SIF MOLDOVA
SOCIETATE DE INVESTITII FINANCIARE

Activity Report of the Board of Directors
- *1st Quarter of 2014* -

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Dear shareholder,
We would like to present you the main details in the evolution of SIF Moldova in Q1 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 (75,9% of the total value of assets) was maintained as a main objective. Concomitantly, the process of decreasing the number of investments in the portfolio was accelerated, recording an exit from 13 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 Q1 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 operations of sale of banking securities were carried out in the conditions of Romanian banks continuing to face two major problems: the problem of non-performing credits and the problem of the deleveraging process – the decrease in investments by foreign banks. Thus, the investment in the BRD issuer was decreased to 8% of the total assets, from 10.6% at the beginning of 2013, in the context of BRD continuing to record significant losses. At the same time, the holding in the EBS issuer was decreased to 3.0% of the total assets, from 18.6% as of the end of 2013, thus implementing the strategic direction of orientation of investments mainly towards the local market.

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 Q1 2014 a net profit of 135 mil. RON (115% of the 2014 Revenue and Expenses Budget – REB), recording revenue from ceded financial investments of 246 mil. RON (126% of the 2014 REB), respectively of a profit from sales of securities of 173 mil. RON (128% 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), aimed at a number of 17 companies, 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.

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*

Subscribed and paid-in share capital: 51.908.958,8 RON

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	Q1 2013	2013	Q1 2014	Q1 2014/Q1 2013 (%)
Total assets (mil RON)	1.144	1.291	1.339	1.310	101
Net assets (mil RON)	1.090	1.243	1.275	1.225	99
Net assets/share (RON)	2,10	2,39	2,45	2,36	99
Market price (RON)	1,45	1,48	1,47	1,26	85
Discount (%) Market price / Net assets per share	31	38	40	46	

NAV/share evolution / SIF2 price / Discount (Mar 2013 – Mar 2014)

Evolution of the structure of assets
(operational approach[3])

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

Structure of assets (% of the total value of assets)	2012	Q1 2013	2013	Q1 2014	Spread Q1 '14 / Q1 '13
Shares, of which:	86,33	85,90	91,03	80,92	-4,98
- listed	83,04	81,75	86,46	75,93	-5,82
- unlisted	3,29	4,15	4,57	4,99	+0,84
UCITS + non-UCITS securities (fund units)	3,34	3,37	3,34	3,29	-0,08
Monetary instruments (deposits, liquidities)	7,71	7,67	2,99	12,70	+5,03
Bonds (municipal, corporate, fund units, bonds)	0,88	0,83	0,96	0,95	+0,12
Other assets	1,74	2,23	1,68	2,14	-0,09

[2] Annex 1 to the report features: (1) situation of net assets as of Mar 31, 2013 (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.
[3] In accordance with the information presented in the continuation of the report regarding the various components of the asset portfolio, the following decisions were made: (1) to include Property Fund shares in the "listed shares" category – unlike FSA regulations which include the Property Fund issuer in the non-UCITS category and (2) include fund units issued by bonds funds in the "bonds" category.

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

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

Exposure by sector (% of total assets value)	2012	Q1 2013	2013	Q1 2014	spread Q1 '14 / Q1 '13
Financial	**47,33**	**44,87**	**44,48**	**34,11**	**-10,76**
Energy	**22,47**	**22,27**	**28,23**	**27,08**	**+4,81**
Manufacturing	8,19	10,22	8,97	10,08	-0,14
Pharmaceuticals	2,56	2,71	3,61	3,61	+0,90
Commerce	1,78	2,91	3,61	4,00	+1,09
Construction	0,91	0,95	0,87	0,82	-0,13
Agriculture	1,27	0,69	0,63	0,63	-0,06
Others	1,82	1,88	0,63	0,59	-1,29

Top companies in the portfolio (31.03.2014)

Issuer	% held in the issuer's share capital	weight in total assets > 1%
BANCA TRANSILVANIA	5,03	14,60
FONDUL PROPRIETATEA	1,33	11,41
BRD	1.85	8,10
OMV PETROM	0,38	7,01
SIF OLTENIA	4,99	4,35
SNTGN TRANSGAZ	2,27	3,99
BIOFARM	13,81	3,40
ERSTE BANK	0,08	3,03
SIF MUNTENIA	4,99	2,49
SNGN ROMGAZ	0,24	2,39
AEROSTAR	14,58	2,15
TESATORIILE REUNITE	92,08	1,94
TRANSELECTRICA	1,39	1,30
REGAL	93,01	1,23
MECANICA CEAHLAU	55,10	1,23
TOTAL		68,62

1.3.3. Operations

Indicator (mil RON)	2012	Q1 2013	2013	Q1 2014	Q1 2014/Q1 2012 (%)
Revenue from ceded financial investments	206	50	203	246	492
Revenue from dividends	24	0,4	26	0,0	-
Revenue from interest	6	0,8	3	0,5	63

Indicator (mil RON)	2012	Q1 2013	2013	Q1 2014	Q1 2014/Q1 2013 (%)
Investments in securities	123	19	141	101	532

Investments in securities Q1 2014:
99% - 100 mil. RON - shares
1% - 1 mil. RON - fund units

Strategic approaches. The main operations carried out in Q1 2014.

The operations carried out in Q1 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

The sale operations, growing compared to Q1 2013, were mainly aimed at recalibrations in the financial sector by selling banking shares and purchasing non-UCITS, specifically SIF shares.

As a consequence of these operations, the financial sector maintains a significant weight in the total portfolio. The operations of sale of banking securities were carried out in the context of Romanian banks continuing to face two major problems: the problem of bad debts and the problem of the de-leveraging process – the decrease of investments by foreign banks. The rate of bad debts continued to increase at the start of 2014, although at a slower pace than in the previous years, mainly due to the revaluation of the quality of previously restructured credits and due to constraints related to the financial status of the clients.
The de-leveraging process – the decrease of exposure of foreign banks – continued in the 1st quarter of 2014. As a consequence, banks continued to adjust their ratio of credits to deposits, being forced to rely mainly on local resources: they decreased their credit volume and increased the value of their deposits. In this context, the sizing of investments in the banking sector continued adjusted to each bank, as follows:

- investments in the BRD issuer were decreased to 8.09% of total assets, from 10.66% as of the end of 2013, in the context of BRD having recorded a net loss of 385 mil. RON at the end of 2013, increasing compared to 2012, when the loss was of 331 mil. RON. The gross result is almost double, of -648 mil. RON, due to increases in provisions, partly compensated for by gains from disbursing 263 mil. RON from the deferred tax.
- the investment in the EBS issuer decreased to 3.03% of the total assets, from 18.62% as of the end of 2013, thus implementing the strategic directive for targeting investments mainly to the local market; Erste Group attained as of the end of 2013 a net profit of 61 mil. EUR, 8 times lower than that attained in the previous year, due to a loss of 369 mil. EUR in Q4 2013. The loss in the 4th quarter was caused mainly by a

devaluation of the commercial fund of BCR by 283 mil. EUR, in the context of more strict requirements being applied for the adequacy of the capital in the yearly tests regarding the quality of assets and as a consequence of taxes on financial transactions in Austria, Hungary and Slovakia (311 mil. EUR). The dividend proposed for approval from the 2013 profit is decreasing by 50% compared to the previous year.

On the other hand, as a consequence of the ASF Decision no. 23/05.02.2014, SIF Moldova carried out an investment process in SIF shares, within the limit of the legal ownership limit of 5% in the case of SIF 4 and SIF 5. The growth potential of these investments is ensured by the profitability of the assets held

- SIF4, the portfolio (available as of Dec 31, 2013) consists of 155 active companies, of which the market value of 9 liquid investments (BRD, EBS, BIO, TEL, TGN, TLV, SNG, SNP, SNN) plus cash accounted for approx. 639 mil. RON, whereas the market value of SIF Muntenia as of Dec 31, 2013 was of 712 mil RON.
- SIF5, the portfolio consisted of 71 companies, of which the market value of 8 liquid investments (ATB, BRD, TLV, BIO, TEL, SNP, TGN and BCR – evaluated in comparison to BRD based on the PBV market multiplier) plus cash accounted for approx. 1.307 mil RON, whereas the market value as of Dec 31, 2013 was of 1.151 mil RON;

Other sale operations were aimed at concentrating the portfolio on a lower number of issuers, in the 1st quarter 13 issuers being sold, of which 12 listed and one non-listed.

Concomitantly, an increase in investments took place in the case of issuers whose market evolution led to positive influence on the portfolio performance (ex: ARS, CMP, TEL);

Projects

To the end of eliminating secondary activities for the management of real estate and of focusing resources towards investment activities, non-current assets with a net value of 3.9 mil. RON, respectively buildings and the associated land, were contributed from the SIF Moldova patrimony towards SC CASA SA (company in which SIF Moldova holds 97,53% of the share capital).

Following the portfolio reclassification strategy, 17 non-performing companies, representing 0,185% of total assets, of which eight companies in various stages of administrative liquidation or bankruptcy, are being transferred towards Asset Invest SA Bacau (a company in which SIF Moldova holds 99,85% of the share capital). The result of the operation aims at the improvement of the

management of the share portfolio through: decreasing the number of companies under monitoring, decreasing monitoring costs, ensuring the conditions for attracting specialized management to Asset Invest SA.

In order to ensure the expected rates of return for the portfolio reconstruction process, a series of opportunities are being studied and analyzed as separate projects, mainly oriented towards the areas provided in the long term strategy.

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.

According to the Significant Risk Management Strategy of SIF Moldova , classes 1-3 were recorded as low risk, classes 4-6 as medium risk and class 7 as high risk.

Exposure to market risk, quantified through ISRR: 15,59%.
The synthetic risk and rate of return indicator (ISRR), calculated based on the annualized volatility of the monthly BVS from the previous five years of existence, determines the inclusion of SIF Moldova in the medium 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 Mar 31, 2014 (%)
Shares in closed issuers	65.390.339	4,99
Closed bonds	8.202.292	0,63
Bank deposits	166.496.483	12,70
TOTAL	**240.089.114**	**18,31**

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 the issuer total holdings of no more than 40% not to exceed 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 – 11,41%; Banca Transilvania – 14,61%. The two issuers that exceed 10% individually do not exceed together 80% of the total assets (26,02%).

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 31.03.2014 (%)
GRUP ERSTE BANK-BCR	42.854.509	3,27
GRUP BANCA TRANSILVANIA	338.241.645	25,80
GRUP BRD-GSG	139.738.825	10,66
GRUP CERTINVEST	8.018.735	0,61
GRUP FINANCIAR CARPATICA	1.258.717	0,10

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 Mar 31, 2014, the value of current accounts and of cash is 678.033 RON, amounting to 0.05% 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 Mar 31, 2014 (%)
Banca Transilvania	132.902.304	10,14
B.R.D. - G.S.G.	33.594.179	2,56
Total deposits	**166.496.483**	**12,70**

g) Global exposure to derivate 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 Mar 31, 2014 (%)
Fondul Proprietatea	149.634.147	11,41
BT Invest 1	5.109.798	0,39
Certinvest Properties RO	2.822.311	0,22
Certinvest Arta Romaneasca	1.865.009	0,14
FII BET-FI Index Invest	1.691.857	0,13
FII Multicapital Invest	2.078.097	0,16
Fondul de Actiuni Privat Transilvania	1.192.911	0,09
Fondul Oamenilor de Afaceri	4.680	0,00
STK Emergent	724.024	0,06
iFOND Financial Romania	1.443.185	0,11
iFOND Gold	84.150	0,01
SIF Banat Crisana	460.890	0,04
SIF Muntenia	32.596.255	2,49
SIF Oltenia	57.021.864	4,35
NON-UCITS TOTAL	**256.729.178**	**19,58**

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	1.865.009	12.233.604	5.663.520	863.402	0,07
Certinvest Dinamic	2.116.486	12.661.014	893.859	149.423	0,01
Certinvest Properties RO	2.822.311	8.658.801	7.479.007	2.437.760	0,20
TOTAL				**3.450.585**	**0,28**

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 Mar 31, 2014	Total number of shares of the issuer as of 31.03.2014	Percentage held in the issuer's share capital as of Mar 31, 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 Mar 31, 2014	Total number of shares of the issuer as of 31.03.2014	Percentage held in the issuer's share capital as of Mar 31, 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 Mar 31, 2014	Total number of shares of the issuer as of 31.03.2014	Percentage held in the issuer's share capital as of Mar 31, 2014 (%)
SIF Banat Crisana	405.000	548.849.268	0,0738
SIF Transilvania	-	1.092.143.332	-
SIF Muntenia	40.341.900	807.036.515	4,9988
SIF Oltenia	29.004.000	580.165.714	4,9993

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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 Q1 financial statements are unaudited.

Items (RON)	2012	Q1 2013	2013	Q1 2014	Q1'14/ Q1'13 (%)
Non-current assets					
I. Intangible assets	1.066.169	1.080.022	943.690	1.009.191	93
II. Tangible assets	15.111.256	15.288.612	15.609.186	11.382.816	74
III. Financial assets, of which:	632.641.936	656.277.251	737.180.385	692.151.501	105
Securities and other financial instruments held as non-current assets	594.001.279	620.118.077	702.374.481	653.716.698	105
Non-current assets – Total	648.819.361	672.645.885	753.733.261	704.543.508	105
Current assets					
I. Inventory	38.032	31.016	11.712	25.863	83
II. Receivables, of which:	91.121.580	108.403.745	44.811.403	180.646.408	167
Trade receivables *	88.261.750	99.331.515	40.022.679	166.896.841	168
III. Short term financial investments	17.890.430	20.240.399	14.299.965	104.442.105	516
IV. Cash and bank accounts	311.980	435.771	514.057	695.271	160
Current assets – Total	109.362.022	129.110.931	59.637.137	285.809.647	221
Prepaid expenses	98.409	218.393	123.832	270.499	124
Current liabilities	54.135.577	47.383.489	63.932.260	85.738.047	181
Current assets less net current liabilities	55.315.822	81.936.916	(4.179.875)	200.333.628	244
Total assets minus current liabilities	704.135.183	754.582.801	749.553.387	904.877.136	120
Provisions	73.579.872	73.198.767	60.287.049	60.000.462	82
Deferred revenue	9.032	8.919	8.584	8.471	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	13.398.151	14.254.162	9.920.079	74
3. Total reserves, of which:	277.054.266	307.814.008	381.089.836	405.192.774	132
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	105.204.226	64.431.928	43.356.481	41
- Reserves constituted from the value of securities / shares received free of charge	82.963.401	82.460.657	89.612.864	88.110.977	107
- Reserves representing surplus from revaluation reserves	2.786.785	2.786.765	2.786.968	7.147.860	256
- Other reserves	316.541.504	317.389.000	342.740.140	342.908.626	108
4. Reported result	151.133.057	288.209.857	151.133.057	242.013.380	84
5. Result of fiscal year	137.076.800	20.053.057	90.880.323	135.839.333	677
Owners' Equity - Total	630.555.311	681.384.032	689.266.337	844.874.525	124

Owners' equity increased compared to Jan 1, 2014 by 22,57%.
Financial non-current assets at cost and decreased by depreciation adjustments increased compared to Jan 1, 2014 by 6.1%

Structure of financial non-current assets as of 31/03/2014 (RON)	Gross value	Adjustments for devaluation	Net accounting value
Financial non-current assets, of which:	738.887.166	46.735.665	692.151.501
- Shares held in affiliated entities	29.584.980	-	29.584.980
- Participation interest	14.880.144	6.713.918	8.166.226
- Securities held as non-current assets	693.738.445	40.021.747	653.716.698
- Other receivables	683.597	-	683.597

Gross trade receivables include short term bank deposits amounting to 166.402.788 RON, (January 1st, 2014: 39.485.584 RON) and associated interest, calculated up to Mar 31, 2014, of 384.907 RON (January 1st 2014: 396.770 RON), of which for bonds 239.712 RON (January 1st 2014: 302.155 RON).

Current assets increased by 379,3% compared to 01.01.2014.

Current liabilities, amounting to 85.738.047 RON, increased by 34.1% (Jan 1, 2014: 63.932.260 RON) and they include dividends payable towards shareholders amounting to 57.690.191 RON.

Provisions decreased compared to Jan 1, 2014 by 0.5% and consist of:

	(RON)
• AAAS litigation provisions:	10.412.227
• Tax provisions	42.219.560
• Other provisions	7.368.675
Total:	**60.000.462**

2.2. Income statement

Items (RON)	2012	Q1 2013	2013	Q1 2014	Q1'14/Q1'13 (%)
A. Revenue from operations total, of which:	**275.466.615**	**53.778.816**	**272.018.721**	**249.786.061**	464
1. financial non-current assets	24.205.357	430.579	25.917.789	30.421	7
2. ceded financial investments	206.642.958	50.064.578	203.007.957	246.437.081	492
3. interest	6.235.712	867.119	3.319.267	565.309	65
4. provisions, reactivated claims	26.614.018	548.987	26.563.313	1.786.743	325
5. other revenue	11.768.570	1.867.553	13.210.395	966.507	52
B. Expenses with operations total, of which:	**117.313.839**	**30.055.861**	**170.671.490**	**88.223.673**	294
1. ceded financial investments	56.387.307	24.391.313	131.335.521	73.192.921	300
2. losses related to receivables from investments	260.220	19.995	19.995	0	0
3. exchange rate variations	3.241.418	1.313.777	3.494.371	1.428.836	109
4. commissions and fees	3.647.208	892.148	3.520.880	1.174.230	132
5. depreciations, provisions, losses from various debtors	23.832.038	264.973	9.874.540	833.131	314
6. banking and similar services	107.186	8.373	48.141	28.823	344
7. materials	303.986	124.279	316.018	61.096	49
8. electricity and water	298.649	99.465	340.616	88.456	89
9. expenses with staff	25.410.604	2.152.930	17.374.840	2.259.270	105
10. external services	3.418.835	656.805	4.080.421	9.080.131	1382
11. taxes and similar payments	406.388	131.803	266.147	76.779	58
C. Gross profit	158.152.776	**23.722.955**	101.347.231	161.562.388	681
D. Profit tax	21.075.976	3.669.898	10.466.908	25.723.055	701
E. Net profit	137.076.800	**20.053.057**	90.880.323	**135.839.333**	677

Revenues from operations increased by 364,5%, compared to Q1 2013.

Staff costs have increased by 5% compared to Q1 2013. As of Q1 2014, there were: 44 individual work contracts (compared to 45 as of Q1 2013);

The main weight in total revenues is held by ceded financial investments, 98,7% specifically. Amounts obtained following the divestment program have been directed to supporting investment programs.

Operating expenses increased by 193,5% compared to Q1 2013. The main weight in total costs is due to ceded investment costs, 83% respectively %.

2.3. Management of expenses

TOTAL EXPENSES (A+B+C+D+E+F)	88.223.673
A. Financial expenses	**83.894.250**
1. Expenses with ceded financial investments	73.192.921
2. Expenses with transaction commissions	650.015
3. Expenses with exchange rate differences	1.428.836
4. Expenses with banking services	28.823
5. Other financial expenses	8.593.655
B. Expenses with ceded assets	**0**
C. Expenses with depreciations, provisions, losses from receivables and various debtors	**833.131**
D. Expenses with commissions and fees imposed by applicable regulations	**435,188**
E. Overhead	**3.061.104**
1. Expenses with materials	61.096
2. Expenses with electricity and water	88.456
3. Expenses with staff, of which:	2.255.849
• salaries and indemnities	1.748.919
• Expenses with insurance and social security	488.574
• Expenses with professional training	18.356
4. Expenses with external services	578.924
5. Expenses with taxes and associated disbursements	76.779
F. Expenses compensated by revenue from provisions (do not affect the financial result of the period)	**0**
TOTAL ASSETS according to CNVM/ASF Reg. no. 15/2004	**1.310.921.587**

Expenses with ceded financial investments hold the highest weight (87%) in the total financial expenses.

- **Financial expenses account for 95,09% 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 *73.192.921* RON, is of *87,25%*.
  - Expenses with exchange rate differences amount to 1.428.836 RON and represent 1,70% 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 650.015 RON and represent 0.77% of financial expenses.

- other financial expenses amounting to 8.593.655 RON mainly include the negative price differences related to listed short term financial investments and represent *10,25%* of financial expenses;
- expenses with banking and similar services amount to *28.823 RON* and consist of commissions paid to banking companies for operations carried out through bank accounts, specifically 0.03% of financial expenses.

➢ **Expenses with depreciation, provisions, losses from receivables and various receivables represent 0,94% 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 0.5% 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 internal decisions and directly influences performance indicators.

Management expenses represent 3.5% of total expenses

➢ **Management expenses** represent **3.5% 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 2.255.849 RON, respectively 73,69% of the volume of management expenses*;
- *expenses with external services amount to 578.924 RON and represent 18,91% 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 149.552 RON and represent 4,89% 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 76.779 RON and represent 2,51% 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

The average monthly percentage of management expenses represents 0,08% of the value of total assets

In the reporting period, the **average monthly percentage of management expenses in SIF Moldova's total assets represents 0.08% of the value of total assets**, being smaller than the level recorded in the corresponding period of 2013 (0.09%). 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	Q1 2014
Liquidity indicators (ratios)			
- Current ratio = current assets / current liabilities	2,02	0,93	3.33
- Quick ratio = (current assets - inventories)/current liabilities	2,02	0,93	3.33
Activity indicators (ratios)			
- Non-current assets turnover = revenue from operations / non-current assets	0,42	0,36	0.35
- Total assets turnover = revenue from operations / total assets	0,36	0,33	0.25
- Trade receivables turnover = average receivables balance / turnover x no. Of days in the reporting period	3	5	3
Profitability indicators			
-Return on working capital=profit before interest and profit tax/working capital*100 (%)	25,08	14.70	19.12
- Earnings per common share (RON/share)	0,2641	0.1751	0.2617

2.5. Cash flows

Explanation / period	January - March 2013	January - March 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)	**-9.115.267**	**-3.616.164**
2. Cash inflows	534.255	368.673
3.Cash outflows	9.649.522	3.984.837
B.Investment activity (4-5)	**23.806.525**	**129.738.106**
4. Cash inflow	45.241.382	232.915.030
5.Cash outflow	21.434.857	103.176.924
C. Financing activity (6-7)	**-3.637.527**	**974.054**
6. Cash inflow	1.284	4.701.728
7.Cash outflow	3.638.811	3.727.674
TOTAL CASH FLOW (A+B+C)	**11.053.731**	**127.095.996**
CASH AT END OF PERIOD	**99.281.163**	**167.739.132**
a. cash office – RON	553	4.701
b. banks – RON	182.547	337.357
c. banks - foreign currency	233.012	335.952
d. deposits – RON and foreign currency	98.444.901	166.402.788
e. Deposits material pledges	420.150	658.334

2.6. Degree of achievement Revenue and Expense Budget

		Budgeted for 2014	Realized in 2014	Realized / Budgeted 2014 (%)
A	Total revenue	**241.118.675**	**249.786.061**	104
B	Financial revenue	223.800.000	249.480.450	111
	• Revenue from financial investments (dividends)	25.000.000	30.421	0
	• Revenue from receivables (banking interest + bonds)	1.500.000	565.309	38
	• Revenue from ceded financial investments (including revenue from assets received free of charge)	195.500.000	246.437.081	126
	• Revenue from exchange rate differences	1.500.000	117.258	8
	• Revenue from provisions	0	1.322.256	
	- Other financial revenue	300.000	1.008.125	336
C	Revenue from operations	17.318.675	305.611	2
	- Revenue from rents and associated activities	950.000	282.455	30
	- Revenue from provisions	7.368.675	5.796	0
	- Other revenue from operations	9.000.000	17.360	0
D	Total expenses	**105.222.968**	**88.223.673**	84
E	Financial expenses	**63.450.000**	**84.387.293**	133
	• Expenses related to ceded financial investments	60.000.000	73.192.921	122
	• Expenses related to commissions for transactions	700.000	650.015	93
	• Expenses related to exchange rate diff,	2.400.000	1.428.836	60
	• Expenses with banking services	50.000	28.823	58
	- Expenses with provisions	**0**	493.043	
	• Other financial expenses	300.000	8.593.655	2865
F	Expenses with operations	**41.772.968**	**3.836.380**	9
G	Gross profit	**135.895.707**	**161.562.388**	119
H	Taxable profit	113.078.636	160.815.968	142
I	Profit tax	18.092.582	25.723.055	142
J	Net profit	**117.803.125**	**135.839.333**	115

3

The SIF 2 share on the Bucharest Stock Exchange Position in the sector

No. of shares: 519.089.588
Nominal value: 0,1 RON
Share capital: 51.908.958,8
Stock market capitalization: 656.648.328 RON (147 mil EURO)

Price: 1,26 RON, EPS: 0,26 RON, PER: 7.2
52 m: 1,05 RON; 52 M: 1,51 RON

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 31.03.2014 (%)	SIF2 share	BET FI	NAV/share SIF2	Avg. NAV (SIF^{S} and PF)*
1 month	-8,33	-4,52	-6,21	-3,81
3 months	-13,95	-7,53	-3,93	-4,48
6 months	0,96	7,75	2,72	-0,12
12 months	-14,70 / 2,69**	6,09	-1,51	-2,51

* the weights of issuers were taken from the structure of the BET FI index
**including dividend rate of return

Position in the sector

	Net profit (mil RON)			Total assets (mil RON)		
	2012	2013	Q1 2014	2012	2013	Q1 2014
SIF 1	100	80	54	1.353	1.630	1.596
SIF 2	137	91	135	1.144	1.339	1.310
SIF 3	212	194	-0,3	1.233	1.178	1.138
SIF 4	130	132	106	1.225	1.235	1.173
SIF 5	88	130	7	1.538	1.743	1.650

	ROA (%)			ROE (%)			ROE – ROA spread Q1 '14
	2012	2013	Q1 2014	2012	2013	Q1 2014	(pp)
SIF 1	7	5	3,4	11	8	5	1,6
SIF 2	12	7	10,4	22	13	16	5,6
SIF 3	17	16	-	25	23	-	-
SIF 4	11	11	9,1	17	19	15	6
SIF 5	6	7	0,4	14	17	0,9	0,5
media	***9***	***9***	***5,8***	***16***	***16***	***9,2***	

4

Promotion and protection of SIF Moldova interests

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

- Total litigations - 151 cases, of which: 132 cases are in court in various judicial stages and 19 cases are solved.
- Value of litigations in court: 78,6 mil. RON (insolvency and claims).

Litigations in which SIF Moldova is a plaintiff:

1. Litigations involving the repealment of illegal resolutions of GASs in the SIF Moldova portfolio - 22 cases, of which 5 cases finalized up to Mar 31, 2014 and 17 in court in various stages of litigation;
2. Litigations involving claims - 77 cases, of which 1 case were solved as of Mar 31, 2014, 76 cases remaining in court in various judicial stages (67 of which against AAAS Bucureşti);
3. Litigations involving the insolvency procedure - 18 cases, of which 14 cases in court in various judicial stages and 4 with final rulings;
4. Litigations with various objects - 34 cases of which 5 cases were solved as of Mar 31, 2014, 15 cases remaining in court in various judicial stages;
5. Criminal litigations - 14 cases, of which 10 in court and 4 cases solved.

- Total litigations = 68 cases, of which: 50 cases are in court in various judicial stages and 18 cases were solved.
- Value of litigations in court: 1,3 mil. RON - claims; 51,1 RON – contestations to fulfilment against AAAS / other creditors.

Litigations in which SIF Moldova is a defendant

- ✓ Total litigations = 68 cases, of which: **50 cases are in court in various judicial stages** and 18 cases are solved.
- ✓ Value of litigations in court: 1.3 mil. RON - claims; 51.1 mil. RON – contestations to fulfilment against AAAS Bucuresti.

1. Litigations with various objects and claims cases - 15 cases, of which 8 cases in court, in various judicial stages, and 7 cases finalized;
2. Litigations with contestations of foreclosure - 42 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 Mar 31, 2014, 11 cases involving contestations of foreclosure were solved.

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

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 reserves its right to vote only following an informed decision, The implicit 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	Q1 2014
No. of companies in the portfolio	189	122	112
GASs summoned	392	359	38
GASs attended by SIF Moldova	212	223	29
% participation	54	62	76

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 2, insolvency 6 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 19.3% in Q1 2014. This decrease also results from ceding towards Asset Invest SA of the shares held in 42 companies in bankruptcy or administrative liquidation, to the end of their management.

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 carried out 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 Mar 31, 2014

	Romanians		Non-residents		Total
	Shareholders	% SC	Shareholders	% SC	% 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 Mar 31, 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 Mar 31, 2014 (RON)	37.515.347	91.551.452	98.742.284
% paid as of Mar 31, 2014	80,30	80,17	79,26

- From the total of 69% of dividends from 2012 *paid on demand,* 49% are paid to legal person shareholders (domestic and foreign residents) and 20% 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).

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;
- The circulation of documents within SIF Moldova;
- the execution of contracts for the development of the integrated computer system;
- the analysis of the framework for signing the main documents issued for the conduct of SIF Moldova's operations;
- the contribution of the buildings and land owned by SIF Moldova to SC CASA SA's share capital;
- 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 in the 01.01.2014 - 31.03.2014 period 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, together with the supervision of conformity and with the grounding of investment decisions adopted in the conditions of an economic and financial environment marked by the unpredictability of the evolution of the various fields of activity.

Before the convocation of the general assembly (OGAS – 14/15.04.2014), shareholders / investors were consulted regarding the main issues that would be submitted for its analysis and approval, using several channels for publication (including releases in the specialized press: Bursa, Ziarul Financiar, Economistul, Financiarul etc). The shareholders' feedback and the position expresses in the general assembly related to the issues submitted for debate and approval determine the clear structuring of the directions of development for 2014 and until 2018. (*Declaration of Investment Policies 2014 – 2018 item 7 OGAS 14/15.04.2014*).

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. Thus, COD goes beyond the unproductive theoretical stage and becomes a work tool whose use will lead to

operational improvements, planning of objectives in order to increase the Company's market value and implicitly shareholder wealth.

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.

7.3. Human resources management

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

Chapter 5. The Board of Directors

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.

The current activity ensures a **clear division of supervision and control responsibilities** in relation to the attributions of the executive management.

For the implementation of the investment strategy, some non-executive directors are nominated in the Boards of Directors of companies in the portfolio in which SIF Moldova has a majority holding, as a consequence of the undertaking of clear objectives and of ensuring the possibility to exploit business opportunities, so that the definition of the company strategy is in agreement with SIF Moldova's investment strategy.

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

Chapter.18. Policies in the field of human resources

The internal work procedure implemented ensures the independent opinion of the non-executive managers, demonstrated by: the existence of specific regulations for the conduct of the activity of each committee, the clear definition of the missions and recommendations towards the BD, the decision of the means of collaboration with the executive and with employees in the supervised categories of activities, the periodic presentation (quarterly – CPIS and half yearly – CA, CN) of written activity reports towards the Board of Directors.

Special attention is granted to human resources, to the end of ensuring continuity of the professional development programs, to the end of preserving the expertise acquired over several years of specialization. The training of staff for various fields of activity (investment consultant, evaluator, financial auditor, technical expert, etc.,) has the role of ensuring the improvement of the organization's capacity to react to the effects of the prolonged financial crisis, an essential process for the justification of decisions under conditions of uncertainty (fundamental analysis, technical analysis, macro economy, etc.,) and for compliance (internal auditing, internal control).

7.4. Constant efforts for the development of the capital market

As part of the efforts to develop the Romanian capital market, SIF Moldova analyzes, proposes and participates in debates on the market involving the following issues:

- Proposals to update OUG 32/2012 to allow the modification of the Articles of Association of SIFs;
- A project for the modification of CNVM Regulation no. 15/2004 – acceleration of its finalization; inclusion and harmonization with the relevant norms and projects;
- DAFIA – applicability and implications for SIFs; correlation with the modifications of 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 law project no. PL-x no. 385/2013 registered at the Chamber of Deputies for debate;
- The modification of BVB regulations regarding deal type transactions;
- A requirement to increase the efficiency of mechanisms regarding share loans and margin transactions;
- Efforts towards BVB and SIBEX for the incorporation of the Central Counterpart; the identification of a common regional solution regarding clearing operations for spot and derivative products;
- Proposal for the modification of fiscal legislation – to the end of correlating the basis of the obligation to pay CASS with the minimal ceiling of revenue from dividends for shareholders with very small holdings;
- Request towards ASF and BNR to standardize the contents and format of institutional reports.

8 Events having taken place after the reporting date

Conduct of the Ordinary General Assembly of Shareholders on Apr 15, 2014 – adopting the following decisions (*release of Apr 15, 2014*)

Decision 1. Approves the election of the secretariat of the ordinary general assembly, consisting of three persons from among the company's shareholders: Lupascu Gabriel, Nicolaescu George Catalin and Puscas Michaela.

Decision 2. Approves the Activity Report of the Board of Directors for the 2013 fiscal year.

Decision 3. Approves the individual financial statements for the 2013 fiscal year, accompanied by the opinion of the financial auditor:

- total revenue 272.018.721 RON
- total expenses 170.671.490 RON
- gross profit 101.347.231 RON
- profit tax 10.466.908 RON
- net profit 90.880.323 RON

Decision 4. Approves the gross dividend of 0,066 RON/share.

The Company will initiate the payment of dividends in no more than 60 days from the publication of the decisions of the general assembly of shareholders in the Romanian Official Gazette, part IV; the costs related to the payment will be borne out of the value of the net dividends.

Approves the distribution by destination of the net profit achieved in 2013:

- net profit to distribute 90.880.323 RON
- dividends 34.259.913 RON
- other reserves 56.620.410 RON

Decision 5. Approves the managers' and directors' participation in the profit of the 2013 fiscal year to the level of 4.96% of the net profit before the constitution of the related provision, to which are added the company's contributions, proportional to the total revenue attained by each of these in the Company in 2013.

Decision 6. Approves the prescription of dividends related to the 2010 fiscal year, set forth through the OGAS of Apr 22, 2011, not claimed up to the date of Jun 23, 2014 and their registration in "other revenue".

Decision 7. Approves the discharge of the acts of the directors for the 2013 fiscal year.

Decision 8. Approves the Declaration of Investment Policies for 2014-2018 and the Activity Program for 2014.

Decision 9. Approves the Revenue and Expense Budget for 2014:

- total revenue 241.118.675 RON
- total expenses 105.222.968 RON
- gross profit 135.895.707 RON
- net profit 117.803.125 RON

Decision 10. Approves maintaining the same level for the monthly compensation for each director, of the additional compensation for the director's participation in consultative committees of the Board of Directors and of the monthly

compensation of the General Manager and of the Assistant General Manager, as they were approved through the Decisions of the Ordinary General Assembly of Shareholders no. 8, 9 and 10 of Apr 22, 2011 (published in the Romanian Official Gazette part IV no. 1493/28.04.2011).

Decision 11. Approves the finalization of the civil and criminal litigations between the Company and Mr. Matei Alexandru (former director) through waiving the right to trial in case 6045/110/2011* of the Bacau Court of Appeals, to any rights and claims as well as to any criminal complaint according to the mediation agreement of Mar 10, 2014; Approves the discharge of the acts of Mr. Matei Alexandru for the period of the term of office related to 2011 and the discharge of the pledge constituted, according to the provisions of the mediation agreement.

Decision 12. Approves the date of May 5, 2014 as the registration date for shareholders subject to the effects of the decisions adopted by the ordinary general assembly of shareholders.

(Current report of Apr 15, 2014)

OGMS Resolutions of April 15, 2014 were published in the Official Gazette no. 2646/14.05.2014.

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The SAI Muntenia project – the acquisition of a qualified participation of 49,96%.

Characteristics / evolutions:

- Field of activity: the management of financial investment;
- The decision of the BD complies in the Investment Policy approved by shareholders;
- Approaches towards the Competition Council – not subject to authorization;
- Approaches towards ASF regarding the provisions related to the articles of association;
- ASF answer: transaction possible after the elimination of the provisions of art. 14 para. 1 of SIF Moldova's Articles of Association, a situation that falls within the responsibility of the EGAS of SIF Moldova;
- Through additional provision no. 2/09.04.2014, **the parties agreed upon the termination of the Contract for Cession of Rights and Obligations drafted on Aug 23, 2013, as it was modified through additional provision no. 1 of Oct 2, 2013.** The parties declare that this contract did not produce and does not produce the legal effects envisioned by the parties at the conclusion of the contract and expressly agree that it is dissolved retroactively, being considered as never having concluded.

(Current reports of: Aug 23, 2013, Mar 12, 2014, Apr 9, 2014)

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Significant transaction with TLV shares – SIF Moldova purchases on Apr 18, 2014, 77.225.000 Banca Transilvania (TLV) shares, at an average price of 1.67 RON / share, the value of the transaction, including the trading commission, being of 130.448.856 RON. The acquisition represents 9.95% of the value of the assets of SIF Moldova as of Mar 31, 2014. As a consequence of the transaction, SIF Moldova holds 188.213.980 shares, namely 8.53% of the share capital of Transilvania Bank.

(Current report of 18.04.2014)

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Annexes

1. annex 1 - net assets situation as of 31.03.2014
   - annex 1.1. Net assets (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 31.03.2014
3. annex 3 - Status of litigations as of 31.03.2014
4. annex 4 - BVB, FSA reports - Q1 2014

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Approved in the meeting of the Board of Directors of May 14, 2014

Costel CEOCEA, PhD
President & CEO