

The logo for MICROINVEST features the word "MICROINVEST" in a bold, blue, sans-serif font. Above the text is a stylized orange swoosh that starts as a thin line on the left, curves over the top, and ends as a small circle above the letter 'I'.

MICROINVEST



Annual Report 2011

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Our mission is to provide competitive financial solutions to micro and small businesses and individuals in order to develop entrepreneurship, create new jobs and raise the life standard of citizens while providing satisfactory returns to shareholders.

Our values are:

- We are entrepreneurs supporting entrepreneurs;
- We are closer to clients;
- We are professional in everything we do;
- We are performance - oriented.



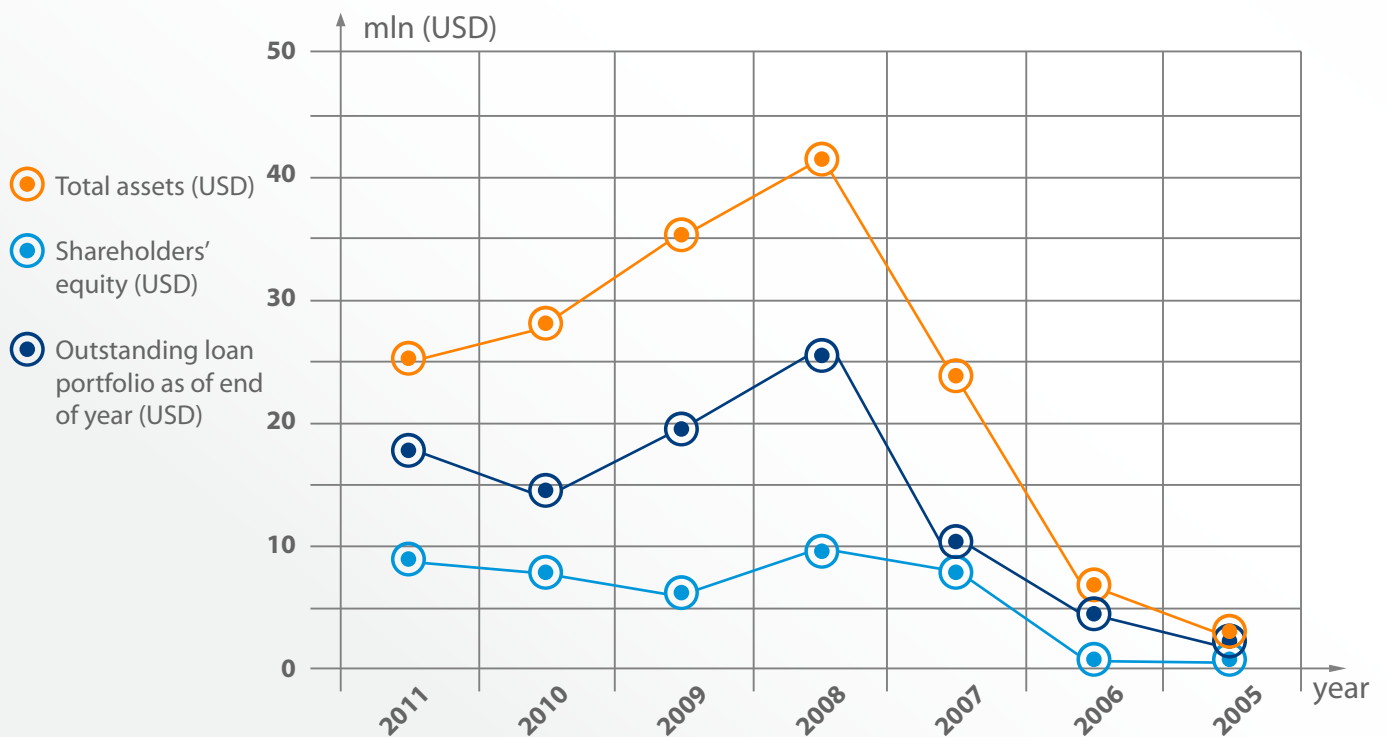
	2011 ^{**}	2010 ^{**}	2009 [*]	2008 [*]	2007 [*]	2006 [*]	2005 [*]
Total assets (USD)	25 842 762	27 759 433	35 883 995	41 745 700	24 365 541	6 893 866	3 770 678
Shareholders' equity (USD)	8 223 423	7 029 835	6 015 726	9 042 384	7 020 145	1 432 460	1 025 928
Outstanding loan portfolio as of end of year (USD)	17 839 529	14 061 646	19 360 536	25 801 787	10 804 863	4 168 183	2 707 303
PAR >30 (%) ^{***}	5.49	15.59	14.82	2.77	2.1	1.5	1.15
Number of active contracts at year-end	5 405	3 529	4 496	4 607	2 772	1 555	1 288
Number of staff at year-end	96	103	107	99	55	54	39



* Based on Management Accounts

** Based on IFRS

*** Portfolio at Risk based on CGAP Consensus Guidance



Microinvest S.R.L ("the Company") was established on 29 April 2003 as a micro-financing limited liability company. The Company does not have an ultimate parent.

The participants of the Company are as follows:

	2011	2010
BFSE Holding B.V. (B.F.S.E)	50.10%	50.10%
Soros Foundation Moldova	15.25%	15.25%
S.A. "S.I.D.I." Solidarite Internationale pour le Developpement et l'Investissement	3.28%	3.28%
"Oikocredit" Ecumenical Development Cooperative Society U.A.	12.28%	12.28%
Soros Economic Development Fund	10.38%	10.38%
Driehaus Richard	4.58%	4.58%
Munteanu Artur	2.96%	2.96%
Mirzac Viorica	-	0.58%
Microinvest	1.17%	0.58%
	100%	100%

The Company operates through its head office located in Chisinau and 16 representative offices (16 representative offices as of 31 December 2010) located throughout the Republic of Moldova.

The activity of the Company focuses on lending to individuals and micro, small and medium size enterprises. The Company obtains the necessary funds for its activity from donors, equity and debt investors.

As of 31 December 2011, the Company also holds 100% of share capital of CSV "Schimb Optim Plus" SRL (2010: 100%), and 100% of share capital of CSV "MI Schimb Optim" SRL, both subsidiaries are providing foreign exchange services via foreign exchange booths (together are referred to as "the Group").

The registered office of the Company is located at Puskin Street 16, Chisinau, Republic of Moldova. The registered office of the CSV "Schimb Optim Plus" SRL is located at Stefan cel Mare street 27/1, Balti, Republic of Moldova. The registered office of the CSV "MI Schimb Optim" SRL is located at Puskin Street 16, Chisinau, Republic of Moldova.



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 admin



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.

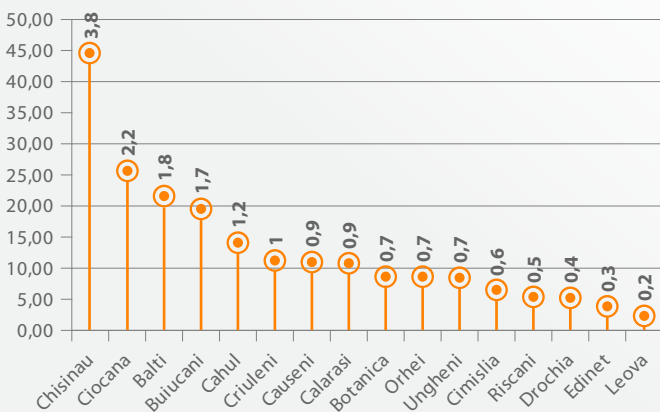


Artur Munteanu
Entrepreneur, founder and CEO of Microinvest. Over 15 years of experience in microfinance and SMEs finance.

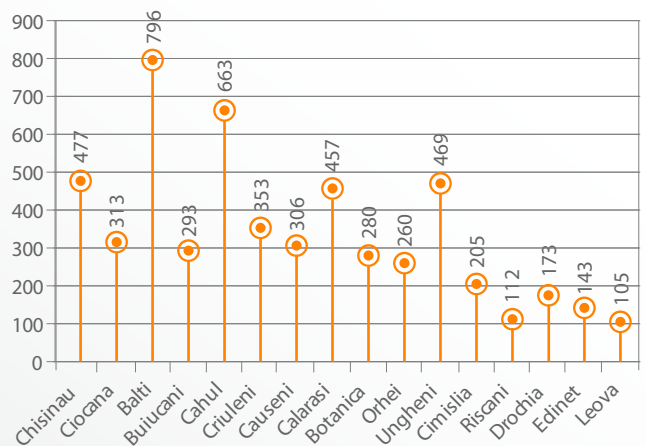
Name	Position on Board	Background	Affiliation	Board Member since
 Stanislav Mikel	Chairman	19 years expertise in business development of financial institutions, focusing on business model/process/product efficiency, sales network management, multichannel strategies creation, branch process optimization, new distribution channels & front-end application development, new product introduction, strategic project leading and controlling supervisory in 14 European countries.	Development finance Equity Partners AG, Switzerland	2011
 Clive Moody	Member	Private Equity Professional for over 25 years. Cambridge University MA	dfe Partners GmbH, Switzerland	2008
 Victor Ursu	Member	PhD in Physics. Over 15 years of experience in economic development and microfinance.	Executive Director Soros Foundation Moldova.	2003
 Uwe Konst	Member	MBA, over 20 years of experience in the financial industry and with economies in transition.	Independent board member	2008
 Gael de Pontbriand	Member	MBA, Wharton, over 35 years of operational management and consulting experience in the financial sector.	Independent board member	2008
 David Meier	Member	BS Finance, St. Thomas University MBA Purdue University and ESCP Europe Business /Economic Development Consultant since 1993 Microfinance and MSME Development specialist since 1997	Soros Economic Development Fund	2006
 Artur Munteanu	Member	MBA, University of Hull, the UK. Over 15 years of experience in microfinance and SMEs finance.	CEO Microinvest Moldova	2005

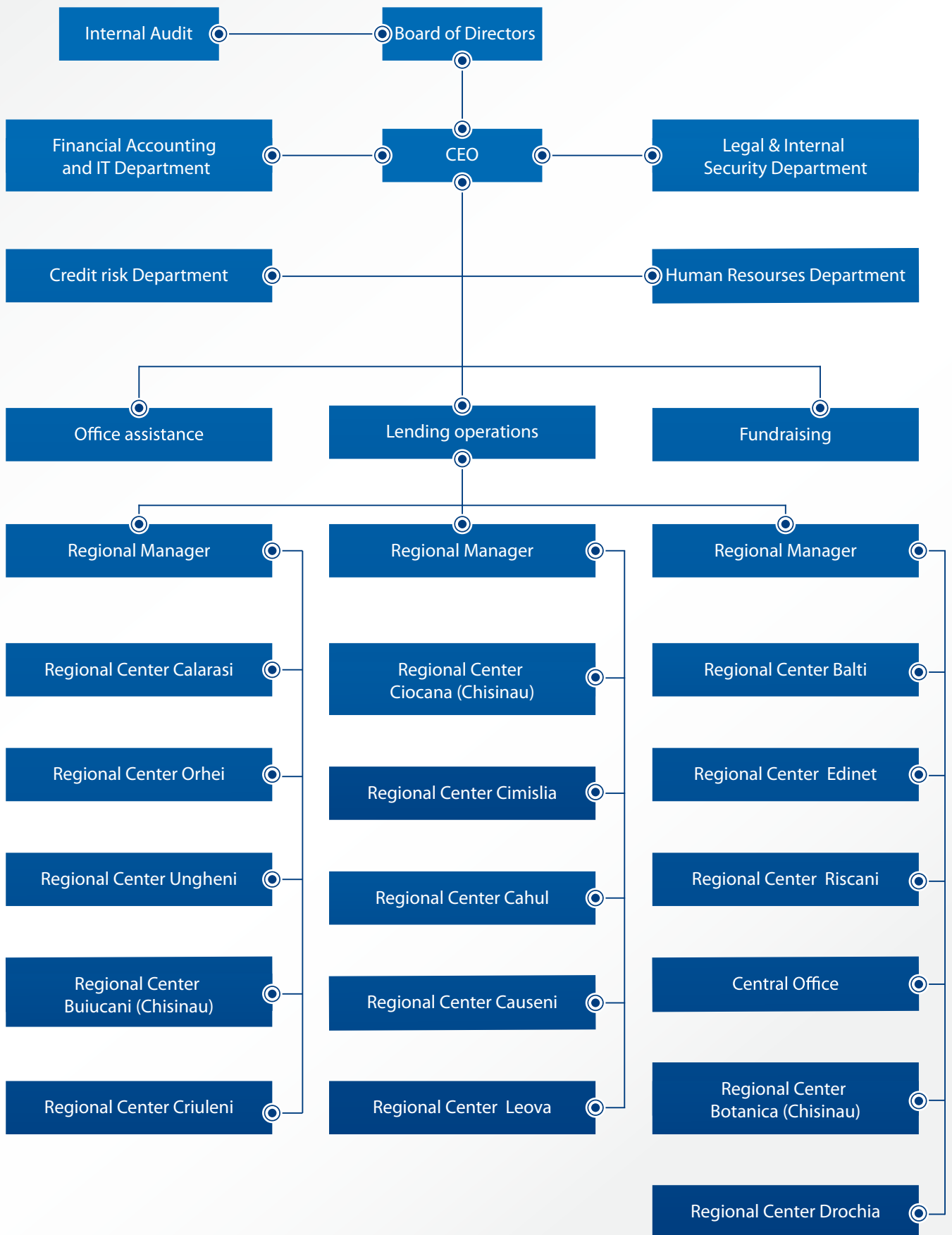


GLP by Branch, mln \$



Number of clients, by Branch





Start:

Amount: MDL 800 000
Term: 5 years
Purpose: Business start –up

Simplus:

Amount: MDL 70 000
Term: 5 years
Purpose: working and fixed assets

SimplusPlus:

Amount: MDL 125 000
Term: 5 years
Purpose: working and fixed assets

Forte:

Amount: MDL 1 600 000
Term: 5 years
Purpose: Business expansion

SCA:

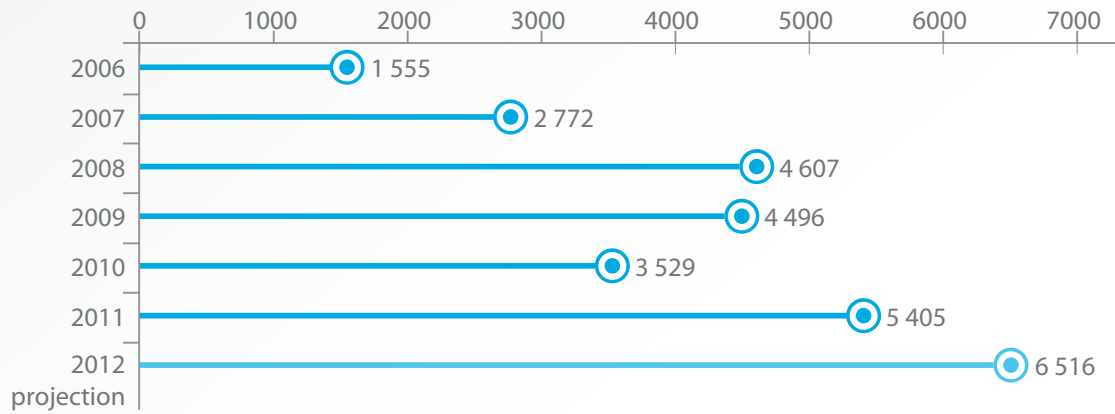
Amount: MDL 8 000 000
Term: 5 years
Purpose: Working capital enhancement

Consumer Loans:

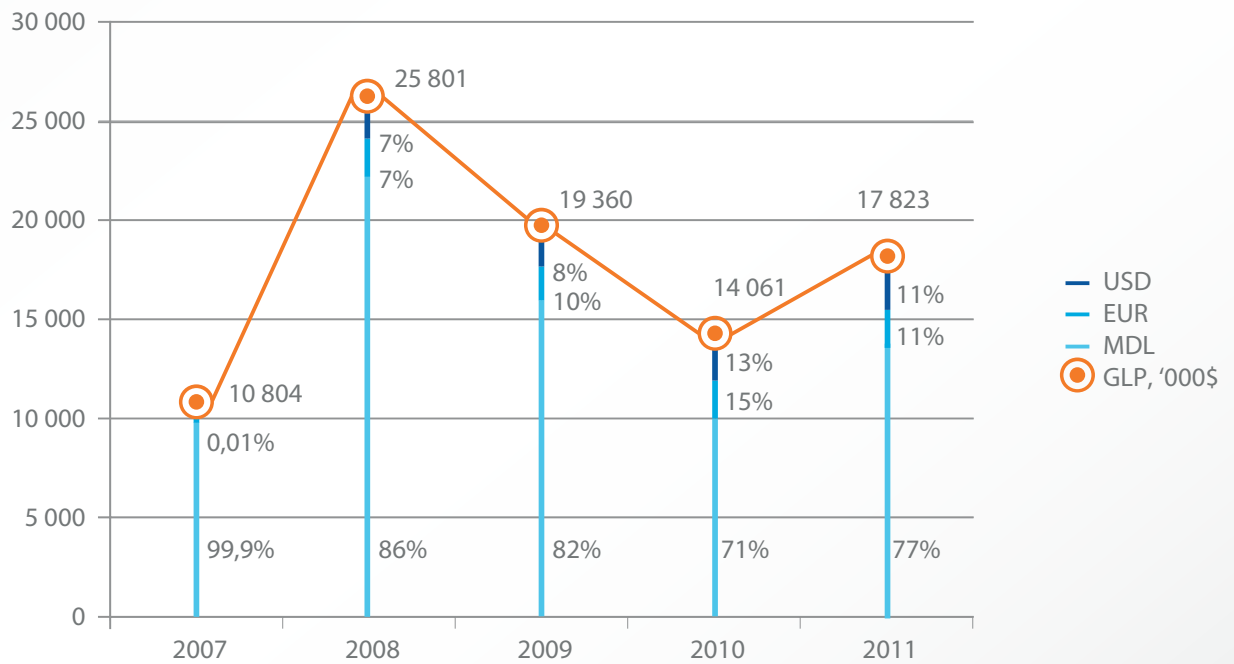
Amount: MDL 1 600 000
Term: 5 years
Types: Housing loans
Car loans
Work & Travel
Student Loans
Retail through partner shops



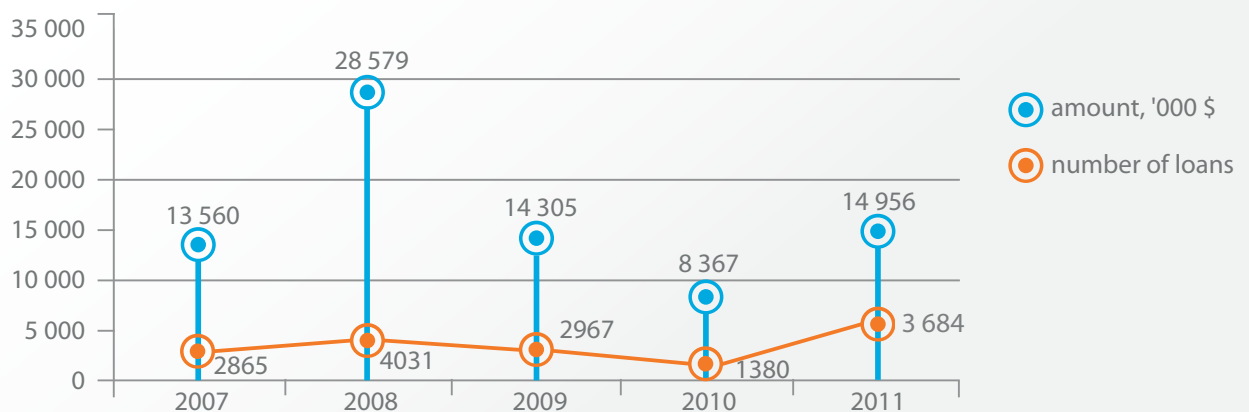
Number of active contracts as of the year-end



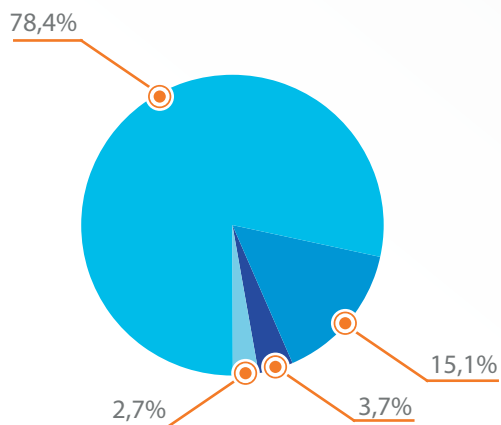
Portfolio by currency



Disbursements

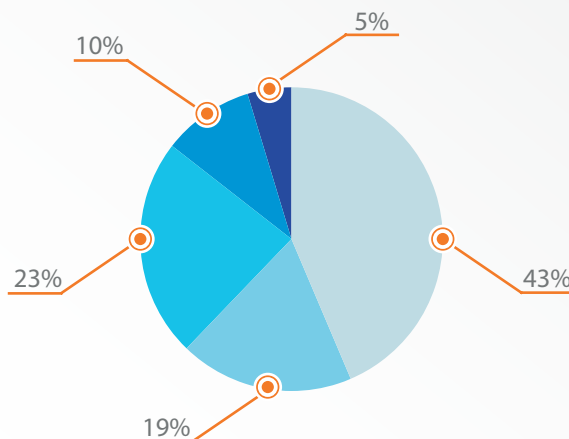


Gross portfolio exposure by term, by final maturity



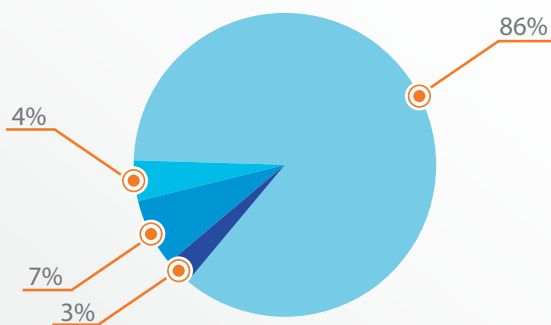
- up to 3 months
- From 3 up to 12 months
- From 1 up to 5 year
- over 5 years

Gross portfolio exposure by amount category



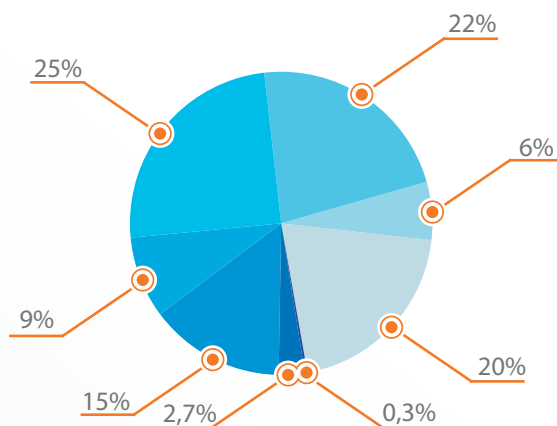
- < 1 000 USD
- 1 000 - 2 000 USD
- 2 000 - 5 000 MDL
- 5 000 - 10 000 MDL
- > 10 000 MDL

Gross portfolio exposure by type of loans



- Direct loans
- Group guaranteed loans
- Credits to savings associations
- Employees loans

Gross portfolio exposure by sector



- Agriculture
- Production
- Trade
- Services
- Food and Beverages
- Consumer
- Employees loans
- other

To the Shareholders and Board of Directors of the Microinvest SRL



Report on the Consolidated Financial Statement

① We have audited the accompanying consolidated financial statements of Microinvest SRL and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of at 31 December 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

② Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

③ Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements.

④ An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

⑤ We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

⑥ In our opinion, the consolidated financial statements present fairly, in all material respect the financial position of the Group as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ICS PricewaterhouseCoopers Audit SRL

	Notes	2011 MDL	2010 MDL
ASSETS			
Cash and cash equivalents	4	3,990,031	15,274,968
Due from banks and other institutions	5	77,510,011	145,205,256
Loans and advances to customers, net	6	203,809,099	161,534,163
Property and equipment	9	13,413,364	13,821,876
Deferred tax assets	8	2,282,577	-
Intangible assets	10	916,079	810,335
Other assets	7	837,133	738,791
Total assets		302,758,294	337,385,389
LIABILITIES			
Interest-bearing loans and borrowings	11	202,735,062	249,498,245
Grants received	12	140,639	218,918
Grants from founders	13	220,995	249,523
Other liabilities	14	3,320,920	1,978,772
Total liabilities		206,417,607	251,945,458
SHAREHOLDERS' EQUITY			
Share capital	15	107,485,826	107,485,826
Less: Treasury shares		(996,531)	(644,864)
Capital Reserve		3,357,389	3,357,781
Accumulated deficit		(13,506,389)	(24,758,814)
Total shareholders' equity		96,340,687	85,439,931
Total liabilities and shareholders' equity		302,758,294	337,385,389

The financial statements were authorized for issue on 8 May 2012 by the Executives of the Group represented by:



Mr Artur Munteanu
General Manager



Mr Sergiu Sobuleac
Chief Financial Officer

	Notes	2011 MDL	2010 MDL
Interest and similar income	17	46,076,932	58,198,115
Interest and similar expense	18	(18,829,787)	(29,429,037)
Net interest and similar income		27,247,145	28,769,078
Provision for impairment of loans		(6,276,753)	(23,829,360)
Net interest after provision expenses		20,970,392	4,939,718
Recoveries on loans	19	17,009,030	5,178,700
Other operating income	20	703,207	330,778
General and administrative expenses	21	(29,381,645)	(26,383,698)
Foreign exchange (losses)/gains		(324,527)	(373,108)
Profit /(loss) before income tax		8,976,457	(15,767,610)
Income tax expense /credit	8	2,275,968	(2,965)
Net profit for the year		11,252,425	(15,770,575)
Other comprehensive income		-	-
Total comprehensive income		11,252,425	(15,770,575)

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Mr Artur Munteanu
General Manager



Mr Sergiu Sobuleac
Chief Financial Officer

	Share capital, MDL	Treasury Shares, MDL	Capital reserve, MDL	Accumulated deficit, MDL	Total shareholders' equity, MDL
Balance at 1 January 2010	76,632,875	-	3,357,781	(8,988,239)	71,002,417
Share issue	30,852,951	-	-	-	30,852,951
Purchase of treasury shares	-	(644,862)	-	-	(644,862)
Total comprehensive income for the year	-	-	-	(15,770,575)	(15,770,575)
Balance at 31 December 2010	107,485,826	(644,862)	3,357,781	(24,758,814)	85,439,931
Balance at 1 January 2011	107,485,826	(644,862)	3,357,781	(24,758,814)	85,439,931
Share issue	-	-	-	-	-
Purchase of treasury shares	-	(351,669)	-	-	(351,669)
Total comprehensive income for the year	-	-	-	11,252,425	11,252,425
Balance at 31 December 2011	107,485,826	(996,531)	3,357,781	(13,506,389)	(96,340,687)



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

Cash flows from operating activities	Notes	2011 MDL	2010 MDL
Interest receipts		41,081,574	53,393,180
Interest payments		(19,262,564)	(26,909,070)
Recoveries on loans		17,009,030	5,718,700
Other income received		323,077	141,194
Payment to employees and suppliers		(28,533,312)	(24,719,627)
Income taxes (paid)/received		488,277	-
		11,106,082	7,624,378
(Increase) decrease in assets/liabilities:			
Loans and advances to customers, net		(43,674,570)	32,629,050
Due from banks and other institutions		61,052,505	4,264,880
Other assets		(98,342)	921,377
Other liabilities		1,313,621	171,896
Net cash from operating activities		29,699,296	45,611,178
Cash flows from investing activities			
Purchase of intangibles		(105,744)	(134,088)
Purchase of property and equipment		(1,012,995)	(618,728)
Net cash from investing activities		(1,118,739)	(752,816)
Cash flows from financing activities			
Borrowings received		98,831,740	21,645,542
Borrowings repaid		(138,401,167)	(130,033,846)
Contributions to share capital		-	30,852,951
Purchase of treasury shares		(351,667)	(644,864)
Net cash from financing activities		(39,921,094)	(78,180,217)
Foreign exchange difference		55,600	(183,523)
Net increase/(decrease) in cash and cash equivalents		(11,284,937)	(33,505,378)
Cash and cash equivalents at 1 January		15,274,968	48,780,346
Cash and cash equivalents at 31 December	16	3,990,031	15,274,968



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

	2012 forecasts
Total assets (million USD):	26
Total equity (million USD):	8.2
Gross loan portfolio outstanding (million USD):	19.8
Profit (million USD):	0.7
Number of active loans outstanding:	6 516
Number of employees:	117
Number of loan officers:	48
PAR > 30 days (%)*:	4.1



* Portfolio at Risk based on CGAP Consensus Guidance



SEDF

Soros Economic Development Fund



Triodos Bank

