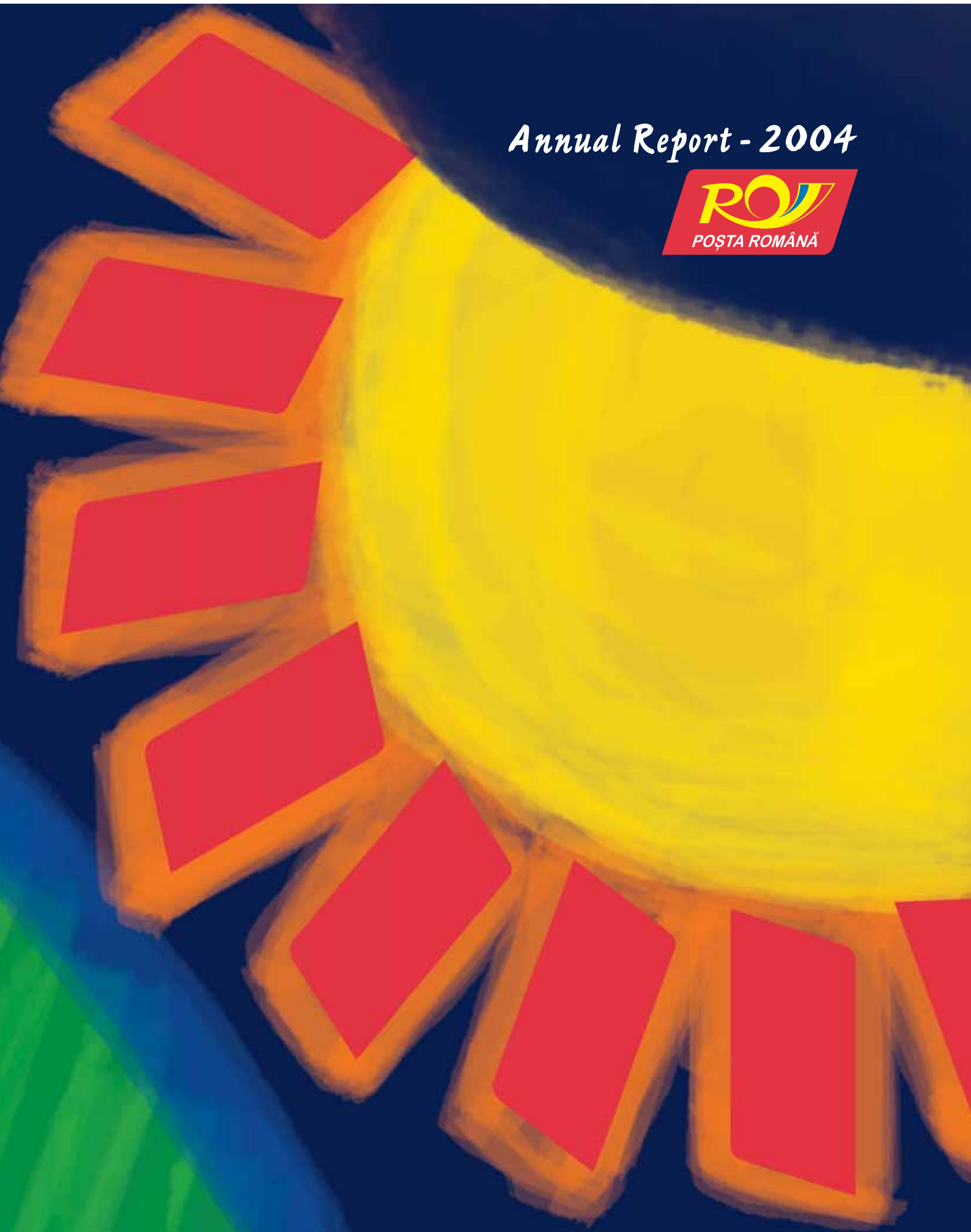


Annual Report - 2004



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Romanian Post – an Overview

Postal services were mentioned for the first time in Romania in the Middle Ages. “The Charter of Mircea cel Batran” (1399) provided that each community should secure transportation means for princely couriers. Stamps were first introduced in Moldova in 1858; the first four stamps of the Bull’s Head issue were manually printed. Prince Alexandru Ioan Cuza played an important part in postal history, as he was the one to unify postal and telegraphic services, in 1864, to which telephone services were added in 1894. The first legal framework of communication services was created by the 1865 Law of postal and telegraphic services. In 1874, Romania became one of the founding members of the Universal Postal Union.

Romanian communication services became more and more specialized once transition to a market economy started in this country. Government Decision 448/June 27, 1991, marked the setting up of the Romanian Post as a *regie autonome*, thus making postal services financially autonomous. The regionalization program was launched in 1992, as supported by 4 principles: organizational structure, quality, economic and international. The Law of Postal Services of June 27, 1996 made the Romanian Post a public national

operator. One of the turning points in the life of the Romanian Post was the moment it became a national company, in 1998, by Government Decision 371/1998.

At present the Romanian Post National Company is made up of 10 regional departments, 41 county structures, 3 specialized branches and Romfilatelia SA branch. This organization allows it to operate according to the best efficiency standards all over the country.

The Romanian Post wishes to continue with the development and improvement of client services and to strengthen the image of a modern, solid and efficient institution. The management team is also concerned with retaining jobs and finding incentives for its employees.

The company is also involved in reducing the digital gap between various areas of the country, by performing a universal postal service.



Message from the Chairman of the Board

The Romanian Post's Activity Report for 2004 presents an assessment of our work last year. Based on the results shown by this report, we can analyze more objectively the achievements we should continue to pursue and those parts of our activity we should improve, as well as the new types of services we can launch.

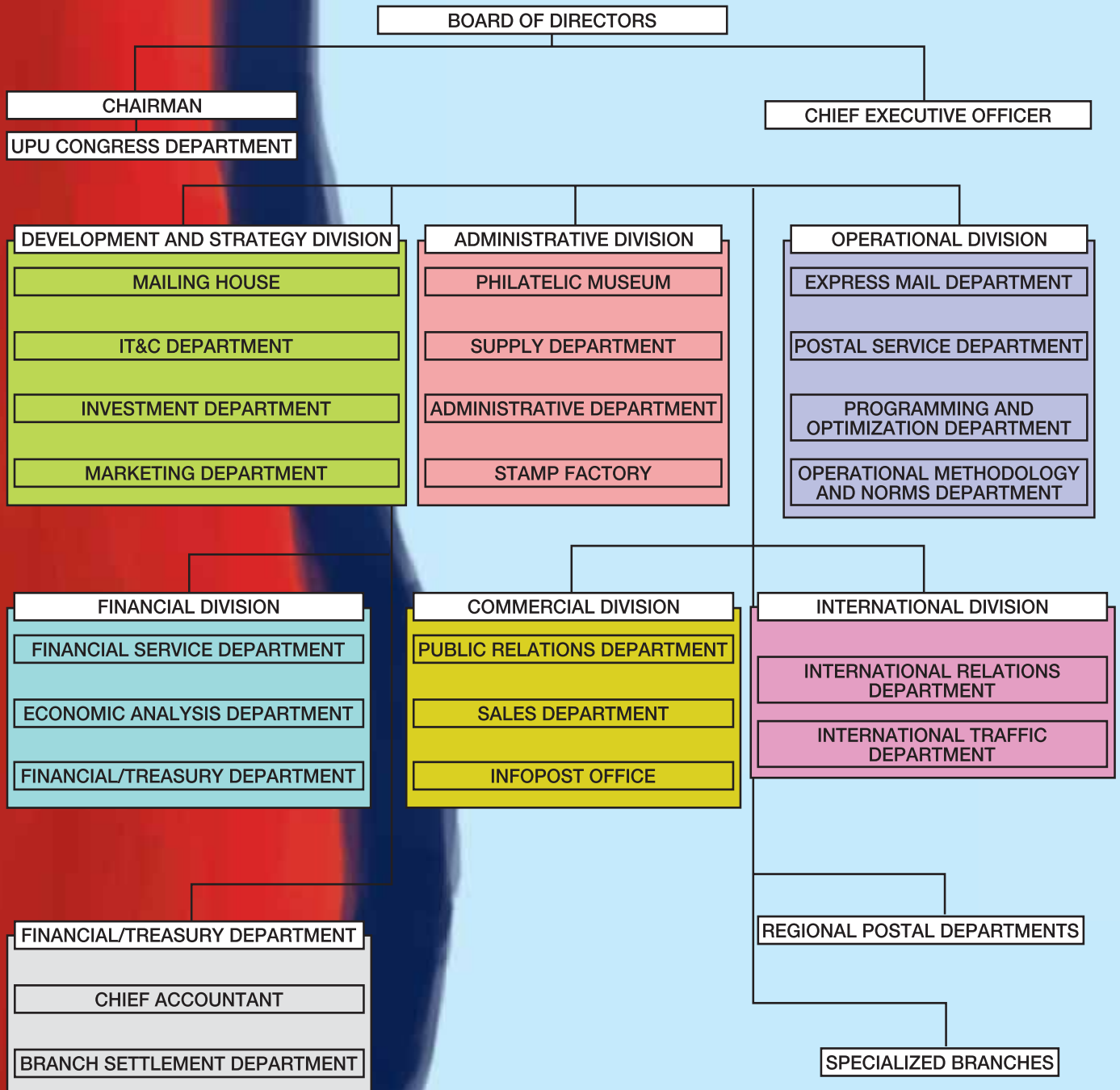
Many good and sound things happened last year with the Romanian postal services. We have an opportunity to continue the projects we started and which proved valid, and also learn from our failures. As I said, when I took over the position of CEO of the Romanian Post, the commercial and profit-oriented approach will prevail in our activities. We will expand cooperation with the financial and banking system, thus providing our clients with better quality services through the postal network.

In order to reach these objectives, we should give even more emphasis to our staff's professional development. Training for customer service employees is extremely important, in order to be able to implement the new commercial projects. We cannot initiate and develop new activities without a better mobilization of postal employees.

We start the analysis of our work in 2004 with a view to improving it in 2005, as we hope will be apparent in next year's report. I have complete faith in our ability to do so.

Dan Mihai Toader
Chairman of the Board of Directors and CEO of the Romanian Post

Organizational chart



Achievements

Organization of the 23rd Universal Postal Union Congress (September 15 – October 5, 2004). This event makes a new European comeback after 20 years, and it is organized in Eastern Europe for the first time. The year 2004 saw the 130th celebration of the Universal Postal Union.

The Romanian Post was represented in the bodies and committees of the UPU, especially as, during 2004 – 2008, the Post will chair the Board of Directors of the Universal Postal Union.

Expansion of the computerized postal outlet network. The network of post offices providing e-post and e-order services included 959 offices in 2004. The network of VPN offices reached 449 outlets.

The following facilities were implemented for the PostM@rket customers, to be expanded to all domestic parcels: an additional service of “programmed distribution” (guaranteed delivery of a mailing item during a certain period, or at a certain date) and an increase of the maximum weight for domestic parcels, from 20 kg to 50 kg.

In 2004, the Romanian Post was appointed as a universal service provider, by the National Regulatory Board for Communications. The international letter mail services and domestic mailing services were restructured, according to the license on the provision of universal services and the introduction of a new classification system based on the circulation timing: PRIORITY and NON-PRIORITY, with the subsequent marking of the mailing items. The mailing formats were aligned to the international standards, and the postal tariffs were adjusted according to the new classification system.

Expansion of the Track & Trace system. The only service that used the Track & Trace system before 2003 was the certified parcel service. Starting with 2003, the Track & Trace system was also implemented for the following services: international parcels, EMS, international registered letters, domestic and international certified letters, Ultrapost, Prioripost.

In early October 2004, the National Philatelic Museum was opened in Bucharest, during the Universal Postal Union Congress.

1. STRUCTURE OF THE POSTAL OUTLETS

No.	RPD	Express Mail	Urban	Rural	Other Outlets	TOTAL
1	Bucharest	3	99	151	3	259
2	Ploiesti	5	78	756	23	866
3	Craiova	5	75	913	18	1,014
4	Timisoara	4	98	733	20	860
5	Cluj	6	91	953	23	1,089
6	Brasov	6	109	909	23	1,060
7	Bacau	3	44	418	13	484
8	Iasi	4	84	732	19	853
9	Galati	3	38	307	10	361
10	Constanta	3	56	268	10	344
	Total	42	772	6,143	162	7,119

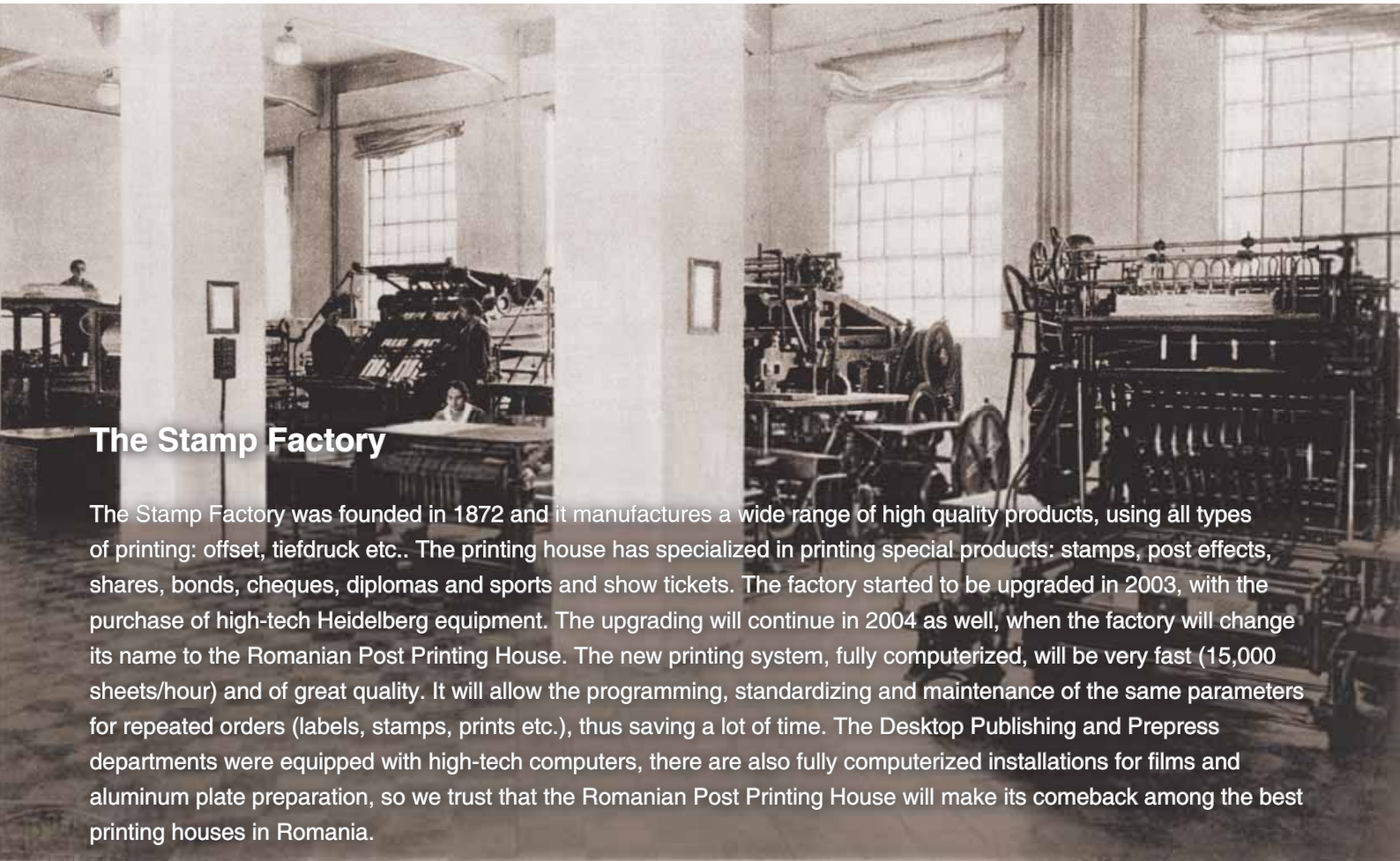
No. of postal outlets in the E-post/E-order and VPN networks

RPD	E-post/E-order	VPN
Bucharest	98	78
Ploiesti	119	45
Craiova	95	38
Timisoara	113	46
Cluj	122	53
Brasov	150	61
Bacau	71	26
Iasi	90	46
Galati	58	26
Constanta	80	32
Total	996	451

2. SPECIALIZED BRANCHES

Express Mail Division

It is the specialized express mail of the Romanian Post and has a wide network of offices in the country, its own car fleet and staff. The Express Mail Division was set up as a result of more developed business relations between companies, and it provides an alternative to similar services on the domestic and international market. The resources this unit has facilitate the faster expedition and reception of goods, to the benefit of our clients, while our services are also appreciated by the competition.



The Stamp Factory

The Stamp Factory was founded in 1872 and it manufactures a wide range of high quality products, using all types of printing: offset, tiefdruck etc.. The printing house has specialized in printing special products: stamps, post effects, shares, bonds, cheques, diplomas and sports and show tickets. The factory started to be upgraded in 2003, with the purchase of high-tech Heidelberg equipment. The upgrading will continue in 2004 as well, when the factory will change its name to the Romanian Post Printing House. The new printing system, fully computerized, will be very fast (15,000 sheets/hour) and of great quality. It will allow the programming, standardizing and maintenance of the same parameters for repeated orders (labels, stamps, prints etc.), thus saving a lot of time. The Desktop Publishing and Prepress departments were equipped with high-tech computers, there are also fully computerized installations for films and aluminum plate preparation, so we trust that the Romanian Post Printing House will make its comeback among the best printing houses in Romania.

THE STAMP FACTORY. PRINTING WORKROOM





Mailing House

This is a specialized branch of the Romanian Post, offering integrated direct marketing services, mail sales and newspaper deliveries. In 2004, the branch focused on finding new clients, on better pricing solutions for the large customers, on getting closer to the partners by finding the best solutions for promotion campaigns, by the implemented discounts and preferential prices and developing relations with the competition, in order to increase the number of direct marketing users, to improve services and better satisfy clients.

Financial Services Division

The Financial Services Division of the Romanian Post deals in the field of financial postal services: management of order accounts and pertaining cash, international financial operations – Eurogiro, Western Union, international money orders, operating as a transit and control center for both traditional and electronic financial services.

The expansion of computerized postal outlets continued in 2004, which led to a higher number of outlets performing electronic financial services. At the end of 2004, there were more than 1000 postal outlets, of which 457 connected to the “computerized postal outlet” application. The development of the postal network providing Western Union services triggered a continuation of the training program held by Western Union specialists, in cooperation with the specialized staff of the Romanian Post.





The National Philatelic Museum

The National Philatelic Museum was opened in early October, during the Universal Postal Union Congress. The three display halls contain part of the 11 million stamps, which make up 3 million series, some of them unique in the world. The museum also exhibits the steel type moulds used for the printing of the 4 values of the first Bull's Heads in Moldova (1858), along with various samples, patterns and stages of stamp manufacturing from 1872 to date.

Various postal objects from late 19th till the early 20th century, illustrating the evolution of the Romanian Post throughout the years: old paintings, postal prints, furniture from post offices, coaches, safe deposit boxes.

Among the representative exhibits some are worth mentioning: coachmen's uniforms, a metallic safe deposit box with the shield of the Moldavian Principality (1840), the documents of the UPU Congress in Vienna (1891), a post card on birch-tree bark from the battle of Marasesti, in World War I, postal maps from 1849 and 1873 and a comprehensive bibliography (books, catalogues, articles etc.) about Romanian philatelic history, as well as various medals Romania obtained over the years.

Universal Service

The universal postal service includes a collection of postal services of a predetermined quality, provided throughout the country and in international relations, under non-discriminatory conditions for all users, for an affordable price.

Universal postal services:

- the collection, sorting, transportation and delivery of domestic and international mailing items – mail and prints, up to 2 kg;
- the collection, sorting, transportation and delivery of domestic and international parcels up to 10 kg;
- distribution of parcels up to 20 kg, sent from outside Romania to an address in Romania;
- registered mailing items, domestic and international;
- certified mailing items, domestic and international.

A new classification system was introduced, based on the circulation timing: PRIORITY and NON-PRIORITY, for domestic mail, international letters and parcels.

I. Letter Mail Services

I.1. Regular Mail

Written, printed or recorded communications to be collected, sorted, transported and delivered using means other than electronic, to the address indicated by the sender on the outward cover. This category includes: letters, postcards and aerograms.

Circulation timing:

- STANDARD mail service: D+4 with an achievement objective of 90% of the total number of mailing items belonging to the same category;
- Priority mail service:
 - D+1 with an achievement objective of 70% of the total number of mailing items belonging to the same category;
 - D+2 with an achievement objective of 80% of the total number of mailing items belonging to the same category.

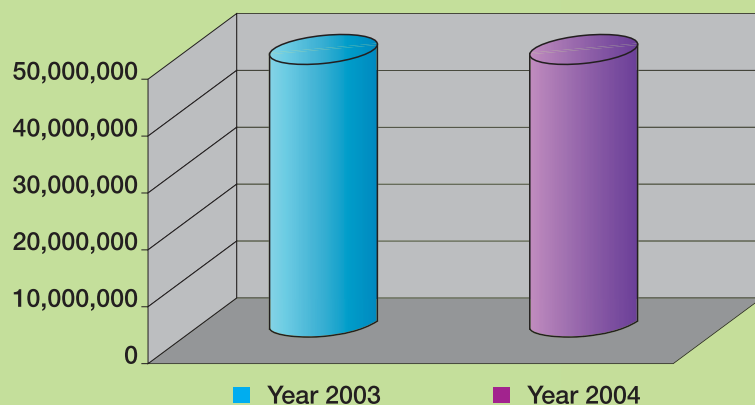
I.2. Prints

Paper prints using mechanical, typed or other multiplication methods which are issued in a number of identical copies and used for general information purposes. This category includes: books, newspapers, periodicals, maps, music scores etc. Advertising catalogues are not included here.

Circulation timing:

- STANDARD prints : D+4 with an achievement objective of 90% of the total number of mailing items belonging to the same category;
- Priority domestic prints:
 - D+1 with an achievement objective of 50% of the total number of mailing items belonging to the same category;
 - D+2 with an achievement objective of 80% of the total number of mailing items belonging to the same category.

Mail service development over 2003/2004





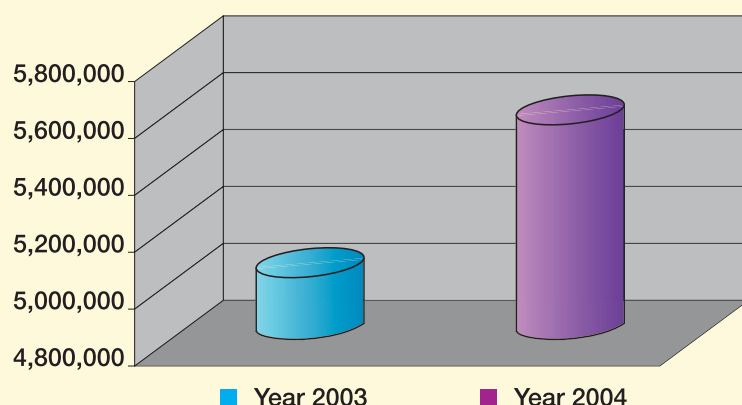
II. Parcel Services

II.1. Domestic Parcel Services

The domestic parcel service allows the sending of various types of goods, with or without commercial value.

Circulation timing: D+4

Domestic parcel service development over 2003/2004



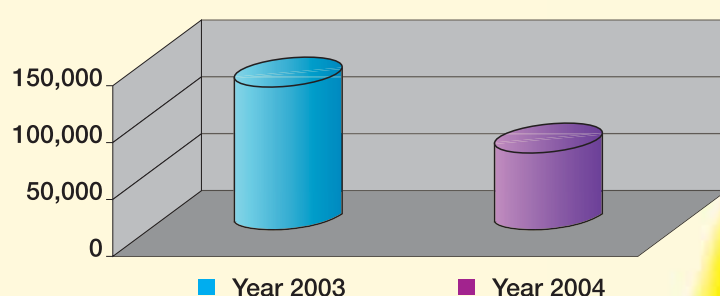
Background:

- development of the Romanian business environment led to a larger parcel post sending volume.
- internet development led to the setting up of virtual shops, and the orders for various products (books, tapes, CDs, home appliances, IT, etc.) are sent by domestic parcels, because the Romanian Post has lower tariffs than the express mail companies.
- high number of postal outlets where the service is available (all operational outlets in the postal network).

II.2. International Parcel Service

This service allows Romanian Post customers to send/receive parcels with or without commercial value, to/from any country, by airmail or not. At present, the Romanian Post provides this service for 221 foreign destinations.

International parcel service development over 2003/2004



Background:

- low number of postal outlets where the service is available (57 outlets with customs offices, usually in the county seats).
- short business hours of these outlets.

Express Mail Services

I. Domestic Express Mail

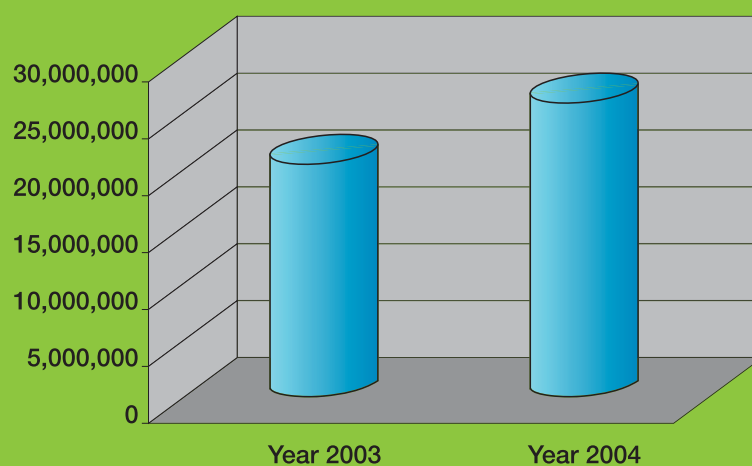
I.1. Prioripost

Prioripost is the Romanian Post's domestic express mail service, which allows for the sending of documents and goods via letters and parcels. These items can be submitted to specialized national post offices or taken from the sender's home (upon a phone call request or on a contract basis).

Circulation timings for this service are:

- 6 hours for the same community, if the item is submitted by 2 pm;
- 24 hours for county seats;
- 24 – 36 hours between urban communities – other than county seats;
- 36 – 48 hours between rural communities or urban and rural communities, if the deadline for presentation is observed. Distribution is guaranteed on Saturdays in all urban areas.

Prioripost service development over 2003/2004



I. 2. Certified Prioripost

This service is useful for the sending of financial and accounting documents, both for companies (for balance sheets and other financial or tax documents – profit tax, VAT reimbursement etc.) and for individuals.

The service is performed in all county seats and 673 rural communities.

I.3. Prioripost Bills

This service secures the reception, transportation and distribution of bills or PRIORIPOST sendings accompanied by bills, through a quick transport network, and returns the inventory note signed on distribution to the sender.

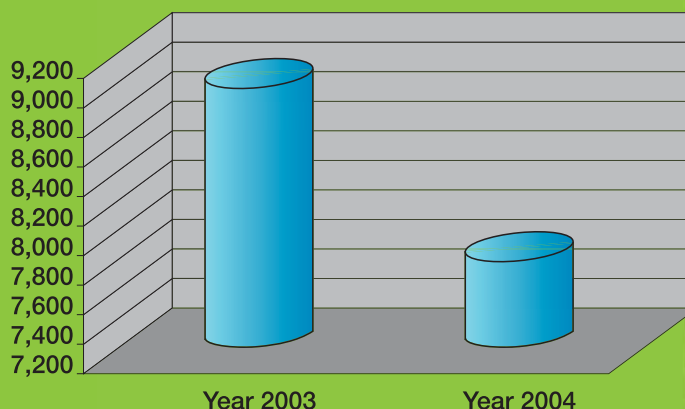
I.4. Ultrapost

Ultrapost is a domestic express mail “door to door” service provided by the Romanian Post; it uses a fast processing, transportation and distribution system, made up by the three traditional logistic networks (mail, parcel, Prioripost) and other transportation means: plane, train, vehicles etc.

Circulation timing (business days):

- a. 2 hours in the same community, in one of the ULTRAPOST network towns;
- b. 24 hours between towns of the ULTRAPOST network;
- c. service available also on Saturdays.

Ultrapost service development over 2003/2004





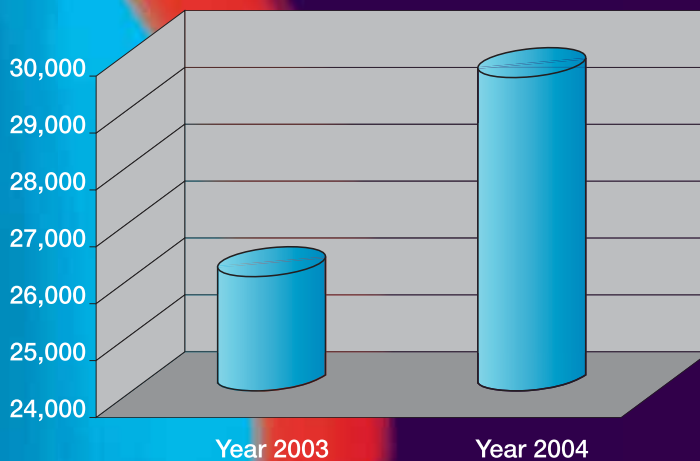
II. International Express Mail Services

II.1. EMS

By the EMS service, the Romanian Post provides a speedy collection, expedition and distribution of documents and parcels.

These mailing items are transported using pre-established means, which make the operation faster and easier to control.

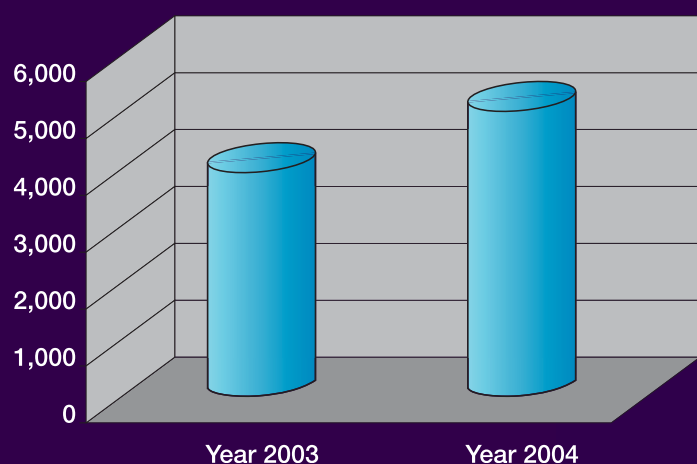
EMS service development over 2003/2004



Main advantages of the service:

- maximum weight admitted is 31.5 kilos;
- affordable tariffs, categorized on weight classes (500 gram steps) and 6 tariff zones;
- the sender may call a courier to take documents without any commercial value from the sender's headquarters/home;
- documents can be packed in envelopes available for free.

SkyPak service development over 2003/2004



II.2. SkyPak

This is an international express mail service, set up in partnership with T.N.T. Romania. At present, SkyPak is available in 610 post offices, and documents and goods can be taken from the clients' home/headquarters using the Door-to-door system.

Main advantages of the service:

- ideal for sending documents and goods, SkyPak provides connections with 196 countries;
- provides guaranteed distribution time;
- maximum weight admitted for SkyPak sendings is 30 kilos;
- the client can track the parcel on the Internet (www.skypak.com).

Financial Services

I. Domestic Financial Services

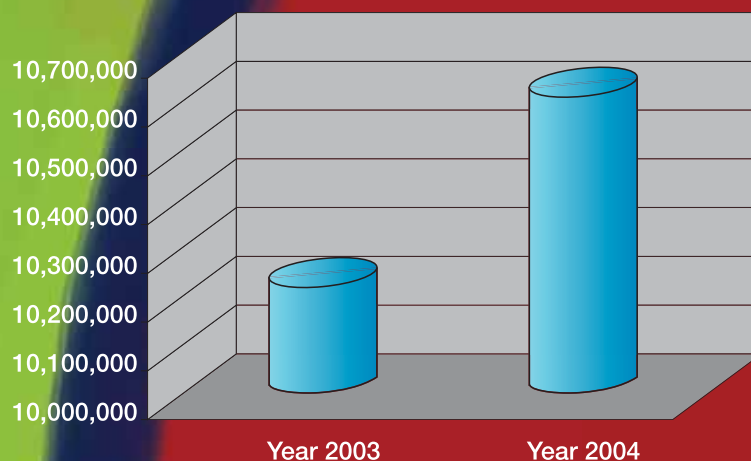
I.1. Domestic Money Order

The domestic money order ensures the transfer of money submitted by senders to all postal outlets (post offices, post desks, post agencies or rural postmen). There are no limits to the amounts that can be sent by money order.

I.2. E-Order

The e-order is a fast money transfer service using an IT-supported system, for unlimited amounts of money. The service may be used both by individuals and legal entities. The electronic order system was available in 2004 in more than 1000 outlets, as compared to 940 at the end of 2003.

Domestic money order service development over 2003/2004

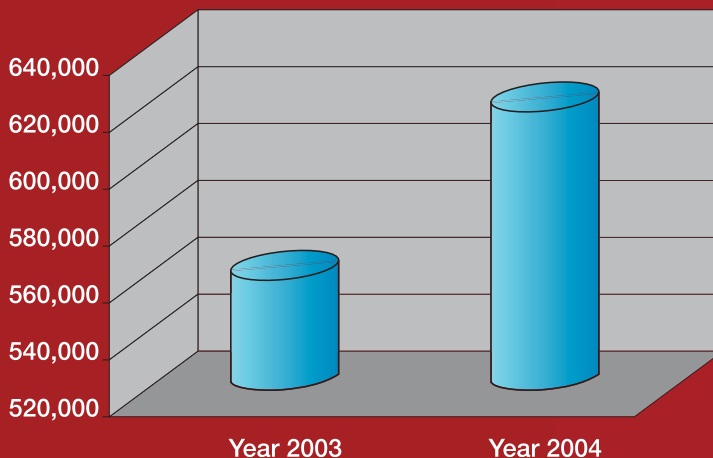


I.3. On-Line Money Order

This service is used for domestic money transfers and is operational through a modern and safe IT system. The service may be used both by individuals and legal entities, for unlimited lei amounts.

Steps taken to develop the service in 2004: expansion of the network of computerized post offices from 417 offices early in 2004 to 457 offices late that year.

On-line money order service development over 2003/2004

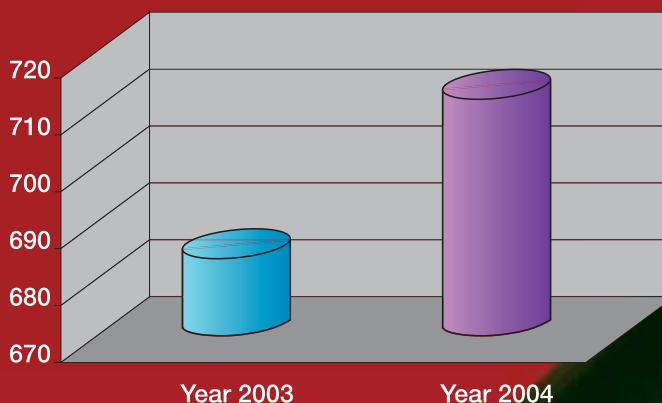


II. International Financial Services

II.1. International Money Order

This service is provided to clients who want to send and receive money from the countries the Romanian Post has bilateral contracts with. At the end of 2004, the Romanian Post had bilateral contracts with the following countries, for international money orders: Algeria, Armenia, Belgium, Brazil, Czech Republic, China, Cyprus, Egypt, Finland, France, Greece, Hungary, Italy, Jordan, Madagascar, Moldova, Poland, Ukraine (only from Romania to Ukraine) Sweden and Yugoslavia.

International money order service development over 2003/2004



Although the international trend for financial services is to give up traditional services, as the development of electronic services gathers speed, the international money order service will be expanded in 2005 by bilateral contracts with the postal administrations of South Africa, Belarus, Kazakhstan, Iran, Lebanon, where such IT products are not implemented.

II.2. Eurogiro

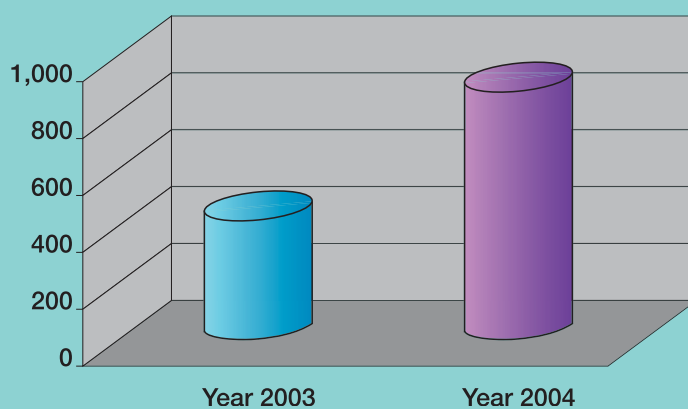
The EUROGIRO money order service provides the opportunity of a hard currency wire transfer to and from other countries, through the computerized post offices all over the country. The necessary time is considerable shorter than for international money orders.

This service had been provided for the following countries: Austria, Switzerland, Germany, Japan, Turkey, Portugal, Croatia, Slovenia, Israel, Spain, and in 2004 new conventions were signed with Hungary, Slovakia and Luxembourg.

As there is a natural trend of replacing traditional money orders by Eurogiro electronic orders, the payment and sending of such orders increased consistently in 2004.

In 2005 we estimate signing new contracts with the postal administrations of Italy, Czech Republic, France, Canada and other Eurogiro member countries.

Eurogiro service development over 2003/2004



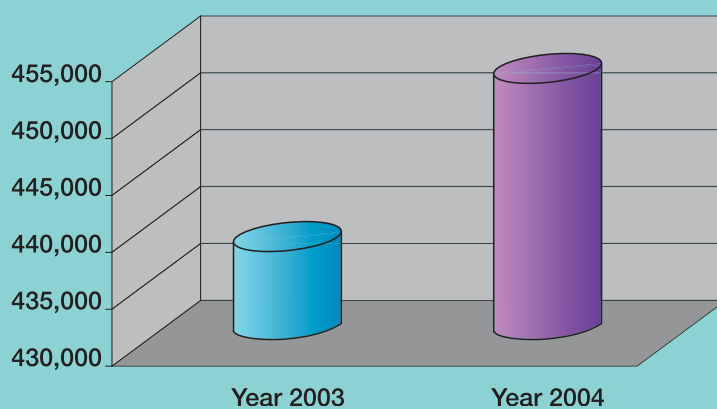
II.3. Western Union

The Romanian Post, by the Western Union money transfer service provides the fastest way of receiving money from abroad, namely from more than 190 countries and territories.

As an additional exclusive service, the Romanian Post can bring the amount sent by the Western Union money transfer service to the client's home.

If in the first 9 months of 2004 the Western Union transfers registered a consistent upward trend, starting with September the trend went down because of the USD exchange rate changes and the modified payment opportunities provided by the Romanian Post. Once Euro payments were introduced, however, an important increase is estimated for 2005.

Western Union service development over 2003/2004

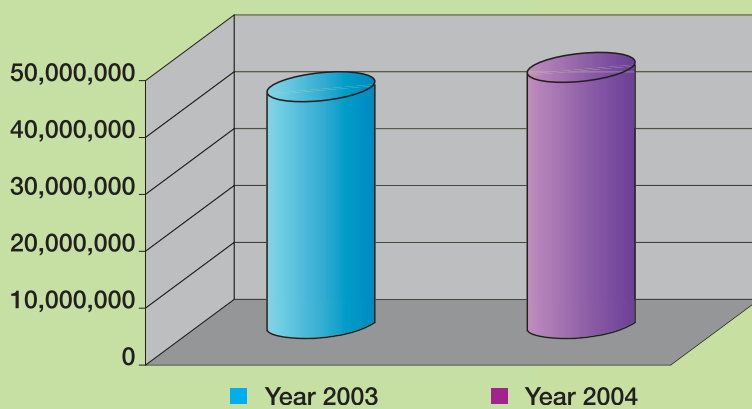


Direct Marketing Services

This service provides a distribution of publicity mailing items, made up of advertising, marketing or promotion materials, to the address indicated by the sender on the item or cover. They contain identical messages, and the only difference from one item to another is the contact data of the recipient, or other information which doesn't alter the message.

The client must mark the mailing item with "PUBLICITATE - INFADRES", and observe the conditions for the mailing category; these items can be: flyers, brochures, leaflets, posters, advertisements, catalogues, other advertising, marketing or promotional materials and various prints.

Infadres service development over 2003/2004



Background:

- Development of a competitive environment.
- More important role of advertising for company development.
- Companies more interested in various advertising means.

Payment of Utility Bills

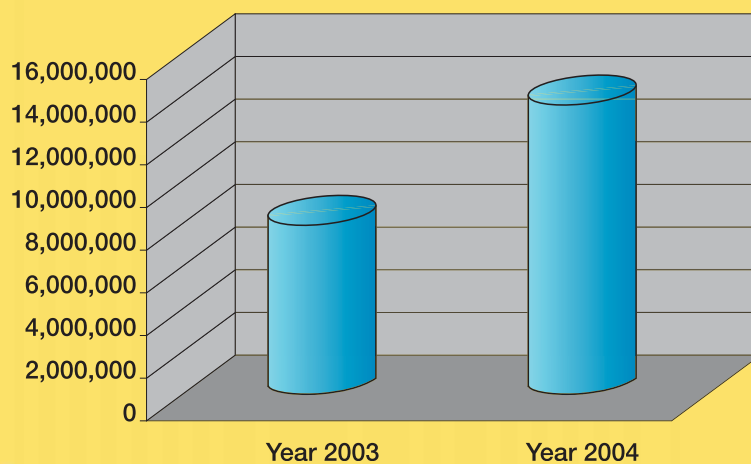
As the Romanian Post tried, in 2004, to diversify the range of services, we continued with the payment of electricity and phone bills, and the payment of local taxes and fees, and added the payment of ARTelecom and Distrigaz bills.

For Romtelecom and ARTelecom bills, the Romanian Post provides the services of bill payment in 682 postal outlets.

At the end of 2004, Distrigaz bills were payable in over 300 postal outlets.

The payment of utility bills, local taxes and fees is possible due to a series of contracts signed locally, and the service can be used by individuals and legal entities alike.

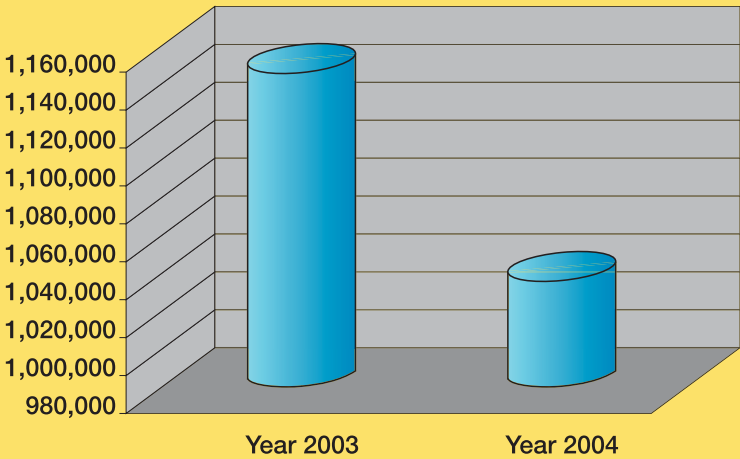
1. Payment of Romtelecom Phone Bills



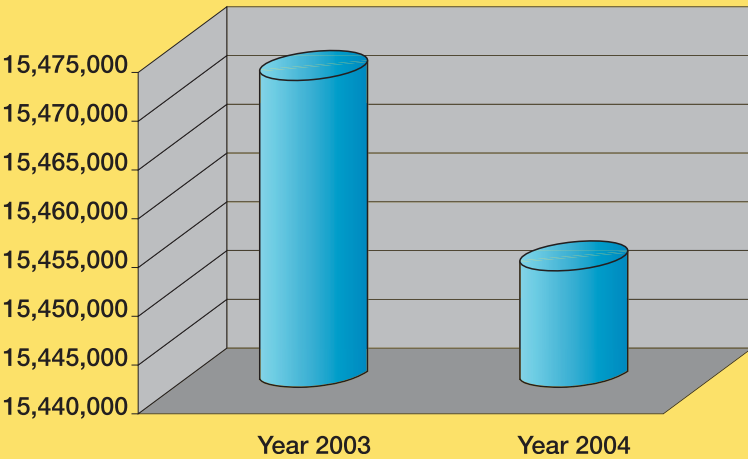
Background:

- expansion of the postal network in both urban and rural areas.
- Romtelecom reduced operations for the payment of phone bills.

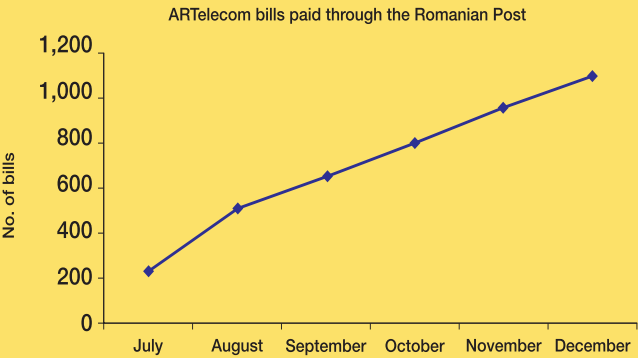
2. Payment of Electricity Bills



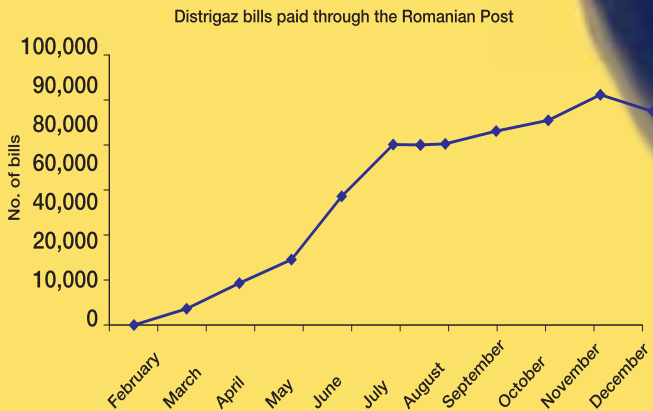
3. Payment of Local Taxes And Fees



4. Payment of ARTelecom Bills



5. Payment of Distrigaz Bills



The National Philatelic Museum

The National Philatelic Museum covers more than 600 sqm and presents part of the Romanian Post's treasury in the three exhibition halls filled with philatelic and postal items, located in the National History Museum.

The LAHOVARY HALL – (George Lahovary represented Romania at the foundation of the Universal Postal Union in 1874) hosts part of the more than 11 million stamps, making up about 3 million series, some of them unique in the world. Among the rare pieces are: the famous Bull Heads issued by Moldova in 1858, Carol I with whiskers, dating back to 1866 – 1872. Most of the stamps, except for the Bull's Heads, are presented in sheets, some with the artists' sketches and color and type samples.

The Dimitrie C. Butculescu HALL (founder and first president of the Romanian Philatelic Society) hosts a temporary thematic exhibition of private collections about the Romanian Post and the Universal Postal Union, as well as various medals the Romanian Post obtained over the years.

The Cezar Librecht HALL (the first general manager of the postal and telegraphic services of Moldova and Walachia) hosts various postal objects from late 19th till the early 20th century, illustrating the evolution of the Romanian Post throughout the years: old paintings, postal prints, furniture from post offices, coaches, and safe deposit boxes. Among the representative exhibits some are worth mentioning: coachmen's uniforms, a metallic safe deposit box with the shield of the Moldavian Principality (1840), the documents of the UPU Congress in Vienna (1891), a post card on birch-tree bark from the battle of Marasesti, in World War I, postal maps from 1849 and 1873 and a comprehensive bibliography (books, catalogues, articles etc.) about Romanian philatelic history, as well as various medals Romania obtained over the years.

The reopening of the National Philatelic Museum pays homage to the postal services and gives the general public the opportunity to meet and understand the world of stamps, letters and other mailing items.

A number of temporary activities were held in the museum until the end of 2004:

- a meeting with the participants in the Congress of the Romanian Philatelic Federation – November 2004;
- a number of visits organized for Bucharest students, the museum “Open Days”, in cooperation with the Youth Committee of the RFF;
- award ceremony for the drawing contest for children “A drawing of Santa Claus” and a mini-exhibition of the best drawings;
- a delegation of the museum participated in a study trip to the well-known international philatelic exhibition organized by the Monte Carlo Club, aimed at making contacts with the international philatelic groups;
- together with other cultural institutions, we displayed a number of philatelic items in the exhibition called 1989 The End of a Dictatorship, organized by the National History Museum of Romania;
- we initiated the Group for Philatelic Studies and Researches.

Projects for 2005:

- to produce a philatelic study on the “Jubilee Postal Issues and the 1906 General Exhibition”;
- to host the winners of the Letter Contest and “Journey in the Postal World”;
- to meet the representatives of the Romanian Philatelic Association in the Bucharest Czech Center;
- to organize a regional philatelic exhibition for children and youth called “Junimea 2005”, dedicated to the signing of Romania’s treaty with the Postal Union;
- to organize the Lilliput 2005 Salon – a national philatelic exhibition for classes (experimental);
- to produce a study on “Essays on the Romanian Lithographed Issues”;
- to organize philatelic seminars with international participation (September – October).

International Relations

As far as the international activities of the Romanian Post are concerned, 2004 was a crucial year. This illustrates the Post's commitment to become more actively involved in the actions of various international organizations it is a member of and to get in line with European Union standards in the field. The most important activities developed in 2004 include:

- quality monitoring tests (conducted by the Universal Postal Union and International Postal Corporation), whose main objective was to improve service quality, as well as the installation of AMQM (Automatic Measurement Quality Mail) equipments in the Romanian Post networks;
- EU initiatives (ACTIN project – coordinated by PostEurop, Agreement II, Leonardo Da Vinci Program – EPO European Postman);
- organization of the 23rd UPU Congress (September – October 2004);
- the Romanian Post was represented in the bodies and committees of the UPU, especially as, during 2004 – 2008, the Post will chair the Board of Directors of the Universal Postal Union.

In 2004, the Romanian Post was appointed a provider of universal services, by the National Regulatory Board for Communications. This decision imposes norms on the provision of universal services and the publishing of the compliance results.

In order to expand quality monitoring nationally in 2005, using the Unex tests of I.P.C., The Romanian Post benefited from FAQS for the second stage of the AMQM equipment installation.

In 2003, the AMQM equipments were installed in the Otopeni postal processing center and in the Bucharest Regional Transit Center, and in 2004 the equipments were also installed in the Regional Transit Centers in Timisoara, Iasi and Brasov. Therefore, service quality could be monitored on a larger scope.



As part of the ACTIN Project, coordinated by PostEurop, three seminars took place, of which one in Timisoara, during which 6 employees of the Romanian Post who work in the field were trained in the *acquis communautaire* and received PostEurop certificates. At the same time, in the Agreement II projects, there were training courses organized in Project Management, Know Your Customer, Marketing and Sales. The “EPO” - Leonardo Da Vinci project includes an on-the-job training program for European postal workers and the creation of a joint system of accreditation for their qualifications. These training and continuous education activities led to a better knowledge of the European guidelines in the field.

For the first time in history, the UPU Congress was organized by a Central and Eastern European Country. According to the UPU tradition, the host city is associated with the event; therefore the postal community will call this congress the Bucharest Congress, just as it happened with the Vienna, Washington or Beijing ones.

UPU was set up in 1874 and, in 1948, it became a specialized UN body.

Romania participated in the Congress not only as an organizer, therefore chairing the Congress and the plenary works, but also with concrete legislative proposals, most of which approved by the Congress.

As a host of the 23rd UPU Congress, Romania will chair the UPU Council of Administration and was also elected a member of the Postal Operations Council. From these two positions Romania, and the Romanian Post implicitly, will bring its contribution to the development of international postal services.

Capital improvements

The main concerns of the Romanian Post for 2004 were, among others:

- to provide better locations, by providing air-conditioning and heating devices;
- to replace and upgrade the car fleet;
- to computerize postal activities;
- to refurbish existing spaces to cover the operational need.

According to the available data, these objectives were 76% achieved for improvement works, 53% for upgrading and refurbishment of outlets, 100% for the purchasing of real estate and 95% for postal machines and equipments.

The upgrading of postal outlets is one of the most important improvement priorities, as this means more appropriate spaces for postal operations and a better image of the Romanian Post. Eleven objectives were reached in 2004 in this respect.

In more than 27 outlets **postal employees now have better work conditions** (air-conditioning, natural gas supply, heating devices etc.).

Computerization and the purchasing of postal machines and equipments are mainly focused on a technological upgrading of post offices and transit centers, in order to reduce processing time and increase the quality of postal services. The new equipments will make our work faster, more flexible and more productive. When postal services come fully in line with the European standards, more clients will be attracted to cooperate with us and we will be able to provide better services to our customers.



Heidelberg machine

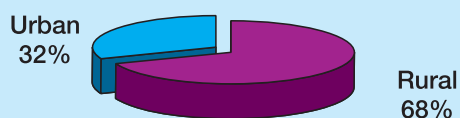
Human Resources

1. Training Programs

In 2004, courses were held by both in-house lecturers and training companies. A number of 242 employees took part in the domestic and international training sessions.

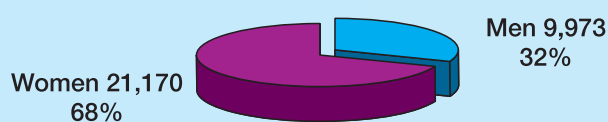
More than 2100 operational employees of the branches were trained on-the-job (postmen, agents, desk employees, postal worker).

STAFF STRUCTURE – ENVIRONMENT

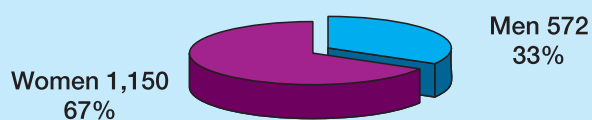


STAFF STRUCTURE – GENDER

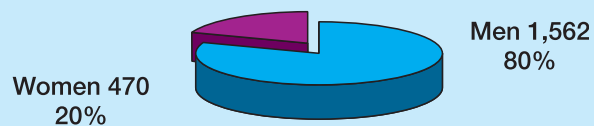
OPERATIONAL



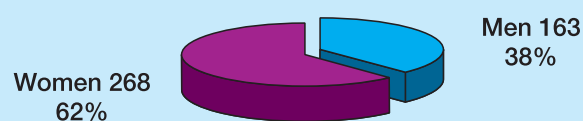
FUNCTIONAL



AUXILIARY



MANAGEMENT

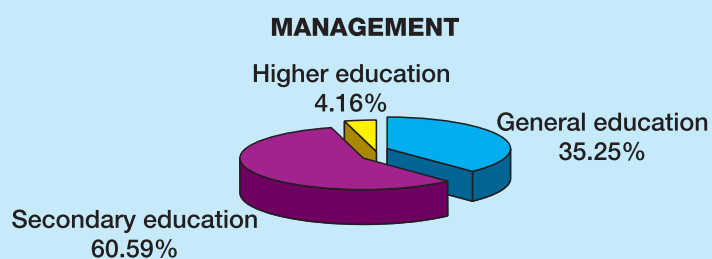


2. Staff Structure

PERMANENT STAFF STRUCTURE – GENDER AND AGE

Men	Years	Women
	62	
127 (1.1%)		
	60	
648 (5.6%)		657 (3.3%)
	55	
2,819 (23.9%)		7,354 (34%)
	45	
4,170 (35%)		7,154 (32.42%)
	35	
3,572 (30%)		5,886 (48.5%)
	25	
478 (3.6%)		897 (7%)
	18	
TOTAL 11,814		TOTAL 21,948
Average Age 40 years		Average Age 41 years

STAFF STRUCTURE – EDUCATION



Financial Resources

a) Romanian Post Income and Expense Budget for 2004

In 2004, the Romanian Post's activities were mainly aimed at:

- reaching the economic and financial indicators set in the budget;
- providing better quality services, to meet the client's requirements;
- organizing the UPU Congress.

The Main Indicators of the 2004 Income and Expense Budget are:

million ROL

Indicators	ESTIMATES 2004	ACHIEVED 2004	ACHIEVEMENT PERCENTAGE 2004
I) TOTAL INCOMES, of which:	6,603,000	6,704,221	101.5
1) Operating incomes	6,460,000	6,471,773	100.2
2) Financial incomes	143,000	232,448	162.6
II) TOTAL EXPENSES, of which:	6,517,000	6,673,494	102.4
1) Operating expenses	6,426,860	6,527,576	101.6
2) Financial expenses	91,000	145,918	160.3
III) GROSS INCOME (I-II)	85,140	30,727	36.1

These results were obtained under the following circumstances:

- the provisions of the state budget and state social security budget laws for 2004 affected the Romanian Post's income level from the distribution of pensions and other benefits, because the commission decreased;
- the income from financial services with Western Union money transfers were seriously affected by the National Bank of Romania's provisions on hard currency operations;
- operational expenses increased faster than the income, because the company continued the computerization of postal outlets, in order to improve the quality standards, and also because of various legal provisions (a reassessment of the fixed assets). The level of expenses was also influenced by the organization of the UPU Congress.

b) Comparison of the Main Economic and Financial Indicators 2003/2004

million ROL			
Indicators	ACHIEVED 2003	ACHIEVED 2004	%
I) TOTAL INCOMES, of which:	5,621,669	6,704,221	119.3
1) Operating incomes	5,384,329	6,471,773	120.2
2) Financial incomes	237,340	232,448	97.9
II) TOTAL EXPENSES, of which:	5,596,557	6,673,494	119.2
1) Operating expenses	5,476,157	6,527,576	119.2
2) Financial expenses	120,400	145,918	121.2
III) GROSS INCOME (I-II)	25,112	30,727	123.6

The comparative analysis of the main indicators for 2004 shows a better economic and financial situation than in 2003, especially seen in an increase of the gross profit by 23.6% against the previous year; this achievement is even more important because of the organization of the UPU Congress.

Profit and Loss Account

million ROL

Gross profit	30,727
Profit tax	28,828
Net profit	1,899

Net Profit Distribution

million ROL

Net distributed profit of which:	1,899
Compulsory reserve – 5%	754
State budget dividends – 50%	636
Development fund – 40%	509



The Universal Postal Union Congress

The Universal Postal Union is the main cooperation forum among postal services. As a specialized United Nations agency, the organization has an advisory, mediation and liaison role and provides technical assistance when necessary. The UPU sets rules for international exchanges and makes recommendations for increased mail volumes. The UPU's main objective is to improve the quality of international postal services and provide accessible, affordable, sure and safe postal services for all the people in the world.

The postal services of the 190 UPU member states make up the largest physical distribution network in the world. More than 5 million people are employed by the 660,000 postal outlets, to process and deliver about 430 billion postal items every year, to all the corners of the world. In 1874, Romania was one of the 22 UPU founding members.



The Universal Postal Union Congress is the main UPU authority and it gathered together about 2000 representatives from 173 countries, 70 high dignitaries (of which 50 line ministers) and more than 250 international observers. The organization of the 23rd UPU Congress in 2004 was a first both for Romania and for Central and Eastern Europe, and it brought the highest number of participants in a UPU Congress history, both in terms of delegates, and in terms of represented countries.

Following are some of the most important decisions taken during Congress:

- the adoption of the Bucharest World Postal Strategy, a four-year roadmap for governments, postal operators and the bodies of the UPU. The strategy shows the way for Posts on how to do business in future, interact with other stakeholders, respond to the demands of a new business environment, and meet customer needs;



- the creation of a Consultative Committee, a new UPU body that represents the interests of external stakeholders and private sector partners in the work of the UPU;
- the adoption of a complete package of proposals aimed at making the system used to compensate postal administrations for processing and delivering letter-mail coming from other countries (called terminal dues) more country-specific and reflective of real costs;
- the approval of a new country classification system, that should eventually lead to a global system based on cost coverage and be WTO compliant;
- the introduction of an improved Quality of Service Fund that will ensure that the countries most in need get more funds for improving their postal infrastructure and quality of service;
- the adoption of a worldwide quality of service standard and targets for international mail services;
- the adoption of a series of resolutions highlighting the need to improve security, combat terrorism and money laundering through the use of the mail network;
- decisions to modernize and expand postal financial services through the use of modern technology such as electronic fund transfers and computerized accounting methods;
- the adoption of a proposal to amend the UPU Convention to legally define the Electronic Postmark (EPM), formally recognizing it as a new optional postal service. The EPM provides evidentiary proof of an electronic event, in a certain form, at a certain time, and involving one or more parties.



- the adoption of a resolution ruling that items sent through extraterritorial offices of exchange (ETOE) are considered as commercial items not subject to the UPU Acts, and that any country or operator wishing to set up an ETOE on the territory of a UPU member country must obtain prior agreement from the host country;
- measures to make postal parcels more competitive;
- measures to enhance awareness of environmental protection.

Congress has also updated the Acts of the Union to ensure that the regulations and procedures correspond with present day needs of a changing business environment.

- the election of Edouard Dayan of La Poste France as the new Director General of the UPU and Huang Guozhong of the Chinese Post as Deputy Managing Director;
- the election of the new members of the UPU Postal Operations Council (James P. Wade from the US Postal Services as the chairman);
- the appointment of the 41 countries represented in the UPU Council of Administration;
- Gabriel Mateescu, chairman of the Romanian Post Board of Directors was appointed Chairman of the UPU Council of Administration until the next Congress;
- a vote that Nairobi, Kenya will host the next UPU Congress in 2008.

Postal Palace

