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## MISSION

MICROINVEST provides advisory services and financial tools to create and develop micro and small enterprises and cooperatives in order to stimulate private initiative, increase the socio-economic potential of the country and raise the living standard of its citizens.



## 2 Evolution in a snapshot

	2007	2006	2005	2004
Total assets, (USD)	24 365 541	6 893 866	3 770 678	1 075 771
Shareholders` equity, (USD)	7 020 145	1 432 460	1 025 928	376 173
Outstanding loan portfolio as of end of year, (USD)	10 804 863	4 168 183	2 707 303	795 604
PAR >30%	2.1	1.5	1.15	0.85
Number of active contracts at year-end	2 772	1 555	1 288	408
Number of staff at year-end	55	54	39	31

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\*Audit report shall be presented on request



Dear Ladies and Gentlemen,

I am delighted to take this opportunity to brief you on Microinvest performance in 2007.

Microinvest continued dynamically growing and developing its key business - lending to micro and small enterprises and self-employed entrepreneurs who start and run businesses in agriculture, agro-processing, trade and commerce, services, industry and other sectors of economy from the rural and urban areas of the Republic of Moldova. This dynamic development has mainly been driven by an impressive market demand for the company's financial solutions – microloans and advice - offered to our target market niche. Thus, taking advantage of the market opportunities, Microinvest served 2 876 clients and helped create over 5000 jobs, managing USD 24 365 541 in assets and USD 10 804 863 in portfolio and reaching a 2.98% ROE as of 31.12.2007.

Serving micro and small enterprises in 2007 was much more interesting and challenging than in the previous years. Interesting - because a growing number of clients came to our doors asking to support their innovative business ideas to create jobs and value, challenging - because Microinvest was unable to serve them all due to the lack of affordable capital for on-lending.

To accelerate its loan origination capacity and, hence, better serve its clients, the company decentralized its loan approval scheme, giving more freedom of action to the regional branches as well as introduced cash outlets in several branches. On the other hand, to reduce higher operational risks and errors, resulting from speedier service, the company set up an internal audit unit and upgraded its accounting and loan tracking software. From the marketing point of view, Microinvest re-branded its loans into such financial products as “Simplus”, “Start” and “Forte”, which became quite popular among various target clientele categories. Also, as a response to the loan demand, Microinvest has introduced indexed (pegged) to USD and EUR loans targeting trading and service businesses.

I am also very glad to mention that Microinvest has established strategic partnerships with such lenders as EBRD, Triodos Bank, Oikocredit, GCMC, EFSE and FMO and I would like to thank them all for their trust into the company and valuable contribution to its development.

Microinvest's current performance and promising outlook stirred attention of several strategic investors – The Balkan Financial Sector Equity Fund, The Soros Economic Development Fund, Oikocredit, Richard Driehaus - which later decided to make equity investment, raising the company's capital to over 7 mln. USD, its economic strength, leverage potentiality and, hence, its future performance benchmarks. This capital injection put Microinvest on the forefront in terms of Tier 1 capital among other microfinance institutions in Moldova.

The overall success of the company wouldn't have been possible without its most valuable asset – Microinvest team. Therefore, on behalf of the management, I extend our gratitude to this team for its perseverant work and dedication and will continue investing in it as much as possible through various trainings to further consolidate it and raise its value to be able to better handle future challenges posed by the ever-changing market.

Thank you.

Artur Munteanu  
Chief Executive Officer



<sup>1</sup> According to the Moldovan Generally Accepted Accounting Principles



## 4 General information

Microinvest is a Joint Venture Microfinance Organization, Limited Liability Company, established by the Soros Foundation Moldova, as equity investor, and Moldova Microfinance Alliance ("MMA", NGO), as a technical provider, in April 2003 to furnish development finance to small business initiatives in rural and urban areas in the Republic of Moldova.

Since its first loan commitment in June 2003, Microinvest has issued loans in the amount of USD 23 524 158 to 6 465 clients, with a PAR<sup>>30</sup> of 2.10% as of December 31, 2007.

Microinvest achieved, in 2007, a 253% growth in assets as compared to that in 2006. As of December 31, 2007, the loan portfolio represented 44.3% of the assets at the end of the year and the risk was spread over the different regions, sectors and tenure.

As of December 31, 2007, Microinvest's balance sheet structure was USD 24 365 541 in assets, USD 7 020 145 in equity, USD 17 345 396 in liabilities, while its gross outstanding portfolio was valued at USD 10 804 863, with the number of active clients having reached 2 772.

Microinvest provided its services through two capital city branches and 9 regional branches in the Republic of Moldova. Each regional branch was established in a district town having in its circle in average 30 villages within the average range of 1-40 km. The branches are spread throughout the country covering the north, centre, south, east and west of it.

As of December 31, 2007, Microinvest's shareholding structure was as follows: BFSE Holding B.V. held 61,20%, Soros Foundation Moldova (SFM) - 31,56%, Societe Internationale pour le Developpement et l'Investissement (SIDI) 3.72% and the Management of the Company – 3.52% of the company's equity.

In January 2008, several new shareholders joined the company: Soros Economic Development Fund, Oikocredit and Richard Driehaus.





SFM is a non-governmental, non-for-profit and non-political organization which was established in 1992 by the financier and the philanthropist George Soros to promote the development of an open society in Moldova by developing and implementing a range of programs and activities that address specific areas of needs including cultural policy, education at all levels, microfinance of rural enterprises, legal reform and public administration, media and information, civil society, public health and European integration.



SIDI is a company specialized in the financial and technical support of microfinance institutions. Financial support is realized by equity investments, loans, grants and guarantees. Technical Assistance is carried out by reinforcing operational capacities of partners, participating in the governing and decision-making bodies, support and counseling in business planning, training, and designing financial services.



Balkan Financial Sector Equity Fund (BFSE Holding B.V) represented by Development Financial Equity Partners (DFE). BFSE Holding B.V. is a private limited liability company, having its official seat in Amsterdam, the Netherlands, incorporated on April 02, 2007. The objectives of the Company are to participate in, to finance of and to manage other enterprises and companies, to act as general partner and to provide security for the debts of third parties and to do all that is connected therewith.



The Soros Economic Development Fund (SEDF) is a nonprofit private foundation. It is part of the network of charitable foundations created by investor and philanthropist George Soros. Established in 1997, the fund's mission is to alleviate poverty and community deterioration. It does this by making investments – in the form of equity, loans, guarantees and deposits – in selected banks, microfinance institutions, cooperatives and social enterprise projects worldwide.



Oikocredit started as a pioneer in the field of development financing, Oikocredit is today one of the largest financiers of the microfinance sector worldwide. It is one of the few ethical investment funds, which finances development projects benefiting disadvantaged and marginalised people. Privately owned, Oikocredit is a cooperative society, which encourages investors to invest their funds in a socially responsible manner. Oikocredit finances cooperatives or small and medium-sized enterprises (SMEs) involved in agriculture, trade, services and manufacturing.



Richard H. Driehaus is a fund manager, businessman and philanthropist founder, Chief Investment Officer and chairman of Driehaus Capital Management based in Chicago, a firm which manages U.S. \$3 billion.

Artur Munteanu  
Chief Executive Officer, 12 years of experience in microfinance  
Email: amunteanu@microinvest.md

Veronica Mirzac  
Chief Financial Officer, 8 years of experience in microfinance  
Email: vmirzac@microinvest.md

Tudor Lupasco  
Chief Loan Officer, over 13 years of experience in rural banking and microfinance  
Email: tlupasco@microinvest.md



## 6 Microinvest Board of Directors

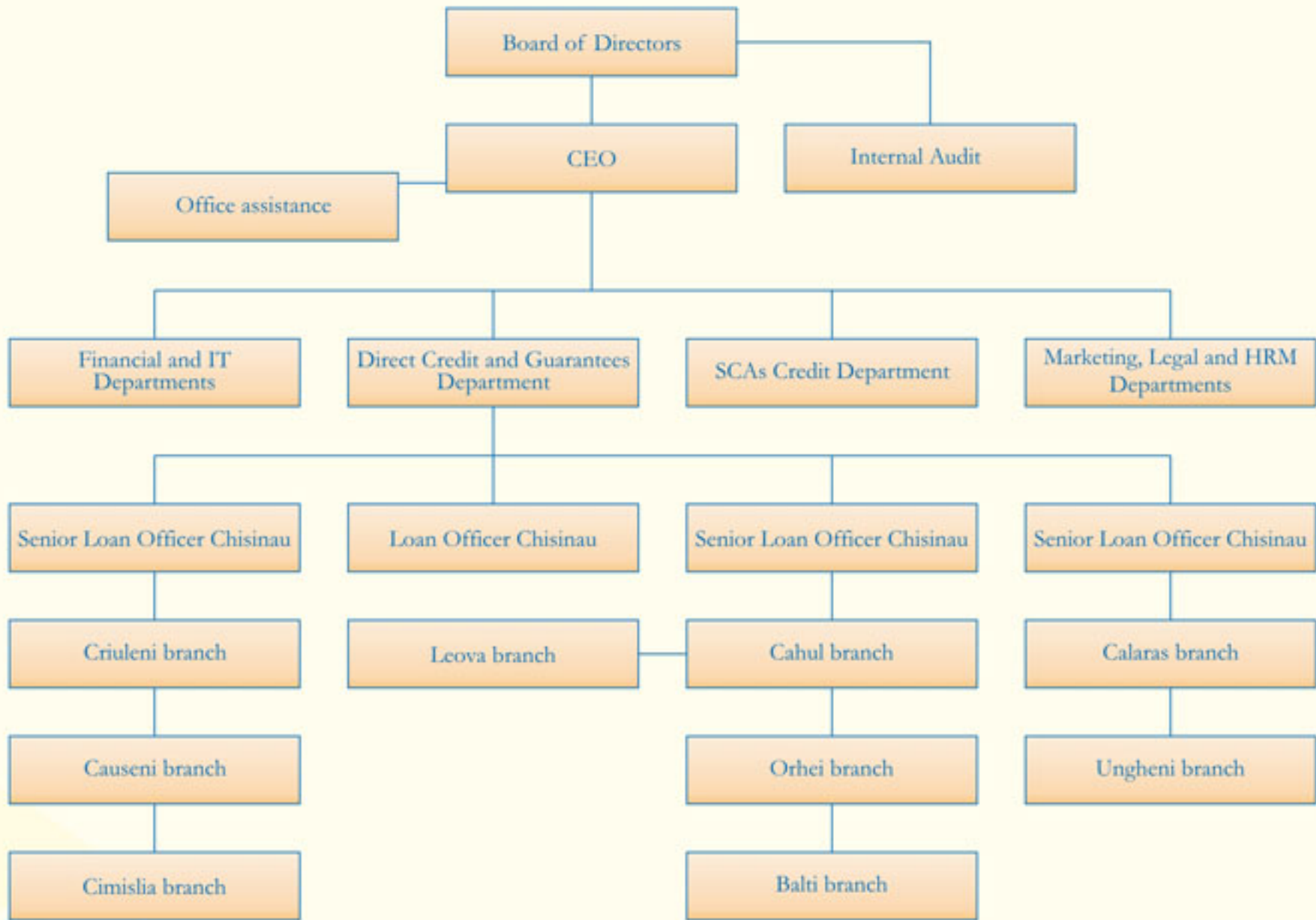
Name	Position on Board	Background	Outside affiliation	Board member since
Victor Ursu	President	PhD in Physics. Over 10 years of experience in economic development and microfinance.	Executive director, Soros Foundation Moldova.	2003
Alexandru Muravschi	Member	PhD in Economics. Former Minister of Economy. Over 10 years of experience in policy, SMEs development and agriculture.	Private Farmers Assistance Program. Chief of Policy and Advocacy Department. Moldova.	2003
Igor Padure	Member	PhD in Mathematics. MPA, Harvard University, Kennedy School. Over 10 years in microfinance.	Moldova Microfinance Alliance. Moldova.	2003
Neal Delaurentis	Member	Economist. Over 10 years in SMEs development and microfinance.	Open Society Institute. Vice-Director Economic Development Program, OSI, NY, USA.	2005
Alka Couet	Member	Experienced in Microfinance in Eastern Europe and Latin America.	SIDI, Responsable géographique. France.	2005
Vitalie Iurcu	Member	MBA	Private Farmers Assistance Program. Consultant. Moldova.	2005
Artur Munteanu	Member	MBA, University of Hull, the UK. Over 10 years of experience in microfinance.	CEO, Microinvest, Moldova.	2003

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# Organizational structure



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## 8 Economic sectors

Microinvest targets micro and small enterprises from the urban and rural areas, from agricultural and non-agricultural sectors engaged in production, processing, building businesses, services, trading, handicraft and tourism.



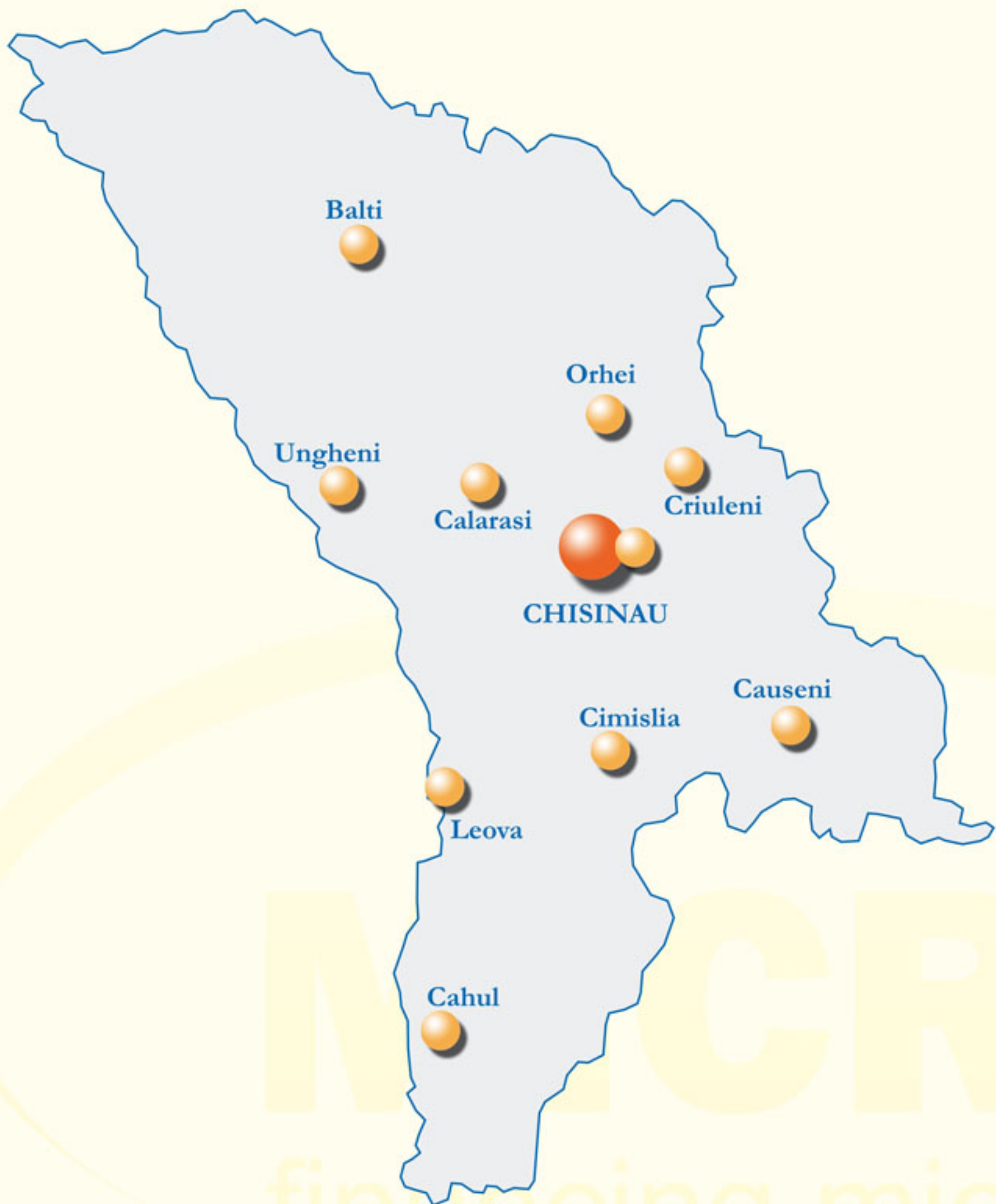
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Microinvest targets the niche of those who: intend to start up a business, have vision of an entrepreneur, enjoy a trustworthy reputation, have skills, are willing and able to invest their own resources.



## 10 Microinvest branch network





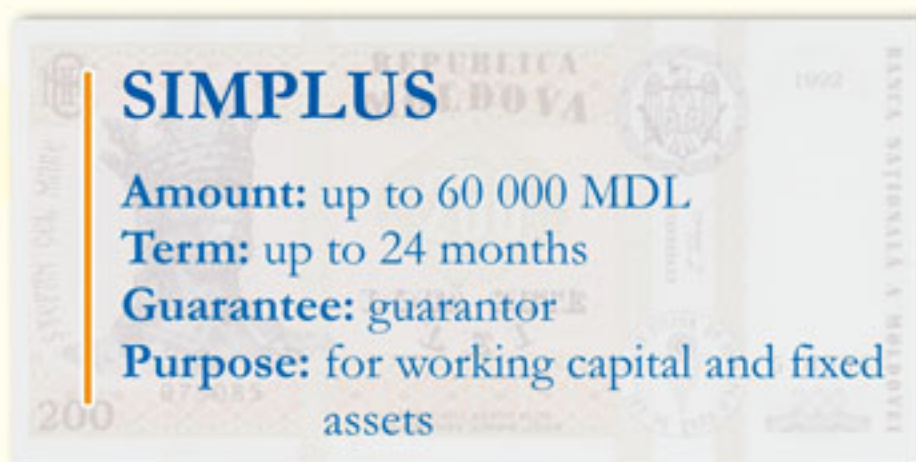
**FORTE**

**Amount:** up to 1 200 000 MDL  
**Term:** up to 36 months  
**Guarantee:** 125%  
**Purpose:** further business expansion



**START**

**Amount:** up to 300 000 MDL  
**Term:** up to 36 months  
**Guarantee:** 125%  
**Purpose:** for starting a profitable business



**SIMPLUS**

**Amount:** up to 60 000 MDL  
**Term:** up to 24 months  
**Guarantee:** guarantor  
**Purpose:** for working capital and fixed assets

### Savings and Credit Associations (SCAs)

**Amount:** up to 4 000 000 MDL  
**Term:** up to 24 months  
**Guarantee:** term deposits with commercial banks and assignment of rights on current account payments  
**Purpose:** working capital enhancement

### Informal Groups

**Amount:** up to 25 000 MDL  
**Term:** up to 24 months  
**Guarantee:** group peer pressure  
**Purpose:** working capital



Microinvest's financial performance and socio-economic accomplishments wouldn't have been possible without its lenders that supported the company by providing needful financial resources and technical assistance at its start-up phase full of uncertainties and challenges. We are proud of having been able to develop fruitful relationships with a diversified portfolio of creditors.

- 1. Soros Economic Development Fund
- 2. Global Commercial Microfinance Consortium
- 3. Kiva Microfunds

- European Bank for Reconstruction and Development

- 1. SIDI
- 2. UCITS Nord-Sud Developpement

- 1. Pettelaar Effectenbewaarbedrijf N.V.
- 2. Triodos Bank N.V.
- 3. Oikocredit
- 4. NOVIB / Triple Jump

- 1. European Fund for South-East Europe
- 2. responsAbility Global Microfinance Fund
- 3. Dual Return Fund SICAV

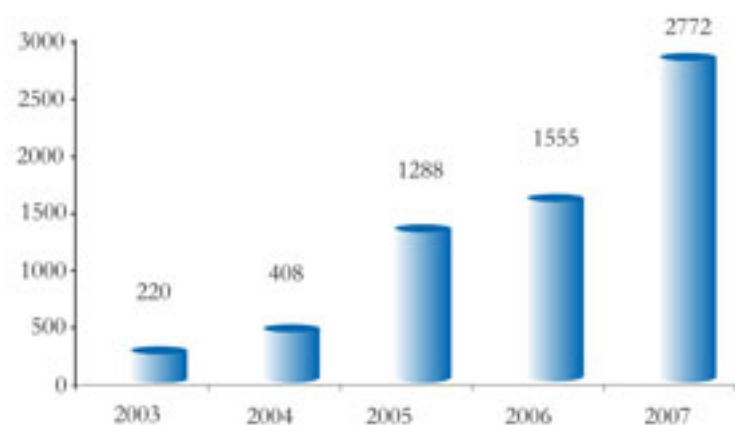
- 1. Federatia Agroinform
- 2. Centrul National Contact
- 3. Fincombank
- 4. Banca de Economii
- 5. Moldindconbank

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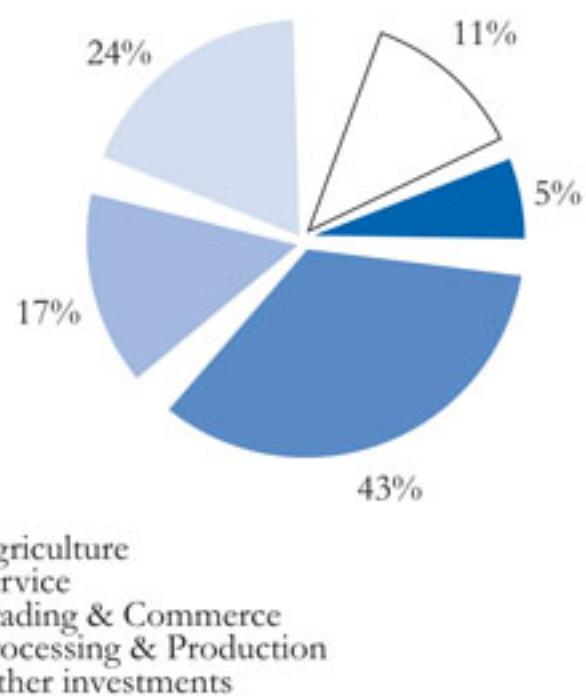


## 14 Results and achievements

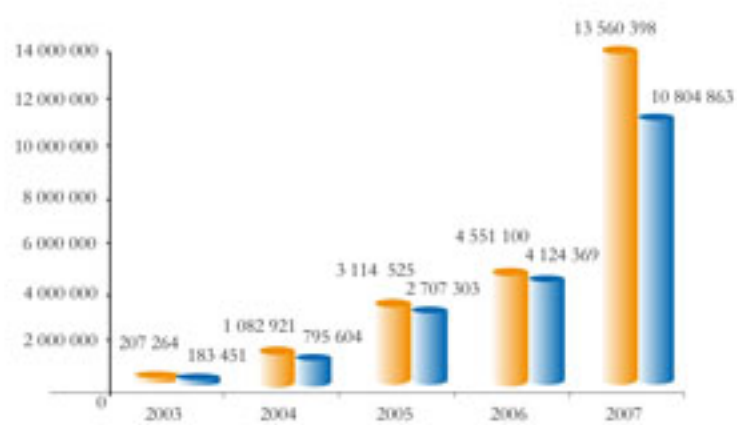
**Number of active contracts as of the year-end**



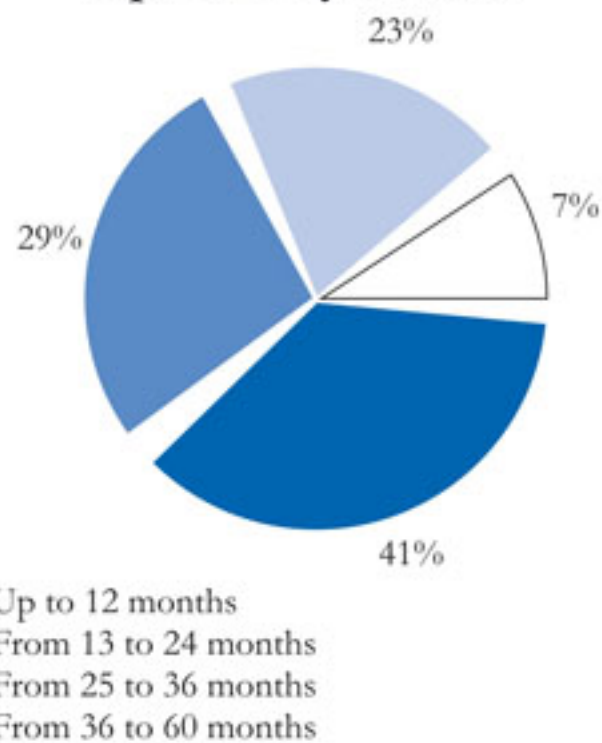
**Gross portfolio exposure by sector, %**



**Amounts disbursed vs. gross portfolio outstanding, \$**



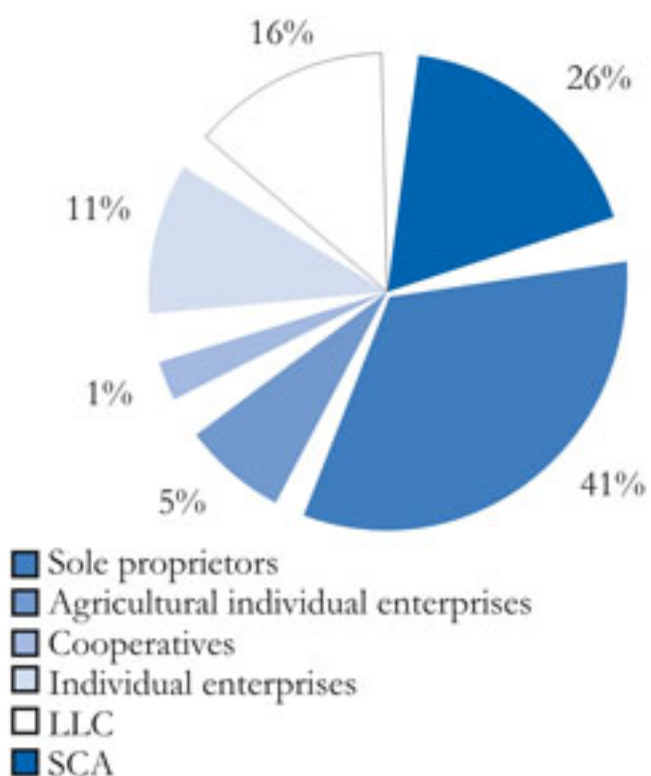
**Gross portfolio exposure by term, \$**



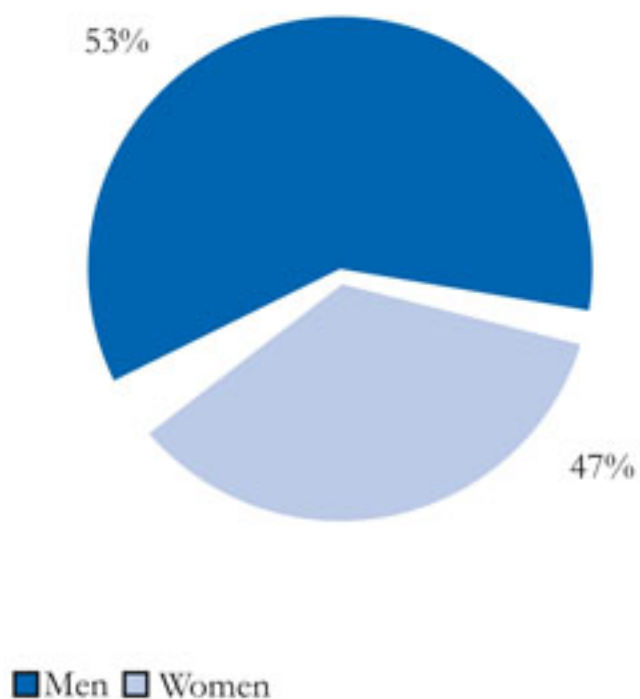
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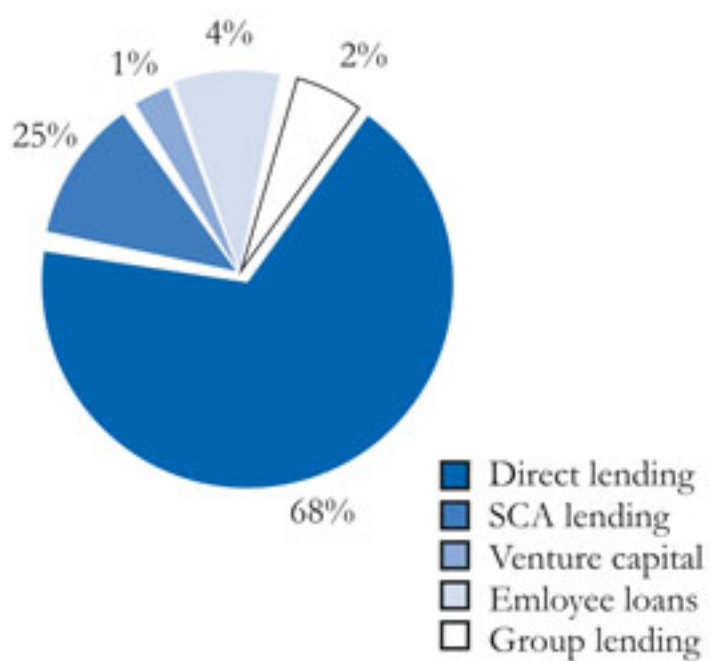
Exposure by type of clients, %



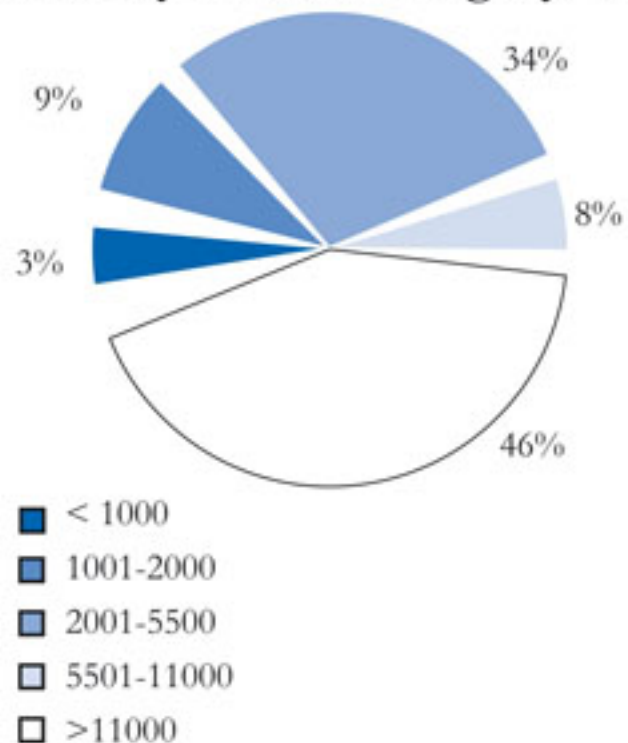
Client distribution by gender, %



Gross portfolio exposure by product, \$



Gross portfolio exposure by amount category, %



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## 16 Microinvest clients

Alexandru Gorea has been a carpenter specialized in furniture production for 14 years. Out of that time, he spent 6 years working abroad in Italy and Portugal for various furniture producers. He studied to become a wood specialist and has always been passionate about his work. With the experience and earnings gained in his work abroad, Alexandru returned to Moldova with the dream of creating his own business. In January of 2006, he used his savings to procure professional woodworking equipment and constructed a building to house his operation in the village of Sărătenii Vechi, Telenești region. In June of last year, he came to Microinvest for a loan in the amount of \$7,500 to finance the purchase of a saw and various raw materials to use in furniture production. He now has a workshop where he makes custom-order furniture and components of higher quality than is available from local factories and still undersells his competitors. His most popular items are doors, windows, kitchen cabinets, closets and tables. His business is young, but is already seeing promising results, with monthly revenue surpassing expectations.



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FPC Tabita Com LLC, managed by Ion Turcan, produces shoes since 2004. The project was developed and grew a lot together with Microinvest during 2005 – 2007, and the number of employees increased from 22 at the beginning of activity to 136 in the present. Ion Turcan came to Microinvest for another loan of 165 000 USD that enabled him to renovate a new building, including a manufacture space of 500 m<sup>2</sup>, located in Floresti town. This space is able to produce 750 pairs of shoes per day, but company's ambition is to reach 2000 per day by the end of the current year. To ensure its steady activity and to accomplish its goals, the company also signed services contracts with important clients from neighbor Romania. We appreciate this entrepreneurial spirit and we wish them success!



## 18 Major monthly events in 2007

### December

- Microinvest increased its equity as a result of an equity investment made by the BFSE Holding B.V. and by the management of the company.

### November

- A new loan agreement of 2 mln. USD was signed with GCMC.

### October

- Microinvest signed term sheets with GCMC and Microvest companies, both located in USA. These were agreements between parties for future loan investments of two million and respectively one million USD.

### September

- Microinvest launched a new product for clients from trade sector. This is the loan issued in local currency and indexed (pegged) to EUR.

### August

- Microinvest signed a loan agreement with a new lender – Pettelaar Effectenbewaarbedrijf N.V. - in the amount of 600 000 EUR.

### July

- Microinvest signed a loan contract with Banca de Economii for MDL 15 million.

### May

- A loan agreement was signed in May with Dual Return Fund SICAV, in the amount of 600 000 Euro.
- Microinvest also received a 9 500 000 MDL loan for a term of more than two years from local lender Banca de Economii.

### June

- Microinvest revised the interest rates charged on loans in all sectors. The new rates reflect changing market conditions and enabled us to meet both our profitability and competitiveness targets.
- Microinvest received loans from two local lenders, FinComBank, which provided a short-term loan in the amount of MDL 6 000 000, and Banca de Economii, which extended a credit line of MDL 1 138 000.

### March

- Microinvest signed a loan agreement with EBRD in the amount of \$1 million. The loan was accompanied by a \$100 000 technical assistance grant for managerial and loan officer training as well as MIS improvement.

### April

- Microinvest sponsored ANTIM (National Association for Young Managers) with a \$3000 contribution and participated in judging the annual business plan competition in April.
- Microinvest and Oikocredit signed a 5-year loan contract for over 700 000 Euro.

### February

- Microinvest senior and middle management benefited from the second portion of a risk management training sponsored by the EFSE technical assistance project.
- Microinvest received an MDL 1 800 000 loan from Banca de Economii.
- Microinvest opened a new office in Buicani, another region of the capital city.

### January

- Microinvest hosted a team of 4 consultants from PPP for training on productivity and efficiency improvement.



	2008
Total assets, \$	31 690 075
Total equity, \$	7 699 817
Gross portfolio outstanding, \$	19 517 858
Number of active loans	4385
Average balance of loans outstanding, \$	3691
Number of employees, end of period	106
Number of loan officers, end of period	62
Number of field offices	16
ROA, %	1.89
ROE, %	7.77

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## 20 Microinvest partners





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