverage with provisions and guarantees, the low weight of non-performing credits in total credits, a solid base of deposits (the credit / deposit ratio: 74%, the ability to generate capital (it is among the few banks that report increases of net revenue from interest) as well as the sustained profitability constituted the grounding for the decision to purchase TLV securities. The investment in the TLV issuer increased in H1 2014 to 23,35% (H1 2013: 13,59%).

The Erste investment (EBS) was sold in H1 2014 as a consequence of the unsatisfactory results in Q4 2013 (a loss of 369 mil. Euro), of achieving a net profit in 2013 8 times lower than that recorded in the previous year, as well as of negative perspectives generated by some

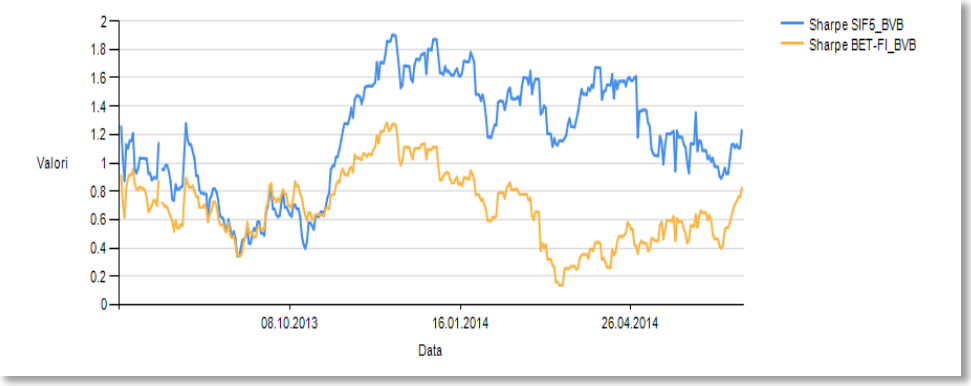
[3] *The Sharpe ratio expresses the return on unit of risk*

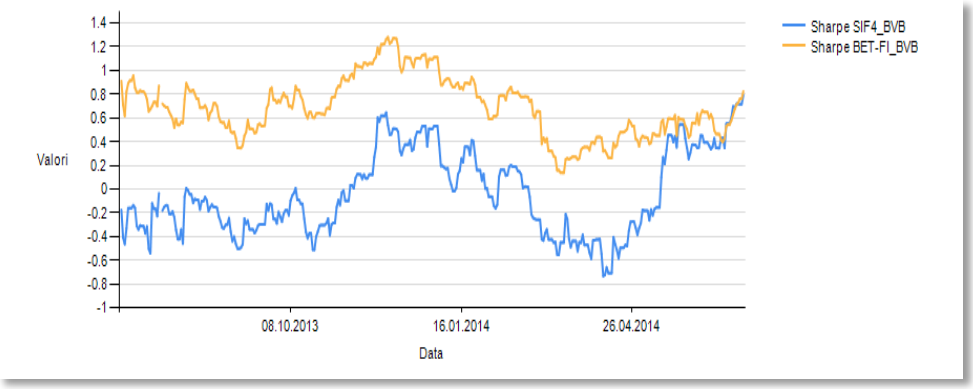
Eastern European field offices. The average sale price of EBS was of 108,9 RON / share.

The weight of the BRD issuer in total assets decreased in H1 2014 to 8,46% (H1 2013: 9,99%) as a consequence of sale operations carried out in the reference period, grounded in the 2013 financial results (a loss of 285 mil. RON) and of the high level of non-performing credits.

As a consequence of the ASF Decision no.23/05.02.2014, allowing investments in non-UCITS SIFs, SIF Moldova invested in H1 2014 in SIF4, SIF5 and SIF1 at the level of 6.09% of the total assets. Investments in SIF4 and SIF5 were carried out within the limit of the legal ownership limit of 5%.

Purchase decisions were based on the price growth potential in the context of a favorable estimation for the evolution of the stock market, on the gradual recognition by investors of the net assets value in the market price (SIF4 holdings in liquid securities together with cash and liquidities represented 90% of the market capitalization and SIF5 holdings in liquid securities together with cash and liquidities exceeded the market capitalization). Together with the discount of the price compared to the net assets, recording over 30%, indicating an under-evaluation, the high liquidity and volatility of these shares creates the bases for obtaining superior rates of return by exploiting market opportunities.





Another declared objective of the investment policy is the process of focusing investment activity on a low number of issuers together with increasing the investment per issuer, to the end of directly exerting a positive influence on the portfolio. The activity in H1 2014 resulted in:

- the sale of 15 issuers, of which 14 listed and one non-listed;
- the increase in exposure in the case of ARS, CMP, TEL, ELMA, BRK, EL.

Projects

Restructuring the share portfolio, with the aim of decreasing monitoring costs for the managed portfolio, recorded a few significant stages, as follows:

- Ceding stock held by SIF Moldova (in Avicola Iasi, Filbac Tg.Lapus, Laminorul Braila) towards Asset Invest SA Bacau, after receiving the ASF approvals mandated by law;
- carrying out operations preceding the contribution by SIF Moldova to the increase in share capital of Asset Invest SA Bacau (evaluation reports carried out by an independent expert) for Apa Canal Onesti, Cimex Tulcea, Concivia Braila, Constructii Feroviare Galati, Danubius Tulcea, Deltalact Tulcea, Delta Service Tulcea, Panimon Onesti, 1 Iunie Timisoara, Matasea Romana Cisnadie, Pantex Brasov; value of contribution: 3,6 mil. RON;
- pending finalization – the transfer of shares to Mondex Sibiu, Seromgal Braila towards Asset Invest SA Bacau.

The objective set at the incorporation of Asset Invest SA (held 99,85% by SIF Moldova) was the creation of conditions for attracting a specialized management.

1.4. Risk management

Related information in the ***Corporate governance code of SIF Moldova***

Chapter 11.1. The investment decision implementation process
Chapter 13. Risk management policy

The decision making mechanism is formalized and comprises the stages of justification of the decision, of conduct of the selection and of updating the context. The limits of investment are permanently corroborated with the prudential ownership limits and in tight connection with the stage of achievement of the objectives pre-set through investment policies. The decision-making process is set forth in procedures and corresponds to the requirement to manage opportunities within an optimal timeframe. In grounding investment decision we allocate an important role to identifying and reviewing potential risks, by always looking to rebalance the portfolio according to risk/return criteria. The evaluation of the probability and the impact of the market risk on investment objectives is performed through an IT risk management application that provides measures on exposure to market risk of the financial instruments portfolio and allows comparing the company's own portfolio to a reference one.

Exposure to market risk, quantified through ISRR: 16,09%.

Risk Management Revised Strategy of SIF Moldova , classes 1-2 were recorded as low risk, classes 3-4 as low-medium risk, class 5 as medium risk, class 6 as medium-high risk and and class 7 as high risk.

The synthetic risk and rate of return indicator (ISRR), calculated based on the annualized volatility of the monthly BVS from the previous three years of existence, determines the inclusion of SIF Moldova in the medium-high risk profile (risk class 6). This indicator is a measure of the value growth and decreases previously recorded by SIF Moldova's net assets per share, on a scale of 1 to 7. The risk indicator presents certain limitations, the historical data not constituting a guarantee of future results.
Inclusion in risk classes was done based on the table of annualized volatility intervals specified in CNVM/ASF Instruction no. 5/2012 regarding the shape, contents and presentation of the document regarding key information for investors in UCITS.

The prudential limitation system

1. CNVM / FSA regulation no.15/2004, art.188

a) Securities and monetary market instruments not admitted for trading - allowed limit: **20%** of total assets (closed shares, closed bonds, deposit certificates, bank deposits)

Asset type	Market value according to FSA regulation no.15/2004 (RON)	Weight in total SIF Moldova assets as of Jun 30, 2014 (%)
Shares in closed issuers	63.836.932	4,42
Closed bonds	8.209.325	0,57
Bank deposits	56.854.503	3,94
TOTAL	**128.900.760**	**8,93**

b) Securities (shares and bonds) and monetary market instruments (government securities) registered or traded at Stock Exchange value (issuer level) – *allowed limit - 10% of total assets; the limit can be increased to 40% subject to total value of holdings of no more than 40% per issuer not exceeding 80% of total assets*. SIF Moldova's holdings of securities and / or monetary market instruments issued by the same issuer, admitted or traded on a regulated market, exceeding the admitted level of 10% of total assets, is reported for the following issuers: Fondul Proprietatea – 10,66%; Banca Transilvania – 23,35%. The two issuers that exceed 10% individually do not exceed together 80% of the total assets (34,01%).

c) Financial instruments issued by entities belonging to the same group - allowed limit: 50% of total assets.

Group name	Asset market value as per FSA regulation no. 15/2004 (RON)	Weight in total SIF Moldova assets as of 30.06.2014 (%)
GRUP BANCA TRANSILVANIA	384.467.794	26,65
GRUP BRD-GSG	144.935.716	10,05
GRUP CERTINVEST	8.241.473	0,57
GRUP FINANCIAR CARPATICA	1.294.688	0,09

d) Exposure to counterpart risk with derivative financial instruments traded outside of regulated markets – not applicable.

e) Value of current accounts and cash - allowed limit: **10%** of total assets

In the net assets as of Jun 30, 2014, the value of current accounts and of cash is 4.792.230 RON, amounting to 0.33% of total assets.

f) Bank deposits started and held with the same bank - allowed limit: **30%** of total assets.

Bank name	Deposits value as per FSA regulation no.15/2004 (RON)	Weight in total SIF Moldova assets as of Jun 30, 2014(%)
Banca Transilvania	33.978.906	2,35
B.R.D. - G.S.G.	22.875.597	1,59
Total deposits	**56.854.503**	**3,94**

g) Global exposure to derivative financial instruments - not to exceed total assets value – N/A.

h) Holdings of NON – UCITS securities – allowed limit: **50%** of total assets.

NON – UCITS name	Market value of asset category as per FSA regulation no.15/2004 (RON)	Weight in total SIF Moldova assets as of Jun 30, 2014(%)
Fondul Proprietatea	153.780.636	10,66
BT Invest 1	4.669.278	0,32
Certinvest Properties RO	2.841.559	0,20
Certinvest Arta Romaneasca	1.856.699	0,13
FII BET-FI Index Invest	1.796.510	0,12
FII Multicapital Invest	2.215.125	0,15
Fondul de Actiuni Privat Transilvania	1.267.207	0,09
Fondul Oamenilor de Afaceri	3.931	0,00
STK Emergent	834.844	0,06
iFOND Financial Romania	1.295.356	0,09
iFOND Gold	86.625	0,01
SIF Banat Crisana	437.485	0,03
SIF Muntenia	33.496.596	2,32
SIF Oltenia	53.909.252	3,74
NON-UCITS TOTAL	**258.491.103**	**17,92**

2. Art.9 of ASF Norm no. 14/ Nov 8, 2013

Investments obtained through direct and indirect investments in monetary market instruments of the promissory note type – should not exceed 20% of the total assets.

Direct investments in monetary instruments similar to promissory notes – *not applicable*.

Indirect investments in monetary instruments similar to promissory notes (PN):

UCITS / NON-UCITS name	Value of holding in UCITS / NON-UCITS (RON)	UCITS / NON-UCITS net assets value (RON)	Value of UCITS / NON-UCITS holding in PN instruments (RON)	Value of indirect holding in monetary instruments similar to PN (RON)	Percentage of indirect holding in monetary instruments of the PN type
Certinvest Arta Romaneasca	1.856.699	12.179.083	5.714.575	871.186	0,06
Certinvest Dinamic	2.261.562	46.667.494	702.803	34.059	0,00
Certinvest Properties RO	2.841.559	8.735.961	7.645.473	2.486.854	0,18
TOTAL				**3.392.099**	**0,25**

3. Law no. 297/28.06.2004 – updated, art. 129 para. (1)

No shareholder of a **market operator** will be able to hold, directly or indirectly, more than **5% of the total voting rights.**

Name of issuer	Number of shares held as of Jun 30, 2014	Total number of shares of the issuer as of Jun 30, 2014	Percentage held in the issuer's share capital as of Jun 30, 2014(%)
Bursa de Valori Bucuresti	383.709	7.674.198	4,9999
Sibex Sibiu Stock Exchange	1.671.217	33.427.926	4,9994

4. Law no. 297/28.06.2004 – updated, art. 150 para. (1)

The shareholders of the central depository may not hold more than **5% of the voting rights**, market operators being excepted and being allowed to hold up to 75% of the voting rights, with the approval of CNVM.

Name of issuer	Number of shares held as of Jun 30, 2014	Total number of shares of the issuer as of Jun 30, 2014	Percentage held in the issuer's share capital as of Jun 30, 2014(%)
Depozitarul Central (Regisco)	7.396.029	252.919.526	2,9242
Depozitarul Sibex	6.480	229.500	2,8235

5. Law no. 297/28.06.2004 – updated, art. 286 para. (1)

Investments in shares held by Financial Investment Companies resulting from the transformation of Private Property Funds – allowed limit: **no more than 5%** of the share capital of the Financial Investment Companies.

Name of issuer	Number of shares held as of Jun 30, 2014	Total number of shares of the issuer as of Jun 30, 2014	Percentage held in the issuer's share capital as of Jun 30, 2014(%)
SIF Banat Crisana	363.360	548.849.268	0,0662
SIF Muntenia	39.876.900	807.036.515	4,9412
SIF Oltenia	28.508.330	580.165.714	4,9138

From the point of view of prudential regulations applicable, the evolution of asset holdings in all categories did not generated situation of approaching a near a high or significant risk limit.

2

Financial and accounting status

2.1. Balance sheet

The individual financial statements were drafted and presented in compliance with Accounting Regulations harmonized with European Economic Community 4th Directive applicable to institutions regulated and supervised by the Financial Supervision Authority („FSA") / ASF, approved by Order no. 13 / 2011 for the approval of Regulation no. 4 / 2011. The reporting currency for the financial statements is the RON. Details regarding the balance sheet and the income statement can be consulted in the Notes to the financial statements attached. The individual financial statements as of Jun 30, 2014 are revised by the financial auditor Deloitte Audit SRL.

Items (RON)	2012	H1 2013	2013	H1 2014	H1'14/H1'13 (%)
Non-current assets					
I. Intangible assets	1.066.169	991.508	943.690	992.706	100
II. Tangible assets	15.111.256	15.130.287	15.609.186	11.131.664	74
III. Financial assets, of which:	632.641.936	636.823.013	737.180.385	812.851.034	128
Securities and other financial instruments held as non-current assets	594.001.279	601.372.759	702.374.481	771.443.247	128
Non-current assets – Total	648.819.361	652.944.808	753.733.261	824.975.404	126
Current assets					
I. Inventory	38.032	15.185	11.712	23.888	157
II. Receivables, of which:	91.121.580	79.299.531	44.811.403	71.894.671	91
Trade receivables *	88.261.750	80.413.170	40.022.679	57.297.794	71
III. Short term financial investments	17.890.430	14.487.562	14.299.965	101.387.524	700
IV. Cash and bank accounts	311.980	311.748	514.057	4.815.011	1544
Current assets – Total	109.362.022	94.114.026	59.637.137	178.121.094	189
Prepaid expenses	98.409	169.460	123.832	189.015	112
Current liabilities	54.135.577	123.612.255	63.932.260	92.445.511	75
Current assets less net current liabilities	55.315.822	(29.337.576)	(4.179.875)	85.856.239	
Total assets minus current liabilities	704.135.183	623.607.232	749.553.386	910.831.643	146
Provisions	73.579.872	49.873.027	60.287.049	52.596.992	105
Deferred revenue	9.032	8.807	8.584	8.359	95
Equity and reserves					
1. Subscribed and paid-in share capital	51.908.959	51.908.959	51.908.959	51.908.959	100
2. Revaluation reserves	13.382.229	13.413.967	14.254.162	10.111.288	75
3. Total reserves, of which:	277.054.266	274.210.088	381.089.836	462.963.395	169
Legal reserves	10.381.792	10.381.792	10.381.792	10.381.792	100
Reserves constituted from adjustments for devaluation of financial non-current assets - debtor balance	135.619.216	151.324.561	64.431.928	41.915.412	28
- Reserves constituted from the value of securities / shares received free of charge	82.963.401	82.449.169	89.612.864	87.674.464	106
- Reserves representing surplus from revaluation reserves	2.786.785	2.786.785	2.786.968	6.969.935	250
- Other reserves	316.541.504	329.916.903	342.740.140	399.852.616	121
4. Reported result	151.133.057	151.133.057	151.133.057	151.133.057	100
5. Result of fiscal year	137.076.800	83.068.134	90.880.323	182.117.952	219
Owners' Equity - Total	630.555.311	573.734.205	689.266.337	858.234.651	150

Owners' equity increased compared to Jan 1, 2014 by 24,51%.

Financial non-current assets at cost and decreased by depreciation adjustments increased compared to Jan 1, 2014 by 10,26%.

Structure of financial non-current assets as of Jun 30, 2014 (RON)	Gross value	Adjustments for devaluation	Net accounting value
Financial non-current assets, of which:	**857.559.590**	**44.708.556**	**812.851.034**
- Shares held in affiliated entities	29.584.980	15.579	29.569.401
- Participation interest	14.880.144	3.450.125	11.430.019
- Securities held as non-current assets	812.686.099	41.242.852	771.443.247
- Other receivables	408.367	-	408.367

Gross trade receivables include short term bank deposits amounting to 56.590.038 RON, (January 1st, 2014: 39.485.584 RON) and associated interest, calculated up to Jun 30, 2014, of 602.869 RON (January 1st 2014: 396.770 RON), of which for bonds 338.405 RON (January 1st 2014: 302.155 RON).

Current assets increased by 198,67% compared to 01.01.2014%.

Current liabilities, amounting to 92.445.511 RON, increased by 44,60% (Jan 1, 2014: 63.932.260 RON) and they include dividends payable towards shareholders amounting to 82.454.734 RON.

Provisions decreased compared to Jan 1, 2013 by 12,76% and consist of:

	(RON)
• AAAS litigation provisions:	10.412.227
• Tax provisions	42.184.765
Total:	**52.596.992**

2.2. Income statement

Items (RON)	2012	H1 2013	2013	H1 2014	H1'14/H1'13 (%)
A. Revenue from operations total, of which:	**275.466.615**	**170.730.976**	**272.018.721**	**345.203.418**	202
1. financial non-current assets	24.205.357	25.838.846	25.917.789	20.659.720	80
2. ceded financial investments	206.642.958	115.016.737	203.007.957	284.324.449	247
3. interest	6.235.712	1.963.474	3.319.267	965.302	49
4. provisions, reactivated claims	26.614.018	23.990.576	26.563.313	10.260.926	43
5. other revenue	11.768.570	3.921.343	13.210.395	28.993.021	739
B. Expenses with operations total, of which:	**117.313.839**	**80.313.887**	**170.671.490**	**129.441.437**	161
1. ceded financial investments	56.387.307	59.127.941	131.335.521	85.874.088	145
2. losses related to receivables from investments	260.220	19.995	19.995	-	-
3. exchange rate variations	3.241.418	2.719.812	3.494.371	1.759.862	65
4. commissions and fees	3.647.208	1.775.924	3.520.880	1.919.258	108
5. depreciations, provisions, losses from various debtors	23.832.038	929.886	9.874.540	10.010.762	1.077
6. banking and similar services	107.186	17.435	48.141	43.525	250
7. materials	303.986	186.473	316.018	118.780	64
8. electricity and water	298.649	184.522	340.616	140.379	76
9. expenses with staff	25.410.604	12.649.893	17.374.840	11.881.968	94
10. external services	3.418.835	2.559.175	4.080.421	17.610.002	688
11. taxes and similar payments	406.388	142.831	266.147	82.813	58
C. Gross profit	158.152.776	**90.417.089**	101.347.231	215.761.981	239
D. Profit tax	21.075.976	7.348.955	10.466.908	33.644.029	458
E. Net profit	137.076.800	**83.068.134**	90.880.323	**182.117.952**	219

Revenues from operations increased by 202,19%, compared to H1 2013.

Staff costs have increased by 6,07% compared to H1 2013. As of H1 2014, there were: 45 individual work contracts (compared to 47 as of H1 2013).

The main weight in total revenues is held by ceded financial investments, 82,36% specifically. Amounts obtained following the divestment program have been directed to supporting investment programs.

Operating expenses increased by 61,17% compared to H1 2013. The main weight in total costs is due to ceded investment costs, 66,34% respectively.

2.3. Management of expenses

TOTAL EXPENSES (A+B+C+D+E+F)	129.441.437
A. Financial expenses	**104.972.296**
1. Expenses with ceded financial investments	85.874.088
2. Expenses with transaction commissions	724.918
3. Expenses with exchange rate differences	1.759.862
4. Expenses with banking services	43.525
5. Other financial expenses	16.569.903
B. Expenses with ceded assets	**-**
C. Expenses with depreciations, provisions, losses from receivables and various debtors	**10.010.762**
D. Expenses with commissions and fees imposed by applicable regulations	**920.364**
E. Overhead	**6.169.340**
1. Expenses with materials	118.780
2. Expenses with electricity and water	140.379
3. Expenses with staff, of which:	4.505.916
• salaries and indemnities	3.459.948
• Expenses with insurance and social security	976.273
• Expenses with professional training	69.695
4. Expenses with external services	1.321.452
5. Expenses with taxes and associated disbursements	82.813
F. Expenses compensated by revenue from provisions (do not affect the financial result of the period)	**7.368.675**
TOTAL ASSETS according to CNVM/ASF Reg. no. 15/2004	**1.442.666.447**

Expenses with ceded financial investments hold the highest weight (81.8%) in the total financial expenses.

- **Financial expenses account for 81,10% of total expenses.** These include expenses directly related to the investment / disinvestment activity realized in the reporting period and those generated by the holdings in financial instruments of SIF Moldova.
  - In financial expenses, the weight of expenses with ceded financial investments, amounting to *85.874.088* RON, is of *81,80%*.
  - Expenses with exchange rate differences amount to *1.759.862* RON and represent 1,67% of financial expenses. Exchange rate differences are mainly generated by holdings of cash in foreign currencies;
  - Commissions for transactions paid to financial investment services companies amount to *724.918* RON and represent 0.70% of financial expenses.
  - other financial expenses amounting to *16.569.903* RON mainly include the price updates related to listed short term financial investments and represent *15,79%* of financial expenses;
  - expenses with banking and similar services amount to *43.525 RON* and consist of commissions paid to banking companies

for operations carried out through bank accounts, specifically 0.04% of financial expenses.

- **Expenses with depreciation, provisions, losses from receivables and various receivables represent 7,73% of total expenses.**

Expenses with commissions and fees imposed to the company as an entity regulated by ASF and as an issuer listed on the BVB.

- **Expenses with commissions and fees imposed by applicable regulations represent 0.71% of total expenses.** These expenses are imposed by regulations applicable to financial investment companies and are carried out to the end of implementing corporate obligations. The value of these expenses cannot be optimized through.

Management expenses represent 4,8% of total expenses

- **Management expenses** represent **4,77% of total expenses** and include the expenses directly related to the conduct of the company's operations.
  - in the management expenses, the weight is held by *personnel costs (salaries, indemnities, social security and professional training) amounting to 4.505.916 RON, respectively 73,04% of the volume of management expenses*;
  - *expenses with external services amount to 1.321.452 RON and represent 21,42% of the management expenses for the period.* These include: litigation and legal assistance expenses, expenses with post and subscriptions, expenses with maintenance and repairs, expenses with professional consultancy and other expenses with external services*;*
  - *expenses with materials, energy and water amount to 259.159 RON and represent 4,20% of the management expenses for the period.* Expenses with energy and water are partially recovered through revenue achieved from the billing of tenants of expenses related to the rented real estate;
  - *expenses with taxes and associated disbursements amount to 82.813 RON and represent 1,34% of the management expenses for the period.* These expenses mainly consist of taxes paid by the company for the property in its patrimony.

Related information in the ***SIF Moldova Corporate Governance Code***
Chapter 17.2
The management of operational / management expenses

- **Expenses compensated by revenue from provisions amount to 7.368.675 RON and represent 5,69% of total expenses.** These consist of expenses that have affected the financial result of previous fiscal years. In the reporting period, together with the recording of expenses, the related provisions were re-included in revenue, so that the result of the current fiscal year is not affected.

The average monthly percentage of management expenses represents 0,07% of the value of total assets

In the reporting period, the **average monthly percentage of management expenses in SIF Moldova's total assets represents 0.07% of the value of total assets**, being smaller than the level recorded in the corresponding period of 2013 (0.10%). This percentage is smaller than the 0,10% - 0,40% range of commissions paid to management companies by investment funds.
(sources: public documents of the main investment funds on the domestic market, pension fund management companies, professional organizations – AAF)

2.4. Performance indicators

	2012	2013	H1 2014
Current ratio = current assets / current liabilities	2,02	0,93	1,93
Quick ratio = (current assets - inventories)/current liabilities	2,02	0,93	1,93
Non-current assets turnover = revenue from operations / non-current assets	0,42	0,36	0,42
Total assets turnover = revenue from operations / total assets	0,36	0,33	0,34
Trade receivables turnover = average receivables balance / turnover x no. Of days in the reporting period	3	5	5
Return on working capital=profit before interest and profit tax/working capital*100 (%)	25,08	14,70	25,14
Earnings per common share (RON/share)	0,2641	0,1751	0,3508

2.5. Cash flows

Explanation / period	January - June 2013	January - June 2014
1. Cash at beginning of period (a+b)	88.227.432	**40.643.136**
a. Current accounts	297.366	500.876
b. Financial investments - DEPOSITS	87.930.066	40.142.260
A. Operations (2-3)	(25.443.578)	**(40.349.773)**
2. Cash inflows	1.377.221	579.125
3.Cash outflows	26.820.799	40.928.898
Investment activity (4-5)	71.010.113	**60.835.249**
4. Cash inflow	145.762.486	295.965.822
5.Cash outflow	74.752.373	235.130.573
C. Financing activity (6-7)	(53.405.963)	**639.877**
6. Cash inflow	5.505	4.704.179
7.Cash outflow	53.411.468	4.064.302
TOTAL CASH FLOW (A+B+C)	(7.839.428)	**21.125.353**
CASH AT END OF PERIOD	80.388.004	**61.768.489**
a. cash office - RON	4.446	4.886
b. banks – RON	110.160	4.467.787
c. banks - foreign currency	186.879	322.657
d. deposits – RON and foreign currency	79.430.247	56.590.038
e. Deposits material pledges	656.272	383.121

2.6. Degree of achievement of the Revenue and Expense Budget

		Budgeted for 2014	Realized in 2014	Realized / Budgeted 2014 (%)
A	**Total revenue**	**241.118.675**	**345.203.418**	143
B	**Financial revenue**	223.800.000	319.386.153	143
	Revenue from financial investments (dividends)	25.000.000	20.659.720	83
	Revenue from receivables (banking interest + bonds)	1.500.000	965.302	64
	Revenue from ceded financial investments (including revenue from assets received free of charge)	195.500.000	284.324.449	145
	Revenue from exchange rate differences	1.500.000	403.348	27
	Revenue from provisions	0	2.427.764	-
	Other financial revenue	300.000	10.605.570	3.535
C	Revenue from operations	17.318.675	25.817.265	149
	Revenue from rents and associated activities	950.000	472.144	50
	Revenue from provisions	7.368.675	7.374.471	100
	Other revenue from operations	9.000.000	17.9701.650	200
D	**Total expenses**	**105.222.968**	**129.441.437**	123
E	**Financial expenses**	**63.450.000**	**114.266.013**	180
	Expenses related to ceded financial investments	60.000.000	85.874.088	143
	Expenses related to commissions for transactions	700.000	724.918	104
	Expenses related to exchange rate diff,	2.400.000	1.759.862	73
	Expenses with banking services	50.000	43.525	87
	Expenses with provisions	**0**	9.293.717	-
	Other financial expenses	300.000	16.569.903	5.523
F	**Expenses with operations**	**41.772.968**	**15.175.424**	36
G	**Gross profit**	**135.895.707**	**215.761.981**	159
H	Taxable profit	113.078.636	210.436.119	186
I	Profit tax	18.092.582	33.644.029	186
J	**Net profit**	**117.803.125**	**182.117.952**	155

3

No. of shares: 519.089.588
Nominal value: 0,1 RON
Share capital: 51.908.958,8
Stock market capitalization: 705.961.839 RON (160 mil EURO)

Price: 1,36 RON, EPS: 0,35 RON, PER: 3.9
52 m: 1,15 RON; 52 M: 1,51 RON

The SIF 2 share on the BSE Position in the sector

Shares issued by SIF Moldova are admitted and traded on the Bucharest Stock Market in the 1st tier, since Nov 1, 1999.
The register of shares and shareholders is maintained in compliance with legal provisions by SC Depozitarul Central SA.

Evolution of the SIF 2 share – YOY

(Source: Bloomberg Finance)

Related information in the **SIF Moldova Corporate Governance Code**

Ch.16. Evaluation of the performance of the company and of the SIF2 share

Rates of return: SIF 2, SIF 2 BVS, BET-FI

Rates of return as of June 30, 2014 (%)	SIF2 share	BET FI	BVS SIF2
1 month	9,24/13,97*	5,02	5,12
3 months	7,51	4,16	10,20
6 months	-7,48	-3,68	5,87
12 months	9,68	23,58	26,49

* including 2013 dividend rate of return

Position in the sector

	Net profit (mil RON)			Total assets (mil RON)		
	2012	2013	H1 2014	2012	2013	H1 2014
SIF 1	100	80	150	1.353	1.630	1.678
SIF 2	137	91	182	1.144	1.339	1.442
SIF 3	212	194	8	1.233	1.178	1.248
SIF 4	130	132	211	1.225	1.235	1.190
SIF 5	88	130	60	1.538	1.743	1.875

	ROA (%)			ROE (%)			ROE – ROA spread H1 '14
	2012	2013	H1 2014	2012	2013	H1 2014	(pp)
SIF 1	7	5	9,0	11	8	13,0	4
SIF 2	12	7	12,6	22	13	21,0	8,4
SIF 3	17	16	0,7	25	23	1,0	0,3
SIF 4	11	11	17,8	17	19	25,2	7,4
SIF 5	6	7	3,2	14	17	7,3	4,1
media	***9***	***9***	***8,7***	***16***	***16***	***13,5***	***4,8***

4

Promotion and protection of SIF Moldova interests

5.1. The protection of SIF Moldova interests by judicial and extra-judicial means

Litigations in which SIF Moldova is a plaintiff:

- Total litigations - 154 cases, of which: 122 cases are in court in various judicial stages and 32 cases are solved.
- Value of litigations in court: 74,5 mil. RON (insolvency and claims).
- In the reporting period, the ANRP Payment Right was issued, with SIF Moldova as a beneficiary, for the amount of 2,4 mil RON.

1. Litigations involving the repealment of illegal resolutions of GASs in the SIF Moldova portfolio - 24 cases, of which 11 cases finalized up to Jun 30, 2014 and 13 in court in various stages of litigation
2. Litigations involving claims - 78 cases, of which 2 cases were solved as of Jun 30, 2014, 76 cases remaining in court in various judicial stages (68 of which against AAAS Bucureşti).
   On Jun 30, 2014, we received the Notice regarding the issue of the Payment Right series ANRP 0016206 – beneficiary SIF Moldova – for the amount of 2,4 mil. RON (in the cases involving the cession of litigation rights – Annex 3.2 – Claims). According to the ANRP Notice, the payment will be carried out according to Art. 1 of the MFP Order 1857/2013, within 175 days from the receipt of the right, in the chronological order of receipt from ANRP and within the limit of the budget credits constituted to this end. The transfer of the amount set in the Payment Right will be communicated in writing by the Ministry of Public Finance.
3. Litigations involving the insolvency procedure - 18 cases, of which 13 cases in court in various judicial stages and 5 with final rulings;
4. Litigations with various objects - 20 cases of which 9 cases were solved as of Jun 30, 2014, 11 cases remaining in court in various judicial stages;
5. Criminal litigations - 14 cases, of which 9 in court and 5 cases solved.

Litigations in which SIF Moldova is a defendant

- Total litigations = 87 cases, of which: 63 cases are in court in various judicial stages and 24 cases were solved.
- Value of litigations in court: 1,3 mil. RON + 250.000 USD - claims; 50,9 RON – contestations to fulfilment against AAAS / other creditors.

- ✓ Total litigations = 87 cases, of which: **63 cases are in court in various judicial stages** and 24 cases are solved.
- ✓ Value of litigations in court: 1.3 mil. RON + 250.000 USD - claims; 50,9 mil. RON – contestations to fulfilment against AAAS Bucuresti.

1. Litigations with various objects and claims cases - 16 cases, of which 7 cases in court, in various judicial stages and 9 cases finalized;
2. Litigations with contestations of foreclosure - 56 cases in court initiated by AAAS / other creditors, as a consequence of foreclosures by SIF Moldova as a consequence of litigation expenses and the cancellation of foreclosure AAAS Bucuresti. As of

Note - details by category/ case are featured in annex 3.

Jun 30, 2014, 15 cases involving contestations of foreclosure were solved.

The provision of general legal counsel consisted of 200 legality approvals issued in the reporting period, during the conduct of activities in the department as well as in the company's ongoing projects.

4.2. Promoting the interests of SIF Moldova – portfolio companies' management policy

Exercising shareholder attributions

The exercise of shareholder attributions specified by Law no. 31/1990R and CNVM regulations has been achieved through representatives in GASs. SIF Moldova evaluates its voting right. The default position is to vote "in favor" for proposals of companies in the portfolio, Nevertheless, on proposals that come into conflict with the principles and interests of shareholders, our vote is "against". Grounding of the voting option is achieved following careful review of the documentation provided to the shareholders, to be carried-out by investment analysts, by taking into account the approaches/proposals of the boards of directors and in agreement with the interest of the shareholders. In order to protect the interests of SIF Moldova in the companies in the portfolio and according to the strategy approved by the Board of Directors, GAS participation has evolved as follows:

	2012	2013	H1 2014
No. of companies in the portfolio	189	122	111
GASs summoned	392	359	185
GASs attended by SIF Moldova	212	223	122
% participation	54	62	66

Exercising an active management in the companies in the portfolio has been carried-out through:

- Attendance of GASs;
- Usage of legal instruments to protect or increase the value of participations;
- Promoting/implementing adequate corporate governance rules: summoning GASs 30 days in advance; asking for completion of agendas; asking for answers in order to clarify aspects of interest to the shareholders; asking for the observance of information transparency by delivering to shareholders in due time of the meeting documentation as per applicable provisions; streamlining decision making processes, etc.;
- Active monitoring of companies in the portfolio;
- Dividend policy.

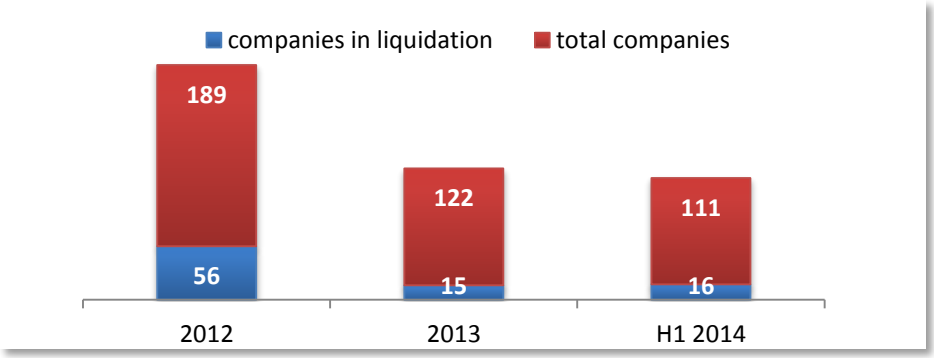
Monitoring the activity of companies in the portfolio

The activity of companies in the portfolio has permanently been monitored, the key objectives being:

- Gathering data and information in due time;
- Taking part in corporate events (GASs, other events)
- Reviewing actual potential of the companies;
- Reviewing investment requirements for operation;
- Improving financial and economical results;
- Promoting an effective management;
- Establishing ways to capitalize on participations;
- Implementing adequate corporate rules.

Companies in insolvency / bankruptcy / judicial reorganization

This portfolio includes the shares of 16 companies in various stages of: administrative liquidation 1, judicial liquidation 1, insolvency 7 and judicial reorganization 7. The number of companies in this category gradually decreased, their weight in the total companies in the portfolio decreasing from 29.3% in 2012 to 14.4% as of H1 2014. This decrease also results from ceding towards the management of Asset Invest SA of the shares held in 42 companies in bankruptcy or administrative liquidation.



These companies originate in the historical portfolio, being an effect of the allocation through legislation that formed the basis of the constitution of SIF Moldova and not of selection based on portfolio management principles. The evolution of these companies is being monitored, without a significant allocation of human resources.

5 Relations with shareholders and capital market institutions. Dividend policy.

Related information in the **SIF Moldova Corporate Governance Code**
Chapter 3. The General Assembly of Shareholders
Chapter 4. Shareholder rights

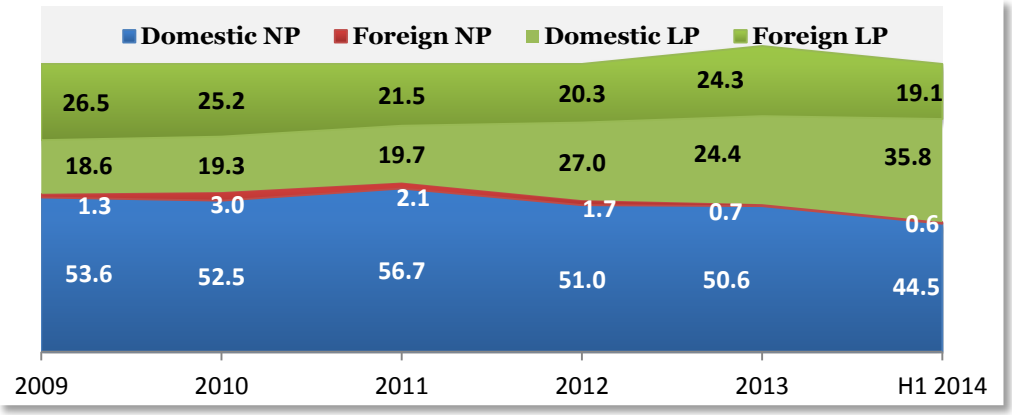
Note – the details regarding each category of reports drafted in the reporting period are included in annex 4.

In the reporting period, SIF Moldova **obligations for transparency, information and reporting were respected and ensured** through the issuance of press releases, publishing of mandatory reports and the conduct of close correspondence with shareholders. Shareholders / investors were provided with additional information, some periodical (monthly newsletter), designed so as to allow up to date information regarding the Company's performance. According to the provisions of the *"SIF Moldova Corporate Governance Regulations"*, relevant periodic and continuous information (financial and non-financial reporting) was publicized concomitantly in Romanian as well as English. An important component of the relationship with shareholders is the direct communication activity: correspondence (letters; e-mails); telephone communication.

Shareholding structure as of Jun 30, 2014

	Domestic residents		Foreign Residents		Total
	Shareholders	% SC	Shareholders	% CS	% SC
Natural persons	5.791.831	49,7	1.629	0,6	50,3
Legal persons	276	30,6	56	19,1	49,7
TOTAL	**5.792.107**	**80.3**	**1.685**	**19,7**	**100,0**

Evolution of the shareholding structure (% held of the share capital)



Dividend payment

Dividend payments as of Jun 30, 2014	Dividend 2010	Dividend 2011	Dividend 2012
	0,09 RON/share	0,22 RON/share	0,24 RON/share
Total dividend payable (RON)	46.718.063	114.199.710	124.581.501
Total paid as of Jun 30, 2014(RON)	37.556.870	91.671.375	98.915.017
% paid as of Jun 30, 2014	80,39	80,27	79,40

- From the total of 70% of dividends from 2012 *paid on demand*, 49% were paid to legal person shareholders (domestic and foreign residents) and 21% are payments to natural person shareholders (domestic and foreign residents);
- 52% of the 2012 dividend was paid on request in the accounts of intermediaries (SSIF and custodians).

Implementation of decisions OGMS April 15, 2014

Resolution 4 Approves the gross dividend of 0.066 lei/share**.**
Approves the distribution of the net profit for the financial year 2013

- net profit to be distributed 90,880,323 lei
- dividends 34,259,913 lei
- other reserves 56,620,410 lei

(current report – July 1, 2014)

Resolution 6 Approves the prescription of dividends for 2010 established in OGMS on 22.04.2011, unclaimed until 23.06.2014 their registration under "other income" - 9.161.193 RON

Resolution 11 Approves the waiver of civil and criminal disputes between the company and Mr. Matei Alexandru (former director) by giving up the right to trial in case 6045/110/2011* on Bacau Court of Appeal and to any other rights and claims, as well as any criminal complaints, in compliance with the mediation agreement of March 10, 2014; approval of the discharge of Mr. Matei Alexandru for the mandate of the year 2011 and the realease of the guarantee that has been retained, in accordance with the provisions of the mediation agreement.
(current report – June 30, 2014)

6

Compliance

6.1. Internal audit activity

The internal audit activity is carried-out based on the engagement plan established in accordance with the objectives of the company. Internal audit activities and resources are authorized by the Audit Committee and approved by the Board of Directors. Significant interim changes are also subject to authorization and approval.

The internal audit plan for 2014 was approved in the Board meeting of Jan 23, 2014.

The internal auditing missions carried out in Q1 2014 were aimed at:

- litigations that may affect SIF Moldova's patrimony;
- annual individual financial statements drafted as of Dec 31, 2013;
- Transactions with financial instruments;
- The circulation of documents within SIF Moldova;
- the drafting of the main documents issued during SIF Moldova operations;
- the execution of contracts for the development of the integrated computer system;
- participation in the commissions / work groups nominated by the Board of Directors or by managers for implementing projects;
- the verification of conformity issues on request by the Board of Directors or by executive managers;
- the elaboration of analyses and opinions on request by directors and by executive managers.

There were no cases in which the Board of Directors accepted a level of the residual risk considered as not acceptable for the Company.

The internal auditor's opinion, activity results, conclusions, recommendations and proposals, as well as the plan of actions applied in the course of the audit activity, were included in the periodic internal audit report presented to the Auditing Committee and to the Board of Directors.

Based on the conclusions and recommendations made by the internal audit, the Board of Directors took the necessary measures to manage the identified risks.

6.2. Internal control activity

In compliance with the provisions of art, 37-41 of FSA Regulation no, 15 / 2004 and with the Investigations Plan approved in the Board of Directors' meeting of Jan 23, 2014 and transmitted to FSA with

address no. 734/03.02.2014, the activity of the Internal Control Department consisted of the following:

- Control related to observance of the stock market regulations and of internal investment regulations and procedures of SIF Moldova;
- Current supervision of share transactions carried out by SIF Moldova in the 01.01.2014 - 18.03.2014 period;
- Permanent activities:
  - continual checks and controls requested by the management bodies of SIF Moldova;
  - granting consultancy and assistance to relevant persons tasked with the conduct of SIF Moldova operations, for complying with capital market regulations;
  - Mailings with the institutions of the stock market concerning applicable regulations;
  - Diligences for preventing and proposals for correcting the situations of non-compliance with laws and regulations in force relevant to the capital market or internal regulations and procedures by SIF Moldova or its employees;
  - Informing SIF Moldova and its employees about the legal regulations applicable to the capital market;
  - Monitoring of compliance with applicable prudential regulations;
  - Examining the effectiveness of the information system and of internal procedures;
  - Analysis and approval of documents and reports sent to capital market entities; informative and advertising materials; internal documents comprising operations subjected to the internal control visa;
  - supervising the resolution of complaints;
  - Examining the effectiveness of the risk control system.

Recommendations and irregularities were remedied / implemented during controls

7

Corporate governance

7.1. Implementation of corporate governance principles.
The decisions adopted by the Board of Directors implement the principles set forth in the Corporate Governance Code (presented to shareholders in the OGAS of Apr 5, 2013) and attest to the fact that the SIF Moldova management structure implements the best practices in the field. These measures are added to by the implementation of a project (undergoing the calibration phase – chapter 7.2) aimed at the development of integrated computer applications regarding the measurement and evaluation of performance in the application of the provisions of the Corporate governance Code. This is done together with the supervision of conformity and with the grounding of investment decisions adopted in the context of an economic and financial environment marked by the unpredictability of the evolution of the various fields of activity.

Shareholder consultation – sociological research
SIF MOLDOVA – GSSC AVANGARDE
June – August, 2014

In the permanent communication with shareholders, carried out to the end of optimizing strategic approaches, SIF Moldova initiated a collaboration with a specialized company – GSSC AVANGARDE - for designing and implementing a sociological study with the following characteristics:

- *Main objectives*: Identifying the perception and attitude of shareholders / investors regarding the activity and performance of SIF Moldova in the following areas:
  - Transparency in communications with shareholders in the process of implementing corporate governance principles;
  - Management performance proven by the continual achievement and exceeding of set performance targets, correlated with the multi-annual strategy that offers a perspective on future performance;
  - Encouraging shareholder loyalty through a high performance management of assets as well as through a predictable dividend policy that is balanced with investment policies and strategies.
- *Target group:* SIF Moldova shareholders / potential investors interested in SIF Moldova shares.
- *Research methods / instruments used*:
  a) sampling (selection of a representative sample of respondents) and submission of questionnaires and / or focus groups – in depth interviews based on a discussion guide.

b) quantitative / qualitative probabilistic / quota studies, etc

The main issues submitted to the respondents were aimed at:

- *The investment strategy / policy:* presented in detail in the public documents posted on the www.sifm.ro/actionariat/AGA 14/15 aprilie 2014 website, namely the documents: "2. Raport CA 2013" and "7. Declaratia de Politici Investitionale 2014 – 2018. Program de activitate 2014. BVC 2014." – focusing on the following issues:
  - repositioning in the financial sector by selling banking securities (BRD and ERSTE) and the acquisition of non-UCITS securities, namely SIFs (SIF 1, SIF 4, SIF 5 – with complementary portfolios);
  - increasing investments in the case of issuers whose market evolution determines positive influences on portfolio performance;
  - a main focus on the domestic capital market, increasing the degree of risk control in the context of an unpredictable economic and financial environment;
  - adopting investment strategies in areas such as: agribussines, industrial, real estate.
- *Dividend policy* – the changes arisen in dividend policies in the SIF sector – SIF Moldova is the only SIF that will distribute dividends for the 2013 financial year (OGMS April 15, 2014– Decision no. 4)
- *Corporate Governance* – SIF Moldova elaborated, presented to shareholders and implemented the Corporate Governance Code specifying that it has drafted and implemented, before as well as after the adoption of the Corporate Governance Code, questionnaires for testing shareholder opinion.

Results / conclusions of the research – annex 5.

7.2. Objectives for the evaluation of management performance

The activities aimed at the elaboration of the application "Evaluation of the implementation of the Corporate Governance Code" with the aim of measuring and evaluating performance at company, department and individual level (Project COD) continued in the reporting period. SIF Moldova uses a system that complies with the indications for methodology, design and implementation of a corporate scoring drafted by Standard&Poor (the "Standard&Poor's Corporate Governance Scores-Criteria Methodology and Definition" document) as well as the basis for the scoring evaluation. The COD concept is based on the implementation of models for analysis,

evaluation, correlation, monitoring and remediation of the results obtained.

For the adoption and implementation of the COD Project, the setting of methodologies related to the Flows plays an important role:

- Financial (the means of achievement and measuring of financial performance)
- Decisional (the means of grounding the decision)
- Analytic (differing by operational and procedural flow)

as well as the implementation of indicators in the KBS (knowledge based system) – trend indicators (KTI) and performance indicators (KPI).

In terms of results, the measurement of these indicators generates the value of scoring, using it for the adoption and grounding of the decision.

In the following period, the process of including information, operation and calibration of the applications associated with the module "Evaluation of the implementation of the Corporate Governance Code" is carried out.

7.3. Human resources management

The process to increase the efficiency of the organizational structure, in agreement with the objectives of SIF Moldova and in the context of the implementation of the Corporate Governance Code is a dynamic process conducted *at the level of the directors as well as of the management*.

Considering:

- the macro- and microeconomic context (impact on the economic sectors and on the Company's portfolio,
- the evaluation of the achievement of the objectives in the REB and of the 2014 Activity Program (in relation to the stage of achievement of the REB, of legal investment limits and of the analysis of the possible investment opportunities,
- the monthly reports of the Commission regarding the degree of use of departments and employees,
- the yearly and continuous professional evaluation,
- the evaluation realized by the President of the Nomination Committee after the meeting with SIF Moldova employees,
- information regarding the staff policy communicated to employees in the negotiation process for the 2014 – 2015 Collective Labor Agreement,

Related information in the **SIF Moldova Corporate Governance Code**

Chapter.18. Policies in the field of human resources

The Board of Directors approved the recommendations of the Nomination Committee regarding the allocation of human resources for the achievement of the Activity Program for 2014 – 2015 (approved by the OGAS of Apr 15, 2014) and adopted, in the meeting of Jun 17,

2014, decisions for the optimization of the organizational / functional structure of SIF Moldova. The adopted measures are included in the proposals to modify Internal Regulations and were transmitted for approval to the ASF.

7.4. Constant efforts for the development of the capital market

In order to maintain constructive dialog and partnership between the regulated entities and the supervision and regulation authority, the main issues and proposals of SIF Moldova for the modification of the legislation bearing on the activity of financial investment companies is aimed at:

- The draft law for approving the Government Emergency Order no. 32 / 2012 regarding UCITS and investment management companies as well as for the modification and update of Law no. 297/2004 regarding the capital market (PL-x 458/2012) – for the modification of Articles of Association in SIFs;
- Draft Regulation regarding the incompatibilities applicable to members of the Board of Directors / Supervisory Board of an authorized entity;
- Protecting the interests in the GAS / Exercising the rights of shareholders in the GAS, by compliance with the best practices in the field and in compliance with Directive 2007/36/CE ;
- Draft Regulation for the modification and update of regulations issued by the CNVM (R13/2005, R1/2006, R6/2009);
- Modification of BVB regulations regarding deal type transactions;
- Draft Instruction regarding the adequacy of computer systems used by entities regulated, authorized / approved and supervised by the ASF;
- Concerted action: the applicability of concerted action; the analysis of the applicability of the provisions of art. 2 para. 1 item 23 letters a) and c) of Law no. 297/2004 as applied to art. 2 para. 1 item 22 letter c) of Law no. 297/2004;
- Project for the modification of CNVM Regulation no. 15/2004 – accelerating finalization; inclusion and agreement with applicable norms and projects;
- DAFIA – applicability and implications for SIFs; correlation with the modifications in Regulation no. 15/2004;
- Draft instruction for risk management – approval and update;
- The necessity to regulate the legal status of the RASDAQ market – adoption with amendments of the draft Law PL-x no. 385/2013 registered at the Chamber of Deputies for debate;
- The necessity to increase the efficiency of mechanisms for margin transactions;

- Approaches towards BVB and SIBEX for creating a Central Counterpart; finding a common regional solution for clearing operations for spot and derivative products;
- Fusion of the markets managed by BVB/OPCOM/SIBEX in order to create a single operator, powerful and specialized, that would manage all spot and derivative product markets.

When elaborating amendments, SIF Moldova is focusing on harmonizing the domestic legal framework with the European one, complying with the spirit of the requirements of European Directives (2007/36/CE) and European Standards regarding the Processing of Corporate Events.

8 Events having taken place after the reporting date

01.07.2014 – Release regarding the payment of dividends – Means and deadlines *(current report)*

09.07.2014 – Continuation of the portfolio optimization process *(current report)*

28.07.2014 *(current report)*

1. ***Receipt of the amount of 2.415.314 RON*** - SIF Moldova has received on Jul 28, 2014 the amount of 2.415.314 RON corresponding to the Payment Right issued by ANRP series 0016206, representing the value of the first yearly instalment of the total amount of 12.076.571 RON due to SIF Moldova based on the Compensation Right no. 59/11.07.2013, obtained as a consequence of the judicial transaction concluded with SC Textila Oltul SA.
2. ***Receipt of the amount of 1.126.356 RON*** - SIF Moldova has received the amount of 1.126.356 RON in the bankruptcy procedure of Agroindustriala Piatra Ostrov SA.

Annexes

1. annex 1 - net assets situation as of Jun 30, 2014
   - annex 1.1. SIF Moldova balance sheet (Reg. CNVM/ASF no. 15/2004- annex 16)
   - annex 1.2. situation of assets and detailed situation of SIF Moldova investments (Reg. CNVM/ASF nr. 15/2004 - annex 17)
2. annex 2 - Financial statements as of Jun 30, 2014
3. annex 3 - Status of litigations as of Jun 30, 2014
4. annex 4 - BVB, ASF reports - Jun 30, 2014
5. anmex 5 - Results sociological research "Perceptions on the activity and performance of SIF Moldova SA"

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Approved in the meeting of the Board of Directors of August 7, 2014

President & CEO
Costel CEOCEA, PhD