



**From a voice telephony company,
towards a full service telecommunications operator**

Annual Report

2000

Key Figures 1994-2000

(According to International Accounting Standards)

	1994	1995	1996	1997	1998	1999	2000
Balance sheet (ROL bn)*							
Fixed assets	32,685	34,766	36,871	38,360	41,198	43,298	49,615
Current assets	3,213	4,724	4,271	3,888	13,179	11,494	8,790
Total assets	35,898	39,491	41,142	42,248	54,377	54,792	58,405
Total shareholders' equity	28,808	28,560	28,570	21,653	33,296	33,868	31,583
Income statement items (ROL bn)*							
Total revenues	10,289	12,293	14,106	15,132	15,777	20,507	21,664
Operating costs	6,411	7,824	8,556	8,791	10,362	14,199	15,536
EBITDA	3,878	4,469	5,550	6,341	5,415	6,308	6,128
Depreciation and amortization	2,520	2,833	3,106	3,463	3,826	4,488	4,862
EBIT	1,357	1,636	2,444	2,878	1,589	1,820	1,266
Income statement items according to Romanian Accounting Standards (ROL bn)**							
Total revenues					7,167	15,457	21,600
Total expenses					7,452	13,965	19,442
Gross profit					-285	1,493	2,158
Income tax						43	609
Net profit					-285	1,450	1,549
Cash Flows (ROL bn)*							
Operating activities	2,983	2,717	5,774	5,577	4,779	4,879	4,407
Investing activities	-6,034	-4,834	-5,077	-4,882	-6,796	-7,495	-6,020
Financing activities	2,610	3,715	1,208	2,374	11,339	271	-823
Effects of inflation and exchange rate	593	-1,379	-2,212	-3,316	-1,334	-865	-894
Cash and cash equivalent at 31 Dec.	717	936	630	382	8,371	5,161	1,831
Operating data (End of year) *							
Switching capacity (million lines)	3.199	3.402	3.534	3.867	4.077	4.424	4.789
Digital switching capacity (million lines)	0.374	0.632	0.874	1.341	1.734	2.254	2.673
Main telephone lines (million)	2.774	2.949	3.134	3.397	3.594	3.740	3.855
Digital main telephone lines (million)	0.188	0.450	0.703	1.039	1.469	1.850	2.114
Total payphones	24,063	23,873	23,954	23,516	24,478	34,831	41,666
ISDN-BRA							213
ISDN-PRA							104
Penetration (%)	12.2	13.0	13.9	15.1	16.0	16.7	17.2
Digitalization (%)	6.8	15.3	22.4	30.6	40.9	49.5	54.8
Faults/100 MTL/year	96.0	93.8	88.6	76.7	68.7	49.2	35.7
Fault clearing time (hours)	40.7	48.6	51.8	46.1	47.7	34.8	17.7
Staff number	52,509	53,759	53,527	52,104	48,441	44,919	42,303
Lines in service per employee	52.8	54.8	58.5	65.2	74.2	83.3	91.1
Total revenues/employee (ROL m)*	196	229	262	290	326	457	512
Total revenues per line (ROL m)*	3.71	4.17	4.47	4.45	4.39	5.48	5.62

* All comparative financial information (according to International Accounting Standards) is presented in terms of the measuring unit current as of December 31st 2000.

** According to Romanian Accounting Standards

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Foreword by the Chief Executive Officer



RomTelecom's restructuring process began early in 1999, immediately after take-over. Our executive team, which includes people from RomTelecom, Verizon (former GTE) and OTE, clearly defined RomTelecom's strategic direction for the next years, recognising the multiple roles RomTelecom must fill in meeting stakeholders' expectations.

Now, two years after take-over we have to say that, despite the fact our results are in accordance with plans, we must accelerate this restructuring process to maintain market leadership. Our aim is to take advantage of opportunities arising from the convergence of new technologies, telecommunications and multimedia services to shortly become a full service operator.

Dear Readers,

RomTelecom's restructuring process began early in 1999, immediately after OTE take-over. Our executive team, which includes people from RomTelecom, Verizon (former GTE) and OTE, clearly defined RomTelecom's strategic direction for the next years, recognising the multiple roles RomTelecom must fill in meeting the expectations of our stakeholders: customers, employees, shareholders, Romanian society. Now, two years after take-over we have to say that, despite the fact our results are in accordance with plans, we must accelerate this restructuring process to take advantage of the convergence of new technologies, telecommunications and multimedia services.

In 2000 about 605,000 new lines were installed in digital exchanges, but because of optical cable shortage to connect distant units about 136,000 were not in function by December 31st. Therefore, RomTelecom increased its digital switching capacity by some 365,000 lines and replaced many of old manual and analogue lines. RomTelecom returned to profit! We took over a loss making company, and, in 1999, as well as, in 2000 RomTelecom made profit. Gross profit according to Romanian Accounting Standards jumped 44.5 per cent to ROL 2,158bn in 2000, while net profit increased only 6.8 per cent to ROL1,548bn mainly due to high income tax ROL609bn. This is the result of a heavy investment policy, US\$587 million in 2000, improved quality, increase in efficiency, job cuts, as well as, a 11.4 per cent tariffs decrease in real terms last year.

Worldwide telecommunications operators are moving towards a full service operator role. To adopt this new approach, RomTelecom puts more pressure on diversifying its business portfolio by entering new businesses, as well as restructuring its core business – fixed telephony.

RomTelecom is looking for a new approach for its mobile arm Cosmorom. Cosmorom plans to cover in 2001 some 75 per cent of the population and raise its subscriber base to some 165,000 users. In order to stay in business, besides increasing its market share, Cosmorom intends to obtain and operate an UMTS license. This could be the shortest way towards fixed-mobile convergence, and we are considering fixed-mobile convergence one of our strengths, which we want to take competitive advantage of as soon as possible.

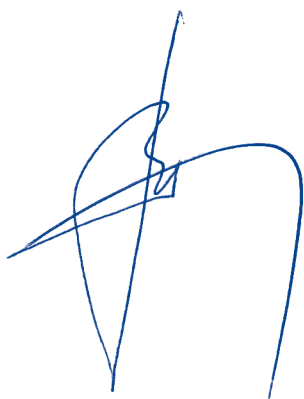
This year RomTelecom will launch ARTelecom - its Internet arm, a company to take advantage of RomTelecom's national infrastructure and support, able to shape a still incipient industry. Investments are planned for national coverage and to provide in addition to Internet services, voice over IP and data transmissions based on a PMP data access license obtained last year.

RomTelecom will also accelerate restructuring its core business – fixed telephony, beginning with telecommunications infrastructure. RomTelecom will continue to develop its backbone network based on optical cable to connect more and more cities with high capacity streams. Special attention must be paid to our local network. Our 2.65 million new lines program, launched in 1999, will eliminate the manual exchanges and the existing waiting list within two years and will make our services more available to most of the 22.4 million Romanians, while a continuous increase in digitalization represents an increase in service quality. RomTelecom will pay special attention to business clients – a clear target for the newcomers in the liberalized market. We will pay attention to their needs: high speed, high reliability, high capacity, and we are ready to develop customer tailored solutions based on the latest technologies. RomTelecom shall continue to install new digital lines in 2001, and plans to launch commercially ISDN services, voice mail and IN services: green numbers, teleconference, televoting, smart cards, etc.

The continuous increase in automation and digitalization of our networks will require fewer, but more skilled personnel. That is why personnel reduction will continue, while the qualifications of personnel are changing continuously moving toward personnel with university degrees. 2,600 jobs were cut in 2000 to 42,300 employees, and this number should decrease to some 30,000 in 2003, mainly due to heavy investments in infrastructure and replacement of manual phone lines.

RomTelecom restructuring requires a very aggressive investment policy in the next few years, which means more money than RomTelecom is able to generate, and RomTelecom must attract funds on the world financial and capital markets.

Taking into account the planned liberalisation for 1 January 2003, 2001 is a crucial year in RomTelecom's transition from a voice company towards a full service operator.



Vassilios Tsakoniatis
Chief Executive Officer

2000 Performance Highlights

Main Events

- Cosmorum was commercially launched in 2000. On March 20th, 2000, Cosmorum launched pre-paid services, while post-paid services were launched in May. Cosmorum was the first Romanian mobile operator to provide mobile services using the 1,800 MHz frequency band.
- In March 2000 the ISDN pilot project was launched offering primary access and, later in May, basic access.

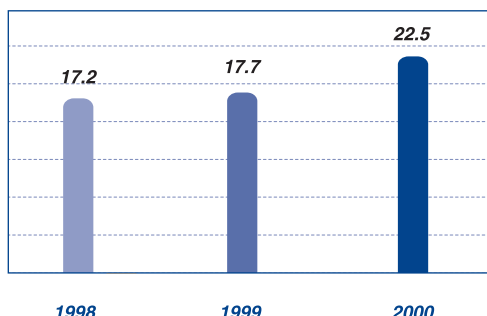
Operational data, as of December 31, 2000

- 4.789 million lines total switching capacity, a 0.365 million increase over 2000.
- 2.673 million digital lines, a net increase of 0.419 million compared to 1999.
- 3.855 million main telephone lines (subscribers, public phones), 0.115 million being connected in 2000.
- 2.114 million digital main telephone lines (subscribers, public phones), of which 0.263 million were connected in 2000.
- 3.438 million residential subscribers, of which 0.091 million were connected in 2000.
- 0.642 million rural subscribers, of which 0.073 million were connected in 2000.
- 41,666 payphones, out of which 41,093 are card operated.
- 213 ISDN BRA connections for 85 users.
- 104 ISDN PRA connections for 53 users.
- 16,540 Km optical fiber cable, of which 3,690 Km were installed in 2000.
- 17.2% penetration rate (16.7% on December 31, 1999).
- US\$586.9 million is the total investment RomTelecom made in 2000.

Quality factors

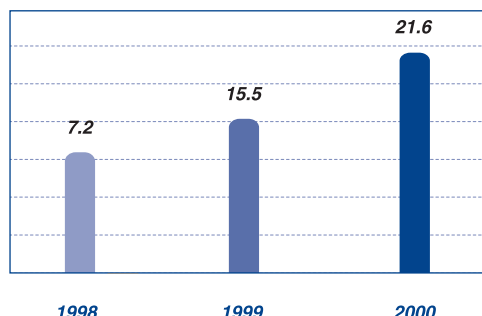
- 94.6% of main telephone lines are connected to automatic exchanges.
- 54.8% of main telephone lines are connected to digital exchanges.
- 77.5 - average number of confirmed complaints per 100 main lines per year in 2000 compared with 105 in 1999.
- 35.7 - average number of confirmed faults per 100 main lines per year in 2000, compared with 49.2 in 1999.
- 17.7 hours - average time for fault clearing in 2000, compared with 34.8 hours in 1999.
- 2.69 seconds - average post dialing delay in 2000, compared with 3.0 seconds in 1999.

**Total Fixed Assets - RAS
(ROL thousand bn)**



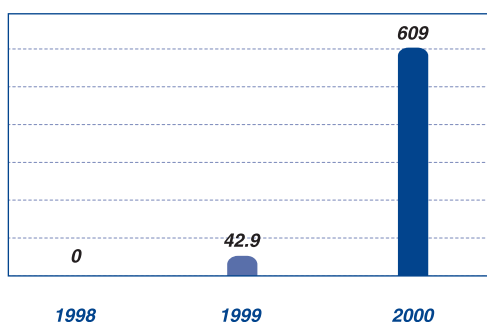
In 2000, RomTelecom's long term assets according to RAS – Romanian Accounting Standards increased 27 per cent due to heavy investments, mainly in tangible assets.

**Total revenues - RAS
(ROL thousand bn)**



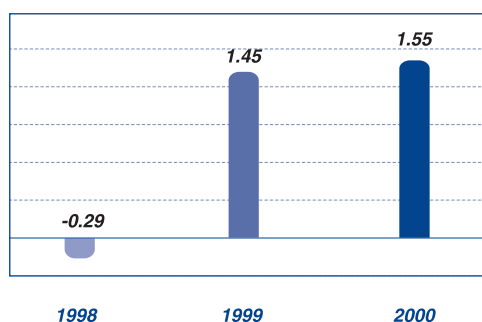
RomTelecom's total revenues according to RAS increased 39.7 per cent, primarily hindered by an 11.4 per cent decrease in tariffs, in real terms.

**Income Tax on Profit - RAS
(ROL billion)**



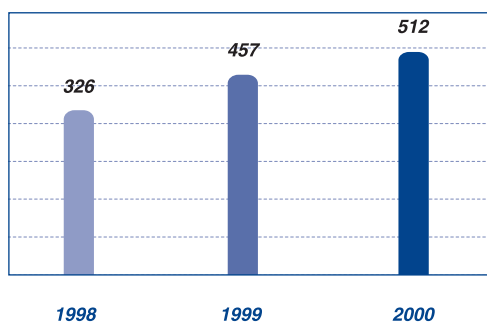
Income tax on profit according to RAS increased continuously in the last two years, reflecting the increase in company efficiency.

**Net profit RAS
(ROL thousand bn)**



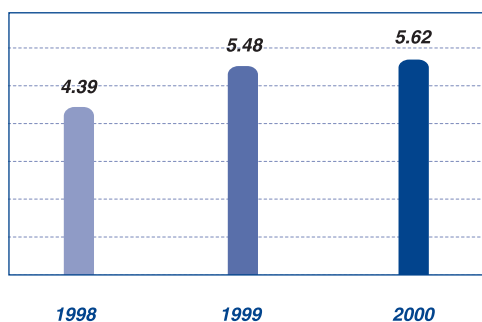
In 1999 RomTelecom returned to profit! In 2000, net profit, according to Romanian Accounting Standards, increased only 6.8 per cent due to high income tax.

**Total revenues/employee
(ROL million)**



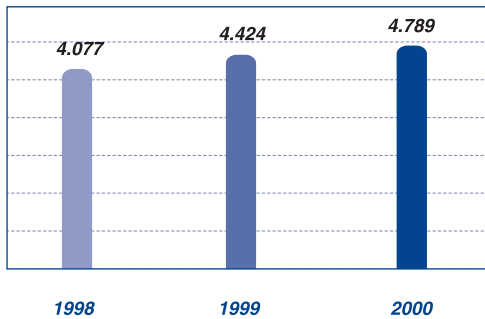
Total revenues/employee according to IAS increased 12.2 per cent, due to a 5.9 per cent decrease in staff, as well as a 5.6 per cent increase in total revenues.

**Total revenues/line
(ROL million)**



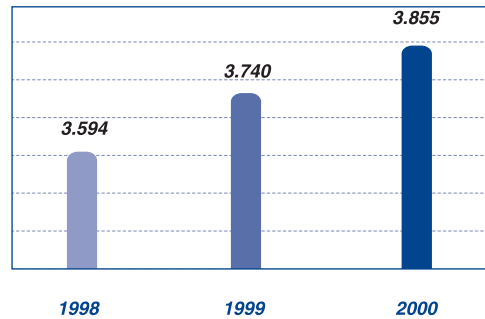
The increase in total revenues/line (IAS), 2.5 per cent, was reduced by the 11.4 per cent tariffs decrease in real terms in 2000.

**Switching capacity
(million lines)**



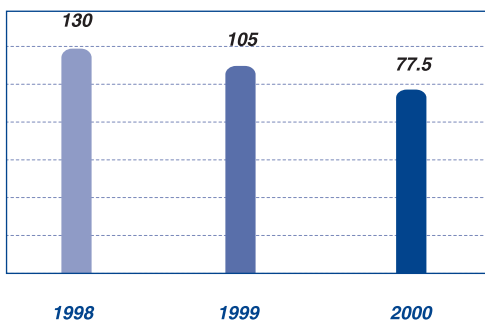
RomTelecom's switching capacity increased 8.2 per cent by year-end 2000, due to installing new digital lines, which now account for 55.8 per cent of total lines.

**Main Telephone Lines
(million)**



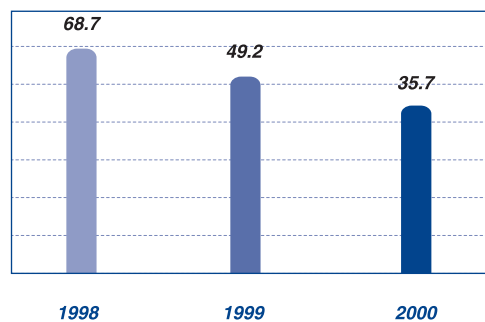
Lines in service increased 3 per cent, with new subscribers primarily connected in digital exchanges, digital subscribers representing 54.8 per cent.

Complaints/100MTL/year



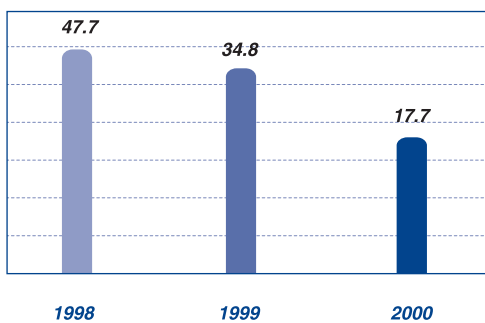
The quality of services RomTelecom provides is continuously increasing! Due to the new business approach, complaints decreased 26.5 per cent in 2000.

Faults/100MTL/year



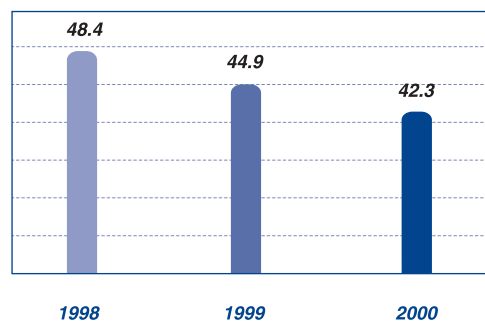
Due to new installed equipment (digital exchanges, plastic insulated cable, etc.) faults decreased 27.4 per cent in 2000.

**Fault clearing time
(hours)**



In 2000, fault-clearing time dropped 49.3 per cent due to new installed equipment, as well as increasing maintenance efficiency.

**Staff
(000's)**



In the mean time, RomTelecom's total staff decreased 5.8 per cent or 2,600 jobs, as part of a five year plan for 17,000 job cuts.



Achievements 2000

Achievements 2000

Domestic Activity

A. Revenues

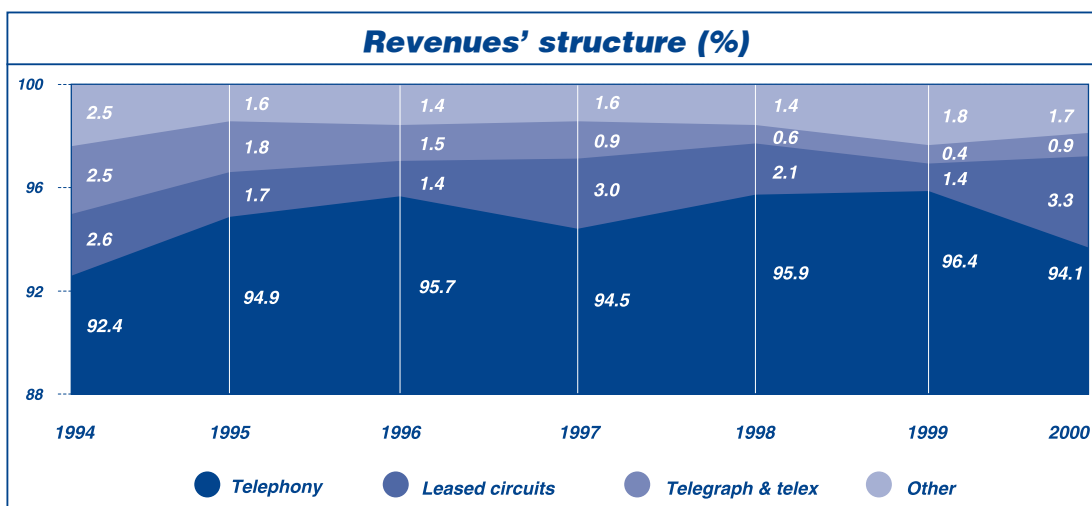
In 2000, RomTelecom's total revenues, according to International Accounting Standards – IAS, increased 5.6 per cent reaching ROL 21,664bn. The most spectacular growth was experienced in telegraph and telex, as well as leased circuits which more than doubled their revenues. The small increase in telephony revenues, 3.1 per cent, is due to the fact that in 2000 RomTelecom decreased 11.4 per cent tariffs in real terms, taking into account 40.7 per cent inflation rate and 26.3 per cent tariffs increase. As a result, telephony's revenue weight in total revenues decreased to 94.1 per cent.

Revenues by type of business activity*

	1999 ROL billion	1999 (%)	2000 ROL billion	2000 (%)	Change (%) 2000/1999
National calls	8,745	42.6	8,884	41.0	1.6
Rentals	3,726	18.2	4,378	20.2	17.5
Overseas operators	3,026	14.8	2,655	12.3	-12.3
International calls	1,639	8.0	1,626	7.5	-0.8
Interconnect with mobile operators	770	3.8	922	4.3	19.7
Payphones	605	3.0	800	3.7	32.2
Connections fees	287	1.4	140	0.6	-51.2
Calls to value added services	331	1.6	254	1.2	-23.3
Other telephony	644	3.1	722	3.3	12.1
Total telephony	19,773	96.4	20,381	94.1	3.1
Leased circuits	293	1.4	709	3.3	142
Telegraph and telex	76	0.4	196	0.9	158
Other	365	1.8	378	1.7	3.6
Total revenues	20,507	100	21,664	100	5.6

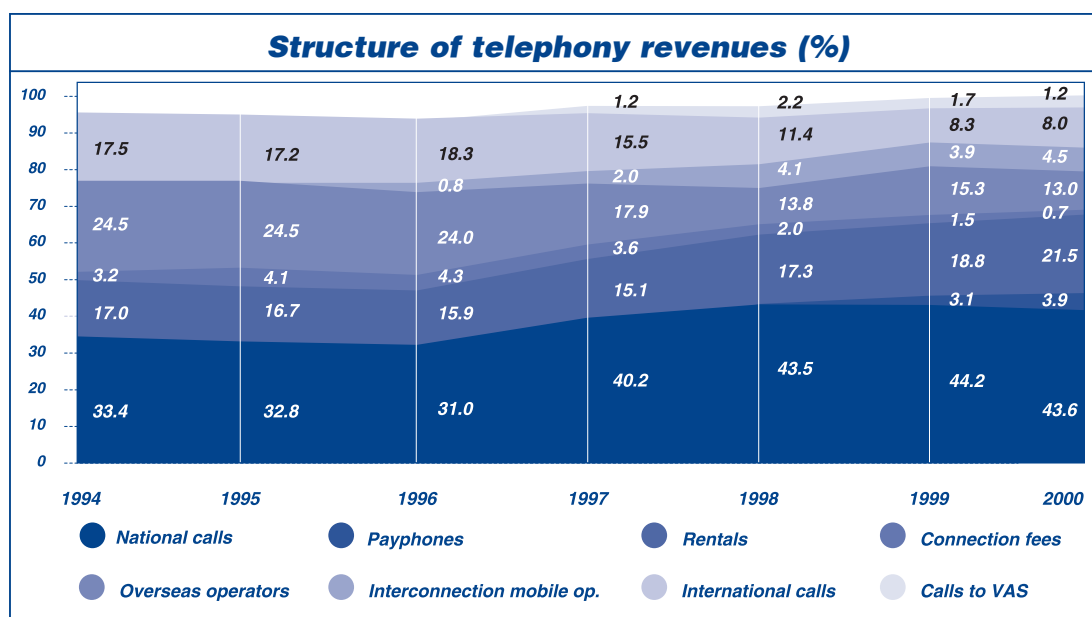
* All comparative financial information (according to IAS) is presented in terms of the measuring unit current as of December 31st 2000.

Revenues' structure (%)

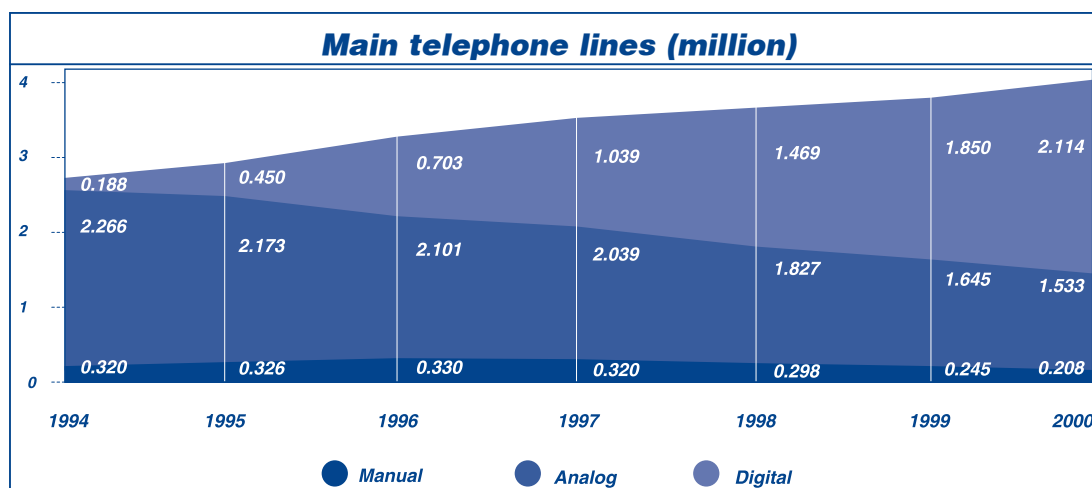


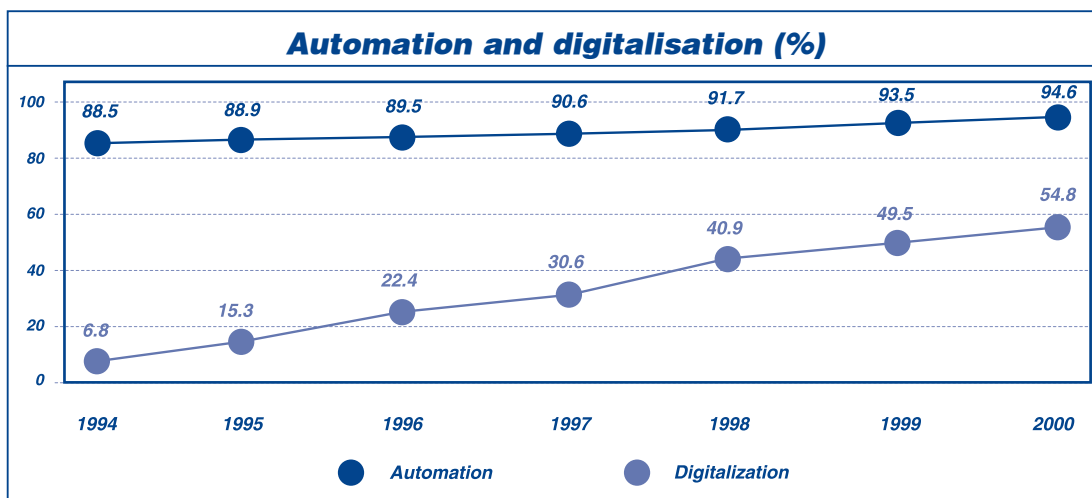
1. **Telephony** remains the largest service RomTelecom provides: in 2000, 94.1 per cent of total revenues, according to IAS, were generated by basic telephony services. This is the result of efforts made to develop the telephony infrastructure at a steady rate and to increase the number of customers, which made RomTelecom too dependent on telephony.

Due to tariff re-balancing started in 1997, the contribution of domestic calls (national calls, payphones, rental, etc.) in telephony revenues has increased continuously, while the contribution of other services (i.e. international activity) has decreased.

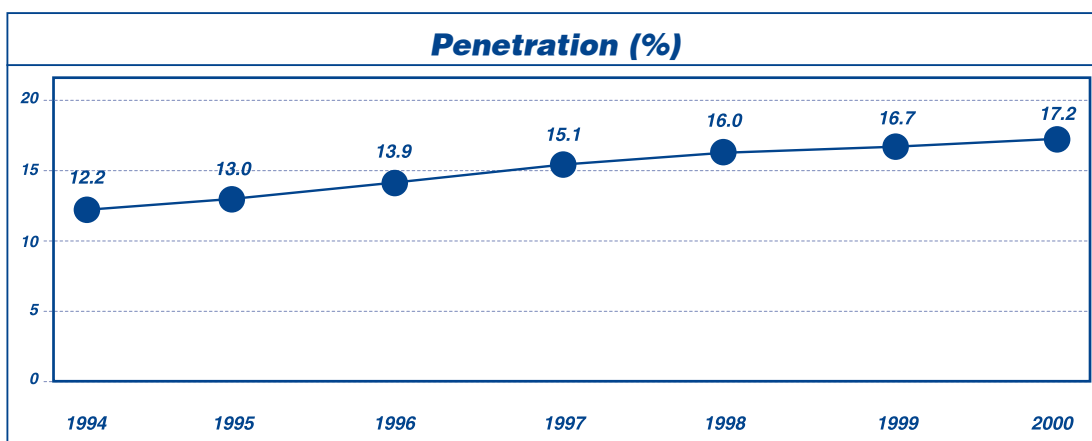


During the year, 115 thousand new main telephone lines (residential or business subscribers, public phones) were added, increasing the total number to 3.855 million users by the end of 2000. While the number of subscribers connected in analog and manual exchanges decreased significantly, 149 thousand, the number of 'digital' subscribers increased at a more significant pace, 263 thousand in 2000, resulting in an important increase in digitalization, 54.8 per cent by year end 2000, compared with 49.5 per cent one year ago.

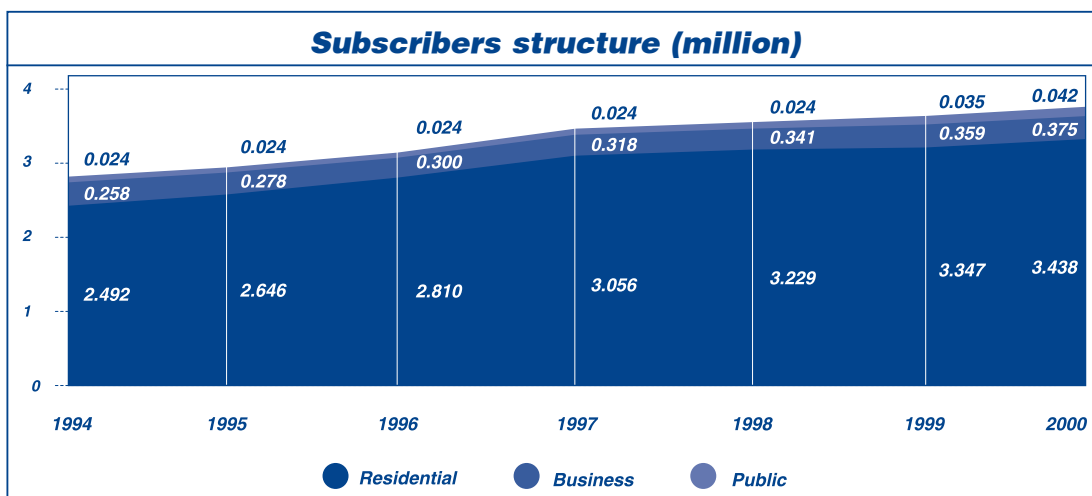




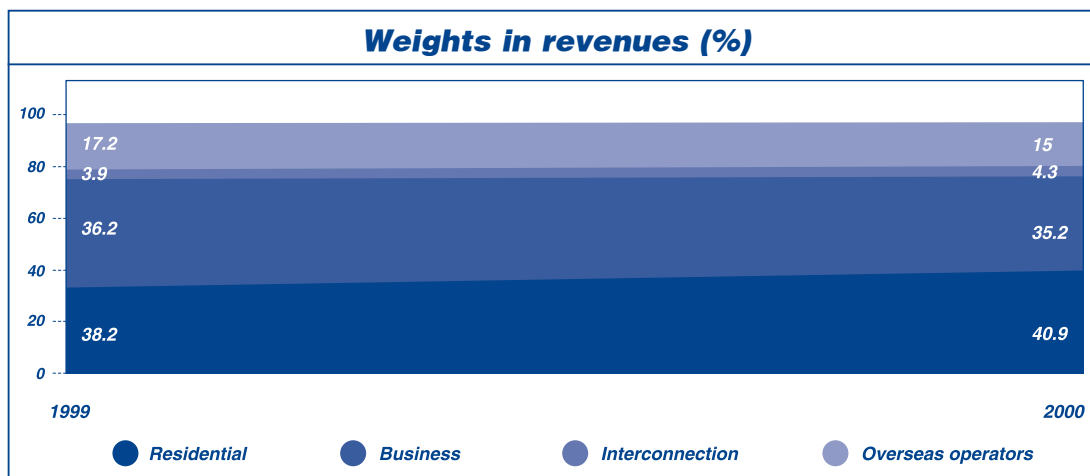
Penetration, measured in main telephone lines (residential and business subscribers and public phones) in service per 100 inhabitants, increased to 17.2 per cent by the end of 2000, from 16.7 per cent in 1999.



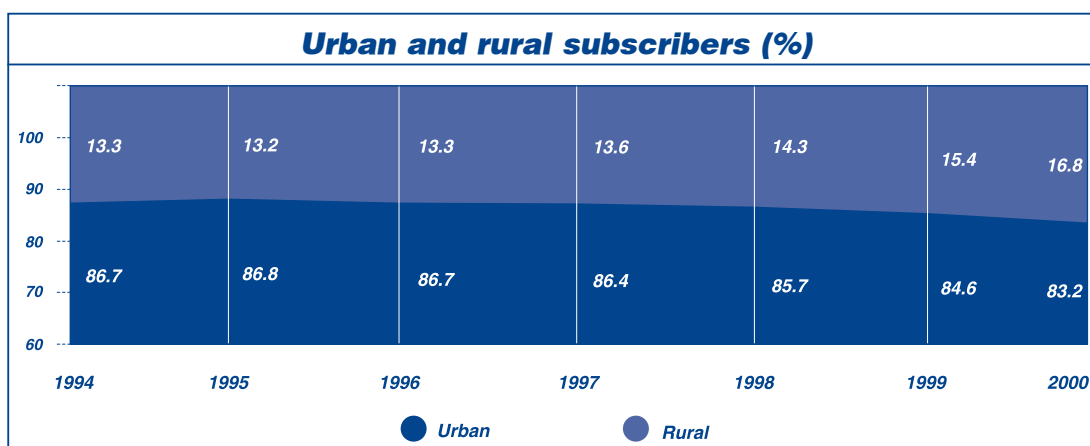
By the end of 2000 there were approximately 0.375 million business subscribers, 3.438 million residential subscribers and 41,666 public phones.



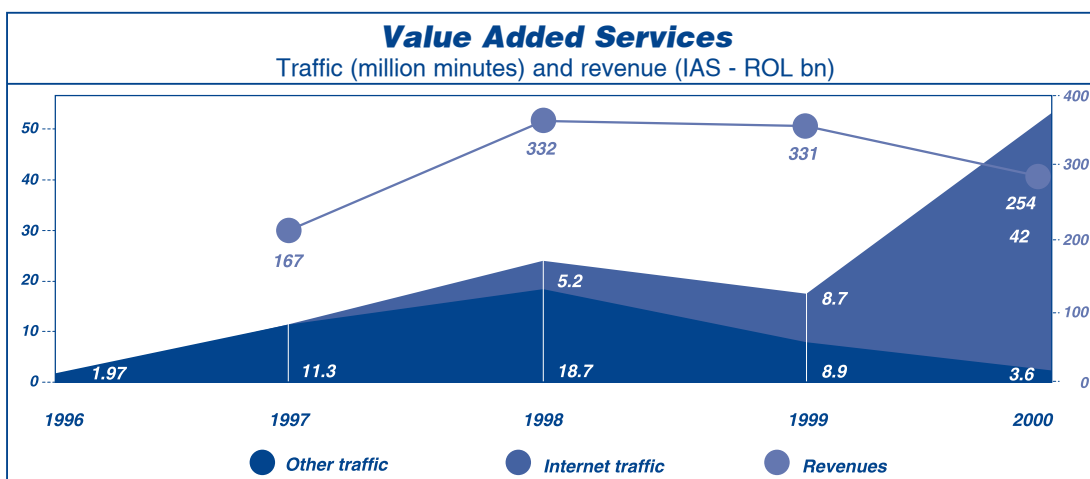
Although business subscribers account for 9.7 per cent of RomTelecom’s customer base, they have generated 35.2 per cent of revenues in 2000.



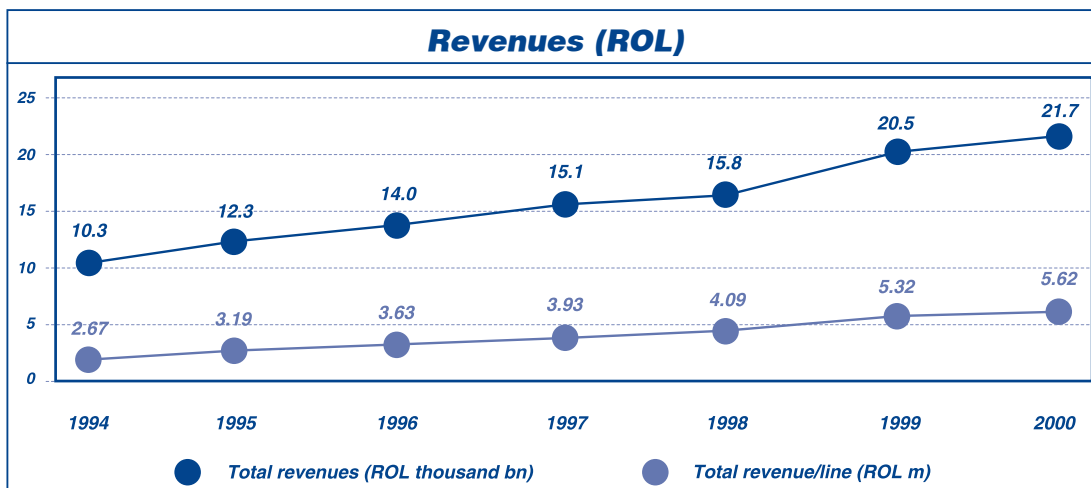
Most of RomTelecom subscribers, 83.2 per cent, live in urban areas - 3.171 million subscribers of the total 3.814 million residential and business subscribers (public phones not included). The weight of rural subscribers has increased in recent years, due to the demand for phone lines, as well as RomTelecom investments in rural areas.



Traffic generated by Value Added Services increased 159 per cent to 45.6 million minutes, mainly due to a 383 per cent spectacular jump in Internet traffic. In the mean time the revenues VAS generated last year decreased 23 per cent to ROL 254bn (IAS). The common cause for both is the decrease in Internet access tariffs.



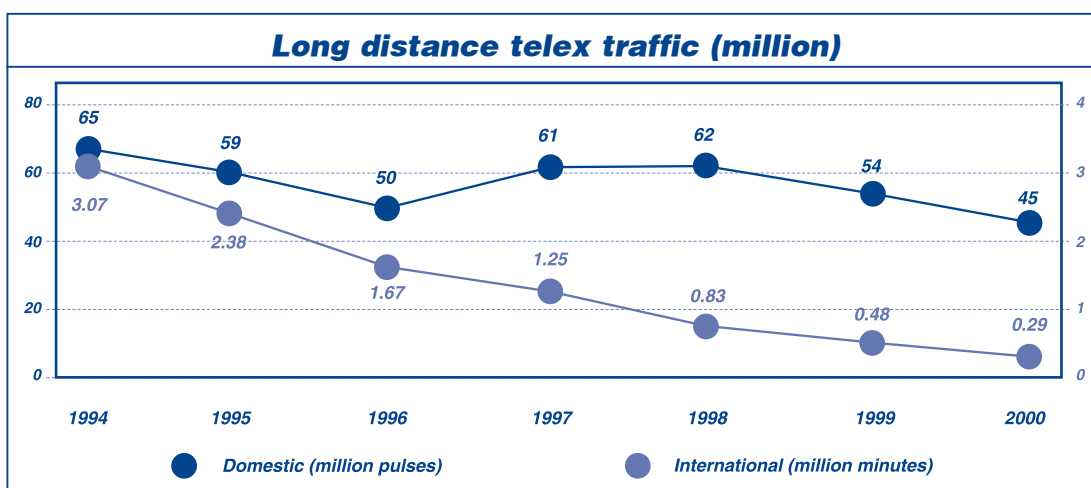
Revenue per main telephone line, according to IAS, increased 2.5 per cent in 2000 to ROL5.62 million compared with 1999, mainly due to 11.4 per cent tariffs decrease in real terms.



* Revenues are presented in terms of the measuring unit current as of 31 December 2000 (according to IAS).

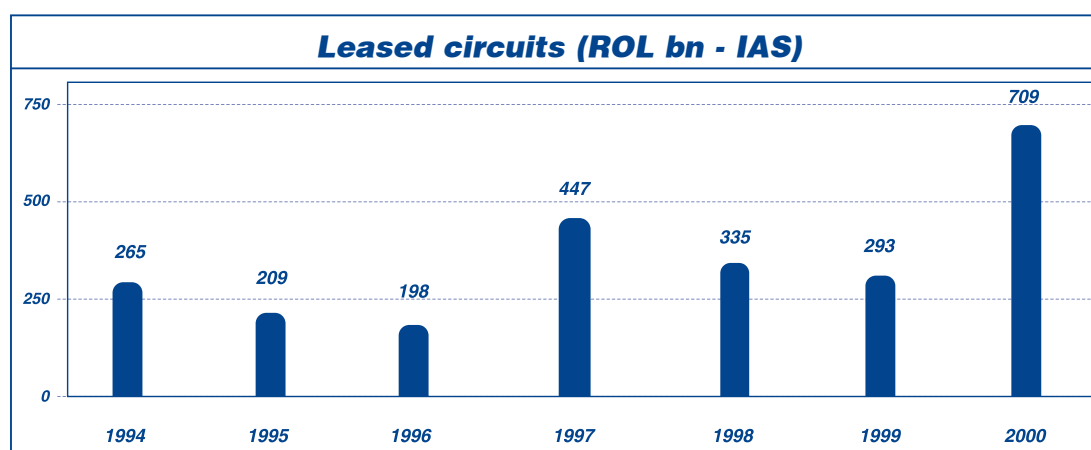
2. Telegraph and telex services

Despite a 158 per cent increase in revenues to ROL 196bn in 2000, telegraph and telex services are experiencing a decreasing trend in users number or traffic. By the end of 2000 they accounted for 0.9 per cent of RomTelecom revenues.



3. Leased circuits

Last year revenues from leased lines experienced a spectacular increase, 142 per cent jump to ROL 709bn, so their weight in total revenues increased to 3.3 per cent, according to IAS.



* Leased circuits revenues (according to IAS) are presented in terms of the measuring unit current as of 31 December 2000.

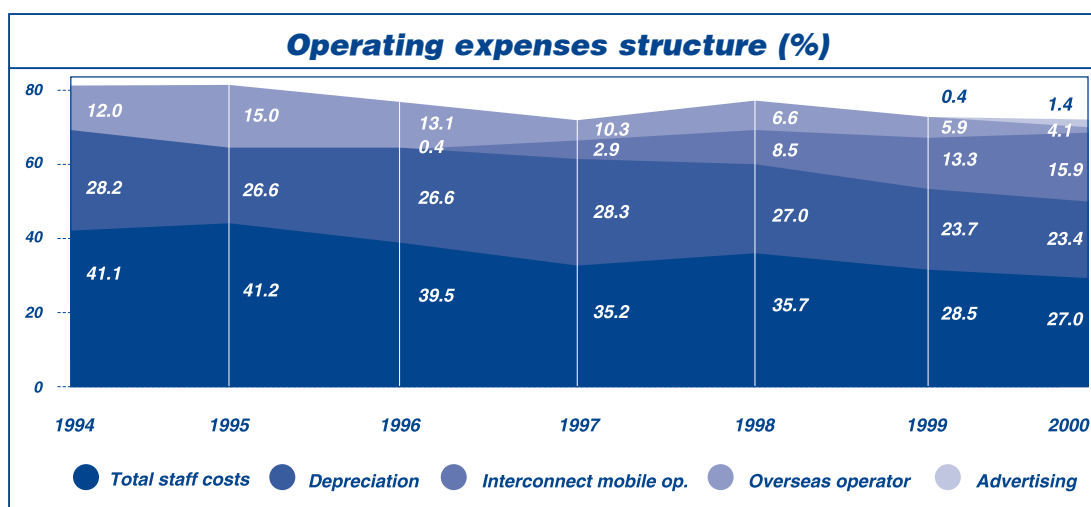
B. Expenses

In 2000 expenses increased by 9.2 per cent, according to IAS, to ROL 20,398bn. This is mainly due to continuous increase in interconnection costs – payments to mobile operators – which increased 30.8 per cent in 2000 compared with 1999, to ROL 3,249bn or 15.9 per cent in total expenses. RomTelecom must diversify its service portfolio in order to increase the traffic, *i.e.* revenues, originating from mobile operators. Staff costs experienced a slow increase, 3.8 per cent (according to IAS) which was offset by a 5.9 per cent decrease in the company's employees to 42,303. That is why staff costs weight in total expenses continues its decreasing trend: 27 per cent by year end 2000, compared with 35.7 per cent in 1998.

Operating costs*

	1999 ROL billion	1999 (%)	2000 ROL billion	2000 (%)	Growth (%) 2000/1999
Wages and salaries	3,786	20.3	3,919	19.2	3.5
Social security contribution	1,531	8.2	1,598	7.8	4.4
Total staff costs	5,317	28.5	5,517	27.0	3.8
Depreciation	4,436	23.7	4,780	23.4	7.8
Interconnect mobile operators	2,483	13.3	3,249	15.9	30.8
Consumables	842	4.5	933	4.6	10.8
Overseas operators	1,104	5.9	838	4.1	-24.1
Maintenance	824	4.4	726	3.6	-11.9
Advertising	72	0.4	293	1.4	306.9
Spare parts	206	1.1	271	1.3	31.6
Payments to VAS suppliers	229	1.2	225	1.1	-1.7
Utilities	149	0.8	152	0.7	2.0
Amortization	52	0.3	82	0.4	57.7
Other	3,133	16.8	3,508	17.2	12.0
Total	18,847	100.9	20,574	100.9	9.2
Less own work capitalized	-160	-0.9	-176	-0.9	10.0
Total operating costs	18,687	100	20,398	100	9.2

* All comparative financial information (according to IAS) is presented in terms of the measuring unit current as of December 31st 2000.



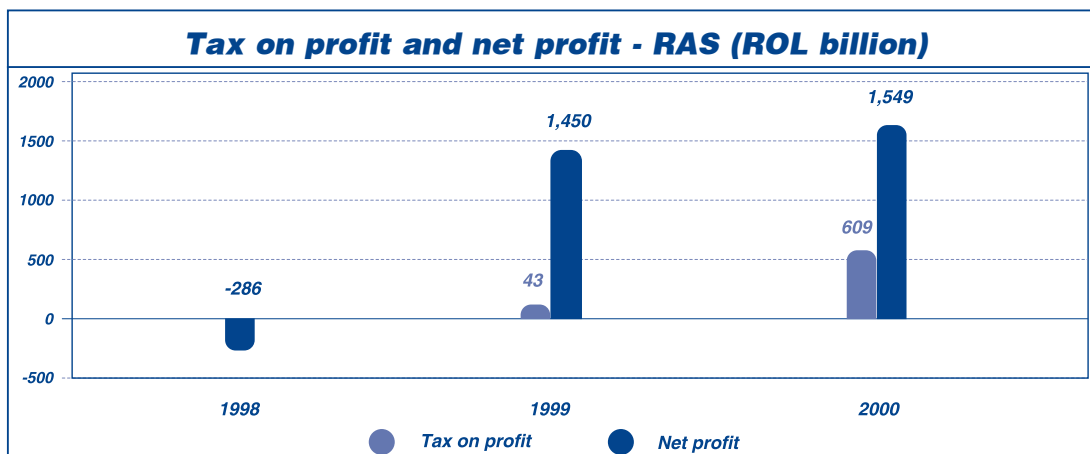
According to IAS, overseas costs amount to ROL838bn, their weight in expenses continues a decreasing trend, 4.1 per cent of total expenses, while the revenues from overseas operators, ROL2,655bn, decreased to 12.3 per cent.

C. Profit and Loss account

According to the International Accounting Standards (IAS), RomTelecom experienced in 2000 a decrease in its profit mainly due to non-operative items: tax on profit, releases of deferred tax.

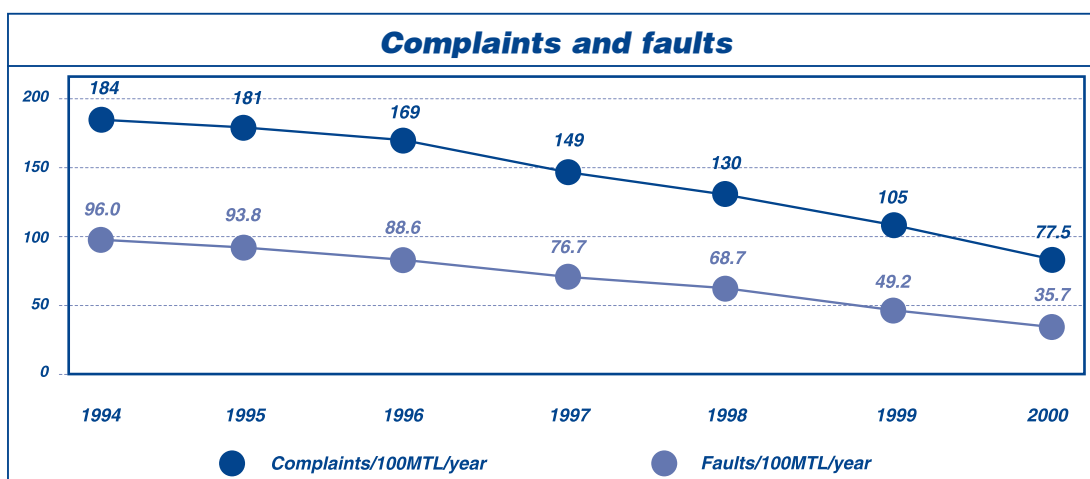
	International Accounting Standards		Romanian Accounting Standards		1999		2000	
	1999	2000	1999	2000	1999	2000	1999	2000
	ROL bn	(%)	ROL bn	(%)	ROL bn	(%)	ROL bn	(%)
Revenues	20,507	100	21,664	100	12,707	100	19,316	100
Operating costs	18,687	91.1	20,398	94.2	9,509	74.8	14,076	72.9
Operating profit	1,820	8.9	1,266	5.8	3,198	25.2	5,240	27.1
Financial items - net	-1,615	-7.5	-1,218	-5.6	-1,819	-14.3	-2,940	-15.2
Exceptional result - net					113	0.9	-143	-0.7
Net profit before tax	205	1.0	48	0.2	1,493	11.7	2,158	11.2
Income tax on profit	-1,202	-5.9	-1,828	-8.4	43	0.3	609	3.2
Release of deferred tax	1,531	7.5						
Net profit	534	2.6	-1,780	-8.2	1,450	11.4	1,549	8.0

According to the Romanian Accounting Standard - RAS (RomTelecom is still a tax and dividend payer according to Romanian Accounting Standards), RomTelecom's financial results are much more attractive. For the second consecutive year RomTelecom made a profit, after a loss-making year 1998. In 2000, the operating profit margin increased to 27.1 per cent from a 25.2 per cent a year before, while the net profit before tax jumped 44.5 per cent to ROL2,158bn from a ROL1,493bn in 1999. Taking into account 40.7 per cent inflation rate in 2000, this represents a 9 per cent increase in real terms - the result of the increase in revenues, as well as keeping other items under reasonable limits. Net profit increased 6.8 per cent to ROL 1,549bn, mainly due to higher tax on profit - ROL609bn, compared with ROL43bn in 1999, when one cumulated losses from previous years.

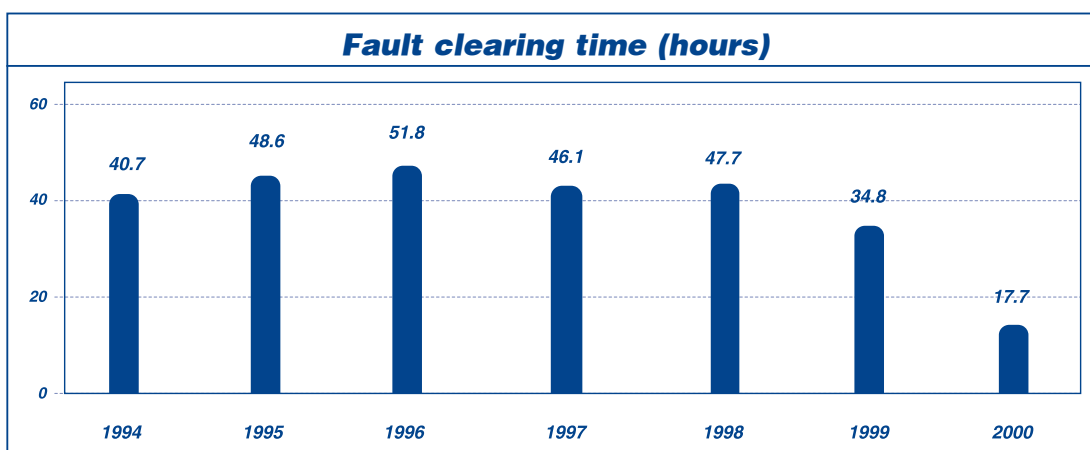


D. Service quality

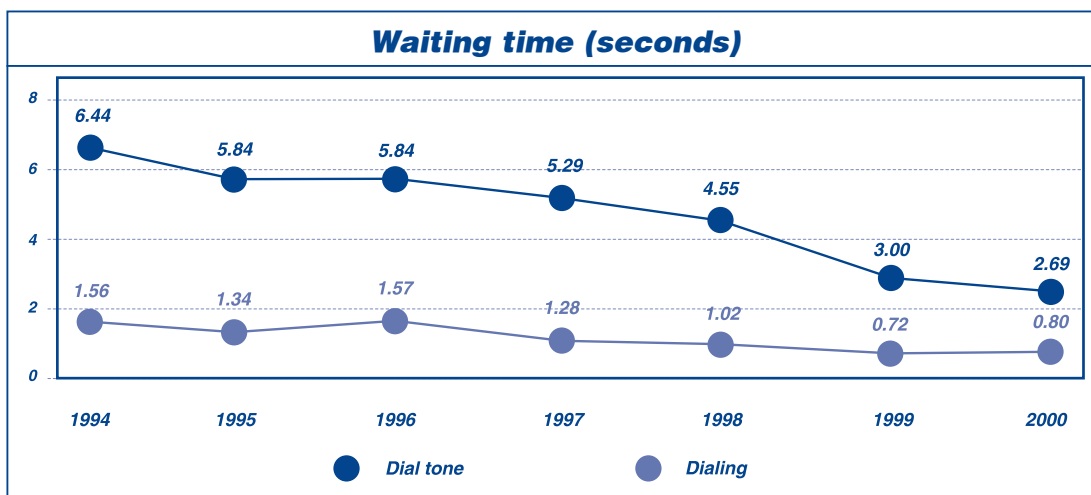
Due to efforts made towards network modernisation, RomTelecom has achieved a steady improvement in service quality. For instance, the number of complaints and faults has declined steadily in recent years, mainly due to the quality of new installed equipment – digital exchanges, plastic insulated cables, etc.



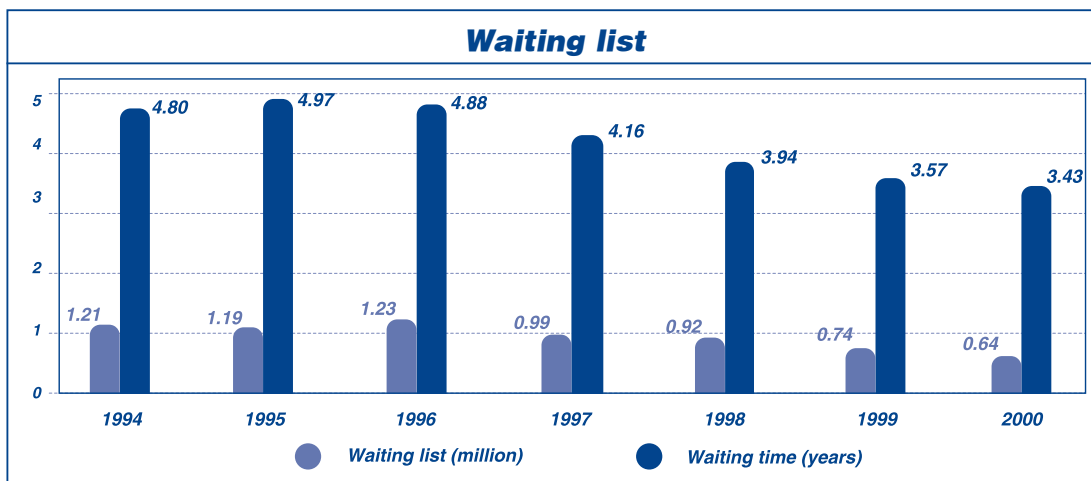
Fault clearing time experienced a spectacular jump: from 34.8 hours in 1999 to 17.7 hours in 2000, but remains high, mainly due to problems caused by a still obsolete local network – paper insulated cables, analogue exchanges, etc.



Average dial tone and average post dialing delay have decreased continuously mainly due to the increase in the number of new installed digital exchanges.



The waiting list and the average waiting time for a telephone line have slowly decreased in the last few years due to access network problems.



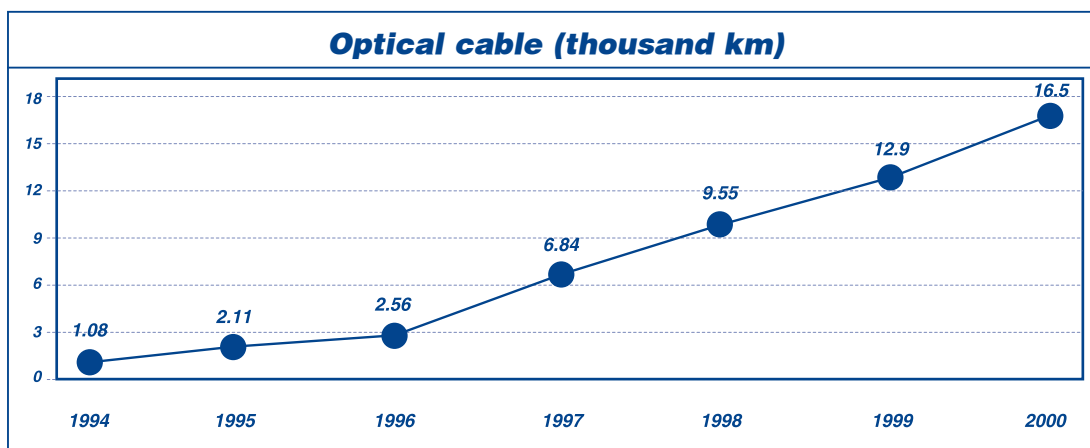
To improve the quality of provided services RomTelecom is also involved in fraud detection, e.g. illegal connections, cable and equipment theft, protection of communications against hackers, illegal interception, etc.

E. Telecommunications infrastructure

Optical cable backbone network

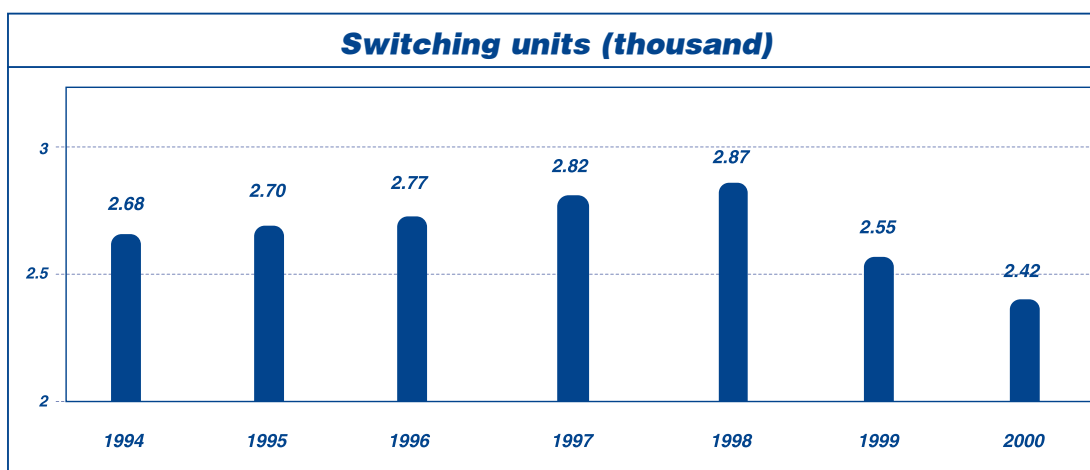
RomTelecom operates a nation-wide network based on an optical fibre backbone connecting zone centres among themselves as well as zone centres to county capitals. Also, the optical cable backbone connects Romania to the international

telecommunications gateways. During 2000 RomTelecom's optical cable network increased in length by 3,690 Km to about 16.54 thousand Km.

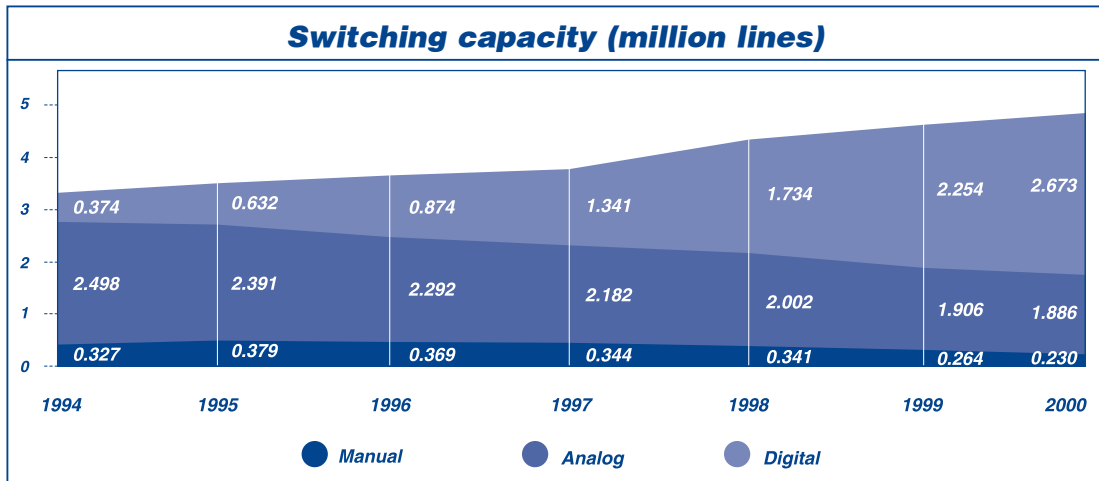


Telephony switching system

RomTelecom has built and operates a national switching system connecting backbone and access networks. By the end of last year there were 2,418 telephony switching units (CPU, RSS, etc.), out of which 1,731 were manual. The evolution in switching was more qualitative than quantitative, the variation in number of exchanges being less important than the increase in quality due to the new equipment deployed – digital exchanges.

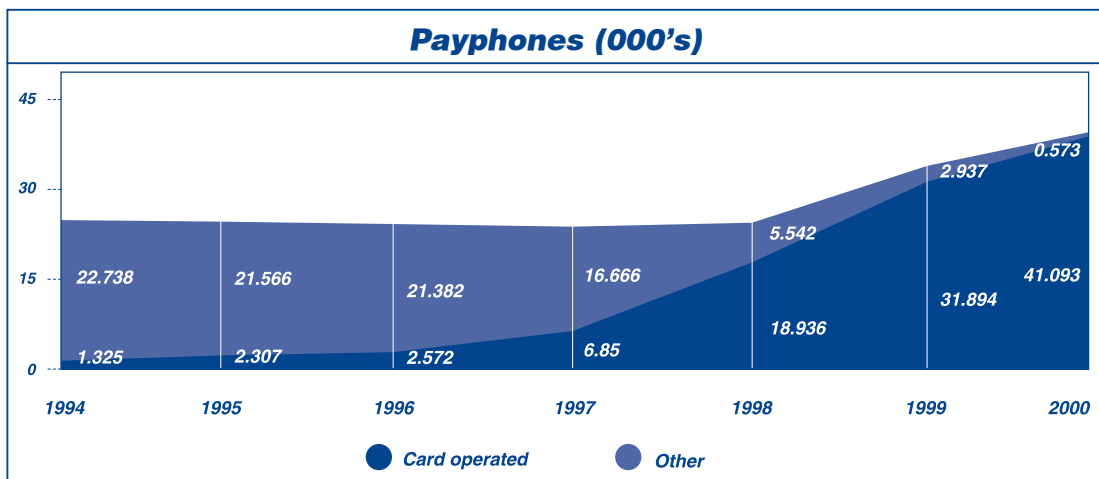


During the last year 0.365 million new lines were added, increasing the total switching capacity to 4.789 million lines, out of which 2.673 million were digital and 1.886 million analogue lines. The increase in switching capacity is the result of new digital lines installed, as well as replacement of manual and analogue lines, resulting in 55.8 per cent digital switching capacity.

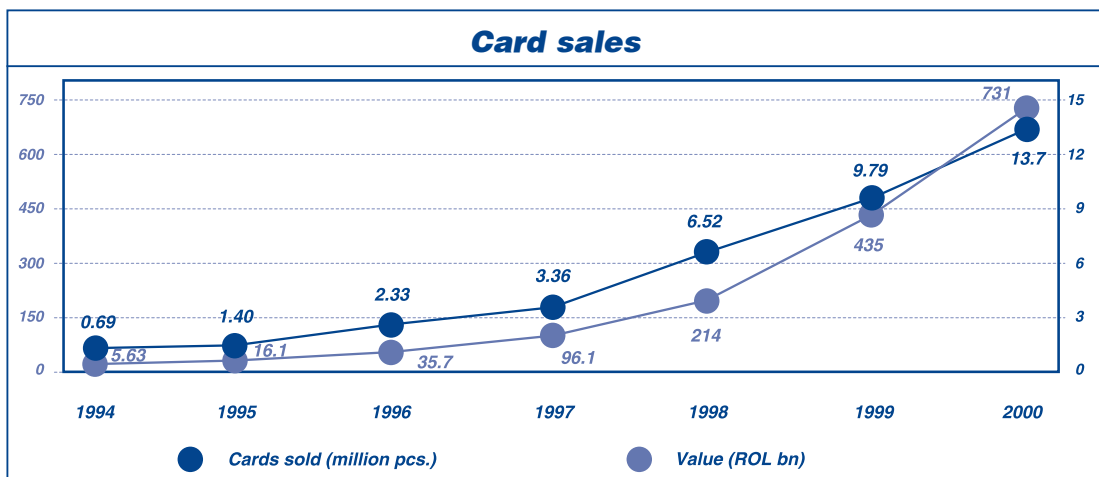


Payphones

By the end of 2000 the total number of payphones in operation jumped to 41,666, from 34,831 a year ago. The major increase, 9,199 units, was in card-operated payphones, which grew to 41,093, representing 98.6 per cent of total public phones.



The continuous increase in the number of payphones induced a tremendous increase in the sale of payphone cards.



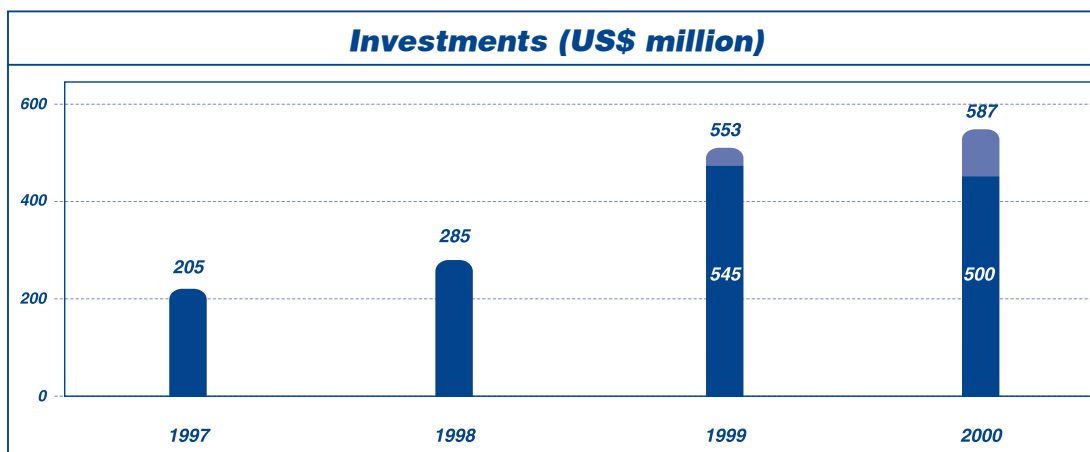
Access network

The access network remains the main problem RomTelecom faces for the time being, mainly because of an obsolete outside plant - paper insulated cables with lower reliability and service beyond useful life. In order to deal with this problem, RomTelecom has started to replace the old cables and use new technologies for the local access network - digital subscriber systems and Wireless Local Loop.

In 2000 a very important pilot project was started - ISDN. RomTelecom began to provide ISDN services and by year end 2000 there were 213 ISDN BRA connections for 85 users and 104 ISDN PRA connections for 53 users. Also, in 2000 RomTelecom started trials for Voice Mail.

F. Investments

The steady improvements in telecommunications infrastructure and service quality are the result of a heavy investment policy started two years ago. RomTelecom more than doubled its investments in 1999 and 2000, compared with previous years. In 2000, total investments amount to US\$587 million, while the planned value was US\$500 million.

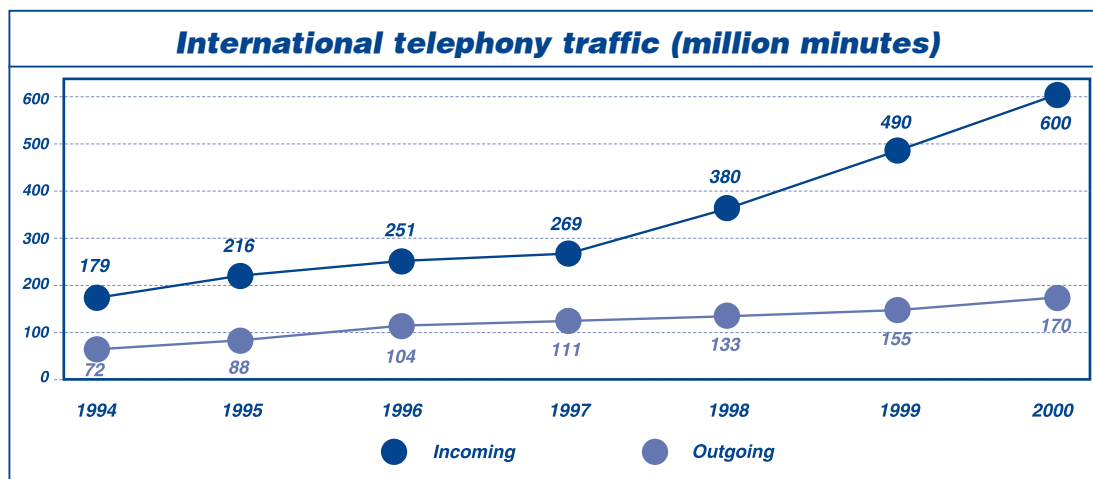


International activity

RomTelecom provides telecommunications services to more than 210 countries. In order to increase the quality of these services, a number of steps have been taken:

- The number of international circuits has been increased by more than 20 per cent in 2000, to 6,135, out of which 99 per cent are digital.
- Telecommunications services are 90 per cent covered via direct connections.
- The second International Switching Maintenance Center Braşov/BVI was cut-over.
- The circuits via INTELSAT satellite have been fully digitised.
- The direct satellite connections with South Africa and Singapore have been re-opened.
- Implementation of the international Signalling System no. 7 was continued with important carriers from Europe and America.
- The first digital border-crossing link with Yugoslavia was established.
- An STM-1 ring Bacău - Chişinău was built allowing full protection and high quality of telecommunications services between Romania and the Republic of Moldova.

That is why international telephone traffic has increased continuously. In 2000, the volume of incoming traffic increased 22.4 per cent to 600 million minutes, while outgoing traffic increased 9.7 per cent to 170 million minutes.



Revenues from international calls remain higher than expenditures, resulting in a profitable business and a positive international settlement balance.

Revenues from International Private Leased Circuits experienced a very spectacular growth: a 40 per cent jump, from US\$4.3 million in 1999 to US\$6 million in 2000. This result is more spectacular taking into account a 35 per cent tariff cut in 2000!

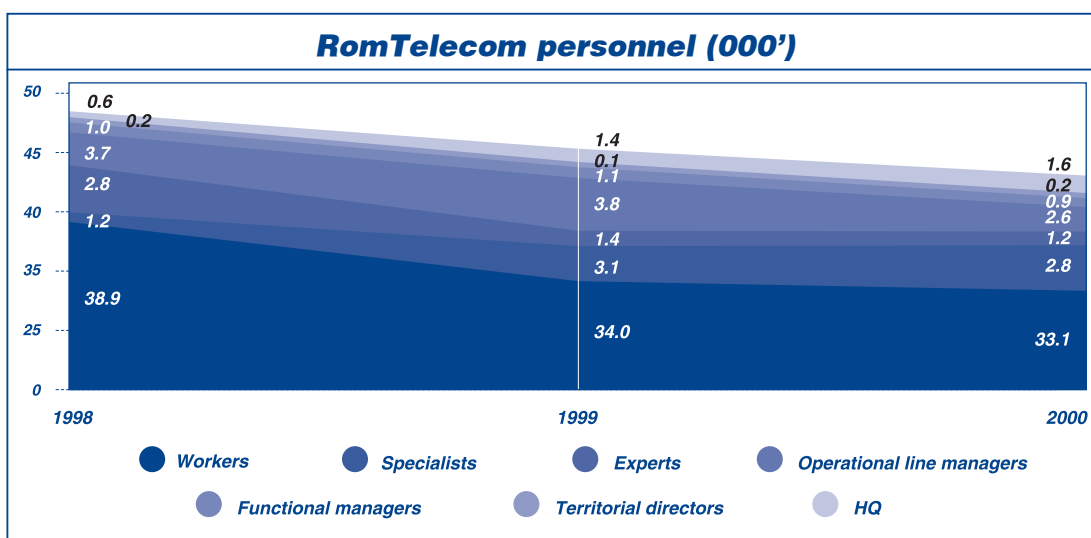
International co-operation

RomTelecom is an active partner in several international telecommunications networks, associations, organisations and bodies both inside and outside Europe, such as:

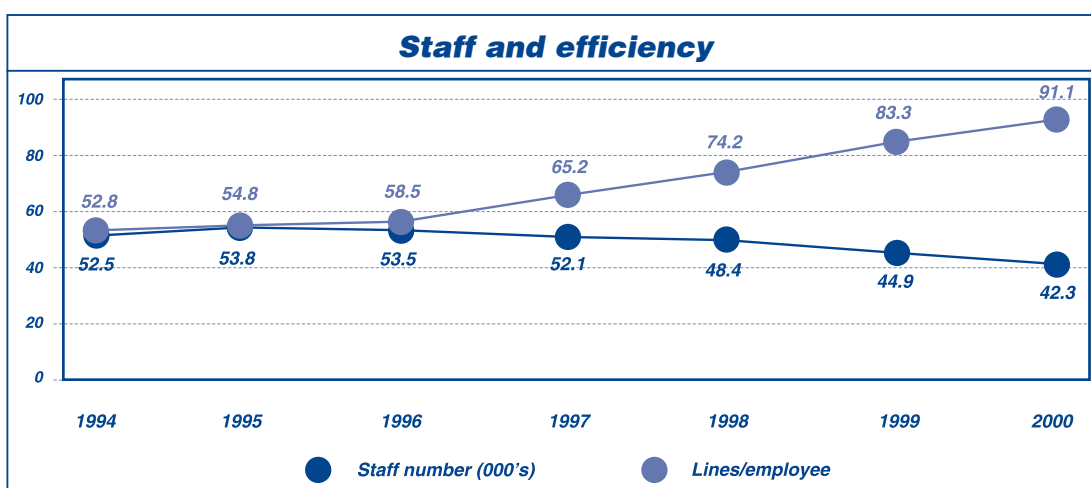
- KAFOS: in service since 1997, this submarine cable system links Romania (Mangalia) with Bulgaria (Varna) and Turkey (Istanbul). KAFOS offers connection opportunities to other regional networks: TEL, TAE, ITUR, etc. RomTelecom owns 17.9 per cent of this partnership.
- ITUR is a submarine optical cable network connecting Italy, Turkey, Ukraine and Russia. RomTelecom owns 1.9 per cent of this partnership.
- BALTICA is a high reliability alternative network extending towards the Nordic countries. RomTelecom owns 0.762 per cent of this partnership.
- FLAG makes possible connections to Spain. RomTelecom owns 0.762 per cent.
- TEL/TET is an optical cable based network connecting the countries between Eastern and Western Europe. Since 1997, when optical cable between Giurgiu (Romania) and Ruse (Bulgaria) was installed, TEL/TET has been working at full capacity.
- IPLC/OSS Forum provides a framework for agreements of commercial and technical procedures for the implementation of One Stop Shopping.
- MEDRET provides restoration facilities in the Mediterranean and Black Sea area.
- C7/Global Planning Meeting - biannual meeting for planning, development and establishment of C7 signalling network.
- The European Telecommunications Network Operators' Association/ETNO. RomTelecom has been active in the General Assemblies, conferences, as well as in various working groups, such as: Competition Market Issues, Fraud Control, Quality of Service, etc.
- The International Network Management System (INMS) was established in 1992 to monitor international telecommunications networks in Central Europe.
- The European Network Planning Meeting (ENMP) was established in 1993 to develop networks and services. RomTelecom became a full member in 1995.
- The European Restoration Working Group, dedicated to building an European restoration network for international telecommunications services.
- European Telecommunications Informatics Services (ETIS) permits sharing of information, experiences and ideas on IT at the heart of the Telecommunications industry. ETIS provides the appropriate forum to enable and encourage communication exchange between key players in the industry. RomTelecom has been a full member since 1999.
- PHARE Multi-country Programme. Last year RomTelecom was active in two projects: Telecom Tariffs (European models and methodology for establishing cost oriented tariffs) and ATLAS (a Regional Telecommunications Atlas including data from Central and Eastern European countries)
- PHARE National Programme. RomTelecom was involved in rural telephony projects, emergency number intelligent system – 112, as well as cross-border co-operation with Bulgaria.

Human resources

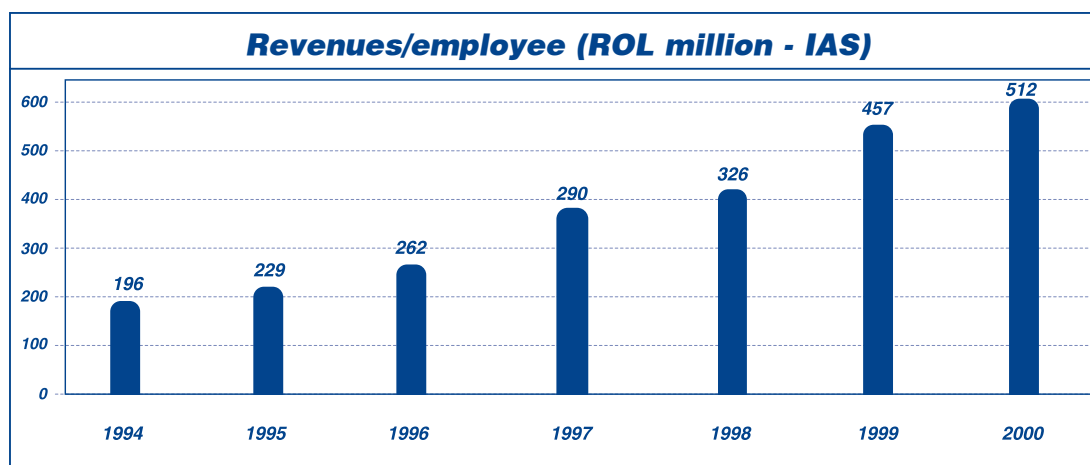
The number of RomTelecom's personnel has decreased systematically over the last few years, as a result of normal retirement, implementation of early retirement incentives and mainly due to new technologies RomTelecom has implemented. At the end of 2000, there were 42,303 employees, representing a personnel reduction of 2,616, or 5.9 per cent, from the previous year. This is reflective of the increased effectiveness of operations and network modernization. Below there is a breakdown of the last three years workforce structure, reflecting the restructuring process RomTelecom started in 1999.



As a result of personnel policy the company's efficiency experiences a continuous increase.



Although these charts depict a significant increase in productivity, RomTelecom still has a long way to go. The target for RomTelecom is to have 150 subscriber lines/employee by the end of 2002. This efficiency target is required in order to cope with future changes in the Romanian telecommunications market induced by liberalization. This represents a net staff reduction of approximately 12,000



* All comparative financial information (according to IAS) is presented in terms of the measuring unit current as of December 31st 2000.

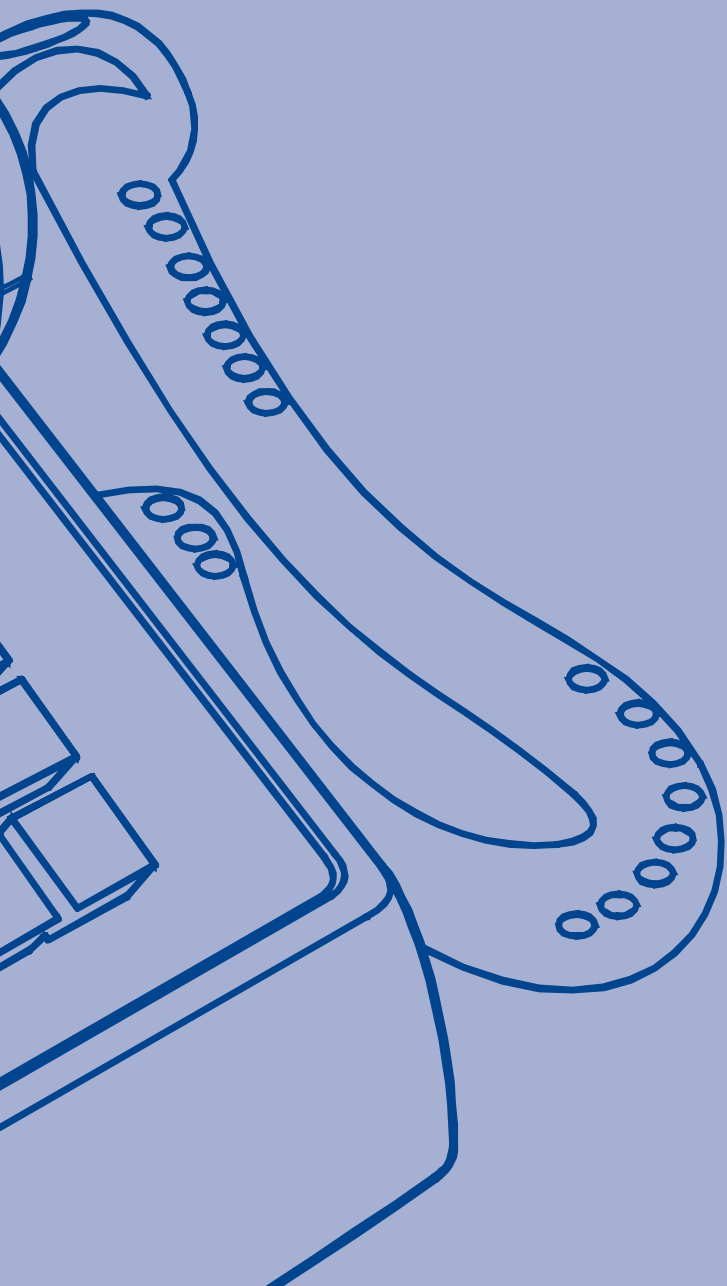
individuals. This reduction will be facilitated through restrictive hiring practices, normal retirement, early retirement incentives, and network modernization programs. Where appropriate, job retraining programs will be implemented to ensure that RomTelecom maintains the most highly skilled workforce possible, as this is our only true strategic advantage: Our People.

RomTelecom's business development is very closely related to the investment made in its Human Resources. About 10 per cent of all employees are University graduates, and RomTelecom will continue to increase this percentage. During the restructuring process, we are committed to the recruitment of new personnel, the majority of which are holders of University Degrees, in order to increase the competency of our already well-educated and well-trained workforce.

RomTelecom makes, and will continue to make, significant investments in the training of its employees. In 2000 a total of 7,330 employees attended training courses in 386 classes. Of the total number of participants, 28.5 per cent attended courses to learn skills associated with new technologies. Mainly these training programs were held in RomTelecom's training centers in Bucharest, Vata and Slanic-Moldova as well as in territorial directorates.

The Training Department's year 2001 strategy is to deploy training directly related to RomTelecom's plans for profitable growth. This training will include the areas of new technologies, management development, customer service, marketing, cultural change and job retraining.

RomTelecom management considers its employees to be the most valuable asset of the company, as it is through them our success is assured. Accordingly, in addition to our continuously significant investments in training and our commitment to treat employees fairly through the restructuring process, RomTelecom is committed to providing its employees a safe and secure work environment, as well as a motivating compensation package, in line with the Romanian telecommunications work-force market.



RomTelecom Group

RomTelecom Group

RomTelecom is majority shareholder in two telecommunications companies.

Cosmorom

Cosmorom was established in January 1999 as a mobile telephony, DCS-1,800 operator, 99.999996 per cent owned by RomTelecom, and was commercially launched in March 2000. Cosmorom benefits from Cosmote experience in Greece, as well as from RomTelecom support and network, being the only mobile operator able to take advantage of fixed and mobile services convergence. A company profile is attached.

CableVision of Romania

CableVision of Romania is a joint venture established in May 1993 with an USA partner, to provide cable TV services. Now, RomTelecom owns 95.67 per cent of the share capital, ROL 30.86bn.

CableVision of Romania is the first Romanian cable TV operator to use optical cable for transmissions and is the only operator using underground cables. The company also plans to become active in the data transmissions market.

By the end of 2000, CableVision was operating networks in six cities: Bucharest, Buzău, Giurgiu, Sf. Gheorghe, Slobozia, Târgoviște, and had ROL 35.28bn turnover, ROL 3.31bn net profit, and 40,003 subscribers.

RomTelecom also owns minority stakes in other telecommunications operators:

Global One Communications Romania SA - development and operation of data services, ISP, network services, etc. Global One was established in February 1993 and has ROL 2.7bn share capital. The most important shareholders are Global One - Roe Holdco B.V. - 50.00 per cent and RomTelecom, 48.98 per cent. By the end of 2000, Global One Communications had ROL180.31bn turnover and ROL55.49bn net profit. Early in 2001, RomTelecom left this joint venture in order to establish its own affiliate to provide Internet services.

Telemobil - development and operation of an NMT450 cellular phone network in Romania. Telemobil was established on May 22nd 1992. On May 21st 1998 RomTelecom sold 60 per cent stake in Telemobil to RDT (Holding) BV. In 2000, Telemobil's majority shareholder became Inquam, an UK company backed by Qualcomm of the USA, and after a share capital increase RomTelecom owns 0.69 per cent of the share capital ROL406.2bn. New mobile services based on CDMA technology and on a US\$350m investment in three years are planned to be launched this year. Results at December 31st 2000: turnover – ROL 157.27bn, loss – ROL339.31bn.

RomTelecom is a minority shareholder in an equipment manufacturer:

Alcatel Network Systems Romania SA - a joint venture established in September 1991 with Alcatel to manufacture digital telephone exchanges E10B. RomTelecom owns 5.96 per cent of the share capital ROL8.63bn. Results at December 31st 2000: ROL 733.98bn turnover and ROL 163.18bn net profit.

RomTelecom also has interests in companies acting in other industries:

Pagini Aurii SA - a joint stock company established on July 29th 1997 with a share capital of ROL7.2bn, in which RomTelecom's share is 40 per cent. Majority shareholder is Directory System Europe B.V., a subsidiary of Aurec Group of Israel, owning 50.98 per cent of shares. Its main purpose is to sell advertising space in Pagini Aurii (Golden Pages) directories on paper or other media and to print telephone directories for RomTelecom's subscribers. In this partnership RomTelecom brought the exclusive right of use the subscribers' list for 15 years and will receive, among other items, free of charge telephone directories for 40 to 70 per cent of its subscribers. Early in 2000 the second edition of "Pagini Aurii" was launched - 380,000 copies. In two years every RomTelecom subscriber will receive a copy. Results at December 31st 2000: ROL 153.22bn turnover and ROL151.39bn loss.

Garanta SA - a joint stock company established on May 20th 1997 and providing life and general insurance and re-insurance services. RomTelecom owns a 7 per cent stake of the share capital of ROL13.9bn. Results at December 31st 2000: ROL 85.37bn turnover and ROL1.59bn net profit.

RomTelecom has invested in submarine cable partnerships (Kafos, Itur, Baltica, etc.) aiming to develop its connections to international networks.

Cosmorom

Establishment

On 16th of December 1998, the Romanian Telecommunications Ministry released the first GSM-1800 license to Cosmorom, the license conditions providing only for qualitative parameters. Cosmorom was founded on January 15th, 1999, and established on May 17th, 1999. The fiscal registration took place on July 16th, 1999. The commercial launching was on March 20, 2000 for the pre-paid and May 2000 for post-paid.

Corporate governance

In accordance with its articles of incorporation and within the terms of the law, Cosmorom is run by the following bodies: the general assembly of shareholders, the board of directors, the statutory auditors, the CEO and the executive directors. In 2000 Cosmorom was run by:

Board of Directors: Chairman: Dumitru Anghelescu (RomTelecom); members: Florin Serghei Anghel (RomTelecom), Spyridon Spyropoulos (Oterom), Georgios Avlonitis (Oterom), Panagiotis Nikakis (Oterom). According to the Decision of the Ordinary General Assembly held on March 30, 2001, Florin Serghei Anghel was replaced by Șerban Pop.

Executive managerial structure: Chief Executive Officer – Spyridon Spyropoulos.

Statutory Auditors: Mihai Elefterie, Sanda Mihaela Cruceru and Camelia Horlact.

Independent Auditors: PricewaterhouseCoopers

Vision

Focus on customers' needs/requirements by providing a wide range of modern services, achieving satisfactory development and profits, in the same time acquiring a dominant position in the Romanian mobile industry.

Organization

Cosmorom is a growing market-oriented organization based on people, Romanians as well as Greeks. Its staff has cumulatively many years of experience in the telecommunications industry. Cosmorom's activity started with a project team from RomTelecom working under the direct co-ordination of the Cosmorom CEO, established in September 1999. By the end of 2000 the number of employees had reached 337, out of which five were expatriates. The large majority of Cosmorom employees are university graduates.

Share capital

Cosmorom was established on 15th January 1999 with an initial share capital of ROL 100 million. On August 26th 1999, the share capital was increased by US\$50m and ROL 60bn, so by the end of 1999 Cosmorom share capital was ROL 866.6bn. On July 31st 2000, the share capital was increased by US\$60.88 million and ROL 150bn, to a total of ROL 2,047bn, 99.999996 per cent owned by RomTelecom.

Telecommunications infrastructure

In order to develop telecommunications infrastructure, on July 30th 1999, an

Euro 37.5 million contract for the provision of network infrastructure equipment and related services was signed between Cosmorum and a Union of Suppliers composed of Ericsson - Sweden, Intracom - Greece and Intrarom - Romania. The contract provided for the installation of a GSM-1,800 network that would cover Bucharest, Braşov, Constanţa as well as the connecting roads and towns in between. The switching capacity of the initial network was able to serve 50,000 subscribers. This was rapidly expanded to 150,000, while 120,000 voice mailboxes were made available for customers. The initial network had three controllers (BSC), two remote and one co-located with the switching system. Two MSCs were installed by the end of 2000, both in Bucharest and three new ones are expected to be in place by the end of 2001. There were eight BSCs by the end of 2000 in Bucharest (2), Braşov, Constanţa, Târgu Mureş, Galaţi, Craiova, Oradea. Ten more are planned to be installed within 2001. At the end of 2000, there were 400 BTSs in function. 1000 more are expected to be installed by the end of 2001.

Investments and coverage

Cosmorum plans to complete nation-wide coverage, as soon as possible. The initial network covered 12.6 per cent of the Romanian population. By the end of 2000 Cosmorum covered 40 per cent of the population, in several larger and medium sized cities as well as the highways linking them. Cosmorum has almost completed the second phase of network development, which will offer 55 per cent coverage. The total investments, first and second phase put together, approximate US\$200 million. Also, Cosmorum plans to start in 2001 the next phase of investments budgeted to US\$230 million, which will raise its coverage to over 90 per cent of the Romanian population.

Distribution network

A national distribution network is being built at the same time as coverage expands, a network based on regional centres. This includes national dealer networks able to market the products and services throughout the country and local dealers with ability to promote Cosmorum products in specific areas. Selected RomTelecom shops act as dealers for Cosmorum as well.

Services provided

Cosmorum provided, from launch day, basic mobile telephony services and other services like Voice Mail, Short Messages, etc. Pre-paid as well as post-paid packages are available. The first pre-paid COSMO phone was sold on the 20th of March 2000. The post-paid service was offered from the 25th of May 2000 with immediate provision of all basic value added services. Wanting to offer fair prices to its customers, Cosmorum decided to charge in 15 second units on the pre-paid service, while for the first time in Romania post-paid services were offered with per second billing, with a minimum charge of 20 seconds. Fax and data services have also been on offer. The WAP service was under development at the end of 2000 and plans were afoot to offer mobile internet access as well, after Cosmorum acquired an ISP license.

Advertising

Graffiti/BBDO was selected to launch Cosmorom products and services and to build a national brand image. The first advertising campaign was launched in April 2000 starting with a teaser spot. In addition, Cosmorom sponsored various cultural and sporting organizations, including DaKino and Dinamo FC, thus gaining a positive profile.

Subscribers

Cosmorom had 36,000 subscribers by the end of 2000, and plans to have 165,000 users by year end 2001.

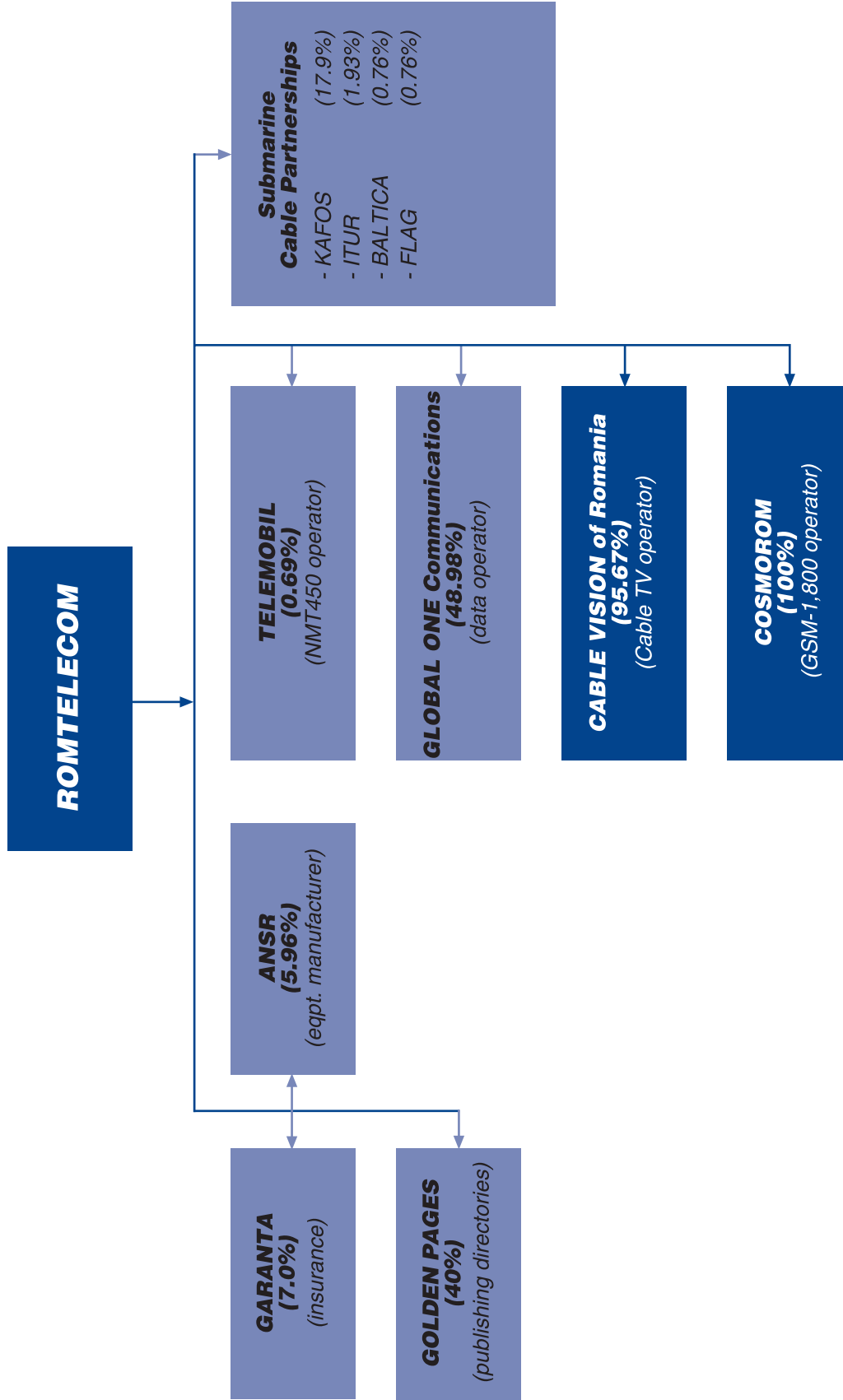
International activity

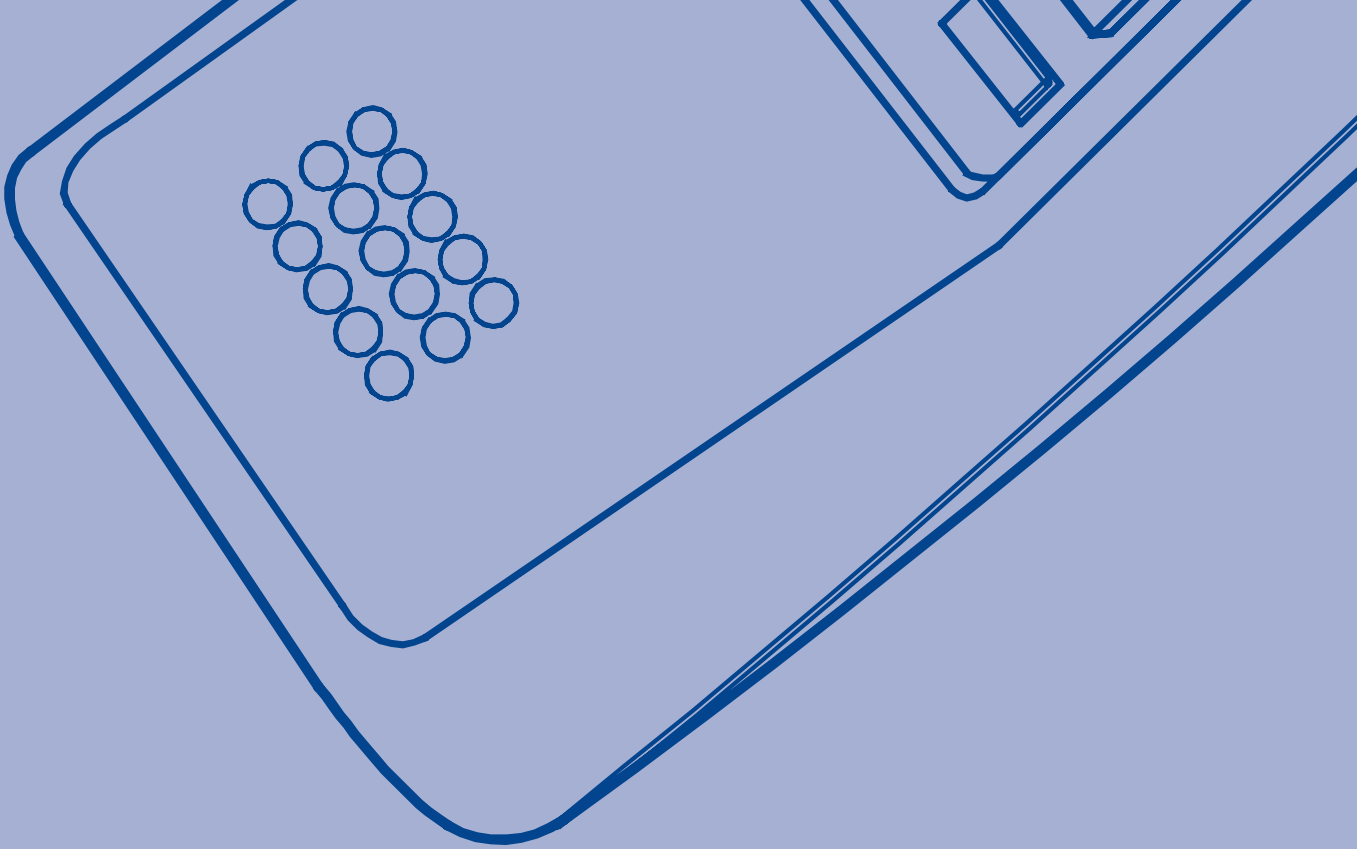
Cosmorom became a member of the GSM Association in October 1999. At the moment Cosmorom is providing roaming services to its subscribers in 38 countries, as well as providing roaming access to subscribers of other international operators. Cosmorom has live roaming agreements with 64 foreign operators. Altogether, Cosmorom has over 100 roaming agreements with foreign mobile operators all over the world.

Financial results

Financial results at December 31st, 2000: turnover – ROL 97.2 bn, loss – ROL 581.94 bn.

Structure of the RomTelecom Group as of December 31st, 2000





Corporate Governance

Corporate Governance

As part of the privatisation process, on November 1st, 1997, RomTelecom was established as a joint stock company called Societatea Națională de Telecomunicații RomTelecom S.A. RomTelecom was incorporated in Romania, its registered office is on Bulevardul Libertatii no. 14-16, Sector 5, 70542, Bucharest, Romania.

Shareholders' structure

According to the incorporation Decree, viz. Government Decision no. 673/25 October 1997, the Ministry of Communications was given power over the rights of the sole shareholder. In June 1998, this prerogative was taken over by the State Ownership Fund. On December 30th 1998, as a final step of the privatization process, an important stake in RomTelecom, 35 per cent, was sold to the Hellenic Telecommunications Organization - OTE, the public network operator of Greece, via its subsidiary OTEROM Ltd. There were 4.2 m shares sold representing 21,5 per cent of shares, and after a capital increase OTE's total stake became 35 per cent. OTE also bought management control – an additional 16 per cent voting rights in the shareholders' ordinary meeting. The State Ownership Fund, as representative of the Romanian state, owned the remaining 65 per cent stake, as well as a golden share which gives veto rights in respect of strategic decisions on the Company which might affect the consumers, the Company's activity, competition or the national interests. According to the Emergency Ordinance no. 5/January 11, 2001, administration of Romania's 65 per cent stake in RomTelecom was transferred to the Ministry of Communications and Information Technology. On December 31st, 2000 the share capital of the Company was made up of 24,062,522 ordinary shares with a nominal value of ROL 100,000 each, fully paid.

The Company is run by the bodies listed below in accordance with its articles of incorporation and within the terms of the law.

Shareholders' Meeting

The shareholders meeting is the Company's supreme governing body entitled to resolve any issue, unless otherwise provided by statute.

Board of Directors

The Board of Directors is the supreme management body, empowered to decide on any issue regarding the Company's management and target achievement, with the exception of issues coming under the exclusive jurisdiction of the General Shareholders' Meeting. The Board of Directors shapes the Company's strategy and policy, supervises its property management, and consists of seven members appointed by the General Shareholders Meeting. Their term of office is two years.

Statutory Auditors

Statutory auditors are empowered with the control of the Company's activity. The General Shareholders Meeting appoints three members. Also an external, independent auditing company could be appointed.

Chief Executive Officer

The Chief Executive Officer is the highest-ranking person, heading all departments and guiding their activities and is appointed by the Board of Directors.

Executive Directors

The executive directors are appointed by the Board of Directors. They head and guide the activity of their departments.

Changes in corporate structure induced changes in corporate management, so in 2000 RomTelecom was run by:

Board of Directors

- as of January 1st, 2000

Chairman Georgios Skarpelis (Hellenic Telecom)

Members of the Board of Directors

Dumitru Moinescu (Romania)

Petrișor Peiu (Romania), replaced by Vasile Rugină on 27 March 2000

Dan Nica (Romania)

Georgios Arghyropoulos (Hellenic Telecom)

Vassilios Tsakoniatis (Hellenic Telecom)

Panagiotis Kargados (Hellenic Telecom)

- as of December 31st, 2000

Chairman Georgios Skarpelis (Hellenic Telecom)

Members of the Board of Directors

Dumitru Moinescu (Romania)

Vasile Rugină (Romania)

Dan Nica (Romania)

Georgios Arghyropoulos (Hellenic Telecom)

Vassilios Tsakoniatis (Hellenic Telecom)

Panagiotis Kargados (Hellenic Telecom)

The shareholders' meeting on 23 February 2001 changed the structure of the Board of Directors, as follows:

Chairman Georgios Skarpelis (Hellenic Telecom)

Members of the Board of Directors

Ion Smeeianu (Romania)

Victoria Filip (Romania)

Șerban Pop (Romania)

Georgios Arghyropoulos (Hellenic Telecom)

Vassilios Tsakoniatis (Hellenic Telecom)

Panagiotis Kargados (Hellenic Telecom)

Executive Board and Management Structure

- since January 1st, 2000 to December 31st, 2000:

Vassilios Tsakoniatis - Chief Executive Officer (Hellenic Telecom)

Executive directors:

Theodore Thanopoulos - Executive Director Development (Hellenic Telecom)

Georgios Avlonitis - Executive Director Operations (Hellenic Telecom)

Georgios Iliopoulos - Executive Director Finance (Hellenic Telecom)

Mark Bush - Executive Director Human Resources and Training (GTE)

Georgios Theodorou	- Executive Director International, Regulatory and Carrier Relations (Hellenic Telecom)
Florin Serghei Anghel	- Executive Director Regional Operations (RomTelecom)
Marcel Nicolaescu	- Executive Director Administration (RomTelecom)
Radu Moldovan	- Executive Director Commercial (RomTelecom)
- as of February 23rd, 2001	
Vassilios Tsakoniatis	- Chief Executive Officer (Hellenic Telecom)
Executive directors:	
Theodore Thanopoulos	- Executive Director Development (Hellenic Telecom)
Georgios Avlonitis	- Executive Director Operations (Hellenic Telecom)
Georgios Iliopoulos	- Executive Director Finance (Hellenic Telecom)
Georgios Theodorou	- Executive Director International, Regulatory and Carrier Relations, as well as interim for Director Commercial (Hellenic Telecom)
Florin Serghei Anghel	- Executive Director Regional Operations and Human Resources and Training (RomTelecom)
Marcel Nicolaescu	- Executive Director Administration (RomTelecom)

The shareholders' meeting on 23rd February 2001 decided to cancel the position of Executive Director of Human Resources and Training.

Other executives

Constantine Dragastis	- Chief Public Communications ATM Officer (Hellenic Telecom)
Stavros Tsapikounis	- Chief Technical Officer (Hellenic Telecom)
Ana Mitrache	- General Manager's Legal Advisor (RomTelecom)

Statutory Auditors

Mihai Elefterie
Mihaela Sanda Cruceru
Jean Pierre Vigroux

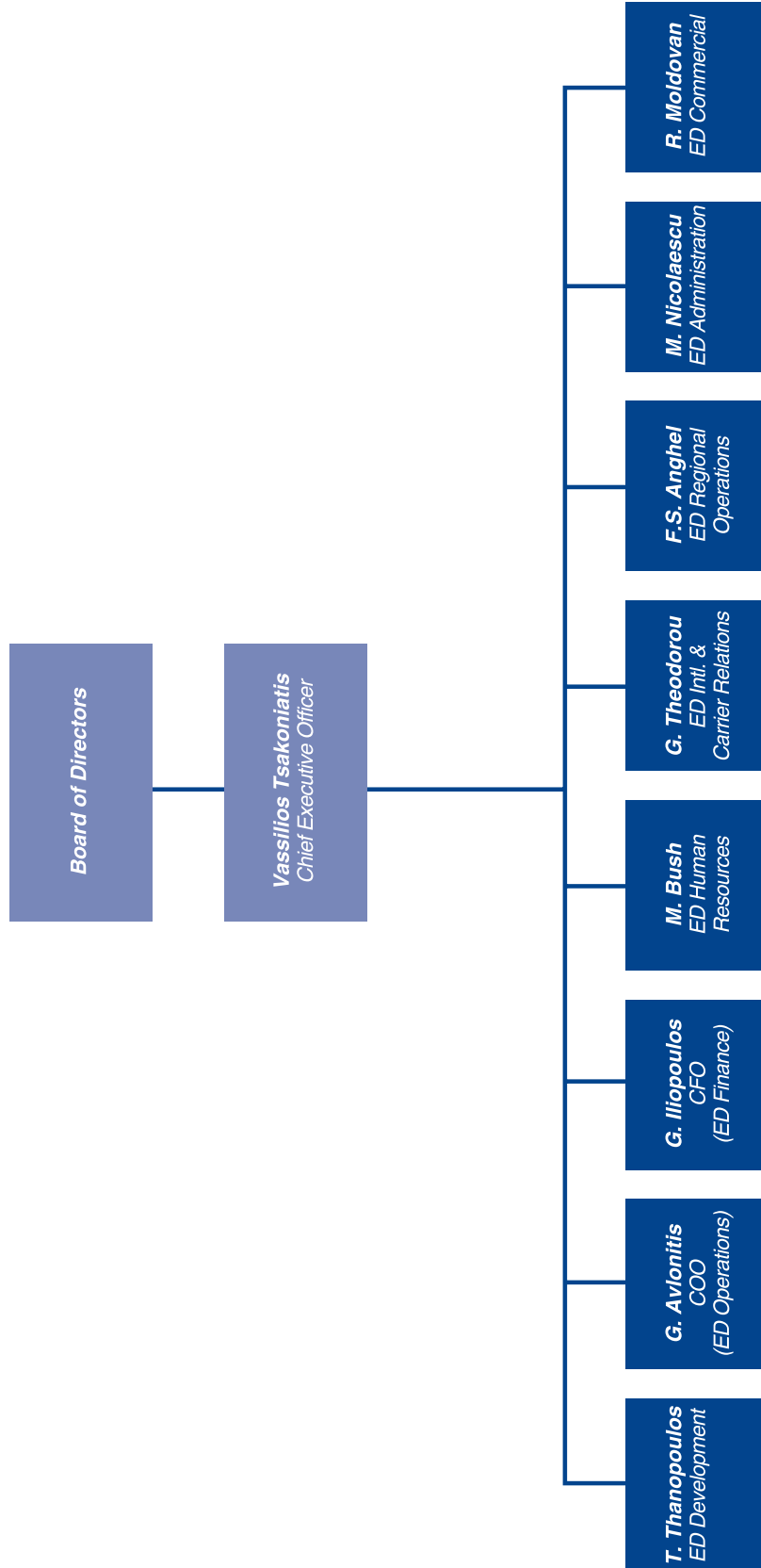
Independent Auditors

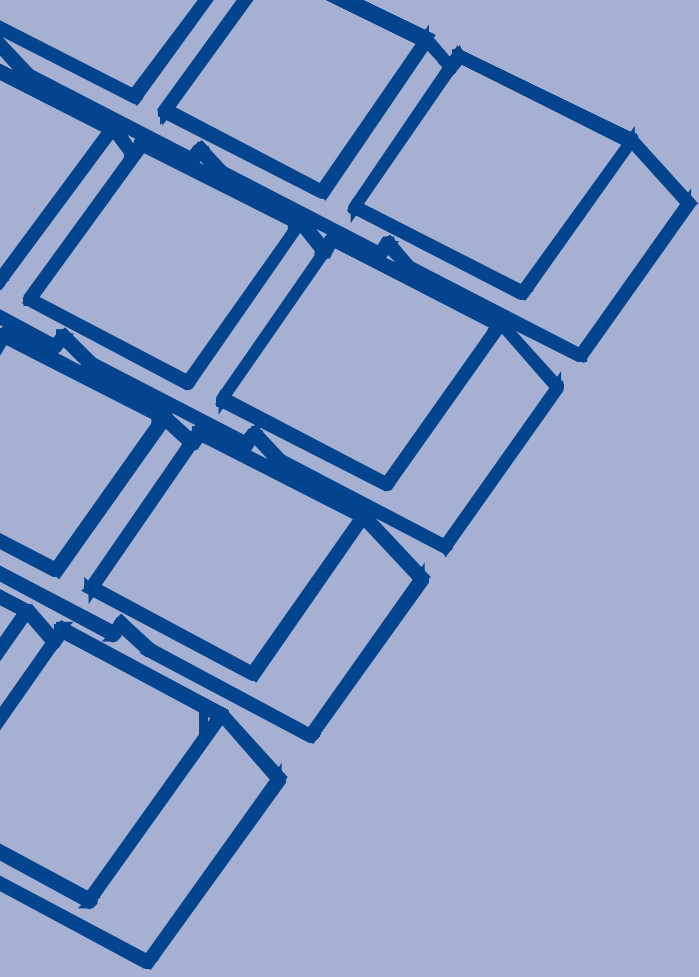
PricewaterhouseCoopers

Zonal organization

RomTelecom is organized in 41 county directorates: Alba, Arad, Argeş, Bacău, Bihor, Bistriţa, Botoşani, Braşov, Brăila, Buzău, Caraş Severin, Călăraşi, Cluj, Constanţa, Covasna, Dâmboviţa, Dolj, Galaţi, Giurgiu, Gorj, Harghita, Hunedoara, Ialomiţa, Iaşi, Maramureş, Mehedinţi, Mureş, Neamţ, Olt, Prahova, Satu Mare, Sălaj, Sibiu, Suceava, Teleorman, Timiş, Tulcea, Vaslui, Vâlcea, Vrancea and the city of Bucharest.

RomTelecom organizational chart





Financial Statements
for the year ended December 31st 2000

Financial Statements

Consolidated Financial Statements prepared in accordance with Romanian Accounting Standards

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1. General aspects

The National Telecommunication Company RomTelecom S.A. was established as a joint stock company on 1st of November 1997 when, according to the Government Decree no. 673/1997, the business and substantially all of the assets and liabilities of the former RomTelecom R.A. (a state corporation) were transferred to it.

The Company was registered at the Register of Commerce under the No. J/40/8926/1997, Fiscal Code No. R427320.

The N.T.C. RomTelecom S.A. is the only authorized operator of the exclusive rights for local, long distance, international fixed telephony and for designing, developing, and maintaining the infrastructure required for this type of activity until 31st of December 2002, according to the license allowed.

Effective on 30th of December 1998, 35% of the share capital was acquired by the Hellenic Telecommunications Organization S.A. (OTE S.A.) through its wholly owned subsidiary OTEROM Ltd.

OTEROM Ltd. holds 51% of the voting rights in the Ordinary Shareholders' meetings.

For the year ended 2000, the N.T.C. RomTelecom S.A. was operating with 42,092 employees (average) within the organizational framework approved by the Administration Council, including:

- 41 regional telecommunications units;
- The RomTelecom headquarters in Bucharest.

2. Balance sheet at December 31st, 2000

–ROL in thousands–

	Note	December 31st 1999	December 31st 2000
1. Intangible fixed assets		825,395,407	1,160,753,295
2. Tangible fixed assets		15,867,730,766	18,677,800,725
3. Financial assets		1,017,092,134	2,692,409,494
I. Fixed assets - TOTAL	2	<u>17,710,218,307</u>	<u>22,530,963,514</u>
4. Stocks		1,325,073,766	6,471,169,816
5. Current assets - out of which:		7,557,192,778	7,032,799,411
- receivables from current assets	6	4,562,933,442	5,322,837,885
- cash		2,994,259,336	1,709,961,526
II. Current assets - TOTAL		<u>8,882,266,544</u>	<u>13,503,969,227</u>
III. Suspense and similar accounts		<u>5,274,681,782</u>	<u>7,673,090,216</u>
TOTAL Assets		<u>31,867,166,633</u>	<u>43,708,022,957</u>
I. Equity - out of which:	1	<u>13,791,748,339</u>	<u>14,576,598,061</u>
1. Share Capital		2,406,395,997	2,406,252,200
2. Reserves		10,337,214,489	10,445,091,036
3. Others funds		1,048,137,853	1,725,254,825
4. The result of the financial year			1,548,582,166
5. Allocation of the profit	4		(1,548,582,166)
II. Provisions	3	<u>5,173,694,377</u>	<u>7,303,643,273</u>
6. Loans and other trade payables		8,711,459,852	11,614,653,769
7. Others payables		3,486,125,690	9,108,944,676
III. Liabilities - TOTAL	6	<u>12,197,585,542</u>	<u>20,723,598,445</u>
IV. Suspense and assimilated accounts		<u>704,138,375</u>	<u>1,104,183,178</u>
TOTAL Shareholders' equity and liabilities		<u>31,867,166,633</u>	<u>43,708,022,957</u>

3. Profit and Loss Account

The financial result of the year 2000 reflects the operational activity and the influences from the financial and exceptional transactions.

The Profit and Loss Account for the year 2000 is stated as follows:

–ROL in thousands–

<i>Description</i>	<i>Note</i>	<i>December 31st 1999</i>	<i>December 31st 2000</i>
<i>Operating revenues</i>		12,706,567,220	19,316,431,853
<i>Operating expenses</i>		9,508,785,073	14,076,082,895
<i>Operating Profit</i>	5	<u>3,197,782,147</u>	<u>5,240,348,958</u>
<i>Financial revenues</i>		2,402,569,497	2,142,397,325
<i>Financial expenses</i>		4,221,076,835	5,082,190,380
<i>Financial Loss</i>		<u>(1,818,507,338)</u>	<u>(2,939,793,055)</u>
<i>Exceptional income</i>		348,154,407	140,764,028
<i>Exceptional expenses</i>		234,826,055	283,788,988
<i>Exceptional Profit</i>		<u>113,328,352</u>	<u>(143,024,960)</u>
<i>Total Revenues</i>		15,457,291,124	21,599,593,206
<i>Total Expenses</i>		13,964,687,963	19,442,062,263
<i>Gross Profit</i>		<u>1,492,603,161</u>	<u>2,157,530,943</u>
<i>Income tax</i>		42,928,962	608,948,777
<i>NET PROFIT</i>	4	<u>1,449,674,199</u>	<u>1,548,582,166</u>

4. Notes to the financial statements

Note 1

4.1. Shareholders' equity

The status of the shareholders' equity for the year 2000 was:

–ROL in thousands–

	December 31st 1999	Increase	Decrease	December 31st 2000
Share capital	2,406,395,997		143,797	2,406,252,200
Revaluation differences	6,407,981,113			6,407,981,113
Reserves, out of which	3,929,233,376	107,876,547		4,037,109,923
- legal reserves fund	84,220,922	107,876,547		192,097,469
Result of the year	1,449,674,199	98,907,967		1,548,582,166
Profit allocation	1,449,674,199	98,907,967		1,548,582,166
- dividends and profit participation	452,836,225			777,561,143
- loss recovery	469,371,589			-
Other funds	960,665,481	663,144,476		1,623,809,957
Investment subsidies	87,472,372	13,972,496		101,444,868
Total	13,791,748,339	784,993,519	143,797	14,576,598,061

The structure of the share capital at 31st of December 2000 according to the Certificate No. 2930 on January 11, 1999 is as follows:

	Number of shares	Participation
Total shares	24,062,522	100%
- FPS	15,640,638	65%
- OTEROM Ltd.	8,421,884	35%

* The ordinary share has a nominal value of ROL 100,000 each.

The increase in shareholders' equity in 2000 was determined by (ROL 000'):

Legal reserves	107,876,547	Statutory reserves 5% of the gross profit
Result of the year	98,907,967	
Other funds	14,826,947	Difference tax ratio (25% - 5%) for services performed and value received
	648,317,529	Own financing resources allocated from profit
Investment subsidies	8,913,475	
	4,915,224	Value of the land for which was granted the ownership title during the year 2000
	143,797	For the concordance of the share capital with that recorded with the Trade Register
Share capital	-143,797	For the concordance of the share capital with that recorded with the Trade Register until the approval of the General Assembly for modifying the share capital

Note 2**4.2. Intangible fixed assets**

The intangible assets in progress recorded in the trial balance are concessions, brevets, licenses, know-how, software and other similar rights in total value of ROL 1,324,363,238,000, valued at the acquisition cost for which depreciation was calculated and recorded in amount of ROL 195,011,264,000, as follows:

	<i>Balance at 1st January 2000</i>	<i>Increases</i>	<i>Decreases</i>	<i>Balance at 31st December 2000</i>
<i>Concessions land and building</i>	7,737,066	9,185,037	688,199	16,233,904
<i>Licences</i>	252,856,497	5,378,228	251,900,000	6,334,725
<i>Know-How</i>		1,197,357,525		1,197,357,525
<i>Software</i>	36,769,318	30,345,195	19,006	67,095,507
<i>Other rights and similar values</i>	19,862,490	17,674,686	195,599	37,341,577
Total	<u>317,225,371</u>	<u>1,259,940,671</u>	<u>252,802,804</u>	<u>1,324,363,238</u>
<i>Intangible assets in progress</i>	524,823,686	730,376,706	1,223,799,071	31,401,321
Total Intangible Assets	<u>842,049,057</u>	<u>1,990,317,377</u>	<u>1,476,601,875</u>	<u>1,355,764,559</u>

The value of the intangible assets had increased mainly due to:

- OTEROM's know-how (ROL 30,300 thousands for the year 2000)
- The licenses for data transmissions and for "Point to MultiPoint".

The value of the intangible assets recorded a decrease as a result of the share capital in kind paid to Cosmorom for the license in 1800 MHz/MAN (US\$ 25,000,000).

Tangible assets**-ROL in thousands-**

<i>Fixed Assets</i>	<i>Land</i>	<i>Buildings</i>	<i>Technological equipment</i>	<i>Transportation means</i>	<i>Other fixed assets</i>
Net value at 1st of January	<u>66,434,559</u>	<u>13,623,449,940</u>	<u>4,473,331,516</u>	<u>219,492,561</u>	<u>339,983,402</u>
<i>Increase</i>	7,157,180	1,844,742,094	1,437,230,440	79,335,129	297,462,480
<i>Decrease</i>		242,047,899	77,323,610	1,971,805	12,589,758
<i>Depreciation at 31st December 2000</i>		4,729,497,727	1,866,186,922	108,603,810	224,133,080
<i>Provisions for fixed assets amortization</i>		122,996,900	17,007,532	78,984	267,088
Net value at 31st of December 2000	<u>73,591,739</u>	<u>10,373,649,508</u>	<u>3,950,043,892</u>	<u>188,173,091</u>	<u>400,455,956</u>

The tangible assets are reflected into accounting according to the Rules for application of the Accounting Law No. 82/1991 republished.

The classification of the fixed assets was made according to the stipulations of the Law No. 15/1994, modified and completed by the Government Decisions 964/1998 and No. 95/1999 on categories.

The inputs of tangible assets as fixed assets acquired in money were recorded at the acquisition cost.

The synthetic book keeping is held on categories of fixed assets by using IMOTEL software.

Investments

–US\$ million–

1. Intangible fixed assets	
1.1. Intangible assets	46.44
1.2. Intangible assets in progress	-
2. Tangible fixed assets	
2.1. Land	0.33
2.2. Constructions	73.90
2.3. Technological equipment in operation	62.71
2.4. Transportation means	3.57
2.5. Other tangible Assets	13.14
2.6. Tangible Assets in progress	41.73
3. Capitalized salaries and interests	
3.1. Salaries Capitalized	28.40
3.2. Interests Capitalized	25.65
4. Investment's stocks	
4.1. Stocks for raw materials, materials at third	213.56
5. Payments in favour of Cosmorom S.A.	
5.1. Payments in favour of Cosmorom S.A. for its investment program	77.50
Total million US\$	586.93

* 1US\$ = 21,687 ROL

Financial assets

–ROL in thousands–

<i>Financial assets</i>	<i>Balance at 1st January 2000</i>	<i>Increase</i>	<i>Decrease</i>	<i>Balance at 31st December 2000</i>
1 Participation titles	905,681,199	1,180,877,500	493,650	2,086,065,049
2 Imobilized debentures	712,960,935	23,900,972,110	24,007,588,600	606,344,445
3 Payments to be made	601,550,000	1,180,877,500	1,782,427,500	-
Total (1+2-3)	1,017,092,134	23,900,972,110	22,225,654,750	2,692,409,494

The financial assets recorded an increase in amount of ROL 1,180,877,500,000, mainly due to the payment of share capital to Cosmorom.

–ROL in thousands–

<i>Participation titles</i>	<i>Balance at 1st January 2000</i>	<i>Increase</i>	<i>Decrease</i>	<i>Balance at 31st December 2000</i>
EMCOM	493,650		493,650	0
ALCATEL	514,450			514,450
GARANTA S.A.	973,000			973,000
GLOBAL ONE	1,901,255			1,901,255
TELEMOBIL S.A.	2,791,575			2,791,575
PAGINI AURII	2,880,000			2,880,000
C.V.R.	29,527,269			29,527,269
COSMOROM	866,600,000	1,180,877,500		2,047,477,500
Total Intangible Assets	905,681,199	1,180,877,500	493,650	2,086,065,049

Note 3

4.3. Provisions for risks and charges and other provisions

–ROL in thousands–

<i>Row no.</i>	<i>Denomination</i>	<i>Balance at January 1st</i>	<i>Transfers Increase</i>	<i>Decrease</i>	<i>Balance at December 31st</i>
1	Statutory provisions	-	-	-	-
2	Provisions for risks and charges				
	of which	5,173,694,377	3,070,386,299	940,437,403	7,303,643,273
2.1	Provisions for litigation	99,573,817	(27,580,503)	17,103,630	54,889,684
2.2	Provisions for guar. to customers	17,397,930	-	17,397,930	-
2.3	Provisions for foreign exch. losses	5,024,862,693	3,003,827,264	851,999,075	7,176,690,882
2.4	Other provisions for risks charges	31,859,937	94,139,538	53,936,768	72,062,707
3	Provisions for depreciation of the marketable securities	-	-	-	-
	Total	5,173,694,377	3,070,386,299	940,437,403	7,303,643,273

At the company's level there were constituted provisions for depreciation of tangible fixed assets, inventories, bad debts and other provisions for risk and charges.

The provision for foreign exchanges differences afferent to the company's receivables and liabilities was at 31st of December 2000 increased in amount of ROL 2,151,828,189,000.

Note 4
Profit allocation at December 31st 2000

–ROL in thousands–

<i>Destination</i>	<i>Amount</i>
Net profit to be allocated	<u>1,548,582,166</u>
Legal reserves	107,876,547
Employees participation fund to the company's benefit	144,070,562
Own financing resources	663,144,476
Dividends	633,490,581
- FPS	310,410,385
- OTE	323,080,196
Profit not allocated	0

The company recorded for the financial year 2000 a net profit of ROL 1,548,582,166,000 which was allocated according to the legal stipulations and to the Decision of the General Shareholders Meeting of N.T.C. RomTelecom S.A.

In 2000, the statutory rates of income tax was 25% and the tax which had to be paid for 2000 was ROL 608,948,777,000.

The payments RomTelecom were made:

–ROL in thousands–

- payments for 1999 as tax on profit	460,958,966
- payments during 2000 for 1999 as tax on profit	351,448,989
Total	<u>812,407,955</u>

This amount will be compensated, as follows:

–ROL in thousands–

- tax on profit due to previous financial years	7,962,761
- tax on profit for 2000	608,948,777
- amount to be compensated	195,496,417

Note 5

4.5. Analysis of the operational result on December 31st 2000

–ROL in thousands–

REVENUES	1999	2000
Revenues from domestic telephonic services	9,055,328,363	13,970,291,167
Revenues from domestic telegraphic services	40,081,006	56,890,964
Revenues from liberalized telephonic services	133,935,748	212,436,747
Revenues from liberalized telegraphic services	10,995,943	5,642,155
Value Added Services	196,972,243	217,132,671
Revenues from interconnection	476,134,627	794,722,791
Phone cards selling revenues	356,708,269	613,799,700
Other revenues from works and services performed	15,195,057	35,876,719
Subtotal - other services and works performed internal	10,285,351,256	15,906,792,914
Operation subsidies	239,107	71,204
Write back of operational provisions	57,238	67,005
Other operational revenues	46,500,560	79,983,296
Revenues from operational provisions	101,276,012	285,951,038
Subtotal - other revenues - intern	148,072,917	366,072,543
Total revenues from domestic services	10,433,424,173	16,272,865,457
Revenues from international traffic settlements	2,034,535,797	2,604,367,506
Settlements from international leased phone circuits	83,755,952	191,601,170
Settlements from international telegraphic circuits	3,736,854	3,433,546
Revenues from international telegraphic leased settlements		29,940
Total revenues from international services	2,122,028,603	2,799,432,162
Total basic activity	12,555,452,776	19,072,297,619
Revenues from other activities	151,114,444	244,134,234
Total operational revenues	12,706,567,220	19,316,431,853

–ROL in thousands–

EXPENSES	1999	2000
Expenses regarding merchandises	31,826,939	51,334,969
Raw materials	657,516	1,301,233
Consumables	578,146,199	873,776,257
Petty inventories and protection equipment	105,985,112	142,038,360
Unstocked material	4,936,687	128,272,785
Electricity and water	88,695,465	130,011,586
Packaging	423,503	393,539
Total Material expenses	778,844,482	1,275,793,760
Repair and maintenance	510,871,289	634,610,900
Royalties and rental	54,812,766	92,757,385
Insurance	10,704,159	17,858,311
Research	4,252,784	3,198,147
Civil contract staff	5,590,109	-
Commissions and fees	25,335,107	40,954,408
Advertising, promotion and entertainment	44,479,439	176,329,200
Transport of goods and personnel expenses	24,572,034	28,691,335
Travel expenses	49,729,339	84,471,872
Postage and telecommunications	120,219,087	150,513,768
Bank commissions and similar charges	47,079,711	81,843,284
Other third party services (interconnection and VAS)	2,682,060,898	4,220,616,337
Total Works and services executed by third parties	3,579,706,722	5,531,844,947
Taxes, fees and other duties	223,096,403	389,317,693
Salaries	2,174,485,922	3,262,584,416
Social security expenses	805,320,038	1,216,386,947
Company's contribution to unemployment fund	108,631,602	162,313,951
Total Personnel expenses	3,088,437,562	4,641,285,314
Losses on bad debts	25,955,479	55,906,689
Other operating expenses	21,012,905	24,090,510
Total other operating expenses and bad debt losses	46,968,384	79,997,199
Expenses related to depreciation and provisions	1,759,904,581	2,106,509,013
TOTAL OPERATING EXPENSES	9,508,785,073	14,076,082,895
OPERATIONAL RESULT	3,197,782,147	5,240,348,958

Note 6

4.6. Receivables and payables at December 31st 2000

–ROL in thousands–

Receivables	Balance on December 31st 2000	Due time (year)	
		<1	>1
- advances paid to suppliers	142,843,823	122,782,671	20,061,152
- trade receivables	4,802,862,029	4,701,989,818	100,872,211
- personal receivables and social insurance	12,016,461	12,016,461	
- tax on profit	195,496,417	195,496,417	
- VAT to recuperate	297,789,650	297,789,650	
- other receivables from State	9,412,746	9,412,746	
- settlements between the group	981,456	981,456	
- sundry debtors	130,689,443	117,442,474	13,246,969
Total	5,592,092,025	5,457,911,693	134,180,332

From the total amount for receivables – current assets ROL 5,592,092,025,000, the amount of ROL 269,254,142,000 represents provisions for decrease of the receivables.

The status of the payables at December 31st 2000

Payables	Balance on December 31st	Due time		
		<1 year	1-5 years	>5 years
1 Long and medium term loans:	9,851,382,156	1,320,647,719	4,666,671,462	3,864,062,975
1.1 - domestic	36,296,400	36,296,400		
1.2 - foreign loans - total, out of which	000 US\$ 378,581	49,539	180,000	149,042
	000 ROL 9,815,085,756	1,284,351,319	4,666,671,462	3,864,062,975
1.2.1 Waranty - out of which	000 US\$ 249,571	26,941	113,588	109,042
guaranteed by the state	000 ROL 6,470,371,989	698,466,192	2,944,882,822	2,827,022,975
2 Short term loans	1,619,510,610	1,619,510,610		
3 Interest	124,737,274	124,737,274		
3.1 - domestic	28,029,233	28,029,233		
3.2 - foreign loans - total, out of which	000 US\$ 3,730	3,730		
	000 ROL 96,708,041	96,708,041		
4 Other loans and financial liabilities	19,023,729	13,863,404	693,544	4,466,781
TOTAL FINANCIAL LIABILITIES AND ASSIMILATED	11,614,653,769	3,078,759,007	4,667,365,006	3,868,529,756
OTHER LIABILITIES	9,108,944,676	9,070,880,119	35,521,916	2,542,641
TOTAL LIABILITIES	20,723,598,445	12,149,639,126	4,702,886,922	3,871,072,397

Note 7

4.7. Principles, politics and accounting methods

RomTelecom's accounting activity is undertaken according to the stipulations of the Accounting Law No. 82/1991 republished, and of the Rules for the application of the Accounting Law by using the EVIPAR, SALTEL, STOCTEL, IMOTEL, CONTEL and C53 (CONCX) software. This allowed the unitary recording of the patrimony evidence at subsidiaries and management (HQ) level, with the concordance between synthetic and analytical book keeping.

The patrimony reflection in the subsidiaries of RomTelecom was performed in order to reflect the reality of the financial year and the evaluation was made according to the law enforced:

- Stipulations of the Accounting Law No. 82/1991 republished, of the Government Decision No. 704/1993 for approval of the Rules for application of the Accounting Law;
- "The Methodological Standards for drafting, verifying and summarizing the accounting reports of the legal entities", issued by the Ministry of Finance under the No. 460050 dated 29.01.2001.

The Financial Statements drafted as of December 31, 2000 include:

- The Balance Sheet;
- The Profit and Loss Account;
- Appendix,

having as base:

- Summarizing of the trial balances for the year ended at December 31, 2000 drafted and submitted by the regional telecommunications units;
- The trial balance of the Headquarters;
- Summarizing the statistical data submitted by the judets.

Tangible fixed assets

The tangible fixed assets are recorded in accordance with Romanian Accounting Law no. 82/1991 republished.

The classification of the tangible fixed assets was made according to the stipulations of the Law No. 15/1994, modified and completed by the Government Decisions No. 964/1998 and 95/1999 on categories.

The tangible fixed assets input as fixed assets purchased onerously were recorded at acquisition costs. The synthetic book keeping is held on groups of fixed assets using the IMOTEL software.

Inventories

Effective 1999, RomTelecom evaluated the material goods from its patrimony as follows:

- For the evaluation of the material output, the subsidiaries use the CPM - the weighted average cost;
- For the evidence, existence and the movement of the material stocks, the Headquarters uses the acquisition value (acquisition cost).
- The accounting and management evidence of the stocks is held by using the STOCTEL software.

Transactions regarding inventories are made based on the documents in proof (invoices, certificate of acceptance, consumption documents); the amounts recorded in the primary documents are similar to those in the Accounting Notes and are properly overtaken in the trial balance.

At the company's level, the inventory evolution is as follows:

–ROL in thousands–

	<i>December 31st, 1999</i>	<i>December 31st, 2000</i>
Total	<u>1,325,073,766</u>	<u>6,471,169,816</u>
<i>out of which:</i>		
- materials, raw materials	1,071,706,594	2,007,259,671
- inventories at third parties	250,925,482	4,444,139,955

Provisions

At the company's level, at December 31st 2000, the provisions accounts are constituted as follows:

<i>Provisions for risks and charges</i>	
- provisions for litigations	54,889,684
- provisions for exchange rate losses	7,176,690,882
- other provisions for risks and charges	72,062,707
Total	<u>7,303,643,273</u>

According to the Government Decision No. 326/24 April 2000 one were constituted provisions for the net loss from differences of exchange rate afferent to payables and receivables in currency at December 31st, 2000, in amount of ROL 7,176,690,882,000.

The inventory of the patrimony

The inventory process was organized according to Decision No. 121 and 122 on December 6th, 2000 by the Company's CEO, in order to respect Ministry of Finance Order No. 2388/1995.

As a result of the inventory process the following differences were noticed:

–ROL in thousands–

- minus	654.764
- plus	1.818.950
- compensation between plus and minus	18.037
- recorded on the account's expenses	420.026
- suspense accounts	56.994
- debtors	14.321

These differences resulted from the inventory process are shown in the balance sheet, and do not affect the share capital of the company.

Personnel evolution

Average number of full-time employees on	31-Dec-99	44,917
Average number of full-time employees on	31-Dec-00	42,092

The Company's financial statements were elaborated by recording the patrimonial transactions carried on at every county level, and also at the Headquarters level. We have respected the accounting principles, respectively prudence, consistency of the methods, on going concern, independence of the exercise, the intangibility of the opening balance sheet, according to accounting rules stipulated by the provisions in force.



VASSILIOS TSAKONIATIS
Chief Executive Officer



GEORGIOS ILIOPOULOS
Chief Financial Officer

Financial Statements

Consolidated Financial Statements prepared in accordance with International Accounting Standards

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1. General information

Romtelecom SA was created on 1 November 1997 as a joint stock company incorporated in Romania, at which date the business and substantially all of the assets and liabilities of Romtelecom RA (a state corporation) were transferred to the Company. Romtelecom SA (“the Company”) with its subsidiaries form the Group.

Effective 30 December 1998, 35% of the share capital was acquired by the Hellenic Telecommunications Organisation S.A. (“OTE”) through its subsidiary, OTEROM Ltd. incorporated and domiciled in Cyprus. Prior to the privatisation of the Company, the shareholding was entirely owned by the Romanian Government.

The Company has exclusive rights to provide local, long distance and international fixed telecommunications services in Romania until December 2002. The Group also provides mobile telephony services using 1800 MHz frequency and cable television services through the Company’s subsidiaries.

The Company has its registered office in Bucharest, Romania, 14-16, Libertății Blvd.

Employees

The average number of employees in 2000 was 43,521 (1999: 46,918).

Directors

The names of the Directors of the Company serving during the financial year and to the date of this report, together with their respective dates of appointment and resignation are as follows:

Position	Director
Chairman	George Skarpelis, appointed on 7 December 1999
Chief Executive Officer	Vassilios Tsakoniatis, appointed on 17 February 1999
Executive Development Director	Theodore Thanopoulos, appointed on 3 December 1999
Executive International, Carriers Relations and Regulatory Director	Georgios Theodorou, appointed on 3 December 1999
Executive Finance Director	Georgios Iliopoulos, appointed on 17 February 1999
Executive Technical Operations Director	Georgios Avlonitis, appointed on 17 February 1999

Executive Human Resources and Training Director	Mark Bush, resigned, this position was cancelled effective on 23 February 2001
Executive Regional Operations Director	Florin Anghel, appointed on 17 February 1999
Executive Commercial Operations Director	Radu Moldovan, dismissed on 23 February 2001, replaced by Georgios Theodorou on 6 March 2001. Georgios Theodorou is also the Executive International, Carriers Relations and Regulatory Director
Executive Administrative Director	Marcel Nicolaescu, appointed on 17 February 1999

The management team has developed strategic plans for the Company for the period up to 2008.

REPORT OF THE INDEPENDENT AUDITORS TO THE BOARD OF DIRECTORS OF ROMTELECOM SA

We have audited the consolidated balance sheet of Romtelecom SA (“Romtelecom” or the “Company”) and its subsidiaries (the “Group”) as of 31 December 2000 and the related consolidated statements of income, changes in shareholders’ equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company’s management. 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 plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2000 and the results of its operations, changes in shareholders’ equity and its cash flows for the year then ended in accordance with International Accounting Standards.

Without qualifying our opinion, we draw attention to the current uncertainty in relation to finalisation of Government policy for the telecommunications sector and public assets legislation (described in Note 4). It is not possible to determine the effects, if any, of future Government policy on the value of the Group’s assets and liabilities.



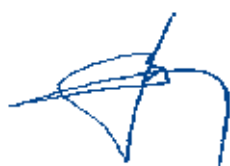
PricewaterhouseCoopers Audit SRL
Bucharest, 12 March 2001

Consolidated balance sheet

(all amounts in Romanian Lei billion)

	Notes	31 December 2000	31 December 1999
ASSETS			
Property, plant and equipment	6	49,031	42,573
Intangible assets	7	542	575
Investments in associates undertakings	9	-	82
Other investments	10	42	68
Non-current assets		49,615	43,298
Inventories	11	874	968
Receivables and prepayments	12	5,435	5,365
Cash and cash equivalents	13	2,481	5,161
Current assets		8,790	11,494
Total assets		58,405	54,792
EQUITY AND LIABILITIES			
Ordinary shares	14	32,379	32,379
Share premium	14	2,396	2,396
Other reserves	14	5	-
Deficit		(3,197)	(907)
Capital and reserves		31,583	33,868
Borrowings	15	8,272	10,346
Deferred tax liabilities	16	5,178	4,076
Long term payables	17	2,962	20
Other liabilities	18	658	914
Non-current liabilities		17,070	15,356
Trade and other payables	19	6,290	3,839
Borrowings	15	3,462	1,729
Current liabilities		9,752	5,568
Total liabilities		26,822	20,924
Total equity and liabilities		58,405	54,792

The consolidated financial statements and accompanying policies and notes on pages 56 to 77, which form an integral part of these consolidated financial statements, were approved by the management of Romtelecom on 12 March 2001 and signed on its behalf by:



Vassilios Tsakoniatis
General Director



Georgios Iliopoulos
Executive Finance Director

The accounting policies and notes on pages 64 to 85 form an integral part of these financial statements.

Consolidated income statement

(all amounts in Romanian Lei billion)

	Notes	Year ended 31 December	
		2000	1999
Revenue	20	21,664	20,507
Operating costs	21	(20,398)	(18,687)
Operating profit		1,266	1,820
Finance costs - net	22	(4,687)	(2,329)
Gain on the net monetary position		3,469	790
Share of result before tax of associates	9	-	(76)
Profit before tax		48	205
Income tax on profit	23	(1828)	(1,202)
Release of deferred tax from change in tax rate	23	-	1,531
Net (loss) / profit		(1,780)	534

Consolidated statement of changes in shareholders' equity

(all amounts in Romanian Lei billion)

	Notes	Share capital	Share premium	Other reserves	Accumulated deficit	Total
Balance at 1 January 1999		32,379	2,396	-	(1,441)	33,334
Net profit		-	-	-	534	534
Balance at 31 December 1999						
and 1 January 2000		32,379	2,396	-	(907)	33,868
Other reserves		-	-	5	-	5
Net loss		-	-	-	(1,780)	(1,780)
Dividends related to 1999	24	-	-	-	(510)	(510)
Balance at December 31st 2000		32,379	2,396	5	(3,197)	31,583

Distributable statutory reserves as at 31 December 2000 amount to ROL 1,821 billion. During 2000 the Company received ownership title for land in amount of ROL 5 billion, which was credited to other reserves. In accordance with the privatisation agreement, the amount will be converted during 2001 in preference shares owned by the State Ownership Fund.

Consolidated cash flow statement

(all amounts in Romanian Lei billion)

	Notes	<u>Year ended 31 December</u>	
		2000	1999
Cash flows from operating activities			
Cash generated from operations	25	5,865	6,444
Interest paid		(1,182)	(1,215)
Income tax paid		(276)	(350)
Net cash from operating activities		4,407	4,879
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,998)	(7,290)
Disposal of property, plant and equipment		41	23
Purchase of intangible assets		(36)	(76)
Purchase of capital engineering stores		(156)	(514)
Interest received		128	362
Disposal of non-current investments		1	-
Net cash used in investing activities		(6,020)	(7,495)
Cash flows from financing activities			
Proceeds from borrowings		1,286	2,870
Repayment of borrowings		(1,668)	(2,599)
Dividends paid to group shareholders (note 24)		(441)	-
Net cash (used in) / from financing activities		(823)	271
Effects of inflation and exchange rates			
on cash and cash equivalents held		(894)	(865)
Decrease in cash and cash equivalents		(3,330)	(3,210)
Cash and cash equivalents at January 1st (note 13)		5,161	8,371
Decrease		(3,330)	(3,210)
Cash and cash equivalents at December 31st (note 13) 13		1,831	5,161

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

These consolidated financial statements are presented by Romtelecom SA (“Romtelecom” or the “Company”), which is incorporated in Romania, and they incorporate the results of the Company and its subsidiaries (the “Group”), as detailed in Note 8. The Company has two associated companies, as detailed in Note 9.

2. Basis of preparation and accounting records

These consolidated financial statements have been prepared in accordance with and comply with International Accounting Standards (“IAS”) as issued by the International Accounting Standards Committee (“IASC”). They are not the statutory accounts of Romtelecom.

The consolidated financial statements have been prepared using the historical cost convention, restated for the effects of inflation and modified by the initial valuation of property, plant and equipment as further disclosed in Notes 3 and 5 to these consolidated financial statements.

In 2000 the Group adopted IAS 10 (revised) – Events after the Balance Sheet Date, IAS 22 – Business Combinations, IAS 36 – Impairment of Assets, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and IAS 38 – Intangible Assets. Information on adopting these standards is disclosed in accounting policies 5(b)(i), 5(c), 5(i), 5(j) and in Notes 6, 7 and 24.

Currency of presentation

The functional currency of the Group and the reporting currency for these consolidated financial statements are the Romanian Leu (“ROL”). These consolidated financial statements are presented in terms of the purchasing power of the ROL as at 31 December 2000.

Basis of accounting

The Group maintains its accounting records in ROL in accordance with Romanian law and the annual statutory accounts are prepared in accordance with the accounting requirements of Romanian law and accounting practice (“RAP”) issued by the Ministry of Finance of Romania. The accompanying consolidated financial statements are based on the statutory records of the Group, which are maintained on a going concern basis under the historical cost convention, except for certain indexations of property, plant and equipment.

In order to prepare these consolidated financial statements it was necessary to make a number of adjustments to the statutory accounts and to obtain certain other disclosures that are not readily available from the accounting records of the Group. However, these accounting records did not in all cases provide sufficient information to assess these adjustments and disclosures accurately and therefore estimates were made on the basis of the best information available. Whilst these individual estimates are subject to a degree of uncertainty, their overall effect on these consolidated financial statements is not regarded as material. The areas subject to these uncertainties are as follows:

- (a) categorisation and analysis of movements of fixed assets
- (b) depreciation charge
- (c) commitments for capital expenditure
- (d) redundancy costs

3 International Accounting Standard 29 (Financial Reporting in Hyperinflationary Economies) (“IAS 29”)

IAS require that financial statements prepared on a historical cost basis should be adjusted to take account of the effects of inflation, if this has been significant. IAS 29 provides guidance on how financial information should be presented in such circumstances. In summary, it requires that financial statements should be restated in terms of the measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the income statement and disclosed separately. The restatement of financial statements in accordance with IAS 29 requires the use of a general price index that reflects changes in general purchasing power.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%. During the year ended 31 December 2000 the general price index issued by Comisia Națională de Statistică, the official Romanian Statistical Bureau, indicates that the domestic annual rate of inflation was 40.7% (1999: 54.9%). The cumulative rate of inflation was 206.7% over the three years ended 31 December 2000 (three years ended 31 December 1999: 458.5%). Therefore the requirements of IAS 29 have been adopted in preparing these consolidated financial statements. The Group has utilised the general price index issued by Comisia Națională de Statistică in the application of IAS 29.

The application of IAS 29 to specific categories of transactions and balances within the financial statements is set out as follows:

(a) Monetary assets and liabilities

Cash and cash equivalents, receivables, payables and interest bearing loans have not been restated as they are considered monetary assets and liabilities and are therefore stated in ROL current at the balance sheet date.

Gains or losses which arise as a result of inflation and the holding of monetary assets and liabilities are estimated by applying the change in the general price index to the weighted average for the period of the difference between monetary assets and liabilities.

(b) Non monetary assets and liabilities

Non monetary assets and liabilities (those balance sheet items that are not already expressed in terms of ROL current at the balance sheet date) are restated from their historical cost or valuation by applying the change in the general price index from either the date of acquisition, valuation or contribution to the balance sheet date.

(c) Property, plant and equipment

IAS 29 states that all property, plant and equipment should be restated from the date of their purchase using a general price index except during the first period of application of the standard when a professional valuation of fixed assets is permissible. Romtelecom RA (the predecessor entity) first prepared its IAS financial statements for the year ended 31 December 1994 and performed a directors' valuation of the property, plant and equipment on that date using either a modern equivalent asset or a depreciated net replacement cost methodology, as appropriate. This involved a range of techniques including current replacement cost for assets such as digital exchanges, modern equivalent asset cost for assets such as analogue exchanges where direct replacement would not be appropriate and indexed historical cost for assets such as motor vehicles where either replacement costs were not available or the amounts involved were less significant in aggregate.

This valuation has been brought forward to 31 December 2000 by applying the change in the general price index.

(d) Consolidated income statement

Income statement items, with the exception of depreciation and bad debts expenses, have been restated by applying the change in the general price inflation index from the dates when the items were initially recorded to the balance sheet date. In practice this restatement has been calculated on a monthly average basis. Corresponding figures from previous year have been restated accordingly. The depreciation expense for the year is based on the restated property, plant and equipment balances at year-end. Bad debt expense represents the movement between the indexed opening and the closing provisions, adjusted for items written off during the year.

(e) Corresponding figures

All the corresponding figures (including monetary assets and liabilities) for the previous reporting period have been restated by multiplying the amounts included in the previous year's financial statements by the change in the general price index. Hence, as required by IAS 29, comparative financial information is presented in terms of the measuring unit current as at 31 December 2000. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current as at 31 December 2000.

4 Government policy

As part of the ongoing restructuring process, the Romanian Government and Parliament are continuing to adopt new legislation that impacts the telecommunications sector, and Romtelecom in particular. It is not possible to establish at this stage the effects, if any, of future Government policy on the value of the assets and liabilities of the Group.

In September 1998 the Romanian Parliament passed the law on the public assets (Law 213/1998). This law sets out those assets in several sectors, including telecommunications, which must remain in public ownership. In the case of telecommunications, these are referred to as "frequency spectrum and transport and distribution network", without specifying the detailed assets to be included within these categories. This law was promulgated and published in the Official Gazette of Romania in November 1998. The law came into force 60 days after published in the Official Gazette. It is not possible to establish at this stage the effects, if any, of the public asset law on the assets and liabilities of the Group.

5 Accounting policies

Set out below are the principal accounting policies used to prepare the underlying financial information of the Group before the application of IAS 29. This financial information is then adjusted for the effects of inflation in accordance with the bases described in Note 3, in order to prepare the IAS financial statements.

(a) Principles of consolidation

Subsidiary undertakings, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(b) Property, plant and equipment**(i) Cost**

Property, plant and equipment acquired after 1 January 1995 are recorded at cost and before that date at replacement cost (see Note 3(c)).

Cost or valuation in the case of the network comprises all expenditure up to and including the cabling and wiring within customers' premises and includes contractors' charges and payments on account, materials, direct labour, and borrowing costs up to the date of commissioning of the assets.

Significant renovations are capitalised if these extend the life of the asset or significantly increase its revenue generating capacity. Maintenance, repairs and minor renewals are charged against income as incurred.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Items of property, plant and equipment that are retired or otherwise disposed of are eliminated from the balance sheet along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the determination of net income.

(ii) Borrowing costs

Borrowing costs are charged to the income statement as incurred unless relating to loans which fund capital projects, in which case the borrowing costs are capitalised as part of the cost of the relevant asset up to the date of commissioning and written off to the income statement over the period in which the respective asset is depreciated.

The construction of property, plant and equipment is financed by loans other than specific borrowings. The capitalisation rate is calculated based on the borrowings of the Group used to finance construction projects.

(iii) Depreciation

Depreciation is calculated on property, plant and equipment on a straight-line basis from the time they are available for use, so as to write down their cost or valuation to their estimated residual values over their estimated useful lives. The useful economic lives assigned to the various categories of fixed assets are:

	Years
Freehold buildings	45
Duct, cable and outside plant	15-20
Telephone exchanges and related equipment	10-15
Other fixed assets	5-8

Management are continuing to assess network development plans. The effect of any future revisions to expected useful economic lives as a result of this exercise would be reflected in the depreciation charge for future periods.

(iv) Land

Land is not depreciated as it is deemed to have an indefinite life.

(c) Intangible assets

(i) Licenses

The licenses are represented mainly by the licence for DCS 1800 cellular phone network in Romania. Amortisation is charged from the date when the asset is available for use using the straight-line method over the period of the licence, which is 10 years.

(ii) Computer software development costs

Generally, costs associated with developing computer software programmes are recognised as expenses as incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the Group and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include staff costs of the development team and an appropriate proportion of relevant overheads.

Expenditure that enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. These costs are capitalised in intangible assets where not integral to property, plant and equipment. Computer software development costs recognised as assets are amortised using the straight-line method over their useful life but not exceeding a period of three years.

External and internal costs specifically associated with the maintenance of existing computer software programmes and for modifications for the Year 2000 are expensed as incurred.

(d) Investments in associated undertakings

Investments in associated entities in which the Group has a significant but not controlling interest are accounted for using the equity method. Significant interest is usually evidenced by the Group owning, directly or indirectly, between 20 percent and 50 percent of the voting share capital.

Equity accounting involves recognising in the income statement the Group's share of associates' profit or loss for the year. The Group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate.

Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated undertaking.

(e) Other investments

Other investments represent long-term interests and are stated at historical cost less any provision for permanent diminution in value.

(f) Inventories

Inventories, with the exception of mobile phones and related accessories, are stated at the lower of cost and estimated net realisable value. Cost is calculated on a weighted average basis for the mobile phones and accessories and on a first-in, first-out (FIFO) basis for the other inventories. Provision is made against slow moving, damaged and obsolete stores.

(g) Receivables

Receivables are stated in the balance sheet at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

(h) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included within borrowings in current liabilities.

(i) Share capital

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(j) Provisions

The Group recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made.

(k) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up the balance sheet date.

(l) Restructuring

A provision for redundancy costs is raised once a detailed formal plan approved by the Board of Directors is in place, communications to employees or their representatives are of sufficient detail to enable them to act on the plan and contingent events related to the plan's actioning have occurred.

(m) Grants

Grants relating to the purchase of property, plant and equipment are included in non current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(n) Employee benefits and entitlements

Contributions are made by the Group to the Government's health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The cost of these payments is charged to the income statement in the same period as the related salary cost.

In accordance with an annually negotiated collective labour contract, Romtelecom is required to pay on retirement the equivalent of 2 to 6 months of base salaries (gross salaries excluding bonuses) depending on the length of service. Romtelecom's obligations are restricted to those employees who retire from the Company during the period of the labour contract. No amounts are recognised in these financial statements in respect of such retirement benefit obligations, as the management has no legal or constructive obligation beyond 31 May 2001.

The Group has no other liability under Romanian law in respect of future pension, health or other costs for its employees.

(o) Income taxes

Deferred taxation is provided using the balance sheet liability method based upon the concept of temporary differences, being the differences between the carrying amounts of assets and liabilities in the balance sheet and their tax basis value. Under this method deferred taxes are required to be

recognised for all temporary differences. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset will be realised or the liability settled, based on tax rates and laws that have been enacted at the balance sheet date. Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

Substantially all temporary differences arise from property, plant and equipment, intangible assets and investments.

(p) Revenue recognition

Revenue, which excludes Value Added Tax, comprises goods and services provided. Revenue for all services is recognised when earned.

Amounts charged for the connection of new customers to the network are taken to income when the customer is connected.

International telephone revenues are derived from outgoing calls made from Romania and from payments by foreign network operators for calls and other traffic that originate outside Romania but use Romtelecom's network. Romtelecom pays a proportion of the international call revenue it collects from its customers to transit and destination network operators.

Interconnect revenues are derived from calls and other traffic that originate in other operators' network but use the Group's network. The Group pays a proportion of the call revenue it collects from its customers to other operators' network for calls and other traffic that originate in the Group's network but use other operators' network.

Revenues and costs are shown gross in these financial statements. Amounts payable to and receivable from the same operators are shown net in the balance sheet when a right of set-off exists.

(q) Operating costs

Operating costs are charged in the period to which they relate.

(r) Advertising costs

Advertising costs are charged to expense as incurred.

(s) Foreign currencies

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into ROL at exchange rates as of the balance sheet date.

All differences arising on the settlement and translation of foreign currency amounts are recognised in the income statement in the year in which they arise. Realised and unrealised exchange losses which are expensed, including those on borrowings, and exchange gains on cash deposits are included within finance costs in the income statement.

The ROL is not a convertible currency outside the territory of Romania.

(t) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. IAS 10 (revised) – Events after the Balance Sheet Date, IAS 22 – Business

Combinations, IAS 36 – Impairment of Assets, IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and IAS 38 – Intangible Assets, became effective on 1 January 2000. There are no changes in accounting policy, including the standards mentioned above, that affect the results and financial position of the Group.

(u) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, receivables and prepayments, trade and other payables and borrowings. The particular recognition methods adapted are disclosed in the individual policy statements associated with each item.

The Company and the Group are not party to financial instruments that reduce exposure to fluctuations in foreign currency exchanges and interest rates.

(v) New accounting developments

For the consolidated financial statements for 2001, a new International Accounting Standard IAS 39 – Financial Instruments: Recognition and Measurement will come into effect. The Standard requires all financial assets and financial liabilities to be recognised on the balance sheet, including all derivatives. The Group has not yet identified the activities that will be most affected by the new Standard.

The assessment of the impact of IAS 39 on the Group's financial position as of 1 January 2001 will be reported in the 2001 consolidated financial statements as an adjustment to retained earnings at 1 January 2001, with no restatement of previously reported amounts for the year ended 31 December 2000.

In addition, IAS 40 'Investment Property' is effective for financial statements covering periods beginning on or after 1 January 2001. The Group expects that IAS 40 will not have any effect on the Group's consolidated financial statements.

6. Property, plant and equipment

(all amounts in Romanian Lei billion)

	Lang & buildings	Cable and related equipment	Exchanges and related equipment	Other fixed assets	Assets in the course of construction	Total
Cost or valuation						
1 January 2000	9,812	33,376	30,895	8,776	5,210	88,069
Reclassifications						
between categories	-	657	(657)	-	-	-
Additions	811	-	-	1,375	9,198	11,384
Disposals	(11)	(746)	(312)	(470)	-	(1,539)
Transfers	-	3,009	1,742	4	(4,755)	-
31 December 2000	<u>10,612</u>	<u>36,296</u>	<u>31,668</u>	<u>9,685</u>	<u>9,653</u>	<u>97,914</u>
Depreciation						
1 January 2000	3,214	17,818	19,927	5,829	-	46,788
Reclassifications						
between categories	-	85	(85)	-	-	-
Charge for the period	228	1,402	2,168	982	-	4,780
Disposals	(2)	(627)	(278)	(330)	-	(1,237)
31 December 2000	<u>3,440</u>	<u>18,678</u>	<u>21,732</u>	<u>6,481</u>	<u>-</u>	<u>50,331</u>
Net book value						
31 December 2000	7,172	17,618	9,936	3,204	9,653	47,583
Capital engineering stores	-	-	-	-	1,448	1,448
	<u>7,172</u>	<u>17,618</u>	<u>9,936</u>	<u>3,204</u>	<u>11,101</u>	<u>49,031</u>
Net book value						
31 December 1999	6,598	15,558	10,968	2,947	5,210	41,281
Capital engineering stores	-	-	-	-	1,292	1,292
	<u>6,598</u>	<u>15,558</u>	<u>10,968</u>	<u>2,947</u>	<u>6,502</u>	<u>42,573</u>

Certain reclassifications, between cables and related equipment and exchanges and related equipment, have been performed as a result of better information becoming available.

As described in Note 3(c), the property, plant and equipment of the predecessor entity were revalued by the Directors as at 31 December 1994. The valuation was dependent upon, among other matters, the remaining useful lives of the assets, which themselves reflected the network development plans of Romtelecom SA.

Romanian commercial banks issued bank guarantees against some of the international loans (see Borrowings – Note 15) used for funding digital exchanges and related equipment and cables and related equipment. The Romanian banks have a right of pledge on those assets.

Borrowing costs of ROL 12 billion (1999: ROL 32 billion) arising on financing specifically entered into for the construction of cables and related equipment and exchanges and related equipment, were capitalised during the year and are included in 'Additions' in the above table. A capitalisation rate of 2.5% (1999: 8%) was used representing the borrowing cost of the loans used to finance the construction projects.

7. Intangible fixed assets

(all amounts in Romanian Lei billion)

	<i>Licences</i>	<i>Other intangible assets</i>	<i>Total</i>
Cost or valuation			
1 January 2000	540	94	634
Additions	-	9	9
Transfers	<u>10</u>	<u>30</u>	<u>40</u>
31 December 2000	<u>550</u>	<u>133</u>	<u>683</u>
Amortisation			
1 January 2000	35	24	59
Charge for the period (note 21,25)	<u>59</u>	<u>23</u>	<u>82</u>
31 December 2000	<u>94</u>	<u>47</u>	<u>141</u>
Net book value			
31 December 2000	<u>456</u>	<u>86</u>	<u>542</u>
Net book value			
31 December 1999	<u>505</u>	<u>70</u>	<u>575</u>

8. Subsidiaries

The Company had two subsidiaries as at 31 December 2000, being CosmoROM, a company incorporated in Romania on 15 January 1999, in which the Company holds 99.999% interest and Cable Vision of Romania, a company incorporated in Romania on 31 August 1993 in which the Company holds 95.67% interest. The principal activity of CosmoROM is the provision of mobile telephony services using 1800 MHz frequency. CosmoROM became operational during 2000. The principal activity of Cable Vision of Romania is the development and operations of cable television systems and MMDS microwave systems.

9. Investments in associated undertakings

(all amounts in Romanian Lei billion)

	<i>2000</i>	<i>1999</i>
Cost		
1 January	83	274
Transfer to other investments	-	(27)
Provision	<u>(82)</u>	-
Less consolidated subsidiary	<u>-</u>	<u>(164)</u>
31 December	<u>1</u>	<u>83</u>
Share of results		
1 January	(1)	(15)
Movement in the year (Note 25)	-	(76)
Less consolidated subsidiary	<u>-</u>	<u>90</u>
31 December	<u>(1)</u>	<u>(1)</u>
	<u>-</u>	<u>82</u>

The Company consolidated Cable Vision of Romania as at 31 December 2000 and equity accounted for this subsidiary as at 31 December 1999 on grounds of materiality. The 1999 balances have been adjusted for comparability with 2000 resulting in a decrease of investments in associated undertakings in amount of ROL 164 billion.

The activities and percentage of share capital held in respect of the above investments (each of which is incorporated in Romania), can be summarised as follows:

- (a) Global One Communications Romania SA (48.98%) - development and operation of value added engineering stock and network services such as the X400 electronic courier service and videotext.
- (b) Pagini Aurii SA (40%) - production of printed telephone directories.

The Board of Directors approved during 2000 the transfer of the Company's shares in Global One Communications Romania SA at no consideration. Accordingly, the Group's share in Global One Communications Romania as at 31 December 2000 was fully provided.

10. Other investments

(all amounts in Romanian Lei billion)

	2000	1999
Cost		
1 January	68	41
Transfer from investments in associates	-	27
Disposal (note 25)	<u>(26)</u>	-
31 December	<u>42</u>	<u>68</u>

The activities and percentage of share capital held in respect of the above investments (each of which is incorporated in Romania), can be summarised as follows:

- (a) Alcatel Network Systems Romania SA (5.96%) - manufacture of digital telephone exchanges (type E10B).
- (b) Garanta SA (7%) - life and general insurance and reinsurance.
- (c) Telemobil SA (0.69%) - development and operation of an NMT cellular phone network in Romania. As a result of capital contributions by the majority shareholder in 1999 and 2000, the Company reduced its shareholding from 19.99% to 0.69%.

During 2000 the investment in Emcom SRL was sold.

11. Inventories

(all amounts in Romanian Lei billion)

	31 December 2000	31 December 1999
Engineering stores	769	922
Other inventories	<u>105</u>	<u>46</u>
	<u>874</u>	<u>968</u>

12. Receivables and prepayments

(all amounts in Romanian Lei billion)

	31 December 2000	31 December 1999
Domestic trade receivables	2,313	2,361
Foreign trade receivables	1,219	1,436
Advances to suppliers	912	428
Due from the Government	825	700
Other receivables and prepaid expenses	117	163
Receivables from related parties (note 26)	<u>49</u>	<u>277</u>
	<u>5,435</u>	<u>5,365</u>

Foreign trade receivables comprise balances denominated in foreign currencies due from foreign telecommunications operators.

Amounts due from the Government relate to income tax paid in excess from advance payments made during 1999 and 2000. Amounts paid in excess during 1999 were offset during 2000 against other amounts due to the Government.

Advances to suppliers and receivables from related parties include ROL 952 billion (1999: ROL 669 billion) for down payments to fixed assets suppliers under frame contracts for which the contractors have issued letters of guarantee in favour of the Company. These advances are computed as a percentage of the total commitment value for the year.

13. Cash and cash equivalents

(all amounts in Romanian Lei billion)

	31 December 2000	31 December 1999
Cash at bank and in hand		
- in ROL	363	163
- in foreign currencies	1,356	4,001
Short term bank deposits		
- in foreign currencies	<u>762</u>	<u>997</u>
	<u>2,481</u>	<u>5,161</u>

Cash balances at 31 December 2000 include ROL 599 billion (1999: ROL 101 billion) held in hard currency as collateral in respect of certain foreign supplier contracts and bank loans.

For the purpose of the cash flow statement, the year end cash and cash equivalents comprise the following:

	31 December 2000	31 December 1999
Cash and bank balances	2,481	5,161
Bank overdrafts (note 15)	<u>(650)</u>	<u>-</u>
	<u>1,831</u>	<u>5,161</u>

14. Ordinary shares and share premium

(all amounts in Romanian Lei billion)

	<i>Number of shares (thousands)</i>	<i>Ordinary shares</i>	<i>Share premium</i>	<i>Total</i>
<i>1 January 2000</i>	<u>24,063</u>	<u>32,379</u>	<u>2,396</u>	<u>34,775</u>
<i>31 December 2000</i>	<u>24,063</u>	<u>32,379</u>	<u>2,396</u>	<u>34,775</u>

At 31 December 2000 the share capital of the Company is made up of 24,062,521 ordinary shares with a nominal value of ROL 100,000 each, fully paid at the balance sheet date.

The shareholding structure as at 31 December 2000 is as follows:

	<i>Number of shares (thousands)</i>	<i>Percentage held</i>	<i>Amount</i>
<i>State Ownership Fund</i>	<u>15,641</u>	<u>65%</u>	<u>21,046</u>
<i>OTEROM Ltd.</i>	<u>8,422</u>	<u>35%</u>	<u>11,333</u>
	<u>24,063</u>	<u>100%</u>	<u>32,379</u>

There is shareholders' agreement which sets out the voting rights of the shareholders in respect of operational and strategic decisions, whereby OTEROM Ltd. holds 51% of the voting rights in the ordinary shareholders' meetings. The State Ownership Fund holds a golden share which gives veto rights over such actions as pledging or mortgaging any assets with more than half the Company's book value, dissolution or liquidation, changing the object of the Company, mergers, increasing or reducing shares or amending the Company's statute, as well as matters affecting the national security interest of the Romanian State.

15. Borrowings

(all amounts in Romanian Lei billion)

	31 December 2000	31 December 1999
Short term loans:		
ROL (fixed rate - nominal: 52% - 54% at 31 December 2000, 62% at 31 December 1999)	580	401
USD (floating rate: LIBOR + 2.20%)	<u>389</u>	-
	<u>969</u>	<u>401</u>
Overdrafts (Note 13):		
ROL (fixed rate - nominal: 50% - 52%)	373	-
ROL (fixed rate - nominal: best market rate, 50% and 52%)	<u>277</u>	-
	<u>650</u>	-
International Financial Institution (IFI) loans:		
Euro (floating rate: LIBOR + 1.5%)	2,286	2,778
USD (floating rate: LIBOR + 1.7% - LIBOR + 2%)	2,333	2,570
DEM (floating rate: 5% - 7.5%)	1,217	1,405
FRF (floating rate: 5.5% - 8%)	<u>1,214</u>	<u>1,401</u>
	<u>7,050</u>	<u>8,154</u>
Foreign supplier loans:		
FRF (fixed rate: 3% - 10.4%)	460	658
DEM (fixed rate: 3% - 7.95%)	530	764
Korean Won (fixed rate: 2.5% - 4.2%)	1,241	1,355
SEK (fixed rate: 8.54%)	44	60
USD (floating rate: LIBOR + 1.45%)	<u>531</u>	<u>683</u>
	<u>2,806</u>	<u>3,520</u>
Loan from OTEROM Ltd. (note 26):		
USD (floating rate: LIBOR + 1.50%)	<u>259</u>	-
	<u>259</u>	-
Total borrowings	11,734	12,075
Less current borrowings	<u>(1,878)</u>	<u>(401)</u>
Less current portion of long term borrowings	<u>(1,584)</u>	<u>(1,328)</u>
	<u>(3,462)</u>	<u>(1,729)</u>
Non-current borrowings	<u>8,272</u>	<u>10,346</u>
Maturity of non-current borrowings:		
	31 December 2000	31 December 1999
Between 1 and 2 years	1,541	1,640
Between 2 and 5 years	3,709	4,646
Over five years	<u>3,022</u>	<u>4,060</u>
	<u>8,272</u>	<u>10,346</u>

The EUR, DEM and FRF loans from the IFI are collateralised by guarantees from the Government of Romania. The USD loan from the IFI and the loan from OTEROM are not collateralised. The other loans are collateralised by either guarantees from the Ministry of Finance or certain Romanian commercial banks. The Romanian banks have a right of pledge on the assets of the Company funded from the respective loans.

Various loan agreements include provisions limiting the right to restructure the Company, undergo a change of control, corporate form, nature or capacity of the borrower. The Directors believe that the Company has properly notified the lenders of the Company's conversion from a state corporation to a joint stock company and that such lenders will not require the repayment of the loans.

The USD and EUR loan from the IFI are subject to restrictive covenants which require the Company to achieve minimum ratios in respect of tangible net worth, financial debt, debt coverage and current ratio, computed on the annual IAS financial statements. These ratios have been met for the years ended 31 December 1999 and 31 December 2000.

Prior to January 1998, the EUR loan from the IFI was subject to restrictive covenants in respect of internal funds generation and debt coverage. The ratio in respect of internal funds generation was not met for the year ended 31 December 1995. However, this ratio has been met for the years ended 31 December 1996 and 31 December 1997. Management believes that this will not result in any change of the repayment schedule of the loan.

Unused facilities as at 31 December 2000 in accordance with the drawdown schedule of the borrowings amount to ROL 7 billion (1999: ROL 67 billion).

The interest rate exposure of the borrowings is as follows:

	31 December 2000	31 December 1999
<i>Total borrowings:</i>		
- at floating rate	8,229	8,837
- at fixed rate	<u>3,505</u>	<u>3,238</u>
	<u>11,734</u>	<u>12,075</u>
<i>Weighted average effective interest rates:</i>		
- long term loans	11.98%	-
- short term loans - ROL	11.71%	11.62%
- short term loans - foreign currencies	8.29%	-
- long term loans - foreign currencies	5.51%	5.97%

Because of the conditions prevailing currently on the Romanian lending market, the Directors are unable to estimate the borrowing rate which would be available to the Company at the balance sheet date for long-term borrowings. Therefore, the fair values of the non-current borrowings as at 31 December 1999 and 31 December 2000 are not disclosed in these financial statements.

The carrying amounts of current borrowings approximate their fair values.

16. Deferred tax liabilities

(all amounts in Romanian Lei billion)

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25% (1999: 25%).

The movement on the deferred tax liabilities is as follows:

	2000	1999
1 January	4,076	4,471
Income tax on profit for the year (note 23)	1,102	1,136
Release of deferred tax from change in tax rate (note 23)	<u>-</u>	<u>(1,531)</u>
31 December	<u>5,178</u>	<u>4,076</u>

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of ROL 538 billion (1999: nil) to carry forward against future taxable income; these tax losses will expire in December 2005.

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

Deferred tax liabilities	IAS 29 adjustment of property plant and equipment	Other	Total
31 December 1999	4,782	183	4,965
Charged to income statement	<u>811</u>	<u>1,284</u>	<u>2,095</u>
31 December 2000	<u>5,593</u>	<u>1,467</u>	<u>7,060</u>
Deferred tax assets	Tax losses	Other	Total
31 December 1999	-	(889)	(889)
Charged to income statement	<u>(135)</u>	<u>(858)</u>	<u>(993)</u>
31 December 2000	<u>(135)</u>	<u>(1,747)</u>	<u>(1,882)</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

17. Long term payables

(all amounts in Romanian Lei billion)

	31 December 2000	31 December 1999
Payables to fixed asset suppliers	6,647	1,080
Less current portion of long term payables (note 19)	<u>(3,685)</u>	<u>(1,060)</u>
Non-current payables	<u>2,962</u>	<u>20</u>

Maturity of non-current portion of long term payable

	31 December 2000	31 December 1999
Between 1 and 2 years	1,247	20
Between 2 and 5 years	<u>1,715</u>	<u>-</u>
	<u>2,962</u>	<u>20</u>

Included within long term payables to fixed asset suppliers are ROL 1,425 billion (1999: ROL 20 billion) due to related parties (Note 26). The payables to fixed asset suppliers carry a floating interest rate of EURIBOR + 1.5%.

18. Other liabilities

(all amounts in Romanian Lei billion)

	31 December 2000	31 December 1999
<i>Customer deposits</i>	451	580
<i>Other provisions</i>	111	211
<i>Deferred income</i>	<u>96</u>	<u>123</u>
	<u>658</u>	<u>914</u>

The customer deposits represent guarantees retained from the Company's business customers to cover the risk of non-payment. These deposits are either paid back or offset against outstanding balances at the termination of service.

19. Trade and other payables

(all amounts in Romanian Lei billion)

	31 December 2000	31 December 1999
<i>Current iportion of long term payables (note 17)</i>	3,685	1,060
<i>Other payables and accruals</i>	1,716	1,765
<i>Deferred income</i>	523	627
<i>Amounts due to the Government</i>	<u>366</u>	<u>387</u>
	<u>6,290</u>	<u>3,839</u>

Included within trade and other payables are ROL 1,870 billion (1999: ROL 571 billion) due to related parties (Note 26).

20. Revenue

(all amounts in Romanian Lei billion)

	2000	1999
<i>National calls</i>	8,884	8,745
<i>Rentals</i>	4,378	3,726
<i>Overseas operators</i>	2,655	3,026
<i>International calls</i>	1,626	1,639
<i>Interconnect with mobile operators</i>	922	770
<i>Payphones</i>	800	605
<i>Other telephony</i>	722	644
<i>Leased circuits</i>	709	293
<i>Calls to value added services</i>	254	331
<i>Telegraph and telex</i>	196	76
<i>Connection fees</i>	140	287
<i>Other</i>	<u>378</u>	<u>365</u>
	<u>21,664</u>	<u>20,507</u>

21. Operating costs

(all amounts in Romanian Lei billion)

	2000	1999
<i>Wages and salaries</i>	3,919	3,786
<i>Social security contributions</i>	<u>1,598</u>	<u>1,531</u>
<i>Total staff costs</i>	5,517	5,317
<i>Depreciation (note 6)</i>	4,780	4,436
<i>Interconnect with mobile operators</i>	3,249	2,483
<i>Consumables</i>	933	842
<i>Overseas operators</i>	838	1,104
<i>Maintenance</i>	726	824
<i>Advertising</i>	293	72
<i>Spare parts</i>	271	206
<i>Payments to Value Added Services suppliers</i>	225	229
<i>Utilities</i>	152	149
<i>Amortisation (note 7)</i>	82	52
<i>Other</i>	<u>3,508</u>	<u>3,133</u>
	20,574	18,847
<i>Less own work capitalised</i>	<u>(176)</u>	<u>(160)</u>
	<u>20,398</u>	<u>18,687</u>

22. Finance costs

(all amounts in Romanian Lei billion)

	2000	1999
<i>Interest expense and similar charges</i>		
<i>Interest on Lei loans</i>	422	365
<i>Interest on foreign currency loans</i>	517	791
<i>Foreign exchange losses</i>	5,245	5,544
<i>Commissions and other bank charges</i>	<u>203</u>	<u>80</u>
<i>Total interest expense and other charges</i>	6,387	6,780
<i>Less interest capitalised</i>	<u>(12)</u>	<u>(32)</u>
	<u>6,375</u>	<u>6,748</u>
<i>Interest income and similar income</i>		
<i>Interest income</i>	(128)	(362)
<i>Foreign exchange gains</i>	<u>(1,560)</u>	<u>(4,057)</u>
	<u>(1,688)</u>	<u>(4,419)</u>
	<u>4,687</u>	<u>2,329</u>

23. Income tax expense

(all amounts in Romanian Lei billion)

	2000	1999
<i>Current income taxes</i>	726	66
<i>Deferred income taxes (note 16)</i>	1,102	1,136
	1,828	1,202
<i>Release of deferred tax from change in tax rate (note 16)</i>	-	(1,531)
	<u>1,828</u>	<u>(329)</u>

The difference between income tax expense, computed at Romanian statutory rates (38% in 1999 and 25% in 2000) and income tax expense provided on earnings were as follows:

	2000	1999
<i>Income tax expense at statutory rates</i>	12	78
<i>Effect of IAS 29 adjustments</i>	1,609	806
<i>Non-deductible expenses</i>	207	318
	<u>1,828</u>	<u>1,202</u>

At 31 December 1999, as a result of changes in the Romanian tax legislation, the profit tax rate decreased from 38% to 25% effective 1 January 2000, resulting in a release of deferred tax balances in the statement of income, amounting to ROL 1,531 billion.

Taxation inspections in Romania are frequent, involving detailed examinations of tax payers' accounting records and procedures months or even years after the end of the period of assessment. The penalty regime is punitive. Consequently, companies can find themselves subject to the imposition of costs and fines which can be significant. In addition, the taxation legislation is subject to frequent revision and interpretation of the legislation by the taxation authorities is not always consistent. However, the Directors believe that adequate provision has been made for all material taxation liabilities.

24. Dividends per share

(all amounts in Romanian Lei billion)

These financial statements do not reflect the dividend payable in respect of 2000, which will be accounted for in the shareholders' equity as an appropriation of reserves in the year ending 31 December 2001. The dividends declared in respect of 1999 and 1998 were, respectively, ROL 510 billion and nil.

25. Cash generated from operations

(all amounts in Romanian Lei billion)

	2000	1999
Profit before tax	48	205
<i>Adjustments for:</i>		
Depreciation (note 6)	4,780	4,436
Amortisation (note 7)	82	52
Net foreign exchange loss	3,685	1,487
Gain on net monetary position	(3,469)	(790)
Interest expense and similar position	1,142	1,236
Interest income	(128)	(362)
Loss on disposal of property, plant and equipment	261	234
Provisions expense	319	419
Loss on disposal of investments (note 10)	26	-
Share of losses of associates undertakings (note 9)	-	76
Operating profit before working capital changes	<u>6,746</u>	<u>6,993</u>
Increase in trade and other receivables	(678)	(1,601)
(Increase)/decrease in inventories	59	(15)
Increase/(decrease) in trade and other payables	(133)	931
Increase/(decrease) in customers deposits	(129)	136
Changes in working capital	<u>(881)</u>	<u>(549)</u>
Cash generated from operations	<u><u>5,865</u></u>	<u><u>6,444</u></u>

26. Related party transactions

(all amounts in Romanian Lei billion)

As described in Note 14 the Company is controlled by OTEROM Ltd. which in turn is controlled by OTE.

Hellascom International (“Hellascom”) is controlled by OTE.

Intracom S.A. (“Intracom”) and Siemens Hellas S.A. (“Siemens Hellas”) are related parties of OTE, the ultimate parent company of OTEROM. Intracom S.A. (“Intracom”) is controlled by Intracom. Intracom is also a minority shareholder of Hellascom, holding a 14% interest therein.

The monetary amount of sales to, purchases from and balances with OTE, OTEROM, Hellascom, Intracom, Siemens Hellas and Intracom are presented below.

The following transactions were carried out with related parties:

(i) Sales of services

	2000	1999
<i>Sales of services:</i>		
OTE	<u>66</u>	<u>91</u>
	<u><u>66</u></u>	<u><u>91</u></u>

Sales of services to OTE represent calls and other traffic that originate in OTE's network and use Romtelecom's network. These sales were carried out on commercial terms and conditions and at market prices.

(ii) Purchases of goods and services

	2000	1999
<i>Purchases of services:</i>		
OTEROM	760	765
OTE	20	38
Intrarom	<u>5</u>	<u>-</u>
	<u>785</u>	<u>803</u>
<i>Purchases of good and services:</i>		
Hellascom	20	20
Intracom	2,682	611
Intrarom	<u>894</u>	<u>352</u>
	<u>3,596</u>	<u>983</u>

Purchase of services from OTE represent calls and other traffic that originate in Romtelecom's network and use OTE's network. The purchases were carried out on commercial terms and conditions and at market prices.

Payments to OTEROM are made under a technical assistance agreement signed between Romtelecom, OTEROM, OTE and the Romanian State Ownership Fund. Based on this contract, OTEROM will provide certain services such as to integrate Romtelecom within the OTEROM's global relations network, to increase the quality of services and to enable Romtelecom to participate in international services supply schemes.

Purchases from Intracom, Intrarom, Siemens Hellas and Hellascom are under long term frame contracts for the supply and construction of digital exchanges, cables, related equipment and accessories. These transactions are carried out on commercial terms and conditions and at market prices.

(iii) Year-end balances arising from sales/purchases of goods/services

	31 December 2000	31 December 1999
<i>Receivables from related parties (note 12):</i>		
OTE	-	28
Intracom	2	247
Hellascom	42	-
Intrarom	<u>5</u>	<u>2</u>
	<u>49</u>	<u>277</u>

The amounts receivable from Intracom and Intrarom represent down payments under the above mentioned frame contracts.

	31 December 2000	31 December 1999
<i>Payables to related parties (note 17,19):</i>		
OTE	-	-
OTEROM	393	370
Hellascom	37	20
Intracom	2,724	179
Intrarom	<u>141</u>	<u>22</u>
	<u>3,295</u>	<u>591</u>

(iv) Loans from related parties

	<i>31 December 2000</i>	<i>31 December 1999</i>
<i>OTE</i>	<u>259</u>	<u>-</u>

The loan from OTEROM was granted on 15 December 2000 for a three months period with an interest rate of LIBOR + 1.5%.

27. Commitments

(all amounts in Romanian Lei billion)

The Group had the following capital commitments:

	<i>31 December 2000</i>	<i>31 December 1999</i>
<i>Capital expenditure that has been contracted for but has not been provided for in the financial statements</i>	<u>20,850</u>	<u>14,694</u>

28. Contingencies**(a) Legal proceedings**

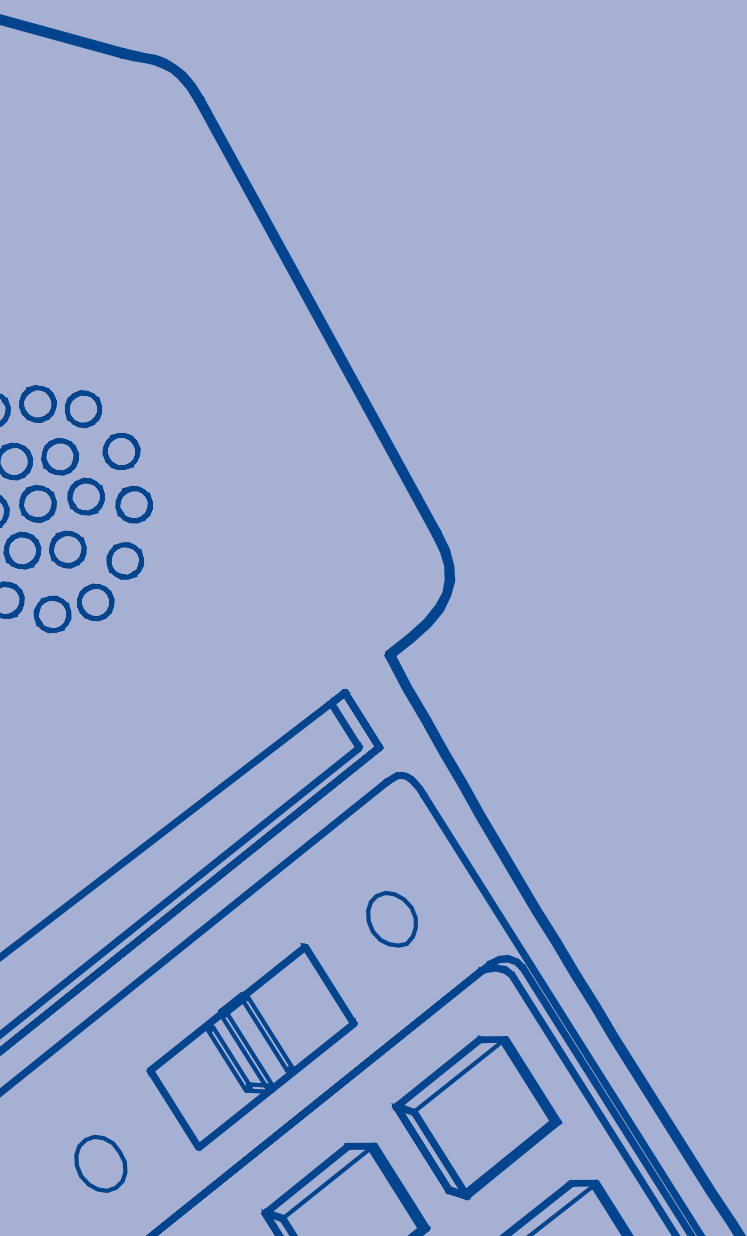
The Group is subject to a number of proceedings arising from the normal conduct of its business. The Directors believe that the ultimate resolution of these matters will not have a material adverse effect on the results of operations or the financial position of the Group.

(b) Wayleaves

Romtelecom SA was established as a joint stock company as of 1 November 1997 as per Government Decree no. 673/1997 and the business and substantially all of the assets and liabilities of the former Romtelecom RA (the predecessor entity) were transferred to it on that date. In respect of wayleaves, no claims have been received at the balance sheet date for the period prior to the corporatisation date. The Directors do not expect to receive any such material claims in the future.

29. Subsequent events

On 12 March 2001, the exchange rate of ROL to the USD was 27,183. This represents 4.8% depreciation since 31 December 2000.



Statistics 2000

Statistics 2000

Macroeconomics

	1994	1995	1996	1997	1998	1999	2000
Population as of June 30th (million)	22.73	22.68	22.61	22.55	22.50	22.45	22.43
GDP variation (%)	3.9	7.1	4.1	-6.6	-7.3	-3.2	1.6
Inflation rate (%)	62.5	27.7	57.7	151.7	40.6	54.9	40.7
Unemployment, as of December 31st (%)	10.9	9.5	6.6	8.9	10.3	11.8	10.5
ROL/US\$ as of December 31st	1,767	2,578	4,035	8,023	10,951	18,255	25,926
ROL/US\$ yearly average		2,033	3,084	7,174	8,881	15,274	21,687
Average net monthly wage Dec. (US\$)	112	110	107	117	124	109	112
Average gross monthly wage Dec. (US\$)	148	145	146	158	160	140	153

Telegraphy and telex

	1994	1995	1996	1997	1998	1999	2000
Telex lines	7,268	6,808	6,365	5,279	4,446	3,298	2,540
Leased circuits (thousand Km)	41.0	42.0	40.2	33.6	26.2	19.7	14.5
Domestic traffic (million pulses)	65.5	58.6	49.7	61.4	61.6	54.3	45.0
International traffic (million minutes)	3.07	2.38	1.67	1.25	0.825	0.484	0.287

Telephony - Operational data

	1994	1995	1996	1997	1998	1999	2000
Main telephone lines (million)	2.774	2.949	3.134	3.397	3.594	3.740	3.855
Residential	2.492	2.646	2.810	3.056	3.229	3.346	3.438
Business	0.258	0.278	0.300	0.318	0.341	0.359	0.375
Public phones	0.024	0.024	0.024	0.024	0.024	0.035	0.042
Manual	0.320	0.326	0.330	0.320	0.298	0.245	0.208
Analog	2.265	2.171	2.100	2.040	1.829	1.645	1.533
Digital	0.188	0.450	0.703	1.039	1.469	1.850	2.114
Urban main lines	2.384	2.538	2.696	2.915	3.059	3.136	3.171
Rural main lines	0.366	0.387	0.414	0.459	0.511	0.569	0.642
ISDN-BRA (Basic access installed)							213
ISDN-BRA (customers)							85
ISDN-PRA (Primary access installed)							104
ISDN-PRA (customers)							53
Penetration rate (%)	12.2	13.0	13.9	15.1	16.0	16.7	17.2
Automation rate (%)	88.5	88.9	89.5	90.6	91.7	93.5	94.6
Digitalization rate (%)	6.8	15.3	22.4	30.6	40.9	49.5	54.8
Waiting list (million)	1.21	1.19	1.23	0.99	0.92	0.74	0.64
Waiting time (year)	4.8	4.97	4.88	4.16	3.94	3.57	3.34
Complaints/100MTL/year	184	181	169	149	130	105	77.5
Faults/100MTL/year	96.0	93.8	88.6	76.7	68.7	49.2	35.7
Fault clearing time (hours)	40.7	48.6	51.8	46.1	47.7	34.8	17.7
Average dial tone delay (seconds)	1.56	1.34	1.57	1.28	1.02	0.72	0.8
Average post dialing delay (seconds)	6.44	5.84	5.84	5.29	4.55	3.00	2.69

Network

	1994	1995	1996	1997	1998	1999	2000
Optical cable (thousand km)	1.08	2.11	2.56	6.84	9.55	12.85	16.54
Switching units	2,676	2,700	2,772	2,821	2,874	2,427	2,418
Card operated payphones	1,325	2,307	2,572	6,580	18,936	31,894	41,093
Total payphones	24,063	23,873	23,954	23,516	24,478	34,831	41,666
Local switching capacity (million lines)	3.199	3.402	3.534	3.867	4.077	4.424	4.789
Manual	0.327	0.379	0.369	0.344	0.341	0.264	0.230
Analog	2.498	2.391	2.292	2.182	2.002	1.906	1.886
Digital	0.374	0.632	0.874	1.341	1.734	2.254	2.673
Automatic	2.872	3.023	3.166	3.523	3.736	4.160	4.559
Trunk switching capacity (000's)					667	678	660
Analog					314	255	224
Digital					353	423	436
International switching capacity (000's)	6	6	13.44	13.44	21.72	21.72	21.72

Traffic

	1994	1995	1996	1997	1998	1999	2000
Local calls (billion pulses)	9.46	11.14	12.83	13.22	15.23	17.21	19.6
Long distance manual calls (mil. minutes)	300.2	305.1	316.9	269.1	253.3	218.7	173.5
Intl. manual calls (million minutes)	34.08	33.34	31.16	21.77	16.97	14.64	12.8
Intl. automatic calls (million minutes)		64.9	76.5	83.5	93.1	97.9	105.4
Intl. incoming traffic (million minutes)	179	216	251	269	380	450	600
Intl. outgoing traffic (million minutes)	72	88	104	111	133	151	170
Total VAS traffic (million minutes)			1.97	11.3	23.9	17.6	45.6
- out of which Internet access					5.2	8.7	42.0
Cards sold (million pieces)	0.69	1.40	2.33	3.36	6.51	9.79	13.7
Value of cards sold (ROL billion)	5.6	16.1	35.7	96.1	214	435	730.9
Leased circuits (ROL billion)	265	209	198	447	335	293	709

Efficiency

	1994	1995	1996	1997	1998	1999	2000
Staff number	52,509	53,759	53,527	52,104	48,441	44,919	42,303
Total revenues (ROL thousand bn)*	10,292	12,294	14,006	15,132	15,777	20,507	21,664
Lines/employee	52.8	54.8	58.5	65.2	74.2	83.3	91.1
Total revenues/employee (ROL m)*	196	229	262	290	326	457	512
Total revenues per line (ROL bn)*	3.71	4.17	4.47	4.45	4.39	5.48	5.62
Ebitda (ROL bn)*	3,879	4,471	5,551	6,342	5,417	6,308	6,128
Ebit (ROL bn)*	1,359	1,638	2,445	2,879	1,591	1,820	1,266
Net profit according to IAS (ROL bn)*				6,795	3,523	534	-1,780
Net profit according to RAS (ROL bn)**				63.2	-285	1,450	1,549

* All comparative financial information (according to International Accounting Standards) is presented in terms of the measuring unit current as of December 31st 2000.

** According to Romanian Accounting Standards

Financial data

Balance sheet (ROL billion)*

ASSETS	1994	1995	1996	1997	1998	1999	2000
Tangible fixed assets (property plant, equipment)	32,551	34,517	36,606	37,725	40,341	42,573	49,031
Intangible assets					558	575	542
Investments in associates	134	249	265	636	300	82	0
Other investments						68	42
Long term assets	32,685	34,766	36,871	38,360	41,198	43,298	49,615
Inventories	233	277	424	523	955	968	874
Receivables and prepayments	2,255	3,498	3,206	2,983	3,505	5,365	5,435
Cash and cash equivalent	725	949	642	382	8,719	5,161	2,481
Current assets	3,213	4,724	4,271	3,888	13,179	11,494	8,790
TOTAL ASSETS	35,898	39,491	41,142	42,248	54,377	54,792	58,405
EQUITY and LIABILITIES							
Ordinary shares	26,555	26,555	26,637	26,655	32,379	32,379	32,379
Share premium					2,396	2,396	2,396
Other reserves	2,253	2,005	1,933				5
Deficit				-5,002	-1,480	-907	-3,197
Capital and reserves	28,808	28,560	28,570	21,653	33,296	33,868	31,583
Borrowings	4,669	7,927	8,290	6,939	10,766	10,346	8,272
Provisions for customer deposits				376	443		
Deferred tax liabilities				9,190	4,471	4,076	5,178
Long term payables						20	2,962
Other liabilities						914	658
Non-current liabilities	4,669	7,927	8,290	16,505	15,681	15,356	17,070
Trade and other payables	2,422	3,003	4,282	2,958	3,734	3,839	6,290
Borrowings				1,132	1,667	1,729	3,462
Current liabilities	2,422	3,003	4,282	4,090	5,401	5,568	9,752
Total liabilities	7,090	10,931	12,572	20,595	21,081	20,924	26,822
TOTAL EQUITY & LIABILITIES	35,898	39,491	41,142	42,248	54,377	54,792	58,405

Income statement (ROL billion)*

	1994	1995	1996	1997	1998	1999	2000
Revenues	10,289	12,293	14,106	15,132	15,777	20,507	21,664
Operating costs	6,411	7,824	8,556	8,791	10,362	14,199	15,536
EBITDA	3,878	4,469	5,550	6,341	5,415	6,308	6,128
Depreciation and amortization	2,520	2,833	3,106	3,463	3,826	4,488	4,862
EBIT	1,357	1,636	2,444	2,878	1,589	1,820	1,266
Financial items, net	-573	-1,827	-2,344	-3,754	-4,053	-2,329	-4,687
Gain on the monetary position				11,768	3,959	790	3,469
Share of profit/losses of associates	-7	30	15	-20	-34	-76	0
Net profit before tax	777	-161	115	10,872	1,461	205	48
Income tax on profit	-268	-90	-188	-4,077	-3,006	-1,202	-1,828
Release of deferred tax from government revaluation					5,068	0	0
Release of deferred tax from change in tax rate						1,531	0
Net profit	509	-251	-73	6,795	3,523	534	-1,780

* All comparative financial information (according to IAS) is presented in terms of the measuring unit current as of December 31st 2000.

Income statement items according to Romanian Accounting Standards (ROL bn)**

	1994	1995	1996	1997	1998	1999	2000
Total revenues					7,167	15,457	21,600
Total expenses					7,452	13,965	19,442
Gross profit					-285	1,493	2,158
Income tax						43	609
Net profit					-285	1,450	1,549

Cash Flows (ROL billion)*

	1994	1995	1996	1997	1998	1999	2000
Operating activities	2,983	2,717	5,774	5,577	4,779	4,879	4,407
Investing activities	-6,034	-4,834	-5,077	-4,882	-6,796	-7,495	-6,020
Financing activities	2,610	3,715	1,208	2,374	11,339	271	-823
Effects of inflation and exchange rate	593	-1,379	-2,212	-3,316	-1,334	-865	-894
Cash and cash equivalent at 31 Dec.	717	936	630	382	8,371	5,161	1,831

Revenues (ROL billion)*

	1994	1995	1996	1997	1998	1999	2000
National calls	3,176	3,825	4,183	5,745	6,588	8,745	8,884
Rentals	1,613	1,948	2,138	2,153	2,622	3,726	4,378
Connection fees	300	482	571	517	297	287	140
Overseas operators	2,327	2,855	3,213	2,564	2,095	3,026	2,655
International calls	1,664	2,007	2,537	2,212	1,717	1,639	1,626
Interconnect with mobile operators				287	613	770	922
Payphones						605	800
Calls to value added services				168	332	331	254
Other telephony	431	552	764	657	867	644	722
Total telephony	9,511	11,668	13,406	14,303	15,132	19,773	20,381
Leased circuits	265	209	199	447	335	293	709
Telegraph & telex	255	224	208	144	89	76	196
Other	258	192	292	238	220	365	378
TOTAL	10,289	12,293	14,106	15,132	15,777	20,507	21,664

* All comparative financial information (according to International Accounting Standards) is presented in terms of the measuring unit current as of December 31st 2000.

** According to Romanian Accounting Standards

Expenses (ROL billion)*

	1994	1995	1996	1997	1998	1999	2000
Wages and salaries	2,755	3,382	3,528	3,288	3,792	3,786	3,919
Social security contribution	913	1,007	1,075	1,022	1,271	1,531	1,598
Total staff costs	3,668	4,389	4,603	4,309	5,063	5,317	5,517
Depreciation	2,520	2,833	3,106	3,463	3,826	4,436	4,780
Interconnect mobile operators				353	1,210	2,483	3,249
Consumables	408	468	582	546	728	842	933
Overseas operators	1,072	1,601	1,531	1,257	937	1,104	838
Maintenance	215	330	685	682	651	824	726
Advertising						72	293
Spare parts	194	238	320	271	229	206	271
Payments to VAS suppliers						229	225
Utilities	174	154	158	193	170	149	152
Amortization						52	82
Other	680	644	677	1,292	1,515	3,133	3,508
Total	8,932	10,657	11,662	12,365	14,330	18,847	20,574
Less own work capitalized				-111	-142	-160	-176
Total operating costs	8,932	10,657	11,662	12,254	14,188	18,687	20,398

Key ratios*

	1994	1995	1996	1997	1998	1999	2000
Current assets/Current liabilities	1.327	1.573	0.997	0.813	2.440	2.064	0.901
Acid test	1.231	1.481	0.899	0.704	2.263	1.890	0.812
Total debts/total assets	0.198	0.277	0.306	0.277	0.388	0.382	0.459
Total debts/Shareholders equity	0.246	0.383	0.440	0.384	0.633	0.618	0.849
Inventory turnover	44.1	44.4	33.3	29.0	16.5	21.2	24.8
Fixed assets turnover	0.315	0.354	0.383	0.394	0.383	0.474	0.437
Total assets turnover	0.287	0.311	0.343	0.358	0.290	0.374	0.371
Fixed assets/Total assets	0.910	0.880	0.896	0.908	0.758	0.790	0.849
Shareholders' equity/Fixed assets	0.881	0.821	0.775	0.796	0.808	0.782	0.637
Profit margin on sales	0.050	-0.020	-0.005	0.128	0.223	0.026	-0.082
Return on assets	0.014	-0.006	-0.002	0.046	0.065	0.010	-0.030
Return on equity	0.018	-0.009	-0.003	0.064	0.106	0.016	-0.056
EBITDA (% of total revenues)	37.7	36.4	39.3	41.9	34.3	30.8	28.3
EBIT (% of total revenues)	13.2	13.3	17.3	19.0	10.1	8.9	5.8

* All comparative financial information (according to International Accounting Standards) is presented in terms of the measuring unit current as of December 31st 2000.

Useful information

A free copy of this report can be obtained by

Writing to the following address ROMTELECOM,
Bdul Libertatii nr. 14-16,
Sector 5, Cod 70542
Bucharest, ROMANIA

Fax +40 1 336 6412
410 5581

Telephone +40 1 400 3034
335 3828

E-mail nicolae.oaca@romtelecom.ro

Internet Users of the worldwide web can access the 2000 annual report and obtain information about RomTelecom and its products and services at the following address:
<http://www.romtelecom.ro>

ROMTELECOM S.A.

Registered Office at B-dul Libertatii nr. 14-16, sector 5,

Cod 70542, Bucharest, Romania

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