

OGMS
4/5 April 2017
item 2

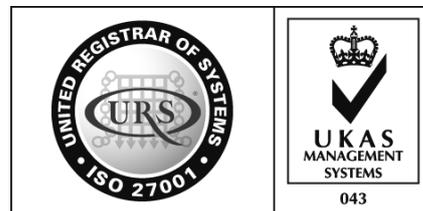


Performanță
Transparență
Calitate

Performance
Transparency
Quality

Bacău, str.Pictor Aman, nr. 94C, jud. Bacău, cod poștal 600164,
tel. 0234 576 740, fax: 0234 570 062
e-mail: sifm@sifm.ro, actionariat@sifm.ro
website.: www.sifm.ro

2016 Board of Directors' Report



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

**Dear shareholders,**

The Board of Director submits the results achieved by SIF Moldova in 2016 and the objectives for the following period, according to the “2014-2018 Investment Policies Statement” and “2016 Activity Report”, approved in the General Meetings of Shareholders.

Portfolio structure

The quoted shares portfolio is predominant, representing 74,1% of the total value of managed assets, while the unquoted shares represent 12,0%, based on the reorientation of the investment policy under the given market conditions, and in agreement with the resolutions of the General Meetings, where the shareholders have been informed about the implementation status of “2014-2018 Multiannual Strategy” and “2016 Activity Program”.

The financial (43,7%) and energy (19,9%) divisions have remained the main divisions in the structure of the quoted portfolio, reported to total assets value. At the same time, continued the process of reducing the number of holdings in the portfolio (the exit of 4 issuers from the historic portfolio) and increase of exposure per issuer, so that we can directly determine positive influences on portfolio performance.

Financial performance

The net profit registered in 2016 is 123 mn lei (129% reported to Budget 2016 provisions, namely 123% reported to 2015). The net profit from assets sale is 66 mil lei, and real-estate investments have been of 191 mil lei (77% reported to 2016 target, namely 119% reported to 2015). The total value of managed assets has been of 1.694 mn lei (110% reported to 2015).

Investment process

SIF Moldova considers that the exposure on direct investment in real economy through private equity type investments in fields where Romania has proven experience and expertise, represent the answer to the need to generate higher yields for shareholders. in the context of the continuous decrease of yields on monetary or capital markets and the increase of volatility on these markets. In this context, the development and sectorial diversification of the Majority Holdings portfolio has been the main objective, in agreement with the “2014-2018 Investment Policy Statement” and “2016 Activity Program”. The value increase of this portfolio is determined by the implementation of projects in various activity sectors, business development through specialized companies and/or companies from the Historic Portfolio of SIF Moldova. The research and investment process focus on fields with increase potential such as the agricultural, hotel and real-estate sectors. The operational framework of these companies is drafted through gradual capital increases.

As investment projects develop we are also looking to draw additional financial resources from the financial and capital market, from other specialized investors in the given field/sector. Selected investment insure long-term value creation (3 to 10 years) foreseen in the “*Investment Strategy*” (document in accordance to AFIA/FIA) requirements, through higher yields of the main capital market indexes. Our analysis and evaluations of the running projects allow us to believe that their financial impact on SIF Moldova’s performances will fall into the forecast terms, approved by the shareholders.

We are convinced that the coherent undertaking of defining values – transparency, quality, performance – significantly increase the management performance, for the final shareholders’ benefit.

Respectfully yours,
Costel Ceoceca
President & CEO

Content

1. Activity Analysis

- 1.1. Description of the primary activity
- 1.2. General information
- 1.3. Activity Evaluations. Objectives. Performance.
- 1.4. Management policy for holdings/ companies in the portfolio
 - 1.4.1. "CORE" Portfolio
 - 1.4.2. "MAJORITY HOLDINGS" Portfolio. SIF Moldova Group.
 - 1.4.3. "SELL" Portfolio
 - 1.4.4. Abidance by investment limits approved through the 2016 Activity Program
- 1.5. Implementation of 2014-2017 multiannual strategy
- 1.6. Risk Management

2. Financial Status

- 2.1. Overall Result. Financial Status.
- 2.2. Management Expenses
- 2.3. Performance indicators
- 2.4. Achievement Degree of the Revenue and Expense Budget

3. Company's Tangible Assets

- 3.1. Location and characteristics of the main tangible assets
- 3.2. Potential problems connected to the ownership right on tangible assets

4. SIF2 Share on Bucharest Stock Exchange

5. The Promotion and Protection of SIF Moldova's Interests

6. Compliance Insurance

- 6.1. Internal Audit Activity
- 6.2. Internal Control Activity

7. Corporate Governance

- 7.1. Relationship with investors. Dividend Policy
- 7.2. Corporal Events
- 7.3. Internal Regulation
- 7.4. Corporate Governance Code
- 7.5. Human Resources Management
- 7.6. Social Responsibility

8. Company's management

- 8.1. Manager List
 - 8.1.1. CV (first and last name, age, qualification, professional experience, position and seniority)
 - 8.1.2. Any agreement, convention, or family relationship between the manager and another individual due to whom that particular person was appointed manager
 - 8.1.3. Director's participation to the company's capital
 - 8.1.4. List of individuals affiliated to the Company. SIF Moldova Group.
- 8.2. List of executive management members
 - 8.2.1. Term on which an individual is part of executive management
 - 8.2.2. Any agreement, convention, or family relationship between the manager and another individual due to whom that particular person was appointed member of the executive management

- 8.2.3. Participation of that individual to the company's capital.
- 8.3. For all individuals presented under 9.1. and 9.2., the presentation of possible litigations or administrative procedures in which these have been involved over the last 5 years, regarding their activity within the issuer, and that regarding the ability of that individual to fulfill his/her attributions within the issuer.

9. Events occurred after the reporting date

Annexes:

1. Annex 1 Net assets status on 31.12.2016
 - Annex 1.1. Status of assets and debts of SIF Moldova (ASF Regulation no. 15/2004- A16)
 - Status of assets and detailed status of SIF Moldova investment s (ASF regulation no. 15/2004- A17)
2. Annex 2 Financial Statements on 31.12.2016 IFRS
3. Annex 3 Status of Litigations on 31.12.2016
4. Annex 4 BVB, ASF Reporting – 2016
5. Annex 5 Corporate Governance Code of SIF Moldova – revised form in compliance ASF Reg. 2/2016
6. Annex 6 Statement regarding the application of corporate governance principles – in compliance regulation ASF 2/2016
7. Annex 7 Statement regarding the application of corporate governance principles – in compliance with CGC BVB
8. Annex 8 2014 – 2018 Investment Policies Statement (approved in GMS 15.04.2014)

NOTE1:

*The structure of the report complies with the provisions of **CNVM/ASF Regulation no. 1/2006** regarding issuers and securities operations. For the comparability of information, SIF Moldova maintains the same structure of the periodical reports on the trimestral/ quarterly level. Additionally, the structure of the report abides by the provision of **ASF Regulation no 39/2015** regarding the approval of Accounting Regulation according to the International Financial Reporting Standards, applicable to certified entities, regulated and supervised by ASF.*

NOTE 2: *Calculated net assets with assets and liabilities accounting evaluated as per ASF Regulation no. 39/28.12.2015 for the approval of Accounting Regulations pursuant to IFRS.*

NOTE 3: *2016 BD Report it updated in accordance with Individual Financial Statements IFRS for 2016 (audited)*

1 Activity Analysis

1.1. Description of the primary activity

TYPE OF INVESTMENT COMPANY

SIF Moldova is an AOPC, positioned mainly on the Romanian market, as closed fund with predominant share investments with average risk degree and temporary liquidity investments in fixed – rate instruments.

The process of certifying SIF Moldova as internally managed AFIA/FIA is currently running

Legal framework - SIF Moldova SA is a closed-end financial investments company setup according to the provisions of Law no. 133/1996 regarding the transformation of Private Property Funds in Financial Investment Companies, entered under the “Other Unterakings for Collective Investments (AOPC) with a diversified investment policy” category, certified by the National Committee for Transferable Securities / Finacial Supervision Authority with Certificate no. 258/14.12.2005

Purpose – value generation for the shareholders.

The company’s main object of activity are financial investments. The main object of activity of the Company consists in:

- a) administration and management of financial instruments, derived financial instruments and other instruments qualified as such by the regulations of competent authorities;
- b) administration and management of equities/bonds and other rights derived from them in companies that are closed or not traded;
- c) d) other auxiliary and connected activities of collective management.

Nota: the object of activity has been completed with the “risk management” activity as well as with “other auxiliary and connected activities for collective management” according to the provisions of art. 5 Law no. 74/2015 regarding the managers of alternative investment funds und ASF Regulation no. 10/2015. Completion of the activity object was approved by EGMS on 25.04.2016 and the Memorandum of Association is currently pending ASF authorization.

1.2. General Information

<i>Subscribed and paid-up capital:</i>	103.817.917,6 lei
<i>No. of issued shares:</i>	1.038.179.176
<i>Nominal value:</i>	0,1 lei/share
<i>Shareholding structure:</i>	100% private
<i>free float:</i>	100%

Regulated market in which securities are traded:

Bucharest Stock Exchange
Premium Category

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

1.3. Activity evaluation. Objectives. Performance.

1.3.1. Managed Assets

Evolution of assets value (approach in compliance with ASF¹ regulation)

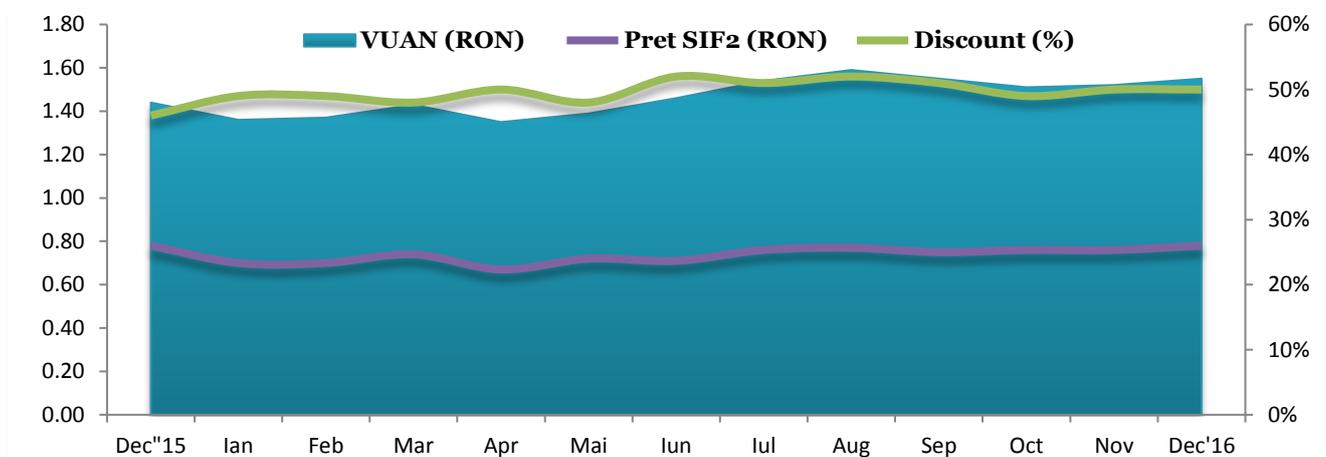
Indicator (mil lei)	2014	2015 (IFRS)	2016 (IFRS)
Nat assets (mil lei)	1.403	1.545	1.694
NAV (lei)	1.343	1.434	1.587
Market Price (lei)	2,59	1,39*	1,55*
Discount (%) Market price / NAV	1,59	0,78*	0,78*
Discount (%) Market price / VUAN	39	44	50

+ 10%
reported to
2015

Note: * The modification of NAV and SIF2 market price determined by the registration of the share capital increase with multiplier factor 2

** The number of shares used in the NAV calculation (1.024.754.689) was obtained by subtracting from the total shares number, the shares purchased within the buy-back programme (according to applicable regulations).

VUAN / SIF2 Price/ Discount Evolution (YoY)



Comparative SIFs' status, FP on 31.12.2016

thousand lei	SIF1	SIF2	SIF3	SIF4	SIF5	FP
Net assets 30.12.2016	1.920.298	1.587.573	909.430	1.174.696	1.494.929	11.427.351
Net assets 31.12.2015	1.827.375	1.434.288	910.099	1.057.392	1.622.766	12.087.846
Net assets evolution 16/15 (%)	5,09	10,69	-0,07	11,09	-7,88	-5,46
Liquidities 30.12.2016*	145.027	118.569	12.370	81.105	27.976	1.421.137
Liquidities 31.12.2015*	151.374	96.007	9.043	17.535	6.576	277.436
Liquidities' evolution 16/15 (%)	-4,19	23,50	36,79	362,53	325,42	412,24
Net result 30.12.2016	86.550	123.298	66.230	57.143	103.011	447.059
Net result 31.12.2015	90.248	100.340	158.597	63.856	132.990	798.207
Net profit evolution 16/15 (%)	-4,10	22,88	-58,24	-10,51	-22,54	-43,99
Capitalization 13.01.2017	1.016.469	848.192	543.887	553.627	951.472	8.995.734
Capitalization 31.12.2015	926.458	816.009	597.402	600.435	980.480	9.066.673
Price 31.12.2015 (lei)	1,688	0,786	0,274	0,744	1,690	0,810
capitalization evolution up to day /15 (%)	9,72	3,94	-8,96	-7,80	-2,96	2,96
VUAN 30.12.2016 lei	3,7071	1,5492	0,4164	1,4556	2,5767	1,1865
Price 13.01.2017 lei	1,852	0,817	0,249	0,686	1,6400	0,834
Discount price/ VUAN (%)	-50,04	-47,26	-40,20	-52,87	-36,35	-29,71
Dividend 2015/ capital distribution lei	0,000	0,045	0,027	0,045	0,130	0,05
Dy%	0,00	5,51	10,65	6,56	7,93	6,00
no of shares	548.849.26 8	1.038.179.17 6	2.184.286.66 4	807.036.51 5	580.165.71 4	11.193.423.05 1

*availabilities , deposits, state , government bonds

(Source: AAF)

¹ In Annex 1 to the Report, the following are presented: (1) net assets on 31.12.2016 (Annex 16) as well as (2) detailed assets of SIF Moldova status on 31.12.2016 (Annex 17) – drawn up according to the provisions of ASF Register no. 9/2014 and ASF reg. no. 10/2015 and ASF regulation no. 39/28.12.2015 (IFRS)

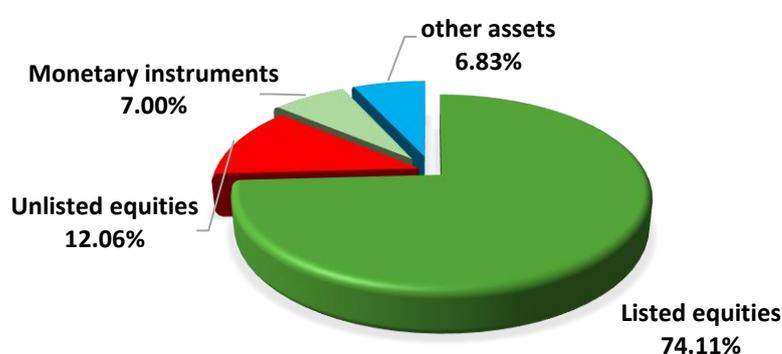
In the sector in which it operates and in relation to the results recorded in 2015, SIF Moldova has registered a 22.8% profit growth, an appreciation of NAV of 10.7% and an increase of the capitalization of 3.9% .

Evolution of asset structure

Assets structure (% of total assets value)	2014	2015	2016	2016 - 2015
Shares of which:	86,23	88,73	86,17	- 2,56
- listed	81,98	73,68	74.11	+ 0,43
- unlisted	4,25	15,05	12,06	- 2,99
AOPC + OPCVM Participation titles (fund units)	5,26	3,61	5,42	+1,81
Monetary instruments (deposits, cash)	5,94	5,93	7,00	+1,07
Bonds(municipal, corporate)	0,79	0,64	0,58	-0,06
Other assets	1,78	1,09	0,83	-0,26

Portfolio structure on assets types on 31.12.2016 (% of total assets value)

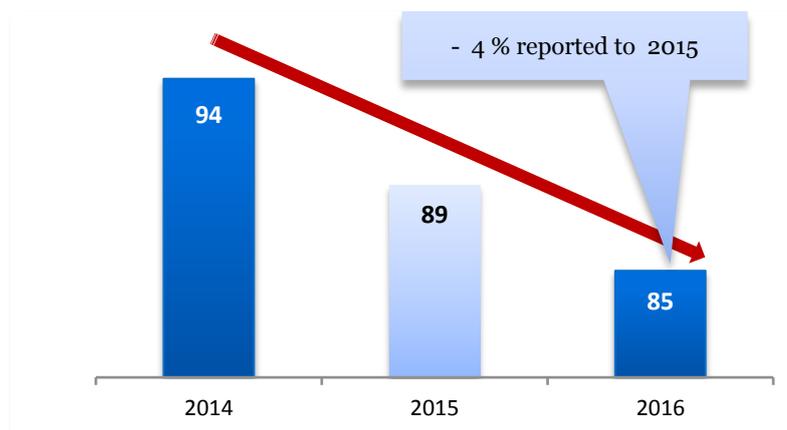
Objective:
Maintaining the main share ratio, namely listed shares



1.3.2. Share Portfolio

Evolution of holding number

Objective:
Decrease in the number of participations and increase of exposure/issuer, so that to directly positively influence the portfolio.

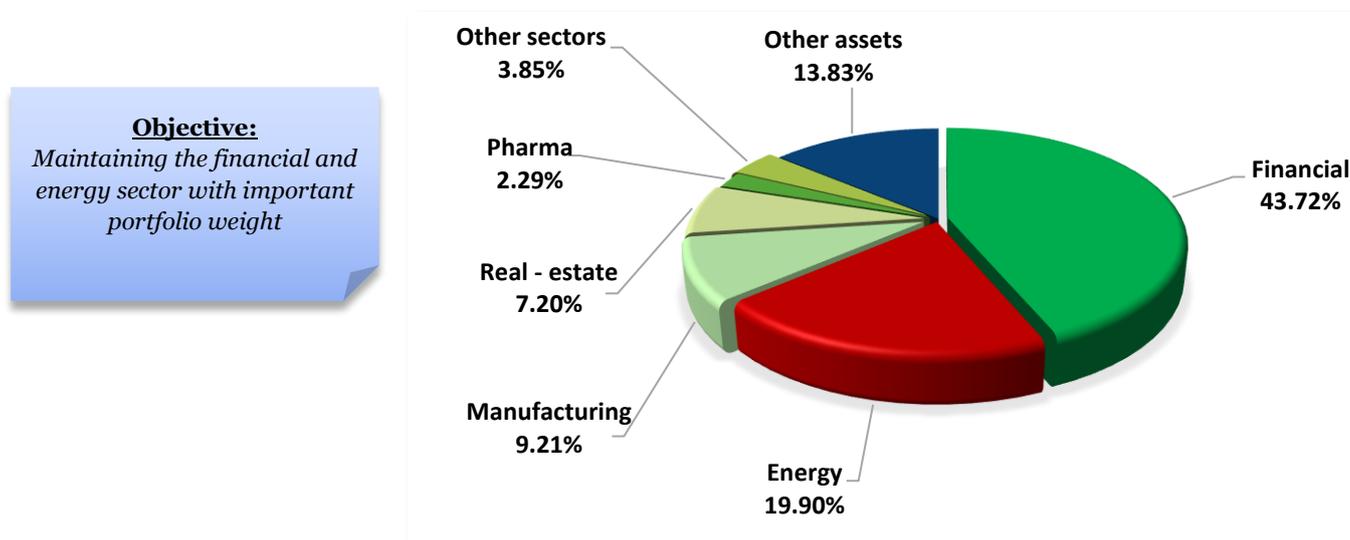


Evolution of Sectorial Exposure

Sectorial exposure (% of total assets value)	2014	2015	2016	2016 – 2015
Financial	40,15	46,73	43,72	- 3,01
Energy	27,55	16,79	19,90	+ 3,11
Processing Industry	10,06	11,36	9,21	- 2,15
Real estate			7,20	*
Pharmaceutical	2,87	2,61	2,29	-0,32
Trade	3,49	3,12	2,20	-0,92
Agriculture	0,30	0,29	0,97	+0,68
Other sectors	1,82	7,80	0,68	-7,12

* in comparison to 2015 there has been a sectorial rearrangement, and the “real estate” sector was introduced, which significantly lowers exposure on “other sectors” .

Sectorial exposure - 31.12.2016 (% of total assets value)



Top companies/ holdings in the portfolio – 31.12.2016

Issuer	% holding of issuer's share capital	weight > 1 % of total assets value
BANCA TRANSILVANIA	7,17	36,79
OMV PETROM	0,86	7,55
SNTGN TRANSGAZ	2,27	4,65
AEROSTAR	14,93	4,39
REAL ESTATE ASSET	99,99	3,99
SNGN ROMGAZ	0,68	3,91
SIF OLTENIA	4,95	2,77
TESATORIILE REUNITE	99,99	2,60
BIOFARM	13,62	2,14
TRANSELECTRICA	1,39	1,76
SIF MUNTENIA	4,97	1,55
SIF TRANSILVANIA	4,45	1,44
MECANICA CEAHLAU	63,30	1,11
TOTAL		74,64

1.3.3. Operations

2016

- **Net revenue from assets sale: 66 mil lei**
- **Investment in securities: 191 mil lei**

“Key” elements of the 2016 Activity Program, approved by shareholders in the GMS on 25.04.2016:

- ✓ the solid/continuous investment policy is the basis of the long-term increase of managed assets, a fundamental elements for the consolidation of investors' trust
- ✓ Predictable dividend policy, which remunerates invested capital at a level higher than the yields offered by monetary investments, is meant to satisfy the shareholders' short-term interests. At the same time, the low yields on the monetary market favor investments, an essential element in the development of an economic growth trend.

Main operations run in year 2016 in order to reach the above-mentioned objectives:

- ✓ Sale/purchase operations targeting the shares of BANCA TRANSILVANIA issuer (TLV). The trading operations were implemented based on the internal decisional mechanism for the abidance of the prudential limitations in the legal provisions, as well as a major holding objective, for the purpose of gaining from the liquidity of the title and the existent increase opportunity and dividend. Thus, on 31.12.2016, TLV weight in total assets was 36,79% (in comparison to 39,33 % on 31.12.2015) while the CORE portfolio (to which TLV belongs), represents 69,4%, similar to the value of the previous year. (69% on 31.12.2015).
- ✓ Holdings from the SELL portfolio have been sold (Sanex, SSIF Broker, Turism Lotus Felix, Agralmixt, Humoreanca).
- ✓ We participated to ABB (Accelerated Book Building) Romgaz with the amount of 41 mil.lei, based on the high fundamental indicators and perspectives of offer high yields to shareholders through the average and long-term dividend distribution ability and price increase.
- ✓ The operations run between 01.01.2016 - 31.12.2016, have caused the lowering of *exposure on Fondul Proprietatea issuer* to 0,46% in total SIF Moldova assets (a decrease of 3,2% on 31.12.2015).
- ✓ We have purchased a SNP share package in the public offer run by FP, gaining a potential revenue of 26,6 mil.lei (on report date).
- ✓ Trading operations with SIF titles, more important as value on SIF3 have been carried out, based on the dividend yield of 10,6% (for a price of 0,249 lei) and Electrica, due to the long-term increase potential.
- ✓ Capital assignments made in 2016 were oriented towards the following private-equity type objectives:
 - substantiation of “Baba Novac Residential” residential project, including 6 apartment blocks, located on the land of the company Tesatoriile Reunite Bucuresti To substantiate this residential project, SIF Moldova subscribed 2016 the amount of 6,7 mil. lei, to the preliminary operations of the investment project, namely the drafting of a feasibility study, market study of a real estate consultant, contracting of works/operations, approvals, demolition, technical execution project.
 - Financing the preliminary operations for the upgrading of Hotel Sport Cluj SA, with the amount of 4 mil. lei. The amount was paid through Opportunity Capital SA.

1.4. Management Policy for the companies / holdings in the portfolio

The activity of the companies in the portfolio is permanently monitored, the main objectives targeted being:

- ✓ Evaluation of the companies' real potential;
- ✓ Estimate of the investment need for the development of the activity;
- ✓ Improvement of economic-financial results;
- ✓ Promotion of an efficient management;
- ✓ Setting the methods to capitalize the participations held;
- ✓ Implementation of proper corporate governance rules.

SIF Moldova has three defined portfolios: "CORE", "SELL", "MAJORITY HOLDING" (details page 17)

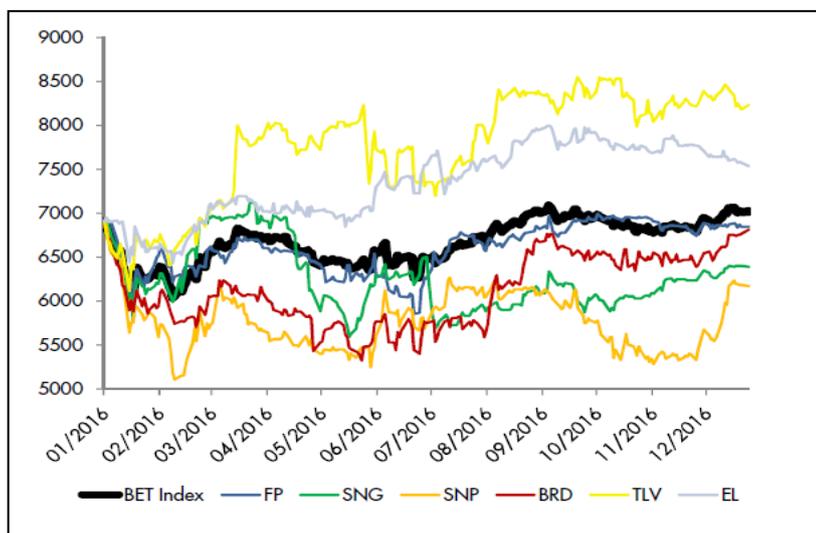
1.4.1. "CORE" PORTFOLIO

On 31.12.2016, CORE portfolio represented 69,5% of total assets and included BVB listed issuers : TLV, TGN, SNG, TEL, SIFs, SNP, FP, ARS, BIO, EL, COTE, with a value of 1.176,6 mil lei, representing 145,3% of SIF2 market value (809,8 mil.lei)

The financial-banking sector on 31.12.2016 represents 43,72% of total assets (inc comparison to 46,73% on 31.12.2015).

The evolution of Banca Transilvania share has confirmed the forecasts/expectations of SIF Moldova, the issuer significantly contributed to portfolio performance. The operations run between 1.01.2016 - 31.12.2016, have caused a TLV exposure of 36,79% of total SIF Moldova assets (a decrease from 39,32% on 31.12.2015), in agreement with 2016 Activity Report.

In compliance with the 2014-2018 Investment Policies, which foresaw "the continuation of investment strategies in the financial-banking sector with local market orientation", an important holding was maintained for Banca Transilvania, due to the high yield offered (cash + free shares) and share increase potential, based on the ability to increase own capital, which can support a competitive PBV in comparison to similar banks in EEC with a higher ROE.



Banca Transilvania has been BVB 's top performed in 2106 (payment law, CHF credit conversion law, following which the bank has setup provisions):

The legal and prudential limits regarding holdings per issuer (40%) per Group (50%) and in the share capital of the bank (10%). SIF Moldova has implemented an internal mechanism for the management of exposure subjected to the TLV title quotation fluctuation.

(source: Bloomberg)

Comparative evolution TLV – EURO STXX 50 BANKS between 01.01.2016 – 31.12.2016



(source: Bloomberg)

From the graphs presented above, we can see that in 2016, TLV price has over performed in comparison to BVB indexes and those of banks in the euro area.

➤ SIFs

The strategy regarding SIFs is to maintain the short-average term exposure, following the real increase potential of the price, supported by the high VUAN/price discount, the ability to offer higher dividend/share yields and given the fact that there is the possibility that the legislative framework will change, namely the finalization of SIFs compliance to the requirements of Law 74/2015 regarding alternative investment funds managers. In 2016, the most important investment was made for SIF3, of 13,2 mil. lei, based on dividend yield: $Dy=10,6\%$. Holdings in SIFs cumulate 5,87% of total assets on 31.12.2016.

The legal limit regarding the holding in each SIF share capital is abided by (5%).

➤ Energy Sector

The weight of the energy-utilities sector in total assets on 31.12.2016 raised to 19,90% (from 16,79% on 31.12.2015). The weight increase was due to the purchase of SNG, SNP and EL shares.

The placement of an important amount in Romgaz (SNG) shares was justified by the solid profitability of the company and high dividend yield: 11%. Romgaz maintains its perspectives to offer high yields to the shareholders through its ability to distribute dividends on the average and long term and price increase, stimulated by international price increase on the oil & gas sector.

Based on the increase perspectives of SNP price, given the international context of oil price raise, SIF Moldova has purchased a package of 275 mil. shares in the ABB made by FP, gaining a potential revenue of de 26,6 mil lei (on report date).

The purchase of Electrica titles was based on the profit increase perspectives of the company due to fundamental and stock indexes and a possible deal with FP. According to INS, electric energy consumption in the first 8 months in Romania has been with 4,3% larger than in the same period of 2015.

The continuation of Aerostar issued shares purchase is based on the position of regional leader in plane manufacture, maintenance of civil airplanes, for solutions offered in the field of air and land defensive systems, as well as the financial soundness, increase perspectives of the company and predictable dividend policy.

1.4.2. "Majority Holdings". SIF Moldova Group

On 31.12.2016, MJ portfolio registered a value of 169,8 mil lei, representing a weight of 10.02% of total SIF Moldova assets. The 10,02% weight of MHP does not include the value of Hotel Sport Cluj SA since on 31.12.2016 the company Opportunity Capital SA (shareholder of Hotel Sport Cluj SA) was still under voluntary liquidation process (reflected in SIF assets under zero value).

Later event: in month January 2017 Opportunity Capital SA was cancelled. Thus, the entry of Hotel Sport Cluj SA value, would lead to a MHP weight in total value of about 11,1%.

The members of SIF Moldova Group (*ASF certification no. 27/18.11.2015, update of certificate no. 1/07.02.2017*). SIF Moldova has informed its investor (Report of 13.02.2017). ASF has certified the current members of "SIF Moldova Group", including 9 agencies, according to the provisions of Law 297/2004 and CNVM instruction no. 11/2005.

No	Agency Name	SIF Moldova – mother company SIF Moldova direct holding	Company type (closed /listed)
1	Mecanica Ceahlau SA	63,302	BVB-REGS (MECF)
2	Regal Galati SA	93,021	BVB-ATS (REGL)
3	Tesatorile Reunite SA	99,999	unlisted
4	Casa SA	99,026	unlisted
5	Asset Invest SA	99,997	unlisted
6	Real Estate Asset SA	99,999	unlisted
7	Agrointens SA	99,999	unlisted
8	Agroland Capital SA	99,992	unlisted
9	Hotel Sport Cluj SA	99,990	unlisted

Regulations applied according to AFIA legislation

- ✓ The private type investment policy, through which control is obtained in unquoted shares is in compliance with the multiannual investment strategy and with the legal and prudential risk limits of SIF Moldova, without representing the main investment policy.
- ✓ In the selection and supervision of the investment of unquoted shares, SIF Moldova applies a high level of diligence: the staff has the professional competencies and skills proper for the assets it invests in, the same diligence requirements being applied in the negotiation phase, before entering an agreement.
- ✓ SIF Moldova is a shareholder with a holding of over 95% in all unquoted companies set up according to the 2014-2018 Investment Strategy.
- ✓ These assets are evaluated in compliance with the evaluation procedure their value being reported on a monthly basis.

According to *2014-2018 Investment Policies Statement* (materials approved by EMS 2015 and 2015) SIF Moldova has an investment strategy for the development of Majority Holdings Portfolio, characterized by:

- a) project implementation in various activity fields and development of businesses **through specialized companies** (companies setup by SIF within the group) **and/or on companies from SIF Moldova Historic portfolio;**
- b) the investments represent a private-equity type approach which involves **the development of existent majority holdings (real estate, agricultural machines) as well as new investments (real estate, hotels, agribusiness);** the investment decisions have a high degree of maturity /impact on expected profits on the average and long term.

As investment projects are implemented and developed, it is estimated that there will be a need to attract available financing resources from the bank system and/or capital market. This type of investments can represent a valid alternative to the low yields that the monetary and share markets offer.

Under these circumstances, SIF Moldova thinks that exposure on direct investments in real economy through the private equity type in performing structures in Romania, included in the National Development Strategy for Romania, represent the answer to generating high yields for shareholders, given the continuous drop of yields on the monetary and share markets or increase of volatility on these markets.

➤ **Real Estate Asset SA (REA) – VERANDA MALL Project**

Premise: The investment project consisted in the building and operation of Veranda Mall Commercial Center in Bucharest, in Obor-Colentina area, through Veranda Obor SA company. The investment is located in the proximity mall category, located in a highly populated area with commercial traffic. .

SIF Moldova Investment: In order to implement the investment, SIF Moldova has subscribed to the increase of the share capital of REA, the amount of 65,5 mil. lei of which, up to 31.12.2015 it has paid the amount of 65 mil. lei. With this amount REA has purchased 31,42% of Professional Imo Partners SA (PPLI), former Prodplast Imobiliare, and 18,12% of NORD SA (NORD). Through these purchases, REA has acquired the shareholder status within PPLI and NORD entering an Agreement regarding the protection of minority shareholder's rights. Later REA participated to the subscription to the capital increase of PPLI and NORD, in order to provide the resources needed to finance the project.

Veranda Mall holding through Real Estate Asset is about 36,7%.

Project characteristics: GLE (laid-out built area) cca. 67.000 square meters; GLA (rentable area) cca. 30.000 mp; parking spaces no. 1.210.

Timeline: On 27.10.2016 the investment project Veranda Mall was successfully opened (according to initial planning, the opening of the commercial center was to take place in November 2016).

Current status: According to the estimates on the date the mall was opened, the area occupation degree was of about 97%.

Exit possibilities: Investment recovery was estimated to be achieved through dividends and the sale of the mall until 2021 at the latest, at higher yield.

For this purpose, discussions are made to draw the attention of specialized investors.

Following the resolution of the Board of Directors of SIF Moldova, regarding the restructuring of the Group, the company Real Estate Asset will enter voluntary liquidation procedure. The REA holdings in PPLI and NORD will thus enter SIF Moldova portfolio.

➤ **Tesatoriile Reunite SA –"Baba Novac Residence" Residential project**

Premises: In the reporting period, the company has finished the justification of the opportunity to develop a residential project "Baba Novac Residence" (block of flats), located in Bucharest on the company's land, in an area with development/ increase potential.

The evolution of the residential building prices has confirmed the project's opportunity. In a report published by Eurostat on 19.01.2017, the price of Romanian housing registered an increase of 7.1% in the 3rd trimester of 2016 in comparison to the similar period in 2015 while in the euro area, the increase was of 3,4% and 4,3% in the European Union.

According to the market study carried out by *Colliers Valuation & Advisory* „Baba Novac Residence” project represents a unique opportunity in the residential sector of the capital, having clear competitive advantages regarding the location in a well-quoted neighborhood, with very good access to public transportation, in the vicinity of large commercial centers and very close to IOR Titan park. Besides, the project proposes a division that answers the requirements of the current residential market, and the green area percentage places it well above the other new apartment residential areas.

SIF Moldova investment: In order to achieve the investment project, SIF Moldova has subscribed to the increase of Tesatoriile Reunite SA share capital the amount of 9,1 mil. lei of which, up to 31.12.2016 it has paid 6,7 mil lei, and in 2017 it is to pay the 2,4 mil lei difference.

The investment projects integrates assets of Tesatoriile Reunite company.

Timeline: Based on the market study and the result of financial projections regarding construction works, SIF Moldova has approved in EAGM of Tesatoriile Reunite of 26.10.2016, the Baba Novac Residence

investment project, the beginning of works, and the capital increase required to finance the project. The project financing will be made through own sources and bank credits. The value of the investment project suggested by Tesatoriile Reunite is of about 34 mil. euro.

Project characteristics: 6 blocks of 363 apartments, 436 parking spaces of which 298 underground and 138 spaces above the ground. It is estimated that constructions works will start in the spring of 2017.

Exit possibilities: investment recovery will be made through the sale of the apartments build at a yield higher than the financing cost.

Current status: conclusion of the demolitions of the buildings on the location ; building permit pending; the start of construction works (estimated in spring 2017).

➤ **Agrointens SA – Blueberry farm project**

Premises: The project was based on the development of a business in the agro-business field and involved the purchase of two blueberry farms with a cultivated area of about 18 hectares by Agrointens SA. The investment in intensive blueberry farming was based on the average and long-term increase potential of this type of plantation and aimed to develop the business through the extension of the cultivated area.

SIF Moldova Investment: following the procedure of a Agribusiness Capital SA cancellation procedure in December 2016, SIF Moldova has become a direct shareholder with a number of 1.132.716 Agrointens SA shares.

Additional investment: In July 2016 SIF Moldova has approved the implementation of Agrointest SA of the project “ *Expansion of BLUEBERRY Farm; purchase of new land and setup of blueberry plantations*”.

The value of the investment project suggested by Agrointens SA is of maximum 4,74 mil. euro. The cultivated area will increase from about 18 hectars to about 67 hectares. Investment structure: (a) land purchase; (b) plantation setup, purchase of tools and equipment, work capital, etc.

Timeline: The company is in its second blueberry culture exploitation year and in the process of identifying new land that lend themselves to blueberry culture, in order to develop the company by increasing the cultivated area.

Exit possibilities: Investment recovery was estimated to be made through dividends, capital returns between 2023- 2026 and the sale of the investment in about 10 years. Fiancial forecasts estimate a yield higher than the capital market.

Current status: In August 2016 a land was purchased in Vistea locality, Brasov district, adjacent to the existent farm, an area of 5 hectares. Financial indicators corresponding strictly to the project (turnover and profit) were confirmed by the evolution of the first two years of exploitation of the blueberry plantation. On the report date the company is in an advanced stage of implementing the development project (through the identification of new lands suited for blueberry cultures) and updating of existent plantations.

Preliminary results for year 2016, indicate an increase of production by 19% in comparison to 2015, and by 7% in comparison to the REB, with a gross profit rate of 7.6%.

➤ **Hotel Sport Cluj SA - Hotel**

Premises: The project was based on development through the diversification of the business portfolio in the hotel sector, through the purchase of a hotel located with an important development potential.

In 2015 Romania has had the largest increase of tourists spending the night in in EU, of 15,9% (average increase in the EU was 3,2%). The raining trend was maintained in the first 10 months of 2016. Thus in

the Eurostat report on 20.01.2017 it is shown that Romania has registered between January – October 2016 an increase of night booking of 8,5% in comparison to the same period in 2015, while in the EU, the increase was only 2,0%

SIF Moldova Investment: Through Opportunity Capital SA (as majority holder at that time) in December 2015 we purchased Sport Hotel in Cluj. The amount invested by SIF was of 19,3 mil. lei (purchase plus expenses for the upgrading and other expenses with the transaction)

Later event : following the conclusion of the cancellation process for Opportunity Capital SA in January 2017, SIF Moldova has become a direct shareholder with 19.329.398 Hotel Sport Cluj SA shares.

Additional investment: The market analysis carried out by the management of HSC indicate the opportunity of placing on Class 4*+ (in comparison to 2* the hotel currently ranks and the 3*+ that was considered for the initial financial forecasts). For this purpose the project will foresee, besides the upgrading works, the building of a new accommodation rea, a ballroom, and an underground parking place. This new concept will modify the technical and financial indicators of the initial project.

Timeline: The project is structured on stages (pre-development, concept definition ; planning, certification ; development, execution, follow-up, endowment, reception and opening).

Exit possibilities: It was estimated that the investment will be recovered through the sale of the investment in about 10 years.

Current status: Since 15.08.2016 the company has closed its activity, opened the procedure for the valuation of fixed means and taken the necessary measures to preserve the holtel until the start of the upgrading works.

The company has obtained the building permit for the upgrading of the main building and façade modification and is awaiting the approval of PUG modification in order to obtain the extension authorization. Given the litigations between local institution regarding PUG (for the land held by Hotel Sport), the management of the company thinks there might be a delay in obtaining the building permit for the extension.

➤ **Agroland SA**

The company was setup with the purpose of capitalizing on investment opportunities in the agribusiness-real estate field for the purpose of generating plus value for shareholders.

The company did not carry out any activity in the reporting period, in 2016, some investment projects will be run through it.

Following the cancellation of Agribusiness Capital SA in December 2016, SIF Moldova has become direct shareholder with a number of 12.000 Agroland Capital SA shares.

➤ **Asset Invest SA**

The company has the following main action directions:

- ✓ the management of the companies in its own portfolio mainly the liquidation of these participations - on 31.12.2016 it managed a portfolio of 47 companies (44 SIF input/ cession; 3 direct holdings) of which 9 functional, 3 in administrative liquidation, 3 in insolvency and 33 in judicial liquidation.
- ✓ representation in GMS/BD in the companies in its own portfolios, or in the portfolio of SIF Moldova.
- ✓ monitoring the information and events of the companies in the portfolio of SIF Moldova based on service agreement, entered with SIF Moldova;

The company continues the share portfolio liquidation program both in its own portfolio and in the „Sell” category of SIF Moldova; improvement of the monitoring activity for the information and events regarding the companies in SIF Moldova portfolio. 2016 Preliminary results: in 2016 the company has had operational income of 633 mii lei, with 7% below REB, but a gross profit of 66 mil lei, 24% higher than REB.

➤ **CASA SA**

On 31.12.2016, the company manages own and SIF's real estate assets. Its own real estate portfolio includes of number of 11 buildings located in various municipalities (Suceava, Botoșani, Piatra Neamț, Bacău, Iași, Galați, Brăila, Tulcea), with a net area of about. 2.900 mp of which about 1.300 mp are rented. Additionally the company also manages real estate assets belonging to SIF Moldova. 2016 Preliminary Results: the company has an operational income of 1,25 mil lei and a net profit of 1,25 mil lei ; under the level foreseen in the REB.

➤ **Regal SA**

The company manages own commercial areas and has planned to sell areas without rental or development potential. The real estate portfolio includes a number of 13 buildings located in Galati, with a net area of 6.250 mp (without terraces and access roads), of which about 3.340 mp are rented. In the reporting period the company did not succeed to sell anything in its sale program. It is currently analyzing the possibility to capitalize on some lands belonging to the company for possible real estate development. 2016 Preliminary result: the company registers an operational income of 1,1 mil lei and a gross profit of 109 thousand lei.

➤ **Mecanica Ceahlau SA**

Increase of the marketing activity through (i) participation to fairs and exhibitions (Arad, Iasi, Oradea), with own manufactured products and STEYR or PROJET products that the company imports and distributes and (ii) through the organization of demonstrations – testing of the machines in Galati, Neamt, Dolj and Bihor district. The company continues to have an up going trend both on the turnover level and operational profit, and it is estimated that these will exceed those registered in 2015. In November 2016, SIF Moldova has consolidated its shareholding position, reaching a holding of 63,302%.

2016 Preliminary Results : In 2016 the company has had total operational income of 38,12 mil lei with a 27,5% above those in 2015. In the same time frame, expenses from exploitation raised with 27,9%, to 34,41 mil. lei, from 26,90 mil. lei. The net overall result of 2,35 mil. lei is with 4,91% above that of 2,24 mil. lei in 2015.

➤ **New Projects:**

For the Majority Holdings Portfolio, the aim was to continue the market documentation, in order to identify new investment projects in the real-estate field, agriculture, social services and health.

Following the plan to restructure, improve, simplify, the Board of Directors of SIF Moldova, approved in March 2016 the restructure of the Group's architecture, by eliminating the N-1 level, investment management companies, the branches remaining with the specific investment operator activity. For this purpose, it was decided that in the first stage, companies Agribusiness Capital SA and Opportunity Capital SA voluntary liquidate, and Real Estate Asset SA voluntary liquidate following the startup of the implemented project (Veranda Mall).

➤ **Agribusiness Capital SA – cancelled company**

The objective of the company has been the selection of projects in the agricultural field that would lead to the meeting of profitability and capital increase indicators. In December 2016 the cancellation process for the company was concluded, shareholder SIF Moldova taking over the shares held by Agribusiness Capital SA in Agrountens SA and Agroland SA.

➤ **Opportunity Capital SA – company cancelled after the reporting period**

The company's objective has been the selection of projects for the diversification of SIF portfolio. Research was mainly based on the Romanian hotel market, namely locations in mountain areas with high tourist traffic or locations in large financial and business centers. In January 2017, the company cancellation program was over and SIF Moldova took over the shares held by Opportunity Capital SA in Hotel Sport Cluj SA.

Following the reporting period, we will continue the restructuring program of SIF Moldova Group in order to increase the efficiency of the activity through new approaches, that would lead to the improvement of the financial result of the managed projects portfolio.

We would like to mention that all companies in SIF Moldova Group have entered the consolidation area corresponding to IFRS financial statements 2015 and 2016.

The presentation of “MAJORITY –HOLDINGS” portfolio between 2014-2016, chapter 1.5. Implementation of 2014 – 2018 Multiannual Strategy Implementation.

1.4.3. “SELL” Portfolio

In order to reach the investment objective according to the 2014-2018 Investment Policies Statement, SIF Moldova will continue to reduce the weight of the SELL portfolio in the total managed assets, portfolio selected based on low liquidation criteria, low performance, and increase potential. .

Thus, on 31.12.2016, the weight of SELL portfolio decreased to 6,62% of total assets value, in comparison to 8% in 31.12.2015, the implemented strategy being that of restructure through sale.

To the extent that the positions in this portfolio are sold, liquidities fuel the investment need of SIF Moldova.

In 2016:

- ✓ the sale-purchase agreement of the share package held by SIF Moldova in Sanex S.A. was sold and the value of the Sanex package of 6,35 mil lei was collected with a profit of 1,47 mil. lei;
- ✓ SSIF Broker si Turism Lotus Felix holding was sold;
- ✓ the sale-purchase agreement of the share package held by SIF Moldova in Agralmixt S.A. was sold and the amount corresponding to the sold shares package was collected
- ✓ the withdrawal of SIF Moldova from Indor SA Dorohoi was concluded following the collection of the last tranche in July (according to the mediation agreement entered with the debtor).
- ✓ a share package of Humoreanca was transferred through the participation of the buy-back program started by this issuer.

Through Asset Invest SA, according to the mandate contract, negotiations were held for the selling of the share packages owned by SIF Moldova for a number of 18 companies by analyzing exit possibilities : division on assets structure sale of SIF Moldova holding to the majority holder, sale of holding along with the majority holder, etc.

Justifications reports were drafted in order to start court procedures to defend SIF Moldova's interests for a number of 10 companies with object : challenge of general meeting resolutions, namely decisions of the Board of Directors, withdrawal of companies from the portfolio, according to Law 151/2014, participation to buy-back programs, etc.

The Financial Supervision Authority, ANEVAR, ORS have been notified about the irregularities in the withdrawal procedures from the portfolio companies, according to Law 151/2014.

1.4.4. Abidance by investment limits approved through the 2016 Activity Program

SIF Moldova has analyzed and implemented investments (some in the project phase) *that are according to the directions and principles presented in the 2016 Activity Program approved by the shareholders* (OGMS on 25.04.2016).

Specification (lei)	2016 Activity program	Achieved on 31.12.2016
Total investment project, of which:	247.000.000	190.854.521
“Majority Holdings” Portfolio		9.809.553
“Core” Portfolio, of which:		146.027.473
- long-term		121.707.155
- Short-term		24.320.318
Fund units		35.017.494

Status of investments made between 01.01.2016 – 31.12.2016 (detailed per portfolios):

1. Majority Holding Portfolio

	Tesatorii Reunite SA	Mecanica Ceahlau SA
SIF2 investments, of which:	9,1 mil. lei	0,66 mil. lei
Investment projects	Baba Novac Residence – preliminary works (apartment complex)	-
- SIF2 cash contribution	6,7 mil. lei	-
Project status	being implemented, it is to obtain the building permit and start work	-

2. Core Portfolio – long-term:

	Aerostar	Banca Transilvania	Romgaz	Catalyst SA	OMV Petrom
Object	holding consolidation through share purchase	holding consolidation through share purchase	holding consolidation through share purchase	holding consolidation through cash contribution to s.c.	holding consolidation through share purchase
invested amount	0,6 mil.lei	22,05 mil.lei	40,91 mil lei	0,3 mil.lei	57,83 mil. lei

3. Core Portfolio – short-term:

	SIF Transilvania	SIF Banat-Crisana	Electrica
Object	for trading	for trading	for trading
invested amount	13,19 mil.lei	1,67 mil.lei	9,46 mil.lei

4. Fund units – long-term:

	BT bonds	OTP bonds	OTP Comodis RO
object	for opportunity capitalization	for opportunity capitalization	for opportunity capitalization
investment amount	15 mil.lei	10 mil.lei	10 mil.lei

1.5. Implementation of multiannual strategy (2014-2018)

Status of multiannual strategy implementation - 2014-2018 Investment policies statement, approved by OGMS resolution no.8/15.04.2014.

Objective of 2014 – 2018 Multiannual Strategy

2014 – 2018 Multiannual strategy was based on the mixed assignment of resources to the capital market in parallel with the development of “private-equity” type investment projects.

The “key” elements of the Multiannual investment strategy presented and approved by the shareholders in the general meetings of 2014 -2016 is based on a resource assignment that insures the sustainable development of SIF Moldova’s activity and the satisfaction of shareholders’ interests, both on the short and on the long term.

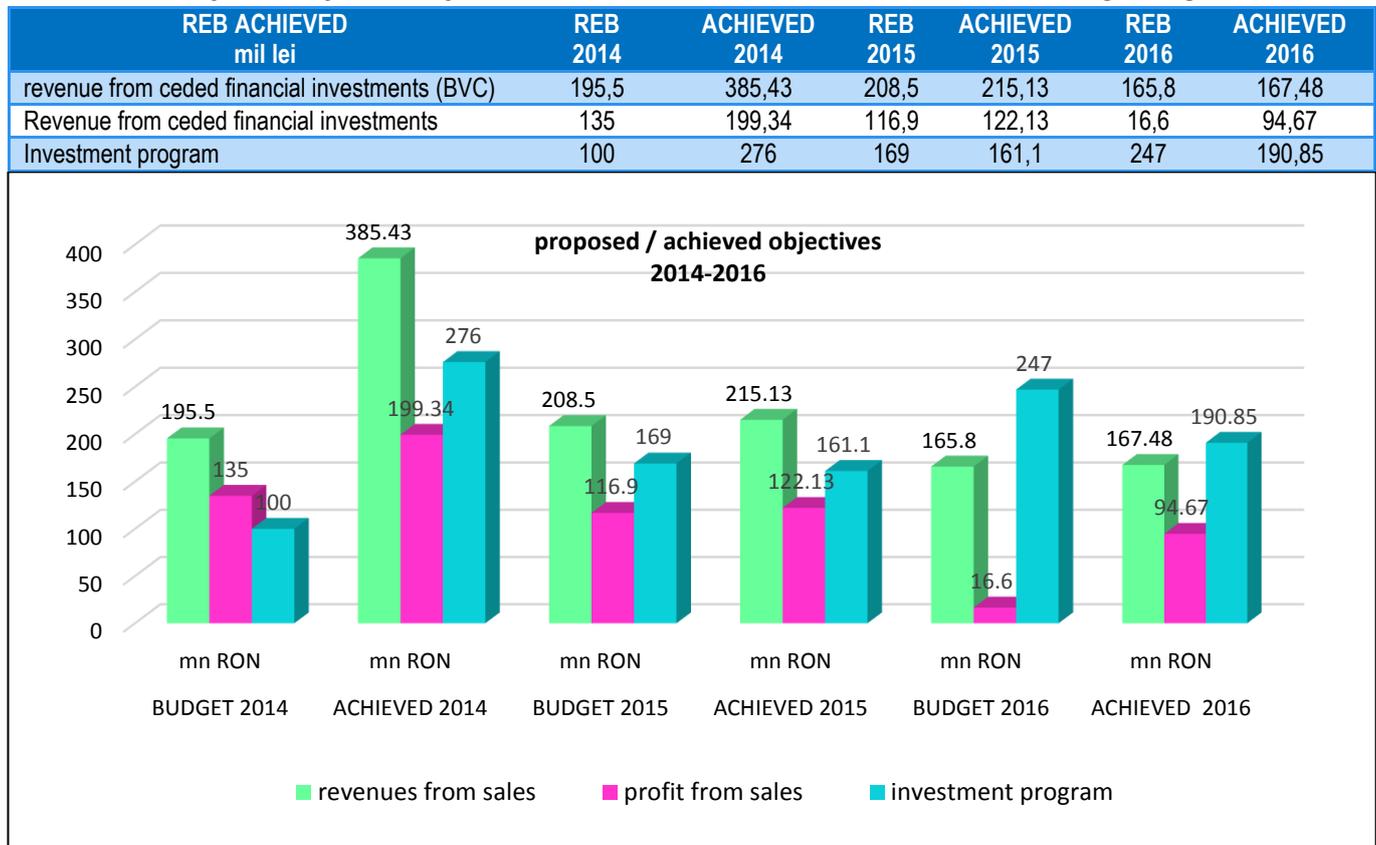
Investment policy solid/ sustained, is the base of the long-term increase of the value of managed assets, a basic element for the consolidation of investors’ trust.

Predictable **dividend policy** that repays invested capital at a higher level than the yields regarding monetary placement, meant to satisfy the short term interests of shareholders. At the same time, the

existence of low yields on the monetary market favors investments, an essential element in the development of a raising economic growth trend.

Over the last 3 years, SIF2 share (including distributed dividends) offered the shareholders a cumulated yield of 28%. (Dy% of 5,1% in 2014, namely 6,4% in 2015 and 6% in 2016-reported to the prices before the GMS for dividend).

Achievement of the objectives foreseen in the 2014, 2015 and 2016 Activity Programs

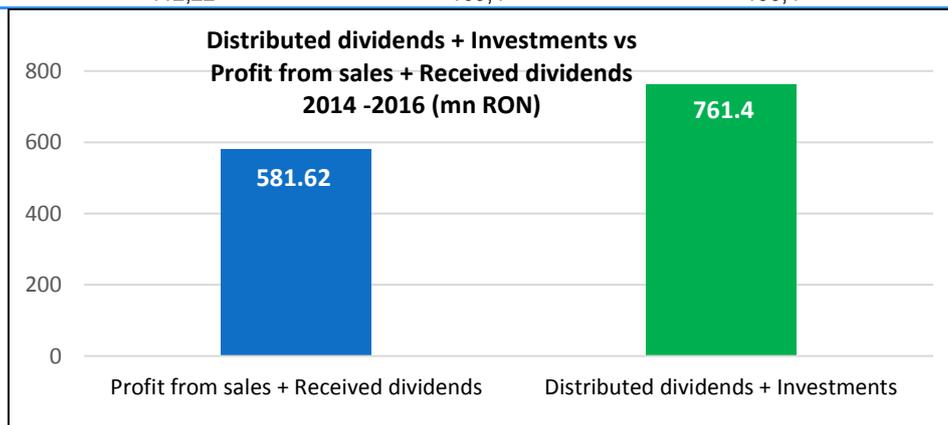


The coordinates of SIF Moldova strategy, as presented and approved in the general meetings of 2014-2016 has been based on the long-term increase of the value of managed assets values with a predictable dividend policy that paid the invested capital at a yield above those offered by monetary placements.

In the present mandate, the Board of Directors has succeeded not only to substantially increase the value of SIF Moldova, but also distribute dividends to shareholders at yields over 5% in each year.

Thus, between 2014- 31.12.2016, the total value of distributed dividends, along with investments made was of 761,4 mil.lei, exceeding the total amount of dividends received along with the profit from financial investments on 581,6 mil.lei.

mil.lei	Ceeded fin inv prof	Received dividends	Distributed dividends	Investments
2014	199,34	28,7	34,2	276
2015	124,28	27,7	52,5	161,1
2016	88,6	113	46,7	190,9
TOTAL	412,22	169,4	133,4	628



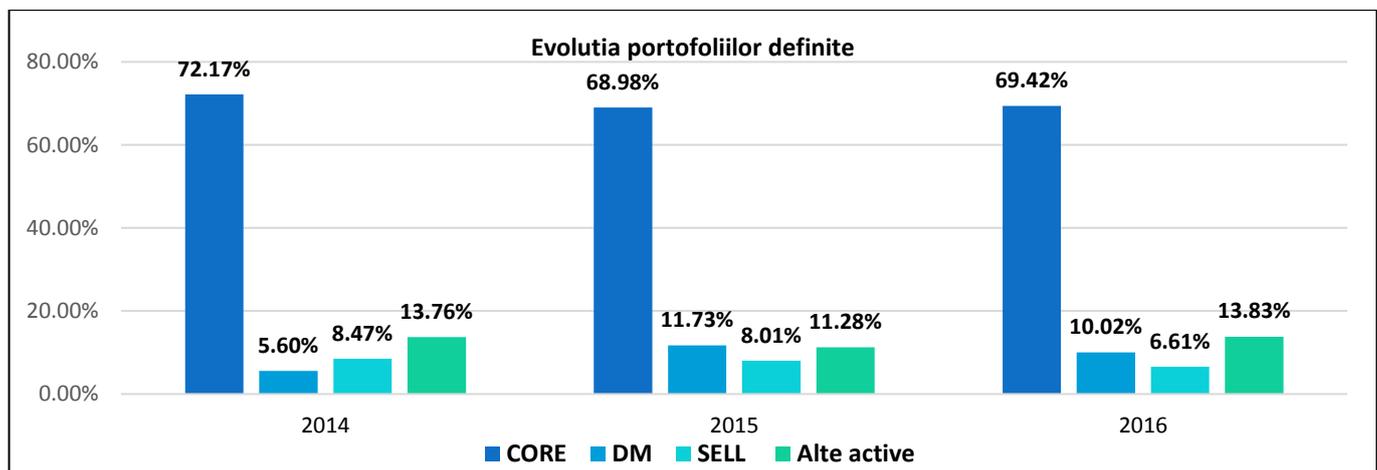
In 2014 we started the reconfiguration of the assets portfolio with the objective of raising the average and long term increase potential, in agreement with the specifications of each portfolio and evolution of the macro-economic environment:

- ✓ **“CORE” portfolio** – offers increase potential with the evolution of the capital market and liquidation of SIF Moldova’s assets, representing the pillar generating new investment sources.
- ✓ **“Majority Holdings” Portfolio** – with a “private equity” –type approach which involves the development of existent majority holdings (real estate, agriculture, hotel fields) and new investments through specialized entities in sectors that cumulatively meet the factors we consider sustainable growth generators (*population consumption*), as presented by the consumption indicators forecasted and increase of “available” revenue, *development / rethinking of agriculture* especially added value agriculture, where Romania has and can consolidate a competitive advantage. According to SIF Moldova strategy, SIF Moldova has registered as Group (ASF resolution no. 352/02.03.2015).
- ✓ **“SELL” Portfolio** – continuation of the restructure/ sale of “historic” share portfolio.

The weight modification, both for the “CORE” and “Majority Holdings” portfolio, was made based on the reassignment of liquidities generated by the assets portfolio and evolution of BVB listed titles. This process accurately described the presented strategy, namely assignment of assets from the low income generation class (cash or historic investments – minority, difficult to monitor, many in companies in various stages of the insolvency/ reorganization/ bankruptcy), in the “CORE” classes (which insures stability and dividend predictability, transparency and liquidity), and “Majority Holdings” (which insure high yields under controlled or assumed risk).

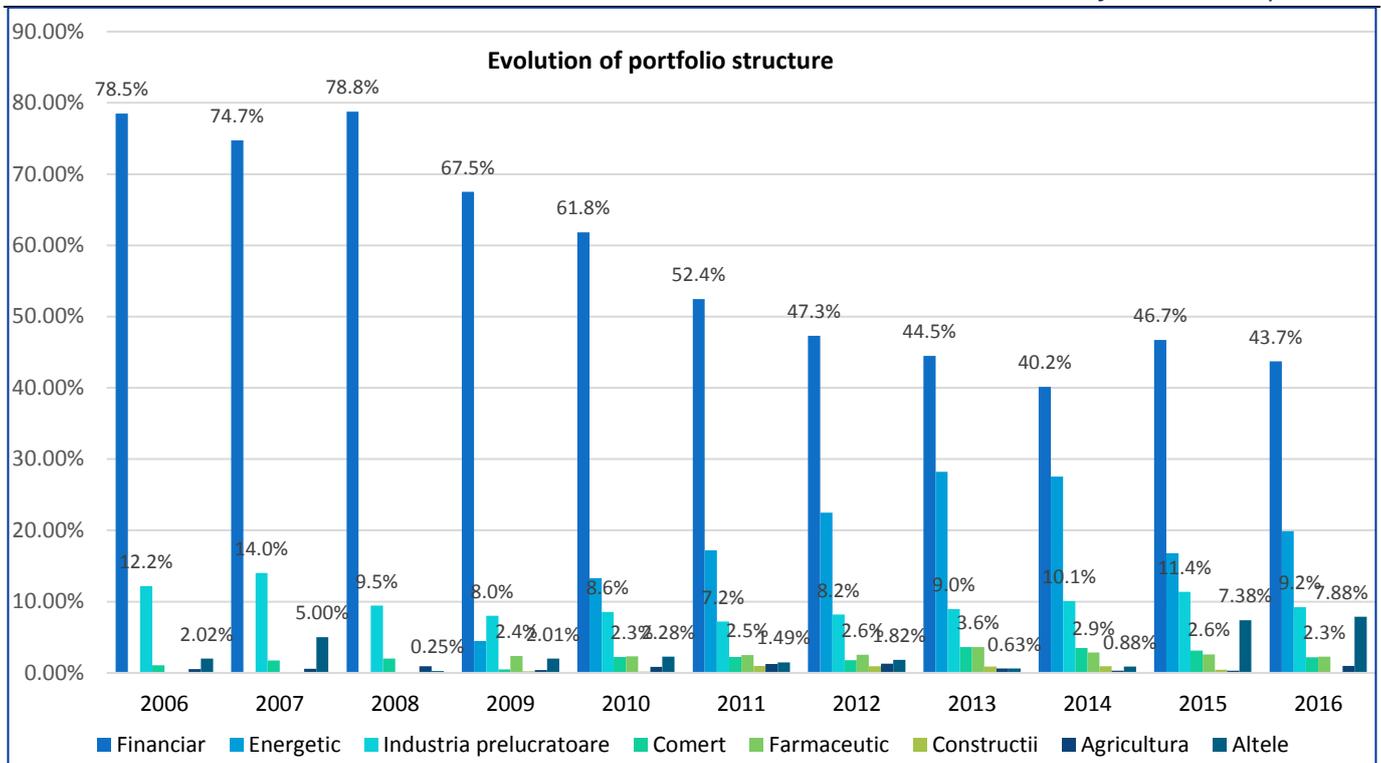
Evolution of asset structure between 2014-2016, from the point of view of defined portfolios.

Evolution of defined portfolios % in total assets	CORE	Majority Holdings (MH)	SELL	Other assets
2014	72,17	5,60	8,47	13,76
2015	68,98	11,73	8,01	11,28
2016	69,42	10,02	6,61	13,83



Evolution of assets structures and investment policies

The process of improving the management structure has been one of the constant concerns of the Board of Directors regarding the implementation and abidance by the main principles of SIF Moldova’s Corporate Governance code. This includes details regarding management structures and specific responsibilities, focused on the qualitative selection of asset portfolios and their specialized management. Investment activity was carried out with the abidance by the prudential and legal exposure limits, in agreement with macro-economic tendencies.



1.5.1. CORE Portfolio – (see the 2016 status in chapter 1.4.1.)

With several exceptions, the current quoted shares portfolio is the result of the strategies applied by SIF Moldova's Board of Directors in the last two mandates, with the objective of restructuring the historic portfolio and replacing it with a higher quality portfolio (Banca Transilvania, Fondul Proprietatea, OMV Petrom, Transgaz, Biofarm, Transelectrica, Romgaz, Electrica, Conpet).

The restructuring/ optimization of the portfolio has been a priority for SIF Moldova management, the process being accelerated through the « 2011 – 2013 Investment Policy Statement» and “2014 – 2018 Investment Policy Statement”, documents approved by the shareholders of SIF Moldova in the general meetings in 2011 and 2014. The implementation of this restructure/rebalancing strategy of the assets portfolio has determined the following portfolio structure on 31.12.2016: increase of the energetic sector weight (19,9%), decrease of the financial sector weight (43,72%), maintaining a high level of listed securities (74,11%),

The weight of CORE portfolio is total assets decreased from 72,17% in 2014 to 69,4% on 31.12.2016. Core Portfolio (defined based on the average and long-term asset liquidity and performance), insures the return of invested capital, through dividends and capitalizes the increase potential of the capital market. The strategic exposure on the two key sectors, energy and financial, with the given adjustments /issuer, in total or in part, is possible depending on the results of some performance improvement techniques and yield/risk analysis.

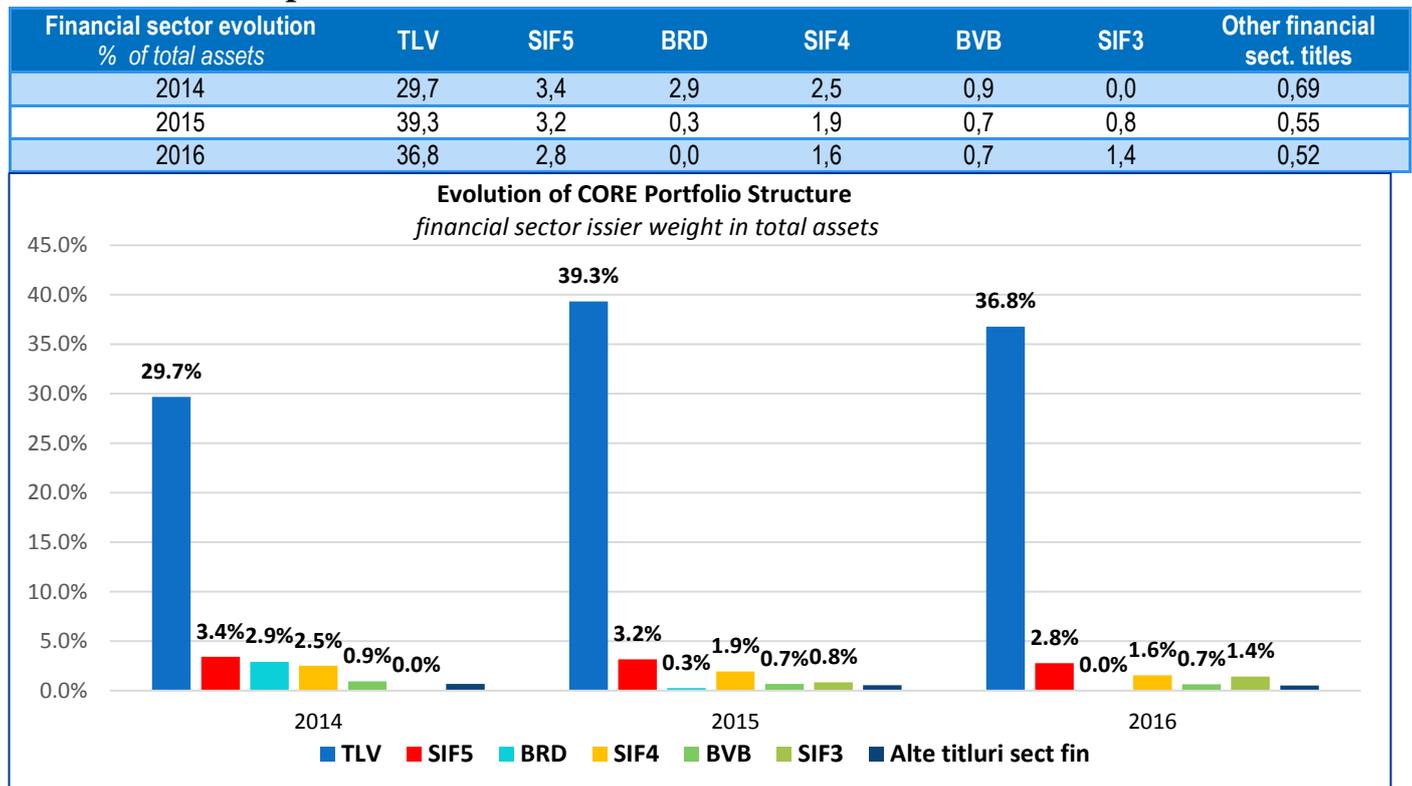
CORE portfolio is the main income generator and investments source and approaches the following asset assignment principles:

- a) On the long term, the assets value is determined by elements of fundamental nature and market generated conditions, abiding by the general investment restrictions in AFIA legislation, based on :
 - ✓ general performance objectives of the portfolio
 - ✓ growth potential
 - ✓ investment time frame
- b) On the short-term, the assignment of assets means the systematic or punctual adjustment of the portfolio, in order to benefit from “short-term” opportunities, abiding by the following:
 - ✓ Restrictions/ targets imposed by strategic assignments

- ✓ The principle according to which, on the average term, the capital market reflects a combination between investors' expectancies and fundamental value of assets / liabilities
- ✓ short –term ventures
- ✓ limitations caused by investment opportunities and available liquidities needed for certain operations (for example, dividend distribution to the shareholders).

The weight of the financial-banking sector in total assets has increase from 40,15%% in 2014 to 43,72% on 31.12.2016 based on TLV listing increase.

The evolution of assets structure between 2014-2016, from the point of view of activity sectors – **financial sector exposure.**



In agreement with the *2014-2016 Investment Policy Statement* , which foresees “ the continuation of investment strategies in the financial-banking sector with local-market orientation” an important holding was maintained on Banca Transilvania. The later evolution of Banca Transilvania (TLV) share has confirmed the forecasts/ expectancies of SIF Moldova, the issuer significantly contributing to portfolio performance. For the purpose of abiding by the legal and prudential limits, SIF Moldova has implemented an internal mechanism for the management of exposure subjected to tile quotation fluctuation..

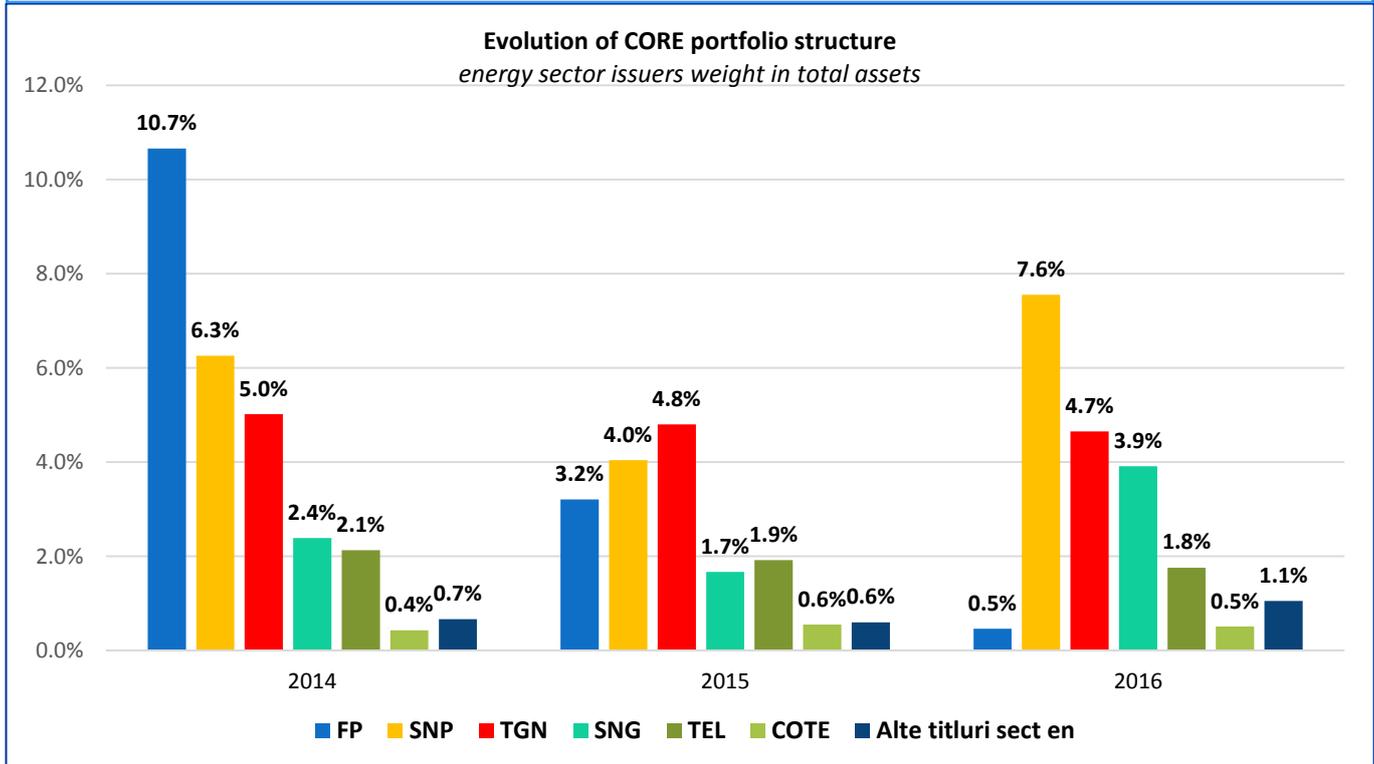
The growth of Banca Transilvania in the coming years will be insured by the increase of the net credit balance by 40% following Volksbank takeover. The increase of credit balance will feed the incomes from commissions and interests in the following years, main income sources for the bank.

At the same time, in agreement with the 2014-2018 Investment Policies Statements, SIF holdings have been gradually increased given the real growth potential of the price supported by the high VUAN/price discount, the ability to offer higher dividend/share yields and given the fact that there is the possibility that the legislative framework will change.

The weight of the utilities-energy sector in total assets has decreased from 27,55% in 2014 to 19,90% on 31.12.2016 based on the net assets increase, powered by TLV top performer.

The evolution of assets structure between 2014-2016, from the point of view of defined portfolios structure – **exposure on energy sector.**

Energy Sector evolution % in total assets	FP	SNP	TGN	SNG	TEL	COTE	Other en.sector titles
2014	10,7	6,3	5,0	2,4	2,1	0,4	0,7
2015	3,2	4,0	4,8	1,7	1,9	0,6	0,6
2016	0,5	7,6	4,7	3,9	1,8	0,5	1,1



SIF Moldova has maintained important holdings in the issuers from the energy sector given the constant and consistent dividend flux. The holdings on issuers from the sectors were maintained, given high fundamental indicators. The energy sector is an anchor of SIF Moldova's Financial Strategy since the issuers in the sector are companies with solid financial background, with the ability to supply important cash in the following years.

In agreement with 2014-2018 Strategy, we have analyzed the share sale/listing programs from the energy sector run by the Romanian state or Fondul Proprietatea, for the purpose of capitalizing on investment opportunities.

1.5.2. Majority Holding Portfolio - (see 2016 status in chapter. 1.4.2.)

The weight of the Majority Holdings Portfolio in total assets has increased from 5,60% in 2014 to 10,02% on 31.12.2016. (without the holding in Hotel Sport which enters the portfolio in January 2017)

SIF Moldova, through the *2014-2018 Investment Policies Statement* has proposed "private equity" type investments in the sectors that have increase potentials, on which investors (especially the international ones) cannot be easily exposed, selected in order to generate extra NAV yield, on the long term.

Selection criteria for investment projects

- ✓ a IRR that is sustainable through operation and/or capitalization, improved through bank credit access;
- ✓ a competent management to develop the purchased company;
- ✓ project and activity sector related risks;

Investments are justified through the use of some measurement methods generally used in the private equity sector:

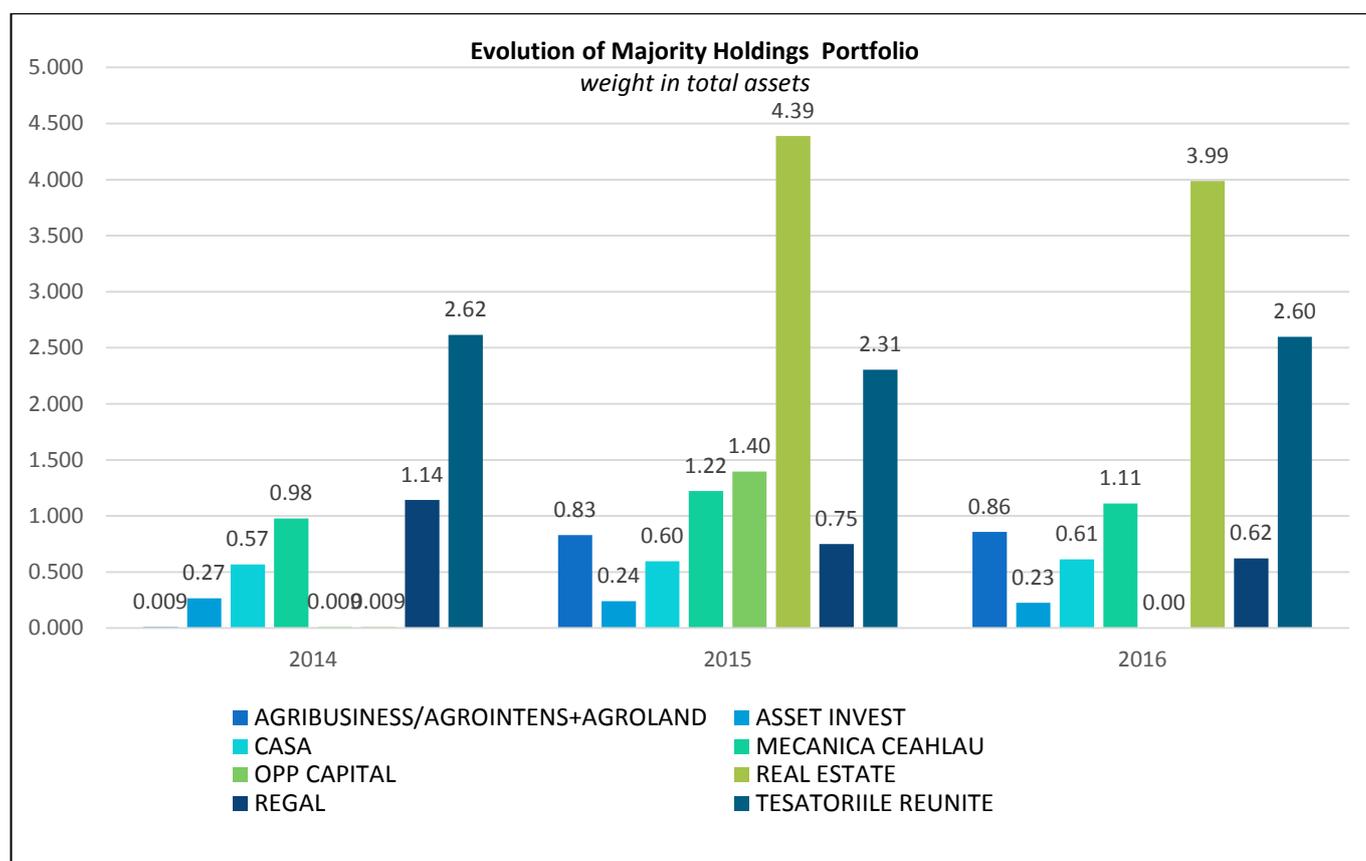
1. cash multipliers

2. Internal rate of return (IRR), takes into consideration the value of money in time, and represents the value of the updating rate necessary for the updated cash entries to equal updated outflow. *The acceptance condition for an investment* is that the internal rate of return be higher than the cost of the investment to be made (WACC).

Evolution of assets structure between 2014-2016, from the point of view of **majority holding portfolio** structure.

MH structure evolution % in total assets	AGRIBUSINESS/ AGROINTENS+ AGROLAND	ASSET INVEST	CASA	MECANICA CEAHLAU	OPP CAPITAL	REAL ESTATE	REGAL	TESATORIILE REUNITE
2014	0.009	0.27	0.57	0.98	0.009	0.009	1.14	2.62
2015	0.83	0.24	0.60	1.22	1.40	4.39	0.75	2.31
2016	0.86	0.23	0.61	1.11	0.00*	3.99	0.62	2.60

*without Hotel Sport holding (1,1%)



Private equity type investments made by SIF Moldova Group

Company	Sector	Investment Date	Investment (mil. lei)	Planned exit
Agrointens SA	Agriculture – blueberry farm	2015	11,3	max.10 years
Veranda Obor SA (prin Real Estate Asset SA)	Real estate – trade center	2015	65,0	max. 5 yrs
Hotel Sport Cluj SA (prin Opportunity Capital SA)	Tourism – hotel	2015	19,3	max.10 yrs
Tesatoriile Reunite SA	Real-estate – residential	2016	9,1 **	max.6 yrs
Total			104,7	

* Opportunity Capital SA has been cancelled in January 2017

** Amount paid in 2016: 6,7 mil lei

1.5.3. SELL Portfolio - (see 2016 status in chapter. 1.4.3.)

The weight of SELL portfolio in total assets have decreased from 8% on 31.12.2015 to 6,62% on 31.12.2016.

In order to fulfill the investment objective, according to the 2014-2018 Investment Policies Statement, SIF Moldova has continued the SELL Portfolio weight reduction in total assets, the portfolio being selected based on low liquidity criteria, performance and growth potential.

To the extent the positions in this portfolio are sold, the liquidities feed SIF Moldova's investment needs.

Through Asset Invest SA, according to the mandate contract, negotiations were held for the selling of the share packages owned by SIF Moldova for a number of 18 companies by analysing exit possibilities : division on assets structure sale of SIF Moldova holding to the majority holder, sale of holding along with the majority holder, etc.

The monitoring of investments close to legal and prudential limits and the way the operational risks are managed – Investments made in agencies and method for decision adoption have been the object of some certifications/ verifications/ internal controls from the conformity departments (Internal Control, Internal Audit, Risk Management Department, etc.) both in real-time, during the investment process, as well as background action, **ascertaining that all applicable legal and internal regulations have been abided by. Thus:**

- ✓ monitoring of TLV share holdings has shown that the legal holding limit of 10% , limit that can be increased up to a maximum of 40% of SIF Moldova total assets, has been abided by.
- ✓ SIF shareholding has been made abiding by legal holding limit of 5% of share capital.
- ✓ the approved investment in agencies have been implemented within the limitations and conditions approved by the competent decision bodies (Board of Directors, GMS, specialized companies); the obligations imposed through the Memorandum of Association, management/ administration contracts, GMS mandate contracts, reporting set on the level of SIF Moldova Group are periodically monitored through the instruments implemented by SIF Moldova.

1.6. Risk Management

In its activity, SIF Moldova is exposed to the risk associated to the securities portfolio (shares, bonds), especially the portfolio of financial instruments traded on the capital market, these being the most important types of risks it faces.

The main risks SIF Moldova company is subjected to are:

1. **Market risks**, with subcategories: position/price risk, currency risk, interest rate risk
2. **Liquidity risks** , with subcategories: cash-flow risk, assets liquidity risk
3. **Issuer risk**, with subcategory: concentration risk.
4. **Operational risk**, with subcategories: IT risk (IT), professional responsibility risk, compliance risk, model risk, risk associated to outsourced activities.
5. **Other risks**, with subcategories: counterparty risk, reputational risk, strategic risk, risks of legislation change, conflict of interest risk.

SIF Moldova permanently set and maintains the risk manager position that is exercised independently.

Coordinator compartment
Sonia Fechet

Decision-making mechanism is regulated and comprises the fundamental decision stages, the selection and context updating. Investment limits are permanently adjusted with the prudential holding limits and in close connection to the aim of reaching the objectives pre-set through investment policies.

The decisional path follows a strict procedure and answers to the requirement to manage opportunities in optimum time. In setting investment decisions an important role is played by the identification and evaluation of potential risks, permanently aiming to rebalance the portfolio on yield/risk criteria. The

evaluation of risk probability and impact on the market, concerning the investment objectives is made through a Risk Management IT application that offers measurements regarding the market exposure risk of the financial instruments portfolio and allows the comparison between the own portfolio and a reference one.

According to the strategy for significant risk management in SIF Moldova (revised), classes 1-2 have been entered as low risk, classes 3-4 as average – low risks, class 5 as average risk, class 6 as average-high risk and class 7 as high risk.

ISRR quantified market risk exposure: 13,09%.

The synthetic risk and yield indicator (ISRR) calculated based on the annualized volatility of monthly NAE over the last 3 years, ascertains that SIF Moldova is classified in the average risk profile (risk class 5). This indicator is a measure for the value increases and decreases registered before the unitary net assets of SIF Moldova, on a scale from 1 to 7. The risk indicator presents some limitations, as previous historic data does not represent a guarantee for future results. The classification on risk classes was made using as benchmark the annualized volatility intervals grid foreseen in CNVM/ASF guideline no.5/2012 regarding the form, content and presentation method of the documents regarding key information for investors in OPCVM.

1.6.1 Prudential limits System:

1. CNVM Regulation no.15/2004, art.188

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

Asset type	Market value per asset category according to ASF Regulation no. 9/2014 (lei)	Weight of total SIF Moldova assets (%)
Shares held in closed-type issuers	204.342.821	12,06
closed bonds	7.525.314	0,44
TOTAL	211.868.135	12,50

b) **Securities (shares and bonds) and monetary market instruments (government securities) registered or traded at Stock Exchange Value (on issuer level)** – allowed limit: 10% of total assets, the limit can be increased up to a maximum of 40% provided that the total value of holdings over 10% per issuer does not exceed 80% of total assets. We mention that there is just one holding in this category, the exposure on TLV issued (36,79%) that abides by the maximum holding limit foreseen by **CNVM/ASF Regulation no.15/2004, art.188, line b)** which is closely followed through daily holding monitoring mechanisms.

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

Group name	Market value per asset category as per FSA regulation no .9/2014 (lei)	Weight in SIF Moldova total assets (%)
BANCA TRANSILVANIA , of which:	761.048.961	44,91
• shares	623.516.396	36,79
• bank deposits	107.222.511	6,33
• fund units	22.784.740	1,35
• bonds	7.525.314	0,44
GLOBINVEST , of which:	28.192.773	1,66
• fund units	28.192.773	1,66
OTP , of which:	20.019.250	1,18
• fund units	20.019.250	1,18
ATLAS ASSET MANAGEMENT , of which:	13.725.219	0,81
• fund units	13.725.219	0,81
STAR ASSET , of which:	3.355.314	0,20
• fund units	3.355.314	0,20
STK FINANCIAL , of which:	1.962.812	0,12
• fund units	1.962.812	0,12

d) Financial instruments issued by entities belonging to the group that includes SAI (SIF Moldova) - allowed limit: 40% of total assets.

Group name	Market value per asset category according to FSA no. 9/2014 (lei)	Weight in total SIF Moldova assets (%)
SIF MOLDOVA GROUP :		
AGROINTENS shares	14.464.783	0,85
AGROLAND CAPITAL shares	95.340	0,01
ASSET INVEST shares	3.833.042	0,23
CASA shares	10.395.782	0,61
MECANICA CEAHLAU shares	18.831.484	1,11
OPPORTUNITY CAPITAL* shares	0	0,00
REAL ESTATE ASSET shares	67.583.952	3,99
REGAL shares	10.548.638	0,62
TESATORIILE REUNITE shares	44.040.240	2,60
TOTAL GRUP SIF MOLDOVA	169.793.262	10,02

*in liquidation; cancelled in January 2017.

e) Exposure to counterparty risk with derivative financial instruments traded outside regulated markets – not applicable.

f) Value of current accounts and cash – allowed limit: 10% of total assets. In the net assets on 31.12.2016, the current accounts and cash value is 926.519 lei, representing 0,05% of assets value.

g) Bank deposits setup and held at the same bank: - allowed limit: 30% of total assets.

Bank name	Deposit value (ASF reg no. .9/2014) (lei)	weight in total SIF Moldova assets (%)
Banca Transilvania	107.222.511	6,33
BRD - GSG	4.813.271	0,28
EXIMBANK	5.701.710	0,34
Total deposits	117.737.492	6,95

h) Global exposure to derivative financial instruments – should not exceed the total value of net assets – not applicable.

i) Holdings of NON-UCITS – allowed limit: 50% of total assets

NON-UCITS name	Asset category market value (ASF regulation no.9/2014) (lei)	weight in total SIF Moldova assets (%)
Fondul Privat Comercial	19.685.157	1,16
FII HERMES	8.726.544	0,51
BT Invest 1	5.725.576	0,34
FII Multicapital Invest	2.085.604	0,12
FII BET-FI Index Invest	1.747.494	0,10
STK Emergent	916.112	0,05
TOTAL UCITS (fund units)	38.886.488	2,29

2. ASF norm no.14/08.11.2013, art.9, letter. a)

Exposure obtained through direct and indirect investments in monetary market instruments of the promissory note type – allowed limit: 20% of total assets.

- *Direct investments* in monetary market instruments similar to promissory notes - *not applicable*.
- *Indirect investments* in monetary market instruments similar to promissory notes(PN) – *not applicable*.

3. Law no. 297/28.06.2004-updated, art. 129 line (1)

No shareholder of a **market operator** will be able to hold, directly or together with the entities it acts with, more than **20% of the total voting rights**.

Issuer name	No of shares held	Total number of issuer's shares	Holding percentage in the issuer's share capital
Bursa de Valori Bucuresti	383.709	7.674.198	4,99
Sibex Sibiu Stock Exchange	1.671.217	33.427.926	4,99

4. Law no 297/28.06.2004-updated, art. 150 line (1)

Shareholders of the central depository may not hold more than **5% of the voting rights**, with the exception of market operators who may hold up to 75% of the voting rights, with the approval of CNVM/ASF.

Issuer name	no of shares held	total no. of issuer's shares	holding percentage in the issuer's share capital (%)
Depozitarul Central (Regisco)	7.396.029	252.919.526	2,92
Depozitarul Sibex	6.480	229.500	2,82

5. Law no. 297/28.06.2004-updated, art. 286¹

Investments in shares held by Financial Investment Companies resulted from the transformation of Private Property Funds – allowed limit: **maximum 5%** of the share capital of the Financial Investment Companies.

Name	no. of shares held	total number of issuer's shares	holding percentage in the issuer's share capital (%)
SIF Muntenia	40.160.859	807.036.515	4,97
SIF Oltenia	28.760.041	580.165.714	4,96
SIF Transilvania	97.371.384	2.184.286.664	4,46
SIF Banat Crisana	997.623	548.849.268	0,18

6. Holdings in the share capital of credit institutions – Banca Transilvania's Articles of Incorporation, art. 11 point b (b)

"No shareholder may hold 10% or more of the Bank share capital, unless:

- (i) he has the GMS approval and
- (ii) according with all formalities required by the Law."

Issuer name	No of shares held	total no. of issuer's shares	holding percentage in the issuer's share capital (%)
Banca Transilvania	261.432.451	3.646.047.792	7,17

1.6.2**Value abundance of the holdings and investments made within prudential legal limits and 2016 Activity Report.**

To sum up, the value of the holdings and investments made between 01.01.2016 – 31.12.2016 within the prudential and legal limits and 2016 Activity Report (approved by OGMS on 25.04.2016), reveals the following evolution:

A. The evolution of abundance by prudential limits for assets/ assets categories (weight in SIF Moldova's total assets) between 01.01.2016-31.03.2016 is the following:

Conclusion: Between 01.01.2016 – 31.12.2016, reported to the calculated monthly assets, no allowed legal limits were exceeded.

Assets type	% of total SIF Moldova assets											
	Jan'16	Feb'16	Mar'16	Apr'16	May'16	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16
1. Art. 188 CNVM regulation no. 15/2004												
unlisted assets (shares and bonds)	16,44	16,28	15,48	15,23	14,83	14,69	13,96	13,60	13,75	12,25**	12,00	12,50
TLV issuer	38,98	38,87	39,04	39,41	35,32*	34,58*	36,23	36,74	36,90	37,05	37,28	36,79
TLV group	43,50	45,27	47,45	45,80	42,66*	45,22*	46,84	47,09	47,64	45,00	45,17	44,91
SIF Moldova group	12,34	11,54	11,70	11,76	11,46	11,71	10,95	10,67	10,30	9,29**	9,20	10,02
Atlas Asset group	0,92	0,89	0,84	0,83	0,79	0,83	0,82	0,85	0,82	0,83	0,81	0,81
BRD - GSG group	0,52	0,63	0,70	0,27	0,72	0,70	0,39	0,49	0,52	0,90	0,75	-
Globinvest group	1,73	1,69	1,64	1,60	1,57	1,63	1,63	1,64	1,65	1,68	1,67	1,66
OTP group	-	-	-	-	-	-	-	-	1,19	1,22	1,21	1,18
Star Asset group	0,22	0,21	0,20	0,20	0,19	0,20	0,19	0,20	0,20	0,20	0,20	0,20
STK Financial group	0,11	0,11	0,11	0,12	0,12	0,12	0,12	0,12	0,12	0,12	0,12	0,12
Broker group	0,20	0,19	-	-	-	-	-	-	-	-	-	-
current accounts and cash	0,04	0,04	0,04	0,04	0,03	0,02	0,25	0,15	0,21	0,03	0,03	0,05
total bank deposits	5,67	6,27	8,00	5,53	6,96	10,22	9,93	9,74	10,08	7,13	6,93	6,95
non-UCITS participation titles	2,54	2,44	2,33	2,31	2,24	2,26	2,27	2,30	2,30	2,34	2,31	2,29
2. Art.9 of ASF norm no.14/08.11.2013												
direct PN investments	-	-	-	-	-	-	-	-	-	-	-	-
indirect PN investments	-	-	-	-	-	-	-	-	-	-	-	-

* includes free TLV shares registered in assets on ex-date, unassigned

**includes virtuals shares in Tesatoriile Reunite entered in assets on the subscription date.

B. The evolution of abidance by prudential limits SIF Moldova holdings in the share capital of issuers between 01.01.2016 – 31.03.2016 is the following

Conclusion: Between 01.01.2016 – 31.03.2016, reported to the share capital of the issuer, the allowed legal limits have not been exceeded

Issuer name *	% of issuer's share capital											
	Jan'16	Feb'16	Mar'16	Apr'16	Mai'16	Jun'16	Jul'16	Aug'16	Sep'16	Oct'16	Nov'16	Dec'16
BVB	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99
SIBEX	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99	4,99
REGISCO	2,92	2,92	2,92	2,92	2,92	2,92	2,92	2,92	2,92	2,92	2,92	2,92
DEPOZITARUL SIBEX	2,82	2,82	2,82	2,82	2,82	2,82	2,82	2,82	2,82	2,82	2,82	2,82
SIF 1	0,07	0,14	0,14	0,18	0,25	0,26	0,23	0,18	0,18	0,18	0,18	0,18
SIF 4	4,98	4,98	4,98	4,98	4,98	4,98	4,98	4,98	4,98	4,98	4,98	4,98
SIF 5	4,96	4,96	4,96	4,96	4,96	4,96	4,96	4,96	4,96	4,96	4,96	4,96
SIF 3	2,65	2,91	3,02	3,86	4,00	4,00	4,46	4,46	4,46	4,46	4,46	4,46
SSIF Broker	4,99	4,99	-	-	-	-	-	-	-	-	-	-
TLV	8,32	8,06	7,55	7,45	7,17	7,17	7,17	7,17	7,17	7,17	7,17	7,17

*All holding entering the restrictions are presented, including those for which no investments were made between 01.01.2016 – 31.12.2016.

C. Abidance by the investment limitations approved through the 2016 Activity Program:

SIF Moldova has analysed and implmeneted investments (sone are in the project phase) that are according to the directions and principles presented in the 2016 Activity Program approved by the shareholders (OGMS of 25.04.2016).

The investments, total worth 124 mil. lei made between 01.01.2016-31.12.2016 abide by the total investment budget of 247 mil. lei approved through the 2016 Activity Report. Details presented under. 1.4.4.

2

Financial status

Special purpose financial statements have been drafted by the company according to the recognition, measurement and evaluation criteria of the International Financial Reporting Standards adopted by the European Union (“IFRS”), with the exception of IFRS 10 “Consolidated financial statements” and IAS 27 “Individual Financial Statements” and norm no. 39/2015 for the for the approval of Accounting Regulations according to the International Standards for Financial Reporting, applicable to authorized entities, regulated and supervised by the Financial Supervision Authority in the Sector of Financial Instruments and Investments (A.S.F.).

According to norm 39/2015, the International Financial Reporting standards, hereinafter referred to as IFRS represents the standards adopted according to the procedure foreseen by (EC) Regulation no.1606/2002 of the European Parliament and Council of 19th July 2002 regarding the application of international accounting standards, with its later amendments and additions.

The interim special purpose financial information include the individual status of the financial position on 31st December 2016, individual status of overall result, individual status of equity modification for the 12 months' period ended on 31st December 2016 and explanatory notes.

2.1.

Overall result➤ **Individualized status of overall result:**

(lei)	2014	2015	2016
Revenue			
Revenue from dividends	28.732.053	27.712.560	118.775.487
Revenue from interests	2.146.817	1.563.181	1.216.794
Other operational revenue	1.591.836	795.363	846.767
Other revenue	10.015.832	240.513	2.792.301
Revenue from investments	-	-	-
Net revenue from asset sale	199.130.716	122.075.074	94.672.066
Net loss/earning from the re-evaluation of financial assets at fair value through the profit or loss account.	(15.815.758)	(3.974.232)	(6.504.125)
Net revenue from the re-evaluation of real estate investments	-	-	240.932
Expenses			
Losses from asset impairment	10.922.040	359.143	(46.908.657)
Expenses with the setup of provisions of risks and expenses	7.260.779	359.113	(145.628)
Other operational expenses	(28.954.911)	(26.332.968)	(31.174.094)
Other expenses	(944.682)	(261.760)	(8.820)
Profit before taxation	214.084.722	122.535.987	133.803.023
Profit tax	(35.702.735)	(22.195.661)	(10.505.003)
Net profit of the financial year	178.381.987	100.340.327	123.298.020
reserve increase / (decrease) from the reevaluation of tangible assets	(2.655.275)	90.395	1.418.212
net modification of reserve from the re-evaluation of financial assets available for sale, at fair value.	(53.716.598)	73.382.453	165.342.680
Other overall result elements	(56.371.873)	73.472.848	166.760.892
Total overall result of the period	122.010.114	173.813.175	290.058.912

➤ **Individualized status of financial position :**

(lei)	2014	2015	2016
Assets			
Cash and cash equivalents	449.483	613.851	931.024
Bank deposits	83.267.920	91.015.193	117.794.735
Financial assets at fair value through the Profit and Loss Account	109.252.840	112.215.485	128.999.673
Financial assets available for sale	1.092.294.843	1.227.266.927	1.448.569.452
Investment held up to maturity	10.879.244	9.593.199	9.573.804
Real estate investments	3.154.243	3.264.341	3.505.273
Intangible assets	799.030	293.905	113.180
Tangible assets	7.709.650	7.165.148	8.140.477
Other Assets	13.448.378	6.269.023	1.347.293
Total assets	1.321.255.631	1.457.697.072	1.718.974.911
Liabilities			
Dividends to be paid	53.876.853	42.394.161	29.258.494
Provisions for risks and expenses	3.665.327	3.306.214	3.452.286
Liabilities with the deferred profit tax	47.786.904	57.339.461	69.089.754
Other liabilities	15.679.896	18.706.256	17.082.627
total liabilities	121.008.980	121.746.092	118.883.161
Equity			
Share capital	487.811.190	539.720.149	539.720.149
Reported result	327.356.982	345.057.696	445.783.128
Reserves from the re-evaluation of tangible assets	7.665.296	7.677.304	9.095.516
Reserves from the re-evaluation of financial assets available for sale	377.413.183	450.874.023	616.216.703
Other equity elements	-	(7.378.192)	(10.723.746)
Total equity	1.200.246.651	1.335.950.980	1.600.091.750
Total liabilities and equity	1.321.255.631	1.457.697.072	1.718.974.911

2.2.

Management Expenses

The monthly average for the management expenses of the period represents 0,08%, of total assets

The monthly average of the management expenses of the period represents 0.08% of total assets being below the average commissions paid to management companies by investment funds (0.10% - 0.40%).

MANAGEMENT EXPENSES – TOTAL (I+II)	15.318.172
1. Expenses with materials	237.223
2. Expenses with water and electricity	213.001
3. Expenses with the staff, of which:	11.63.010
- wages and indemnities	9.437.491
- expenses with insurance and social security	1.676.778
- expenses with professional training	48.741
4. Expenses with external services	3.704.938

The management expenses for the period include expenses directly connected to the company's current activity. .

The weight of the management expenses is that of *expenses with the staff* (wages, indemnities, social insurance and professional training), namely 72,9% of the management expenses.

Expenses with external services represent 24,2% of management expenses volume, and mainly include expenses with maintenance and repairs, company monitoring, professional consultancy, management of areas and archive, insurance, post expenses and subscriptions, rent, royalties, concessions, protocol, travel, other expenses.

Expenses with materials, energy and water represent 2,9% of the management expenses volume.

The average monthly management expenses including the manager's and employees' benefit plan is 0,12% of total assets value.

Expenses with provisions for the benefit plan represents the participation of managers, directors and employees to the benefit and shares plan for 2016. These expenses become operational after the approval of 2016 financial statements by the general shareholders' meeting.

2.3.**Performance indicators**

	2014	2015	2016
Current liquidity indicator= current assets/ current liabilities	2.97	3.44	6.89
Quick ratio = (current assets - inventories)/current liabilities	2.97	3.44	6.89
non-current assets turnover = revenues from current activity / non-current assets	0.34	0.23	0.16
Total assets turnover = revenues from current activity/ total assets	0.29	0.20	0.14
Trade receivables turnover =average receivable balance/turnover x no. days corresponding to the reporting period	9	11	2
Return on working capital = average receivables balance / turnover x no. of days in the reporting period *100 (%)	17.84	9.17	8.36
Result per common share (lei/share)	0.344	0.129*	0.119

* the share result recorded in 2015 is influenced by the doubling of the number of shares following the share capital increase (assignment of one free share for each share held, free of charge).

2.4.**REB achievement degree**

The net profit has been achieved up to 129% in comparison to REB forecasts for 2016. The profit of the period has been influenced by the registration of the SNP, BVB, ELMA and Casa de Bucovina title depreciation in the profit and loss account, a total of 43 million lei, following their fair value decrease under cost by 30%. (Current report of 14.07.2016).

	Budgeted 2016	Aschieved 2016 IFRS	R/P (%)
A. total revenue	143.068.315	224.694.284	157
B. financial revenue	134.892.169	211.113.757	157
- revenue from financial investments (dividends)	114.462.462	118.775.487	104
- revenue from receivable (bank interests + bonds)	975.000	1.234.288	127
- revenue from ceded financial investments	16.607.720	66.169.391	398
- revenue from exchange rate differences	-	33.573	-
- revenue from provisions	-	53.507	-
- other financial revenues	2.846.987	24.847.511	873
C. Revenue from operations	8.176.146	13.580.527	166
- revenue from rents and associated activities	800.000	806.251	100
- revenue from provisions	7.376.146	8.011.479	109
- other revenue from current operations	-	4.762.797	-
D. Total expenses	41.905.858	90.891.261	217
E. Financial expenses	530.000	51.799.585	9774
- expenses from ceded financial investments	-	-	-
- expenses with transaction expenses	500.000	370.187	74
- expenses from exchange rate differences	-	120.918	-
- expenses with bank services	30.000	27.613	92
- expenses with provisions	-	51.280.867	-
F. Expenses with current activities	41.375.858	39.091.675	95
G. Gross profit	101.162.457	133.803.023	132
H. Profit tax	5.723.123	10.505.003	184
I. Net profit	95.439.334	123.298.020	129

Note: The estimate of the indicators budgeted in REB for year 2016 has been made based on the profit and loss account drafted according to applicable accounting regulations (RAS) before the application of ASF Norm no. 39/2015 (IFRS). In order to insure the compatibility of the information, the indicators foreseen in REB 2016 under items: - revenue from ceded financial investments - of 182.409.517 lei and expenses from ceded financial investments - of 165.801.797 lei, have been presented as net amount, with a revenue from ceded financial investments of 16.607.720 lei.

Company's tangible assets

3.1. Location and characteristics of main tangible assets

On 31.12.2016, SIF Moldova holds in its patrimony financial assets to carry out its activity gross worth 10,3 mil. lei, namely a net value of 8,1 mil. lei, comprising the following:

Fixed assets categorie	Value (lei)	
	gross	net
Lands	563.193	563.193
Constructions	10.347.047	10.303.957
Technical equipment of which:	2.832.886	749.864
• Technologic equipment	1.421.105	456.213
• transportation means	1.411.781	293.651
Other fixed assets	126.259	28.736
TOTAL	13.869.385	11.645.750

The main tangible assets held by the company are buildings. The company holds a number of 5 buildings with the following location:

ASSET	Address	Description
headquarters	str. Pictor Aman nr. 94 C, Bacau	building S + P + 3 floors
Bucuresti	str. Unirii, Splai nr.6, sector 4	block P + M
Bucuresti	str. Nerva Traian, nr. 12, bloc 1437, sector 3, Bucuresti	block P
Iasi	str. Grigore Ureche, nr. 3, bloc Gh. Sontu, Iasi	block P
Vaslui	str. Miron Costin nr.8	building

3.2. Potential problems connected to the property right on the tangible assets .

The land corresponding to Vaslui office is used by SIF Moldova, and the land exceeding the built area has been returned to the former owner based on Law no. 10/2001 and is object of some legal actions in order to set the access way. For Vaslui office, property of SIF Moldova, depreciation adjustments were constituted, so that it is presented in financial statements with zero value.

4

SIF 2 share on BVB

Share no: 1.038.179.176
 Nominal value: 0,1 lei
 Share capital: 103.817.917,6 lei
 Capitalization: 809.779.757 lei
 31.12.2016 (178 mil euro)

price: 0,78 lei, EPS: 0,12 lei, PER: 6,5;
 DIVY: 5,7%; 52 m: 0,63 lei; 52 M: 0,83 lei

The market on which SIF 2 shares are traded: Bucharest Stock Exchange, Premium category, since de 01.11.1999.

The register of shares and shareholders is maintained according to legal provisions by SC Depozitarul Central SA.

Evolution of SIF2 between 01.01.2016 – 31.12.2016



Yields: SIF 2 share, VUAN SIF 2, BET-FI

Yields on 30.12.2016 (%)	SIF2 share	BET FI	VUAN SIF2
1 month	1,69	3,32	1,76
3 months	2,90	2,12	-0,21
6 months	9,86	11,53	5,40
12 months	-0,76	-1,87	11,15

Note: The price series and NAV taken into consideration for the calculation of the rate of return/risk indicators are adjusted with the corporate events of the issuers.

Risk analysis (1Y, daily series): SIF 2 share / BET-FI

Indicator	SIF2 share	BET-FI
Volatility (%)**	20,79	13,55
Beta**	1,15	1

* Volatility (12L) = annualized volatility

** Beta = price sensitivity to market movement

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

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

5

Promoting and protecting the interests of SIF Moldova

In the current mandate of the Board of Directors (2013-2017) there has been a constant preoccupation for the initiation of all measures able to protect the legitimate rights of the company, and for insuring a full and diligent notification of the shareholders regarding the status and method of litigation solving.

The comparative evolution of litigations in the current mandate of the Board of Directors indicate **a increased drop in the number of pending cases, in compliance with SIF Moldova's objective to prevent/ solve differences by adopting alternative solutions.** At the end of 2015 we have a total number of 212 litigations, of which 135 pending, while at the end of 2013 there was a total number of 313 files.

The activity of assistance, advice and legal representation of the rights and legitimate interests of SIF Moldova SA stands out during 2015 through the following:

- drafting of documents and defenses necessary to protect SIF 2 interests a the same time with the approval of the strategies suggested by collaborating lawyers in all files on the docket of courts.
- Intensification of legal assistance and consultancy on various projects considered by the company, entered in 2016, a number of 88 legal consultancy files. The activity specific records include a number of 488 legal licenses.
- Between 01.01. – 31.12.2016 we register collections amounting to a total 651.148,20 lei from various legal and extrajudicial procedures insured by the legal department (concession of sIF 2 –Textila Oltul litigious rights, Mediation Agreement Indor SA, enforcement AAA and others).
- On 28.06.2016 we have received the notification for the issue to the payment titles corresponding to the 3rd trench - beneficiary SIF Moldova – for the amount of **de 2.415.314 lei** (according to the transaction regarding the cession of litigious rights SIF2-Textila Oltul). **The collection of the amount has taken place in December 2016 according to the current notification report.**
- **The total amounts collected at the end of 2016, following the activities carried out within the department amounts to de 3.066.462 lei.**

A. Litigations in which SIF Moldova acts as plaintiff

Total litigations where SIF2 acts as plaintiff:

- ✓ 125 cases of which: 103 diles in different trial stages, and 22 files concluded (65 cases are against AAAS).
- ✓ The Value of litigations on the docket of courts: 75.094.175 lei (claims and insolvency procedure).

1. Litigations with the object the annulment of some illegal EGMS resolutions at the companies in the portfolio, mainly generated by the coming into force of Law no. 151/2014 *regarding the clarification of the legal status of shares traded on RASDAQ market.* **Most of the solutions pronounced by the courts have been in favor of SIF Moldova, supporting the endeavors aiming to use the withdrawal right from that given companies and the collection of the share value, according to the law.**
2. In the enforcement files against AAAS stress is laid on the following and specialized assistance of the legal executor, so that SIF position in the enforcement challenge files can be efficiently supported. The recovery of the amounts, through slow, is made based on enforceable titles, the amounts being updated according to the law, until full debit collection.

B. Litigations where SIF Moldova acts as the respondent

Total litigations of which SIF 2 acts as plaintiff:

- ✓ 87 cases of which: 32 cases pending in various trial stages (of which 15 against AAAS); 55 cases are completed
- ✓ Value of litigations in court: 3.413.498 lei in claims cases; 7.112.541 lei – challenge of execution against AAAS.

1. We have obtained some favorable solutions in the cases where our company acts as respondent, with object claims and/or various objects, as well as those regarding the request to award legal costs separately, the pronouncing of some decisions to replace authentic documents, and others
2. **Following the defense of SIF Moldova, claims amounting to 326.781,27 lei have been annulled through final decisions, and claims amounting to 134.598,01 lei have been allowed.**
3. The work litigations in which our company acted as respondent have been definitively solved in favor of SIF Moldova, with the consequence of ascertaining the lawfulness of the measures adopted and the exoneration of the company from any type of claim stemming from work relationships, since SIF2 have met all its obligations.
4. In comparison to the previous years, we note a significant tendency of case reductions against AAAS Bucharest, given the minimum success rate of the actions against SIF, as enforcement challenge. Although in most cases with object: enforcement challenge AAAS has also requested the suspension of enforcement, the solution being the rejection of the enforcement suspension requests submitted by AAAS.

6 Compliance insurance

6.1. Internal Audit Activity

SIF Moldova sets and permanently maintains the internal audit position which runs independently.
Coordinator compartment
Sofian Virginia

Internal audit is an independent activity for objective insurance and counselling destined to add value and improve the company's operations. It helps the company reach its objectives through a systematic and methodical approach and improves the efficiency of the risk management, control and governance processes.

Internal audit activity is carried out according to the procedures drawn up for activity guidance. The procedures have been updated according to the International Standards for the Professional Practice of Internal Audit.

Internal audit activity is carried out based on the Audit Plan drawn up based on the evaluation of risk documentation, in order to determine internal audit priorities. The Audit plan is in accordance with the Company's objectives.

The internal audit activities plan and necessary resources are approved by the Audit Committee and Board of Directors. At the same time, significant amendments occurred later are also submitted for approval.

For each internal audit mission a plan is drafted to include the objective of the mission, the coverage, calendar and resource assignment. For each missions objectives are set in order to identify the risks associated to the revised resources. The risks are evaluated, and the mission objectives reflect the results of this evaluation. In order to fulfill the mission objectives, work programs are drawn up and documented.

Internal audit is made under the following forms:

- ✓ compliance (regularity) audit – that has the objective of verifying the compliance with the laws, regulations, policies and procedures applicable;
- ✓ performance (operational) audit – that has the objective of verifying the quality and adequate nature of systems and procedures, critical analysis of organizational structure, the evaluation of method adequacy, resources and achievement of results in relation to the objectives set;
- ✓ corporate governance system audit- has the objective of evaluating the way in which the management position is exercised in order to reach company objectives.
- ✓ financial audit – has the objective of verifying the accuracy of the accounting records and financial reports.

The internal audit missions run in 2016 targeted:

- ✓ completion of the human resource and wages mission, partially run in year 2015
- ✓ periodic and current reports
- ✓ litigations that might affect SIF Moldova patrimony
- ✓ investment activity
- ✓ fulfillment of legal reporting obligations
- ✓ trading activity (partially run in 2016)
- ✓ activities run by the internal control department
- ✓ strategic and annual planning of the internal audit activity
- ✓ meeting the running requirements of "stock optional plan" programs
- ✓ counseling in the financial statement drafting and auditing process for the 1st semester of 2016 and 2015 consolidated financial statements
- ✓ activity regarding the social responsibility of the company represented by sponsorship actions

- ✓ analysis and recommendations provided by the Board of Directors, Management committee or directors.
- ✓ verification of some compliance aspects, at the request of the Board of directors, or directors
- ✓ participation to the work groups appointed for the documentation and drafting of informative materials for the agenda of the ordinary and extraordinary general meeting of SIF Moldova on 25/26.04.2016
- ✓ participation to the work group for the implementation of the reorganization of the company's activity, run in 2016.
- ✓ participation to the work group for the drafting of AFIA law requirements regarding the regulations and procedures necessary for SIF Moldova certification
- ✓ participation to the work group for the exchange of specific information and analysis of the documentation in order to draft the 2014 - 2015 transfer price
- ✓ participation to the multiple department work group for the substantiation of accounting policies in compliance with IFRS
- ✓ participation to the work committees/groups appointed by the board of directors or directors, in order to implement some projects/ carry out some activities.

In 2016 we have run external audit regarding the management of operational risks generated by the IT systems used within the Financial Investment Company Moldova SA, as part of the compliance process with Financial Supervision Authority norm no. 6/2015 .

Following the missions run ,internal audit drafts recommendation to improve processes and the audited structures draft an action plan to implement them.

There have been no cases of residual risk acceptance considered unacceptable for the company

Internal auditors inform the manager, the Audit Committee and Board of Directors about the objectives and purpose of the engagement, conclusions, recommendations and applicable action plans. Notifications are made through internal audit reports, at the end of each mission.

Internal auditors follow the progress registered in the implementation of recommendations and reports to the management regarding the abidance by the deadlines set for the implementation. At the same time, internal auditor follow, ascertain and identify the situations when the management decides not to take any measures to reduce the risks considered unacceptable for the company.

6.2. Internal Control Activity

The internal control department insures the supervision of SIF Moldova and its employees' abidance by current applicable to the capital market and intern procedures. SIF Moldova sets and maintais the internal control position permanenty and operatively, position that is exercised independently.

Coordinator compartment
Michaela Puscas

The internal control activity was carried out mainly through permanent control of a pro-active nature, carried out through the continuous supervision and monitoring of the activities that fall into internal control area of competence, in order to prevent the occurrence of legal and internal non-compliance cases, and increase the efficiency of the internal control function.

The internal control activities have mainly targeted the following aspects:

1. certification of the abidance by legal obligations and internal regulations regarding the organization/ run of 4 *General Meetings of Shareholders*: EGMS 13.01.2016; EGMS 25.04.2016; OGMS 25.04.2016.; OGMS 29/30.08.2016.
2. Approval of the documents / run of *corporal operations approved by EGMS* on 02.04.2016, on 13.01.2016 and 25.04.2016, namely : 1) *share assignment to directors and employees* (as per EGMS of 2015); 2) *share buy-back* (according to EGMS on 25.04.2016); 3) *SIF2 share nominal value consolidation approved by EGMS* on 13.01.2016 and on 25.04.2016 . With the rejection of

the circular through ASF Resolution no1992/12.10.2016, the consolidation operation could no longer take place, as it failed to abide by the deadlines approved through EGMS decisions on 25.04.2016:

3. Obtaining ASF approvals/ decisions; notifications to ASF:

- (a) notifications, modifications occurred regarding the members of the consultative committees of the Board of Directors;
 - (b) submission of the documentation for the approval/notification of the members of the management structure and individuals in key positions from SIF Moldova- according to regulation no 14/2015 (*stage - pending ASF analysis*)
 - (c) approval of the modification- “ SIF Moldova Internal Regulations”:
 - ✓ approval no.117/27.04.2016 (Chapter 6,,Internal rules and procedures regarding the avoidance of conflict of interests in a SIF, including those regarding personal transactions”) (RC of 27.04.2016);
 - ✓ notification of the modification of organizational structure in compliance with AFIA starting on 01.06.2017 (RC of 01.06.2016);
 - ✓ note: ASF was notified regarding the archive activity that will be carried out by an external service provider, with the specification of the conditions, based on the internal control report “ SIF Moldova’s abidance by the legal and internal regulations regarding the archive activity, in the context of entering an agreement with an external service provider”.
 - (d) submission of the modification of the “Memorandum of Associations” for approval in compliance with Law 74/2015 and EGMS decisions of 25.04.2016;
- 4. Drafting and submission of the documentation for internally managed AFIA/FIA certification (alternative investment fund(s) manager) according to the provisions of Law 74/2015 regarding alternative funds managers and ASF Regulation no. 10/2015 (*status: pending ASF analysis. note: EGMS on 25.04.2016 had the issue regarding AFIA/FIA on the agenda (approval of the activity object modification, notification regarding certification status and adopted measures, including the modification of organizational structure).*)**
- 5. Insuring the full implementation of the Measures plan ordered through ASF resolution no.1998/13.10.2016, following ASF periodical control, for the activity run by SIF Moldova between 24.10.2013-09.05.2016 (09.05-27.05.2016).**
- 6. Operations generated by the implementation/alignment to EU regulations regarding *market abuse* (directly applicable starting on 03.07.2016) – Setting and operation of internal mechanisms for the management of situations regarding:**
- (a) forbiddance of personal transactions with SIF2 shares (in the closed periods – prior to the announcement of financial statements)
 - (b) SIF’s possibility to trade its own shares (buy-back program) and in closed periods, by meeting the requirements of the buyback program to enter the exception foreseen by art. 5 line (1) of EU regulation no.596/2014 and art.4 of EU regulation no. 2016/1052.
 - (c) interdiction of SIF’s trading the shares of the issuers where SIF acts as initiated individual, through one/some individuals within the SIF management bodies, that is/are member(s) of the board of directors of that particular issuer.
- 7. Specific activities that have fallen under the competence of internal control current verification/approval:**
- (a) approval of net monthly calculation and statistic reporting (BNR, ASF); the list of shares that are evaluated through evaluation reports has been completed; the informative method on the www.sifm.ro site was updated with “Evaluation Rules and Procedures for SIF Moldova Shares”.
 - (b) insuring the drafting of SIF Moldova institutional reporting and those of its branched, within the legal deadlines: current reports regarding own activity and current reports of the mother company on behalf of the subsidiaries (n/a).
 - ✓ the drafting of the first reporting on ASF norm 6/2015 regarding the management of operational risks generated by the IT systems used by the regulated entities, certified/approved/ authorized and /or supervised by ASF.
 - (c) management of the compliance policy within SIF Moldova Group;

-
- ✓ update, consolidation, communication and follow-up of the subsidiaries' meeting their legal reporting and information obligations towards the mother company.
 - (d) BD has drafted and approved the “*Report regarding the meeting of compliance obligations by the investments made by SIF Moldova in subsidiaries, corresponding to 01.01-30.06.2016*” and “Report of the Internal Control Department regarding the meeting of compliance obligations for investments made by SIF Moldova in subsidiaries in q3 2016, namely investment decision in in Agointens SA for expansion of blueberry farm – Agointens SA”
 - (e) 1Notifications towards capital market institutions regarding matters of interest for SIF Moldova or its field of activity and participation to the drafting of proposals/ recommendations/ observations for the legislative projects in the public consultation procedure (“AFIA” issue has had an important weight in the present activity category: a detailed report was presented with the EGMS materials on 25.04.2016
 - (f) the internal compliance activity comprised: compliance approvals for investment notes; drafting of monthly analysis along with the Risk Management department (in applying the conflict of interest procedure); supervision of the legal and prudential investment limits mechanism and current reports regarding adopted measures to avoid the passive exceeding of holding limits; approval and review of work procedures;
 - (g) periodic notification of the employees, managers and directors of SIF Moldova and its branches (if needed) regarding: legislative novelties applicable to SIF Moldova (market abuse, non-financial reporting, etc), status of ASF certification (internally managed AFIA/FIA, key individuals, SIF2 Sshare nominal value consolidation), the status of the background control run by ASF between 09.05-27.05.2016 and measures adopted /suggested for a proper management.

Conclusions regarding SIF Moldova activity :

1. *The measure plan ordered through ASF resolution no.1998/13.10.2016*, following the periodical ASF control for the activity run by SIF Moldova between 24.10.2013-09.05.2016 (09.05-27.05.2016) has been fully implemented and notified to ASF.
2. In the control activity carried out in 2016 there have been no legal non-compliance recorded.
3. Internal non-compliances identified while requesting authorization have been solved immediately and measures were adopted to solve deficiencies, with the monitoring of the implementation time.
4. Situations identified as possible conflicts of interest have been managed according to specific procedure. .
5. There has been no complaint regarding SIF activity on the capital market (ASF regulation no. 9/2015).

7

Corporate Governance

7.1.

Relationship with the shareholders. Dividend policy.

Additional information in
**Codul de Guvernanta
Corporativa
al SIF Moldova
Corporate Governance
Code
of SIF Moldova**
Chapter.3. General Meeting of

In the reporting period **there were respected and ensured the transparency requirements and obligations, information and reporting**, through press releases, mandatory reports publishing and conducting an extensive correspondence with the shareholders. There were made available to shareholders/investors additional data, some with a periodic character (monthly newsletter), designed to provide up to date information on the Company performance.

Note - details of each category of reports made during the reporting period are shown in Annex no. 4

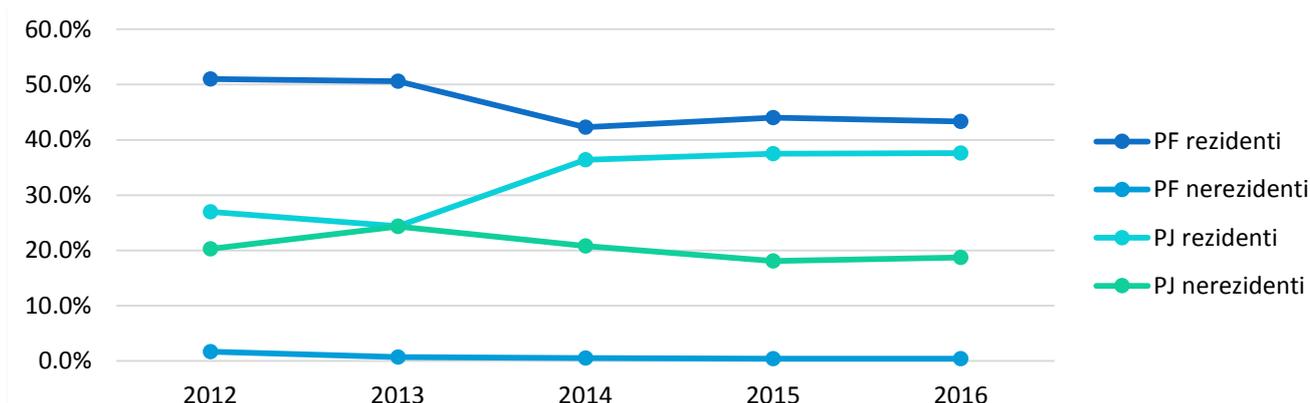
According to the "Corporate Governance Code" Regulations, the regular and relevant continue information was simultaneously disseminated both in Romanian and English. An important component of the relationship with the shareholders is the direct communication activity: the written correspondence (letters, e-mails); telephone communication.

Dividend policy

Shareholders structure on 31.12.2016

	Residents		Non--residents		Total
	Shareholders	%CS	Shareholders	% CS	% CS
Individuals (PF)	5.766.479	43,3	1.784	0,4	43.7
Companies (PJ)	225	37,6	44	18,7	56.3
TOTAL	5.766.704	80,9	1.828	19,1	100.0

Evolution of Shareholders structure (% owned from the share capital)



Dividend payment:

Dividend payment on 31.12.2016	Dividend 2013	Dividend 2014	Dividend 2015
	0,066 lei/act	0,1012 lei/act	0,0450 lei/act
Total dividend payment (lei)	34.259.913	52.531.866	46.250.883
Total paid up to 31.12.2016 (lei)	27.398.300	41.596.519	34.789.991
% paid on 31.12.2016	79,97	79,18	75.22

Method of payment of dividends, observing the legal incident provisions (Article 146 paragraph (5 ^ 1) of Law 297/2004 and Article 106 ^ 15 of ASF Regulation No.1 / 2006) - **provides for the payment by the central depository, as follows:**

- In case of a shareholder who **has opened a securities account** at a broker participant to the clearing-settlement and register of the Central Depository, the dividend payment is made through the **Central Depository and participants to the clearing-settlement and registry of the central depository.**
- *If a shareholder **does not open a securities account** at a broker participant to the clearing-settlement and register of the Central Depository, the dividend payment is made by the central depository through **Banca Transilvania** (paying agent appointed by SIF Moldova).*

Payment methods – shareholders type:	dividend 2015	2015- %
PJ - total, of which:	25.408.793,69	54,94
1. PJ – payment to participants	25.087.690,25	54,24
2. PJ – transfer on request	321.103,44	0,69
PF - total, of which :	8.789.294,31	19,00
3. PF - payment to participants	6.718.967,93	14,53
4. PF - transfer on request	476.268,39	1,03
5. PF - payment at the counter of the paying agent	1.594.057,99	3,45
6. Tax for unpaid dividends on 31.12.2016	591.902,55	1,28
Total dividend 2015 paid on 31.12.2016 (1+2+3+4+5+6)	34.789.990,55	75,22

7.2.

Corporate Events

7.2.1. Running the SIF2 buy-back program

Through the resolution of EGMS SIF Moldova no. 4/25.04.2016 the buyback program has been approved for a maximum 1% of share capital, with the purpose of assigning shares to managers, directors and employees of the company according to the law or the Memorandum of Association.

The buy-back program is run on stages, the characteristics being communicated to BVB

Stage 1 – current report of 26.07.2016:

- Program run time: 15.06.2016 – 25.07.2016
- Number of bought shares: 3.000.000
- Average price: 0,7201 lei
- Total shares value: 2.160.436,08 lei
- Percentage of SIF Moldova's share capital: 0,289%
- Agent: BT Capital Partners

Stage 2 – current report on 14.10.2016

- Program run time: 12.08.2016 – 13.10.2016
- Number of bought shares: 2.510.086
- Average price : 0,7586 lei
- Total shares' value: 1.904.151 lei
- Percentage of SIF Moldova's share capital: 0,2418 %
- Agent: BT Capital Partners

Stage 3 – current report on 22.11.2016

- Program run time: 23.11.2016 – 31.03.2017
- Number of shares: 4.071.850. A maximum volume of 61.500 shares will be bought back on a daily basis according to art. 3 line 3 letter a EU ordinance no. 1052/2016;
- Price: the minimum purchase price will be the BVB market price from the time the purchase is made, the maximum price – according to EGMS resolution no. 4/25.04.2016
- Agent: Raiffeisen Bank

In the 3rd stage, until 17.02.2017, a number of 3.491.427 shares, have been bought for an average purchase price of 0,7997 lei/share.

The run of the buy-back program abides by the exception conditions foreseen by the law regarding market abuse, allowing the making of transaction during the issuer's closed periods (art 5 line (1) EU Regulation no. 596/2014; art.4 line (2) let. a) and let.b) of EU Regulation no. 1052/2016).

Coordinates of the Stock Option Plan corresponding for year 2016.

- ✓ OGMS of 25.04.2016 has approved the running of « stock option plan » (SOP) type programs for the distribution of SIF2 shares free of charge to managers, directors and employees of SIF Moldova, the source being the shares not used in the buy-back program approved by EGMS on 01.04.2015 and shares to be bought-back through the EGMS approved program on 25/26.04.2016, a maximum of 16.000.000 shares, of which a maximum number of 10.400.000 shares are to be used.
- ✓ The Board of Directors has been authorized to adopt all necessary measures to fulfill the resolutions within legal and statutory limitations, by going through all stages and formalities for the program implementation.
- ✓ Running a SOP, as part of the benefit plan for managers, directors and employees for 2016 (variable remuneration), can be made within the limitations of the Memorandum of Association and CCM 2016-2017 and in compliance with AFIA regulation, namely:
 - for managers and directors – the actual level of the benefit plan is set by the Board of Directors, after the approval of the annual financial statements for 2016 by the General Meeting of Shareholders.
 - for employees – the share plan can be awarded according to the law and in agreement with the remuneration policy annually set by the board of Directors
 - at least 50% of the variable remuneration will consist in SIF2 shares (e.g. awarded through SOP).
- ✓ The number of shares to be assigned to each beneficiary is set on the date the beneficiaries' rights are awarded (date when the payment agreement is concluded, based on shares, between SIF Moldova and beneficiaries), following the approval of the 2016 annual financial statements by the General Meeting of Shareholders. The exercise of the right to receive shares free of charge will be made within at least 12 months from the date the payment agreement is made between the company and beneficiaries.

7.2.2. SIF2 share nominal value consolidation operation

Through current report on 12.10.2016 - SIF Moldova informs the shareholders through ASF resolution no. 1992/12.10.2016 that the circular drafted to the consolidation of the consolidation of nominal value issued by SIF MOLDOVA S.A was rejected.

Through the press release on 25.10.2016 – regarding SIF2 share nominal value consolidation approved by EGM resolutions on 13.01.2016 and 25.04.2016, SIF Moldova has informed the shareholders about the following:

- ✓ „It has constantly acted to insure the conditions required for the run of the operations, within the limitations foreseen by GSM, and in compliance with applicable legal provisions;
- ✓ Given the rejection of the Circular through ASF decision no.1992/12.10.2016, the consolidation operation could no longer continue (...);
- ✓ It has always been in permanent contact with the specialized ASF department for the completion of the Circular and implementation of the operation, which we will continue to do in order to identify solutions for the future”.

Regarding the nominal value consolidation operation for SIF2 share, we make the following mentions:

1. With the convening of the extraordinary general meetings on 13.01 and 25.04.2016 in the content of the materials we have detailed all the information that can clarify and justify the fact that CA proposal is a **strictly technical** operation with potentially positive impact on the general performance of SIF Moldova including from the perspective of reducing the operating costs.
2. The circular has been drafted within the limitations set by GSM, taking into consideration arguments of technical nature, consolidation of nominal value from 0,1 lei/share to 2,5 lei/share. The

shareholders who did not hold a multiple of 25 shares had the option to complete a share through cash contribution or have the contribution returned, with a value between **0,1 - 2,40 lei**.

3. The status of the cases in court regarding the operation is presented in the detailed status of litigations (annex 3). Up to the reporting date, the court decision are in favor of SIF Moldova.
4. SIF has permanently acted to insure the conditions to implement the operation, requesting a **trading suspension** (art. 111 BVB code) between 11-13.10.2016.

SIF Moldova maintains its opinion that the consolidation operation, through the awarding of the option for cash contribution/restitution to the share capital at nominal value is legal and will be beneficial for the company and its shareholders.

7.3.

Internal regulation – harmonization with the organizational development directions and applicable law.

The decisions adopted by the Board of Directors regarding the restructuring of the organization to align to the new legislation regarding AFIA are already implemented in the functioning and activity of the company, according to the “Internal Regulations” applicable on 01.06.2016:

The amendment of „Internal Regulations” has been caused by the reorganization process of SIF Moldova, that had the following main objectives:

- 1) implementation of multiannual strategy / investment programs, with impact on portfolio restructure and insurance of premisses for the increase of future performance;
- 2) insurance of the compliance of decision, supervision and control processes for current activities;
- 3) insurance of IFRS implementation in the drafting of financial statements, net asset calculation, management of support information for continuous analysis;
- 4) protection of SIF Moldova patrimony interests through the documentation and promotion of opinings of legal and conformity nature; assignment of financial and human resources to allow the full complementary documentation for the legal department;
- 5) abidance by the policies and procedures regarding conflict of interest and regulations set by CA regarding the avoidance of possible conflict of interest situations.

The main modifications consist in:

- (a) The dissolve of the Investment Management Department and its functioning on separate department of the structure: “CORE” portfolio, “Sell”, “MAJORITY HOLDINGS” portfolio and “Transactions” Activity .
- (b) The transformation of the Financial –Accounting Department in the Financial Department, through the expansion of the coordination of several activities.
- (c) The setup of the Department “Net Asset Calculation/BackOffice” – with the main responsibility of coordinating the activities regarding SIF Moldova net asset calculation
- (d) The setup of “Assets Evaluation” Department - in order to comply with AFIA legislation regarding the functional independence requirement between the management of assets/portfolios activity and that of assets evaluation (under the authority of the financial department).
- (e) The SIF Moldova Agencies in Bucharest and Iași (modification of the Memorandum of Association is pending ASF approval, according to EGMS resolution of 25.04.2016)

Is being the process of drafting on the level of SIF Moldova and analysis on the level of ASF of the documentation corresponding to the certification as Alternate Investment Fund (AFIA), according to applicable regulations.

7.4. Corporate Governance Code

We have run the process of aligning the Corporate Governance Code of SIF Moldova to the provisions of ASF regulation no. 2/2016. Its revised form (including articles from Reg. 2/2016) is structured as follows:

- Chapter. 1. ORGANIZATIONAL STRUCTURE. ASSIGNMENT OF POSITIONS AND RESPONSIBILITIES* (ASF reg no. 2/2016 – art. 4 line.2; a) insuring a transparent and proper organizational structure; b) proper assignment and proper separation of responsibilities)
- 1.1. *GENERAL SHAREHOLDERS' MEETING*
 - 1.2. *BOARD OF DIRECTORS* (Reg. 2/2016 Chapter II Board Responsibilities art. 7 – 22)
 - 1.3. *EXECUTIVE MANAGEMENT* (Reg. 2/2016 Chapter III Responsibilities of executive management (...) art. 23 – 28)
 - 1.4. *KEY POSITIONS* (Reg. 2/2016 Chapter III Responsibilities (...) of the individuals holding key positions art. 29 – 31)
- Cap. 2. *CONFLICT OF INTEREST AND THEIR MANAGEMENT* (Reg. 2/2016 Chapter IV – Conflict of interests and their management art. 32 – 40)
- Cap. 3. *PERMANENT RISK MANAGEMENT POSITION* (Reg. 2/2016 – art. 4 line 2: c) proper risk management/ risk management; Chapter V Risk Management and Risk Management Position art. 41 – 48)
- Cap. 4. *PERMANENT INTERNAL CONTROL POSITION* (ASF regulation no. 2/2016 – art. 4 line 2: d) adequacy of policies and strategies such as the internal control mechanisms)
- Cap. 5. *PERMANENT INTERNAL AUDIT POSITION* (Reg. ASF no. 2/2016 – art. 4 line.2: d) adequacy of internal control policies and strategies and management)
- Cap. 6. *COMMUNICATION STRATEGY* (ASF regulation no. 2/2016 – art. 4 line 2 e) insuring an efficient communication system and information issue)
- Cap. 7. *CONFIDENTIAL INFORMATION REGIME* (ASF register no. 2/2016 – art. 4 line 2 f) applying solid operational procedures, that prevent the issue of confidential information)
- Cap. 8. *SHAREHOLDERS' RIGHTS*
- Cap. 9. *FINANCIAL REPORTING*
- Cap. 10. *INVESTMENT STRATEGY*
- Cap. 11. *ASSETS MANAGEMENT*
- Cap. 12. *DIVIDEND POLICY. SHARE BUY-BACK.*
- Cap. 13. *EVALUATION OF COMPANY AND SIF₂ SHARE PERFORMANCE*
- Cap. 14. *POLICIES IN THE FIELD OF HUMAN RESOURCES. REMUNERATION POLICY.*
- Cap. 15. *RESTRUCTURE PROCESS. COMPANY REORGANISATION.*
- Cap. 16. *SOCIAL RESPONSIBILITY*
- Cap. 17. *CODE REVISAL*

The corporate governance code of SIF Moldova aligned to the provisions of ASF regulation no. 2/2016 regarding the application of corporate governance code by authorized entities, regulated and supervised by ASF – attached.

Statement regarding the application of corporate governance principles according to the provisions of ASF reg. no. 2/2016 regarding the application of corporate governance code by authorized entities, regulated and supervised by ASF- attached.

The corporate governance code of SIF Moldova, abides by all 41 principles foreseen in the new Corporate Governance Code of BVB (current reports no. 12.01.2016; 25.04.2016). BVB Code Compliance statement is attached.

Statement regarding the abidance by the corporate governance code stipulated in the *Corporate Governance Code of Bucharest Stock Exchange*- attached.

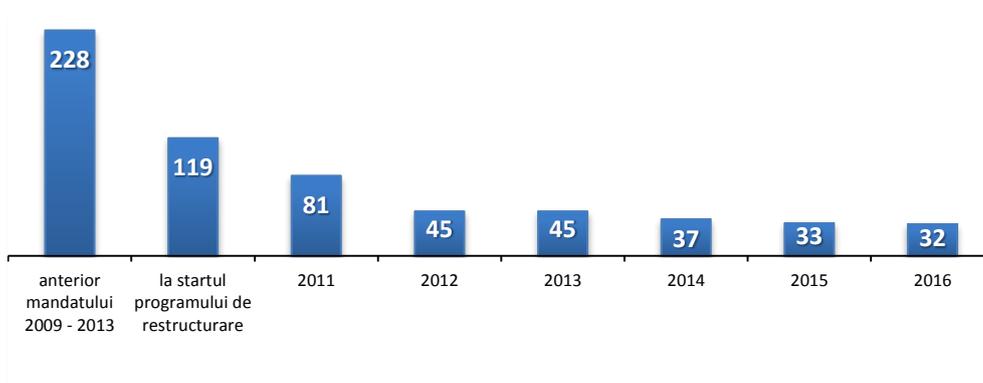
7.5. Human Resource Management

Concerning the staff, alignment to AFIA legislation involves:

- ✓ approval of the key/control positions in SIF Moldova, defined by ASF Regulation no. 14/2015 and ESMA Guide regarding solid remuneration policies in compliance with DAFIA
- ✓ compulsory certification of the individual(s) responsible with risk management which includes a special requirement regarding the professional training of individuals covering these positions.

At the executive level a special attention is given to the human resources in order to ensure continuity of the professional training programs in order to maintain the experience acquired over many years of specialization. The staff working in the following fields have been included in the contiguous training program: investment analysis, internal control, evaluation, audit, accounting. The staff is periodically evaluated both from the performance perspective and specific knowledge. In 2016 the amount assigned for professional training was 81.185 lei.

As a result of developing the optimization process of the organizational structure, the number of employees registered the following evolution:



7.6. Social Responsibility

According to the Corporate Governance Code, SIF Moldova permanently carries out activities regarding the company's social responsibility, directly supporting, or through specialized foundations/ associations, the under-privileged categories in the community it carries out its activity or supports scientific, cultural, sporting, medical, educational, environmental actions, local or national interest events. SIF Moldova uses the tax facilities that can be used for sponsoring activities

For 2016, the amount assigned has been of 584.921 lei (2014 – 1.323.583 lei; 2015 – 837.970 lei), with the following assignment per fields: education – 36%, social – 32%, sport - 13%, medical – 8%, other – 11%, bearing in mind the recommendation of the board of directors regarding priority fields.

8 Company management

8.1. Manager List (31.12.2016)

8.1.1. CV (first and last name, age, qualification, professional experience, position and seniority)

no	Name	age	qualification	experience	position	seniority
1	Ceocea Costel	60	Higher education <ul style="list-style-type: none"> PhD in the field of industrial engineering, with thesis "Risk in Management Activity" MBA – Business Management and Administration. Economist – Specialization: Economy of industry, constructions and transport Capital market specialisations: <ul style="list-style-type: none"> Investment consultant Business management SC assessor SC liquidator Purchase manager Accounting expert Project management Internal control 	<ul style="list-style-type: none"> Economist, CCI Bacau, FPP II Moldova Head of SIF Moldova dept. Manager in SIF Moldova Management Committee Vice-president – Adj CEO SIF Moldova Associate professor –Vasile Alecsandri Bacau University 	President CEO	BD member 2001-present
2	Doros Liviu Claudiu	46	Higher Education <ul style="list-style-type: none"> MBA – Business Management and Administration Economist, specialization: Economy of services Capital Market specializations: <ul style="list-style-type: none"> investment consultant Specialist in technical analysis and trading strategies Agent for financial investment services project management internal control 	<ul style="list-style-type: none"> Economist Broker Management SC Consulting 	Vice-president- Adj CEO	BD Member 2006-present
3	Iancu Catalin – Jianu- Dan	40	<ul style="list-style-type: none"> Graduation certificate from Stanford University, Graduate School of Business MBA in management, Rotterdam School of Management Bachelor degree studies - Bachelor of Economy – Academy of Economic Studies of Bucharest– Faculty of Economic Studies in foreign language 	<ul style="list-style-type: none"> Training courses with Morgan Stanley, Standard Bank, Barclays Capital Management "OTP Management Academy Investment management, consultant, capital market Member of the Financial Markets of Romaina Association 	Manager of the Management Committee	BD Member 2013 - present
4	Ciorcila Horia	53	Cluj Napoca Polytechnics Institute, Faculty of Electronics, Specialization Automation and Computers	<ul style="list-style-type: none"> BD president – Banca Transilvania Member of CA BT Asset Management SAI 	Independent director IPSC/NC President	BD member 2013 - present
5	Hanga Radu	45	<ul style="list-style-type: none"> studii de licenta - Universitatea Tehnica Cluj Napoca, Facultatea de Electronica studii academice postuniversitare - Universitatea Tehnica Cluj Napoca, Scoala de Studii Academice Postuniversitare studii academice postuniversitare - Universitatea Babes Bolyai, Institutul European pentru Administrarea Intreprinderilor program MBA - Institutul National de Dezvoltare Economica – INDE 	Director executiv strategie – coordonare Grup Banca Transilvania	Independent director Audit Committee President	Membu CA 2013 - prezent
6	Radu Octavian Claudiu	55	<ul style="list-style-type: none"> FernUniversitaet Hagen – Betriebswirtschaftlehre Bachelor studies – Bachelor of Economics- Academy of Economic Studies Bucharest – Trade Faculty 	<ul style="list-style-type: none"> Business consultant Marketing Management 	Director	BD Member 2013 - present
7	Albu Gheorghe	62	Higher Education <ul style="list-style-type: none"> PhD in Economics – Academy of Economic Studies of Bucharest - specialization Trade- Services Bachelor Studies <ul style="list-style-type: none"> Bachelor of Economic Sciences – Academy of Economic Studies of Bucharest- specialization: Trade Specializations, <ul style="list-style-type: none"> Capital Market Trade, Tourism Insurance 	<ul style="list-style-type: none"> Deputy(1992 – 2012) State Secretary – Trade and Tourism CNVM Commissar ASF member ASE Associate professor Parliament councillor 	Independent director	BD Member feb. 2015 - present

The managers have been approved by ASF through approval no. 20/29.04.2013 and ASF approval no.82/11.03.2015 completed the board of directors by including Mr. dl. ALBU Gheorghe, for the remainder of the 2013-2017 mandate following the withdrawal of Mr. Hrebenciuc Andrei

Consultative committees of the Board of Directors

On the level of the Board of Directors there are 3 consultative committees, for the main activity and appliance of corporate governance principles, namely:

- (a) *Investment Policies – Strategies Committee* - Ciorcila Horia (*President*), Hanga Radu, Radu Octavian Claudiu;
- (b) *Audit Committee* - Hanga Radu (*President*), Radu Octavian Claudiu, Albu Gheorghe;
- (c) *Appointing Committee*: Ciorcila Horia (*President*), Albu Gheorghe
(Current report on 25.04.2016)

8.1.2. Any agreement, understanding or family relationship between the manager and another person due to whom that manager was appointed – not the case

8.1.3. Participation of the manager to the company's capital (direct and indirect holdings on 31.12.2016)

Nr. crt.	Family name	given name	holdings	% SC
1	Ceoccea	Costel	807,733	0.08%
2	Doros	Liviu Claudiu	10,906,895	1.05%
3	Hanga	Radu	706,895	0.07%
4	Radu	Octavian Claudiu	0	0.00%
5	Ciorcila	Horia	448,895	0.04%
6	Iancu	Catalin Jianu Dan	826,305	0.08%
7	Albu	Gheorghe	362,347	0.03%

8.1.4. List of individuals affiliated to the company. SIF Moldova Group – detailed presentation under chapter 1.4.2.

8.2. List of Executive Management Members

The Board of Directors of SIF Moldova, met in the meeting on 09/10.02.2015 adopted the following decisions:

1. “Approved the setup of the Management Committee, according to legal provisions (Law no. 31/1990, art. 143^{^1}) and statutory ones (Articles of Incorporation, art.7 (17)) and Committee members, comprised of three members selected from among the manager: President CEO, Vice-president adj. CEO, Manager of the Management Committee.
2. Approved the election of Mr. Catalin Iancu, manager of SIF Moldova, for the Management Committee Manager (...)”

Thus, the management of the company is insured by 3 managers, selected from among the members of the Management Committee, who have been approved by ASF (approval no. 81/11.03.2015), namely:

1. Ceoccea Costel – President CEO
2. Doros Liviu Claudiu – Vice-president Adjunct CEO
3. Iancu Catalin Jianu Dan – Manager of the Management Committee

8.2.1. Term on which the person is part of executive management.

The CEO, adjunct CEO and Manager of the Management Committee have entered management contracts for a period of 4 years for the CEO and adj. CEO, namely until the end of the 2013-2017 mandate for the Manager of the Management Committee, as approved by Decision no. 16 OGMS/05.04.2013.

8.2.2. Any agreement, understanding or family relationship between that individual and another individual due to whom the former has been employed as member of executive management – not the case

8.2.3. Participation of that individual to the company's capital – see the list presented under item. 8.1.3.

8.3. For all individuals presented under 8.1. and 8.2. mention of possible litigations or administrative procedures in which they have been involved in the last 5 years concerning their activity in the issuer, as well as those that regard the ability of that person to fulfil his obligations in the issuer – not the case.

9 Event occurred after the reporting period

Extension of the contracts entered with Asset Invest SA- branch of “SIF Moldova Group” (ASF certification no. 1/07.02.2017) (Current report of 15.02.2017 according to art.225 of Law 297/2004 and art.113, letter G, line (5) CNVM Regulation 1/2006)

1. 13.02.2017: extension of *Service Agreement for the monitoring of information and events concerning the companies in SIF Moldova portfolio* (addendum no. 1 to Contract no. 3134/20.05.2015)
2. 13.02.2017 – extension of *Mandate framework agreement for the sale of shares in SIF Moldova Portfolio* (addendum to contract no. 7542/17.12.2015) Notes : Asset Invest SA has been setup by SIF Moldova for the purpose of capitalizing on non-performing shares in the portfolio of the investment company (current report of 02.08.2013, 08.10.2013). In compliance with the setup purpose of Asset Invest SA we have entered the Mandate Framework Contract for the acceleration of negotiation/disinvestment process for the non-performing portfolio/ Sell of SIF Moldova, within the limitations and conditions set by SIF Moldova, with the following characteristics:
3. 10.01.2017 : extension of *SIF Moldova Vehicle Rental Agreement* (addendum no.1 to contract no. 1978/04.01.2016)

The cumulated value of the contracts entered with c Asset Invest SA exceeds 50.000 EUR/year. In compliance with the requirements of art.225 Law no. 297/2004 and CNVM regulation no.1/2006, the contracts are provided to the financial auditor in order to receive his opinion regarding the abidance by the legal framework (through current report on 11.11.2016 the insurance report of the Deloitte Financial Auditor was presented for all contracts entered by SIF Moldova in 2016 with its branches, namely Asset Invest SA and Casa SA).

Annexes:

1. Annex 1 Net asset status on 31.12.2016
 - Annex 1.1. Status of SIF Moldova assets and liabilities (Reg. ASF no. 15/2004- A16)
 - Annex 1.2. Status of assets and detailed status of SIF Moldova investments (Reg. ASF no. 15/2004- A17)
2. Annex 2 Financial Statements on 31.12.2016 IFRS
3. Annex 3 Status of litigations on 31.12.2016
4. Annex 4 BVB, ASF Reporting– 2016
5. Annex 5 SIF Moldova Corporate Governance Code – refused form as per. ASF 2/2016
6. Annex 6 Statement regarding the application of corporate governance - as per ASF reg 2/2016
7. Annex 7 Statement regarding the application of corporate governance principles– in compliance with CGC BVB
8. Annex 8 2014 – 2018 Investment Policies Statement (approved in GMS 15.04.2014)

The Board of Directors activity report for year 2016 has been approved in the BD meeting on d 24.02.2017.

President CEO
Costel CEOCEA

Chief Accountant
Cristina ANDRIES

Internal control
Michaela PUSCAS

Provisions of BSE Code		Compliance
A.1	All companies must have an internal regulation of the Board that includes the reference terms/responsibilities of the Board and key management positions of the company, which involve, among others, the General Principles in Section A.	YES
A.2	The provisions of conflict of interest management must be included in the Council's regulation	YES
A.3	The Board of Directors or Board of Supervisors should comprise at least five members	YES
A.4	The majority of the members in the Board of Directors should not have an executive position. At least one member of the Board of Directors or Board of Supervisors should be independent in case of Standard Category Companies. In case of Premium Category companies, no less than two non-executive members of the Board of Directors or Board of Supervisors should be independent (<i>four members in the Board of Directors are independent</i>).	YES
A.5	Other professional engagement and obligations, relatively permanent of one member of the Board, including executive and non-executive positions in the Board of some non-profit companies and institutions must be disclosed to shareholders and potential investors before appointment and during his mandate.	YES
A.6	Any member of the Board must present the Board information regarding any relationship with any shareholder directly or indirectly holding shares that represent over 5% of all vote rights. This obligation refers to any kind of relationship that might affect the position of the member regarding matters decided by the Board.	YES
A.7	The company must assign a secretary of the Board, responsible for the support of the Board's activity.	YES
A.8	The Corporate Governance Statement will inform if there has been a Board evaluation under the President or Appointment Committee, and if so, it will summarize the key measures and changes resulted from it. The Company should have a policy/guide regarding the Board's evaluation, including the purpose, criteria and frequency of the evaluation process.	YES
A.9	The Statement regarding corporate governance should contain information regarding the number of meetings of the Board and Committees over the previous year, <i>participation of managers</i> (in person or in absence) and a report of the Board and committees regarding their activity.	YES
A.10	The Corporate Governance Statement should include information regarding the <i>exact number of independent members</i> of the Management Board or in the Board of Supervisors.	YES
A.11	The Board of companies in the Premium Category should set up an <i>Appointment Committee</i> comprised of non-executive members that <i>will manage the appointment procedure for new Board members</i> and will make recommendations for the Board. The majority of the Appointment Committee members should be independent.	YES
B.1	In case of companies from Premium Category, the Audit Committee must comprise at least three members and the majority of the Audit Members should be independent.	YES
B.2	The president of the Audit Committee must be an independent non-executive member.	YES
B.3	The Audit Committee should carry out an annual evaluation of the internal control system.	YES
B.4	The evaluation must consider the efficiency and coverage of the internal audit function, de adequacy of the risk management and internal control reports presented by the Audit Committee before the Board, the promptness and efficiency of the executive management in solving identified deficiencies or weaknesses following internal control and the presentation of relevant reports before the Board.	YES
B.5	The Audit Committee must evaluate the conflicts of interest, in connection to the transaction of the company and its branches with affiliated parties.	YES
B.6	The Audit Committee must evaluate the efficiency of the internal control system and risk management system.	YES
B.7	The Audit Committee must monitor the application of legal standards and internal audit standards accepted. The Audit Committee should receive and evaluate the reports of the internal audit team.	YES
B.8	Every time the Code mentioned reports or analysis initiated by the Audit Committee, these must be followed by periodical reports (at least on an annual basis) or ad hoc reports to be later presented to the Boards.	YES
B.9	No shareholder can be awarded preferential treatment in comparison to other shareholders in connection to transactions and agreements entered by the Company with shareholders and their affiliates.	YES
B.10	The Board should adopt a policy to make sure that any transaction of the company with any of the company it is closely connected to and whose value is equal or larger than 5% of the assets company's net assets (according to the latest financial record) is approved by the Board following a mandatory opinion of the Audit Committee and correctly present to the shareholders and potential investors, as long as these transactions are entered in the category of events that are object of the reporting requirements.	YES
B.11	Internal Audits should be carried out by a structurally separate division (Internal Audit Department) from within the Company or through the employment of an independent entity.	YES
B.12	For the purpose of insuring the fulfillment of the main functions of the internal audit department, this should report to the Board from a functional point of view. For administrative purposes and within the obligations of management to monitor and reduce risks, these should report directly before the general manager.	YES
C.1	The Company should publish on its website its remuneration policy and include in the annual report, a statement regarding the implementation of the remuneration policy during the annual period that is object of the analysis.	YES

D.1	The company should set up a Investor Relations Service- indicating to the public the person / individuals responsible or <i>organizational unit</i> . Besides the information requested by legal provisions, the company should include on its website a section dedicated to Investors' Relations, in the Romanian and English language, with all relevant information that might interest the investors, including:	YES
D.1.1	Main corporate regulations: Articles of Incorporation, procedures regarding the General Shareholders Meetings.	YES
D.1.2	Professional CVs of the members of the company's management bodies of the Company; other professional engagements of the Board's members, including executive and non-executive positions in the company's management boards or in non-profit institutions;	YES
D.1.3	Current and periodical reports (quarterly, half-yearly and annually) – at least those foreseen under point D8 – including current reports with detained information concerning the non-compliance with the present Code;	YES
D.1.4	Information regarding shareholders' general meetings: agenda and informative materials, selection of Board members; arguments supporting the candidate proposed to be elected in the Board, along with their professional CVs; shareholder's questions regarding items on the agenda and answers of the company, included adopted resolutions;	YES
D.1.5	Information regarding corporate events, such as dividend payment and other distributions to shareholders, or other events that lead to the acquiring or limitations of a shareholder's rights, including the deadlines and principles applicable to these operations. This information shall be published within a deadline that allows investors adopt investment decisions;	YES
D.1.6	Name and contact details of an individual who, on request can supply information	YES
D.1.7	Company's presentation (e.g., presentations for investors, presentations regarding quarterly results, etc.) financial reports (quarterly, half-yearly, annual) audit reports and annual reports.	YES
D.2	The company shall have a policy regarding annual dividend distribution or distribution of other benefits to shareholders proposed by the General Manager or Directorate and approved by the Board, as a set of directorate guidelines that the company intends to follow regarding the distribution of net profit. The main annual policies for the distributions to shareholders will be published on the company's website.	YES
D.3	The company will adopt a policy regarding forecasts. Forecasts refer to the quantified conclusions of some studies that aim to certain the global impact of a number of factors regarding a certain value (so called hypothesis): through its nature, this forecast has a high level of uncertainty, the real results can significantly differ from the initially presented forecasts. The forecast policy will set the frequency, period considered and forecast content. If published, the forecasts can be included only in annual, half-yearly and quarterly reports. The forecast policy will be published on the Company's internet page.	YES
D.4	The rules of the general shareholders' meeting should not limit the participation of shareholders to the general meetings and their exercising their votes. The modifications of the rules come into force, on the following meeting of shareholders.	YES
D.5	External auditors will be present at the general shareholders' meeting when their reports are presented during the meeting.	YES
D.6	The Board will present the annual general shareholders' meeting a short ascertainment of the internal control sand significant risk management systems, as well as opinions on issues presented before the general meeting.	YES
D.7	Any specialist, consultant, expert of financial analyst can be present during the shareholders' meeting based on a prior invitation from the Council. Accredited journalist can participate to the general shareholders' meeting with the exception of the case when the President of the Board decides otherwise.	YES
D.8	Quarterly and semi-annual financial statements will include information in the Romanian and English language regarding key factors that influence changes on the level of the sales, the operational profile, net profit and other relevant financial indicators, from one quarter to the other and from year to the other.	YES
D.9	A Company shall organize at least to meetings/ teleconferences with analysts and investors per year. The information presented with such occasion will be published in the Investors' Relation section on the Company's internet page on the date of the meetings/ teleconferences.	YES
D.10	In case a company supports various forms of artistic and cultural events, sporting events, educational or scientific events and considers that their impact on the innovative nature and competitiveness of the company are part of its mission and development strategy, shall publish its <i>policy regarding its activity in this field</i> .	YES

SIF Moldova S.A.

Separate Financial Statements

For the year ended as at December 31, 2016

Prepared in accordance with International Financial Reporting Standards

as adopted by the European Union

CONTENTS:

PAGE:

SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF COMPREHENSIVE INCOME	3
SEPARATE STATEMENT OF FINANCIAL POSITION	4
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	4-5
SEPARATE STATEMENT OF CASH FLOWS	6-9
NOTES TO THE SEPARATE FINANCIAL STATEMENTS	9-60

SIF MOLDOVA S.A.
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
AS AT DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	Note	31 December 2016	31 December 2015
Income			
Dividend income	6	118,775,487	27,712,560
Interest income	7	1,216,794	1,563,181
Other operating revenue	8	846,767	795,363
Other Income		2,792,301	240,513
Investment income			
Net profit from sale of assets	9	94,672,066	122,075,074
Net loss from revaluation of financial assets at fair value through profit or loss	10	(6,504,125)	(3,974,232)
Net gains from revaluation of investment property		240,932	-
Expenses			
Impairment loss	11	(46,908,657)	359,143
Expense with provisions for risk and charges	12	(145,628)	359,113
Other operating expenses		(31,174,094)	(26,332,968)
Other expenses		(8,820)	(261,760)
Profit before tax		133,803,023	122,535,987
Income tax	13	(10,505,003)	(22,195,661)
Net profit for the year		123,298,020	100,340,327
Other comprehensive income		-	-
Increases in the reserve from revaluation of property, plant and equipment, net of deferred tax		1,418,212	90,395
Transfer of revaluation reserve to retained earnings due to the sale of tangible assets		-	(78,387)
Net changes in revaluation reserves at fair value of available-for-sale financial assets	16e)	165,342,680	73,460,840
Other comprehensive income		166,760,892	73,472,848
Total comprehensive income for the period		290,058,912	173,813,174

The separate financial statements were approved by the Board of Directors on March 03, 2017 and were signed on its behalf by:

Costel Ceoce,
President

Cristina Andrieș,
Chief Accountant

SIF MOLDOVA S.A.
SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	Note	December 31, 2016	December 31, 2015
Assets			
Cash and cash equivalents	14	931,024	613,851
Deposits at banks	15	117,794,735	91,015,193
Financial assets at fair value through profit or loss	16a	128,999,673	112,215,485
Financial assets available for sale	16b	1,448,569,452	1,227,266,927
Investments held to maturity	16c	9,573,804	9,593,199
Investment property	17	3,505,273	3,264,341
Intangible assets	18	113,180	293,905
Tangible assets		8,140,477	7,165,148
Other assets	19	1,347,293	6,269,023
		1,718,974,911	1,457,697,072
Total assets			
		-	-
Liabilities			
Dividends payable	20	29,258,494	42,394,161
Provisions for risk and charges	21	3,452,286	3,306,214
Deferred tax liability	22	69,089,754	57,339,461
Other liabilities	23	17,082,627	18,706,256
		118,883,161	121,746,092
Total liabilities			
Equity			
Share capital	24	539,720,149	539,720,149
Retained earnings		445,783,128	345,057,696
Reserves from revaluation of property, plant and equipment		9,095,516	7,677,304
Reserves from revaluation of financial assets available for sale	16e)	616,216,703	450,874,023
		(10,723,746)	(7,378,192)
Other equity elements			
		1,600,091,750	1,335,950,980
Total equity			
		1,718,974,911	1,457,697,072
Total liabilities and equity			

The separate financial statements were approved by the Board of Directors on March 03, 2017 and were signed on its behalf by:

Costel Ceocea,
President

Cristina Andrieș,
Chief Accountant

SIF MOLDOVA S.A.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	Share capital	Reserves from the revaluation of tangible assets	Reserves from the revaluation of financial assets available for sale	Retained earnings	Other elements of capital	Total
Balance as at 1 January 2016	539,720,149	7,677,304	450,874,023	345,057,696	(7,378,192)	1,335,950,9780
Comprehensive income	-	-	-	-	-	-
Profit of the period	-	-	-	123,298,020	-	123,298,020
Other comprehensive income	-	-	-	-	-	-
Reserve increase from revaluation of tangible assets	-	1,418,212	-	-	-	1,418,212
Transfer from the revaluation reserve to retained earnings following the sale of tangible assets	-	-	-	-	-	-
Revaluation of assets available for sale fair value, net of deferred tax	-	-	251,762,237	-	-	251,762,237
Reserve decrease due to the sale of financial assets	-	-	(86,419,557)	-	-	(86,419,557)
Total comprehensive income for the period	-	1,418,212	165,342,680	123,298,020	-	290,058,912
Transactions with shareholders recognized directly in equity	-	-	-	-	-	-
Share capital increase	-	-	-	-	-	-
Buy-back shares	-	-	-	-	(6,497,101)	(6,497,101)
Own shares allocated	-	-	-	-	3,151,547	3,151,547
Dividends prescribed by law	-	-	-	23,678,295	-	23,678,295
Dividends payment related to 2015	-	-	-	(46,250,883)	-	(46,250,883)
Total transactions with shareholders recognized directly in equity	-	-	-	(22,572,588)	(3,345,554)	(25,918,142)
Balance as at 31 December 2016	539,720,149	9,095,516	616,216,703	445,783,128	(10,723,746)	1,600,091,750

The separate financial statements were approved by the Board of Directors on March 03, 2017 and were signed on its behalf by:

Costel Ceocea,
President

Cristina Andrieș,
Chief Accountant

The accompanying notes are an integral part of these separate financial statements.

SIF MOLDOVA S.A.
SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	Share capital	Reserves from the revaluation of tangible assets	Reserves from the revaluation of financial assets available for sale	Retained earnings	Other elements of capital	Total
Balance as at 1 January 2015	487,811,190	7,665,296	377,413,183	327,356,982	-	1,200,246,651
Comprehensive income						
Profit for the previous year	-	-	-	100,340,327	-	100,340,327
Other comprehensive income	-	-	-	-	-	-
Reserve increase from revaluation of tangible assets	-	90,395	-	-	-	90,395
Transfer from the revaluation reserve to retained earnings following the sale of tangible assets	-	(78,387)	-	-	-	(78,387)
Revaluation of available for sale fair value, net of deferred tax	-	-	(37,172,763)	-	-	(37,172,763)
Reserve decrease due to the sale of financial assets	-	-	110,633,603	-	-	110,633,603
Total comprehensive income for the period	-	12,008	73,460,840	100,340,327	-	173,813,175
Transactions with shareholders recognized directly in equity						
Share capital increase	51,908,959	-	-	(51,908,959)	-	-
Buy-back shares	-	-	-	-	(7,378,192)	(7,378,192)
Other transfers	-	-	-	81,439	-	81,439
Dividends prescribed by law	-	-	-	21,719,773	-	21,719,773
Dividends payment related to 2014	-	-	-	(52,531,866)	-	(52,531,866)
Total transactions with shareholders recognized directly in equity	51,908,959	-	-	(82,639,613)	(7,378,192)	(38,108,846)
Balance as at 31 December 2015	539,720,149	7,677,304	450,874,023	345,057,696	(7,378,192)	1,335,950,980

The separate financial statements were approved by the Board of Directors on March 03, 2017 and were signed on its behalf by:

Costel Ceocea,
President

Cristina Andrieș,
Chief Accountant

The accompanying notes are an integral part of these separate financial statements.

SIF MOLDOVA S.A.
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

	2016	2015
Cash flows from operating activities:		
Profit before taxation	133.803.023	122.535.988
	-	-
Adjustments for:		
Reversals of impairment of financial assets	46.908.657	(989.376)
Net loss form financial assets at fair value through profit and loss	6.745.057	3.974.232
Adjustment for financial assets available for sale	(92.945.016)	(79.367.246)
Dividend income	(118.775.487)	(27.712.560)
Interest income	(561.049)	(1.563.181)
Charge/Release of provisions for risk and charges	145.628	(359.113)
Write back of provisions	(3.025)	1.059.722
Other adjustments	985.345	(1.055.819)
Changes in operating assets and liabilities:		
Acquisition of financial assets at fair value through profit or loss	(24.320.318)	(14.956.544)
Sales of financial assets at fair value through profit or loss	785.091	8.013.853
Acquisition of financial assets available for sale	(166.534.478)	(184.683.707)
Sales of financial assets available for sale	168.262.363	210.795.941
Changes in the investments held to maturity	95.754	1.184.500
Changes in deposits with maturity greater than 3 months	9.953.110	17.374.529
Other assets changes	10.602.384	6.119.633
Other liabilities changes	(1.749.260)	4.889.840
Collected dividends	113.094.833	24.117.658
Collected interest	517.113	1.753.490
Income tax	(7.659.369)	(15.633.767)
	79.350.356	75.578.073
Net cash flow proceeds / (used in) operating activities		
Investment activities:		
Payments for purchases of property, plant and equipment	(368.106)	(422.693)
Proceeds from sale of property and investment property		
	(368.106)	(422.693)
Net cash flow proceeds / (used in) investment activities		
Investment activities:		
Dividends paid	(35.712.324)	(42.294.786)
Buy-back shares	(6.100.333)	(7.378.192)
	(41.812.657)	(49.672.978)
Net cash flow proceeds / (used in) investment activities		
Net increase in cash and cash equivalents	37.169.593	25.402.402
	81.556.166	56.153.765
Cash and cash equivalents at 1 January		
	118.725.759	81.636.167
Cash and cash equivalents at 31 December		

The separate financial statements were approved by the Board of Directors on March 03, 2017 and were signed on its behalf by:

Costel Ceocea,
President

Cristina Andrieș,
Chief Accountant

SIF MOLDOVA S.A.
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

Reconciliation of cash and cash equivalents with the balance sheet:

	December 31, 2016	December 31, 2015
	<u>931,024</u>	<u>613,851</u>
Cash and cash equivalents		
Deposits at banks	117,794,735	91,015,193
Placements at banks with maturity of less than 3 months and blocked deposits	-	(10,072,877)
	<u>118,725,759</u>	<u>81,556,167</u>
Cash and cash equivalents in the cash flow statement		

The separate financial statements were approved by the Board of Directors on March 03, 2017 and were signed on its behalf by:

Costel Ceoce,
President

Cristina Andrieș,
Chief Accountant

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

1. REPORTING ENTITY

SIF Moldova S.A. (“the Company”) is a collective investment body operating in Romania in accordance with the provisions of Law 31/1990 on commercial companies and Law 297/2004 on capital market, as subsequently amended and supplemented.

The Company is the successor of Fondul Proprietății Private II Moldova, reorganized and transformed in accordance with the provisions of Law no. 133/1996.

The registered office of the Company is located on street Pictor Aman, nr. 94C, Bacău municipality, Bacău county, Romania. The Company also operates through its representative offices located in Iași and Bucharest.

According to its statute, the Company’s core activities are:

- administration and management of financial instruments, derivative financial instruments and other instruments qualified as such by the regulations of the National Securities Commission (NSC), whose duties and prerogatives have been taken over by the Financial Supervisory Authority (FSA);
- administration and management of shares, bonds and other rights arising therefrom to companies not traded or closed;
- other auxiliary and related activities, in accordance with the regulations in force.

The Company is self-administered.

The Company's shares are listed on the Bucharest Stock Exchange, Category I, code SIF2, starting from November 1, 1999.

The shares and shareholders are recorded according to law by S.C. Depozitarul Central S.A. Bucharest.

The assets are deposited with BRD – Société Générale S.A. – company authorized by the National Securities Commission, whose duties and prerogatives have been taken over by the Financial Supervisory Authority (FSA).

2. BASES OF PREPARATION

(a) Statement of Compliance

The separate financial statements are prepared by the Company in accordance with the International Financial Reporting Standards adopted by the European Union (“IFRS”). The separate financial statements were prepared in accordance with the Norm of the Financial Supervisory Authority no. 39/2015 for the approval of accounting regulations in accordance with International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector (FSA).

Within the meaning of Norm 39/2015, International Financial Reporting Standards, hereinafter referred to *IFRS*, are the standards adopted according to the procedure provided by Regulation no. 1606/2002 of the European Parliament and the EU Council of 19 July 2002 on the application of international accounting standards, as subsequently amended and supplemented.

In accordance with Regulation no. 1606/2002 of the European Parliament and the Council of July 19, 2002, and the provisions of NSC Decision no. 1176/2010, financial investment companies must prepare

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

2.BASES OF PREPARATION (continued)

(b) Statement of Compliance (continued)

and submit with NSC (currently FSA) consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union. The consolidated financial statements of Group SIF Moldova as at December 31, 2016 will be prepared, approved and made public until August 31, 2017. They can be consulted on the Company's website: www.sifm.ro.

The Company's accounting is kept in RON.

(c) Presentation of financial statements

The separate financial statements are presented in accordance with IAS 1 "Presentation of financial statements". The Company has adopted a liquidity-based presentation in the statement of financial position and a presentation of income and expenses by their nature in the statement of comprehensive income, as it considers that such presentation methods offer reliable and more relevant information compared to those that would have been presented using alternative methods allowed by IAS 1.

(d) Functional and presentation currency

The Company's management considers that the functional currency, as defined by IAS 21 "Effects of changes in foreign exchange rates", is the Romanian Leu (RON). The separate financial statements are presented in RON, rounded at the closest RON value, which the Company's management has chosen as presentation currency.

(e) Bases of measurement

The separate financial statements are prepared at fair value for derivative financial instruments, financial assets and liabilities at fair value through profit and loss and available-for-sale financial assets except those for which fair value cannot be reliably determined.

Other financial assets and liabilities, and non-financial assets and liabilities are carried at amortized cost, revalued amount or historical cost.

The preparation of the separate financial statements in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS") requires the management to make estimates and assumptions that affect the application of accounting policies and the reported values of assets and liabilities, income and expenses. The judgments and assumptions related to such estimates are based on the historical experience and other factors deemed reasonable for such estimates. The results of such estimates are the basis of the judgments regarding the carrying amounts of assets and liabilities which cannot be obtained from other sources. Actual results may differ from these estimates.

The judgments and assumptions underlying the financial statements are revised periodically by the Company. The revisions of accounting estimates are recognized when the estimate is revised if it affects only that period or in the period when the estimate is revised and in future periods if the revision affects both the current and future periods.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently to all periods presented in the separate financial statements prepared by the Company.

The separate financial statements have been prepared on a going concern basis which assumes that the Company will continue to operate in the foreseeable future. To assess the applicability of this assumption, the management analyzes the cash inflow forecasts.

(a) Foreign currency transactions

Operations denominated in foreign currencies are recorded in RON at the official exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into RON at the exchange rate of that date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the exchange rate at the end of the year of monetary assets and liabilities denominated in a foreign currency are recognized in the statement of comprehensive income except those recognized in equity as a result of their registration based on hedge accounting.

Translation differences on elements in the form of interests held at fair value through profit or loss are presented as gains or losses on fair value. The translation differences on elements in the form of financial instruments classified as available-for-sale are included in the reserve from the change of fair value of such financial instruments.

The exchange rates of the main foreign currencies were:

Currency	December 31, 2016	December 31, 2015	Variation
EUR	1: RON 4.5411	1: RON 4.5245	0.37%
USD	1: RON 4.3033	1: RON 4.1477	3.62%

(b) Subsidiaries and associates

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When evaluating control, the Company must also consider the potential or convertible voting rights exercisable at that time.

Associates are companies in which the Company may exercise significant influence but not control over the financial and operational policies.

The list of subsidiaries and associates is available in Note 27.

The Company classified in these separate financial statements in subsidiaries and associates as available for sale financial assets in accordance with IAS 39.

(c) Accounting for the effect of hyperinflation

In accordance with IAS 29, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be stated in terms of the current measuring unit at the end of the reporting period (non-monetary items shall be restated using a general price index as at the acquisition or contribution date).

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Foreign currency transactions (continued)

According to IAS 29, an economy is hyperinflationary if, inter alia, the cumulative inflation rate over three years exceeds 100%.

The continued decrease of the inflation rate and other factors related to the characteristics of the Romanian economic environment indicate that the economy whose functional currency was adopted by the Company is no longer hyperinflationary, the effects of which were felt in the financial periods starting from January 1, 2004. Thus, the provisions of IAS 29 have been adopted in the preparation of the separate financial statements as at December 31, 2003.

Thus, values expressed in the current measuring unit as at December 31, 2003 are treated as basis for the accounting values reported in the separate financial statements and do not represent valued amounts, replacement cost or any other measurement of the current value of the assets or the prices of the potential current transactions.

For the purpose of preparing the separate financial statements, the Company adjusts the following non-monetary items to express them in the current measuring unit as at December 31, 2003:

- share capital;
- available-for-sale financial assets carried at cost.

Intangible and tangible assets are stated at revalued amount as at January 1, 2015 and December 31, 2016. The revaluation was performed by the Company as at December 31, 2016 through Evaluari Consultanta Management Bacau – ANEVAR member.

(d) Cash and cash equivalents

Cash and cash equivalents include: actual cash, current accounts and deposits at banks (including blocked deposits and interest on bank deposits).

In the preparation of the statement of cash flows, the Company considers the following as cash and cash equivalents: actual cash, current bank accounts, deposits with initial maturity of less than 90 days and interest thereon (excluding blocked deposits).

(e) Financial assets and liabilities

(i) Classification

The Company classifies financial instruments it holds in the following categories:

Financial assets or financial liabilities at fair value through profit or loss

Such category includes financial assets or financial liabilities held for trading and financial instruments designated as at fair value through profit or loss upon initial recognition. The Company includes a financial asset or liability in this category if such has been acquired primarily for purpose of speculation (to generate short-term profit).

Derivative financial instruments are classified as held for trading if they are not instruments used for hedging.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(e) Financial assets and liabilities (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortized cost using the effective interest method less impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the near term. They consist primarily in bank deposits.

Available-for-sale financial assets

Available-for-sale financial assets are those financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

(i) Classification (continued)

Upon initial recognition, equity instruments classified as available-for-sale financial assets for which there is an active market are measured at fair value and changes in fair value other than impairment losses, such as gains and losses on the exchange rate variation related to financial instruments, are recognized directly to equity.

When the asset is derecognized, the cumulated gain or loss is transferred to profit or loss.

(ii) Recognition

The assets and liabilities are recognized when the Company becomes contract party in the conditions of the instrument. Financial assets and liabilities are measured upon initial recognition at fair value plus directly attributable trading costs, except investments in shares whose fair value could not be reliably determined and which are initially carried at cost.

(iii) Offset

The Company offsets financial assets and liabilities, and the net result is presented in the statement of financial position if and only if it has a legally enforceable right of set-off intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis if and only if it is permitted by accounting standards or for the gain or loss resulting from a pool of similar transactions such as those deriving from the Company's trading.

(iv) Measurement at amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method, minus any impairment losses.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(e) Financial assets and liabilities (continued)

(v) Measurement at fair value

Fair value is the price which would be received from the sale of an asset or the price which would be paid to transfer a liability, through a normal transaction between market participants as at the valuation date (i.e., outgoing price).

The fair value of financial assets and liabilities is determined based on the quotations in an active market. A financial instrument has an active market if quoted prices are readily and regularly available for such instrument and such prices reflect regular arm's length market transactions.

Instruments traded in an active market are measured at fair value by multiplying the number of shares held with the closing price of the last trading day in the corresponding reporting period.

If a financial asset is quoted in more active markets, then the Company uses the quotation of the most advantageous market, considering all barriers/costs associated to accessing each of the markets.

Available-for-sale financial assets for which there is no active market and for which fair value cannot be reliably determined are carried at cost and are tested periodically for impairment.

(v) Measurement at fair value (continued)

For all other financial instruments, fair value is calculated using measurement techniques. Measurement techniques include techniques based on net discounted value, discounted cash flows, comparison with similar instruments for which there is an observable market price and other measurement techniques.

The value resulting from using a measuring model is adjusted depending on certain factors, as measurement techniques do not reliably reflect all the factors considered by market participants when entering into a transaction. Adjustments are registered so as to reflect risk models, the differences between sale and purchase quotes, liquidity risks and other factors. The Company's management considers that such adjustments are required to reliably present the financial instruments at fair value in the statement of financial position.

(vi) Identification and evaluation of loss of value

Financial assets carried at amortized cost

The Company analyzes at each reporting date whether there is any objective evidence of the impairment of a financial asset. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows using the effective interest rate of the financial asset at initial recognition.

If a financial assets measured at amortized cost has a variable interest rate, the discount rate for measuring any impairment loss is the current variable interest rate determined under the contract.

The carrying amount of an asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed by adjusting an allowance account. The amount of the impairment loss decrease shall be recognized in profit or loss.

Available-for-sale financial assets

In case of available-for-sale financial assets, when a decline in the fair value of an available-for-sale financial asset has been directly recognized in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been directly recognized in equity shall be reclassified from equity to comprehensive income even though the financial asset has not been derecognized. To determine whether an asset is impaired, the Company takes into account relevant loss generating events such as significant long-term decline in fair value below cost; market and industry conditions, to the extent that they influence the recoverable amount of the asset; financial conditions and near-term prospects of the issuer, including any specific adverse events that may influence the operations of the issuer, the issuer's recent losses, the qualified independent auditor's report on the most recent financial statements of the issuer etc.

(vi) Identification and evaluation of loss of value (continued)

Available-for-sale financial assets (continued)

Thus, in the period ended December 31, 2016, SIF Moldova recognized in the statement of comprehensive income the impairment of SNP, BVB, ELMA, Casa de Bucovina, Agribusiness, Reale Estate Asset, Opportunity, Lactate Natura, Catalist securities in total amount of RON 45.4 million, further to the decrease of their fair value below cost by more than 30%.

The amount of the cumulative loss that is reclassified from equity to comprehensive income shall be the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in comprehensive income.

Impairment losses recognized in comprehensive income for an investment classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of an impaired investment increases, the amount of the increase shall be recognized directly to other comprehensive income.

To determine whether an available-for-sale financial asset carried at cost because the fair value cannot be reliably established is impaired, the Company considers relevant loss events, such as the significant long-term decrease of fair value below cost; the market conditions and the conditions of the field of activity, to the extent they influence the recoverable value of the asset; the financial conditions and short-term perspectives of the issuer, including any specific adverse events likely to influence the issuer's operations, issuer's recent losses, the independent auditor's qualified report on the latest financial statements of the issuer etc.

Given the inherent limitations of the methodologies applied and the significant uncertainty of how assets are measured in local and international markets, the Company's estimates can be substantially revised subsequent to the approval of the financial statements.

(vii) Derecognition

The Company derecognizes a financial asset when the rights to the cash flows from the financial asset expire, or when the Company has transferred the contractual rights to the cash flows from the financial asset in a transaction in which it has transferred substantially all the risks and rewards of ownership.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial assets and liabilities (continued)

Any interest in the transferred financial assets retained by the Company or created for the Company is recognized separately as asset or liability.

The Company derecognizes a financial liability when the contractual obligations terminated or when the contractual obligations are annulled or expire.

In accordance with IAS 39, if an entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it shall recognize either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation shall be recognized at its fair value. If the fee to be received is expected to be more than an adequate compensation for the servicing, a servicing asset shall be recognized for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

In addition, in accordance with IAS 39, if, as a result of the transfer, a financial asset is derecognized in its entirety, but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity shall recognize the new financial asset, financial liability or servicing liability at fair value.

(vii) Derecognition (continued)

On derecognition of a financial asset in its entirety, the difference between:

- the carrying amount; and
- the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income shall be recognized in profit or loss.

If the transferred asset is part of a larger financial asset (e.g. when an entity transfers interest cash flows that are part of a debt instrument interest) and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. For this purpose, a servicing asset shall be treated as a part that continues to be recognized. The difference between:

- the carrying amount allocated to the part derecognized; and
- the sum of (i) the consideration received for the part derecognized (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(f) Other financial assets and liabilities

Other financial assets and liabilities are carried at amortized cost using the effective interest method, less any impairment losses.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment property

Investment property is property (land or a building — or part of a building) held by the Company to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions can be sold separately (or leased out separately under a finance lease), the Company accounts for the portions separately. If the portions cannot be sold separately, the property is treated as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(i) Recognition

Investment property shall be recognized as an asset when, and only when:

- it is probable that the future economic benefits that are associated with the investment property will flow to the Company; and;
- the cost of the investment property can be measured reliably.

(ii) Measurement

Initial measurement

An investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement. The cost of a purchased investment property comprises its purchase price and any directly attributable expenses (for example professional fees for legal services, property transfer taxes and other transaction costs).

The value of the Company's investment property as at December 31, 2013 and December 31, 2014 is presented in Note 17.

Subsequent measurement

The Company's accounting policy on the subsequent measurement of investment property is based on the fair value model. This policy is applied consistently for all investment property. The fair value measurement of investment property is conducted by valuers of the National Association of Romanian Valuers (ANEVAR). Fair value is based on market price quotations adjusted, if applicable, so as to reflect the differences in the nature, location or conditions of the respective asset. Such valuations are periodically revised by the Company's management.

Gains or losses from the change of the fair value of investment property are recognized in the profit or loss corresponding to the period in which they occur.

The fair value of investment property reflects the market conditions as at the balance sheet date.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investment property (continued)

(iii) Transfers

Transfers to or from investment property are performed when and only when there is a change in the use of the asset.

To transfer an investment property measured at fair value to property, plant and equipment, the implicit cost of the asset for the purpose of its subsequent registration shall be its fair value as at the date when the use is changed.

(iv) Impairment

The same accounting policies are applied as for property, plant and equipment.

(v) Derecognition

The carrying amount of an investment property shall be derecognized on disposal or when the investment is definitely withdrawn from use and no future economic benefits are expected from its disposal.

The gain or loss arising from the disposal or sale of an investment property shall be included in profit or loss when the property is disposed of or sold.

(h) Tangible and intangible assets

(i) Recognition and measurement

Property, plant and equipment recognized as assets are initially carried at cost by the Company. The cost of an item of property, plant and equipment comprises the cost of purchase, including unrecoverable fees, after deducting all trade price discounts and any directly attributable costs incurred in bringing the asset to its present location and condition so that it can be used as intended by the management, such as: employee related expenses arising directly from the construction or acquisition of the asset, site layout costs, initial delivery and handling costs, installation and assembly costs, professional fees.

The value of the Company's tangible and intangible assets as at December 31, 2016 and December 31, 2015 is detailed in Note 18.

Property, plant and equipment are classified by the Company into the following classes of assets of the same nature and with similar uses:

- Land;
- Buildings;
- Plant and machinery;
- Vehicles;
- Other property, plant and equipment.

Land and buildings are stated at revalued amount, which represents the fair value as at the revaluation date less any subsequently cumulated depreciation and any impairment losses.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Tangible and intangible assets (continued)

The fair value is based on market price quotations, adjusted, if applicable, to reflect the differences in the nature, location or conditions of the respective asset.

Revaluations are performed by specialized valutors , ANEVAR members. The frequency of the revaluations of the Company's land and buildings is imposed by the dynamics of the corresponding markets.

The other categories of property, plant and equipment are carried at cost, less cumulated depreciation and impairment allowance.

Expenses with maintenance and repair of property, plant and equipment are registered in the statement of comprehensive income as they appear, and significant improvements to property, plant and equipment which increase the value or useful life thereof, or significantly increase the capacity to generate economic benefits are capitalized.

(ii) Depreciation

Depreciation is calculated on a straight-line basis over their estimated useful life, as follows:

Buildings	40 years
Equipment	2-12 years
Vehicles	4-8 years
Furniture and other property, plant and equipment	4-12 years

Land is not depreciated.

Intangible assets fulfilling the recognition criteria of the International Financial Reporting Standards are carried at cost less cumulated amortization. The amortization of intangible assets is registered in profit or loss on a straight-line basis over an estimated period of maximum 3 years.

The depreciation/amortization methods, estimated useful lives and residual values are revised by the Company management at each reporting date.

(iii) Sale / disposal of tangible and intangible assets

Property, plant and equipment which is disposed of or sold are deregistered from the balance sheet along with the corresponding cumulated depreciation. Any gain or loss arising from such operation is included in the current profit or loss.

(iv) Impairment of assets other than financial assets

The carrying amount of Company assets that are not in the form of financial asset, other than deferred tax, are revised at each reporting date to identify any impairment evidence. If such evidence exists, the Company estimates the recoverable value of such assets.

An impairment loss is recognized when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of comprehensive income.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Tangible and intangible assets (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use.

To determine the value in use, future cash flows are discounted using a discount rate before tax which reflects the current market conditions and risks specific for such asset.

Impairment losses recognized in previous periods are measured at each reporting date to determine if they have decreased or still exist. Impairment losses are reversed if a change occurred in the estimates to determine the recoverable value. Impairment losses are reversed if and only if the carrying amount of the asset does not exceed the carrying amount which would have been calculated, net of amortization/depreciation and impairment, should the impairment loss had not been recognized.

(i) Share capital

Ordinary shares are recognized in the share capital. Incremental costs directly attributable to an issuance of ordinary shares are deducted from capital, net of taxation effects.

(j) Dividends distributable

Dividends are treated as profit allocation in the period in which they have been declared and approved by the General Meeting of Shareholders.

(k) Dividends prescribed

Dividends payable not received within 3 years from the declaration date are prescribed according to law. Dividends prescribed represent transactions with shareholders and are recognized in equity, in retained earnings.

(l) Provisions for risks and charges

Provisions are recognized in the statement of financial position when an obligation arises for the Company from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and the value of the obligation can be reliably estimated. To determine the provision, future cash flows are discounted using a discount rate before taxation, which reflects current market conditions and the risks specific to the liability.

(m) Interest income

Interest income and expenses are recognized in the statement of comprehensive income using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

(n) Dividend income

Dividend income is recognized in profit or loss at the date when the right to receive the income is established.

In case of dividends received as shares as alternative to cash payment, dividend income is recognized at the level of the cash that would have been received, according to the increase of the related participation.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company does not register dividend income for the shares received under a free title when they are distributed proportionally to all shareholders.

The Company registers dividend income at gross value which includes dividend tax, which is recognized as current income tax expense.

(o) Employee benefits

(i) Short-term benefits

Short-term employee benefits are not discounted and are recognized in the statement of comprehensive income as the services are rendered.

Employee short-term benefits include salaries, premiums and social security contributions. Employee short-term benefits are recognized as expenses when the services are delivered. The Company recognizes a provision for the amounts expected to be paid as short-term cash premiums or profit participation schemes when the Company has a present legal or constructive obligation to pay such amounts as a result of past services delivered by employees and when the obligation can be reliably estimated.

(ii) Defined contribution plans

The Company makes payments on behalf of its employees to the Romanian state pension scheme, health and unemployment fund in the ordinary course of business.

All the Company's employees are members of the plan and also have the legal obligation to contribute (through the social contributions) to the Romanian state pension scheme (a State defined contribution plan). All related contributions are recognized in the profit or loss of the period when they are incurred. The Company does not have any other additional obligations.

The Company is not enrolled in any independent pension scheme and, consequently, does not have any other obligations in this respect. The Company is not enrolled in any other post-retirement benefit scheme. The Company does not have the obligation to deliver further services for its former or current employees.

(iii) Employee long-term benefits

The Company's net obligation as regards long-term services benefits consists of the future benefits which employees earned in exchange for the services delivered by them in current and previous periods. The Company does not have the obligation to grant employees benefits on the retirement date.

(p) Gains or losses on foreign exchange differences

Foreign exchange transactions are registered in the functional currency (Leu), by converting the foreign currency amount at the official exchange rate communicated by the National Bank of Romania on the transaction date. As at the reporting date, foreign exchange monetary items are translated using the closing exchange rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax

Income tax comprises current and deferred tax. Current income tax comprises tax on dividend income recognized at gross value.

Income tax is recognized in the statement of comprehensive income or in other elements of comprehensive income if the tax refers to items of equity.

Current tax is the tax payable on the profit obtained in the current year, determined based on the percentages applied as at the reporting date and all adjustments from previous periods.

For the financial year ended December 31, 2016, the income tax rate was 5% (December 31, 2015: 16%). The tax rate related to taxable dividend income was 16%. Deferred tax is determined by the Company using the balance sheet method for temporary differences arising between the tax base for calculating tax for assets and liabilities and their carrying amount, used for reporting purposes in the separate financial statements.

Deferred tax shall not be recognized for the following temporary differences: initial recognition of goodwill, initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit and differences associated with investments in subsidiaries, provided they are not reversed in the near future.

Deferred tax is calculated based on the taxation percentages expected to be applicable to temporary differences when reversed, based on the legislation in force as at the reporting date. Deferred tax assets and liabilities are offset if and only if there is a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax receivables are recognized by the Company if and only if future profit is probable, which can be used to cover the tax loss. The asset is revised at the closing of each financial year and is decreased if the related tax benefit is improbable to be realized. Additional taxes arising from the distribution of dividends are recognized on the same date as the obligation to pay the dividends.

(r) Earnings per share

The Company presents basic and diluted earnings per share for ordinary shares. Earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares for the reporting period. Earnings per share are calculated by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares to the dilution effects generated by the potential ordinary shares.

(s) Lease payments

Lease payments under an operating lease are recognized as an expense in profit or loss on a straight-line basis over the lease term. The lease facilities received are recognized as an integral part of the total lease expense, over the lease term. The operating lease expense is recognized as part of the operating expenses. The minimum lease payments under finance leases are divided on a pro rata basis between lease interest expenses and reduction of lease debt. The lease interest expense is allocated to each lease term so as to generate a constant interest rate for the remaining lease debt.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment reporting

A segment is a distinct component of the Company which provides certain products or services (business segment) or provides products and services in a certain geographical area (geographical segment) and which is subject to risks and rewards other than those of the other segments. As at December 31, 2016 and December 31, 2015, the Company has not identified significant business or geographical segments.

(u) New standards and interpretations

The following sections present: the list of new standards, amendments and interpretations of already existing standards effective in the financial year ended December 31, 2016, the list of new standards, and amendments and interpretations of the standards adopted by the International Accounting Standards Board (IASB) and the European Union (EU) but not effective for the financial year ended December 31, 2016 and the list of new standards, and amendments and interpretations of the standards adopted by the International Accounting Standards Board, but not adopted yet by the European Union for the financial year ended December 31, 2016.

(i) Standards and Interpretations effective in the current period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) are effective for current financial period:

- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016)
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Standards and Interpretations issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by the IASB and adopted by the EU were in issue but not yet effective:

- IFRS 9 “Financial Instruments” - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 “Revenue from Contracts with Customers” and amendments to IFRS 15 “Effective date of IFRS 15” - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

IFRS 9 includes requirements for financial instruments regarding recognition, classification and measurement, impairment, derecognition and general hedge accounting:

- *Classification and measurement:* IFRS 9 introduces new approach for the classification of financial assets; it contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. IFRS 9 classification is generally based on the business model in which a financial asset is managed and on its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. The new model also results in a single impairment model being applied to all financial instruments.
- *Impairment:* IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.
- *Hedge accounting:* IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.
- *Own credit risk:* IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognised in profit or loss.

(iii) Standards and Interpretations issued by IASB but not yet adopted by the EU

At the reporting date, IFRS as adopted by the EU do not significantly differ from regulations adopted by the IASB except from the following standards, amendments to the existing standards and interpretations, which were not endorsed as at the date of authorisation of these financial statements:

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019), endorsement expected in the second half of 2017,
- Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018), endorsement expected in the second half of 2017,
- Amendments to IFRS 4 “Insurance Contracts” - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time), endorsement expected in 2017,

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IFRS 15 “Revenue from Contracts with Customers” - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018), endorsement expected in the second quarter of 2017,
- Amendments to IAS 7 “Statement of Cash Flows” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017), endorsement expected in the second quarter of 2017,
- Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017), endorsement expected in the second quarter of 2017,
- Amendments to IAS 40 “Investment Property” - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018), endorsement expected in the second half of 2017,
- Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018), endorsement expected in the second half of 2017,
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018), endorsement expected in the second half of 2017.

The Company estimates that the adoption of such standards, amendments and interpretations will not have a significant impact on the Company’s financial statements in the period of initial application.

At the same time, hedge accounting regarding financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

5. MANAGEMENT OF SIGNIFICANT RISKS

The Company’s management considers that risk management must be done in a consistent methodological framework and that risk management is an important component of the strategy of return maximization, obtaining a desired level of profit by maintaining an acceptable risk exposure and compliance with legal regulations. Formalizing risk management procedures determined by the Company’s management is integral to the strategic objectives of the Company.

The Company’s investing activity exposes it to various risks associated with financial instruments held and the financial markets in which it operates. The main risks to which the Company is exposed are:

- market risk (interest rate risk, currency risk and price risk);
- liquidity risk;
- credit risk;
- tax risk;
- economic environment risk;
- operating risk.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

The general risk management strategy seeks to maximize the Company's profit by reference to the level of risk to which it is exposed and maximize any adverse variations on the Company's financial performance.

The Company has implemented risk management and assessment policies and procedures. Such policies and procedures are presented in the section dedicated to each type of risk.

(a) Market risk

Market risk is defined as the risk of incurring a loss or not obtaining the expected profit, as a result of price, interest rates and foreign exchange rates fluctuations.

For an efficient market risk management, the Company uses technical and fundamental analysis methods, forecasts on the evolution of economic branches and financial markets, taking into account:

- the return evaluations corresponding to the share portfolio;
- the concentration limits of assets in the same market, geographical area or economic sector;
- the limits of presence in new markets;
- the tolerable risk limits;
- tolerance to risk concentrations;
- the strategic allocation of long-term investments based on the principle according to which the market will determine the correct fundamental value;
- the short-term tactical allocation, which requires the use of short-term market variations to obtain profit.

The selection of investment opportunities is made through:

- a technical analysis;
- fundamental analysis – determining the issuer's capacity to generate profit;
- comparative analysis – determining the relative value of an issuer in relation to the market or other similar companies;
- statistical analysis – determining the trends and correlations using the historical prices and quantities traded.

The Company is exposed to the following categories of market risk:

(i) Price risk

The Company is exposed to price risk, given that the value of financial instruments is likely to fluctuate due to market price changes.

The Company is exposed to the risk associated with the variation of the price of financial assets at fair value through profit or loss and available-for-sale financial assets. 80% of the Company's total shares traded in an active market as at December 31, 2016 (December 31, 2015: 85%) represented investments in companies part of the BET index of the Bucharest Stock Exchange, weighted by the stock capitalization and created to reflect the overall tendency of the prices of the ten most liquid shares traded on the Bucharest Stock Exchange.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(i) Price risk (continued)

A 10% positive variation of the price of financial assets at fair value through profit or loss would lead to a profit increase after taxation by RON 128,999,673 (December 31, 2015: RON 94,261,007), a 10% negative variation having an equal and opposite net impact.

A 10% positive variation of the price of available-for-sale financial assets through profit or loss would lead to an equity increase, net of income tax, by RON 121,776,948 (December 31, 2015: by RON 92,278,120), a 10% negative variation having an equal and opposite net impact.

The Company holds shares in companies operating in various sectors of activity, as follows:

<i>In RON</i>	December 31, 2016	%	December 31, 2015	%
			882,023,569	68.70
	877.549.795	59,06		
Financial, brokerage and insurance				
Transport, storage and communication	153.922.945	10,36	108,758,953	8.50
Chemical and petrochemical industry	130.259.303	8,77	64,510,364	5.03
Textile industry	68.454.710	4,61	43,546,970	3.39
Pharmaceutical industry	38.769.224	2,61	40,419,219	3.15
Manufacture of machinery and equipment	76.441.822	5,14	37,574,011	2.93
Wholesale, retail, tourism and restaurants	20.488.855	1,38	4,251,844	0.32
Manufacture of transport	74.387.804	5,01	61,303,469	4.78
Energy industry	29.765.604	2,00	29,714,636	2.32
Metallic construction and metal products	709.210	0,05	646,449	0.05
Real estate, renting and other services	8.042.463	0,54	1,992,113	0.20
Building materials industry	117	0,00	4,876,839	0.38
Food industry	716.512	0,05	0	0.00
Others	6.273.128	0,42	4,082,556	0.30
TOTAL	1.485.781.522	100,00	1,283,700,992	100,00

As it revealed in the table above, as at December 31, 2016 the Company was primarily holding shares in companies operating in the finance, banking and insurance sector, accounting for 59.06% of the total portfolio, less than 68.70%, amount registered as at December 31, 2015. The Company's exposure towards Banca Transilvania is 41.97% as at December 31, 2016 (47.3% as at December 31, 2015).

(ii) Interest rate risk

The Company faces interest rate risk due to its exposure to negative interest rate fluctuations. Changes in the market interest rate directly influences income and expenses regarding variable interest bearing financial assets and liabilities, and the market value of fixed interest financial assets and liabilities.

As at December 31, 2016 and December 31, 2015, most of the Company's assets and liabilities are not interest bearing. Therefore, the Company is not significantly affected by the risk of interest rate fluctuations. The excess of cash or other assimilated cash equivalents is invested in short-term investment titles with maturity between 1 to 3 months.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Company does not use derivative financial instruments to hedge interest rate fluctuations.

The following tables present the Company's exposure to interest rate risk.

	Net amount	Less than 3 months	3 to 12 months	more than 1 year	No fixed maturity
December 31, 2016	-	-	-	-	-
Financial assets					
Cash and cash equivalents	931,024	931,024	-	-	-
Deposits at banks	117,794,735	117,739,118	-	-	55,617
Financial assets at fair value through profit or loss	128,999,673	-	-	-	128,999,673
Available for sale	1,448,569,452	-	-	-	1,448,569,452
Investments held to maturity	9,573,804	212,619	37,440	9,323,745	-
Other financial assets	1,347,293	1,347,293	-	-	-
	1,707,215,981	120,230,054	37,440	9,323,745	1,577,624,742
Financial liabilities					
Dividends payable	29,258,494	29,258,494	-	-	-
Other liabilities	14,398,115	4,345,656	10,052,459	-	-
	43,656,609	33,604,150	10,052,459	-	-
Total financial liabilities					

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	<u>Net amount</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>more than 1 year</u>	<u>No fixed maturity</u>
December 31, 2015					
Financial assets					
Cash and cash equivalents	613,851	613,851	-	-	-
Deposits at banks	91,015,193	80,942,316	10,018,741	-	54,136
Financial assets at fair value through profit or loss	112,215,485	-	-	-	112,215,485
Available for sale	1,227,266,927	-	-	-	1,227,266,927
Investments held to maturity	9,593,199	220,256	37,437	9,335,506	-
Other financial assets	6,269,023	6,269,024	-	-	-
Total financial assets	<u>1,446,973,678</u>	<u>88,045,446</u>	<u>10,056,178</u>	<u>9,335,506</u>	<u>1,339,536,548</u>
Financial liabilities					
Dividends payable	42,394,161	42,394,161	-	-	-
Other liabilities	13,094,875	5,718,729	7,376,146	-	-
Total financial liabilities	<u>55,489,036</u>	<u>48,112,890</u>	<u>7,376,146</u>	<u>-</u>	<u>-</u>

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The impact on the Company's net profit of a change of ± 100 bp in the interest on variable interest bearing assets and liabilities and expressed in other currencies corroborated with a change of ± 500 bp in the interest on variable interest bearing assets and liabilities and expressed in RON is \pm RON 6,067,064 (December 31, 2015: 5,030,420 \pm lei).

(iii) Currency risk

Currency risk is the risk of the Company incurring losses or not realizing profit as a result of unfavorable fluctuations in the exchange rate. The Company is exposed to foreign exchange rate fluctuations, but misses a formalized policy to hedge currency risk. Most of the Company's financial assets and liabilities are expressed in the national currency, and the other currencies in which the Company trades are EUR, USD, GBP, CZK, PLN and CAD.

Most of the Company's financial assets and liabilities are expressed in the national currency and, therefore, exchange rate fluctuations do not significantly affect the Company's activity. The exposure to foreign currency fluctuations is mainly due to deposits and shares in foreign currency.

As at December 31, 2016 and December 31, 2015, assets expressed in Lei and other currencies are presented in the following tables.

	<u>RON</u>	<u>EUR</u>	<u>USD</u>	<u>Other Currency</u>
December 31, 2016				
Financial assets				
Cash and cash equivalents	699,342	120,186	15,346	96,150
Deposit at banks	117,476,858	317,877	-	-
Financial assets at fair value through profit or loss	128,999,673	-	-	-
		-	-	2,354,665
Available for sale	1,446,214,787			
Investments held to maturity	2,357,600	7,216,204	-	-
Other financial assets	1,347,293	-	-	-
		7,654,267	15,346	2,450,815
Total financial assets	1,697,095,553			
Financial liabilities				
Dividends payable	29,258,494	-	-	-
Other financial liabilities	14,398,115	-	-	-
	43,656,609	-	-	-
Total financial liabilities				

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(a) Market risk (continued)

(iii) Currency risk (continued)

	<u>RON</u>	<u>EUR</u>	<u>USD</u>	<u>Other Currency</u>
December 31, 2015				
Financial assets				
Cash and cash equivalents	359,958	150,365	13,210	90,318
Deposit at banks	91,015,193	-	-	-
Financial assets at fair value through profit or loss	112,215,485	-	-	-
Available for sale	1,226,685,138	-	-	581,789
Investments held to maturity	2,369,498	7,223,701		
Other financial assets	6,269,023	-	-	-
Total financial assets	<u>1,438,914,295</u>	<u>7,374,066</u>	<u>13,210</u>	<u>672,107</u>
Financial liabilities				
Dividends payable	42,394,161	-	-	-
Other financial liabilities	13,094,875	-	-	-
Total financial liabilities	<u>55,489,036</u>	<u>-</u>	<u>-</u>	<u>-</u>

The net impact on the Company's profit of a change of $\pm 15\%$ of the RON/EUR exchange rate corroborated with a change of $\pm 15\%$ of the RON/USD, RON/GBP, RON/CZK, RON/PLN and RON/CAD exchange rates as at December 31, 2016, with all the other variables remaining constant, is \pm RON 1.518.064 (December 31, 2015: \pm RON 1.208.907).

(b) Credit risk

The Company is exposed to credit risk related to financial instruments, arising from any non-fulfillment by a third party of its obligations towards the Company. The Company is exposed to credit risk further to investment in bank deposits and bonds issued by municipalities or business entities, or further to current accounts and bank deposits established and other receivables.

As at December 31, 2016 and December 31, 2015 the Company did not hold real guarantees as insurance, or other improvements of credit rating. As at December 31, 2016 and December 31, 2015 the Company did not register overdue, but not impaired, financial assets.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(b) Credit risk (continued)

The Company's maximum exposure to credit risk is in amount of RON 131,443,443 as at December 31, 2016, in amount of RON 106,877,416 as at December 31, 2015 and can be analyzed as follows:

Exposures from current accounts and bank deposits

<i>In RON</i>	December 31, 2016	December 31, 2015
Banca Transilvania	107,224,136	82,740,409
BRD - Group Societe Generale	4,813,271	8,220,648
Eximbank	5,701,710	-
Other banks	55,618	54,136
Total	117,794,735	91,015,193

Exposures from held-to-maturity investments

<i>In RON</i>	December 31, 2016	December 31, 2015
Bonds Banca Transilvania	7,216,204	7,223,701
Bacau municipal bonds	117,920	129,820
GDF Suez Energy Romania bonds	2,239,680	2,239,678
Total	9,573,804	9,593,199

Sundry debtors and trade receivables

<i>In RON</i>	December 31, 2016	December 31, 2015
AAAS Bucharest	53,890,207	46,350,276
Central Depository	1,047,218	1,278,266
BRD Depository	(94,907)	4,395,490
Agribusiness Capital	-	176
Other sundry debtors and trade receivables	3,001,336	4,956,736
Adjustments for impairment	(56,496,561)	(50,711,921)
Total	1,347,293	6,269,023

(c) Liquidity risk

Liquidity risk is the risk of registering losses or not realizing the estimated profit, arising from the impossibility to honor at any time the short-time payment obligations, without this involving excessive costs or losses that cannot be borne by the Company.

The Company's financial instruments may include investments in shares not traded in an organized market and which may therefore have low liquidity. Therefore, the Company may face difficulties in rapidly liquidating its investments in such instruments at a value close to the value determined based on the computation model of the net assets of financial investment companies provided by Regulation no. 15/2004 issued by NSC to fulfill its own liquidity requirements.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(c) Liquidity risk (continued)

The structure of the Company's assets and liabilities has been analyzed based on the remainder of the period spanning from the balance sheet date until the contract maturity date, both for the financial year ended December 31, 2016 and the financial year ended December 31, 2015, as follows:

	Book Value	Less than 3 month	3 to 12 months	more than 1 year	No fixed maturity
	-	-	-	-	-
Financial assets					
Cash and cash equivalents	931,024	931,024	-	-	-
Deposits	117,794,735	117,739,118	-	-	55,618
Financial assets at fair value through profit or loss	128,999,673	-	-	-	128,999,673
Available for sale	1,448,569,452	-	-	-	1,448,569,452
Investments held to maturity	9,573,804	212,619	37,440	9,323,746	-
Other financial assets	1,347,293	1,347,293	-	-	-
	1,707,215,981	120,230,054	37,440	9,323,746	1,557,624,743
Financial liabilities	-	-	-	-	-
Dividends payable	29,258,494	29,258,494	-	-	-
Other financial liabilities	17,082,627	7,030,168	10,052,459	-	-
	46,341,121	36,288,662	10,052,459	-	-
Total financial liabilities					

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(c) Liquidity risk (continued)

	Book Value	Less than 3 month	3 to 12 months	more than 1 year	No fixed maturity
Financial assets					
Cash and cash equivalents	613,851	613,851	-	-	-
Deposits	91,015,193	80,942,316	10,018,741	-	54,136
Financial assets at fair value through profit or loss	112,215,485	-	-	-	112,215,485
Available for sale	1,227,266,927	-	-	-	1,227,266,927
Investments held to maturity	9,593,199	220,256	37,437	9,335,506	-
Other financial assets	6,269,024	6,269,023	-	-	-
Total financial assets	1,446,973,678	88,045,446	10,056,178	9,335,506	1,339,536,548
Financial liabilities					
Dividends payable	42,394,161	42,394,161	-	-	-
Other financial liabilities	13,094,875	5,718,729	7,376,146	-	-
Total financial liabilities	55,489,036	48,112,890	7,376,146	-	-

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(d) Tax risk

The Romanian tax system is subject to permanent interpretations and changes. In certain cases, the tax authorities may adopt different positions from the Company's position and may calculate tax interest and penalties. Although the tax for a transaction may be minimum, penalties may be high, depending on the interpretations of the tax authorities.

In addition, there are agencies subordinated to the Government of Romania, which are authorized to control both Romanian and foreign entities operating in Romania. Such controls are largely similar to the controls conducted in many other countries, but can also extend to legal or regulatory fields of interest for the Romanian authorities.

The tax statements may be subject to control and review for a period of five years, generally after their submission date. In accordance with the legal regulations in force in Romania, the periods under review may be subject to additional controls in the future.

The Company's management considers that it has accurately registered the amounts in the accounts corresponding to taxes, levies and other State liabilities; however, the authorities may have a different position than the Company.

Starting from January 1, 2007, after Romania joined the European Union, the Company had to comply with the tax regulations of the European Union and implement the changes brought by the European legislation. The way in which the Company has implemented such changes remains subject to tax audit for a period of five years.

The latest control conducted by the Ministry of Public Finance covered the period up to January 1, 2010. Therefore, the Company's liabilities up to that date may be subject to a further verification.

(e) Economic environment risk

The Romanian economy is still having the characteristics of an emerging economy and there is a significant degree of uncertainty regarding the future development of the political, economic and social environment. The Company's management attempts to estimate the nature of the changes that will occur in the Romanian economic environment and their effect on the financial standing and operating and cash flow result of the Company.

Among the characteristics of the Romanian economy are also a currency that is not fully translatable abroad and a low degree of liquidity in the capital market.

The Company's management cannot predict all of the effects of the crisis which will affect the Romanian financial sector or the potential impact thereof on these financial statements. The Company's management considers that it has taken all the required measures for the Company to be sustainable and develop in the current market conditions.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

4. MANAGEMENT OF SIGNIFICANT RISKS (continued)

(f) Operating risk

Operating risk is defined as the risk of registering losses or not realizing the estimated profit due to internal factors such as the improper carrying out of internal activities, existence of improper personnel or systems or due to external factors such as economic conditions, changes in the capital market, technological advances. Operating risk is inherent to all of the Company's activities.

The described policies for operating risk management considered any type of event that may cause significant risks and modalities in which they may manifest, so as to eliminate or reduce financial or reputational losses.

(g) Capital adequacy

The management policy regarding capital adequacy focuses on maintaining a robust capital base in order to support the Company's continued development and the achievement of its investment objectives.

The Company's equity includes share capital, various types of reserves and retained earnings.

As at December 31, 2016, the Company registered equity in amount of RON 1,600,091,750 (December 31, 2015: RON 1,335,950,980).

The Company is not object of capital adequacy legal requirements.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

6. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

The table below summarizes the carrying amounts and fair values of the Company's financial assets and liabilities as at December 31, 2016:

	Tradable	Available for sale	Depreciation cost	Total carrying value	Fair value
Cash and cash equivalents	-	-	931,024	931,024	931,024
Deposit at bank	-	-	117,794,735	117,794,735	117,794,735
Financial assets at fair value through profit or loss	128,999,673	-	-	128,999,673	128,999,673
	-	-	-	-	-
Available for sale	-	1,448,569,452	-	1,448,569,452	1,448,569,452
Investments held to maturity	-	-	9,573,804	9,573,804	9,573,804
Other financial assets	-	-	1,347,293	1,347,293	1,347,293
	128,999,673	1,448,569,452	129,646,856	1,707,215,981	1,707,215,981
Total financial assets	-	-	29,258,494	29,258,494	29,258,494
Dividends payable	-	-	14,398,115	14,398,115	14,398,115
Other financial liabilities	-	-	14,398,115	14,398,115	14,398,115
	-	-	43,656,609	43,656,609	43,656,609
Total financial liabilities	-	-	43,656,609	43,656,609	43,656,609

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

5. FINANCIAL ASSETS AND LIABILITIES (continued)

The table below summarizes the carrying amounts and fair values of the Company's financial assets and liabilities as at December 31, 2015:

	<u>Tradable</u>	<u>Available for sale</u>	<u>Depreciation cost</u>	<u>Total carrying value</u>	<u>Fair value</u>
Cash and cash equivalents	-	-	613,851	613,851	613,851
Deposit at bank	-	-	91,015,193	91,015,193	91,015,193
Financial assets at fair value through profit or loss	112,215,485	-	-	112,215,485	112,215,485
Available for sale	-	1,227,266,927	-	1,227,266,927	1,227,266,927
Investments held to maturity	-	-	9,593,199	9,593,199	9,684,481
Other financial assets	-	-	6,269,024	6,269,024	6,269,024
Total financial assets	112,215,485	1,227,266,927	107,491,267	1,446,973,679	1,447,064,960
Dividends payable	-	-	42,394,161	42,394,161	42,394,161
Other financial liabilities	-	-	13,094,875	13,094,875	13,094,875
Total financial liabilities	-	-	55,489,036	55,489,036	55,489,036

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

6.DIVIDEND INCOME

Dividend income is registered at gross value. The tax rates of dividends for the financial year ended December 31, 2015 were 5% and nil (2014: 16%, and nil). Dividend income by main accounts is presented in the table below:

	<u>2016</u>	<u>2015</u>
Banca Transilvania	86,043,802	-
SNTGN Transgaz	7,398,707	5,841,790
OMV PETROM	-	2,410,709
Biofarm	2,147,315	2,013,108
Mecanica Ceahlau	729,492	875,390
Transelectrica	2,701,331	2,857,600
Bucharest Stock exchange (BVB)	333,328	559,409
Istru	324,421	655,055
Conpet	804,887	-
SNG ROMGAZ	7,155,000	2,992,500
SIF OLTENIA	3,738,805	3,415,483
SIF Muntenia	1,807,239	-
Aerostar	1,910,879	2,004,698
Others	3,680,281	4,086,818
Total	<u>118,775,487</u>	<u>27,712,560</u>

7. a) INTEREST INCOME

	<u>2016</u>	<u>2015</u>
	596,093	888,148
Interest income on deposit and current accounts		
Interest income on held-to-maturity investments	620,701	675,033
Total	<u>1,216,794</u>	<u>1,563,181</u>

8. a) OTHER OPERATING INCOME

	<u>2016</u>	<u>2015</u>
Rental income	735,598	725,443
Income from recovered receivables	-	-
Other operating income	111,169	69,920
Total	<u>846,767</u>	<u>795,363</u>

b) OTHER INCOME

	<u>2016</u>	<u>2015</u>
Other income from transfer litigious rights (title Textile Olt compensation) Ministry of Finance (titlu despagubire Textila Oltul) Ministerul de Finante	2.415.314	-
Other income	376.987	240.513
Total	<u>2.792.301</u>	<u>240.513</u>

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

9. NET GAINS ON THE SALE OF ASSETS

	2016	2015
	94,918,980	120,519,698
Net profit from sale of available-for-sale financial assets		
Net profit from sale of fair value through profit or loss financial assets	(246,914)	1,555,376
	94,672,066	122,075,074
Total	94,672,066	122,075,074

Income from sales of shares classified as available-for-sale financial assets was in amount of RON 165,699,850 (2015: RON 190,689,588), the cost related of this is RON 92,359,826 (2015: RON 85,661,134), of which RON 21,578,956 represents the fair value adjustment registered previously in the revaluation reserve related to available-for-sale assets. The gain obtained was RON 94,918,980 (2015: RON 120,519,698). Such transactions from 2016 consisted primarily in selling the shares held with Antibiotice, Banca Transilvania, Fondul Proprietatea and Sanex.

10. NET LOSS / (GAIN) ON THE REVALUATION OF THE ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>In RON</i>	2016	2015
	(6,504,125)	(3,974,232)
Net loss/Net income from revaluation of financial assets held for trading		
Net gains on the revaluation of investment property	240,932	-
	(6,263,193)	(3,974,232)
Total	(6,263,193)	(3,974,232)

The loss of RON 6,504,125 (2015: loss of RON 3,974,232) represents the difference from the revaluation at fair value of shares and fund units held at fair value through profit or loss.

11. IMPAIRMENT REVERSALSON THE IMPAIRMENT OF ASSETS

<i>In RON</i>	2016	2015
	45,442,277	989,376
Reversal of impairment of available for sale financial assets		
Reversal of impairment of other assets	1,466,380	(1,348,519)
	46,908,657	(359,143)
Total	46,908,657	(359,143)

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

12. OTHER OPERATING EXPENSES

<i>In RON</i>	<u>2016</u>	<u>2015</u>
Expenses with salaries and other personnel expenses	14,497,503	11,218,151
Expenses with external services	8,830,802	7,176,064
Commissions and fees	2,218,921	3,773,075
Entertaining, promotion and advertising	403,299	329,523
Other operating expenses	3,627,689	3,247,147
Audit and consulting services	1,595,880	589,008
Total	<u>31,174,094</u>	<u>26,332,968</u>

Other operating expenses include expenses with the depreciation of non-current assets, travel expenses and telecommunications, expenses with repair and maintenance, etc. The average number of employees for the financial year ended December 31, 2016 was 33 (December 31, 2015: 30).

13. INCOME TAX

	<u>2016</u>	<u>2015</u>
Current income tax		
Current income tax (16%)	5,108,687	16,218,849
Tax on dividends (5%)	5,680,655	3,594,902
	<u>10,789,342</u>	<u>19,813,751</u>
Total current tax		
Deferred income tax		
Financial assets available for sale	124,209	4,713,525
Financial assets at fair value through profit or loss	-	(41,205)
Provision for management benefits	(264,424)	(1,174,962)
Provisions for risk and charges	(23,371)	(1,115,448)
Provision for Q4 directors' premiums and untaken leaves of employees and managers	(120,753)	-
Total deferred tax	<u>(284,339)</u>	<u>2,381,910</u>
Total	<u>10,505,003</u>	<u>22,195,661</u>

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

13. INCOME TAX (continued)

The reconciliation between profit before tax and expense with income tax through profit or loss:

<i>In RON</i>	2016	2015
Profit before tax	133,803,023	122,535,988
Tax under statutory tax rate of 16% (2010: 16 %)	21,408,484	19,605,758
Income tax effect of:		
Non-deductible expenses	11,637,218	3,718,096
Nontaxable income	(22,454,788)	(3,200,631)
Temporary differences	121,911	2,072,438
Income tax	10,505,003	22,195,661

14. CASH AND CASH EQUIVALENTS

<i>In RON</i>	December 31, 2016	December 31, 2015
Cash	8,622	20,885
Current accounts in banks	922,402	592,966
Total cash and cash equivalents	931,024	613,851

The current bank accounts are permanently at the Company's disposal and are not restricted.

15. BANK DEPOSITS

<i>In RON</i>	December 31, 2016	December 31, 2015
Term deposits	117,681,095	90,900,637
Attached receivables	58,023	60,420
Blocked deposit	55,617	54,136
Total deposits at banks	117,794,735	91,015,193

Bank deposits are permanently at the Company's disposal and are not restricted.

16. FINANCIAL ASSETS

a) Financial assets at fair value through profit or loss

<i>In RON</i>	December 31, 2016	December 31, 2015
Unit funds	17,930,386	18,323,607
Shares	111,069,287	93,891,878
Total	128,999,673	112,215,485

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

16. FINANCIAL ASSETS (continued)

b) Available-for-sale financial assets

<i>In RON</i>	December 31, 2016	December 31, 2015
Shares held at fair value	1,368,942,869	1,061,091,236
Shares held at cost	5,769,365	128,717,878
Unit funds held at fair value	<u>73,857,217</u>	<u>37,457,813</u>
Total	<u>1,448,569,452</u>	<u>1,227,266,927</u>

As at December 31, 2016 and December 31, 2015 the category of shares measured at fair value includes primarily the value of the shares held with Banca Transilvania, BRD - Groupe Societe Generale S.A., OMV Petrom.

Shares at fair value have been measured by multiplying the number of shares held as at the balance sheet date with the closing price on the last trading day of the reporting period.

The movement of available-for-sale financial assets in the financial years ended December 31, 2016 and December 31, 2015 is presented in the table below:

	Assets held at fair value	Assets held at cost	Units fund	Total
December 31, 2014	<u>1,017,981,486</u>	<u>25,451,052</u>	<u>48,862,305</u>	<u>1,092,294,843</u>
Net change during the period	(59,529,783)	103,619,224	(10,721,988)	-
Transfer	290,568	(290,568)	-	33,367,453
Impairment losses	-	2,771,825	(682,504)	-
Change in fair value	102,348,964	(2,833,655)	-	99,515,309
	<u>1,061,091,236</u>	<u>128,717,878</u>	<u>37,457,813</u>	<u>1,227,266,927</u>
December 31, 2015	<u>59,110,764</u>	<u>(4,617,015)</u>	<u>35,017,495</u>	<u>89,511,244</u>
Net change during the period	-	-	-	-
Transfer between categories	116,454,994	(116,454,994)	-	-
Impairment losses	(3,338,111)	(1,876,504)	-	(5,214,615)
	-	-	1,381,910	163,509,876
Change in fair value	135,623,986	-	<u>73,857,217</u>	<u>1,448,569,452</u>
December 31, 2016	<u>1,368,942,869</u>	<u>5,769,365</u>	<u>73,857,217</u>	<u>1,448,569,452</u>

Transfers into Level 3 of the fair value hierarchy represent listed shares for which the company considered that there is no active market and the company has achieved evaluation reports for December 31, 2016. The main companies transferred are Mecanica Ceahlau, Iasitex, Chimcomplex, Rulmenti, etc

Information on the inter-category transfer represents the net value of shares that migrated from the category of shares measured at fair value/cost to the category of shares measured at cost/fair value, due to the arising/fall of an active market for such instruments.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

16. FINANCIAL ASSETS (continued)

c) Held-to-maturity investments

<i>In RON</i>	December 31, 2016	December 31, 2015
Corporate bonds	9,455,884	9,463,379
Government bonds	117,920	129,820
Total	9,573,804	9,593,199

d) Fair value hierarchy

The table below analyzes the financial instruments carried at fair value depending on the measurement method. The fair value levels depending on the input in the measurement model have been defined as follows:

- Level 1: quoted prices (not adjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than the quoted prices included in Level 1, observable for assets or liabilities either directly (e.g.: prices), or indirectly (e.g.: price derivatives)
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

December 31, 2016	Level 1	Level 2	Level 3	Total
<i>In RON</i>				
Financial assets at fair value through profit or loss	128,999,673	-	-	128,999,673
Financial assets available for sale	1,164,976,978	-	283,592,474	1,448,569,452
	1,293,976,651	-		
Total			283,592,474	1,577,569,125

December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	112,215,485	-	-	112,215,485
Financial assets available for sale	1,059,611,899	-	167,655,028	1,227,266,927
Total	1,171,827,384	-	167,655,028	1,339,482,412

Reconciliation of fair value measurements categorized within Level 3 of the fair value hierarchy

<i>In RON</i>	2016	2015
Opening balance	167.655.028	25.451.052
Total losses included in profit or loss	(1.555.423)	(2.627.697)
Total gains included in other comprehensive income	84.316.073	599.142
Purchases for the period	10.123.085	103.699.950
Sales for the period	(5.395.672)	(1.212.205)
Transfers into Level 3	28.449.381	41.744.786
Closing balance	283.592.473	167.655.028

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

In 2016 the Company classified as measurement level 1 shares measured based on closing prices on BVB and TSX markets in the last transaction day. In this measurement level are included unit funds measured using the unitary value of the net asset (VUAN) certified by the fund depository.

All equity investments classified in level 3 have been revalued by independent valutors, based on the financial information provided by the departments with monitoring function, through valuation methods which maximise the usage of relevant observable input data and minimise the usage of unobservable input data, under management supervision and control, who ensures that all information used in the revaluation reports is fair and accurate.

All equity investments classified in level 3 have been revalued by independent valutors, based on the financial information provided by the departments with monitoring function, through valuation methods which maximise the usage of relevant observable input data and minimise the usage of unobservable input data, under management supervision and control, who ensures that all information used in the revaluation reports is fair and accurate.

Financial assets	Fair value as at 31 December 2016	Valuation technique	Unobservable inputs range (weighted average)	Relationship of unobservable inputs to fair value
Listed majority equity instruments	50,874,375	Income approach - discounted cash flow method	Weighted average cost of capital is between 10.4% and 12.9%	The lower the weighted average cost of capital, the higher the fair value.
			Control premium is between 9.2% and 11.8%.	The higher the control premium, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16.8%.	The lower the discount for the lack of marketability, the higher the fair value.
			Long-term revenue growth rate: max. 2%.	The higher the long-term revenue growth rate, the higher the fair value.
Unlisted majority equity instruments	67,436,603	Income approach - discounted cash flow method	Weighted average cost of capital is between 8% and 8.4%	The lower the weighted average cost of capital, the higher the fair value.
			Control premium is between 9.2% and 13.8%.	The higher the control premium, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16%.	The lower the discount for the lack of marketability, the higher the fair value.
			Long-term revenue growth rate: max. 2%.	The higher the long-term revenue growth rate, the higher the fair value.
Unlisted majority equity instruments - holding or start-up types	97,449,078	Cost approach - discounted net asset method	Market value of equity to Book Value rate is between 0.79 and 1.09.	The Price / Book Value (P/BV) rate can take lower or higher values. Within the areas of high investments in non-current assets, the P/BV is usually lower.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

			Control premium is between 9.2% and 24.6%.	The higher the control premium, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 24.4%.	The lower the discount for the lack of marketability, the higher the fair value.
			Weighted average cost of capital is between 8.97% and 11.29%	The lower the weighted average cost of capital, the higher the fair value.
Listed minority equity instruments	25,750,352	Income approach - discounted cash flow method	Discount for lack of control is between 7.05% and 10.5%	The lower the discount for the lack of control, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16.8%.	The lower the discount for the lack of marketability, the higher the fair value.
			Long-term revenue growth rate: max. 2%.	The higher the long-term revenue growth rate, the higher the fair value.
			Weighted average cost of capital is between 8.4% and 12.75%	The lower the weighted average cost of capital, the higher the fair value.
Unlisted minority equity instruments	32,780,287	Income approach - discounted cash flow method	Discount for lack of control is between 7.71% and 20.46%	The lower the discount for the lack of control, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16.8%.	The lower the discount for the lack of marketability, the higher the fair value.
			Long-term revenue growth rate: max. 3%.	The higher the long-term revenue growth rate, the higher the fair value.
Unlisted minority equity instruments	410,468	Market approach - Abordarea prin piata- metoda companiilor comparabile	EBITDA multiple: max. 9.7.	The higher the EBITDA multiple, the higher the fair value.
			Discount for lack of marketability is between 9.8% and 16.8%.	The lower the discount for the lack of marketability, the higher the fair value.
TOTAL	274,701,163			

The valuation method used helps determine a unique depreciation model applicable to all equity instruments.

EBITDA multiple: represents the most relevant multiple used when pricing the investments and it is calculated using information from comparable listed public companies (similar geographic location, industry size, target market and other factors that valuers consider as relevant).

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

The trading multiples for the comparable companies are determined by dividing the enterprise value of the a company by its EBITDA and by further discounting, due to possible lack of marketability and other differences between the comparable peer group and specific company.

Discount for lack of marketability: represents the discount applied to the comparable market multiples, in order to reflect the liquidity differences between the revalued company from the portfolio and its comparable peer group. Valuators estimate the discount for lack of marketability based on their professional judgement after considering market liquidity conditions and company-specific factors.

Discount for lack of control: represents the discount applied to reflect the absence of the power of control and it is used within the discounted cash flow method, in order to determine the value of a minority interest in the equity of the revalued company.

Weighted average cost of capital: represents the calculation of a company's cost of capital in nominal terms (including inflation), based on the "Capital Asset Pricing Model". All capital sources – shares, bonds and any other long-term debts - are included in the weighted average cost of capital calculation.

Price / Earnings multiple (P/E): the Price/Earnings ratio is a market prospect ratio that calculates the market value of an investment based on its earnings, using the ratio between the market price per share and the earnings per share. This indicator shows how much the market is willing to pay for investing in a company based on its current earnings. Investors often use this ratio to evaluate what an investment's market value should be by predicting future earnings per share.

Price / Book value multiple: often expressed simply as "price-to-book", this multiple measures a company's market price based on its book value (net assets). It reflects how many times the book value per share investors are ready to pay for a share. The Price / Book value ratio multiple varies significantly based on the industry. A company that requires more assets (e.g. a manufacturing company with factory space and machinery) will generally post a significantly lower price-to-book than a company whose earnings result from rendering services (e.g. a consulting firm).

e) ***Reserve from fair value revaluation of available-for-sale financial assets for sale, net of deferred tax***

In RON

	December 31, 2016	December 31, 2015
As at January 1, 2016	450,874,023	377,413,183
Net gains on the revaluation of available-for-sale financial assets	211,534,535	183,069,462
Gains on the transfer to profit or loss further to the sale of available-for-sale financial assets	(86,419,557)	(110,633,603)
Effect of loss in profit or loss from the impairment of available-for-sale financial assets	40,227,662	1,024,981
As at December 31	616,216,703	450,874,023

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

17. INVESTMENT PROPERTY

<i>In RON</i>	December 31, 2016	December 31, 2015
Balance at January 1	3,264,341	3,154,243
Investment property increases/reductions	240,932	110,098
Balance at December 31	3,505,273	3,264,341

18. INTANGIBLE AND TANGIBLE ASSETS

	January 1, 2016	Increase	Decrease/ Reclassification	December 31, 2016
Intangible assets				
Intangible assets	2,062,453	34,245	4,894	2,091,804
Intangible assets in progress	-	9,804	9,804	-
	2,062,453	44,049	14,698	2,091,804
Total				
Tangible assets				
Land	393,370	169,823	-	563,193
Buildings	6,286,808	1,464,313	909,347	6,841,774
Plant and machinery	1,025,067	428,214	32,176	1,421,105
Motor vehicles	1,411,781	-	-	1,411,781
Others fixed assets	126,352	8,352	8,445	126,259
Intangible assets in progress	100,040	294,383	394,423	-
	9,343,418	2,365,085	1,344,391	10,364,112
Total				

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

18. INTANGIBLE AND TANGIBLE ASSETS (continued)

Accumulated depreciation	January 1, 2016	Increase	Decrease	December 31, 2016
Intangible assets				
Intangible assets	1,768,548	214,970	4,894	1,978,624
	1,768,548	214,970	4,894	1,978,624
Total				
Tangible assets				
Land	583,308	271,184	811,403	43,090
Plant and machinery	768,567	228,501	32,176	964,892
Motor vehicles	740,843	377,287	-	1,118,130
Others fixed assets	85,552	20,416	8,445	97,522
	2,178,270	897,388	852,024	2,223,634
Total				
Net carrying amount				2,223,634
				113,180
Intangible assets				8,140,477
Tangible assets				

The Company revalued land and buildings held as at December 31, 2016.

19. OTHER ASSETS

Sundry debtors include primarily amounts arising from final court decisions in amount of RON 56,496,561. For doubtful amounts, the Company calculated impairment allowances.

	December 31, 2016	December 31, 2015
Sundry debtors	57,578,806	56,684,833
Other assets	265,048	296,111
Less impairment of sundry debtors	(56,496,561)	(50,711,921)
	1,347,293	6,269,023
Total		

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

19. OTHER ASSETS (continued)

The impairment allowance for sundry debtors can be analyzed as follows:

<i>In RON</i>	December 31, 2016	December 31, 2015
January 1	(50,711,921)	(38,142,557)
Charge	(5,838,591)	(13,630,085)
Release	53,951	2,581
December 31	(56,496,561)	(50,711,921)

20. DIVIDENDS PAYABLE

<i>In RON</i>	December 31, 2016	December 31, 2015
Dividends payable for 2012	642	23,863,820
Dividends payable for 2013	6,861,613	7,044,594
Dividends payable for 2014	10,935,347	11,485,747
Dividends payable for 2015	11,460,892	-
Total dividends payable	29,258,494	42,394,161

Dividends payable not collected within 3 years from the date of their declaration are prescribed for exceeding the limitation period, according to law, and are transferred by the Company to equity, in retained earnings.

21. PROVISIONS FOR RISKS AND CHARGES

	December 31, 2016	December 31, 2015
Provision for litigation	3,452,286	3,306,214
Total	3,452,286	3,306,214

Regarding the amounts collected by the Company through court officers, AVAS filed legal proceedings contesting the enforced amounts. The provisions for litigation represent amounts collected by the Company through court officers between 2010 and 2014 and subsequently contested by AVAS.

The litigation provision can be analyzed as follows:

<i>In RON</i>	December 31, 2016	December 31, 2015
January 1	3,306,214	3,665,327
Charge	777,936	-
Release	(631,864)	(359,113)
December 31	3,452,286	3,306,214

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

22. DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities as at December 31, 2016 are triggered by the elements detailed in the table below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Property, plant, equipment and investment property	6,034,381	-	6,034,381
Available for sale financial assets	437,891,557	-	437,891,557
Investment property	2,289,244	(3,452,286)	2,289,244 (3,452,286)
Provisions for litigation and other provisions		-	
Financial assets at fair value through profit or loss - Unit funds	(899,476)	-	(899,476)
Provision for management benefices		(10,052,459)	(10,052,459)
Total	445,315,706	(13,504,745)	431,810,961
Net temporary differences - 16%	-		431,810,961
Deferred tax liability			69,089,754

Deferred income tax liabilities as at December 31, 2015 are triggered by the elements detailed in the table below:

	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
Property, plant, equipment and investment property	4,178,685	-	4,178,685
Available for sale financial assets	362,155,315	-	362,155,315
Investment property	2,977,522	-	2,977,522
Provisions for litigation and other provisions		(3,306,214)	(3,306,214)
Financial assets at fair value through profit or loss - Unit funds	(257,529)	-	(257,529)
Provision for management benefices		(7,376,146)	(7,376,146)
Total	369,053,993	(10,682,360)	358,371,633
Net temporary differences - 16%			358,371,633
Deferred tax liability			57,339,461

As at December 31, 2016, deferred income tax recognized directly by reducing equity amounts to RON 69,948,119 RON (December 31, 2015: RON 57,913,488), being generated by tangible assets and available-for-sale financial assets measured at fair value.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

23. OTHER LIABILITIES

<i>In RON</i>	December 31, 2016	December 31, 2015
Suppliers – invoices not received	496,713	561,681
Current income tax liability	4,636	2,555,318
Tax and duties	967,688	2,494,382
Profit sharing liability	10,052,459	7,376,146
Other liabilities	5,561,131	5,718,729
Total	17,082,627	18,706,256

Profit-sharing liabilities represent the amounts that will be distributed from the net profit of the year to employees (within the limit of the collective labor contract representing 1.55% of the net profit before establishment of provision) and directors (within the limit of the Constitutive Act representing 5% of the net profit before establishment of provision plus the company's contributions). Current income tax liabilities have been paid by the Company on term.

24. EQUITY AND RESERVES

(a) Share capital

The Company's shareholding is as follows:

December 31, 2015	Shareholders	Shares	Amount (RON)	(%)
Individuals	5,774,995	461,331,672	46,133,167	44
Companies	304	576,847,504	57,684,750	56
Total	5,775,299	1,038,179,176	103,817,918	100
December 31, 2016	Shareholders	Shares	Amount (RON)	(%)
Individuals	5,768,263	453,939,226	45,393,923	43
Companies	269	584,239,950	58,423,995	57
Total	5,775,299	1,038,179,176	103,817,918	100

All shares are ordinary, subscribed and fully paid in as at December 31, 2016. All shares entitle to the same voting right and have a nominal value of RON 0.1/share. The number of shares authorized for issuance equals the number of shares issued. In 2016, there were no changes in the number of shares issued. Thus, the share capital in 2016 is RON 103,817,918 (December 31, 2015: 103,817,918).

The right to hold shares up to 1% of the share capital has been amended by Law 11 of January 6, 2012 (effective from January 13, 2012), to 5% of the share capital, namely 51,908,959 shares.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

24. EQUITY AND RESERVES (continued)

(a) Share capital (continued)

(b) Reserves from the revaluation of available-for-sale financial assets

Such reserve includes the net cumulated changes in the fair values of available-for-sale financial assets from the date they are classified as such to the date they are derecognized or impaired.

Reserves from the revaluation of available-for-sale financial assets are registered at a value net of the related deferred tax. The value of deferred tax recognized directly through the reduction of equity is presented in Note 22.

(c) Legal reserves

According to the legal requirements, the Company establishes legal reserves in amount of 5% of the profit registered according to RAS, up to 20% of the share capital. The value of the legal reserve as at December 31, 2016 is RON 17,608,362 (December 31, 2015: RON 16,062,497).

Legal reserves cannot be distributed to shareholders.

(d) Dividends

In the reporting period, the Company declared dividends in amount of RON 46,250,883 related to 2015 (2015: RON 52,531,866 related to 2014), and RON 0.045/share (2015: 0.05 RON/share).

In 2016, the Company prescribed dividends in amount of RON 23.756.991 related to 2012 (2015: RON 21,719,773 related to 2011).

(e) Other items of equity – own shares

In 2016, the first program for buy-back of SIF2 shares carried out between 06.08.2015 and 08.02.2016 was completed, in accordance with SIF Moldova EGMS no. 4/01.04.2015.

The cumulated results of this operation are as follows:

- the maximum number of shares to obtain is 10,381,791 (1% of the share capital);
- the average purchase price is RON 0.7939;
- total value of shares RON 8,242,350.
- purpose: allocation of shares to directors and employees, according to law.

Of such shares, 3,963,711 shares (0.3818% of the share capital) in total amount of **RON 3,151,547** representing the distribution of the participation fund to the 2015 profit – structure in shares were distributed to employees and administrators.

Resolution no. 4/25.04.2016 of EGMS of SIF Moldova approved the second buy-back program of maximum 1% of the share capital, the purpose of which is the allocation of shares to the company's directors, officers and employees, according to law and the constitutive act:

- the maximum number of shares to obtain is 10,381,791 (1% of the share capital);
- the maximum purchasing price is RON 62.5 if the consolidation of the nominal value is completed;
- the maximum period of the program is 18 months from the publication of the EGMS in the **Official Gazette Part IV;**
- purpose: the allocation of shares to administrators and employees, according to law and the constitutive act.

As at December 31, 2016 under this program, 7,006,423 shares were purchased, amounting RON 5,215,869 (0.6749% of the share capital), at an average price of acquisition of RON 0.7445/share.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

Total shares purchased in 2016: 8,285,570 representing 0.7981% of the share capital (2015 – 9,102,628 representing 0.8768% of the share capital) in total amount of **RON 6,497,101** (2015 – RON 7,378,192).

Total own shares held as at December 31, 2016: 13,424,487 representing 1.2931% of the share capital (2015 – 9,102,628 representing 0.8768% of the share capital).

The development of the buy-back program complies with the derogatory requirements provided by the legislation regarding market abuse, which allow transactions during the issuer's closed periods (Art. 5 para. (1) of EU Regulation no. 596/2014; Art. 4 para (2) letter a) and letter b) of EU Delegated Regulation no. 1052/2016).

Structure of the 2016 Stock Option Plan

- ✓ The OGMS of 25.04.2016 approved the roll-out of stock option plans (SOPs) for the free allocation of SIF2 shares to administrators, executives and employees of SIF Moldova, from the shares not used in the buy-back program approved by the EGMS of 01.04.2015 and the shares to be bought under the program subject to the approval of the EGMS of 25/26.04.2016, of maximum 16,000,000 shares, of which maximum 10,400,000 shares will be issued for 2016.
- ✓ The Board of Administration was authorized to adopt all the necessary measures to carry out the resolution within the legal and statutory limits, by going through all the stages and formalities for implementing the programs.
- ✓ The roll-out of a SOP, as part of the benefit plan of directors, officers and employees for 2016 (variable remuneration), may be done within the limits of the Constitutive Act and the Collective Employment Contract CCM 2016 - 2017 and in accordance with the AFIA legislation, namely:
 - for administrators and executives – the actual level of the benefit plan is set by the Board of Directors after the approval of the 2016 annual financial statements by the General Meeting of Shareholders
 - for employees – the action plan may be granted according to law and in agreement with the remuneration policy established annually by the Board of Directors
 - at least 50% of the variable remuneration shall consist of SIF2 shares (i.e. granted under SOP).

The number of shares that is allocated to each beneficiary is determined when the beneficiaries' right is granted (the conclusion date of the payment agreement between SIF Moldova and beneficiaries, share-based), after the approval of the 2016 annual financial statements by the General Meeting of Shareholders. The right to receive free shares shall be exercised within minimum 12 months from the execution of the payment agreement share-based, concluded between the company and beneficiaries.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

25. EARNINGS PER SHARE

The earnings per share have been calculated based on the profit attributable to ordinary shareholders and the average weighted number of ordinary shares:

	December 31, 2016	December 31, 2015
Profit attributable to ordinary shareholders	123,298,020	100,340,327
Average weighted number of ordinary shares	1,038,179,176	778,634,382
Basic earnings per share	0.119	0.129

Diluted earnings per share equal the basic earnings per share as the Company has not registered potential ordinary shares.

26. CONTINGENT COMMITMENTS AND LIABILITIES

(a) Legal proceedings

As at December 31, 2016, the Company was involved in 32 lawsuits as defendant and 103 lawsuits as plaintiff. The lawsuits in which the Company acts as either defendant or plaintiff and whose object influence the Company's patrimony are registered in accounting.

Out of the 103 pending lawsuits in which the Company acts as plaintiff, 65 files relate to AAAS disputes. For the amounts claimed by the Company and obtained by final and irrevocable court decisions, the Company registered in accounting AAAS receivables – for a part of which the enforcement proceedings have been filed.

Out of the 32 files in which the Company is involved as defendant, 15 files have been opened by AAAS further to the enforcements executed by SIF Moldova.

The lawsuits filed by AAAS against the enforcements executed by the Company are detailed below:

• Total contingencies as at beginning of the period	RON 20,065,528
• Disputes initiated in 2016	RON 4,391,336
• Court rulings in favor of SIF	RON 13,332,558
• Contingent liabilities as at 31.12.2016	RON 11,124,306

Out of the total contingent assets registered as at December 31, 2016 in amount of RON 23,474,435, the amount of RON 7,981,037 represents the counter value of the agreement for the takeover of litigating rights Textila Oltul - SIF Moldova, the amount of RON 3,644,554 represents the counter value of shares plus interest owed by Vastex as a result of the withdrawal of SIF Moldova from the shareholding and RON 634,672 represents amounts claimed by SIF Moldova in litigation with AAAS having as their object the recovery of trial expenses and damages claimed in connection with amounts obtained in lawsuits.

Amounts representing contingent assets will be registered in the balance sheet when a final and irrevocable court decision is obtained or when they are received.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

26. CONTINGENT COMMITMENTS AND LIABILITIES (continued)

(b) Environment contingencies

Environment regulations are still developing in Romania, and the Company has not registered any liabilities as at December 31, 2016 and December 31, 2015 for any expected costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans, related to environmental matters.

The Company's management does not deem significant the expenses with any environmental matters.

(c) Transfer pricing

The Romanian tax legislation has been providing rules on transfer pricing between affiliates ever since 2000. The current legislative framework defines the principle of "market value" for transactions between affiliates as well as the methods of determining transfer prices. Thus, it is probable that the tax authorities should conduct verifications of the transfer pricing to verify that the tax result and/or customs value of imported goods is not distorted by the effect of the prices practiced in the relations with affiliates. The Company cannot measure the result of such verifications.

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The Company has identified in the ordinary course of business the following related parties:

Company subsidiaries

Subsidiaries and ownership percentage

	December 31, 2016	December 31, 2015
AGRIBUSINESS CAPITAL S.A.	0.00	99.99%
AGROINTENS SA	99.99	0.00%
AGROLAND CAPITAL SA	99.99	0.00%
ASSET INVEST BACAU	99.99	99.99%
CASA SA BACAU	99.02	99.02%
MECANICA CEAHLAU	63.30	60.81%
OPPORTUNITY CAPITAL S.A.	99.99	99.99%
REAL ESTATE ASSET S.A.	99.99	99.99%
REGAL	93.02	93.02%
TESATORIILE REUNITE	99.99	100.00%

In 2016, the Company participated in the increase of the subsidiaries' share capital as follows:

- S.C. Tesatoriile Reunite S.A. Bucharest –cash contribution in total amount of RON 6,727,500;
- Opportunity Capital S.A. - cash contribution in total amount of RON 4,005,000.

Following the restructuring-streamlining plan, the Board of Administration of SIF Moldova approved in March 2016 the restructuring of the architecture of SIF group by eliminating level N-1, investment management companies. The subsidiaries preserved their investment operator specific business.

As at December 31, 2016, Agribusiness Capital SA initiated the voluntary liquidation procedure, further to which SIF Moldova became direct shareholder in Agointens SA and Agroland Capital.

Opportunity Capital SA is undergoing voluntary liquidation.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

Subsequent to the reporting period, the restructuring process of group SIF Moldova will continue, in order to streamline the business through new approaches which will improve the financial performance of the portfolio of projects managed.

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

Associates of the Company

As at December 31, 2016 and December 31, 2015, the Company has not registered associates.

Key management personnel

December 31, 2016

The members of the Board of Directors of SIF Moldova S.A. are: Ceocea Costel (President and CEO), Doros Claudiu (Vice-president and Deputy CEO), Catalin Jianu Dan Iancu (Head of Steering Committee) Horia Ciorcila, Radu Hanga, Octavian Claudiu Radu and Gheorghe Albu.

December 31, 2015

The members of the Board of Directors of SIF Moldova S.A. are: Ceocea Costel (President and CEO), Doros Claudiu (Vice-president and Deputy CEO), Catalin Jianu Dan Iancu (Head of Steering Committee), Horia Ciorcila, Radu Hanga, Octavian Claudiu Radu and Gheorghe Albu.

As at December 31, 2016 there were 33 individual employment contracts (as at December 31, 2015 there were 33 individual employment contracts); 3 management contracts (3 management contracts as at December 31, 2015); 7 administration contracts (the same as at December 31, 2015).

Of which:	<u>Employees</u>	<u>Management contracts</u>	<u>Administration contracts</u>
• Directors	-	-	7
• Officers – directors according to Law 31/1900 – republished	-	3	-
• Higher education employees	30	-	-
• Secondary education employees	3	-	-
TOTAL	<u>33</u>	<u>3</u>	<u>7</u>

The salaries and incentives paid or payable for the period January – December 2016 are in amount of RON 8,056,095 (December 31, 2015: RON 6,944,121).

Of which:	<u>December 31, 2016</u>	<u>December 31, 2015</u>
• Management contract	2,597,593	2,399,526
	4,071,632	
• Administration contract	2,768,266	3,183,958
• Employees, of which:	249,380	2,464,907
• Compensatory salaries for dismissals during the year		102,024
• Other collaborators	4,311	7,704
Total	<u>9,441,802</u>	<u>8,056,095</u>

SIF MOLDOVA S.A.
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all amounts are expressed in RON, unless specified otherwise)

27. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (continued)

In 2016, the employees received RON 1,638,179 (2015: RON 2,065,153) for profit sharing, trainings in amount of RON 48,741 (December 31, 2015: trainings in amount of RON 147,940).

The officers' financial rights are approved by the Board of Directors under the management contract. The directors' salaries and incentives account for 70.64% of the Company's total salary expenses. The directors received RON 5,329,766 (2015: RON 7,114,443) for profit sharing.

28. SUBSEQUENT EVENTS

In January 2017, the voluntary liquidation and de-registration of Opportunity Capital SA (99.99%) was performed.

Further to such process, the portfolio of SIF Moldova includes the ownership in Hotel Sport SA.

The separate financial statements were approved by the Board of Directors on February 15, 2017 and were signed on its behalf by:

Costel Ceoce,
President

Cristina Andrieș,
Chief Accountant

STATEMENT

In accordance with article 227 of Law 297/2004, article 112¹ paragraph 1 (c) of CNVM Regulation no. 1/2006, as amended, the undersigned Costel Ceocea as CEO and President of the Board and Carmen Cristina Andries as Chief Accountant - responsible for preparing the individual financial statements of SIF Moldova at the date of December 31, 2016, declare the following:

- a) The individual financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS"). The Company has prepared the individual financial statements in order to meet the requirements of Norm 39/2015 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority - Investment and Financial Instruments Sector.
- b) In the meaning of the Norm 39/2015, the International Financial Reporting Standards, referred to as IFRS, represent the standards adopted under the procedure provided in (EC) Regulation no. 1606/2002 of July 19, 2002 of the European Parliament and of the Council on the application of the international accounting standards, as amended and supplemented.
- c) We have no knowledge, at the time of this statement on other information, events and circumstances that alter significantly the above statements.

We confirm knowingly and confidently that the individual financial statements that comply with the regulations listed above, **provide a fair and accurate picture consistent with the reality of the assets, financial position, profit and loss account of the Company and that the report of the Board of Directors contains a correct analysis on performance development of the company as well as a description of the main risks and uncertainties which are specific to the activity performed.**

Costel Ceocea, PhD
President and CEO

Cristina Andries
Chief Accountant

To the Shareholders of,
SIF Moldova S.A.

INDEPENDENT AUDITOR'S REPORT

Opinion

1. We have audited the separate financial statements of SIF Moldova S.A. (the "SIF"), which comprise the statement of financial position as at 31 December 2016, the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.
2. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the SIF as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and applying Financial Supervisory Authority Norm no. 39/28 December 2015, regarding the approval of the accounting regulations in accordance with IFRS, applicable to the entities authorised, regulated and supervised by the FSA – Financial Investments and Instruments Sector (referred to herein as "FSA Norm no. 39/2015").

Basis for Opinion

3. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the financial statements*" section of this report. We are independent of the SIF in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements for the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<p><u>Fair value valuation of available for sale financial assets</u></p> <p><u>Fair value valuation of equity investments available for sale financial assets on Level 3.</u></p> <p>Refer to note 16 to the separate financial statements. The SIF's investments in available for sale financial assets ("AFS") represents 84% of total asset of the SIF.</p> <p>Moreover, a significant part of the SIF`s total available for sale financial assets is represented by equity investments. These investments represent participations held by the SIF in:</p> <ul style="list-style-type: none"> - unlisted Romanian companies, with a significant part of them being controlled by SIF; - listed Romanian companies but determined as inactive market by SIF`s management; <p>In the SIF's portfolio equity investments as AFS with a fair value presented to Level 3, represents 16.5% of the SIF`s total assets.</p> <p>This was a key area of focus in our audit due to the complexity involved in valuing some of these investments, the significance of the judgments and estimates included in the valuation, as well as the reflection of the changes in fair value in the separate financial statements.</p> <p><u>Evaluation of impairment for AFS equity interments.</u></p> <p>As required by IFRS, in the situation where a decrease in equity investments classified as Available for Sale occurs, management is required to make an assessment regarding whether the valuation decrease is a temporary one or is an impairment in nature. Depending on this assessment, the change in fair value of this equity investments category is reflected either in comprehensive income or in other comprehensive income.</p> <p>Accordingly, in addition to fair valuation of level 3 equity investments AFS, impairment estimation of equity investments is considered to be a key audit matter as well.</p>	<p>In order to address Key audit matter our audit focus was to assess relevant controls over the valuation process of the SIF's equity investments in available for sale financial assets. The test of controls performed give us the support to plan our audit substantive procedures over the equity investments.</p> <p>For the assessment of valuation methodology, we selected a sample of unquoted equity investments with significant valuation inputs. Therefore we involved our own internal valuation expert, who appraised the methodology, assumptions and inputs used by the Sif`s internal valutors. The estimate results was in line with those included in the valuation reports.</p> <p>Accuracy of the fair value changes reflected in the separate financial statements have been also included in our appraisalment process.</p> <p>We evaluated the appropriateness regarding the decrease in fair value occurred, for a sample of AFS equity investments and we have consider whether this has been properly accounted for in accordance with the IFRS requirements and the accounting policies of the SIF.</p> <p>When reviewing the separate financial statements we took into account if they appropriately reflect all material disclosures in relation to equity available for sale financial asset, the presentation of the fair value hierarchy policy and disclosures regarding significant unobservable inputs against disclosures of IFRS 13 Fair Value Measurement.</p>

Reporting Requirements Concerning Administrators Report

5. The SIF's administrators are responsible for the preparation and presentation of the Administrators Report in accordance with the requirements of FSA Norm no. 39/2015, article no. 8-13, which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of the Administrators Report that is free from material misstatement, whether due to fraud or error.

The Administrators Report is presented from pages 1 to 53 and is not part of the separate financial statements.

Our opinion on the separate financial statements does not cover the Administrators Report.

In connection with our audit of the separate financial statements, we have read the Administrators Report accompanying the separate financial statements, presented from pages 1 to 53, and we report as follows:

- a) in the Administrators Report, we have not identified information which is not consistent, in all material respects, with the information presented in the separate financial statements attached;
- b) the Administrators Report identified above contains, in all material respects, the required information according to the provisions of FSA Norm no. 39/2015, article no. 8-13;
- c) based on our knowledge and understanding concerning the SIF and its environment gained during the audit of the separate financial statements prepared as at 31 December 2016, we have not identified information included in the annual Administrators Report that contains a material misstatement of fact.

Responsibilities of Management and Those Charged with Governance for the Separate financial statements

6. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and applying FSA Norm no. 39/2015 and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the SIF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the SIF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate financial statements

7. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.
8. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SIF's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SIF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the SIF to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
9. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

10. We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
11. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ahmed Hasan.

Ahmed Hassan, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors in Romania under the certificate no. 1529/25.11.2003

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors in Romania under the certificate no. 25/25.06.2001

Bucharest, Romania
March 03, 2017