

Annual report **2013**

feel, lead, achieve, innovate,
commitment to customers

*grupo***Correos**



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It is my great pleasure to address you in these pages, in which you will gain a first-hand insight into the Correos Group's 100-300-1,500 Action Plan, an ambitious project which came into being with the aim of transforming us into a true benchmark for all the physical, digital and parcel communications for both citizens and companies.

Throughout 2013, we overcame the majority of the challenges at 300 days envisaged in our Plan, to deal with a highly competitive, demanding environment. Correos and the subsidiaries that comprise the Group, Correos Express (the new name of Chronoexprés since April 2014), Nexea and Correos Telecom, made enormous efforts to achieve the common objectives set out in each of the five strategic lines on which the plan is based: diversification, commercial efficiency, operational optimisation, development of the organisational model and innovation.

In the setting of the diversification of its activities, the Correos Group has increased its presence in the parcel business, the segment with the greatest potential for growth in coming years, thanks to the increase in e-commerce, a sector in which the Group has consolidated itself as a recognised partner.

In 2013, Correos increased its parcel volumes by 20% and Correos Express also grew in express market. Additionally, in 2014 a parcel service portfolio has been established,

under the brand "PAQ", which covers all the deadline requirements of our customers and is the most comprehensive range on the market.

In the interests of commercial efficiency, we have strengthened the sales and post-sales force, opting for a multichannel approach, creating the Correos Solution unit, to offer swifter, more flexible, customised services; increasing the collaboration between the sales network and post offices, creating a telesales channel, updating the website and increasing the commercial coordination between Correos and its subsidiaries.

In short, we have laid the foundations for a new model for relations with our customers, more orientated towards their experience with our services and towards adapting to their specific needs.

With increasing operational efficiency in mind, we have reorganised collection routes, adapted the transport and distribution networks, simplified and improved admission processes, and increased the capacity of our automated processing equipments. This has enabled us to capitalise even further on the density of our networks.

As regards developing the organisational model, and with a view to adapting the corporate culture to the needs of the Action Plan, intensive work was carried out throughout the year to be able to open the Correos Commercial School in 2014, the new



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performance assessment system was intense training on new channels and products, the “Correos Solidarity” volunteer programme was created, and spaces and channels have been opened to allow employees to participate actively in projects and in improving the company with their ideas and contributions.

As regards innovation, by signing up to the Government Office for Document Registration Online (ORVE), we have transformed our post offices into gateways for the e-administration. We have implemented the secure telematic notification system, allowing notifications to be received on any digital device, and we are already prepared for the launch of new services combining digital and physical formats, actively participating in the Government Digital Agenda.

The Correos Group has aligned these objectives with its new values, which were redefined in 2013 as part of the transformation process in which it is currently involved. The corporate culture derived from these values entails “feeling” Correos, as a united and complete team working enthusiastically and with a positive attitude; “leading”, in order to transmit passion and continue being a benchmark; “innovating”, planning ahead for change; “achieving”, taking risks to obtain competitive results based on criteria of profitability, quality and efficiency; and all this while showing that we are totally customer-orientated, and fostering a culture of excellence, sustainability and corporate social responsibility.

The actions carried out have prepared us for the future, while achieving a profit before tax for the last financial year of 65.4 million euros.

None of the above would have been possible without the excellent team of individuals that make up the Correos Group: an average staff of more than 53,500 employees throughout 2013; the true protagonists of change, and whom I would personally like to thank for their efforts.

We must continue to work at the same pace, with the same steadfastness, to embark on the next phase of our Plan with the same levels of dedication and enthusiasm we have shown up to now, to allow the Group to build a successful future. There is still a long way to go, but we shall deal with the changes with the strength and dynamism required to forge an excellent Correos, one in which the customer is always at the core of our activity.

Javier Cuesta Nuin



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The Correos Group has incorporated the most innovative means, the latest technologies and best equipment in order to meet customers' needs in terms of reliability, speed and security of all deliveries, quality in the service and coverage for the whole country. All these aim to improve positioning in the postal and parcel markets and developing new business lines in the sectors, such as digital communication, with a growth potential.

That achievement means adopting profitability, quality and efficiency guidelines. This is about to be ahead of events and to foresee future scenarios which ensure us a sustainable growth.

Achieving these goals means reaching 28 million homes and companies every day, meeting delivery times and with the highest flexibility, delivering where and when customers want, and striving to meet all their needs with a portfolio of integrated solutions.





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	Correos Group		
	2011	2012	2013
NET TURNOVER (millions of euros)	2,085.5	1,875.4	1,747.0

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
NET TURNOVER (millions of euros)	1,946.1	1,739.2	1,605.1	129.2	128.5	134.1	13.9	11.4	10.8	7.1	6.5	6.3

	Correos Group		
	2011	2012	2013
RESULT BEFORE TAX (millions of euros)	1.9	-6.4	65.4

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
RESULT BEFORE TAX (millions of euros)	2.8	-7.5	66.5	-6.7	-14.8	-3.4	-1.5	-2.6	-1.5	2.3	2.5	2.2



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	Correos Group											
	2011	2012	2013									
EMPLOYEES (average staff)	60,459	57,275	54,556									
	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
EMPLOYEES (average staff)	58,952	55,775	53,264	1,269	1,274	1,094	180	171	147	58	55	51
	Correos											
	2011	2012	2013									
Postal items (millions)	4,065	3,641	3,282									
Automated processing centres	17	17	17									
Mass admission centres	6	6	6									
Service points	9,617	9,490	9,288									
Post offices	2,379	2,374	2,375									
Rural services	7,238	7,116	6,913									
Delivery units	1,804	1,835	1,837									
Special services units	100	100	99									
Vehicles	14,326	14,177	13,977									



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1. That was 2013

Milestones

Diversification

- Growth of over 20% in Correos' parcel volumes.
- Launch of new direct marketing solutions, designed specifically for SMEs, such as *Publiccorreo Óptimo* and *Publiccorreo Premium*.
- Consolidation of the Correos Group as a recognised partner for the e-commerce sector.

Business efficiency

- Development of a new business model that increased the number of visits and strengthened the post-sales service.
- Creation of a telesales channel.
- Creation of the Correos Solutions unit to offer customised services to major customers requiring a logistic partner to ensure the success of their business.

Operational optimisation

- Simplification and improvement of admission processes using single forms and labels.
- Introduction of the *Más cerca* loyalty card in post offices.
- Introduction of delivery trolleys with advertising space.
- Attainment of the ISO 9001 certification for the Correos customer service and the international processing centre at Madrid-Barajas, which also achieved the qualification of Excellence by International Post Corporation.





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- Renewal of the ISO 9001 and ISO 14001 certifications for Correos centres, as well as Correos Express and Nexea. The latter also obtained the ISO 27001 certification for information security.
- Compliance with the objective of a 30% reduction in CO₂ emissions, which were reported for the first time to the Carbon Disclosure Project (CDP).
- Reduction in energy costs, saving over one million euros.

Organisational model

- Introduction of a new performance assessment system in Correos to promote career development and talent management.
- Introduction into the corporate Intranet of *Aporta* channel, in which employees made more than 600 suggestions for operational and business improvements; and *Colabora* channel, where nearly 350 working groups were created.
- Holding of communication workshops in each of the seven zones, to inform more than 2,600 executives and middle managers on the Action Plan.
- Creation of the "*Correos Solidaridad*" corporate volunteer programme in which 700 employees took part, working on several projects such as collecting non-perishable food items for the Spanish Federation of Food Banks (FESBAL).
- Recognition for Correos from Randstad, for being considered the most attractive company to work in.
- Conferment of the "2013 World Mail Awards" and "*Corresponsables*" award to the *Línea verde* programme for its contribution to reforestation and environmental responsibility.



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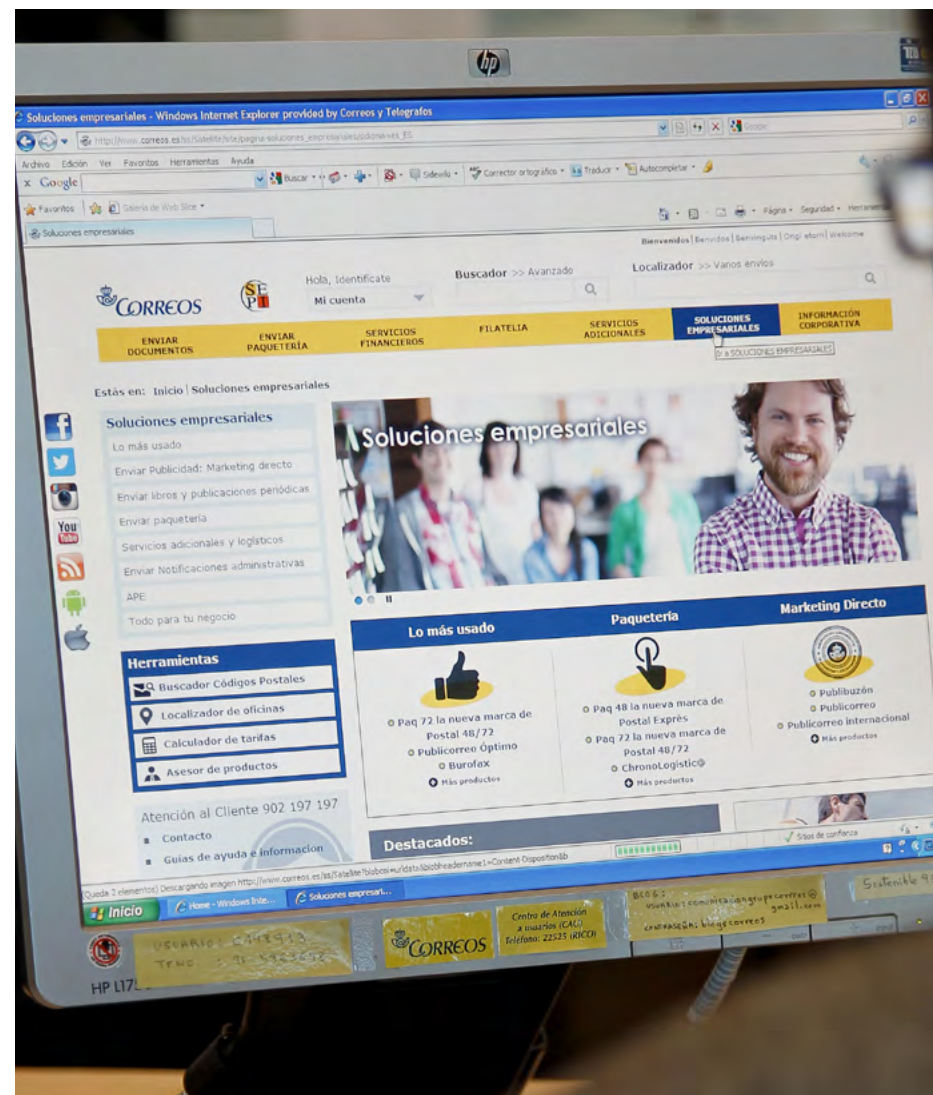
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1. That was 2013

Innovation

- Launch of the Government Office for Document Registration Online (ORVE).
- Provision of the secure telematic notifications system through mobile devices.
- Optimisation of the range of multi-channel services, with a new-look Correos website, which receives close to two million hits a month.
- Receipt of the "TNS Fan Page Awards" for the best Facebook page in the services category, voted for by fans.





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2. Activity in the Correos Group

The Correos Group comprises Correos and its subsidiaries, Correos Express (the new name for Chronoexpres since April 2014), Nexea and Correos Telecom. The sole shareholder is the *Sociedad Estatal de Participaciones Industriales* (SEPI). The Correos Group performs its activities in the global communications market.



Correos

Correos (*Sociedad Estatal Correos y Telégrafos*) is the leading company in the Spanish postal market, due to the excellence, reliability and range of products and services, comprising solutions for both physical and digital communications, as well as parcel services, direct marketing, financial and telecommunications products.

Correos is also Spain's designated universal postal service provider, in accordance with the quality, regularity, accessibility and affordability requirements, ensuring all citizens' rights to postal communication, in a market that was fully liberalised in 2011, pursuant to Law 43/2010, of 30 December.

Correos is one of Spain's leading companies thanks to the density of its network and its territorial coverage. Every day it covers 671,029 kilometres with a fleet of 13,977 vehicles, providing its customers with 9,288 service points (2,375 post offices and 6,913 rural services), and has 1,837 ordinary delivery units and 99 dedicated to urgent delivery (special service units).

In 2013 Correos received 3,282 million postal items. Against the fall in mail volumes seen in recent years, there was a 20% increase in the number of parcel items thanks to the development of e-commerce, a sector in which the company has become a recognised partner.



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2. Activity in the Correos Group

Correos Express

Correos Express is the Group company dedicated to urgent document and parcel delivery (up to 40 kilograms) both in Spain and abroad, with over 20 years' experience in the sector.

Early in 2014 the company changed its name, from Chronoexpres to Correos Express, to boost its visibility in the express market and to underline its specialisation in deliveries with deadlines under 24 hours.

The company has a business model based on an extensive network of its own agencies, making it possible to offer its customers high levels of swiftness and service quality. Correos Express incorporates the latest innovations, being the only urgent delivery company which has a fully geo-positioned fleet, making it possible to monitor the status of parcels at any time.

In addition to urgent products with agreed delivery times, both in Spain and abroad, its products and services also include customised logistics solutions for all manner of business customers, including reverse logistics, as well as mailbag services and other services specific to the optical and audiological sector, in which Correos Express is the leading parcel service operator. This business portfolio is supplemented with added value, such as Saturday delivery, return of delivery note, refunds or electronic delivery confirmation.





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2. Activity in the Correos Group



Nexea

Nexea is the Group subsidiary specialised in the integrated management of corporate mass communications. Its services range includes consulting in document production, design, printing, sorting, processing and depositing of mass mail items for distribution by Correos. Moreover, Nexea offers return automation and digitisation.

Nexea is working to be seen as the leading, trusted provider for the processing of its customers' physical and electronic documents, at a competitive cost, with efficiency, quality and reliability.

The company specialises in developing customised technological solutions for document processes, providing services to sectors such as telephony, energy, banking and Public Administrations for which it manages the issuing of invoices, receipts, payslips, and all manner of transactional communications. During 2013, Nexea processed 303 million print jobs and 6 million digitisations.

Correos Telecom

Correos Telecom is the Correos Group subsidiary responsible for the management of its telecommunications network, the provision of technological services and the sale of the excess capacity in its telecommunications infrastructures.

The company conducts its main activity in the telecommunications market, where it specialises in providing high capacity collectivity services, cable laying infrastructure and co-location for radiometric emissions, in addition to providing communications network services to Public Administrations.

Finally, Correos Telecom is responsible for the design, engineering, operation and development of projects in the setting of communication technologies for the other companies in the Correos Group.



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3. Business environment and strategy

Setting in which the Correos Group operates

Correos operates principally in the postal market, a sector that was already highly competitive prior to its full liberalisation in 2011 and which has, nonetheless, has reached a high degree of maturity. Accordingly, in recent years volumes have been dropping constantly, due in the main to the effects of substitution by new communications technologies and society's new habits.

The economic downturn and the fall in business activity have accentuated this trend, having a direct impact on the demand for traditional postal services. Companies, the main generators of postal items, have adopted strict cost reduction policies, promoting digital communications to the detriment of postal ones. On top of this is the increasing concentration of communications into a reduced number of items, and the reduction in the rate of transactional items (invoices, statements, payslips, etc.).

The development of the e-government, a setting in which Spain is ahead the European average, has also contributed to the contraction of the postal business.

Lastly, the current regulatory framework, defined by the most recent Postal Law, is pending legislative development in aspects required to ensure the effective financial sustainability of the universal postal service and which will thus determine the sector's future development.

In this highly competitive market setting, Correos has seen how its market share has gradually fallen in recent years (according to data provided annually by the postal regulatory body), this share being notably lower than those of other postal operators providing the universal postal service, such as those in the UK and France.

Thus, among its lines of action, the Group's Action Plan includes measures for retaining the volumes of mail, through a range of services which blend physical and electronic media, depending on the customer's wishes, and making greater use of the subsidiary Nexea's strengths and experience in providing mass communication solutions.

In one of Nexea's fields of activity, the direct marketing sector, the full-colour printing technology allows the combination of advertising and transactional communications (invoices, statements ...), with document customisation for each customer.

Accordingly, faced with a highly price-orientated market, Nexea has drawn up a differential value proposal, in line with customers' needs. Thus, the company has boosted quality (complying rigorously with agreements on service levels), customer care (with shorter response times and greater proximity), and security and reliability in information management with implementation of ADF (Automated Document Factory).

With regard to the parcel market—one of the most competitive and fragmented in Europe, and which up until the start of the economic downturn was in a phase of growth—the forecasts point towards a possible improvement in the near future. The causes include new consumer habits, increased exports from Spanish companies and, particularly,





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the development of e-commerce. This final factor explains the growing importance of the B2C (shipments from companies to private individuals) and C2C (between private individuals) segments in the sector as a whole. In this new setting, logistics and transport are set to play a leading role.

In order to address the demands of different services, flexibility and convenience in delivery in these segments, the Correos Group has an integrated parcel services portfolio, with a good deal of added value and extensive admission and delivery networks for the entire e-commerce value chain, from the vendor to the end customer.

With the creation, at the start of 2014, of a coordinated parcel services portfolio, Correos and its subsidiary, Correos Express, have the most extensive range of products and services on the market, with two specialised, independent distribution networks, to respond to customers' delivery time needs. The Correos Group will also continue to work towards increasing diversity in delivery options and the reverse logistics of e-commerce articles.



“Vente-privee has always opted for a hybrid model: on the one hand, we have our logistics platforms; and on the other, we deliver to the partner in partnership with local operators.” “Our collaboration with Correos, along with the existing synergies, are highly positive for both companies.”

Vente-privee, Correos Group customer

The subsidiary, Correos Telecom, conducts its main activity in telecommunications, a market in which a small number of operators are dominant. The company provides these firms with communication network services, offering the hiring of cable ducts, conduits and emplacements, through a business model of competition and simultaneous collaboration.

Nonetheless, Correos Telecom's main activity focuses on providing services to Public Administrations. In the development setting of CORA (Virtual Commission for the Reform of Public Administrations), it is foreseeable that the public sector will show a preference toward contracting integrated telecommunications solutions; hence, securing alliances and synergies with other companies in the sector to provide these services will be essential.



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3. Business environment and strategy

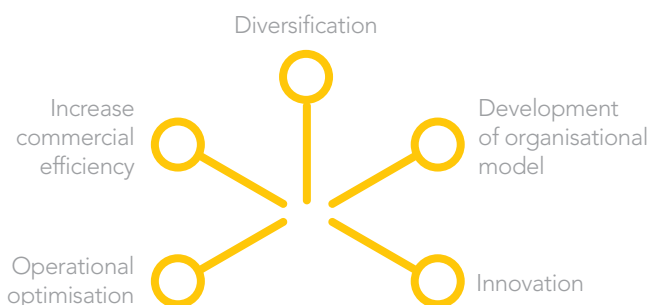
Strategy and objectives

In 2012, the Correos Group defined a new business strategy for the coming years, the main thrust of which was set out in the 100-300-1,500 Action Plan. This plan is a roadmap which is enabling the Group to adapt more swiftly to changes in the competitive environment and to end customers' demands, as well as to provide a service of the highest quality, thus ensuring future sustainability.

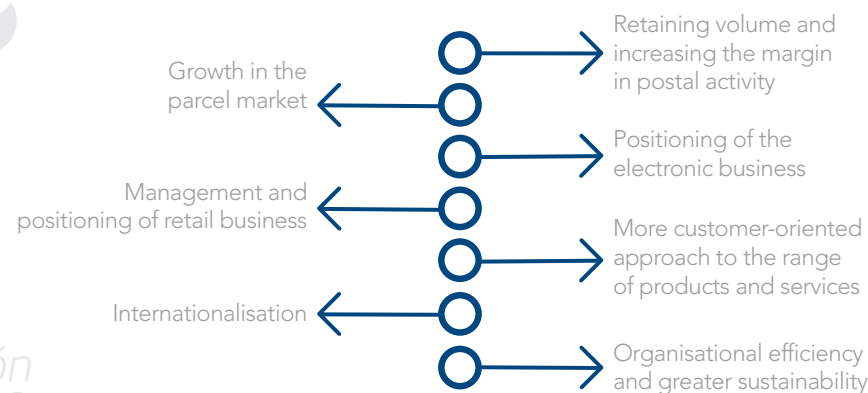
The transformation of the Correos Group, driven by the Action Plan, is formulated around five strategic lines, which are in turn based on seven fields of action, which include all the actions Group companies are carrying out in the different business lines.

To ensure proper development and compliance with the objectives of the Action Plan, the Correos Group's Strategy Committee is responsible for establishing the priority measures, reviewing and defining lines of action, and planning the resources required. The Transformation Project Office serves as a unit which is transversal to the entire Group, made up of multidisciplinary teams that coordinate, support and facilitate the implementation of actions.

5 strategic lines



7 vectors



*Plan de Acción
100 - 300 - 1.500
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4. Operational optimisation

Improvements to admission, processing and distribution in Correos

Within its Action Plan, the Correos Group has identified a series of lines of action ultimately aimed at contributing to operational optimisation. Among these measures, in 2013 Correos worked on simplifying admission processes; the reorganisation of centres and transport routes; and making full use of the potential of automated sorting equipment and distribution networks.

With a view to improving admission, the mass admission units responsible for handling mass volumes from large customers were reorganised, with their processes being transferred to the post offices. Also, an integrated electronic admission model has been developed between Correos and Nexea, facilitating the admission of communications from the subsidiary's large customers.

The post office network also introduced new single forms for registered mail which simplify the admission procedures for contracted customers and private individuals, as well as increasing the operational efficiency and optimising processes.

Similarly, the introduction of a single label for letters and parcels, which includes a bar code with all information on the item and replaces the stamping of the postage paid seal, allows greater control and swiftness in the process. This pilot scheme, conducted in six post offices, will be extended to the rest of the network throughout 2014.

Thirdly, post offices have been fitted out with the digitisation equipment needed to provide the Government Office for Document Registration Online (*Oficina de Registro Virtual de Entidades*) (ORVE) service, by way of which citizens can remit their communications to Public Administrations in digital format from post offices, with all of the associated guarantees and convenience.

In recent years, Correos has improved operational efficiency by increasing the automated processing of mail items, and eliminating manual processes. Accordingly, the percentage of items that can be sorted automatically has risen to 94%.

In 2013 Correos had 17 automated processing centres all over Spain, with 43 lines for the automated sorting of standard postal items, 14 for non-standard postal items (flat), 17 for postal items from postboxes and 12 additional machines for parcel processing.

Throughout 2013, Correos focused on reorganising its sorting centres to adapt them to the new seven-zone territorial structure and forge ahead with operational optimisation. With this in mind, the postal sorting processes was concentrated into the 17 automated processing centres, thus reducing manual processing, extending the use of available equipment, freeing delivery units from sorting tasks, which all results in an increase in operational efficiency and distribution quality.





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4. Operational optimisation

The range of products suitable for automated processing has also been expanded, using the configurations of previously existing equipment, being extended to standard registered letters, items posted in post boxes in the post office network and items of non-standard size (flat) addressed to the Balearic Islands.

With regard to parcel volumes, the items classified by mechanical means has increased with the new equipment in the Barcelona mass admissions centre (CAM2), and the automated sorting of international registered letters in parcel format has been incorporated. In addition to this, the control of the mass admission of standard notifications from large customers has been added, along with the sorting of returns to customers.

The company has started production in the new Colón processing centre, for the automated sorting of ordinary and registered mail items sent to the city of Barcelona and Hospitalet de Llobregat. These installations classify 281,000 ordinary mail items per day, to the level of the delivery section, and 75,000 by post code.

Correos received the “2013 Excellence Award” from the magazine *Dirigentes*, in the state of the art section, for being the first postal company to implement a system for controlling postal items by radio-frequency ID technology (RFID).

In 2013, 1,202 new means of transport were added to the fleet. At 31 December, the Correos transport network comprised 13,977 vehicles, 13,056 of which were owned by the company. This fleet also includes 197 ecological vehicles.

The reorganisation of processing centres has entailed the necessary adaptation of transport routes. In total, 265 provincial routes have been reorganised, to align them with the new production model. Additionally, the post box collection routes were optimised, cutting costs by 58.2%, well above the target set of 50%.

Air and/or maritime links with the Canary Islands and Ibiza have also been redesigned, making it possible to increase the time slots for processing at the destination, helping to improve delivery times for items.

Correos delivers all over Spain through 1,837 ordinary delivery units, 99 special service units (urgent delivery) and 6,913 rural services.

In order to adapt the delivery networks to the new business needs, work has started on migrating the delivery tasks for a number of standard products, from special service units to ordinary delivery units, allowing the former to specialise in the delivery of parcels and bulk items.

A further optimisation measure introduced in delivery units is the inclusion of advertising space on delivery trolleys, thus making them an ideal medium for promoting products and services, of both Correos and any customer.

Lastly, with the development of electronic proof of delivery, which replaces the printed delivery receipt, the usability of registered products has been enhanced and manual processes have been eliminated, improving delivery and facilitating the technological integration with the customer.



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4. Operational optimisation

“Our relationship with Correos is essential as a partner, for us to be able to carry out our mission. Apart from preparing the postal item, the campaign, volumes handling, we need a reliable partner so that all this gets to where it needs to go, and even so that our customers [...] return the information with a stamped addressed envelope or any type of post office box”.

Cibeles Mailing, Correos commercial partner

New technologies applied to Correos Express operations

Like Correos, in 2013 the subsidiary Correos Express incorporated radio-frequency ID technology (RFID) into its production processes, to control items and improve delivery quality.

The company has also installed new equipment in its Madrid transport centre for the automated sorting of volumes in envelope format and small parcels, with the process of containerisation for goods under 3 kilograms being incorporated. This investment, which means that between 6,000 and 9,000 objects can be processed an hour, increases efficiency and enhances the information on and traceability of items.

Correos Express has also opened new logistics installations in Jerez de la Frontera, with close to 2,000 square metres of production area, and in Santa Cruz de Tenerife, with more than 850 square metres. Closed-circuit TV has also been installed in 12 agencies, along with the adaptation of the control centre in the transport centre in Coslada (Madrid), to increase the security and integrity of items.

Lastly, throughout 2013 the number of Correos post offices offering Correos Express products rose to 1,026, providing customers with greater access to the subsidiary's range of products and services.

Optimisation of Nexea's processes

The actions made by Nexea throughout 2013 were aimed at attaining greater operational efficiency and alignment with customers' processes. One example of this is the technological updating of envelopes handling equipment, which allows ANV (Account Number Verification) addition, to ensure the traceability of documents throughout the entire production process, or the optimisation of work flows.

The subsidiary has also developed a pilot project with software for integrating intermediaries, making it possible to increase synergies within the Group and improve the admission process.

Finally, Nexea placed the new Chamartín contingency centre into production, within the scope of the ISO 27001 certification on information security management, obtained in 2013.



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4. Operational optimisation

Management of Correos Telecom telecommunication services

One of Correos Telecom's fundamental activities is to provide support to the ICT projects carried out by the other companies in the Correos Group.

Thus, the company has collaborated in Correos Group projects aimed at optimising telecommunications services management (fixed and mobile telephony, data and support), the operation of IT systems and data processing centres, and the technological integration with large customers in the e-commerce or telecommunications sectors, in addition to helping to create new services with added value, such as electronic proof of delivery or enriched feedback.





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5. Associations and alliances

The Correos Group has a number of different conventions and collaboration agreements with bodies and institutions, with the aim of conducting projects of mutual interest and exchanging experience and knowledge in different settings.

On international level, Correos is a member of the Universal Postal Union (UPU), the main collaboration forum for world postal operators, which provides guidance and

mediation, establishes regulations for the exchange of international mail, and issues recommendations to improve service quality. Correos oversees the Terminal Dues Group (*Grupo de Gastos Terminales*) and endorses the United Nations Millennium Development Goals, through its participation in the Development and Cooperation Committee.

Correos is also a member of the Postal Union of the Americas, Spain and Portugal (UPAEP in Spanish), whose mission is to strengthen regional integration and the modernisation of the postal sector; of the European Association of Public Postal Operators (PostEurop), being a member of the Management Committee; and the International Post Corporation (IPC), which includes postal operators from Europe, North America and the South Pacific, and in which the company forms part of the eCIP Management Committee, among others. It also participates in other organisations, such as the Postal Union for the Mediterranean (PuMED or EuroMED), established in 2011 under the auspices of the UPU.

Correos is also one of the postal operators present in the commercial alliance Kahala Post Group (KGP), along with the postal operators from Australia, China, South Korea, Hong Kong, Japan, USA, Singapore, United Kingdom and France, to foster quality and efficiency in mail and urgent parcel services.

Correos is also one of the companies affiliated with Corporate Excellence-Centre for Reputation Leadership, a think tank made up of a group of large Spanish companies to professionalise the integrated management of intangible assets, and to contribute to the development of good reputations and the construction of strong brands.

The company also backs initiatives linked to its corporate values such as teamwork, effort and tenacity. Therefore, it has promoted and associated the brand image to that of the Spanish Handball team.

With regard to the Group subsidiaries, Correos Express participates in the Business Logistics and Transport Organisation (UNO in Spanish). In turn, Correos Telecom is a member of bodies such as the Association of electronics, information technologies, telecommunications and digital contents companies (AMETIC in Spanish).





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Correos' commitment to its customers includes working alongside them, providing swift responses to their needs and developing a culture of excellence, based on the principles of honesty, sustainability and corporate social responsibility.

In order to do so, it has introduced a new business orientation to increase efficiency and be able to offer customers innovative solutions, adapted to all their business or personal communication needs. It has also increased the flexibility and quality of its service by establishing new channels that guarantee a more personalised service, and it has adapted its portfolio and business relations to each segment, so all customers can benefit from the Group's strengths.

Defining business processes through a multi-channel business plan has made it possible to define customer-relations models in line with the different segments identified.



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1. The Correos Group's business range

New business focus

As part of strategic focus of the Correos Group's Action Plan, aimed at greater business effectiveness, in 2013 a number of different initiatives designed to increase flexibility, coordination and the business potential of the four companies were implemented.

This redefining of the business model was based fundamentally on two lines of action. The first is strengthening multi-channel capabilities, with the creation of the telesales channel and increased collaboration between the post office and sales networks, aimed at more comprehensive customer management. Therefore, a coordination model was set up to promote and allow the channelling of business opportunities through the optimal channel.

The second is geared towards greater efficiency, through the following measures:

- The establishment of a new business model, based on the separation of commercial and after-sales functions with a view to ensuring greater specialisation and efficiency in both activities. This has made it possible to optimise the dimensioning of the sales force, at the same time as it resulted in a 30% increase in end customer focused business activity.
- Establishment of close business management, based on the territorial redeployment of sales managers and redefining incentive plans.
- Definition of a customer relations model for each segment and for business planning.

The new business model is particularly designed to support those business units which provide services to sectors such as e-commerce and SMEs. With this in mind, it has focused on Correos' commercial and operational coordination with its subsidiaries, through measures such as a joint training plan for sales managers or the optimisation of information provided by CRM systems to account allocation. Accordingly, the Correos Group adapts its range and commercial services to the development of its customers' needs.

Comprehensive communication services

In the current postal market, the majority of volumes are generated by companies and Public Administrations, with postal traffic from private customers being practically nil. Hence, Correos Group's competitors in this sector are focusing their activities on the corporate customer segment, making it possible to take advantage of economies of scale, and where distribution needs are usually concentrated in areas of high population density.

In compliance with its public service mission, Correos addresses the communication needs of companies and Public Administrations, as well as citizens, guaranteeing full territorial coverage and accessibility to postal services.

Transactional communications

Large companies, particularly in sectors such as banking, telecommunications and utilities, generate a high volume of transactional communications (invoices, statements, periodical reports to clients, etc.), either due to the high number of customers or to the very nature of their business.

Some of these companies are showing an increasing trend towards digitising communications of this type, thus replacing mail items. This policy is expected to continue in 2014 and will extend to other utility companies and Public Administrations. In order to meet these needs, Correos has comprehensive communication solutions, which combine physical and electronic formats, and are supplemented by the subsidiary Nexea range.

In 2013, the subsidiary focused its strategy on achieving a greater presence and increased differentiation in a highly competitive, cost reduction-based market. With its proposal of integral value, Nexea provides solutions which cover all the communication management needs of customers, from documentation consultancy to distribution, employing technology to guarantee document-by-document traceability throughout the entire process and at a highly competitive price.



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Notifications

Both companies and Public Administrations require reliable or legally acceptable communication services for their most relevant communications, owing either to the content, or to the need to establish the addressee or the date of the shipment. In addition to registered postal products and the bureaufax (in both physical and digital versions), Correos offers its secure telematic notifications system.

This electronic service, which has also been available on all mobile devices (iOS or Android) with the same security and legal validity since 2013, makes it possible to comply with notification requirements of administrative acts to citizens and companies with full legal status. Communications are made available to the interested parties in one single electronic mail box, independent of the issuer, thus facilitating relations between Public Administrations and citizens.

Correos also offers the different Public Administrations added value, such as electronic proof of delivery, already used by the Seville Tax Agency, Huelva Tax Administration Service and the Consumer Institute.

“We couldn’t communicate with citizens without Correos”. We appreciate “the security and the fact that it is a large company in which we can trust”. “We need very high quality” owing to which “we have added all the security features recommended to us by Correos”.

Directorate General of Traffic, Correos customer





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Parcel solutions

E-commerce has become the principal driving force behind the parcel market. Even though the effects of the economic downturn are still evident in the evolution of this sector, activity is expected to recover over the coming years, linked clearly to the generalisation of purchases through the Internet and, particularly, cross-border transactions.

Accordingly, the B2C segment is currently the one showing the most dynamic evolution owing to the increasing number of online purchasers. Clients of this type require more flexible and convenient delivery options. In the international setting, an increase in the demand for less urgent delivery deadlines can be noted, owing to the fact that customers are increasingly targeting lower-priced services.

In this setting, Correos has continued to adapt its range of products and services to the needs of companies and private individuals and incorporated new values, such as the specification of the delivery date and at certain time slots.

Correos also offers new specific solutions for addressing the demands of the e-commerce sector, such as its reverse logistics service, making it possible to return an item purchased via the Internet with consummate ease, depositing the item in any post office. This service increases the effectiveness of one of the most crucial phases of online purchasing, transforming the company into an extension of the value chain of any seller. Thanks to its wide coverage and extensive infrastructure, Correos is endowed with an enormous logistics potential, which is a benchmark for the companies in this growing market.

“Correos is a highly experienced operator with a long track-record, which has succeeded in adapting to the new market needs, at the same time as offering competitiveness, technology, flexibility and extensive logistics cover”.

Rakuten España, Correos customer

To publicise its parcel service and, particularly, solutions targeting the e-commerce sector, Correos and Correos Express participated in the following trade events and forums, among others:

- “eShow”. In this professional meeting held in Madrid and Barcelona, Correos had the opportunity of awarding the prize for the best logistics in an e-commerce start-up company and in the Gold category.
- 2nd edition of the “Promoting SMEs” programme, which included sessions in 12 different cities, to exchange knowledge and business strategies with SMEs, with a view to enhancing their efficiency and productivity.
- “Expo E-Commerce 2013”.
- “2013 Internet Meeting Point Forum”.
- “International Conference on Optometry, Contactology and Ophthalmic Optics” (OPTOM) and “Expoóptica International Optics and Optometry show”.



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Correos also developed cooperation agreements with different sectors to facilitate SME access to e-commerce, as well as owners of hostels on St James' Way, to enable pilgrims to send parcels.

In the international setting, the company participated in the eCIP programme, conducted within the International Post Corporation, for the design of products and services covering the different needs of vendors and purchasers in cross-border e-commerce. The company is also a member of different Universal Postal Union work groups that aim to strengthen the sector, as well as of the Kahala Post Group alliance.

Correos increased the recruitment of international customers, especially in this sector, through the direct injection channel, which achieved a significant volume growth.

The Group's new parcel service portfolio

In the first quarter of 2014 the Correos Group presented its new comprehensive parcel service range, and renamed the Chronoexpres brand Correos Express; this is still the Group's subsidiary specialised in express services, with delivery times under 24 hours, through three services: Paq 10 (with delivery before 10:00 on the following day), Paq 14 (before 14:00 h) and Paq 24 (less than 24 hours). The parcel service portfolio is rounded off with Correos Paq 48 (the new Postal Exprés brand), with delivery under 48 hours, and Paq 72 (the new name for Postal 48/72), under 72 hours.

Each of these options can be supplemented with features such as a Saturday delivery, in department stores, the return of a signed delivery note, processing of the single customs document or reverse logistics. Correos Express products also have added values, such as home collection, proactive incident management, pre-alerts by text messages and/or e-mail, delivery with management or with collection, multi-packages, collect on delivery, e-mail delivery receipt, collection of refunds, exclusive delivery to the addressee and customs management (imports and exports).

With the change of the Correos Express brand and the reorganisation of the parcel service portfolio, the Correos Group offers the most extensive range of guaranteed service coverage on the market, responding to the deadline requirements of all its customers.

Correos
Express
grupoCorreos

Paq
10:00

Paq
14:00

Paq
24 h

 **CORREOS**

Paq
48h

Paq
72h

Correos Express enhances its offer for professionals and companies with products in the international setting, wherever exports are vital for Spanish companies. The company offers *Internacional Express*, an express, door-to-door, air carrier service with worldwide service, as well as *Internacional Estándar*, its economic land service with European coverage.



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Direct marketing

Companies devoted to direct marketing, advertising and the publishing business are reducing their communications as a consequence of the economic downturn and the impact of new technologies on their sectors. Thus, effective distribution is essential in campaigns for attracting and retaining customers, to maximise their impact and closing ratio.

Correos guarantees this effective distribution and also helps customers in the preparation phases, providing them with guidance in the proper definition and location of the target public, the standardisation of addresses, the design and personalisation of creative aspects, or selecting the most suitable channel.

The Group's offer for this sector is complemented by the service portfolio of Nexea, the subsidiary specialising in the integral management of communication companies, which incorporates into its range the design and planning of direct marketing. The provision

of the service through Nexea from the beginning of the value chain means automated management of items, to be subsequently distributed by physical or electronic means according to the customer wishes, on the basis of the addressees.

Since 2013, financial institutions and large retailers have also started to resort to unaddressed marketing with geomarketing analysis, obtaining highly satisfactory results in their campaigns.

In the area of direct marketing, there is an increasing trend towards more volumetric items, containing physical samples, and a need for greater flexibility in format, in order to conduct communications with more innovative, creative aspects. This is why Correos has created two new customised mailing products: *Publiccorreo Óptimo* and *Publiccorreo Premium*.

- *Publiccorreo Óptimo* is a solution suited to any type of need, and most especially, for the self-employed and SMEs, with more flexible weight thresholds per item (up to 800 g) and the minimum number of items per consignment (100).
- *Publiccorreo Premium* is designed for advertising communications with more innovative creative ideas, which require greater flexibility in format, size, weight and number of items.

These products were presented through the Correos MKD campaign (www.correosmkd.com), under the slogan "We are direct".

Correos aims to help make advertising a useful tool in the economic process while safeguarding advertising ethics and consumers' rights. This is why it is a member of *Autocontrol* (Society for the Self-regulation of Corporate Communication), a non-profit organisation comprising the main advertisers, agencies, media and sector associations. The commercial communications of all members must comply with certain standards-based on the International Chamber of Commerce's Code of Advertising Practices.





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Post office range

Correos' post offices provide its customers with an extensive business portfolio with postal, post-related, philately, financial and telecommunications products. They are thus multi-service attention points where citizens can resolve an increasing number of procedures.

Post offices have become the entry point for the electronic Administration, through adhesion to the Government Office for Document Registration Online (ORVE). This platform allows citizens to use the network of Correos establishments to submit applications, documents and communications in digital format, addressed to the General State Administration, the Community of Madrid, the Government of the Canary Islands, and many other bodies that subscribe to this system.

Loyalty card

In 2013, Correos introduced the *Más cerca* (Closer) card, in a pilot scheme with 1,000 small companies. This customer relations tool makes it possible to better gauge the preferences of habitual post office users, so that they can be offered more personalised products and services, as well as special promotions. Accordingly, starting in 2014, this loyalty card may include benefits and be transformed into a means of prepayment.

With Correos we have “a good relationship. We have been working with them for over 10 years” “as suppliers of mail and reception services”.

Iuriscar, post office customer and user of the *Más cerca* card





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One of the most popular services in post offices is the payment of bills from utilities and telecommunications companies, among others. In 2013 a further seven companies signed up for this option, which in recent years has seen a significant growth.

Post offices are also a point of sale for different convenience products and telecommunication services, such as digital and analogue television, land line telephony, mobile phone top ups and pre-paid cards, remote alarms and Internet connections. 2013 also saw the start of commercialisation of electronic products high-speed Internet services from new suppliers.

Financial services

BanCorreos is the Correos Group brand devoted to providing banking services through the post office network, as an agent of Deutsche Bank. Along with the density, closeness, and opening times of the post office network, BanCorreos offers a range specifically adapted to post office customers.

Correos also has an agreement with Western Union to provide the "Money in Minutes" service, which enables money to be sent to over 190 countries. The company also offers options for transferring money, such as money orders and urgent international money orders.

Holiday mail box

In 2013, the company began marketing the holiday mail box service. It temporarily holds mail for customers who are away on holiday, or for other reasons, at their reference post office for a period between 1 and 14 weeks. On return they can choose to have their postal items delivered to their home or pick them up from the post office, thus enjoying greater convenience and security.

Electronic services

The virtual post office (www.correos.es) is the online channel for accessing Correos' commercial range, for both the physical and electronic setting, including the entire postal product portfolio, notifications, parcel services, telegrams and bureaufaxes and digital solutions, such as the Electronic Postbox, *Tu Sello* (Your Stamp), the secure telematic notification system or the Online Philately service.

The electronic services portfolio also includes applications for mobile devices, such as Correos eCard, with which customers can send physical postcards from smart phones and tablets to the addressee's letterbox. In a similar vein, Correos Info is a free application for mobile devices that allows users to look up postal codes, find post offices and track registered mail items.





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Correos Solutions

The end of 2013 saw the creation of *Correos Soluciones* (Correos Solutions), a unit designed to respond to business customers' demands for swiftness, flexibility and innovation.

Its mission is to comprehensively meet the needs detected, when these cannot be covered by current processes, products and services, through the design and development of customised solutions, through which the Group is integrated into the customer's value chain.

Since it was launched, more than 30 requests for services from large companies in different settings have been assessed, including advertising campaign management, e-commerce, reverse logistics and the collection of signed contracts, among others.

Philatelic business

Correos' philatelic business includes the issue, distribution and marketing of stamps and franked envelopes or cards, as well as promoting stamp collecting.

In 2013, 97 issues were placed in circulation and the Philatelic books *Valores en el tiempo*, *Camino sobre el río* and *Navidad sin fronteras* were published, which for the first time included examples from nine European countries, as well as the numismatic pouch devoted to the Royal Monastery of San Lorenzo de El Escorial.

The company has maintained the partnership with the Royal Hispanic Academy of Philately in its efforts to disseminate postal history. To promote stamp collecting, the company participated in the organisation of philatelic fairs and exhibitions on national and international levels, such as Exfilna (León), Juvenia (Alicante), Colecciona-Barcelona, Madrid-Cibeles, the Salón d'Automne (Paris), and the China International Collection Expo 2013 (Beijing).

Correos also helps to promote stamp collecting among children, through the school exhibitions organised by the Spanish Federation of Philatelic Societies (FESOFI)

throughout Spain. In 2013, almost 23,000 students participated in this initiative, in which a new feature was the free remittance of copies of *Tu Sello* ("Your Stamp", the online service for designing and requesting personalised stamps) to the winners of drawing competitions held as part of this programme.

Throughout the last financial year, commemorative stamps devoted to the cathedrals of Burgos and León carried off first and third prizes in the Grands Prix de la Philatélie, awarded to the best engraved stamps issued in the European Union.





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Marketing of telecommunications infrastructures

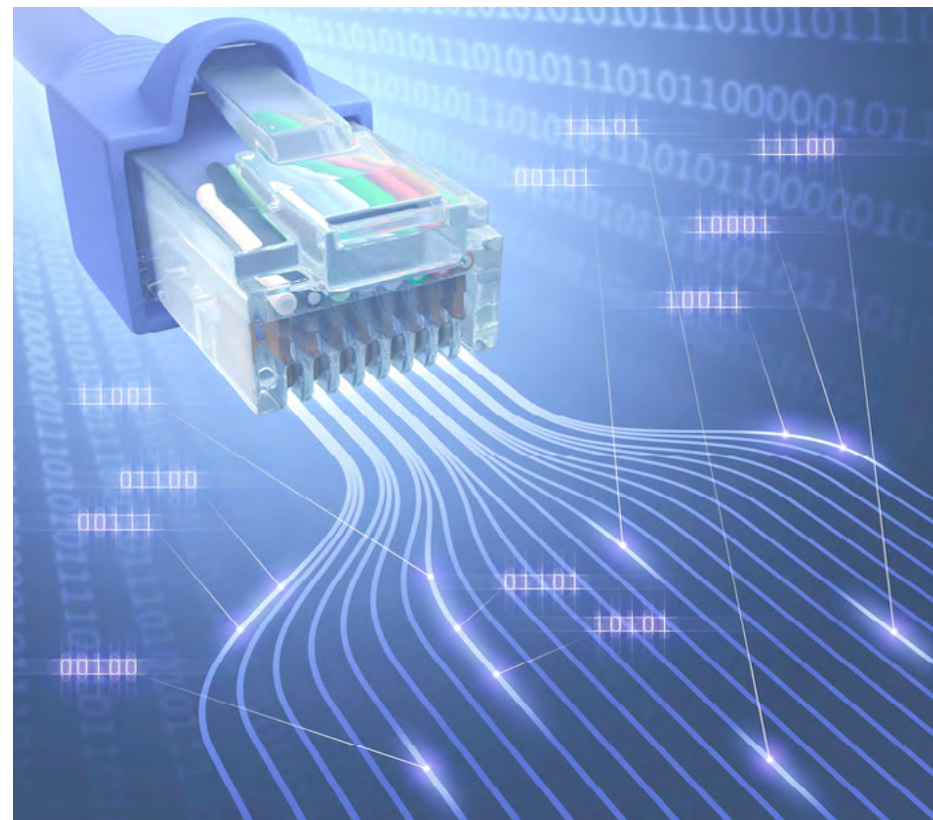
Owing to the current economic situation, and restrictions on companies' investment plans, Correos Telecom currently has a business opportunity in the form of marketing of the surplus capacity of the Group's extensive telecommunications infrastructures to telecommunications operators wishing to strengthen or improve their network, thus limiting civil engineering and investment as far as possible.

The subsidiary is specialised in high-capacity connectivity services (xWDM optical circuits, xGbps, xFibChannel, etc.), cable laying infrastructure and co-location for radio broadcasting (mobile network, radio, TDT, etc.). In 2013 Correos Telecom recorded an increase in both the client portfolio and the number of contracts hiring resources of this type.

The company is also exploring possible synergies with companies specialised in cloud, hosting and housing services for the provision of high-capacity circuits.

In the setting of CORA (Virtual Commission for the Reform of Public Administrations), the company is preparing a value proposition to attend to public sector's telecommunication service requirements, in accordance with the new technological framework to be adopted by the General State Administration as part of this initiative.

In 2013 Correos Telecom attended sectoral fairs and meetings including "SIMO", "Meeting Point 2013", "Expo Cloud", "Aslan", "Socinfo" and "CommScope", where promoted its services and engage with the latest technological innovations.





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2. Quality as a key objective

Delivery quality

As the designated operator to provide the universal postal service in Spain, Correos seeks to comply properly with its mission of public service in line with certain principles of quality, regularity, accessibility and affordability.

Postal regulations establish certain requirements with regard to service quality and the regularity for the delivery of universal postal service products. Correos constantly assesses the levels of compliance with these objectives and any possible areas of improvement using the SPEX system, which monitors the entire process from admission until delivery to the addressee.

This measuring model is certified in accordance with UNE-EN 13850 "Service quality. Measurement of the delivery time of end-to-end services for priority mail and first class mail". This certification means that the market regulator can use its results for its own evaluation of the degree to which Correos complies with delivery quality.

	2011	2012	2013
DELIVERY QUALITY OF ORDINARY LETTER			
D+3 (target 93%)*	96.7%	96.3%	96.5%
D+5 (target 99%)*	99.2%	99.1%	99.1%

*Objectives set by Royal Decree 503/2007, of 20 April.

In the case of Correos Express, the quality of its principal products with guaranteed delivery deadline was 95.7% (items with delivery before 10:00 h), 95.0% (before 14:00 h) and 96.4% (within 24 hours), respectively.





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Customer service

The Correos Group endeavours to guarantee its customers proper service and attention. Meeting this objective entails listening actively to their demands, to ascertain their levels of satisfaction, to detect those areas in which improvement is possible, and to offer them the products and services most suited to their needs.

	Correos			Correos Express		
	2011	2012	2013	2011	2012	2013
COMPLAINTS AND CLAIMS*	211,808	176,601	169,487	193,620	194,490	176,876
Complaints	82,217	60,021	50,022	1,237	1,049	1,727
Claims	129,591	116,80	119,465	192,383	193,441	175,149

* The data on Correos claims for the year 2013 have been adjusted using new calculation system. Data are not comparable to those from previous years.

The Correos Group is committed to maintaining permanent contact and dialogue with customers through a number of participative communications channels, to respond to the information requirements and their business needs. In addition to the telephone channel, through which over 1.2 million calls were dealt with, Correos has other customer care and product and services marketing systems.

Website

In order to reach a greater number of customers, and increase interaction with them, in 2013 Correos launched a new website, aimed at supporting the business strategy, with an updated image and structure. During the financial year, this channel received 163,518 queries and almost 90,000 new users registered, owing to which the total number rose to 818,681.

The multi-language and multi-platform design facilitates access to information and the contracting of services, and the optimisation of sales channels makes it possible to boost the online range. In order to carry out this transformation, the employees were involved

in reviewing the content by developing a gamification project, with 1,700 participants, 50,000 improvement proposals and 700 prizes at stake.

Telesales channel

Over the last year, Correos also created its new telesales channel, which allows SMEs and the professionals to arrange visits with sales managers and post office managers or enter into contracts by telephone, depending of the volume of packages remitted.

The launch of this new customer relations channel is a further step in the corporate strategy of increasing business effectiveness and customer orientation.

Social networks

Through its profiles on Facebook, Twitter, LinkedIn, Instagram, Flickr and YouTube, Correos publicised new business features, corporate news and corporate social responsibility actions; it carries out promotions and establishes a direct dialogue with its customers into order to gauge their opinions and needs.



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On Facebook, the company carried out promotional campaigns on services such as *Tu Sello* (7,939 clicks) and Correos eCard (32,836 clicks). While on Twitter, a channel used principally for the customer service, there was a 30% increase in followers, and in December 2013 it had over 9,000 fans. In the satisfaction survey conducted, followers gave this customer care a mark of 8.49 out of 10.

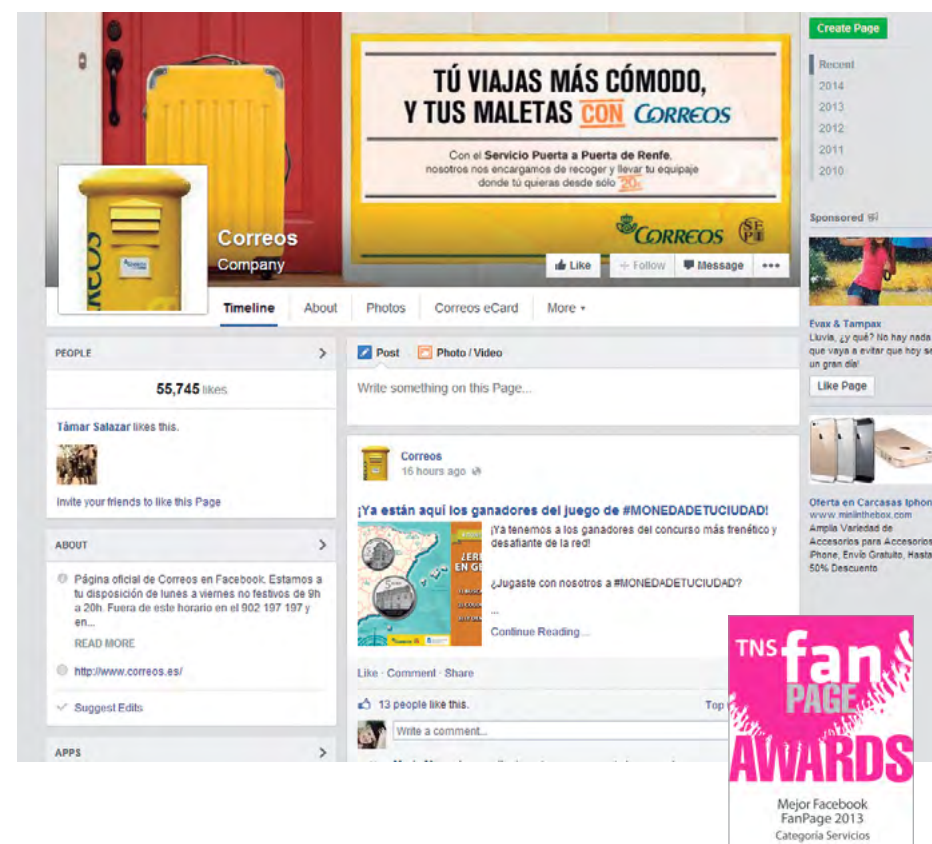
Adapting to the immediacy of these channels, the company processes request for information or the incidents reported by customers through the social networks within 30 minutes.

The quality in customer care has transformed Correos into a brand with high levels of prestige on the social networks. The company carried off the "TNS Fan Page Awards", for the best Facebook page in the services category thanks votes from fans. In addition, Socialbakers place Correos in the Top 10 companies most devoted to their fans in this social network.

	Correos		
	2011	2012	2013
FOLLOWERS ON SOCIAL NETWORKS			
Facebook	5,552	18,673	48,151
Twitter	3,864	6,244	9,707
LinkedIn	1,317	3,050	4,424
ACTIVITY ON SOCIAL NETWORKS (PHOTOGRAPHS/VIDEOS)			
Instagram	76	98	665
Flickr	280	350	379
Youtube	16	25	248

Certifications and recognitions

The quality management systems implemented by companies in the Correos Group are based on the internationally recognised EFQM excellence model, meaning that a continuous improvement cycle can be applied to all activities and spheres of the organisation.





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The company has voluntarily adopted the following international regulations that are applicable to different aspects of its operations and management:

- UNE-EN 13850 Service quality. Measurement of the delivery time of end-to-end services for priority mail and first class mail.
- UNE - CEN/TR 15472 Measurement of transit times for parcels by the use of a track and trace system.
- UNE-EN 14012 Quality of service. Complaints handling principles.
- UNE - EN ISO 10002 Quality management. Customer satisfaction. Guidelines for complaints handling in organisations.
- UNE - EN ISO 14001 Environmental management.
- UNE - EN ISO 9001 Quality management. These certificates were renewed by Correos with the following scope:
 - > All the processes carried out in the 17 automated processing centres (mass admission, classification of postal items, control and registration, etc.)
 - > The marketing of postal and telecommunication services, post-related and financial services and the admission, pre-sorting and delivery of postal products at the network of post offices.
 - > Customer service.

Correos Express and Nexea also renewed their ISO 9001 certification for all their centres.

Nexea also obtained ISO 27001 certificate in information security and PCI-DSS (Payment Card Industry Data Security Standard). In turn, Correos Telecom has all its procedures implemented on the basis of ITIL methodology. The majority of its staff are certified in this standard and in ISO 20.000 and PMP.

ISO 9001 certifications	2011	2012	2013
Correos certified centres	2,274	2,392	2,394
Percentage of total	45%	47%	48%
Correos Express certified centres	53	52	52
Percentage of total	100%	100%	100%
Nexea certified centres	0	2	2
Percentage of total	0%	100%	100%

Qualification of Excellence for the Madrid Barajas international processing centre

In 2013, the Madrid-Barajas international processing centre obtained the qualification of Excellence in operational processes and quality from the International Post Corporation, (IPC), after passing the required audit. The award highlighted key aspects, such as organisation and coordination between the different work areas, the use of cutting-edge technologies and rigorous process, which guarantees the timely clearance of more than 200 flight reception and delivery operations per day.



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Correos is composed of more than 50.000 people and is one of Spain's leading companies by number of employees. Human capital is the engine that drives the company and, because of this, it consciously encourages the creation of the best possible working environment for its staff.

These people are the perfect embodiment of one of Correos's values: feeling. Feeling Correos means making the organisation's needs your own, accepting challenges with enthusiasm, as a united and complete team, and showing pride in being part of the company.

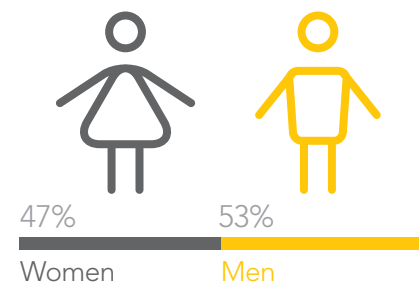
It is thanks to the potential of all of its people, working on a daily basis in an extensive network, that Correos is able to respond competitively, nimbly and with guaranteed quality to the commitments made to all stakeholders and, especially, its customers.

Correos continues to promote job stability. In 2013, permanent employment reached 81% of the total, one percentage point higher than in 2012. Of the company's 53,264 employees, 36% were civil servants and 64% were employees with an ordinary contract. As a proportion women were 48% of employees and men 52%.

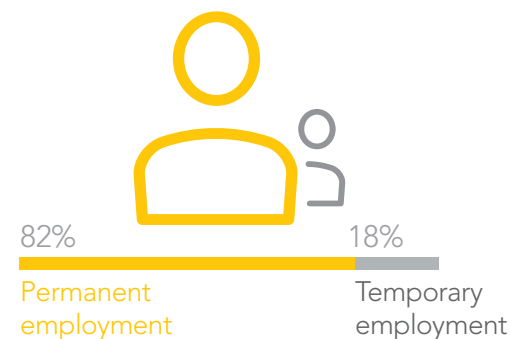
With regard to Correos Group subsidiaries, Correos Express employed 1,094 people (71% men and 29% women), Nexea employed 147 (59% men and 41% women) and Correos Telecom 51 (84% men and 16% women).

Correos has open dialogue with the trade unions on the representative governing bodies. The working conditions of employees at Correos and its subsidiaries are governed by their respective collective bargaining agreements while Correos's civil servants are governed by the general agreement for civil servants. These agreements comply with the provisions of Spanish employment law as regards work organisation, time limits for notification of organisational changes, mobility, representativeness of employees or equality, amongst other matters.

Breakdown of the workforce by gender



Breakdown of the workforce by job type





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	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
AVERAGE STAFF (FTE)	58,952	55,775	53,264	1,269	1,274	1,094	180	171	147	58	55	51
Women	27,752	26,532	25,434	354	366	312	77	78	61	10	9	8
Men	31,200	29,243	27,831	915	908	782	103	93	87	48	46	43
EMPLOYEES COVERED BY A COLLECTIVE BARGAINING AGREEMENT												
% Employees (with ordinary contract)	61%	63%	64%	100%	100%	100%	100%	100%	100%	NA	NA	NA

* The data on Correos Express for the year 2013 have been adjusted using the new employee calculation system. Data are not comparable to those from previous years.

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
WORKFORCE BY CONTRACT TYPE AND GENDER	58,952	55,775	53,264	1,269	1,274	1,094	180	171	147	58	55	51
Permanent staff	47,137	44,826	43,339	1,207	1,204	1,042	164	164	141	58	55	51
Women	20,459	19,981	19,675	334	339	293	68	72	59	10	9	8
Men	26,677	24,844	23,664	873	865	749	96	92	82	48	46	43
Temporary staff	11,815	10,950	9,925	62	70	52	16	7	6	0	0	0
Women	7,292	6,550	5,758	20	27	19	9	6	1	0	0	0
Men	4,523	4,399	4,167	42	43	32	7	1	5	0	0	0
WORKFORCE BY EMPLOYMENT TYPE AND GENDER	58,952	55,775	53,264	1,269	1,274	1,094	180	171	147	58	55	51
Full-time employment	57,622	54,424	51,806	991	993	944	179	170	145	58	55	51
Women	26,791	25,570	24,413	250	263	242	76	77	59	10	9	8
Men	30,832	28,854	27,393	741	730	702	103	93	87	48	46	43
Part-time employment	1,329	1,351	1,458	278	281	150	1	1	2	0	0	0
Women	961	962	1,021	104	103	70	1	1	2	0	0	0
Men	369	389	438	174	178	80	0	0	0	0	0	0



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WORKFORCE BY PROFESSIONAL CATEGORY AND GENDER	58,952	55,775	53,264	1,269	1,274	1,094	180	171	147	58	55	51
Managers	51	50	48	7	6	7	5	5	5	1	1	1
Women	8	7	6	1	1	1	2	2	1	0	0	0
Men	43	43	43	6	5	7	3	3	4	1	1	1
Technicians and middle managers	6,629	6,372	7,055	169	172	151	24	18	17	55	52	48
Women	2,016	2,031	2,556	42	53	44	8	8	7	8	7	6
Men	4,613	4,341	4,499	127	119	107	16	10	9	47	45	42
Administrative workers	1,615	1,455	1,277	315	292	251	18	18	16	2	2	2
Women	746	690	633	172	221	193	15	13	12	2	2	2
Men	869	765	644	143	71	58	3	5	4	0	0	0
Operative workers	50,657	47,898	44,884	778	804	685	133	130	110	0	0	0
Women	24,983	23,804	22,240	148	91	74	52	55	40	0	0	0
Men	25,675	24,094	22,645	630	713	611	81	75	70	0	0	0

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
COMPOSITION OF GOVERNING BODIES BY GENDER	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Women	29%	27%	27%	33%	0%	0%	33%	0%	0%	25%	0%	0%
Men	71%	73%	73%	67%	100%	100%	67%	100%	100%	75%	100%	100%
COMPOSITION OF GOVERNING BODIES BY AGE	ND	100%	100%	100%	100%	100%	ND	100%	100%	ND	100%	100%
<30 years	ND	0%	0%	0%	0%	0%	ND	0%	0%	ND	0%	0%
30-50 years	ND	47%	47%	57%	70%	33%	ND	86%	50%	ND	100%	100%
>50 years	ND	53%	53%	43%	30%	67%	ND	14%	50%	ND	0%	0%



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The strategic and management challenges Correos faces to meet business and customer demands require a joint effort from the company and employees. The employees have adapted responsibly to the needs of a changing organisation and the company has responded swiftly by providing training and organisational resources.

With regard to this last point, it is worth highlighting the increase of Correos personnel in strategic and commercial departments and, especially, in departments related to digital services, innovation and e-commerce, in line with the actions established in the 100-300-1,500 Action Plan.

In addition, changing demand for postal services and needs for greater efficiency have led to a gradual adjustment in employment numbers to meet the company's activity, exclusively by means of natural wastage, reduced temporary contracts and only replacing roles deemed necessary from the business's development. Correos made these changes to its human resources assuring a proper service provision for customers and the public, and closed 2013 with a reduction of 2,511 jobs compared with the previous year.

Moreover, with the aim of improving operational departments, especially customer service in post offices and postal processing, at the busiest times and to provide better service, Correos adjusts its staffing levels to achieve an optimal fit with activity levels. Part-time employment is one of the solutions used. In 2013, the number of employees with this type of contract rose to 1,458.

With the purpose of achieving more operational and homogeneous management, in 2012 Correos adopted a new zone-based organisational structure designed to achieve operational and financial efficiency. Last year, the management structure of this new zone-based organisation was optimised. In addition, with the aim of improving the commercial department, Correos completed the process of reassigning and training 80 people, who have been assigned to the sales department.





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Professional development

Retaining talent and motivating employees are the main objectives of a good professional development policy. The ultimate aim is to build a suitable working environment so that employees can come up with initiatives, ideas and new ways of doing things.

At a time when national and international forecasts now see the beginnings of economic recovery, all companies, now more than ever, should pay special attention to attracting talent and creating a sense of shared responsibility among their staff.

Professional development is key to retaining talent. To that end, Correos has taken a number of steps that have led to Randstad recognising it as one of the best companies to work for.

“Knowledge on the customer is essential. We must be capable of offering services that cover all the customers needs and, without exhaustive knowledge of these, this would be impossible.”

Esther Borges Izquierdo. Sales department. Tenerife.

Correos launched its new performance assessment system in 2013 with 743 participants. The system makes it possible to objectively assess the degree to which targets are met and links this to professional development, training, promotion, recognition and variable remuneration. This tool, which will gradually be expanded to cover more employees, contributes to bringing company and individual targets into step and, in turn, encourages joint achievement of the company goals.



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Correos Express has also introduced a variable remuneration system linked to achieving objectives, which is been applied to around 11% of staff. In contrast to other companies in the parcel market, Correos Express does not have a franchise business model, all employees are in-house and its human resources policy focuses firmly on their professional development, leading to an improved service and customer service quality.

Correos prioritises internal development and aims to fill vacancies with employees from within the company. In 2012, 632 people were promoted and 410 civil servants were transferred to new positions after completing an internal examination process.

To meet employee expectations in terms of mobility, place allocation processes were held, enabling the mobility and horizontal promotion of 1,261 people; of these, 257 were permanent seasonal workers who were given full-time positions.

In 2013, the internship programme was strengthened when collaboration agreements were signed with several educational institutions. This programme represents a commitment to incorporating young talent and contributing to their training and future integration into the employment market. As part of this initiative, 24 interns from different educational centres and the SEPI Foundation completed a training programme at Correos. The SEPI Foundation developed a similar project with Correos Express.

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
EMPLOYEES WITH REGULAR PERFORMANCE ASSESSMENTS												
Total	ND	0.3%	1.4%	9.9%	9.3%	11.0%	ND	ND	ND	100.0%	100.0%	100.0%
% Women												
Managers	ND	ND	100.0%	0.1%	0.1%	0.1%	ND	ND	ND	100.0%	100.0%	100.0%
Technicians and middle managers	ND	ND	5.0%	1.5%	2.0%	1.8%	ND	ND	ND	100.0%	100.0%	100.0%
Administrative workers	ND	ND	0.0%	0.7%	0.7%	0.2%	ND	ND	ND	100.0%	100.0%	100.0%
Operative workers	ND	ND	0.0%	0.3%	0.1%	0.6%	ND	ND	ND	100.0%	100.0%	100.0%
% Men												
Managers	ND	ND	100.0%	0.6%	0.5%	0.8%	ND	ND	ND	100.0%	100.0%	100.0%
Technicians and middle managers	ND	ND	5.0%	5.0%	7.8%	5.3%	ND	ND	ND	100.0%	100.0%	100.0%
Administrative workers	ND	ND	0.0%	1.1%	1.2%	1.7%	ND	ND	ND	100.0%	100.0%	100.0%
Operative workers	ND	ND	0.0%	0.1%	0.3%	0.3%	ND	ND	ND	100.0%	100.0%	100.0%



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Correos has a welfare programme for its entire staff. This financial aid is included in the collective bargaining agreement and the general agreement for civil servants, and is used to meet the different needs of employees and their families to improve their well-being. In addition, employees with a full-time employment contract were able to request interest-free loans and payment advances. In 2013, Correos granted 19,537 aids.

The company has also provided its employees with access to a website offering discounts and special promotions on products and services related to leisure, culture, sport and other consumer goods. In 2013 the web portal was accessed almost 90,000 times, clearly demonstrating that the initiative has been extremely well received.





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Equality and work-life balance

Correos has a virtually even gender balance in its workforce (52% men and 48% women), and appreciates the importance of encouraging gender equality in the professional environment. One example of the company's commitment to this policy was the "Correos apuesta por la igualdad" (Correos commits to equality) initiative, an online training campaign sent to over 25,000 recipients that aimed to disseminate basic legislation on gender equality and promote equality in social/employment relationships between men and women.

As a further contribution to greater social awareness, the release of the "Día de la igualdad salarial para hombres y mujeres" (Equal pay for men and women day) stamp is of particular note. It aimed to highlight the wage discrimination experienced by women, with use of the slogan "Si trabajamos igual, ¿por qué cobramos distinto?" (Why are we paid less for the same work?).

Correos is particularly sensitive to assisting female victims of domestic violence. The company's internal regulations include specific policies that aim to assist and protect victims. Of these measures, the most significant are those related to reduced working hours,

special consideration given when assessing victim absences, leave due to gender violence, guaranteed transfer to a different work centre or town/city through fast and efficient management and protection of the right to confidentiality. With regard to anti-harassment protection, in 2013 Correos continued to apply its established protocol for addressing bullying, victimisation and sexual or gender-based harassment, which has been used to resolve and rectify these types of cases.

Correos has measures to improve the work-life balance of employees that, on occasion, go beyond current legal provisions, such as reorganising weekend working hours for staff in processing centres or extending Saturdays off to employees in rural delivery, while always remembering to prioritise customer needs.

Further measures include extending reduced working hours from nine to twelve months for breast-feeding; three, rather than two years' leave for caring for family members; up to one month's unpaid leave due to the death of a partner or child; reducing working hours by up to 50% to care directly for a sick family member for a month; and offering an unlimited voluntary leave of absence for personal reasons.

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
EMPLOYEES THAT TOOK MATERNITY OR PATERNITY LEAVE BY GENDER	469	476	428	55	49	47	5	13	1	4	2	2
Women	398	422	360	24	14	17	3	9	1	1	1	1
Men	71	54	68	31	35	30	2	4	0	3	1	1
EMPLOYEES WHO RETURNED TO WORK AFTER MATERNITY OR PATERNITY LEAVE BY GENDER	469	476	428	55	47	45	5	13	1	3	2	2
Women	398	422	360	24	14	17	3	9	1	1	1	1
Men	71	54	68	31	33	28	2	4	0	2	1	1



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Employee training

Correos views training as a tool that can be used to respond to the needs of the business and improve the company's market position. Today, flexibility is essential when offering solutions to customers in a heavily competitive market at the same time as retaining highly valued elements of company culture such as commitment and a sense of pride in belonging.

As a result, the training plan is designed on a yearly basis so that it can be tailored to the company's current situation and can contribute to staff achieving the highest qualification levels possible, providing them with the appropriate tools for their work and encouraging their professional development.

During the course of the year, Correos ran 386 courses in different formats (face-to-face, distance, combined, online and on the job) for 197,531 participants during 1,446,433 teaching hours. Employees awarded their training an 8.3 out of 10 satisfaction level.

With regard to its subsidiaries, Correos Express ran 160 courses for 1,422 participants, Nexea organised 14 courses for 136 and Correos Telecom held 22 training events for 52 participants.

Correos has established an internal training model with 1,118 in-house teachers to promote corporate culture and promulgate knowledge that is customised to the current situation of the business and organisation. However, in the event that a highly specific training course was required, training was outsourced to more than 140 suppliers (predominately Spanish companies) with an in-depth knowledge of the Spanish market.

In contrast, Correos Telecom contracts external training services for its training plan due to its constant need for technological and technical updates.



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Training methods

The way in which training is delivered is as important as its content. One innovation in this area has been on-the-job training for employees in operational areas. This approach combines theory and practice within the company, ensuring that knowledge acquired is put into use from the very first day.

The Correos e-learning platform is a reference point for Spanish and European companies and institutions. This tool has been highlighted by international consulting company Gardner as a model of how to implement good practice and manage organisational change.

In 2013, a new version was launched with a fresh design and added functions, making it more practical, accessible and connected, increasing the quality and efficiency of employee training, regardless of their geographical location. It was used to run 92 online training activities, representing 69% of teaching hours and 44% of trained workers.

Training areas

Last year, the main aim of training was to support the different strategic lines of the Action Plan to respond to the needs of the business and enhance employees' skills.

Courses focused on the new channels and products (telesales channel, digital solutions, etc), efficiency in logistics processes and customer relationships, particularly in terms of customer service and sales. The clearest example of the latter was the creation, at the beginning of 2014, of the Commercial School, a centre when sales staff can perfect their skills, to establish a new model for customer relationships.

In addition, the training plan was designed to address change management and the improvement of personal skills through the Management Programme, and transformational leadership programmes for middle management, while the zone-based strategic development project also continued.

Finally, in accordance with principle 10 of the Global Compact and in conformity with Spanish legislative requirements, Correos has continued to run training programmes that aim to prevent money laundering. These programmes were attended by 37,481 people during 71,199 training hours.

Turning to subsidiaries, since 2012 Correos Telecom launched a retraining programme that helped attendees change their professional profile from technical areas to those more closely related to project management. Courses focused on dispute resolution, customer focus and team work. Thanks to its smaller size, the company runs highly customised training programmes that help employees to develop their full professional potential and make a contribution to the company. Nexea ran technical courses for its employees that were focused both on its business activity and on other areas such as team management, human capital or energy efficiency.



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	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
TRAINING												
Courses	304	332	386	ND	78	160	ND	14	14	ND	20	22
Online courses (%)	23%	23%	24%	ND	5%	4%	ND	0%	0%	ND	5%	0%
Attendees	122,498	184,361	197,531	ND	797	1,422	ND	73	136	ND	57	52
Online attendees (%)	42%	44%	44%	ND	14%	14%	ND	0%	0%	ND	9%	0%
Training hours	1,603,112	1,800,774	1,446,433	5,090	6,776	9,864	1,263	1,736	1,362	5,167	5,380	3,198
Online training hours (%)	64%	65%	69%	ND	36%	43%	ND	0%	0%	ND	8%	0%
Training satisfaction	8	8	8	NA	9	9	ND	ND	9	ND	ND	8
AVERAGE TRAINING HOURS BY GENDER												
Women	31.1	35.8	25.7	3.2	8.2	9.1	5.0	10.1	10.0	81.9	72.5	59.9
Men	23.7	29.1	24.7	4.3	8.7	6.1	8.5	10.2	8.7	90.6	107.5	63.2



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Diversity and integration

Promoting equal opportunities also signifies a commitment towards integrating people with disabilities into the employment market. In addition to the employees with disabilities that already form part of its workforce, Correos has agreements with several foundations and employment centres, which aim to incorporate people with disabilities, for purchasing goods and providing services. Through this indirect employment path, reflected in legislation on reserving jobs for this group, the company also contributes to integrating these people into the workplace.

Correos continued working with the “*Incorpora*” programme led by *Obra Social La Caixa*. The programme’s goal is to integrate people with disabilities into the workforce and promote training in work centres. In 2013, Correos received the “*Incorpora*” prize in Castilla-La Mancha and its workplace integration policy was acknowledged the “2013 Stela Prize”, awarded by the Madrid Down Syndrome Foundation.

The Carmen Pardo-Valcarce Foundation, the Catalan Integration and Human Development Association (ACIDH), the Madrid Down Syndrome Foundation and the *Dales la palabra* Foundation are amongst the other organisations with which the company works.

Moreover, the company ran a pilot scheme with retired employees. A group of pensioners were invited to participate in a multi-disciplinary residential programme where psycho-social issues, recommendations for a healthy lifestyle, legislation, leisure and other areas of interest were addressed to help them make this professional and personal transition.

Turning to the immigrant community in Spain, in 2013 Correos renewed its collaboration agreement with Migrar.org website, the Spanish Red Cross’s Migrar Foundation website, which helps to encourage integration by this community. This website, visited 212,791 times in 2013, was highlighted as an initiative model by the Telecentre Network of the Spanish Ministry for Industry, Energy and Tourism in its section “Integration of immigrants”.





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Internal communication: two-way communication and transparency

Internal communication is an essential management tool. Correos is committed to bidirectional, ongoing and enriching communication with its employees in the belief that it increases motivation, cohesion and pride in belonging to the workforce.

Fluid dialogue, active listening, participation and employee recognition was standard business at Correos in 2013, with the aim of learning more and receiving direct information about the professionals working for the company and opening up communication channels so that employees could share their needs, ideas and suggestions.

Furthermore, more than anyone, employees are aware of both the companies and individual needs and can provide the organisation with pertinent information. 65% of employees deliver every day to all Spanish addresses and a further 20% deal with customers in the post offices.

All employees, regardless of their duties and geographical location, are kept up to date with the organisation's news and other topics of general interest published on *Conecta*, the company's Intranet, and on the notice boards of almost 5,000 work centres. Other communication channels are also used, such as email, SMS messages and personal letters.

In addition, each month newsletters are sent to employees that contain relevant information on work issues and local news for each zone or province. The employee magazine, *Abrecartas*, is distributed to all the Group's employees at their homes.

Special mention must be made of *Conecta*, Correos' Intranet 2.0, which has nine channels. These channels include *Canal Personas* (People Channel), where human resources information can be looked up and regular surveys are conducted to learn employees' opinion about the services that they are offered so that the applicable corrective measures can be implemented; *Canal Noticias* (News Channel), which receives 135,000 visits per month and where an average 30 comments are made per article; and *Canal Colabora* (Collaborate Channel), a space that was home to the creation of 348 work groups last year.

Further channels were also created in 2013 that aim to inform employees about the progress of the Action Plan. For example, *Canal Plan* (Plan Channel) was created with three permanent sections: *En acción*, *Es noticia* and *Resumen del Plan 100-300-1.500* (In action, It's news and Summary of the 100-300-1,500 Action Plan). *Canal Plan* is a dynamic channel that includes photos, interviews, news and videos about the Plan's projects and the teams and managers that work on them. In the first 20 days of its creation, it was visited more than 21,000 times.

Aporta (Contribute) was also launched as part of *Canal Plan*; this is participative space where employees can add value to the company's change-related projects by offering their suggestions, improvement proposals and innovative ideas. Over 600 contributions were made to the six subjects proposed in 2013 that were then assessed by approximately 6,000 employees, making it easier to identify those ideas that were of greatest interest and most feasible for the company.

“I believe that what our customers value most is the reliability, proximity and personal treatment they have with those workers with whom they come into direct contact, from both delivery and customer care staff.”

M^a Dolores García Castro. Money order controller. Cádiz.

Another key tool in raising awareness and involvement in the Action Plan was face-to-face communication. Communication meetings were held in each of the seven zones and were attended by over 2,600 senior executives and middle managers.



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To learn about the day-to-day activity of Correos professionals, the Chairman organised monthly meetings attended by around 25 employees from different departments and geographical areas, also visiting work centres across Spain to speak directly to employees.

With the same aim in mind, the Management Committee members visited the main centres, post offices and distribution units, also holding meetings with new teams in each zone to discuss future projects and recent changes.

Employees were also able to participate in different programmes and in-house competitions that were held to encourage creativity and cohesion among employees. Examples include the “¡Cámara...y acción!” (Camera...action!) competition that challenged entrants to take photos that reflect the excitement of building a future together and the commitment involved, and the letter-writing competition for the children of employees. The winner of this second competition will represent Spain in the 43rd Letter-writing Competition for Young People organised by the Universal Postal Union (UPU).

Another programme in which employees can participate is the annual call for entries to the “Atenea Award”, presented in recognition of people and teams that stand out for their leadership and dedication to Correos’ policies and values in the area of human capital. Six categories or work areas were created in 2013: organisation and structure, integration and disabilities, talent management and professional development, occupational risk prevention, training and communication and teamwork.

Due to their smaller size, the Group subsidiaries have more informal and personal communication channels, such as suggestion boxes, notice boards and regular team meetings. In 2013, Correos Express laid the foundations for a plan that aims to improve internal communication; it is already being implemented and includes the development of new communication channels and an updating of the company Intranet. An employee web portal has been created as part of the new Intranet that can be used to complete the most common administrative procedures online and is home to a space where employees can exchange their views, called *Comunidades*.

Employee health and safety

The protection of employee health and safety is an over-arching priority for Correos and each year it increases its efforts in this area. The company has implemented a comprehensive occupational risk prevention policy, which is the most important factor in guaranteeing the safety of employees and ensuring that they work in the best conditions possible. Two essential areas in preventive culture are, on one hand, training and awareness systems and, on the other, risk identification and assessment systems.

Correos has boosted employee participation through the National Occupational Health Committee and Provincial Health and Safety Committees, holding more than 88 meetings in 2013. Formal arrangements with the trade unions on occupational health and safety are included in the appendices to the collective bargaining agreement and the general agreement for civil servants, and they address the main aspects of health and safety.

Occupational risk assessment

Risk assessment is a key element in the system and used as the basis for establishing the Correos risk prevention system. It covers all job positions and work centres, focusing on unavoidable risks that could affect the health and safety of employees and establishing a series of priorities to control and eliminate these risks.

An external audit was held to assess compliance with regulatory requirements and the organisation, procedures and practices of the Correos risk prevention system. The audit certification placed particular value on the structure of the in-house risk prevention service, the employee training and information policy and management’s role as a driving force behind risk prevention. In relation to the role played by management, Correos has prepared a managerial manual for health promotion, which aims to integrate occupational risk prevention more fully into the company’s decision-making and managerial structure.

As part of the annual health monitoring programme, 19,936 medical assessments were carried out that were customised to each work position.



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In addition, the company reviewed the risk prevention plan procedures and established a work protocol for the safe handling of trolleys and cages. 559 centres were assessed, 29 specific technical studies were prepared (on noise, temperature, lighting, ergonomics and psychosocial risks) and 1,018 emergency plans were prepared.

Correos is currently deputy-chairman of the Spanish Association of Occupational Risk Prevention Services (AESPLA), an organisation that aims to collaborate in managing occupational risk prevention services. It participates in the "PRL Innovación" forum, which fosters a culture of innovation within risk prevention, and it forms part of the work group for the prevention of accidents in the postal sector organised by the European Commission.

Training to protect and raise awareness

Training employees in occupational health and safety is an essential part of risk prevention and, for this reason, Correos runs specific courses that are customised to each employee and workplace, involving the entire organisation. In 2013, 105,487 hours of health and safety training were taught to members of Provincial Health and Safety Committees, middle management and employees in general.

In addition, 40,955 health and safety files were distributed to over 20,500 employees, and further information was provided on this area through different internal communication tools. This was demonstrated by the launch of the "¡Entre todos hacemos prevención!" (Together we can prevent risks!) campaign, which is aimed at raising employee awareness about the importance of their own safety in view of the most frequent risks in their work. This initiative, which involved the distribution of leaflets to all personnel and use of information posters in work centres, focuses on preventing falls, injuries to the lower limbs and dog attacks on delivery staff.

Absenteeism and accidents

Thanks to these efforts, Correos has reduced its accident rate by 2.2%. The number of work days lost due to accidents fell by 2.6% and the absenteeism rate was reduced by 0.3%. This results in an overall improvement in employee health and increases the company's competitiveness.

Various programmes were run to uphold the achievements made in reducing the absenteeism rate, such as administrative and management audits to detect areas that require improvement and the establishment of an action plan, in collaboration with the mutual insurance company, to improve how the temporary inability to work of employees is managed.

Correos Telecom continuously monitors the companies awarded service contracts, helping it to maintain a zero accident rate in this area since 2008. Moreover, in 2013 it launched a series of road safety courses due to the high percentage of employees that have to travel to rural locations. Correos Telecom also conducts yearly medical examinations and distributes regular information to employees on health and good habits.





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ABSENTEEISM												
Absentee rate	4.5	3.5	3.5	3.7	3.1	3.1	ND	5.2	4.6	0.0	1.5	0.8
ACCIDENTS IN THE WORKPLACE BY GENDER												
Women												
Accidents resulting in leave	2,579	1,994	1,946	10	9	10	3	3	7	0	0	0
Fatalities	0	0	0	0	0	0	0	0	0	0	0	0
Very serious accidents	ND	0	0	0	0	0	0	0	0	0	0	0
Serious accidents	ND	1	6	0	0	0	0	0	0	0	0	0
Minor accidents	ND	1,993	1,940	10	9	10	3	3	7	0	0	0
Men												
Accidents resulting in leave	2,386	1,869	1,831	68	38	33	15	6	10	0	2	0
Fatalities	0	1	0	0	0	0	0	0	0	0	0	0
Very serious accidents	ND	0	0	0	0	0	0	0	0	0	0	0
Serious accidents	ND	4	9	2	2	0	0	0	0	0	0	0
Minor accidents	ND	1,864	1,822	66	36	33	15	6	10	0	2	1
Total												
Accidents resulting in leave	4,965	3,863	3,777	78	47	43	18	9	17	0	2	0
Fatalities	0	1	0	0	0	0	0	0	0	0	0	0
Very serious accidents	0	0	0	0	0	0	0	0	0	0	0	0
Serious accidents	9	5	15	2	2	0	0	0	0	0	0	0
Minor accidents	4,956	3,857	3,762	76	45	43	18	9	17	0	2	1
WORKERS REPRESENTED ON FORMAL HEALTH AND SAFETY COMMITTEES WITH JOINT REPRESENTATION (%)												
	86%	68%	72%	56%	56%	55%	6%	6%	6%	NA	NA	NA
RISK ASSESSMENT												
								1				
Risk assessments	609	413	559	13	21	26	1	1	1	3	ND	3
Specific technical studies	ND	146	29	NA	NA	NA	NA	NA	NA	NA	NA	NA
Emergency plans	1,080	1,013	1,018	12	21	24	ND	1	ND	NA	NA	NA

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contribute, motivate,
integrate, unite, trust, **lead**



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The aim of the Correos Group's Excellence and Sustainability Policy is to encourage a trustworthy attitude at all levels of the organisation, and to convey the principles of sustainable development to all areas of the Group.

In line with its value of leadership, Correos focuses its efforts on adopting exemplary behaviour in its responsibility to the environment and natural resources, in helping to improve society, and in maintaining relations with its suppliers, based on the principles of transparency, equality and non-discrimination.

I would qualify the relationship
as a supplier as being “one of trust,
the result of the good work and quality in
the services provided to Correos
for over more than 20 years. In addition to
this confidence, there is a deep feeling of
gratitude toward Correos from
the Foundation, owing to the importance
of these two contracts for the Foundation”.

Carmen Pardo-Valcarce Foundation, Correos partner





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1. Contribution to society

Correos contributes to society by fulfilling the public service obligation entrusted to it, which guarantee the right of the public to postal communications. Beyond providing the universal postal service, Correos promotes initiatives and projects aimed at contributing to the progress and integration of those population groups most at risk of social exclusion or problems.

“Correos reparte sonrisas” (Correos delivers smiles)

As it does every year, in 2013 Correos delivered smiles in partnership with Clowns Without Borders. The aim of this programme, in which the company has been involved for 15 years, is to improve the quality of life of children hospitalised owing to serious illnesses, or who are undergoing long-term outpatient treatment, as well as groups of children requiring psychological and emotional support.

In 2013, close to 3,300 individuals benefited from the 38 parties organised all over Spain. These acts—in which 47 sportsmen, sportswomen and other celebrities participated—were held in 18 special education centres, 11 hospitals, 3 welfare centres, 3 immigration associations and 3 correction facilities.

As an additional component, the programme included the organisation of training workshops on expression techniques, given to volunteers in the *Hospital Universitario Virgen de la Macarena* in Seville, and to psychologists and educators in the *Onteniente Trevól* Foundation. Those attending these workshops learned to show children the beneficial effects of humour and laughter. Finally, as part of this initiative, students from 18 nursery and primary schools sent letters to hospitalised children.



Since this programme started, back in 1999, a total of 473 parties have been organised, enjoyed by a total of 41,300 children and adults, and a total of 154 training workshops have been given for 2,611 volunteers and social workers. On top of this, schoolchildren in almost 11,250 education centres have exchanged letters with hospitalised children.



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1. Contribution to society



Delivers toys and hope

In 2013, Correos was once again the top sales channel for solidarity pens for the “A toy, a dream” campaign, organised by the *Crece Jugando* Foundation and *Radio Nacional de España* (Spanish National Radio), with the aim of offering children from more disadvantaged countries the opportunity to learn and grow through play.

Correos sold a total of 161,356 pens, each of which was transformed into a child’s dream. The funds raised through sales are used to send toys and to create kiddies’ play areas in schools, hospitals and other community centres all over Spain, and in 21 Latin American, African and Middle Eastern countries.

Involvement in children education

In response to the call for solidarity from the Messengers of Peace in Madrid, Correos did not hesitate to join the “Fill your rucksacks with dreams” campaign, making its more than 200 post offices in the region available for the initiative, to act as collection points for classroom materials. Throughout the 10 days during which the campaign was conducted, 15 tonnes of pencils, exercise books, paints, rucksacks, pencil cases, rulers and erasers were collected, two thirds of which were collected in post offices.



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1. Contribution to society

Active collaboration with UNICEF

Correos, a supporter of UNICEF for more than 40 years, became the principal channel for marketing the organisation's Christmas cards through its post office network. In 2013 a total of 49,103 Christmas cards were sold, as well as diaries, key rings, bracelets, calendars and other items.

Correos also helped in the organisation's work in emergency situations, such as during the aftermath of Typhoon Yolanda in the Philippines in November 2013. UNICEF carried out an initiative aimed at providing medicines, foodstuffs, drinking water and hygiene supplies to children and families affected by the disaster. The company answered this call with a monetary contribution, as well as by organising a crowdfunding campaign, publicised on the corporate website and intranet, and by seeking collaboration from customers and employees alike. Correos workers also participated by organising solidarity flashmobs to promote fund-raising.



Collects mobile phone to recycle

In 2013, Correos was once again the company which managed to collect most telephones in the "Donate your mobile phone" campaign, promoted by the Spanish Red Cross and the *Entreculturas* Foundation: 20,274 telephones, 42% of the total.

The company provided the public with special envelope-bags to collect mobile phones and drop them off at post offices or deposit them in any post box. Those mobile phones collected that can be re-used are repaired and sold, while the rest are recycled, thus reducing the production of hazardous waste. The funds raised are used in projects related with the environment, education and development carried out by the two promoting organisations.

Since 2007, the year in which Correos signed up to this campaign, the company has collected 246,199 units, 36% of all devices, providing 34% of all funds collected in the campaign.



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1. Contribution to society

Sells solidarity lottery

Correos cooperated with the Spanish Red Cross by selling 1,268,045 lottery tickets for the Extraordinary Christmas Lottery, the proceeds from which are used in the organisation's solidarity programmes.

The company was also the main sales channel for the *Sorteo del Oro* (Golden Draw). A total of 378,976 tickets were sold through post offices, and the proceeds will go towards alleviating the difficult circumstances currently being experienced by some of the thousands of people helped by the institution.

Contributes to disabled people development

In addition to encouraging the incorporate of disable people into the labour market, Correos collaborates in their integration and development through promoting sport. Over the last six years, it has been supporting the Adapted Cycling World Cup. In 2013 this event was held in Segovia and organised by the Cantimpalos Cycling Association, with the participation of over 230 cyclists from 36 countries.

Supports Mail Art

The company organised the 1st International Call for Mail Art to raise awareness of postal art and to disseminate this international artistic trend, which first appeared in the United States, and which seeks alternative forms of communication through the postal service.

In collaboration with the *Asociación de Padres de Personas con Trastorno del Espectro Autista* (Association of Parents of Individuals Suffering from Autism Spectrum Disorder) in A Coruña, a call for participation was made by means of cards created by persons suffering from this disorder. More than 500 postcards were sent to national and international postal art artists, inviting them to participate and contribute to society's reflection on and implication with this group. Additionally, a special stamp was created, bearing the image of the artist Manoel Bonabal, a collaborator in the design and dissemination of this project.

The 264 works received, from over 27 countries, can be viewed in the gallery at www.correosmailart.com, and in the travelling exhibition which will be touring Spain's Autonomous Communities throughout 2014.

“Correos is a company which has a great deal of visibility, an extensive post office network on a national level, infrastructures, logistics and significant human resources, reaching many people very swiftly”

Spanish Food Bank Federation (FESBAL), Correos partner



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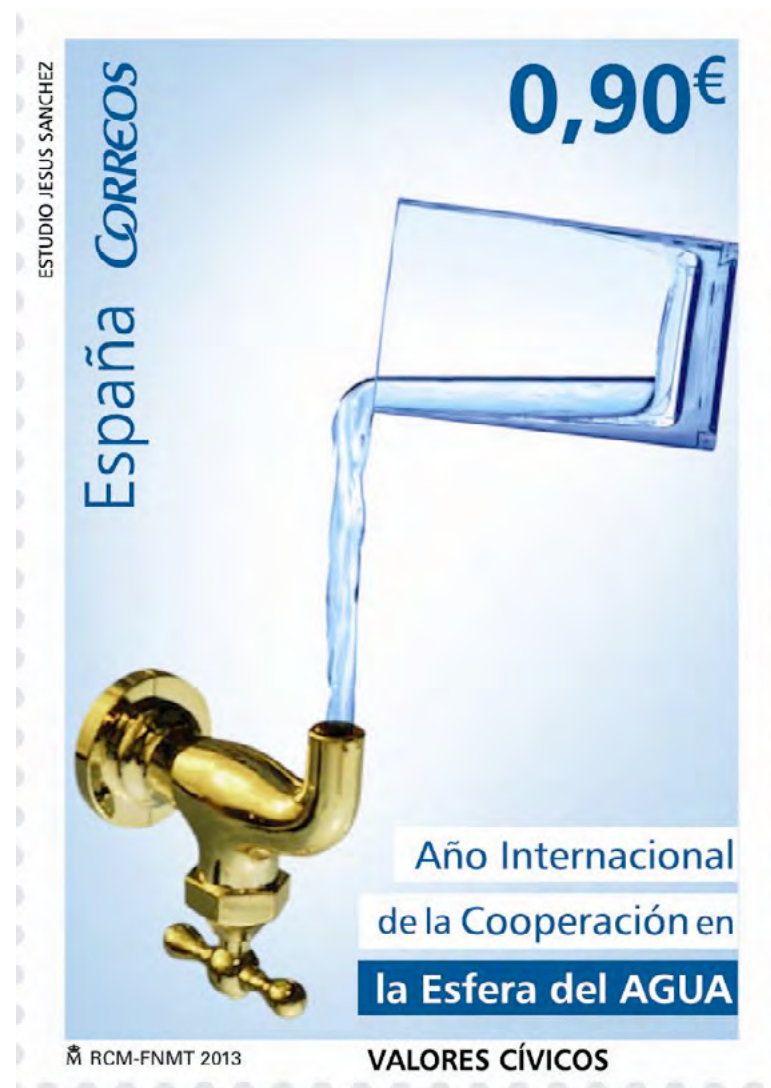
Opens up post offices to art

“Correos and Art” is an initiative designed to bring culture closer to the public that visit post offices every day. The company opens up its facilities to local artists and craftspeople wishing advertise their work by organising free exhibitions. A total of 26 painting, sculpture and photography exhibitions were held in numerous cities throughout the year.

Stamps which transmit values

Through different stamp issues, Correos aims to help transmit values and raise awareness among society of relevant matters:

- Commemorating the United Nations International Year of Water Cooperation, the stamp dedicated to this subject matter invited reflection on the need for people to collaborate in the management of this increasingly scarce resource.
- The teaching of civic values to the youngest members of society is essential to ensure free, respectful and democratic coexistence. The civic values at school sheet highlighted values such as companionship, respect, sports and road safety.
- Coinciding with the 150th anniversary of the Red Cross foundation, a joint stamp issue devoted to this humanitarian organisation was placed into circulation by Spain and Belgium.
- With the slogan “Don’t turn your back”, Correos, along with the Postal Union of the Americas, Spain and Portugal (UPAEP), issued the “AMÉRICA UPAEP, fight against discrimination” stamp, based on the Universal Declaration of Human Rights.





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1. Contribution to society

United Nations Global Compact commitment

In 2002 Correos became a signatory to the United Nations Global Compact, undertaking not only to assume its 10 principles regarding human rights, labour rights, environmental protection and the fight against corruption as an integral part of its business strategy, but also to report annually on how this commitment is met. Accordingly, for the third year running the company has attained the advanced level for its progress report.

Promotes volunteerism through “Correos solidaridad”

The desire to serve society described above is shared by all of the company’s employees. Over time, the workers have demonstrated their enormous desire to collaborate, participating in numerous projects and ensuring that the company is at the forefront of fund-raising for the solidarity campaigns of a number of organisations.

Encouraged by the results of all these actions, Correos has launched the “Correos solidaridad” (Correos solidarity) programme, through which volunteer banks have been created by provinces. The objective is embodied in the project’s slogan, suggested by the employees themselves: “We provide the effort and Correos the means”. The aim is to coordinate and join the sensitivity of the employees, who selflessly provide their time, effort and motivation with the contribution from the company, which provides the resources, the training, the coordination and the projection. By the end of 2013, 700 employees were registered in this programme.

The first initiative in which these volunteer groups, called Solidarity Teams, participated was the Great Food Bank Collection in October 2013. Close to 450 employees, along with 83,000 volunteers from all over Spain, collected 14 million kilos of food—40% more than that envisaged by the organisers—in the first campaign to be conducted simultaneously all over the country by the Spanish Food Bank Federation (FESBAL).

Other actions in which “Correos solidaridad” invested its energy included the collection of toys in partnership with the Spanish Red Cross and OXFAM, the collection of letters from hospitalised children and participation in the “Correos delivers smiles” programme.

In 2013 Correos signed a collaboration agreement with the Spanish Food Bank Federation (FESBAL) for the collection in the post office network of non-perishable products, earmarked for the different Food Banks in Spain. This cooperation took the form of participation in campaigns carried out by the Federation, or through the initiatives promoted directly by the company within the “Correos solidaridad” programme, on national, regional and local levels.



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Correos' sustainability strategy has been underpinned by the Environmental Action Plan 2011-2013, which set the lines of action in this setting. The priorities set focused initially on the identification, assessment and management of impacts on the environment, with a view to then establishing measures aimed at reducing CO₂ emissions, attaining greater energy efficiency, and more responsible waste management.

After this plan came to an end, the efficiency and sustainability plan was drawn up in 2013, consolidating the lines of work implemented in previous years, and incorporating other new ones related with the development of products with a lower environmental impact and increased participation in leading organisations and forums on this matter. The ultimate aim is to support the corporate strategic objectives, using sustainability as leverage.

Correos reduces CO₂ emissions

Correos has been measuring its carbon footprint since 2008, the year in which the objective of reaching a reduction of 20% in CO₂ emissions was set. Thanks to the measures implemented in recent years, this goal was amply exceeded in 2013, with a reduction of 30% on the figures for 2008; hence this objective will need to be reformulated for the coming years.

Even though the fall in postal volumes has undeniably had an effect on this figure, the improvement obtained is due, in the main, to efforts made in energy efficiency, and to the high percentage of energy acquired from renewable sources. With the aim of optimising the systems for measuring these data, Correos has started work on verifying its emissions.

Worthy of mention in this regard is the participation in the International Post Corporation's Environmental Measurement and Monitoring System (EMMS) sectoral programme, in which 24 of the world's leading postal operators participate. The aim of this project is to measure and reduce emissions in the sector as a whole (specifically, 20% by 2020), as well as to reach a level of 90 points in the Carbon Management Performance section; common objectives for all participants. Also in 2013, for the first time Correos reported data on its emissions to the Carbon Disclosure Project (CDP), the leading international organisation in this field.

As part of the management strategy for the carbon footprint and the environmental impact of products, the life cycle of the *Paquete 48/72*, *Publiccorreo* and *Publibuzón* products was analysed, in order to evaluate, with the utmost transparency, the environmental burden associated to each product throughout all the phases of its lifetime (extraction of materials, production, use, maintenance and withdrawal). As result, the importance of the type of packaging has been quantified since, depending on the material used, it may account for over 50% of the impact, as well as that of transport, the process with the largest environmental footprint.

At the same time, Correos participated in the work team, along with the postal operators CTT Correios, PostNord and USPS, in the setting of International Post Corporation, to





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develop the category rule for the PCR 2014:01 Postal services product. This steering document, a reference for measuring and comparing the environmental impact of products in the logistics and transport sector, was validated through the international body Environdec.

In the same way as Correos, the nature of Correos Express' activity means that, to a great extent, most of its processes are related with the transport; hence, reducing its environmental impact is also an essential element in its environmental sustainability policy.

In turn, in 2013 Correos Telecom embarked upon a plan to reduce vehicle-generated emissions, through the acquisition of new, more energy-efficient means of transport.

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
GREENHOUSE GAS EMISSIONS (tCO₂)												
Direct emissions (scope 1)	42,993	42,157	41,831	ND	ND	ND	ND	ND	ND	25	20	20
Indirect emissions (scope 2)	56,555	51,693	43,138	ND	ND	ND	ND	ND	ND	ND	ND	ND
Other indirect emissions (scope 3)	104,119	99,450	85,853	ND	ND	ND	ND	ND	ND	ND	ND	ND
CO ₂ emissions per postal item (gr CO ₂ /item)	24.5	25.8	25.9	ND	ND	ND	NA	NA	NA	NA	NA	NA
OTHER ATMOSPHERIC EMISSIONS (Kg)												
SOx	140	141	141	ND	ND	ND	ND	ND	ND	ND	ND	ND
NOx	64,929	63,531	62,906	ND	ND	ND	ND	ND	ND	ND	ND	ND
Particles	5,096	5,074	5,133	ND	ND	ND	ND	ND	ND	ND	ND	ND



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Packaging that reforest

Through the *Línea verde* (Green Line) programme, Correos markets envelopes, boxes and packaging made of 100% recyclable paper and cardboard, the proceeds from which was allocated, in part, to financing reforestation projects all over Spain.

Since the inception of the programme in 2000, the company has collaborated initially with the *Bosques de la Tierra* Foundation, and subsequently with WWF Spain and PNUMA, in recovering forest areas in different parts of Spain, helping to repopulate 161 hectares with 67,400 trees. This programme was rewarded in 2013 with the "World Mail Awards" and "Corresponsables" award.

Last year funding was given to the project for recovering 30 hectares of pasture land in Valencia de Alcántara, in the province of Cáceres, carried out by WWF Spain. The company also contributed to Plant-for-the-Planet "Ardilla connecting Life" project, through reforestation in Benirràs (Ibiza), with 300 Ibizan savin junipers, and in the Llevant Peninsula Natural Park (Mallorca), with 3,500 trees, in which 42 employees also participated as volunteers.





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Correos surpass energy efficiency challenge

The Correos Energy Efficiency Committee transversely manages all aspects related with the saving of energy, and defines the lines of work for the organisation as a whole. Within this Committee, in 2013 the figure of the zone energy manager was created and energy certification for buildings was also promoted, in compliance with Royal Decree 235/2013, of 5 April, through the training of an in-house team to conduct the task.

The measure making the greatest contribution to saving is the 100 energy efficiency Plan, by way of which the expenditure of the 200 buildings with the highest energy consumption (60% of the total) is monitored on a monthly basis, resulting in annual reductions of 5% since it was implemented.

The company has also implemented specific actions in certain centres, including the installation of condensation units to prevent the impact of reactive energy; the measurement of the consumption of classification machines in stand-by mode; pilot tele-measuring and tele-management schemes; the analysis of load curves and the optimisation of energy supply contracted. Reductions in energy expenditure resulted

in total economic savings of over one million euros, the equivalent of reducing CO₂ emissions to the atmosphere by more than 1,500 tonnes.

In turn, Correos Express continues to reduce its electrical consumption by applying its energy efficiency programme, which included the application of sun protection film in the transport centre in Coslada (Madrid) to reduce the use of air conditioning. This programme resulted in annual savings of 402,021 KWh, the equivalent of reducing CO₂ emissions to the atmosphere by more than 100 tonnes. Thanks to raising awareness among workers through the environmental good practices manual, Correos Express has succeeded in reducing its electric bill by almost 25% over the last five years, thus avoiding the emission into the atmosphere of over 418 tonnes of CO₂.

As regards the use of renewable energies, it should be mentioned that part of the telecommunications infrastructure managed by Correos Telecom use solar energy, and that in some of them this is the only source of electrical supply.

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
FUEL CONSUMPTION FROM NON-RENEWABLE SOURCES (GJ)												
Natural gas	62,237	59,438	55,891	ND	ND	ND	ND	ND	ND	ND	ND	ND
Diesel C	59,018	61,066	61,858	ND	ND	ND	ND	ND	ND	ND	ND	ND
Automotive diesel	424,080	414,833	412,732	95	98	48	ND	ND	ND	427	330	382
Petrol	64,646	64,009	63,477	ND	ND	ND	ND	ND	ND	ND	ND	ND
Other sources: carbon, propane and butane	1,751	680	420	NA	NA	NA	NA	NA	NA	NA	NA	NA
ENERGY CONSUMPTION (GJ)												
Electricity	582,006	563,875	547,550	21,042	20,157	18,709	7,898	7,160	6,737	3,295	2,712	2,250



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Environmental management system

In the setting of Correos' environmental management system, 34 processing centres have renewed their ISO 14001 environmental management certificates. In 2013 an objective was set to reduce the consumption of electricity and heating fuels (natural gas and/or diesel C) for centres by 5% with regard to consumption in 2009. This objective was amply exceeded, with a reduction of 8.5%.

The information systems which feed this environmental management model provide data (measurements or estimations) on energy consumption (electricity, heating fuel and vehicle fuel) water, paper and office consumables. These systems also provide the

calculation for other environmental and efficiency indicators, such as waste generation and CO₂ emissions, and other contaminants such as NO_x, SO₂ and particles.

This information is accessible to the 3,352 units in the League of Excellence internal improvement programme, so that they can consult their individual consumption, apply saving methods, and gauge the benefits provided by each one of them.

In the same way, the two Nexea work centres and three Correos Express regional offices (Madrid CTM, Madrid-Coslada and Barcelona) also renewed their ISO 14001 environmental management certificates.

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
MATERIAL CONSUMPTION												
Paper (Kg)	1,099,880	1,025,138	801,315	50,657	52,738	54,717	ND	ND	ND	425	125	75
Ecological paper	ND	ND	ND	ND	ND	ND	ND	ND	ND	0	0	50
Printer toner (no. of cartridges)	24,237	21,665	9,467	1,245	1,572	ND	ND	97	50	26	12	13
Film	NA	NA	NA	228,298	203,638	208,906	ND	ND	ND	NA	NA	NA



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2. Commitment to the environment

Correos raises awareness

The Correos Group encourages the adoption of environmentally sustainable practices through its contracts with suppliers and in conducting its day-to-day business, for which the implementation of programmes for raising awareness among employees is essential:

- The Environmental Commitment Award is a prize which recognises workers in the three buildings which have contributed most to reducing energy consumption whether savings measures. Additionally, the most outstanding initiatives submitted for this award are incorporated into a best practices document to be shared with the entire organisation.
- The framework agreement signed in 2011 with the Energy Diversification and Saving Institute (IDAE) for the provision of educational materials has made it possible to train close to 20,500 employees on energy efficiency and reducing consumption in the workplace.

Correos is also encouraging social awareness through signing up to campaigns such as the WWF's "Earth Hour" to encourage the fight against climate change and the construction of a sustainable future. For the fifth year running, the company joined in this worldwide event with a symbolic hour-long power cut in 1,877 centres, which saving the consumption of 5,000 kWh of energy and the emission into the atmosphere of 1.8 tonnes of CO₂.

Correos also promoted this initiative through the corporate website and intranet, as well as through its Facebook and Twitter profiles, where it included a survey on those habits which contribute most reducing emissions and improving efficient consumption.

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
ENVIRONMENTAL PROTECTION EXPENDITURES AND INVESTMENTS (Euros)												
Waste disposal	55,730	ND	ND	ND	10,776	16,691	ND	ND	ND	NA	NA	NA
Costs for remediation: Correos reforestation	28,300	98,109	56,930	NA	NA	NA	NA	NA	NA	NA	NA	NA
Environmental management costs	26,402	ND	ND	0	16,408	2,975	ND	4,718	2,610	NA	NA	NA
ISO 14001 certifications	22,680	ND	ND	0	16,408	2,430	ND	4,500	2,474	NA	NA	NA
ASAL	3,722	ND	ND	0	0	545	ND	218	135	NA	NA	NA



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3. Relations with suppliers: transparency and fairness



Owing to the nature of the different activities they carry out, the companies of the Correos Group collaborate with a large number of suppliers in different sectors, in all phases of the value chain. Relations with this stakeholder are based on procurement procedures which guarantee total fairness and transparency.

Throughout 2013 Correos performed contracts for a net amount exceeding 397 million euros, of which close to 52 million corresponded to investment and 345 million to general expenses. These contracts were performed with 8,226 suppliers (361 investment and 7,865 expenses), the majority of these in the domestic setting.

In the case of the Group's subsidiaries, the procurement of services is linked entirely to their principal activity, owing to which Correos Express collaborated fundamentally with transport suppliers, Correos Telecom with telecommunications companies, while Nexea with paper, envelopes and outsourcing handling processes suppliers.



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3. Relations with suppliers: transparency and fairness

Contracting regulations

The regulatory framework applicable to Correos in the procurement of works, goods and services is constituted by Royal Legislative Decree 3/2011, of 14 November, and by Law 31/2007, of 30 October, on procurement procedures in the water, energy, transport and postal services sectors; its Second Additional Provision expressly cites Correos as an entity subject to the aforesaid Law.

The Fourth Additional Provision of Law 31/2007 refers to the pertinent regulations appearing in the aforesaid Royal Legislative Decree, in connection with the contracts which, referring to the activities regulated in the aforesaid Law 31/2007, are for an amount lower than the thresholds envisaged in Article 16 of the aforesaid Law 31/2007, or any of those excluded in accordance with the provisions of Articles 14 and 18 thereof.

These contracting regulations are available to all interested parties in the contracting profile on the website www.correos.es and on the State Contracting Platform.

In both contracting subject to Act 31/2007, and in that processed in line with the Contracting Instructions, the General Terms and Conditions stipulate that those interested in participating in contracting procedures must guarantee observance of the United Nations Global Compact, assumed by Correos. Additionally tenderers are obliged to submit a quality and environmental report in the technical specifications for the contracting of works.

On the other hand, there is contracting reserved for special employment centres, and in road transport dossiers the hiring of disabled individuals by the supplier is valued.

With regard to economic auditing and legal compliance, as in previous financial years, audits of different types of contracts with suppliers were carried out.

In turn, the contracting activity of the Group's subsidiaries is also subject to the principles of publicity, competition, transparency, confidentiality, equality and non-discrimination.

Optimisation of procurement processes

The companies in the Correos Group are implementing a joint project to optimise their procurement processes, by integrating all the companies' procurement of goods and services into one single platform. This type of procurement is particularly beneficial for subsidiaries, as it enables them to obtain more competitive conditions and prices.

Accordingly, in 2013 a number of proceedings were processed jointly, including the procurement of programming and IT system maintenance services for Correos and Correos Express, the development of corporate architecture for the entire Group, and the acquisition of IT equipment.

“From a supplier’s perspective, we would stress the relationship that we have; it is a long-term, [...] lasting relationship, seeking mutual collaboration, whilst always respecting the principles of honesty and transparency, which encourages both companies to keep moving forward.”

IECISA (El Corte Inglés), Correos supplier



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progress, respond, change,
overcome, improve, **innovate**



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The Correos Group's aim is to become a genuine benchmark for the public's and companies' communications, by promoting the values of security, proximity and trust in the digital world and in parcel services; rising added value and efficiency in delivery thanks to technological support; increasing the services available in post offices; and developing a 21st century logistics network with new solutions for new needs.

The Correos Group tackles challenges by evolving in line with the ways in which people communicate, being flexible and constantly improving, and, ultimately, innovating to taking advantage of new business opportunities and anticipating changes in the environment and in customers' requirements.



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1. Objectives for 2014

The Correos Group is aware that it needs to adapt to a changing environment as swiftly as possible, continually adapting operational model and business portfolio at the same time as providing a top quality service. The ultimate aim is to ensure that the Correos Group is the best provider of physical and electronic communications and parcel services in the Spanish market.

The Correos Group's aims for 2014, derived from the lines of action contemplated in the 100-300-1,500 Action Plan, focus on increasing operational and commercial efficiency, financial profitability, customer focus, innovation and sustainability in the long-term.



Strategic and business objectives

- Obtain positive financial results, higher than for financial year 2013, and keeping operating costs down.
- Increase the Group's share in the parcel market along with internationalising activities.
- Encourage new services in post offices to take full advantage of the network's size.
- Promote the provision of services through digital platforms such as ORVE and to strengthen technological and innovative capabilities.
- Implement the Group's new digital strategy, which includes launching innovative personal identification and electronic communication services.
- Design new digital solutions for Nexea's range of services, including a multi-channel platform that complements and promotes the Group's digital strategy.
- Develop an integral plan for the direct marketing segment, with a new range of business information services.
- Introduce a quality model based on customer experience.
- Add new values to the Correos Express services, such as the immediate addressee tracing service, in the event of absence, and the delivery time estimation option.
- Improve the positioning of Correos Telecom in the provision of telecommunications services to Public Administrations and other types of customers.



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1. Objectives for 2014

Operational and technological objectives

- Continue to develop the parcel plan, by introducing new equipment for the automated processing of parcels in the Tenerife and Barcelona centres.
- Complete distribution of 9,700 additional mobile devices (PDAs) for delivery personnel, with a wide range of functions and greater interoperability, which will make it possible to offer new services to Correos customers.
- Increase the fleet of four-wheeled vehicles assigned to ordinary and urgent delivery units, to adapt to the demands for parcel distribution.
- Introduce new palletisation and depalletisation solutions in the Tenerife and Las Palmas centres.
- Adopt a new data centre model, with a view to ensuring greater alignment with the business, efficiency, swiftness and flexibility needs in order to achieve technological transformations.

“Security and reliability are two recognised values of Correos, which distinguish the company from other options”.

Malacapost, Correos sales company

Organisational objectives

- Expand the scope of application for the performance assessment system to more types of employee, until executives and management have gradually been incorporated into this system.
- Develop an integral talent management programme, for the identification, training and professional development of personnel required for key posts within the organisation, and the new roles which may be required in the future in line with the Group's strategy.
- Prepare a Group criminal risk prevention programme.
- Prepare a road safety plan and healthy business project, led by the company's own prevention service, with a view to improving occupational health in the short and medium term.



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1. Objectives for 2014

Social and environmental objectives

- Develop a relations model based on listening more actively to all stakeholders.
- Prepare the efficiency and sustainability plan defining the lines of environmental action up to 2020.
- Reduce the environmental impact of Green Line products.
- Redefine the waste management system and provide a service to calculate the carbon footprint and to offset emissions.
- Reduce Correos Express's electricity consumption, start to calculate the carbon footprint for its centres, and renew the ISO 14001 certificate in the Madrid and Barcelona centres.

“Every year from 2010, we have shared reforestations projects all over Spain”. Correos should increase knowledge about its “social and environmental actions, [...] its environmental commitment”.

WWF Spain, Correos partner





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1. Governing bodies



As at 31 December 2013, the composition of the Governing Board of the Sociedad Estatal Correos y Telégrafos, S. A. was as follows:

Sociedad Estatal Correos y Telégrafos, S.A.

Chairman

Javier Cuesta Nuin

Board members

Pablo Arellano Pardo
Ana Bosch Jiménez
Luis de Burgos Buil
Eloísa Contín Trillo-Figueroa
José Luis Díez García
Rafael García Monteys
Aquilino González Hernando
Fernando Irurzun Montoro
David Martínez Hornillos
Rosario Martínez Manzanedo
Juan Luis Nieto Fernández
José Ángel Partearroyo Martín
Juan Miguel Sánchez García
Marta Vega Velasco

Secretary not member of the Board

José María Elías de Tejada Casanova



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1. Governing bodies

The composition of the Governing Board of the subsidiaries as at 31 December 2013 was as follows:

Correos Express Paquetería Urgente, S.A.

Chairman

Magín Blanco González

Board members

Luis Pérez Capitán
Domingo Eduardo Sebastián Bello
Óscar Medina Martín
Manel Rey González
Alberto Alonso Poza
David Muntañola Prosper
Jesús Moreno Vivas

Secretary not member of the Board

José María Elías de Tejada Casanova

Vice-secretary not member of the Board

Álvaro Botella Pedraza

Nexea Gestión Documental, S.A.

Chairman

David Muntañola Prosper

Board members

José María Elías de Tejada Casanova
Gregorio Cuñado Ausín
Luis Pérez Capitán
Alberto Alonso Poza
Óscar Medina Martín

Secretary not member of the Board

Álvaro Botella Pedraza

Correos Telecom, S.A.

Chairman

Jaime Sanz García

Board members

Alberto Alonso Poza
Óscar Medina Martín
José María Elías de Tejada Casanova

Secretary not member of the Board

Juan Risquete Fernández



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2. Governance structure

The Sociedad Estatal de Participaciones Industriales (SEPI) is the sole shareholder of the Sociedad Estatal Correos y Telégrafos S.A.

The Order HAP/583/2012, of 20 March, by which the Government approved the Plan for the restructuring and rationalisation of public companies and state foundations, amongst other measures, established the change of ownership of Correos and the resulting transfer of all shares to SEPI. The agreement between the Directorate General for State Assets and SEPI to transfer all shares was signed on 5 June 2012 and executed as a public deed on 12 June 2012.

In February 2013, the Governing Board of SEPI approved the Governing standards for the system used to authorise and monitor acts and operations by the SEPI Group, which establishes guidelines and approvals for all financial and commercial operations carried out by companies belonging to the SEPI Group.

The Sociedad Estatal Correos y Telégrafos, S.A. is the parent company of the Correos Group and has a 100% holding in the subsidiaries Correos Express, Nexea and Correos Telecom.

Description of the governing bodies

In accordance with the provisions of article 13 of its Articles of Association, the governing bodies of Correos are the General Meeting of Shareholders and the Governing Board. The company is governed by the Governing Board, its Chairman and the Executive Committee.

The Chairman of the Governing Board is also the Executive Chairman of Correos and all of its administrative and governing bodies. He is responsible for executive, managerial and administrative duties, representing governing bodies and executing the agreements that these bodies adopt.

The Governing Board of Correos is composed of a minimum of twelve and a maximum of fifteen members. The appointment of board members and the number appointed are determined by the General Meeting of Shareholders. Board members hold their

function for a maximum period of five years and may be reappointed one or more times for periods of the same length.

The Executive Committee consists of the Chairman and four members of the Governing Board. It may exercise each and every one of the powers of the Governing Board, except for those that, by law, cannot be delegated.

Similarly, the Audit and Control Committee is a body that reports to the Governing Board and it is constituted in accordance with the provisions of *Ley 33/2003, de 3 de noviembre, del Patrimonio de las Administraciones Públicas* (the Assets of Public Authorities Act). It is composed of three non-executive board members, selected by the Governing Board from among its members and its function is to inform and advise the Governing Board in the field of risk control and internal audits.

With regard to Group subsidiaries, the Governing Board consists of a maximum of twelve and a minimum of six members in the case of Correos Express, and a maximum of eight and a minimum of four members in the cases of Nexea and Correos Telecom. Board members are managers of Correos. The appointment process assesses the training and experience required in order to form part of the Group's governing bodies.

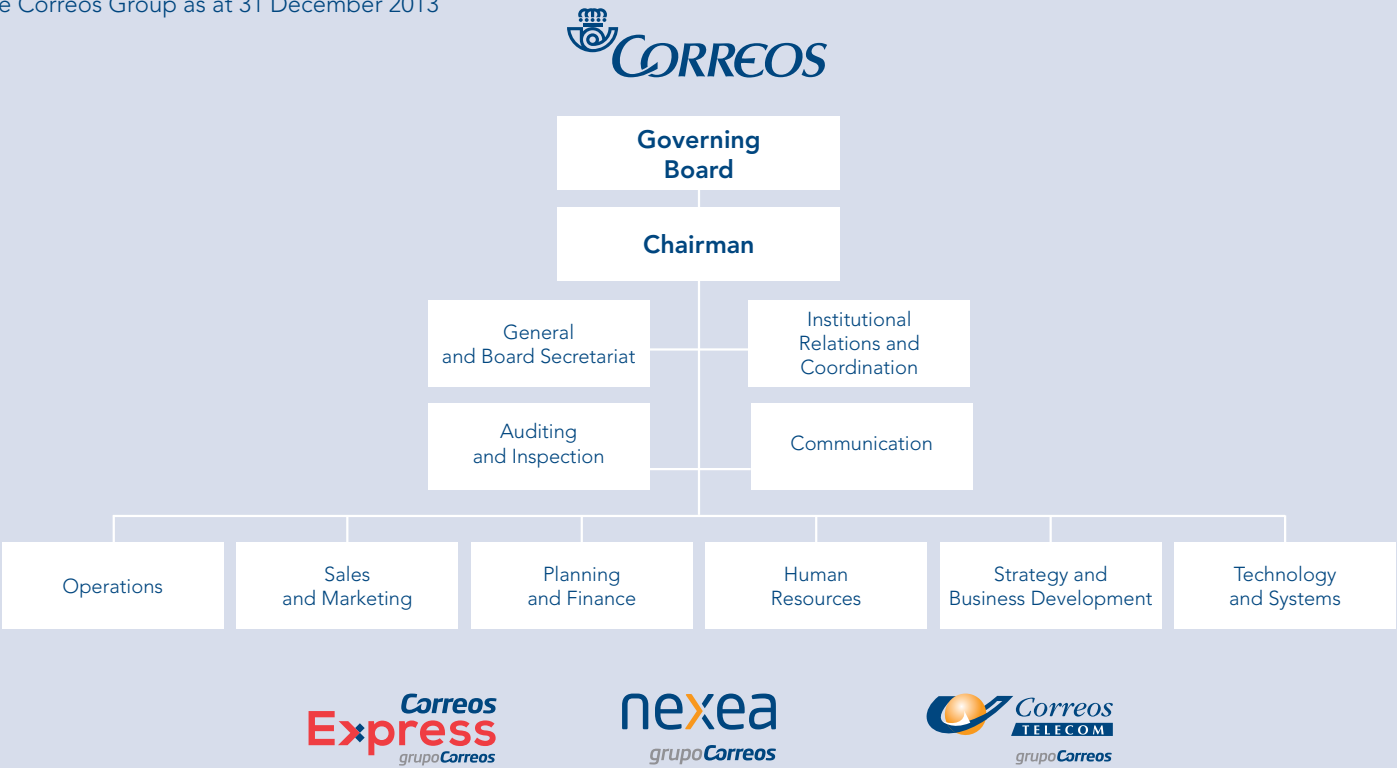
The Governing Board of the subsidiaries meet on a monthly basis in order to monitor the operation and management of the companies, assess the risks inherent to their activity and adopt the corresponding strategic decisions.

2. Governance structure

Management Committee

The Management Committee of the Correos Group has overall responsibility for policy-making, development and the coordination of all key issues between the different departments and companies. This Committee is composed of the Chairman of Correos, its managers and the general managers of Correos Express and Nexea.

Organisational chart of the Correos Group as at 31 December 2013





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3. Good governance practices

Correos is committed to responsible business ethics and has implemented governance standards that establish the commitments and responsibilities inherent to business management. It has also adhered to the principles of the United Nations Global Compact.

SEPI Group, as the sole shareholder, is responsible for assessing the performance of the most senior governing body. The Group exercises control through the appointment and removal of board members. Similarly, under certain circumstances, it monitors matters that are subject to the Governing Board.

With regard to the Governing Board remuneration policy, board members solely receive the allowances for attending meetings approved by the General Meeting of

Shareholders under those circumstances established by Royal Decree 462/2002, of 24 May, on reimbursement expenses and by current regulations on public organisations and trading companies in force at all times.

In accordance with Law 5/2006, of 10 April, the allowances of board members are paid into the Treasury. In the subsidiary companies, board members do not receive incentives for attending meetings.

Regarding the management team, the pay regime for the management team incorporates a variable remuneration scheme linked to meeting targets.

	Correos			Correos Express			Nexea			Correos Telecom		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Meetings of the Governing Board ¹	13	12	11	11	11	11	11	11	11	11	11	11
Percentage of assistance of the board members	64%	78%	80%	ND	ND	86%	ND	ND	93%	ND	ND	93%
Meetings of the Executive Committee	ND	0	0	NA	NA	NA	NA	NA	NA	NA	NA	NA
Meetings of the Audit and Control Committee	5	3	5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total remuneration of the board members (Gross monthly amount in euros)	1,090.4	1,090.4	1,090.4	0	0	0	0	0	0	0	0	0

¹ 11 sessions are generally held.



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The commitment to good governance, ethics and transparency is evident in the day-to-day activities of Correos. As a public company, it strives to satisfy effectively and professionally the demands of its customers, and to offer the highest standards of quality. To achieve this, its activity is adhered to an honest, responsible approach and it meets the strictest demands in terms of monitoring and credibility.

In September 2013, the Governing Board of Correos approved the first Corporate Governance Report, prepared in accordance with the general principles established in article 138 and 139 to 143 of the Regulation on the Assets of Public Authorities Act, approved by Royal Decree 1373/2009, of 28 August.

These principles cover the integration of public companies into the market economy framework, notwithstanding the particularities of the public sector; the adoption of a management model for public companies based on promoting efficiency by setting standards for good practices and codes of conduct; and the application of the general principal of transparency in the management of public companies.

For further information, the Corporate Governance Report can be viewed on the www.correos.es website.

In addition, the Regulation of the Governing Board of Correos was approved in 2013, taking an important step towards consolidating the legal status of the company and implementing good practices and good governance standards.





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3. Good governance practices

Code of conduct

The Correos Group promotes an ethically responsible approach to business and, as a result, takes a firm stance against any form of corruption and anti-ethical behaviour.

As part of its commitment towards good governance and ethical behaviour, Correos has established procedures designed to prevent, detect and, where applicable, eradicate corruption.

The Code of Conduct reflects the Company's values and the general principles that govern the actions of all Correos Group employees.

Correos' commitment to service excellence and sustainability is also explicitly included in the statement signed by the Chairman to stakeholders. This document can be viewed at all post offices.

Internal control of the company

A crucial part of operational and strategic control in Correos depends on identifying and managing the main adverse factors faced by the organisation in the course of its daily activity, due to their diversity and complexity.

Within this context, progress has been made in identifying the company's main risks and in managing the systems applied to counteract these risks. This will make it possible to define a more transparent map of corporate risks and action protocols that contribute to simplifying the prevention, strategic planning and total, homogeneous management of these risks, and the subsequent monitoring of corrective actions.

Market risk is of particular importance in the map of contingencies detected by the organisation, i.e., a progressive reduction in postal activity due to the digitalisation of communication, increased competition in its remaining activities and possible delays in adapting to new demands by society, especially those that are related to technology. In addition, the organisation has to take reputational risk into account, as the positive perception that it has always enjoyed among different stakeholders could be damaged. Equally important are the operational and labour risks arising from its structural complexity and the need to progress in its implementation of a flexible system that can respond to market demands. Furthermore, there are legal, taxes and financial risks deriving from possible changes to sector-specific regulations and the company's operations. Lastly, mention should be made of environmental risks related to the company's extensive infrastructure network and means of transport.

Through its Internal Audits, Correos applies the principles of good governance throughout its organisation and operations, attempting to reduce risks related to achieving its objectives and monitoring the quality of the service provided. The annual schedule for internal audits in the previous year included the preparation of 13 compliance programmes, 4 internal control assessments and 3 follow-up on recommendations programmes. A total of 1,201 operational and financial audits were held in post offices, delivery units and processing centres.

Internationally, Correos has continued to participate in the SAFEPOST and SECURITY STANDARDS WORKING GROUP projects, which aim to improve security and fraud



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detection, and to collaborate with several security bodies and organisations, such as the Spanish Internal Auditors Institute, the Postal Security Group of the Universal Postal Union, the Spanish National Police Force through its Blue Network, the Guardia Civil through *Colabora* and associations of Major Users of Security CEUSS and the Security of Financial Operators EFITEC, to name a few.

The most significant security activities run in post offices and centres include highlights such as collaboration with the Guardia Civil to intercept drug-trafficking at Adolfo Suarez

Madrid-Barajas airport, collaboration with the Technical Unit of the Spanish Judicial Police to prevent fraud and money laundering and the launch of the back-up unit for the Correos security operations centre, which constantly monitors the work centres to guarantee their security.

With regard to financial audits and internal control processes, in 2013 different auditing procedures were implemented, covering management of Correos and Correos Express zones, the administrative control centre of Bancorreos and payment authorisation in subsidiary companies.

Role of the regulating bodies

The Spanish postal market has been liberalised since 1 January 2011 with the entry into force of Law 43/2010, of 30 December. In 2013, approximately 1,400 specific or general authorisations were issued for the provision of postal services in Spain. The Spanish postal market is therefore a highly competitive sector.

By virtue of Law 43/2010, Correos is the designated universal postal service provider in Spain for a period of 15 years, from 1 January 2011 onwards. This Law fundamentally regulates the admission, distribution and delivery conditions for the universal postal service required of the designated operator, as well as the cost and financing of the universal postal service obligations, prices and other rate conditions for postal services.

The National Commission for the Postal Sector, formerly the regulating body of the postal market (Law 23/2007, of 8 October and Royal Decree 1920/2009, of 11 December), discontinued its activity in 2013 and its functions were assumed by the *Comisión Nacional de los Mercados y la Competencia* (National Commission for Markets and Competence) (Law 3/2013, of 4 June and Royal Decree 657/2013, of 30 August), which began its activity on 7 October 2013, and by the Ministry for Public Works.





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Auditors' report on the consolidated annual accounts

To the Single Shareholder of Sociedad Estatal Correos y Telégrafos, S.A.

1. We have audited the consolidated annual accounts of Sociedad Estatal Correos y Telégrafos, S.A. (the Parent Company) and its dependent companies (the Group), comprising the consolidated balance sheet at 31 December 2013, the consolidated profit and loss account, the statement of changes in the consolidated net assets, the consolidated cash flow statement and the consolidated report for the financial year ending on that date. The Parent Company's Directors are responsible for drafting the Group's consolidated annual reports, pursuant to the regulatory framework on financial information applicable to the company (identified in Note 2 of the consolidated report attached hereto) and, in particular, pursuant to the accounting principles and criteria contained herein. Our duty is to express an opinion on these consolidated annual accounts as a whole, based on the work carried out, in accordance with the regulations applicable in Spain to account auditing. This requires examining, by means of select testing, the evidence that backs up the consolidated annual accounts, and assessing their presentation, the accounting principles and criteria used and the judgements made, to ascertain whether they comply with the applicable regulatory framework on financial information.
2. In our opinion, the consolidated annual accounts for the 2013 financial year, in all significant aspects, give a true image of the consolidated assets and consolidated financial position of Sociedad Estatal Correos y Telégrafos, S.A. and its dependent companies at 31 December 2013, as well as of the consolidated results of its operations and consolidated cash flow for the financial year ending on that date, in accordance with the applicable regulatory framework and, in particular, with the accounting principles and criteria contained therein.
3. The attached consolidated management report for the 2013 financial year contains explanations that the Parent Company's Directors deem opportune regarding the Group's situation, the evolution of its business and other matters, but does not form an integral part of the consolidated annual accounts. We have checked that the accounting information contained in this consolidated management report coincides with the consolidated annual accounts for 2013. Our work as auditors is limited to the verification of the consolidated management report with the scope mentioned in this paragraph and does not include the review of information not found in the accounting records of the company and its dependent companies.

PricewaterhouseCoopers Auditores, S.L.

Rafael García Anguita
Partner - Accounts Auditor
28 March 2014

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Madrid Company Register, sheet 87,250-1, page 75, volume 9,267, book 8,054, section 3
Registered in the R.O.A.C. under number S0242- Fiscal ID Number: B-79 031290



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Año **2014** N° **01/14/0023**
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Consolidated balance sheet at 31 December 2013 and 2012

(Expressed in thousands of euros)

	Notes	Balance at 31/12/2013	Balance at 31/12/2012
ASSETS			
NON-CURRENT ASSETS		1,530,610	1,771,057
Intangible fixed assets	6	16,895	11,013
Patents, licences, brands and similar		-	8
IT applications		16,647	10,743
Other intangible fixed assets		248	262
Tangible fixed assets	7	1,473,606	1,514,610
Land and buildings		1,285,511	1,288,569
Technical installations and other tangible fixed assets		154,267	174,484
Fixed assets in progress and advance payments		33,828	51,557
Property investments	8	3,486	5,152
Long term financial investments	11	1,459	204,931
Long term debts with government bodies		-	203,513
Other financial investments		1,459	1,418
Deferred tax assets	18	35,164	35,351
CURRENT ASSETS		818,602	586,076
Non-current assets held for sale	9	20,182	21,698
Inventories	10	2,936	2,172
Trade debtors and other receivables	11	661,551	409,373
Clients for sales and provision of services	11	298,511	375,870
Clients, group companies and associates	20	48	87
Other debtors	11	350,232	13,366
Debts, group companies and associates	11, 20	2,630	3,473
Staff		9,995	11,777
Current tax assets		2	4,510
Other credits with government bodies		133	290
Short-term financial investments	11	6,501	7,414
Short-term accruals		914	360
Cash and other equivalent liquid resources	11, 12	126,518	145,059
TOTAL ASSETS		2,349,212	2,357,133



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Consolidated balance sheet at 31 December 2013 and 2012

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	Notes	Balance at 31/12/2013	Balance at 31/12/2012
NET ASSETS AND LIABILITIES			
NET ASSETS		1,806,959	1,773,866
Equity	13	1,514,862	1,466,445
Capital		611,521	611,521
Share premium		250,938	250,938
Reserves		594,744	599,309
Reserves in consolidated companies		9,242	8,652
Result for the year attributable to Parent Company		48,417	(3,975)
Subsidies, donations and legacies received	14	292,097	307,421
NON-CURRENT LIABILITIES		198,685	204,621
Long-term provisions	15	73,611	73,302
Long-term debts		334	302
Creditors for financial leasing		-	33
Other financial liabilities		334	269
Deferred tax liabilities	18	124,151	130,683
Long-term accruals		589	334
CURRENT LIABILITIES		343,568	378,646
Short-term provisions	15	5,260	8,288
Short-term debts	16	26,207	27,217
Short-term debts with group and associate companies	20	8,193	758
Trade creditors and other accounts payable	11,16	297,865	332,636
Suppliers		2,257	2,078
Suppliers, group companies and associates	20	22	7
Other creditors		203,883	236,954
Staff		24,872	24,938
Other debts with government bodies	18	49,426	41,895
Customer advances		17,405	26,764
Short-term accruals	16	6,043	9,747
TOTAL NET ASSETS AND LIABILITIES		2,349,212	2,357,133

Consolidated profit and loss accounts for financial years ending 31 December 2013 and 2012

(Expressed in thousands of euros)

		2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
CONTINUED OPERATIONS	Notes		
Net turnover	17-a)	1,746,997	1,875,433
Activities carried out by the company		-	204
Procurement	17-b)	(12,881)	(13,048)
Consumption of merchandise		(12,584)	(12,271)
Depreciation of merchandise, raw materials and other supplies	10	(297)	(777)
Other operating income		273,500	52,604
Income from accessory and ordinary activities		4,698	3,868
Compensation for provision of the UPS	17-c)	268,802	48,736
Staff costs	17-d)	(1,412,737)	(1,387,717)
Wages, salaries and similar		(1,175,306)	(1,153,742)
Social security contributions		(228,507)	(226,220)
Other expenses		(8,924)	(7,755)
Other operating expenses		(477,499)	(469,159)
External services	17-e)	(466,432)	(459,751)
Taxes	17-f)	(8,470)	(9,162)
Losses, deterioration and variation of provisions for commercial operations		2,080	8,032
Other expenses from ordinary activities		(4,677)	(8,278)
Amortisation of fixed assets	6, 7, 8	(85,703)	(97,852)
Allocation of contributions in the form of non-financial and other fixed assets	14	24,383	31,950
Excess provisions	15	2,763	3,639
Depreciation and result on disposal of fixed assets	17-g)	(2,019)	(9,623)
Depreciation and losses		(3,145)	(9,999)
Result from disposals and others		1,126	376
Other results		(45)	(48)

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Consolidated profit and loss accounts for financial years ending 31 December 2013 and 2012

(Expressed in thousands of euros)

	Notes	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
...			
OPERATING RESULT		56,759	(13,617)
Financial income	17-h)	4,657	3,852
From negotiable securities and other financial instruments:			
From group companies		190	-
From third parties		4,467	3,852
Financial expenses	17-h)	(50)	(148)
Debts with third parties		(50)	(148)
Exchange differences		4,022	3,486
FINANCIAL RESULT		8,629	7,190
RESULT BEFORE TAX		65,388	(6,427)
Income tax	18	(16,971)	2,452
CONSOLIDATED RESULT FOR THE FINANCIAL YEAR		48,417	(3,975)

Consolidated cash flow statement for the financial years ending 31 December 2013 and 2012

(Expressed in thousands of euros)

	Notes	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
OPERATING ACTIVITIES			
Result for the financial year before taxes		65,388	(6,427)
Adjustments to the result			
Amortisation of fixed assets	6, 7, 8	85,703	97,852
Value adjustments for depreciation	7, 10, 11	(1,136)	(601)
Provision variation		7,857	8,348
Allocation of capital subsidies	14	(24,383)	(31,950)
Recognition of compensation for provision of the UPS	17-c)	(268,802)	(48,736)
Result of removals and disposal of fixed assets		(1,126)	(376)
Financial income	17-h)	(4,657)	(3,852)
Financial expenses	17-h)	50	148
Exchange differences		(4,022)	(3,486)
Other income and expenses		(403)	1,026
Changes in current capital			
Increase/(reduction) in inventories		(1,061)	(971)
Reduction/(increase) in trade debtors and other accounts receivable		76,437	53,302
Reduction/(increase) in other current assets		6,221	4,847
Decrease/(increase) in creditors and other accounts payable		(34,385)	(74,116)
Reduction/(increase) in other current liabilities		(6,212)	(4,331)
Other non-current assets and liabilities (+/-)		139,359	46,343
Interest payments		(50)	(105)
Interest collected		3,500	3,203
Income tax collected		(1,878)	2,570
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		36,400	42,688
INVESTMENT ACTIVITIES			
Payments for investments			
Intangible fixed assets		(11,074)	(5,814)
Tangible fixed assets		(46,005)	(38,566)
Proceeds for withdrawal of investment			
Tangible fixed assets		1,559	956
Non-current assets held for sale		1,548	-
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES		(53,972)	(43,424)

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Consolidated cash flow statement for the financial years ending 31 December 2013 and 2012

(Expressed in thousands of euros)

	Notes	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
FINANCING ACTIVITIES			
Collection and payment for equity instruments			
Subsidies, donations and legacies received		-	-
Collection and payment for financial liability instruments			
Issue: Debts with associated group companies		-	-
Return and depreciation of other debts		(969)	(1,172)
Dividend payments and remunerations of other equity instruments		-	-
TOTAL CASH FLOW FROM FINANCE ACTIVITIES		(969)	(1,172)
NET DECREASE IN CASH OR EQUIVALENTS		(18,541)	(1,908)
Cash and other equivalent liquid resources at the start of the financial year		145,059	146,967
Cash and other equivalent liquid resources at the end of the financial year		126,518	145,059

Statement of changes in the consolidated net assets corresponding to the financial years ending 31 December 2013 and 2012

(Expressed in thousands of euros)

	Notes	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
A) STATEMENT OF RECOGNISED INCOME AND EXPENSES			
Consolidated result for the financial year		48,417	(3,975)
Income and expenses directly attributed to consolidated net assets:	14		
Subsidies, donations and legacies received		2,516	-
Tax effect		(755)	-
		1,761	-
Transfers to consolidated profit and loss account:	14		
Subsidies, donations and legacies received			
- due to amortisation		(22,504)	(27,333)
- due to adjustments for depreciation		(865)	(3,396)
- due to disposals		(1,014)	(1,221)
Tax effect		7,298	9,568
		(17,085)	(22,382)
TOTAL RECOGNISED CONSOLIDATED INCOME AND EXPENSES		33,093	(26,357)

B) TOTAL STATEMENT OF CHANGES TO CONSOLIDATED NET ASSETS

	Capital	Share premium	Legal reserves	Voluntary, Articles of Association reserves	Other reserves	Reserves held by the Parent Company Reserves in consolidated companies	Consolidated result of the financial year	Subsidies, donations and legacies received	Total
BALANCE START OF 2012 FINANCIAL YEAR	611,521	250,938	74,999	523,253	182,497	(173,189)	401	329,803	1,800,223
Total recognized consolidated income and expenses	-	-	-	-	-	-	(3,975)	(22,382)	(26,724)
Other variations in the consolidated net assets	-	-	105	952	5,477	(6,133)	(401)	-	-
BALANCE START OF 2013 FINANCIAL YEAR	611,521	250,938	75,104	524,205	187,974	(179,322)	(3,975)	307,421	1,773,866
Total recognized consolidated income and expenses	-	-	-	-	-	-	48,417	(15,324)	33,093
Other variations in the consolidated net assets	-	-	-	(4,565)	15,795	(15,205)	3,975	-	-
BALANCE END OF 2013 FINANCIAL YEAR	611,521	250,938	75,104	519,640	203,769	(194,527)	48,417	292,097	1,806,959



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1. Activity of the Parent Company

Sociedad Estatal Correos y Telégrafos S.A (hereinafter, Correos, the Parent Company, or the Company) was incorporated as a public limited company [sociedad anónima estatal] pursuant to article 6.1.a) of the *Texto Refundido de la Ley General Presupuestaria* (The Budget Act) enacted by *Real Decreto 1091/1988* (Royal Decree 1091/1988), dated 23 September, and additional item twelve of *Ley 6/1997, de 14 de abril, Organización y Funcionamiento de la Administración General del Estado* (Central Government Organisation Act, dated 14 April 1997), by a resolution of the Council of Ministers dated 22 June 2001, under article 58.1 of *Ley 14/2000, de 29 de diciembre, Medidas Fiscales, Administrativas y del Orden Social* (the Tax, Administrative and Social Measures Act, dated 29 December 2000). The Company is governed by the *Ley de Sociedades de Capital* (the Capital Companies Act), by all other of applicable laws and regulations, and by its Articles of Association.

Under paragraphs two and three of article 58 of the aforementioned Act, the Company began its operations, and was automatically subrogated to the activities, rights and obligations of the former *Entidad Pública Correos y Telégrafos* (hereinafter, 'the Entity'), on 3 July 2001, the day of registration with the Companies Registry of the public deed of incorporation of the Company, dated 29 June 2001. From this date onwards, the Company took on all the functions carried out by the former Entity and was subrogated to the status of authorised operator for the provision of the universal postal service (hereinafter UPS) attributed to the latter in additional item one of *Ley 24/1998, de 13 de julio, del Servicio Postal Universal y de Liberalización de los Servicios Postales* (Act 24/1998, of 13 July, on the Universal Postal Service and Postal Sector Liberalisation), and subsequently for a period of 15 years in *Ley 43/2010, de 30 de diciembre, del servicio postal universal, de los derechos de los usuarios y del mercado postal* (the Postal Act, of 30 December).

Pursuant to article 58.4 of *Ley 14/2000* (Act 14/2000 on Tax, Administrative and Social Measures), the Company owns, as of its incorporation, all the assets, rights and obligations of the former Entity. The state-owned assets transferred from the former Entity to the Company at the time of its incorporation were removed pursuant to part four of the aforementioned Act 14/2000. Nonetheless, the Central Government, through the *Dirección General del Patrimonio del Estado* (Directorate General for State Assets),

has a pre-emptive right over certain buildings belonging to the Company, in accordance with the Council of Ministers' decision authorising the incorporation of the Company. The exercise price of that right of first refusal will be set by surveyed value appraised by the technical units of the Directorate General for State Assets, which will use a property valuation prepared by a public corporation specialising in property surveying. The lease rights are likewise reserved in the event that the Company decides to operate those buildings.

Under article 58.7 of the Tax, Administrative and Social Measures Act, public employees who were actively employed by the former Entity at the time of registration of the public deed of incorporation of the Company became employees of the Company without interruption, under the same employment terms and retaining their status as Central Government civil servants in their respective divisions and grades, with length of service, established pay and acquired rights being wholly preserved. The legal relationship between this type of employee and the Company is regulated by *Real Decreto 370/2004* (Royal Decree 370/2004), of 5 March, which approved the *Sociedad Estatal Correos y Telégrafos, S.A. Workers' Statute*.

In addition, and pursuant to article 58.16 of the aforementioned Tax, Administrative and Social Measures Act, any worker contracted by the Company from the date is started its activity onwards shall be engaged under an ordinary employment contract.

Some of the services provided by the Parent Company fall within the remit of the UPS and are regulated by Act 43/2010, of 30 December, on the Universal Postal Service, Users' Rights and the Postal Market. It establishes that these services will be provided in accordance with the Universal Postal Service Provision Plan and the contract regulating the universal postal service (on the date of these annual accounts both have not yet been approved). This Act fundamentally regulates the collection, entry, distribution and delivery conditions for the UPS that may be demanded of the designated operator, as well as the cost and financing of the UPS obligations, prices and other rate conditions for postal services.



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1. Activity of the Parent Company

Ley 3/2013, de 5 de junio, de creación de la Comisión Nacional de los Mercados y la Competencia (Act 3/2013, of 5 June, on creating the Spanish National Markets and Competition Commission, hereinafter the CNMC) created this Commission with the goal of bringing together all functions regarding the correct functioning of the markets and sectors previously supervised by the *Comisión Nacional de Energía* (National Energy Commission), *Comisión del Mercado de Telecomunicaciones* (Telecommunications Market Commission), *Comisión Nacional de la Competencia* (National Competition Commission), *Comité de Regulación Ferroviaria* (Rail Regulation Committee), *Comisión Nacional del Sector Postal* (National Postal Sector Commission), *Comisión de Regulación Económica Aeroportuaria* (Airport Regulation Commission) and *Consejo Estatal de Medios Audiovisuales* (State TV Board). This Act expressly repeals *Ley 23/2007 de 8 de octubre, de creación de la Comisión Nacional del Sector Postal* (Act 23/2007, of 8 October, which created the National Postal Sector Commission).

Pursuant to Act 3/2013, of 5 June, the CNMC will supervise and ensure the correct functioning of the postal market, including the following functions:

- Ensure the UPS is guaranteed, in compliance with postal regulations and free competition in the sector.
- Check the analytical accountancy of the designated operator and the net cost of the UPS, and determine the unjust financial budget of the UPS, pursuant to Act 43/2010, of 30 December.
- Manage the UPS financing fund, and the public services funded by it, pursuant to Act 43/2010, of 30 December.
- Supervise and regulate application of the current standards on access to the network and other infrastructure and postal services, pursuant to Act 43/2010, of 30 December.
- Conduct controls and take measurements of the UPS provision conditions, pursuant to Act 43/2010, of 30 December.

- Issue the report provided for in Act 43/2010, of 30 December, monitoring the UPS provision conditions.

The Directorate of Transport and the Postal Sector is the CNMC body responsible for preparing files.

In order to maintain the UPS, Act 43/2010 provides for a financing fund that will be managed by the CNMC with the purpose of compensating the postal operator for the net cost of UPS duties.

Pursuant to Act 43/2010 the main sources of financing for the fund will be the budget assigned by the Central Government in its National Budget, the annual postal contribution of the postal operator and the bearers of individual licences, and fees for granting individual licences.

Article 26 of Act 43/2010 establishes an obligation on the part of the designated operator, Correos, to keep analytical accounts, separating them for the services and product of the UPS and any other services and products that are not part of thereof. Pursuant to Act 43/2010, the postal operator will submit the calculation of the net cost each financial year for validation.

Similarly, Act 43/2010 guarantees access to the postal network for postal operators once they have been granted an individual licence according to the principles of transparency, proportionality and non-discrimination. Act 43/2010 also regulates resolution of conflicts between postal operators, under the principles of fair hearing, *audi alteram partem* and equality of the parties.

The appointed operator, Correos, will sign a standard contract for access to the postal network, with the other postal operators; this contract will have been previously approved by the CNMC, and Correos must also report to the latter any other non-standard contracts. Operators with individual administrative licenses will be able to negotiate terms that differ from those established in the standard contract with the appointed operator.



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The CNMC will set the conditions for access to the postal network if the negotiations between individual authorisation holders and the appointed operator do not lead to a contract being signed.

Pursuant to Act 43/2010, the Commission is responsible for checking that the rates established in the contracts meet the principles of transparency and non-discrimination and that they cover the costs incurred by the owner of the network, and for verifying that the rates do not increase the financing needs of the UPS and the unjust deductible financial load for the service provider.

The temporary provision of Act 43/2010 sets out that the terms for the provision of the universal postal service and its financing are governed by the previous regulations, which were previously in force, until the Universal Postal Service Provision Plan and its regulating contract is approved.

The former CNSP's Resolution of 27 July 2011, publishing Circular 1/2011, determines that, on a temporary basis and until the provisions contained therein are fulfilled, operator access to the postal network, as foreseen in article 45 of Act 43/2010, will be regulated as per the regime established in Royal Decree 1298/2006, of 10 November, regulating access to the public postal network and determining the conflict resolution procedure among postal operators and the conditions contained in the Resolution of 23 April 2007, from the *Subsecretaría de Fomento* (Development Ministry), approving the provisional reference conditions for access to the public postal network, developing the earlier Royal Decree, which does not counter Act 43/2010, and the content of the instruction.

Pursuant to article two of its Articles of Association, the corporate purpose of the Company, whose registered address is at Vía Dublín no. 7 in Madrid, is as follows:

- To manage and operate postal services of all kinds.
- To provide financial services relating to postal services, money order services and money transfers.

- To receive applications, written submissions and notices that the public send to government bodies, subject to applicable laws and regulations.
- To serve government and court notices in accordance with applicable laws and regulations.
- To provide telegram, teleprinter and registered-transmission facsimile services and undertake other activities and services relating to telecommunications.
- To propose stamps to be issued, issue all other forms of payment for postal services, and sell and distribute its products and issues.
- To provide, on a mandatory basis, such services relating to its purpose as government bodies may order.
- To carry on any other activities or services complementing the above or which may be needed for the proper undertaking of the Company's purpose. To this end the Company may create and control holdings in other companies.

On 24 March 2012, Order HAP/583/2012, of 20 March, was published in the BOE (Official State Gazette) announcing the Decision of the Council of Ministers of 16 March 2012 to approve the Plan for the restructuring and rationalising public companies and foundations. Amongst other measures, it was agreed to change the ownership of Sociedad Estatal Correos y Telégrafos S.A., and all of the shares held by the Central Government and representing one hundred per cent of the share capital in the Sociedad Estatal Correos y Telégrafos S.A., to SEPI (*Sociedad Estatal de Participaciones Industriales*), a public law entity, in accordance with the provisions of article 168.1 of *Ley 33/2003, de 3 noviembre, del Patrimonio de las Administraciones Públicas* (the Assets of Public Authorities Act of 3 November). The agreement on the transfer of all shares of the parent company made between the Directorate General for State Assets and SEPI was signed on 5th June 2012 and put on public record on 12th June 2012.



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Correos is part of the group of companies called Grupo SEPI of which SEPI, a public law entity, is the parent company. SEPI is domiciled in Calle Velázquez no. 134 in Madrid, and is the sole shareholder, which means that the Company has single-shareholder status pursuant to the provisions in article 12 of *Real Decreto Legislativo 1/2010* (Royal Decree 1/2010) of 2nd July which approves the consolidated text of the Capital Companies Act. Pursuant to the provisions in article 136.4 of Act 47/2003 of 20 November, the Budget Act, SEPI is not obliged to submit its consolidated annual accounts to the Trade Register, as it is not a trading company.

Correos is the parent company of Correos Group. The annual accounts of the company corresponding to the financial year ending 31 December 2012, both individual and consolidated, were drawn up by the Governing Board of Correos on 14 March 2013, and approved by the Sole Shareholder of the Parent Company on 26 June 2013. The annual accounts were filed in Madrid's Companies Register.



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2. Structure of the Correos y Telégrafos Group

The Parent Company's subsidiaries that comprise the Correos y Telégrafos Group (hereinafter, the Group or the Correos Group) falling within the scope of consolidation as at 31 December 2013 are the following:

Name of company	Business activity	Business address
Correos Telecom, S.A.	Management of the Company's telecommunication network	C/ Conde de Peñalver, 19 - Madrid
Nexea Gestión Documental, S.A.	Hybrid mail services	C/ Rejas, 9 - Madrid
Chronoexpres, S.A.	Transport services for documents and small parcels	Avenida de Europa, 8 - Coslada (Madrid)

Chronoexpres, S.A. has its registered address at Avenida de Europa, 8 in Coslada (Madrid) and provides goods delivery services, auxiliary and complementary courier activities and collection, sorting and distribution of goods and parcels. The main activity of Chronoexpres, S.A. is the transport of corporate documents and small parcels, both nationally and internationally.

Correos Telecom, S.A., has its registered address at Calle Conde de Peñalver, 19 in Madrid and its corporate purpose, coinciding with its principal activity, consists of managing the telecommunications network owned by the Parent Company, providing telecommunication services mainly to the Parent Company and then to third parties; mediating, promoting and selling surplus capacity of the Company's telecommunications network and providing postal service-related telecommunication services.

Nexea Gestión Documental, S.A. has its registered address at Calle Rejas, 9 in Madrid and its corporate purpose, coinciding with its principal activity, consists of providing hybrid postal services. Hybrid refers to postal services which allow the client to send documentation to Nexea Gestión Documental, S.A. telematically or electronically. The latter becomes responsible for printing the contents sheets which are subsequently sealed in envelopes and deposited in the Parent Company's admission centres for delivery to addressees.

All dependent companies close their financial year on 31st December.



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2. Structure of the Correos y Telégrafos Group

The statements corresponding to 31 December 2013 and 2012 for the equity instruments of the Parent Company held by Correos Group, before standardisation and/or consolidation adjustments, are as follows:

	2013 FINANCIAL YEAR			2012 FINANCIAL YEAR		
	Chronoexpres, S.A.	Correos Telecom, S.A	Nexea G.D., S.A	Chronoexpres, S.A.	Correos Telecom, S.A	Nexea G.D., S.A
Net book value	4,257	1,503	1,350	5,958	1,503	3,404
Direct shareholding (%)	100%	100%	100%	100%	100%	100%
Share capital	66	1,503	974	66	1,503	974
Share premium	6,415	-	1,536	89,484	-	5,700
Legal reserve	-	300	128	-	300	128
Other reserves	(560)	3,942	(60)	(560)	3,942	(60)
Results of previous financial years	-	-	-	(70,506)	-	(1,488)
Results of the financial year	(1,663)	1,688	(1,228)	(12,563)	1,757	(2,676)
Subsidies	-	-	-	54	-	-
Total net equity	4,258	7,433	1,350	5,975	7,502	2,578
OPERATING RESULT	(3,854)	2,240	(1,326)	(15,198)	2,523	(2,302)

On 28 December 2012, the Parent Company, as the sole shareholder in Chronoexpres, S.A., agreed to increase the latter's capital in order to redress the balance between its share capital and net assets. That operation was completed by issuing nominal ordinary shares worth 1 thousand euros and a share premium of 13,999 thousand euros. This increase, put on public record on 31 December 2012, was fully subscribed and paid out

by the Parent Company by compensating part of a due, cash and demandable credit that the Parent Company held against its subsidiary on the aforementioned date.



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3. Basis for presenting the consolidated annual accounts

When preparing these consolidated annual accounts, the Parent Company's Directors applied the accounting regulations included in the new Spanish General Accountancy Plan approved by *Real Decreto 1514/2007* (Royal Decree 1514/2007) and the amendments to the same arising from *Real Decreto 1159/2010* (Royal Decree 1159/2010) which approved the criteria applicable when preparing consolidated annual accounts, in addition to all other commercial legislation in force on 31 December 2013. Specifically:

- The annual accounts for the Parent Company are consolidated with those of all of its subsidiaries (see Note (2)) using the full consolidation method. The Parent Company holds all voting rights in all the consolidated companies.
- Where subsidiaries have followed significantly different accounting or valuation principles from those of the Parent Company, adjustments have been made as needed to present the consolidated annual accounts of the Group in a standardised manner.
- The different items on the previously standardised individual annual accounts are aggregated according to item type.
- The representative book values of the capital instruments belonging to all of the Parent Company's subsidiaries are compensated with their net assets.
- The Inter-Group balances, transactions and cash flow between Correos Group companies have been eliminated in the consolidation process. Similarly, all results from internal operations are eliminated and deferred until performed for third parties that are not part of the Group.
- The variations in reserves belonging to different subsidiaries between their respective dates of coming under the control of the Parent Company or of first consolidation and 31 December 2013 are covered by the item 'Reserves in consolidated companies' on the consolidated balance sheet.

As regards the depreciation of the assets registered under the "Tangible fixed assets" caption, since the 2009 financial year the Parent Company has applied the stipulations of Order EHA/733/2010, of 25 March, approving accounting aspects for public companies operating in certain circumstances. Said Ministerial Order applies to the member bodies of the public business sector at a national, regional and local level, regardless of their legal nature, which should apply the accounting principles and regulations in the Commercial Code and in the Generally Accepted Accounting Principles (GAAP) and which, given the strategic or public utility nature of their activities, regularly deliver goods or provide services to other bodies or users without remuneration, or in exchange for a fee, or according to a pricing policy set directly or indirectly by the Government.

These consolidated annual accounts have been drawn up by the Parent Company Board of Directors in order to be submitted for approval by its Sole Shareholder. The Parent Company Directors believe that they will be approved with no modifications.

a) Accurate representation

These consolidated annual accounts have been prepared on the basis of the accounting records of the companies that make up the Correos Group, and in accordance with the legal regulations on accounting in force at 31 December 2013, in order to provide a true and fair view of the assets, financial situation and results of the Group. The consolidated cash flow statement has been prepared with the aim of truthfully reporting the origin and use of the monetary assets representing cash and other equivalent liquid assets of the Group.

The figures contained in these consolidated annual financial statements are expressed in thousands of euros, unless stated otherwise, with the euro being the functional currency of the Parent Company.



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b) Critical aspects of the valuation and estimation of uncertainty

In preparing the consolidated annual accounts, the Parent Company Directors have had to use judgements, estimates and assumptions that have a bearing on the application of the accounting policies and the balances of assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the date of issue of the same.

Related estimates and assumptions are based on historical data and on other diverse factors which are understood as being reasonable in accordance with the circumstances; they are used as a base in order to establish the book value of the assets and liabilities that are not easily available by means of other sources. The respective estimates and assumptions are reviewed continuously; the effects of the reviews of the book estimates are recognised in the period in which they were made, if they affect only that period, or in the period of review and future periods, if the review affects both of the above.

Apart from the general process of generating systematic estimates and reviewing them periodically, the Parent Company Directors have made certain value judgements regarding topics of particular importance concerning the consolidated annual accounts.

The **main judgements** relating to future events and other sources of uncertain estimates at the date on which the consolidated annual accounts were drawn up are as follows:

- **Leasing obligations – Correos Group as lessee**

The Correos Group has signed leasing contracts in order to undertake its activities. The classification of said leasing contracts as operating or financial requires that, based on the terms and conditions of these agreements, the Correos Group determines who retains all of the risks and benefits of the ownership of the assets. According to that classification, the contracts will be classified as operating or financial leasing contracts.

- **Leasing obligations – Correos Group as lessor**

The Correos Group maintains different agreements with third parties to lease certain assets under its ownership. The Group has determined that, based on the evaluation of the terms and conditions of these contracts, it retains all ownership risks and benefits of the same, thereby recognising these contracts as operating leases.

- **Tax Situation**

As set out in current legislation, taxes may not be deemed definitively settled until the filed tax statements have been inspected by the tax authorities or the statute of limitations has passed. In the opinion of the Parent Company's Board of Directors, at 31 December 2013 there are no contingencies, other than those recorded in these consolidated annual financial statements, that could represent significant liabilities for the Parent Company and/or its dependent companies in the event of an audit.

The **principal assumptions and estimates** relating to future events and other uncertain sources of estimates at the date of the drawing up of the consolidated annual accounts are as follows:

- **Deferred tax assets**

The recognition of deferred tax assets is made on the basis of the future estimates made by the Group Companies relating to the probability of future taxable gains being available, or the existence of deferred liability amounts to fund them during the same periods of time.

- **Provisions**

The Correos Group recognises provisions for risks, in accordance with the accounting policy stated in Note (5-k) of this report on "Provisions and contingencies". The Correos Group makes judgements and estimates regarding the probability with which said



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risks may occur, as well as their amount. It records a provision when the risk has been considered likely, is a present debt from past events, either legal or rightful, and when the costs can be reliably estimated.

• Depreciation of non-financial assets

In general terms, the Correos Group analyses on a yearly basis whether there are indicators for depreciation of non-financial assets. In the specific case of non-financial assets other than the intangibles with an indefinite service life, the Group subjects them to value depreciation tests when there is evidence of said depreciation.

• Calculation of reasonable values, values in use, current values and values that can be recovered

The calculation of reasonable values, values in use, current values and values that can be recovered implies the calculation of future cash flows and the assumption of hypotheses relating to the future values of the flows, as well as the discount rates applicable to the same, also taking into account the current expectation of collecting the respective debt. The related estimates and assumptions are based on historical data and on other diverse factors which are understood to be reasonable in accordance with the circumstances.

c) Comparison of information

As indicated in the fourth section of the "Regulations for the Preparation of Annual Accounts", the Parent Company Directors have included quantitative information corresponding to the previous financial year in this report.

In addition to the comparative numerical information corresponding to the previously filed financial year, and where relevant for the understanding of these consolidated annual accounts, the Parent Company Administrators have included descriptive information regarding the previous period.



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4. Application of the results of the Parent Company

The proposal for distributing the results drawn up by the Parent Company Directors and pending approval by its Sole Shareholder is as follows:

	Thousands of euros
Results of the financial year	48,012
Distribution base:	
Legal reserve	4,801
Statutory reserves	9,602
Voluntary reserves	7,609
Sole shareholder dividend	26,000
TOTAL	48,012

Limitations on the distribution of results and dividends

Pursuant to article 274 of the *Ley de Sociedades de Capital* (Capital Companies Act) approved by *Real Decreto Legislativo 1/2010* (Legislative Royal Decree 1/2010) of 2 July, companies are obliged to use 10% of the profit from each financial year to establish the Legal Reserve until the reserve matches at least 20% of the Share Capital. This reserve cannot be distributed to the shareholders, and it can only be used to cover the negative balance of the profit and loss account in the event that other reserves are not available.

In addition, the Parent Company Articles of Association require that 20% of the profits from the financial year be used to establish the Articles of Association reserves. These reserves can be disposed of freely.



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5. Registration and accounting standard applied

The main recording and valuation criteria used by the Parent Company in preparing these consolidated annual accounts, pursuant to the terms set out in the Spanish Generally Accepted Accounting Practices approved by *Real Decreto 1514/2007* (Royal Decree 1514/2007) and the amendments incorporated by *Real Decreto 1159/2010* (Royal Decree 1159/2010), are as follows:

(a) Intangible fixed assets

Intangible fixed assets are valued at their purchase price or at their production cost and reduced by the accumulated amortisation and by the possible losses due to depreciation of their value. Indirect taxes on intangible fixed assets are included in the purchase price when they cannot be recovered directly from the Tax Authorities. An intangible asset is recognised as such if and only if it is likely to generate future profits and its cost can be valued in a reliable manner.

An intangible fixed asset with a defined service life is systematically amortised throughout its estimated service life and its recoverability is analysed when events or changes take place that indicate that the net book value may not be recoverable. The amortisation methods and periods applied are reviewed at the close of the financial year, and they are adjusted prospectively as appropriate.

IT applications

These items are recorded at their acquisition cost and are amortised by the straight-line method throughout their estimated service life which, in general terms, ranges between three and five years. IT application maintenance costs are listed as expenses as soon as they are incurred.

Patents, licences and similar

These items are recorded at the actual cost paid for certain purchased patents and amortised over a ten year period.

b) Tangible assets

Tangible fixed assets are valued at their acquisition cost or contribution value to the Parent Company by the former Entity (see Note 1 on Parent Company Activity), reduced by the accumulated amortisation and, as appropriate, by the accumulated amount of the recognized valuation adjustments for depreciation. Indirect taxes on tangible fixed assets are included in the purchase price when they cannot be recovered directly from the Tax Authorities.

Tangible assets are amortised from the time at which they are made available for commissioning and are amortised systematically and rationally (on the basis of their service life and of their residual value), using a straight-line method during the following years of estimated service life:

Buildings and other built assets	35 – 75
Technical installations and machinery	3 – 33
Other plant, tools and furnishings	5 – 20
Information processing equipment	3 – 8
Transport elements	6 – 10
Other tangible fixed assets	3 – 11

Likewise, should there be signs of depreciation, the Correos Group evaluates the need to make valuation adjustments to the elements that form part of its tangible fixed assets, with the aim of consistently allocating to them the lesser of either their book value or the amount that can be recovered.

The expansion, modernisation and improvement costs for material intangible goods are incorporated into the asset as an increased goods value where they increase its capacity, productivity or extend its useful life, and so long as it is possible to establish or estimate the book value of the items removed from the inventory through replacement.



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Maintenance and repair costs for tangible fixed assets that do not improve utility or lengthen lifetime are entered in the profit and loss account at the time of accrual.

The investments made by the Correos Group in property owned by third parties that meet the requirements to be considered as operating leases are valued, provided that these are not separated from the leased asset or assigned in use, at the cost of said investments and amortised during an estimated service life of 20 years.

Investments made in adapting provisionally rented premises during renovation of other premises are capitalised and amortised in the year in which they are incurred.

c) Investment property

Property investments comprise land and built assets owned by the Parent Company and leased to third parties to obtain long-term income. The items included under this heading are valued at their acquisition cost, minus their corresponding accumulated amortisation and any losses due to depreciation. The amortisation of property investments is calculated following the linear method, according to the estimated service life of the different elements, which is 35-75 years.

d) Operating and financial leases

The Correos Group classifies leasing contracts as financial when it can be deduced from their economic conditions that all of the risks and benefits inherent in the ownership of the asset subject to the agreement are substantially transferred. The agreements that do not substantially transfer all of the risks and benefits and in which the lessor is only entitled to use the asset for a certain period of time are classified as operating leases.

Correos Group as lessee

The assets acquired by means of financial leases are recorded according to their nature as the lesser of the reasonable value of the asset and the current value at the start of the

lease of the minimum agreed payments, with a financial liability being recorded for the same sum. The payments for the lease are distributed between the financial costs and the reduction of the liability. For these purposes, the same amortisation, depreciation and cancellation criteria are applied as to all other assets of this nature.

Payments for operating leases are recorded as costs in the consolidated profit and loss account on the basis of their accrual on the linear base of the total lease period.

Correos Group as lessor

Earnings from operating leases are recorded in the consolidated profit and loss account on the basis of their accrual on the linear base of the total lease period. The direct costs that can be allocated to the agreement are included as the highest value of the leased asset and are recognised by applying the same criterion used for recognising the revenue from the lease.

e) Depreciation of the value of the non-current, non-financial assets

Assets not generating cash flow

The Parent Company's main activity is the provision of a general interest public service, the Universal Postal Service, in exchange for which it receives a price set directly or indirectly by the Government. In this way, the vast majority of the property comprising the Parent Company's tangible and intangible fixed assets is held mainly with a view to producing socio-economic flows benefiting society and do not correspond to investments in assets with the sole objective of economic profitability and whose recovery would be based on the economic flows produced.

In accordance with the point above, and in application of the stipulations of Order EHA/773/2010, of 25 March, approving accounting aspects of public companies operating under certain circumstances, the Parent Company determines the depreciation in the value of its tangible and intangible assets with reference to the depreciated replacement cost of each asset.



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Remaining assets

Should there be signs of depreciation, the book value of the non-current, non-financial assets of the Correos Group is reviewed, by the date of the close of the financial year at the latest, in order to determine whether such indices prevail. Should such signs exist and, in any event, for any intangible asset with an unlimited service life, if any, the value of these assets that can be recovered is estimated.

The value that can be recovered is either the reasonable value less the sale costs or its value in use, whichever is higher. In order to determine the value in use, the future cash flow is discounted at its current value, using before-tax discount rates that reflect the current market estimates of the temporary valuation of the funds and of the specific risks associated with the asset. For those assets that do not generate highly independent cash flow, the recoverable amount is determined for the cash-generating units to which the valued assets pertain.

The losses for depreciation are recognised for those assets or, as appropriate, for the cash-generating units comprising them, when their book value exceeds the corresponding recoverable amount. The losses for depreciation are recorded within the profit and loss account and are reverted, except where they originate from goodwill, if there have been changes in the estimates used in order to determine the recoverable amount. The reversal of a loss due to depreciation is recorded in the profit and loss account, with the restriction that the book value of the asset after the reversal cannot exceed the amount, net of amortisations, that would appear in the books had the aforementioned loss due to depreciation not been previously recognised.

f) Financial assets

The financial assets of the Correos Group correspond to accounts receivable from clients, debtors, staff and government bodies, established deposits and guarantees, acquired capital instruments and cash and other equivalent liquid assets.

The Correos Group classifies its financial assets into the following categories for the purposes of their valuation:

- Loans and entries receivable: these include the financial assets which, not being negotiated in any organised asset market, have expected cash flow in a determined or determinable sum and for which it is estimated that the whole of the outlay made by the Company can be recovered, except for reasons attributed to the solvency of the debtor. This category contains the loans for trade and non-trade operations, loans to staff, the debtor accounts with government bodies and the constituted deposits and guarantees.
- Financial assets available for sale: includes the acquired capital instruments.
- Cash and other equivalent liquid assets: see Note (i).

The financial assets to be realised in less than 12 months from the date of preparation of the consolidated balance sheet are classified as current, and those to be realised in a longer period are classified as non-current.

When they are initially recognised, financial assets are recorded at their reasonable value which, unless there is evidence to the contrary, is the price of the transaction plus the transaction costs that are directly attributable thereto.

Following the initial recognition, the Correos Group values its financial assets as set out below:

- The financial assets included in the category of "Loans and entries receivable" are valued at the amortised cost.
- The financial assets included in the category of "Financial assets available for sale" are valued at their cost, minus, as appropriate, the accumulated amount of the valuation adjustments, if there is objective evidence of losses in their value.



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- Cash and other equivalent liquid assets: see Note (i).

Notwithstanding the above, the loans for trade operations maturing in one year or less and which do not have a contractual interest rate are valued at their nominal value, both in the initial valuation and in the subsequent valuation, when the effect of not updating the cash flow is not significant.

In the case of the loans for trade operations with a contractual interest rate, the interest accrued is recorded in the consolidated profit and loss account, applying the effective interest rate method.

The Correos Group cancels a financial asset, or a part of the same, when the contractual rights over the effective movements of the financial asset expire or are transferred. It is necessary for the risks and benefits inherent in their ownership to be substantially transferred. These circumstances are evaluated by comparing the exposure of Correos Group, before and after the transfer, to the variation in the amounts and in the scheduling of the net cash flow of the transferred asset.

(g) Value depreciation of the financial assets

The book value of the financial assets is corrected by debiting the consolidated profit and loss account when there is objective evidence that a loss due to depreciation has taken place. In order to determine the losses due to depreciation, the Correos Group evaluates the possible losses of both the individual assets and the groups of assets with similar risk characteristics by the end of the financial year at the latest.

There is objective evidence of depreciation when non-payments, breaches, re-financings or possibilities of not recovering the cash flow have taken place, or there is delay in collecting payment.

For loans and other entries receivable, the amount of the losses due to depreciation is equal to the difference between their book value and the current value of the future cash

flows estimated to be generated, discounting the effective interest rate at the time of their initial recognition.

The reversion of the depreciation of the loans and entries receivable is recognised as revenue in the consolidated profit and loss account and is limited to the book value of the financial asset that would have been recorded on the date of reversion, if the depreciation in value had not been recorded.

In the event of due debts from public clients, the depreciation of the debt is entered for the amount obtained from applying the market interest rate to the due debt for the period of time passed since the debt became due, at the end of each financial year, where there is a contractual agreement not to apply interest for delays.

h) Non-current assets held for sale

This item includes those assets whose book value will fundamentally be recovered through their sale, rather than through their continuous use, when the following requirements are met:

- That they are available for immediate sale in their current conditions, subject to the usual and habitual terms for their sale.
- That they are highly likely to be sold.

The non-current assets held for sale are recorded as the lesser of the following two amounts: their book value or their reasonable value minus the costs of sale. These assets are not amortised, and if necessary, the opportune valuation adjustments will be made in such a manner that the book value does not exceed the reasonable value minus the costs of sale.



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i) Cash and other equivalent liquid assets

Cash and other equivalent liquid resources make up the cash and bank funds, and the deposits and other financial assets that can be converted into cash and whose maturity, at time of their acquisition, is no longer than three months, are not subject to a significant risk of change in value and that form part of the normal cash flow management policy of Correos Group.

j) Inventories

Stock is valued at the acquisition price determined by the weighted average cost method.

When the net realisable value of the stock is lower than its acquisition price or its production cost, the opportune valuation adjustments are made, with these being recognised as a cost in the consolidated profit and loss account.

k) Provisions and contingent liabilities

The Correos Group records provisions on its balance sheet when the Company currently has an obligation (whether due to a legal, contractual, implicit or tacit obligation) arising from past events, when that obligation can be reasonably estimated and when it is likely to involve a future outlay of resources for its settlement.

For those provisions made to meet the obligations without a set date of maturity, or with a maturity below or equal to one year and without a significant financial effect, no type of discount is applied. For all other obligations, the provisions are registered for the current value of the best possible estimate of the amount necessary to cancel the obligation or transfer it to a third party, registering the adjustments that arise due to updating the provision as a financial expense as it accrues, with the aim of reflecting the best current estimate of the corresponding liability at all times.

The Parent Company Directors consider contingent liabilities to be those obligations that may arise due to past events, and whose appearance is subject to whether or not future events occur, outside the control of the Parent Company. Said contingent liabilities are not subject to book recording, with details and an explanation of said liabilities included in the Note (23) on contingent liabilities.

l) Financial liabilities

The financial liabilities of the Correos Group correspond to the accounts payable, trade creditors and creditors for fixed assets, deposits and guarantees and the accounts payable under other headings.

The Correos Group classifies all of its financial liabilities into "Debits and entries payable".

Financial liabilities maturing less than 12 months from the date of the preparation of the consolidated balance sheet are classified as current, while those maturing afterwards are classified as non-current.

Financial liabilities are initially valued at their reasonable value which, unless there is evidence to the contrary, is the price of the transaction.

After the initial recognition, financial liabilities are valued at their amortised cost. Accrued interest is recorded in the consolidated profit and loss account, applying the effective interest rate method.

Nevertheless, the debits for trade operations that mature in less than one year, do not have a contractual interest rate and whose amount is expected to be paid in the short-term, both in the initial valuation and in the subsequent valuation, are valued at their nominal value, since the effect of updating the cash flows is not significant.

The Correos Group cancels a financial liability when the obligation has expired.



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m) Foreign currency transactions

Monetary entries

Transactions in foreign currency are initially recorded at the exchange rate at the date of the transaction.

The monetary assets and liabilities denominated in foreign currency are converted at the exchange rate at the date of preparation of the consolidated balance sheet. Both positive and negative exchange rate differences that arise in this process, together with those that take place when said capital elements are liquidated, are recognised in the consolidated profit and loss account of the financial year in which they appear.

n) Revenue and expenses

Income and expenses are allocated on the basis of the actual movement of goods and services that they represent and regardless of the time at which the monetary or financial movement deriving from these takes place.

Revenue from sales and provision of services

The earnings from the sale of goods and the provision of services are valued at the reasonable value of its counterpart, received or to be received, deriving from the same, deducting: the amount of the discount, the reduction in the price and other similar entries that the company may concede, together with the indirect taxes that are levied on the operations and which can be passed on to third parties. The interest incorporated into trade loans maturing no later than one year and not having a contractual interest rate is included as the higher value of the earnings, since the effect of not updating the cash flows is insignificant.

Income is recorded based on the economic fund of the operation and is recognised when each and every one of the following conditions is met:

- The amount of the revenue can be reliably valued.
- The Correos Group is likely to receive the profits or economic returns derived from the transaction; and
- The costs incurred or to be incurred in the transaction can be valued reliably.

Income deriving from the postal services whose consideration is received by means of the sale of franking elements (stamps or similar) is recorded at the time at which it is sold regardless of the time of the actual provision of the service.

For all other postal services, as well as money orders and telegrams, revenues are recognised upon actual provision of the service, i.e., when the actual transaction occurs.

Revenue from interest

Income from interest is recognised using the effective interest rate method. When a receivable account suffers a loss due to depreciation in value, the Correos Group reduces the book value to the recoverable amount, deducting the future estimated cash flows from the instrument's effective original interest, and continues applying the discount less income from interest. Income from interest on loans that have suffered losses due to depreciation in value is recognised using the effective interest rate method.

Compensation for dismissal

Under current employment regulations, the Group is obliged to pay compensation to the employees with whom, under certain conditions, it terminates the employment relationship. Therefore, compensation for dismissal is paid to employees as a result of the Group's decision to terminate their employment contract before the normal age of retirement or when the employee accepts a voluntary resignation in exchange for this compensation. The Group acknowledges this compensation when it has demonstrably



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committed to dismissing workers according to a detailed formal plan without the possibility of withdrawing or providing unemployment compensation as a result of an offer to encourage voluntary resignation. Any compensation that will not be paid within the 12 months following the balance sheet date is discounted at its current value.

o) Liabilities for remunerations to staff

Pension supplements

During the 2000 financial year, the Parent Company created a pension plan to supplement employee benefits under public-sector social security and government pension schemes. This fixed-contribution pension plan for the developer is governed by the provisions in *Real Decreto Legislativo 1/2002* (Legislative Royal Decree 1/2002) of 29 November enacting the consolidated text of the *Ley de Regulación de los Planes y Fondos de Pensiones* (the Pension Act) and *Real Decreto 304/2004* (Royal Decree 304/2004) of 20 February enacting the Pension Regulations and its subsequent amendments.

Based on the provisions in article two of *Real Decreto 20/2011* (Royal Decree 20/2011) of 30 December, on urgent measures of a budgetary, taxation and financial nature in order to correct the public deficit, the Parent Company has suspended the contributions to the Pension Plan of the Employees of Correos y Telégrafos in 2012 and has not made any contributions in the 2012 and 2013 financial year.

As at 31 December 2013, the Parent Company had no additional commitment to the participants in the above scheme other than the sums effectively contributed from the date of the creation of the plan. The total amount of the contributions made by the Parent Company since the 2000 financial year, when the fund was created, amount to 125,556 thousand euros.

Retirement bonuses

The various collective bargaining agreements in force by geographic areas and applicable to the investee company Chronoexpres, S.A. provide that employees taking voluntary early retirement from age 60 to 65 must be paid a length-of-service bonus, which varies from various fixed sums to a set number of monthly payments if they have provided services to the company for between 10 and 30 years (depending on the applicable collective bargaining agreement).

As at 31 December 2013, Chronoexpres, S.A. had a policy contracted with an insurance company to meet the hypothetical liability that it could incur in meeting these long-service awards in the future, since this does not exist at present. The Parent Company Board of Directors believe that any additional liabilities not covered by the aforesaid policy that could arise from the guarantees given to the workers of its subsidiary, should there be any, will not be in any way significant.

p) Current and deferred taxes

The expenditure (revenue) from tax earnings of the financial year is calculated with the sum of the current tax, which results from the application of the relevant rate of taxation on the taxable base of the financial year, after applying the existing allowances and deductions, and from the variation of the assets and liabilities for deferred taxes recorded. This is recognised in the profit and loss account, except in those cases in which this tax is directly related to entries reflected explicitly in the net assets of Correos Group, in which case the tax is recognised, likewise, in the same item.

In January 2011 the Correos Group started to pay tax in the special scheme of fiscal consolidation. The number of the fiscal group 38/11 and the parent company was Sociedad Estatal Correos y Telégrafos, S.A.

Due to the integration of the Correos Group in the Sociedad Estatal de Participaciones Industriales in June 2012, fiscal group 38/11 was dissolved and the companies of this



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group were integrated in the consolidated fiscal group with the number 9/86 effective for the 2012 financial year.

Fiscal group 9/86 is constituted by Sociedad Estatal de Participaciones Industriales and the companies residing in Spain that are part of the consolidated financial group under the provisions of articles 42 et seqq. of the Commercial Code according to the provisions in *Ley 5/1996, de 1 enero, de Creación de determinadas Entidades de Derecho Público* (Act 5/1996 of 1 January on Certain Public Law Entities).

The assets and liabilities for current taxes are estimated amounts payable or receivable by Sociedad Estatal de Participaciones Industriales, and include any other adjustments corresponding to previous financial years. They are registered under the balance sheet heading "Debtors of associated group companies" and "Short-term debts with associated group companies" respectively, as the entity having to pay is the parent company of the Consolidated Fiscal group, i.e. SEPI.

Deferred tax is calculated following the liability method for all of the temporary differences between the tax base of the assets and liabilities and their book values in the consolidated annual accounts.

The Correos Group always recognises the corresponding liabilities from deferred tax when they arise.

The Correos Group recognises the assets for deferred tax for all of the deductible temporary differences, unused tax credits and negative taxable bases that are not applied, inasmuch as the likely result that the Group company that has generated them has future tax gains that make the application of these assets possible.

With regard to the negative tax amounts generated by the Group Companies before they became part of consolidated fiscal group 9/86, which are under the heading "Deferred tax assets off the balance sheet", their recoverability is evaluated annually, subject to obtaining future fiscal benefits within the maximum period established under

current legislation. In this sense, and regardless of the consolidated taxation, the Parent Company of the consolidated fiscal group to which the companies of Correos Group belong admits compensation of the negative tax amounts generated before their incorporation in group 9/86.

The assets and liabilities for deferred taxes are valued at the anticipated tax rates at the time they are reversed, in accordance with the approved effective regulations, and according to the manner in which it can rationally be expected to recover or pay for the asset or liability for deferred tax. The adjustments of the values of the assets and liabilities for deferred taxes are allocated to the profit and loss account, except to the extent by which the assets and liabilities for deferred taxes affected have been charged or paid directly to the net assets.

In any event the negative tax amounts generated by Correos Group companies since incorporation in consolidated fiscal group 9/86 are acquired by its Parent Company at a rate of 28%. Each company annually assesses the recoverability of the additional 2% until it reaches a general rate of 30% based on its estimate of generating future fiscal benefits.

The assets and liabilities for deferred taxes are valued without taking into account the effect of the financial discount.

q) Subsidies, donations, legacies and compensation received for provision of UPS

The subsidies, donations and legacies that are not refundable and the compensation received by the Parent Company for provision of the UPS are recorded in a specific entry under consolidated net assets once the relevant tax effect has been deducted, on the understanding that this complies and will comply with the requirements necessary for them to be considered non-refundable.

Non-refundable compensation received by the Parent Company as a capital subsidies for provision of the UPS is not allocated to the consolidated profit and loss account during the period of time equivalent to the service life of the components of the fixed assets



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financed with said compensation, unless these assets are transferred, depreciate or are eliminated, in which case they are allocated to the consolidated profit and loss account at such time as this occurs. The allocation to the consolidated profit and loss account of the compensation used for the financing of land is deferred until the financial year in which their transfer or depreciation takes place.

The compensation for provision of the UPS received as operating subsidies by the Parent Company are recorded as income in the consolidated profit and loss account in the period in which they have been recognised, independently of when they are charged.

As regards the considerations received by the Parent Company as capital subsidies for provision of the UPS and the deterioration of the associated assets, the valuation adjustments due to depreciation of the elements are considered irreversible insofar as they have been financed free of charge.

(r) Transactions with related parties

Transactions with related parties are recognised according to the rules of valuation detailed above.

(s) Value added tax

Non-deductible value added tax (hereinafter, VAT) forms part of the acquisition price of the investment assets, as well as the cost of the goods and services under transactions subject to value added tax. Adjustments for non-deductible value added tax borne as a result of the regularisation associated with the Parent Company's final pro rata determinations, including the regularisation of investment assets, do not alter the initial valuations of those assets. Therefore, any such effect is recorded in the consolidated profit and loss account.

Article 2 of the *Ley 23/2005 de 18 de noviembre, de Reformas en Materia Tributaria para el Impulso a la Productividad* (Tax Incentives for Productivity Act of 18 November 2005)

changed the value added tax rules applicable to the postal services provided by the Parent Company with effect from 1 January 2006. In particular, from 1 January 2006 the value added tax exemption for postal services was limited to universal postal services reserved for the operator appointed to provide them, i.e., the Parent Company. This new scenario meant significantly increasing the deductible VAT of the Parent Company until that date. Therefore, the Company is filing restatements regarding investment assets within the legally prescribed deadlines. For each of the financial years, the total revenue from such restatements has been stated under the item "Taxes" in the heading "Other operating expenses" of the consolidated profit and loss account.

Article 22.2 of *Ley 43/2010, de 30 de diciembre, del servicio postal universal, de los derechos de los usuarios y del mercado postal* (the Postal Act, of 30 December), establishes, with effect from 1 January 2011, that the operator designated by the State to provide the universal postal service is exempt from paying tax on its universal postal service activities, with the exception of corporation tax. As regards value added tax, the application of this legislative change has resulted in an increased in the number of services considered exempt from VAT, whereas the regulations applicable until 31 December 2010 limited exemptions to the scope of the postal services reserved for said operator. As a result of decreasing the proportion of services subject to and not exempt from VAT out of the total number of services provided by the Parent Company, there has been a significant reduction in the pro rata VAT deduction and, therefore, an increase in the non-deductible VAT paid for acquisition of investment assets and goods and services subject to VAT.



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6. Intangible fixed assets

The detail of activity in the 2013 and 2012 financial years is as follows:

2013 FINANCIAL YEAR	Balance at 01/01/2013	Additions	Disposals	Transfers	Balance at 31/12/2013
Cost-					
Patents, licences and similar	344	-	-	-	344
Technical studies and papers	-	-	-	-	-
IT applications	173,427	12,333	(121)	-	185,639
Other intangible fixed assets	421	-	-	-	421
Total cost	174,192	12,333	(121)	-	186,404
Accumulated depreciation-					
Patents, licences and similar	(336)	(8)	-	-	(344)
Technical studies and papers	-	-	-	-	-
IT applications	(162,640)	(6,432)	80	-	(168,992)
Other intangible fixed assets	(159)	(14)	-	-	(173)
Total accumulated amortisation	(163,135)	(6,454)	80	-	(169,509)
Adjustments for depreciation-					
IT applications	(44)	-	44	-	-
NET VALUE	11,013				16,895

The item "IT applications" records the amounts paid by the Correos Group in order to acquire the ownership of or the right of use of IT programs as well as the activation of updates for different software programs owned by the Group.

The main registrations seen during the financial year correspond to investments made by the Parent Company to acquire user licences and new IT programs, in addition to the updates to others, for sums of 10,100,000 and 1,478,000 respectively (and the investment registered for the same items during the 2012 financial year being 1,710,000 and 2,031 thousand euros).



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2012 FINANCIAL YEAR	Balance at 01/01/2012	Additions	Disposals	Transfers	Balance at 31/12/2012
Cost-					
Patents, licences and similar	344	-	-	-	344
Technical studies and papers	-	-	-	-	-
IT applications	168,402	5,025	-	-	173,427
Other intangible fixed assets	421	-	-	-	421
Total cost	169,167	5,025	-	-	174,192
Accumulated amortisation-					
Patents, licences and similar	(304)	(32)	-	-	(336)
Technical studies and papers	-	-	-	-	-
IT applications	(155,264)	(7,376)	-	-	(162,640)
Other intangible fixed assets	(145)	(14)	-	-	(159)
Total accumulated amortisation	(155,713)	(7,422)	-	-	(163,135)
Adjustments for depreciation-					
IT applications	(1)	(43)	-	-	(44)
NET VALUE	13,453				11,013

The cost of the wholly amortised items that formed part of the intangible fixed assets of Correos Group at 31 December 2013 amounts to 160,631 thousand euros (151,105 thousand euros in 2012).

At 31 December 2013, the Parent Company held binding agreements for the acquisition of IT applications for the sum of 29,527 thousand euros (28,251 thousand euros in 2012). On that date there were no binding agreements of sale involving any intangible assets owned by Correos Group.



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7. Tangible assets

The detail of activity in the 2013 and 2012 financial years is as follows::

2013 FINANCIAL YEAR	Balance at 01/01/2013	Recordings and provisions	Disposals	Transfers	Balance at 31/12/2013
Cost-					
Land	368,473	1,691	(141)	8,717	378,740
Constructions	1,396,367	5,006	(8,140)	29,113	1,422,346
Plants and other tangible fixed assets	706,544	22,654	(22,852)	2,714	709,060
Fixed assets in progress and advance payments	72,731	13,000	-	(38,531)	47,200
Total cost	2,544,115	42,351	(31,133)	2,013	2,557,346
Accumulated depreciation-					
Constructions	(381,121)	(33,758)	2,664	(291)	(412,506)
Plants and other tangible fixed assets	(528,879)	(45,422)	22,387	84	(551,830)
Total accumulated amortisation	(910,000)	(79,180)	25,051	(207)	(964,336)
Adjustments for depreciation-					
Land and buildings	(95,150)	(3,894)	3,626	(7,651)	(103,069)
Plants and other tangible fixed assets	(3,181)	(25)	243	-	(2,963)
Fixed assets in progress and advance payments	(21,174)	-	140	7,662	(13,372)
Total adjustments for depreciation	(119,505)	(3,919)	4,009	11	(119,404)
NET VALUE	1,514,610				1,473,606

The most significant recordings made under the headings "Land", "Built assets", and "Fixed assets in progress and advance payments" during the financial year correspond to the Parent Company, and refer to the reform and adaptation of existing premises and to the investments made at different logistics centres for postal processing and distribution for sums of 6,520 thousand euros and 7,645 thousand euros respectively (12,381 thousand euros and 3,318 thousand euros respectively during the 2012 financial year).



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7. Tangible assets

2012 FINANCIAL YEAR	Balance at 01/01/2012	Recordings and provisions	Disposals	Transfers	Balance at 31/12/2012
Cost-					
Land	371,220	-	(212)	(2,535)	368,473
Constructions	1,394,450	4,873	(7,481)	4,525	1,396,367
Plants and other tangible fixed assets	707,914	15,462	(20,150)	3,318	706,544
Fixed assets in progress and advance payments	94,250	13,757	-	(35,276)	72,731
Total cost	2,567,834	34,092	(27,843)	(29,968)	2,544,115
Accumulated depreciation-					
Constructions	(354,495)	(34,209)	1,839	5,744	(381,121)
Plants and other tangible fixed assets	(493,215)	(56,119)	19,839	616	(528,879)
Total accumulated amortisation	(847,710)	(90,328)	21,678	6,360	(910,000)
Adjustments for depreciation-					
Land and buildings	(88,675)	(10,719)	2,797	1,447	(95,150)
Plants and other tangible fixed assets	(3,166)	(243)	228	-	(3,181)
Fixed assets in progress and advance payments	(22,651)	-	-	1,477	(21,174)
Total adjustments for depreciation	(114,492)	(10,962)	3,025	2,924	(119,505)
NET VALUE	1,605,632				1,514,610

Moreover, in the headings "land and built assets", the Parent Company recorded 2,516 thousand euros, corresponding to the market value for a building registered in the Company's name in the 2013 financial year (see Note 14)).

The heading "Plants and other tangible fixed assets" includes the investments made in plants carried out at the properties used by the Group (whether or not it owns them), together with the investments made in machinery, IT equipment, transport elements

and furnishings. The most important recordings made under this heading during the financial year correspond to the purchase by the Parent Company of computer equipment, transport elements and furniture for sums of 9,648,000, 4,660,000 and 2,871,000 respectively (the largest investments made by the Parent Company during the 2012 financial year were those corresponding to the purchase of IT equipment, machinery and furniture for sums of 6,885,000, 3,192,000 and 2,562 thousand euros respectively).



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7. Tangible assets

Of the total sum for disposals of tangible fixed assets, 19,531 thousand euros correspond to fully amortised elements that were disposed of by the Parent Company, mainly IT equipment, machinery, furniture and technical facilities (the Parent Company disposed of wholly amortised material elements in the amount of 18,921 thousand euros during the 2012 financial year).

As mentioned in Note 4.e) of this Parent Company report, in the light of the stipulations of Order EHA/733/2010, of 25 March, which approved accounting aspects for public companies operating in certain circumstances, the depreciation of the assets included under the heading tangible fixed assets was recorded as per the value in use, as stipulated in the abovementioned Order. In this regard, the Parent Company compared the book value of the assets with their recoverable amount by using the value in use method, determined with reference to their depreciated replacement cost.

Depreciated replacement cost is calculated by adding together the following components:

- Obtaining market studies and valuations of the components of the assets as regards land and overall construction, undertaken by independent experts using different methods including the comparison method, the cost method and the residual value method, in addition to statistical studies on real estate market behaviour.
- Capitalised cost of the reforms applied to buildings, reduced by the accumulated amortisation, in order to reflect the use already made of the asset.
- Cost of the indirect expenses for the acquisitions and renovations.

Based on the depreciated replacement cost, with the net book value of the assessed assets, depreciation of 3,819 thousand euros has been confirmed, which in turn has been recorded in the consolidated profit and loss account for 2013 (8,169 thousand euros in 2012).

On the other hand in the 2013 financial year, the Parent Company allocated 81 thousand euros of the provision for adaptations and reforms of provisional premises (133 thousand euros in 2012) and has reverted 523 thousand euros (486 thousand euros in 2012) for the recognition of assets associated with provisional premises that were abandoned and 100 thousand euros (522 thousand euros in 2012) when it was determined that the use of certain premises had stopped being provisional.

The Parent Company reversed 2,271 thousand euros in depreciation as a result of eliminating a building it planned to leave at the end of 2012.

As at 31 December 2013, the Parent Company had signed contracts to purchase tangible fixed assets worth 29,731 thousand euros (44,342 thousand euros in the 2012 financial year). At the close of the financial year, the Company has no final commitments involving the sale of assets of significant net book value.

The cost of the wholly amortised items that formed part of the intangible fixed assets of the Correos Group as at 31 December 2013 amounts to 399,833 thousand euros (338,897 thousand euros as at 31 December 2012).

The net book value of the dwellings, premises and plots of land making up the tangible fixed assets of the Parent Company not involved in the operation amounts to 53,037 thousand euros (49,508 thousand euros as of 31 December 2012), and their acquisition cost was 79,963 thousand euros (70,631 thousand euros at 31 December 2012).

The Correos Group has insurance policies in place to cover those risks that could affect most of its tangible fixed assets.



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8. Investment property

The detail of activity in the 2013 and 2012 financial years is as follows:

	Balance at 01/01/2012	Recordings and provisions	Transfers	Balance at 31/12/2012	Recordings and provisions	Transfers	Balance at 31/12/2013
Cost-							
Land	1,367	-	(3)	1,364	-	(298)	1,066
Constructions	5,109	-	(367)	4,742	-	(1,408)	3,334
Total cost	6,476	-	(370)	6,106	-	(1,706)	4,400
Accumulated amortisation-							
Constructions	(833)	(102)	72	(863)	(69)	120	(812)
Adjustments for depreciation-							
Land and buildings	(75)	-	(16)	(91)	-	(11)	(102)
NET BOOK VALUE	5,568			5,152			3,486

The property investments correspond to premises that the Parent Company has leased to third parties. The income from these contracts recorded in the consolidated profit and loss account amounted to 314 thousand euros in the 2012 financial year, (463 thousand euros in the 2013 financial year).

The costs associated with property investments fundamentally correspond to those relating to their annual amortization and maintenance costs. The latter reached 94 thousand euros during the financial year (132 thousand euros during the previous financial year). All of these expenses were recorded in the consolidated profit and loss account based on the accrual principle.

There are no restrictions on property investments or on the collection of the income deriving from these or from the resources obtained from their transfer or disposal by other means, apart from those mentioned in Note (1) of this report under "Parent Company Activity".

There are no contractual obligations for the acquisition, construction or development of property investments or for repairs, maintenance or improvements.

The Parent Company has insurance policies in place to cover those risks that could affect most of its property investments.



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8. Investment property

The future minimum charges that cannot be cancelled for the operating leasing agreements associated with the property investments of the Group are broken down in the following table:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
Up to one year	167	192
Between one and five years	304	421
More than five years	-	-
TOTAL	471	613



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9. Non-current assets held for sale

The detail and movement of activity under this heading during the 2013 and 2012 financial years are as follows:

	Balance at 01/01/2013	Recordings and provisions	Disposals	Transfers	Balance at 31/12/2013
Cost-					
Land	9,524	-	(584)	-	8,940
Constructions	20,859	-	(1,054)	(243)	19,562
Other installations	1,222	-	(33)	(64)	1,125
Total cost	31,605	-	(1,671)	(307)	29,627
Accumulated depreciation-					
Constructions	(6,105)	-	338	30	(5,737)
Other installations	(753)	-	32	57	(664)
Total accumulated amortisation	(6,858)	-	370	87	(6,401)
Adjustments for depreciation-					
Land and buildings	(3,049)	-	5	-	(3,044)
NET BOOK VALUE	21,698				20,182

At the close of the 2013 financial year, the Parent Company classified 19,921 thousand euros (20,554 thousand euros in 2012) under the heading of "non-current assets held for sale", corresponding to investment in land, built assets and installations in own tangible assets included in a disposal plan approved by the Parent Company Board of Directors in 2012.

The Parent Company is currently selling the tangible assets in the disposal plan, via contracted services, until 31 December 2014, to organise, manage, conduct auctions and direct subsidiary sale. The Parent Company has disposed of 1,671 thousand euros and recorded an accumulated amortisation of 370 thousand euros in 2013.



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9. Non-current assets held for sale

	Balance at 01/01/2012	Recordings and provisions	Disposals	Transfers	Balance at 31/12/2012
Cost-					
Land	267	-	-	9,257	9,524
Constructions	839	-	-	20,020	20,859
Other installations	161	-	-	1,061	1,222
Total cost	1,267	-	-	30,338	31,605
Accumulated depreciation-					
Constructions	(290)	-	-	(5,815)	(6,105)
Other installations	(136)	-	-	(617)	(753)
Total accumulated amortisation	(426)	-	-	(6,432)	(6,858)
Adjustments for depreciation-					
Land and buildings	-	(141)	-	(2,908)	(3,049)
NET BOOK VALUE	841				21,698



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10. Inventories

Details of this item as at 31 December 2013 and 2012 are as follows:

	Balance at 31/12/2013	Balance at 31/12/2012
Stock valued at cost-		
Stamps in the possession of third parties	1,580	1,357
Stamps at company offices and warehouses	1,898	1,239
Collectors' stamps	1,379	1,125
Other stock	1,277	2,429
	6,134	6,150
Evaluative corrections for depreciation-	(3,198)	(3,978)
	2,936	2,172

Details of the valuation adjustments for depreciation of stock during the 2013 and 2012 financial years are as follows:

	Valuation adjustments		
	Stamps	Others	Total
Balance at 01 January 2012	4,328	14	4,342
Value corrections for depreciation	1,003	7	1,010
Reversal of valuation adjustments	(429)	-	(429)
Application against cost of stock	(945)	-	(945)
Balance at 31 December 2012	3,957	21	3,978
Value corrections for depreciation	791	30	821
Reversal of valuation adjustments	(524)	-	(524)
Application against cost of stock	(1,062)	(15)	(1,077)
Balance at 31 December 2013	3,162	36	3,198

The Correos Group has maintained valuation adjustments for depreciation of stamps for a value of 3,162 thousand euros (3,957 thousand euros in 2012) in cases in which it was estimated that its net realisable value was lower than its book value.

Periodically, the Parent Company destroys this stock of stamps whose age and/or the reason for their issue make their use impossible. For this reason, completely depreciated stamps worth 1,077 thousand euros were destroyed over the financial year (945 thousand euros in 2012).



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11. Current financial assets

The composition of the Correos Group short-term financial assets as of 31 December 2013 and 2012, excluding cash and other equivalent liquid assets described in Note (12) below, including balances with Public Agencies not considered financial instruments, is as follows:

	Balance at 31/12/2013	Balance at 31/12/2012
Trade debtors and other accounts receivable-		
Client sales and services provided	298,511	375,870
Clients, group and associated companies (Note 20)	48	87
Other debtors	350,232	13,366
Debtors, group and associated companies (Note 20)	2,630	3,473
Staff	9,995	11,777
Government bodies (Note 18)	135	4,800
	661,551	409,373
Short-term financial investments-		
Deposits and guarantees	6,501	7,414

11.1. Trade debtors and other receivables

The headings "Clients by sales and provision of service" and "Other debtors" include 59,975 thousand euros in fees to be collected by the Parent Company from third-country postal operators for the provision of postal and telegram services (which stood at 64,251 thousand euros as at 31 December 2012).

The "Staff" heading contains the amounts delivered to different employees as advance payroll payments in accordance with a specific plan designed by the Parent Company and that are still pending recovery at the close of the financial year.

According to a communication sent by the Directorate General of the Treasury and Financial Policy on 10 March 2009, the Treasury will adjust the issue of funds to Public Institutions according to their effective liquidity requirements and will withhold them if the recipients, based on their monthly treasury forecasts, have their liquidity requirements covered. The Parent Company has assessed the short-term balance to be paid as compensation for provision of the UPS, received as operating subsidies (see Notes 11.3.1 and 17.c) at 31 December 2013 at 33,724 thousand euros (208,092 thousand euros at 31 December 2012).

Likewise, the headings "Clients by sales and provision of services" and "Other debtors" are shown as net valuation adjustments for depreciation, with the activity taking place during the 2013 and 2012 financial years being as follows:

	Valuation adjustments		
	Clients	Debtors	Total
Balance at 01 January 2012	15,076	1,782	16,858
Value corrections for depreciation	8,203	32	8,235
Reversals/application of valuation adjustments	(5,633)	(673)	(6,306)
Balance at 31 December 2012	17,646	1,141	18,787
Value corrections for depreciation	8,214	4	8,218
Reversals/application of valuation adjustments	(7,199)	-	(7,199)
Balance at 31 December 2013	18,661	1,145	19,806

Under the item "Losses, depreciation and variation in provisions for trade operations" of the consolidated profit and loss account, the Correos Group recorded an expense of 1,478 thousand euros due to a direct cancellation of defaulting debts (having registered an expense of 546 thousand euros for this same item during the 2012 financial year).



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11. Current financial assets

11.2. Short-term financial investments

The short-term “Deposits and guarantees” item mostly records court bonds with various employment courts for actions brought by employees and former employees of the Parent Company.

11.3. Information about the nature and the level of risk from financial instruments

The risk management policies of the Parent Company are laid down by the Management Committee, after having been approved by the Board of Directors. On the basis of these policies, a set of procedures and controls was established to make it possible to identify, measure and manage risks deriving from financial instruments, which expose the Company to credit, market and liquidity risks:

11.3.1. Credit risks

A credit risk occurs due to the possible loss caused by a breach of the contractual obligations of the Parent Company's counterparts, that is, due to the possibility of not recovering the financial assets for the sum recorded in the set period.

The maximum exposure to credit risk of the Correos Group at 31 December 2013 and 2012 is as follows:

	Parent Company		Rest of Group companies		Total Correos Group	
	Balance at 31/12/2013	Balance at 31/12/2012	Balance at 31/12/2013	Balance at 31/12/2012	Balance at 31/12/2013	Balance at 31/12/2012
Long term financial investments	460	203,970	999	961	1,459	204,931
Clients by sales and provision of services	262,063	339,514	36,448	36,356	298,511	375,870
Other debtors	350,196	12,758	36	608	350,232	13,366
Short-term financial investments	6,428	7,344	73	70	6,501	7,414
Banks and lending institutions (Note 12)	82,095	96,975	1,798	2,910	83,893	99,885
	701,242	660,561	39,354	40,905	740,596	701,466

As explained in Note 11.1), the Parent Company has classified as an outstanding right to charge the balance to be paid as compensation for provision of the UPS, received as operating subsidies, at the close of the 2013 financial year, which stood at 336,724 thousand euros (see Note 17.c)), as it intends to charge it shortly. Also, the Parent

Company reversed 4,579 thousand euros, the total depreciation at 31 December 2012, as a debt update (11,181 thousand euros were reversed in the 2012 financial year).



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11. Current financial assets

	Balance at 31/12/2013	Balance at 31/12/2012
Long term financial investments		
Long-term debts with government bodies	-	208,092
Value corrections for depreciation	-	(4,579)
Other financial investments	1,459	1,418
	1,459	204,931
Trade debtors and other receivables		
Other debtors - UPS compensation (Note 11.1)	336,724	-
Other debtors - rest	13,508	13,366
	350,232	13,366

The different companies in the Correos Group perform a solvency analysis for each of their clients. These analyses are used for conceding or denying contracts with postponed payment to clients. The authorisations for the signing these contracts are classified according to the amount of the loan.

The breakdown of the concentration of credit risks per counterpart under the "Clients by sales and provision of services" and "Other debtors" sections of the Correos Group at 31 December 2013 and 2012 is as follows:

2013 FINANCIAL YEAR						2012 FINANCIAL YEAR					
Parent Company			Rest of companies			Parent Company			Rest of companies		
	Number	Thousands of euros	Number	Thousands of euros		Number	Thousands of euros	Number	Thousands of euros		Thousands of euros
Trade debtors-											
With balance greater than 1,000 thousand euros	36	102,409	4	5,749		43	147,823	-		-	
With balance between 500,000 and 1,000,000	37	26,725	6	3,675		39	25,705	1		850	
With balance below 500 thousand euros	19,087	78,904	6,322	27,060		17,961	106,429	5,841		36,070	
	19,160	208,038	6,332	36,484		18,043	279,957	5,842		36,920	
Foreign postal operators	218	59,975	-	-		224	64,251	-		-	
Other debtors - UPS compensation (Note 11)	-	336,724	-	-		-	-	-		-	
Other financial assets	-	7,522	-	-		-	8,108	-		-	
		404,221		-			72,359			-	
		612,259		36,484			352,316			36,920	



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11. Current financial assets

At 31 December 2013 and 2012, the breakdown of the "Clients" and "Foreign postal operators" of the Correos Group companies by debt seniority was as follows:

	2013 FINANCIAL YEAR				2012 FINANCIAL YEAR			
	Parent Company		Rest of Group companies		Parent Company		Rest of Group companies	
	Clients	Foreign postal operators	Clients		Clients	Foreign postal operators	Clients	
Not due	84,198	36,132	28,873		122,723	23,269	28,212	
Due, non-doubtful:								
Less than 30 days	23,969	220	2,530		49,827	729	5,029	
Between 30 and 60 days	24,760	249	1,456		31,624	457	966	
Between 60 and 90 days	9,366	83	119		12,755	2,244	617	
Between 90 and 120 days	6,377	60	485		11,817	131	207	
Over 120 days	59,368	12,591	3,021		51,211	27,640	1,889	
Provisional payments	-	10,640	-		-	9,781	-	
	208,038	59,975	36,484		279,957	64,251	36,920	
Doubtful clients	9,797	1,159	4,713		9,276	1,457	4,130	
Adjustments for depreciation	(9,797)	(1,159)	(4,713)		(9,276)	(1,457)	(4,130)	
	208,038	59,975	36,484		279,957	64,251	36,920	

Receivables to be paid by clients of the Parent Company outstanding for more than 120 days and not considered bad debt for the sum of 59,368 thousand euros (51,211 thousand euros in 2012) correspond to receivables from public institutions.

The provisional payments correspond to sums paid by the Parent Company to other foreign operators for the provision of their postal services prior to definitive settlement.

The Parent Company streamlined the cash flow surpluses during the 2013 financial year by actively managing the funds deposited in current accounts at strongly solvent national financial entities. Also, in the last quarter of 2013, the Parent Company made cash flow loans to its shareholder, due within a month and paid at the market rate.



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11. Current financial assets

11.3.2. Market risk

Market risk occurs due to the possible loss caused by variations in the reasonable value or future cash flows of a financial instrument due to changes in market prices. Market risk includes interest rate risk, exchange rate risk and other price risks.

Interest rate risks

Interest risk takes place due to the possible loss caused by variations in the reasonable value or in future cash flows of a financial instrument due to changes in market interest rates.

Given that practically all financial assets of Correos Group mature in less than twelve months, the exposure of these to exchange rate risk in interest rates is not significant.

Exchange rate risks

Exchange rate risk occurs due to the possible loss caused by variations in the reasonable value. The Correos Group exposure to the risk of exchange rate fluctuations is due primarily to sales made in currencies other than the functional currency. These balances are derived from the services rendered and by foreign postal operators and from the provision of the international money order service.

In this regard, the Parent Company's exposure to this risk largely corresponds to the accounts receivable and payable deriving from international mail. Given that the net value of these balances as of 31 December 2013 stood at 3,344 thousand euros payable (5,502,000 as of 31 December 2012), the Parent Company's Directors do not consider this risk significant.

11.3.3. Liquidity risks

A liquidity risk occurs due to the possibility of Correos Group not having liquid funds or access to liquid funds available, in a sufficient amount and at the right cost, to meet its payment obligations at all times. The objective of the Group is to maintain the necessary liquid availability.

The list of the short-term financial assets and liabilities of the Group at 31 December 2013 and 2012, and, as the difference, its ability to meet its payment obligations in the short-term, are as follows:

	Balance at 31/12/2013	Balance at 31/12/2012
Short-term financial assets-		
Clients for sales and services provided	298,511	375,870
Other debtors	350,232	13,366
Financial investments	6,501	7,414
Cash and other liquid resources	126,518	145,059
Short-term financial liabilities-		
Short-term debts	(26,207)	(27,217)
Trade creditors and other accounts payable	(297,865)	(332,636)
DIFFERENCE	457,690	181,856



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12. Cash and other equivalent liquid assets

Details of this item as at 31 December 2013 and 2012 is as follows;

	Balance at 31/12/2013	Balance at 31/12/2012
Cash	42,625	45,174
Banks and lending institutions	83,759	99,783
Accrued interest not due	134	102
	126,518	145,059



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13. Shareholders' Equity

Details of Correos Group equity activity is shown in the statement of changes in the consolidated net assets, which is an integral part of the consolidated annual report.

a) Declared capital

The share capital of the Parent Company is represented by 611,521 shares with a nominal value of 1 thousand euros each. All shares have the same political and economic rights and are fully subscribed and paid up.

b) Share premium

The share premium account, created at the time of incorporation of the Parent Company, is subject to the same restrictions and may be used for the same purposes as the Company's voluntary reserves, including conversion to Share Capital.

The Parent Company's share premium was 250,938 thousand euros at 31 December 2013 and 2012.

c) Reserves

Pursuant to article 274 of the *Ley de Sociedades de Capital* (Capital Companies Act), enacted by *Real Decreto Legislativo 1/2010* (Legislative Royal Decree 1/2010), dated 2

July, a figure equal to 10% of the profit for the financial year must be allocated to the Legal Reserve until it matches a minimum of 20% of the share capital.

The legal reserve can only be used to increase the share capital in the part of its balance that exceeds 10% of the capital already increased. Except for the purpose mentioned above, and until it exceeds 20% of the share capital, this reserve will only be used to offset losses, provided that there are no other sufficient reserves available for this purpose.

Under the Parent Company's Articles of Association, the Company must allocate 20% of the profit from each year to constitute the reserves required by the Articles of Association. As at 31 December 2013, these reserves may be freely disposed of as decided by the Board of Directors of the Parent Company pursuant to article 36 of its Articles of Association. At 31 December 2013, the statutory reserves totalled 164,188 thousand euros; the value of the voluntary reserves stood at 355,452 thousand euros (at 31 December 2012, 164,188 thousand euros and 360,017 thousand euros, respectively).

d) Reserves in consolidated companies

The breakdown as at 31 December 2013 and 2012 is as follows:

	Balance at 01/01/2012	Profit or loss 2011	Balance at 31/12/2012	Profit or loss 2012	Dividend	Balance at 31/12/2012
Correos Telecom, S.A.	2,648	1,597	4,245	1,757	(1,757)	4,245
Nexea Gestión Documental, S.A.	428	(1,020)	(592)	(2,676)	-	(3,268)
Chronoexpres, S.A.	(176,265)	(6,710)	(182,975)	(12,563)	-	(195,538)
	(173,189)	(6,133)	(179,322)	(13,482)	(1,757)	(194,561)



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13. Shareholders' Equity

This section also includes the Parent Company's other reserves, reflecting the reserves generated by certain consolidation adjustments made in the past for 203,803 thousand euros (187,974 thousand euros in 2012), and particularly the elimination of the provision for amortisation of financial investments and accumulated amortisations of consolidation goodwill, resulting from the acquisition of 100% of Chronoexpres, S.A.

e) Consolidated results of the Correos Group

The Correos Group's consolidated profit for the 2013 and 2012 financial years is as follows:

	2013 FINANCIAL YEAR			2012 FINANCIAL YEAR		
	Individual results	Consolidation adjustments	Consolidated results	Individual results	Consolidation adjustments	Consolidated results
Correos y Telégrafos, S.A.	48,012	1,998	50,010	(6,322)	15,829	9,507
Correos Telecom, S.A.	1,688	-	1,688	1,757	-	1,757
Nexea Gestión Documental, S.A.	(1,228)	(390)	(1,618)	(2,676)	-	(2,676)
Chronoexpres, S.A.	(1,663)	-	(1,663)	(12,563)	-	(12,563)
	46,809	1,608	48,417	(19,802)	15,829	(3,975)



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14. Subsidies, donations and legacies received

Details of the activity of the compensation received as capital subsidies by the Parent Company in 2013 and 2012 are as follows:

	Thousands of euros
INITIAL BALANCE AT 01 JANUARY 2012	327,927
Allocation to the profit and loss account:	
- due to amortisation	(27,239)
- due to adjustments for depreciation	(3,396)
- due to disposals	(1,221)
Tax effect	9,557
FINAL BALANCE AT 31 DECEMBER 2012	305,628
Capital subsidies collected	(10,473)
Capital subsidies pending collection	-

	Thousands of euros
INITIAL BALANCE AT 01 JANUARY 2013	305,628
Subsidies, donations and legacies received	2,516
Tax effect	(755)
Allocation to the profit and loss account:	
- due to amortisation	(22,415)
- due to adjustments for depreciation	(865)
- due to disposals	(1,048)
Tax effect	7,298
FINAL BALANCE AT 31 DECEMBER 2013	290,359
Capital subsidies collected	-
Capital subsidies pending collection	-

In the headings "Subsidies, donations and legacies received", the Parent Company recorded 2,516 thousand euros corresponding to the market value for a building registered in the Company's name in the 2013 financial year (see Note 7)).

The pending amount of subsidies for the UPS at the close of the 2013 financial year is for operating subsidies amounting to 336,724 thousand euros (see notes 11.1), 11.3.1) and 17.c)).



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15. Long-term and short-term provisions

The provisions for the financial year, amounting to 11,593 thousand euros, have been charged to the consolidated profit and loss account according to their type (15,409 thousand euros in 2012).

The origin of these charges lies in court decisions that have been unfavourable for Correos Group during the 2013 financial year and which have involved the effective payment of certain amounts and charging the relevant provisions to the consolidated profit and loss account, depending on the nature of the action.

The reversions for the financial year, amounting to 5,556 thousand euros, have been charged to the consolidated profit and loss account according to their type (8,236 thousand euros in 2012).

The itemised list of long-term and short-term provisions for the 2013 and 2012 financial years was as follows:

	Long-term provisions					Provisions to short-term
	Provision for taxes	Provision for claims from the staff	Provision for court actions	Other provisions	Total	
BALANCE AT 01 JANUARY 2012	3,774	23,742	49,629	3,700	80,845	1,135
Provisions	889	751	5,874	742	8,256	7,153
Applications / payments	(120)	(5,674)	(1,668)	(100)	(7,562)	-
Reversals / excesses	-	(1,218)	(6,305)	(713)	(8,236)	-
Reclassifications	-	(73)	377	(305)	(1)	-
BALANCE AT 31 DECEMBER 2012	4,543	17,528	47,907	3,324	73,302	8,288
Provisions	1,603	3,531	5,235	48	10,417	1,176
Applications / payments	-	(1,712)	(5,216)	(456)	(7,384)	(1,372)
Reversals / excesses	(786)	(1,305)	(543)	(90)	(2,724)	(2,832)
Reclasificaciones	-	-	-	-	-	-
BALANCE AT 31 DE DICIEMBRE DE 2013	5,360	18,042	47,383	2,826	73,611	5,260

Provision for claims from the staff

The balance of this provision as at 31 December 2013 records the estimated sums to be paid for claims and court actions in employment-law proceedings against the Correos Group.

Provision for court actions

The balance of this provision at 31 December 2013 chiefly reflects the estimated payable amounts from the penalty proceedings in the *Comisión Nacional de los Mercados y la Competencia* (CNMC) against the Parent Company, and the estimated amounts to handle possible claims for damages that may be caused by unfavourable sentences in the area of competition.



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16. Financial liabilities

The composition of the Correos Group short-term financial liabilities as of 31 December 2013 and 2012, including balances with Public Agencies not considered financial instruments, is as follows:

	Balance at 31/12/2013	Balance at 31/12/2012
Short-term debts:		
Creditors for fixed assets	9,697	11,625
Money order deposits	5,591	6,374
Deposits and guarantees	7,060	6,998
Creditors for financial leasing	294	1,296
Short-term debts	3,565	924
TOTAL SHORT-TERM DEBTS	26,207	27,217
Short-term debts with group and associated companies (Note 20)	8,361	758
Trade creditors and other accounts payable:		
Suppliers	2,257	2,078
Suppliers, group and associated companies (Note 20)	22	7
Other creditors	203,883	236,954
Personnel (unpaid wages)	24,872	24,938
Other debts with government bodies (Note 18)	49,426	41,895
Customer advances	17,405	26,764
TOTAL TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE	297,865	332,636

"Money order deposits" include money orders accepted prior to 31 December 2013 and pending payment by the Parent Company to their recipients at that date.

The heading "Other creditors" includes the amounts charged by the Parent Company for third parties and the sum of the provision for volume discounts for the sums 38,850 and

147 thousand euros respectively (the amounts recorded for these items at 31 December 2012 stood at 43,300 and 22,222 thousand euros).

Likewise, the headings "Other creditors" and "Customer advances" include 56,631 thousand euros whose origin lies in the obligations pending the Parent Company's payment to different third-country postal operators for postal and telegram services received (69,752 thousand euros at 31 December 2012).

Details of payments for trade operations carried out by the Group and pending payment at the close of the year as regards the maximum legal deadlines foreseen in *Ley 15/2010* (Act 15/2010) are as follows for the years 2013 and 2012:

	2013		2012	
	Thousands of euros	%	Thousands of euros	%
Payments during the financial year within the legal maximum deadline	497,643	98%	459,328	98%
Rest	9,285	2%	9,497	2%
TOTAL PAYMENTS DURING THE FINANCIAL YEAR	506,928	100%	468,825	100%
Average timeframe for late payments	38		4	
Pending balance of payments exceeding the legal maximum at the close of the year	1,491		835	



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17. Revenue and expenses

a) Net turnover

The distribution of Correos Group turnover corresponding to its ordinary activities by activity category, as well as by geographical markets, for the 2013 and 2012 financial years is as follows:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
Segmentation of activities by category-		
Revenues for postal, telegraph and parcel services	1,658,491	1,785,308
Income from provision of services to third parties and provision of banking services	26,364	28,428
Revenues from money transfer	30,938	27,870
Sale of philately products	17,490	18,386
Others	13,714	15,441
TOTAL	1,746,997	1,875,433
Segmentation by geographical markets-		
National	1,746,997	1,875,433
TOTAL	1,746,997	1,875,433

The heading "Provision of postal, telegraph and parcel services" is shown as the net of the figure for volume discounts granted by the Correos Group to its clients during the financial year for the sum of 19,061 thousand euros (this figure was equivalent to 22,068 thousand euros in the 2012 financial year).

b) Goods consumed

The breakdown of the heading "Consumption of merchandise" in the attached consolidated profit and loss account during the 2013 and 2012 financial years is as follows:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
National purchases of merchandise-		
Stamps and other franking devices	5,620	5,130
Other products	8,025	7,782
Changes in stock	(1,061)	(641)
GOODS CONSUMED	12,584	12,271

c) Compensation for provision of the UPS

On 13 February 2013 and 19 June 2013 the Parent Company received letters from the *Subdirección General de Régimen Postal, del Ministerio de Fomento* (Subdirector General for the Postal Service, part of the Public Works Ministry), notifying the decision taken by the Governing Council of the National Postal Sector Committee which approves the resolution of the National Committee for the Postal Sector on the analytical accountancy of Correos and the determination of the net costs of the universal postal service for the financial years 2009 and 2010. Both letters quantify the compensation required for provision of the UPS in the 2009 and 2010 financial years.

As such, the Parent Company booked 147,987 and 121,132 thousand euros in the 2013 financial year, corresponding to payments for provision of the UPS in 2009 and 2010 respectively (in the 2012 financial year the Parent Company booked 47,963 thousand euros of payment for compensation for the UPS in the 2008 financial year).



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17. Revenue and expenses

2012 FINANCIAL YEAR

**Compensation for provision of the UPS still to be charged
as of 1 January 2012. 194,979**

UPS compensation received (35,350)

Compensation for the 2012 financial year 500

Payment of UPS compensation 2008 47,963

**Compensation for provision of the UPS still to be charged as of 31
December 2012. 208,092**

2013 FINANCIAL YEAR

UPS compensation received (139,919)

Payment of UPS compensation 2009 147,987

Payment of UPS compensation 2010 121,132

Reappraisal compensation (568)

UPS compensation outstanding at 31 December 2013 336,724

Over the course of the 2013 financial year, the Parent Company charged 139,919 thousand euros for compensation for the provision of the UPS in previous years (35,350 thousand euros in 2012). The amount unpaid under this item at the close of the 2013 financial year is 336,724 thousand euros (see Notes 11.1.) and 11.3.1)).

The Parent Company received other subsidies during the 2013 financial year, mainly for staff training, worth 214 thousand euros (in financial year 2012 it received 242 thousand euros for this purpose).

d) Staff costs

The breakdown of staff costs for the financial years ending 31 December 2013 and 2012 is as follows:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
Wages, salaries and similar	1,175,306	1,153,742
Social security contributions	228,507	226,220
Other costs	8,924	7,755
	1,412,737	1,387,717

The social security contributions for the 2013 and 2012 financial years include no amounts for pension contributions and donations. On the basis of the provisions of article two of *Real Decreto 20/2011* (Royal Decree 20/2011), of 30 December, on urgent budgetary, fiscal and financial measures for the correction of the public deficit, the Parent Company did not make contributions to the pension plans (see Note 5-o)).



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e) External services

The breakdown of the heading "External Services" for the financial years ending at 31 December 2013 and 2012 is as follows:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
Leases	42,613	38,818
Repairs, preservation and maintenance	73,295	75,050
Independent professional services	42,292	42,966
Transport expenses	154,334	157,530
Advertising, marketing and public relations	7,654	4,561
Supplies	42,788	43,859
International correspondence expenses	47,404	47,265
Other costs	56,052	49,702
	466,432	459,751

"Independent professional services" includes 6,476 thousand euros corresponding to the cost accrued for partner entities' fees (7,200 thousand euros in 2012). These entities are retained by the Parent Company under contract to promote, transmit, market and reinforce postal services on behalf of the Company, and to conduct collection, processing, franking, sorting and transport of postal items for deposit at Company facilities. Likewise, this heading includes 19,688 thousand euros in security expenses at the Parent Company (19,789 thousand euros in 2012).

"International mail expenses" includes the costs that the postal operators from different countries invoice to the Parent Company for the provision of postal and telegraph services whose recipients reside in those countries.

The future minimum payments that cannot be cancelled deriving from the operating lease contracts signed by different companies in the Correos Group are itemised in the following table:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
Up to one year	24,610	24,636
Between one and five years	16,479	20,592
More than five years	28,289	29,099
	69,378	74,327

f) Taxes

Under the heading "Taxes" the Parent Company records, among other things, the effect of the restatement of the pro rata figure determined for investment assets (see Note 4-s)). This restatement involved an expense of 1,077 thousand euros in the 2013 financial year (1,016,000 in the 2012 financial year).

Other taxes are also recorded, such as the property tax, which cost 6,072 thousand euros in the 2013 financial year (4,934 thousand euros in 2012).



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g) Depreciation and loss/gain on disposal of fixed assets

The breakdown of this heading for the financial years ending at 31 December 2013 and 2012 is as follows:

	Intangible assets	Land and buildings	Other tangible fixed assets	Technical facilities	Total
I. NON-CURRENT MATERIAL AND ASSETS FOR SALE					
Adjustments for depreciation:					
Provisions	-	3,951	-	25	3,976
Reversals	(43)	(580)	(208)	-	(831)
Reclassifications	-	-	-	-	-
	(43)	3,371	(208)	25	3,145
Income from disposals and other results:					
Profit	-	(2,208)	(72)	-	(2,280)
Losses	40	756	348	10	1,154
	40	(1,452)	276	10	(1,126)
I. NON-CURRENT MATERIAL AND ASSETS FOR SALE					
Adjustments for depreciation:					
Provisions	43	10,847	66	177	11,133
Reversals	-	(916)	(2)	(216)	(1,134)
Reclassifications	-	-	-	-	-
	43	9,931	64	(39)	9,999
Income from disposals and other results:					
Profit	-	(1,755)	(127)	-	(1,882)
Losses	-	1,209	294	3	1,506
	-	(546)	167	3	(376)



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17. Revenue and expenses

h) Revenue and financial expenses

The breakdown of this heading for the 2013 and 2012 financial years is as follows:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
Financial income-		
From Group companies:		
Short-term deposits (Note 20)	190	-
From third parties:		
Other financial income	4,467	3,852
	4,657	3,852
Financial charges-		
From third parties:		
Other financial expenses	50	148
	50	148

In the last quarter of 2013, the Parent Company made cash flow loans to its shareholder, due within a month and paid at the market rate. The resulting income stood at 190 thousand euros in the 2013 financial year.

The income earned by the Parent Company from the management of the cash flow surplus in its current accounts was recorded under "Other financial income" (see Note 11.3.1)).



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18. Tax situation

Details of the balances held by the Group with government bodies as at 31 December 2013 and 2012 is as follows:

	Balance at 31/12/2013	Balance at 31/12/2012
Non-current assets-		
Deferred tax assets	35,164	35,351
Long-term debts by government bodies (Note 11.3.1)	-	208,092
Valuation adjustments for depreciation (Note 11.3.1)	-	(4,579)
TOTAL NON-CURRENT ASSETS WITH GOVERNMENT BODIES	35,164	238,864
Non-current assets-		
Current tax assets	2	4,510
Other debtors - UPS compensation (Note 11.3.1)	336,724	-
Others	828	290
TOTAL CURRENT ASSETS WITH GOVERNMENT BODIES	337,554	4,800
	(Note 11)	(Note 11)
Non-current liabilities-		
Deferred tax liabilities	124,151	130,683
Current liabilities-		
Income tax – [IRPF in Spanish]	18,752	10,264
Value added tax - VAT	5,249	6,919
Social security	22,009	20,568
MUFACE (public employee mutual soc.) and liability fees	3,015	3,228
Others	401	916
TOTAL CURRENT LIABILITIES WITH GOVERNMENT BODIES	49,426	41,895
	(Note 16)	(Note 16)

In the 2011 financial year Correos Group paid its taxes under the fiscal consolidation regime as the Parent Company of fiscal group 38/11 comprising the Parent Companies Chronoexpres, S.A., Correos Telecom, S.A. and Nexea Gestión Documental, S.A.

In the 2012 financial year, following the transfer of the shares of the Parent Company to the public law entity SEPI (Sociedad Estatal de Participaciones Industriales), formalised via the Act of 5 June 2012, all Companies of the Correos Group were integrated in consolidated fiscal group SEPI with number 9/86, with the subsequent extinction of fiscal group 38/11.

This integration has been effective since 1 January of the 2012 financial year, and was communicated by SEPI (as the Parent Company of the Fiscal Group) to the Central Office of Large-Scale Taxpayers of the Fiscal Authorities when the second instalment of the corporate tax payment for 2012 was made in compliance with the provisions in article 70.6 of the amended text of the *Texto Refundido de la Ley del Impuesto sobre Sociedades* (Amended Text of the Corporate Tax Act).

The fiscal group's taxable base is calculated by adding the individual tax bases of its component companies. In spite of this, all Group Companies will submit their liquidation separately.

The corporate tax of each company of the Group is calculated using the financial or accounting result, obtained by applying the generally accepted accounting principles. These do not necessarily have to coincide with the fiscal result which is considered as the taxable base.

To determine the individual taxable amounts certain adjustments or eliminations to transactions within the group are made at an individual level, i.e. they are transferred to the individual taxable amounts of the Group Companies instead of having them at a consolidated level. Of these operations, the most common relate to dividends paid by Group companies and provisions for the depreciation of stakes held in affiliate companies. The objective of this so-called "homogenisation" of the taxable bases that



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18. Tax situation

are integrated in the base of fiscal group 9/86 is to avoid doubling up in the calculation of the tax debts and profits.

The breakdown of the assets and liabilities for deferred tax is as follows:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
Temporary differences:		
Provision for risks and charges	2,769	2,769
Provisions related to staff	810	520
Provisions related to fixed assets	1,073	1,939
Portfolio provision	9,802	7,814
Excess of amortisation of fixed assets	8,346	2,689
Others	219	212
	23,019	15,943
Credits for negative tax bases	12,145	19,408
TEMPORARY DIFFERENCES	35,164	35,351
Diferencias temporarias:		
Tax effect of compensation received as capital subsidies	124,439	130,983
Other temporary adjustments	(288)	(300)
DEFERRED TAX LIABILITIES	124,151	130,683



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18. Tax situation

The activity of assets due to temporary differences in corporate tax during the 2013 and 2012 financial years is as follows:

2013 FINANCIAL YEAR	Balance at 01/01/2013	Additions	Restatements	Others adjustments	Reversal	Balance at 31/12/2013
Temporary differences	119,091	29,728	-	-	(29,189)	119,630
Tax effect:						
Temporary differences	15,943	8,918	-	-	(1,842)	23,019
Credits for losses to be compensated	19,408	-	2	-	(7,265)	12,145
	35,351	8,918	2	-	(9,107)	35,164

2012 FINANCIAL YEAR	Balance at 01/01/2012	Additions	Restatements	Other adjustments	Reversal	Balance at 31/12/2012
Temporary differences	117,729	21,632	10,229	(12,425)	(18,074)	119,091
Tax effect:						
Temporary differences	18,926	6,485	(1,228)	(2,977)	(5,263)	15,943
Credits for losses to be compensated	16,015		4,296	(751)	(152)	19,408
	34,941	6,485	3,068	(3,727)	(5,415)	35,351



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18. Tax situation

The effective aggregate tax expense and the aggregated Corporate Tax expense are calculated as follows:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
	Consolidated profit and loss account	Consolidated profit and loss account
Consolidated result before taxes	63,781	(22,263)
Consolidation adjustments	1,607	15,836
AGGREGATE RESULTS BEFORE TAXES	65,388	(6,427)
Breakdown of aggregate results before taxes:		
- Accounting basis	68,699	2,515
- Capitalised accounting basis (losses)	(4,918)	(24,778)
- Non-taxable accounting basis	1,607	15,836
	65,388	(6,427)
Theoretical tax charge	20,610	(1,481)
Tax credit	(1,377)	(4,029)
Non-calculable income	(1,094)	(1,440)
Non-deductible expenses	544	5,014
Deductions	(1,482)	(507)
Effective aggregated taxable (income)/expense	17,201	(2,443)
Breakdown effective aggregate taxable expense:		
Current taxes	18,949	758
Tax credit	(2,027)	(2,191)
Deferred taxes	279	(1,010)
TOTAL EFFECTIVE AGGREGATE TAXABLE EXPENSE:	17,201	(2,443)
Adjusted estimated corp. tax.	(230)	(9)
AGGREGATE CORPORATE TAX EXPENSE	16,971	(2,452)



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18. Tax situation

The calculated corporation tax pending payment and collection as at 31 December 2013 and 2012 is as follows:

	2013 FINANCIAL YEAR		2012 FINANCIAL YEAR	
	Tax current debtor	Tax current creditor	Tax current debtor	Tax current creditor
Aggregate current tax	(2,033)	8,192	758	-
Tax withholdings and prepayments	(597)	-	(553)	-

The conciliation of the consolidated book result with the taxable base for income tax as at 31 December 2013:

	Profit and Loss Account			
	2013 FINANCIAL YEAR		2012 FINANCIAL YEAR	
	Increases	Decreases	Total	Total
Consolidated result	-	-	63,781	(22,263)
Consolidation adjustments	-	-	1,607	15,836
Permanent differences:				
of each company	2,086	(1,740)	346	5,510
Temporary differences:				
of each company				
- Arising in the year	29,656	(3,080)	26,576	29,420
- Arising in previous years	-	(5,393)	(5,393)	(18,538)
of consolidation adjustments				
- Arising in the year			-	-
- Arising in previous years			-	-
Compensation of Taxable Base 2011		(22,569)	(22,569)	(507)
TAXABLE BASE (TAX RESULT)			64,348	9,458

Under article 42 of Ley 43/1995, of 27 December (the Corporation Tax Act), introduced by Ley 24/2001, of 27 December (Act 24/2001) regarding tax reductions due to reinvestment of profits on the transfer of tangible fixed assets, the Parent Company has acquired a duty to reinvest the full amount of the transfer of said tangible fixed assets, within the period of the previous year and the three years following the date of transfer of the assets. During the 2013 financial year, the Parent Company has fully met its reinvestment



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18. Tax situation

commitment. The revenue benefiting from said deduction amounts to 1,234 thousand euros (127 thousand euros in the 2012 financial year).

Current laws and regulations establish that taxes may not be deemed finally settled until filed tax statements have been inspected by the tax authorities or a statute of limitations of four years elapses. At 31 December 2013, the companies that form the Correos Group have not been inspected by tax authorities for any taxes applicable to them since 1 January 2009. The Parent Company's directors do not expect any additional liabilities to be uncovered should an inspection take place.

Under the *Ley del Impuesto sobre Sociedades* (Corporate Tax Act) in its version of Legislative Royal Decree 9/2011 and effective for financial years starting from 1 January 2012, if a taxable base is found to be negative, its amount may be offset within the eighteen financial years following the year of the loss; the amount of the offset may be distributed as the taxpayer sees fit. This period also applies to negative taxable bases awaiting compensation at 1 January 2013. The offset must be made upon filing the corporation tax return, and is subject to the tax authorities' power of verification.

Negative tax bases from before the integration in fiscal group 9/86 that the companies in Correos Group generated in the 2011 financial year or before, may be subject to compensation with future taxable bases generated by these companies. The limit is their own taxable base, as the Parent Company of this consolidated fiscal group allows the compensation of negative tax bases generated before its incorporation into fiscal group 9/86.

As at 31 December 2013, Group companies had the following negative taxable bases to offset against future fiscal benefits:

UNTIL 2013 FINANCIAL YEAR				
		Data at 31/12/2013		
Offset maximum by financial year	Correos y Telégrafos S.E. S.A.	Chronoexpres, S.A.	Nexea G.D., S.A.	
2015	-	1,820	-	
2016	-	1,367	-	
2017	-	2,426	-	
2018	-	1,801	-	
2019	-	11,138	-	
2020	-	19,350	-	
2021	-	52,569	83	
2022	-	38,670	135	
2023	-	22,011	-	
2024	-	11,179	-	
2025	-	9,769	-	
2026	-	1,474	-	
2027	-	6,134	947	
2028	-	6,933	115	
2029	40,484	9,291	1,421	
2030	-	7,826	-	
	40,484	203,758	2,701	
2013				
2031	-	6,148	1,112	
	-	6,148	1,112	
	40,484	209,906	3,813	



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19. Other information

a) Number of employees

The breakdown of the Group's usual staff, by number of employees, during the 2013 and 2012 financial year was as follows:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
Management committee	13	11
Rest of workforce:		
Civil servants	19,166	20,500
Employees under ordinary contracts	35,377	36,641
	54,556	57,152

As at 31 December 2013 and 2012, the number of employees of the Correos Group broken down by job categories and gender was as follows:

	Data at 31/12/2013			Data at 31/12/2012		
	Men	Women	Total staff	Men	Women	Total staff
Management committee	12	1	13	10	1	11
Rest of workforce:						
Civil servants	13,214	5,355	18,569	14,293	5,613	19,906
Employees under ordinary contracts	14,604	19,727	34,331	14,451	19,772	34,223
	27,830	25,083	52,913	28,754	25,386	54,140

The average workforce of the Group with disabilities of 33% or more during the 2013 and 2012 financial years was the following:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
Civil servants	484	487
Employees under ordinary contracts	503	449
	987	936

b) Commitments and contingencies

At 31 December 2013, the guarantees provided on behalf of Correos Group by various banks amounted to 46,055 thousand euros (39,964 thousand euros at 31 December 2012). The Directors of the Parent Company believe that any additional liabilities that may arise from the guarantees provided to third parties will not be in any way significant.



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19. Other information

c) Expected financial investments

At its meeting held on 20 December 2013, the SEPI Board of Directors agreed to authorise the Parent Company to acquire 100% of two companies based in Portugal, subject to approval by the Council of Ministers, pursuant to article 12.5 of *Ley 5/1996, de 10 de enero, de Creación de determinadas Entidades de Derecho Público*. (Act 5/1996, of 10 January, on the creation of certain public law entities).

The operation is awaiting approval from the Council of Ministers at the time of publication of these annual accounts.

d) Fees for accounts auditors and group and associated companies

The amounts billed to the companies in the Correos Group, or pending billing, by PricewaterhouseCoopers Auditores, S.L., and its associated companies, for the provision of professional services over the financial year, are itemised below:

	2013 FINANCIAL YEAR	2012 FINANCIAL YEAR
For auditing services	129	126
For other services	16	7
TOTAL	145	133



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20. Related party transactions

a) Associated companies

Correos has been part of the SEPI Group since 5 June 2012 (see note 1). The debit and credit balances the Correos Group maintains with companies of the SEPI Group on 31 December 2013 and 2012 are as follows:

	Clients, companies of the group		Suppliers, companies of the group	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
SEPI	1	-	-	-
SEPI Group, remainder	47	87	22	7
	48	87	22	7
	(Note 11)	(Note 11)	(Note 16)	(Note 16)

The cross credits and debits corresponding to the operation of the fiscal group (see Note 18) are described below:

Fiscal Group Balances				
	Debtors, companies of the group		Debts, companies of the group	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
SEPI	2,630	3,473	8,193	758
SEPI Group, remainder	-	-	-	-
	2,630	3,473	8,193	758
	(Note 18)	(Note 18)	(Note 18)	(Note 18)

Transactions with the companies of the SEPI Group in the 2013 financial year are as follows:

	Revenue Provision of services		Expenses operation	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
SEPI	4	3	-	-
SEPI Group, remainder	303	362	71	41
	307	365	71	41

b) Directors and senior management of the Parent Company

Members of the Board of Directors and the Management Committee of the Parent Company are the only people responsible for the planning, management and control of the activities of the Parent Company. Likewise, they are the only ones who can exercise significant control or influence decisions regarding its finances or operations.

Members of the Board of Directors and the Management Committee of the Parent Company did not participate, either directly or indirectly, in unusual and/or relevant transactions with Correos Group companies during the 2013 and 2012 financial years.

- Remunerations and other benefits to Directors and to members of the Management Committee of the Parent Company during the financial year

Pay accrued for all items during the 2013 financial year by members of the Parent Company's Board of Directors and Management Committee totalled 1,798 thousand euros (1,834,000 in 2012), 160,000 of which correspond to allowances for support to the Parent Company Governing Board (183,000 in 2012); the rest was paid as salaries and/or other pay items (including compensation) for members of the Parent Company Governing Board.



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20. Related party transactions

As at 31 December 2013, no member of the Parent Company's Board of Directors or Management Committee had receivable or payable balances with the Parent Company. Nor did the Company have obligations contracted with them concerning pensions and/or life insurance.

• Other information regarding the Board of Directors

Article 229.2 of the *Ley de Sociedades de Capital* (the Capital Companies Act), requires Board Members to inform the Parent Company of any shares they hold in other companies with the same, similar or complementary types of activity as the Parent Company's corporate purpose, in addition to the role and functions that they play in said companies and whether they are employed or not in the same, a similar or complementary activity as the corporate purpose. During the financial year, no members of the Parent Company's Board of Directors have been found to be in a situation of direct or indirect conflict with the interests of the Parent Company (article 229.1 of the Capital Companies Act).

Members of the Parent Company's Board of Directors do not own shares, hold offices or perform functions in companies whose corporate purposes are identical, similar or complementary to the purposes of the Parent Company, according to their written disclosures.

On the date of writing these annual accounts, the Board of Directors of the Parent Company was composed of 11 men and 4 women.



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21. Segment results

The Correos Group segment results for the 2013 and 2012 financial years are the following:

2013 FINANCIAL YEAR

	Post Telegraph and Parcels	Parcels Urgent and Others	Adjustment Portfolio	Total
Net turnover	1,605,087	141,910	-	1,746,997
Supplies	(10,197)	(2,684)	-	(12,881)
Compensation for provision of the UPS	268,765	37	-	268,802
Staff costs	(1,368,755)	(43,982)	-	(1,412,737)
Other results	(428,424)	(100,124)	3,755	(524,793)
PROFIT BEFORE TAX	66,476	(4,843)	3,755	65,388

2012 FINANCIAL YEAR

	Post Telegraph and Parcels	Urgent Parcels and Others	Adjustment Portfolio	Total
Net turnover	1,739,172	136,261	-	1,875,433
Supplies	(10,013)	(3,035)	-	(13,048)
Compensation for provision of the UPS	48,705	31	-	48,736
Staff costs	(1,340,316)	(47,401)	-	(1,387,717)
Other results	(445,003)	(100,827)	15,795	(529,831)
PROFIT BEFORE TAX	(7,455)	(14,971)	15,795	(6,427)



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22. Environmental information

As at 31 December 2013, there were no significant assets given over to environmental protection and improvement, nor have any significant expenses of that nature been incurred during the financial year. Likewise, during the financial year ending as at 31 December 2013, no environmental subsidies were received.

The Parent Company Board Members take the view that no contingencies exist in relation to environmental protection and improvement, and therefore do not think it necessary to allocate any environmental items to the provision for risks and charges as at 31 December 2013.



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23. Contingent liabilities

Real Decreto 20/2012 (Royal Decree 20/2012), of 13 July, on measures to guarantee budgetary stability and promote competition establishes for the year 2012, in article 2 para. 1, the suppression of the extraordinary payment in December as well as the additional payment of a specific complement or payments equivalent to this month for public sector employees as defined in article 22.1 of *Ley Orgánica 2/2012, de 29 de junio, de Presupuestos Generales del Estado* (Act 2/2012, of 29 June, the Budget Act). The Group Companies, being public trading companies according to article 22.1 of *Ley 2/2012* (Act 2/2012) of 29 June, applied the provisions of *Real Decreto 20/2012* (Royal Decree 20/2012), of 13 July.

Real Decreto 20/2012 (Royal Decree 20/2012), of 13 July, also regulates in its article 2 para. 4 that the amounts derived from suppressing the payments indicated above are set aside for future years as contributions to pension plans or collective insurance contracts that include coverage of the possibility of retirement subject to the provisions of *Ley Orgánica 2/2012, de Estabilidad Presupuestaria y Sostenibilidad Financiera*, (Act 2/2012 on Budgetary Stability and Financial Sustainability) and in the term and scope determined in the corresponding budget acts.

The Board of Directors of the Parent Company think that at the present time there is no obligation; therefore they do not allocate provisions relating the contributions mentioned in article 2 para. 4 of *Real Decreto 20/2012* (Royal Decree 20/2012), of 13 July.

The Parent Company believes that it has no significant contingent assets or liabilities at the close of the 2013 financial year.



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24. Subsequent events

On 24 January 2014, the CNMC informed the Parent Company of its decision of 21 January, declaring that the Parent Company has abused its dominant position for having forced private postal operators to cut their margins between the wholesale prices for access to the public postal network and their retail prices in the traditional postal services market for major customers. The CNMC has handed down to the Parent Company a fine of 8,178,698 euros and decided that it must cease this anti-competitive conduct. The Parent Company has filed an administrative appeal against this decision. The amount of the fine has been fully provisioned at the close of the 2013 financial year (see Note (15) on provisions over the long and short term).

The European Commission has requested preliminary information from the Spanish government regarding a complaint of supposed State aid awarded to the Parent Company in the period between 1998 and 2013.

There were no other events after 31 December 2013 that might have a significant effect on the present consolidated annual accounts.



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Economic environment

Global growth forecasts have improved in recent months thanks to the drop in financial tensions in Europe, an upturn in developing countries and improved activity in emerging economies such as China, according to the World Bank's Global Economic Prospects report. This more favourable backdrop has been created by the economic policies implemented by a number of organisations. Gross Domestic Product (GDP) growth is expected to be 3.2% this year (2.4% in 2013), and to stabilise at 3.4% and 3.5% in 2015 and 2016, respectively.

The Spanish economy showed signs of improving, with GDP growth of 0.3% in the last quarter, in addition to the growth of the previous quarter. Consequently, the provisional data published by the Ministry for the Economy and Competitiveness envisage a drop of 1.2% in GDP by the close of this year. These figures represent an improvement to the initial forecast, which expected a drop of 1.3% in GDP in 2013. The improvement is attributed to more moderate inflation, efforts to keep wage costs down and a drop in household debt levels.

National consumer spending also dropped less than expected in 2013. The CPI (Consumer Price Index) contributed to this with an inter-annual rate of 0.3%. This is the lowest year end rate since records began, representing a major drop in inflation of 2.6 percentage points in 2013.

Finally, the unemployment forecasts at year end were also optimistic, expecting the rate to drop to around 25%. The Government thinks that this more favourable environment in the employment market will continue in 2014, making it possible to improve the macroeconomic forecasts.

The postal sector in Spain

Against this economic backdrop, postal activity continued dropping in Spain, principally due to its being replaced by new delivery technologies used by both companies and

Public Agencies. According to the indicator published by the *Instituto Nacional de Estadística* (National Institute for Statistics) in November, the sector's turnover dropped by an inter-annual rate of 6.9% and an accumulated average of 3.7% up to that month. This trend is similar to the situation in other European countries.

The logistics and parcel delivery market

The Spanish logistics market did not improve, resulting in one of its worst years since the beginning of the economic crisis. The reasons behind this were weak demand and intense price competition, with the resulting effect on business margins.

However, companies in the sector claim to have observed signs of a slight improvement in demand in the last quarter of the year, particularly foreign demand, providing moderate confidence for 2014.

A decisive factor in any potential recovery in the logistics and parcels market will, without doubt, be the impact of e-commerce, which has grown consistently in recent years. According to the CNMC (National Markets and Competition Commission), in the first quarter of 2013 (most recent data available), e-commerce generated a turnover of 2,823 million euros in Spain, 15.1% more than in the same quarter of 2012.

The growth of e-commerce in the European Union has resulted in growing interest among European postal operators in improving their position in the sector by acquiring companies specialised in the various phases of the e-commerce value chain, and by creating services to promote internet sales among SMEs. Equally, online vendors are increasingly outsourcing their logistics management, creating new business opportunities.

Position of the Parent Company and future prospects

SEPI, the shareholder in the Parent Company, issued an instruction to maintain the profitability of the company and to guarantee balanced or positive results while



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providing the universal postal service; achieving this without taking traumatic action in terms of the company structure or the market, but facing and taking the necessary action to ensure maximum rehabilitation of the company.

These actions have materialised in the “100-300-1,500 Action Plan” implemented in 2012 to transform the Parent Company into the best physical and electronic communication and parcels services supplier in the Spanish market.

This Plan has five fundamental goals:

- Consolidate its position in the parcel sector.
- Internationalise the company's activity.
- Strengthen new office services and all of the possibilities offered by Spain's broadest network.
- Boost service provision via digital platforms and make full use of technological and innovation capacity.
- Make progress in management efficiency.

The parcel sector has been chosen as one of the Action Plan's strategic lines to diversify the company's revenue. The volume of parcels handled increased in 2013 and it will remain a priority in 2014, when we expect to consolidate this growth and continue to advance on our position as the leading operator in the parcel sector. Significant investments have been made to install 11 automatic parcel sorting machines and the necessary technology to provide an improved service. The goal is to achieve a leading position befitting the Parent Company because of its logistics and technological capacity, its capillarity and flexibility delivery capacity.

In keeping with the company's strategic goals, in 2014 revenue will also be generated from direct marketing (a direct reflection of the improving economic environment) from the new range of in-branch services and the addition of new digital services that will be introduced in coming months, such as electronic notifications on mobile devices and digitalised communication with government bodies (via the *Oficina de Registro Virtual* which is turning branches into the gateway to e-Government), as well as document management solutions. The implementation of new PDA models with additional functions will also generate new revenue sources. Furthermore, the goal is to increase the Parent Company's presence in further steps along our clients' value chain.

In e-commerce our efforts have been focused on increasing our presence in the domestic parcel sector and we hope to grow at over 15%, in line with the rest of the market. Thanks to its capacity and service quality, Correos aims to position itself as the reference operator in this area. Major parcel service users, such as FNAC and Toys “R” Us are just a few examples of online retailers that have placed their trust in the Parent Company and are increasing their shipment volume on a daily basis. The ability of all the participants in this activity to create suitable reverse logistics solutions, improve payment security and develop m-commerce will be key to improving the sector's growth rates.

The Action Plan also includes actions to increase the Parent Company's presence abroad (Iberian Peninsula, Europe, Latin America and China), given the unstoppable phenomenon of commercial transactions increasingly taking place on the Internet in an ever more globalised world. The specific types of actions to be taken are still being studied, although specific action has already been decided for Portugal. The country is our natural market for expansion and offers considerable opportunities to create an Iberian parcel market, offering exactly what our clients want: a single point of contact for accepting and distributing their shipments throughout the Peninsula.

Main risks and uncertainties

In a context of decreasing postal traffic marked by technological innovation, customers reducing costs and the full liberalisation of the postal market in the EU, maintaining



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revenue and margins is a challenge for the Parent Company. Market segmentation and internationalisation are a few of the responses the Parent Company is implementing in light of the new ways of competing and increased competition. Another factor critical to the organisation's success is innovation and development in terms of new ideas, processes, products and focuses.

Against this backdrop it is essential to meet the goals of the "100-300-1,500 Business Plan". The goals set by the Parent Company's shareholders require clear and coherent alignment with the established action plans and strategies, the latter being the company's main uncertainty.

The Parent Company's status as a publicly-owned enterprise means that it is affected by government guidelines, regulations and decisions. Additionally, as the Universal Postal Service provider until at least 2025 under the concession contract, the company bears high costs and great responsibility, and must meet its duties.

Key financial indicators

The Parent Company's profit after tax in 2013 was 48 million euros, 54.3 million euros up on 2012. The main factors that influenced profit were:

- The drop in turnover of 112.3 million euros (6.5%), mainly because of the drop in our traditional business (letters and certified items), which was offset by the increase in parcels, excluding the effect of the elections held in 2012.
- The increase in personnel costs of 28.4 million euros, excluding the impact of the elections held in 2012, mainly because of reinstating the public sector workers' extra wages in 2013, which was offset by the decrease in average work, in line with expectations.
- The heading "Other operating costs" increased by 8.4 million euros.

- The increase in revenue from compensation for the costs incurred by Correos for providing the Universal Postal Service, i.e. for guaranteeing that everyone, wherever they live in Spain, has access to a regular, high-quality postal service at an affordable price. In 2013 the Parent Company was paid the amounts corresponding to the 2009 and 2010 financial years, as payment of an outstanding debt for a service already provided. The Parent Company receives this compensation a posteriori after providing the service and once the costs incurred have been identified and audited based on analytical accounts, as per the agreed model.

With the exception of national and exported parcels, the volume of items decreased across all products, e.g. traditional mail, marketing and advertising, certified items, etc.

The Parent Company's operating result or EBITDA improved by 50.5 million euros (74% compared to 2012), reaching 119.2 million euros, while the operating profit was 60.1 million euros (1.3 million euros in 2012).

The Parent Company closed 2013 in line with expectations, in a year marked by lower business activity. The management team is satisfied with the significant progress made in implementing measures to guarantee the company's main goals are met: laying the foundations to achieve a better net result in 2014, continuing to transform the Parent Company internally to make better use of new technologies and available in-house talent, and increasing our market share in parcels.

Key non-financial indicators

The Parent Company has consistently made an effort to consolidate its strategic focus on excellence and sustainability in order to maintain its leadership and improve its current competitive position in a complex environment that is characterised by challenges and that is currently defined by the economic crisis, changes in market variables and continuous technological development.



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Therefore, the Parent Company must find a way to combine providing a high-quality, efficient public service based on the group's strength in order to offer the market a full range of high-quality, competitive services.

Time quality for basic normal mail is measured from end to end, from the date the item is deposited at the network access point until the date it is delivered to the recipient. The goals are those set out in *Real Decreto 503/2007* (Royal Decree 503/2007), of 20 April. The basic normal mail item achieved the following results:

- 96.5% of letters are delivered in D+3, the statutory obligation being 93%.
- 99.1% of letters are delivered in D+5, the statutory obligation being 99%.

Time quality for registered products is measured using traceable events recorded in the corporate information systems, from acceptance of the item until its delivery or attempted delivery. The results achieved for parcels were as follows:

- 81.10% of parcels are delivered within D+3, the statutory obligation being 80%.
- 88.87% of parcels are delivered within D+5, the statutory obligation being 95%.

As regards postal orders, the results were:

- 99.27% of are delivered within D+3.
- 99.80% of are delivered within D+5.

Information on personnel

The Parent Company not only seeks to be committed to quality, but also to efficiency and the rationalisation of its resources. Therefore, following these action lines, major changes are being introduced to better rationalise employment resources and achieve benefits for workers and the company over the medium and long-term.

In February 2013 the distribution of personnel was reassessed to fit the new 7-zone territorial structure, adjusting the personnel consumption monitoring system to the annual reduction goal agreed with SEPI (2,500 employees). In this regard, in 2013 a reduction in average personnel of more than 2,500 was achieved. As a result of the new territorial model, and with the goal of implementing a less administrative structure that better fits economic activity, the personnel in administrative and support units have been reduced by 210 since January 2013. To adapt the employment model to our business, and therefore, to the customer, the company encourages part time contracts. In 2013, part time contracts increased by 1.18%.

In the area of social action, the selection process for the 2013 Social Action Plan was carried out based on rationality and efficiency criteria similar to those of 2012, making it possible to satisfy all of the requests received and increase them by more than 8,000.

Information on the environment and sustainable actions

In the area of the environment, over the last year, the Parent Company has worked in two main areas, in addition to ISO 14001 certification, which is held by 34 work centres. These areas are its carbon footprint and energy efficiency.

As regards the carbon footprint, the Parent Company's participation in the IPC's EMMS sectoral programme was particularly noteworthy, which involves the world's 24 most important postal services and aims to measure and reduce emissions from the postal sector in its entirety.

As regards the environmental impact of the Parent Company's products, in 2013 an analysis was conducted on the 48/72 Packet Life Cycle, on the basis of which an impact and emissions calculator was created to estimate impact per client and offer the option of offsetting emissions in order to be "carbon neutral". This initiative has been strengthened with the Parent Company's participation in the international working group that the PCR has organised, which is an international reference to analyse the mail life cycle. The *Línea verde* is worth highlighting, which in 2013 was given the "World Mail Award" and the



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“Corresponsables award”, and which has contributed to the planting of 9.5 hectares of forest over its 13-year history.

Within the area of efficiency, it is worth highlighting the Energy Efficiency Committee, which sets the work lines for the energy management and efficiency model across the Parent Company, based on which the area energy manager has been created.

Finally, it is worth highlighting the framework agreement agreed with IDAE to provide training materials, thanks to which around 20,000 Parent Company employees received training and awareness was raised regarding energy efficiency, to reduce energy consumption in the work place through online training since it was signed in 2011.

Other topics

The Parent Company holds no shares in its portfolio, nor has it performed operations with derivative financial products during the 2013 financial year.



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Consolidated annual accounts and management report for the financial year ending 31 december 2013 of Sociedad Estatal Correos y Telégrafos S.A. and dependent companies.

The preceding **CONSOLIDATED** annual accounts of Sociedad Estatal Correos y Telégrafos, S.A. (with all pages stamped and endorsed by the Secretary of the Governing Board), which comprise the consolidated balance sheet (on one sheet of ordinary paper), the consolidated profit and loss account (on one sheet of ordinary paper), the consolidated cash flow statement (on two sheets of ordinary paper), the statement of changes in the consolidated equity (on two sheets of ordinary paper), and the attached report on the accompanying sheets of ordinary paper, numbered accordingly from 1 to 69 (both inclusive), corresponding to the financial year closed at 31 December 2013, together with the management report corresponding to the same year issued on sheets of ordinary paper numbered 1 to 7 (both inclusive), were submitted **for approval by the Governing Board of Sociedad Estatal Correos y Telégrafos, S.A. on 13 March 2014.** In accordance with current provisions, the administrators sign and give their conformity with all the abovementioned documents.

Madrid, 13 March 2014

Francisco Javier Cuesta Nuin

Ana Bosch Jiménez

Eloísa Contín Trillo-Figueroa

Rafael García Monteys

Fernando Irurzun Montoro

Rosario Martínez Manzanedo

José Ángel Partearroyo Martín

Pablo Arellano Pardo

Luis de Burgos Buil

José Luis Díez García

Aquilino González Hernando

David Martínez Hornillos

Juan Luis Nieto Fernández

Marta Vega Velasco



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1. Scope, profile and coverage

The contents of the 2013 Correos Group annual report cover the period from 1 January to 31 December 2013. The financial, social and environmental information appearing in the document covers all the Correos Group's activities as a global communication solutions operator, and includes the transactions made by Correos and its subsidiaries, Correos Express, Nexea and Correos Telecom.

In order to offer the reader a more complete overview of Correos and its subsidiaries, information on the most noteworthy policies and actions and the most relevant quantitative indicators are generally presented broken down for the different companies that make up the Group, whenever the nature of the companies themselves so allows.

The 2013 Correos Group annual report is available in digital format (PDF) and is publicly accessible at the URL www.correos.es, where the reports from previous years can be downloaded. To supplement this report, an executive summary is available for consultation, as is a microsite with the most noteworthy information and data.

The 2013 Correos Group annual report is available in English. In the event of any disparity between the versions, the information contained in the Spanish version shall take precedence.

With regard to the definition of the content, the report has been prepared in accordance with the Global Reporting Initiative's Sustainability Reporting Guidelines, version G4, Core option. The recommendations of the International Integrated Reporting Council (IIRC) for preparing integrated reports have also been taken into account. Finally, the aforesaid content describes the Group's progress in implementing the UN Global Compact 10 principles regarding human and labour rights, the environment and the fight against corruption.

Materiality

Preparing this report and determining materiality and relevant indicators has entailed a process of internal and external reflection. In the internal setting, the members of the Management Committee identified all the issues that the report should contain through questionnaires based in the IIRC model. Furthermore, employees performing their duties in different departments and in different areas of Spain were interviewed.

In the external setting, the Correos Group maintains an active dialogue with its stakeholders through a number of different communication mechanisms and channels. Additionally, as part of the report preparation process, a number of individual interviews have been carried out with companies and bodies representative of these stakeholders. The Correos Group would like to thank the following for their collaboration in these interviews: Alcana Libros, Madrid City Council, Cibeles Mailing, Spanish Red Cross, Directorate General of Traffic, Informática El Corte Inglés (IECISA), Spanish Food Bank Federation, Carmen Pardo-Valcarce Foundation, Iberia, National Social Security Institute, Iuriscar, Malacapost, Mapfre, Rakuten España, Vente-Privée and WWF Spain.



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2. Stakeholders

Owing to the nature of its different activities, the Correos Group relates with numerous stakeholders and assumes, along with these, the commitment of conducting sustainable economic, social and environmental policies.

The Correos Group maintains a fluid relationship of trust with its stakeholders, based on communication and dialogue through different channels, which facilitates an understanding of their expectations and suggestions, and helps to share in the attainment of business objectives.

Main stakeholders

Communication channels

Relevant issues for stakeholder

Shareholder

General Meeting of Shareholders
Governing Board
Continuous reporting to SEPI
Annual report
Progress report

Efficient management, competitiveness and corporate sustainability
Generation of value for shareholder
Good governance and ethical behaviour

Employees

Intranet
Email
SMS
Letters
Internal magazine *Abrecartas*
Workshops
Informal meetings
Training actions
Internal memos
Bulletins and surveys
Participation programmes

Bi-directional, transparent communication
Company management and corporate sustainability
Professional development and performance recognition
Usability of work tools
Working conditions
Reputation building of company as employer
Commitment with Correos' values
Training actions

Customers

Commercial channels and service points
Opinion surveys
Corporate website
Fairs, forums and other meetings
Advertising campaigns
Social networks
Más Cerca magazine
Annual report
Progress report

Specialised offer and a customer-centred approach
Customer experience
Business flexibility
Contract negotiation
Online services
Quality and accessibility

Suppliers

Participation in the Spanish Association of Purchasing Professionals
Corporate website
State Contracting Platform
Regular meetings
Congresses, fairs and forums

Transparency and fairness in tendering
Collaboration in the search for new solutions
Contracting regulations

Society

Participation in Spanish associations and national and international projects
Meetings and forums
Corporate website
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Social networks

Providing the universal postal service
Defence of solidarity, social and ethical values
Defence of human rights
Protection of children
Sustainable environmental management
Integration of disadvantaged groups



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Correos Group annual report 2013

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