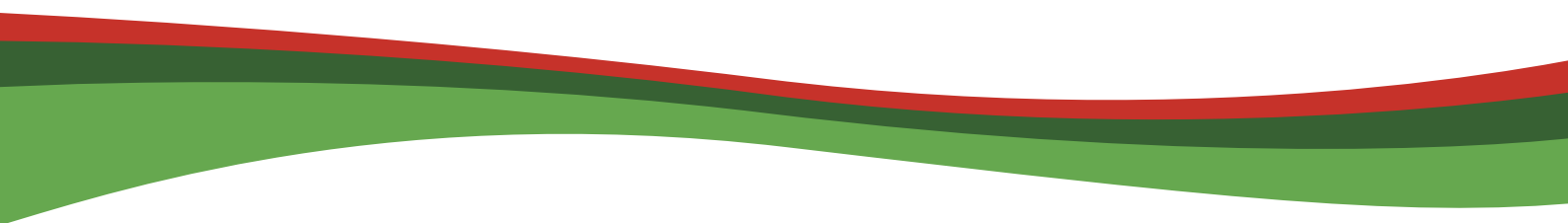
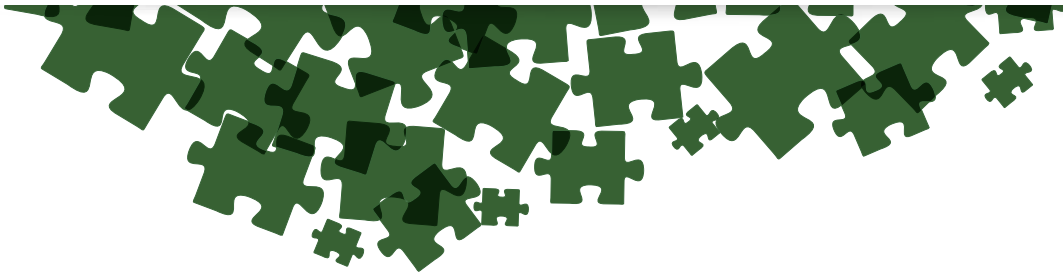
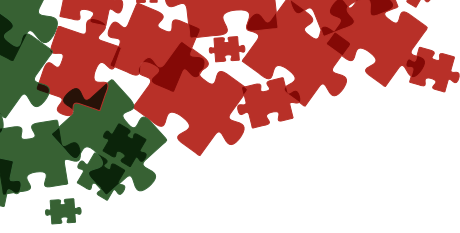


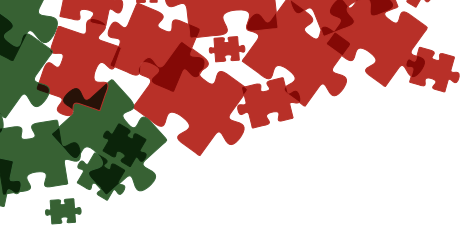
Magyar Posta  
**ANNUAL REPORT 2013**






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# INTRODUCING MAGYAR POSTA





Magyar Posta Zártkörűen Működő Részvénytársaság (hereinafter referred to as Magyar Posta or the Company) was established for an indefinite term. The Company is the general legal successor of Magyar Posta Vállalat and was founded on 31 December 1993.

**COMPANY HEADQUARTERS**

Budapest, District XIII, Dunavirág u. 2-6.  
Hungary

**THE COMPANY'S SHAREHOLDERS  
ON 31 DECEMBER 2013:**

75% +1 share Hungarian National Asset Management Zrt. (Magyar Nemzeti Vagyonkezelő Zrt., registered office: 1133 Budapest, Pozsonyi út 56)

25% –1 share, Integration Organisation of Cooperative Credit Institutions (Szövetkezeti Hitelintézetek Integrációs Szervezete, registered office: 1051 Budapest, Nádor utca 31)

**THE COMPANY'S SHARE CAPITAL  
ON 31 DECEMBER 2013:**

HUF 14 137 693 000

**MAIN ACTIVITIES:**

- acceptance, transport and delivery of letter mail items and parcels
- complex logistics services
- postal financial activity
- provision of financial services
- savings and insurance services
- newspaper distribution
- retail activity

**THE COMPANY'S MANAGING BODY:**

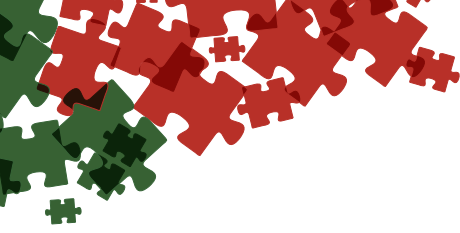
Board of Directors

**THE COMPANY'S CHIEF EXECUTIVE:**

Zsolt Szarka

**THE COMPANY'S AUDITOR  
ON 31 DECEMBER 2013:**

KPMG Hungária Kft.  
Dr Ferenc Eperjesi certified auditor  
Chamber number: 003161



# GENERAL MARKET OVERVIEW



In 2013 many events with major implications for Magyar Posta's future operation occurred. The Company had to respond to the new challenges generated by the external environment and the market, and also new opportunities arose during the course of the year.

On 1 January 2013 the **liberalisation of the universal postal services market** was completed in the states belonging to the European Community. The postal monopoly that used to be in place for financing reasons on addressed letter mail items weighing less than 50 grams had to be abolished in all European Union member states including Hungary. At the same time, in parallel with the completion of liberalisation, the continuous maintenance of the universal postal service remained a responsibility of the state. Under EU legislation, member states have the option of providing compensation for the unfair burden this entails.

On 1 January 2013 a new Hungarian act on postal services entered into force. Under this act Magyar Posta remained the designated universal postal service provider in Hungary.

Similar market trends to those experienced in the international postal sector affect Magyar Posta. **Electronic substitute services** accompanying technical developments lead to shrinkage in the volume of traditional mail and thus in the size of the letter market. Nevertheless, the radical change in consumer purchasing habits also results in **positive developments** for postal operators. More and more people are making purchases both small and large via the Internet. A phenomenon accompanying the dynamic expansion of electronic commerce is the growth of the parcel logistics market. Among purchasers who are active workers, demand for delivery to the door is falling and in its stead flexible delivery methods are gaining prominence. For business ventures with a major role in mailings, the role of the speed of items reaching their destination has increased. The renewed efforts of businesses to reduce costs meant that the increase in traffic



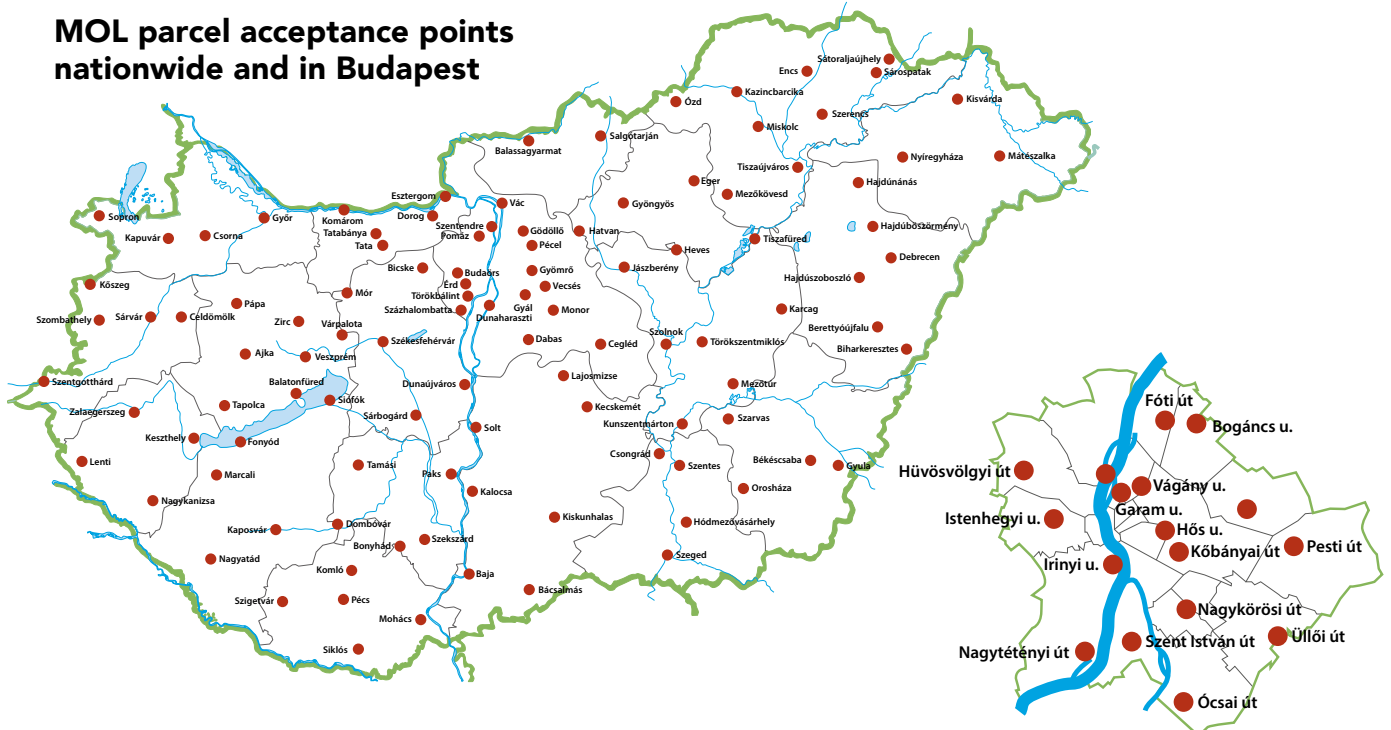
of the transport of merchandise by the fastest but most expensive overnight and morning delivery has slowed down, while 24-hour delivery is playing an increasingly large role.

Postal operators with a major logistics infrastructure can maintain their traditional activity through the **dynamic increase of their role in parcel logistics**. According to a study prepared by WIK Consult on behalf of the European Commission, the combined size of the European letter and parcel services contracted in recent years. Within this, revenues from the parcel and express mail market grew, while demand for letter mail services shrank.

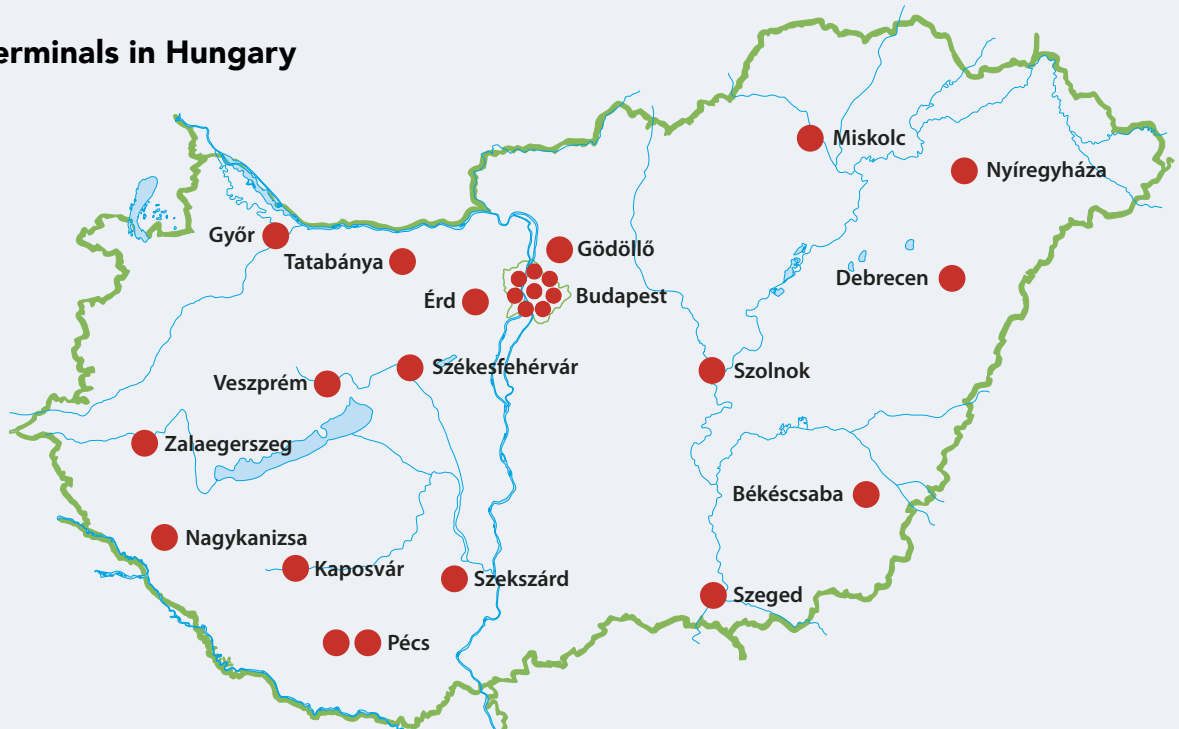


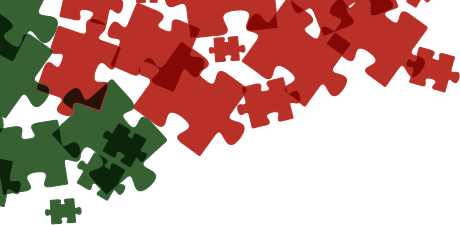
# INNOVATIVE PARCEL LOGISTICS SERVICES (2013-14)

## MOL parcel acceptance points nationwide and in Budapest



## Parcel terminals in Hungary





# STRATEGIC OUTLOOK





In addition to market challenges, in 2013 new opportunities opened for Magyar Posta by **expanding the company group** and through **changes in ownership**.

The Company's venture specialising in investment, **Magyar Posta Befektetési Zrt.**, began operations in October 2013. Its investment services offer customers the opportunity of managing their savings at post offices in modern securities accounts. This venture can be regarded as pioneering from the aspect of the Company having taken an important step towards the electronic world. Besides traditional securities, it now also sells dematerialised securities.

On 12 July 2013 Magyar Posta signed a share purchase contract with the owners of Díjbeszedő Holding Zrt. (DBH), thus acquiring 99.9 per cent holding in DBH. Combining DBH's and Magyar Posta's resources and activities will facilitate the realisation of major synergies by optimising capacities, exploiting economy of scale, and synchronising supplementary activities and customer files.

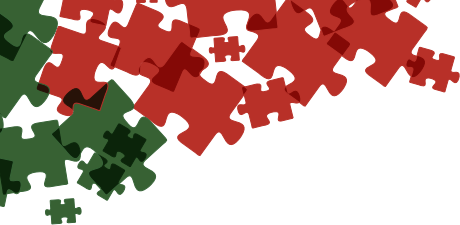
In the course of 2013 the **Integration Organisation of Cooperative Credit Institutions** acquired a 25%-1 share holding in Magyar Posta Zrt. The savings cooperative collaboration thus created affords the possibility of offering a complete range of banking, insurance, investment and postal products through an efficiently operated national network in the future.

**The management of Magyar Posta envisaged a new strategic plan for the period of 2014 to 2018.** Magyar Posta will continue to provide financial services on commission as an intermediary in the future. Some of the old strategic partnerships ceased, and new strategic alliances were formed with other operators.



The pillars of Magyar Posta's strategic action plan are:

- **playing a decisive role in the market of intermediary financial services through new strategic alliances based on mutual benefits,**
- focusing on the **parcel logistics market driven by the expansion of e-commerce,**
- in addition to protecting traditional postal services, **the diversification of the activity,** entry into the border areas and an increased presence in the market of e-services,
- devising **more flexible cost management,**
- improving operating efficiency by integrating **IT devices** into operations,
- **exploiting synergies** between Magyar Posta and the new member companies that are now among its interests.



# THE COMPANY'S BUSINESS ACTIVITY IN 2013



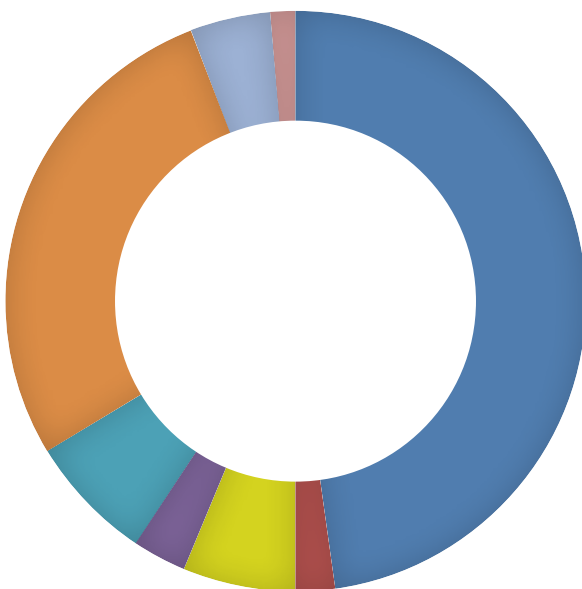


In the market that became fully open to competition in 2013, Magyar Posta improved its competitiveness by launching development projects, modernising its internal operation, restructuring its organisation and increasing efficiency.

In harmony with the Company's strategic objectives, Magyar Posta participates in its partners' value creating processes with a broader service portfolio than before. In addition to meter reading, the Company is now able to become part of its clients' value chain by producing invoices, delivering, providing postal bill payment (white cheque) services and operating customer service points.

The Company's entire business revenues split according to its main business activities are as follows:

**BREAKDOWN OF REVENUES OF ACTIVITIES IN 2013**



- Letters
- Newspapers
- Logistics
- Retail
- International
- Financial services
- Financial mediation
- Insurance services



**Letter mail services**

In line with the changes in the law mentioned in the introduction, the letter portfolio was reviewed and rationalised, products were withdrawn, the service content was adjusted, and new services were introduced. In this way Magyar Posta, as the designated universal service provider, was able to continue to offer the broadest possible range of services to users in the area of letter mail services even after the market opening.

Revenue from letter mail activities in 2013 was down on the previous year, which is a consequence of the global spread of substitute products and increased endeavours to cut costs due to the crisis. In an effort to reduce costs, service providers post several bills in one mail item, and seek to encourage customers to use electronic payment methods, simultaneously urging the use of electronic bill information.

A considerable part of the revenues, approximately 40 per cent, continues to originate from ordinary letter mailings, most of which were comprised of letters under 50 grams in 2013 as well.

The proportion of priority letters, mainly used by the public, is not very large within the letter portfolio, accounting for around 7 per cent.

Within letter mail revenue, the turnover of special services for letters fell, but the turnover of official documents rose by 2.4 per cent year-on-year.



The addressed mail market continued to be dominated by corporate mailings and there was no essential change in the structure of letter mailers.

The revenue from unaddressed advertising rose by 6.6 per cent in the course of 2013. However, there is a trend for the entire unaddressed market to shrink by 1 to 2 per cent each year similarly to the distribution (delivery) market. The penetration of online and e-mail advertisements contributed to the continued decline in advertising mail.

## Philatelic activity

There has been a slow steady downturn in the volume of philatelic stamp sales over recent years. The main reasons for this are changing consumer habits and the diminishing number of collectors. The net sales revenue of philatelic stamp sales in 2013 showed an 0.5 per cent decline compared to the previous year. Of the total revenue, the sale of philatelic stamps represented 94 per cent, the sale of Your Own Stamps 5 per cent and the sale of philatelic commercial goods 1 per cent.

The good reputation of Hungarian stamps was further enhanced by a number of Hungarian and international awards in 2013 as well. In the public vote of the competition for the best EUROPA stamp Magyar Posta achieved second place, and its innovative QR coded and 3D stamps were awarded by the Hungarian Quality Product Award



## Logistics services

The driving force of the parcel market is the parcel traffic generated by online trade, which is a major growth segment in the Hungarian economy. Magyar Posta strives to establish contractual relationships with the web stores considered the largest players in the market and thus it increased its share in the parcel market in 2013.

The increase in volume of Magyar Posta's logistics services approached 10 per cent in 2013. By introducing the e-toll, the Company added a new tariff element to the tariff structure for contracted customers.

The option of addressing parcels to Postal Points improves the sense of convenience of customers expecting parcels. Under this service, there are over 2,500 postal outlets and an increasing number of Postal Points at MOL petrol stations where parcels can be collected, whichever suits the addressee's needs best, rather than having parcels delivered to the door. The first automated parcel terminals appeared in a number of locations in Budapest and major cities on a pilot basis. The construction of the network will be completed in the first half of 2014 and, when payment by bank card becomes possible from the second half of the year, the parcel terminal network will also be suitable for handling payment-for-goods parcels and dispatching postal parcels.

On 1 February 2013 a variant of the MPL Business Parcel service, which does not require a contract, was introduced to enable private customers to



use the product as well. The Domestic Postal Parcel was replaced by the MPL Postal Parcel and the phasing out of the Start and Start Plus Parcels also contributed to cleaning up the portfolio. The restructuring of the product portfolio resulted in the dominant position of the MPL Business Parcel, which had a 43 per cent share of the parcel portfolio. The revenue from Magyar Posta's courier service grew by 11.21 per cent in 2013.

## International services

Magyar Posta's international services contributed 7 per cent to its business sales revenue in 2013.

The downward trend of the revenue from international letter services is most clearly perceived in business type products. The fallback was due in part to the changed market environment and the cost-saving measures of the business sector (the development of the integrators scheme, the centralised production and dispatch of mail, the expanding portfolios of rivals targeting the letter segment) on the one hand, and on the other to the dominance of electronic substitute services.

As regards outbound international parcel products, earnings rose by over 9 per cent year-on-year, and the part played by international alliances of operators strengthened.



The trend of recent years continued in the areas of time-guaranteed and tracked Európa+ parcels and international EMS express mail products, and the rate of growth exceeded the level of previous years for both services.

The income of inbound international services (mail items posted abroad to addressees in Hungary) fell marginally. The composition of inbound letter mail shifted towards higher weight categories due to e-commerce mail items.

## Electronic postal services

Revenue from the mail production service carried out by Magyar Posta's Electronic Postal Centre in 2013 was up by over 10 per cent compared to the previous year.

Market demand for the mail digitisation service also showed an upward trend. Revenue from the service in 2013 exceeded that of the previous year by 15 per cent.

Magyar Posta's printing capacities expanded and the development of an online archiving service ensuring the long-term storage of electronic documents was also launched in 2013.

By acquiring Díjbeszedő Holding, an opportunity to exploit major synergies in the area of mail production has arisen.

## Newspapers

The actors in the Hungarian newspaper distribution market did not alter in 2013. In line with earlier trends the number of copies continued to decline. The following events and factors had a negative effect on the development of the number of copies:

- major loss of advertising for publishers,
- increasingly frequent publication of online editions of titles,
- the compulsory free online publication of legislation,
- the concomitant fall in the number of subscribers.

Digitisation, online access, and the possibility of obtaining information quickly through the great variety of devices and means available to customers today pose an increasingly powerful challenge to the printed media market. The printed media market is undergoing a paradigm shift which will present a choice to publishers too in the long term; a decision

will have to be made between publication in print and online.

In addition to the fall in the frequency of publication and the number of subscribers, the reduction in Magyar Posta's revenue is caused by other cost-saving methods employed by publishers, such as combining issues or reducing the weight of periodicals. At the same time, another change was that the distribution of certain national daily papers (Magyar Nemzet, Magyar Hírlap, Napi Gazdaság) as well as national list-based colour magazines and other addressed periodicals was reacquired by Magyar Posta. Due to this, the number of newspapers and periodicals delivered was higher overall than in the previous year.

Furthermore, **Magyar Posta entered the wholesale newspaper market** in 2013, which means that periodicals for sale are procured from contracted publishers directly.

## Retail activity

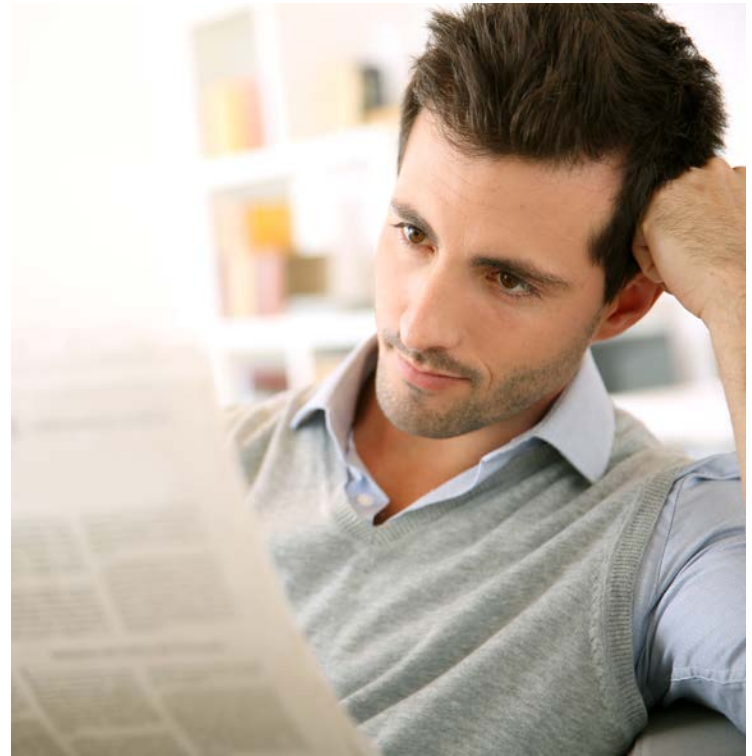
For Magyar Posta retail trade is a supplementary activity that is mainly intended to fully exploit the benefits offered by its extensive network and nationwide logistics.

As a result of the developments realised in the area of retail, the conditions for displaying merchandise improved. The presentation of goods complying with professional criteria (self-service sales, unified shelf image), and improving and enhancing the attitude of sales staff positively influenced the turnover of retail products.

In 2013 the commission income of retail goods increased in spite of the discontinuance of tobacco sales in July 2013.

In addition to the above, the growth is due to the continuous revision of the portfolio, attractive pricing, employee motivation, the renewed support for direct post office sales and the sales incentive campaigns for both employees and customers.

In November slimming down the retail assortment and adjusting the range to the postal image in



accordance with the accepted retail strategy began.

At the end of 2013, in accordance with the legal requirement to give a computer receipt for certain products, the preparations for the switch-over to online cash registers were made. The reduction in the number of counters serving customers while providing the new receipt meant that the available assortment of merchandise on offer had to be slimmed down.

As regards mobile phone top-up cards, the downturn in the number of pre-paid subscriptions from year to year was successfully halted, and indeed the trend reversed thanks to a mobile top-up development.

The increase in the revenues from gambling games was primarily due to the combined effect of conscious sales efforts, the gaming company Szerencsejáték Zrt.'s scratch card portfolio being adjusted to demand, and sales promotion campaigns.

In 2013 the trade in duty stamps declined further as a result of changes in legal requirements, restructuring administrative processes and the increasing use of electronic administration.



## Financial services

The market of financial services in 2013 was shaped by persistent sharp competition, the spread of new innovative means of payment and payment channels, and changes in the law affecting financial transactions. The beneficiaries of payments continued promoting the transfer of retail payments to banking payment services and innovative means of payment through powerful marketing activity, continuous campaigns and offering discounts. In addition to this, in the social support system the range available with the Erzsébet voucher was further expanded and the method of calculating certain state benefits also changed.



Due to the introduction of the financial transaction charge, there was a rise in tariffs for inpayment services and cash transfers. The changes of the law on the prevention of money laundering and the financing of terrorism meant that from 1 July 2013 it became necessary to record the particulars of the customer for payments above a certain amount for some financial services.

The combined effect of the above factors was reflected in the downward trend in the turnover of financial services, similar to that of previous years, both in terms of total value and the number of transactions.

At the end of 2012 a new payment service for **payment to payment accounts** was introduced. This offers account holders the postal bill payment service (the white cheque) under a direct contract. This service makes it possible to take advantage of a payment service based on a direct contractual relationship. Under the service the financial settlement of payments, the settlement of charges and the transfer of processing files are all arranged directly with the beneficiaries.

The fee for the yellow and white cheques was raised due to the burden arising from the introduction of the financial transaction charge. In consequence of the government programme to reduce overhead costs, which has affected energy prices, there was a significant lowering of the bills of utility providers. The impact of this was also perceptible in the falling turnover value of the service portfolio.

The turnover in terms of quantity **of services enabling cash withdrawal from a payment account** was also lower than previously.

## Banking and investment services

The slight increase in income experienced with retail deposit products was made possible by the favourable interest rates of the **Treasury Savings Bill**.

2013 brought significant changes for investment products as the investment funds and bonds distributed on behalf of Erste Befektetési Zrt. were discontinued from 31 January 2013. However, the lack of options for customers to make savings through securities was short-lived as the investment venture **Magyar Posta Befektetési Zrt.** began operations at record speed. The first product that appeared in the investment portfolio was the dematerialised Treasury Savings Bill Plus (linked to securities account), which was followed by the Money Market Fund towards the end of the year. Since the end of 2013, the savings schemes Fixed Deposit and Prize Draw Deposit distributed on behalf of **FHB Bank Zrt.**, the Company's new strategic ally, have been available in the postal network.

The revenue targets for 2013 were achieved as the decline in accounts and fixed-term deposits was





compensated by a slight improvement in account activity.

The difficulties of obtaining credit and the unfavourable market conditions had an appreciable effect on postal sales and thus the portfolio of **Posta Personal Loans** continued to dwindle in 2013. The negative trend continued in 2013 as regards the sales of the classic **savings deposits** sold online, the Posta Accumulation Deposit and the Posta Renewable Deposit.

**Acceptance of bank cards** at post offices was influenced in 2013 by the introduction of and mid-year increase in the transaction charge. An upshot of this was that a good many bank card holders decided not to use the possibility of withdrawing cash at post offices in 2013.

The postal **home savings service** achieved outstanding results in 2013. While the unfavourable indicators of the retail property market did not alter, the home savings scheme proved able to retain its value. The contract amount of the postal home savings turnover grew by 24.2 per cent year-on-year. The very wide range of options for usage for housing purposes ensured a welcome upturn in demand. This positive result was primarily linked to the Fundamenta product.

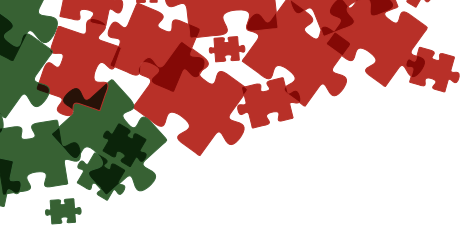
## Insurance services

Despite the stagnant market, the development of Magyar Posta's insurance mediation activity went from strength to strength. In 2013 the insurance premiums at Magyar Posta grew by more than 10 per cent year-on-year.

In the area of **life insurance products** the PostaHorizont single premium life insurance was introduced in 2013. Thanks to the successful campaigns and outstanding single premium life insurance sales, Magyar Posta Életbiztosító finished in second place among the life insurance product rankings and is a market leader in the area of single premium life insurance according to statistics published by the Association of Hungarian Insurance Companies (MABISZ).

Among **non-life insurance products** a number of insurance schemes were renewed. These were the PostaFészekŐr home insurance, the PostaTestŐr accident insurance and the PostaAutóŐr compulsory third party motor insurance. In the delayed third party motor insurance campaign, the PostaAutóŐr motor insurance again performed excellently, while Posta Biztosító finished in third place in the campaign.





# THE COMPANY'S OPERATION IN 2013



## Human resources

Principles in the focus of this area of activity are:

- efficient resource allocation according to business requirements,
- maintaining the balance between constant and variable wages,
- forming a motivated pool of employees capable of additional performance,
- obtaining competitive organisational knowledge,
- continuous staff and management development,
- maintaining stable labour relations,
- ensuring equal opportunities.

In 2013 the average statistical staff number, considering all kinds of employment status including employment from 1 day to 5 days, was 32,335.7. In line with the 2013 Employment Plan, the staff number was reduced by over 1,000 people compared to the previous year.

Total wage costs in 2013 exceeded HUF 74,000 million. With the owners' permission, the Company managed wages through an increase in average earnings achieved by devoting sources released through staff reduction and through improving the efficiency of operation. Average earnings based on full-time employment rose by 0.9 per cent compared to 2012, the growth being due to changes in the basic wage. The Company ensures performance-based additional earnings for about 28,000 to 30,000 employees each month as a progressive incentive to support improving and acknowledging performances.

Optional fringe benefits for employees were an influential part of staff costs. In 2013, as in other years, the Company offered staff the option of choosing the individual fringe benefit elements that were best suited to their particular living conditions, and personal and family needs.

In addition to the above, based on the Collective Agreement and other internal regulations, Magyar Posta provides welfare services such as corporate holiday options, home loans and aid for people in need.

The Company's main aim in providing **holidays** was the rational and efficient operation of welfare properties as well as implementing measures



improving quality. In 2013 the Company provided concessionary holidays for almost 8,600 employees and their families in more than 40 postal welfare institutions. More than 400 children took part in holidays organised by Magyar Posta.

The number of people who benefited from **housing aid** exceeded 100. As regards relieving people in need, when occasion arose the Company helped staff members with large families on a low income and those afflicted by serious illnesses, and also provided maternity and funeral aid.

Magyar Posta lays great emphasis on retaining highly knowledgeable employees with a broad range of expertise whose lost knowledge, should they leave the Company, could only be replaced by major organisational sacrifices and costs. To this end, the two-year **Key Person Programme** was launched in January 2013. During the team training organised in the first year, key people were able to participate in cooperative training and learnt about different methods of sharing knowledge and the role of knowledge management in competitiveness.

The Company's management is committed to employing people with a reduced capacity to work. Its interest in this is twofold: to support the integration of such people into the labour market in the spirit of social responsibility and to reduce the amount the Company is legally obliged to pay in rehabilitation contributions.

In order to achieve these objectives, the **Scheme for the Recruitment of Employees with a Reduced Capacity to Work** continued in 2013. A Data Bank for Employees with a Reduced Capacity to Work





was created to facilitate external recruitment and a cooperation agreement was drafted with the involvement of the National Office for Rehabilitation and Social Affairs' Social Renewal Operational Programme (TÁMOP) 1.1.1 project.

Magyar Posta drew up its **departure scheme** as a means of staff rationalisation. Two groups have been defined under the departure scheme:

- a) people approaching retirement,
- b) a group compiled for other social/health reasons.

Magyar Posta supports employees affected by staff rationalisation in finding a position in the external labour market with the help of the **HR Assistance** service elements.

The employees concerned use the devised services on a voluntary basis under the professional supervision of the HR unit and with the involvement of the Postal Employees For Postal Employees Foundation.

The HR Assistance (HRA) service provides help through labour market services, aiding training (improving skills and further training), active and passive financial aid and other supportive activity.

In order to facilitate the training of the next generation, the **Trainee Programme**, launched at the end of 2012, carried on in 2013. The Programme aims to discover university or college students, and committed, talented and dynamic young people entering the labour market who have high development potentials and who envisage their future at the Company. In 2013 the rules for the Programme's operations were laid down.

The liberalisation of the postal market at the start of 2013 made giving a key role and major emphasis to the comprehensive professional and competence training and further training of staff indispensable. Magyar Posta's training activity was outsourced and thus the training needs were typically catered for by the Company's subsidiary in 2013.

A major change in the area of training is that in 2013 electronic distance learning as a method was introduced for target groups with a large number of participants as well.

Manager training became a focal point among the development projects in 2013. The Company devoted considerable attention to improving the market and business mentality of postal managers. Magyar Posta's subsidiary offering training services held almost 1,000 training courses on a variety of subjects in 2013 with the involvement of some 30,000 people.

Besides Magyar Posta's own employees, the Company also assisted in the practical training of 576 secondary school students and 112 university students.

An important task of the Company is considering the interests of employees and customers and maintaining industrial peace. Accordingly, it is in the Company's interest to ensure good labour relations which comply with European standards. This objective is aided by Cooperation Agreements regulating the collaboration between the employer and the trade unions; the maintenance of the Works Agreement defining the framework of cooperation between the single-tier Works Council and the employer; arranging consultations and negotiations



with regard to measures affecting large groups of employees, as well as operating the Postal Reconciliation Council's internal postal forum.

## Operational areas

As in previous years, Magyar Posta devoted heightened attention in 2013 to **modernising the service environment** of post offices with good business potential. In postal premises with the highest business value this has two main thrusts, the creation of open-counter post offices and the installation of customer queuing systems. The number of postal outlets with queuing systems rose to 115 and the number of open-counter service points grew to 233.



With a view to improving access to mail items to be delivered by deposit at post offices, **booking collection times online** was introduced. The service aims to allow customers to book suitable times at their convenience free of charge via the Internet and then receive their mail items held on deposit without having to queue. This is now available in 78 post offices in 44 cities in Hungary in addition to the repeated delivery service, which can be used nationwide. Varying opening hours chosen to suit local needs were introduced at 168 post offices from the beginning of 2013. This means that these postal outlets are open to customers for longer hours one day a week and for shorter hours on another day.

In 2013 the large scale IT project integrating 2,100 postal outlets into the IT network was completed, making electronic correspondence and access to central systems available at these post offices as well.

In 2013 Magyar Posta undertook **meter reading** for a number of public utility service providers in their entire service area. The activity carried out for the public utility service providers was extended to include **branch office and complaint desk activities** from October 2013 for Főgáz and by complaint desk activities for the utility providers TIGÁZ, GDF-SUEZ and EON. Customer service points are now operated at 195 post offices throughout the country.

## Parcel terminals in Hungary



Magyar Posta's customer-friendly convenience services have increased importance in maintaining its position in the liberalised market. The new interactive online option to arrange the collection of deposited mail items is now available at 78 key post offices around the country.





In 2013 the introduction of the **transport management system** was commenced to support more efficient fleet operations through modern technologies. The first elements included a system supporting accounting and a module ensuring the real-time tracking of vehicles. By March 2013 equipping the entire vehicle fleet with **GPS tracking** systems had been completed and **300 lorries were purchased** for parcel logistics activities.

## Quality of services

The quality of postal services was ensured by operating certified processes in accordance with standards. The regulations of the standards for the **quality management system** (ISO 9001:2008), the **environment management system** (ISO 14001:2004) and the **information security system** (ISO 27001:2005) were integrally incorporated into the daily operations.

An external independent body certifies the compliance of Magyar Posta's processes in its audits conducted on an annual basis. The level of the quality of service and customer satisfaction are guaranteed by adhering to the provisions of the standards.

In 2013 special attention had to be paid to the changes in the law that occurred after postal liberalisation and dealing with the new quality requirements imposed under the Universal Postal Public Service Contract. As the universal postal service provider, ensuring performance that complies with the requirements of the law is a fundamental criterion for the Company.

As regards the development of the quality indicators for letter mail and parcels posted in **2013** under the universal service, it can be stated that **Magyar Posta's performance complied with all the legal requirements**. The rate of lost or destroyed mail items was far lower than the levels laid down in the public service contract.

Building on the quality management successes of recent years, Magyar Posta continued to strive to consistently sustain the expected quality through operating regulated management systems, and thus to offer balanced and reliable services to customers which satisfy social aspects as well.

## Environmental protection

Magyar Posta's economic and social position, the place it occupies in the international postal community and its commitment to sustainable development encourage the Company's management to apply exemplary practices in the environmentally efficient management of resources. Magyar Posta's management acknowledges the importance of and need for protecting the environment.

Magyar Posta operates 79 air pollution sources that supply mandatory data. Annual emissions of pollutants are established by technical calculations and measurements. The quantity of pollutants emitted did not exceed the limits set by the relevant legislation and the environmental protection authority in any case. Particular attention is also paid to abiding by the legal regulations related to





greenhouse gases and gases that harm the ozone layer. External companies conducted leakage tests and maintenance on 185 air-conditioning systems subject to notification.

Other factors contributing to the reduction of emissions of air pollutants were the frequent use of video conferences for meetings and negotiations, and the use of cars in a taxi system between Budapest and the regional directorates.

In 2013 Magyar Posta generated 3,351 tonnes of waste from its activities. Of the waste 86 per cent was office and wrapping paper waste and 0.5 per cent was hazardous waste. Over 89.5 per cent of the waste was handed over for recycling.

Magyar Posta operates an Environmental Management System (EMS) at 44 establishments.

In 2013 the Company's carbon dioxide emissions, which were calculated using the method provided by the international post organisations the International Post Corporation and PostEurop, were 54,306 tonnes, down 9.6 per cent compared to the figure for 2012.

The total value of investments targeting environmental protection and energy savings increased by 32 per cent compared to 2012.

## Investments

As in previous years, in 2013 the total value of Magyar Posta's investments exceeded HUF 9 billion. The majority of this was devoted to replacing and expanding information technology equipment. In addition to the renewal of licence contracts, among other developments the extension of IT support to the entire postal network begun in earlier years was finished, the replacement of POS terminals started, the module supporting CRM sales went active, and Magyar Posta's website received a facelift.

Less funding than in previous years was spent on real estate investments. A new post office was built in Budaörs, and several post offices were renovated and relocated, which included upgrading storage facilities, replacing doors and windows, and repairing walls and re-roofing. In order to guarantee access to the Company's services, 98 premises were converted in 2013 to provide disabled access for the convenience of customers whose movement is restricted.

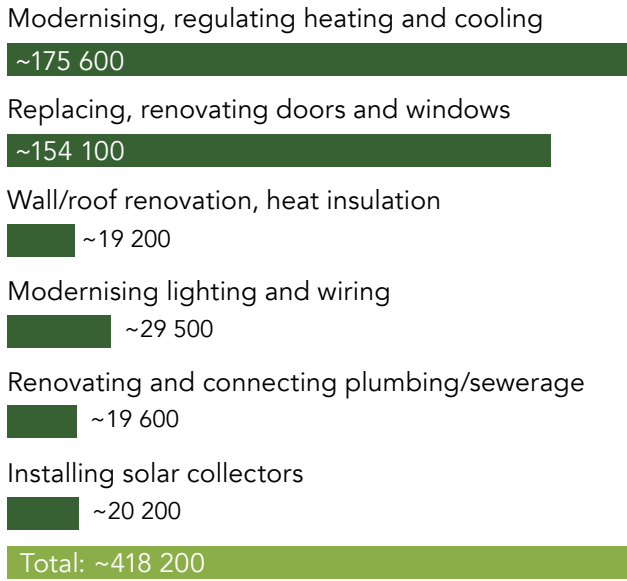
The acquisition of vehicles for the transport fleet was on a larger scale than in previous years as 300 lorries were purchased. However, the procurement of processing and network equipment was at a somewhat lower level.



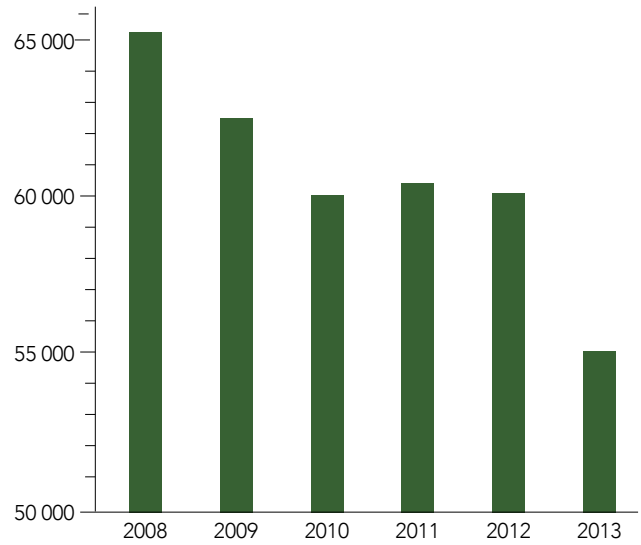


## OUR EFFORTS TO PROTECT THE ENVIRONMENT

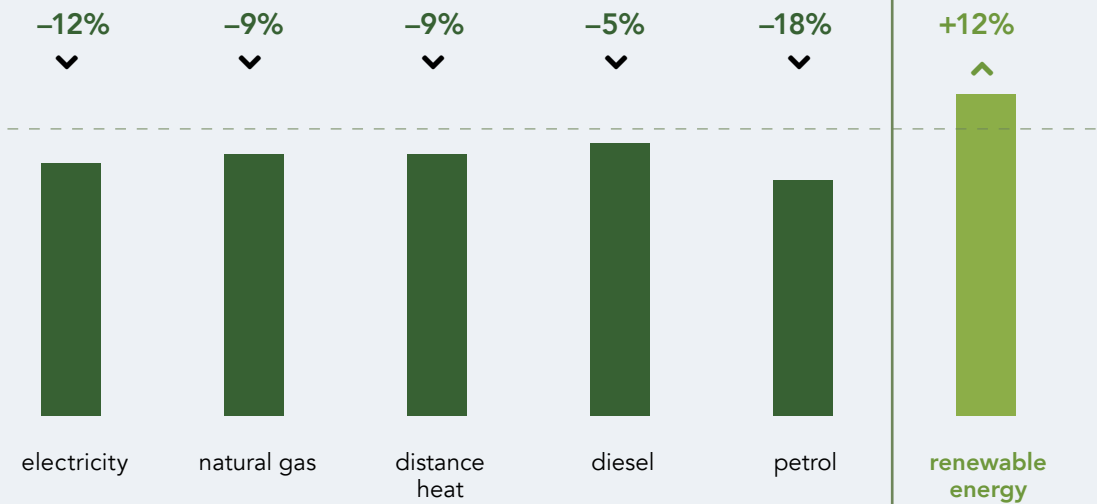
### Priority investment areas in 2013 (HUF thousand):

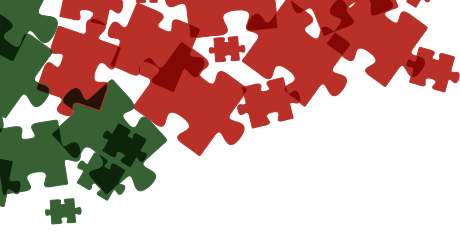


### Reduction in Magyar Posta's annual CO<sub>2</sub> emissions 2008-13 (tonnes/year)



### Reduction in Magyar Posta's energy consumption (2012-13)





# BUSINESS FIGURES FOR 2013





Net sales revenue for all products and services in 2013 was HUF 189,172 million, slightly down on 2012. The total costs of business activities were also minimally lower year-on-year. A significant reduction (almost 14 per cent) was achieved in material-type expenditures. Personnel costs accounted for almost 60 per cent of business expenditure, which includes wages paid to employees, contributions as well as fringe benefits.

The Company's operating result according to the law on accounting returned to profit in 2013, HUF 2,855 million up on the figure for 2012. The performance indicators taking into account interest expense and revenue, as well as depreciation and amortization developed as shown in the table below. The balance of financial management was constantly ensured throughout the year.

Annex 1 contains the balance sheet, and profit and loss statement for 2013. Annex 2 contains the auditor's report on this.

## Performance indicators

Description	2012	2013
EBIT (HUF million)	-4,030.3	441.6
EBITDA (HUF million)	3,701.4	8487.1
EBIT/average equity	-5.4%	0.6%
EBIT/average assets	-2.6%	0.3%
EBIT/net sales revenue	-2.1%	0.2%
EBITDA/average equity	4.9%	11.3%
EBITDA/average assets	2.4%	5.4%
EBITDA/net sales revenue	1.9%	4.5%

## Annex 1

## Independent auditor's report



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### Független könyvvizsgálói jelentés a kivonatolt pénzügyi kimutatásokról

A Magyar Posta Zrt. tulajdonosának

A mellékelt, a Magyar Posta Zrt. (továbbiakban „a Társaság”) 2013. évi éves jelentésének 2. számú mellékletében bemutatott mérleget és eredménykimutatást (továbbiakban „kivonatolt pénzügyi kimutatások”) a Társaság könyvvizsgáló, 2013. évi éves beszámolójából kivonatolták. 2014. április 23-án kelt könyvvizsgálói jelentésünkben minősítés nélküli véleményt bocsátottunk ki ezen éves beszámolóra vonatkozóan. Ezen éves beszámoló, valamint a kivonatolt pénzügyi kimutatások nem tükrözik az ezen éves beszámolóra vonatkozó jelentésünk dátumát követően bekövetkezett események hatásait.

A kivonatolt pénzügyi kimutatások nem tartalmazzák a magyar számviteli törvényben foglaltak által előírt valamennyi közzétételt. Emiatt a kivonatolt pénzügyi kimutatások elolvasása nem helyettesíti a Társaság könyvvizsgáló éves beszámolójának elolvasását.

#### A vezetés felelőssége az összesített pénzügyi kimutatásokért

A vezetés felelős azért, hogy a 2013. évi éves jelentésben szereplő kivonatolt pénzügyi kimutatások azonosak legyenek a könyvvizsgáló éves beszámoló megfelelő kimutatásaival.

#### A könyvvizsgáló felelőssége

A mi felelősségünk a kivonatolt pénzügyi kimutatások véleményezése eljárásaink alapján, amelyeket a 810. témaszámú, „Összesített pénzügyi kimutatásokra vonatkozó jelentések kibocsátására vonatkozó megbízások” című magyar Nemzeti Könyvvizsgálói Standarddal összhangban hajtottunk végre.

#### Vélemény

Véleményünk szerint a Magyar Posta Zrt. 2013. évi éves jelentésének 2. számú mellékletében bemutatott mérleg és eredménykimutatás megegyezik az alapjául szolgáló könyvvizsgáló 2013. évi éves beszámoló mérlegével és eredménykimutatásával.

Budapest, 2014. június 30.

KPMG Hungária Kft.  
Nyilvántartási szám: 000202

Marcin Cielski  
Partner

dr. Epesesi Ferenc  
Kamarai tag könyvvizsgáló  
Nyilvántartási szám: 003161



## Annex 2

## Financial and operating performance

### Balance Sheet – Assets

Item		figures in HUF thousand	
		31 December 2012	31 December 2013
<b>A.</b>	<b>Investments (non-financial)</b>	93,561,898	103,758,525
I.	INTANGIBLE ASSETS	5,824,197	6,491,962
	Capitalised value of start-up and restructuring		
	Capitalised value of R&D		
	Rights representing property	4,486,526	4,961,055
	Intellectual products	1,337,671	1,530,907
	Goodwill		
	Prepayment on intangible assets		
	Revaluation of intangible assets		
II.	TANGIBLE ASSETS	79,744,475	80,639,800
	Land and related property-valued rights	37,561,867	37,816,052
	Technical equipment, machinery, vehicles	10,074,615	10,673,761
	Other equipment, accessories, vehicles	1,789,106	1,458,713
	Livestock		
	Reconstruction in progress	3,380,025	2,278,077
	Prepayment on investments	92	1,224
	Revaluation of tangible assets	26,938,770	28,411,973
III.	FINANCIAL INVESTMENTS	7,993,226	16,626,763
	In associated undertakings	5,573,569	14,417,215
	Long-term loans to associated undertakings		
	Other long-term shares	1,289,376	1,279,138
	Long-term loans to undertakings in other profit-sharing partnership		
	Other long-term loans	848,604	930,410
	Securities embodying long-term credit partnership	281,677	0
	Revaluation of financial investments		




<b>B.</b>	<b>Current assets</b>	64,316,443	51,598,079
I.	STOCKS (INVENTORY)	2,389,658	1,998,944
	Raw materials	605,711	572,250
	Unfinished goods and work-in-progress		
	Livestock		
	Finished goods	91,835	56,088
	Goods	1,641,072	1,237,034
	Advance payments on inventories	51,040	133,572
II.	RECEIVABLES	13,469,749	21,330,792
	Receivables from customers	9,518,498	10,499,613
	Accounts owed by associated undertakings	832,743	1,030,520
	Accounts owed by undertakings in other profit-sharing partnership	2,669	641
	Bills of exchange receivable		
	Other debtors	3,115,839	9,800,018
III.	SECURITIES	830,868	3,732,059
	Share in associated undertakings		
	Other shares		654,666
	Own shares		
	Securities for trade embodying credit partnership	830,868	3,077,393
IV.	LIQUID ASSETS	47,626,168	24,536,284
	Cash in hand, cheques	26,581,875	15,814,154
	Bank deposits	21,044,293	8,722,130
<b>C.</b>	<b>Prepayments</b>	1,356,820	1,233,294
	Prepayments of income	360,269	503,592
	Prepayments of costs and expenditures	996,551	729,702
	Deferred expenditures	0	0
	<b>Total assets</b>	159,235,161	156,589,898



<b>Liabilities</b>		figures in HUF thousand	
	<b>Item</b>	<b>31 December 2012</b>	<b>31 December 2013</b>
<b>D.</b>	<b>Equity</b>	73,945,761	76,713,245
I.	REGISTERED CAPITAL	13,483,027	14,137,693
	of which repurchased property share at face value		
II.	REGISTERED UNPAID CAPITAL (-)		
III.	CAPITAL RESERVE	4,890,823	4,890,823
IV.	PROFIT RESERVE	31,662,394	27,416,707
V.	TIED UP RESERVE	340,246	530,434
VI.	REVALUATION RESERVE	26,938,770	28,411,973
VII.	PROFIT OR LOSS FOR THE YEAR	-3,369,499	1,325,615
<b>E.</b>	<b>Provisions</b>	14,209,726	15,341,742
	Provisions for expected liabilities	14,209,726	15,341,742
	Provisions for future costs		
	Other provisions		
<b>F.</b>	<b>Credits (liabilities)</b>	59,842,375	50,649,504
I.	SUBORDINATED LIABILITIES	0	0
	Subordinated liabilities against associated undertakings		
	Subordinated liabilities against associated undertakings in other profit-sharing partnership		
	Subordinated liabilities against other party		
II.	LONG-TERM LIABILITIES	356,855	308,750
	Long-term loans		
	Convertible bonds		
	Debenture loans		
	Investment and development credits		
	Other long-term credits		
	Long-term liabilities against associated undertakings	151,691	102,494
	Long-term liabilities against associated undertakings in other profit-sharing partnership		
	Other long-term liabilities	205,164	206,256





III.	SHORT-TERM LIABILITIES	59,485,520	50,340,754
	Short-term loans		
	of which convertible bonds		
	Short-term credits	4,103	9,338
	Prepayments received from purchasers	753,286	838,804
	Trade creditors	10,559,337	9,255,118
	Bills of exchange payable		
	Short-term liabilities against associated undertakings	2,115,759	2,591,507
	Short-term liabilities against associated undertakings in other profit-sharing partnership		1,134,010
	Other short-term liabilities	46,053,035	36,511,977
<b>G.</b>	<b>Accruals and deferred income</b>	11,237,299	13,885,407
	Accrual of income	398,554	385,884
	Accrual of costs and expenditures	7,453,134	10,159,197
	Deferred income	3,385,611	3,340,326
	<b>Total equity and liabilities</b>	159,235,161	156,589,898

# PROFIT AND LOSS STATEMENT

## (total costs method)

figures in HUF thousand

	Item	31 December 2012	31 December 2013
1	Net domestic sales	191,134,514	183,820,632
2	Net export sales	1,817,038	5,351,698
<b>I.</b>	<b>Turnover (01+02)</b>	192,951,552	189,172,330
3	Change in stocks produced ±	-10,695	-35,747
4	Capitalised value of assets produced	240,917	245,188
<b>II.</b>	<b>Own performance capitalised (±03+04)</b>	230,222	209,441
<b>III.</b>	<b>Other income</b>	8,156,954	3,418,624
	of which reversed diminution in value	43,511	447,642
5	Cost of raw materials	9,878,783	9,627,544
6	Services used	34,370,529	33,483,972
7	Other services	589,798	523,018
8	Original value of goods sold	12,264,871	6,962,011
9	Value of services sold (brokerage)	6,244,143	3,960,215
<b>IV.</b>	<b>Material-type expenditures (05+06+07+08+09)</b>	63,348,124	54,556,760
10	Wage costs	76,099,149	74,151,663
11	Other personal type expenses	10,567,008	9,721,501
12	Wage contributions	22,358,570	22,653,572
<b>V.</b>	<b>Staff costs (10+11+12)</b>	109,024,727	106,526,736
<b>VI.</b>	<b>Depreciation write-off</b>	7,731,664	8,045,517
<b>VII.</b>	<b>Other expenditures</b>	23,683,811	23,265,575
	of which value loss	955,715	1,164,668
<b>A.</b>	<b>OPERATING PROFIT (I±II+III-IV-V-VI-VII)</b>	-2,449,598	405,807
13	Dividend and profit-sharing from investments		
	of which from associated undertakings		
14	Exchange rate profit on the sale of shares		12,500
	of which from associated undertakings		
15	Interest and exchange rate profit on the sale of payment investments	26,445	13,967
	of which from associated undertakings		
16	Other interest and similar income due	2,532,492	1,599,100
	of which from associated undertakings	42,883	39,843
17	Other income from payment transactions	547,365	264,466



<b>VIII.</b>	<b>Income from financial transactions (13+14+15+16+17)</b>	3,106,302	1,890,033
18	Exchange rate loss on sale of payment investments of which to associated undertakings		
19	Interest and similar expenditures payable of which to associated undertakings	343,264 94,771	133,351 58,265
20	Value loss of shares, securities, bank deposits	779,828	53,267
21	Other expenditures on payment transactions	632,744	148,081
<b>IX.</b>	<b>Expenditures on payment transactions (18+19±20+21)</b>	1,755,836	334,699
<b>B.</b>	<b>PROFIT ON PAYMENT TRANSACTIONS (VIII-IX)</b>	1,350,466	1,555,334
<b>C.</b>	<b>PROFIT ON ORDINARY ACTIVITIES (±A±B)</b>	-1,099,132	1,961,141
<b>X.</b>	<b>Extraordinary income</b>	130,510	245,765
<b>XI.</b>	<b>Extraordinary expenditures</b>	845,994	285,628
<b>D.</b>	<b>EXTRAORDINARY PROFIT (X-XI)</b>	-715,484	-39,863
<b>E.</b>	<b>PROFIT BEFORE TAX (±C±D)</b>	-1,814,616	1,921,278
<b>XII.</b>	<b>Taxation</b>	1,554,883	595,663
<b>F.</b>	<b>PROFIT AFTER TAX (±E-XII)</b>	-3,369,499	1,325,615
22	Use of profit reserve for dividend, profit-sharing		
23	Dividend, profit-sharing approved		
<b>G.</b>	<b>PROFIT OR LOSS FOR THE YEAR (±F+22-23)</b>	-3,369,499	1,325,615



