

2015
Integrated
annual
report

grupoCorreos



ANNIVERSARY
Changing Along With You



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2015 Informe anual integrado



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Message from the chairman

On 8 July 2016 we celebrate our three hundredth anniversary as a state-owned postal company, serving the public and social, economic and technological progress in Spain. We celebrate 300 years of history, 300 years of innovation, at the forefront of changes in society and supporting its evolution.

This important date will also coincide with the final stage of our Action Plan 100-300-1,500, launched in December 2012, which has enabled us to drive the Group's digital transformation, change our corporate culture, focus more on customers and their needs, and overhaul our business model to offer a broader range of products and services.

Over the four years of the Plan's implementation, we have set ambitious strategic goals that have been crystallised as innovation and operational and technological enhancements to our business systems, distribution networks and offices, and more efficient processes in the Company. In business year 2015 alone, almost 76 million euros were devoted to investment, allowing us, among other things, to become the first operator in the world to equip its entire delivery staff with intelligent mobile devices (PDA) to provide our customers with services in real time.

Thanks to all of this, Correos is now a leading company in parcel services and e-commerce, with initiatives such as the installation of automated terminals to collect and drop off parcels 'CityPaq' and 'HomePaq' – a concept we were first in the world to pioneer; the launch of the new 'Comandia Shop' and 'Comandia Express' options to facilitate online sales to companies and the self-employed and thus boost the digital transformation of Spain's SMEs; introducing the 'Correos Prepago' card for secure payments in shops and online; logistical support for online sales platforms like 'Alimentos Auténticos'; or the introduction of a new delivery cart and specially adapted vehicles for parcel deliveries.

We are working to increase the service options available to customers so they can receive parcels easily and at their convenience and to meet the new logistical needs of e-commerce with our comprehensive range of services, our highly professional teams and our nationwide network. We are also improving and digitising the customer experience at our post offices by rolling out our 'Tu Correos' customer service model across Spain, and in the next few months we will also launch a new range of

cloud services called 'eCorreos', which will transfer our renowned values of security and trust to the digital world.

The company has underpinned this transformation with specialised training focused on satisfying customers' expectations; increasing services to provide employees with more and better information by bringing in additional internal communication channels to share projects and promote participation and continuous improvement; and by committing to the safety, well-being and health of our employees. All of this has made Correos the first state-owned company in Spain to receive the *Empresa Saludable* certificate.

Thus, we continue to take decisive steps towards our strategic goal of **turning Correos into the best provider of physical and digital communication and parcel services in the Spanish market**. To that end, we have also made progress on transforming the Group's subsidiaries which, in 2015, launched a number of innovative services such as the Correos Express 'Advanced Digital Signature' to certify, with full legal effect, remotely signed contracts; the 'Nexo' technological platform set up by Nexea for the comprehensive and personalised





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management of major companies' telegraph mail items, such as bureaufax; and the new Correos Telecom business line for pay-per-use of optic fibre infrastructure.

Moreover, as a reflection of our commitment to being an environmentally sustainable company, in 2015 we reduced our CO₂ emissions by 23%, prioritising the purchase of green energy, which now accounts for 66% of all the electricity we use. Correos also has one of the sector's largest fleets of electric vehicles, with almost 200 units, to which it added 25 vans and 100 motorcycles in 2016.

I would like to congratulate all of those who made it possible for Correos to reach its 300th anniversary as a communications facilitator for companies, citizens and government. We aim to continue making history and enjoying the support, recognition and trust of our customers, providing solutions that make their lives easier, give impetus to their businesses and improve their communications experience.

Finally, I would like to offer my heartfelt thanks to all those who, over many years, and in particularly in recent times, have worked to make Correos' evolution possible and to ensure it provides excellent quality services, always placing the customer ahead of personal interest. Thanks also go to the trade union organisations who, through their actions, have cooperated effectively with Correos' daily work and generated the climate of understanding necessary to facilitate the evolution of the Company.

Javier Cuesta Nuin





1. The Correos Group

*grupo***Correos**



Leaders in communication

1.1 The Correos Group,
vision and values

1.2 The Correos Group's companies

1.3 Financial and non financial
indicators

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1.1 The Correos Group, vision and values

The Correos Group comprises Sociedad Estatal Correos y Telégrafos, S.A. and its subsidiaries, Correos Express Paquetería Urgente, S.A., Nexea Gestión Documental, S.A. and Correos Telecom, S.A. The four companies, which operate in the physical and digital communications and parcel markets, integrate one of the leading Spanish groups in resources and business activities.

THE STRATEGIC PURPOSE OF THE CORREOS GROUP IS TO BE THE BEST SERVICE PROVIDER OF PHYSICAL AND DIGITAL COMMUNICATION AND PARCEL SERVICES BASED ON CORREOS' RECOGNISED VALUES OF SECURITY, PROXIMITY AND TRUST.

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1.1 The Correos Group, vision and values

The purpose of the Correos Group rests on five corporate values:

1 Feel

Making the needs and priorities of the organisation our own, undertaking the challenges as a united and integrated team with enthusiasm and a positive attitude towards being part of Correos, while transmitting its philosophy and values.

4 Innovate

Making progress and evolving swiftly, being ahead of changes both internally and in society. Showing a positive attitude towards them, which will allow us to anticipate, learn and improve continuously towards a future of expansion, globalisation and success.

2 Achieve

Acting courageously. Striving and taking risks to achieve competitive results, seizing opportunities and making successful decisions, all based on criteria of profitability, quality and efficiency. This entails anticipating events and envisaging future scenarios that guarantee our sustainable growth.

5 Commitment to customers

Ensuring that our customers grow and develop through customer experience, caring and showing respect for people, providing fast and suitable responses to their needs while creating a culture of excellence around us, based on the principles of honesty, sustainability and corporate social responsibility.

3 Lead

Being benchmark leaders, motivating and encouraging others to develop and achieve professional and personal success. Promoting a culture of acknowledgement, communicating with confidence, transparency and security. Instilling passion around us.

The business strategy, the identifying values of the Correos Group and its human resources are the mainstays of our competitiveness and enable us to fulfil our commitments to our customers and other stakeholders.



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1.2 The Correos Group's companies



Benchmark company in physical and digital communications and parcel services

Correos is a global operator of physical and digital communications and parcel services. It is also the company designated to provide the Universal Postal Service in Spain, with criteria of efficiency, quality and sustainability.

The Company combines the performance of its public duties with the business orientation that market evolution demands. Thus it has the greatest territorial presence, logistics expertise and innovative equipment in the sector, as well as a comprehensive product range, comprising solutions to meet the needs of each segment of customers.

2015



2,383
Post Offices



6,563
Rural services



8,946
Total of service
points



50,153
Average staff
(FTE)



2,936
Postal items
(in millions)



18
Automated postal and
parcel processing centres



1,815
Delivery
units



13,398
Vehicles



100
Special service units



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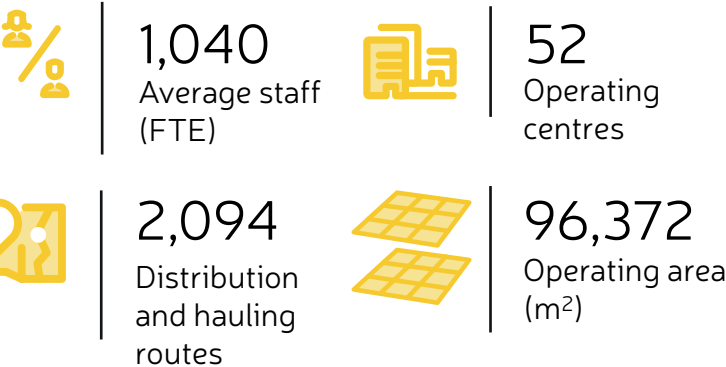
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1.2 The Correos Group's companies



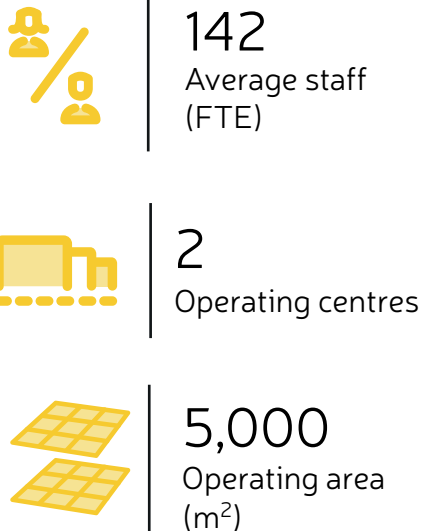
Specialist in express delivery of packages and documentation Correos Express is the Correos Group's subsidiary dedicated to urgent parcel delivery. It is the largest company in the sector with an own network of centres, endowing it with high levels of management flexibility. It also has one of the largest networks of transport and the cutting-edge delivery-tracking technologies.

The company's product portfolio is aimed at responding to all the demands for flexibility and delivery times, as well as providing solutions tailored to meet any of its customers' logistics needs.



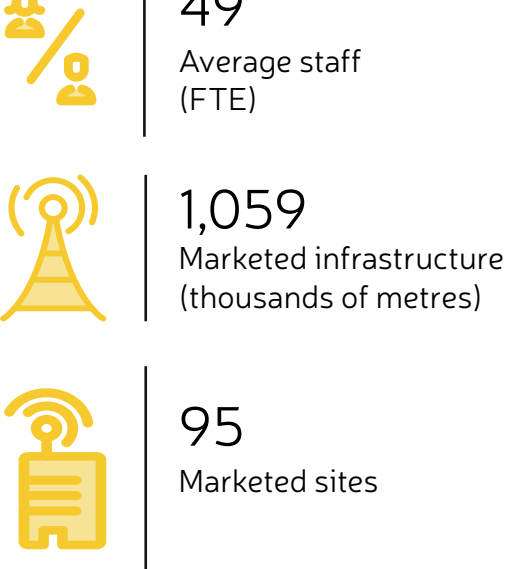
Tailored, multichannel document management solutions for mass business communication Nexea is the Correos Group company specialised in the integrated management of corporate mass communications and in the development of customised technological solutions for document processes.

Its commercial proposal is based on a multichannel model for managing communications in all media and formats, with the maximum guarantees of security, efficient delivery and document traceability.



Engineering and technology management services Correos Telecom is the company responsible for managing the Correos Group telecommunications network and for selling the excess capacity in its telecommunications infrastructures.

It also specialises in providing high-capacity connectivity, communications and telecommunications infrastructure. Correos Telecom focuses on the search for effective communications solutions for customers, transforming them into competitive advantages in their own sector through flexibility and innovation.





1.3 Financial Indicators

Financial Capital

	2014	2015
Net turnover (million of euros)	1,732.024	1,765.715
Staff costs (million of euros)	(1,412.977)	(1,442.527)
Operating result (million of euros)	281.748	(58.240)
Result before tax (million of euros)	289.177	(50.531)
Result after tax (million of euros)	193.891	(34.098)
Investments (million of euros)	67.367	75.934



1.3 Non financial Indicators

Human capital

	2014	2015
Average staff (FTE)	52,514	51,383
Diversity men/women (%)	52/48	51/49
Staff on permanent contracts (%)	82	79
Training hours per employee	42.5	39.4

Social Capital

	2014	2015
Correos customer satisfaction index (%)	7.5	7.5
Costs of suppliers (million of euros)	526.530	557.070

Natural capital of Correos

	2014	2015
Emissions (Scope 1,2,3) (tCO2)	203,308	169,227
Energy consumption (GJ)	499,074	521,904
Proportion of energy consumption with certificate of renewable energy (%)	20	65
Fuel consumption (GJ)	553,598	502,864
Water consumption (m ³)	306,854	297,413
Expenditures on prevention and environmental improvement (million of euros)	1.103	\$"- %



1.4 2015 Highlights



Products and services for new needs

- Implementation of the first **'HomePaq' automated devices for parcel collection** in private homes and companies and **'CityPaq' parcel boxes** in crowded places.
- Opening of the first **'Tu Correos' post offices** throughout Spain, offering a renewed concept of customer service.
- Marketing of the new **'Comandia Shop' and Comandia Express'** options to facilitate e-commerce to small businesses.
- Creation of the **'Correos Prepago'** prepayment card which facilitates secure payment at any physical and electronic sales point
- Launch of **'Correos Directo'** Correos' comprehensive direct marketing solution.
- Marketing of the **'Entrega con recogida'** service, which allows users to simultaneously send any type of document or goods on receiving a delivery.
- Acquisition of **1,467 vehicles** of different types, earmarked specifically for parcel delivery, thus adapting the fleet to the increase in volumes of these deliveries.
- Implementation of the first **extraterritorial office of exchange (ETOE) in the UK** to promote international business.
- Incorporation of the Correos Express **'Advanced Digital Signature'** service to remotely certify the signature of a contract with legal effect.
- Implementation of Nexea's **'Nexo' platform**, providing large companies with comprehensive and personalised management of bureaufax and telegram communications.
- Creation of the new Correos Telecom **pay-per-use payment model**, for leasing optical fibre infrastructure to telecom operators.



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Commitment to
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With society



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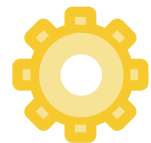


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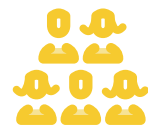
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1.4 2015 Highlights



Renewed processes

- Incorporation of 5,000 units of the **new delivery cart model**, adapted to the combined distribution of mail and small packages.
- **Provision of intelligent mobile devices (PDA)** to all Correos urban and rural delivery employees and Correos Express delivery employees.
- Opening of the **new Correos Express operating centres** in Benavente (Zamora), Castellón and Alicante.



Committed to people

- Incorporation of new **internal communication channels**, integrated into the operating software.
- Implementation of the **Empresa saludable** corporate health project, which included the creation of the **Canal bienestar** welfare channel, which offers all kinds of advice to workers on health, social, psychological and legal matters, and the **Crea Salud** health project for advice on healthy habits.
- The Company obtained the **Empresa Saludable** certification, which recognises companies that are committed to their employees' safety, health and welfare.



Contribution to society and the environment

- Start of events for commemorating the **300th Anniversary** of the Company, with the celebration of the first Correos film festival.
- Preparation of a travelling exhibition dedicated to **Mail Art** o postal art and the '**Entregados hambre cero**' (**Hunger-Free Deliveries**) photographic exhibition promoted in partnership with the UN World Food Programme.
- **Reduction of CO₂ emissions** (1 and 2 scope) by 23% and an increase in the proportion of **electricity consumption from certified renewable sources** up to 66% of the total.
- Adhesion to the '**Un millón de compromisos por el clima**' (One million Commitment for the Climate) campaign to contribute to the fight against climate change.



2. Environment and strategy

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The forces that move our business

2.1 Business environment

2.2 Value creation and business
model

2.3 Strategic lines

2.4 Goals, achievements and 2016
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2.1. Business environment

The Correos Group operates in the fields of physical and digital communications and parcel business.

Physical and digital communications

The Spanish postal market continues to experience a decline in mail volumes, although the tendency is slowing. This trend is due to a previous scenario of low per capita postal consumption, besides an intense and accelerated adoption of digital media both by large companies and by the public sector. This has driven the development of e-government to levels beyond those of almost all countries in the rest of Europe.

Correos is the leading operator in this market because of the excellence of its wide range of service, which combines logistics expertise, employee training, the capillarity of its distribution and customer service networks, the use of the latest technology and the highest levels of security and reliability.

Nexea, Correos' subsidiary, is one of the three leading companies in the transactional communications management segment. In this area of activity, demand is highly concentrated among a few customers with strong negotiating power, so the main competitive response is operational effectiveness and cost-efficiency, along with differentiation of the service portfolio.

In this context, the Correos Group has focused its strategy on developing a multichannel range that integrates physical and digital services, adapted to the various communication and business needs of companies and individuals.

The development of digital media in recent decades has also driven the telecommunications market in which Correos Telecom operates. Recently this sector has undergone a process of concentration, with the merger of large operators, to the point that about 90% of the market is divided among three companies with well-established positions.

However, these large competitors of Correos Telecom are also its customers to which the subsidiary offers telecommunications infrastructure and network services, meaning that new business opportunities are generated in providing infrastructure to support the growth of mobile broadband services.



2.1. Business environment

Growth of the parcel market

Spain is the fifth largest e-commerce market in Europe and has grown by 114% in the last four years. In the first nine months of 2015, turnover in the sector amounted 14,704 million euros, 27% more than in the same period of the previous year. For the whole of 2015, the *Comisión Nacional de los Mercados y la Competencia* (National Commission of Markets and Competition) forecasts a turnover of over 20,000 million euros, possibly reaching 22,000 million euros in 2016.

Physical products, which require logistics and transportation, are responsible for about 35% of this amount. This, coupled with other factors, has prompted a slight recovery in the business parcel market in the last two years, especially in the B2C (business to individuals) segment, which is one of the most dynamic.

Therefore, Correos is committed to innovating and introducing new technologies that streamline the distribution processes, reduce delivery times, and offer recipients greater accuracy on the time of delivery, adapted to modern lifestyles and simpler returns.

These new demands are an obvious opportunity for Correos and its urgent parcel subsidiary

Correos Express, thanks to their market's strengths: a parcel product range that caters to all delivery needs, the largest network of delivery and collection points and flexible e-commerce logistics solutions, essential to the success of online shopping.

The Correos Group also ensures optimal private customer experience and maximum convenience by meeting new consumer demands such as 'HomePaq' and 'CityPaq' automated parcel delivery devices, the most flexible reverse logistics solutions, or the different options that make easy the effective delivery (prediction of time range, addressees' immediate localisation and proactive management of incidents).





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2.1. Business environment

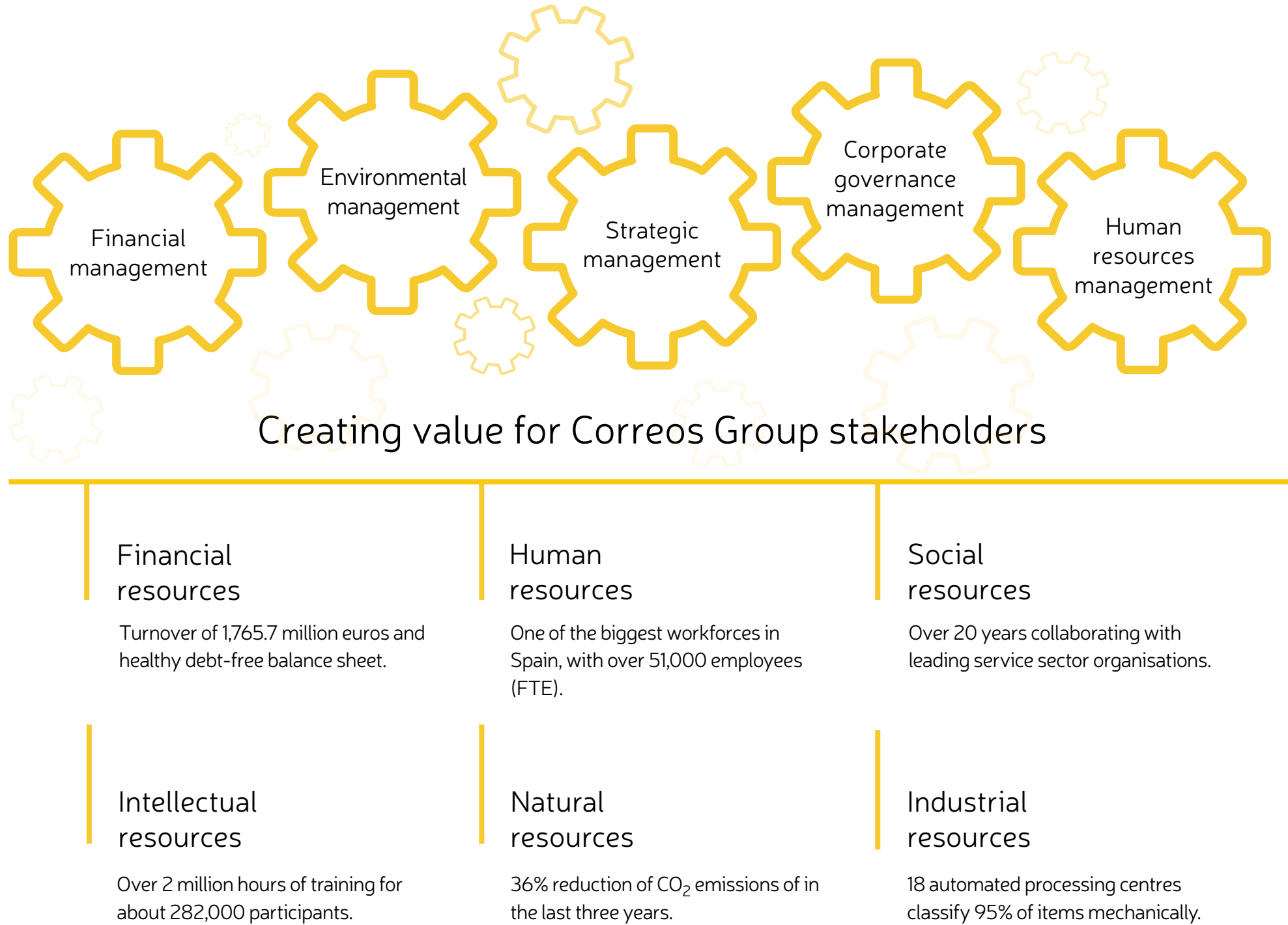
Market trends

Strengths of the Correos Group

Consumption through different devices and channels	Multichannel communication solutions
Increased demand for personalised communication	Postal and direct marketing services with new added values. Commercial customer service based on the customer experience
Generalisation of Big Data and cloud services	'eCorreos' digital services
Development of smartcities	Innovative services provided by postal distribution employees on their routes
Environmental awareness and demand for 'green' products	Development of more environmentally friendly services and reduction of the company's carbon footprint
Ageing population	Proximity services
Growth of e-commerce	Comprehensive parcel service range and solutions for the entire e-commerce chain
Growth of international parcel services	International distribution partnerships
Growth of domestic consumption and demand for organic and gourmet food	'Alimentos Auténticos' website
Demand for secure and simple payment solutions	'Correos Prepago' payment card
Increasing urban population and greater importance attached to leisure time	'HomePaq' and 'CityPaq': new forms of efficient delivery
Increasing demand for express delivery	Parcel offer adapted to delivery needs
Expansion of the collaborative economy and co-creation of new services	Collaborative programmes with startups
Loss of human resources and know-how in companies owing to the evolution of the labour market	New model of talent management model and reconciliation policies

2.2 Value creation and business model

Business model





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2.3 Strategic lines

In an environment characterised by continued reduction in mail volumes, the postal sector faces the challenge of transforming its business model to adapt itself to the new demands of individuals, businesses and public administrations, geared to digital communication channels.

Since 2012, the Correos Group has been transforming its business by applying the 100-300-1,500 Action Plan, which is articulated around five strategic lines.

The Plan, whose actions structured at 100, 300 and 1,500 days from its outset, had made considerable progress by the end of 2015

Strategic lines of the 100-300-1,500 Action Plan.

1 Diversification

Development of new business lines that complement the provision of traditional postal activities.

3 Operational optimisation

Increased efficiency in our distribution networks, customer service and administrative costs.

5 Innovation

Creation of solutions that anticipate new customer demands.

2 Commercial effectiveness

Comprehensive solutions tailored to customer needs, with a multichannel approach, by enhancing our strengths and commercial tools.

4 Organisational model

Transformation of our corporate culture, giving priority to teamwork and adapting to change.



Actions at
100 days

100%



Actions at
300 days

100%



Actions at
1,500 days

87%



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2.4 Goals, archivement and 2016 challenges

1 Diversification

2015 Goals

- New range of digital services
- Opening of 50 'Tu Correos' post offices
- Expansion of 'Homepaq' and 'Citypaq' networks
- Development of Nexea's range of multichannel services

Achievements

- Opening of the firsts 'Tu Correos' post office throughout Spain
- Implementation of the first 'HomePaq' and 'CityPaq' devices
- Launch of the 'Nexo' digital platform
- Launch of 'Comandia Shop' and 'Comandia Express' for e-commerce

2016 Challenges

- Marketing of 'eCorreos' digital services
- Expansion of the new sales model in post offices
- Implementation of 5,000 'HomePaq' and 'CityPaq'

2 Commercial effectiveness

- Information compilation services in public places through the distribution network
- Improvement of the optic fibre networks in Madrid managed by Correos Telecom

- Commercialisation of 'Correos Prepago' payment card
- Launch of 'Correos Directo' with direct marketing services that leverage the distribution network for identifying the target group
- Conditioning of the Correos Telecom Madrid-Guadalajara and Barcelona-Girona optic fibre networks

- Marketing of the 'Paq Today' same day delivery service
- Startup of the Correos Customer Website and the new Nexea commercial website
- New export e-commerce services
- Completion of the improvement plan for the Correos Telecom Madrid optic fibre ring

3 Operational optimisation

- Roll out of the new intelligent mobile devices (PDA) to the entire distribution network
- Configuration of a new distribution model and an automated system for collecting from customers
- Completion of the parcel post automation plan

- Provision of new intelligent mobile devices (PDA) to all urban and rural distribution employees
- Automation of sporadic collection service from customers and marketing of the 'Entrega con recogida' service
- Provision of 5,000 units of the new delivery cart model
- Installation of 2 sets of parcel equipment at the automated processing centres in Granada and Málaga

- Development of the pilot programme for a new distribution model
- Increase in the types of items that can be sorted automatically



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2.4 Goals, archivement and 2016 challenges

4 Organisational model

2015 Goals

- Introduction of the new talent management model
- Development of new channels of communication with employees

Achievements

- Development of the first phase of talent management model
- Award of the *Empresa Saludable* certificate
- Incorporation of new internal communication channels through business applications

2016 Challenges

- Implementation of the second phase of the talent management model
- Universal access to the corporate Intranet
- Implementation of policies to increase diversity
- Roll out of the *Crea Salud* national health programme as part of the *Empresa saludable* project

5 Innovation

- Introduction of the CO₂ emissions offsetting strategy
- Implementation of initiatives developed by the Innovations Teams

- Development of CO₂ neutral products
- Consolidation of the '*Alimentos Auténticos*' e-commerce platform
- Marketing of the Correos Express 'Advanced Digital Signature' service

- Addition of 125 electric vehicles to the transport fleet
- Development of the Correos 'Signature Collection' service



3. Corporate activity

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Always close to the customer

3.1 Production model

3.2 Technology applied
to postal sorting
and transport

3.3 Customised distribution

3.4 International mail improvement

3.5 Technological innovation

3.6 Quality in all activities

3.7 Customer experience



3.1 Production model

Every day, Correos delivers over 11 million items to 25 million homes and 3 million companies, covering 638,000 kilometres, which is almost 16 times around the world. To make this possible every day, over 5,200 employees handle the automated sorting of mail and parcel volumes, 10,000 take care of customers in post offices and 32,000 make the distribution possible.

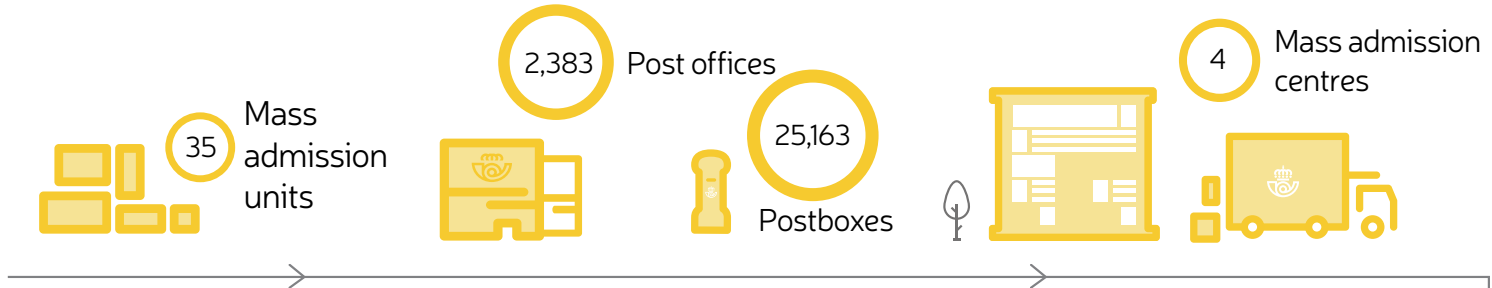
The changes made to the Company's production model in recent years were aimed at simplifying the admission processes, increasing synergies in the sorting and transport of all types of volumes, and adapting the distribution to new customer demands.

Mass admission optimisation

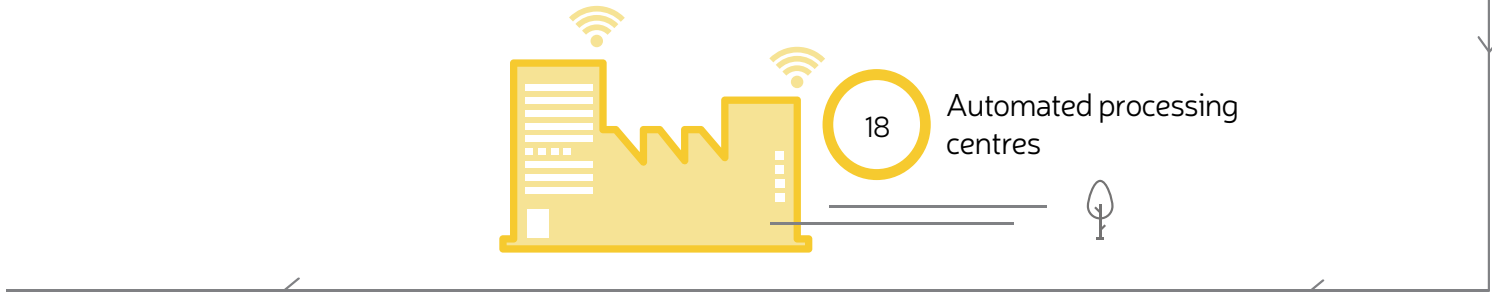
To transform the Madrid 2 mass admission centre (CAM2) into an infrastructure specialising in admission and sorting of parcels, the 'Publiccorreo' and 'Publicaciones' products admission processes were moved to the Madrid automated processing centre. This increased efficiency in admitting these items and also reduced transport costs.

Postal chain

1. Admission



2. Sorting



3. Transport



4. Distribution





3.1 Production model

The Madrid 1 mass admission centre (CAM1) was also refurbished to improve mail admission and create a specific space for storage logistics and to receive press promotions.

New admission model in post offices

In order to streamline admissions processes in post offices and improve information gathering, in order to offer customers a more efficient service, new scales and franking machines for multiple admission have been installed. Moreover, a digital backup system of the documentation generated by different products marketed in post offices, and which requires temporary custody for legal or operational reasons, was introduced





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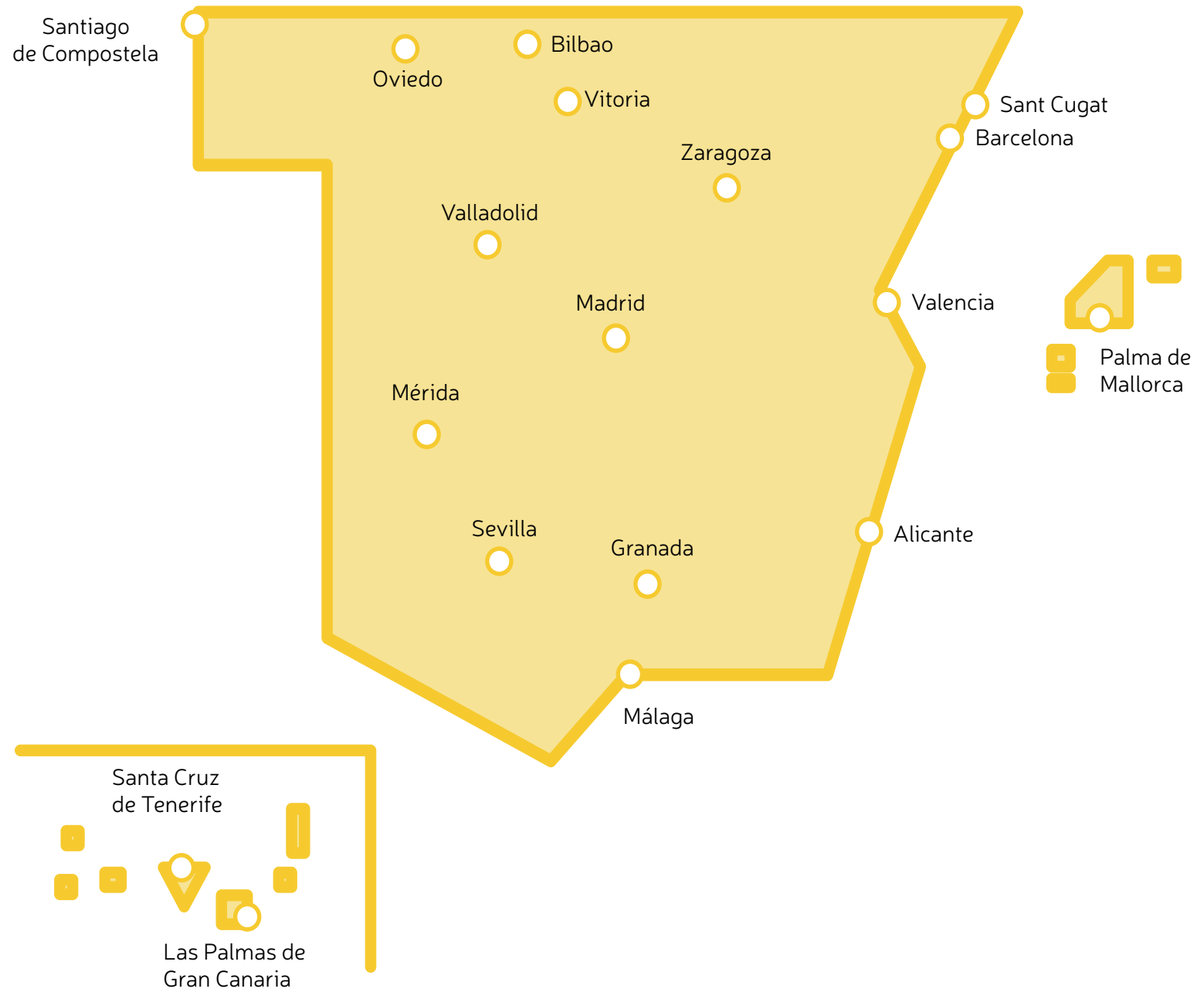
3.2 Technology applied to postal sorting and transport

In Correos' 18 automated processing centres the level of automation of mail has reached 95%. This means that, every day, the distribution units receive mail classified by post code or delivery section, after eliminating almost all manual sorting tasks for these shipments.

Automated processing equipment

-  43
Standard postal
items
-  14
Non-standard
postal items
-  15
Parcels
-  7
Deliveries from
postboxes

Automated processing centres





Message from
the chairman



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3.2 Technology applied to postal sorting and transport

Increased automation

Due to the constant increase in parcel volumes in general, and deliveries related to e-commerce in particular, Correos has adopted new automated processing equipment for sorting these products. This enables a more efficient use of centres and transport networks. The actions carried out in 2015 in these infrastructures included:

- Granada and Málaga. The introduction of two parcel sorting equipments.
- Santa Cruz de Tenerife and Las Palmas de Gran Canaria. The installation of two palletising and de-palletising systems of air freight containers to improve the processing of international and overseas volumes.
- Madrid. The implementation of automated sorting of returned mail items of standard size, with a level of automation of 40%.
- Valencia: The introduction of a pilot program for labelling international e-commerce deliveries, which will allow subsequent automated sorting by the parcel equipment.

New features were also added to the existing equipment to enable the processing of

international outbound volumes, sorting to multiple ramps and the generation of new production reports that allow better monitoring of the delivery quality.

Efficient Transport

Automated processing centres are concentrating sorting processes previously carried out in other manual sorting centres, thus improving sorting efficiency and optimising transport networks. As part of this programme, in 2015 the sorting processes from provincial transport networks, until then dependent on the Pontevedra and Cantabria sorting centres, were transferred to the automated processing centres at Santiago de Compostela and Vitoria, respectively.

Correos' fleet consists of 13,398 vehicles, of which 12,461 are owned by the Company. During the year, 1,467 means of transport of different types were acquired, earmarked particularly for parcel delivery, thus adapting the fleet to the increase in these volumes.

In order to optimise the costs associated with maritime transport networks, a framework agreement was prepared to encompass all contractual relations relating to the various existing routes in one single agreement.

Moreover, sea connections between Barcelona and the automated sorting centre at Palma de Mallorca, and between the latter city and the island of Menorca were redesigned, helping to improve the delivery of parcels in the Balearic Islands.



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3.2 Technology applied to postal sorting and transport

Extension of Correo Express' capabilities

The subsidiary, Correo Express, opened new operating centres in Benavente (Zamora), Castellón and Alicante. The last one was equipped with new automated sorting equipment, serving the entire province through 60 routes, increasing the daily delivery and collection services previously available. The subsidiary also expanded the capacity of its two Madrid centres.

Furthermore, the mobility devices used by delivery personnel were replaced by new intelligent mobile devices (PDA) running the Android operating system, which, among other improvements, featured the new 'Advanced Digital Signature' service.

Moreover, the goods containerisation system, which improved the management and traceability of small packages, was extended to the entire network of centres. Other measures were taken to improve efficiency included the transfer of routes from the Corredor de Henares to the Coslada transport hub (Madrid).

Correos Express extended its operational alliance with FedEx Express for the distribution of their inbound items in Spain until 2020.





3.3 Customised distribution

New parcel delivery cart

In order to meet the new distribution demands resulting from the expansion of e-commerce, Correos incorporated 5,000 units of a new delivery cart model, designed to facilitate the simultaneous distribution of mail and small packages on routes on foot, thus increasing delivery efficiency.

The advantages of this model include an increase of 50% in load capacity for small and medium packages and enhanced safety and ergonomics for workers.

More convenient distribution

As a result of online shopping, deliveries to private customers are burgeoning. Accordingly, the evening delivery of these products in large cities has been increased by establishing specific networks and delivery units for parcel distribution, since at that time, home deliveries are more successful.

These units cater primarily, but not exclusively, for e-commerce parcels delivery and also deal with reverse logistics and home collections.

Home collections for small customers

Last year 320,000 applications for sporadic collections were processed directly by the delivery units, thanks to the integration of this new option into the SGIE - *Sistema de Gestión Integral de Envíos* (Integrated Delivery Management System). Thus, admission is streamlined and the customer enjoys greater ease and convenience in collection times.

Real-time connectivity of the distribution network

In 2015 delivery employees from over 370 ordinary and urgent urban delivery units were equipped with new intelligent mobile devices (PDA). At year end, 26,081 devices were operational throughout the network, after being allocated to rural distribution workers in 2014.

Thus, Correos became the first postal operator to equip the entire delivery staff with these devices. In addition to allowing the traceability of the registered deliveries, these tools have specific distribution software, which provides all the functions of sorting, distributing and settlement used by mail carriers on a daily basis. In the future, this technology will also allow Correos to offer additional new services, such as purchase payments, the signing of contracts or the gathering of information during delivery.



3.4 International mail improvement



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In 2015, due to the gaining of new European and Asian customers and the rise of cross-border e-commerce, the increase in international inbound deliveries to Spain was consolidated. Given the considerable growth of these volumes and especially of small packages from China, a new international processing centre (CI3) was opened at the Madrid-Barajas Adolfo Suárez airport. This facility was equipped with 6 labelling positions with voice recognition, enabling the identification of registered items with barcode for sorting on automated parcel sorting equipment.

In order to ensure the sorting capacity for these import flows, even at peak traffic periods, these actions were complemented by re-engineering operative processes, inter-centre transport and delivery processes.

In addition, improvement in the use of electronic information associated with these deliveries at source increased the efficiency of automated parcel sorting by post code and streamlined customs import processes.

New website to facilitate customs management

Postal deliveries with goods from non-EU countries or from outside the Canary Islands, Ceuta or Melilla in the case of these territories, are subject to customs controls and import procedures. Moreover, depending on their type, value or other factors, goods may be subject to certain customs duties and taxes. The Customs Authority charges the recipient these amounts to release the item from the pending customs procedures before it can be delivered to the recipient's address.

Correos offers private customers and businesses several convenient import procedure services without the need for customers to visit the customs offices, through the website www.adtpostales.com. Fully updated in 2015, this site allows users to consult the status of a delivery at any time and conduct the customs management procedures online.

Moreover, a system for the advance payment of customs fees on deliveries between the Canary Islands and the Peninsula was implemented,

allowing the sender to pay the amounts resulting from the customs clearance and delivery process, and freeing the recipient from the need to make the payment. Furthermore, new processes were established to simplify or eliminate the DUA - *Documento Único Administrativo* (Single Administrative Document) for exports between the Canary Islands and the Peninsula, as part of the measures promoted by the various Government Agencies to promote e-commerce transactions.



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3.4 International mail improvement

Participation in international networks

The Company has agreements with several networks to ensure its coverage worldwide and promote business opportunities abroad. Consequently, the Company is part of the EPG group (E-Parcel Group), focusing on parcel services, principally in Europe.

Similarly, the Company is also a member of the Kahala Post Group (KPG) trade alliance, along with postal operators from Australia, China, South Korea, Hong Kong, Japan, the United States, Singapore, the United Kingdom and France. Its aim is to promote the efficiency of ordinary and express parcel services, connecting the Asian flows with the countries of residence of online shoppers in both directions.

Establishment of Extraterritorial Office of Exchange in UK

At the end of the year, Correos launched an extraterritorial office of exchange (ETOE) in London, with operational units in Basildon and at Heathrow airport. This office allows the Company to offer international services to British customers for their import and export trade volumes between UK and Spain and the rest of the world.





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3.4 International mail improvement

International representation of Correos

Universal Postal Union (UPU)

The Company holds the presidency of the Letter Post Remuneration Group (LPRG) and the vice-presidency of the Consultative Committee of the Postal Operations Council. It is part of the Management Committee of the 'post' group and PPS* Clearing Uses Group. Correos chairs the *ad hoc* Group on Sustainable Development Goals.

International Post Corporation (IPC)

In May 2015 Correos hosted the IPC Annual General Meeting of Shareholders, held in Sevilla.

Postal Union of the Americas, Spain and Portugal (UPAEP)

The Company is a member of the Management Committee. In 2015 it took part in the organisation of its Regulatory Forum, held in Madrid.

PostEurop

Until May 2015, Correos chaired the UPU Affairs Committee, and since then, the firm has chaired the Committee on European Affairs.



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3.5 Technological innovation

Of the 70.9 million euros invested by Correos in 2015, a significant proportion was allocated to incorporating cutting-edge technologies, for the following purposes:

- Optimising key business support systems, such as applications for admission in post offices (IRIS) or delivery management (SGIE).
- Increasing commercial efficiency, incorporating tools to support planning, marketing or sale to large customers.
- Supporting the development of new products and services, such as 'HomePaq' and 'CityPaq', 'Correos Prepago' prepaid card and the offer in 'Tu Correos' post offices, and improving the communication systems with customers such as 'Nexo' or mobile notifications.

Technological developments in 2015

Updating of business
support systems

- 1
- IRIS (Admission at post offices)
 - SGIE (Delivery management)
 - OV2 (Web customer service)
 - MERCURIO (Delivery quality)
 - SICER (Registered items)
 - COCAL (Delivery quality)
 - DATAMART (Energy efficiency)

Optimising sales activity

- 2
- Planning
 - Offer generation
 - Discount review
 - Marketing
 - Target monitoring
 - Electronic invoicing

Sale of new products
and services

- 3
- 'HomePaq' and 'CityPaq'
 - 'Correos Prepago' card
 - 'Tu Correos' offices
 - Mobile notifications
 - New smart mobile devices (PDA)
 - Payment systems
 - 'Nexo' platforms
 - ETOE in United Kingdom



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3.5 Technological innovation

Investments in cutting-edge technology

The main investments of Correos Express in 2015 went to the opening of new facilities, the two new sorting equipment installations, renewal of the delivery fleet's intelligent mobile devices (PDA) and the maxi-containerisation of parcel processing.

In Nexea, the main investments were aimed at updating the company's communications infrastructure, by acquiring software and small machinery, which enabled the subsidiary to continue offering its customers the most innovative solutions. The company also increased the interconnection between their centres and Correos' data processing centres, increasing both bandwidth and the quality of connections.

In turn, Correos Telecom invested to improve the Group's telecommunications infrastructure network. The subsidiary also advised Group companies on implementing the technological solutions and applications necessary to develop new processes and services and, especially, on the following projects:

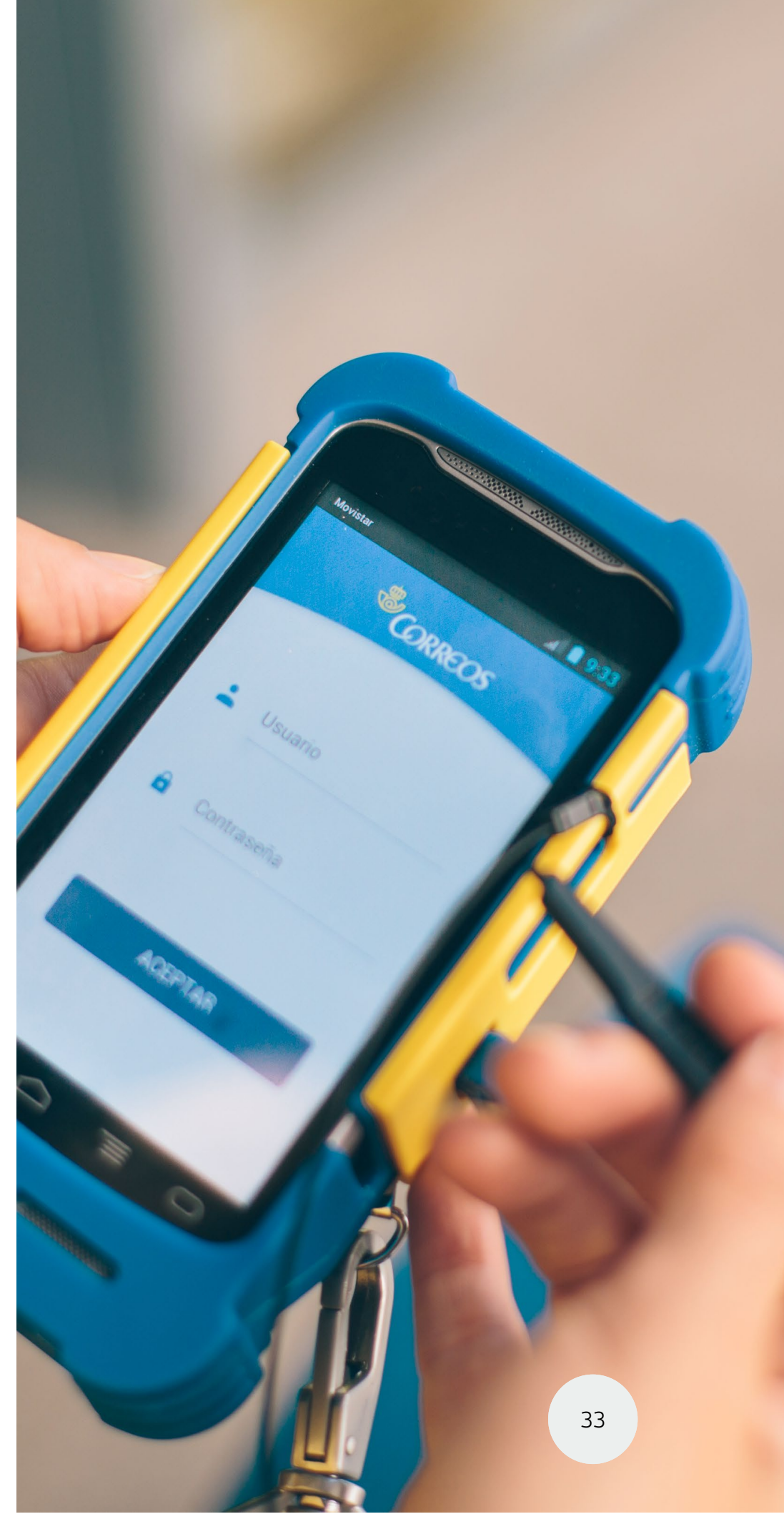
- Outsourcing of the Group's data processing centres.

- The installation of infrastructures, communications and technological equipment for the new 'Tu Correos' post offices.

- Updating the communications infrastructure in Correos Express centres.

- The implementation of mobility services and provision of intelligent mobile devices (PDA) to delivery employees.

- Technological development for the implementation of the Correos' ETOE in the UK.





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3.6 Quality in all activities

Lean method of continuous improvement

Since 2014, Correos has employed the Lean methodology, a people-based continuous improvement system and management model focused on providing maximum value to customers, eliminating anything superfluous. Currently, 22 offices and operational centres apply this model in its procedures.

Using the tools provided by the Lean methodology, such as standardisation of processes, visual management and management of the '5s', organisation of work spaces and improvement of information systems, productivity and customer experience has been improved in these units.

Main stages of the LEAN methodology





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3.6 Quality in all activities

Integrated quality management

The Correos Group has a quality control system based on the European model of excellence (EFQM), which allows the company to apply the continuous improvement cycle to all the organisation's activities and areas, thus improving customer satisfaction.

Over the past year, Correos has renewed its ISO 9001 certification for 2,206 post offices, 18 processing centres, the Madrid 2 mass admission centre (CAM2), the integrated logistics centre in Barcelona (CLI), the postal processing centre and international processing centre in Madrid-Barajas, as well as for customer service.

Correos Express and Nexea also renewed their ISO 9001 certification for all their centres. Nexea also renewed its ISO 27001 certificates in information security and PCI-DSS (Payment Card Industry Data Security Standard).

Correos Telecom implemented all its methods according to the ISO 20000 standard, the PMP certification (Project Management Professional) and ITIL (Information Technology Infrastructure Library) methodology for quality management of information technology.

Practically all Correos' offices and automated processing centres are ISO 9001 certified



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3.7 Customer experience

Continuous improvement and innovation processes are the means to achieve excellence in service. Correos works to ensure its customers the best service and attention, promoting new integrated solutions tailored to meet their expectations and demands.

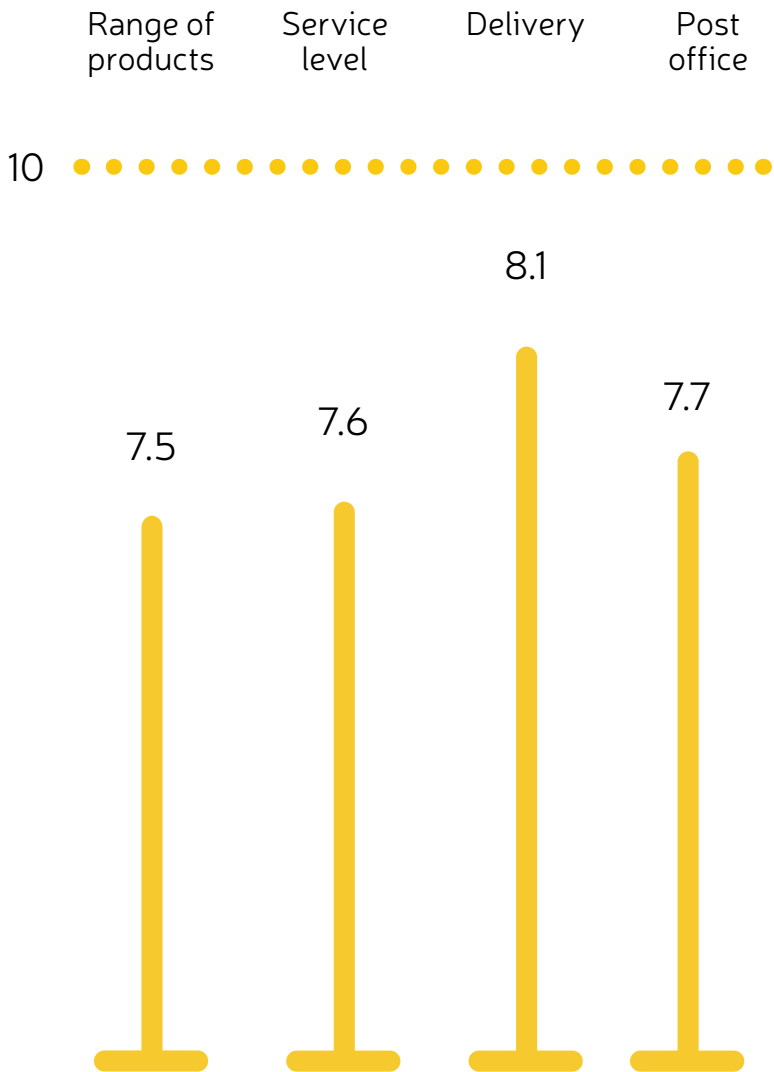
Positive customer evaluation

On a biannual basis, Correos conducts a study to assess customer satisfaction with the commercial offer and attention received. Last year, this index showed an overall score of 7.5 out of 10. Compared to the previous study, private customers maintained their score of 7.7, while companies also repeated their rating of 7.4. The most valued aspects were the delivery service, attention in the post office network and the range of products.

The Group's companies also regularly monitor customer's satisfaction and customer experience. For example, last year Nexea users awarded the company a score of 4.12 out of 5, highlighting the staff's attitude and attention as the most positive element.

Finally, Correos regularly produces a recommendation index for gauging to what extent customers would be willing to recommend the company and its services. The results in 2015 showed an increase in the proportion of customers who supported the brand, which rose from 28.0% to 30.1%, concluding that, in total, 82% of customers are satisfied with the company, placing particular value on the service level, the post office network, the logistics capacity and prices.

Correos' customers' satisfaction





3.7 Customer experience

Multichannel customer service

The Correos Group offers its customers specialised and personalised attention through different channels, such as the sales, after-sales and post office network, the telephone and telesales channel, corporate web or social media.

Over the past year, customers' assessment of the attention received has improved significantly for telephone channels (4.9%) with a score of 7.9 out of 10 and the after-sales channel (11.2%) with a rating of 7.5. In total, 241,229 requests were received through the web, 1.8 million enquiries to the call centre and 359,764 consultations with after-sales staff were handled, with an overall growth in the use of these channels of 19.2%.

Social media continued to be the most highly valued channel by customers, with 8.1 out of 10, due to the swift resolution of queries and the ability to access information more quickly.

Social media are Correos customers' favourite channel, valued at 8.1 out of 10





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3.7 Customer experience


Presence on social media

Social profiles are an essential communication tool, not only for customer service, but also for the advertising of new services and commercial promotions and managing a corporate identity and reputation in a consistent manner with the company's mission and values. The digital community that Correos feeds with corporate and business information currently comprises 114,694 users.

These channels served as a platform for promoting leisure or commercial initiatives such as:

- 'Con Correos', a campaign for publicising the different parcel services offered by the Correos Group.
- 'El Camino con Correos', a multi-platform action for informing of the Groups' offer for pilgrims on the Way of St James, and 'Descubre tu propio camino' in which the company streamed the progress of three people along their different pilgrimage routes.

- The first edition of the 'Correos Film Festival', also generated a great deal of attention on social media.
- 'Mi Post@l' which included several promotions related to the postcard, coinciding with dates such as Valentine's Day, Halloween or Christmas.
- 'El Sello de la Navidad' showed how Correos acts as a communication link between people separated from loved ones by distance at Christmas.

	Followers	Increase in the number of followers
	80,547	+36.3%
	23,116	+44.0%
	7,916	+34.1%
	1,392	+60.9%
	987	+43.3%
	736	+50.5%
	114,694	+37.3%



4. Global Solutions

*grupo***Correos**



Offer oriented to new needs

- 4.1** More efficient postal communications
- 4.2** Parcel and electronic commerce
- 4.3** New sales and customer service model in post offices
- 4.4** Product range for the digital settings
- 4.5** Innovative stamps



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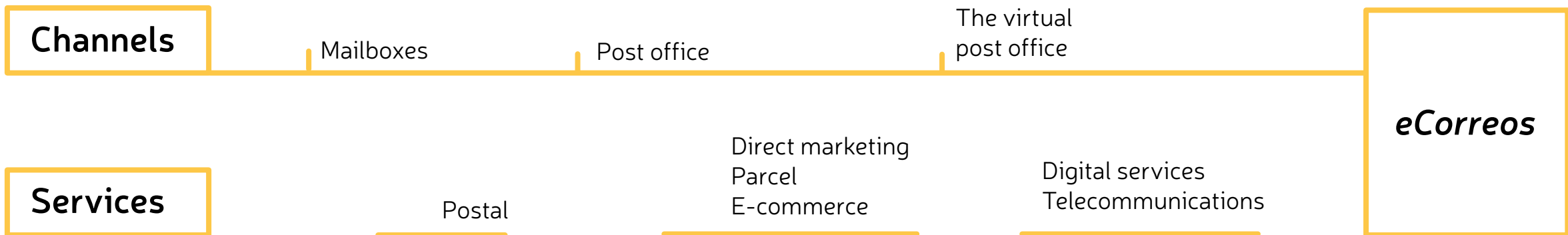
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4.1 More efficient postal communications

From physical to digital communications



The Correos Group operates in the field of physical and digital communications as well as in parcel delivery, offering global solutions to manage all customer needs comprehensively.

In an environment marked by the replacement of postal communications by new electronic channels, the Group aims to maintain its leadership in postal distribution to all households and businesses, while offering a portfolio of products and services that respond to the new demands for multiple channels, immediacy and the personalisation of messages.

Faced with the difficulty of achieving differentiation in a very competitive market with apparently very similar offers, the Group companies base their value proposition on the confidence generated by their reliability and security, on their commercial flexibility and continuous innovation applied to services.

Correos provides its postal products with added values that combine digital and physical attributes. One example is the 'Electronic proof of delivery' option that has been incorporated into administrative notification, certified letters and telegraphic shipments submitted by institutional clients.

This solution replaces the physical proof of delivery by a digital equivalent, which provides information on the date, time, signature and identification of the person receiving the delivery. These data are captured by the delivery employee's intelligent mobile devices (PDA) and can be forwarded immediately to the issuer in the electronic format of choice, saving time and cutting costs. After its introduction last year, 3.5 million communications were certified.



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4.1 More efficient postal communications

Global direct marketing offer

The physical mailing is still the most effective advertising medium, but customers increasingly demand more added value to achieve greater effectiveness and obtain more feedback from campaigns.

'*Correos Directo*' is the comprehensive solution that combines the direct marketing products and services best suited to optimising lead generation and improving the effectiveness of commercial communications.

This commercial portfolio offers solutions for the entire direct marketing value chain, from defining the target audience and identifying relevant markets to evaluating campaign effectiveness.

> [Link to video](#)

Direct marketing value chain

1 Selection of target

- Market identification
- Geolocation
- Data analysis
- Segmentation

2 Campaign preparation

- Design
- Printing
- Letter handling
- Distribution

3 Increased visibility

- Impact on target audience

4 Control of campaign effectiveness

- Response management
- Lead capture



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4.1 More efficient postal communications

'Correos Directo' has database services for customer acquisition, such as 'Correos Target', which facilitates the selection of the target audience by using analytical techniques, segmentation, geolocation and data analysis. 'Correos Data' focuses on renting databases of companies and professionals, as well as of customers and postcodes for effective campaigns. 'Correos ADD' standardises addresses, enriches databases and gathers relevant information from delivery staff.



Correos target

We help you to find and reach
your clients



Correos data

We give you the proper contact
channel to your potential clients



Correos add

We maintain and streamline your
client's data base

Direct marketing products may be of several types, depending on the delivery size, specifications and delivery location. For addressed deliveries, Correos has 'Publicorreo óptimo' designed for postal deliveries in standardised format, whose weight and size allow automated processing and delivery to the home mailbox, 'Publicorreo Premium' for deliveries requiring greater flexibility in format, colour and weight, generating more creative mail shots with a greater impact, and 'Publicorreo', which delivers national and international mass campaigns. Furthermore, 'Publibuzón' facilitates the distribution of advertising without having to include the recipient's address.



PubliCorreo óptimo

Mailing in small format



PubliCorreo

For international shipments



PubliCorreo premium

Correos' creative mailing



PubliBuzón

Non personalised mailing



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4.1 More efficient postal communications

'PubliCity' is the direct marketing option that uses Correos' delivery carts as 'mobile' media, a channel that gives advertising campaigns greater visibility.



PubliCity

Correos' external carts advertising
for SMEs

Companies also have additional options, such as 'prepaid' envelopes, so the end customer can send a response without having to worry about the cost; 'lead creation and capture' to facilitate the collection and registration of potential customers; and 'campaign monitoring', which reports on the distribution of mass advertising campaigns.



Franqueo en destino

Know better you clients without
extra cost



Generación y captura dinámica de leads

Reach potential clients through a
landing page



Seguimiento de campaña

We keep you posted about your
direct marketing campaign





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4.1 More efficient postal communications

Multichannel communication

Nexea, which has a commercial portfolio based on a multichannel structure, provides integrated management of all the channels used by companies in their relations with the recipients via a single service platform. The aim is to meet the needs of customers when managing their physical and digital communications.

Nexea offers comprehensive solutions, from documentation consulting to deposits in the postal channel for distribution or integration into digital environments. Nexea's business offering is rounded off by services such as returns management, database maintenance, digitalisation and printing, digital storage and safekeeping, and fulfilment options.

In 2015 the company launched 'Nexo', a platform for the centralised digital admission of 'Bureaufax' and 'Telegram' products by companies. This service provides more control to networked organisations with integrated communication needs, and improves efficiency in managing the business cycle and process integration.

The functions 'Nexo' offers include multi-user and multi-product management, web and mass channel integration, digital archiving and workflow management. In addition, it adapts to the design, functionality and type of visibility that the customer requires.

Another of the benefits provided by 'Nexo' is the centralisation of responses associated with each of the deliveries, so that, at any given time, customers can check the status and added values, such as content certification or 'Electronic Proof of Delivery', for a period of up to 10 years.

In the coming months, the platform will incorporate the new 'eCorreos' digital services, which will allow customers such as Government Agencies to manage their notifications more efficiently, or the 'Signature Collection' service, which will enable contracts to be signed digitally using devices available in post offices.





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4.2 Parcels and electronic commerce

In recent years, e-commerce in Spain has grown exponentially. Accordingly, Correos has adapted its offer to the sector's requirements by providing effective solutions for online sales and a wide range of parcel delivery and return options, backed by the company's logistics experience.

The new logistical challenges

Correos is the logistics operator best prepared to meet the new business-to-business (B2B) and business-to-consumer (B2C) delivery service demands of online retailers, with comprehensive solutions and added value for the entire e-commerce value chain, and to respond to the new consumption habits of Spanish customers, who value convenience, reliability and savings in time.

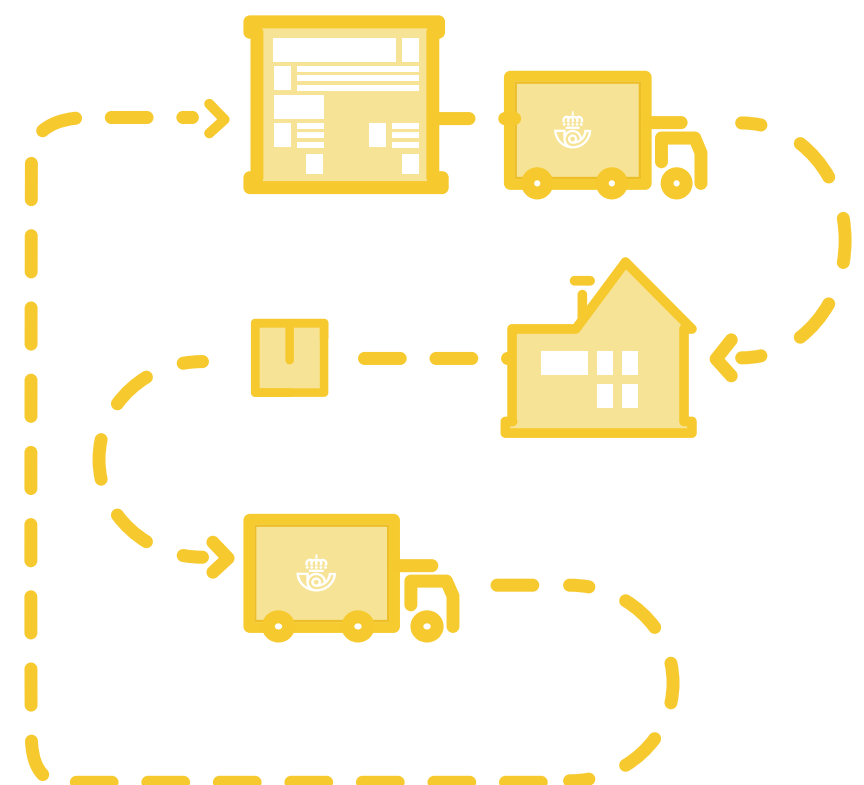
The Company has national parcel delivery services (such as 'Paq48' and 'Paq72' or 'Paquete Azul', (included in the Universal Postal Service) and international services (such as 'Internacional Expres', 'EMS Postal Expres Internacional' and 'Paquete Internacional Económico') to meet the

needs of both, companies and individuals. Last year also saw the launch of the 'Expediciones' service, associated with the 'Paq48' and 'Paq72' products, which allows SMEs to send up to 10 items from the same origin to the same destination.

Regarding the reverse logistics service, especially suitable for the e-commerce sector, where customer returns need to be managed, Correos' extensive network of post office and variety of solutions provides a markedly differential value.

In 2015 new services were introduced, including 'Entrega con recogida', which enables users to receive and send documents or goods simultaneously, with the possibility of additional procedures (checking content of returned items or documents, collection of signatures, etc.). Further added value (comprehensive insurance and cash on delivery) was incorporated to 'Paq Retorno' the most efficient solution for e-commerce returns through the post office network.

Reverse logistics





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4.2 Parcels and electronic commerce

Correos Express' urgent parcel services

The leading e-commerce companies are demanding faster delivery of their products, as well as greater flexibility for their customers. Correos Express, the Group's urgent parcel subsidiary, offers services that guarantee delivery in less than 24 hours: 'Paq10' 'Paq14' and 'Paq24'.

It also offers international distribution with '*Internacional Estandar*', the most economical door-to-door service in Europe, and '*Internacional Exprés*' for global express delivery.

Online consumers also require real-time delivery information, instant management of distribution incidents and advance knowledge of the delivery time. With this in mind, Correos Express offers added value features that are ideal for e-commerce recipients: the 'Prediction of Time Range' delivery period information service, the 'Addressees Immediate Localisation' for locating addressees and the 'Proactive Management of Incidents' for proactive incident management.

Moreover, the subsidiary provides e-commerce logistics services to online stores so they can fully manage their value chain (storage, stock control, order and inventory management).

In 2015, the company added an innovative service, 'Advanced Digital Signature'. This service verifies the authenticity of a document and certifies the remote signature of contracts with full legal effect, and is ideal for the banking or insurance sector and for mobile or remote contracting.

This procedure makes the remote signing of contracts easier, allowing customers to arrange a time and place for the appointment. In that moment, the delivery staff identifies the parties, collect biometric data of the seal, with the time and position and immediately remit them to the parties and a trusted third party, for the safeguarding thereof.

This is the only system on the market that collects biometric signature data and, thus, the only one that confers full legal validity on these contracts, making them immediately effective.

The subsidiary also developed a new [website](#) for individuals and SMEs, which allows them to contract parcel delivery or collection online. The web drastically simplifies contracting, easily and securely, and with full transparency regarding the final price. Furthermore, the service adapts to the needs of customers, who can select the collection time.

Correos Express leads the market for specialised urgent services for the optical and audiological sector. The company has cooperation agreements with the Spanish Federation of Associations of the Optical Industry (FEDAO) and the General Council of Opticians-Optometrists' Associations, making it the only operator in whom the two main optical organisations place their trust. During 2015, the company participated in Optical Market Meeting 2015 to be in touch with new developments in this market.



Tu Visión Es Tu Vida Award **(Your vision is your life)**

To Correos Express for its
commitment to the Life and
Vision association



4.2 Parcels and electronic commerce

Comandia global e-commerce platform

The 'Comandia' platform is a global e-commerce solution, which helps SMEs, freelancers and entrepreneurs to create their own online store and start selling easily using the Correos' integrated delivery logistics. 'Comandia' allows companies to position their products and their brand on the Internet and, therefore, increase their web sales.

5,605 SMEs have already tried 'Comandia Shop' services

For this purpose, 'Comandia' offers two types of services, depending on each customer's needs: 'Comandia Shop' and 'Comandia Express'.

➤ [Link to video](#)



'Comandia'
Expansion Award
'50 best digital Ideas 2015'



**Comandia
Shop**

Platform for creating online stores, with plans tailored to the needs of different company profiles.



**Comandia
Express**

This service allows the publication of products in major national and international marketplaces (eBay, Prestashop, etc.) without the need of having an own online store and an integrated order management.

It also has a 'Programa de Colaboradores' (Contributor Program) aimed at professionals interested in establishing, working on and contributing to the design, development or distribution of 'Comandia' services. The programme also allows companies that offer online and offline solutions for small businesses to offer their own services to 'Comandia' customers.





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4.2 Parcels and electronic commerce

Support for local tradesmen

The Company also has agreements with local startups to boost online commerce. This is how *'Alimentos Auténticos'* was born, a service that distributes food directly from producers to end consumers, delivering the best and freshest food straight to their homes.

The project already has more than 1,000 users and over 54 producers from Andalucía, Extremadura, Valencia, Aragón, Navarra and Madrid. Other farmers' associations and development agencies have shown interest in participating in this project in the coming months, to boost the rural environment and promote new patterns of consumption.

54 food producers from 6 Autonomous Communities collaborate in the 'Alimentos Auténticos' authentic food platform





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4.2 Parcels and electronic commerce

“HomePaq” and “CityPaq”

The variety of delivery options is an increasingly decisive factor in the purchase decision of the online consumer. The shopping experience does not end with the payment, but when the customer finally receives their order. A wider choice of delivery alternatives is an advantage valued by buyers when choosing an etailer.

‘CorreosPaq’ was created with this in mind, including procedures for delivery in automated ‘HomePaq’ and ‘CityPaq’ boxes, which make possible to receive online purchases or make deliveries without leaving the home.

Installed in residents’ associations, businesses and other locations, initially in Madrid. In 2016 the service will be extended to other parts of Spain, with the introduction of 5,000 devices.



“HomePaq” Autelsi 2015 Award

Best technological initiative in the
public sector

grupo**Correos**



CityPaq

Located in crowded places such as train stations or subway stations, post offices and business buildings. Implementation began in Madrid and Barcelona, and their number will grow in 2016.

Currently more than 80 online shops are partners and deliver their products through ‘CorreosPaq’ devices. Moreover, with the ‘Direct Delivery’ option, if the sales point does not have one of the devices associated as the delivery point, the customer merely needs to request it at the time of purchase, indicating the terminal reference as the address where they want to receive the delivery.

The Correos Group is at the forefront of designing products and services that anticipate new parcel and e-commerce market needs. To understand how these sectors are developing, last year the Correos Group took part in trade fairs and business meetings such as the Club Ecommerce, Salón Mi Empresa, E-SHOW, eCOMexpo, Management & Business Summit, BIZ Barcelona, TEDxCibeles, Supply Chain and Expo Cloud 2015, among others.





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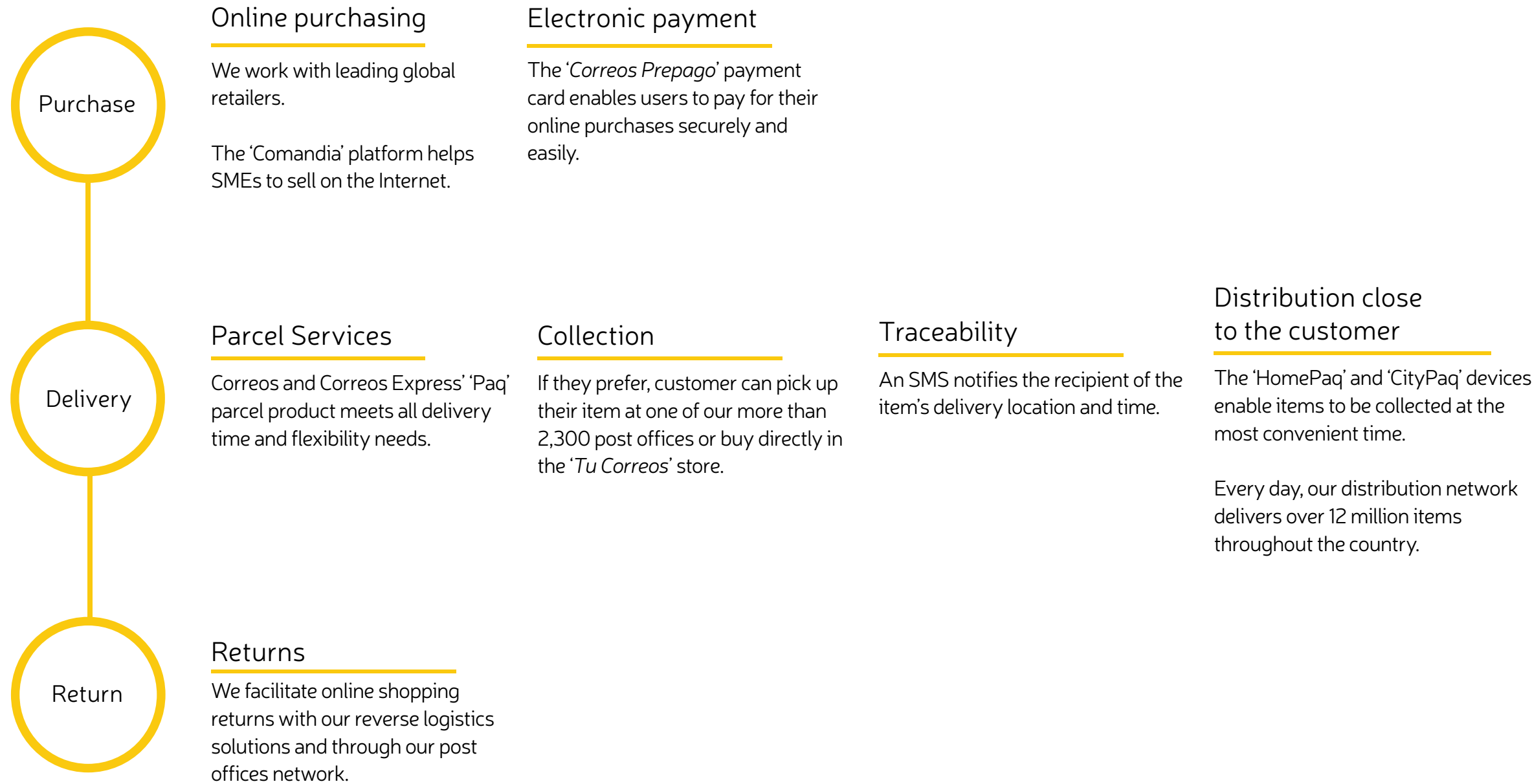
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4.2 Parcels and electronic commerce

Offer for e-commerce





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4.2 Parcels and electronic commerce

With the pilgrims on the Way

Correos accompanies pilgrims along the *Camino de Santiago* (Way of St. James), with specific services such as 'Paq Mochila' for transporting luggage between stages. Also, with 'Paq Peregrino' and 'Paq Bicicleta', customers can send personal items or bicycles to the starting point of the route or back home.

Since 2015, hotels, hostels and souvenir shops located along the pilgrim routes offer prepaid Correos parcel post packages, so that customers can send their items without having to go to a post office.

At the same time, more than 150 post offices along the Way can stamp the Pilgrim's Credential, needed to obtain the Compostela certificate, while the special office at the Plaza del Obradoiro, which serves as an information point for pilgrims, also has a luggage, bicycle and miscellaneous item storage service.



Backpack
transport



Bicycle
delivery



Luggage
delivery



'Correos
Prepago' card



Credential
stamps



Friendly
stores



Santiago
consignee



Correos'
offices

In 2016 the new '*El Camino con Correos*' website has increased the resources available to the pilgrims, providing useful information for their trip, such as the various routes, advice on each stage, the services that Correos makes available or various other recommendations.

➤ [Link to video](#)

'Puerta a puerta' comfort

The company also has a 'Puerta a puerta' service, to meet the special needs of travellers. With this option, the postal carrier collects the luggage at the home or address specified by the customer for later delivery at the requested destination, making luggage transport secure and simple. 'Puerta a puerta' is aimed at users of the Madrid-Barajas Adolfo Suárez airport as well as passengers on AVE trains and Long-Distance Renfe trains.



4.3 New sales and customer services model in post offices

'Tu Correos' post offices, where the customer is the main point of attention

Last year the national roll-out of the 'Tu Correos' stores began; these are a new kind of post offices which aims to improve the customer experience, with personalised services, more streamlined processes, less paperwork and a fuller and innovative product range. This model is based on three complementary mainstays: a new concept of customer service, sales and customer communication.

Moreover, the addition of self-service devices for simplifying procedures improves the efficiency of personalised attention for more complex admission procedures and sales.

The most significant changes found in these post offices are innovative ergonomic desks designed to achieve comfort and accessibility for all types of customer and office professionals, digital tablets for filling shipment details, and larger customer areas with auto-service display furniture that facilitates purchase decision and new products ordered by type.

Thus, each 'Tu Correos' post office has a stand in which the different Correos and Correos Express parcel product are displayed, so that the customer can choose the prepaid package best suited to their requirements of size, urgency or price.

There is also an area that is open 24/7, with 'CityPaq' devices for collecting and returning packages and highly convenient post office boxes that can be used even when the office is closed.

'Línea verde' products, environmentally friendly packages and envelopes and other commonly used items such as stationery, telephony and books complete this offer. Also, 'Tu Correos' has two thematic areas, one called 'El rincón del coleccionista' (Collector's corner), with postal's gifts and philatelic products, and one named 'El rincón del viajero' (Traveller's corner), with basic travel accessories.





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4.3 New sales and customer services model in post offices

The most secure card

In the second half of 2015, launched of the 'Correos Prepago' card began; this is a secure payment card for physical and digital purchases. Over 12,600 cards have been issued since its launch and its main benefits are:

- It is easy to purchase and recharge on the www.correos.es and www.correosprepago.es websites, in post offices, through transfers between cards and by using the mobile app.
- Cash withdrawals can be made at ATMs and post offices.
- As a prepaid card, it does not need to be associated to a bank account, thus avoiding the risk of fraud.
- It can be used in any establishment in the MasterCard network.
- If lost or stolen, it can be replaced without the loss of its balance.

The most extensive post office

Correos' network of post offices, with one of the most extensive coverage in Spain, offers citizens and businesses a trading portfolio that includes postal, philatelic and parcel products, financial options and money transfer in the form of money orders or Western Union services, bill payment and telecommunication services.

Moreover, the 'Más Cerca' loyalty card, specifically aimed at SMEs and the self-employed who regularly visit offices, gives Correos a better understanding of their needs and preferences, with a view to offer them customised products and services and special promotions.





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4.4 Product range for the digital settings

The virtual post office www.correos.es is Correos' online shopping channel, both physical and electronic; it contains postal and philatelic products, direct marketing products, notifications, packages, financial services and digital solutions. The Correos website has nearly one million registered users, and last year the number of visits grew by 14%.

The Company is also developing a digital business proposal, with services that will extend its leadership from the physical world to digital communications. The new 'eCorreos' brand, which will be marketed in 2016, includes this catalogue of electronic solutions, offering users advantages such as immediacy, security and ease of access through the 'Mi Buzón' (My Postbox), 'Mi Oficina' (My Office), 'Mi Monedero' (My Wallet), 'Mi Identidad' (My Identity), 'Mis Notificaciones Oficiales' (My Official Notifications) and 'Mis Comunicaciones Verificadas' (My Verified Communications) options.

Telecommunications services

The Correos Telecom subsidiary provides network services to other operators and companies in the telecommunications market, selling high-capacity connectivity solutions, cable laying infrastructure and co-location for radio emissions (mobile network, radio, TDT, etc.).

In 2015 it expanded its coverage in major neutral carriers and data processing centres, mainly in Madrid, in order to meet the demand for integrated services from large companies. Thus, it offers optic fibre channels and circuits with the capacity for data transmission and Internet access.

The company opened up a new business line on a pay-per-use basis, leasing a optic fibre infrastructure to small businesses which can then provide their own services. The advantage is that customers pay as they develop their offer on the leased line.

This model is currently in use on the Barcelona-Girona and Madrid-Guadalajara lines, which were also upgraded to improve the service. This option is intended to facilitate the leasing of optic fibre infrastructures to small and medium operators with lack of the capacity to make large initial investments.

The Correos Telecom services most in demand during 2015 were leased circuits, linear infrastructure and radio sites, which grew by 10%.



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4.5 Innovate stamps

In recent years, Correos has increasingly innovated in stamp printing techniques and manufacturing. Some of the most prominent examples of 2015 were:

- The first chocolate stamps. This was a box of 12 chocolate ounces with bands printed with the most important stamps issued during the year, and with a central bar of chocolate designed in alto relief.
- The 'Europa' pine essence philatelic series, evoking the wooden toy depicted.
- A stamp with an embedded petunia seed, which can be planted.
- Stamps with reproductions of pieces of works of art, recreating the pictorial techniques used in their execution, such as the cave paintings of Altamira or murals by Joan Miró.

• The series with prehistoric and dinosaur themes and printed in 3D using fluorescent ink on a scaly texture.

• The smallest stamp issued in Spain, with an area of 229 square millimetres, devoted to Christmas.

Also, the 'Tu Sello' personalised stamp service, through which mail items can be customised with any image, incorporated the possibility of adding QR codes to the stamp, allowing additional information to be obtained in audiovisual format.



WIPA Grand Prix 2014

International Philatelic Prize awarded to the stamp dedicated to the Imperial Eagle.

During the year, 94 stamps were issued in 53 editions, with themes helping to disseminate culture, history and civic values. One example is the 'Mi Tierra' series, depicting the cultural richness of the different Autonomous

Communities. Also, the commemorative copies of the 5th Centenary of Santa Teresa de Jesús, along with those dedicated to Felipe VI, King of Spain (with an artist's proof made in 24 carat gold) and to the Princess of Asturias, were the most important issues of the year.

➤ [Link to video](#)

In addition, philatelic publications such as the 'Libro de las Guerras del siglo XX' (Book of twenty century Wars) with coins and genuine banknotes from the times of the wars fought in the 20th Century, the customisable book 'Valores en el tiempo', (Values a long time) tourism-inspired franking or the coin collection 'Selección de monedas de eventos del año' (Main year events' coins selection) depicting the year's important events.

Correos continued to support the dissemination of philately by participating in national fairs, such as the National Stamp Fair in Madrid or Exfilna, as well as in international ones (in the cities of Prague, Essen, London or Paris).





5. People and organisational culture

*grupo***Correos**



Fostering leadership

5.1 Corporate culture

5.2 Developing talent

5.3 Equality and reconciliation

5.4 Communication and involvement

5.5 Safe workplace



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5.1 Corporate culture

The Correos Group has more than 51,000 employees, whose professionalism and experience contribute to consolidate the company's leadership in the communications sector. Therefore, their personal and professional development is an essential part of the Group's corporate objectives.

The dynamics of change in the markets in which the Group operates means it is essential to align business strategies and human resource management as closely as possible, fostering a culture of teamwork, adaptability to new demands and promotion of leadership.

Correos

Average staff (FTE)

2014	2015
51,275	50,153

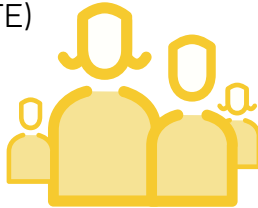


51% men
49% women
79% staff on permanent contract
97% full time employment
84% operational staff

Correos Express

Average staff (FTE)

2014	2015
1,049	1,040



71% men
29% women
92% staff on permanent contract
86% full time employment
55% operational staff

Nexea

Average staff (FTE)

2014	2015
141	142

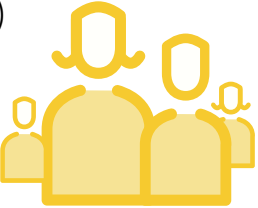


58% men
42% women
94% staff on permanent contract
99% full time employment
68% operational staff

Correos Telecom

Average staff (FTE)

2014	2015
49	49



82% men
18% women
92% staff on permanent contract
100% full time employment
94% operational staff



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5.2 Developing talent



Raising internal talent

Identifying and promoting talent is an essential element for addressing future business challenges with guarantees of success. Last year, Correos began to deploy a new talent management model, based on employees' evaluating and professionally developing, thereby ensuring that the key positions needed to respond to the new strategic and business lines can be covered.

The talent management system is based on three pillars: training, professional development and performance evaluation. In this first implementation phase, a pilot programme was undertaken to provide better understanding of the company's current needs and the improvements the model requires, to be applied during 2016 to an initial group of workers selected for their potential and performance.



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5.2 Developing talent

Performance evaluation

Throughout last year, the performance evaluation system was consolidated and applied to 1,301 managers, technicians and middle managers in Correos. This model is an essential tool for aligning promotion, training and professional development plans with the Company's strategic goals, linking them to individual performance.

The Group's subsidiaries also have a performance evaluation system applied at executive and middle-management level in Correos Express and Nexea, and to the entire staff in Correos Telecom, owing to its specific goal-oriented work model.

Training for new challenges

The contents of the 2015 training plan were linked to the objectives of the Action Plan, improving employee training to provide an excellence service regarding customer expectations.

The actions were geared to meet the needs arising from the sales and launch of new products and services and the implementation of the new 'Tu Correos' post office model throughout the

territory. Other aims were to improve customer service or technological training of 18,000 delivery employees, after providing them with the new intelligent mobile devices (PDA).

In the Correos Comercial School programme, training was given to sales managers and after-sales supervisors on new digital products, sales management and results orientation, strengthening performance evaluation in sales and marketing activities. As a result, customer satisfaction with after-sales service improved by 11.2% in comparison with the previous year.

The Transformational Leadership training plan involved 400 middle managers from the distribution networks, processing centres and offices, and over 150 supervisors, who were all trained in team management.

The training offer was completed by executive training environment, a channel that provides academic resources on strategy and management from various business schools to supervisors and executive levels. Similarly, individual training plans based on needs identified through the performance evaluation system were carried out.





5.2 Developing talent

Over the whole year, Correos conducted 461 training activities with 280,974 participants, in which innovative techniques such as gamifying or mobile learning were given priority. The level of satisfaction among attendees exceeded 80%.

The e-learning model, through the Virtual Campus platform, accounted for 73% of the more than two million hours of training. In this channel, a more accessible and innovative model was encouraged, based on different learning techniques: formal, continuous or informal, all of them through video tutorials and training pills.

In the case of the Group’s subsidiaries, Correos Express conducted 61 training activities aimed at developing talent by improving commercial and executive skills, financial management, environmental and customer service.

Nexea provided its workers with 8 training programmes on leadership, negotiation and information security systems. Meanwhile, the 30 courses offered by Correos Telecom focused on achieving technical knowledge and skills to foster innovation and improve quality.

Training hours per employee

	Correos	Correos Express	Nexea	Correos Telecom
Women	43.1	13.8	5.7	87.1
Men	37.2	7.2	6.3	66.4
TOTAL	40.1	9.1	6.0	70.2



5.2 Developing talent

Promoting professional development

The Group's companies prioritise internal promotion as a procedure for covering employment needs. A total of 772 postal employees took on new roles and responsibilities through the internal selection processes. Similarly, the part-time contractual model was also kept in place to reinforce the operational areas at the busiest times.

To consolidate temporary employment in Correos, a call for applications for 1,606 permanent staff positions was issued at the end of 2015. By means of this process operational positions will be covered through provincial recruitment processes to be held simultaneously in 2016.

This measure is based on the approval of Act 25/2015, of 28 July, on the second-chance mechanism, reduction of the financial burden and other social measures, which allowed recruitment on open-ended contracts with a limit of 90% of the replacement rate.

Owing to Correos' interest in recruiting new talent, the Group has agreements with universities, business schools and the SEPI Foundation to offer a scholarship and professional internship programme, allowing university students to

complete their training and access their first work experience. Last year, 42 students took part in this programme.

Over the year, Correos' employment figure was adjusted to the levels of business demand, as part of the gradual adjustment to the fall in postal activity, and in compliance with the requirements of the regulations on public sector efficiency. Nonetheless, this remodelling was achieved exclusively through natural leavings and mobility processes within the General State Administration, ensuring at all times that citizens received adequate postal services.





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5.3 Equality and reconciliation

Work and life conciliation

Correos is considering a number of measures to promote the reconciliation of family, personal and professional life, applicable to its entire staff. Working hours and shifts also help employees make the working day compatible with their personal and family needs.

In addition, reconciliation measures appearing in the internal regulations extend in some cases the contents of the current regulations, such as the three years' leave, instead of two, to care for a family member; the increase from nine to twelve months of reduced working hours for breastfeeding; three to five business days' leave for hospitalisation, death, accident or serious illness of a family member of the first degree of consanguinity or affinity; a month's unpaid leave on the death of spouse or child; shorter working hours to care for a child with cancer, regardless of age, or a first-degree family member with a very serious illness; parental leave of up to ten calendar days; or voluntary leave of absence for personal reasons, with no maximum limit.

Regarding the Group's subsidiaries, Correos Telecom has also established measures to promote reconciliation for employees requiring the same owing to a special family situation, with flexible working hours.

In 2015, 100% of the Group's employees who benefited from paternity or maternity leave returned to their job when the leave was completed.



Randstad Award

Correos won an Award as the most attractive company for the work-life balance of its staff

Leave for childbirth

	Correos	Correos Express	Nexea	Correos Telecom
Women	286	14	1	0
Men	74	28	0	3



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5.3 Equality and reconciliation

Support for victims of gender violence and harassment

The Company has a specific protocol for dealing with sexual and workplace harassment or mobbing which aims to prevent, identify and resolve situations that may arise by applying established procedures and means of resolution.

As regards victims of domestic violence, Correos' internal regulation processes, with full confidentiality, any requests for transfers those workers who find themselves in this type of situation. To help prevent such behaviour, other kinds of assistance such as reduced working hours, full or partial leave, paid leave of absence, awareness and information campaigns are also provided.

Correos is also part of the 'Business for a society free of gender violence' network, which is committed to taking measures to raise awareness in the workplace, sensitise society and disseminate prevention activities, both internally and externally.

On the occasion of the International Day for the Elimination of Violence against Women, and following the positive experience of 2014, the busiest post offices distributed around 24,000 pins to customers and employees, including the

slogan '*Hay salida*' (There's a way out) and the victim support line number. Additionally, over 8,500 delivery carts displayed the campaign on the Spain's major cities.



Recognition from the *Delegación del Gobierno para Violencia de Género del Ministerio de Sanidad, Servicios Sociales e Igualdad* (Ministry of Health, Social Services and Equality's Government Office for Gender Violence)

of Correos' commitment to raising awareness and the labour integration of victims

Social aids

Correos has a social assistance programme for all staff who has worked for the company for at least two years, aimed at promoting and encouraging the well-being of employees in their social and work settings. In 2015, 16,929 grants were awarded for employee health treatments, university studies or child's education, care for children with disabilities or on the death of a child, as well as advances and interest-free loans.

The Company also provides workers and their families with a discount platform with special offers on leisure, sports, cultural products and services and other consumer goods. Currently this programme has around 20,000 users.



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5.4 Communication and involvement

The Correos Group maintains two-way dialogue channels with workers to inform them of the main actions taken, encourage participation and internal innovation, and receive their opinions and suggestions. For the same purpose, meetings are regularly held between the President and employee's groups from the different sections and areas. All this helps to promote a culture of teamwork and performance recognition.

Closer communication channels

In 2015, the corporate intranet 'Conecta' registered more than 22 million visits, 50,000 'Video' channel views and 725,000 'News' channel views, in which employees made comments and ratings. The 'Quién es quién' space disseminated the work of more than 30 professionals from different areas, and the 'Colabora' section allowed the interaction of 860 work groups.

Other communication channels, such as the 'Abrecartas' employee magazine, newsletters and informative internal memos, opinion polls or mass emails, also served to disseminate the company's main actions and determine the degree of worker satisfaction.

Correos also opened new channels of internal communication to report on Action Plan's progress and Company news, in the SGIE and IRIS computer applications used daily by workers in distribution units and post offices, and also on payroll or on the virtual Campus training platform.

Employees also share professional and personal experiences on corporate social media, highlighting the visits to workplaces by schools and how Correos staff and logistical resources take part in solidarity initiatives, such as campaigns to collect food, cooperation with the World Food Programme and the Messengers of Peace Foundation.

Group's companies also have suggestion boxes and other channels, such as newsletters, notifications or emails, to communicate and receive their employees' contributions.

Finally, the Correos Group maintains an on-going dialogue with employee representatives. The various areas of dialogue and working conditions are regulated both by each company's collective agreements and by the general postal staff agreement, applicable to practically the entire workforce.

Participation in continuous improvement

The Company also encourages staff to innovate and contribute to continuous improvement through various annual participation programmes, such as the 'National Award for Excellence', the 'Athena Award' for people and their best practices, the 'Aristos Award' for banking activities, the 'Environmental Commitment Award' and the 'Artemisa Award' for the best sales and marketing management, awarded for the first time in 2015.

Through these awards, the Company promotes management excellence and contributes to sharing best practices throughout the organisation.



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5.5 Safe workplace

Ensuring the health and safety of employees is one the Group's highest priorities. The participative bodies of workers in this matter are the State Committee of occupational health, and in the regions, the provincial health and safety Committees. Correos has its own prevention service, whose members are responsible for health prevention in each area.

In this setting, the Company also holds the vice presidency of the Spanish Association of Occupational Risk Prevention Services (AESPLA) and takes part in the PRL Innovation Forum.

Comprehensive risk prevention

Over the past year, 484 risk assessments and 940 emergency or self-protection plans in workplaces were conducted to identify and control the unavoidable risks that may affect health and safety. Moreover, technical studies, 59 of which were specific, were performed on noise, temperature, ergonomic evaluation or psychosocial risks, among other factors.

Furthermore, 84,413 hours of risk prevention training were given, in which more than 20,000

employees took part; 72,520 health and safety sheets were delivered to 28,640 workers, specifying the main risks and preventive measures; further information in this regard was sent through the internal communication channels. Moreover, as part of the annual campaign for health surveillance, 18,579 medical check-ups tailored to different jobs were given.

Other actions included the preparation of an action protocol to prevent any physical violence in workplace; the development of employee awareness campaigns under the slogan '*Entre todos hacemos prevención*' (Together we achieve prevention); collaboration with the Biomechanics Institute of Valencia on the ergonomic design of a new delivery cart; and the launch of a pilot project in Alicante for cardiovascular risk reduction through awareness raising.





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5.5 Safe workplace

The Group's subsidiaries have their own prevention and occupational health programmes. Thus, Correos Express gave 577 training hours on the occupational hazards associated with each job, conducted 20 risk assessments and 19 emergency plans in their operating centres, performed 676 medical examinations on employees, and implemented corrective measures on lighting and signposting in operational centres. Nexea and Correos Telecom run annual training and

information programmes on prevention and provide medical examinations for their employees.

Workplace accidents

	Correos		Correos Express		Nexea		Correos Telecom	
	Men	Women	Men	Women	Men	Women	Men	Women
Minor accidents	1,713	1,899	38	5	8	3	1	0
Serious accidents	5	5	0	0	0	0	0	0
Very serious accidents	0	0	0	0	0	0	0	0
Fatalities	1	0	0	0	0	0	0	0



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5.5 Safe workplace

Empresa saludable

In 2015, Correos introduced the *Empresa saludable* (Healthy company) corporate project, a comprehensive programme that promotes a multidisciplinary approach to those lifestyle habits that contribute to improving workers' health.

As part of this model, the *Canal Bienestar* telephone service was created, offering all employees medical, social, psychological, legal and dietary advice services, completely free and available 24 hours a day, 365 days a year.

The Company also developed the *Crea salud* project, with the aim of disseminating exercise and postural practices that help prevent injuries. In this first pilot scheme, 133 workers from 4 work centres in Barcelona took part, and were advised by professionals.

In recognition of these initiatives, Correos was awarded the *Empresa Saludable* certificate (with a score of 74 out of 100), which states that the Company has an integrated approach to managing the health of workers, incorporating it into all corporate policies, over and above compliance with the occupational risk prevention regulations.

In 2015 Correos noted a 1.2% reduction in days lost through absenteeism. However, it ended the year with a relative increase in the incident rate of 2.2%, though the Company's accident figures were well below the national average, where there was an increase of over 7%. As regards the Group's subsidiaries, their absenteeism and accident rates fell, with a 0 rate of serious or very serious accidents.



Empresa Saludable

Recognition to Correos with a score of 74 out of 100

	Absentee rate	Working days lost
Correos	4.4	121,065
Correos Express	3.0	1,905
Nexea	3.9	341
Correos Telecom	0.8	17



6. Commitment to the environment

*grupo***Correos**



Committed to sustainable growth

6.1 Sustainability, strategic commitment
for the future

6.2 Carbon footprint reduction

6.3 More environmentally friendly
products

6.4 Efficient consumption

6.5 Environmental management system

6.6 Environmental awareness



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6.1 Sustainability, strategic commitment for the future

Sustainability is a strategic commitment for the future for the Correos Group, as it is intrinsically linked to business development. Accordingly, the Group acts to reduce its major environmental footprints. One of the most important is CO₂ emissions derived from delivery transport, air conditioning in buildings and shipment sorting. To a lesser extent, emissions of nitrogen oxides (NO_x), sulphur oxides (SO_x) and particles or waste generation are also relevant impacts that the Group also takes into account and quantifies according to its environmental strategy.

Corporate environmental management programmes aim to meet the challenges of the sector, such as the rigorous national and international regulations on restrictions to vehicle traffic in cities, or the increasing demand of citizens and institutions due to information on environmental performance.

Applying environmental protection policies also provides business opportunities, such as reducing costs by lowering consumption, the capability to develop products and services that better protect the environment by leveraging innovation and the best practices created in Europe, or positioning the Group as a benchmark for sustainability in the postal sector.

For this reason, Correos not only quantifies and attempts to neutralise its environmental footprint, but helps its customers do the same, offering sustainable products, which incorporate a 'green' value into the supply chain.

Reducing impacts on the environment

Correos' main environmental objectives are part of the 2014-2020 Efficiency and Sustainability Plan that focuses on identifying, evaluating and managing impacts on the environment, with three primary lines of action: reducing CO₂ emissions, developing more environmentally friendly products and increasing energy efficiency.





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6.1 Sustainability, strategic commitment for the future

2014-2020 Efficiency and sustainability plan

1	Energy efficiency	Scope of action	2015 Achievements	2020 Challenges
		<ul style="list-style-type: none">100 Plan for energy efficiencyEmployee awareness	<ul style="list-style-type: none">Training in efficient drivingIT equipment energy-control and monitoring softwareDistribution of the energy-saving guide to employees	<ul style="list-style-type: none">25% reduction in energy consumptionImprove efficiency of lighting and heating of buildingsIncorporate more environmentally-friendly vehicles
2	Reduction of CO ₂ emissions			
		<ul style="list-style-type: none">Participation in IPC's EMMS programmeUse of renewable energyAlternative and efficient fleet	<ul style="list-style-type: none">Silver level in emissions management under the EMMS programme23% reduction in greenhouse gas emissionsThird place in the IPC Drivers Challenge competitionRenewable energy purchase volume of 66%First CO₂ neutral corporate event	<ul style="list-style-type: none">Reduce CO₂ emissions by an additional 20%Purchase 100% renewable energyMaintain increase in emissions per delivery at below 2%Establish 'zero emissions' delivery areas in urban areas
3	Development of CO ₂ neutral products			
		<ul style="list-style-type: none">Carbon footprint calculatorCO₂ neutral shipmentsCompensation Programmes	<ul style="list-style-type: none">New design of 'Línea Verde' products with greener packagingWorld Mail Awards for the carbon footprint calculator	<ul style="list-style-type: none">Increase portfolio of sustainable productsEnhance added values such as neutrality in postal services



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6.2 Carbon footprint reduction

Reduction of emissions: target achieved

Climate change is one of the medium-term and long-term risks identified by the Group. Thus, since 2008 Correos, along with 24 other postal operators, has taken part in the Environmental Measurement and Monitoring System programme (EMMS) of the International Post Corporation, which aims to quantify and reduce the postal sector's CO₂ emissions.

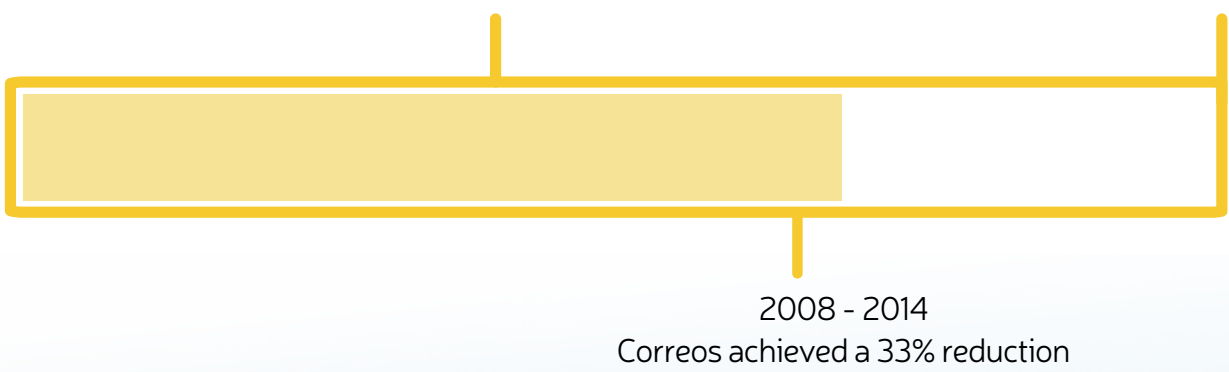
By 2014, the Company had already reached the objective set by this programme for 2020, namely a 20% reduction of greenhouse gas emissions. For that reason, last year a new goal was set, consisting of cutting emissions by an additional 20% over the figure for 2013.

Also within the EMMS evaluation scheme, in 2015 Correos achieved the silver level, corresponding to a management of emissions above 75%. This was made possible by achieving a 23% emission's reduction of scope 1, 2 and 3.

These results were possible thanks to energy efficiency measures introduced since 2010 and the purchase of renewable energy since 2014.

IPC initial target
2008 - 2020
20% reduction
of CO₂ emissions

New IPC objective:
Reduction of an additional
20% per letter and package





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6.2 Carbon footprint reduction

Correos' greenhouse gas emissions (tCO₂)



Direct emissions (Scope 1)

2014

2015

41,624

39,748



Indirect emissions (Scope 2)

32,683

17,183



Other indirect emissions (Scope 3)

129,002

151,900



Emissions per mail item (g CO₂/mail item)

19.9

19.4

Other atmospheric emissions (kg)

2014

2015



SO_x

133

128



NO_x

56,871

48,551



Particulas

4,593

4,116



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6.2 Carbon footprint reduction

Carbon footprint calculator

The Carbon footprint calculator, designed and developed by Correos from the life-cycle evaluation of the company's products, measures the environmental burdens associated with postal activities.

The calculator quantifies the impact of the admission, transportation, treatment and distribution phases of deliveries. Thus, each delivery's carbon footprint is calculated and customers are aware of its amount and offered alternatives to offset the emissions caused by their own activity.



World Mail Award 2015-carbon footprint calculator

Best CSR initiative in the postal sector





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6.3 More environmentally friendly products

Greener Packaging

Through the 'Línea Verde' products, Correos markets envelopes, boxes and packaging made of 100% recyclable paper and cardboard, part of the proceeds from which are used to finance reforestation projects around Spain.

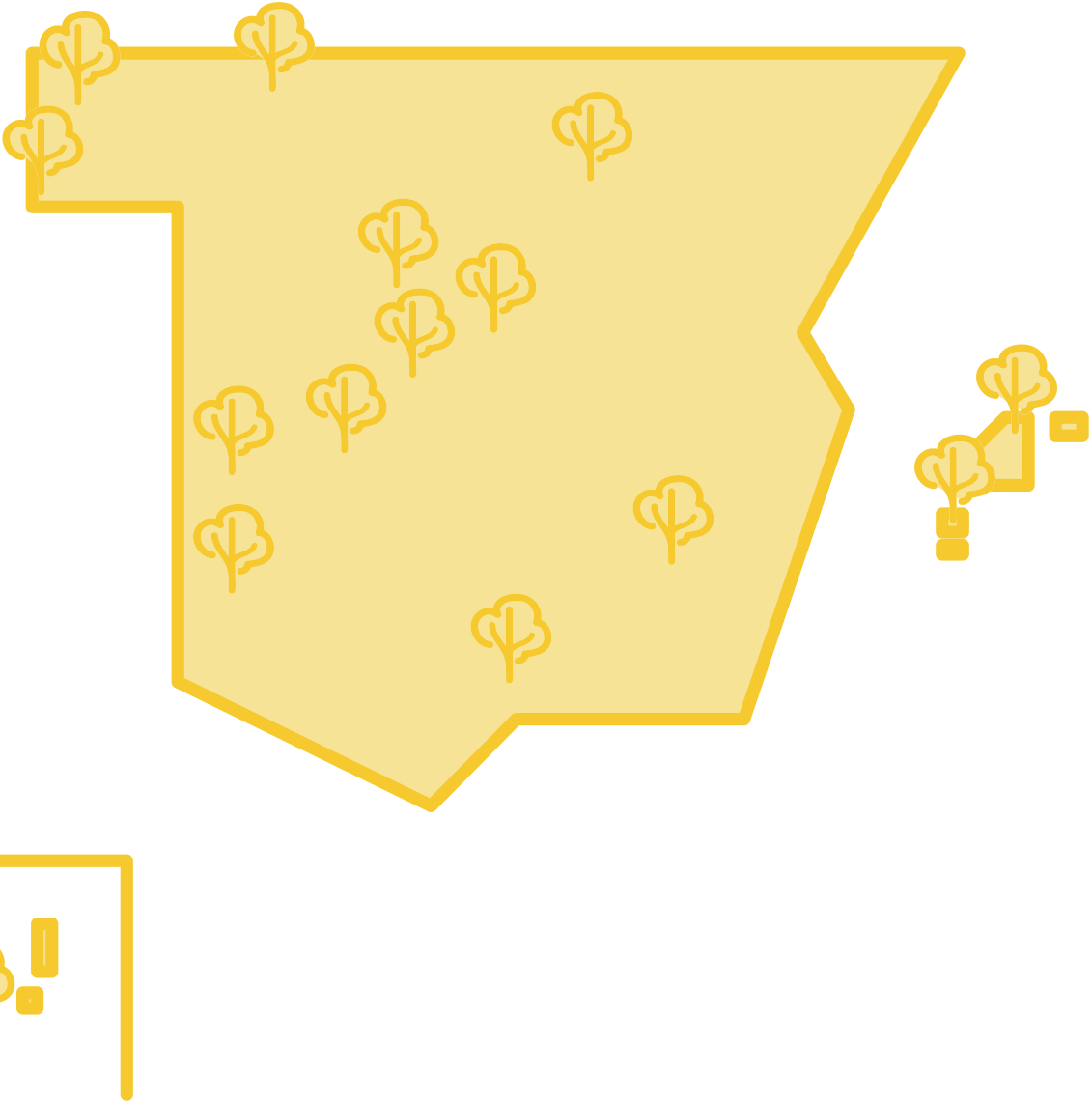
In 2015, the specifications of these packages, which are produced using 100% recycled paper and cardboard of certified origin, were renewed and the use of bleaching agents and inks was reduced.

Last year, the 'Bosques de Correos' reforestation project, in collaboration with the WWF Spain association, helped recover an area of 10 hectares on the banks of the Jarama and Manzanares rivers (Madrid), preventing erosion and creating a wildlife corridor in the area.

Since this project started in 2000, Correos has helped restore 1,700,000 m² of forest ground cover.

- Benalmádena (Málaga)
- La Dehesa del Alto Clamores (Segovia)
- Carreña de Cabrales (Asturias)
- Cañamero (Cáceres)
- Vega de San Mateo (Gran Canaria)
- Vales de María (Zaragoza)
- Lugo
- Pontevedra
- Tembleque (Toledo)
- Lorca (Murcia)
- Valencia de Alcántara (Cáceres)
- Benirràs (Ibiza)
- Artà (Mallorca)
- Riba de Saelices - Parque Natural Alto Tajo (Guadalajara)
- Parque Regional Sureste (Madrid)

Bosques de Correos





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6.3 More environmentally friendly products

Sustainability and solidarity

Thanks to the energy efficiency measures undertaken, Correos' delivery carbon footprint is very small and can be offset by a small proportion of carbon credits acquired on the voluntary carbon market; the credits are also linked to socially sustainable projects.

Thus, the emissions from 'Paq48' deliveries made during the Climate Change Conference in Paris (COP21) were offset by credits associated with the Argibem project, for using wood waste instead of fossil fuels in various pottery companies in some Rio de Janeiro areas (Brazil).

Similarly, credits of a conservation project in the Amazon in Madre de Dios (Peru) were acquired to offset the emissions generated in the corporate employee recognition event. The project combines the fight against climate change and poverty.





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6.4 Efficient consumption

Energy efficiency

Reducing emissions to target levels is basically achieved by Efficiency and Sustainability Plan which, among other measures, includes a policy to gradually acquire 100% renewable electricity of guaranteed origin, to use biomass or solar energy to power heating systems, and to incorporate cleaner vehicles.

As part of this plan, which aims to reduce energy consumption by 25% by 2020, last year's initiatives focused on improving control systems and the quality of energy reports. This enabled the company to detect irregular consumption in buildings and establish specific action plans and optimise energy performance.

These measures, were taken along with others, such as optimising the contracted power supply, applying the 100 Plan for reducing the impact and energy cost of buildings with the highest consumption of electricity and gas, and the annual 'Award for environmental commitment' competition. Last year 50 work centres took part in the initiative, 8.7% more than the previous year, and together they reduced their consumption by 2.5%.

Throughout the year, the amount of 100% renewable energy with guarantee of origin certificate reached 66% of total consumption.

Correos' energy consumption (GJ)



Natural gas



Gasoil



Automotive diesel



Petrol



Carbon, butane and propane



Electricity

2014

2015

63,205

69,771

61,924

51,524

373,741

334,385

54,407

51,849

322

440

494,905

512,740



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6.4 Efficient consumption

Sustainable transport

In 2015 Correos' transport fleet included 174 electric vehicles of various types (cars, motorcycles and bicycles); in 2016 a further 125 will be added. These means of transport are preferably used in urban environments and historical city centres where vehicular mobility is restricted.

In addition to reducing emissions by using these vehicles, the company is undertaking various initiatives to promote sustainable transport among its employees and providing training on more efficient driving techniques. Therefore, last year 20,000 employees received online courses on this and a further 120 workers attended onsite training sessions.

From among these attendees, an employee from Málaga was selected to represent Correos in the IPC eco-driving Drivers' Challenge, organised by International Post Corporation in Finland, obtaining the third place as one of the most environmentally efficient drivers.



IPC Driver 2015 Award

Third Place prize for ecological and efficient driving





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6.5 Environmental management system

Environmental management system

Correos' environmental management system is certified under the ISO 14001 standard, which helps monitor and improve the company's environmental activities.

This system tracks global indicators, such as waste generation, CO₂ emissions, paper, water or office consumables. These data are supplemented with information on polluting emissions provided by the CORINAIR methodology (reference guide prepared by the European Environment Agency to calculate emissions of NO_x and SO_x particles from delivery vehicles).

The company's environmental management system not only involves detailed measuring and monitoring of the environmental impacts of certified centres, but also the monitoring throughout the organisation of the factors with greatest environmental impact, such as energy consumption, pollutant emissions, water and paper consumption or hazardous and non-hazardous waste management.

Indicator

- CO₂ emissions
- NO_x, SO_x
- Energy consumption
- Water
- Waste management

Methodology used

GHC Protocol, Verification Report, ISO 14064
CORINAIR
Direct calculation on turnover
Direct calculation on turnover
Direct calculation on turnover

● Direct measurement ● Estimate



Water consumption

2014 2015

Water consumption (m³) 306,854 297,413



Managed wastes

2014 2015

Hazardous 'fll [t 743,068 775,493

Non-hazardous 'fP [t 1,729 4,921



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6.5 Environmental management system



Environmental certifications

In 2015, Correos renewed its ISO 14001 certification for 18 automated processing centres, 16 main offices, Madrid 2 mass admission centre (CAM2) and the Madrid-Barajas international processing centre, to which was added the Barcelona integrated logistics centre (CLI).

The Correos Express' subsidiary also validated its environmental certificates in the Madrid transportation hub (Madrid CTM), at Coslada (Madrid CTC) and at Barcelona, as well as did Nexea in its two operating centres.



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6.6 Environmental awareness

Correos also encourages its employees to adopt sustainable environmental practices. In 2015, the corporate Intranet published a guide on energy savings and efficiency, with recommendations on improving energy use, water consumption and waste management in several workplaces.

Additionally, a decalogue posters with the top ten energy savings guidelines were distributed according to the use made of each building, and an efficiency project began in the workplace to reduce power consumption of IT equipment by 35%.

'Un millón de compromisos'

Correos joined the 'Un millón de compromisos con el clima' (One Million Commitments for the Climate) initiative by the *Ministerio de Agricultura, Alimentación y Medio Ambiente* (Ministry of Agriculture, Food and Environment) to contribute by individual or collective actions to support the Climate Change Conference in Paris.

Its aim was to raise awareness of the importance of the fight against climate change through social media (Twitter, Facebook, Youtube and the 'Voces por el Clima' blog). The contributions were published on the www.unmillonporelclima.es platform, including the commitments made by Correos and videos made by employees. The campaign poster was also included on 5,000 delivery carts during a month, to increase the initiative's visibility.

'Earth Hour'

For the seventh consecutive year, the company joined the global 'Earth Hour' event organised by the WWF, by switching off the lights for one hour in 4,500 offices, units and centres and informing of the event through internal and external corporate's communication channels.

First neutral emission event

The 2015 employee recognition day was the first carbon-neutral event organised by the Company, offsetting all CO₂ emissions generated by the organisation (travel, lighting, sending invitations, etc.) with credits associated with an environmental project in Peru.



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6.6 Environmental awareness

Carbon footprint register

The company is also registered in the Register of Carbon Footprints, Offsetting and Carbon Dioxide Absorption Projects of the Ministry of Agriculture, Food and Environment. This register encourages organisations to measure and reduce their carbon footprint, and promotes projects that improve their ability to combat climate change.

Institutional commitments

In addition to the aforementioned collaborations, Correos has commitments with other international organisations in order to communicate and improve the company's environmental performance.

1

Carbon Disclosure Project (CDP)

In 2015, according to the Carbon Disclosure Project (CDP) framework for emissions reporting, Correos obtained a score of 83 out of 100.

3

Science Based Targets

Correos is involved in this programme to prevent global warming by more than 2°C in the year 2100. The postal sector's goal is the first sectorial objective to be recognised by this initiative.

2

Climate Disclosure Standards Board (CDSB)

In 2015, the Company signed a commitment to adapt its environmental reporting models to the standards of this international consortium.





7. With society

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300 years of contributions to society

7.1 Corporate volunteering
and childhood

7.2 Solidarity programmes
in post offices

7.3 Employment and social inclusion

7.4 Links with culture and society

7.5 Correos' 300th anniversary



7.1 Corporate volunteering and childhood

Correos has been committed to corporate social responsibility since 1998 and the company contributes actively and voluntarily to improving social, economic and environmental conditions.

Created in 2014, the corporate volunteer programme 'Correos Solidaridad' (Correos Solidarity) aims to channel the social vocation of its employees, who contribute selflessly with their time and effort, with Correos' own contribution of the means, management and coordination to truly achieve the Programme's goals. Currently, over 1,000 volunteers across the seven zones of the Company are in the 'Equipos de Solidaridad' (Solidarity Teams).

In order to increase employees' awareness of volunteering, in 2015 the 'II Jornadas de Formación sobre Voluntariado Corporativo' (Second Corporate Volunteer Training Seminar) was held in the cities of Valladolid, Valencia, Sevilla and Zaragoza and attended by 70 employees. This seminar focused on the role of team facilitators or coordinators, who are responsible for motivating people and increasing team membership numbers.

To provide these employees with the tools they need to take part in several projects, Correos gave them a kit consisting of a volunteer backpack containing a T-shirt, hat and badge with the 'Correos Solidaridad' logo which was then used in all of the campaigns they took part in.

Food collection

The 'Correos Solidaridad' volunteers and their families took part in the large food collection (mainly non-perishable food) organised by the (Spanish Federation of Food Banks) FESBAL across all of Spain's provinces. Collection points were set up in post offices, distribution units and processing centres and several vehicles were available to transport food to the FESBAL's warehouses. Over 26 tons of food products were collected using these human and material resources.



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7.1 Corporate volunteering and childhood

Social awareness

Correos contributed by its logistics co-operation and its volunteers' solidarity to help organise the '18 carrera contra el hambre' (18th Race against Hunger) promoted by *Acción contra el Hambre* (Action Against Hunger) in which more than 50,000 students from 130 Spanish schools took part. Similarly, about 50 employees took part in the 'All-Star' handball match against cancer, held in Málaga and organised by the Royal Spanish Handball Federation and the Cris Foundation.

The 'Correos Solidaridad' teams were also involved in collecting toys for Oxfam Intermon through the Zaragoza post offices, in planting trees in the *Bosques de Correos* (Correos' Forests), in selling 'Línea Verde' products and in the '5th Give & Gain Day 2015' held during the International Corporate Volunteer Week.

Child support initiatives

In 2015 we began working with the Tomillo Foundation on its 'Yo leo' (I read) comprehensive reading project. Groups of two or three volunteers regularly attended the organisation's centres to assist children and young people at risk of social exclusion and to help prevent early school leaving through reading related activities.

Every year, during the Christmas holidays, Correos helps children send their letters to the Three Wise Men. Volunteers visit hospitals, shelters and disability associations to personally collect more than 1,000 letters and to deliver gifts. Moreover, children can send their letters through the 855 special post boxes installed in post offices and via the www.carta.es website. Employees also took part in 72 Christmas parades in different cities of Spain.





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7.1 Corporate volunteering and childhood

‘Correos reparte sonrisas’

The company celebrated the 17th edition of the ‘Correos reparte sonrisas’ (Correos delivers smiles) programme in collaboration with *Payasos sin Fronteras* (Clowns Without Borders) and other non-profit organisations. The programme aims to support children recovering in hospital or undergoing long-term treatment. It also offers psychological and emotional support to other groups of children in especially difficult circumstances, such as disability, immigration or children in care. This project holds parties in hospitals or shelters and gives volunteer training workshops.

‘Correos reparte sonrisas’ 2015 figures



2
Training
workshops in:

1

Children’s University
Hospital Niño Jesús

1

Youth Red Cross
in Lleida



38
Parties in:

5

Hospitals

19

Special education
centres

6

Shelters

3

Immigration
associations

3

Prisons

2

Juvenile shelters



3,500
Beneficiaries





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7.2 Solidarity programmes in post offices

Toys for every child

Last year Correos took part in the '*Un juguete, una ilusión*' (A toy, a dream) initiative of the *Crecer Jugando* Foundation and *Radio Nacional de España* (National Radio of Spain). Post offices continued to be the leading sales channel for this programme, selling over 118,000 solidarity pens. The proceeds will be used to send toys to children in 21 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.

Solidarity backpacks

The Company sold 55,000 units of '*La mochila que lleva buenas noticias*' (The backpack that carries good news). The proceeds went to the *Ayuda en Acción* (Aid in Action) school meal grant programme, which serves more than 11,000 children at risk of social exclusion.

Fill their backpacks with hope '*Mensajeros de la Paz*'

The Company supported the *Fundación Mensajeros de la Paz* (Messengers of Peace Foundation) 'Fill their backpacks with hope' campaign by collecting school supplies in post offices and Correos Express centres and subsequently transporting them. Thanks to the solidarity of the citizens and employees, over 9 tons of pencils, notebooks, paints, rulers, pens, erasers, pencil cases, backpacks, and other items were collected and distributed among the families of 4,500 children from all over the country who did not have resources to start the school term.

Sale of UNICEF and Spanish Red Cross products

Correos has supported UNICEF for more than 40 years by selling solidarity products and Christmas cards. Over 390,000 cards were sold in 2015 to finance the organisation's projects.

Similarly, as part of a joint project with the Spanish Red Cross, post office branches sold over one million lottery tickets for the *Sorteo Extraordinario de Navidad* and about 380,000 tickets for the *Sorteo del Oro*.



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7.3 Employment and social inclusion

The Company promotes equal opportunities for people with disabilities. To that end, the company works with foundations, special employment and occupational centres to promote the development and integration of people with disabilities into the workplace

Last year, the Company and Correos Express took part in La Caixa's 'Incorpora' programme to integrate people with disabilities in the workplace, and have agreements with the Carmen Pardo Valcárce Foundation, ACIDH (the Catalan Association for Integration and Human Development), the Madrid Down's Syndrome Foundation and the Dales la Palabra Foundation, among others. The Company also donated 109 computers to schools and organisations involved in integrating people with disabilities or at risk of social exclusion.

Correos has also signed agreements under which it purchases goods and services from foundations and special employment centres. This kind of indirect employment, foreseen in the regulations setting aside jobs for this social group, contributes towards their labour integration.



Recognition of the *Servei d'Ocupació de Catalunya* (Catalan Employment Service) and the *Consell General of Cambres de Catalunya* (General Committee of Chambers of Commerce of Catalonia)

In recognition of Correos' collaboration with FEMAREC for the integration of groups at risk of exclusion

Support for immigrants

The Company renewed its support of the project of *Fundación Migrar* (Migration Foundation) of Spanish Red Cross, which promotes the social, labour and cultural integration of immigrants in Spain. Its website (migrar.org) provides online content, training and access to job offers to over 120,000 users every year.

The company also helped raise awareness of the Spanish Red Cross campaign for refugee assistance called '*Es momento de proteger a la humanidad*' (It's time to protect humanity). To this end, a banner, aimed at raising awareness and funds to alleviate the refugee crisis in Europe, was published on the corporate website and linked to the initiative's portal. Similarly, part of the raised funds of Correos' solidarity campaign for replacing mobile phones, carried out in cooperation with Energy Sistem, went to the same cause.



7.4 Links with culture and society

Art in our post offices

The 'Correos con el Arte' (Correos with Art) initiative aims to make art available to the citizens while supporting local artists by providing office space to exhibit their works. In 2015 about 50 painting, sculpture and photography exhibitions were organised.

The travelling exhibition devoted to Mail Art, the postal art movement that uses postal channels to send works of art, toured 15 cities' main post office. The exhibition, visited by over 160,000 people, featured 288 entries by national and international artists received for the '1 convocatoria de Mail Art de Correos' (1st Edition of Correos Mail Art) held in 2014. Likewise, 350 works created by people with Autism Spectrum Disorder were also displayed, the result of a collaboration with the *Confederación Autismo España* (Spanish Autism Confederation), thus contributing to their work to raise awareness of the disorder.

During 2015, a photographic exhibition promoted jointly with the United Nations' World Food Programme and entitled 'Entregados Hambre Cero' (Hunger-Free Deliveries) was inaugurated in post offices in 15 cities. The aim is to publicise the organisation's work to improve the lives of millions of people.

For this exhibition, pictures on four themes were selected: Ability to reach every corner, Investing in the future, Commitment to sustainability; Empowering future generations and Telecommunications. Spanish Red Cross and Spanish Federation of Food Banks (FESBAL) also collaborated on this exhibition, providing photographs of their work.





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7.4 Links with culture and society

The social role of stamps

Through the ‘Disello’ competition, Correos aims to raise awareness of the important role played by stamps as a platform for artistic and cultural expression. The second edition of this event, which asks the public to propose their own designs, commemorated the fourth centenary of the death of writer Miguel de Cervantes.

Some collectors’ editions aim to disseminate social and ethical values and raise public awareness of the work of solidarity organisations. Thus, last year the Civic Values philatelic series was devoted to promoting creativity. Other stamps served to raise awareness of the fight against hunger and human trafficking or to mark the 70th anniversary of the UN and Spain’s 60 years of membership.

With Spanish sport

Correos shares the values of teamwork and discipline seen in Spanish sport and, in 2015, the Company continued to support the women’s and men’s national handball teams and the Spanish Olympic Team through the ADO programme.





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7.5 Correos’ 300th anniversary

Correos celebrates its tercentenary in 2016. Since July 8, 1716, the postal service has evolved together with society and has been a pioneer in offering the most innovative services in each period, anticipating new demands.

Since 2015, various commemorative events have been in preparation and the first was held on World Post Day (9 October). One of the most noteworthy events was Correos’ first film festival. The event included a full programme of national and international films, round tables with renowned filmmakers, children’s sessions and exhibitions of cinema themed stamps. The event honoured the figure of post carriers and their importance to society. The festival also included a National Short Film Competition to support and reward young visual artists, with a special category for employees.

Moreover, citizens were invited to select the 300 best stamps issued since they were first created in 1850. A special book with the results of the vote was published and the ‘Correos’ 300th

Anniversary’ exhibition was organised. Finally, a special logo was designed to celebrate this special event throughout the year.



ANIVERSARIO

Tú cambias, y nosotros contigo

With these acts, and many others that will be held during 2016, Correos wishes to share with society three centuries of constant evolution: from the installation of the first post boxes to the modern ‘HomePaq’ locker systems for home delivery and collection; and from the introduction of the stamp to the development of the ‘eCorreos’ digital services portfolio. In all, 300 years changing along with society.





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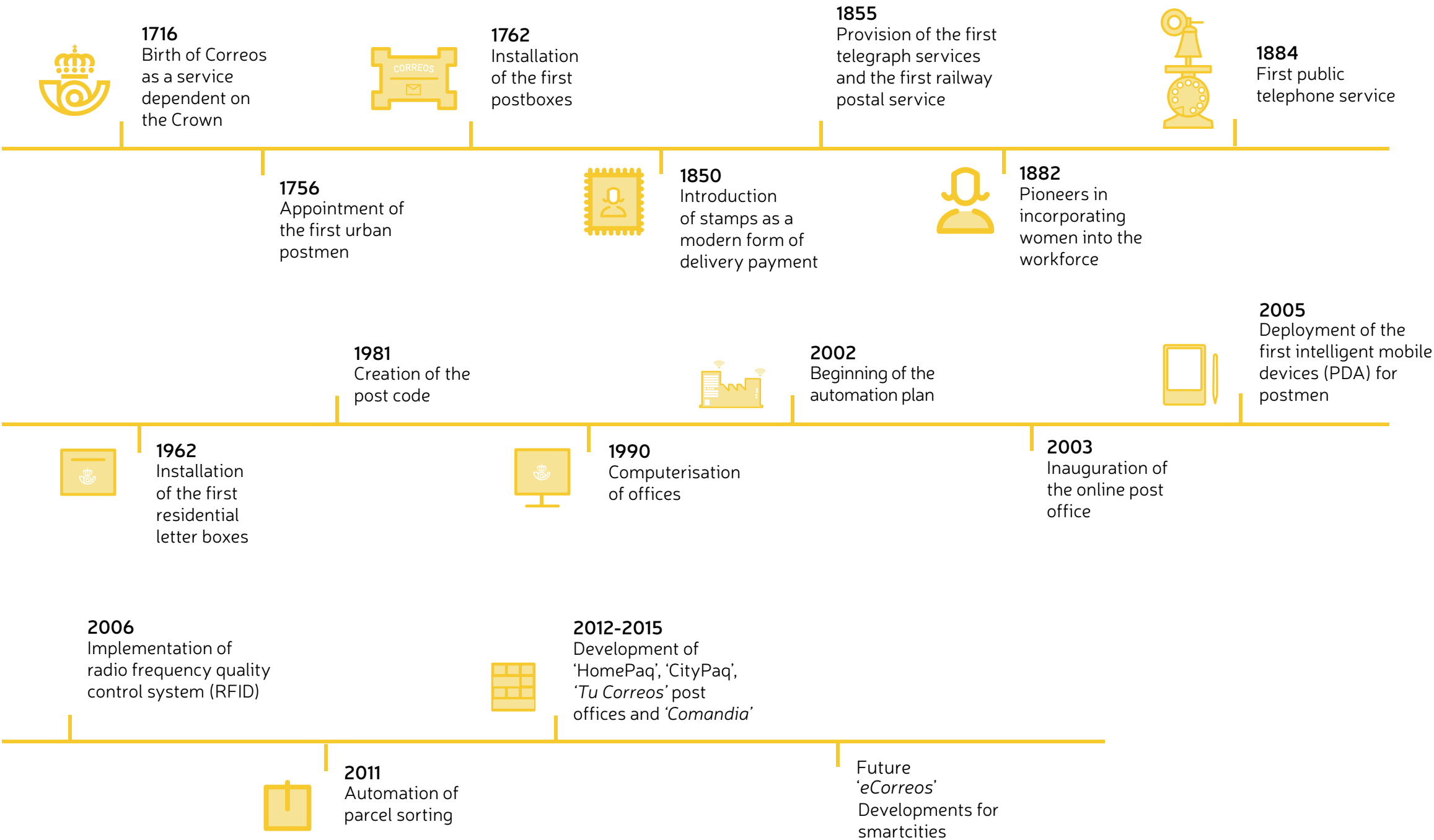


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7.5 Correos' 300th anniversary





8. Good governance

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Responsibility and ethics

8.1 Structure and organization

8.2 Practices of good governance

8.3 Risk management

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8.5 Correos, the Universal Postal
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8.1 Structure and organization

The Sociedad Estatal Correos y Telégrafos, S.A. is a public limited company. Its sole shareholder is the Sociedad Estatal de Participaciones Industriales (SEPI), under the public ownership of Ministry of Finance and Public Administration.

Correos is the parent company of the Correos Group and has a 100% holding in the subsidiaries Correos Express Paquetería Urgente, S.A., Nexea Gestión Documental, S.A. and Correos Telecom, S.A.

Correos' governing bodies

The parent company's governing bodies are the General Meeting of Shareholders and the Governing Board.

The Company is managed by the Governing Board, its Chairman and the Executive Committee, whose responsibilities are specified in the Company's Articles of Association (modified in 2015 to adapt them to Act 31/2014, of 3 December, amending Royal Legislative Decree 1/2010, of 2 July, approving the Revised Text of the *Ley de Sociedades de Capital para la Mejora del Gobierno Corporativo* (the Capital Companies Act to Improve Corporate Governance)).

Correos' Governing bodies





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8.1 Structure and organization

Correos' Governing Board



The composition of the Governing Board of Correos at 31 December 2015 is as follows:

Mr. Francisco Javier Cuesta Nuin
Chairman

Ms. Ana Bosch Jiménez
Independent Director

Mr. Luis de Burgos Buil
Independent Director

Ms. Carmen Castaño Laorden
Independent Director

Ms. Eloisa Contín Trillo-Figueroa
Independent Director

Mr. Rafael García Monteys
Independent Director

Mr. Aquilino González Hernando
Independent Director

Mr. Fernando Irurzun Montoro
Independent Director

Ms. Belén Jorge Fuentes
Independent Director

Ms. Rosario Martínez Manzanedo
Independent Director

Mr. Juan Luis Nieto Fernández
Independent Director

Mr. José Ángel Partearroyo Martín.
Proprietary Director

Mr. Pedro Pascual Fernández
Independent Director

Ms. Mercedes Rodríguez Arranz
Independent Director

Ms. Marta Vega Velasco
Independent Director

Mr. José María Elías de Tejada Casanova
Secretary not member of the Board

Governing Board meetings



Governing Board
meetings

11



Audit and Control
Committee meetings

4



47% female directors



The Board members are aged
between 35 and 58



8.1 Structure and organization

The members of the Governing Board of Correos receive only the allowances approved by the General Meeting in the circumstances established by Royal Decree 462/2002, of 24 May, regarding compensations due to service and by current legislation for public bodies and trading companies in force at the time. In accordance with Act 5/2006, of 10 April, the allowances of the senior management directors are paid into the Public Treasury. The Chairman does not receive attendance fees.

In 2015, the Regulations of the Governing Board of Correos, in force since 2013, were modified in compliance with the recommendations of the SEPI Group. The Regulations are an additional commitment to applying best practices and standards of good governance to the functioning of this body.

➤ [Link to the Regulations](#)

Governing bodies of Correos Group subsidiaries

The governing bodies of Correos subsidiaries are:

- General Meeting of Shareholders
- Governing Board
The Governing Board consists of a maximum of 12 and a minimum of 6 members in the case of Correo Express, and a maximum of 8 and a minimum of 4 members in the cases of Nexea and Correos Telecom. The process for appointing board members, chosen from the members of the Correos management team and SEPI Group, assesses the training and experience required in order to form part of the Group's governing bodies. The Directors do not receive attendance fees.

Since 2013, the subsidiaries of the Group have their own Audit and Control Committees.





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8.1 Structure and organization

Governing Boards of Correos Group subsidiaries

The composition of the respective Governing
Boards at 31 December 2015 is as follows:



Mr. Magín Blanco González.
Chairman

Mr. Alberto Alonso Poza

Mr. Óscar Medina Martín

Mr. Jesús Moreno Vivas

Mr. David Muntañola Prosper

Mr. Luis Pérez Capitán

Mr. Manuel Rey González

Mr. Domingo Sebastián Bello

Mr. José María Elías de Tejada Casanova.
Secretary not member of the Board

Mr. Álvaro Botella Pedraza.
Vicesecretary not member of the Board



Governing
Board meetings
13



Audit and Control
Committee meetings
3



Mr. David Muntañola Prosper.
Chairman

Mr. Alberto Alonso Poza

Mr. Gregorio Cuñado Ausín

Mr. José María Elías de Tejada Casanova

Mr. Óscar Medina Martín

Mr. Luis Pérez Capitán

Mr. Álvaro Botella Pedraza.
Secretary not member of the Board



Governing
Board meetings
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Audit and Control
Committee meetings
3



Mr. Jaime Sanz García.
Chairman

Mr. Alberto Alonso Poza

Mr. José María Elías de Tejada Casanova

Mr. Óscar Medina Martín

Mr. Juan Risquete Fernández.
Secretary not member of the Board



Governing
Board meetings
12



Audit and Control
Committee meetings
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8.1 Structure and organization

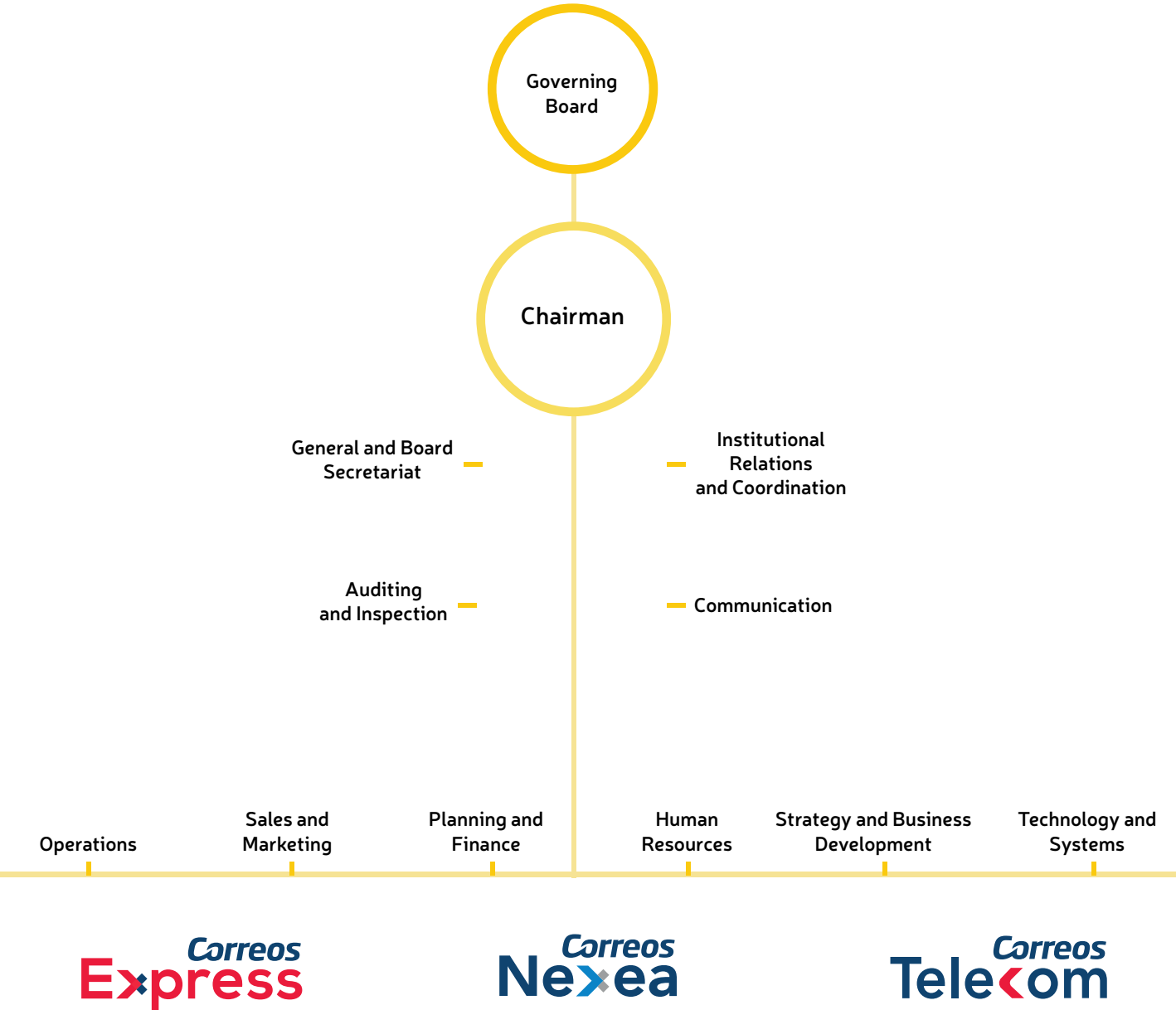
Management Committee

The Management Committee of the Correos Group is an internal collegiate body which is to aid the Chairman in his ordinary duties, policy-making, development and coordination of all key issues between the different departments and companies.

Made up of the Correos Chairman and its managers and by the general managers of Correos Express and Nexea, it meets weekly at the request of the Chairman. The members of the Management Committee do not receive a specific remuneration for attendance.

➤ [Link to CVs](#)

Organisational chart of the Correos Group





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8.2 Practices of good governance

The Correos Group promotes ethically responsible corporate actions. To this end, the Group has procedures for promoting good governance and internal control, in order to prevent, detect and, if necessary, eradicate corrupt practices or practices contrary to professional integrity.

The Corporate Governance Report of the company is prepared annually in accordance with the principles set forth in Royal Decree 1373/2009, of 28 August. These principles include integrating the public business sector into the framework of the market economy, without prejudice to the peculiarities of the public sector; the adoption of a management model based on the promotion of efficiency through the establishment of standards of good practice and codes of conduct, and the application of the general principle of transparency in the management of public companies.

➤ [Link to Report](#)

Transparency in management

Each Group company has created a transparency portal on its website that periodically publishes information on the Company's business activity, its financial and economic management, contracting procedures or legal and organisational framework.

Each portal also has various access channels, through which citizens can send their requests for public information under the terms specified in Act 19/2013, of 9 December.

➤ [Link to Correos, Correos Express, Nexea, Correos Telecom portals](#)



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8.2 Practices of good governance

Compliance and commitment to ethics

Since 2014, the Correos Group has operated a Criminal Risk Prevention Programme; this includes the General Code of Conduct, which contains the reference values that govern the actions of all employees. This document is available on the Intranet and on the corporate websites for reference by all stakeholders.

➤ [@b_'hc'FY\[i`Uhcfm
7ca d`\]UbW'Dfc\[fUa a Y](#)

The Group also has a Compliance Committee, a collegiate body whose main function is to evaluate and report (biannually to Correos' Governing Board, and monthly to the Audit and Control Committee) on acts that potentially contravene the organisation's guiding principles. The Committee also has a communication and complaint channel, to facilitate compliance with the objectives of the Code of Conduct. In 2015, 49 communications, 12 inquiries and 12 complaints were received through this channel and analysed.

Correos' commitment to excellence in its service and to sustainability is also specifically stated in the declaration signed by the Chairman with the stakeholders. This document can be viewed at all post offices and on the corporate website.

➤ [Link to Policy of excellence](#)





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8.3 Risk management

The risk analysis and management system is based on several action protocols that are aimed at identifying, managing, preventing and guaranteeing an adequate response if any risks arise.

Among the most relevant risks, the Group risk-map identifies market, operational, employment, environmental, reputational, legal, tax or financial risks, as described in the management report of the consolidated financial statements.

Security in operating processes

Correos has a Security Operations Centre, which receives signals and/or images from over 135,000 devices installed throughout the country. This centre continuously monitors over 2,600 workplaces to guarantee employee and customer security; this reduced the number of incidents by 12% during the previous year.

Moreover, mail is regularly inspected using X-ray equipments. As a result, 1,079 mail items with alleged criminal content were detected and delivered to the authorities.

Correos works closely with several bodies, the State security forces and law-enforcement agencies, such as the National Police Force through the Blue Network, the Civil Guard through the Colabora Portal and the Postal security group of the Universal Postal Union. It also participates in SAFEPOST, a security project for postal processes promoted by the European Union.

Finally, Correos is accredited to accept and transport certain dangerous goods as airmail under the terms provided in Order FOM/456/2014, of 13 March.





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8.3 Risk management

Internal audit procedures

The companies of the Correos Group are subject to the control of the General State Intervention Board and the Court of Auditors. Similarly, through internal audits, the principles of good governance and management are also applied to reduce risks related to achieving the Group's business objectives.

Last year 1,314 control and economic accounting audits were conducted in post offices, processing centres, distribution units and in the BanCorreos area. The outcome of these actions is regularly reported to the Audit and Control Committee and the management team.

With regards to the obligations under Act 10/2010, of 28 April, on the prevention of money laundering and the financing of terrorism and its relevant Regulations, the prevention of money laundering area is annually audited and the due diligence measures applied throughout the post offices' network are continuously monitored. Moreover, 30,517 Group employees were trained in this area.





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8.4 Relationship with suppliers

Owing to the nature of the activities they carry out, the companies in the Correos Group collaborate with a large number of suppliers in different sectors, in all phases of the supply chain. The Group's contractual activity is subject to the principles of publicity, competition, transparency, equality and non-discrimination.

In 2015, Correos awarded contracts for a net amount of 436 million euros, of which 61 million corresponded to investment and 375 million to general expenses. These contracts were undertaken by 7,562 suppliers (334 investment and 7,228 expenses), the majority of these at a national level.

In the case of subsidiaries, tenders are related mainly to their corporate purposes; therefore, Correos Express has contracts with about 1,800 suppliers, mostly for transport; Nexea, with 82 paper, envelope and equipment maintenance services suppliers; and Correos Telecom, with 80 companies that operate and maintain telecommunications assets or supply equipment.

Contract framework

The Group contracting regulatory framework consists of:

- 1 Royal Legislative Decree 3/2011, of 14 November, enacting the amended text of the Public Sector Contracts Act.
- 2 Law 31/2007, of 30 October, on procurement procedures in the water, energy, transport and postal service sectors
- 3 Internal Instructions of Procurement

➤ [Link to Contractor profile](#)



8.4 Relationship with suppliers



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The Investment Committee is the body that reports, approves and submits to the Governing Board the contracts provided for in the Internal Instructions of Procurement and in the Governing standards for the system used to authorise and monitor acts and operations by the SEPI Group.

All parties interested in taking part in the contract procedures must guarantee compliance with the principles of the United Nations Global Compact, including matters related to human rights, the elimination of all forms of forced labour, the eradication of child labour and freedom of association and collective bargaining. Due to its geographical scope of action and the nature of its suppliers, the Correos Group considers that none of them present a significant risk of breaching these principles. Similarly, successful bidders for contracts must be aware and accept the principles contained in the General Code of Conduct of the Correos Group.

Furthermore, tenderers are obliged to submit a quality and environmental report in the technical specifications for the contracting of works; moreover, social and environmental criteria will be valued in the tenders in which they are applicable.



8.5 Correos, the Universal Postal Service provider

Legal framework

The Spanish postal market was fully liberalised on 1 January 2011, following the entry into force of Act 43/2010, of 30 December, which transposes the Directive 2008/6/EC in Spanish law for the full implementation of postal services in the internal market.

By virtue of this regulation, Correos is the designated operator for providing Universal Postal Service in Spain for a period of 15 years from its effective date.

Act 43/2010 also governs the conditions for collection, admission, distribution and delivery required from the designated operator for providing the Universal Postal Service under a regime of public service, as well as the cost and financing mechanisms of these obligations, the prices and other cost conditions of the postal services. Nowadays Universal Postal Service Provision Plan and regulating contract are still pending of approval.

➤ [Link to Postal Act](#)

Moreover, Correos and Correos Express also operate in the parcel service market, subject to Act 16/1987, of 30 July, concerning Ordinance of Overland Transport, and to Act 15/2009, of 11 November, Regulating the Overland Transport of Goods Contract. Correos Telecom's activity is regulated by Act 9/2014, of 9 May, on General Telecommunications.

Postal regulation

Since 2013, the regulatory functions of the postal sector are the responsibility of the *Comisión Nacional de los Mercados y la Competencia* (hereinafter CNMC) (National Markets and Competition Commission) and the *Ministerio de Fomento* (Ministry for Public Works). The CNMC also governs the parcel and telecommunications markets in which the Group subsidiaries operate.





8.5 Correos, the Universal Postal Service provider

Services included and performance requirements

According to current regulations, the Universal Postal Service comprises the collection, admission, classification, transport, distribution and delivery of ordinary letters and postcards up to 2 kg and postal parcels, with or without commercial value, up to 20 kg, to national or international destinations, as well as certified and declared value services for these products. It also includes domestic and cross-border direct marketing, books, catalogues, periodicals and any other whose circulation is not prohibited, under the aforementioned procedures.

Act 43/2010 states that the designated operator should conduct analytical accounting and keep separate accounts to ascertain the cost of providing the various services that are part, or not, of the Universal Postal Service, for purposes of determining the net cost of public service obligations.

Correos presents the net cost calculation of each year to the CNMC for verification; the CNMC determines the amount of the unfair financial burden of these obligations for subsequent compensation.

Moreover, prices of postal services provided under the public service obligations must be affordable, transparent and non-discriminatory and be fixed by taking into account the actual costs of the service. The regulatory body oversees that these rates are adapted to these principles.



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8.5 Correos, the Universal Postal Service provider

Delivery quality

The regulations also establish delivery quality requirements for the products that make up the Universal Postal Service. For ordinary letters it sets a goal of 93% delivery in 3 days (D+3) and 99% in 5 days (D+5). In 2015, Correos delivered 93.0% of letters in D+3 and 98.0% in D+5.

Correos regularly assesses the levels of compliance with these objectives and any possible areas of improvement using the SPEX system, which monitors the entire process from admission to delivery to the recipient.

This measuring model is audited by the regulatory body in accordance with UNE-EN 13850 'Postal services. Quality of services. Measurement of the transit time of end-to-end services for single piece priority mail and first class mail' to assess compliance with delivery quality.





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9. Consolidated annual accounts of Correos Group

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Independent auditor's report on the consolidated annual accounts

To the Single Shareholder of Sociedad Estatal Correos y Telégrafos, S.A (Single Shareholder Company):

Report on the consolidated annual accounts

We have audited the attached consolidated annual accounts of Sociedad Estatal Correos y Telégrafos, S.A.U. and its subsidiaries, including the consolidated balance sheet at 31 December 2015, the consolidated profit and loss account, the statement of changes in the consolidated equity, the statement of consolidated cash flow and the consolidated report for the financial year ending on the aforementioned date.

The Directors' responsibility for the consolidated annual accounts

The Parent Company's Directors are responsible for the drafting of the attached consolidated annual accounts and must ensure that they represent an accurate image of the assets, financial condition and consolidated results of Sociedad Estatal Correos y Telégrafos, S.A.U. and its subsidiaries, in accordance with the regulatory framework on financial information applicable to the Group in Spain, which is identified in note 3 of the attached report. They are also responsible for conducting such internal control as they deem necessary to ensure that the consolidated accounts are free of any material inaccuracies due to fraud or error.





Independent auditor's report on the consolidated annual accounts

The auditor's responsibility

Our responsibility is to issue an opinion on the attached consolidated annual accounts based on our audit. We have conducted our audit in accordance with the applicable audit regulations in Spain. These regulations require us to meet a number of criteria in terms of ethics, that we plan and carry out the audit in such a manner as to be reasonably certain that the consolidated annual accounts are free of any material inaccuracies.

An audit requires the application of procedures to obtain audit evidence on the amounts and the information set out in the consolidated annual accounts. The procedures selected depend on the auditor's judgement, including assessing the risks of material inaccuracies, due to fraud or error, in the consolidated annual accounts. When making this risk assessment, the auditor takes account of relevant internal control for the preparation by the Parent Company's Directors of the consolidated annual accounts, in order to design appropriate audit procedures based on the circumstances and not to express an opinion on the effectiveness of the company's internal control. An audit also includes an assessment of the suitability of the accounting policies used and whether the accounting estimates made by the management are reasonable. It also includes an assessment of how the consolidated annual accounts have been presented as a whole.

It is our opinion that the audit evidence we have obtained is sufficient and suitable for us to form an opinion as auditors.





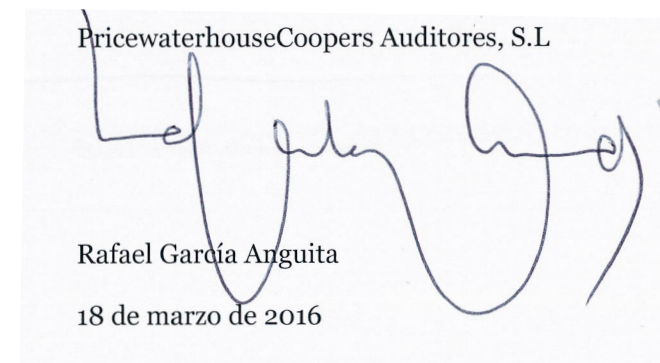
Independent auditor's report on the consolidated annual accounts

Opinion

In our opinion, the attached consolidated annual accounts express, in all of their significant aspects, an accurate image of the consolidated assets and consolidated financial position of Sociedad Estatal Correos y Telégrafos, S.A.U. and its subsidiaries at 31 December 2015, and of its consolidated results and consolidated cash flow for the financial year ending on the aforementioned date, in accordance with the applicable regulatory framework on financial information and, in particular, pursuant to the accounting principles and criteria set out therein.

Report on other legal and regulatory requirements

The attached 2015 consolidated management report contains the explanations that the Directors consider relevant regarding the position of Sociedad Estatal Correos y Telégrafos, S.A.U. and those of its subsidiaries, the development of their businesses and other issues. It does not form an integral part of the 2015 consolidated annual accounts. We have verified that the accounting information contained in the consolidated management report corresponds to that given in the 2015 consolidated annual accounts. Our work as auditors is limited to the verification of the management report with the scope mentioned in this paragraph and does not include the review of information not found in the accounting records of Sociedad Estatal Correos y Telégrafos, S.A.U. and its subsidiaries.



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R.M. Madrid, page 87,250-1, sheet 75, volume 9,267, book 8,054, section 3

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the chairman



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Consolidated balance sheet at 31 December 2015 and 2014

Expressed in thousands of euros

ASSETS	Notes	Balance at 31/12/2015	Balance at 31/12/2014
NON-CURRENT ASSETS		1,416,742	1,593,861
● Intangible fixed assets	6	37,934	26,825
Computer applications		37,682	26,532
Other intangible fixed assets		252	293
● Tangible fixed assets	7	1,394,389	1,428,331
Land and buildings		1,226,716	1,253,305
Plant and other tangible fixed assets		144,403	151,398
Circulating fixed assets and advances		23,270	23,628
● Property investments	8	9,965	4,602
● Long term financial investments	11	3,716	113,900
Long-term debts with government bodies	18		112,438
Other financial investments		3,716	1,462
● Deferred tax assets	18	15,738	20,203
CURRENT ASSETS		872,551	958,113
● Non-current assets held for sale	9	19,056	17,552
● Inventories	10	2,775	3,221
● Trade debtors and other receivables	11	671,027	710,099
Clients for sales and services provided		352,455	277,246
Clients, group companies and associates	20	53	53
Other debtors		286,883	420,976
Debts, group companies and associates	20	21,908	1,112
Staff		9,365	10,452
Other receivables from government bodies	18	363	260
● Short-term financial investments	11	5,361	5,355
● Short-term accruals		656	820
● Cash and other equivalent liquid resources	11, 12	173,676	221,066
TOTAL ASSETS		2,334,293	2,551,974

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NET ASSETS AND LIABILITIES	Notes	Balance at 31/12/2015	Balance at 31/12/2014
NET ASSETS		1,827,054	1,976,873
• Shareholders' Equity	13	1,547,832	1,682,753
• Capital		611,521	611,521
• Share premium		250,938	250,938
• Reserves		717,124	616,687
Legal reserve		100,070	79,905
Statutory reserves		214,119	173,790
Voluntary reserves		402,935	362,992
• Reserves in consolidated companies		2,347	9,716
• Result for the year attributable to Parent Company	4	(34,098)	193,891
• Government contributions, donations and legacies received	14	279,222	294,120
NON-CURRENT LIABILITIES		129,950	146,489
• Long-term provisions	15	35,707	47,482
• Long-term debts		986	566
• Deferred tax liabilities	18	92,716	97,884
• Long-term accruals		541	557
CURRENT LIABILITIES		377,289	428,612
• Short-term provisions	15	1,150	5,080
• Short-term debts	11, 16	22,609	17,247
• Short-term debts with group and associate companies	11, 16, 20	478	80,922
• Trade creditors and other accounts payable	11, 16	350,655	321,458
Suppliers		1,706	2,723
Suppliers, group companies and associates	16, 20	3	25
Other creditors		178,298	184,184
Staff		64,779	52,632
Other debts with government bodies	18	59,505	50,161
Customer advances		46,364	31,733
• Short-term accruals		2,397	3,905
TOTAL NET ASSETS AND LIABILITIES		2,334,293	2,551,974



Consolidated cash flow statement for the financial years ended 31 December 2015 and 2014

Expressed in thousands of euros

CONTINUED OPERATIONS	Notes	Financial Year 2015	Financial Year 2014
● Net turnover	17-a)	1,765,715	1,732,024
● Activities carried out by the company		1,031	
● Procurement		(170,042)	(165,966)
Consumption of merchandise	17-b)	(11,300)	(12,820)
Impairment of merchandise, raw materials and other supplies	10	(1,524)	(1,242)
Activities carried out by other companies	17-b)	(157,218)	(151,904)
● Other operating income		183,249	520,570
Income from accessory and ordinary activities		2,935	2,397
Compensation for provision of the UPS	17-c)	180,314	518,173
● Staff costs	17-d)	(1,442,527)	(1,412,977)
Wages, salaries and similar		(1,134,184)	(1,154,964)
Social Security contributions		(240,714)	(230,392)
Other costs		(9,080)	(9,375)
Extra pay December 2012		(58,549)	(18,246)
● Other operating expenses		(333,494)	(316,968)
External services	17-e)	(324,140)	(304,888)
Taxes	17-f)	(9,866)	(11,195)
Losses, impairment and change in provisions for commercial operations		(860)	(7,181)
Other expenses from ordinary activities		1,372	6,296
● Amortisation of fixed assets	6, 7, 8	(85,960)	(81,875)
● Allocation of government contributions in the form of non-financial and other fixed assets	14	20,492	24,290
● Excess provisions	15	207	67
● Impairment and loss/gain on disposal of fixed assets	17-g)	3,137	(17,383)
Impairment and losses		3,539	(17,062)
Result from disposals and others		(402)	(321)
● Other results		(48)	(34)
OPERATING RESULT		(58,240)	281,748

Continues ►



Consolidated cash flow statement for the financial years ended 31 December 2015 and 2014

Expressed in thousands of euros

	Notes	Financial Year 2015	Financial Year 2014
● Financial income	17-h)	1,332	2,095
From negotiable securities and other financial instruments:			
From group companies		269	337
From third parties		1,063	1,758
● Financial expenses	17-h)	(63)	(25)
Debts with third parties		(63)	(25)
● Exchange rate differences		6,440	5,359
FINANCIAL RESULT		7,709	7,429
RESULT BEFORE TAX		(50,531)	289,177
● Income tax	18	16,433	(95,286)
CONSOLIDATED RESULT FOR THE FINANCIAL YEAR		(34,098)	193,891



Consolidated cash flow statement for the financial years ended 31 December 2015 and 2014

Expressed in thousands of euros

OPERATING ACTIVITIES	Notes	Financial Year 2015	Financial Year 2014
● Result for the financial year before taxes		(50,531)	289,177
● Adjustments to the result			
Amortisation of fixed assets	6, 7, 8	85,960	81,875
Valuation adjustments due to impairment	7, 10, 11	(2,558)	18,807
Provision variation		(3,417)	(7,887)
Allocation of government contributions	14	(20,492)	(24,290)
Recognition of compensation for provision of the UPS	17-c)	(180,314)	(518,173)
Result of removals and disposal of fixed assets		402	321
Financial income	17-h)	(1,332)	(2,095)
Financial expenses	17-h)	63	25
Exchange rate differences		(6,440)	(5,359)
Other income and expenses		164	1,427
● Changes in current capital			
Inventories		(1,078)	(1,528)
Trade debtors and other receivables		358,415	349,828
Other current assets		53	6,578
Creditors and other accounts payable		29,177	24,099
Other current liabilities		863	(12,476)
Other non-current assets and liabilities (+/-)		(8,881)	(2,014)
● Other cash flows from operating activities			
Interest payments		(43)	(5)
Interest collected		1,362	1,865
Payments for income tax		(79,638)	(5,797)
TOTAL CASH FLOWS FROM OPERATING ACTIVITIES		121,735	194,378

Continues ►



Consolidated cash flow statement for the financial years ended 31 December 2015 and 2014

Expressed in thousands of euros

INVESTMENT ACTIVITIES	Notes	Financial Year 2015	Financial Year 2014
• Payments for investments			
Intangible fixed assets		(22,906)	(21,004)
Tangible fixed assets		(49,173)	(55,717)
• Proceeds from disposals			
Tangible fixed assets		1,246	1,318
Non-current assets held for sale		2,531	1,812
TOTAL CASH FLOWS FROM INVESTMENT ACTIVITIES		(68,302)	(73,591)
FINANCING ACTIVITIES			
• Collection and payment for financial liability			
Return and amortisation of other debts			(239)
• Payment of dividends and other remuneration from equity instruments			
Dividends	4	(100,823)	(26,000)
TOTAL CASH FLOWS FROM FINANCING ACTIVITIES		(100,823)	(26,239)
NET DECREASE IN CASH OR EQUIVALENTS		(47,390)	94,548
• Cash and other equivalent liquid resources at the start of the financial year	12	221,066	126,518
• Cash and other equivalent liquid resources at the end of the financial year	12	173,676	221,066



Statement of changes in the consolidated net assets corresponding to the financial years ended 31 December 2015 and 2014

Expressed in thousands of euros

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES:	Notes	Financial Year 2015	Financial Year 2014
● Consolidated result for the financial year		(34,098)	193,891
● Income and expenses directly attributed to consolidated net assets:	14		
Government contributions, donations and legacies received			
Tax effect		(133)	19,049
● Transfers to consolidated profit and loss account:	14		
Government contributions, donations and legacies received:			
due to amortisation		(15,836)	(18,633)
due to adjustments for impairment		(551)	(4,346)
due to disposals		(4,105)	(1,311)
Tax effect		5,727	7,264
		(14,765)	(17,026)
		(48,996)	195,914
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSES			



Statement of changes in the consolidated net assets corresponding to the financial years ended 31 December 2015 and 2014

Expressed in thousands of euros

			Reserves held by the Parent Company						
B) TOTAL STATEMENT OF CHANGES TO CONSOLIDATION NET ASSETS:	Capital	Share premium	Legal reserve	Voluntary, statutory reserves	Other reserves	Reserves in consolidated companies	Consolidated result for the financial year	Government contributions, donations and legacies received	TOTAL
BALANCE START OF 2014 FINANCIAL YEAR	611,521	250,938	75,104	519,640	203,803	(194,561)	48,417	292,097	1,806,959
Total recognised consolidated income and expenses							193,891	2,023	195,914
● Operations with partners or owners:									
Distribution of dividends							(26,000)		(26,000)
Other variations in the consolidated net assets			4,801	17,142	3,756	(3,282)	(22,417)		
BALANCE START OF 2015 FINANCIAL YEAR	611,521	250,938	79,905	536,782	207,559	(197,843)	193,891	294,120	1,976,873
Total recognised consolidated income and expenses							(34,098)	(14,898)	(48,996)
● Operations with partners or owners:									
Distribution of dividends							(100,823)		(100,823)
Other variations in the consolidated net assets			20,165	80,272	(3,583)	(3,786)	(93,068)		
BALANCE END OF 2015 FINANCIAL YEAR	611,521	250,938	100,070	617,054	203,976	(201,629)	(34,z098)	279,222	1,827,054



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Expressed in thousands of euros

1. Activity of the Parent Company

Sociedad Estatal Correos y Telégrafos S.A (hereinafter, Correos, the Parent Company, or the Company) was incorporated as a public limited company [*sociedad anónima estatal*] pursuant to article 6.1.a) of the *Texto Refundido de la Ley General Presupuestaria* [the Budget Act] enacted by *Real Decreto Legislativo 1091/1988* [Royal Decree 1091/1988], dated 23 September, and additional item twelve of *Ley 6/1997, de 14 de abril, de Organización y Funcionamiento de la Administración General del Estado* [the Central Government Organisation Act], by a resolution of the Council of Ministers dated 22 June 2001, under article 58.1 of *Ley 14/2000, de 29 de diciembre, de Medidas Fiscales, Administrativas y del Orden Social* [the Tax, Administrative and Social Measures Act]. The Company is governed by the *Ley de Sociedades de Capital* [the Capital 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 Act 14/2000, the Company began its operations, and was automatically subrogated to activities, assets, rights and obligations of the former *Entidad Pública Empresarial Correos y Telégrafos* [Public Corporation Correos y Telégrafos, hereinafter, 'the Entity'], on 3 July 2001, the day of registration with the Companies Registry of the public deed of incorporation of the Company, dated 29 June 2001. From that day, the Company took over all the functions carried out by the Entity and was subrogated to the status of authorised operator for the provision of the Universal Postal Service (hereinafter UPS) and to the rest of rights of the former Entity in additional provision one of *Ley 24/1998, de 13 de julio, del Servicio Postal Universal y de Liberalización de los Servicios Postales* [Act 24/1998, of 13 July, on the Universal Postal Service and the Liberalisation of Postal Services], and subsequently for a period of 15 years under *Ley 43/2010, de 30 de diciembre, del Servicio Postal Universal, de los derechos de los usuarios y del mercado postal* [Act 43/2010, of 30 December, on the Universal Postal Services, Users' Rights and the Postal Market].





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Pursuant to article 58.4 of Act 14/2000, 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 section four of the aforementioned Act 14/2000. 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.

Under article 58.7 of Act 14/2000, 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.



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In addition, and pursuant to article 58.17 of the aforementioned Act 14/2000, any worker contracted by the Company from the start date of its activity shall be engaged under an ordinary employment contract.

Some of the services provided by the Parent Company fall within the remit of the UPS and are regulated by Act 43/2010. 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, admission, 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.

The *Ley 3/2013, de 5 de junio, de creación de la Comisión Nacional de los Mercados y la Competencia* [Act 3/2013, of 5 June, on the Creation of the National Markets and Competition

Commission, hereinafter CNMC] explicitly repealed the *Ley 23/2007, de 8 de octubre, de creación de la Comisión Nacional del Sector Postal* [Act 23/2007, of 8 October, on the Creation of the National Commission for the Postal Sector] and the creation of a single regulator centralising all functions regarding the correct function of the markets and sectors supervised by the *Comisión Nacional de Energía* [National Commission for Energy], the *Comisión del Mercado de Telecomunicaciones* [Telecommunications Market Commission], the *Comisión Nacional de la Competencia* [National Commission for Competition], the *Comité de Regulación Ferroviaria* [Rail Regulation Committee], the *Comisión Nacional del Sector Postal* [National Commission for the Postal Sector], the *Comisión de Regulación Económica Aeroportuaria* [Airport Economic Regulation Commission] and the *Consejo Estatal de Medios Audiovisuales* [State Audiovisual Media Council]. Pursuant to Act 3/2013, the CNMC supervises and ensures the correct functioning of the postal market, in particular as regards the following functions:

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· Ensure that the UPS is guaranteed, in compliance with postal regulations and open competition in the sector.

· Verify the analytical accountancy of the designated operator and the net cost of the UPS and determine the size of the unfair financial burden caused by providing the UPS, in accordance with Act 43/2010.

· Manage the UPS compensation fund and the public services financed by it, in accordance with Act 43/2010.

· Supervise and ensure the application of the current regulations on access to the network and other postal infrastructure and services, in accordance with Act 43/2010.

· Control and measure the conditions in which the UPS is provided, in accordance with Act 43/2010.

· Issue the report foreseen in Act 43/2010, to monitor the conditions in which the UPS is provided.

The Directorate for Transport and the Postal Sector is the body responsible for investigating CNMC dossiers on postal matters.



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

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

Article 26 of Act 43/2010 establishes the designated operator's (Correos) obligation to keep analytical accounts that make it possible to separate accounts for each service and product of the UPS and any other services and products that are not part of it. In accordance with Act 43/2010, the postal operator will submit for validation a calculation of the net cost of each financial year.

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

partem and equality of the parties.

The designated operator will have to prepare a standard contract for access to the postal network which must previously be approved by the CNMC. The CNMC must also be informed of any contracts not subject to the standard contract. Operators with individual administrative licences will be able to negotiate terms that differ from the one established in the standard contract with the designated operator. The CNMC will set the conditions for access to the postal network if the negotiations among the individual administrative licence holders and the designated operator do not lead to signing a contract.

According to Act 43/2010, 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 UPS and the unjust deductible financial burden for the service provider.

The temporary provision of Act 43/2010 sets out that the terms for the provision of the Universal Postal Service and its financing are governed by the previous regulations, which were 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 Act 43/2010, will be regulated as per the regime established in Royal Decree 1298/2006, of 10 November, regulating access to the public postal network and determining the conflict resolution procedure among postal operators and the conditions contained in the Resolution of 23 April 2007, from the *Subsecretaría de Fomento* [Undersecretary of Ministry for Public Works], approving the provisional reference conditions for access to the public postal network, implementing the previous Royal Decree, which does not counter Act 43/2010, and the content of the instruction.



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Pursuant to article 2 of its Articles of Association, the corporate purpose of the Company, whose registered address is at Via Dublin 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 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 out 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.





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Since June 2012 Correos has been 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 Royal Legislative Decree 1/2010, of 2 July, which approves the amended text of the Capital Companies Act. Pursuant to the provisions in article 136.4 of Act 47/2003, of 20 November [the Budget Act], SEPI is not obliged to submit its consolidated annual accounts at the Companies Registry, 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 2014, both individual and consolidated, were drawn up by the Directors of Correos on 16 March 2015, approved by its Sole Shareholder of the Company on 22 June 2015. The annual accounts are filed at Madrid's Companies Registry.



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2. Structure of the Correos y Telégrafos Group

The Parent Company's subsidiaries that comprise the Correos y Telégrafos Group (hereinafter, the Group or the Correos Group) falling within the scope of consolidation as of 31 December 2015 are the following:

Name of the company	Main activity	Registered address
Correos Telecom, S.A.	Management of the Parent Company's telecommunications network	c/ Conde de Peñalver, 19 (Madrid)
Nexea Gestión Documental, S.A.	Hybrid mail services	c/ Rejas, 9 (Madrid)
Correos Express Paquetería Urgente, S.A.	Transport services for documents and small parcels	Avenida de Europa, 8 Coslada (Madrid)

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Correos Express Paquetería Urgente, S.A., which has its registered address at Avenida de Europa, 8 in Coslada (Madrid), provides goods delivery services, auxiliary and complementary courier activities and collection, sorting and distribution of goods and parcels. The main activity of Correos Express Paquetería Urgente, S.A. is the transport of corporate documents and small parcels, both nationally and internationally. On 21 May 2014, Correos Express Paquetería Urgente S.A. decided to change the company's name from Chronoexpres S.A. to Correos Express Paquetería Urgente S.A., a decision which was executed in a public deed on 27 May 2014.

Correos Telecom, S.A., has its registered address at Calle Conde de Peñalver, 19 in Madrid and its corporate objective, coinciding with its main 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 the 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 main 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 on sheets which are subsequently sealed in envelopes and deposited in the Parent Company's admission centres for delivery to addressees.



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All subsidiaries close their financial year on 31 December.

The statements corresponding to 31 December 2015 and 2014 for the equity instruments of the Parent Company held by Correos Group, before the standardisation and/or consolidation adjustments, are as follows:

2015 Financial year

	Correos Express P.U., S.A.	Correos Telecom, S.A.	Nexea G.D., S.A.
Net book value	-	1,503	-
Direct shareholding (%)	100%	100%	100%
Share capital	66	1,503	974
Share premium	6,415	-	-
Legal reserve	-	300	128
Other reserves	(560)	3,942	(60)
Results of previous financial years	(4,167)	-	(974)
Results of the financial year	(1,850)	1,223	(1,198)
Total net assets	(96)	6,968	(1,130)
Operating result	(4,369)	1,725	(1,375)

2014 Financial year

	Correos Express P.U., S.A.	Correos Telecom, S.A.	Nexea G.D., S.A.
Net book value	1,753	1,503	28
Direct shareholding (%)	100%	100%	100%
Share capital	66	1,503	974
Share premium	6,415	-	1,536
Legal reserve	-	300	128
Other reserves	(560)	3,942	(60)
Results of previous financial years	(1,663)	-	(1,228)
Results of the financial year	(2,504)	1,302	(1,282)
Total net assets	1,754	7,047	68
Operating result	(3,705)	1,884	(1,445)



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3. Basis for presenting the consolidated annual accounts

When preparing these consolidated annual accounts, the Parent Company's Directors applied the accounting regulations included in the new Spanish General Accountancy Plan (GAAP) approved by Royal Decree 1514/2007 and the modifications to them 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 2015. Specifically:

- The annual accounts for the Parent Company are consolidated with those of all of its subsidiaries (see Note (2)) using the full consolidation method. The Parent Company holds all voting rights in all the consolidated companies.
- Where subsidiaries have followed significantly different accounting or valuation principles from those of the Parent Company, adjustments have been made as needed to present the consolidated annual accounts of the Group in a standardised manner.

- The different items on the previously standardised individual annual accounts are aggregated according to item type.
- The representative book values of the capital instruments belonging to all of the Parent Company's subsidiaries are compensated with their net assets.
- The Inter-Group balances, transactions and cash flow between Correos Group companies have been eliminated in the consolidation process. Similarly, all results from internal operations are eliminated and deferred until performed for third parties which are not part of the Group.





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• 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 2015 are covered by the item 'Reserves in consolidated companies' on the consolidated balance sheet.

As regards the impairment 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. The Order is mandatory on the member bodies of the public business sector at 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 Directors in order to be submitted for approval by its Sole Shareholder. The Parent Company Directors believe that they will be approved with no modifications.

a) Fair presentation

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 2015, 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



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representing cash and other equivalent liquid assets of the Group.

The figures contained in these consolidated annual accounts 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 judgements, estimates and assumptions that have a bearing on the application of the accounting policies and the balances of assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the date of issue of the accounts.

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 through 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.





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

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

Leasing obligations – Correos Group as lessee

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, Correos Group determines

who retains all of the risks and benefits of the ownership of the assets. According to that classification, the contracts will be classified as operating or financial leasing contracts.

Leasing obligations – Correos Group as lessor

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 assets, thereby recognising these contracts as operating leases.





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Taxation

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 Directors, at 31 December 2015 there are no contingencies other than those recorded in these consolidated annual accounts which could represent significant liabilities for the Parent Company and/or its subsidiaries in the event of an audit.

The principal assumptions and estimates relating to future events and other uncertain sources of estimates on 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 note (5-k) of this report on 'Provisions and contingencies'. Correos Group makes judgements 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.

Impairment of non-financial assets

In general terms, Correos Group analyses on a yearly basis whether there are indicators for impairment 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 impairment tests when there is evidence of said impairment.

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 them, also bearing in mind the expected time the respective debt will be collected. 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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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 Directors have included descriptive information regarding the previous period.

In compliance with the Additional Provision to the Resolution of 29 January 2016 of the ICAC (Spanish Accounting and Account Auditing Institute) on the information to be included in consolidated annual accounts report with regard to average settlement period for supplier invoices, the Parent Company has decided to

consider the 2015 annual accounts as the initial account for the purposes of comparability and application of the principle of uniformity. Consequently, the comparative figures for the previous financial year have not been adjusted to take account of the new rules.





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4. Application of the results of the Parent Company

The proposed application of profit for 2015 put forth by the Directors of the Parent Company and pending approval by the Sole Shareholder, as well as the proposal approved for the 2014 financial year, is as follows:

	2015 Financial year	2014 Financial year
RESULTS OF THE FINANCIAL YEAR	(33,702)	201,646
Distribution base:		
Legal reserve	-	20,165
Statutory reserves	-	40,329
Voluntary reserves	(33,702)	40,329
Sole Shareholder Dividend	-	100,823
TOTAL	(33,702)	201,646

On 22 June 2015, the Parent Company's Sole Shareholder approved the proposed use of the results from the 2014 financial year. On 30 June 2015 the Parent Company paid the dividend to the Sole Shareholder, worth 100,823 thousand euros.

Limitations on the distribution of results and dividends

Pursuant to Article 274 of the Capital Companies Act approved by Royal Legislative 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 Statutory Reserves. These reserves can be disposed of freely.



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5. Registration and accounting standards applied

The main recording and valuation criteria used by the Parent Company in preparing these consolidated annual accounts, pursuant to the terms set out in the Spanish Generally Accepted Accounting Practices approved by 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 impairment. 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 and the intangible fixed assets

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.





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Patents, licences and similar

These items are recorded at 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 Parent Company), reduced by the accumulated amortisation and, as appropriate, by the accumulated amount of the recognised valuation adjustments for impairment. Indirect taxes on tangible fixed assets are included in the purchase price when they cannot be recovered directly from the Tax Authorities.

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

Buildings and other built assets	35-75
Plant and machinery	3-33
Other fixtures, 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 impairment, 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 value of the good 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.

Investments made by 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 between 10 and 20 years.

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





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c) Property investments

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

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 lessor

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

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, impairment 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.

d) Operating and financial leases

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



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e) Impairment of 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 that complies with the principles established in law. 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/733/2010, of 25 March, approving accounting aspects of public companies operating under certain circumstances, the Parent Company determines the impairment of its tangible and intangible assets with reference to the depreciated replacement cost of each asset.

Remaining assets

Should there be signs of impairment, the book value of the non-current, non-financial assets of 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.

Impairment losses are recognised for those assets or, as appropriate, for the cash-generating units comprising them, when their book value exceeds the corresponding recoverable amount. Impairment losses 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



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of an impairment loss 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 impairment loss not been previously recognised.

f) Financial assets

The financial assets of 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.

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 established deposits and guarantees.

- Cash and other equivalent liquid assets: see Note 5 (i).



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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, 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.

- Cash and other equivalent liquid assets: see Note 5 (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.



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If the loans for trade operations have a contractual interest rate, the interest accrued is recorded in the consolidated profit and loss account, applying the effective interest rate method.

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

g) Impairment of 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 an impairment loss has occurred. In order to determine impairment losses, 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 impairment when non-payments, breaches, re-financings or possibilities of not recovering the cash flow have taken place, or there is delay in collecting payment.





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For loans and other entries receivable, the amount of the impairment losses 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 reversal of the impairment 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 reversal, if the impairment had not been recorded.

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

h) Non-current assets held for sale

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

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

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. 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.



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k) Provisions and contingent liabilities

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

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





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

Financial liabilities are initially valued at their reasonable value which, unless there is evidence to the contrary, is the price of the transaction. After the initial recognition, financial liabilities are valued at their amortised cost. 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 and that 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.

m) Foreign currency transactions

Monetary entries

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

Monetary assets and liabilities denominated in foreign currency are converted at the exchange rate on 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.



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n) Income and expenses

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

Revenue from sales
and services provided

Revenue from the sale of goods and the provision of services is valued at the reasonable value of the balancing entry, received or to be received, deriving from the same, minus: the amount of the discount, the reduction in the price and other similar entries that the company may grant, together with indirect taxes 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.

Revenue 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.

Revenue resulting from the postal services whose consideration is received by means of the sale of franking elements (stamps or similar) is recorded



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at the time at which it is sold regardless of the time of 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.

Interest income

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

o) Liabilities for remunerations to staff

Pension supplements

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

Based on the provisions in article two of the Royal Decree 20/2011, of 30 December, on urgent measures of a budgetary, taxation and financial

nature in order to correct the public deficit, the Parent Company suspended contributions to the Pension Plan of the Employees of Correos y Telégrafos during the 2012 financial year and has not made any contributions since then.





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As of 31 December 2015, 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, is 125,556 thousand euros.

Compensation for dismissal

Under employment legislation, the Group is obliged to pay compensation to those 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.

Retirement bonuses

The various collective bargaining agreements in force by geographical areas and applicable to the investee company Correos Express Paquetería Urgente, 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).



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p) Current and deferred taxes

The cost of (income from) 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.

Since January 2011 Correos Group has paid 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 SEPI in June 2012, the Fiscal Group No. 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 No. 9/86 is constituted by SEPI 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 Act 5/1996, of 1 January, on the Creation of Certain Public Law Entities.

The assets and liabilities for current taxes are the estimated amounts payable or receivable from government bodies, in accordance with the taxable rates in force on the date of the balance sheet. They are registered under the balance sheet heading 'Debts, group companies and associates' and 'Short-term debts with group and associated companies' respectively, as the entity having to pay is the parent company of the Consolidated Fiscal group, i.e. SEPI.

Deferred tax is calculated following the 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.

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

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, insofar that it is likely 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, recorded in the item 'deferred tax assets', their recoverability is evaluated annually to determine future tax profits in the maximum 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 allows compensation of the negative tax amounts generated before their incorporation in the Group no. 9/86.



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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 tax amounts generated by the Correos Group Companies starting from their incorporation in the consolidated fiscal group 9/86 are acquired by SEPI at a rate of 28%.

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

q) Government contributions, donations, legacies and compensations received for costs derived from providing the UPS

Government contributions, donations, legacies and compensations received by the Parent Company for the provision of the UPS for the acquisition of certain items, 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 compensations received by the Parent Company, up to the 2010 financial year, as capital contributions to offset the costs derived from provision of the UPS 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, either totally or according to the



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theoretical percentage of the impairment of the assets covered by the contributions, at such time as this occurs. The allocation to the consolidated profit and loss account of the compensations used for the financing of land is deferred until the financial year in which their transfer or impairment takes place.

The compensations to offset the costs derived from provision of the UPS are allocated by the Parent Company as revenue in the profit and loss account in the examination period, regardless of collection.

It is possible that if the CNMC resolution on the calculation of the net cost of the UPS in the financial years 2011, 2012, 2013, 2014 and 2015 differs from the amounts assigned in the National Budget, there could be an impact on the amounts recorded. Any such final impact cannot be calculated until the new Service Plan, to be developed by the Spanish Government, comes into force, which will establish the methodology and concepts to calculate the net cost.

As regards the considerations received, up to 2010, by the Parent Company as capital contributions for the costs derived from provision of the UPS and the impairment of the associated assets, the valuation adjustments due to impairment of the elements are considered irreversible insofar as they have been financed free of charge.

r) Transactions with related parties

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



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s) Value added tax

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

Article 2 of Act 23/2005, of 18 November, on Tax Incentives for Productivity, 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 designated 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.





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Article 22.2 of Act 43/2010, 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 increase 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 was 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.



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6. Intangible fixed assets

The detail of activity in the 2015 and 2014 financial
years is as follows:

2015 Financial year

	Balance at 01/01/2015	Additions	Disposals	Transfers	Balance at 31/12/2015
● Cost					
Patents, licences and similar taxes	344	-	-	-	344
Computer applications	203,638	24,576	(1,475)	-	226,739
Other intangible fixed assets	502	-	-	-	502
TOTAL COST	204,484	24,576	(1,475)	-	227,585
● Accumulated amortisation					
Patents, licences and similar taxes	(344)	-	-	-	(344)
Computer applications	(177,106)	(13,373)	1,422	-	(189,057)
Other intangible fixed assets	(209)	(41)	-	-	(250)
TOTAL ACCUMULATED AMORTISATION	(177,659)	(13,414)	1,422	-	(189,651)
NET VALUE	26,825				37,934



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

The registrations seen during the financial year correspond in the main 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 22,552 thousand euros (the investment registered during the 2014 financial year was 16,936 thousand euros).

The cost of the wholly amortised items that formed part of the intangible fixed assets of Correos Group at 31 December 2015 amounts to 168,904 thousand euros (166,001 thousand euros in 2014).

At 31 December 2015, the Parent Company held binding agreements for the acquisition of IT applications and evolutionary enhancements to IT systems for the sum of 14,041 thousand euros (23,214 thousand euros in 2014). On that date there were no binding agreements of sale involving any intangible assets owned by Correos Group.

2014 Financial year

	Balance at 01/01/2014	Additions	Disposals	Transfers	Balance at 31/12/2014
● Cost					
Patents, licences and similar	344	-	-	-	344
Computer applications	185,639	18,209	(210)	-	203,638
Other intangible fixed assets	421	81	-	-	502
TOTAL COST	186,404	18,290	(210)	-	204,484
● Accumulated amortisation					
Patents, licences and similar	(344)	-	-	-	(344)
Computer applications	(168,992)	(8,325)	211	-	(177,106)
Other intangible fixed assets	(173)	(36)	-	-	(209)
TOTAL ACCUMULATED AMORTISATION	(169,509)	(8,361)	211	-	(177,659)
NET VALUE	16,895				26,825



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7. Tangible fixed assets

The detail of activity in the 2015 and 2014 financial years is as follows:

2015 Financial year

	Balance at 01/01/2015	Recordings and provisions	Disposals	Transfers	Balance at 31/12/2015
● Cost					
Land	380,447	-	(824)	(1,775)	377,848
Buildings	1,433,861	5,806	(14,323)	4,886	1,430,230
Plant and other tangible fixed assets	708,001	32,248	(82,394)	2,139	659,994
Circulating fixed assets and advances	39,410	13,211	-	(18,633)	33,988
TOTAL COST	2,561,719	51,265	(97,541)	(13,383)	2,502,060
● Accumulated amortisation					
Buildings	(443,777)	(33,581)	6,345	3,466	(467,547)
Plant and other tangible fixed assets	(553,738)	(38,838)	79,880	(7)	(512,703)
TOTAL ACCUMULATED AMORTISATION	(997,515)	(72,419)	86,225	3,459	(980,250)
● Adjustments for impairment					
Land and buildings	(117,226)	(2,507)	9,046	(3,128)	(113,815)
Plant and other tangible fixed assets	(2,865)	-	-	(23)	(2,888)
Circulating fixed assets and advances	(15,782)	(214)	183	5,095	(10,718)
TOTAL ADJUSTMENTS FOR IMPAIRMENT	(135,873)	(2,721)	9,299	1,944	(127,421)
NET VALUE	1,428,331				1,394,389



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2014 Financial year

	Balance at 01/01/2014	Recordings and provisions	Disposals	Transfers	Balance at 31/12/2014
● Cost					
Land	378,740	397	(38)	1,348	380,447
Buildings	1,422,346	4,326	(4,648)	11,837	1,433,861
Plant and other tangible fixed assets	709,060	34,530	(38,984)	3,395	708,001
Circulating fixed assets and advances	47,200	10,096	-	(17,886)	39,410
TOTAL COST	2,557,346	49,349	(43,670)	(1,306)	2,561,719
● Accumulated amortisation					
Buildings	(412,506)	(33,866)	2,355	240	(443,777)
Plant and other tangible fixed assets	(551,830)	(39,572)	37,671	(7)	(553,738)
TOTAL ACCUMULATED AMORTISATION	(964,336)	(73,438)	40,026	233	(997,515)
● Adjustments for impairment					
Land and buildings	(103,069)	(17,631)	1,063	2,411	(117,226)
Plant and other tangible fixed assets	(2,963)	-	99	(1)	(2,865)
Circulating fixed assets and advances	(13,372)	-	-	(2,410)	(15,782)
TOTAL ADJUSTMENTS FOR IMPAIRMENT	(119,404)	(17,631)	1,162	-	(135,873)
NET VALUE	1,473,606				1,428,331

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The most significant recordings made under the headings 'Land and buildings', and 'Circulating fixed assets and advances' during the financial year correspond to the Parent Company, and are referred to the renovation and adaptation of existing premises and to the investments made at the logistics centres for the postal processing and distribution for sums of 10,314 and 2,989 thousand euros respectively (7,617 and 2,226 thousand euros respectively during the 2014 financial year).

The heading 'Plant and other tangible fixed assets' includes the plant investments made 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 transport elements, IT equipment, machinery and furniture for sums of 8,346, 7,435, 5,177 and 5,173 thousand euros respectively (in the 2014 financial year the amounts for IT equipment, transport elements, machinery and furniture were 15,830, 6,734, 5,020 and 3,286 thousand euros respectively).

Of the total sum for disposals of tangible fixed assets, 74,197 thousand euros correspond to fully amortised elements that were disposed of by the Parent Company, mainly IT equipment, machinery, furniture and plant (the Parent Company disposed of wholly amortised material elements amounting to 33,327 thousand euros during the 2014 financial year).

As mentioned in Note 4.e) of this Parent Company report, in light of the stipulations of Order EHA/733/2010, of 25 March which approved accounting aspects for public companies operating in certain circumstances, the impairment 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:

- 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 depreciation, in order to reflect the use already made of the asset.
- Cost of the indirect expenses for the acquisitions and renovations.

The comparison of the replacement cost depreciated by the net book value of the assessed assets by the Parent Company has shown a net reversal of the impairment of 'tangible fixed assets' of 2,397 thousand euros (allocation of 2,507 thousand euros and reversal of 4,904 thousand euros), which was recorded in the 2015 profit and loss account (net allocation for impairment of



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16,871 thousand euros in the 2014 financial year). The Parent Company has applied an impairment of 2,272 thousand euros as a result of the disposal of the assets of a logistics centre it intended to sell (493 thousand euros in financial year 2014) and 1,328 thousand euros from disposal of assets due to renovation of premises.

As of 31 December 2015, the Parent Company had signed contracts to purchase tangible fixed assets worth 34,465 thousand euros (15,483 thousand euros in the 2014 financial year). At the close of the financial year, the Company has no final commitments involving sale of assets of significant net book value.

The cost of the wholly amortised items that formed part of the intangible fixed assets of Correos Group as of 31 December 2015 amounts to 409,244 thousand euros (424,858 thousand euros as of 31 December 2014).

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 45,607 thousand euros (46,337 thousand euros as of 31 December 2014), and their acquisition cost was 73,625 thousand euros (77,154 thousand euros at 31 December 2014).

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 activity in the 2015 and 2014 financial
years is as follows:

	Balance at 01/01/2014	Recordings and provisions	Transfers	Balance at 31/12/2014	Recordings and provisions	Transfers	Balance at 31/12/2015
● Cost							
Land	1,066	-	76	1,142	-	1,927	3,069
Buildings	3,334	1	1,420	4,755	-	6,227	10,982
TOTAL COST	4,400	1	1,496	5,897	-	8,154	14,051
● Accumulated amortisation							
Buildings	(812)	(76)	(302)	(1,190)	(127)	(2,680)	(3,997)
● Adjustments for impairment							
Land and buildings	(102)	(3)	-	(105)	16	-	(89)
NET BOOK VALUE	3,486			4,602			9,965



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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 602 thousand euros in the 2015 financial year, (289 thousand euros in the 2014 financial year).

The costs associated with property investments fundamentally correspond to those relating to their annual amortisation and maintenance costs. The latter reached 154 thousand euros during the financial year (154 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 revenue deriving from these or from the resources obtained from their transfer or disposal by other means, apart from those mentioned in Note (1) of this report under 'Parent Company Activity'.

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

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

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:

	2014 Financial year	2015 Financial year
Up to one year	304	586
Between one and five years	606	1,524
More than five years	-	1,194
TOTAL	910	3,304



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9. Non-current assets held for sale

The detail and movement under this heading during the 2015 and 2014 financial years is as follows:

	Balance at 01/01/2015	Recordings and provisions	Disposal	Transfers	Balance at 31/12/2015
● Cost					
Land	8,176	-	(1,294)	1,900	8,782
Buildings	18,608	-	(2,457)	3,325	19,476
Other installations	883	-	(13)	4	874
TOTAL COST	27,667	-	(3,764)	5,229	29,132
● Accumulated amortisation					
Buildings	(5,381)	-	1,057	(779)	(5,103)
Other installations	(442)	-	12	-	(430)
ACCUMULATED AMORTISATION	(5,823)	-	1,069	(779)	(5,533)
● Adjustments for impairment					
Land and buildings	(4,292)	-	1,693	(1,944)	(4,543)
NET BOOK VALUE	17,552				19,056

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At the end of the financial year 2015, the Parent Company classified 18,795 thousand euros (17,291 thousand euros in the 2014 financial year) under the heading 'Non-current assets held for sale', corresponding to the investments in land, buildings and property assets owned by the Company included in a disposal plan approved by the Parent Company Directors in the 2012 financial year or for which it takes steps to achieve a sale.

In the 2015 financial year the Parent Company disposed of assets by sale worth 3,764 thousand euros and an accumulated amortisation of 1,069 thousand euros (compared to 1,770 thousand euros and 509 thousand euros respectively in the 2014 financial year).





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	Balance at 01/01/2014	Recordings and provisions	Disposal	Transfers	Balance at 31/12/2014
● Cost					
Land	8,940	-	(554)	(210)	8,176
Buildings	19,562	-	(975)	21	18,608
Other installations	1,125	-	(241)	(1)	883
TOTAL COST	29,627	-	(1,770)	(190)	27,667
● Accumulated amortisation					
Buildings	(5,737)	-	288	68	(5,381)
Other installations	(664)	-	221	1	(442)
TOTAL ACCUMULATED AMORTISATION	(6,401)	-	509	69	(5,823)
● Adjustments for impairment					
Land and buildings	(3,044)	(1,254)	6	-	(4,292)
NET BOOK VALUE	20,182				17,552



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10. Inventories

Details of this item as of 31 December 2015 and
2014 are as follows:

	Balance at 31/12/2015	Balance at 31/12/2014
● Stocks valued at cost		
Stamps in the possession of third parties	386	886
Stamps at company post offices and warehouses	1,483	1,603
Collectors' stamps	2,221	1,944
Other stocks	2,497	1,725
	6,587	6,158
● Valuation adjustments due to impairment	(3,812)	(2,937)
	2,775	3,221



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The movement of the valuation adjustments for impairment of stock during the 2015 and 2014 financial years is as follows:

	Stamps	Others	TOTAL
● Balance at 01 January 2014	3,162	36	3,198
Valuation adjustments due to impairment	1,650	42	1,692
Reversal of valuation adjustments	(450)	-	(450)
Application against cost of stock	(1,503)	-	(1,503)
● Balance at 31 December 2014	2,859	78	2,937
Valuation adjustments due to impairment	1,011	665	1,676
Reversal of valuation adjustments	(152)	-	(152)
Application against cost of stock	(617)	(32)	(649)
● Balance at 31 December 2015	3,101	711	3,812

Correos Group has maintained valuation adjustments for impairment of stamps for a value of 3,101 thousand euros (2,859 thousand euros in 2014) 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 649 thousand euros were destroyed over the financial year (1,503 thousand euros in 2014).



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11. Current and non-current financial assets

The composition of Correos Group short-term financial assets as of 31 December 2015 and 2014, excluding cash and other equivalent liquid assets described in Note (12), including the balances with government bodies considered financial instruments, is as follows:

	Balance at 31/12/2015	Balance at 31/12/2014
● Trade debtors and other receivables-		
Clients for sales and services provided	352,455	277,246
Clients, group companies and associates (Note 20)	53	53
Other debtors	286,883	420,976
Debts, group companies and associates (Note 20)	21,908	1,112
Staff	9,365	10,452
Government bodies (Note 18)	363	260
	671,027	710,099
● Short-term financial investments-		
Deposits and guarantees	5,361	5,355

The headings for financial instruments in the table above are considered 'Loans and entries receivable'.



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11.1) Trade debtors and other receivables

The headings 'Clients for sales and services provided' and 'Other debtors' include 117,691 thousand euros in fees to be collected by the Parent Company from third-country postal operators for the provision of postal and telegraph services (which stood at 87,795 thousand euros as of 31 December 2014).

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.

'Other debtors' includes 267,926 thousand euros (405,000 thousand euros in the 2014 financial year), corresponding to the balance at 31 December 2015 for compensation of costs derived from provision of the UPS in previous financial years and pending liquidation and which the Parent Company expects to receive in the short term. 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 (see Notes 11.3.1) and 17.c)).



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The headings Clients for sales and services provided' and 'Other debtors' are shown as net valuation adjustments for impairment, with activity taking place during the 2015 and 2014 financial years being as follows:

VALUATION ADJUSTMENTS

	Clients	Debtors	TOTAL
● Balance a 01 January 2014	18,661	1,145	19,806
Valuation adjustments due to impairment	5,866	6,215	12,081
Reversals of valuation adjustments	(6,233)	-	(6,233)
● Balance at 31 December 2014	18,294	7,360	25,654
Valuation adjustments due to impairment	5,713	-	5,713
Reversals of valuation adjustments	(6,610)	(563)	(7,173)
● Balance at 31 December 2015	17,397	6,797	24,194

Under the item 'Losses, impairment and change in provisions for commercial operations' of the consolidated profit and loss account, Correos Group recorded an expense of 2,320 thousand euros due to a direct cancellation of defaulting debts (having registered an expense of 1,333 thousand euros for this same item during the 2014 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 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 arises 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.





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The maximum exposure to credit risk of Correos Group at 31 December 2015 and 2014 is as follows:

	Parent Company		Rest of companies of the Group		Total Correos Group	
	Balance at 31/12/2015	Balance at 31/12/2014	Balance at 31/12/2015	Balance at 31/12/2014	Balance at 31/12/2015	Balance at 31/12/2014
Long term financial investments	2,935	112,910	781	990	3,716	113,900
Clients for sales and services provided	313,121	239,529	39,334	37,717	352,455	277,246
Other debtors (Note 11)	286,617	420,652	266	324	286,883	420,976
Short-term financial investments	5,262	5,297	99	58	5,361	5,355
Short-term deposits	30,000	50,000	-	-	30,000	50,000
Banks and lending institutions	104,344	125,974	2,183	1,848	106,527	127,822
	742,279	954,362	42,663	40,937	784,942	995,299



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'Other debtors' is composed as follows:

	Balance at 31/12/2015	Balance at 31/12/2014
• Trade debtors and other receivables		
Other debtors	267,926	405,000
- UPS compensation (Note 18)		
Other debtors - rest	18,957	15,976
	286,883	420,976

In the 2015 financial year (see Note 17 c)), the Parent Company recognised rights to charge for outstanding payments of compensation of costs derived from the UPS in previous financial years worth 180,000 thousand euros (in 2014 it recognised 518,000 thousand euros corresponding to payment of compensation of costs derived from the UPS in previous years). As explained in Note 11.1), the Parent Company has classified 267,926 thousand euros as current right to charge as it deems it receivable in the short term (405,000 thousand euros in the 2014 financial year).

	Balance at 31/12/2015	Balance at 31/12/2014
• Long term financial investments		
Long-term debts owed by government bodies – compensation of UPS (Note 18)	-	113,000
Valuation adjustments due to impairment	-	(562)
Other financial investments	3,716	1,462
	3,716	113,900



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Likewise, the Parent Company has reverted 562 thousand euros, which were amortised in financial year 2014 as an adjustment for impairment to outstanding payments receivable, as it considers they will be received in the short term. This adjustment was justified by the financial cost incurred by the Company through the delay in collection of amounts receivable as compensation for the costs derived for providing the UPS, calculated at a discount rate equivalent to the remuneration that the Company would receive if it placed these funds with the most solvent national financial institutions.

The heading 'Other financial investments' includes the Parent Company's amounts receivable for the sale with postponed payment of a building in financial year 2015 for 2,499 thousand euros and 15,194 euros, corresponding in its entirety to the acquisition of shares in International Post Corporation (IPC) by the Parent Company.

The different companies in the Correos Group perform a solvency analysis for each of their clients. These analyses are used for awarding or

denying contracts with postponed payment to clients. The authorisations for the signing of 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 services provided' and 'Other debtors' sections of Correos Group at 31 December 2015 and 2014 is as follows:

2015 Financial year

	Parent Company		Rest of companies	
	Number	Thousands of euros	Number	Thousands of euros
● Clients and trade debtors				
With balance greater than 1,000 thousand euros	27	92,140	1	1,306
With balance between 500 and 1,000 thousand euros	39	27,211	-	-
With balance below 500 thousand euros	21,040	82,747	8,362	37,894
	21,106	202,098	8,363	39,200
Foreign postal operators	219	117,691	-	-
Other debtors - UPS compensation (Note 11)	-	267,926	-	-
Other financial assets	-	12,023	-	400
		397,640		400
		599,738		39,600



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2014 Financial year

	Parent Company		Rest of companies	
	Number	Thousands of euros	Number	Thousands of euros
● Clients and trade debtors				
With balance greater than 1,000 thousand euros	30	63,887	-	-
With balance between 500 and 1,000 thousand euros	28	20,374	-	-
With balance below 500 thousand euros	20,692	73,208	6,993	37,680
	20,750	157,469	6,993	37,680
Foreign postal operators	229	87,795	-	-
Other debtors - UPS compensation (Note 11)	-	405,000	-	-
Other financial assets	-	9,917	-	361
		502,712		361
		660,181		38,041



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At 31 December 2015 and 2014, the breakdown of the 'Clients' and 'Foreign postal operators' of the Correos Group companies by debt seniority is as follows:

2015 Financial year

	Parent Company		Rest of Group companies
	Clients	Foreign postal operators	Clients
Not due	145,893	56,902	30,984
Due, non-doubtful:			
Less than 30 days	10,848	93	3,874
Between 30 and 60 days	23,049	689	1,680
Between 60 and 90 days	6,701	176	410
Between 90 and 120 days	10,647	161	356
Over 120 days	4,960	44,606	1,896
Provisional payments	-	15,064	-
	202,098	117,691	39,200
Doubtful clients	10,876	1,274	5,245
Adjustments for impairment	(10,876)	(1,274)	(5,245)
	202,098	117,691	39,200



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2014 Financial year

	Parent Company		Rest of Group companies
	Clients	Foreign postal operators	Clients
Not due	67,555	40,802	28,788
Due, non-doubtful:			
Less than 30 days	41,084	134	4,144
Between 30 and 60 days	23,779	260	1,579
Between 60 and 90 days	12,026	56	737
Between 90 and 120 days	4,317	158	480
Over 120 days	8,688	33,628	1,952
Provisional payments	-	12,757	-
	157,469	87,795	37,680
Doubtful clients	11,972	1,143	5,178
Adjustments for impairment	(11,972)	(1,143)	(5,178)
	157,469	87,795	37,680



Message from
the chairman



The Correos
Group



Environment
and strategy



Corporate
activity



Global
solutions



People and
organisational culture



Commitment to
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With society



Good
governance



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The amounts receivable from clients of Parent Company that are more than 120 days' old stand at 4,960 thousand euros (8,688 thousand euros in 2014).

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

The Parent Company streamlined the cash flow surpluses during the 2015 financial year by actively managing the funds deposited in current accounts in highly solvent national financial entities. Over the course of the 2015 financial year, the Parent Company also lent cash flow to its Sole Shareholder (SEPI), payable in less than five months at market interest rates (See Notes 12, 17 h) and 20).

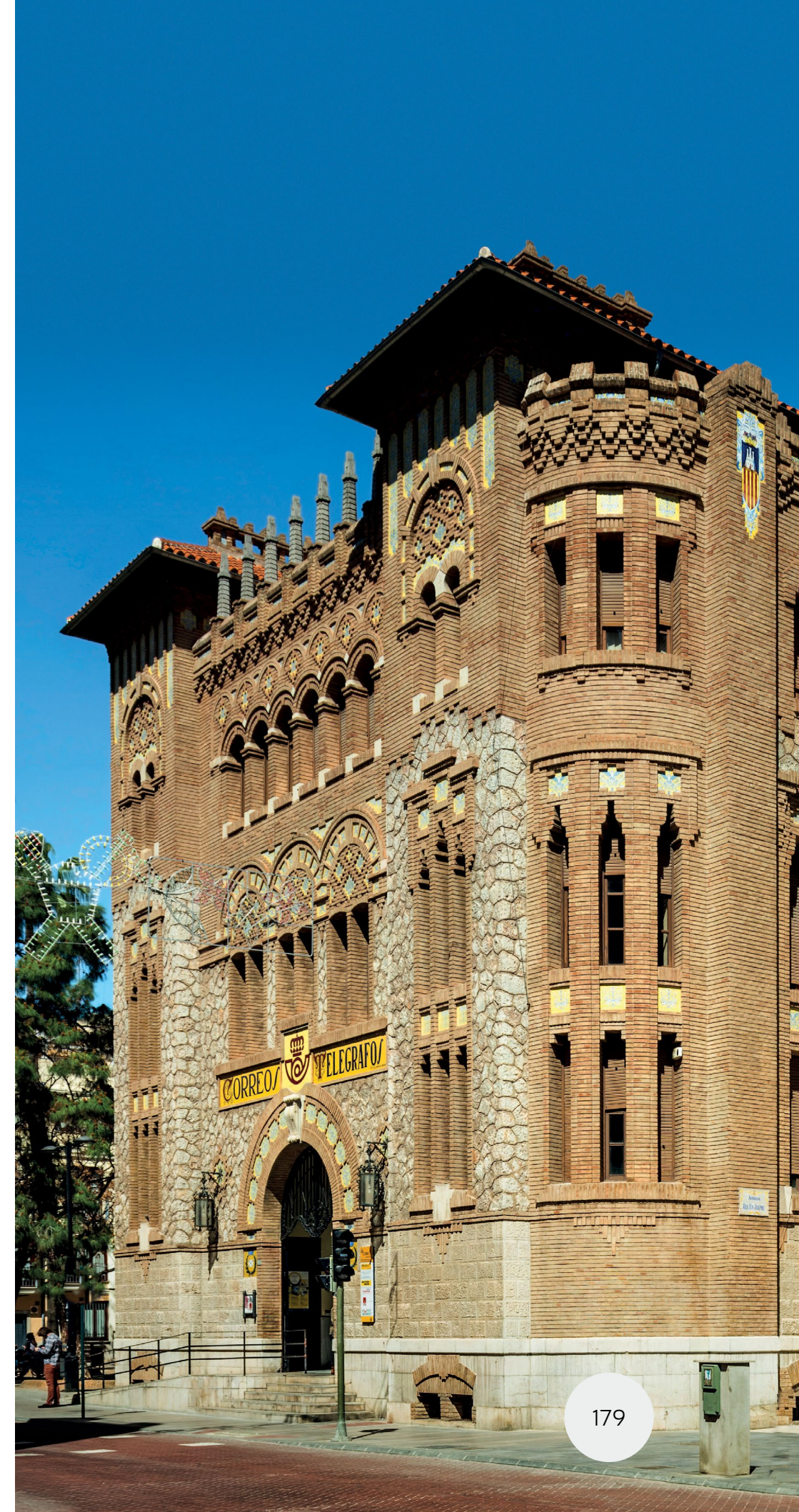
11.3.2) Market risk

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

Interest rate risks

An interest risk arises 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.





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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 arises due to the possible loss caused by variations in the exchange rate. 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 result from the services provided to and received 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 2015 stood at 38,309 thousand euros payable (21,955 thousand as of 31 December 2014), the Parent Company 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 them in a sufficient amount and at the right cost to meet its payment obligations at all times. The objective of the Group is to maintain the necessary liquid availability.

The list of the short-term financial assets and liabilities of the Group at 31 December 2015 and 2014, and, by difference, its ability to meet its payment obligations in the short-term, are as follows:

	Balance at 31/12/2015	Balance at 31/12/2014
● Short-term financial assets		
Clients for sales and services provided	352,455	277,246
Other debtors	286,883	420,976
Financial Investments	5,361	5,355
Cash and other liquid resources	173,676	221,066
● Short-term financial liabilities		
Short-term debts	(22,609)	(17,247)
Trade creditors and other accounts payable	(350,655)	(321,458)
● Difference	445,111	585,938



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12. Cash and other equivalent liquid resources

Details of this item as at 31 December 2015 and
2014 are as follows:

	Balance at 31/12/2015	Balance at 31/12/2014
● Cash:		
Cash	37,149	43,244
Banks and lending institutions	106,482	127,742
● Equivalent liquid resources:		
Short-term deposits (Notes 11.3.1) and 20))	30,000	50,000
● Accrued interest not due:		
From group companies (Notes 11.3.1) and 20))	5	10
From third parties	40	70
	173,676	221,066

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13. Shareholders' Equity

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

a) Declared 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

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 2015 and 2014.

c) Reserves

Pursuant to Article 274 of the Consolidated Text of the Companies Act, enacted by Royal Legislative Decree 1/2010, of 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 of 31 December 2015, these reserves may be freely disposed of as decided by the Directors of the Parent Company pursuant to article 36 of its Articles of Association. As of 31 December 2015, the Statutory Reserves totalled 214,119 thousand euros, while the Voluntary Reserves stood at 402,935 thousand euros (at 31 December 2014, 173,790 thousand euros and 362,992 thousand euros, respectively).



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d) Reserves in consolidated companies

The breakdown as of 31 December 2015 and 2014
is as follows:

	Balance at 31/12/2013	Result 2013	Dividend	Other	Balance at 31/12/2014	Result 2014	Dividend	Balance at 31/12/2015
Correos Telecom, S.A.	4,245	1,688	(1,688)	-	4,245	1,303	(1,303)	4,245
Nexea Gestión Documental, S.A.	(3,268)	(1,228)	-	(391)	(4,887)	(1,282)	-	(6,169)
Correos Express Paquetería Urgente, S.A.	(195,538)	(1,663)	-	-	(197,201)	(2,504)	-	(199,705)
	(194,561)	(1,203)	(1,688)	(391)	(197,843)	(2,483)	(1,303)	(201,629)

This caption also includes the Parent Company's Other Reserves, reflecting the reserves generated by certain consolidation adjustments in the past for 203,976 thousand euros (207,559 thousand euros in the 2014 financial year), 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 Correos Express Paquetería Urgente, S.A.



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e) Consolidated results of Correos Group

Correos Group's consolidated profits for the 2015 and 2014 financial years are as follows:

2015 Financial year

	Individual results	Consolidation adjustments	Consolidated results
Correos y Telégrafos, S.A.	(33,702)	1,429	(32,273)
Correos Telecom, S.A.	1,223	-	1,223
Nexea Gestión Documental, S.A.	(1,198)	-	(1,198)
Correos Express Paquetería Urgente, S.A.	(1,850)	-	(1,850)
	(35,527)	1,429	(34,098)

2014 Financial year

	Individual results	Consolidation adjustments	Consolidated results
Correos y Telégrafos, S.A.	201,646	(5,549)	196,097
Correos Telecom, S.A.	1,302	-	1,302
Nexea Gestión Documental, S.A.	(1,282)	278	(1,004)
Correos Express Paquetería Urgente, S.A.	(2,504)	-	(2,504)
	199,162	(5,271)	193,891



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14. Government contributions, donations, legacies and compensations received for costs derived from providing the UPS

The itemised details of movements during financial years 2015 and 2014 of compensations received as government contributions up to financial year 2010 from the Parent Company were as follows:

2014 Financial year

	Thousand of euros
● Initial balance at 01 January 2014	290,359
Government contributions, donations and legacies recognised	-
Tax effect	-
● Allocation to the profit and loss account:	
due to amortisation	(18,633)
due to adjustments for impairment	(4,346)
due to disposals	(1,232)
● Tax effect	7,263
● Tax effect - exchange rates	19,049
● Final balance at 31 December 2014	292,460

2015 Financial year

	Thousand of euros
Initial balance at 01 January 2015	292,460
Government contributions, donations and legacies recognised	-
Tax effect	-
Allocation to the profit and loss account:	
due to amortisation	(15,836)
due to adjustments for impairment	(551)
due to disposals	(4,071)
Tax effect	5,728
Tax effect - exchange rates	(133)
Final balance at 31 December 2015	277,597

The Parent Company values the liabilities from deferred tax resulting from capital compensations received up to the 2010 financial year at the tax rates expected at the time they were reversed, as per the applicable regulation at 31 December 2015, and acknowledges this change in the Company's net assets (see Note 4p), 18) and Total statement of changes to net assets).



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15. Long-term and short-term provisions

The itemised list of long-term and short-term provisions for the 2015 and 2014 financial years is 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 2014	5,360	18,042	47,383	2,826	73,611	5,260
Provisions	1,432	-	625	59	2,116	188
Applications / payments	(1,872)	(1,840)	(10,064)	-	(13,776)	(175)
Reversals / excesses	(213)	(3,093)	(10,355)	(808)	(14,469)	(193)
● Balance at 31 December 2014	4,707	13,109	27,589	2,077	47,482	5,080
Provisions	421	3,201	271	-	3,893	386
Applications / payments	(1,347)	(1,019)	(3,135)	(1,450)	(6,951)	(3,917)
Reversals / excesses	(1,930)	(271)	(6,456)	(60)	(8,717)	(399)
● Balance at 31 December 2015	1,851	15,020	18,269	567	35,707	1,150



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The provisions for the financial year, amounting to 4,279 thousand euros, have been charged to the consolidated profit and loss account according to their type (2,304 thousand euros in 2014).

The origin of these charges lies in court decisions that have been unfavourable for Correos Group during financial year 2015 and which have involved the effective payment of certain amounts.

The reversals for the financial year, amounting to 9,116 thousand euros, have been charged to the consolidated profit and loss account according to their type (14,662 thousand euros in 2014).

Provision for claims from the staff

The balance of this provision as of 31 December 2015 records the estimated sums to be paid for claims and court actions in labour-law proceedings against Correos Group.

Provision for court actions

The balance of this provision as of 31 December 2015 and 2014 records the sums to be paid by the Parent Company for penalties imposed by Spanish National Markets and Competition Commission which the former has appealed against. The balance as of 31 December 2014, in addition to the above, also includes estimated sums to meet the costs of potential claims for damages resulting from unfavourable competition rulings.



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16. Financial liabilities

The composition of the Correos Group short-term financial liabilities as of 31 December 2015 and 2014, including balances with government bodies not considered financial instruments, is as follows:

	Balance at 31/12/2015	Balance at 31/12/2014
● Short-term debts:		
Creditors for fixed assets	10,097	3,442
Money order deposits	4,691	5,658
Deposits and guarantees	7,286	7,416
Other short-term debts	535	731
TOTAL SHORT-TERM DEBTS	22,609	17,247
SHORT-TERM DEBTS WITH GROUP COMPANIES AND ASSOCIATES (NOTE 20)	478	80,922
● Trade creditors and other accounts payable:		
Suppliers	1,706	2,723
Suppliers, group companies and associates (Note 20)	3	25
Other creditors	178,298	184,184
Staff (unpaid wages)	64,779	52,632
Other debts with government bodies (Note 18)	59,505	50,161
Customer advances	46,364	31,733
TOTAL TRADE CREDITORS AND OTHER ACCOUNTS PAYABLE	350,655	321,458



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The headings for financial instruments in the table above are considered 'Debits and accounts receivable'.

'Money order deposits' include money orders accepted prior to 31 December 2015 and pending payment by the Parent Company to their recipients at that date.

The 'Other creditors' heading includes amounts received by the Parent Company from third parties totalling 25,430 thousand euros (26,846 thousand euros in the 2014 financial year).

Likewise, the headings 'Other creditors' and 'Customer advances' include 79,382 thousand euros whose origin lies in pending payments to different third-country postal operators for postal and telegraph services received from them (65,840 thousand euros as of 31 December 2014). At the end of the financial year, the Parent Company had no outstanding amount due to suppliers that were delayed beyond the legal limit established by Law 15/2010, of 5 July.

In accordance with the provisions of Act 25/2010 and the ICAC's Resolution of 29 January 2016, the information from the Parent Company on the average settlement period for supplier invoices in business operations at 31 December 2015 is as follows:

2015 Financial year

	Days
Average settlement period for supplier invoices	3
Ratio of paid transactions	5
Ratio of outstanding transactions	(31)
	Thousands of euros
Total payments made	411,257
Total outstanding payments	33,554

In accordance with the Additional Provision of Resolution of 29 January 2016 by the ICAC (the Spanish Accounting and Account Auditing Institute), Correos Group has filed no comparative information for the average settlement period of business supplier invoices, with the annual accounts having been deemed to be initial accounts for these purposes only, insofar as the uniformity principle and the comparability requirement are concerned.



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17. Income and expenses

a) Net turnover

The distribution of Correos Group turnover corresponding to its ordinary activities by activity category, as well as by geographical markets, for the 2015 and 2014 financial years is as follows:

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 for 11,052 thousand euros (this figure was equivalent to 19,541 thousand euros in the 2014 financial year).

2015 Financial year

• Segmentation of activities by category

Revenue from postal, telegraph and parcel services	1,684,109
Revenue from provision of services to third parties and provision of banking services	26,540
Revenues from money transfer	26,426
Sale of philatelic products	18,838
Other	9,802
TOTAL	1,765,715

• Segmentation by geographical markets

National	1,765,715
TOTAL	1,765,715

2014 Financial year

• Segmentation of activities by category

Revenue from postal, telegraph and parcel services	1,639,184
Revenue from provision of services to third parties and provision of banking services	27,601
Revenues from money transfer	31,897
Sale of philatelic products	18,560
Other	14,782
TOTAL	1,732,024

• Segmentation by geographical markets

National	1,732,024
TOTAL	1,732,024



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b) Procurement

The breakdown of the heading 'Procurement' in the attached consolidated profit and loss account during the 2015 and 2014 financial years is as follows:

2015 Financial year

● National purchases of merchandise-

Stamps and other franking signs	4,380
Other products	7,998
Changes in stock	(1,078)

CONSUMPTION OF MERCHANDISE 11,300

Impairment of merchandise,
raw materials and other
supplies 1,524

Activities carried out by
other companies 157,218

PROCUREMENT 170,042

2014 Financial year

● National purchases of merchandise-

Stamps and other franking signs	5,816
Other products	8,531
Changes in stock	(1,527)

CONSUMPTION OF MERCHANDISE 12,820

Impairment of merchandise,
raw materials and other
supplies 1,242

Activities carried out by other
companies 151,904

PROCUREMENT 165,966



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c) Compensations for costs derived from provision of the UPS

In financial year 2015, the *Ministerio de Fomento* (Ministry for Public Works) transferred 180,000 thousand euros to the Treasury. This amount was assigned to the Parent Company in the Ministry for Public Works' s budget for provision of the Universal Postal Service to cover outstanding payments within programme 491 Universal Postal Service, in the National Budget for financial year 2015. Pursuant to the above, the Parent Company entered into the accounts revenues of 180,000 thousand euros for this item in 2015, in line with Correos' accounting practice (in financial year 2014, as previous financial years pending settlement, 518,000 thousand euros were entered into the accounts as revenue in financial year 2014).

However, at the date these annual accounts were drafted, the resolutions on the Parent Company's analytical accounting for the 2013, 2014 and 2015 financial years and the determination of the net cost of the Universal Postal Services for the 2011, 2012, 2013, 2014 and 2015 financial years has yet to be released and approved by the National

Markets and Competition Commission. Therefore, until said resolutions are issued and the net cost is determined, the advances paid by the Ministry for Public Works this year to cover past financial years cannot be considered final.

It is possible that if the CNMC resolution on the calculation of the net cost of the UPS in the financial years 2011, 2012, 2013, 2014 and 2015 differs from the amounts assigned in the National Budget there could be an impact on the amounts recorded.

Any such final impact cannot be calculated until the new Service Plan, to be developed by the Spanish Government, comes into force, which will establish the methodology and concepts to calculate the net cost.

2014 Financial year

Compensation for provision of the UPS pending collection as of 01 January 2014	336,724
● Compensation UPS collected	(336,724)
● UPS compensation - previous years pending payment	518,000
Compensation for provision of the UPS pending collection as of 31 December 2014	518,000

2015 Financial year

● Compensation UPS collected	(430,074)
● UPS compensation - pending payment	180,000
Compensation for provision of the UPS pending collection as of 31 December 2015	267,926



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Over the course of financial year 2015, the Parent Company collected 430,074 thousand euros for compensation for costs derived from provision of the UPS in the previous financial years (336,724 thousand euros in financial year 2014). The pending amount for this item at the end of financial year 2015 was 267,926 thousand euros (see Notes 11.1), 11.3.1)) (518,000 thousand euros at the end of the 2014 financial year).

The Parent Company received other subsidies during financial year 2015, mainly for staff training, worth 193 thousand euros (in financial year 2014 it received 171 thousand euros for this item).

d) Staff costs

The breakdown of the heading 'Staff costs' for the financial years ending at 31 December 2015 and 2014 is as follows:

	2015 Financial Year	2014 Financial Year
Wages, salaries and similar	1,134,184	1,154,964
Social Security contributions	240,714	230,392
Other costs	9,080	9,375
Extra pay December 2012	58,549	18,246
	1,442,527	1,412,977



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The Social Security contributions for financial years 2015 and 2014 do not include any amount for contributions to pension plans. On the basis of the provisions of article two of Royal Decree 20/2011, of 30 December, on urgent budgetary, fiscal and financial measures for the correction of the public deficit, the Parent Company did not make contributions to the pension plans (see Note 5-o)).

e) External services

The breakdown of the heading 'External services' for the financial years ending at 31 December 2015 and 2014 is as follows:

2015 Financial Year 2014 Financial Year

Leases	40,690	41,265
Repairs, preservation and maintenance	69,753	71,644
Independent professional services	14,036	11,435
Security	20,320	20,299
Fees from sales	12,554	12,222
Advertising, marketing and public relations	13,853	9,434
Procurement	43,624	39,667
International mail expenses	43,961	45,735
Cleaning	28,808	31,262
Other costs	36,540	21,925
	324,140	304,888



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‘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 costs derived from the maintaining and management services provided by third parties for the Parent Company’s data processing centres are included under ‘Other costs’.

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

	2015 Financial year	2014 Financial year
Up to one year	28,704	21,005
Between one and five years	26,821	15,696
More than five years	13,219	24,835
TOTAL	68,744	61,536



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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 and the restatement effect of the definitive pro rata of the 2015 financial year (see Note 4-s)). These restatements represented an expense of 1,329 thousand euros and 721 thousand euros, respectively, in 2015 (1,130 thousand euros in 2014, corresponding to a restatement of VAT for investment assets).

Other taxes, such as the property tax cost the Parent Company 5,799 thousand euros in financial year 2015 (5,462 thousand euros in financial year 2014).





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

The breakdown of this heading for the financial
years ending at 31 December 2015 and 2014 is as
follows:

2015 Financial year

I. Non-current material and assets for sale					
	Intangible fixed assets	Land and buildings	Other fixed assets	Plant	TOTAL
• Adjustments for impairment:					
Provisions	-	2,508	-	-	2,508
Reversals	-	(6,047)	-	-	(6,047)
	-	(3,539)	-	-	(3,539)
• Income from disposals and other results:					
Profits	(10)	(2,912)	(912)	-	(3,834)
Losses	34	3,716	481	5	4,236
	(24)	804	(431)	5	402
	(482)	(2,735)	(431)	5	(3,137)



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2014 Financial year

I. Non-current material and assets for sale

	Intangible fixed assets	Land and buildings	Other fixed assets	Plant	TOTAL
● Adjustments for impairment:					
Provisions	-	17,617	-	-	17,617
Reversals	-	(459)	-	(96)	(555)
	-	17,158	-	(96)	17,062
● Income from disposals and other results:					
Profits	-	(748)	(1,731)	(398)	(2,877)
Losses	-	3,066	132	-	3,198
	-	2,318	(1,599)	(398)	321
	-	19,476	(1,599)	(494)	17,383



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h) Financial income and expenses

The breakdown of this heading for the 2015 and 2014 financial years is as follows:

	2015 Financial year	2014 Financial year
● Financial income		
From group companies:		
Long-term creditors (Note 20)	269	337
From third parties:		
Other financial income	1,063	1,758
	1,332	2,095
● Financial expenses		
From third parties:		
Other financial expenses	63	25
	63	25

Over the course of the 2015 financial year, the Parent Company also lent cash flow to its shareholder (SEPI), payable in no more than five months at market interest rates. The balance recorded at the close of financial year 2015 for lent cash flow was 30,000 thousand euros (50,000 thousand euros in financial year 2014), payable in less than a month (see Notes 11.3.1) and 20)). The consequent revenue generated stood at 269 thousand euros in the 2015 financial year (337 thousand euros in financial year 2014).

The interest the Parent Company earned from the management of the cash flow surplus in its current accounts is recorded in 'Other financial income' (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 of 31 December 2015 and 2014 is as follows:

	Balance at 31/12/2015	Balance at 31/12/2014
● Non-current assets		
Deferred tax assets	15,738	20,203
Long-term debts by government bodies (Note 11.3.1)	-	113,000
Valuation adjustments for impairment (Note 11.3.1)	-	(562)
TOTAL NON-CURRENT ASSETS WITH GOVERNMENT BODIES	15,738	132,641
● Current assets		
Other debtors - UPS compensation (Note 11.3.1)	267,926	405,000
Others (Note 11)	363	260
TOTAL CURRENT ASSETS WITH GOVERNMENT BODIES	268,289	405,260
	(Note 11)	(Note 11)
● Non-current liabilities		
Deferred tax liabilities	92,716	97,884
● Current liabilities		
Income Tax – [IRPF in Spanish]	21,626	18,896
Value added tax - IVA	6,630	5,588
Social Security	28,340	22,093
MUFACE (public employee mutual soc.) and liability fees	2,494	2,792
Other	415	792
TOTAL CURRENT LIABILITIES WITH GOVERNMENT BODIES	59,505	50,161
	(Note 16)	(Note 16)



Consolidated annual accounts report for the financial year 2015

In the 2011 financial year Correos Group paid its taxes under the fiscal consolidation regime as the Parent Company of the Fiscal Group No. 38/11 comprising the Parent Company's Correos Express Paquetería Urgente, 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, formalised by a deed dated 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 number 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 *Delegación Central de Grandes Contribuyentes de la Administración Tributaria* [Central Office of Large-Scale Taxpayers of the Fiscal Authorities] when the second instalment of the Corporation Tax payment for 2012 was made

in compliance with the provisions in article 70.6 of the amended text of the *Ley del Impuesto sobre Sociedades* (Corporation 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 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.





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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 No. 9/86 is to avoid doubling up in the calculation of the tax debts and profits.

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

2015 Financial year

2014 Financial year

Temporary differences:

Provisions related to staff	80	3,155
Provisions related to fixed assets	1,378	1,036
Amortisation of fixed assets	12,791	16,286
Others	292	415
	14,541	20,892
Adjustment due to change to tax rate	(414)	(689)
Credits for deductions	1,612	-
Deferred tax assets	15,738	20,203

Temporary differences:

Tax effect of the compensations received as capital contributions up to 2010	92,532	98,127
Other temporary adjustments	184	(243)
Deferred tax liabilities	92,716	97,884



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The movement of assets due to deferred payment of the Corporation Tax during the 2015 and 2014 financial years is as follows:

2015 Financial year

	Balance at 01/01/2015	Additions	Adjustments	Reversal	Balance at 31/12/2015
• Deferred tax base	69,639	8,069	(1,850)	(24,827)	51,031
• Tax effect:					
Temporary differences	20,203	1,808	(933)	(6,952)	14,126
Credits for losses to be compensated/ deductions	-	1,612	-	-	1,612
	20,203	3,420	(933)	(6,952)	15,738

2014 Financial year

	Balance at 01/01/2014	Additions	Adjustments	Reversal	Balance at 31/12/2014
• Deferred tax base	117,215	36,901	(30,252)	(54,225)	69,639
• Tax effect:					
Temporary differences	23,019	11,071	(9,765)	(4,122)	20,203
Credits for losses to be compensated/ deductions	12,145			(12,145)	-
	35,164	11,071	(9,765)	(16,267)	20,203



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The movement of liabilities due to deferred payment of the Corporation Tax during the 2015 and 2014 financial years is as follows:

2015 Financial year

	Balance at 01/01/2015	Additions	Exchange rate adjustment	Reversal	Balance at 31/12/2015
Liabilities due to deferred taxed compensation UPS capital	97,711	-	133	(5,718)	92,126
Temporary differences	618	1,972	-	(230)	2,360
Temporary differences tax effect	173	552	(71)	(64)	590
TOTAL LIABILITIES FOR DEFERRED TAX	97,884	552	62	(5,782)	92,716

2014 Financial year

	Balance at 01/01/2014	Additions	Exchange rate adjustment	Reversal	Balance at 31/12/2014
Liabilities due to deferred taxed compensation UPS capital	123,907	-	(19,049)	(7,147)	97,711
Temporary differences	813	-	-	(195)	618
Temporary differences tax effect	244	-	-	(71)	173
TOTAL LIABILITIES FOR DEFERRED TAX	124,151	-	(19,049)	(7,218)	97,884



Consolidated annual accounts report for the financial year 2015

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

2015 Financial year

Consolidated Profit
and Loss Account

2014 Financial year

Consolidated Profit
and Loss Account

● Consolidated result before taxes	(52,432)	286,761
● Consolidation adjustments	1,901	2,416
● Aggregate results before taxes	(50,531)	289,177
● Breakdown of aggregate results before taxes:		
Accounting basis	1,706	291,567
Capitalised accounting basis (losses)	(54,138)	(4,806)
Non-taxable accounting basis	1,901	2,416
	(50,531)	289,177
Theoretical tax charge	478	87,470
Tax credit	(15,158)	(1,346)
Non-calculable income	(408)	(506)
Non-deductible expenses	(413)	859
Deduction	(1,612)	(1,137)
Effective aggregated taxable (income)/expense	(17,113)	85,340

Continues ►



Consolidated annual accounts report for the financial year 2015

2015 Financial year

Consolidated Profit
and Loss Account

2014 Financial year

Consolidated Profit
and Loss Account

● Breakdown effective aggregate taxable expense:

Current taxes	478	81,182
Tax credit	(21,611)	(1,041)
Deferred taxes	4,020	5,198
TOTAL EFFECTIVE AGGREGATE TAXABLE EXPENSE	(17,113)	85,339
Adjustment due to change to tax rate	399	2,202
Adjustment previous financial year Corporation Tax	(190)	59
Consolidation adjustment	471	7,686
AGGREGATE CORPORATION TAX EXPENSE	(16,433)	95,286



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The calculated Corporation Tax pending payment and collection as of 31 December 2015 and 2014 is as follows:

2015 Financial year

	Debtor current tax	Creditor current tax
Aggregate current tax	(21,611)	478
Tax withholdings and pre-payments	(297)	-

2014 Financial year

	Debtor current tax	Creditor current tax
Aggregate current tax	(1,040)	81,182
Tax withholdings and pre-payments	(333)	-



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The conciliation of the consolidated book result
with the taxable base for income tax as of 31
December 2015:

	Increases	Decreases
Aggregate result	-	(52,431)
Consolidation adjustments	-	1,901
● Permanent differences:		
Of each company	1,787	(1,222)
● Temporary differences:		
Of each company		
Arising in the year	9,166	(1,972)
Arising in previous years	232	(31,033)
● Taxable base (tax result)	-	(73,572)



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On 27 November 2014, Act 27/2014 on Corporation Tax was published in Official State Gazette. It came into force on 1 January 2015 and applies to all tax periods from that date onwards. In accordance with article 29.1 of this Act, the general tax rate has been reduced from 30% to 25%. Moreover, a number of other measures were also brought in on a temporary basis, including Temporary Provision Thirty-Four i) which establishes a general tax rate of 28% for tax periods beginning in 2015. In light of this, the Group Companies have recorded their deferred tax assets as of 31 December 2015 at a rate of 25%, which is the expected rate at which the assets will revert, as set out in the adjustment due to change to tax rate.

In financial year 2014 the Parent Company made use of the provisions of article 37 of Royal Legislative Decree 4/2004, of 5 March, approving the amended text of the *Ley del Impuesto sobre Sociedades* (Corporation Tax Act), regarding tax reductions due to reinvestment of profits on the transfer of tangible fixed assets, and thus 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 2014 financial year, the Company fully met its reinvestment commitment. The revenues benefiting from said deduction amount to 2,050 thousand euros.



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Current laws and regulations establish that taxes may not be deemed finally settled until filed tax statements have been inspected by the tax authorities or a statute of limitations of four years elapses. At 31 December 2015, the companies that make up Correos Group had all applicable taxes since 1 January 2011 open to inspection by the tax authorities. The Parent Company's Directors do not expect significant additional liabilities to accrue in any inspection procedure.

In accordance with Law 27/2014 on Corporation Tax, effective in financial years starting from 1 January 2015, if a company's tax base is negative as calculated using the applicable rules, there is no maximum period for said amount to be offset. The offset must be made upon filing the Corporation Tax return, and is subject to the tax authorities' power of verification.

The negative tax amounts from before the integration in the Fiscal Group No. 9/86 that the Companies of Correos Group generated in the 2011 financial year or before, can be subject

to compensation with future taxable amounts 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.

As of 31 December 2015, the Group's companies had negative tax bases of 198,875 thousand euros to offset against future fiscal benefits.

The temporary differences corresponding to Correos Express Paquetería Urgente, S.A. are treated as permanent differences due to the Company's recurring losses. It is deemed doubtful whether the potential assets from deferred taxes can be recovered and whether the potential liabilities from deferred taxes can be achieved (2,699 thousand euros as increases and 6,119 thousand euros as decreases).



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19. Other information

a) Number of employees

The breakdown of the Group's usual staff by number of employees during the 2015 and 2014 financial year was as follow:

2015 Financial year 2014 Financial year

● Management Committee	14	14
● Rest of workforce:		
Civil servants	15,936	17,743
Employees under ordinary contracts	35,433	34,757
	51,383	52,514

As of 31 December 2015 and 2014, the number of employees of Correos Group broken down by job categories and gender was as follows:

Data at 31/12/2015

	Men	Women	TOTAL STAFF
● Management Committee	13	1	14
● Rest of workforce:			
Civil servants	10,583	4,514	15,097
Employees under ordinary contracts	15,394	20,712	36,106
	25,990	25,227	51,217

Data at 31/12/2014

	Men	Women	TOTAL STAFF
● Management Committee	13	1	14
● Rest of workforce:			
Civil servants	12,025	5,053	17,078
Employees under ordinary contracts	14,436	19,536	33,972
	26,474	24,590	51,064



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The average workforce of the Group with disabilities of 33% or more during the 2015 and 2014 financial years was as follow:

	2015 Financial year	2014 Financial year
Civil servants	393	440
Employees under ordinary contracts	545	520
	938	960

b) Commitments and contingencies

At 31 December 2015, the guarantees provided on behalf of Correos Group by various banks came to 61,379 thousand euros (63,122 thousand euros at 31 December 2014). 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) Planned financial investments

The Parent Company plans to make certain financial investments, subject to authorisation from the Council of Ministers, in accordance with article 12.5 of the *Ley 5/1996, de 10 de enero, de Creación de determinadas Entidades de Derecho Público* [Act 5/1996, of 10 January, on the Creation of Certain Public Law Bodies].



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d) Fees for accounts auditors and group and associated companies

The amounts billed to the companies in the Correos Group, or pending billing, by PricewaterhouseCoopers Auditores, S.L., and its associated companies as listed in Additional Provision Fourteen of the *Ley de Medidas de Reforma del Sistema Financiero* (Financial System Reform Act), for the provision of professional services over the financial year, are itemised below:

2015 Financial year 2014 Financial year

For auditing services	129	129
For other services	40	-
TOTAL	169	129



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20. Related party transactions

a) Associated companies

Correos has been part of the SEPI Group since 5 June 2012 (see Note 1). The debit and credit balances Correos Group maintains with companies of the SEPI Group at 31 December 2015 and 2014 are as follow:

	Clients,companies of the Group		Suppliers,companies of the Group		Inter-SEPI cash flow	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
SEPI	1	1	-	-	30,005	50,010
SEPI Group remainder	52	52	3	25	-	-
	53	53	3	25	30,005	50,010
	(Note 11)	(Note 11)	(Note 16)	(Note 16)	(Note 12)	(Note 12)



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

Balances Fiscal Group No. 9/86

	Debtors,companies of the Group		Debts,companies of the Group	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
SEPI	21,908	1,112	478	80,922
	21,908	1,112	478	80,922
	(Note 18)	(Note 18)	(Note 18)	(Note 18)



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The transactions with the companies of the SEPI
Group in the 2015 financial year are as follows:

	Income from provision of services		Operating expenses	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
SEPI	5	4	-	-
SEPI Group, remainder	276	265	89	40
	281	269	89	40
	Financial income		Distribution of dividends	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
SEPI	269	337	100,823	26,000
	269	337	100,823	26,000
	(Note 17h)	(Note 17h)	(Note 4)	(Note 4)



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b) Directors and senior management of the Parent Company

The members of the Governing Board and the Management Committee of the Parent Company are the only people responsible for the planning, management and control of 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 Governing Board 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 2015 and 2014 financial years.

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

Pay received for all items during the 2015 financial year by members of the Parent Company's Governing Board and Management Committee totalled 2,203 thousand euros (1,960 thousand euros in 2014), 160 thousand of which correspond to allowances paid to members of the Governing Board of the Parent Company for attending Board meetings (154 thousand in 2014); the rest was paid as salaries and/or other pay items (including compensation) to the members of the Management Committee of the Parent Company.



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As of 31 December 2015, no member of the Parent Company's Governing Board 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 Directors

In order to avoid conflicts with the interests of the Group of Companies, the Directors holding positions on the Governing Board of the Parent Company complied with all of the obligations set out in article 228 of the amended text of the Capital Companies Act. Moreover, both the members of the Board and the people associated with them have refrained from falling into any of the conflict of interest scenarios set out in article 229 of said Act.

On the date of writing these annual accounts, the Governing Board of the Parent Company was made up of 9 men and 7 women.





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21. Segment result

Correos Group' segment results for the 2015 and 2014 financial years are as follow:

2015 Financial year

	Postal, telegraph and parcel sector	Urgent parcels and others	Portfolio adjustment and participative p.	TOTAL
Net turnover	1,613,925	151,790	-	1,765,715
Procurement	(84,333)	(85,709)	-	(170,042)
UPS compensation	180,000	-	-	180,000
Staff costs	(1,398,016)	(44,511)	-	(1,442,527)
Other results	(360,188)	(26,509)	3,020	(383,677)
Profit before tax	(48,612)	(4,939)	3,020	(50,531)

2014 Financial year

	Postal, telegraph and parcel sector	Urgent parcels and others	Portfolio adjustment and participative p.	TOTAL
Net turnover	1,590,494	141,530	-	1,732,024
Procurement	(85,732)	(80,234)	-	(165,966)
UPS compensation	518,000	-	-	518,171
Staff costs	(1,370,785)	(42,192)	-	(1,412,977)
Other results	(362,273)	(23,457)	3,826	(382,075)
Profit before tax	289,704	(4,353)	3,826	289,177



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22. Environmental information

The itemised details of the Parent Company's investments and costs in environmental protection and improvement in financial years 2015 and 2014 are as follows:

	Financial year 2015	Financial year 2014
● Investments	156	118
● Costs		
Environmental protection services	75	107
Environmental management costs	52	71
Environmental taxes	725	877
Clean-up costs	66	31
Prevention costs	-	17
TOTAL EXPENSES	918	1,103

Likewise, during the financial year ending on 31 December 2015, no environmental subsidies were received.

The Parent Company's Directors take the view that no significant 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 of 31 December 2015.



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23. Contingent liabilities

On 11 February 2016 the European Commission decided to begin the formal investigation process established in article 108, paragraph 2, of the Treaty on the Functioning of the European Union with regard to the compensations for the USO awarded to the Parent Company under Postal Law of 1998, the exemptions from the *Impuesto sobre Bienes Inmuebles* (Property Tax) and the *Impuesto sobre Actividades Económicas* (Economic Activity Tax), the three capital increases awarded in 2004, 2005 and 2006, and the compensation awarded to the Parent Company for the distribution of electoral materials, thus launching an investigation during which the Kingdom of Spain, the Parent Company and interested third parties may submit claims. However, this procedure is at a very early stage making it difficult to estimate the potential risk to the Parent Company. Nevertheless, it is worth noting that if any aid received by the Parent Company is deemed incompatible with the market, the European Commission may require the Kingdom of Spain to recover the amount of the potential aid from the Parent Company, a figure which is difficult to assess at this stage.

The European Commission has requested preliminary information from the Spanish Government with regard to a complaint concerning supposed State aid awarded to the Correos Express Paquetería Urgente, S.A. between 1998 and 2013. However, no formal case has been opened to date against the Kingdom of Spain for State aid.

In November last year, in the framework of an investigation into possible anti-competitive practices in the parcels and urgent courier market, the CNMC inspected Correos Express Paquetería Urgente, S.A., which submitted the requested documentation. The CNMC has not begun disciplinary proceedings to date, nor has Correos Express Paquetería Urgente, S.A. entered any provision in its financial statement, since the Company deems the investigation to be at a very early stage and that it is difficult to estimate the possible risk it may represent to Correos Express Paquetería Urgente, S.A.

Correos Group believes that it does not have significant contingent assets or liabilities at the end of the 2015 financial year.

24. Subsequent events

There were no other events after 31 December 2015 that might have a significant effect on these consolidated annual accounts.



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Economic environment

In 2015 gross domestic product grew by 3.2% according to the latest forecasts published by the Bank of Spain, compared to 1.4% the previous year, thus consolidating growth seen in the Spanish economy over the last two years.

This favourable economic environment had a positive impact on the postal and parcel services sector, which benefited from increased consumption, export activity, company startups, higher employment, the increase in business investment and households' purchasing power.

As regards forecasts for 2016, the Spanish economy is expected to continue recovering, although at a slower rate of growth. The data published by the European Union and the Bank of Spain predict GDP growth of more than 2%.

The postal and parcel sector in Spain

In 2015, revenues in the postal and parcel sector in Spain grew by 5.1% up to November, according to the National Institute for Statistics.

The postal sector is a very mature market where the demand for mail services is continuously falling as a result of electronic communication. The impact of electronic substitution, which represents a drop of more than 40% in volumes over the last decade, continued to accelerate in 2015, despite the growing economy and higher investment in advertising gave a boost to the direct marketing segment.

Over the last financial year, the drop in the postal business was intensified by more promotion of electronic invoicing from companies that generate large mail volumes and by the high implementation of e-government. Currently, in Spain, close to 95% of public services are available in digital format and 49% of citizens use the Internet to communicate with government bodies,



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compared to 46% elsewhere in Europe. On the other hand, the parcel market continued to grow strongly. Various studies showed that income rose by 4.5% in the first half of 2015 compared to the same period the previous year, thanks mainly to international activity and the boost received from e-commerce, which exceeded 9.4 billion euros in that period, 26% more than the previous year, according to the *Comisión Nacional de los Mercados y la Competencia* (National Markets and Competition Commission).

For the year as a whole, the parcel sector's revenue may grow by 4%, exceeding 6 billion euros. This growth is very closely linked to e-commerce transactions, as it is estimated that between 40% and 50% of these transactions generate a parcel delivery, according to the Observatorio Nacional de las Telecomunicaciones y de la Sociedad de la Información (National Telecommunications and Information Society Observatory).

In this context, the Parent Company continued to diversify its activities in 2015, offsetting the fall in mail volumes by increasing direct marketing and parcels activity.

In the direct advertising segment, the Parent Company designed a new and comprehensive portfolio of direct marketing solutions, in both physical and digital format, to meet the needs of companies who demand ever more multi-channel options, which are highly personalised for each customer.

Currently, close to 37% of the Spanish population make online purchases compared to 50% of Europeans. This potential for growth in the sector generates increasing demand for commercial and logistics services adapted to new lifestyles, offering more convenience and flexibility for the delivery of products bought on the net.

To meet these needs, Correos Group has a comprehensive range of parcel solutions for the entire e-commerce value chain. Additionally, the Parent Company has developed new inverse logistics services and products specifically designed for certain sectors, featuring the latest market technology to improve delivery prediction and location of recipients.



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In order to provide longer delivery hours and more convenience to receive and send items, Correos continued with its national expansion plan for the 'HomePaq' service, automated terminals where customers can send and receive parcels in their own homes, and 'CityPaq', automated parcel boxes located in crowded places. Additionally, the Parent Company made progress rolling out the new post office model, 'Tu Correos', which offers a new concept of customer service, a broader range of products and services, and automated spaces 24 hours a day.

To fulfil these new demands, of both online traders and consumers, the Parent Company has developed 'Comandia Express' which, along with 'Comandia Shop', facilitates online sale for small companies in an easy and simply way. It has also launched the 'Correos Prepago' card, which guarantees secure payments in any physical or electronic shop.

In short, Correos Group has the most comprehensive range of products and services to meet the needs of e-commerce businesses, with a wide range of integral solutions and added value options. It also meets the needs of end consumers who appreciate the convenience, reliability and nation-wide coverage of its post office network.



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Current position and future prospects

The Action Plan that Correos Group has been implementing since 2012 features five strategic lines: effective diversification of activity and revenue, commercial effectiveness, operational optimisation to take advantage of the capillarity of the post office and distribution networks, the development of the internal organisational model and innovation.

Correos Group continues to work on developing these five lines of action, and bringing its values of security, proximity and confidence to the digital world and parcel sector, with the aim of being the best option for both private and business customers, for all physical and digital communications.

Main risks and uncertainties

The world around us is changing at an ever faster pace, becoming increasingly unpredictable, complex and difficult to understand. Correos Group must be ready for the VUCA environment (acronym meaning Volatility, Uncertainty, Complexity, Ambiguity). This is a fast-changing world and we can help consumers find their way in it. The digital revolution, change in consumer spending; everything suggests that companies have to re-invent how they do business.

Correos Group's activity is subject to certain risks and uncertainties, including market risks derived, among other factors, from the gradual decrease in postal activity due to electronic substitution, increasing competition and the advent of new technologies that cause swift changes in demand.

Correos Group has identified certain operation risks resulting from its structural complexity and the need to make progress in the implementation of new technologies to increase the efficiency of the distribution and delivery processes. The company also faces the labour risks inherent to any company with a large workforce needed to maintain a presence across the entire country.

Finally, equally significant are the environmental risks generated by the impact of a large infrastructure network and fleet of vehicles, and the reputational risks that can come from unpredictable changes in the positive perception the Company has always enjoyed among its various stakeholders.

To these risks it must be added the legal, fiscal and financial uncertainties from possible changes to sectorial legislation and how the Company operates. Moreover, Correos Group manages technological risks via a risk control system that makes it possible to identify, measure, limit, control and report technological risks, with the aim of mitigating and eliminating their potential negative impact.



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Exposure to risk

Correos Group focuses risk management on measuring risk and devising and applying coverage strategies.

Credit risks

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

Market risk

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

Interest rate risks

An interest risk arises 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, Correos Group's exposure to exchange rate risk in interest rates is not significant.

Exchange rate risks

An exchange rate risk arises due to the possible loss caused by variations in the exchange rate. 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 result from the services provided to and received by foreign postal operators and from the provision of the international money order service.

In this regard, Correos Group's exposure to this risk largely corresponds to the accounts receivable and payable in favour of the Parent Company resulting from international mail. The Parent Company

Directors believe that the risk of the net balance at 31 December 2015, which stood at 38,309 thousand euros receivable (21,955 thousand euros payable at 31 December 2014) is not significant.

Other price risks

The Parent Company's investments in capital instruments are in Group companies, meaning the risk is not significant.

Liquidity risks

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



Management report

Financial year 2015

Key indicators

The Parent Company's result after tax for the 2015 financial year was negative: 33.7 million euros, 235.3 million euros less than in 2014. The main aspects behind the evolution of the result are the increase of 23.4 million euros (1.5%) in turnover, which was the result of two very significant effects, higher revenue of 59.6 million euros from electoral processes and an overall decrease in volumes, which saw revenue decline by 36.2 million euros, mainly from the drop in the Company's traditional business (letters and registered products). Volumes have fallen across all products, including traditional and registered mail and publications, with the exception of domestic parcel, marketing and advertising products. Secondly, the 27.2 million euro increase in staff costs, mainly caused by the payment of 75% of the wage bonus not paid in 2012, worth 56.9 million euros (18 million euros in financial year 2014) and by the additional costs incurred from providing the postal services required for the elections held in the 2015 financial year, offset the decrease in staff costs generated from reducing staff numbers by an average of 1,122. Finally, other

highlights include the change to other operating expenses, which increased by 12.8 million euros, and the decrease in the compensation received by Correos for providing the Universal Postal Service.

The Parent Company, as the operator designated to provide the Universal Postal Service, is obliged to meet certain quality, frequency, accessibility and affordability requirements, in accordance with postal regulations. As regards the delivery quality, in 2015 the Parent Company distributed 93.0% of ordinary letters within three days of posting (D+3) and 98% within five days (D+5).



Management report Financial year 2015

Information on staff

In 2015, in accordance with the *Ley de Presupuestos del Estado 2015* (National Budget Law 2015), the salaries of public sector workers, including Correos Group staff, were frozen.

Efforts continued in 2015 to adjust employment levels to postal activity, with an average of 1,122 employees, guaranteeing service quality and always within the thresholds applicable under the Parent Company's role as Universal Postal Service provider.

These adjustments have mainly affected the Parent Company's civil servant personnel. The adjustment was more limited this year because of the four electoral processes held (Elections to the Parliament of Andalusia on 25 March 2015, Elections to the Parliament of Catalonia on 27 September 2015, Local Elections in certain Spanish Regions on 24 May 2015 and the General Elections on 20 December 2015) and the parcel activity increase.

The Ley 25/2015, de 28 de julio de mecanismos de segunda oportunidad, reducción de la carga financiera y otras medidas de orden social (Law 25/2015, of 28 July on second opportunity mechanisms, reducing financial burdens and other social measures) has made it possible to consolidate temporary employment in the Parent

Company, thus guaranteeing quality employment that will meet the business's new needs.

The Parent Company has continued to gradually bring in part time contracts, particularly in post offices and processing centres, adjusting coverage to meet the peak periods of customers' visits in post offices. This trend continued in 2015 and the overall inter-annual percentage increased by 0.47%, and by 1.58% in post offices and processing centres.

In 2015, the Parent Company implemented and gave impetus to programmes designed to support people's development and linked to the Action Plan 100-300-1,500, and Correos' new business lines. The actions in 2015 focused on internal promotion, the performance assessment system and talent management.

A new e-learning model has been developed to promote more accessible and innovative training, adapted to the needs of all of the Group's employees, and which includes new services and contents, as well as improvements to cover learning needs.

Moreover, 'Colearning', the innovative space devoted to our customers and suppliers, provides them with interactive training on main products

available in the market. It also provides the option of training people from outside the organisation on training courses of general interest.

With regard to Prevention and Occupational Health, the trend in accident figures was far more favourable than the national average; progress was made on major projects such as the Road Safety Plan; and the Parent Company was certified as a healthy company via continuous and personal counselling, and awareness-raising measures, from a multi-disciplinary focus.

In the field of equality at work, the Parent Company has signed agreements with associations and special employment centres to take on people with disabilities, thus promoting their involvement in the labour market.



Management report Financial year 2015

Human rights and the fight against corruption

For Correos Group, business integrity, transparency and ethics are key elements to generate trust and more solid relationships with its stakeholders. For this reason, the Parent Company has a number of commitments that can be summed up as performing our business activity efficiently and profitably; always striving towards excellent service through continuous improvement and innovation; promoting our workers' personal and professional development; and making an active contribution to social progress and environmental protection and awareness.

The Parent Company has brought in corporate governance rules that support responsible and sustainable behaviour. Correos Group Code of Conduct reflects the core values and general principles that govern corporate behaviour and must be adhered to by all employees.

Furthermore, the Parent Company is committed to the United Nations' Global Compact and to promoting and respect for its ten principles on human and labour rights, fighting corruption and protecting the environment.

Information on the environment and sustainability activities

Due to the nature of its activity, the Parent Company's main environmental impact is the polluting emissions from its fleet of vehicles. Therefore, reducing their impact is one of the priority goals of the 2014-2020 Efficiency and Sustainability Plan, along with reduction of energy consumption, responsible waste management and development of more ecological services.



Management report Financial year 2015



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There are 3 major strands to the Parent Company's environmental sustainability actions:

- Actions to reduce CO₂ emissions.

In 2015, progress was made on preparing energy reports in order to improve the Company's energy performance and its main energy efficiency guidelines were developed and published. Progress was also made on actions like the 'Prize for Environmental Commitment', the 100 Plan and optimising contracted power.

During 2015, online efficient driving courses were given to 20,000 employees based on the framework agreement with IDAE. In person efficient driving courses were also given to 120 drivers, meaning a total of 650 drivers have now been trained.

In 2015, 125 vehicles (25 vans and 100 motorcycles), which are 100% electric, were tendered to add to Correos' current fleet of 174 electric vehicles.

- Development of sustainable products

On the occasion of the United Nations conference on climate change, the Parent Company neutralised all of the emissions from 'Paq48' admitted on post offices during the conference. This was made possible thanks to the carbon footprint calculator developed in 2014, which received the World Mail Award in the CSR category in 2015.

Over the course of this year, a review was conducted of the specifications of packaging sold at Correos post offices and enhancements made to their sustainability attributes.

- Communication

In 2015 the Parent Company continued to report its progress in sustainability and to build on its commitments to international initiatives to mitigate climate change.

In 2015, the Parent Company participated in the following initiatives: "*Un millón de compromisos por el clima*" (A million commitments for the environment); entry in the footprint register of Spain's *Ministerio de Medio Ambiente* (Ministry of the Environment); major commitments in the framework of the CDP's 'Commit to Action' initiative and renewal of the ISO 14001 certificate, now covering 37 centres. In addition, the Parent Company maintained the emissions report as part of the IPC's EMMS sectorial programme, involving 24 of the world's largest postal operators and CDP, the benchmark of reference for climate change management.

Other topics

Correos Group holds no treasury shares, nor did it carry out transactions with financial products during the 2015 financial year.

Correos Group made investments in R&D+i during the 2015 financial year.



CONSOLIDATED ANNUAL ACCOUNTS AND MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015 OF SOCIEDAD ESTATAL CORREOS Y TELEGRAFOS S.A. AND DEPENDENT COMPANIES

The preceding **CONSOLIDATED** annual accounts of Sociedad Estatal Correos y Telégrafos, S.A. (with all pages stamped and endorsed by the Secretary of the Management Board), which comprise the consolidated balance sheet (on two sheets of ordinary paper), the consolidated profit and loss account (on two sheets of ordinary paper), the consolidated cash flow statement (on one sheet of ordinary paper), the statement of changes in the consolidated equity (on two sheets of ordinary paper), and the attached report on the accompanying sheets of ordinary paper, numbered accordingly from 1 to 68 (both inclusive), corresponding to the financial year closed at 31 December 2015, together with the management report corresponding to the same year issued on sheets of ordinary paper numbered 1 to 8 (both inclusive), were submitted for approval by the Governing Board of Sociedad Estatal Correos y Telégrafos, S.A. on 15 March 2016. In accordance with current provisions, the

Directors sign and give their conformity with all the abovementioned documents.

Madrid, 15 March 2016

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10. GRI index and materiality analysis

*grupo***Correos**



Coverage of report and sustainability indicators

- 10.1 Materiality
- 10.2 Stakeholders
- 10.3 Sustainability indicators



10.1 Materiality

The contents of the 2015 Correos Group integrated annual report cover the period from 1 January to 31 December 2015. The financial, social and environmental information appearing in the document covers all the Correos Group's activities as a global communication solutions operator, and includes the transactions made by Correos and its subsidiary companies, Correos Express, Nexea and Correos Telecom.

In order to offer the reader a more complete overview of Correos and its subsidiaries, information on the most noteworthy policies and actions and the most relevant quantitative indicators are generally presented broken down for the different companies that integrate the Group, whenever the nature of the companies themselves so allows. In the case of environmental performance, the scope of information only covers Correos.

With regard to the definition of the content, the report has been prepared in accordance with the Global Reporting Initiative's 'Sustainability Reporting Guidelines', version G4, Essential option. This model integrates economic, social

and environmental information and provides a threefold perspective of business performance.

Furthermore, the recommendations of the 'Conceptual Framework for Drafting the Integrated Report' of the International Integrated Reporting Council (IIRC) were followed. Thus, it is intended to give interested parties an integrated, transversal and relevant view of the business model and the mechanisms for creating value in the short, medium and long term.

Correos signed the United Nations Global Compact in 2002. Therefore the company undertakes to respect and promote the ten principles of the Compact in the fields of human and labour rights, the environment and fight against corruption. Every year the company prepares its progress report, which successfully retained its advanced level distinction in 2015 for the fifth consecutive year. The report is available on [the Global Compact](#), [the Spanish Global Compact Network](#) and [Correos websites](#).

Materiality

The relevant topics and material aspects for this report were identified through internal and external reflection processes. Internally, the members of the Management Committee identified all the issues to be included in the report using surveys based on the IIRC model. Furthermore, employees performing their duties in different departments and in different zones of Spain were interviewed.

Externally, the Correos Group maintains a smooth relationship of trust with its stakeholders, based on continuous dialogue, which facilitates an understanding of their expectations, and by communicating the achievement of the company's business objectives.



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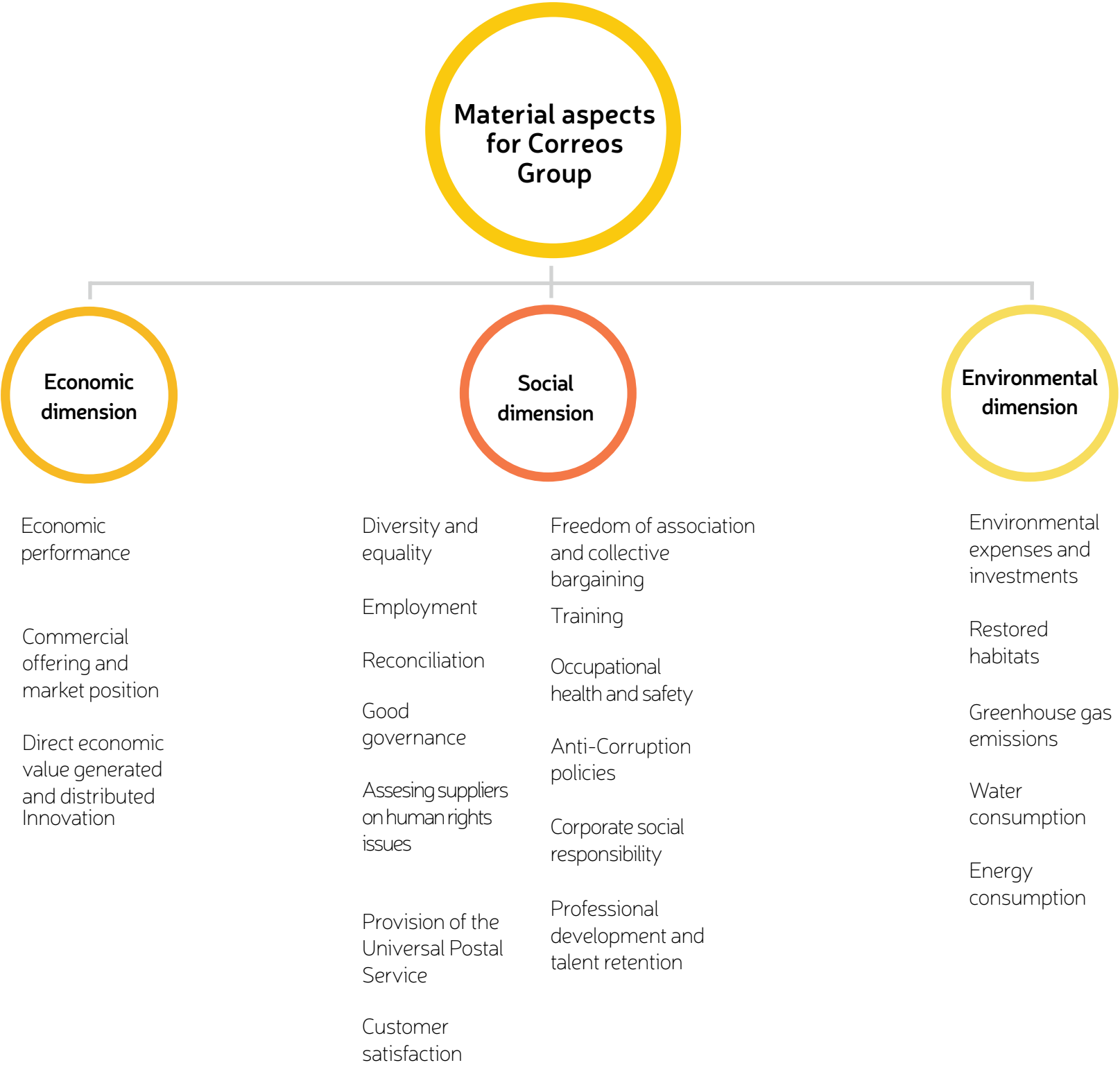


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10.1 Materiality





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10.2 Stakeholders

1

Shareholder

Communication
channels

- General Meeting of Shareholders
- [Annual report](#)
- Governing Board
- Annual Operating Plan and Medium-Term Plan

Relevant issues for
stakeholders

- Efficient management, competitiveness and corporate sustainability
- Value generation
- Good governance and ethical behaviour

2

Employees

Communication
channels

- Intranet/[Corporate website](#)
- Email
- Text messages
- Personalised letters
- Internal memos
- 'Abrecartas' internal magazine
- Meetings
- Informal meetings
- Training actions
- Bulletins and surveys
- Participation programmes
- Social networks
- Representation committees

Relevant issues for
stakeholders

- Bi-directional and transparent communication
- Company management and corporate sustainability
- Professional development and performance recognition
- Usability of work tools
- Working conditions
- Enhancement of Correos' standing as an employer
- Commitment to Correos' values



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10.2 Stakeholders

3 Customers

Communication channels

- Commercial channels and attention points
- Meetings
- Satisfaction surveys
- [Corporate website](#)
- Fairs, forums and other meetings
- Advertising campaigns
- Social networks
- 'Más Cerca' magazine

Relevant issues for stakeholders

- Specialised offer
- Customer experience
- Business flexibility
- Contract negotiation
- Online services
- Innovation and new technologies
- Quality of service delivery

4 Suppliers

Communication channels

- Participation in the Spanish Association of Purchasing Professionals
- [Contractor Profile](#)
- State Contracting Platform
- Meetings
- Congresses, fairs and forums

Relevant issues for stakeholders

- Transparency and fairness in tendering
- Collaboration in the search for joint solutions
- Contracting regulations
- Supplier evaluation systems



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10.2 Stakeholders

5 Society

Communication channels

- Participation in AERCE
- Meetings and forums
- [Corporate website](#)
- [Annual report](#)
- [Transparency portal](#)
- Press releases
- Social networks
- Advertising campaigns
- Institutional control (Parliament, Ombudsman, Court of Auditors)

Relevant issues for stakeholders

- Provision of the Universal Postal Service
- Innovation and new technologies
- New products and services
- Corporate social responsibility programmes
- Environmental sustainability
- Good governance and ethical behaviour



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10.3 Sustainability indicators

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2015 Correos Group integrated annual report

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This integrated annual report is issued exclusively in digital format, with designs suitable for viewing on smartphones and tablets, and is publicly accessible on www.correos.es.

Access the Executive Summary 2015, the annual reports for previous years and additional documents on the Correos Group.

 [Link to Correos Group documents](#)

All reports are also available in English. In the event of any disparity between the versions, the information contained in the Spanish version shall take precedence.

The Executive Summary 2015 has been prepared using 100% recyclable paper, with the FSC (Forest Stewardship Council) seal of sustainable forest management.