



Annual report 2012

TRANSFORMATION AND PROGRESS

*grupo***Correos**



TRANSFORMATION AND PROGRESS

The history of communication dates as far back as that of humanity itself. Connections among people and the communication of news have been crucial to the **progress** of society, and it will continue to be this way. Little is left of the messenger who blew a postal horn to announce the arrival and departure of the postal transport, but his work continues to be very relevant, even today.

Well into the 21st century, new technologies are firmly established in all areas of our lives, and now more than ever, communication relies on them to meet our imperative need to be connected. Correos has adapted to these new challenges, incorporating the most innovative means in all its processes, undertaking a great technological **transformation** to provide effective communications solutions and generate value through our business model.

*grupo***Correos**



TRANSFORMATION AND PROGRESS



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MESSAGE FROM THE CHAIRMAN

Correos culminated 2012 with the implementation of its new roadmap for the upcoming years: the 100-300-1,500 Action Plan. With it, we will transform our company into the best physical and electronic communications and parcel services provider in the Spanish market, with a time horizon of 1,500 days.

The Plan is based on the strengths of Correos and its subsidiaries Chronoexprés, Nexea and Correos Telecom -capillarity, geographic coverage, vast product portfolio, technological capacity, capacity for innovation and human capital- and the values that customers have traditionally associated with the public postal operator, such as reliability, security, proximity and trust. With the measures planned and initiated in 2012, the companies in the Correos Group will profit from these strengths and synergies to form a more competitive range of services and respond successfully to the evolution of the communications market.

The Group's project is intended to meet two basic challenges: laying the foundation for future growth and developing actions with an immediate effect on the present, which are reflected in the results.

To accomplish this, we have intensified our efforts to increase and diversify income, capitalize on our assets and control expenses, with the aim of strengthening the Group for the future.

This is the commitment made with our shareholder, the SEPI Group, which Correos and its subsidiaries joined in June 2012. The change in ownership, part of the plan to restructure and rationalise the public business sector, has given us a business management framework that is more focused on economic efficiency and sustainability.

Likewise, actions undertaken over the last year were aimed at greater operational flexibility, increasing commercial effectiveness and developing new customised, multichannel solutions supported by the latest technologies, tailored to the needs of small and large businesses, the public and government bodies.

Our current economic context presents a challenge for all Spanish companies. Overcoming challenges as complex as those we are currently experiencing requires the capacity for innovation, an entrepreneurial spirit and focusing all our

actions on the customer. There is no doubt that these qualities characterise the more than 57,000 people who make up the Correos Group. Therefore, I am confident that with their efforts and capacity for change embodied by the 100-300-1,500 Action Plan, we will reach the goals we have set.

Finally, I would like to invite you to read this report, in which this year we have included our financial and activities indicators, with our best practices in corporate governance, as well as social and environmental performance, in an effort to better meet the information needs of all our stakeholders.



Javier Cuesta Nuin

2012: THE YEAR AT A GLANCE

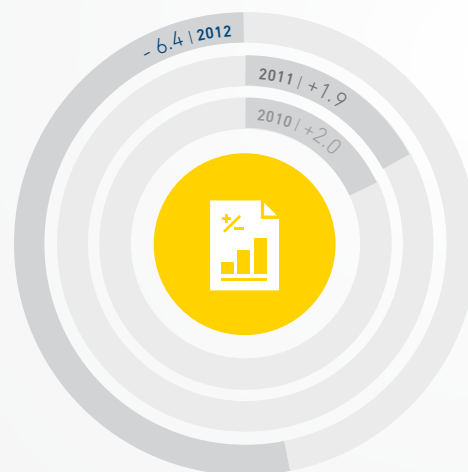
Key data

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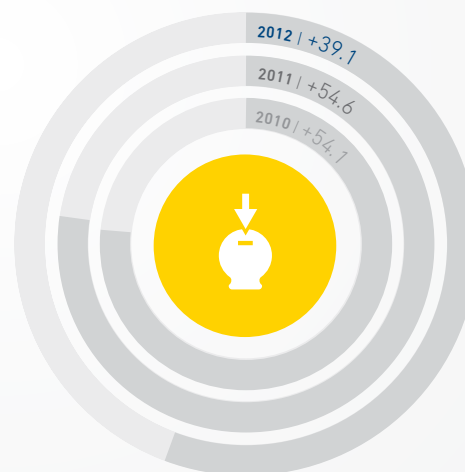
2010 | 2011 | 2012



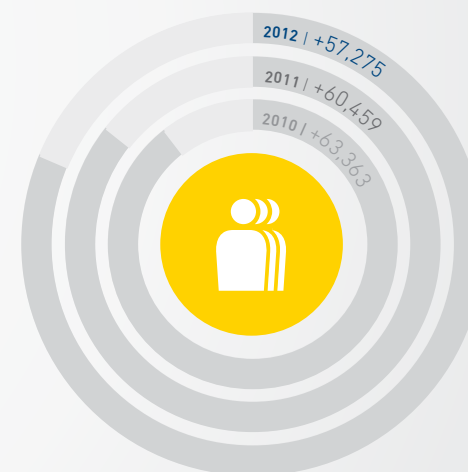
NET TURNOVER
(million euros)



RESULT BEFORE TAX
(million euros)



INVESTMENTS
(million euros)



EMPLOYEES
(average staff)

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2010 | 2011 | 2012



	NET TURNOVER (million euros)	1,969.7 1,946.1 1,739.2	132.1 129.2 128.5	13.5 13.9 11.4	7.2 7.1 6.5
	RESULT BEFORE TAX (million euros)	-2.6 2.8 -7.5	-7.8 -6.7 -14.8	0.0 -1.5 -2.6	0.2 2.3 2.5
	INVESTMENTS (million euros)	48.4 44.5 36.8	1.9 3.3 1.3	3.1 6.2 0.5	0.7 0.6 0.5
	EMPLOYEES (average staff)	61,819 58,952 55,775	1,309 1,269 1,274	186 180 171	49 58 55

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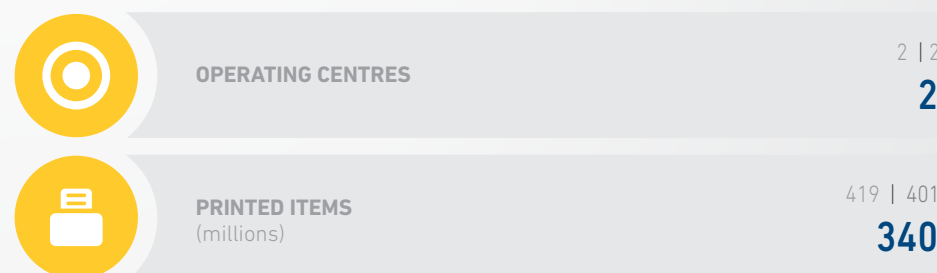
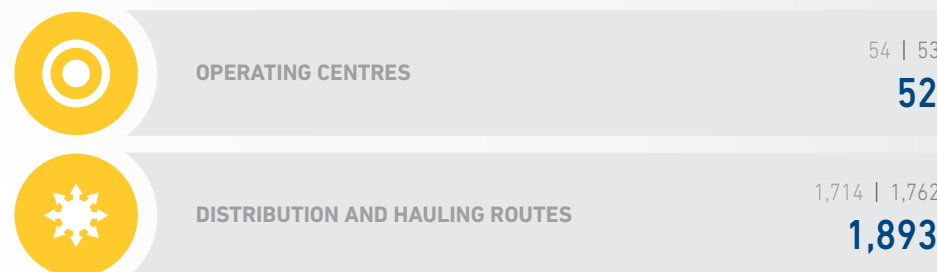
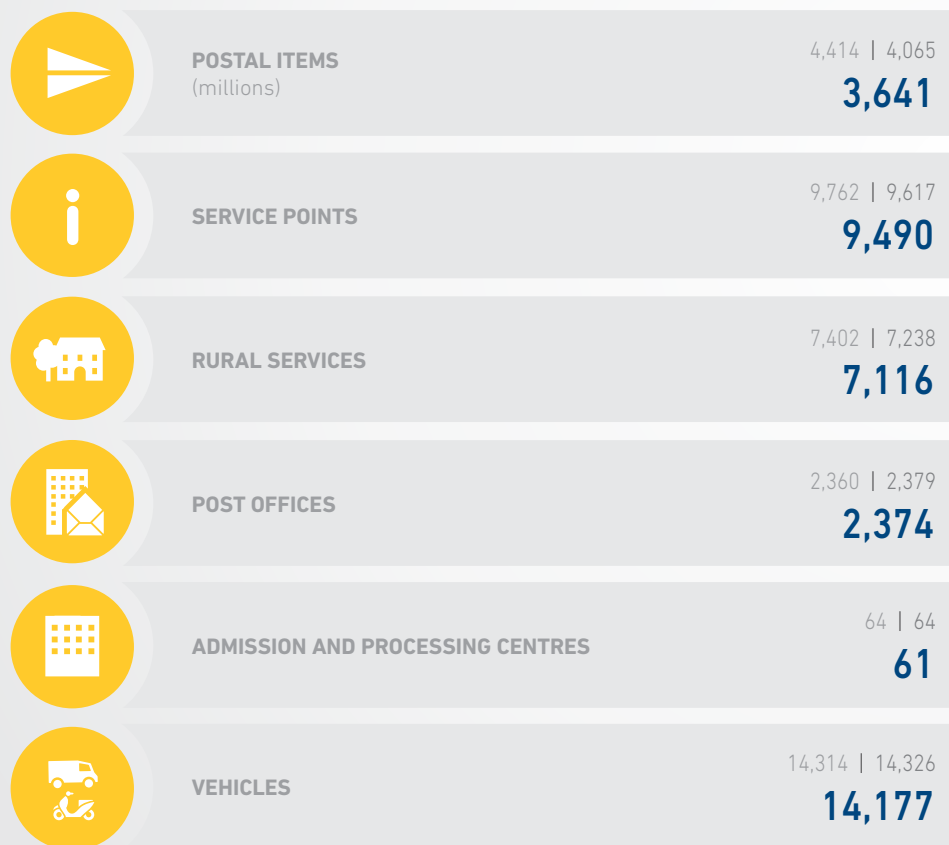
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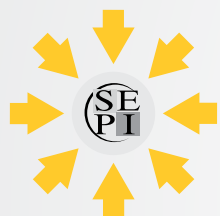
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2012: THE YEAR AT A GLANCE

Milestones

Sociedad Estatal Correos y Telégrafos



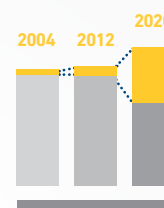
Integration into the SEPI Group



Silver medal awarded by the Government of the Principality of Asturias in recognition of rural delivery employees



Implementation of the new 7-zone territorial structure



Start of the 100-300-1,500 Action Plan



Roll out of the parcel classification automation plan, rising from 3 to 12 systems installed across the centres network



Marketing of the e-applications Correos Info, Correos eCard and Augmented Reality postcards



Advise more than 3,000 SMEs on measures to foster e-commerce under the "Impulsando pymes" (Promoting SMEs) initiative



Renewal of the agreement with Western Union for five years, providing the "Money in Minutes" service at post offices



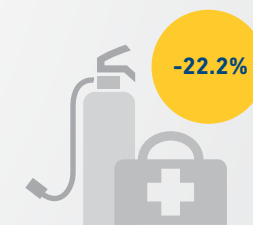
Complaints and claims decreased by 16.6%



Obtaining ISO 14001 certification for the international processing centre in Barajas (Madrid)



Start of new performance assessment model



Accident levels decreased by 22.2%

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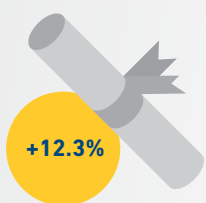
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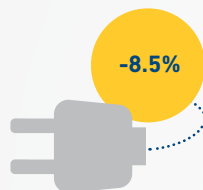
2012: THE YEAR AT A GLANCE

Milestones

Sociedad Estatal Correos y Telégrafos

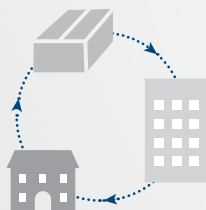


1.8 million training hours were given, with an increase of 12.3%



8.5% decrease in energy consumption in buildings taking part in the Energy Efficiency Plan 200

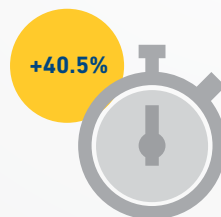
Chronoexpres



New added values for parcel delivery, such as reverse logistics

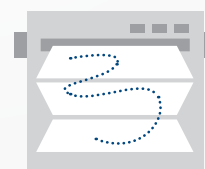


Introduction of the Trazo PDA tool to optimise distribution routes



40.5% increase in Chronologic@ service turnover

Nexea



Implementation of document customisation systems by means of high-speed full colour technology



ISO 9001 and ISO 14001 certification of operations

Correos Telecom



New contracts signed for more than 5.7 million euros

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Challenges

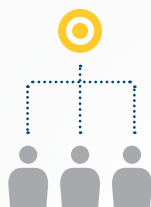
Sociedad Estatal Correos y Telégrafos



Position Correos as the reference company in the management of physical and electronic communications, as well as parcel services



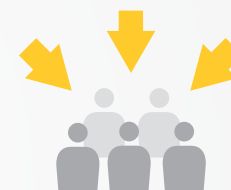
Change the business model to achieve effective income diversification



Add new services to the post office network, making them a nexus between citizens and government



Increase business efficiency, establishing communication channels for each customer segment and adapting products portfolio



Boost teamwork culture



Improve positioning in the parcel segment



Introduce a new electronic traceability model for registered products



Position the new corporate website as a business and communication channel with customers



Encourage employee engagement with corporate culture and strategy



Improve international positioning

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Challenges

Chronoexprés



Improve the geographic information system to optimise geo-positioning and route planning



Re-engineer processes to improve the traceability of parcel items



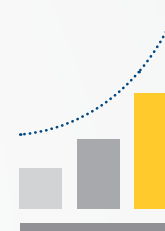
Redefining commercial and operational effectiveness to achieve sustainable, profitable growth.

Nexea



Extend the ISO 27001 certification for the information security management systems

Correos Telecom



Increase turnover from infrastructure management by attracting new customers and providing new services

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COMMUNICATIONS SOLUTIONS

Technology and competitiveness to continue to offer the best communications solutions to serve today's society.

03 Product and service range and operations

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The Correos Group is made up of the Parent Company, Correos y Telégrafos, S.A. (Correos) and its subsidiaries Chronoexpres, S.A., Nexea Gestión Documental, S.A. and Correos Telecom, S.A. The four companies provide products and services to both private customers and companies and institutions, performing their activity mainly in the global communications sector.

Correos' wide range of products and services is rounded out by **Chronoexpres'** urgent document and parcel delivery services, **Nexea's** corporate communication solutions and **Correos Telecom's** telecommunication network management services.

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SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

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

The company is also the **designated universal postal service provider** in Spain, and must meet certain quality, regularity, accessibility and affordability requirements, ensuring all citizens' rights to mail communication.

The market in which Correos operates has been fully liberalised since 2011. According to legally prescribed conditions referred to access to the postal network, the company had agreements with 9 operators and 54 independent mail consolidators at the close of the financial year. Likewise, the company cooperated with 68 partner entities, of which 10 were special employment centres.



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SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

More automated and efficient postal processes

Correos is one of the leading companies in the country by capillarity and coverage, with **more than 9,000 services points**: 2,374 multi-service post offices, 100 special services units, 1,835 delivery units and 7,116 rural services. The company **arrives daily to more than 28 million homes, companies and institutions**.

The company has made advances in optimising and adapting postal processes to changes in demand, for which automation and improved efficiency have played a crucial role.

Postal processes

1 Collection and admission

2 Processing and sorting

3 Transport

4 Distribution and delivery

	2010	2011	2012
Service points	9,762	9,617	9,490
Multi-service post offices	2,360	2,379	2,374
Rural services	7,402	7,238	7,116
Rural linkages	6,607	6,512	6,414
Auxiliary offices	795	726	702
Delivery units	1,837	1,804	1,835
Special services units	100	100	100
Mass admission units	57	57	42
Admission and processing centres			
Mass admission centres	6	6	6
Automated processing centres	17	17	17
Postal processing centres	36	36	35
Local processing centres	5	5	3



SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

Collection and admission

The first phase of the postal process consists of the collection and admission of mail. For this phase, the company has a vast network of infrastructures consisting of postal offices, mass admission centres and units, rural services and post boxes, which provide services over an extensive network with the longest opening hours.

In 2012, different projects were undertaken to **improve mass admission**. One of these consisted of introducing new features in the pre-classification equipment for standard postal items, to control the admission of certified items and automatically process returned items in Madrid, Valencia and Las Palmas de Gran Canaria. Another action carried out was the implementation of the procedure for the preparation and labelling of parcels in Madrid, Bilbao, Valencia and Las Palmas de Gran Canaria. Likewise, the transfer was begun of the processes carried out at the mass admission units in Pontevedra, Castellón, Cuenca, Cádiz, León and Huesca to the post office network.

Processing and sorting

This stage of the postal process is carried out both manually and through automated systems at different infrastructures throughout Spain. In recent years, Correos has invested more than 185 million euros to incorporate equipment and technology for the automation of postal processing, which has enabled it to increase the efficiency of processes and the quality of postal service.

Just like admission, postal sorting is being adapted to the new production model. In 2012 several processes that were undertaken at the postal processing centres in Pamplona, Huelva, Castellón and Murcia were transferred to the 17 automated processing centres. This allows the use of the surplus production capacity from the automated centres to generate scale economies and increase the productivity across the transport networks.

Automated processing lines	2010	2011	2012
Standard mail	43	43	43
Non- standard mail (flat)	14	14	14
Post box mail	17	17	17
Parcel	-	3	12

SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

Development of the parcel classification automation plan

Upon completion of the mail automation plan launched more than a decade ago, which currently make it possible to classify 94% of this type of postal items mechanically, the company moved forward with the automation plan for parcels by installing:

- 9 pieces of sorting equipment at automated processing centres in Alicante, Valencia, Santiago de Compostela, Valladolid, Vitoria, Zaragoza, Palma de Mallorca, Las Palmas de Gran Canaria and mass admission centre in Madrid (CAM2).

By installing this equipment, with an hourly processing capacity of between 2,500 and 6,000 parcels, Correos has positioned itself at the technological cutting edge amongst Spanish operators thanks to fully automated parcel processing.

This year saw the completion of most of the remodelling work at the sorting centre in Barcelona, which will house local mail processing, as well as manual and automated sorting of ordinary, registered and urgent mail items.

As part of the efforts towards automation and containerisation, last year Correos purchased 6,624 pieces of logistics equipment (trolleys, cages, mailbags and other items) and 17,146 pieces of distribution equipment for delivery units, in addition to 555 post boxes.

RFID technology

Since 2007, Correos has been a reference company in the use of radio-frequency identification technology (RFID) in the world, to control mail delivery times at processing sites. In 2012, this technology was used in 55 centres, including 17 automated processing centres, 3 mass admission centres and 35 processing centres.

Last year the identification of mailbags was added to the system and new antennae were installed at 16 piers at the Madrid mass admission centre (CAM2) in order to improve quality control of the *Publiccorreo* product.

SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

Transport

In 2012 the transport network consisted of 14,177 vehicles, 13,226 of which were company vehicles and 951 belonged to third parties; of these, 197 were electric. Throughout the year, 905 new means of transport were added to the fleet.

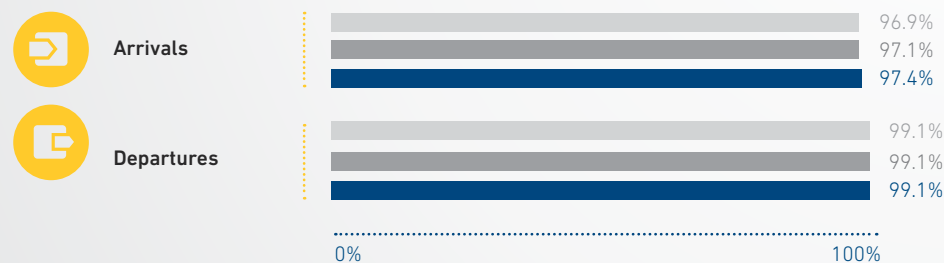
Transport network

2010 | 2011 | 2012



Punctuality on transport routes

2010 | 2011 | 2012



Every day Correos transported 7,683 tonnes of postal and parcel items and travelled 683,732 kilometres. With a total of 1,025 road transport routes (130 inter-zone, 84 intra-zone and 811 provincial/local routes), punctuality was achieved for 97.4% of the arrivals to centres and 99.1% of the departures from centres.

Process integration at the automated processing centres has meant reorganising the inter-zonal, provincial and local routes in Santiago de Compostela, Valencia, Alicante, Vitoria and Sevilla. In addition, collections from post boxes were adapted in Burgos, Valladolid, Zaragoza, Granada, Jaén, Las Palmas de Gran Canaria, Tenerife, Logroño, Bilbao and Palma de Mallorca, and inter-centre routes were reorganized in Madrid and Barcelona.



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Distribution and delivery

Distribution and delivery is carried out through the delivery units, special services units (urgent delivery) and rural services. Over recent years, Correos has incorporated the use of **PDA (Personal Digital Assistants)** to its processes. This provides improved monitoring of registered and added value items, increasing delivery quality and customer service. By the end of the year **27,412 delivery employees, more than 75% of the total, were using these devices in their daily activity** to manage around 118 million registered items.

The traceability information sent by the PDA to the **Correos Geographic Information System (GISC)** enabled the company to conduct a pilot programme for managing urban distribution services in Madrid. This project analysed the routes and workload of delivery units to optimise the delivery sections.

In order to adapt distribution resources to changes in demand, 891 rural services and 3,207 urban delivery sections were reviewed during the course of the year, of the 19,617 existing sections.

As part of the CartoCiudad project, as a founding and operational member, Correos was invited to join the Addresses and Streets Technical Work Group, which, amongst other initiatives, work on developing a model for addresses and information exchange for Spanish organisations and institutions.

Silver medal awarded by the Government of the Principality of Asturias in recognition of rural postal carriers

The Regional Government of the Principality of Asturias awarded Correos the Silver medal in recognition of rural postal delivery employees for their great contribution to progress and social and territorial cohesion of the region. This prize is recognition of the contribution of postmen to rural communities, and their commitment, professionalism and proximity.



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Multi-service post office

Over recent years, postal service accessibility has been one of the priority areas for action for Correos. The post office network, a fundamental admission and delivery channel, contributes to this objective. In 2012 the network consisted of **2,374 post offices**, of which 25% had uninterrupted all-day opening hours.

Likewise, post offices offer customers a wide range of postal, post-related, philatelic, financial and telecommunication products, making them multi-service centres **where citizens can complete ever more tasks** quickly and conveniently.

Non postal and telecommunications services

One of the services most in demand from the post office network was the **payment of bills** issued by utility providers, telecommunication companies and others, as seen by its continuous growth in terms of both revenue and volume in recent years.

Payment of bills at post offices

2010 | 2011 | 2012 |



The company has agreements in place with several companies to provide telecommunications services at post offices. These services include telephony, internet access, television and home security products and services and, since 2012, decoder cards and television services from various companies.

SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

BanCorreos

BanCorreos is the Correos Group brand marketing **banking services through the post office network**, in association with Deutsche Bank. Its range of products and services is distinguished by a personalised approach and orientation to the needs of Correos customers, coupled with the convenience afforded by proximity and long opening hours of post offices.

In 2012 the range of financial solutions incorporated additional saving products, which favoured the increase in the customer portfolio. Moreover, by continuing to grant mortgages and loans to consumers, BanCorreos was a continued source of consumer and corporate finance.



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Other financial services

Correos renewed for five years its agreement with Western Union to provide the “Money in Minutes” service, which enables money to be sent to 200 international destinations. In addition to this option and money orders, the company offers other solutions to transfer money:

- **Urgent international money orders**, through the Universal Postal Union's (UPU) International Financial System (IFS). This makes it possible send safe and reliable electronic money transfers, which can be received in the offices of 11 participating postal operators, primarily in Latin America.

Under this agreement, Spain was appointed to chair the Clearing-House Boarding Council for one year, and to act as the Chief of the Agreement for two years.

	2010	2011	2012
Urgent International money orders	26,550	32,559	49,069
Amount sent (million euros)	7.6	9.3	12.8
Revenue (million euros)	0.1	0.2	0.4

- **Transfers through EuroGiro**, the international money transfer network of postal operators, banks and other companies from over 50 countries. In the scope of this agreement, Correos attended meetings of the EMEA Council.



SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

A more customer-oriented range of products and services

Correos has a range of specialised products and services, in both physical and digital formats, adapted to the communication and business needs of different customer profiles.

In addition to a broad catalogue of postal solutions, it includes direct marketing products which guarantee companies optimum results from their information, new customer and loyalty campaigns.

The parcel products range facilitates personal and business exchanges, guaranteeing quality and reliability at competitive prices. Likewise, the BanCorreos brand combines the proximity of the postal network with a customised range of financial services, complemented by Correos' money transfer services.

In 2012 the range of services offered by Correos grew to include new added value and comprehensive solutions aimed at companies and specific groups, such as SMEs. In addition to this renewed focus are changes to how the product range is presented, in order to simplify it and adapt it to customers' needs.



SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

Correos' parcel solutions for e-commerce and SMEs

- Since its launch, **Postal 48/72** has become the parcel product that best meets the needs of e-commerce. The different delivery options (home, main office or selected post office), including exclusive delivery to the addressee, make it a flexible solution that adapts to the requirements of customers and addressees.
- A new option, reverse logistics, was added in 2012, permitting the addressee to return a parcel at the sender's expense, increasing comprehensive solutions for the different needs of transport for the e-commerce sector.
- Likewise, the company developed its customer integration systems, such as Correos' virtual post office, web services and systems for the preparation and labelling of parcels through online shops, such as those programmed with the Magento e-commerce platform.
- **Postal Exprés** is Correos' leading urgent parcel solution. It maintains the traditional values of security and reliability while adapting to the needs of customers, providing the options of home delivery or delivery to a selected post office and exclusive delivery to the addressee.
- The company is a reference in the direct marketing sector, as evidenced by the publication of the first **Diccionario de Marketing Directo e Interactivo** (Dictionary of Direct and Interactive Marketing) published in Spain, in collaboration with LID Editorial Empresarial. This publication is intended to meet the needs of a market dominated by imprecise English terminology, helping marketing and advertising agencies to communicate and interact directly and more effectively with consumers.
- In the advertising segment, companies increasingly opt for mixed models that combine offline and online strategies, which make it possible to measure campaign results more accurately. Correos has the capacity to optimally integrate both formats through the combination of its vast distribution network and product range, making all direct marketing campaigns more efficient, with innovative services from its subsidiary Nexea.

SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS



Silver Medal in the 10th Outdoor Creativity Award Competition 2012

Correos received the **Silver Medal in the 10th Outdoor Creativity Award Competition 2012**, awarded by the company JD Decaux in recognition of the best outdoor advertising campaigns, for the action entitled "Tiburones" (Sharks), in which a parcel was located inside Madrid's Aquarium.

This was one of hundreds of "unusual packages" that were placed in unexpected locations in major Spanish cities, as part of the promotional activities for the *Paquetería 360°* line.

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Products and services based on new technologies

In 2012 the company added new **services based on the potential afforded by the latest technologies**:

Correos Info

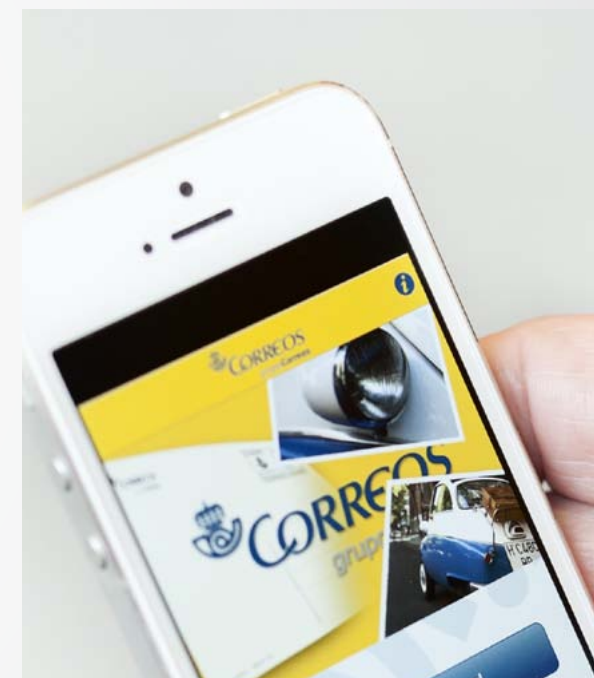
A free application for mobile devices that allows users to look up postal codes, find post offices and track registered items. Since its launch, it has been downloaded an average of 500 times per week and it has received a score of 4 out of 5 from users at the Apple Store and 3.9 out of 5 at Google Play.

Correos eCard

A service that lets users send real post cards from smartphones and tablets to the post box at the recipient's address. There have been an average of more than 100 downloads per week, and the application has received a score of 4 out of 5 at the Apple Store and 4.2 out of 5 at Google Play. This application was a **finalist in the Postal Technology International** competition in the Digital Mail category.

Augmented Reality postcards

This service allows users to link 3D images, sound and video to a traditional postcard. An innovative medium for all types of e-marketing campaigns, it provides high added value thanks to the possibilities it has for interacting with the user. To access the added multimedia content, the user must simply download the application for PC or mobile device and focus a camera on the postcard.



SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS



Correos online

The **virtual post office** (www.correos.es) is the commercial channel for online access to Correos' range of products and services, in both physical and digital formats, which includes postal products, bureaufaxes, notifications, parcels and digital communications solutions, such as the *Apartado Postal Electrónico* (Electronic P.O. Box) and *Tu Sello* (Your stamp).

The improvements implemented in this channel are intended to facilitate the online preparation and ordering of parcel delivery, through *Postal 48/72*, *International Postal Exprés* and international parcel services (priority and economy).

In 2012, the virtual post office received an average of 4 million visits per month and attracted 89,440 new customers. The number of registered users totalled 731,886 people, a 14% increase over 2011.

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SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

Postal activity

Domestic activity

The general economic situation and drop consumption have directly affected the demand for traditional postal services in both Spain and other countries. These factors have heightened the substitution effect of ICTs (information and communication technologies). As such, the year ended with a 10.4% decrease in the mail volumes. Faced with this market trend, Correos is introducing operating efficiency and income diversification measures.

In 2012 the company provided support for electoral processes held in the Autonomous Communities of Asturias, Andalucía, Galicia, País Vasco and Cataluña.

Domestic postal volumes (millions)	2010	2011	2012
Ordinary mail	3,383.9	3,165.4	2,864.8
Notifications and registered products	198.7	181.8	168.6
Direct marketing	578.4	519.6	457.8
Parcel	15.5	14.6	13.9
Other postal products	237.1	183.4	135.9
Total	4,413.6	4,064.9	3,641.0

The company also processed 6.4 million money orders, 12.6% less than in 2011, with a total sent amount of 647.3 million euros, as well as 5.6 million telegrams, which fell by 8.8%.



SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

International activity

The company admitted 200.2 million international mail items, both through the postal channel and via “direct injection” (the channel through which international customers can access national products and rates).

Inbound mail fell by 5.2%, and outbound mail by 10.8%. Most of the mail items were addressed to European destinations, although import flows originating in Asian countries continued to grow.

Inbound parcel volumes increased by 5.8%, mainly due to the 14.9% increase in direct injection parcel items. On the other hand, outbound parcel volumes fell by 1.6%. In this segment, the main markets were located in Europe, Latin America and Asia, as well as the United States.

Correos held negotiations with different postal operators in order to capture and increase traffic to Spain and improve flows for outbound products.

In order to offer a better quality of international postal services, the company became a party to the **REIMS V Agreement** on terminal dues, a multilateral pact managed by the International Post Corporation that governs the payment amongst postal operators for mail and small parcel item balances.



SOCIEDAD ESTATAL CORREOS Y TELÉGRAFOS

Philatelic business

Correos' philatelic business includes issuing, distributing and marketing of stamps, as well as promoting stamp collecting. The company released **44 issues** in 2012, with a total of **91 stamps** and 9 additional issues for Andorra. It also published three philatelic books:

Sellos de España y Andorra 2012 (Stamps of Spain and Andorra 2012), a compilation of all the issues for the year.

Catedrales de España (Cathedrals of Spain), an illustrated volume of more than 200 graphic documents and photographs, as well as 14 stamps in block sheet format.

Los valores en el sello (Values on stamps), a collection of 20 stamps depicting social values, such as education, cultural diversity, protecting the planet and individual achievement.

As an active member of the philately sector, the company has participated in, sponsored or promoted the following events:

44th National Philatelic Fair (Madrid).

Exfilna Fair 2012 (Calahorra, La Rioja).

Regional Exhibitions: Expobil (Bilbao), Exfilandalus (Córdoba) and Exfiastur (Asturias).

Paris Philatelic Fair.

Activities of the Spanish Federation of Philatelic Societies (FESOFI), Spanish National Association of Philately and Numismatics (ANFIL) and the Royal Hispanic Academy of Philately (Academus journal, research and the study of postal history.).

Educational exhibitions at 25 schools, in which 13,840 students participated.

For the third year in a row, Correos has won the second prize for the best engraved stamp in Europe, with an issue from the block sheet dedicated to the Sigüenza Cathedral, also included in the book *Catedrales de España*.



CHRONOEXPRES

Chronoexpres is the subsidiary of the Correos Group specialised in the urgent delivery of documents and parcels weighing up to 40 kg, both nationally and internationally.

The company, which owns delegations throughout Spain, provides its customers with comprehensive solutions for all stages of the supply chain (direct logistics, distribution logistics and reverse logistics), with complete tracking, online information and personalised service.



Comprehensive parcel solutions

The range of services offered by Chronoexpres consists mainly of urgent services with agreed delivery times:

- **Chrono10**, with delivery before 10 am the following day.
- **Chrono14**, with delivery before 2 pm the following day.
- **Chrono24**, with delivery the following day.

This range is complemented by personalised solutions, such as:

- **Multichrono**, the customised urgent delivery service, which includes added values such as administration (verification and return of documentation), set-up, installation and handling of parcel items.
- **ChronoValija**, (commercial or banking) for companies that require periodic collection and delivery services from their headquarters or branches.

- **Chronologic@**, for comprehensive coverage of the customer's logistics chain (storage, order picking, inventory management, returns, etc.).

Chronoexpres also offers urgent international transport services, which it provides through agreements with express operators worldwide, such as FedEx, GLS and Transporta-Go Express. These services include:

- **ChronoInternacional Estándar**, for road transport in Europe, offering the most affordable prices.
- **ChronoInternacional Expres**, for air transport to anywhere in the world.
- **ChronoPortugal**, providing document and parcel delivery service to Portugal, with delivery the next working day after collection, and added values such as Saturday delivery and the option of refunds and payment at the destination.

Finally, the company offers the following pre-paid services:

- **Chronoprepago 3 kg**, for parcel items up to 3 kg.
- **Chronoprepago 5 kg**, for parcel items up to 5 kg.

CHRONOEXPRES

New comprehensive parcel solutions for customers of the Correos Group

- **Exclusive delivery to the addressee service**, upon presentation of an ID card or other identification specified by the customer.
- **Reverse logistics at post offices**, available for the product Chrono24. Companies which sign up to this service can offer their customers the chance to drop off returns at a Correos post office and Chronoexpres will take care of final delivery.

	2010	2011	2012
Operating centres	54	53	52
Distribution and hauling routes	1,741	1,762	1,893



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CHRONOEXPRES

Using information for better traceability

The main projects carried out in 2012 to improve the traceability of parcel items were:

- The **use of geopositioning data from PDAs** carried by transport staff to improve distribution management and delivery quality control.
- The definition of the **information model for within the Correos Group**, enabling Chronoexpres to deliver parcel items originating from the Correos network, ensuring traceability to the customer.

Activity

The *Chronologic@*, *ChronoValija* and *ChronoInternacional* services and specific solutions for the optical and audiological sectors showed the largest growth, thanks to the signing of new contracts with large customers.

Revenue by product

Change 2011-2012

+40.5%

Chronologic@

+6.6%

ChronoValija

+2.6%

ChronoInternacional

+2.1%

Services for the optical and audiological sector



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NEXEA

Nexea is the subsidiary of the Correos Group dedicated to providing comprehensive services to facilitate mass communications for companies.

The company provides the global management of its customers' communications flows, covering all production phases, including consulting, planning, design, document engineering, digitisation and information processing, database management and return automation, as well as the printing, sorting and delivery to Correos facilities for distribution.

Excellence in communications management

Nexea offers comprehensive services for sectors such as telephony, energy, utilities, banking and the Public Administration, for which it manages billing, bill payment with or without direct debit orders, bank statements, cheques, marketing campaigns and payrolls.

The company is specialised in the development of personalised technology solutions for their document processes. To accomplish this, the company offers two pioneering services: **Nexbaw**, which enables the global control of documental management, and **Nexmat**, intended to optimise information production processes.

These innovative solutions, which are characterised by the trust and facilities for customers that are provided by logistical integration with Correos, were the services with the greatest increase in demand in 2012.

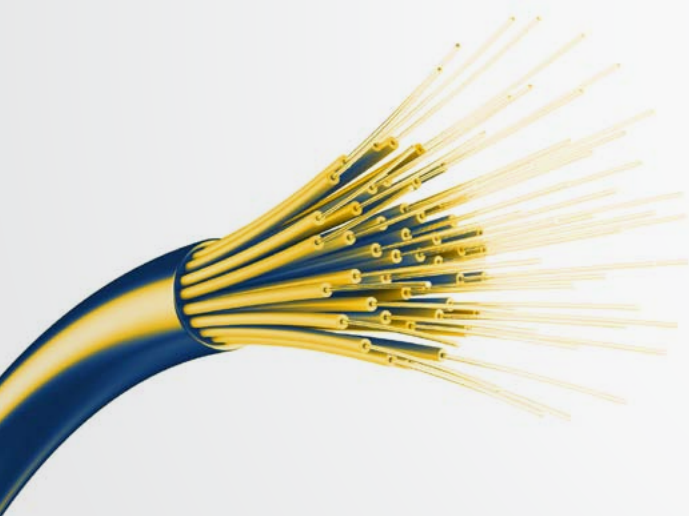
Nexea also has a **web solutions platform** to create multi-channel online marketing campaigns, which can be adapted according to profile, segment or customer requirements. Likewise, with **document customisation systems**, using high-speed full colour technology, the customer can include personalised advertising on invoices or bills.

Activity

During 2012, the company processed 340.4 million printed items and 6.1 million digitisation jobs.

CORREOS TELECOM

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



Management and sale of the telecommunications infrastructure network

Correos' telecommunications network consists of more than 3,100 km of line infrastructure, 224 sites for the installation of radio links, antennas and communications equipment, more than 1,300 km of dark optical fibre network and 106 WDM data circuits, managed and sold by Correos Telecom to companies and the Public Administrations.

Marketed infrastructures	2010	2011	2012
Conduits (kilometres)	1,520	1,516	1,516
Gallery lines and others (kilometres)	183	183	183
Overhead lines (kilometres)	1,457	1,400	1,432
Optical fibre (kilometres)	1,386	1,392	1,392
Others cables (kilometres)	874	846	846
Circuits	105	97	106
Urban sites	133	132	132
Rural sites	92	92	92

In 2012 the company signed 20 new contracts and renewed an additional 4, for an amount that reached 5.7 million euros, for site leases, usage rights, optical fibre networks and data circuits.

CORREOS TELECOM

The sales activity of Correos Telecom included other projects, such as:

- Drafting a plan for the laying of new optical fibre cable, in order to provide support to customers who signed contracts in 2012.
- An agreement with a telecommunications company for the lease of sites for the installation of equipment providing mobile telephone coverage, as well as the signing of sales collaboration agreements with sector companies.
- The leasing of premises and offices owned by Correos to install technology equipment for telecommunications operators.
- Network promotion through mass mailing to potential customers, on-site advertising and placement on Google Earth maps.

Management of the Correos network	2010	2011	2012
Centres	2,861	2,862	2,870
Data circuits	3,592	3,592	3,473
Voice circuits	4,934	4,889	4,850
Telephone lines	8,571	8,215	8,351
Data hardware	7,223	8,761	8,821
Switchboards	127	121	123

Management of the Chronoexpres network*		
Centres	55	57
Data circuits	157	144
Voice circuits	354	352
Mobile telephony	2,357	2,335
Computer servers	324	320
Switchboards	6	6

* Since 2011

CORREOS TELECOM

Provision of technology services to the Correos Group

In addition to selling assets, Correos Telecom is responsible for the design, engineering, operation and development of technology projects for the rest of the Group companies. Some of the actions taken in this area of activity during 2012 have been:

- The implementation of a pilot plan for the **remote measurement of energy consumption in 10 buildings** owned by Correos and the development of an energy management and procurement model for the Group, which has led to a reduction of 300,000 euros in these costs.
- The definition of applications to access the Electronic Notification Service from mobile devices.
- The creation of the standardisation service of the postal address database.





SHAPING OUR DESTINY

We move forward on a steady course guided by efficiency, quality and innovation.

04 Business environment and strategy

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BUSINESS ENVIRONMENT

The Correos Group takes advantage of the synergies derived from the combined activities of its four companies to develop innovative solutions orientated towards the needs of its customers.

The market, trends and opportunities

The companies that make up the Correos Group conduct their business in very competitive and dynamic markets, in which quick adaptation to technological advances and changes in demand is essential. The Group continuously works to identify and analyse trends that might potentially affect the evolution of the markets, and therefore, its competitiveness.



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BUSINESS ENVIRONMENT

The Group strives to better its positioning in high potential growth markets and in those where it has the best business opportunities, thanks to the traditional strengths of Correos: security, trust, proximity, capillarity, technological capacity, quality and efficiency, along with the values of innovation and flexibility.

To accomplish this, the Group is boosting the postal business with new products aimed at direct marketing and database management, increasing activity in the parcel segment with specific solutions for e-commerce, expanding its electronic service offering and strengthening internationalisation, amongst other actions.



Industry trends involving both a threat and an opportunity

- Advances in e-commerce and mobile commerce
- Growth of parcel volumes and B2C and C2C flows
- Demand for more personalised services and delivery solutions
- Growth of the international commerce and the importance of Asian markets
- Demand for comprehensive services throughout the supply chain
- Decrease in postal volumes
- Emergence of competition
- Digitisation and "mobilisation" of communications
- Increased diversity of marketing channels
- Developments in e-administration and electronic billing
- Demand for secure digital communications systems
- Expansion of social networks and the prescriptive power of customers
- Demand for lower costs and greater efficiency in processes
- Increase in social and environmental conscience and the demand for ecological services

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BUSINESS ENVIRONMENT

Positioning in relevant markets

In accordance with its objective to strengthen and expand the company's positioning in the parcel market, Correos has signed agreements with different companies and associations in the e-commerce sector:

- **"Impulsando pymes" (Promoting SMEs) initiative.** Correos was one of the sponsors of the Promoting SMEs conferences, held in 19 Spanish cities and aimed at more than 3,000 small and medium-sized companies. These conferences shared knowledge and business strategies, to increase SME efficiency and productivity through practical and innovative solutions.
- **Club Cambra**, business platform which is promoted by the Barcelona Chamber of Commerce.
- **Asociación Andaluza de Comercio Electrónico, ANDCE (Andalusian E-Commerce Association).**
- **Ydral e-business solutions.**
- **Comerkia.**

Chronoexpres, in turn, has signed partnership agreements with the following organisations and companies:

Consejo General de Colegios de Ópticos y Optometristas (General Council of Associations of Opticians and Optometrists) and the **Federación Española de Asociaciones del Sector Óptico, FEDAO** (Spanish Federation of Optical Sector Associations). The company continues to participate in an ongoing cooperation framework with both organisations.

ICM Communications Group. The agreement with this publisher strengthened its leadership position in the area of distribution for the optical sector.

Notary Certification Agency. An agreement was signed for courier services for the group of notaries public in Spain.

eTendas. In addition to becoming their logistics partner, Chronoexpres participated in and sponsored promotional and communications events for this online market, which sells products from Castilla y León with the quality guarantee label **Tierra de Sabor** (Land of Flavour).

BUSINESS ENVIRONMENT

Partnerships in the international market

Internationally, Correos has agreements with different networks that extend their coverage worldwide, promoting their business opportunities abroad. The company is a member of the **EPG (European Parcel Group)**, focused on parcel services. Last year it continued its expansion strategy, in terms of both the number of member countries and the variety of solutions offered for cross-border deliveries and returns.

The company also belongs to the **Kahala Post Group** trade alliance, along with public postal operators from Australia, China, South Korea, Hong Kong, Japan, the United States, Singapore, the United Kingdom and France. Its objective is to promote quality and efficiency in postal and urgent parcel services, through the integration of its operating networks and information systems.

Agreement with Casa Asia

In 2012 the sponsorship agreement continued in force that was signed with the public consortium *Casa Asia*, an institution created to strengthen economic, cultural and social exchanges between Asian countries and Europe.

Through this agreement, the company participated as a member of the Board of Trustees and took part in the events scheduled by the consortium, which included, amongst others, the celebration of *Festival Asia 2012*, which gave the company the opportunity to meet potential customers.

This cooperation is part of Correos' international business development policy, focuses particularly on the parcel market, and enables the company to strengthen ties with customers who do business and cooperate in markets in Central Asia, China, India and Oceania. Furthermore, this exchange reinforces its presence in this geographical area, where it operates through its membership in the Kahala Post Group.



BUSINESS ENVIRONMENT

Participation in business associations, institutions and organisations

Companies in the Correos Group actively participate in Spanish and international business associations, organisations and institutions, promoting cooperation, contributing to common development projects and providing their experience and vision on matters of importance to the sector.

Correos

- **The Universal Postal Union (UPU).** This is the main forum for cooperation amongst postal operators around the world. Dedicated to consultancy and mediation, it sets the standards for international mail exchange and issues recommendations for quality improvement. Through its participation on the UPU's Development and Cooperation Committee, Correos supports the United Nations Millennium Development Goals. In addition, at the 2012 Universal Postal Union Congress in Doha, the company was selected to preside over the Terminal Dues Group for the next four years.
- **The Postal Union of the Americas, Spain and Portugal (UPAEP).** Its mission is to boost regional integration and the modernisation of the postal sector, promoting sustainable development.
- **The European Association of Public Postal Operators (PostEurop).** It is tasked with strengthening cooperation amongst European postal operators and representing them in regional and international forums and organisations. Correos forms part of its Management Board.
- **International Post Corporation (IPC).** It encompasses postal operators from Europe, North America and the South Pacific, to which it provides assistance to facilitate the development and improvement of postal services, promoting technical cooperation and technological interoperability.



BUSINESS ENVIRONMENT

Chronoexpres

- **Business Logistics and Transport Organisation UNO.** Formed by Spanish and international logistics and transport operators.
- **The Civil Guard's *Coopera Programme*.** The objective of this initiative is to boost mutual operational support through two-way information exchanges to benefit public safety.

Correos Telecom

- **Association of electronics, information technologies, telecommunications and digital contents companies (AMETIC).** The Spanish employer's association, its aim is to foster and promote the development of the sector.

Participation in Corporate Excellence

Correos is one of the companies affiliated with Corporate Excellence-Centre for Reputation Leadership, a laboratory of ideas created by a group of large Spanish companies to professionalise the integrated management of intangible assets, and to contribute to the development of strong brands and companies with good reputation, capable of competing in global markets.

In 2012 36 activities were carried out, aimed at members of this alliance and focused on reputation, brands, communications, public affairs, metrics and training. During this same year, Corporate Excellence became a member of the *Observatorio Oficial de la Marca España* (Official Spain Brand Observatory) of the *Real Instituto Elcano* (Elcano Royal Institute), presenting research on the reputation of Spain in G8 countries.

RISK MANAGEMENT

Risk analysis and management forms a crucial part of operational and strategic control in the Correos Group. The risk management policies, set by the Management Committee and approved by the Governing Board, are based on different action protocols, intended to prevent risks and to ensure an adequate response from the organisation when they do occur.

The Correos Group has identified risks with a potential to affect assets, management, commercial and financial activities, operations and competitiveness.

Strategic and reputational risks

The main factors whose adverse evolution could create strategic risks for the Group are: increased competition, changes in the economic, social or political situation, an increase in the digitisation of communications and a decrease in postal activity, as well as inadequate change management and a delayed response to new demands. In terms of the Group's reputation, the main risk is a worsening of perception by the stakeholders.

Financial risks

The Group has procedures and controls in place that enable it to detect, measure and manage risks associated with financial instruments. These include credit risks, due to the possible breach of contractual obligations held with Group companies; market risks, in relation to hypothetical losses caused by changes in the reasonable value or in future cash flows of a financial instrument, due to changes in market prices; and liquidity risks, in the case that liquid funds are unavailable or inaccessible in sufficient amounts and at an adequate cost in order to meet payment obligations.

Legal and tax risks

These risks are related to the breach of contracts and legal regulations by the Group, which could lead to sanctions. Likewise, changes in tax laws or in sector regulations also represent a risk insofar as they may influence the Group's financial results or service obligations.

RISK MANAGEMENT

Environmental risks

The performance of the activity of the Correos Group requires an extensive network of infrastructures (offices, processing centres and other facilities), as well as means of transport. Therefore, the environmental action plan seeks to minimise the impact of operations by reducing energy consumption, CO₂ emissions and waste generation, amongst other measures.

Technological risks

Due to the highly technological nature of the Group's activities and the range of services offered by Group companies, the Group is exposed to risks related to possible attacks on or unauthorised access to information systems, which could affect operations or the security of personal data. Likewise, the Group is exposed to the negative effects of replacement by new communications technologies, possible damage to the company's reputation on the social networks and the lack of or delay in availability of the latest technologies, which would mean a loss of business opportunities.

Labour risks

Due to the fact that the Group's activity relies on the intensive use of human resources, the prevention of risks in the workplace and the promotion of employee health are priority objectives in all areas of the organisation. Furthermore, talent management policies, professional development and training are intended to retain and promote intellectual capital, to boost the quality of the service provided, innovation and continuous improvement.

Operational risks

The Group strives to prevent deficiencies or malfunctions in information systems, internal controls, equipment or processes from affecting customer satisfaction, proper compliance with legal obligations in terms of delivery quality or the security of postal communications or the company's reputation.

STRATEGY AND OBJECTIVES

The Correos Group has defined a new business strategy for the upcoming years, the guidelines of which have been set out in the 100-300-1,500 Action Plan. Containing more than 130 actions, this plan is aimed at improving the Group's position in the different markets in which it operates.

The new strategy is a roadmap to promote diversification, make the most of synergies amongst Group companies and increase our presence in market niches such as parcel delivery, banking services, direct marketing and electronic products.

NEW BUSINESS STRATEGY: 100-300-1,500 ACTION PLAN

The aim of the **100-300-1,500 Action Plan** is to promote dynamics of continuous change within the Correos Group, which enable it to provide products and services that are fully adapted to increasingly more competitive and changing markets, ensuring sustainability.

- The **strategic objective** of the Correos Group is to become the best provider of physical and electronic communications services, as well as parcel services, supported on the recognized values of Correos: security, trust, proximity, capillarity, technological capacity, quality and efficiency.

To grow, based on our values



Security



Trust



Proximity
Capillarity



Quality



Technological
capacity



Efficiency

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STRATEGY AND OBJECTIVES

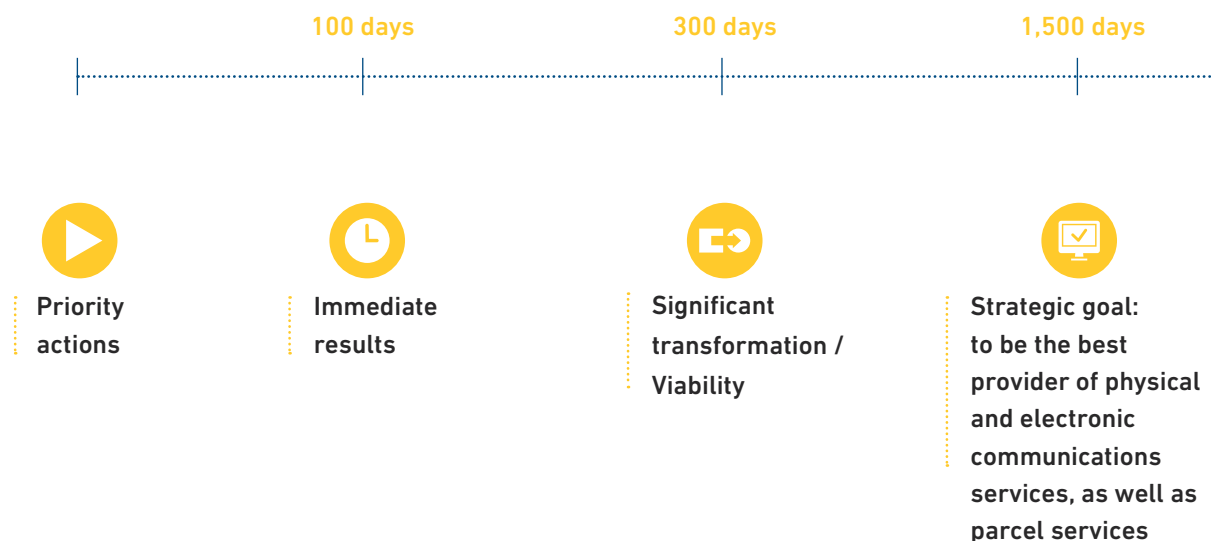
Implementation phase

100-300-1,500 Action Plan

The name of the plan is taken from **three milestones**: 100 days to achieve the first results from immediate actions, 300 days to introduce actions with a greater scope of transformation and 1,500 days to accomplish all strategic goals. This is a dynamic, flexible plan, as the actions and projects envisaged in it will be expanded, updated and prioritised according to the company's needs.

The **Strategy Committee** will be responsible for setting these priorities, reviewing and incorporating contributions, assessing changes in the environment, defining the lines of action to follow in each case and the resources needed to implement them, as well as monitoring and assessing their completion.

Likewise, the **Transformation Project Office** will be responsible for coordinating the process of implementing the lines of action.



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STRATEGY AND OBJECTIVES

Communications and participation in strategic development

The support and involvement of all staff members is crucial to ensure the success of the strategic development. To this end, the plan was presented to directors and management in late 2012. It was then communicated in the different geographical areas of the Correos territorial structure. In addition, a new space on the company intranet called *Canal Plan* was created to keep all employees informed on the progress and results of the plan, involving them in the company's transformation process through their suggestions and contributions in Aporta section.

Strategic lines and fields of action

The traditional strengths of Correos offer a solid base from which to identify opportunities in the market and to diversify activities, making the company an organisation that is not only efficient in providing universal postal services, but is also profitable and sustainable.

5 strategic lines

- 1 Operational optimisation
- 2 Diversification and growth
- 3 Business efficiency and a customer-centred approach
- 4 Development of the organisational model
- 5 Innovation and new developments

7 fields of action

- 1 Improvement in the margin of the postal activity
- 2 Growth in the parcel segment
- 3 Expansion in the positioning of the electronic business
- 4 Increased profitability of the retail channel
- 5 More customer-oriented approach to the range of products and services
- 6 Internationalisation
- 7 Organisational and process efficiency for improved sustainability

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STRATEGY AND OBJECTIVES



Improved business efficiency

The improvement of the commercial actions of the Correos Group is centred on better business coordination amongst Group companies, identification and development of new business lines in the retail network, increased parcel volumes and customers' portfolio and the definition and implementation of end to end solutions for different types of customers.

One of the first actions carried out to meet these objectives is the **definition of a new commercial model** that not only permits defining customer relations, it also establishes a more appropriate range of products for each segment. This business model adapts current resources to the customer relations model and defines the roles for both management and support.

Marketing plan

The business strategy is based on a marketing plan aimed at **boosting the brand and promoting products offered by the Group**, strengthening the close, trusting relationship with customers and stimulating commercial action in post offices. To achieve this, amongst other actions, specific campaigns were launched on Google, eBay and Facebook, and on traditional media.



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STRATEGY AND OBJECTIVES

New territorial structure for greater efficiency, rationality and operability

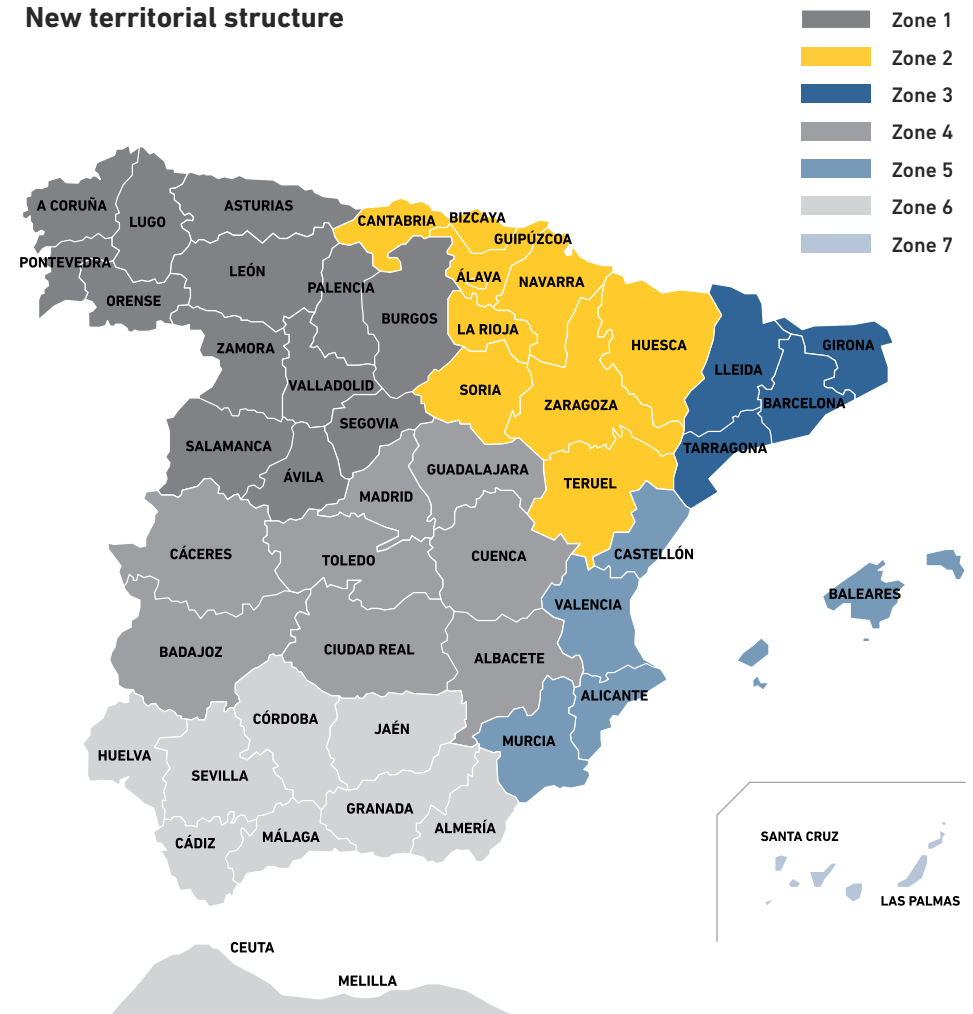
Correos has engaged in a restructuring of its territorial organisation to achieve greater adaptability and response capacity to changes in the business environment, as well as flexibility to promote better management and service quality. This measure, included in the 100-300-1,500 Action Plan, promotes the criteria of greater efficiency, rationality and operability.

The new territorial model has **reduced the number of zones** from 14 to 7, and has implemented a **revised organisational structure** in its different levels of responsibility and functions.

The new territorial structure allows for greater homogeneity amongst zones and distributing resources in a way better suited to the activity, population, area and demand of each territory. This provides Correos with a **more flexible, dynamic way to organise** people, work and its networks, allowing for a more responsive organisation.

Furthermore, the simplification of the structure facilitates **better alignment of the zones with corporate objectives** and favours the promotion of a change in corporate culture, focused on teamwork and enterprising effort from the territorial level.

New territorial structure



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ECHOING SOCIETY

We listen to all stakeholders, and we make our commitment known.

05 Performance and creation of value

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COMMITMENT TO SUSTAINABILITY

The Correos Group's Excellence and Sustainability policy, embedded in strategic planning, is aimed at promoting responsible behaviour at all levels of the organisation and to instil the principles of sustainable development in all areas of the Group.

In accordance with the principles of honesty, integrity and transparency, which mark good governance and are covered in the Code of Conduct, the Correos Group makes the following commitments:

- To **customers**, through continuous improvement, process **innovation** and the ongoing quest for **excellence in service** and products, to meet the needs of an increasingly more high-tech society.
- To **stakeholders**, performing our business activity efficiently and profitably, striving to optimise the use of available resources and consolidating stable employment.
- With the **people** who work in the company, ensuring their health and safety in the workplace, ongoing training and personal and professional development.
- To **society**, through the active contribution to social and cultural development in the broadest sense.
- To the **environment**, taking action to reduce the impact of our activities on the environment and monitoring strict compliance with legislation and the rest of the commitments made in this area.

The Correos Group relies on indicators to oversee the behaviour and performance of the company in relation to the commitments it has made.

The different management bodies are kept informed on the results obtained and any improvement actions that are required.

The Group's performance and actions related to the commitments outlined in the Excellence and Sustainability Policy **are communicated internally and externally**, through the publication of reports and the Group's participation in specialised forums.



COMMITMENT TO SUSTAINABILITY

Stakeholders relations

The **corporate social responsibility policy** of the Correos Group constitutes a tool that enables it to build strong bonds with different stakeholders, to know their expectations and share the progress made towards achieving objectives. Permanent channels of communication and dialogue are kept open with each stakeholder, and their contributions are incorporated in decision-making processes.

Stakeholder	SHAREHOLDER	EMPLOYEES	CUSTOMERS	SOCIETY
Channels of communication	<ul style="list-style-type: none"> General Meeting of Shareholders Continuous reporting to the SEPI Group 	<ul style="list-style-type: none"> Intranet Email Abrecartas magazine Internal memos Meetings Training courses Participation programmes 	<ul style="list-style-type: none"> Service points and channels Satisfaction surveys Corporate website Más Cerca magazine Trade fairs and forums Advertising campaigns Social networks 	<ul style="list-style-type: none"> Participation in Spanish and international associations and projects Meetings and discussion forums Annual report Corporate website Press releases Progress report Social networks
Important issues	<ul style="list-style-type: none"> Returning value through business efficiency Ethical behaviour Good corporate governance 	<ul style="list-style-type: none"> Stable, quality employment Health and safety in the workplace Professional training and development Social protection 	<ul style="list-style-type: none"> Quality and accessibility Service satisfaction Specialised range of value-added products and services 	<ul style="list-style-type: none"> Defence of human rights Child protection Integration of disadvantaged groups Sustainable environmental management

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SHAREHOLDER, INTEGRATION INTO THE SEPI GROUP

- Full integration with SEPI information systems.
- Correos Group investments of nearly 39 million euros.

The general principles that guide the performance of the Correos Group are aimed at ensuring its competitiveness and corporate sustainability, as well as creating value for shareholder and other stakeholders through proper management. To reach these goals, the company promotes good corporate governance, which enables it to ensure solid, ethical growth in strict compliance with legislation.

Integration into the Sepi Group

The *Sociedad Estatal de Participaciones Industriales* (SEPI) is the sole shareholder of the *Sociedad Estatal Correos y Telégrafos, S.A.* and its subsidiaries. The agreement on the transfer of all shares made between the Directorate General for State Assets and SEPI was signed on 5 June 2012 and made public on 12 June 2012. Since October 2012, the Correos Group has been **fully integrated with the SEPI information systems**.

Integration into SEPI has meant adopting a new business management framework, which along with the new strategic focus covered in the 100 – 300 – 1,500 Action Plan, will allow for greater solvency to face future challenges in the sector, building on the Group's strengths and boosting business development.



SHAREHOLDER, INTEGRATION INTO THE SEPI GROUP

Economic focus based on efficiency, profitability and austerity

With their activities, Group companies generate **direct and indirect economic value**, which is reinvested in the society. The Group contributes to society by meeting service objectives, employing almost 57,000 people and dedicating nearly 39 million euros to investments.

The commitment to apply strict efficiency criteria to the provision of services and the continued application of the austerity plan and cost reduction are manifest in the efforts made by Group companies to reduce operating costs.

Based on strict profitability and utility criteria, the Correos Group dedicated **39.1 million euros** to non-financial investments. Of this figure, Correos invested 36.8 million euros. Chronoexpres made 1.3 million euros in investments, Nexea and Correos Telecom made investments in the amount of 0.5 million euros each one.

SHAREHOLDER, INTEGRATION INTO THE SEPI GROUP

Creation of value for society

Sociedad Estatal Correos y Telégrafos	2010	2011	2012
Direct economic value created (thousands of euros)			
Net turnover	1,969,743	1,946,100	1,739,172
Income from financial investments	2,181	7,363	3,570
Income from the sale of assets	23,237	1,124	1,882
Itemised economic value (thousands of euros)			
Operating costs	552,823	510,768	476,660
Salaries and benefits for employees	1,544,987	1,514,903	1,340,316
Payments to capital suppliers	75,618	47,114	39,310
Gross taxes	3,085	10,646	6,519
Voluntary contributions and investment of funds in the community / Donations	100	223	7
Retained economic value (thousands of euros)			
Reserves	854,510	856,252	857,309
Amortisations	110,097	101,933	93,477
Depreciations	43,172	8,901	16,228
Financial assistance received from government (thousands of euros)			
Tax incentives/bonuses	3,158	433	516
Subsidies	4,900	0	0
Subsidies for investments and other types of financial aid	0	0	0

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SHAREHOLDER, INTEGRATION INTO THE SEPI GROUP

Creation of value for society

Chronoexpres	2010	2011	2012
Direct economic value created (thousands of euros)			
Net turnover	132,056	129,248	128,472
Income from financial investments	400	445	521
Income from the sale of assets	0	0	0
Itemised economic value (thousands of euros)			
Operating costs	101,640	98,855	104,410
Salaries and benefits for employees	39,038	38,817	39,899
Payments to capital suppliers	2,470	1,608	4,087
Gross taxes	350	326	-1,851
Voluntary contributions and investment of funds in the community / Donations	4	14	15
Retained economic value (thousands of euros)			
Reserves	8,977	11,129	18,418
Amortisations	2,750	2,254	2,483
Depreciations	257	105	817
Financial assistance received from government (thousands of euros)			
Tax incentives/bonuses	0	5	0
Subsidies	0	0	0
Subsidies for investments and other types of financial aid	94	57	59

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SHAREHOLDER, INTEGRATION INTO THE SEPI GROUP

Creation of value for society

Nexea	2010	2011	2012
Direct economic value created (thousands of euros)			
Net turnover	13,547	13,916	11,418
Income from financial investments	0	0	0
Income from the sale of assets	0	0	0
Itemised economic value (thousands of euros)			
Operating costs	7,998	9,750	8,813
Salaries and benefits for employees	5,241	5,452	4,861
Payments to capital suppliers	3,357	620	583
Gross taxes	17	-407	160
Voluntary contributions and investment of funds in the community / Donations	0	0	0
Retained economic value (thousands of euros)			
Reserves	-353	5,300	4,280
Amortisations	1,282	1,478	1,645
Depreciations	-128	12	291
Financial assistance received from government (thousands of euros)			
Tax incentives / bonuses	0	0	0
Subsidies	0	0	0
Subsidies for investments and other types of financial aid	0	0	0

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SHAREHOLDER, INTEGRATION INTO THE SEPI GROUP

Creation of value for society

Correos Telecom	2010	2011	2012
Direct economic value created (thousands of euros)			
Net turnover	7,154	7,150	6,502
Income from financial investments	10	42	10
Income from the sale of assets	0	0	0
Itemised economic value (thousands of euros)			
Operating costs	3,289	1,922	1,336
Salaries and benefits for employees	3,646	2,981	2,642
Payments to capital suppliers	678	788	313
Gross taxes	126	817	861
Voluntary contributions and investment of funds in the community / Donations	0	0	0
Retained economic value (thousands of euros)			
Reserves	2,487	2,645	4,242
Amortisations	201	276	254
Depreciations	108	55	-109
Financial assistance received from government (thousands of euros)			
Tax incentives / bonuses	1	0	0
Subsidies	0	0	0
Subsidies for investments and other types of financial aid	0	0	0

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THE CUSTOMER: AT THE HEART OF THE ACTION



- 16.6% reduction in complaints and claims
- Increase of 0.8 points in the overall assessment in the customer satisfaction survey
- ISO 9001 certification awarded for customer service system and international processing centre at Barajas (Madrid)
- 2,433 centres and offices have a quality and/or environmental management system

One of the keys to transforming the Correos Group, included in the 100 – 300 – 1,500 Action Plan, is related to the concept of “customer and action”. The initial activities included defining a **new commercial model** that not only changes relationships with customers, but also establishes a portfolio of products adapted to each segment and a unified sales strategy for the Group as a whole.

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THE CUSTOMER: AT THE HEART OF THE ACTION

Service within the reach of everyone

As the operator in charge of providing the universal postal service in Spain, Correos aims to successfully fulfil its mission in accordance with certain quality, regularity, accessibility and affordability principles which ensure all citizens' rights to mail communication.

- **Accessibility.** In recent years, Correos has undertaken a series of actions aimed at establishing a network of accessible offices by removing physical barriers, creating new and relocating old offices, extending public opening hours and expanding its portfolio of products and services.
- **Affordability.** The standard postal rate (for letters and cards up to 20g) at Correos continues to be one of the lowest in the European Union, with a 25% price difference between Spain and the EU average.
- **Quality and regularity of delivery.** Postal regulations establish requirements with regard to service quality and the regularity for the delivery of universal postal service products. Correos continuously assesses the degree to which it fulfils these objectives and possible areas for improvement by using different measuring models.



THE CUSTOMER: AT THE HEART OF THE ACTION

Delivery quality of postal services

Correos carries out assessments of delivery quality through the **SPEX system**, which monitors the entire postal process, from the admission of mail items to their final delivery through the cooperation of independent panellists.

The SPEX system has been verified and certified by an independent company in accordance with standard 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, the National Commission for the Postal Sector, can use the results of the SPEX system for its own evaluation of the degree to which Correos complies with delivery quality.

The results produced by this measuring model showed that, in 2012, the delivery aims established by the postal regulations were fulfilled.

Delivery quality of ordinary letters (SPEX system)	Target (Royal Decree 503/2007, of 20th April)	2010	2011	2012
D+1	-	69.6%	70.5%	68.8%
D+3	93%	96.1%	96.7%	96.3%
D+5	99%	99.1%	99.2%	99.1%

Chronoexpres urgent delivery quality

In 2012 Chronoexpres maintained delivery quality for its main products with guaranteed next-day delivery. The results showed the company achieved a delivery quality of 95.1% for *Chrono 10*, 94.4% for *Chrono 14* and 97.0% for *Chrono 24*.



THE CUSTOMER: AT THE HEART OF THE ACTION

Quality management

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.



Correos has voluntarily adopted the following international regulations that are applicable to different aspects of its operation 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 the delivery time of parcels by using a monitoring and tracing system
- UNE-EN 14012 Service quality. Measurement of complaints and compensation procedures
- UNE - EN ISO 9001 Quality management
- UNE - EN ISO 10002 Quality management. Customer satisfaction. Guidelines for complaints handling in organisations.
- UNE - EN ISO 14001 Environmental management

The **scope of ISO 9001 standards** obtained in 2012 included:

- The marketing of postal and telecommunication services, post-related and financial services and the admission, pre-processing and delivery of postal products at the post office network.
- All processes carried out in the 17 automated processing centres.
- Customer service.
- Processing and handling of international mail and parcel volumes at the international processing centre in Barajas (Madrid).

The **scope of ISO 14001 standards** included:

- All processes carried out at the 17 automated processing centres and 16 main offices.
- Processing and handling of international mail and parcel volumes at the international processing centre in Barajas (Madrid).

THE CUSTOMER: AT THE HEART OF THE ACTION

Chronoexpres also renewed certification ISO 9001 for its quality management system, expanding its scope by including the logistics operator service. It also obtained ISO 14001 environmental certification for its headquarters and two operating centres in Madrid. Nexea has also a quality management system that was certified in 2012 in accordance with ISO 9001 and ISO 14001 standards.

In turn, Correos Telecom obtained 18 ITIL Foundation certifications and 1 ITIL Service Design certificate, awarded to its employees within this framework for the standardization of IT services management.

EMS Gold Medal

Correos received the 2012 EMS Gold Medal, awarded by the Universal Postal Union for the quality of its EMS services. This prize demonstrates the commitment of all employees to providing an excellent service.

Sociedad Estatal Correos and Telégrafos	2010	2011	2012
Post offices and centres with quality and/or environmental management systems	2,336	2,316	2,433
Percentage of total	45.3%	45.7%	48.0%
Certified post offices and centres	2,292	2,274	2,392
Percentage of total	44.5%	44.8%	47.2%
Chronoexpres			
Centres with quality and/or environmental management systems	-	53	52
Percentage of total	-	100%	100%
Certified centres	-	53	52
Percentage of total	-	100%	100%
Nexea			
Centres with quality and/or environmental management systems	-	-	2
Percentage of total	-	-	100%
Certified centres	-	-	2
Percentage of total	-	-	100%

THE CUSTOMER: AT THE HEART OF THE ACTION

Total commitment to customer satisfaction

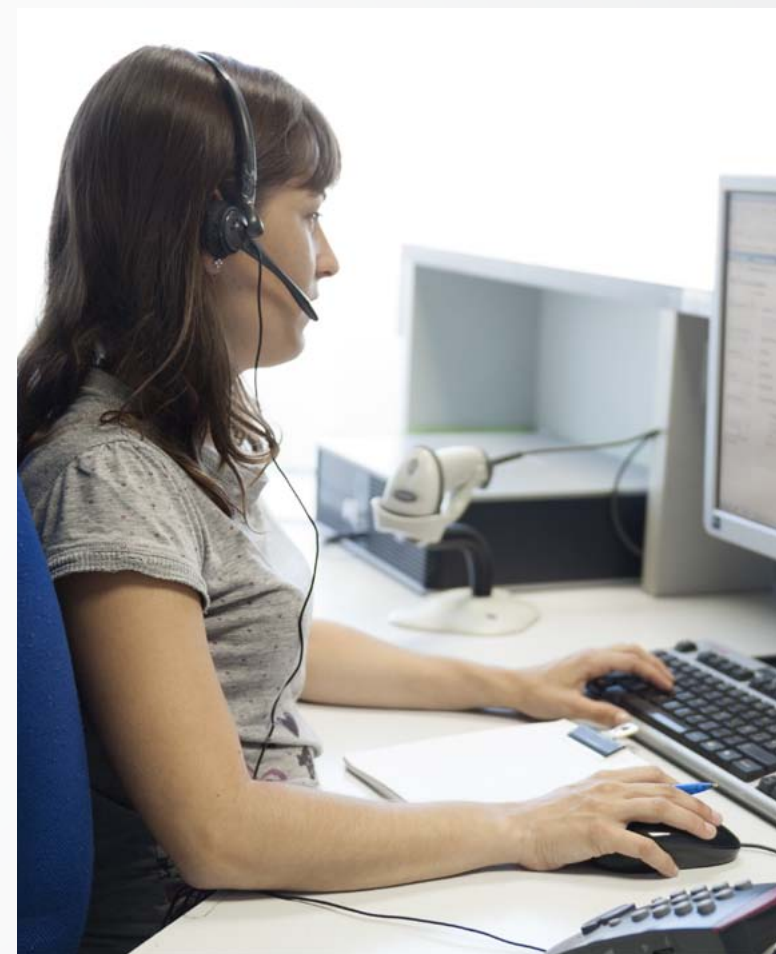
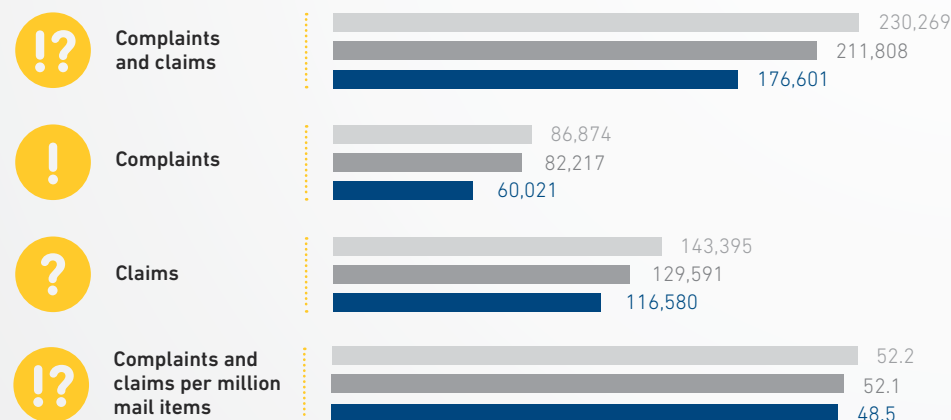
Correos not only aims to guarantee the quality of its service and customer service, but also to discover their satisfaction level and identify areas for improvement so that they can be offered the most suitable products, adapted to their needs.

Complaints and claims

In 2012 the company continued to reduce its rate of complaints and claims by 16.6%. The number of complaints and claims per million mail items also decreased by 6.9%.

Complaints and claims

2010 | 2011 | 2012



THE CUSTOMER: AT THE HEART OF THE ACTION

Assessment of customer satisfaction

Correos conducts regular studies to discover its customers' opinions about its products and services. This means that it can effectively incorporate their requirements when developing and improving new products and reengineering existing ones.

Correos customer satisfaction survey

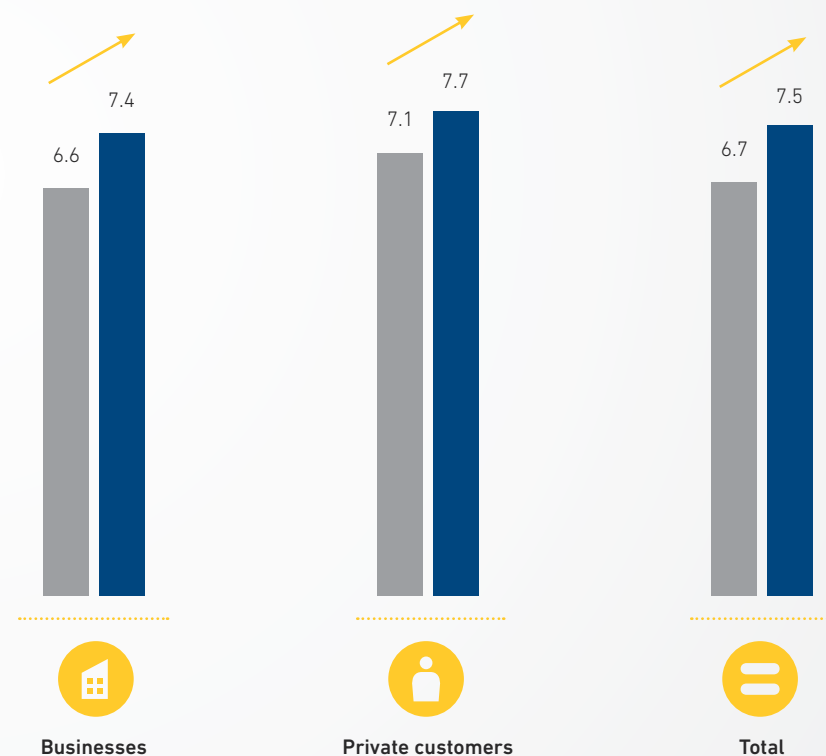
Improving quality is a key strategic aim of Correos and therefore it places great importance on discovering how its products and services are perceived, evaluating each of their characteristics.

The latest customer satisfaction survey showed an increase of 0.8 points in the overall assessment, increasing from 6.7 to 7.5 on a scale of 1 to 10. Breaking this rating down into business and private customers, the increase was of 0.8 and 0.6 respectively. Depending on the type of customer, the largest increase was seen in SMEs, growing from 6.1 to 7.2.

Satisfaction with services, in terms of mail, parcels and notifications, was over 7 out of 10 in all customer segments. It is also important to highlight the positive evaluation given by both small and medium businesses with contracts and private customers, for delivery of urgent and non-urgent parcels, which was over 8 out of 10.

Correos customer satisfaction (scale of 1 to 10)

2007 | 2012*



* Survey conducted at the end of 2011

THE CUSTOMER: AT THE HEART OF THE ACTION

Correos brand image study

The most recent brand image study carried out by Correos considered the main image variables associated with postal and parcel operators. The results clearly demonstrate that Correos is the company with the highest level of brand recognition of all the mail, parcel and document delivery companies among both private customers and businesses. With regard to parcel delivery, the main attributes of the Correos parcel service are its competitive price and proximity, as everyone has a post office near their home or place of work.

Attributes that are most closely identified with the Correos brand	Strengths of the Correos service and product range
Postal service	Delivers parcels in good condition
Professionalism	Suitable packaging is available to customers for their parcels
Closeness	Large number of post offices
Convenience	Delivery quality
Effectiveness	Deliveries traceability
Proximity	Good customer service
Tradition	Competitive price

THE CUSTOMER: AT THE HEART OF THE ACTION

Chronoexpres customer satisfaction survey

Chronoexpres conducts an annual customer satisfaction survey. In 2012 the best assessed areas were operations and systems and information, while those that received the worst evaluation were claims settlements and customer service. The company has started up improvement actions in these areas. Overall, it was awarded 7.5 points on a scale of 0 to 10, half a point higher than the 2011 evaluation.

Assessment of satisfaction with Nexea

Each year Nexea assesses the satisfaction of its customers. As a new development, in 2012 a section was added to the survey in which customers could give their opinion about the products and services offered so that the company could improve or develop new services to meet their needs.

In general terms, the 2012 results were satisfactory, with an average evaluation of 3.8 (on a scale of 1 to 5), above the set target of 3.5. The areas that received the best evaluation from customers were customer service, service quality and product range.



THE CUSTOMER: AT THE HEART OF THE ACTION

Improvement actions for greater efficiency and quality

As Correos orientates itself towards continuous improvement, it aims to increase the efficiency of all its business processes. Through process management, the post offices, centres and units that make up the company can identify their strengths and areas for improvement in order to design the most suitable action plans. To increase efficiency and quality, Correos developed different actions that introduced into the culture of continuous improvement in all areas of the company.

- **League of Excellence.** Through this tool, centres, post offices and units have access to indicators related to delivery quality and environmental efficiency that can be used to assess their performance and the degree to which they are fulfilling corporate aims.

- **The '5s' methodology.** This technique is based on 5 stages: organisation, order, cleanliness, visual checks and habit. These help to achieve a clean and pleasant working environment, thereby reducing workplace risks and improving ergonomics. In 2012 this methodology was implemented in all delivery units, resulting in an increase in productivity.



THE CUSTOMER: AT THE HEART OF THE ACTION

- **Employee recognition.** These prizes aim to support and share the best initiatives from within the company, promote a culture of excellence, encourage team work and boost operational efficiency and sustainability.



National Award for Excellence: strengthens the culture of excellence between the operational units at Correos, awarding those units that use their resources efficiently and carry out process correctly, thereby helping to achieve the company's aims.



Environmental Commitment Award: identifies work centres that have actively contributed to reducing their environmental impact, mainly through energy saving.



Atenea Award: identifies people and the teams who stand out due to their leadership and commitment to the company's human capital policies and values. Reducing absenteeism is a key aim for the company and therefore in its three first years, this award was given to the units that had shown the greatest improvements in this area.

In the specific case of Correos Telecom, the main activities carried out in 2012 to improve service quality were:

- **Quality control of G2i suppliers.** Quality control of work carried out by operating and maintenance suppliers, within the context of infrastructure management.
- **Quality control of customer service.** The time it takes to resolve an incident in the Correos telecommunication network is based on its impact and critical nature.



Reconocimiento a la oficina principal de Bilbao por mantener un nivel 0 de absentismo.

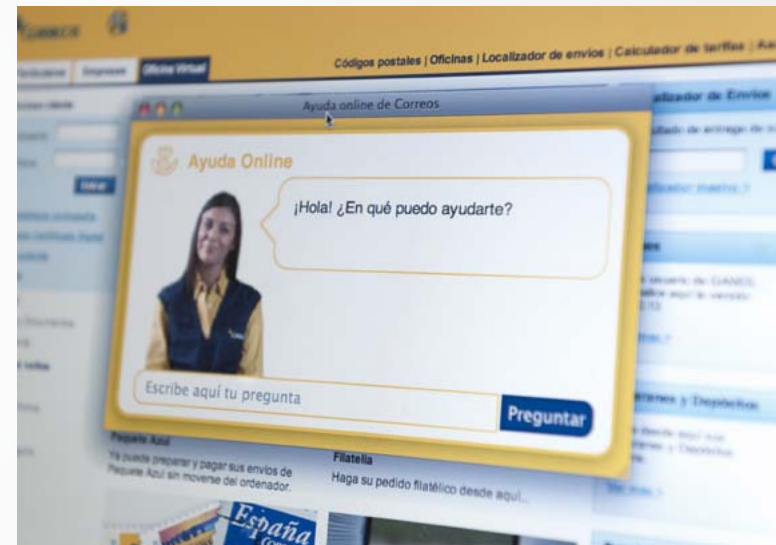
THE CUSTOMER: AT THE HEART OF THE ACTION

Participative communication channels

The Correos Group is committed to participative communication with customers which is achieved through different channels and tools. The aim is to respond to customers' information needs and to improve their level of satisfaction. Furthermore, these channels can be used to bring products and services closer to customers and users, and to identify their requirements and expectations.

Customer service

Correos offers a customer service and makes a wide variety of channels available to customers that can be used to contact the company with suggestions, or to report any type of incident.



Customer service helpline. In 2012, Correos received a total of 1,292,680 calls, 11.9% less than the previous year.



Website. This channel recorded 167,665 queries, 34.9% more than the previous year.

Since 2012, a **virtual assistance service** has been available called Sara, which makes it easier to search for information about products and services. In order to improve its effectiveness, queries were monitored to identify our customers' main interests, develop direct responses and include additional information in certain areas. This online assistance service is being added to other company channels, such as the customer service helpline, the website and social networks. In 2012 the virtual assistant received 475,357 queries.

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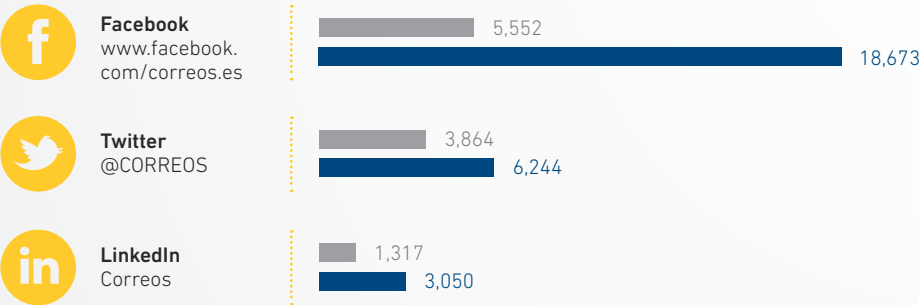
THE CUSTOMER: AT THE HEART OF THE ACTION

Presence and position in social networks

Social networks have become one of the preferred communication channels used by businesses to contact their customers. Facebook and Twitter are increasingly used by customers to send queries about products and access commercial information. In 2012 there were various communication and promotion actions that were highly valued by users and the number of registrations saw a significant increase. Obtaining information in under half an hour from a smartphone is another feature that is particularly attractive to visitors to the Correos profiles.

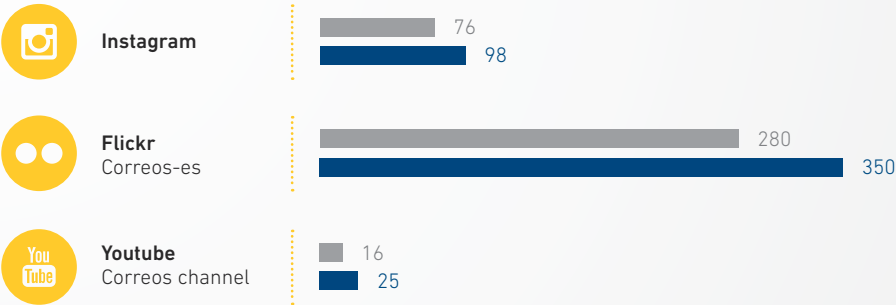
Activity on social networks (followers)

2011 | 2012



Activity on social networks (photographs/videos)

2011 | 2012



THE CUSTOMER: AT THE HEART OF THE ACTION

Participation in fairs forums and conferences

The Correos Group actively participates in conferences and forums and attends national and international fairs. These events are an opportunity to exhibit products and inform visitors about the company's services and corporate brand. In 2012, Correos Group companies attended the following events as sponsors, collaborators or exhibitors.



Correos

Foro de Internacionalización Mercados Exteriores (Internationalisation into Overseas Markets Forum) (Barcelona)

Conferencia E-Commerce, M-Commerce y nuevas formas de pago (E-Commerce, M-Commerce and New Payment Methods Conference) (Madrid)

Expo E-Commerce. Salón y Congreso del comercio electrónico en España (E-Commerce in Spain Fair and Congress) (Madrid)

VII Feria de tiendas virtuales (7th Virtual Stores Fair) (Huesca)

BizBarcelona (Barcelona)

Bargento (Madrid)

Internet Meeting Point (Oviedo)

Liber. International Book Fair (Barcelona)

E-Commerce Fair (Paris, France)

Mail Order World (Wiesbaden, Germany)

VAD e-commerce (Lille, France)

Correos and Chronoexpres

MiEmpresa Fair (Madrid)

"Impulsando pymes" (Promoting SMEs) initiative (various Spanish cities)

eShow (Madrid, Barcelona)

Hoy es marketing (Today is marketing) (various Spanish cities)

Chronoexpres

Optical Market Meeting (Barcelona)

I Congreso Cooperativa Farmacéutica Extremeña (1st Congress for Pharmaceutical Cooperatives of Extremadura) (Caceres)

Correos Telecom

Seminario "Cloud computing en las administraciones públicas (V): criterios dispares y opciones múltiples" ("Cloud computing in public administrations (V): varied opinions and multiple options" Seminar) (Madrid)

Smart City Expo World Congress (Barcelona)

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THE CUSTOMER: AT THE HEART OF THE ACTION

Commitment to self-regulation by responsible advertising

Correos is part of Autocontrol (Society for the Self-regulation of Corporate Communication), a non-profit organisation comprising the main advertisers, agencies, media and sector associations in Spain. Its purpose is to help make advertising a useful tool in the economic growth and to safeguard advertising ethics and consumers' rights.

Corporate communications by Autocontrol members must comply with the Advertising Code of Conduct established by the Society, which is based on the Advertising Code of Best Practice published by the International Chamber of Commerce.



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EMPLOYEES: THE ENGINE OF THE GROUP

Employees are the engine that drives the Correos Group. With a workforce of over 57,000 people it is **one of the largest employers in Spain**. The need to respond rapidly and effectively to requirements in a competitive and dynamic environment means that it is essential that **business strategy and human resources management are successfully aligned**.

- Start of the new performance evaluation model
- Accident levels decreased by 22.2%
- 1.8 million training hours were given, with an increase of 12.3%
- Correos receives the "DIPLOO 2011" National Health and Safety at Work Award
- Correos is awarded the Randstad Prize for work-life balance and occupational safety

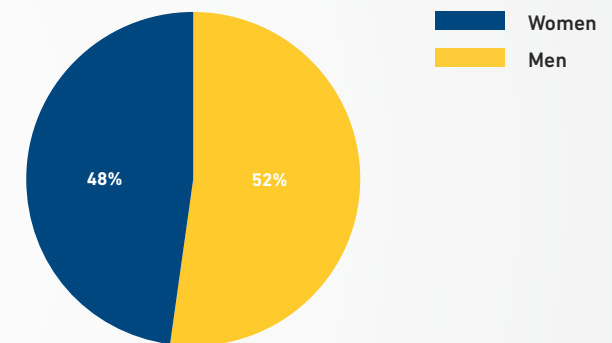
Quality in employment, equality and diversity

The Correos Group **promotes the maintenance of stable, quality employment** through professional development, training, talent management, establishing a work-life balance, communication, the promotion of health and safety at work and equality.

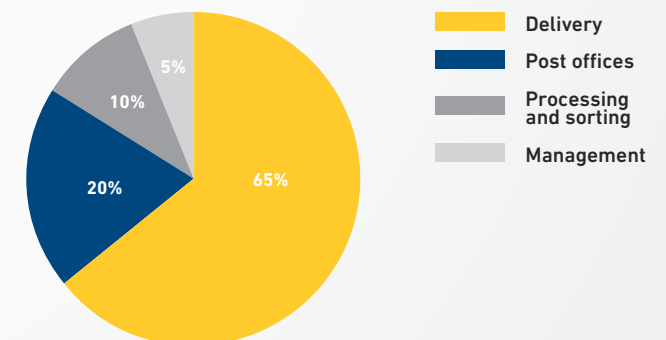
The Correos Group employed 57,275 people in 2012. The average workforce in Correos consists of 55,775 employees (including temporary staff hired for electoral processes), representing over 97% of the total Group. The employee mix was 52% male and 48% female. 37% of workers were civil servants and 63% of employees had an ordinary contract.

Chronoexpres employed 1,274 people (71% male and 29% female), Nexea employed 171 (54% male and 46% female) and Correos Telecom 55 (84% male and 16% female).

Breakdown of the workforce by gender



Breakdown of the workforce by activity



EMPLOYEES: THE ENGINE OF THE GROUP



Changes to the demand for postal services and greater efficiency have led to gradually adapt employment levels to activity, with the sole measures taken being a reduction in temporary contracts and a decrease in replacements for retirements. Correos makes workforce adaptation while always guaranteeing full compliance with its duties of public service.

The company's commitment to employment stability is clearly demonstrated by the fact that 80% of its workforce are permanent employees. Correos continues to promote employment stability, covering seasonal employment needs with non-continuous permanent employees, whose professional link to the company and experience contribute to the quality of the service. In the remaining Group companies the percentage of permanent employees was 95% at Chronoexpres and Nexea, and 100% at Correos Telecom.

Last year Correos started two pilot projects to help employees with essential preparations and planning for their retirement, as well as their online socialisation during the period running up to the end of their working life.

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Equality and balance

Correos has a clear **commitment to equal opportunities and is against discrimination**, which is demonstrated in its hiring policy and human resources management.

This commitment is included in the company's **Equality Plan** and **Protocol to prevent and tackle harassment**. Within the framework of this plan, various information and awareness campaigns related to equality have been organised with employees, and induction and promotion programmes have also been run.

As part of its internal regulations, Correos has established a series of measures that aim to help achieve a work-life balance and workplace equality, which go beyond the scope of the minimum legal requirements. For the third year running, these policies have enabled **100% of employees, of both genders, to return to work and retain their position following maternity or paternity leave**.

With regard to anti-harassment protection, last year the company handled 22 complaints of which 6 led to the launch of information procedures and only one resulted in disciplinary action, in accordance with the protocol.

As regards **assistance for victims of gender-based violence**, Correos urgently processes, with full confidentiality, any requests for transfers from those workers who find themselves in this type of situation. To raise awareness and help to prevent this behaviour, it also provides other types of help such as reduced working hours, full or partial leave, paid leave and information.

No incidents related to discrimination or workplace harassment were recorded in the subsidiary companies last year. Furthermore, when developing its Equality Plan, Chronoexpres included an anti-harassment protocol, established its Equality Commission and offered training sessions on these areas to its employees. In turn, Nexea assessed its employees through its prevention service to identify psycho-social risks at work that could lead to incidents of workplace harassment.



Correos receives the Randstad Prize for work-life balance and occupational safety

In 2012 Correos was awarded the Randstad Prize for the best company in terms of work-life balance and occupational safety. This award is backed up by the positive results achieved by the company in these areas in recent years.

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Diversity and integration to enrich the team

In 2012, the Correos Group employed 937 people with some type of disability. Of these, 921 worked for Correos, which also has agreements with several foundations and special employment centres, specialising in finding work for this social group, that cover the purchase of goods and services and internships.

The company has also established measures to encourage integration by other groups who are at risk of being excluded from society. In 2012 it employed 177 immigrants, 212 across the Correos Group as a whole.

Social services to offer benefits to employees

Correos promotes socio-occupational well-being and a work-life balance through its social action programmes. Approximately 12,000 grants were offered to workers and their families to assist with different needs, such as healthcare, children's education, care for disabled children and university studies. Grants were also awarded for mortalities and as advances or interest-free loans. In total, in 2012 the company earmarked over €1.5m for these programmes.

The company supplements its employees' pension provision with a pension plan. At the end of the financial year, 39,637 employees had signed up to the plan and the total assets held by the fund were 190.5 million euros. In accordance with Spanish Royal Decree 20/2011, of 30 December, on urgent budgetary, fiscal and financial measures for the correction of the public deficit, Correos did not make contributions to the pension plan last year.



Correos employee special offers

As part of the social benefits offered to employees, Correos has created an online platform where they can find offers and discounts on products and services related to leisure, culture, health and consumer goods. Since it was set up on October, 7,900 employees have registered to have access to these special offers.

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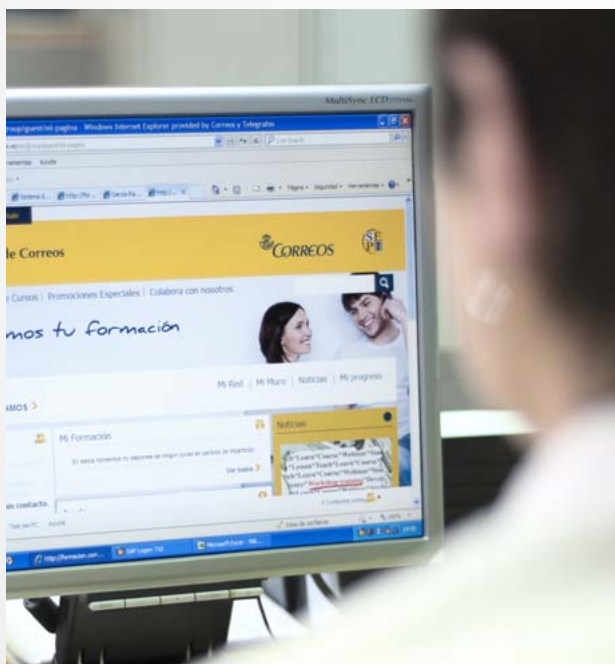
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EMPLOYEES: THE ENGINE OF THE GROUP

Professional development, training and talent management

The Correos Group has continued in its commitment to training and organised professional development programmes to strengthen and increase the talent of its workforce.



Performance evaluation

In 2012 Correos started to implement a **new performance evaluation model** in order to objectively assess the degree to which corporate and managerial aims and individual performance are fulfilled, and to link it to professional development and training, promotion, recognition and variable remuneration. The first phase of the project involved assessing 179 members of the managerial staff across their various levels. From 2013 onwards the model will gradually be extended to other professional levels.

Chronoexpres and Correos Telecom also have performance evaluation systems that are applicable to all or part of their workforce.

With regard to **remuneration policy**, all companies in the Group offer a starting salary that is higher than the trade minimum and have **variable remuneration models linked to the fulfilment of corporate and managerial aims and individual performance**, applicable to all or part of the workforce.

Correos is aware that appropriate remuneration guarantees employee satisfaction and allows it to retain talent. The remuneration of its employees does not discriminate between genders, in accordance with the collective agreement for employees with ordinary contract and the agreement regulating work and employment conditions for civil servants.

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Promotion and work development

Correos is committed to internal development and the majority of its work positions are filled by candidates from within the company. Selection and promotion processes are based on the evaluation of the person's capabilities, on analysis of the job requirements and on the individual's performance.

To prioritize **geographical proximity**, selection processes are held at a provincial level so that **100% of hired staff are local residents**. Similarly, internal promotion is also carried out at a provincial and area level.

In 2012 there were **493 selection processes**, 20,805 CVs were processed in relation to recruitment and **1,247 people were selected**. Additionally, **4,430 employees took part in calls for the internal promotion of civil servants** for the upper, management, executive and auxiliary bodies.

The **permanent transfer system** met the mobility expectations of Correos employees. In 2012 there were two announcements that enabled the transfer, mobility and horizontal promotion of 832 employees.

With the double objective of promoting the professional development of the group of post office managers and adapting the professional system to business demands, **1,538 post office management positions were opened** and 3,200 candidates participated in the selection process. The selected employees received specific training for their position.

In turn, through the **intermediate manager search programme**, **494 employees were selected and trained** to provide temporary coverage for post office and delivery unit manager positions.



EMPLOYEES: THE ENGINE OF THE GROUP

Within the framework of Spanish Royal Decree 1707/2011, of 18 November, Correos developed an **Academic Internship Programme** for university students, to contribute to completing their training and experience, identify potential employees and recruit talent.

Following an analysis of the needs of the company's different areas in order to identify suitable profiles, collaboration agreements were signed with universities and the SEPI Foundation to select and **incorporate 26 students**. The programme included the development of a specific training itinerary with an initial duration of 6 months that could be extended for a further 6 months.

Lidera+ programme

The Lidera+ professional development programme aims to identify and stimulate talent to satisfactorily meet the needs of qualified staff in positions of responsibility and to improve promotion mechanisms.

Last year, 17 of the 31 workers who participated in the first session held in 2011 took on positions of greater responsibility. Furthermore, the top managerial levels in the territorial areas of Correos received training to improve their leadership and people management skills and to increase their business capacities.



EMPLOYEES: THE ENGINE OF THE GROUP

Training to improve employees skills

Employee training aims **to strengthen their capabilities** and contribute to their professional development, while also helping to develop a corporate culture based on flexibility, efficiency and teamwork. In turn, this allows the company to support the current or future development of its business lines.

Correos offered **332 courses** (including distance, online and/or classroom-based courses), totalling 1.8 million teaching hours, 12.3% more than the previous year. They were attended by **184,361 employees**, 50.5% more than in 2011, and their **satisfaction level with the training received was 8.2 out of 10**. The training plan was developed by 1,431 monitors, the majority company employees.

In 2012 one of the main aims of the training was to improve the skills and business orientation of the whole workforce, best expressed in the general "Together, we all sell" course and specific actions for post offices, sales and financial managers. Post offices and BanCorreos staff also received

specialised training within the **banking school project**. The company also ran **courses on money-laundering prevention**, attended by 1,832 employees in customer service and operational positions.

As part of the new employee induction programme, a training itinerary was prepared for operational staff (responsible for customer service, delivery and sorting), making it possible for them to perform the tasks related to their position from the moment they start work.

Online training is a valuable tool to assist teaching in an organisation with such wide geographical distribution. The accessibility offered by the "Virtual Campus" platform, which was updated last year and is available to all employees on the company intranet and publishes a wide range of content, has placed **Correos as a Spanish and European benchmark in terms of e-learning**, on change management strategies and adapting to new organisational models.

Classroom-based and online training given to subsidiaries staff included technical and management skills, languages, equality and occupational risk prevention courses.

EMPLOYEES: THE ENGINE OF THE GROUP

Risk prevention for occupational health and safety

Correos's commitment to protecting and encouraging the health of its employees constitutes a core objective for the company. For this reason, it promotes an internal risk prevention management policy and has established a protocol that is determined by the various procedures set out in the **Risk Prevention Plan**.

Preventive actions

The company has its own risk prevention service for occupational health and safety with a team of over 100 members, including technicians and first aid specialists who are responsible for safeguarding the health and safety of each territorial area.

Preventive actions are based on established Risk Prevention Plans and work protocols and supported by the periodic identification and assessment of risks, and by regular spot checks of working conditions.

Within this area, the main actions carried out during 2012 were:

- Improving the **integration of occupational health and safety measures into the Company's general management and decision-making system**. To achieve this, an assessment was carried out to ensure Risk Prevention Plan procedures and work protocols are correctly implemented at all hierarchical levels.
- The **new training and information plan** was developed and adapted in accordance with each work position and centre.
- Changes were made to the managing structure for **monitoring and supporting processes related to employees' temporary inability to work**, and since last year this has been overseen by the medical services of a private insurance fund. This has sped up additional testing and consultations, rehabilitation treatments, therapeutic interventions and reduced waiting times.
- Improvements were made to the **information available to employees** and managers to ensure procedures related to a temporary inability to work due to a common illness or work accident are managed correctly.
- **31,226 preventive medical examinations**, adapted to the different work positions, were carried out within the context of health surveillance.
- **413 technical studies and 146 specific studies** (noise, temperature, lighting, ergonomics and psycho-social risks) were run in centres, with the implementation and/or **revision of 1,013 emergency plans**. In addition, 956 self-protection plans were also reviewed.
- Entry for the **Atenea Award** for the best absenteeism reduction policies at work centres.

EMPLOYEES: THE ENGINE OF THE GROUP

Preventive culture along the value chain

Through the National Occupational Health Committee and the Provincial Health and Safety Committees, with the joint representation of companies and workers, employees were encouraged to improve health and safety in their work positions and to generate a preventative culture throughout the organisation.

Correos continues to extend its commitment to developing a culture of occupational health and safety in its suppliers, contractors and partners. The company requires that the companies participating in its hiring procedures respect the Ten Principles of the Global Compact, one being a commitment to providing workers with good occupational health and safety conditions.

Furthermore, Correos Telecom obliges its suppliers to inform it of any incidents and accidents that may occur during its activity, regardless of the severity.

Correos receives the “DIPLÓOS 2011” National Health and Safety at Work Award

Last year Correos was awarded the “DIPLÓOS 2011” National Health and Safety at Work Award by the Accident Prevention Association (APA) in recognition of the positive evolution seen in its accident rates and the risk prevention policies applied by the company.



EMPLOYEES: THE ENGINE OF THE GROUP

Health and safety training and information

Providing employees with training and raising their awareness of occupational health and safety is essential to developing a good occupational risk prevention strategy. For this reason, **173,448 hours of health and safety training** were taught to over 10,700 employees, **61,504 files with specific information on health and safety were given to 27,172 workers** and the information available through internal communication tools (Abrecartas magazine, intranet and noticeboards) was increased.

Together these actions resulted in a **22.2% decrease in the accident rate** and **17.5% decrease in the incident rate** in 2012. They also led to a **27.5% decrease in the number of work days lost** and a **fall of almost one percentage point in the absenteeism rate** compared to that of the previous year.

In turn, Chronoexpres offered risk prevention courses to its entire workforce and established a protocol for providing theoretical/practical online training to new workers from their first day.

During the year, the subsidiary succeeded in **reducing the accident rate by 39.7%, the incident rate by 39.5%, the number of work days lost by 32.3 and the absenteeism rate by 0.6 percentage points.**



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EMPLOYEES: THE ENGINE OF THE GROUP

Communication to promote cohesion and a good working environment

Internal communication is a basic tool to improve organisation and **promote cohesion and pride in belonging to the workforce**. With the intention to inform and strengthen employees' commitment and motivation, the company uses various tools and channels, such as:

- Email
- Notes on internal notice boards
- Internal magazine *Abrecartas*
- Intranet
- "Virtual campus"
- Personalised letters
- Supplements to payslips

Assessment of employee satisfaction

Correos provides various tools to find out its employees' level of personal satisfaction, such as:

Surveys on specific topics through channels such as the corporate Intranet.

Specific techniques such as metaplan (method of diagnosis and group moderation) or **discussion groups** coordinated by experts on subjects of high organisational impact.

Structured and segmented sample techniques.

Generally, the employees' opinion is positive in the areas of training and professional development, while satisfaction is lower for specific aspects of organising schedules in certain services.



EMPLOYEES: THE ENGINE OF THE GROUP

Union representation and freedom of association

The right to the freedom of association and union representation is fully guaranteed through the freely elected workers' representatives. In the case of Correos, union representatives sit on the different negotiation and participation bodies (Employee Negotiating Committee and Civil Servant Sectoral Workgroup) and on the different technical workgroups (Equality Committee, Employment Committee, Working Hours Committee, National Occupational Health Committee, Social Action Committee and Training Committee).

The Collective Bargaining Agreement for the employees with ordinary contract and the Agreement on the regulation of working and employment conditions for Correos' civil servants establish working and employment conditions and define the framework of the work relations which guarantee the workers' rights in the context of efficient management that is necessarily linked to productivity.

Development of good practices

With the aim of sharing good practices in human resources management, prevention, training and development with other companies at an international level, Correos was involved in the following projects:

- Senior Executive Forum of International Post Corporation
- Social Dialogue Committee in the Postal Sector - General Directorate of Employment of the European Union
- WG - Human Resources of PostEurop
- Working Group for the prevention of accidents in the postal sector organised by the General Directorate of Employment, Social Affairs and Inclusion of the European Commission.
- European Leonardo da Vinci project on the training and development of competencies in the postal sector. As part of this programme various employees had the opportunity to participate in periods of work exchanges with other postal operators

EMPLOYEES: THE ENGINE OF THE GROUP

Correos group employment figures

(The data for 2011 have been adjusted using the new staff calculation system implemented in January 2012 as a result of the integration in the SEPI Group. Furthermore, in 2012 the average workforce includes the temporary staff hired for electoral processes).

N.A. = Not applicable or not available

		Sociedad Estatal Correos y Telégrafos			Chronoexprés			Nexea			Correos Telecom			
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	
Evolution of the workforce	Average staff	61,819	58,952	55,775	1,309	1,269	1,274	186	180	171	49	58	55	
	Women	28,824	27,752	26,532	367	354	366	78	77	78	12	10	9	
	Men	32,995	31,200	29,243	942	915	908	108	103	93	37	48	46	
	Employees covered by a collective bargaining agreement (percentage)	59	61	63	100	100	100	100	100	100	N.A.	N.A.	N.A.	
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	
Evolution of the workforce by contract type and gender	Women	Permanent	20,875	20,459	19,981	362	334	339	68	68	72	12	10	9
		Temporary	7,949	7,292	6,550	5	20	27	10	9	6	0	0	0
	Men	Permanent	28,144	26,677	24,844	914	873	865	99	96	92	37	48	46
		Temporary	4,851	4,523	4,399	28	42	43	9	7	1	0	0	0

EMPLOYEES: THE ENGINE OF THE GROUP

			Sociedad Estatal Correos y Telégrafos			Chronoexpres			Nexea			Correos Telecom		
			2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Evolution of the workforce by professional category and gender	Managers	Women	10	8	7	1	1	1	0	2	2	0	0	0
		Men	58	43	43	7	6	5	1	3	3	1	1	1
		Total	68	51	50	8	7	6	1	5	5	1	1	1
	Technicians and middle managers	Women	2,127	2,016	2,031	52	42	53	8	8	8	10	8	7
		Men	4,895	4,613	4,341	167	127	119	17	16	10	36	47	45
		Total	7,022	6,629	6,372	219	169	172	25	24	18	46	55	52
	Administrative workers	Women	791	746	690	171	172	221	10	15	13	2	2	2
		Men	945	869	765	143	143	71	2	3	5	0	0	0
		Total	1,736	1,615	1,455	314	315	292	12	18	18	2	2	2
	Operative workers	Women	25,895	24,983	23,804	144	148	91	60	52	55	0	0	0
		Men	27,098	25,675	24,094	624	630	713	88	81	75	0	0	0
		Total	52,993	50,657	47,898	768	778	804	148	133	130	0	0	0

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			Sociedad Estatal Correos y Telégrafos			Chronoexpres			Nexea			Correos Telecom		
			2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Evolution of the workforce by professional category and age (percentage)	Managers	<30 years	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
		30-50 years	0.1	0.0	0.0	0.3	0.3	0.3	2.7	2.8	2.9	5.9	1.7	1.8
		>50 years	0.1	0.0	0.0	0.2	0.2	0.2	0.0	0.0	0.0	2.0	0.0	0.0
		Total	0.2	0.1	0.1	0.5	0.5	0.5	2.7	2.8	2.9	7.9	1.7	1.8
	Technicians and middle managers	<30 years	0.1	0.1	0.1	0.5	0.3	0.2	3.2	2.2	2.9	10.1	6.9	7.3
		30-50 years	5.3	5.0	5.0	14.1	11.2	10.8	5.4	7.2	7.6	71.5	82.8	81.8
		>50 years	6.0	6.2	6.3	2.7	2.3	2.5	0.0	0.0	0.0	6.0	5.2	5.5
		Total	11.4	11.2	11.4	17.3	13.8	13.5	8.6	13.3	10.6	87.6	94.9	94.6
	Administrative workers	<30 years	0.1	0.1	0.1	2.9	2.9	2.1	3.8	3.3	3.5	2.2	1.7	1.8
		30-50 years	1.2	1.1	1.1	18.4	18.5	18.3	3.8	6.1	5.8	2.3	1.7	1.8
		>50 years	1.5	1.5	1.4	2.0	2.5	2.6	0.5	1.1	1.2	0.0	0.0	0.0
		Total	2.8	2.7	2.6	23.3	23.9	23.0	8.1	10.5	10.6	4.5	3.4	3.6
	Operative workers	<30 years	7.7	6.7	5.3	9.9	10.9	10.5	20.4	15.0	11.7	0.0	0.0	0.0
		30-50 years	55.9	55.1	54.3	38.2	39.2	38.8	53.7	52.3	58.5	0.0	0.0	0.0
		>50 years	22.1	24.1	26.3	10.8	11.7	13.7	6.5	10.0	5.8	0.0	0.0	0.0
		Total	85.7	85.9	85.9	58.9	61.8	63.0	80.6	77.3	76.0	0.0	0.0	0.0

EMPLOYEES: THE ENGINE OF THE GROUP

		Sociedad Estatal Correos y Telégrafos			Chronoexprés			Nexea			Correos Telecom			
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	
New contracts by gender and age	Women	<30 years	2	10	13	4	9	10	0	2	1	0	0	0
		30-50 years	15	24	100	3	18	11	2	7	2	0	0	0
		>50 years	0	0	27	1	2	0	0	2	0	0	0	0
		Total	17	34	140	8	29	21	2	11	3	0	0	0
	Men	<30 years	2	10	13	26	46	44	5	1	0	0	5	0
		30-50 years	22	19	68	38	37	38	3	3	1	0	12	0
		>50 years	1	0	3	2	8	7	0	1	1	0	0	0
		Total	25	29	85	66	91	89	8	5	2	0	17	0
	Total	<30 years	4	20	26	30	55	54	5	3	1	0	5	0
		30-50 years	37	43	168	41	55	49	5	10	3	0	12	0
		>50 years	1	0	31	3	10	7	0	3	1	0	0	0
		Total	42	63	225	74	120	110	10	16	5	0	17	0

EMPLOYEES: THE ENGINE OF THE GROUP

		Sociedad Estatal Correos y Telégrafos			Chronoexprés			Nexea			Correos Telecom			
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	
Rate of new contracts by gender and age (hire rate)	Women	<30 years	0.1	0.6	0.9	1.1	2.5	31.3	0.0	2.6	7.6	0.0	0.0	0.0
		30-50 years	0.1	0.1	0.6	0.8	5.1	3.8	2.6	9.1	3.8	0.0	0.0	0.0
		>50 years	0.0	0.0	0.4	0.3	0.6	0.0	0.0	2.6	0.0	0.0	0.0	0.0
		Total	0.1	0.1	0.5	2.2	8.2	5.7	2.6	14.3	3.8	0.0	0.0	0.0
	Men	<30 years	0.1	0.4	0.8	2.8	5.0	34.1	4.6	1.0	0.0	0.0	10.4	0.0
		30-50 years	0.1	0.1	0.4	4.0	4.0	6.6	2.8	2.9	1.6	0.0	25.0	0.0
		>50 years	0.0	0.0	0.0	0.2	0.9	3.5	0.0	1.0	8.2	0.0	0.0	0.0
		Total	0.1	0.1	0.3	7.0	9.9	9.8	7.4	4.9	2.2	0.0	35.4	0.0
	Total	<30 years	0.1	0.5	0.8	2.3	4.3	33.5	2.7	1.7	7.6	0.0	8.6	0.0
		30-50 years	0.1	0.1	0.5	3.1	4.3	5.6	2.7	5.6	5.3	0.0	20.7	0.0
		>50 years	0.0	0.0	0.2	0.2	0.8	2.9	0.0	1.7	8.2	0.0	0.0	0.0
		Total	0.1	0.1	0.4	5.6	9.5	8.6	5.4	8.9	2.9	0.0	29.3	0.0

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		Sociedad Estatal Correos y Telégrafos			Chronoexprés			Nexea			Correos Telecom			
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	
Employees that leave work by gender and age	Women	<30 years	11	7	8	4	4	9	8	5	1	0	0	0
		30-50 years	456	426	152	10	25	11	1	6	12	2	2	0
		>50 years	380	444	471	2	4	0	2	1	2	0	0	0
		Total	847	877	630	16	33	20	11	12	15	2	2	0
	Men	<30 years	27	14	4	29	24	37	8	5	3	0	3	1
		30-50 years	545	627	170	45	70	49	12	5	9	5	3	3
		>50 years	1,232	1,446	1,732	15	27	12	1	0	0	0	0	0
		Total	1,804	2,087	1,905	89	121	98	21	10	12	5	6	4
	Total	<30 years	38	21	11	33	28	46	16	10	4	0	3	1
		30-50 years	1,001	1,053	322	55	95	60	13	11	21	7	5	3
		>50 years	1,612	1,890	2,203	17	31	12	3	1	2	0	0	0
		Total	2,651	2,964	2,536	105	154	118	32	22	27	7	8	4

EMPLOYEES: THE ENGINE OF THE GROUP

		Sociedad Estatal Correos y Telégrafos			Chronoexprés			Nexea			Correos Telecom			
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	
Leaving by gender and age (termination rate)	Women	<30 years	0.5	0.4	0.6	1.1	1.1	28.1	10.3	6.5	7.6	0.0	0.0	0.0
		30-50 years	2.3	2.3	0.9	2.7	7.1	3.8	1.3	7.8	22.3	16.7	20.0	0.0
		>50 years	5.8	6.3	6.2	0.5	1.1	0.0	2.6	1.3	15.4	0.0	0.0	0.0
		Total	2.9	3.2	2.4	4.3	9.3	5.5	14.1	15.6	18.8	16.7	20.0	0.0
	Men	<30 years	1.0	0.6	0.2	3.1	2.6	28.7	7.4	4.9	15.5	0.0	6.2	2.0
		30-50 years	2.9	3.6	1.1	4.8	7.7	8.5	11.1	4.9	14.5	13.5	6.2	7.0
		>50 years	10.4	12.3	15.2	1.6	3.0	6.0	0.9	0.0	0.0	0.0	0.0	0.0
		Total	5.5	6.7	6.5	9.5	13.2	10.8	19.4	9.7	9.7	13.5	12.5	8.7
	Total	<30 years	0.8	0.5	0.4	2.5	2.2	28.6	8.6	5.6	23.1	0.0	5.2	2.0
		30-50 years	2.6	2.9	1.0	4.2	7.5	6.9	7.0	6.1	36.8	14.3	8,6	7,0
		>50 years	8.8	10.1	11.6	1.3	2.4	4.9	1.6	34.0	15.4	0.0	0.0	0.0
		Total	4.3	5.0	4.5	8.0	12.1	9.3	17.2	12.2	15.5	14.3	13.8	7.3

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		Sociedad Estatal Correos y Telégrafos			Chronoexpres			Nexea			Correos Telecom		
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Composition of governing bodies by gender (percentage)	Women	17.6	29.4	26.7	12.5	33.3	0.0	N.A.	33.3	0.0	25.0	25.0	0.0
	Man	82.4	70.6	73.3	87.5	66.7	100.0	N.A.	66.7	100.0	75.0	75.0	100.0
Composition of governing bodies by age (percentage)	<30 years	N.A.	N.A.	0.0	0.0	0.0	0.0	N.A.	N.A.	0.0	N.A.	N.A.	0.0
	30-50 years	N.A.	N.A.	46.7	50.0	57.0	70.0	N.A.	N.A.	85.7	N.A.	N.A.	100.0
	>50 years	N.A.	N.A.	53.3	50.0	43.0	30.0	N.A.	N.A.	14.3	N.A.	N.A.	0.0

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			Sociedad Estatal Correos y Telégrafos			Chronoexprés			Nexea			Correos Telecom		
			2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Return to work after maternity or paternity leave	Employees that took maternity or paternity leave by gender	Women	458	398	422	14	24	14	N.A.	3	9	0	1	1
		Men	67	71	54	26	31	35	N.A.	2	4	1	3	1
		Total	525	469	476	40	55	49	N.A.	5	13	1	4	2
	Employees who returned to work after maternity or paternity leave by gender	Women	458	398	422	14	24	14	N.A.	3	9	0	1	1
		Men	67	71	54	26	31	33	N.A.	2	4	1	2	1
		Total	525	469	476	40	55	47	N.A.	5	13	1	3	2
	Employees who returned to work after maternity or paternity leave and continued at work after twelve months by gender	Women	458	398	422	14	24	14	N.A.	3	9	0	1	1
		Men	67	71	54	26	30	33	N.A.	2	4	1	2	1
		Total	525	469	476	40	54	47	N.A.	5	13	1	3	2
Employees with a disability	Employees with a disability	726	759	921	9	12	12	2	5	4	1	1	0	
Inmigrants employees	Number of people Immigrants on staff	188	176	177	37	43	35	0	0	0	0	0	0	

EMPLOYEES: THE ENGINE OF THE GROUP

		2010		2011		2012	
		Number of assistance	Total value (thousand of euros)	Number of assistance	Total value (thousand of euros)	Number of assistance	Total value (thousand of euros)
Sociedad Estatal Correos y Telégrafos	Medical treatment	6,171	865.6	6,610	687.5	6,177	643.8
	Assistance for children's studies (books and educational material) and for studying for children with disabilities	5,124	814.9	7,529	1,028.3	5,608	831.5
	Assistance due to a death	N.A.	N.A.	15	74.7	10	49.4
	Advances and interest-free loans	3,389	13,491.6	2,561	10,347.9	2,170	8,460.3
		2010		2011		2012	
Sociedad Estatal Correos y Telégrafos	Participants	40,649		40,740		39,637	
	Correos' contribution (million euros)	13.2		12.9		0.0	
	Fund assets (million euros)	165.2		175.4		190.5	
	Total Correos' contribution (million euros)	112.6		125.6		125.6	

EMPLOYEES: THE ENGINE OF THE GROUP

		Sociedad Estatal Correos y Telégrafos			Chronoexpres			Nexea			Correos Telecom		
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Performance evaluation and promotion	Employees who receive regular performance evaluation (percentage)*	N.A.	N.A.	0.3	12.2	9.9	9.3	N.A.	N.A.	N.A.	100.0	100.0	100.0
	Promoted employees**	889	1,226	2,728	6	9	0	N.A.	0	0	8	2	0

* Correos started the implementation of a new performance evaluation model in 2012. It will gradually be extended to the entire workforce.

** The number of people promoted in Correos in 2012 includes both ordinary selective processes and processes derived from downsizing management positions in the post offices.

		Sociedad Estatal Correos y Telégrafos			Chronoexpres	Nexea	Correos Telecom
		2010	2011	2012	2012	2012	2012
Training	Courses	361	304	332	78	14	20
	Online courses (percentage)	30	23	23	5	0	5
	Attendees	86,536	122,498	184,361	797	73	57
	Online attendees (percentage)	72	42	44	14	0	9
	Training hours	1,927,555	1,603,112	1,800,774	6,776	1,736	5,380
	Online training hours (percentage)	77	64	65	36	0	8
	Training satisfaction	8.1 out of 10	8.2 out of 10	8.2 out of 10	3.4 out of 4	N.A.	N.A.
	Internal teachers	1,087	1,117	1,431	N.A.	N.A.	N.A.

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		Sociedad Estatal Correos y Telégrafos			Chronoexpres			Nexea			Correos Telecom		
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Training hours	Training hours by professional category												
	Managers	N.A.	N.A.	N.A.	207	668	164	N.A.	0	356	70	91	94
	Technicians and middle managers	N.A.	N.A.	N.A.	2,291	1,381	2,386	N.A.	688	0	3,210	4,894	5,126
	Administrative workers	N.A.	N.A.	N.A.	2,723	1,592	2,742	N.A.	315	673	139	182	160
	Operative workers	N.A.	N.A.	N.A.	1,647	1,449	1,484	N.A.	260	707	0	0	0
	Average of training hours by professional category (training hours/employee)												
	Managers	N.A.	N.A.	N.A.	25.9	95.4	10.9	N.A.	0.0	71.2	70.0	91.0	94.0
	Technicians and middle managers	N.A.	N.A.	N.A.	10.4	8.2	10.2	N.A.	28.7	0	69.7	88.9	98.6
	Administrative workers	N.A.	N.A.	N.A.	8.6	5.0	8.2	N.A.	17.5	18.7	69.7	91.0	80.0
	Operative workers	N.A.	N.A.	N.A.	2.1	1.8	7.0	N.A.	2.0	5.4	0.0	0.0	0.0
	Training hours by gender												
	Women	N.A.	862,154	948,800	2,764	1,140	3,034	N.A.	383	789	837	819	652
	Men	N.A.	740,958	851,974	4,104	3,950	3,742	N.A.	880	947	2,582	4,348	4,728
	Average of training hours by gender (training hours/employee)												
	Women	N.A.	31.1	35.8	7.5	3.2	8.2	N.A.	5.0	10.1	69.8	81.9	72.5
	Men	N.A.	23.7	29.1	4.4	4.3	8.7	N.A.	8.5	10.2	69.8	90.6	107.5

EMPLOYEES: THE ENGINE OF THE GROUP

		Sociedad Estatal Correos y Telégrafos			Chronoexpres			Nexea			Correos Telecom		
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Health and safety in the workplace	Workers represented on formal health and safety committees with joint representation (percentage)	86	86	68	54	56	56	6	6	6	At Correos Telecom there are no health and safety committees and the workers' channel for participation is by making a direct query.		
Preventive medical examinations	Preventive medical examinations	13,857	18,011	31,226	N.A.	N.A.	707	N.A.	N.A.	45	N.A.	N.A.	50
Assessment Risks	Made risk assessment	1,162	609	413	23	13	21	1	1	1	2	3	N.A.
	Specific technical studies	N.A.	N.A.	146	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
	Implemented or revised emergency plans	1,015	1,080	1,013	N.A.	N.A.	23	N.A.	N.A.	1	N.A.	N.A.	N.A.
Hours of health and safety training	Hours of health and safety training	574,650	258,106	173,448	N.A.	N.A.	2,434	N.A.	N.A.	21	N.A.	N.A.	144
Information sheets safety and health	Employees who have received the information on health and safety	N.A.	17,330	27,172	N.A.	N.A.	1,274	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

EMPLOYEES: THE ENGINE OF THE GROUP

		Sociedad Estatal Correos y Telégrafos			Chronoexprés			Nexea			Correos Telecom			
		2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	
Workplace accidents	Work days lost	229,337	165,719	120,607	1,804	2,094	1.418	N.A.	N.A.	332	0.0	0.0	36	
	Frequency rate	74.0	59.0	28.9	35.7	32.8	18.7	N.A.	N.A.	N.A.	0.0	0.0	20.1	
	Severity index	2.6	1.9	0.9	0.6	0.6	0.5	N.A.	N.A.	N.A.	0.0	0.0	0.3	
	Incidence rate	93.0	76.1	62.8	5.4	6.1	3.7	N.A.	N.A.	N.A.	0.0	0.0	1.8	
	Absentee rate (cumulative as of 31 December)	5.6	4.5	3.5	3.4	3.7	3.1	N.A.	N.A.	5.2	0.0	0.0	1.5	
	Accidents resulting in leave	Women	3,233	2,579	1,994	17	10	9	N.A.	3	3	0	0	0
		Men	3,137	2,386	1,869	68	68	38	N.A.	15	6	0	0	2
		Total	6,370	4,965	3,863	85	78	47	N.A.	18	9	0	0	2
	Fatalities	Women	0	0	0	0	0	0	N.A.	0	0	0	0	0
		Men	1	0	1	0	0	0	N.A.	0	0	0	0	0
Total		1	0	1	0	0	0	N.A.	0	0	0	0	0	

SOCIETY: THE COMPANY'S CONTRIBUTION TO DEVELOPMENT AND WELL-BEING

The Correos Group's responsibility and the special sensitivity towards society become apparent with the development and support of a wide range of initiatives that contribute to social and cultural progress and affect the common well-being. This commitment forms part of the Excellence and Sustainability Policy of the Correos Group.



- More than 3,600 people enjoyed the 40 celebrations in the *Correos reparte sonrisas* (Correos delivers smiles) programme that was carried out together with Payasos sin Fronteras
- Sales of UNICEF cards and products in the post office network with a revenue of nearly 1 million euros
- Cooperation with UNICEF in the *Cumplédías* campaign
- Sale of more than 160,000 solidarity pens in the *Un juguete, una ilusión* (A toy, a dream) campaign in the post office network
- Sponsoring the website of the Migrar Foundation of the Spanish Red Cross
- Collection of 30,709 mobile phones in the post office network in the *Dona tu móvil* (Donate your mobile) campaign of the Spanish Red Cross and the Entreculturas Foundation



SOCIETY: THE COMPANY'S CONTRIBUTION TO DEVELOPMENT AND WELL-BEING

Social initiatives benefitting society

The Correos Group's social action activities are aligned with its business activities and the field of action and are classed according to the following areas of action::

- **Childhood:** help projects for children to build a fairer and more egalitarian society
- **People with disabilities:** support for the social integration of disabled people to promote equal opportunities
- **Immigration:** cooperation with different entities that work for the integration of the immigrant population.
- **Society, sport and culture:** Sponsoring and participation in social, cultural and sports activities enabling the transmission of the Group values to society
- **Civic values:** as a public enterprise, Correos contributes to social causes to build a society based on civic values, solidarity and integration.

In addition to its own social programmes, Correos **supports programmes of socially recognised institutions and organisations**, providing:

- Financial support
- Material donations
- Use of the sales network
- Providing spaces in post offices
- Ceding space on the corporate website
- Product design for specific groups
- Work integration of people under the risk of exclusion



SOCIETY: THE COMPANY'S CONTRIBUTION TO DEVELOPMENT AND WELL-BEING

Correos reparte sonrisas (Correos delivers smiles) programme

Correos has cooperated with the NGO Payasos sin Fronteras for fourteen years in this programme aiming to **improve the quality of life of children** in hospital or in long-term treatment and the life of groups of children in especially difficult situations that need psychological and emotional support.

In 2012, about **3,600 people** enjoyed **40 shows** in 14 hospitals, 11 centres for special education, 8 shelters, 2 immigration centres and 5 penitentiaries centres spread across Spain. Around 40 sportsmen and celebrities participated in them. Furthermore, about 40 carers and volunteers from a number of associations participated in training workshops on fun and educational techniques run by Payasos sin Fronteras.

Thanks to its social character the *Correos reparte sonrisas* programme has been awarded the **Medal of Social Penitentiary Merit** by the General Secretary of Penitentiary Institutions, having been nominated by the Centre of Social Inclusion Joaquín Ruiz Jiménez in Palma de Mallorca.



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SOCIETY: THE COMPANY'S CONTRIBUTION TO DEVELOPMENT AND WELL-BEING

UNICEF campaigns

In 2012, cards and gifts were sold in the post office network for an amount of **nearly 1 million euros**, which will go to UNICEF projects, the United Nations body with which Correos has cooperated for more than 40 years.

For the second consecutive year the company has also participated in the **Cumplédías** campaign, designed to collect funds to treat **children with severe malnutrition in developing countries**. Correos encouraged employees and customers to take part in this initiative through a microsite on the intranet and corporate website, which included a counter displaying total donations made. In addition, we also ran promotional flashmobs (meetings organised by a group of people in a public place to do something unusual).



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Un juguete, una ilusión (A toy, a dream) campaign

As part of this campaign organised by the Crecer Jugando Foundation and RNE (Spanish National Radio), Correos was the company that sold most **solidarity pens**, **163,607** in total, generating revenue of **818,035 euros**. This amount will be used to send toys to children in **22 countries** in Latin America, Africa and the Middle East, as well as to create play areas for children in schools, hospitals and other community centres. In 2012, toys were also distributed to **Spanish children** and families suffering financial hardship.



People with disabilities

At the end of 2012, Correos had a workforce of 921 disabled workers, in addition to contracts for the **purchase of goods and services from foundations and special employment centres**, such as the Pardo Valcarce Foundation, the Ocón Business Centre, Juan XXIII Foundation and Fundosa Control de Datos.

The company also contributed to financing the construction of the *Centro Artesano de Papel y Madera* (Artisan Centre of Paper and Wood) APAI-ARTE of the APAI Foundation, and took on Vocational Training students of Dales la Palabra Foundation for internships.

Additionally, the company continued its cooperation in the La Caixa's *Incorpora* programme to integrate disabled people in its workforce and promote internships in work centres. Likewise, it cooperated with the Catalan Association for Integration and Human Development (ACIDH) and the Down Syndrome Foundation in Madrid.

SOCIETY: THE COMPANY'S CONTRIBUTION TO DEVELOPMENT AND WELL-BEING

Sponsorship of the website of the Migrar Foundation of the Spanish Red Cross

Since 2007, Correos has supported the activities of the Migrar Foundation created by the Spanish Red Cross. It aims to contribute to the integration of immigrants in Spain by means of advice in labour-related and legal issues, amongst others. In 2012, the website (www.migrar.org) had **170,802 visits**, **1,152 new user requests** were processed and 3,753 enquiries handled.

The company also offers different international mail and parcel products, solutions to transfer money and other financial services or telecommunications to respond to specific needs of this social group



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Dona tu móvil (Donate your mobile) campaign

Since 2007 Correos has cooperated in the *Dona tu móvil* campaign (www.donatumovil.org), promoted by the Spanish Red Cross and the Entreculturas Foundation, which collects used mobile phones to be reused or recycled. The Spanish Red Cross sets aside the funds obtained for environmental and social projects, while the Entreculturas Foundation finances school attendance projects for children in Latin America and Africa.

The company provides special bags and envelopes to collect mobile phones that can be dropped off at more than 2,300 post offices or deposited in post boxes. In 2012, Correos collected **30,709 mobiles** worth **29,617 euros** (35.75% of the initiative's total revenue), collecting more units than any other company.



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SOCIETY: THE COMPANY'S CONTRIBUTION TO DEVELOPMENT AND WELL-BEING

SOMOS! (WE ARE!) campaign

Correos **helps finance the Spanish Fundraising Association's website** (AEFr). This organisation comprises more than 60 non-governmental and not-for-profit organisations in Spain. Apart from supporting its philanthropic aims, it also promotes the **spreading of good marketing practices** for fund raising for good causes and social awareness.

The SOMOS! campaign (www.somosasi.org), promoted with the motto "If you want a better world, start changing it", stressed the importance of solidarity and pays homage to the three million regular and four million occasional donors who engage with NGOs in Spain. As part of this initiative, Correos distributed **25,000 cards free of charge** with the logo and the slogan "SOMOS!" and inserted a banner on its website.



Spanish Red Cross

Correos cooperated with the Spanish Red Cross in the *Sorteo Extraordinario de Navidad* and the *Sorteo del Oro* lotteries by selling **1,792,526 tickets** through its post offices, generating about **4 million euros**.



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SOCIETY: THE COMPANY'S CONTRIBUTION TO DEVELOPMENT AND WELL-BEING

Organ donation campaign

The company provided logistical support to *Eres perfecto para otros* (You are perfect for others) initiative, driven by Mediaset España as part of the campaign *12 Meses* (12 Months). Using the *Paquetería 360°* line, a welcome pack together with a thank you letter from the National Transplant Organisation and a personalised donor card were sent to every applicant. In 2012, 170,000 people applied for accreditation.

ADO Programme

Correos has contributed to sports for sponsoring the ADO Plan (Association of Olympic Athletes), over the four years prior to the Olympic Games in London 2012. The goal of the **more than one million euros contribution** during the four years period was to help Spanish Olympic athletes make progress.

Paralympics Cycling World Cup

For the fifth consecutive year, the company has sponsored the Paralympics Cycling World Cup held again in the province of Segovia, where more than 230 cyclists from 33 countries participated. As it coincided this year with the Olympics, the event counted towards the selection for Paralympics 2012 in London.

Correos con el Arte (Correos with Art)

The company offers post offices to local artists who want to show their work to the public in free exhibitions. This initiative tries to **bring art closer to the public and contribute to the spreading of culture**. In 2012, **26 exhibitions** of paintings, sculptures, craft work, ceramics and photography were organised in post offices in La Coruña, Bilbao, Lugo, Orense, Vigo, San Sebastián, Salamanca, San Lorenzo de El Escorial (Madrid) and Puerto de la Cruz (Santa Cruz de Tenerife).

Postal and Telegraph Museum

The Postal and Telegraph Museum offers the visitor a thematic and chronological tour through the evolution of communication media and transport. The centre exhibits postal and philatelic collections as well as collections in the area of telecommunication that have high historical value dating from the beginning of the 19th century until the present day. In 2012, the museum had **5,560 visitors**.

SOCIETY: THE COMPANY'S CONTRIBUTION TO DEVELOPMENT AND WELL-BEING

Civic values through stamps

Over the course of the year Correos issued different stamps covering subjects such as **respect for the environment, solidarity and road safety**:

- **Todos con Lorca (Everybody with Lorca)**: A collection of five stamps recreating a part of the rich architectural assets of this town in the province of Murcia that suffered an earthquake in 2011. **With this edition, Correos aimed to contribute to creating awareness among the society for the importance of recovering it.**
- **Civic Values series**: Includes the stamp entitled "Do not pollute" and two stamps promoted by the DGT (Traffic Agency) to increase awareness of responsible driving.
- **Vías Verdes (Green Roads)**: This stamp shows the old train station of Alcaudete (Jaén) that has been restored and turned into a hostel and a leisure area.

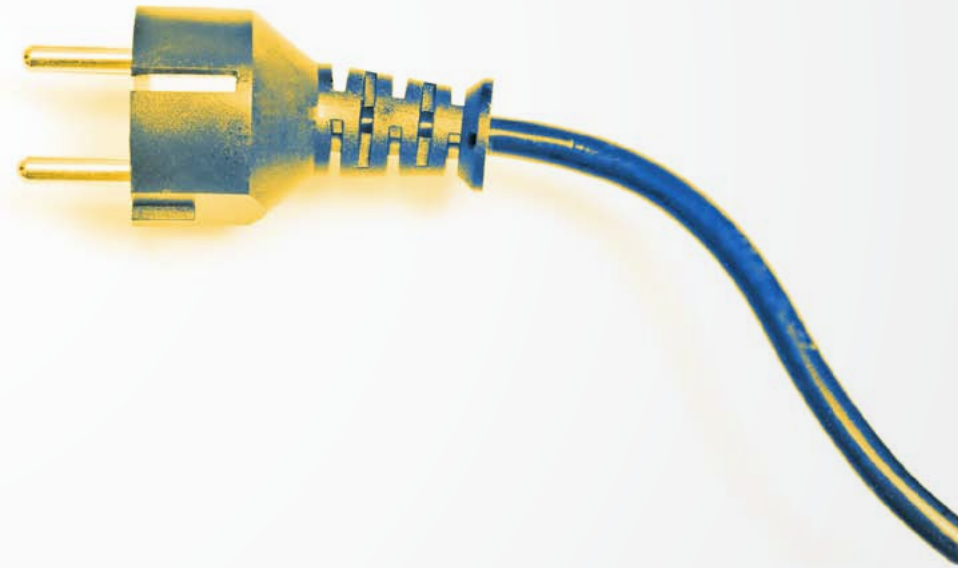
Correos also supported the **International Year of Sustainable Energy for Everybody** declared by the General Assembly of the United Nations by issuing a stamp about the importance of increasing access to sustainable energy, energy efficiency and renewable energy.



ENVIRONMENTAL RESPONSIBILITY

In addition to the commitments assumed with stakeholders, the Excellence and Sustainability Policy of the Correos Group includes the development of its activities in a sustainable way that is also respectful with the environment.

In Correos, this desire is implemented with the Executive Environmental Plan that determines the medium and long term lines of action, and the **Environmental Action Plan 2011-2012**. The priorities set out in it focus on the identification, assessment and management of the Group's impact on the environment, particularly in the reduction of emissions, the efficient use of material resources and integral waste management.



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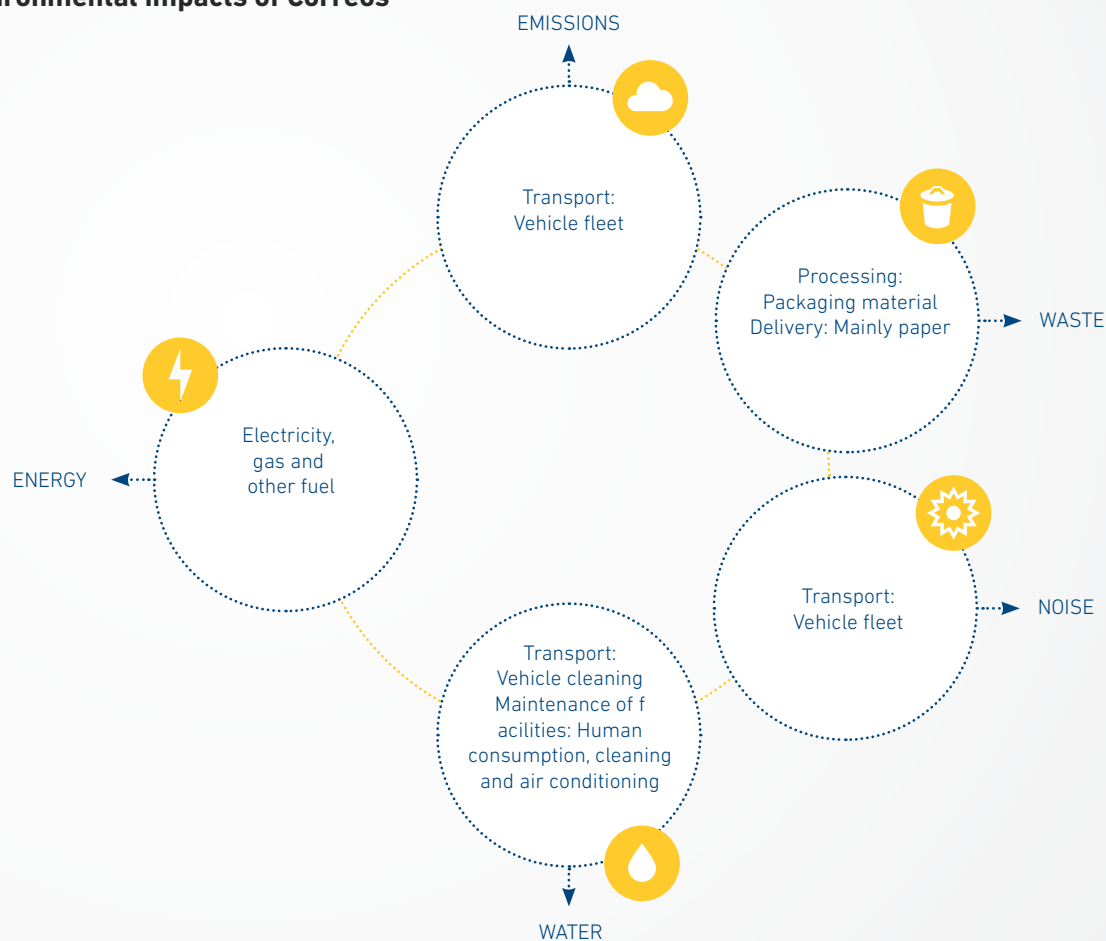
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ENVIRONMENTAL RESPONSIBILITY

- 8.5% decrease in energy consumption in buildings taking part in the Energy Efficiency Plan 200
- Reforestation campaign in Lorca (Murcia), in cooperation with WWF Spain
- Reduce paper use by 60% at the special services and delivery units by implementing the "USE and URO without paper" project
- Participation in the IDAE (Energy Diversification and Saving Institute) Plan 330
- Reduce consumption of materials by implementing the "5S" method in the delivery and special services units

Environmental impacts of Correos



ENVIRONMENTAL RESPONSIBILITY

Environmental policy to protect the environment

The goal of the Environmental Action Plan 2011-2012 is to develop more sustainable environmental management through three priority areas of action: the sustainable use of resources plan directed at saving and the efficient management of energy and water; the waste management plan to reuse, recycle and make best use of materials; and the general action plan including training and awareness-raising programmes.

Main actions of the Correos Environmental Action Plan 2011-2012

- Identification of the impact and environmental risks of postal activities
- Implementing of Energy Efficiency Plan 200
- Reforestation campaign in Lorca (Murcia), in cooperation with WWF Spain
- Agreement with IDAE for training on energy efficiency
- Planning and optimisation of transport routes
- Training on efficient driving
- Environmental Commitment Award



ENVIRONMENTAL RESPONSIBILITY

Awareness and fight against climate change

Correos Group promotes the adoption of the best environmental practices, both in its own activities and through the contracts with its providers. The communication and diffusion of these practices contributes to creating awareness for the importance of responsible environmental management.

In 2012, the companies of the Group held awareness-raising days aimed at employees and put up informative signs in the centres to encourage the rational use of energy, water and paper, as well as correct waste treatment.

Another way of involving employees in sustainable resource management in their centres of activity is the introduction of specific indicators since 2012 on the consumption of energy and fuel in the **League of Excellence** tool. These indicators are in addition to the existing ones on performance with which the management in the centres and post offices of Correos is evaluated.

The company also promotes **social awareness-raising** by means of its participation in initiatives such as the **Plantemos para el Planeta** (Planting for the Planet) campaign from the United Nations Programme for the Environment (PNUMA). The purpose of this action that changed its name to **Ardilla Connecting Life** in 2011 is to connect the woods in Spain via a network of ecological corridors by restoring deforested areas.



ENVIRONMENTAL RESPONSIBILITY

Responsible consumption of material resources

Based on the nature of their activities, the companies of Correos Group do not use particularly large amounts of water, except for human consumption, cleaning and air conditioning, which do not constitute a material risk by increasing environmental impact. Nonetheless, the measures taken by the Group have permitted a 5.4% drop in consumption over the previous year.

Indicators of water consumption

Water consumption(m³)	2010	2011	2012
Sociedad Estatal Correos y Telégrafos	N.A.	403,435	341,095
Chronoexpres	N.A.	N.A.	N.A.
Nexea	N.A.	1,200	1,193
Correos Telecom*	N.A.	N.A.	N.A.

* Correos Telecom shares the main offices with Correos

One of the lines of action defined in the Correos Environmental Action Plan 2011-2012 consists in saving paper and efficient waste management through reusing and recycling.

In 2012, the **USE project** (special services units) **without paper** was completed, which consisted in substituting printouts for their digital equivalents in everyday operations. After positive results were obtained in the first phase that was implemented in the urgent delivery units, the initiative was also extended to ordinary delivery units (URO without paper).

With this project, the company achieved the planned objective to reduce the weekly consumption of paper by 60%, with an additional saving in consumables and equipment maintenance.



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ENVIRONMENTAL RESPONSIBILITY

Línea Verde (Green Line) programme

Through the *Línea Verde* programme Correos sells envelopes, boxes and packaging that have been produced with ecological, recyclable material respecting the environment. A legend included in the product informs the customer that they contribute a part of the price to reforestation projects when they buy them. This also promotes the awareness of the society for the importance of buying ecological products.

Since the beginning of the programme in 2000, the company has collaborated first with the Bosques de la Tierra Foundation and later with WWF Spain to recover woods in different locations in Spain.

In 2012, the ninth reforestation project was launched **financed with the sale of products of the *Línea Verde*** which enabled the **recovery of 6 hectares** of the semi-arid ecosystem in **Lorca** (Murcia) by planting about 6.000 indigenous trees and bushes. In this programme, in which the Town Hall of Lorca and the Autonomous Community of Murcia cooperated, 70 employees of Correos participated as volunteers.



ENVIRONMENTAL RESPONSIBILITY

Indicators of material consumption

Sociedad Estatal Correos y Telégrafos	2010	2011	2012
Paper (Kg)	1,131,180	1,099,880	1,025,138
Printer toner (no. of cartridges)	N.A.	24,237	21,665
Chronoexpres			
Paper (Kg)	45,318	50,657	52,738
Printer toner (no. of cartridges)	981	1,245	1,572
Other material: Shrink film (kg)	188,802	228,298	203,638
Nexea			
Paper (Kg)	N.A.	N.A.	N.A.
Printer toner (no. of cartridges)	N.A.	N.A.	N.A.
Correos Telecom			
Paper (Kg)	640	425	125
Printer toner (no. of cartridges)	36	26	12



ENVIRONMENTAL RESPONSIBILITY

Energy efficiency

In 2010, Correos started the **Plan 100 Energy Efficiency**, a project geared to reducing the impact and energy costs of buildings with a high consumption of electricity and gas. Since its implementation the company has avoided **the emission of 3.593 tons of CO₂** by introducing rules of responsible behaviour in the use of air conditioning, light and building maintenance.

In 2012, the scope of this plan covered 200 centres, whose consumption makes up more than 50% of the company total. At the end of 2012, the reduction achieved from the participating buildings was 8.5% compared to 2011. The emission of 2,600 tons of CO₂ had been avoided, which also translated into financial savings of more than half a million euros.

The Plan 100 is complemented by the **Environmental Commitment Award**, an internal programme that awards centres who have actively contributed to reducing their impact on the environment mainly in the form of saving energy. This initiative wants to stimulate and spread the best practices, as well as sensitize the employees for actions they can take at their workplace to reduce the consumption and protect the environment.

Results of the Plan 100 on energy efficiency and the Environmental Commitment Award

	2010	2011	2012
Participating buildings	15	100	200
Annual reduction of consumption	6.0%	10.7%	8.5%

Cooperation with IDAE

Additionally, Correos has cooperated with the Plan 330 from IDAE through the energy audit of the automated processing centre in Madrid and by identifying cost-cutting measures. The overall objective of the plan is to achieve a 20% reduction in energy consumption for 2016 in 330 central government buildings.

Furthermore, a collaboration agreement was signed with this Institute for access to content for energy efficiency courses given to more than 18,000 workers.

ENVIRONMENTAL RESPONSIBILITY

Earth Hour

For the fourth consecutive year Correos participated in the **Earth Hour** initiative (www.horadelplaneta.es), organised by WWF Spain with the motto "Switch off the light, switch on the planet". The purpose of this campaign is to create public awareness for the fight against climate change by symbolically switching off the lights for an hour and demonstrating that this is a possible joint action aimed at building a sustainable future.

Therefore, on 31 March 2012, more than 1,800 company buildings saw their facades go dark. The campaign was also advertised on a banner on the website, the intranet and the company's social network profiles, as well as on 3,000 posters in the post office network.



Indicators of energy consumption

	2010	2011	2012
Sociedad Estatal Correos y Telégrafos			
Direct energy consumption (GJ)	615,783	611,733	600,026
Natural gas (SAP + FGR)	57,334	62,237	59,438
Diesel C	79,127	59,018	61,066
Automotive diesel	426,779	424,080	414,833
Petrol	52,543	64,646	64,009
Other energy sources: carbon, propane and butane	N.A.	1,751	680
Indirect energy consumption (electricity) (GJ)	648,175	582,006	563,875
Chronoexpres			
Direct energy consumption (GJ)	96	95	98
Diesel automoción	96	95	98
Indirect energy consumption (electricity) (GJ)	23,136	21,042	20,157
Nexea			
Direct energy consumption (GJ)	N.A.	N.A.	N.A.
Indirect energy consumption (electricity) (GJ)	N.A.	7,898	7,160
Correos Telecom			
Direct energy consumption (GJ)	368	427	330
Indirect energy consumption (electricity) (GJ)	4,573	3,295	1,088

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ENVIRONMENTAL RESPONSIBILITY

Emission reduction

At the Climate Summit in Copenhagen in 2009, together with other postal operators Correos took on the commitment to reduce its CO₂ emissions by 20% by 2020. In 2008 it started supporting the **EMMS programme** (Environmental Measurement and Monitoring System), inspired by the International Post Corporation (IPC), which offers the participating companies a measurement system that is especially adapted to the postal sector. The use of this system, based on international standards such as the Greenhouse Gas Protocol (GHG) or the Sustainable Dow Jones Index, enables them to provide standardised information and compare their environmental performance.

Since the beginning of the project Correos has proven to be one of the postal operators that has made most progress towards achieving the goal. In 2012, the company had already reached a cumulative reduction of 22%, which is equal to avoiding the emission of 27,000 metric tonnes of CO₂ into the atmosphere. Therefore, Correos has complied with the goal set by the international postal sector eight years early.

Indicators of atmospheric emissions

	2010	2011	2012
Sociedad Estatal Correos y Telégrafos			
Direct emissions (scope 1) (tCO ₂)	43,275	42,993	42,157
Indirect emissions (scope 2) (tCO ₂)	62,985	56,555	51,693
Other indirect emissions (scope 3) (tCO ₂)	107,276	104,119	98,240
SO ₂ (kg)	N.A.	140	141
NO _x (kg)	N.A.	64,929	63,531
Particles (kg)	N.A.	5,096	5,074
Chronoexpres			
Direct emissions (scope 1) (tCO ₂)	N.A.	N.A.	N.A.
Nexea			
Direct emissions (scope 1) (tCO ₂)	N.A.	N.A.	N.A.
Correos Telecom			
Direct emissions (scope 1) (tCO ₂)	22	25	20

ENVIRONMENTAL RESPONSIBILITY

Secure and efficient mobility

One of the main environmental impacts of the activity of both Correos and Chronoexpres is derived from transport operations. Therefore, **secure and efficient mobility as well as the optimisation of the routes** are two of the most important actions to reduce the both companies' environmental footprints.

Since 2007, the Parent Company has been part of the **European Road Safety Charter**, a project of the Directorate-General for Energy and Transport of the European Commission to promote safe driving and reduce road traffic accidents in the member states. Since joining this initiative the company has prepared a road safety rule book and has intensified the preventative maintenance of the fleet vehicles. Employees have been trained in efficient driving techniques in courses given yearly by the Royal Automobile Club of Catalonia (RACC).

Since 2008, Correos has drawn on the advantages of ecological vehicles for delivery in urban centres and protected historic old towns. In recent years it has incorporated this type of transport in its fleet, thus achieving a reduction of CO2 emissions and acoustic contamination.

At the end of 2012, the company had **197 electric vehicles** (18 cars, 100 motorbikes and 79 bicycles), that are used for deliveries in Madrid, Zaragoza, Barcelona, Sevilla, Granada, Ciudad Real, Toledo and Santander.

The company has a Geographic Information System (GIS) containing all the digital maps used in the daily delivery activities to analyse and measure the delivery routes and also improve compliance with delivery quality.

Similarly, in 2012 Chronoexpres implemented the Traza PDA tool enabling geo-positioning of the vehicle fleet and the **optimisation of the distribution routes**. The company also continued its participation i

n the project *City Model*, together with the Institute for Packaging, Transport and Logistics Technology (ITENE) to promote environmental sustainability through sustainable widespread delivery of goods in cities.



ENVIRONMENTAL RESPONSIBILITY

Waste management

In 2012, Correos finalised the implementation of the **“5S” method** in all delivery and special services units. One of the benefits of incorporating this method of work, as well as the improved efficiency were the optimization of the inventory and the repeated exploitation of the equipment to reduce waste generation and material consumption.

Indicators of waste management

	2010	2011	2012
Sociedad Estatal Correos y Telégrafos			
Hazardous waste (t)	0.3	2	0.1
Non-hazardous waste (t)	439	471	331
Chronoexpres			
Non-hazardous waste (t)	107	125	141
Nexea			
Hazardous waste (t)	2	2	1
Non-hazardous waste (t)	1,000	700	406
Correos Telecom			
Non-hazardous waste (t)	27	26	6

Correos obtains the Green Economy Seal

Correos supported the appointment of **Vitoria-Gasteiz as the Green Capital of Europe 2012**, by means of joining the Green Economy programme promoted by the city's local authority. The objective was to encourage the cooperation of the companies in the celebration of its status as the green capital of Europe for the year and to promote the implementation of measures to improve the environment.

As part of this initiative, **Correos was awarded the Green Economy Seal** to recognise the company's many years of good practices.

RENEWED FOCUS

We view the world from a responsible and transformational perspective that is reflected in the Group's principles and policies.

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The overall objective of the Correos Group is to create long-term value for its stakeholders, ensuring fulfilment of its public service duties.

A crucial condition for this is the proper functioning of corporate governance, which implies comprehensive, responsible and transparent action, focused on operating efficiency and careful preparation for risk management.

Correos' Progress Report

has been recognised as meeting Advanced Level criteria by the United Nations Global Compact for the second year in a row

Two best practices

of Correos have been recognised in relation to principles 4 and 5 of the Global Compact

GOVERNING BODIES

Governance structure

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

Order HAP/583/2012, of 20 March, which makes public the Decision of the Council of Ministers of 16 March 2012, approving the Plan for the restructuring and rationalisation of public companies and foundations, amongst other measures, established the change of ownership of Correos, transferring all shares to SEPI. The agreement on the transfer of all shares made between the Directorate General for State Assets and SEPI was signed on 5 June 2012 and made public on 12 June 2012.

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

In accordance with the provisions of article 13 of

its Articles of Association, the corporate bodies of Correos are the **General Meeting of Shareholders and the Governing Board**. Likewise, and in accordance with the provisions of article 24 of its Articles of Association, the company is to be governed by the Governing Board, its Chairman and the Executive Committee.

The Chairman of the Governing Board is also the Chairman of Correos and all of its governing bodies. This individual is responsible for management and administration functions, for representing management bodies and for executing the agreements that they adopt.

The Governing Board of Correos consists of a minimum of twelve and a maximum of fifteen members. The appointment of board members and the determination of their number between the minimum and maximum number required by the Articles of Association is decided by the General Meeting of Shareholders. Board members hold their positions for a maximum term of five years and may

be reelected one or more times for terms of the same duration.

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.

Likewise, the **Audit and Control Committee** is a body under the auspices of the Governing Board, constituted in accordance with the provisions of the *Ley 33/2003, de 3 de noviembre, del Patrimonio de las Administraciones Públicas* (the Assets of Public Authorities Act). It is composed of three board members who have no executive functions, selected by the Governing Board from amongst its members.

GOVERNING BODIES

As at 31 December 2012, 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

D. Javier Cuesta Nuin

Board members

D. Pablo Arellano Pardo

D^a. Ana Bosch Jiménez

D^a. Eloisa Contín Trillo-Figueroa

D. José Luis Díez García

D. Rafael García Monteys

D. Aquilino González Hernando

D. Pablo Hispán Iglesias de Ussel

D. Fernando Irurzun Montoro

D^a. Elena Luengo García

D. David Martínez Hornillos

D^a. Rosario Martínez Manzanedo

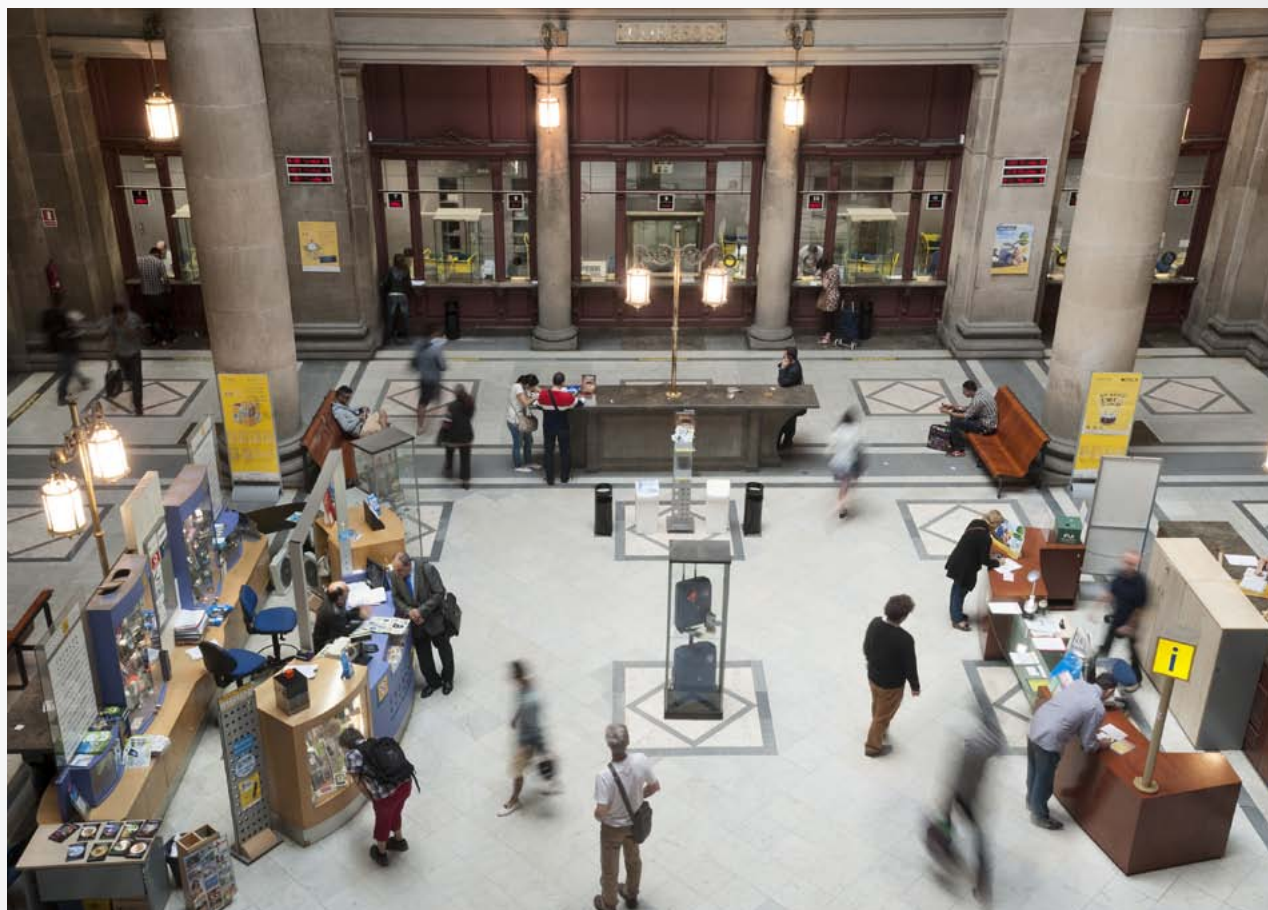
D. Juan Luis Nieto Fernández

D. José Ángel Partearroyo Martín

D. Juan Miguel Sánchez García

Secretary not Member of the Board

D. José María Elías de Tejada Casanova



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GOVERNING BODIES

With regard to Group subsidiaries, the Governing Board consists of a maximum of 12 and a minimum of 6 members in the case of **Chronoexpres**, and a maximum of 8 and a minimum of 4 members in the cases of **Nexea** and **Correos Telecom**. Their members are senior executives of Correos. The appointment process assesses the training and experience required in order to form part of the Group's governing bodies.

The composition of the Governing Board of the subsidiaries as at 31 December 2012 was as follows:

Chronoexpres, S. A.

Chairman

D. Magín Blanco González

Board Members

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

Secretary not Member of the Board

D. José María Elías de Tejada Casanova

Vice-Secretary not Member of the Board

D. Álvaro Botella Pedraza

Nexea Gestión Documental, S. A.

Chairman

D. David Muntañola Prosper

Board Members

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

Secretary not Member of the Board

D. César Delgado López

Correos Telecom, S.A.

Chairman

D. Jaime Sanz García

Board Members

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

Secretary not Member of the Board

D. Juan Risquete Fernández

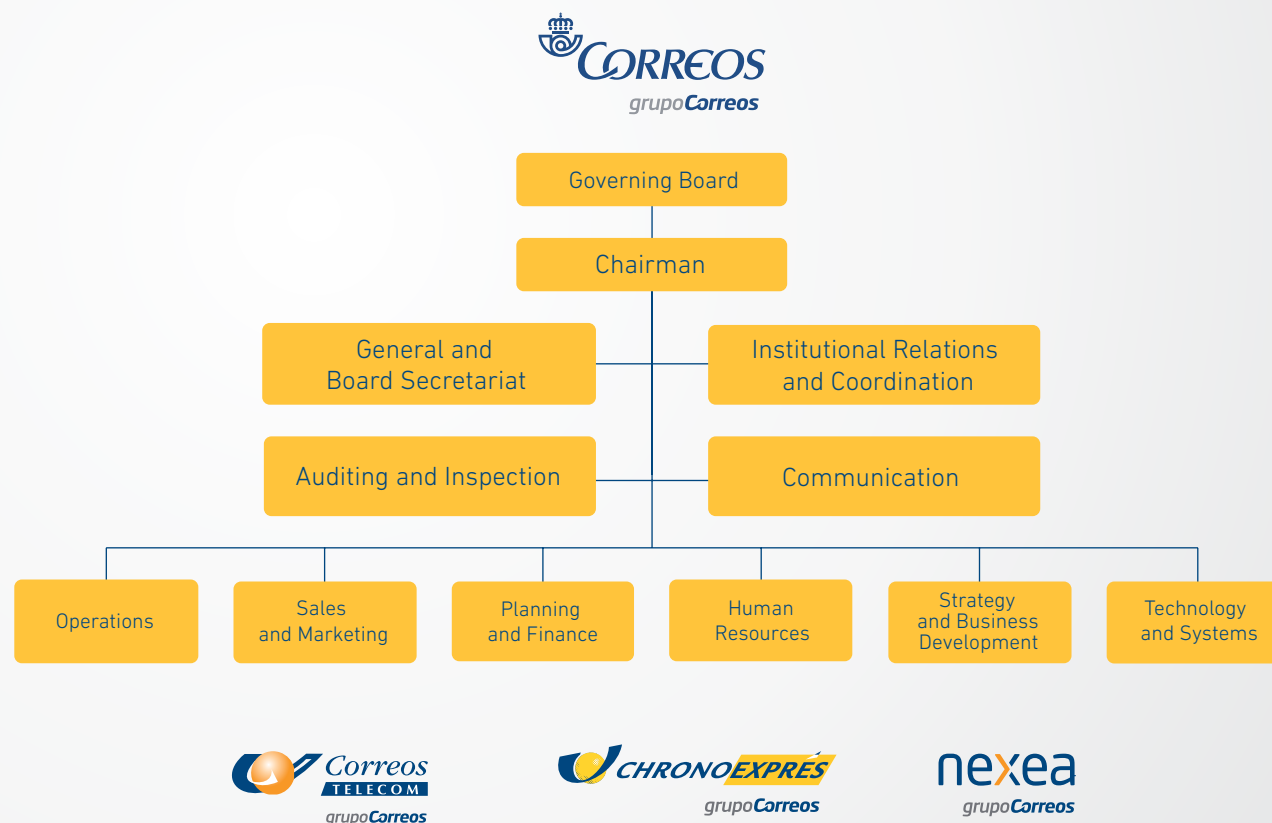
GOVERNING BODIES

New management and focus

The **Management Committee** of the Correos Group has the overall responsibility for policymaking, development and coordination of all key issues between the various units and companies. This committee is made up of the Chairman of the Parent Company, its different managers and the general directors of Chronoexpres y Nexea.

The appointment of Javier Cuesta Nuin as Chairman in March 2012 was accompanied by changes in the Management Committee. New managers were appointed in the areas of Strategy and Business Development, Communication, Planning and Finance, Technology and Systems, General and Board Secretariat, Sales and Marketing and Auditing and Inspection.

Organisational Chart of the Correos Group as at 31 December 2012



For detailed information about the governance structure and its functions, please visit the Correos website www.correos.es

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GOOD GOVERNANCE PRACTICES AND BUSINESS ETHICS

The commitment to good governance, ethics and transparency is evident in the activities of the Correos Group. The company has enacted governance regulations that establish the commitments and responsibilities inherent in business management. It has also accepted the commitments of the United Nations Global Compact.

Operations of the Governing Board

The assessment of the operations of the maximum governing body is the responsibility of the SEPI Group, as the sole shareholder of the company. This Group exercises control through the appointment and removal of board members. In certain situations, it also oversees matters submitted to the Governing Board.

In order to avoid any type of conflict of interests between Correos and the members of the Governing Board, upon accepting the position, board members must issue a declaration of incompatibility. In addition, the directors report on an annual basis any situation that presents a direct or indirect conflict with the interests of the company, in compliance with article 229 of Legislative Royal Decree 1/2010, of 2 July,

which approves the amended text of the *Ley de Sociedades de Capital* (Capital Companies Act).

As regards the **remuneration policy** for the Governing Board, the travel allowances are determined by the sole shareholder. In accordance with Law 5/2006, of 10 April, the allowances of the board members are paid into the Treasury. In the subsidiary companies, board members do not receive allowances for attending meetings. The pay regime for the Management Committee incorporates a variable remuneration scheme linked to meeting defined objectives.



GOOD GOVERNANCE PRACTICES AND BUSINESS ETHICS

Sociedad Estatal Correos y Telégrafos

	2011	2012
Meetings of the Governing Board*	13	12
Percentage of assistance of the board members	64%	78%
Meetings of the Executive Committee	-	-
Meetings of the Audit and Control Committee	5	3
Total remuneration of directors**	1,090.36 €	1,096.36 €

Chronoexpres

Meetings of the Governing Board	11	11
Total remuneration of directors	No retribuido	No retribuido

Nexea

Meetings of the Governing Board	11	11
Total remuneration of directors	No retribuido	No retribuido

Correos Telecom

Meetings of the Governing Board	11	11
Total remuneration of directors	No retribuido	No retribuido

* 11 sessions are generally held.

** Gross monthly amount.

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GOOD GOVERNANCE PRACTICES AND BUSINESS ETHICS

Principles of good corporate governance

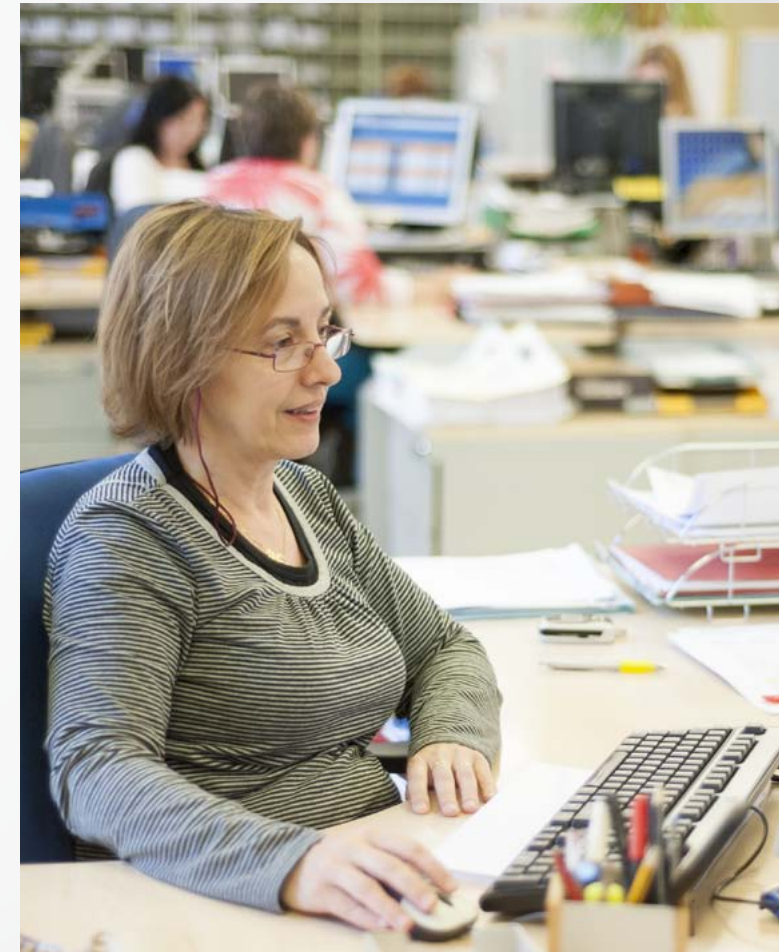
The governing bodies are responsible for defining the policies, procedures and tools that enable the supervision of good behaviour and to ensure that all members of the Group fulfil their responsibilities in full, responsibly and transparently.

Code of Conduct

The Code of Conduct, in force since 2004, reflects the **Group's values** and the general principles that govern the actions of all Correos Group employees. The Code of Conduct is available on both the corporate intranet and website, and is periodically reviewed in order to make any necessary changes in response to new internal and external requirements.

The Correos Group, opposed to any unfair and/or corrupt practices, demands **ethically responsible behaviour** from its employees in the performance of their functions. In the event that any behaviours are detected that go against professional ethics, these are investigated and the pertinent corrective measures and/or sanctions are applied, according to the damage or the risk that is determined.

In 2012 there were 24 dismissals for conduct related to the violation of or failure to safeguard postal items and misappropriation.



GOOD GOVERNANCE PRACTICES AND BUSINESS ETHICS

Cooperation with Law Enforcement

Correos and Chronoexpres actively cooperate with national, regional and local law enforcement and different courts through actions such as controlled delivery mail and information regarding bank operations and/or delivered products and mail items with illegal contents.

Prevention of corruption and money laundering

With regard to the financial services, money orders and transfers and banking operations carried out at post offices, Correos is subject to the *Ley 10/2010, de 28 de abril, de Prevención del blanqueo de capitales y de la financiación del terrorismo* (Prevention of Money Laundering and the Finance of Terrorism Act) and Order EHA/2619/2006, of 28 July, which implements certain **obligations related to the prevention of money laundering** for liable parties who engage in activities related to money exchange or the processing of the transfer of money abroad.

The Manual on the Prevention of Money Laundering, internal rules that are compulsory for all Correos employees and executives, covers the procedures set out to ensure compliance with current regulations. In this regard, the company has different bodies that ensure proper compliance with the Manual.

In 2012 training courses on the prevention of money laundering have continued, according to principle 10 of the Global Compact "Work against corruption in all its forms, including extortion and bribery".



GOOD GOVERNANCE PRACTICES AND BUSINESS ETHICS

Legal compliance

The Correos Group is firmly committed to **strict compliance with all applicable national and international regulations**. Along these lines, most directly affecting the company's operations are the following:

Law 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 2010), with regard to sector regulations.

Law 30/2007, of 30 October, of the Public Sector Contract and Law 31/2007, of 30 October, on hiring procedures in the water, energy, transport and postal services sectors.

Organic Law 15/1999, of 13 December, of Personal Data Protection, on which Correos has been externally audited.

The company's commitment to compliance with legislation has been reflected by the lack of sanctions in 2012.

Commitment to the United Nations Global Compact

In 2002 Correos signed the **United Nations Global Compact**, and by doing so, accepted as an essential part of its strategy the ten principles of this pact, referred to human rights, labour, the environment and anti-corruption.

In 2012 the company has revalidated for the second year in a row the **Advanced Level of the Progress Report** it presents every year. This rating is granted by the United Nations Global Compact to all companies that stand out for having presented the most complete reports that describe how they fulfil or plan to fulfil the 24 criteria established by the Global Compact in the following areas:

- Strategy, corporate governance and dialogue
- Objectives and issues of the United Nations
- Implementation of the principles of the Global Compact
- Implementation in the supply chain
- Transparency and verification

In Spain, of a total of 872 organisations presenting sustainability reports or Progress Reports for 2011 to the Spanish Network for the Global Compact, 56 have achieved the Advanced Level category (11% of the total worldwide).



GOOD GOVERNANCE PRACTICES AND BUSINESS ETHICS



Recognition of two best practices of Correos

In 2012 the Spanish Network for the Global Compact recognised two good practices at Correos in relation to its principles:

- **The social benefits and measures implemented at the company to promote the well-being of employees.** Both examples were selected as best practices to promote the elimination of all forms of forced labour, according to principle 4 (Online Bulletin of the Spanish Network for the Global Compact, July 2012).
- **The company's commitment to children through the development and implementation of internal policies and cooperation and participation on assistance projects,** targeting this group, as well as for its support in eradicating child labour, according to principle 5. Amongst other initiatives, the most noteworthy have been those promoting education and the defence of children, such as *Correos reparte sonrisas* (Correos delivers smiles), *Un juguete, una ilusión* (One toy, one dream) and the sale of UNICEF products (Online Bulletin of the Spanish Network for the Global Compact, Special on Children's Rights, March 2012, and the Online Bulletin of the Spanish Network for the Global Compact, October 2012).

With regard to **principles 7 “Support a precautionary approach to environmental challenges”** and **8 “Undertake initiatives to promote greater environmental responsibility”**, in 2012 Correos signed an agreement with the Institute for Diversification and Energy Savings (IDAE) for a renewable period of at least 3 years, for the rights to courses in subject areas relevant to the abovementioned points. Particularly noteworthy was the course How to save energy at work, which trained 18,848 employees.



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INTERNAL AUDIT

Through its **internal audits**, Correos applies the principles of good governance throughout its organisation and operations, attempting to reduce the risk related to achieving its objectives and monitoring the quality of the service provided. It also endeavours to ensure that the activity carried out abides by the required principles of social responsibility throughout the organisation, which are even more demanding in the case of a public entity.

Internally, the internal audit process meets the following specific objectives:

- To provide appropriate **systems of internal control and risk** management in terms of the activity, fostering the continuous improvement of the risk-internal control dichotomy.
- **To monitor the alignment** of internal control, risk management, business ethics and values with corporate policies and objectives.
- To ensure respect for the independence guidelines set by the **Spanish Internal Auditors Institute**, of which Correos is a member.
- Within the framework of audits of the annual accounts of the four companies in the Correos Group, to **cooperate with external experts** who check that they represent an accurate image of the assets and financial condition of the companies.
- To initiate **investigations in the event of any actions that go against the principles of good governance**, to identify those responsible who may have engaged in improper actions.

During the course of the year, Correos carried out **1,181 internal audits** in the areas of compliance, operations and finance, monitoring and implementing recommendations in the company's different operational units and evaluating the risks inherent to supplier contracts.

With regard to internal process control, auditing procedures were implemented for the territorial areas of Correos and Chronoexpres.

Likewise, during 2012 the implementation of the **software tool CAudinter** was completed, facilitating the monitoring of auditing tasks and improving information management; this program also has a specific module for risk management.

EXPANSION OF CONTRACTING PRINCIPLES AND POLICIES

The Correos Group oversees the **efficiency of procurement processes** and **proper contracting procedures**, also ensuring compliance with regulatory requirements. It also extends its commitment to social responsibility to its suppliers and subcontractors through the **application of the ethical, environmental and social principles established by the United Nations Global Compact in tenders and contracts**.

Correos' procurement procedures are governed by Law 30/2007, of 30 October, of Public Sector Contract, (replaced by Consolidated Text of Public Sector Contract enacted by Legislative Royal Decree 3/2011, of 14 November), the Law 31/2007, of 30 October, on hiring procedures in the water, energy, transport and postal services sectors and the Internal Contracting Instructions, within the framework of the SEPI Group instructions.

Chonoexpres approves critical product and/or service providers for its activity, taking into account ethical, environmental and social principles. Correos Telecom, in turn, has several procedures to assess contractual compliance in terms of operations and maintenance and the prevention of risks in the workplace.



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SUSTAINED ECONOMIC DEVELOPMENT

Activity focused on growth, profitability and efficiency.

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AUDITOR'S REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the single shareholder of Sociedad Estatal Correos y Telégrafos, S.A

We have audited the consolidated annual accounts of Sociedad Estatal Correos y Telégrafos, S.A. (the Parent Company) and the dependent companies (the Group) comprising the consolidated balance sheet at 31 December 2012, the consolidated profit and loss accounts, the consolidated statement of changes in net equity, the consolidated cash flow statement and the consolidated report corresponding to the year ended on that date. Parent Company's Directors are responsible for preparing the Company's consolidated annual accounts pursuant to the regulations on financial information applicable to the entity (identified in Note 3 of the attached report) and, specifically, with the accounting principles and criteria contained therein. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts as a whole, based on the work done in accordance with Spanish account auditing legislation, which require an inspection, on a selective test basis, of the evidence justifying the consolidated annual accounts as well as evaluating the overall presentation of the accounts, the accounting principles used and that the estimates made comply with the applicable law on financial information.

In our opinion, the consolidated annual accounts for the 2012 financial year attached hereto express, in all material aspects, a true and faithful image of the consolidated assets and financial position of Sociedad Estatal Correos y Telégrafos, S.A and its subsidiaries at 31 December 2012 and its consolidated operating results and cash flow corresponding to the year ended on that date in compliance with the applicable law on financial information and, specifically, with the accounting principles and criteria contained therein.

The attached consolidated management report for the 2012 financial year contains the explanations that the Parent Company's Directors deem appropriate on the situation of the Group, the evolution of their business and on other matters that do not form an integral part of the consolidated annual accounts. We have verified that information contained in the aforementioned consolidated management report agrees with that in the consolidated annual accounts of the 2012 financial year. Our work as auditors is limited to verifying the management report with the scope mentioned in this paragraph and does not include a review of any the information other than that obtained from the accounting records of Sociedad Estatal Correos y Telégrafos, S.A. and its subsidiaries dependent companies.

PricewaterhouseCoopers Auditores, S.L.

Rafael García Anguita
Partner - Auditor

27/03/2013

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Consolidated balance sheet at 31 December 2012 and 2011

(Expressed in thousands of euros)

ASSETS	NOTES	Balance at 31/12/2012	Balance at 31/12/2011
NON-CURRENT ASSETS		1,771,057	1,850,486
Intangible fixed assets	6	11,013	13,453
Patents, licences, trademarks and similar		8	40
IT applications		10,743	13,137
Other intangible fixed assets		262	276
Tangible fixed assets	7	1,514,610	1,605,632
Land and buildings		1,288,569	1,322,500
Plants and other tangible fixed assets		174,484	211,533
Fixed assets in progress and advance payment		51,557	71,599
Property investments	8	5,152	5,568
Long term financial investments	11	204,931	190,892
Long-term debts with government bodies		203,513	189,692
Other financial investments		1,418	1,200
Deferred tax assets	18	35,351	34,941
CURRENT ASSETS		586,076	619,034
Non-current assets held for sale	9	21,698	841
Inventories	10	2,172	1,782
Trade debtors and other receivables	11	409,373	459,803
Clients for sales and provision of services		375,870	418,098
Clients, group companies and associates	20	87	83
Other debtors		13,366	18,530
Debtors, group companies and associates	20	3,473	-
Staff		11,777	15,176
Current tax assets		4,510	7,781
Other credits with government bodies		290	135
Short-term financial investments	11	7,414	9,242
Short-term accruals		360	399
Cash and other equivalent liquid resources	11,12	145,059	146,967
TOTAL ASSETS		2,357,133	2,469,520

The notes 1 to 24 form an integral part of the annual accounts of the Company

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Consolidated balance sheet at 31 December 2012 and 2011

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NET ASSETS AND LIABILITIES	NOTES	Balance at 31/12/2012	Balance at 31/12/2011
NET ASSETS		1,773,866	1,800,223
Equity	13	1,466,445	1,470,420
Capital		611,521	611,521
Share premium account		250,938	250,938
Reserves		599,309	598,252
Reserves in consolidated companies		8,652	9,308
Result for the year attributable to Parent Company		(3,975)	401
Government contributions, donations and legacies received	14	307,421	329,803
NON-CURRENT LIABILITIES		204,621	222,511
Long-term provisions	15	73,302	80,844
Long-term debts		302	1,044
Creditors for financial leasing		33	880
Other financial liabilities		269	164
Deferred tax liabilities	18	130,683	140,230
Long-term accruals		334	393
CURRENT LIABILITIES		378,646	446,786
Short-term provisions	15	8,288	1,135
Short-term debts	16	27,217	33,471
Short-term debts with group and associate companies	20	758	-
Trade creditors and other accounts payable	16	332,636	407,229
Suppliers		2,078	4,102
Suppliers, group companies and associates	20	7	4
Various creditors		236,954	272,534
Staff		24,938	34,511
Other debts with government bodies		41,895	68,132
Customer advance		26,764	27,946
Short-term accruals		9,747	4,951
TOTAL NET ASSETS AND LIABILITIES		2,357,133	2,469,520

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Consolidated profit and loss accounts for year ended 31 December 2012 and 2011

(Expressed in thousands of euros)

CONTINUED OPERATIONS	NOTES	Financial year 2012	Financial year 2011
Net turnover	17-a)	1,875,433	2,085,496
Activities carried out by the company		204	136
Procurement		(13,048)	(15,495)
Consumption of merchandise	17-b)	(12,271)	(14,285)
Depreciation of merchandise, raw materials and other provisions	10	(777)	(1,210)
Other operating revenue		52,604	51,241
Income from accessory and ordinary activities		3,868	8,664
Operating contributions included in result of financial year	17-c)	48,736	42,577
Staff costs		(1,387,717)	(1,562,153)
Wages, salaries and similar remuneration		(1,153,742)	(1,302,859)
Social Security contributions	17-d)	(226,220)	(249,772)
Other expenses		(7,755)	(9,522)
Other operating expenses		(469,159)	(489,930)
External services	17-e)	(459,751)	(463,622)
Taxes	17-f)	(9,162)	(24,409)
Losses, depreciation and variation of provisions for commercial operations		8,032	5,415
Other expenses from ordinary activities		(8,278)	(7,314)
Amortisation of fixed assets	6,7,8	(97,852)	(105,940)
Allocation of government contributions in the form of non-financial and other fixed assets	14	31,950	36,270
Excess provisions	15	3,639	626
Depreciation and result on disposal of fixed assets	17-g)	(9,623)	(10,052)
Depreciation and losses		(9,999)	(9,903)
Results from disposals and others		376	(149)
Other results		(48)	(14)
OPERATING RESULT		(13,617)	(9,815)

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OPERATING RESULT	NOTAS	Financial year 2012	Financial year 2011
Financial income	17-h)	3,852	7,501
From negotiable securities and other financial instruments: From third parties		3,852	7,501
Financial expenses	17-h)	(148)	(542)
Debts with third parties		(148)	(216)
For updating provisions		-	(326)
Exchange differences		3,486	4,735
FINANCIAL RESULT		7,190	11,694
RESULT BEFORE TAXES		(6,427)	1,879
Income tax	18	2,452	(1,478)
CONSOLIDATED RESULT FOR THE FINANCIAL YEAR		(3,975)	401

Consolidated cash flow statement for the financial years ending 31 December 2012 and 2011

(Expressed in thousands of euros)

OPERATING ACTIVITIES	NOTES	Financial year 2012	Financial year 2011
Result for the financial year before taxes		(6,427)	1,879
Adjustments to the result			
Amortisation of fixed assets	6,7,8	97,852	105,940
Valuation adjustments for depreciation	7,10,11	(601)	8,353
Provisions variation		8,895	6,542
Allocation of capital contributions	14	(31,950)	(36,270)
Recognition of operating contributions	17-c)	(48,736)	(42,077)
Results for removals and disposals of fixed assets		(376)	149
Financial income	17-h)	(3,852)	(7,501)
Financial expenses	17-h)	148	542
Exchange differences		(3,486)	(816)
Other income and expenses		479	157
Changes in current capital			
Increase/(reduction) in inventories		(971)	(999)
Reduction/(increase) in trade debtors and other accounts receivable		53,302	(30,300)
Reduction/(increase) in other current assets		4,847	(11,227)
Decrease/(increase) in creditors and other accounts payable		(74,116)	(7,826)
Reduction/(increase) in other current liabilities		(4,331)	(1,773)
Other non-current assets and liabilities (+/-)		46,343	(42,568)
Interest payments		(105)	(189)
Interest collected		3,203	7,240
Income tax collected		2,570	4,306
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		42,688	(47,555)

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Consolidated cash flow statement for the financial years ending 31 December 2012 and 2011

(Expressed in thousands of euros)

INVESTMENT ACTIVITIES	NOTES	Financial year 2012	Financial year 2011
Payments for investments			
Intangible fixed assets		(5,814)	(7,077)
Tangible assets		(38,566)	(42,681)
Other financial assets		-	(40)
Charges for withdrawal of investment			
Tangible fixed assets		956	194
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES		(43,424)	(49,604)
FINANCING ACTIVITIES			
Collection and payment for equity instruments			
Government contributions, donations and legacies received		-	-
Collection and payment for financial liability			
Issue: Debts with group and associate companies		-	-
Return and depreciation of other debts		(1,172)	(1,117)
Payment of dividends and other remuneration from equity instruments		-	-
TOTAL CASH FLOWS FROM FINANCE ACTIVITIES		(1,172)	(1,117)
NET DECREASE IN CASH OR EQUIVALENTS		(1,908)	(97,159)
Cash and other equivalent liquid resources at the start of the financial year		146,967	244,126
Cash and other equivalent liquid resources at the end of the financial year		145,059	146,967

Statement of changes in the consolidated net assets corresponding to the financial years ending 31 December 2012 and 2011

(Expressed in thousands of euros)

A) Statement of recognised income and expenses:

	NOTES	Financial year 2012	Financial year 2011
Consolidated result for the financial year		(3,975)	401
Income and expenses directly attributed to consolidated net assets:	14		
Government contributions, donations and legacies received		-	57
Tax effect		-	-
		-	57
Transfers to consolidated profit and loss account:	14		
Government contributions, donations and legacies received:			
- due to amortisation		(27,333)	(32,100)
- due to adjustments for depreciation		(3,396)	(2,903)
- due to disposals		(1,221)	(1,962)
Tax effect		9,568	11,608
		(22,382)	(25,357)
TOTAL RECOGNISED CONSOLIDATED INCOME AND EXPENSES		(26,357)	(24,899)

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Statement of changes in the consolidated net assets corresponding to the financial years ending 31 December 2012 and 2011

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B) Total statement of changes to consolidated net assets:

Reserves held by the Parent Company

	Capital	Share Premium account	Legal reserves	Voluntary, Articles of Association reserves	Other reserves	Reserves in consolidated companies	Results from previous financial years	Consolidated result of the financial year	Government contributions, donations and legacies received	TOTAL
BALANCE START OF 2011 FINANCIAL YEAR	611,521	250,938	74,825	523,705	170,281	(165,502)	(2,020)	6,275	355,103	1,825,126
Total recognized consolidated										
income and expenses	-	-	-	-	-	-	-	401	(25,300)	(24,899)
Operations with the Sole Shareholder										
-Capital Increase Costs	-	-	-	-	-	(4)	-	-	-	(4)
Other variations in the consolidated										
net assets	-	-	174	(452)	12,216	(7,683)	2,020	(6,275)	-	-
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)	(26,357)
Other variations in the consolidated										
net assets	-	-	105	952	5,477	(6,133)	-	(401)	-	-
BALANCE END OF 2012 FINANCIAL YEAR	611,521	250,938	75,104	524,205	187,974	(179,322)	-	(3,975)	307,421	1,773,866

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1. Activities 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 Consolidated Text of the *Ley General Presupuestaria* (the Budget Act) enacted by Royal Decree 1091/1988, dated 23 September, and additional item twelve of the *Ley 6/1997, de 14 de abril, Organización y Funcionamiento de la Administración General del Estado* (the 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 the *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 Based Companies Act), by the rest of applicable laws and regulations, and by its Articles of Association.

Under articles 58.2 and 58.3 of the aforementioned Tax, Administrative and Social Measures Act, the Company began its operations, and was automatically subrogated to the activities, assets, rights and obligations of the former *Entidad Pública Correos y Telégrafos* (hereinafter, the Entity), on 29 June 2001, the day of registration with the *Registro Mercantil* (the Spanish Trade Register) of the public deed of incorporation of the Company dated 3 July 2001. From that day, the Company took on all of the functions carried out by the Entity and was subrogated to the status of authorised operator for the provision of the universal postal service entrusted to the former Entity by additional item one of the *Ley 24/1998, de 13 de julio, del Servicio Postal Universal y de Liberalización de los Servicios Postales* (the Postal Act, of 13 July 1998), and thereafter the *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 2010), for fifteen years.

Pursuant to article 58.4 of the Tax, Administrative and Social Measures Act, 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 article 58.4 of the aforementioned Tax, Administrative and Social Measures Act. Nonetheless, the Central Government, through the *Dirección General del Patrimonio del Estado* (Directorate General of 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 of 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 case that the Company decides to operate those buildings.

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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 labour relations between this type of employee and the Company are regulated by 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 58.17 of the aforementioned Tax, Administrative and Social Measures Act, any worker contracted by the Company from when it started to trade 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 the Postal Act, of 30 December 2010. It sets out 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 been approved yet). 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, the prices and other rate conditions for postal services.

On 8 October 2007, the *Ley 23/2007, de 8 de octubre, de creación de la Comisión Nacional del Sector Postal* (the Postal Services Regulator Act) created the Comisión Nacional del Sector Postal (Spanish National Commission for the Postal Sector, hereinafter, CNSP). The main objective of this regulatory body is to ensure transparency and the appropriate functioning of the postal sector, as well as to meet the demands of open competition. The CNSP began operating on 6 October 2010, under the stipulations of Order FOM/2575/2010 of 1 October. One particularly important function among those assigned to the CNSP's Governing Council is that of determining, on an annual basis, the net cost or burden of providing the UPS for the designated operator.

In order to maintain the universal postal service, the Postal Act, of 30 December 2010, provides for a finance fund that will be managed by the National Commission for the Postal Sector with the purpose of compensating the postal operator for the net cost of the obligations of the universal postal service. Pursuant to Ley 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.

As a result, Article 26 of the Postal Act establishes the aforementioned operator's obligation to keep a duly audited analytical accounting system, with separate accounts for each service and product of the universal postal service and any other services and products that are not part of the universal postal service. The Postal Act sets out that the postal operator will submit the calculation of the net cost of each financial year for validation by the National Commission for the Postal Sector.

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Similarly, the Postal Act 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. The appointed operator, Correos, will have to prepare a standard contract for access to the postal network, with the postal operators; this contract will have been previously approved by the National Commission for the Postal Sector, and Correos must also report to the latter any other non-standard contracts. The operators with individual administrative licenses will be able to negotiate terms that differ from the one established in the standard contract with the appointed operator. The Commission will determine the access terms should there not be an agreement in place between the parties.

The Commission will be 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 need of financing the universal postal service and the unjust financial burden which must be compensated to the service provider. The

price of the postal services provided as public-service obligations will be authorised by the National Commission for the Postal Sector.

Article 48 of the Postal Act and Article 16 of Law 23/2007, of 8 October, regulate conflict resolution between postal operators under the principles of fair hearing, *audi alteram partem* and equality of the parties.

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

The 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 the Postal Act 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 Development Ministry (*Subsecretaría de Fomento*), approving the provisional reference conditions for access to the public postal network, developing the prior Royal Decree, which does not counter the Postal Act, and the content of the instruction.

On the date of preparing the annual accounts the Draft Bill on the creation of the National Market and Competition Committee of 19 October 2012 with file number 121/000028 is still being processes. Its objective is the creation of the named body that will according to the Draft Bill take over all functions with regard to the correct functioning of the markets and sectors supervised by the CNSP (National Committee for the Postal Sector) and other supervisory bodies (National Energy Committee, National Telecommunication Committee, National Competition Committee, Railway Regulation Committee, National Committee on the Economic Regulation of Airports and the National Audiovisual Media Council).

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(Expressed in thousands of euros)

Pursuant to article 2 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 which 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, telex and bureaufax 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, the Order HAP/583/2012, of 20 March, was published in the BOE (Official State Gazette) publicising the Decision of the Council of Ministers of 16 March 2012 approving the Plan for the restructuring and rationalisation of 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. were transferred to SEPI (Sociedad Estatal de Participaciones Industriales), a public law entity, in accordance with the provisions of article 168.1 of the *Ley 33/2003, de 3 noviembre, del Patrimonio de las Administraciones Públicas* (the Assets of Public Authorities Act).

The agreement on the transfer of all share of the Parent Company made between the Directorate General for State Assets and SEPI was signed on 5th

June 2012 and made public on 12th June 2012.

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 a single-shareholder status pursuant to the provisions in article 12 of the Royal Decree 1/2010 of 2nd July which approves the amended text of the Capital Based Companies Act. Pursuant to the provisions in article 136.4 of the *Ley 47/2003 de 20 de noviembre, General Presupuestaria*, the Budget Act, SEPI is not obliged to submit its consolidated annual accounts at 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 2011, both individual and consolidated, were drawn up by the Board of Directors of Correos on 29 March 2012, approved by its Sole Shareholder of the Company on 28 June 2012, and subsequently filed at Madrid's Registro Mercantil (the Trade Register).

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(Expressed in thousands of euros)

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 2012 are the following:

NAME OF THE COMPANY	MAIN ACTIVITY	COMPANY DOMICILE
Correos Telecom, S.A.	Management of the Company's telecommunication network	c/ Conde de Peñalver, 19 (Madrid)
Nexea Gestión Documental, S.A.	Hybrid mail service	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 domicile at Calle Conde de Peñalver, 19 in Madrid and its corporate objective, 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 objective, 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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(Expressed in thousands of euros)

The statements corresponding to 31 December 2012 and 2011 for the equity instruments of the Parent Company held by Grupo Correos, before the standardisation and/or consolidation adjustments, is as follows:

	2012 Financial Year			2011 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	5,958	1,503	3,404	4,483	1,503	6,674
-Direct shareholding(%)	100%	100%	100%	100%	100%	100%
Shareholder's equity	66	1,503	974	65	1,503	974
Share premium	89,484	-	5,700	75,485	-	5,700
Legal reserve	-	300	128	-	300	128
Other reserves	(560)	3,942	(60)	(560)	2,345	(60)
Results of previous financial years	(70,506)	-	(1,488)	(63,796)	-	(468)
FY profit	(12,563)	1,757	(2,676)	(6,710)	1,597	(1,020)
Government contributions	54	-	-	114	-	-
Total net assets	5,975	7,502	2,578	4,598	5,745	5,254
OPERATING RESULT	(15,198)	2,523	(2,302)	(6,970)	2,275	(1,151)

On 28 December 2012, the 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 1,000 euros and a share premium of 13,999,000 euros. This increase,

made public on 31 December 2012, was fully subscribed and paid out by the Company by compensating part of a due, cash and demandable credit that the Company held against its subsidiary on the aforementioned date.

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(Expressed in thousands of euros)

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 Royal Decree 1514/2007 and the modifications to the same arising from 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 2012. In particular:

- 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 which 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 2012 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 the national, regional and local levels, 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.

Consolidated annual accounts report for the financial year 2012

(Expressed in thousands of euros)

a) True and fair view

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 2012, 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 the 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 to the contrary, with the euro being the functional currency of the Parent Company.

b) Critical aspects of the valuation and estimation of uncertainty

In preparing the consolidated annual accounts, the Parent Company Directors have had to use judgments, 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.

The 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 judgments regarding topics of particular importance concerning the consolidated annual accounts.

The main judgments 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.

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(Expressed in thousands of euros)

- Leasing obligations – Correos Group as lessor

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 2012 there are no contingencies other than those recorded in these consolidated annual financial statements which 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 the 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

Correos Group recognises provisions for risks, in accordance with the accounting policy stated in the note (5-k) of this report on "Provisions and contingencies". The Correos Group makes judgments and estimates regarding the probability with which said 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 assuming hypotheses relating to the future values of the flows, as well as the discount rates applicable to the same. 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.

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(Expressed in thousands of euros)

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.

4. Application of the results of the Parent Company

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

Thousands of Euros	
DISTRIBUTION BASE:	
Losses for the year	(6,322)
Legal reserve	75,104
Reserves required by Articles of Association	164,188
Voluntary reserves	367,079
TOTAL	600,049
APPLICATION PROPOSAL	
To legal reserve	75,104
To reserves required by Articles of Association	164,188
To voluntary reserves	360,757
TOTAL	600,049

Limitations on the distribution of results and dividends

Pursuant to Article 274 of the *Ley de Sociedades de Capital* (Capital Companies Act) approved by Legislative Royal Decree 1/2010 of 2 July, companies are obliged to use 10% of the profits 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. Recording and valuation rules

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 Principles approved by Royal Decree 1514/2007 and the amendments incorporated by 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. The 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 fixed 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 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 build 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

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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 tangible fixed assets 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.

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) Property Investments

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 amortization and any losses due to depreciation. The amortization 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, we apply the same amortisation, depreciation and cancellation criteria 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.

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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 a higher 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.

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.

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(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.

- 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.

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(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; and
- 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.

(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

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

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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 objective 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".

The 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.

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

Nevertheless, the debits for trade operations which 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.

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) Income 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, deducing 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.
- 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.

Income 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, Correos

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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. Interest on loans that have suffered impairment losses to their value is recognised by applying the effective interest rate method.

Compensation for dismissal

Under current labour regulations, the Group is obliged to pay compensation to the employees with whom, under certain conditions, it terminates their labour 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 committed to dismiss workers according to a detailed formal plan without the possibility to withdraw or to provide 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 the 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 the Legislative Royal Decree 1/2002 of 29th November enacting the amended text of the *Ley de Regulación de los Planes y Fondos de Pensiones* (the Pension Act) and the Royal Decree 304/2004 of 20th February enacting the Pension Regulations and its subsequent amendments.

Based on the provisions in article two of the Royal Decree 20/2011 of 30th December on urgent budgetary, fiscal and financial measures for the correction of the public deficit, the Parent Company has suspended the contributions to the Pension Plan of the Employees of Correos y Telégrafos and has not made any contributions in the 2012 financial year (in 2011 the contributions were 12,912 thousands

euros).

As at 31 December 2012, 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 thousands 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 2012, Chronoexpres, S.A. had a policy contracted with an insurance company to meet the hypothetical liability that it could incur in meeting

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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 tax on 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 regime of fiscal consolidation. The number of the fiscal group no. 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, the Fiscal Group 38/11 was dissolved and the companies of this group were integrated in the Consolidated Fiscal Group with the number 9/86 effective for the 2012 financial year.

The 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 of 1st January, the foundation of the *Ley de Creación de Determinadas Entidades de Derecho Público* (Certain Public Law Entities Act).

The assets and liabilities for current taxes are estimated amounts payable or receivable by Sociedad Estatal de Participaciones Industriales, and including any

other adjustment 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.

The deferred tax is calculated following the method of liabilities 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 the consolidated fiscal group no. 9/86 (which are under

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the heading Deferred tax assets of the balance sheet), their recoverability is evaluated at every balance sheet date by means evaluating future tax profits in the maximum BIN compensation term as set out in the effective regulations. 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 the Group no. 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 insofar as the assets and liabilities for deferred taxes affected have been charged or paid directly to the net assets.

In any case, the negative taxable bases amounts generated by the Companies of Correos Group

starting from their incorporation in the consolidated fiscal group 9/86 are acquired by the parent company at a rate of 28%. Every Company evaluates on every balance sheet date the recovery of another 2% to reach the general rate of 30% in its estimated generation of future tax profit.

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

(q) Government contributions, donations and legacies

The capital contributions received by the Parent Company for the provision of the universal postal service are recorded in a specific entry for 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 capital contributions are 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 financed

with said contributions, 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 contributions used for the financing of land is deferred until the financial year in which their transfer or depreciation takes place.

The operating contributions received by the Parent Company for the provision of the universal postal service are recorded as income in the consolidated profit and loss account in the period in which they have been granted and/or recognised, independently of when they are charged.

As regards the capital subsidies and the deterioration of the subsidised assets, the valuation adjustments due to depreciation of the elements are considered irreversible insofar as they have been financed free of charge.

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(r) Transactions with related parties

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

(s) Value added tax

The 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* (the 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 to 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 the Postal Act, of 30 December 2010, 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 the 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 to 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, thus, an increase in the non-deductible VAT paid for acquisition of investment assets and goods and services subject to VAT. In this regard, in the 2011 financial year there has been a reappraisal of the expenses yielded in the caption "Taxes" within "Other operating costs" in the profits and losses account.

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6. Intangible fixed assets

The detail and movement under this heading during the 2012 and 2011 financial years was as follows:

2012 Financial Year					
	Balance at 01/01/2012	Additions	Diposals	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	-	-	-	-	-
Computer 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					
Computer applications	(1)	(43)	-	-	(44)
NET VALUE	13,453				11,013

The item "IT applications" records the amounts paid by the Correos Group in order to acquire the ownership of or the right of use 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 1,710 thousand and 2,031 thousand euros respectively (and the investment registered for the same items during the 2011 financial year being 2,979 and 1,167 thousand euros).

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2011 Financial Year					
	Balance at 01/01/2011	Additions	Disposals	Transfers	Balance at 31/12/2011
COST					
Patents, licences and similar	344	-	-	-	344
Technical studies and papers	-	-	-	-	-
IT applications	163,028	5,638	(258)	(6)	168,402
Other intangible fixed assets	421	-	-	-	421
TOTAL COST	163,793	5,638	(258)	(6)	169,167
ACCUMULATED AMORTISATION					
Patents, licences and similar	(270)	(34)	-	-	(304)
Technical studies and papers	-	-	-	-	-
Computer applications	(146,878)	(8,644)	258	-	(155,264)
Other intangible fixed assets	(132)	(13)	-	-	(145)
TOTAL ACCUMULATED AMORTISATION	(147,280)	(8,691)	258	-	(155,713)
ADJUSTMENTS FOR DEPRECIATION					
Computer applications	(26)	-	25	-	(1)
NET VALUE	16,487				13,453

The cost of the wholly amortised items that formed part of the intangible fixed assets of Correos Group at 31 December 2012 amounts to 151,105 thousand euros (144,423 thousand euros in 2011).

At 31 December 2012, the Parent Company held binding agreements for the acquisition of IT applications for the sum of 28,251 thousand euros (29,905 thousand euros in 2011). On that date there were no binding agreements of sale involving any intangible assets owned by Correos Group.

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7. Tangible fixed assets

The detail of movements in the 2012 and 2011 financial years is as follows:

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
Built assets	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 AMORTISATION					
Built assets	(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 built assets	(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

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, regarding the reform and adaptation of existing premises and buildings already owned by the same and investments made at different logistics centres for the processing and postal distribution for sums of 12,381 and 3,318 thousand euros respectively (12,720 and 1,219 thousand euros respectively during the 2011 financial year).

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2011 Financial Year					
	Balance at 01/01/2011	Recordings and Provisions	Disposals	Transfers	Balance at 31/12/2011
COST					
Land	367,897	-	(55)	3,378	371,220
Built assets	1,363,744	10,441	(9,925)	30,190	1,394,450
Plants and other tangible fixed assets	709,727	22,644	(27,976)	3,519	707,914
Fixed assets in progress and advance payments	120,379	10,272	-	(36,401)	94,250
TOTAL COST	2,561,747	43,357	(37,956)	686	2,567,834
ACCUMULATED AMORTISATION					
Built assets	(323,056)	(34,091)	2,849	(197)	(354,495)
Plants and other tangible fixed assets	(456,725)	(63,053)	26,563	-	(493,215)
TOTAL ACCUMULATED AMORTISATION	(779,781)	(97,144)	29,412	(197)	(847,710)
ADJUSTMENTS FOR DEPRECIATION					
Land and built assets	(99,357)	(11,397)	5,746	16,333	(88,675)
Plants and other tangible fixed assets	(4,880)	(208)	1,392	530	(3,166)
Fixed assets in progress and advance payments	(5,863)	-	-	(16,788)	(22,651)
TOTAL ADJUSTMENTS FOR DEPRECIATION	(110,100)	(11,605)	7,138	75	(114,492)
NET VALUE	1,671,866				1,605,632

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 machinery, transport elements and furniture for sums of 6,885, 3,192 and 2,562 thousand euros respectively (the largest investments made by the Parent Company during the 2011 financial year were those corresponding to the purchase of IT equipment, machinery and furniture for sums of 7,703, 3,738 and 3,047 thousand euros respectively).

Of the total sum for disposals of tangible fixed assets, 18,921 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 20,982 thousand euros during the 2011 financial year)..

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As mentioned in note 4,e) of this Parent Company report, in the light of the stipulations of Orden 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.

The depreciated replacement cost was calculated using the sum of the following components, which has been compared with the book values so as to identify the recorded depreciation:

- 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.

By comparing the depreciated replacement cost, calculated using the method explained above, with the net book value of the assessed assets, a depreciation of 8,169 thousand euros has been confirmed, which in turn has been recorded in the consolidated profit and loss account for 2010 (7,927 thousand euros in 2011 financial year).

The Parent Company registered 2,411 thousand euros of provision in the 2012 financial year, which corresponds to the book value of the investments in built assets, in which it is planning to stop its activity.

On the other hand in the 2012 financial year, the Parent Company allocated 133 thousand euros of the provision for adaptations and reforms of provisional premises (366 thousand euros in 2011) and has reverted 486 thousand euros (1,970 thousand euros in 2011) for the disposal of assets associated with

provisional premises that were abandoned and 522 thousand euros (1,050 thousand euros in 2011) when it was determined that the use of certain premises had stopped being provisional.

The Parent Company recorded reversions worth 267 thousand euros due to the completion of building renovation works included in the plan for integral renovations of buildings pertaining to the Company (1,441 thousand euros in 2011).

The Parent Company recorded the disposal of assets of 472 thousand euros, which mainly correspond to projects in progress which had been activated in the past and that are linked to works that have been cancelled (389 thousand euros in the 2011 financial year).

As at 31 December 2012, the Parent Company had signed contracts to purchase tangible fixed assets worth 44,342 thousand euros (63,793 thousand euros in the 2011 financial year). At the close of the financial year, the Company has no firm commitments involving sale of assets with a significant net book value.

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The cost of the wholly amortised items that formed part of the intangible fixed assets of Correos Group at 31 December 2012 amounts to 338,897 thousand euros (259,663 thousand euros at 31 December 2011).

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 49,508 thousand euros (43,144 thousand euros as of 31 December 2011), and their acquisition cost was 70,631 thousand euros (57,681 thousand euros at 31 December 2011).

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. Property Investments

The detail of movements in the 2012 and 2011 financial years is as follows:

	Balance at 01/01/2011	Recordings and provisions	Transfers	Balance at 31/12/2011	Recordings and provisions	Transfers	Balance at 31/12/2012
COST							
Land	1,629	-	(262)	1,367	-	(3)	1,364
Built assets	5,940	-	(831)	5,109	-	(367)	4,742
TOTAL COST	7,569	-	(1,093)	6,476	-	(370)	6,106
ACCUMULATED AMORTISATION							
Constructions	(1,036)	(105)	308	(833)	(102)	72	(863)
ADJUSTMENTS FOR DEPRECIATION							
Land and built assets	-	-	(75)	(75)	-	(16)	(91)
NET BOOK VALUE	6,533			5,568			5,152

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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 463 thousand euros in the 2012 financial year, (498 thousand euros in the 2011 financial year).

The costs associated with property investments fundamentally correspond to those relating to their annual amortization and maintenance costs. The latter reached 132 thousand euros during the financial year (134 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 "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.

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:

	Financial Year 2012	Financial Year 2011
Up to one year	192	405
Between one and five years	421	951
More than five years	-	-
	613	1,356

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9. Non-current assets held for sale

The detail and movement under this heading during the 2012 and 2011 financial years was as follows:

	Balance at 01/01/2012	Recordings and provisions	Disposals	Transfers	Balance at 31/12/2012
COST					
Lands	267	-	-	9,257	9,524
Built assets	839	-	-	20,020	20,859
Other installations	161	-	-	1,061	1,222
TOTAL COST	1,267	-	-	30,338	31,605
ACCUMULATED AMORTISATION					
Built assets	(290)	-	-	(5,815)	(6,105)
Other installations	(136)	-	-	(617)	(753)
TOTAL ACCUMULATED AMORTISATION	(426)	-	-	(6,432)	(6,858)
ADJUSTMENTS FOR DEPRECIATION					
Land and built assets	-	(141)	-	(2,908)	(3,049)
NET BOOK VALUE	841				21,698

At the closing of the 2012 financial year the Parent Company reclassified as non-current assets held for sale 20,554 thousand euros of investments in land and built assets which had been included in a disposal plan by means of an auction that is expected to be held shortly and has been approved by the Board of Directors of Correos in the 2012 financial year. The book value of the investments in these buildings and land included in the sales plan of the Parent Company is 21,437 thousand euros (580 thousand euros in the 2011 financial year).

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	Balance at 01/01/2011	Recordings and provisions	Disposals	Transfers	Balance at 31/12/2011
COST					
Lands	207	-	60	-	267
Built assets	485	-	354	-	839
Other installations	161	-	-	-	161
TOTAL COST	853	-	414	-	1,267
ACCUMULATED AMORTISATION					
Built assets	(179)	-	(111)	-	(290)
Other installations	(136)	-	-	-	(136)
TOTAL ACCUMULATED AMORTISATION	(315)	-	(111)	-	(426)
ADJUSTMENTS FOR DEPRECIATION					
Land and built assets	-	-	-	-	-
NET BOOK VALUE	538				841

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10.Stocks

The composition of this item at 31 December 2012 and 2011 is as follows:

	Balance at 31/12/2012	Balance at 31/12/2011
STOCKS VALUED AT COST		
Stamps in the possession of third parties	1,357	1,743
Stamps at company offices and warehouses	1,239	2,489
Collectors' stamps	1,125	816
Other stocks	2,429	1,076
	6,150	6,124
VALUATION ADJUSTMENTS FOR DEPRECIATION	(3,978)	(4,342)
	2,172	1,782

The movement of the valuation adjustments for depreciation of stock during the 2012 and 2011 financial years is as follows:

	Valuation adjustments		
	Stamps	Others	Total
BALANCE AT 01 JANUARY 2011	5,516	22	5,538
Valuation adjustments for depreciation	2,613	-	2,613
Reversion of valuation adjustments	(1,395)	(8)	(1,403)
Application against cost of stocks	(2,406)	-	(2,406)
BALANCE AT 31 DECEMBER 2011	4,328	14	4,342
Valuation adjustments for depreciation	1,003	7	1,010
Reversion of valuation adjustments	(429)	-	(429)
Application against cost of stocks	(945)	-	(945)
BALANCE AT 31 DECEMBER 2012	3,957	21	3,978

Correos Group has registered valuation adjustments for depreciation of stamps for a value of 3,957 thousand euros (4,328 thousand euros in 2011) in cases in which it was estimated that its net realisable value was lower than its book value.

Periodically, the Parent Company destroys those stocks of stamps whose age and/or the reason for their issue make their use impossible. For that reason, completely depreciated stamps worth 945 thousand euros were destroyed over the financial year (2,406 thousand euros in 2011).

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11. Current financial assets

The composition of the Correos Group short-term financial assets as of 31 December 2012 and 2011, excluding cash and other equivalent liquid assets described in note (12) below, is as follows:

	Balance at 31/12/2012	Balance at 31/12/2011
TRADE DEBTORS AND OTHER ACCOUNTS RECEIVABLE		
Clients for sales and provision of services	375,870	418,098
Clients, group and associated companies (Note 20)	87	83
Other debtors	13,366	18,530
Debtors, group and associated companies (Note 20)	3,473	-
Staff	11,777	15,176
Government bodies (Note 18)	4,800	7,916
	409,373	459,803
SHORT-TERM FINANCIAL INVESTMENTS		
Deposits and guarantees	7,414	9,242

11.1) Trade debtors and other receivables

The headings "Clients for sales and provision of service" and "Other debtors" include 64,251 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 75,637 thousand euros as of 31 December 2011).

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.

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On this basis classes the Parent Company the balance corresponding to the operating contributions pending to be received on 31 December 2012 as long-term (see notes 11.3.1) and 11.3.17.c)) which is 208,092 thousand euros on 31 December 2012 (205,452 thousand euros on 31 December 2011).

Likewise, the headings "Clients for sales and provision of services" and "Other debtors" are shown net of valuation adjustments for depreciation, with the movement taking place during the 2012 and 2011 financial years being as follows:

	Valuation adjustments		
	Clients	Debtors	Total
BALANCE AT 01 JANUARY 2011			
Valuation adjustments for depreciation	17,499	2,265	19,764
Reversion of valuation adjustments	4,322	240	4,562
	(6,745)	(723)	(7,468)
BALANCE AT 31 DECEMBER 2011	15,076	1,782	16,858
Valuation adjustments for depreciation	8,203	32	8,235
Reversion of valuation adjustments	(5,633)	(673)	(6,306)
BALANCE AT 31 DECEMBER 2012	17,646	1,141	18,787

Under the item "Losses, depreciation and variation in provisions for trade operations" of the consolidated profit and loss account, Correos Group recorded an expense of 546 thousand euros due to a direct cancellation of defaulting debts (having registered an expense of 293 thousand euros for this same item during the 2011 financial year).

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11.2) Short-term financial investments

The short-term “Deposits and guarantees” item mostly records court bonds with various labour courts for actions brought by the 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 the 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 2012 and 2011 is as follows:

	Company Parent		Rest of companies of the Group		Total The Correos Group	
	Balance at 31/12/2012	Balance at 31/12/2011	Balance at 31/12/2012	Balance at 31/12/2011	Balance at 31/12/2012	Balance at 31/12/2011
Long term financial investments	203,970	189,933	961	959	204,931	190,892
Clients for sales and provision of services	339,514	382,698	36,356	35,400	375,870	418,098
Other debtors	12,758	17,887	608	643	13,366	18,530
Short-term financial investments	7,344	9,174	70	68	7,414	9,242
Banks and lending institutions	96,975	103,188	2,910	1,866	99,885	105,054
	660,561	702,880	40,905	38,936	701,466	741,816

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As explained in Note 11.1), the Parent Company has categorised the outstanding balance at the close of the 2012 financial year corresponding to operating subsidies as long-term. Long-term financial investments are shown net of valuation adjustments for depreciation, and the itemised list at 31 December 2012 and 2011 is as follows:

	Balance at 31/12/2012	Balance at 31/12/2011
Long-term debts by government bodies (Note 18)	208,092	205,452
Other financial investments	1,418	1,200
	209,510	206,652
Valuation adjustments for depreciation	(4,579)	(15,760)
Long term financial investments	204,931	190,892

The Parent Company recognised a reversion of 11,181 thousand euros in the profit and loss account of the 2012 financial year (in the 2011 financial year 2,790 thousand euros were reverted). This correction is for the update of the financial cost at the close of the 2012 financial year incurred by the Parent Company for the postponement of receipt of operating subsidies. The discount rate corresponds to the remuneration Correos would receive if these funds were put into national strongly solvent financial entities (see note 11.1).

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.

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The breakdown of the concentration of credit risks per counterpart under the “Clients for sales and provision of services” and “Other debtors” sections of Correos Group at 31 December 2012 and 2011 is as follows:

2012 FINANCIAL YEAR	Parent Company		Rest of companies	
	Number	Thousands of euros	Number	Thousands of euros
CLIENTS AND DEBTORS				
With balance greater than 1,000 thousand euros	43	147,823	-	-
With balance between 500 and 1,000 thousand euros	39	25,705	1	850
With balance below 500 thousand euros	17,961	106,315	5,841	36,070
	18,043	279,843	5,842	36,920
Foreign postal operators	224	64,251	-	-
Other financial assets	-	8,222	-	-
		72,473		-
		352,316		36,920

2011 FINANCIAL YEAR	Parent Company		Rest of companies	
	Number	Thousands of euros	Number	Thousands of euros
CLIENTS AND DEBTORS				
With balance greater than 1,000 thousand euros	48	161,662	-	-
With balance between 500 and 1,000 thousand euros	37	25,413	1	934
With balance below 500 thousand euros	17,976	128,295	5,705	35,167
	18,061	315,370	5,706	36,101
Foreign postal operators	210	75,637	-	-
Other financial assets	-	9,603	-	-
		400,610		36,101
		352,316		36,920

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At 31 December 2012 and 2011, the breakdown of the “Clients” and “Foreign postal operators” of the Correos Group companies by debt maturity was as follows:

2012 FINANCIAL YEAR	Parent Company		Rest of Group Companies
	Clients	Foreign postal operators	Clients
Not due	122,723	23,269	28,212
Due, non-doubtful:			
Less than 30 days	49,827	729	5,029
Between 30 and 60 days	31,624	457	966
Between 60 and 90 days	12,755	2,244	617
Between 90 and 120 days	11,703	131	207
Over 120 days	51,211	27,640	1,889
Provisional payments	-	9,781	-
	279,843	64,251	36,920
Doubtful clients	9,276	1,457	4,130
Adjustments for depreciation	(9,276)	(1,457)	(4,130)
	279,843	64,251	36,920

2011 FINANCIAL YEAR	Parent Company		Rest of Group Companies
	Clients	Foreign postal operators	Clients
Not due	153,459	32,555	29,146
Due, non-doubtful:			
Less than 30 days	56,859	2,297	3,830
Between 30 and 60 days	27,723	96	692
Between 60 and 90 days	14,598	73	607
Between 90 and 120 days	5,200	57	345
Over 120 days	57,506	24,943	1,423
Provisional payments	-	15,616	-
	315,345	75,637	36,043
Doubtful clients	9,804	1,589	3,349
Adjustments for depreciation	(9,804)	(1,589)	(3,349)
	315,345	75,637	36,043

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Receivables to be paid by clients of the Parent Company outstanding for more than 120 days and not considered bad debt in the sum of 51,211 thousand euros (57,506 thousand euros in 2011) 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 2012 financial year by actively managing the funds deposited in current accounts at strongly solvent national financial entities.

11.3.2) Market risk

The 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. The market risk includes the interest rate risk, exchange rate risk and other price risks.

Interest rate risks

The 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

An exchange rate risk occurs due to the possible loss caused by variations in the reasonable value. The exposure of Correos Group 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 to 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 2012 stood at 5,502 thousand euros payable (2,705 thousand as of 31 December 2011), 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.

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The list of the short-term financial assets and liabilities of the Group at 31 December 2012 and 2011, and, as the difference, its ability to meet its payment obligations in the short-term, are as follows:

	Balance at 31/12/2012	Balance at 31/12/2011
SHORT-TERM FINANCIAL ASSETS		
Clients for sales and provision of services	375,870	418,098
Other debtors	13,366	18,530
Financial investments	7,414	9,242
Cash and other liquid resources	145,059	146,967
SHORT-TERM FINANCIAL LIABILITIES		
Short-term debts	(27,217)	(33,471)
Trade creditors and other accounts payable	(332,636)	(407,229)
Difference	181,856	152,220

12. Cash and other equivalent liquid assets

The composition of this item as at 31 December 2012 and 2011 is as follows;

	Balance at 31/12/2012	Balance at 31/12/2011
Cash	45,174	41,913
Banks and lending institutions	99,783	104,803
Accrued interest not due	102	251
	145,059	146,967

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13. Equity

The list of movements of Correos Group equity is shown in the consolidated net assets changes Statement, which is an integral part of the consolidated annual report.

a) Registered capital

The share capital of the Parent Company is represented by 611,521 shares with a nominal value of 1,000 euros each. All shares have the same political and economic rights and are fully subscribed and paid up.

b) Share premium account

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 2012 and 2011.

c) Reserves

Pursuant to Article 274 of the Consolidated Text of the Companies Act, enacted by 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 profits from each year to constitute the reserves required by the Articles of Association. As at 31 December 2012, 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 2012, the reserves held because of requirements in the Articles of Association totalled 164,188 thousand euros; the value of the voluntary reserves stood at 360,017 thousand euros.

This caption also includes the Parent Company's "Other Reserves", reflecting the reserves generated by certain consolidation adjustments in the past for 187,974 thousand euros, 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.

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d) Reserves in consolidated companies

The breakdown as at 31 December 2012 and 2011 is as follows:

	Balance at 01/01/2011	Result 2010	Others	Balance at 31/12/2011	Result 2011	Balance at 31/12/2012
Correos Telecom, S.A.	2,490	158	-	2,648	1,597	4,245
Nexea Gestión Documental, S.A.	426	6	(4)	428	(1,020)	(592)
Chronoexpres, S.A.	(168,418)	(7,847)	-	(176,265)	(6,710)	(182,975)
	(165,502)	(7,683)	(4)	(173,189)	(6,133)	(179,322)

e) Consolidated results of the Correos Group

The Correos Group's consolidated profits for the 2012 and 2011 financial years are as follows:

2012 FINANCIAL YEAR	Individual results	Consolidation adjustments	Consolidated results	2011 FINANCIAL YEAR	Individual results	Consolidation adjustments	Consolidated results
Correos y Telégrafos, S.A.	(6,322)	15,829	9,507	Correos y Telégrafos, S.A.	1,057	5,477	6,534
Correos Telecom, S.A.	1,757	-	1,757	Correos Telecom, S.A.	1,597	-	1,597
Nexea Gestión Documental, S.A.	(2,676)	-	(2,676)	Nexea Gestión Documental, S.A.	(1,020)	-	(1,020)
Chronoexpres, S.A.	(12,563)	-	(12,563)	Chronoexpres, S.A.	(6,710)	-	(6,710)
	(19,802)	15,829	(3,975)		(5,076)	5,477	401

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14. Government contributions, donations and legacies

The Parent Company received 10,473 thousand euros in the 2012 financial year, which correspond to capital subsidies awarded in the Spanish national budgets for 2009 and 2010, at the closing of the 2011 financial year they were still pending (the Company received 9,260 thousand euros of capital subsidies in the 2011 fiscal subsidies).

The detailed movements of the capital subsidies of the Parent Company in 2012 and 2011 are as follows:

2011 FINANCIAL YEAR	Thousands of euros	2012 FINANCIAL YEAR	Thousands of euros
INITIAL BALANCE AT 01 JANUARY 2011	355,012	INITIAL BALANCE AT 01 JANUARY 2012	327,927
Allocation to the profit and loss account:		Allocation to the profit and loss account:	
due to amortisation	(32,062)	due to amortisation	(27,239)
due to adjustments for depreciation	(1,934)	due to adjustments for depreciation	(3,396)
due to disposals	(4,697)	due to disposals	(1,221)
Tax effect	11,608	Tax effect	9,557
FINAL BALANCE AT 31 DECEMBER 2011	327,927	FINAL BALANCE AT 31 DECEMBER 2012	(10,473)
Capital subsidies received	(9,260)	Capital subsidies received	-
Capital contributions pending collection	10,473	Capital contributions pending collection	10,473

The pending amount of subsidies to be received at the closing of the 2012 financial year is for operating subsidies amounting to 208,092 thousand euros (see notes 11.1), 11.3.1) and 17.b)).

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15. Long-term and short-term provisions

The provisions for the financial year, amounting to 15,409 thousand euros, have been charged to the consolidated profit and loss account according to their type (22,533 thousand euros in 2011).

The origin of these charges lies in court decisions that have been unfavourable for Correos Group during the financial year 2012 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 8,236 thousand euros, have been charged to the consolidated profit and loss account according to their type (9,640 thousand euros in 2011).

The itemised list of long-term and short-term provisions for the 2012 and 2011 financial years was as follows:

	Long-term provisions					Short-term provisions
	Provision for taxes	Provision for claims from the staff	Provision for court actions	Other provisions	Total	
BALANCE AT 01 JANUARY 2011	2,482	69,381	52,271	4,215	128,349	2,708
Provisions	1,471	7,112	13,636	267	22,486	47
Applications / payments	-	(51,162)	(9,494)	(180)	(60,837)	(1,134)
Reversals / excesses	(179)	(1,589)	(6,784)	(602)	(9,154)	(486)
Reclassifications	-	-	-	-	-	-
BALANCE AT 31 DECEMBER 2011	3,774	23,742	49,629	3,700	80,844	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)	-	-
BALANCE AT 31 DECEMBER 2012	4,543	17,528	41,225	2,916	73,302	8,288

Provision for claims from the staff

The balance of this provision as at 31 December 2012 records the estimated sums to be paid for claims and court actions in labour-law proceedings against the Correos Group.

Provision for court actions

The balance of this provision at 31 December 2012 chiefly reflects the estimated payable amounts from the penalty proceedings in the Tribunal de Defensa de la Competencia (Competition Court) against the Parent Company, against which the latter has appealed, 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 at 31 December 2012 and 2011 is as follows:

	Balance at 31/12/2012	Balance at 31/12/2011
SHORT-TERM DEBTS		
Creditors for fixed assets	11,625	14,394
Money order deposits	6,374	9,662
Deposits and guarantees	6,998	7,255
Creditors for financial leasing	1,296	1,633
Short-term debts	924	527
TOTAL SHORT-TERM DEBTS	27,217	33,471
Short-term debts with group and associated companies (Note 20)	758	-
TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE:		
Suppliers	2,078	4,106
Suppliers, group and associated companies (Note 20)	7	4
Other accounts payable	236,954	272,534
Personnel (unpaid wages)	24,938	34,511
Other debts with government bodies (Note 18)	41,895	68,132
Credit advance	26,764	27,946
TOTAL TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE	332,636	407,229

"Money order deposits" include money orders accepted prior to 31 December 2012 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 43,300 and 22,222 thousand euros respectively (the amounts recorded for these items at 31 December 2011 stood at 55,500 and 24,272 thousand euros).

Likewise, the headings "Other creditors" and "Customer advances" include 69,752 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 (78,343 thousand euros at 31 December 2011).

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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 the Ley 15/2010 are as follows for the years 2012 and 2011:

	2012		2011	
	Thousands of euros	%	Thousands of euros	%
Payments during the financial year within the legal maximum deadline	459,328	98%	532,857	98%
Rest	9,497	2%	9,943	2%
TOTAL PAYMENTS DURING THE FINANCIAL YEAR	468,825	100%	542,800	100%
Average timeframe for late payments	4		7	
Pending balance of payments exceeding the legal maximum at the close of the year	835		912	

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17. Income and expenses

a) Net turnover

The distribution of the Correos Group's turnover corresponding to its ordinary activities by activity category, as well as by geographical markets, for the 2012 and 2011 financial years is as follows:

	Financial year 2012	Financial year 2011
SEGMENTATION BY CATEGORY OF ACTIVITIES		
Revenues for postal and telegraph services	1,785,308	1,998,874
Income from provision of services to third parties and provision of banking services	28,428	25,253
Revenues from money transfer	27,870	26,413
Sale of philately products	18,386	18,894
Others	15,441	16,062
TOTAL	1,875,433	2,085,496
SEGMENTATION BY GEOGRAPHICAL MARKETS		
National	1,875,433	2,085,496
TOTAL	1,875,433	2,085,496

The heading "Provision of postal, telegraph and parcel services" is shown net of the figure for volume discounts granted by Correos Group to its clients during the financial year in the sum of 22,068 thousand euros (this figure was equivalent to 24,873 thousand euros in the 2011 financial year).

b) Consumption of merchandise

The breakdown of the heading "Consumption of merchandise" in the attached consolidated profit and loss account during the 2012 and 2011 financial years is as follows:

	Financial year 2012	Financial year 2011
NATIONAL PURCHASES OF MERCHANDISE		
Stamps and other franking devices	5,130	6,807
Other products	7,782	8,477
Changes in stock	(641)	(999)
CONSUMPTION OF MERCHANDISE	12,271	14,285

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c) Operating contributions

The Parent Company recognised 500 thousand euros in the 2012 financial year corresponding to operating subsidies recognised in the Spanish national budget for 2012 (in the 2011 financial year it registered 42,077 thousand euros for this).

2011 FINANCIAL YEAR

Operating contributions outstanding at 01 January 2011	152,902
Contribution collected	-
Operating contributions 2011	42,077
Operating contributions outstanding at 31 December 2011	194,979

2012 FINANCIAL YEAR

Contribution collected	(35,350)
Operating contributions 2012	500
Operating contributions deficit 2008	47,963
Operating contributions outstanding at 31 December 2012	208,092

In the 2012 financial year, the Parent Company, furthermore, registered 47,963 thousand euros for the deficit derived from the provision of the universal postal service in the year 2008 in accordance with the resolution of the National Committee of the Postal Sector on the determination of the net costs of the universal postal service in the 2008 financial year.

The Parent Company accrued operational contributions during the financial year for staff training worth 227 thousand euros (in financial year 2011 it received 473 thousand euros for this purpose).

The pending amount of subsidies to be received by the Parent Company at the closing of the 2012 financial year is for operating subsidies amounting to 208,092 thousand euros (see notes 11.1), 11.3.1)).

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d) Social Security contributions

The breakdown of the heading "Social security contributions" for the financial years ending at 31 December 2012 and 2011 is as follows:

On the basis of the provisions of article two of the Royal Decree 20/2011, of 30th 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 in the 2012 financial year (see note 5-o)). The Parent Company's contributions of the 2011 financial year to the Pension Plan of the Employees of Correos y Telégrafos were 12,912 thousand euros.

	Financial year 2012	Financial year 2011
Contributions to pension plans	-	12,935
Other social security contributions	226,220	236,837
	226,220	249,772

e) External services

The breakdown of the heading "External Services" for the financial years ending at 31 December 2012 and 2011 is as follows:

	Financial year 2012	Financial year 2011
Leases	38,818	39,076
Repairs, preservation and maintenance	75,050	66,759
Independent professional services	42,966	43,486
Transport expenses	157,530	159,240
Advertising, marketing and public relations	4,561	9,951
Supplies	43,859	39,925
International correspondence expenses	47,265	48,344
Other costs	49,702	56,841
	459,751	463,622

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“Independent professional services” includes 7,200 thousand euros corresponding to the cost accrued for partner entities’ fees (7,927 thousand euros in 2011). 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 19,789 thousand euros in security expenses at the Parent Company (18,880 thousand euros in 2011).

“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:

	Financial year 2012	Financial year 2011
Up to one year	24,636	24,968
Between one and five years	20,592	15,931
More than five years	29,099	42,012
	74,327	82,911

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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-r)). This restatement involved recording an expense during the financial year for a sum of 1,016 thousand euros (lower expenses in the amount of 3,089 thousand euros in the previous year)..

g) Depreciation of and result for disposal of fixed assets

The breakdown of this heading for the financial years ending at 31 December 2012 and 2011 is as follows:

2012 FINANCIAL YEAR		I. Non-current material and assets for sale				
	Intangible fixed assets	Land and built assets	Other tangible fixed assets	Plants	Property investment	Total
ADJUSTMENTS FOR DEPRECIATION:						
Provisions	43	10,847	66	177	-	11,133
Reversions	-	(916)	(2)	(216)	-	(1,134)
Reclassifications	-	-	-	-	-	-
	43	9,931	64	(39)	-	9,999
RESULT FROM DISPOSALS AND OTHER RESULTS						
Profits	-	(1,755)	(127)	-	-	(1,882)
Losses	-	1,209	294	3	-	1,506
	-	(546)	167	3	-	(376)

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2011 FINANCIAL YEAR		I. Non-current material and assets for sale				
	Intangible fixed assets	Land and built assets	Other tangible fixed assets	Plants	Property investment	Total
ADJUSTMENTS FOR DEPRECIATION:						
Provisions	-	11,397	170	-	-	11,567
Reversions	(25)	(1,565)	(3)	(71)	-	(1,664)
Reclassifications	-	-	-	-	-	-
	(25)	9,832	167	(71)	-	9,903
RESULTS FROM DISPOSALS AND OTHER RESULTS						
Profits	-	(1,062)	(62)	-	-	(1,124)
Losses	-	915	316	42	-	1,273
	-	(147)	254	42	-	149

h) Financial income and expenses

The breakdown of this heading for the 2012 and 2011 financial years is as follows:

	Financial year 2012	Financial year 2011		Financial year 2012	Financial year 2011
FINANCIAL INCOME			FINANCIAL EXPENSES		
Third-party interests	3,852	5,540	Other financial expenses	148	216
Short-term deposits	-	1,961	Updating provisions	-	326
Other financial income	3,852	5,540		148	542
	3,852	7,501			

The financial income corresponds to the interest the Parent Company accrued from the management of the cash flow surplus in its current accounts (see note 11.3.1)).

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18. Tax situation

The detail of the balances held by the Group with government bodies as at 31 December 2012 and 2011 is as follows:

	Balance at 31/12/2012	Balance at 31/12/2011
NON-CURRENT ASSETS		
Deferred tax assets	35,351	34,941
Long-term debts by government bodies (Note 11,3,1)	208,092	205,452
Valuation adjustments for depreciation (Note 11,3,1)	(4,579)	(15,760)
TOTAL NON-CURRENT ASSETS WITH GOVERNMENT BODIES	238,864	224,633
CURRENT ASSETS		
Current tax assets	4,510	7,781
Others	290	135
TOTAL CURRENT ASSETS WITH GOVERNMENT BODIES	4,800	7,916
	(Nota 11)	(Nota 11)

	Balance at 31/12/2012	Balance at 31/12/2011
NON-CURRENT LIABILITIES		
Deferred tax liabilities	130,683	140,230
CURRENT LIABILITIES		
Personal Income Tax – [IRPF in Spanish]	10,264	24,164
Value-added tax ('IVA')	6,919	17,654
Social Security	20,568	21,975
MUFACE (public employee mutual society) and liability fees	3,228	3,411
Other	916	928
TOTAL CURRENT LIABILITIES WITH GOVERNMENT BODIES	41,895	68,132
	(Nota 16)	(Nota 16)

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In the 2011 financial year Correos Group paid its taxes under the fiscal consolidation regime as the Parent Company of the Fiscal Group 38/11 comprising of the Subsidiary Companies Chronoexprés, 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 Company to the public law entity SEPI (Sociedad Estatal de Participaciones Industriales), formalised by protocol on 5 June 2012, all Companies of the Correos Group were integrated in the Consolidated Fiscal Group SEPI with the number 9/86 and the subsequent extinction of the 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 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 Corporation 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. These transactions most often are those relating to the dividends received by the Group Companies and the provisions for impairments of the shareholdings in affiliate companies. The objective of this so-called "homogenisation" of the taxable bases that are integrated in the base of the Fiscal Group 9/86 is to avoid doubling up in the calculation of the tax debts and profits.

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(Expressed in thousands of euros)

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

	Financial year 2012	Financial year 2011
TEMPORARY DIFFERENCES		
Provision for risks and charges	2,769	3,638
Provisions related to staff	520	3,116
Provisions related to fixed assets	1,939	1,728
Portfolio provision	2,689	6,110
Excess of amortisation of fixed assets	7,814	4,036
Other	212	224
	15,943	18,852
Credits for negative tax bases	19,408	16,088
DEFERRED TAX ASSETS	35,351	34,941
TEMPORARY DIFFERENCES:		
Tax effect of the capital contributions	130,983	140,012
Deferred tax effect from conversion to the GAAP	-	-
Other temporary adjustments	(300)	218
DEFERRED TAX LIABILITIES	130,683	140,230

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The movement of assets due to temporary differences in the Corporate Tax during the 2012 and 2011 financial years is as follows:

2012 FINANCIAL YEAR	Balance at 01/01/2012	Additions	Restatments	Others adjustments	Reversion	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	(3,728)	(5,415)	35,351

2011 FINANCIAL YEAR	Balance at 01/01/2011	Additions	Restatments	Others adjustments	Reversion	Balance at 31/12/2011
Temporary differences	122,736	85,360	534	-	(90,901)	117,729
Tax effect:						
Temporary differences	36,503	9,526	160	-	(27,263)	18,926
Credits for losses to be compensated	319	15,696	-	-	-	16,015
	36,822	25,222	160	-	(27,263)	34,941

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(Expressed in thousands of euros)

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

	2012 FINANCIAL YEAR	2011 FINANCIAL YEAR
	Consolidated profit and loss account	Consolidated profit and loss account
Consolidated result before taxes	(22,263)	1,879
Consolidation adjustments	15,836	(4,949)
Aggregate results before taxes	(6,427)	(3,070)
Breakdown of aggregate results before taxes:		
Accounting basis	2,515	5,098
Capitalised accounting basis (losses)	(24,778)	(1,458)
Non-taxable accounting basis	15,836	(6,710)
	(6,427)	(3,070)
Theoretical tax charge	(1,481)	1,529
Tax credit	(4,029)	(437)
Non-calculable income	(1,440)	(1,491)
Non-deductible expenses	5,014	2,348
Deductions	(516)	(433)
Effective aggregated taxable (income)/expense	(2,452)	1,516
Breakdown effective aggregate taxable expense:		
Current taxes	758	(15,269)
Tax credit	(2,191)	(433)
Deferred taxes	(1,019)	17,218
Total effective aggregate taxable expense:	(2,452)	1,516
Adjusted estimated Corp. Tax.	(9)	(38)
Aggregate Corporate Tax Expense	(2,461)	1,478

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The calculated Corporation Tax pending payment and collection as at 31 December 2012 and 2011 is as follows:

	2012 FINANCIAL YEAR		2011 FINANCIAL YEAR	
	Current tax debtor	Current tax creditor	Current tax debtor	Current tax creditor
Aggregate current tax	758	-	(15,269)	-
Tax withholdings and prepayments	(553)	-	(4,684)	-

The conciliation of the consolidated book result with the taxable base for income tax as at 31 December 2012:

Profit and Loss Account	2012 FINANCIAL YEAR			2011 FINANCIAL YEAR
	Increases	Decrease	Total	Total
Consolidated result	-	-	(22,263)	1,880
Consolidation adjustments	-	-	15,836	(4,949)
Permanent differences:				
of each company	10,311	(4,801)	5,510	4,644
Temporary differences:				
of each company				
Arising in the year	29,611	(191)	29,420	24,930
Arising in previous years	144	(18,682)	(18,538)	(94,361)
of consolidation adjustments				
Arising in the year			-	7,426
Arising in previous years			-	-
Compensation of Taxable Amount 2011			(507)	
Taxable base (tax result)			9,458	(60,430)

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Under article 42 of the Law 43/1995, of 27 December (the Corporation Tax Act), introduced by the Law 24/2001, of 27 December, 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 2012 financial year, the Company has fully met its reinvestment commitment. The revenues benefiting from said deduction amount to 127 thousand euros (62 thousand euros in the 2011 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. As at 31 December 2012, the companies that make up the Correos Group have all taxes applicable since January 2008 pending inspection by the tax authorities. The Company's Board of Directors does not expect significant additional liabilities to emerge as a result of any inspection procedures.

Under the *Ley del Impuesto sobre Sociedades* ('the Corporate Tax Act') in its version of Royal Decree-Law 9/2011 and effective for the financial years started 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 term also applies for negative tax amounts that are pending to be compensated on 1 January 2012. The offset takes place at the time of submitting the Corporate Tax declaration and without prejudice to the ability to prove that they correspond to the fiscal authorities.

The negative tax amounts from before the integration in the Fiscal Group 9/86 that the Companies of 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 amount, as the Parent Company of this consolidated fiscal group allows the compensation of negative tax amounts generated before its incorporation into the Fiscal Group no. 9/86.

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As at 31 December 2012, Group companies had the following negative taxable bases to offset against future fiscal benefits:

DATA AT 31/12/12

Offset maximum by financial year	Correos y Telégrafos S.A.	Chronoexpres, S.A.	Nexea G.D., S.A.
UNTIL THE 2012 FINANCIAL YEAR			
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	63,053	9,291	1,421
	63,053	195,932	2,701
2012			
2030	-	7,827	2,599
	-	7,827	2,599
	63,053	203,759	5,300

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19. Other information

a) Number of employees

The breakdown of the Group's average workforce, by number of employees, during the 2012 and 2011 financial year was as follows:

	Financial year 2012	Financial year 2011
Management Committee	11	12
Rest of workforce:		
Civil Servants	20,500	22,717
Employees under ordinary contracts	36,641	37,950
	57,152	60,679

As at 31 December 2012 and 2011, the number of employees of the Correos Group broken down by job categories and gender was as follows:

	Data at 31/12/12		
	Men	Women	Total staff
Management Committee	10	1	11
Rest of workforce:			
Civil Servants	14,293	5,613	19,906
Employees under ordinary contracts	14,451	19,772	34,223
	28,754	25,386	54,140

	Data at 31/12/11		
	Men	Women	Total staff
Management Committee	10	2	12
Rest of workforce:			
Civil Servants	15,698	5,891	21,589
Employees under ordinary contracts	14,993	21,371	36,364
	30,701	27,354	58,055

The average workforce of the Group with disabilities of 33% or more during the 2012 and 2011 financial years was the following:

	Financial year 2012	Financial year 2011
Civil Servants	487	488
Employees under ordinary contracts	449	286
	936	774

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b) Commitments and contingencies

At 31 December 2012, the guarantees provided on behalf of Correos Group by various banks amounted to 39,964 thousand euros (32,681 thousand euros at 31 December 2011). 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.

c) 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:

	Financial year 2012	Financial year 2011
For auditing services	126	193
For other services	7	5
Total	133	198

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 2012 are as follows:

	Clients, companies of the group		Suppliers, companies of the group	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
SEPI	-	1	-	-
SEPI Group remainder	87	82	7	4
	87	83	7	4
	(Note 11)	(Note 11)	(Note 16)	(Note 16)

The cross credits and debits corresponding to the operation of the Fiscal Group (see note 18) on 31 December 2012 is described below:

Fiscal Group Balances				
	Debtors, companies of the group		Debts, companies of the group	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
SEPI	3,473	-	758	-
SEPI Group remainder	-	-	-	-
	3,473	-	758	-
	(Note 18)	(Note 18)	(Note 18)	(Note 18)

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The transactions with the companies of the SEPI Group in the 2012 financial year are as follows:

	Revenue Provision of services		Operating expenses	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
SEPI	3	6	-	-
SEPI Group remainder	362	632	41	36
	365	638	41	36

b) Directors and Management Committee of the Parent Company

The 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 on decisions regarding its finances or operations.

The 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 2012 financial year.

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

The remuneration accrued for all items during the 2012 financial year by members of the Parent Company's Board of Directors and Management Committee totalled 1,914 thousand euros (1,650 thousand in 2011), 183 thousand of which correspond to allowances for attending to the Governing Board (224 thousand in 2011); the rest was paid as salaries and/or other pay items (including compensation).

As at 31 December 2012, 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 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 objective, 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 objective. 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).

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The members of the Parent Company's Board of Directors do not own shares, hold offices or perform functions in companies whose corporate objectives are identical, similar or complementary to the objectives 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 made up of 11 men and 4 women.

21. Segment results

The Correos Group' segment results for the 2012 and 2011 financial years are the following:

2012 FINANCIAL YEAR	Postal and telegraph	Other segments	Portfolio adjustment	Total
Net turnover	1,739,172	136,261	-	1,875,433
Procurement	(10,013)	(3,035)	-	(13,048)
Operating contributions	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)
Result before taxes	(7,455)	(14,971)	15,795	(6,427)

2011 FINANCIAL YEAR	Postal and telegraph	Other segments	Portfolio adjustment	Total
Net turnover	1,946,100	139,396	-	2,085,496
Procurement	(12,158)	(3,337)	-	(15,495)
Operating contributions	42,550	27	-	42,577
Staff costs	(1,514,903)	(47,250)	-	(1,562,153)
Other results	(458,778)	(54,037)	6,710	(505,969)
Result before taxes	2,811	(7,778)	6,710	1,879

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22. Environmental information

As at 31 December 2012, 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 2012, 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 2012.

The Royal Decree 20/2012, of 13 July, also regulates in its article 2.4 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 2/2012, de Estabilidad Presupuestaria y Sostenibilidad Financiera* (the Budgetary Stability and Financial Sustainability Act) and in the term and scope determined in the corresponding budget acts.

The Administrators 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 2.4 of the Royal Decree 20/2012, of 13 July.

23. Contingent liabilities

The Royal Decree 20/2012, of 13 July, de *Medidas para Garantizar la Estabilidad Presupuestaria y de Fomento de la Competitividad* (measure aimed at assuring the Budgetary stability and promoting competitiveness Royal Decree), establishes in its article 2.1 for the year 2012 the suppression of the extraordinary payment in December as well as the additional payment of a specific complement or payments that aforementioned month for public sector employees as defined in article 22.1 of Law 2/2012, of 29 June, The 'Budget Act' The Group Companies being public trading companies according to article 22.1 of the Postal Act 2/2012 applied the provisions of the Royal Decree 20/2012, of 13 July.

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24. Subsequent events

Law 16/2012, of 27 December, which came into force on 28 December 2012 and due to which various fiscal measures were taken directed at the consolidation of public financing and to give an impulse for economic activity, sets out in article 9 of Chapter III relating to the balance sheet update that entities subject to pay corporate tax, tax payers of personal income tax, who have economic activities and keep their accounts according to the Code of Commerce or are obliged to keep a register of their economic activity, and payers of non-resident tax with a permanent establishment can voluntarily be included in the update of securities regulated in that provision.

For tax payers that pay their tax under the fiscal consolidation regime according to the provisions in chapter VII of title VII of the Amended Text of the Corporate Tax Act, enacted by the Legislative Royal Decree 4/2004, of 5 March, the transactions of the update are done on an individual basis.

The mentioned Act also sets out that the elements of tangible assets and property investments both in Spain and abroad can be updated.

On the date when these annual accounts were prepared the Administrators of the Parent Company are evaluating the implications of Law 16/2012 and do not provide of sufficient information to be able to conclude, whether the Company will opt for applying the update of the securities.

It should also be pointed out that on 12 February 2013 the Parent Company received a notification from the Public Works Ministry on the agreement

made by the Governing Council of the 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 year 2009.

There were no other events after 31 December 2012 that might have a significant effect on the present annual accounts.

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At the closing of the 2012 financial year Correos is part of the group of companies called SEPI Group of which SEPI, a public law entity, is the parent company.

Correos is the parent company of Correos Group. At the close of the 2012 financial year, the Parent Company, Sociedad Estatal Correos y Telégrafos, S.A., holds 100% of all its subsidiaries.

Economic Environment

The Spanish economy has accumulated a significant imbalance in the last years: excessive debts in the private sector and in particular in the construction sector; excessive dependence on exterior financing; constant loss of competitiveness; a rigid labour market with very high unemployment rates in the entire EU; and in addition to this a finance sector that is immersed in a process of restructuring.

This imbalance has led to a heavily weakened economic growth of the Spanish economy. As the European Commission mentions in its winter forecast published on 22 February 2013, the fall of the Spanish economy is forecasted to be about 1.4%,

and it estimates that the unemployment rate will rise to 27% of the active population. At the same time it is expected that the public deficit in Spain this year will be 6,7% of GDP. For 2014, Brussels expects that the Spanish economy will grow by 0.8% and that the unemployment rate will stay at 26.6%.

With regard to price development the VAT increase since 1 September from 18% to 21% in general and from 8% to 10% for the reduced rate, together with the price increase for petrol, the weak euro and the increase of basic utilities prices such as electricity and gas have pushed inflation in 2012 to 2.9%; and it is forecasted that it will not fall under 2% in the period 2013-2017.

The Postal Sector in Spain

According to the Report of the Spanish Postal Sector for 2010 that was prepared by the National Committee of the Postal Sector, Spanish citizens are among those whose use the postal service least (114 shipments/inhabitant), a very low rate compared to other countries in the European Union.

When comparing the tariffs in 2012 for basic domestic mail in countries in the European Union, we can see that Spain is among the countries with the lowest tariffs.

A factor that influences the cost of providing the universal postal service is the lower population density, which results in higher costs to distribute the universal postal service.

The phenomenon of demographic decline has been particularly significant in Spain. In demographic terms entities with less than 2000 inhabitants are regarded as rural populations. In Spain, of the 8,116 existing municipalities 71.4% are municipalities with less than 2,000 inhabitants (5,791), which equals 6.0% of the population (2.8 million inhabitants).

From the point of view of providing the universal postal service this situation implies a considerable increase of its costs, and to be more precise of the distribution costs. The reduced number of population in rural areas means a scarce volume of shipments distributed in that areas that is not balanced by a reduction in cost, as Correos must continue providing the service in the entire territory.

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The Traditional Postal Market

Since 2008, the traditional postal market in Spain - consisting of letter, non-urgent packages, direct mail, books and periodical publications - has started a trend of rapid reduction in value and number of shipments.

This rapid reduction of the market was not provoked by one single cause, but it has been a confluence of various factors that occurred between 2008 and 2012.

The appearance and fast growth of new technologies offer without any doubt new alternative means of communication to the traditional mail; therefore, the its relative weight in the communication market as a whole is rapidly decreasing.

It is a market in decline due to the electronic substitutes and the significant pressure of the competition with aggressive price policy for more profitable customers, companies in more profitable areas that have a higher population density.

We are in a market where the majority of the shipments are companies or government bodies; the traffic sent by private individuals is very small. As the competitors of the Correos Group are centred nearly exclusively around the demand of businesses (about 90%), which allows the use of economies of scale, and in addition to that they tend to be concentrated in places with a high population density.

On the other hand, a large part of shipments is generated by a few companies in the financial sector, telecommunication services, gas and electricity and government bodies. Therefore, the negotiation power of these customers vis-à-vis the postal providers is very high.

The market can be segmented into two areas, depending on the unit costs of the service:

- Areas of high cost: they tend to be rural areas with sparse population and barely any businesses, where the reduced volume of shipments raises the cost per unit.
- Areas of low cost: these are generally urban areas with a high population density and a large number of

companies. The activities of collection and delivery have a reduced cost per unit thanks to the economy of scale and the density. The conditions in these areas favour that the competitors establish their own networks.

In Spain the Correos Group faces the competition of operators that have a wide distribution network and the presence of small local operators as well as international operators that are active in international business.

The fact that at present the market share of other operators may be small does not necessarily mean that the Correos Group does not suffer from the pressure in the offer for large customer or the tenders of government bodies.

For the next years it is estimated that the number of shipments will fall by more than 5% per year. Some of the fundamental motives are the already discussed electronic substitution, the cost cutting policies of government bodies, the development of electronic administration and the competition, which

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is forecasted to continue growing in companies that use low-cost operative models and are active in the most profitable business segments.

The Market of Parcel Delivery

In this market we can distinguish two segments:

1. Corporate parcel delivery: urgent services, reduced weight of shipments, collection at home, etc.
2. Industrial parcel delivery: programmed services, heavy weight, not urgent, oriented at industrial corporations, integration of operators in the logistics chain of the customer.

In 2010, the size of the market was estimated to be worth 6,856 million euros including the industrial parcel delivery, express and postal parcel delivery. Of these the potential market of Correos Group would be worth approximately 2,000 million euros (corresponding to the corporate delivery of parcels of less than 2kg).

The electronic commerce has experienced strong growth, and it is expected that it will continue growing due to the still low rate of penetration of e-commerce in Spain compared to the rest of Europe.

The global perspectives for 2012 and 2013 are a fall due to the fact that the economic situation will start to grow at rates around 2% in 2014 and 2015 pushed by the growth of electronic commerce which is growing at a double-digit rate despite the economic crisis.

In the market of corporate parcel delivery Correos Group holds a very low market share. European operators are clearly well positioned on the Spanish market of corporate parcel delivery, in particular in international business, and there are also other medium-sized operators that are active in this sector.

A process of concentration in the sector has been forecasted for the next years due to the strong existing competition that is reducing margins and causing continuity problems for some companies.

Market of electronic communication

In recent years the legal framework is developing trying to give citizens access to electronic administration. However, the complex identification systems of sender and addressee, in particular for private individuals, in the digital world are slowing down the development.

The market is at its beginning and there are not data enabling us to quantify it.

The future perspectives are strong growth, but this depends on the impulse of the Government Bodies.

Market of financial services

Correos Group offers different services in relation to financial activities. On the one hand, it offers a money order service as it is described as a financial service of general interest in the Postal Act which the designated operator has to provide. On the other hand, it offers an urgent money transfer service to any country in the world by means of an agreement with Western Union,

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and it provides banking services as the financial agent of Deutsche Bank, in addition to a till service for various companies and government bodies to collect the payment of invoices..

The Spanish economic crisis had one of its main origins in the property risk the Spanish banking system had adopted. This led to solvency problems and the need to restructure the Spanish financial sector.

This scenario affects the image of financial entities that are losing the trust of the people. Furthermore, the restructuring of the Spanish banking sector implies the closing of a large number of bank branches, in particular in rural areas.

Correos Group obtains significant income from this service as banks refuse to provide it or to do it during shortened opening hours.

This is a business that can continue to grow in the next years due to the closing of bank branches. There are also opportunities to extend the service to electronic commerce as an additional payment option for internet shopping.

Risks and uncertainties

Technological progress leads primarily to the emergence and penetration of electronic systems as replacements of or alternatives to traditional mail. Our business will depend on the proper management of technological uncertainty, perhaps through adapting to the new technological environment. On first analysis, however, it appears more likely, and is proving to be the case, that mail volume will fall away due to postal services being replaced by electronic services. The effect will be felt more intensely in the future, with increased penetration of the Internet through better technological support, better access quality, lower prices and generational replacement, as it will lead to a net decrease in the volume of mail items, which could be exacerbated by the overall economic situation.

We must also consider cost-saving initiatives for clients, caused by their processes becoming more sophisticated and the austerity plans implemented as a response to the economic recession. This increasing sophistication involves not only new communication technologies, but also better management of postal expenditure using a range of

technological tools – better databases, messages bundled in fewer postal items, electronic invoicing, etc. All this makes for fewer postal items to meet customers' communication needs.

Another important aspect related to the technological development is the electronic commerce. In the next years, electronic commerce will continue to grow at an elevated rate in Western countries, according to all forecasts. National postal operators undoubtedly have its advantages, such as its capillarity, to contribute to the development of electronic commerce. -however, the importance of distribution networks is gradually decreasing in cities, because their inhabitants more and more prefer other options, such as collection at customer points or mail boxes. In view of the fact that in a large part of Western countries the urban population is growing exponentially, the coverage in areas with a low demographic density means a continuously decreasing competitive advantage, in favour of other factors, such as flexible opening hours or prices.

From this, we can conclude that postal operators have the opportunity to increase their share in the growing parcel delivery market for the e-commerce.

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Therefore, it is however essential that they continue adapting their corporate structure and operation to the specific needs of this segment, which in many aspects are different from the traditional distribution of correspondence.

In the face of this, to become less dependent on its traditional postal business Correos continues to intensify its diversification initiatives, for example those associated with electronic commerce, and improve operating efficiency.

Strategies at Group Level

The shareholders' instruction is to maintain the profitability of the company and to guarantee a balanced or positive results while providing the universal postal service; all of this without generating traumatic actions in the company structure or the market, but facing and taking the necessary action to ensure maximum financial stability of the company.

These actions have been materialised in the "Plan 100/300/1,500", which was launched in the second half of 2012 and identifies and proposes the following objectives:

- Retain the income from traditional business. Maintain the share of the current market, while improving the margin to obtain a profitability that enables the company to be viable during its reorientation in the market.
- Increase and improve business lines that have potential, at present Parcel Delivery and Direct Marketing, to achieve a relevant market share, which should be completed in the next 3 years.
- Identify and develop a strategy in the Digital Services to be provided in the future which complements and substitutes the traditional postal services in a way that starting from 2015 this offer can substitute the traditional activity in controlled and global manner.
- Evaluate and develop the potential of the office network and the distribution networks (capillarity). Improve the current business and suggest new ones to achieve that in a period of three years the percentage of income rises that stems from these activities.

Operator responsible for the provision of the Universal Postal Service.

The Universal Postal Service is the set of postal services of a specified quality provided permanently –regularity– at all points of national territory – universality– at affordable prices. The obligation to regularly reach all points within the national territory requires the existence of facilities, points of access and products that are often unprofitable in business terms, but necessary from a public-service perspective. The new Postal Act appointed Correos as the operator which will provide universal postal service for the next 15 years.

The distinctive feature of Correos as against its present and future competitors is, precisely, its duty as the operator providing universal postal service with increasing obligations, as opposed to its competitors' freedom of action. These obligations, in a situation of decline in the traditional market, as discussed above, represents a short-term threat as it requires Correos to maintain a fixed-cost structure, unlike other operators who can vary their structure, adapting to changes in the market. Furthermore, the

Management report - 2012 Financial year

greater flexibility enjoyed by other operators allows them to focus on advancing in profitable markets, leaving the least profitable areas to Correos and creating a situation that will be difficult to solve over the short-term.

The market therefore continues to face an evolving, changing form of provision of the Universal Postal Service which crucially influences the public operator. Beginning in 2011, Correos operates on terms of open competition with other operators in a transforming industry which must accommodate new technologies and bring in new processes to encourage accessibility, adapt to changes in service and market demand and tailor its offering to users' emerging needs and to new social habits and demographic environments. This entails not only an intense innovation and diversification effort, but also makes it necessary to undertake an overall restructuring of costs in the search for greater operating efficiency.

With regard to financing the Universal Postal Service it is worth pointing out that in 2011 the reservation disappears, a mechanism which was generally used to guarantee an affordable and accessible quality

service. On the other hand, the new operators are focusing their business towards the most profitable segments, leaving the less productive ones to those responsible for providing the universal service. Both factors have a potentially negative effect on the revenue base of national operators.

In this respect, during the process of the preparation of the Third Postal Directive a group of countries requested that properly defined, long-term and proven measures be established to compensate for the costs of the obligation, as well as to guarantee present and future investments, and to ensure business viability and employment. This is a fundamentally important issue given the trend of decreasing shipments seen since late 2008, requiring significant attention to be paid to this issue. In the new legislation, this aspect has to be developed by means of establishing a universal service provision plan, which today still has not been developed. This regulation is expected to be performed during 2013.

Business development

The consolidated results after tax of Correos Group for the 2012 financial year is negative with 4.0 million euros (the 2011 financial year was closed with a consolidated profit after tax of 401 thousand euros), the contribution of the Parent Company to the consolidated turnover is 92.7% and the weight of the personnel costs over the consolidated personnel costs is 96,6%. The addition of the results of the Group Companies is negative with 19.8 million euros (Correos -6.3 million euros, Chronoexpres -12,6 million euros, Nexea 2.7 million euros and Correos Telecom 1.8 million euros), and some consolidation adjustments of 15.8 million euros (99.8% correspond to the provisions of the portfolio of the parent company) are considered.

Management report - 2012 Financial year**Quality**

Quality of Correos, as per internal monitoring of the time that passes from the deposit at the network access point to the date of delivery to the addressee, in accordance with the formula D+n, in which "D" represents the date of deposit and "n" the number of working days that passes from that date until the delivery to the addressee, gave the following results:

- 96.26% of letters are delivered in D+3, the statutory obligation being 93%.
- 82.73% of parcels are delivered within D+3, the statutory obligation being 80%.
- 98.60% of money orders are delivered within D+3, the statutory obligation being 95%.

Other topics

Correos Group does not hold treasury shares, has had no research and development expenditure and has not concluded transactions with financial derivatives in 2012.

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CONSOLIDATED ANNUAL ACCOUNTS AND MANAGEMENT REPORT OF THE FINANCIAL YEAR ENDED AT 31 DECEMBER 2012 OF SOCIEDAD ESTATAL CORREOS Y TELEGRAFOS S.A. AND THE DEPENDENT COMPANIES.

The previous CONSOLIDATED Annual Accounts of the Sociedad Estatal Correos y Telégrafos S.A. (all the pages are stamped and signed by the Secretary of the Management Board) comprising of the Consolidated Balance Sheet (on two sheets of normal paper), the Consolidated Profit and Loss Account (on one sheet of normal paper), the Consolidated Cash Flow Statement (on two sheets of normal paper), the Statement of Changes in the Consolidated Net Assets (on two sheets of normal paper), and the Consolidated Annual Accounts Report attached to the Annual Accounts on sheets of normal paper numbered from page 1 to 67 (both inclusive) and corresponding to the financial years ended at 31 December 2012, as well as the Management Report of this year on sheets of normal paper numbered from page 1 to 8 (both inclusive) have been submitted to be formalised to the Board of Directors of Sociedad Estatal Correos y Telégrafos S. A. on 14 March 2013. Pursuant to the valid provisions the administrators proceed to signing and giving their agreement with all documents mentioned above:

Madrid, 14 March 2013

D. Francisco Javier Cuesta Nuín	D. Pablo Arellano Pardo
	
Dña. Ana Bosch Jiménez	Dª Eloísa Contín Trillo- Figueroa
	
D. José Luis Díez García	D. Rafael García Monteys
	
D. Aquilino González Hernando	D. Pablo Hispán Iglesias de Ussel
	
D. Fernando Irurzun Montoro	Dª Elena Luengo García
	
D. David Martínez Hornillos	Dña. Rosario Martínez Manzanedo
	
D. Juan Luis Nieto Fernández	D. José Ángel Partearroyo Martín
	
D. Juan Miguel Sánchez García	
	

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UNITED NATIONS GLOBAL COMPACT AND GRI INDICATORS

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Principles governing the report

This is the first year that the Correos Group has elaborated a **consolidated report, which combines the information that, until now, was contained in the Annual Report and the Corporate Social Responsibility Report published in previous years.** The aim is to provide a more coherent representation of the connections that exist amongst the different elements of the business model. This new approach offers an aggregate, global view of the economic, social and environmental impact of the Group's activities on its stakeholders.

Therefore, the contents of this report are **structured in a way that is intended to reveal interrelationships:** it includes relevant information about the Group's activities, strategy, governance, results and future prospects; it reflects the commercial, social and environmental context in which the company operates, and it provides a concise view of how the company creates value for its stakeholders.

Period covered by the report and its scope

The contents of this report correspond to the **period between 1 January and 31 December 2012.** The economic, social and environmental information it contains **cover all activities of the Correos Group**, as the global operator providing communications solutions, including operations carried out by Sociedad Estatal Correos y Telégrafos, S.A. and its subsidiaries Chronoexpres, S.A., Nexea Gestión Documental, S.A. and Correos Telecom, S.A.

To offer the reader a more complete view of the Parent Company and its subsidiaries, information about 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.

Definition of the contents

The report has been drafted according to the Global Reporting Initiative's *Sustainability Reporting Guidelines*, version G3.1, for application level A (self-reported), as well as Accountability standard AA1000 APS (2008).

The information provided comes from different, and at times heterogeneous, management systems. The Correos Group is committed to improving data aggregation and consolidation systems so that it can increase the quality of information in future reports.

Principles related to the definition of report contents, according to GRI or AA1000 APS	Explanation of the principle	How compliance with the principle is ensured
Stakeholder participation (GRI) Inclusiveness (AA1000 APS)	Identification of the stakeholders and appropriate responses to their expectations and interests, as well as their participation in the development and achievement of a responsible, strategic response from the organisation in terms of sustainability.	The Correos Group has channels of communication and dialogue with each of its stakeholders. The information presented in the section "Stakeholder relations" pertains to this principle. Likewise, the systems for obtaining information and participation specific to each stakeholder are described in different chapters throughout the report.
Material aspects (GRI) Relevance (AA1000 APS)	Report on relevant, important aspects and indicators that have an impact on sustainability. These aspects and indicators must be included in the business model in a way in which they are strategic to the organisation.	To identify relevant/material aspects and indicators, the Correos Group has a material aspects study completed in 2010, and which has recently been updated, the information from which is presented in the section "Stakeholder relations". Furthermore, in 2012 a benchmarking study was conducted analysing the annual reports and the corporate social responsibility reports of the main European postal operators and large Spanish companies in order to identify the most important aspects, trends and most innovative practices carried out by these companies. Finally, the meetings held with all areas of the company affected by the issues that were identified made it clear what the relevant matters are for the Correos Group and their importance within its business strategy.
Response capacity (AA1000 APS)	Mechanisms through which the organisation meets the expectations of the stakeholders in terms of sustainability.	Through its processes to obtain information and for participation and periodic surveys administered to the different stakeholders, the Correos Group incorporates their expectations and values into its strategic sustainability management. The Group's main performance indicators are included throughout this report, as is information about the main policies and management systems in the areas considered.
Sustainability context (GRI)	Manner in which the organisation contributes (or intends to contribute in the future) to the improvement or deterioration of trends, advances, economic, environmental and social conditions on a local, regional or global level.	The report identifies the impacts associated with the activities it carries out and analyses the economic, social and environmental performance in the different sections of the chapter "Performance and creation of value". In addition, it provides information about the context of economic, social and environmental demands affecting it and in its market in the chapter "Business environment and strategy".
Exhaustiveness (GRI)	Scope, coverage and time referred to in the report. Reasonable, appropriate presentation of data and their relationship to the quality of information reported.	The involvement of those responsible for the Group's main management areas in defining the contents of the report, ensuring that key aspects and impacts of the company's activity have been included.

Principles related to the quality of the report, according to GRI	Explanation of the principle	How compliance with the principle is ensured
Balance	The report must reflect both positive and negative aspects and allow a reasonable assessment of the company's performance.	The report provides data on both positive aspects and those that need improvement, as well as future objectives for all stakeholders of the Correos Group, which allows a reasonable assessment of the company's performance.
Comparability	The report must make it possible to analyse the company's evolution and changes.	The report includes historical data (2012, 2011 and 2010) to allow for the analysis of the changes the Group has undergone over time. The report also presents any change in the calculation methods used.
Accuracy	The report must be accurate and detailed enough so that it is possible to assess the performance of the organisation.	The report has an application level A (self-reported), which accredits that it meets the requirements for information related to its profile, management focus and performance indicators. As necessary, an explanation is given when the indicators are not applicable or are not available.
Timeliness	The report is presented according to a set schedule.	The Correos Group has published the Annual Report every year and the Corporate Social Responsibility Report since 2010. In 2012 both reports have been combined in a single document. The Group undertakes to publish the report on an annual basis, so that stakeholders can make decisions based on the most recent information possible.
Clarity	The information must be presented in a comprehensible, accessible manner.	The report presents the information in a comprehensible, accessible and useful manner. To facilitate its proper understanding, the use of technical terms is avoided. Furthermore, graphs, charts, tables and indicators are used to describe the most relevant impacts on the Group. An executive summary, microsite and a video are also available.
Reliability	The information and data contained in the report must be collected, recorded, compiled, analysed and presented in such a way that they can be verified.	In line with its commitment to transparency, the information contained in this report was obtained from the policies and procedures that make up the Correos Group's internal control systems, and is intended to ensure the correct presentation of the company's information to third parties, amongst other purposes.

The Annual Report is publicly available in digital format (PDF), along with previous Annual Reports, on the website www.correos.es. In addition, an executive summary is available for consultation, as is a microsite with the most noteworthy information and data taken from the complete report. A video with related contents is also available.

If there are any discrepancies, the information included in the Spanish version of the Annual Report shall take precedence.

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● Total coverage ◐ Partially coverage ○ No reported

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3.5. Process of defining the report contents, including the determination of material aspects and priority topics and the identification of the stakeholders that the organisation anticipates will use the report.	225 - 227	●
3.6. Boundary of the report.	223	●
3.7. State any specific limitations on the scope or boundary of the report.	223	●
3.8. Basis for reporting of joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that may significantly affect comparability from period to period and/or between organisations.	223	●
3.9. Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report.	As necessary, the techniques for measuring data and the bases for performing the calculations are specified in the indications throughout the report.	●

● Total coverage ◐ Partially coverage ○ No reported

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GRI content index		
3.12. Table identifying the location of the standard disclosures in the report.	226 - 245	●
Assurance		
3.13. 3.13. Policy and current practice with regard to seeking external assurance for the report.	Correos does not currently verify its Corporate Social Responsibility Report, but plans to do so in the future.	Not applicable

● Total coverage ◐ Partially coverage ○ No reported

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4.3. Number and gender of the independent and/or non-executive members of the highest governing body.	126 - 128	●
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4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided.	130	●
4.7. Process of determining the composition, training and required experience of the members of the highest governing body and its committees including consideration of sex and other diversity indicators.	130 - 132	●
4.8. Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	130 - 135	●
4.9. Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles.	129 - 135	◐ ¹
4.10. Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	125 - 137	●

¹ The information about the frequency with which the highest governing body assesses sustainability is not available on the date of preparation of this document, but may be reported in the 2015 report.

● Total coverage ◐ Partially coverage ○ No reported

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4.12. Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	134	●
4.13. Memberships in associations and/or national/international advocacy organisations the organisation supports.	41 -44	●
Stakeholder engagement		
4.14. List of stakeholder groups engaged by the organisation.	54	●
4.15. Basis for identification and selection of stakeholders with whom to engage.	54	●
4.16. Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	54	●
4.17. Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	54	●

● Total coverage ◐ Partially coverage ○ No reported

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Economic performance				
EC1 (P)	Direct economic value generated and distributed.	57 - 60	●	
EC2 (P)	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	115	●	7,8
EC3 (P)	Coverage of the organisation's defined benefit plan obligations.	79	●	
EC4 (P)	Significant financial assistance received from government.	57 - 60	●	
Market presence				
EC5 (A)	Relation between basic salary and remuneration of women with regard to those of men broken down in professional categories, at the places where they carry out significant operations.	This information is not available on the date of preparation of this document, but may be reported in the 2020 report.	○	1
EC6(P)	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Correos defines local suppliers as suppliers resident in Spain since most contracts are established centrally and on a national level. Taking into account the legislation applicable to hiring, as well as the Contracting Instructions, it is not possible to apply a preference policy or practice in favour of local suppliers.	◐ ²	
EC7 (P)	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operations.	Correos Group doesn't have a formalized preference policy in favour of local suppliers (origin Spain).	●	6
		<div> <div>●</div> <div>Total coverage</div> </div> <div> <div>◐</div> <div>Partially coverage</div> </div> <div> <div>○</div> <div>No reported</div> </div>		

² Information about percentage of spending on locally - based suppliers is not available.

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Description		Page	Level of report	Global Compact (principle)
Indirect economic impacts				
EC8 (P)	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	103 - 111	 ³	
EC9 (A)	Understanding and describing significant indirect economic impacts, including the extent of impacts.	103 - 111	 ⁴	

³ Correos Group doesn't have assessed the community's needs to determine which infrastructures are necessary, but may be reported in the 2015 report.

⁴ Information about examples of significant indirect economic impacts, including positive and negative impacts is not available, but may be reported in the 2020 report.

 Total coverage  Partially coverage  No reported

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Information about the focus of environmental management		112 - 123	●	7, 8, 9
Materials				
EN1 (P)	Materials used by weight or volume.	118	● ⁵	8
EN2 (P)	Percentage of materials used that are recycled input materials.	This information is not available on the date of preparation of this document, but may be reported in the 2015 report.	○	8, 9
Energy				
EN3 (P)	Direct energy consumption by primary source.	120	● ⁶	8
EN4 (P)	Indirect energy consumption by primary source.	120	●	8
		In 2012 the Spanish energy mix consisted of 29.7% of renewable energy, 2.4% high-efficiency cogeneration, 3.3% cogeneration, 7.7% CC Natural Gas, 14.8% coal, 18.5% fuel/gas, 4.1%, nuclear 20.7%, and others 1.2% (Source: National Energy Commission).		
EN5 (P)	Energy saved due to conservation and efficiency improvements.	119	●	8, 9
EN6 (A)	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	119	●	8, 9
EN7 (A)	Initiatives to reduce indirect energy consumption and the reductions achieved with those initiatives.	119	●	8, 9

⁵ Information about total weight or volume of non-renewable and direct materials used is not available

⁶ Non-renewable energy source: natural gas, C diesel fuel, automotive diesel, gasoline, coal, propane and butane. No direct energy consumption from renewable energy sources.

● Total coverage ● Partially coverage ○ No reported

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Description		Page	Level of report	Global Compact
Agua				
EN8 (P)	Total water withdrawal by source.	116	Water is generally withdrawn from the municipal supply network.	8
EN9 (A)	Water sources significantly affected by withdrawal of water.		Water is generally withdrawn from the municipal supply network and as such, does not affect any protected areas.	Not material
EN10 (A)	Percentage and total volume of water recycled and reused.		This indicator is not available on the date of preparation of this document, but may be reported in the 2020 report.	9
Biodiversity				
EN11 (P)	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		The impact of Correos Group operations on biodiversity are not significant given that the Group's activity and premises are generally situated far from protected areas or areas of special interest, and do not cause material changes in ecological processes.	Not material
EN12 (P)	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.		idem EN11 (P)	Not material
EN13 (A)	Habitats protected or restored.		idem EN11 (P)	Not material
EN14 (A)	Strategies, current actions and future plans for managing impacts on biodiversity.		idem EN11 (P)	Not material
EN15 (A)	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		The impact of Correos Group operations on biodiversity are not significant given that the Group's activity and premises are generally situated far from protected areas or areas of special interest, and do not provoke damage to endangered animals or plants.	Not material

● Total coverage ◐ Partially coverage ○ No reported

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Emissions, effluents and waste				
EN16 (P)	Total direct and indirect greenhouse gas emissions by weight.	121	●	8
EN17 (P)	Other relevant indirect greenhouse gas emissions by weight.	121	●	8
EN18 (A)	Initiatives to reduce greenhouse gas emissions and reductions achieved.	121	●	7, 9
EN19 (P)	Emissions of ozone-depleting substances by weight.	At present, Correos complies with current legislation and is substituting the gases in its equipment which erode the ozone layer, as established in Regulation 1005/2009.	●	8
EN20 (P)	NOx, SOx and other significant air emissions by type and weight.	121	◐	8
EN21 (P)	Total water discharge by quality and destination.	This information is not available on the date of preparation of this document, but will be reported in the 2015 report.	○	
EN22 (P)	Total weight of waste by type and disposal method.	123 Currently the disposal of all of the waste produced by Correos is done through authorised managers or recycling points.	●	
EN23 (P)	Total number and volume of significant spills.	In 2012 there were no significant spills.	●	8

● Total coverage ◐ Partially coverage ○ No reported

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Description		Page	Level of report	Global Compact
EN24 (A)	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	At Correos, all of the waste is delivered to agents entrusted with the rest of the process.	●	
EN25 (A)	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	The impact of Correos Group operations on biodiversity are not significant given that the Group's activity and premises are generally situated far from protected areas or areas of special interest, and do not provoke material changes in ecological processes.	Not material	
Products y services				
EN26 (P)	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation.	121	●	7, 9
EN27 (P)	Percentage of products sold and their packaging materials that are reclaimed by category.	117	◐ ⁷	9
COMPLIANCE				
EN28 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	The Correos Group did not receive any sanctions or fines related to this issue during 2012.	●	8
Transport				
EN29 (P)	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	113, 122	●	
General				
EN30 (A)	Total environmental protection expenditures and investments by type.	112 - 123	●	7, 9

⁷ Information about packaging materials that are reclaimed by category is not available, but may be reported in the 2015 report.

● Total coverage ◐ Partially coverage ○ No reported

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Description		Page	Level of report	Global Compact
Social performance (labour practices and decent work)				
Information about the focus of the management of work practices and ethic at work		76 - 102	●	
Employment				
LA1 (P)	Total workforce by employment type, employment contract, and region, broken down by gender.	89	●	
LA2 (P)	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Faced with situations in which the workforce varies significantly, such as during election season or the holidays, working conditions (workdays and remuneration) are treated differently and are specifically regulated by circulars or memos. In these cases, the personnel are assisted by a pool of permanent seasonal workers.	●	6
LA3 (A)	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	79	●	6
LA15 (P)	Return to work and retention rates after parental leave, by gender.	78, 97	●	
Labour/management relations		88, 89		
LA4 (P)	Percentage of employees covered by collective bargaining agreements.		●	1, 3
LA5 (P)	Minimum notice period(s) regarding significant operational changes, including agreements establish the whether it is specified in collective notification period should there be bargaining agreements.	As specified in the Workers' Statute, the Basic Statute for Public Employees, as well as in the Collective Bargaining Agreement and the 2009-2013 Correos General Agreement.	●	3

● Total coverage ◐ Partially coverage ○ No reported

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Descripción		Page	Level of report	Global Compact
Occupational health and safety				
LA6 (A)	Percentage of total workforces represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.	86	●	1
LA7 (P)	Rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities, by region and by gender.	101, 102	◐ ⁸	1
LA8 (P)	Education, training, counselling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases.	86, 101	●	1
LA9 (P)	Health and safety topics covered in formal agreements with trade unions.	84, 85	●	1
Training and education				
LA10 (P)	Average hours of training per year per employee by gender, and by employee category.	100	●	
LA11 (A)	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	83	●	
LA12 (A)	Percentage of employees receiving regular performance and career development reviews, by gender.	80	●	
Diversity and equal opportunity				
LA13 (P)	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	89, 127, 128	◐ ⁹	1, 6
Equal remuneration for women and men				
LA14 (P)	Ratio of basic salary of men to women by employee category.	This information is not available on the date of preparation of this document, but may be reported in the 2015 report.		○ 1, 6

⁸ Is not available accident information for contractors and absenteeism rate for employees by gender, but may be reported in the 2015 report.

⁹ The information about breakdown of minorities (people with disabilities and immigrants) by gender and age is not available, but may be reported in the 2015 report

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Description		Page	Level of report	Global Compact
Social performance (Human Rights)				
Information about the focus of the management of human rights		47 - 49, 79	●	
Investment and procurement practices				
HR1 (P)	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns or that have undergone human rights screening.	4.4	●	1, 2, 3, 4, 5, 6
HR2 (P)	Percentage of significant suppliers, contractors and other business partners that have undergone human Rights screening, and actions taken.		●	1, 2, 3, 4, 5, 6
HR3 (P)	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		●	1, 2, 3, 4, 5, 6
Non-discrimination				
HR4 (P)	Total number of incidents of discrimination and actions taken.	76 - 79	●	1, 2, 6

● Total coverage ◐ Partially coverage ○ No reported

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Description	Page	Level of report	Global Compact
Freedom of association and collective bargaining			
HR5 (P) Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	All those interested in participating in Correos' hiring procedures must ensure their commitment to respect employees' rights to freedom of association and collective bargaining.	●	1, 2, 3
Child labour			
HR6 (P) Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.	Given the activity performed by the company, there are no potential risks of incidents of child labour. Despite this, any parties interested in participating in Correos' contracting processes must guarantee a commitment to not using child labour.	●	1, 2, 5
Prevention of forced labour			
HR7 (P) Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.	Given the activity performed by the company, there are no significant risks of episodes of forced labour. Despite this, any parties interested in participating in Correos' contracting processes must guarantee a commitment to not using forced labour.	●	1, 2, 4

● Total coverage ◐ Partially coverage ○ No reported

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Description		Page	Level of report	Global Compact
Security practices				
HR8 (A)	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.	This indicator is not available on the date of preparation of this document, but may be reported in the 2020 report.	○	1, 2
Indigenous rights				
HR9 (A)	Total number of incidents of violations involving rights of indigenous people and actions taken.	This indicator does not apply given the activity performed by the Correos Group.	Not material	1, 2
Assessment				
HR10 (P)	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	<p>The Correos Group operates primarily in Spain, where the protection of human rights is referred by law.</p> <p>In 2002 the Parent Company signed the United Nations Global Compact, and by doing so, accepted as an essential part of its strategy the ten principles of this pact, referred to human rights, labour, the environment and anti-corruption.</p>	●	
Remediation				
HR11 (P)	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	The Correos Group has not received any grievances related to this issue during 2012.	●	

● Total coverage ◐ Partially coverage ○ No reported

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Description		Page	Level of report	Global Compact
Social performance (Society)				
Information about the focus of the management in relation to society		103 - 111	●	8
Community				
S01 (P)	Percentage of operations with implemented local community engagement, impact assessments and development programs.	103 - 111	● ¹⁰	1
S09 (P)	Operations with significant potential or actual negative impacts on local communities.	The Correos Group has not identified potential or actual negative impacts on local communities.	○	
S010 (P)	Prevention and mitigation measure implemented in operations with significant potential or actual negative impacts on local communities.	The Correos Group has not prevention and mitigation measures.	○	
Corruption				
S02 (P)	Percentage and total number of business units analyzed for risks related to corruption.	The Correos Group has not the percentage of business units analyzed for risks related to corruption.	○	10
S03 (P)	Percentage of employees trained in organisation's anti-corruption policies and procedures.	The 3.3% of staff has received training in the prevention of money laundering.	●	10
S04 (P)	Actions taken in response to incidents of corruption.	Throughout 2012 there have been no incidents of corruption in the Correos Group.	●	10

¹⁰ Percentage of operations with implemented local community engagement, impact assessments and development programs is not available, but may be reported in the 2015 report.

● Total coverage ● Partially coverage ○ No reported

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Description		Page	Level of report	Global Compact
Public policy				
S05 (P)	Public policy positions and participation in public policy development and lobbying.	Correos participates in regulatory processes through queries made to the company and the role it plays in international postal organisations. Chronoexpres participates in the Organización Empresarial de Logística y Transporte (Logistics and Transport Business Organisation).	● ¹¹	1, 2, 3, 4, 5, 7, 8, 9, 10
S06 (A)	Valor total de las aportaciones financieras y en especie a partidos políticos o a instituciones relacionadas, por país.	The Correos Group doesn't realize this type of input.	●	10
Anti-competitive behaviour				
S07 (A)	Total number of legal actions for anticompetitive behaviour, anti-trust and monopoly practices, and their outcomes.	The Correos Group was not subject to any legal actions during 2012.	●	
Compliance				
S08 (P)	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	The Correos Group did not receive any sanctions or fines related to non-compliance with laws or regulations during 2012.	●	

¹¹ Information about the central positions that keeps the company on each of the topics on which is involved in the regulatory processes, so it can not explain the significant differences between the positions of lobby and established policies, sustainability aims or other public positions.

● Total coverage ● Partially coverage ○ No reported

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Description		Page	Level of report	Global Compact
Social performance (product responsibility)				
Information about the focus of the management of product responsibility		61 - 75	●	
Customer health and safety				
PR1 (P)	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Currently, no assessments are carried out on the impact on the health and safety of customers. The improvement of products and services is based on customer satisfaction evaluations and suggestions received through customer support channels.	●	1
PR2 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	There have been no incidents in this area.	●	1
Product and service labelling				
PR3 (P)	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	The nature of the company's services/products means specific labels are not required in accordance with current legislation.	●	8
PR4 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	The nature of the company's services/products means specific labels are not required in accordance with current legislation.	●	8
PR5 (A)	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	67 - 70	●	

● Total coverage ◐ Partially coverage ○ No reported

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Description		Page	Level of report	Global Compact
Marketing communications				
PR6 (P)	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	75	●	
PR7 (A)	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising promotion and sponsorship by type of outcomes.	There have been no instances of any failure to comply with regulations or voluntary codes related to marketing communications.	●	
Customer privacy				
PR8 (A)	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	The Correos Group did not receive any complaints related to this issue in 2012.	●	1
Compliance				
PR9 (P)	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision or fines related to and use of products and services.	The Correos Group did not receive any sanctions or fines related to related to this issue in 2012.	●	

● Cobertura total ◐ Partially coverage ○ No reported

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