

MAGYAR POSTA
ANNUAL REPORT
2016





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FOREWORD BY THE CHIEF EXECUTIVE OFFICER

For **Magyar Posta Zrt.** 2016 meant continuing the development of the digital renewal commenced in the previous year. As a **modern enterprise**, the aim of the Company is to keep abreast of market trends while retaining its **traditional role** and **corporate social responsibility**.

Magyar Posta has both the potential and ambition to grow, and combining its **experience** and **expertise gained over more than a century** with **innovative solutions** can provide a sound footing for this. Through its forward-looking activity, the Company further strengthened its position in the domestic financial market, increasing its share in the dynamically growing domestic parcel market and continuously striving for cost-effective operation. This allowed Magyar Posta's **profit before tax in 2016 to exceed its 2015 performance by 7.7%**.

Magyar Posta also retained its market leading position in the letter-mail sector with an annual fall of roughly 4% on average. To **renew and modernise**



IN RESPONSE TO E-COMMERCE SERVICE NEEDS, MAGYAR POSTA JOINED THE INTERNATIONAL DHL PARCEL EUROPE NETWORK IN 2016

BY INSTALLING CUSTOMER QUEUING SYSTEMS, THE SPEED AND QUALITY OF SERVICE, AND THE CONSEQUENT CUSTOMER EXPERIENCE IMPROVED SIGNIFICANTLY

letter services, plans for a new development, the European Union-funded **"Postal identified item tracking"** (PAKK programme), began in 2016, whose implementation started in early 2017 and is planned to be completed by the end of 2018.

The **number of parcels** handled in Magyar Posta's logistics system **grew remarkably**, by almost





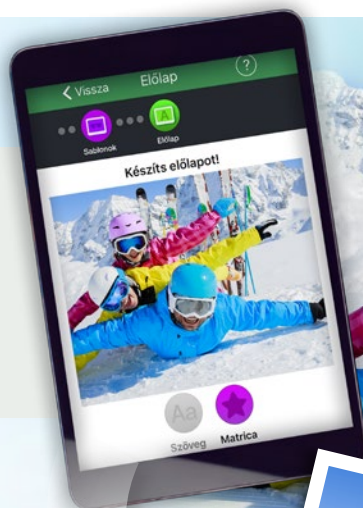
CUSTOMERS CAN PAY THEIR UTILITY AND OTHER BILLS AT TERMINALS LOCATED IN WELL-FREQUENTED CENTRES AND COMMERCIAL OUTLETS

the international network of DHL Parcel Europe in 2016, becoming part of a modern European logistics system.

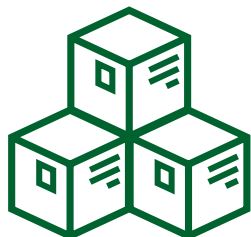
In 2016 **great emphasis was placed on the digital support of postal financial and savings products, letter and parcel mail, as well as customer communication.** By forecasting traffic peaks for post offices, and opening new open counters and installing customer queuing systems at the busiest post offices, the Company's capacity to serve customers, the speed and quality of service, and the consequent customer experience improved significantly. Within the framework of digitisation, with customer convenience in mind, sending e-postcards from an online interface was

2 million pieces, in 2016 thanks to the boom in e-commerce. This outstanding growth occurred in both domestic and international (inbound and outbound) traffic. In order to enhance its competitiveness and to satisfy cross-border e-commerce service needs, the Company joined

WITHIN THE FRAMEWORK OF DIGITISATION, WITH CUSTOMER CONVENIENCE IN MIND, MAGYAR POSTA INTRODUCED SENDING E-POSTCARDS FROM AN ONLINE INTERFACE



INDICATORS OF MAGYAR POSTA ZRT.'S SUCCESSFUL OPERATION IN 2016



PARCEL VOLUME COMPARED
TO Q4 OF 2015 UP BY

30%



ANNUAL NUMBER
OF PARCELS UP BY

2,000,000



PROFIT BEFORE
TAX UP BY

7.7%

introduced (www.posta.hu/sender) and the option to reinvest in government bonds through customer service by phone was offered.

To make access to services more flexible, **the number of bill payment terminals increased significantly**. This means that customers can pay their utility and other bills at payment terminals located in well-frequented centres and high volume commercial outlets (Rossmann, Príma, and some shopping malls) by bank card or, as some payment terminals allow it, in cash.

In 2016 **major innovations** were also realised in the area of **financial services**. The sale of government bonds marketed on behalf of Magyar Posta Befektetési Zrt. was expanded by a **new sales channel** (Call Centre), and Magyar Posta Savings Harmony Mixed Fund was added to the range of products in the **investment funds**.

Over recent years an important modernisation measure in Magyar Posta's business culture was the introduction of the **MyPost programme** and the associated **card**, making it possible to draw the attention of customers in a personalised manner

to the offers that are most interesting and useful for them.

In comparison with the fourth quarter of 2015, a major challenge in 2016 was handling the **30 per cent higher volume of parcels**. However, thanks to excellent cooperation with senders and addressees as well as the devoted efforts and harmonised work of the postal staff, the Company coped with the situation successfully. Building on the experience gained, Magyar Posta is launching numerous initiatives in 2017 in order to prepare for peak periods more effectively.

I wish to thank customers who placed their trust in Magyar Posta again in 2016, and the staff members who have contributed to the Company's achievements through their work.

Zoltán Illés
Chief Executive Officer



Change in sales revenue year on year	+ 1.22%
Number of fixed postal outlets	2,689
Number of mobile post offices	353
Number of parcel pick-up points	3,040
Domestic parcel traffic	~17.1 million items
Number of addressed letter-mail items accepted in Hungary	~635 million items
Bill payment turnover	~ HUF 2,207 billion
Amount paid at bill payment terminals	~ HUF 3,354 million
Delivered advertising mail	~1 billion items
Loyalty points collected by customers in 2016	~220 million points
Improvement in average age of vehicles	3 years
Size of vehicle fleet	3,800 vehicles
Annual mileage of vehicles	~82 million km
Annual mileage of vehicles involved in parcel delivery	~12.7 million km
Number of employees at the Company (annual average number of persons reduced by converting to full-time employees)	28,273 persons

MAGYAR POSTA ZRT.'S MOST IMPORTANT INDICATORS(2016)



INTERNATIONAL TRENDS AND DOMESTIC MARKET CHANGES IN THE POSTAL SECTOR

Changing customer needs due to digitisation and the great increase in substitute products represent both a serious challenge and an opportunity for traditional postal service providers.

Postal operators have a place and function in the digital world as well, but their tool set is changing. In the stiffening competition, the distinction between sectors is becoming blurred (e.g. e-commerce companies launching parcel delivery services, such as Amazon) and postal operators are introducing e-commerce services (e.g. Deutsche Post's DHL online auction house, MeinPaket). While this holds numerous opportunities, it also gives rise to a new operating model. As a result of the liberalisation in the postal market, the international postal operators, who were once present in the letter-mail market as "incumbent" providers and sole actors, entered each other's markets, while new service providers also appeared in some countries.

The major challenges that postal operators have to face today – and which have to be solved in

order to retain their successful operation – are demonstrated in the diagram below:

The continuous, annual 4 to 6% fall in the volume of traditional letters has the biggest impact of all global trends.¹ This downward slide is characteristic throughout Europe, albeit to varying degrees, and thus in Hungary as well. Besides substitute products and changes in consumer habits, a key driving force of this trend is the cost-cutting efforts of large-scale senders, which have grown stronger worldwide as an effect of the crisis 10 years ago and have been incorporated in owners' expectations.

Apart from the duties of postal operators that can be regarded as traditional, forwarding digital messages and information has become necessary, and through trade taking place on websites and the delivery of ordered goods the two worlds are now fully interconnected. Postal operators today have to move with ease in both the physical and the digital space, and must offer services that exploit

¹ International Post Corporation (IPC) - size of reduction in volume in 2015: Europe 5.3%, worldwide 4.8%

MAJOR CHALLENGES OF POSTAL OPERATORS





18%

OF INTERNET USERS IN
HUNGARY BUY SOMETHING
IN THE ONLINE SPACE
EVERY WEEK



the opportunities provided by technical advance. Delivery at a specific time or to a specific place and expanding the options of flexible collection, in other words fully serving the customer's individual requirements and convenience, are acquiring greater value.

The traditional postal financial activity (e.g. bill payment, sending cash by post) is also being transformed and new postal financial services will come to the fore building on digitisation, "big data" and regulatory changes (e.g. PSD2², immediate payment).

2 Payment Services Directive

ONLINE RETAIL TRADE IN HUNGARY (HUF BILLION)



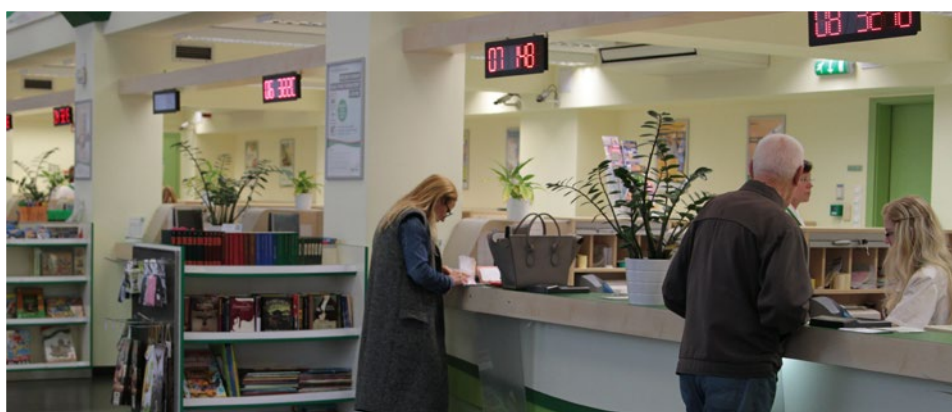
* estimated

Source: Joint Online Retail Trade Index surveys and assessment by GKI Digital and arukereso.hu

In line with international trends, in Hungary in 2016 **online retail trade** (internet sales) **was a strongly growing market**, currently accounting for about 4% of all retail trade. In Hungary, the whole of retail trade expanded by about 6% in 2016, while **the online market increased its revenues by 18%**, and, through this, **the size of the Hungarian online shopping population grew by an annual rate of 7 to 8%**, reaching 2.8 million people by the end of 2016. In 2016 the total domestic **online retail trade** reached **the level of EUR 1 billion**. Over 80% of web stores ended the year more profitably than a year earlier. **Turnover in the last quarter** was outstanding with **36% of the entire year's** online retail trade **revenues** being taken in online stores in this period.

It is interesting to note with regard to the growth in quantity and value that, in spite of the technological development, the **importance of cash payment** increased again, and the rate of cash payments (in shops, at collection points and to the courier) grew from 57% in the previous year to **61%** in 2016 in terms of all purchases.³

3 Source: Joint Online Retail Trade Index surveys and assessment by GKI Digital and arukereso.hu



THE RATE OF CASH PAYMENTS GREW FROM 57% IN THE PREVIOUS YEAR TO 61% IN 2016

At the same time, a positive change is that at a sectoral level in the financial sector a third of customers use internet banking interfaces regularly. Of these, young people are at the forefront with almost half of the members of generation Y arranging their financial affairs using online banking.⁴ Due to the prevailing domestic financial market trend (low interest rates, expensive banking services and free cash withdrawal up to HUF 150,000), the amount of **cash in circulation** in Hungary has grown dynamically since early 2013. Although in 2016 the rate of **growth slowed perceptibly**, the value of cash in circulation at the end of September 2016

was HUF 4,433.9 billion⁵, while by the end of 2016 it accounted for HUF 4,572 billion⁶.

As a result of labour income and other measures increasing earnings due to government measures and wages agreements, **a dynamic growth in household incomes was characteristic in 2016** (5.7% compared to 2015), and this trend is likely to continue in 2017-18. Additional household income leads to buoyant demand and growing consumption, while **inflation, which hovered around 0% in 2016**⁷, is likely to grow to 2 to 3% in the coming years.

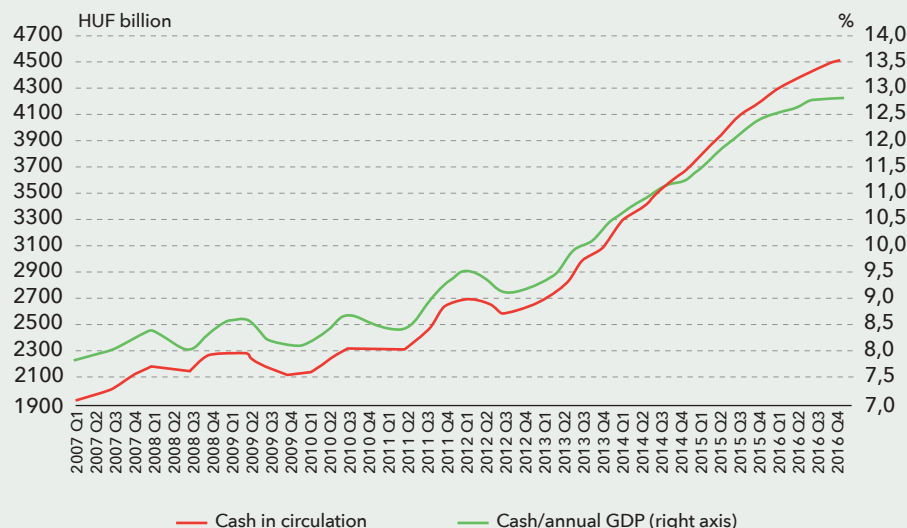
4 Source: OTP Bank representative survey

5 Source: MNB (Central Bank) 2016 Interim Report (25 November 2016)

6 Source: mnb.hu

7 Source: CSO (Central Statistical Office), MNB calculations (Macroeconomic Prospects, Inflation Report – December 2016)

DEVELOPMENT OF CASH IN CIRCULATION IN HUNGARY (2007-16)





POSTAL PRESENCE
IN THE DIGITAL WORLD

In the postal sector throughout the world, major changes are occurring in the area of electronisation. The digital world today means more than the IT support of internal postal and logistics processes or data collection, as it incorporates a partial or full changeover to digital services and products. Globalisation is characteristic of the postal sector as well and thus only service providers which open up towards digital services and indeed become market leaders in high-tech digital services will survive in the market competition.

Like the world's other developed postal operators, Magyar Posta both modernises its traditional physical products, and continuously leads the way in the digital and digitalised world in order to

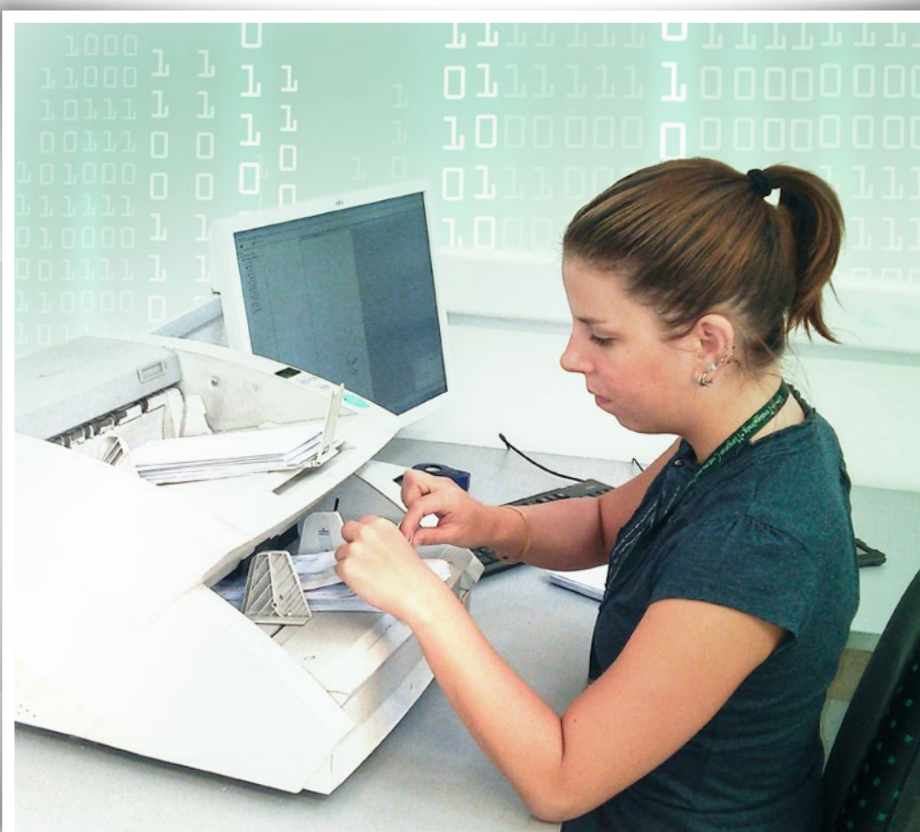
- become more easily accessible,
- offer modern but simple-to-use services,
- provide its products digitally as well, and
- create safely convertible services that can be individually adjusted to customer requirements.

DIGITISATION

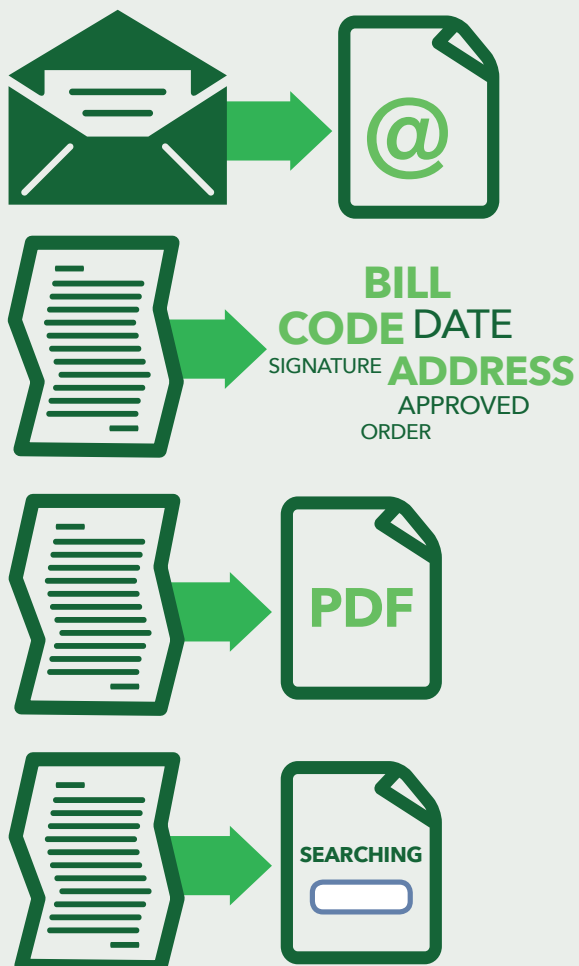
Creating the capabilities of modern and effective document handling for the business sector is one of the main challenges of our age. The domestic **electronic document handling** market is expanding continuously. Magyar Posta's **document management service** is developing constantly as well. The **Postal Digitisation Centre** provides the digitisation and electronic forwarding of letter-mail items and documents as well as data supply following the digitisation of paper-based forms and questionnaires primarily to large corporate clients, insurance companies, banks and public service providers, resulting in the **digitisation of almost 4.5 million pages in 2016**. The performed process is documented and can be controlled in every work phase, and has ISO 9001, ISO 14001, ISO 27001 **closed process certificates** complying with strict requirements laid down by law.

IN 2016 MAGYAR POSTA
DIGITISED ALMOST

4.5 million
PAGES



MAGYAR POSTA'S DOCUMENT MANAGEMENT SERVICES



THE POSTAL DIGITISATION CENTRE PROVIDES THE DIGITISATION AND ELECTRONIC FORWARDING OF LETTER-MAIL ITEMS AND DOCUMENTS AS WELL AS DATA SUPPLY FOLLOWING THE DIGITISATION OF PAPER-BASED FORMS AND QUESTIONNAIRES PRIMARILY TO LARGE CORPORATE CUSTOMERS, INSURANCE COMPANIES, BANKS AND PUBLIC SERVICE PROVIDERS

Besides services provided to the business sector, in its Postal Public Authorities Correspondence Centre, **Magyar Posta Zrt.** offers **hybrid delivery and conversion services** to **public authorities**. The convenience provided by the service and the human resource rationalisation achieved provide major opportunities for public authorities in the long term.

PROFESSIONAL E-POSTCARD FROM MAGYAR POSTA - "SENDER!" APP

Using Magyar Posta's new **application** called **Sender!** - which can be **downloaded** to a mobile phone or tablet with an **IOS or Android** operating system - anyone can **make individual postcards of a professional quality** within minutes **with just a few clicks**.

After some simple editing - when **the maker of the postcard can experiment with several templates, stickers, different frames and photographic effects** - and writing an individual message, the postcard only needs to be addressed. Then, after online payment, the postcard printed in excellent quality will reach

SENDER! - PERSONALISED POSTCARD IN THREE SIMPLE STEPS

PHOTO

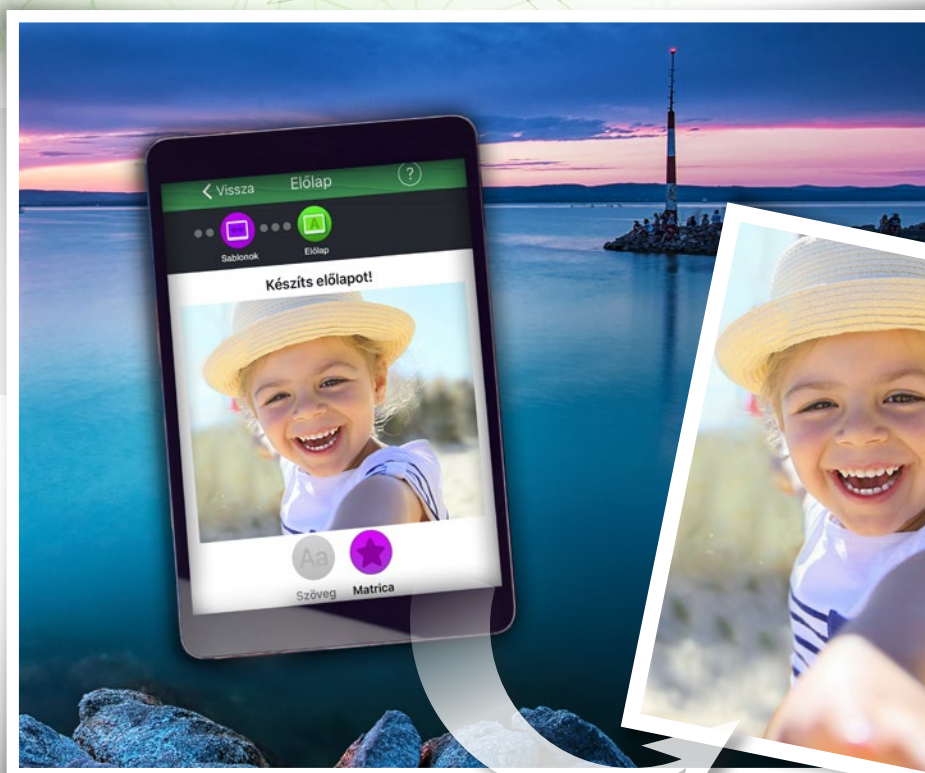


CREATIVITY



POSTING





PROFESSIONAL QUALITY,
INDIVIDUAL POSTCARDS
WITH JUST A FEW CLICKS

the specified addressee's letter box in Hungary or abroad.

The e-postcard is a **modern version of the classic postcard service** that enables a postcard made by digital means to be sent to friends and family.

The app has templates for every occasion into which one or more pictures may be inserted. Moreover, there is also space for an individual text. The app is user friendly and includes a great many inbuilt patterns, decorative features and colour filters. Upon request **the postcard may be posted in an envelope as well.**

HYBRID LETTER - NOT ONLY FOR PUBLIC AUTHORITIES

In 2016 Magyar Posta Zrt. started offering the hybrid letter service, **mail preparation with offset and digital printing, to clients in the small and medium-sized enterprise sector (SME)**, thus further simplifying the process of sending letters. Customers can post even small numbers of outbound bills, notices, balance statements, letters within a marketing campaign or even greetings within the festive season **with just a few clicks from home or the office.**

SENDING MAIL FROM A COMPUTER



YOU SEND IT



WE MAKE IT



WE POST IT

USING THE INDIVIDUAL IDENTIFIER OF THE LETTERS, CUSTOMERS CAN MONITOR THE ENTIRE PRODUCTION CHAIN, AND MAY REQUEST THEIR LETTERS TO BE KEPT ELECTRONICALLY



The service operates in a secure, closed system, where the mail is produced and posted in the plant of the EPDB Printing Centre Zrt. The **security of the hybrid letter is guaranteed by a number of Hungarian and international certificates.**

The **redundant** server parks **available 24/7**, **encrypted** communication **channels**, **SSL certificates**, and **ISO 9001, ISO 14001 and ISO 27001 certifications** typify the system, making it secure.

ONLINE SERVICES AND ACCESSIBILITY

As set out in its vision, Magyar Posta attributes an important role and gives priority to developing online accessibility and the services available in this way, as well as the posta.hu internet page and the Posta mobile app. Accordingly, today Magyar Posta is at the service of potential customers through several channels of the digital world, such as official thematic pages, where all its existing or future customers may obtain information about the Company's everyday life,

or Magyar Posta's website, where services may be used.



Magyar Posta's **thematic social network page**, offering interesting reading and inside information from the domestic and international postal world as well as the latest postal news, has been available since 2016. Visitors to the page can find out about working for Magyar Posta, its services or the most beautiful postage stamps and even find help in planning travel.

<https://hu-hu.facebook.com/MagyarPosta/>



Magyar Posta also has a presence on one of the largest **video sharing** portals, where viewers can keep an eye on the video contents of the latest postal products and services and see the postal advertising films shown in the media.

<https://www.youtube.com/user/magyarpostaofficial>



Instagram

Magyar Posta's page presents the Company's current services and most beautiful postage stamps in colour pictures as well as showing interesting facts from the history of the post.

https://www.instagram.com/magyar_posta_zrt/

LinkedIn

Magyar Posta's page created here mainly helps in keeping professional contacts or job seeking.

<https://www.linkedin.com/company/hungarian-post/>



PostaBlog

The Company's blog recounts the latest and most interesting events taking place in the postal world in Hungary and abroad. Inside information, exciting stories, stamp releases, and films, music, books and recollections related to the post are offered to the readers.

<http://posta.blog.hu/>

Website

Adapting to the changing needs of the digital world, Magyar Posta renewed its website (www.posta.hu) in 2016 as well. This included the complete **recreation of the MyPost interface**. Concurrently, the previously introduced Loyalty Card was also modernised and renamed the MyPost Card. Online services tied to private customer identification may only be accessed through card registration, thus offering greater security to users.

In 2016 the **website** was **visited by 17 million people, downloading about 23 million pages, and over 70,000 visitors registered on the**

THE NUMBER OF USERS OF MAGYAR POSTA'S MOBILE APP DOUBLED AND OVER

74,000

PEOPLE DOWNLOADED THE APPLICATION





80%

OF CARD HOLDERS USE THEIR MYPOST CARD ACTIVELY, AND THE NUMBER OF LOYALTY POINTS COLLECTED IN 2016 WAS

220 million

"MyPost" interface, 15,000 of whom are customers holding a MyPost Card. The popularity of the postal loyalty card is growing continuously. By the end of 2016 Magyar Posta **issued the 500,000th card**, which was fittingly marked by honouring the card holder with 500,000 loyalty points.

The MyPost Card is used actively by 80% of the card holders, and more than 220 million loyalty points were collected in the course of last year.

Customer activity confirms the favourable reception of the new interfaces, in which one of

Magyar Posta's new convenience services, **booking a time at a post office**, played a role. This function is accessible **not only from the website**, but also through the Company's **mobile application**.

Last year the number of users of Magyar Posta's mobile app doubled and over **74,000 people downloaded the application onto their mobile phones**.

The Company's **contracted customers** can **facilitate** posting their international parcels through a desktop **international address label completion program**, while **private customers** can **use the international online address label completion** application to do so.

An innovative retail trade solution at postal outlets is the creation of a technical IT environment for handling utility meter top-ups in addition to electronic mobile top-ups. This means that **there is now the option of topping up prepaid gas meters at POS terminals** at postal customer service points operated on behalf of the gas company FŐGÁZ at **112 postal outlets**. The new, expanded IT and technical platform will provide opportunities to introduce other modern services in the future.



NEW RECORD
IN PARCEL DELIVERY

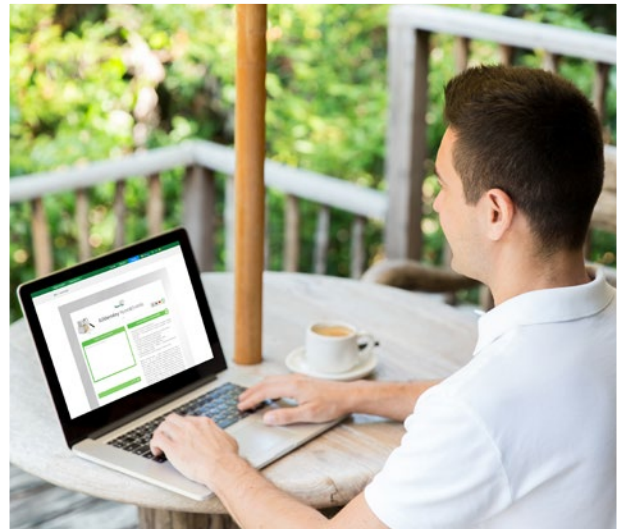
PARCEL - JUST WHERE YOU WANT IT!

Magyar Posta Logistics (MPL) continues to be a **dominant provider** in the domestic courier, express and parcel **(CEP) market**. Following the trend of previous years, in 2016 the CEP market expanded dynamically both in domestic and international terms thanks to the stable growth of online trade.

As a result of the Company's successful business policy, a number of **business agreements** were entered into with high-turnover Hungarian **web stores** in 2016. Thus the number of the Company's web store partners grew to almost **3,500**, an **increase of nearly 6%** compared to 2015. The turnover of Magyar Posta's online trade partners grew by 42.5% compared to the previous year.

The quantity of domestic parcel products, including items posted in e-commerce, accepted for postal handling by Magyar Posta reached a record quantity, exceeding 17 million pieces.

In addition to the everyday use of the technological and technical developments of recent years (tracking, parcel terminals, Postal Point delivery, expanding payment options, e-notifications), Magyar Posta started successful cooperation with the COOP retail network. With the addition of these **265 Coop Postal Points**, the number of



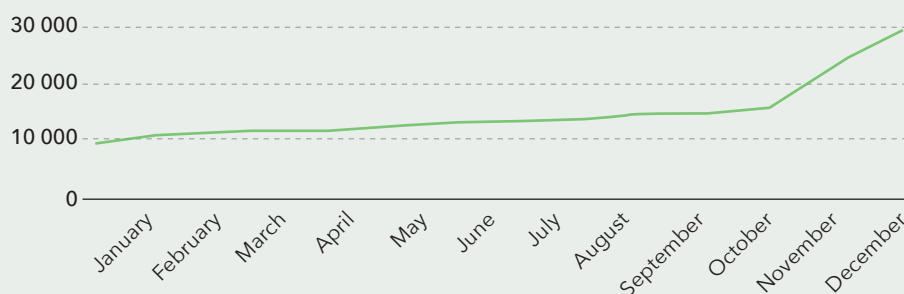
IN RESPONSE TO CUSTOMER NEEDS, MAGYAR POSTA FURTHER DEVELOPED POSTA.HU'S MOST VISITED SERVICE, TRACKING

fixed parcel collection points, where addressees may receive their parcels conveniently, rose to over 3,000.

Adapting to customer needs, Magyar Posta **further developed** the most visited service of "posta.hu", the **tracking** service, which has offered more detailed and visually clearer information for customers enquiring about their mail since 2016.

The **development** of the **Intelligent Mail Logistics System (IMLS)** that began in previous years is **now completed**. One upshot of this was that

THE NUMBER OF PARCELS DELIVERED AT MOL AND COOP POSTAL POINTS INCREASED CONTINUOUSLY (2016)



the Company introduced its improved message sending and tracking solution, and launched a **new customer notification system**, thus **meeting individual customer requirements**.

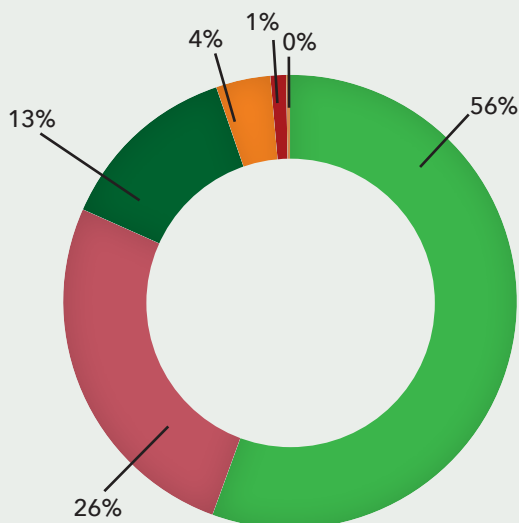
The success of the 2015 pilot operation led in 2016 to **customers being able to pay payment-for-goods amounts** not only at post offices but **also directly to the delivery man using a bank card or redeeming points from their Loyalty Card**.

From 2017 the Company is increasing the technological IT support of MOL Postal Point activities, enabling transactions carried out at specific locations to be monitored in real time. Simultaneously, the effectiveness of accounting processes between partners will improve significantly, thus preparing the Postal Point

network for handling the growing quantity of goods to meet customer demand.

Again in 2016 Magyar Posta was the official logistics partner of Santa's Factory. Magyar Posta was at the disposal of people making charity donations in the run-up to the festive season through its nationwide network of 2,700 post offices and its transport

INTERNAL BREAKDOWN OF THE INTERNATIONAL PARCEL PORTFOLIO



- INTERNATIONAL EMS
- EURÓPA+ PARCEL
- INTERNATIONAL POSTAL PARCEL
- INTERNATIONAL COMMERCIAL PARCEL
- INTERNATIONAL PALLETED
- MPL EUROPE STANDARD PARCEL

IN 2016 THE QUANTITY OF DOMESTIC PARCEL PRODUCTS ACCEPTED WAS OVER

17 million

PIECES

THE TURNOVER OF MAGYAR POSTA'S ONLINE TRADE PARTNERS GREW BY

42.5%

COMPARED TO THE PREVIOUS YEAR



FORECASTS SUGGEST THAT BY 2018 THERE WILL BE OVER 130 MILLION EUROPEAN PURCHASERS PREFERRING CROSS-BORDER E-COMMERCE SOLUTIONS



capacity. The Company helped gifts weighing almost 11,500 kg in about 3,000 packages intended for "Santa's Factory" to reach the Hungarian Red Cross warehouses or distribution points.

"THE INTERNATIONAL SITUATION IS INCREASING"⁸

In line with international trends, the quantity of goods purchased in e-commerce is growing significantly in Hungary, too, and thus the Company's international **export parcel turnover** also increased **appreciably, by 16% in 2016**, compared to the previous year.

⁸ A frequently quoted phrase from Péter Bacsó's film The Witness.

The upward trend of previous years continued with regard to the premium international EMS express mail and Európa+ parcel products as well.

The **quantity of import parcels** arriving in Hungary in international mail traffic **exceeded** the 2015 figures by **17%**, while the volume of inbound **letter mail** – mostly small **packets** – grew by **11%** year on year. The driving force of the growth was the considerable e-commerce with China.

As a response to the continuous growth in the number of the **global online orders for goods** and the **spread** of digitisation, Magyar Posta **initiated the development of a Customs Customer Database**, aiming to make the customs clearance procedure and customs arrangements for private individuals faster and simpler using



SENDERS SAVE A CONSIDERABLE AMOUNT OF TRANSIT TIME USING THE MPL EUROPE STANDARD PARCEL WITH DELIVERY EVEN ON SATURDAYS TO FOREIGN DESTINATIONS



background IT support. Customers can already enjoy the advantages of the development in the 2017 autumn/winter peak period.

In order to **maximise the advantages** of the increasing market **competition**, Magyar Posta is continuously renewing and **improving its international parcel portfolio**, thus being able to offer competitive services at a European level to its customers. Recognising Magyar Posta's outstanding business achievements, one of the world's leading postal and logistics enterprises, **the German Deutsche Post - DHL, proposed working in partnership**. By entering into an agreement in 2016, **Magyar Posta became part of DHL Parcel Europe's logistics network**, aiming to offer an attractively priced service of uniform quality throughout Europe.

Under the cooperation, in autumn 2016 Magyar Posta introduced a new parcel service called **"MPL Europe Standard" parcel**. Thanks to the new product, Magyar Posta's customers can post parcels of a **European standard and quality** that are delivered even on Saturdays in the destination country at a **competitive price**. In the inbound direction, Magyar Posta not only delivers DHL

parcels posted in Germany, but also undertakes the delivery in Hungary of mail items accepted by DHL subsidiaries operating in other European Union countries.

In addition to the close cooperation with the universal service providers of the various countries appointed by law, **cooperation with alternative operators** represents a major business potential. Magyar Posta recognised emerging opportunities and in 2016 also sought new forms of cooperation with alternative service providers to complement the existing UPU⁹ and Európa+ (EPG) networks. Accordingly, Magyar Posta now provides **flexible, high-quality, favourably priced parcel delivery and related supplementary logistics, cash-on-delivery and information services fully meeting the expectations of business customers mainly in the e-trade sector** in the territory of Romania. The **success** of the cooperation and **customer satisfaction are indicated** by the fact that, with regard to contracted customers, the **2016 revenue** of the international commercial **parcel service doubled**, representing a further growth potential for the contracting parties.

9 Universal Postal Union



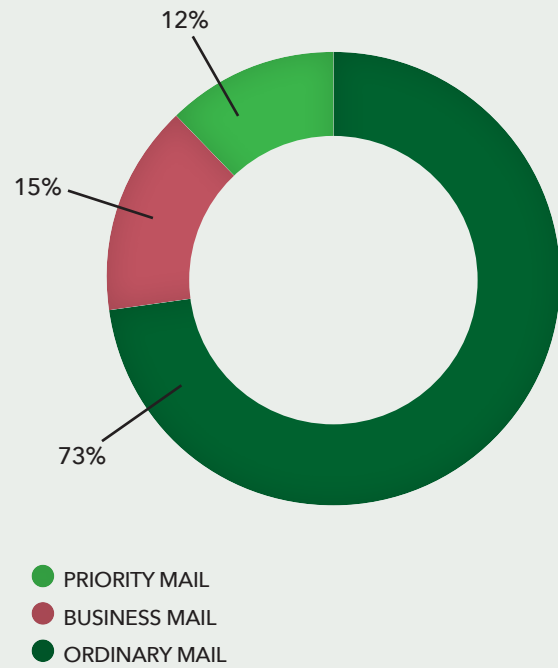
MORE THAN THE POST!

THE LETTER, THE EVERGREEN CLASSIC

In 2016 the Company faced a major challenge when, under a decision issued by the Government of Hungary, about **2.6 million letters containing an Erzsébet voucher** and the covering **letter by the prime minister** had to be **forwarded to the addressees** by Magyar Posta within a **very brief period of time** (between 12 and 31 December). Thanks to the harmonised work of the management and staff, Magyar Posta completed this task requiring special individual processes and safety technology by the **set deadline**.

In the ever accelerating world, postal services and users' habits develop in tandem with the changing lifestyle trends. Convenience and online solutions are at the forefront for both senders and addressees. Magyar Posta strives to fully serve its customers with its convenience services in this new constantly changing environment as well. The use of letter-type services has become accessible through an increasing number of channels over recent years, and consequently Magyar Posta's convenience services can now be ordered even from home or the workplace.

BASIC DOMESTIC LETTER SERVICES REVENUE BY TYPE (2016)



The direct mail market continues to be determined by business-type mailings and correspondence. There is growing demand among customers for

MAGYAR POSTA IS ALSO AN IMPORTANT PLAYER IN THE MARKET OF DISTRIBUTING ADVERTISING MATERIALS AND FORWARDING THEM TO CUSTOMERS



IN 2016
2.6 million
ERZSÉBET VOUCHERS



a reduction of mailing fees, which means they are constantly searching for replacement solutions. The long-term decline of letter market volumes was periodically mitigated by one-off events (such as the mailing of Erzsébet vouchers). The

combined effect of these two factors is that the 2016 **revenues** from **domestic direct letter mail** fell by **only 1.2%** compared to the previous year's revenue for the same category.

REVENUE FROM INTERNATIONAL
LETTER MAIL ROSE BY

+12.9%



A significant part of Magyar Posta's basic domestic letter services revenue, in accordance with international trends and the domestic experiences of the previous year, continues to originate from the mailing of ordinary letters. Customers sending letter mail tend to prefer quality services and products available with value-added premium services.

Thanks to the dynamic growth of e-commerce, the **revenue** from **international outbound letter-mail items** (international letter services and international complex services), which account for a smaller part of the letter revenue, grew by **12.9%** last year.

Magyar Posta is also an important player in the market of **distributing advertising materials** and forwarding them to customers. It was typical of 2016 that the number of customers using e-services and the volume of delivered advertising materials increased, and consequently **Magyar Posta's revenue from unaddressed advertising materials grew by 23.6%** year on year.

STAMP COLLECTION - A REAL PASSION

As it is customary, Hungarian postage stamps, which are regarded as the country's calling card, marked many anniversaries and domestic and international events in 2016, often causing pleasure to philately enthusiasts by using special printing processes.

There was international cooperation on a number of occasions during the year. Joint stamp issues to commemorate the anniversaries of the birth of Jan Jessenius with the Czech, Polish and Slovakian Posts and the 450th anniversary of the siege of Szigetvár with the Croatian and Turkish Posts were released.

Magyar Posta's stamps gained international recognition on more than one occasion. Hungarian philatelic issues won prizes in their category: first place in Nanning at the competition announced among UPU member states for the 14th time; second place at the NEW YORK 2016 international stamp exhibition, and third place at the prestigious WIPA¹⁰ Grand Prix in Vienna and at the international stamp beauty contest held in China.



OVERPRINTED SOUVENIR SHEET TO MARK THE FIFTH ANNIVERSARY OF THE NEW FUNDAMENTAL LAW

With the changes taking place in the technological environment and in consumer habits, the domestic philately market is diminishing, thus Magyar Posta is endeavouring to expand the range of its customers through exclusive product releases and foreign sales. The turnover from stamp products was up by over 7% year on year.

Magyar Posta commemorated the 60th anniversary of the 1956 revolution and freedom fight by issuing a souvenir sheet. The circular perforated stamp in the middle of the sheet recalls the flag with a hole, where the communist insignia were cut out by the revolutionaries.

10 Wiener Internationale Postwertzeichen Ausstellung





PAYMENT SERVICES
AND VARIED FINANCIAL
PRODUCT RANGE

BILL PAYMENT - MANY LOCATIONS AT ANY TIME

Spurred by increasing market competition, the spread of payment methods and channels using new technology, initiated in previous years by credit institutions and account holders (utility providers, local authorities, etc.), together with their promotion among as broad a clientele as possible continued in 2016. At the same time, for Magyar Posta the **rival solutions** devised for **bill payment to date have not caused a major change**. The extent of the use of bill payment **further declined in consequence of the spread of new methods** as well as direct debit and other electronic acceptance possibilities (such as bank transfers).

In order to maintain its market positions and to increase its revenues, Magyar Posta continued developing its solutions introduced in previous years. Furthermore, **new technological developments** were launched with the aim of **modernising** existing **postal financial services**. This includes the **modernisation of bill payments**, started in 2014, as well as **creating alternative payment methods and new payment channels**. These solutions made the options for flexibly settling utility bills available to a wider range of customers in 2016.

In 2016 Magyar Posta opened a new bill payment channel and option by locating **80 bill payment terminals in retail networks** - 14 in **Rossmann drugstores** and 66 in **Príma shops**. This made bill payment available in retail stores by reading the amounts of the bills with the help of the terminals and paying using a bank card at the terminal or cash at the cashier. Furthermore, after the bill payment terminals with bank card payment installed in 2015, in 2016 newer terminals accepting payment by both bank card and cash were introduced at different points around the country.



BILLS CAN BE PAID SAFELY IN SOME ROSSMANN DRUGSTORES AND CBA PRÍMA FOOD SHOPS DURING FULL OPENING HOURS

The flexible and convenient, 24-hour-a-day **iCsekk service¹¹**, introduced in 2014, continues to enjoy great popularity. Thanks to the marketing campaigns promoting this service, in 2016 more and more customers chose this convenient bill payment method that can be done via a mobile application. The number of **bill payments using QR codes** is rising steadily, and the **quantity** of bills paid this way **exceeded 880,000 in 2016**.

In addition to the new alternative bill payment solutions, Magyar Posta also **offers bill payment by bank card at postal outlets** without any cash withdrawal transaction fee. The proportion of **bill payments by bank card at postal outlets** compared to the total number of bill payments **exceeded 18%** by the end of the year in 2016, registering a constant increase.

The **volume of and revenue from cash withdrawal transactions** continued to **fall** in

¹¹ Payment of bill payment forms bearing a QR code by card using a mobile application

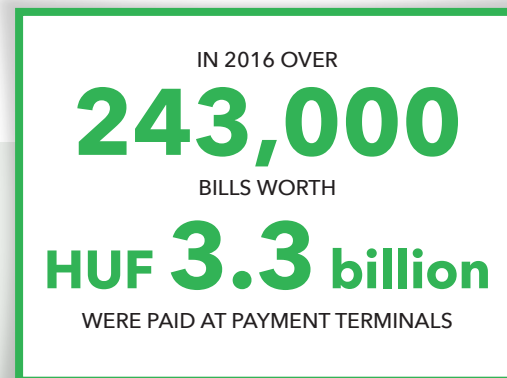
2016 (a decline of about 40% in revenue and 35% in volume). The extent of this was also significantly influenced by the introduction in January 2016 of the option to pay for postal services by bank card and the growing number of POS terminals located in retail units.

Thanks to the developments carried out by the Company, the **bill service** continues to be **generally popular**, and, although the use of the service is declining from year to year, it still represents a significant proportion in the payment order market.

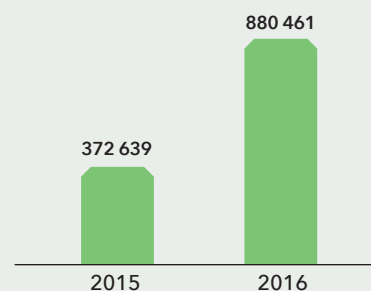


The market of **cash disbursements from payment accounts** (outpayment order, pension order) was again typified by a decline in 2016, which, as in previous years, was an effect of the spread of non-cash banking services. In spite of this, there was a favourable trend in the postal turnover, which was due to ad hoc remittances.

Internationally in 2016, a further **slide** of 5.8% year on year **was experienced in the amount of money transfers**.



TREND OF NUMBER OF BILLS PAID WITH THE ICSEKK MOBILE APP



SAVINGS AND OTHER FINANCIAL PRODUCTS

Magyar Posta and its commissioning partners continued to implement **major innovations** in 2016 in the area of the **financial and postal financial products intermediated by Magyar Posta:**

- a new VISA Electron bank card was introduced for FHB Posta Account Packages,
- a new channel was added to the sales of securities marketed on behalf of Magyar Posta Befektetési Zrt. (Call Centre), where customers with expiring government bonds have the option to reinvest,
- the range of products for sale with regard to investment funds addressing customers preferring longer-term investments was expanded by Magyar Posta Savings Harmony Mixed Investment Fund (MPTHVA) within the portfolio of products marketed on behalf of Magyar Posta Befektetési Zrt.,
- Magyar Posta introduced the sale of investment services also on Saturdays in cooperation with the commissioning service provider¹², thus ensuring an outstanding advantage to customers in personally arranging investment services.

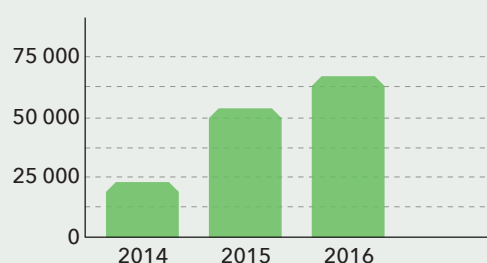
In Magyar Posta Zrt.'s life **in the area of bank account-related services**, the marketing of Posta Account Packages on behalf of FHB Bank Zrt. again received a prominent role in 2016. Diverging from the general trend of credit institutions operating in Hungary, the Company **expanded the number of postal outlets involved in marketing, introducing applying for retail bank account services offline** at 228 postal outlets.

From 2016, apart from Maestro bank cards, customers can also apply for **VISA Electron bank cards**.

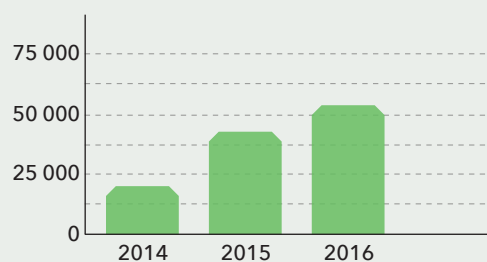
From mid 2016 – at designated postal outlets – the sale of the **Posta Hello Bank Account** product designed for the **14 to 24 age group** began on favourable terms. Now that this new product is available at post offices, Magyar Posta can serve all age groups by ensuring access to modern retail bank account products.

Compared to previous years, the number of customers with a Posta Account Package grew further.

NUMBER OF CURRENT ACCOUNTS OPENED AT MAGYAR POSTA



NUMBER OF SECURITIES ACCOUNTS OPENED AT MAGYAR POSTA



Of the retail savings arranged at postal outlets, the sale and portfolio of the **paper-based Treasury Savings Bill** continues to **represent the highest proportion in the portfolio**. In the retail government bond market, the customer confidence placed in postal sales is clearly recognisable and the Company is taking special care to foster this. The increase of over HUF 10 billion in the portfolio registered in 2016 significantly contributed to financing the government debt from the retail segment.

¹² At postal outlets also opened on Saturdays designated for the sale of investment services

INVESTMENT
SERVICES ALSO
AVAILABLE ON
SATURDAYS

BANK ACCOUNT-RELATED SERVICES
ACCESSIBLE AT

228

POSTAL OUTLETS



As a result of the low interest rate environment, in the first half of 2016, of the **deposit products marketed on behalf of FHB Bank**, the portfolio of the FIX Deposit fell. However, this trend was reversed in the second half of the year due to targeted campaigns, and by the end of the year the sales of both the FIX Deposit and Prize Draw Deposit products improved compared to the first half of the year, generating a higher than expected revenue.

In 2016 the main focus of the **investment products** sold on behalf of **Magyar Posta Befektetési Zrt.** was on government bonds sold to the public and in particular the Treasury Savings Bill Plus (KTJP) as well as investment units. Magyar Posta's 349 postal outlets for the provision of investment services were successful in renewing maturing portfolios with new sales, exceeding the 2015 performance by 50%.

In 2016 the range of products for sale within the **investment funds** sold on behalf of Magyar Posta Befektetési Zrt. was expanded by Magyar

Posta Savings Harmony Mixed Investment Fund (MPTHVA), which offers an option of keeping savings safe for customers seeking longer-term investment opportunities. The portfolio of the investment units increased by over 55% compared to 2015, which was due to the approximately 70% growth of Magyar Posta Savings Property Investment Fund (MPTIA).

From the extensive sale of the schemes of Magyar Posta Zrt. and one of its building society partners, Fundamenta Lakáskassza, the Company's home savings intermediation achieved its best sales performance to date in 2016.

On behalf of FHB Bank, in 2016 the Company continued the sale of the credit products and personal loans introduced the previous year. In addition to information provided by the bank issuing the product, customers are also aided by an **online personal loan calculator** in the exact planning of the instalments of the loan to be taken out.

INSURANCE SERVICES

Magyar Posta Zrt. continued intermediating insurance policies at its postal outlets to the satisfaction of its customers and partners, Magyar Posta Biztosító Zrt. and Magyar Posta Életbiztosító Zrt. Cooperation is deepening continuously, and thanks to this **Magyar Posta Életbiztosító Zrt. achieved second place in the market rankings** with a market share of 13.63% and **Magyar Posta Biztosító secured ninth place** with a market share of 2.46%, while remaining Hungary's **market leader** in the **single premium market**.

In 2016 the life insurance company **Magyar Posta Életbiztosító** was awarded the prestigious title **Best Insurance Company in the Life Insurance Sector in Hungary** by the London-based market-leading financial periodical, World Finance Magazine, **for the third time**.



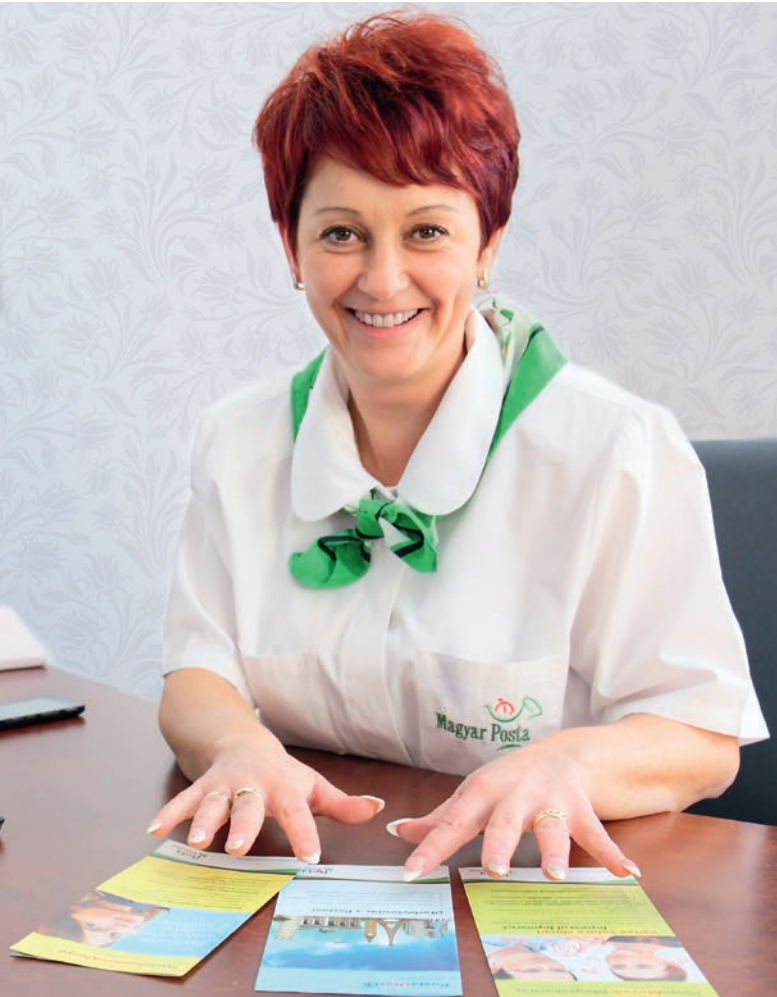
MAGYAR POSTA ÉLETBIZTOSÍTÓ WON THE AWARD FOR BEST LIFE INSURANCE COMPANY IN HUNGARY FOR THE THIRD TIME

MARKET SHARES IN 2016:
MAGYAR POSTA ÉLETBIZTOSÍTÓ ZRT:

13.63%

MAGYAR POSTA BIZTOSÍTÓ ZRT.:

2.46%





CUSTOMER-ORIENTED SERVICE DEVELOPMENT

SERVICE PACKAGE FOR BUSINESS CUSTOMERS CREATING REAL VALUE

The Company, in cooperation with Díjbeszedő Holding Zrt. (DBH), which is part of the Posta Group, as well as the EPDB Nyomtatási Központ Zrt. and DÍJNET Zrt., devised a complex **convertible service portfolio covering the entire value chain** and accessible via both physical and digital channels **in the letter and payment areas** for large utility providers. In a complex manner Magyar Posta offers these clients **meter reading** and **related services**: printing and personalising bill letters, the delivery of the printed bill letters and

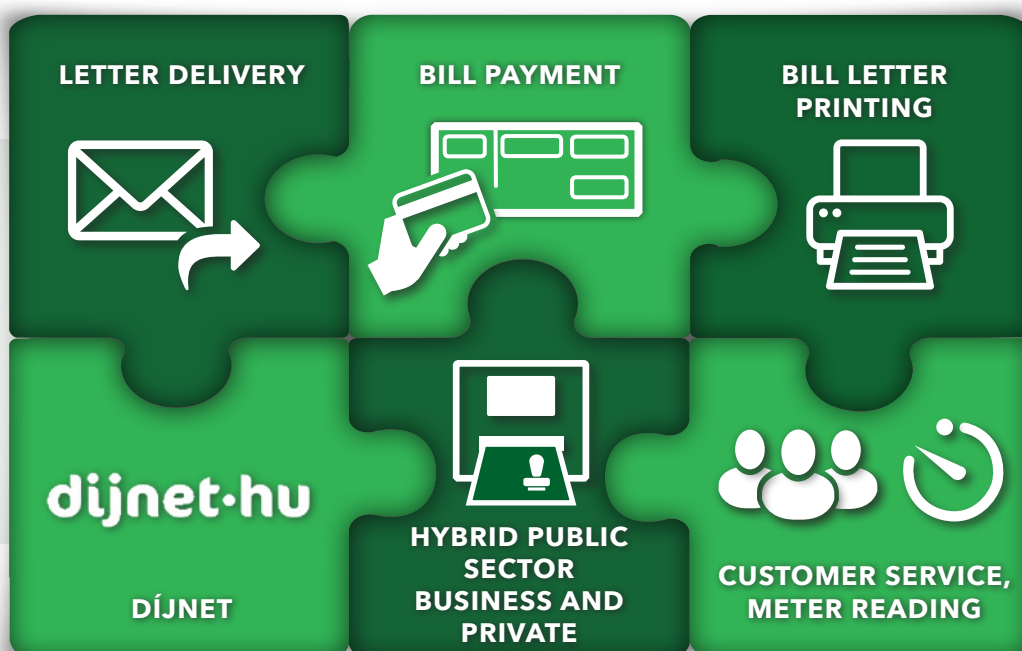


bill payment forms as letter-mail items, billing and the collection of fees, and certain customer service activities at specifically designated postal outlets. With this service, the client provider only needs to give one order to the Posta Group, and the entire customer service value chain of the utility provider will be covered.

OTHER POSTAL OUTLET SERVICES

Under the **Postal Agora service**, which was created earlier with the aid of European Union grant funding, Magyar Posta offers public authority services to the inhabitants and businesses of settlements in the most underdeveloped small regions. Under this service, clients may request **information related to arranging administrative affairs** and in certain cases **start administrative procedures**, and at these post offices the **online use of e-public services** is also possible.

The computer access offered at postal outlets is advantageous for the public administration sector as it means these services are physically "present" also in small settlements where otherwise their



MAGYAR POSTA OFFERS METER READING AND RELATED SERVICES IN A COMPLEX MANNER

AT AGORA POINTS

600

CASES WERE STARTED IN PERSON

OVER

14,000

WERE STARTED ELECTRONICALLY

operation would not be profitable. The selected post offices and the Agora application that is accessible everywhere in Hungary, which enable the case-by-case arrangement of affairs or starting administrative procedures, provide customer experience for customers. In 2016 customers started arranging affairs at Agora points in person in more than 600 cases, while the **number of electronically initiated administrative procedures exceeded 14,000.**

Magyar Posta has recently entered into agreements with a number of **utility companies** to offer customer services for their consumers

on their behalf at the postal outlets of selected settlements throughout the entire opening hours or at specific times. By **outsourcing this service** the utility providers could further **optimise access to customers and increase the proximity of their customer service** to consumers.

On 31 December 2016 **Magyar Posta provided this service** countrywide **at 230 post offices¹³ in 33,000 cases:** at 118 postal outlets providing an E-ON and ENKSZ-Főgáz contact point, at 112 postal

¹³ Taking into account overlaps between the providers as well.



outlets operating an ENKSZ-Főgáz branch office, and at 112 postal outlets providing customers with the option of topping up their pre-paid meter.

From July 2016, as a result of the business cooperation with Magyar Telekom Nyrt., a new range of activities was added to Magyar Posta Zrt.'s portfolio. Customers received favourably **the introduction of the Telekom bill payment service at some 150 postal outlets**, thus replacing such tasks being done at the telecommunications company's **T-points**.

Customers can pay their bills immediately on the **online Telekom administrative interface extended to postal outlets** aided by Magyar Posta's staff. The success of the service is demonstrated by the **over 1 million payments** made in the system in 2016. The Company plans to make this service accessible to other service providers in the future upon request.

To supplement its main activities, Magyar Posta Zrt. has for decades carried out retail type activities with a varied product and service portfolio. The largest revenue of its retail activity continues to be generated by the sale of gambling products. Online sales channels are spreading nationally, and their market poses a challenge for the Company as well. The market is growing dynamically with demand shifting towards various bets and faster paced games as well as scratch cards. To satisfy customers' gambling demand, Magyar Posta also implemented developments in 2016.



THE TELEKOM BILL PAYMENT SERVICE IS NOW AVAILABLE AT 150 POST OFFICES. OVER 1 MILLION PAYMENTS MADE IN 2016

The Company set up **complex gambling corners at 70 post offices**, where **customers can try their luck in comfortable surroundings**. Magyar Posta also supports and offers intermediated automated gambling game services on its electronic interface (<https://www.posta.hu/>), where customers wishing to try their luck can also easily find the nearest post office offering the sale of gambling games.

In order to provide access to the entire spectrum of Tippmix betting, the **installation of LCD TVs and/or interactive touch screens for announcing results** began at 75 postal outlets. The Company is continuing such developments in 2017 with the aim of installing these devices at a total of **124 post offices**.

118

E-ON AND ENKSZ-FŐGÁZ
ADMINISTRATION POINTS

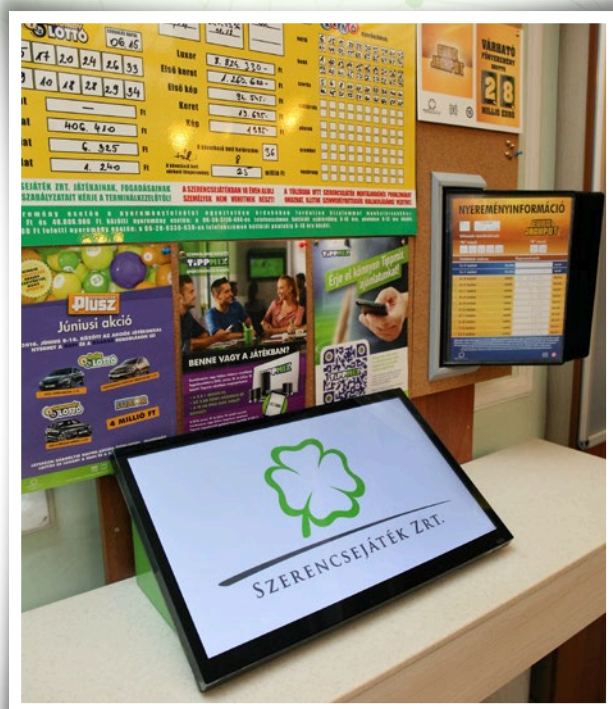
112

ENKSZ-FŐGÁZ
BRANCH OFFICES,

112

METER TOP-UP
POINTS

OPERATE AT POST OFFICES NATIONWIDE



The turnover of Erzsébet vouchers, also distributed by the Company, rose by 8% and 11% in terms of the number of vouchers and revenue respectively through conscious sales targeting SMEs¹⁴ and the micro-enterprise sector and due to legislative changes in 2016.

NEWSPAPERS - YOUR FAVOURITE PAPER DELIVERED TO YOUR HOME

Magyar Posta traditionally offers distribution (newspaper subscription) and marketing (newspaper sales) services in the printed media market that are advantageous for both publishers and readers.

The media consumption habits of the newspaper-reading community are **typified by the increased role of the digital media**, which has a considerable erosive effect on the printed media market. In 2016 these changes primarily affected the **dailies**

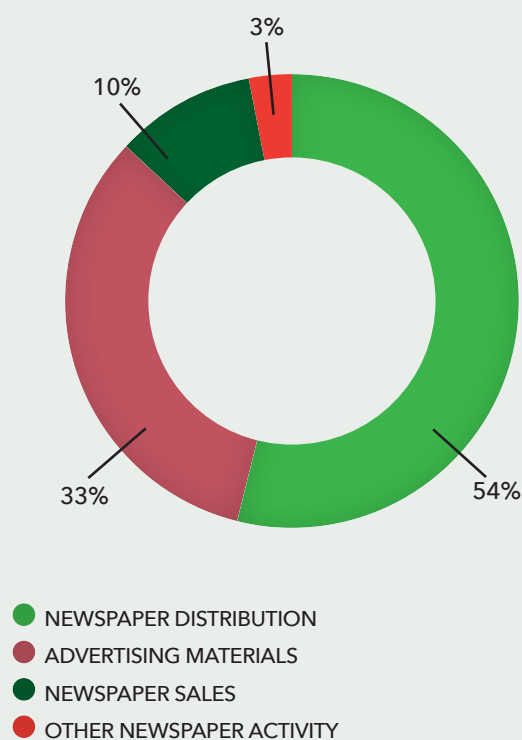
¹⁴ Small and medium-sized enterprises

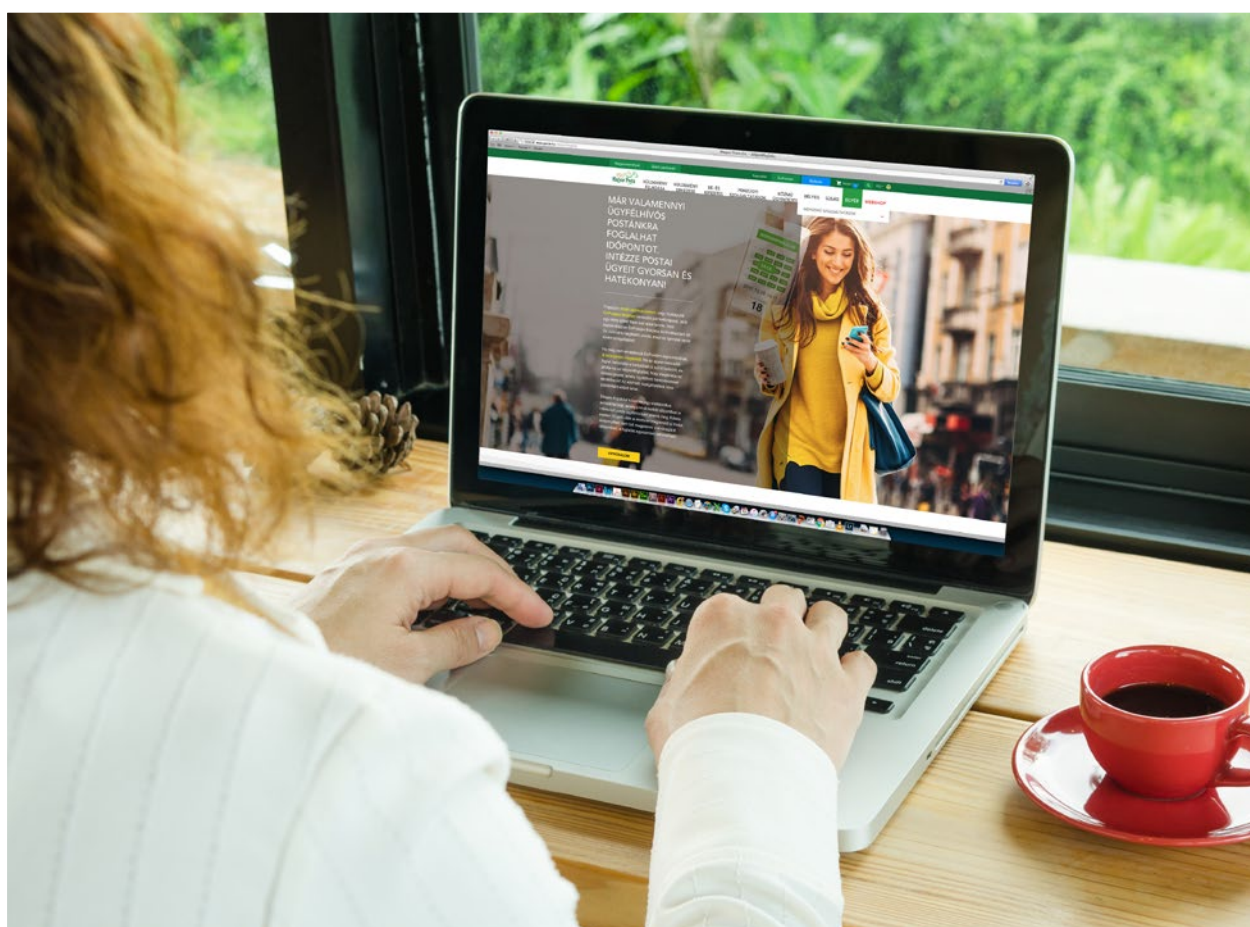
segment, and consequently a **fall in the number of copies** and a shift in subscribers with regard to newspaper groups occurred.

In the competition for readers, the use of online channels is already pronounced in the area of **ordering and paying**. Magyar Posta ensures that this new target group is reached and this demand is met through its constantly renewed **postal webshop**, which was used by more than 10,000 subscribers in the course of the year.

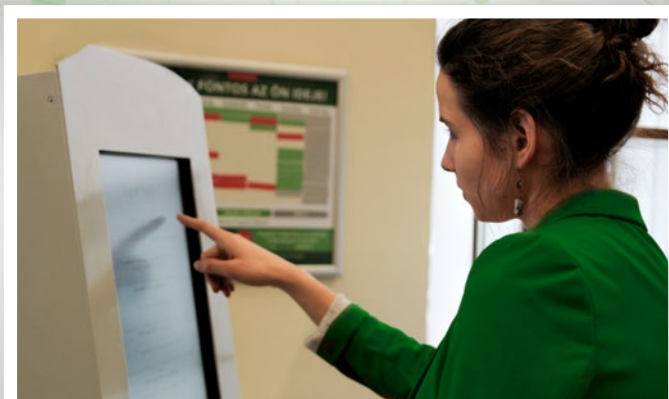
The publishing partners prefer a full distribution service which includes the collection of fees. In 2016 Magyar Posta retained its role and market share in the wholesale newspaper sales segment, which the Company ensured by offering customers the right range of periodicals as well as various promotions.

BREAKDOWN OF NEWSPAPER REVENUE 2016 (%)





MAGYAR POSTA
ACCESS POINTS
– CLOSE TO CUSTOMERS



97% of the country's population can access Magyar Posta's fixed point **service outlets in the place where they live**. In villages without a fixed postal outlet, more than 350 mobile post office routes ensure that mail is accepted and delivered and customers can arrange their postal affairs in their own home.

In developing its sales network, as in previous years, the Company paid particular attention in 2016 to **modernising the service environment of post offices with good business potential** and installed another 47 customer queuing systems. As a result, this modern device operated at 173 post offices nationwide at the end of 2016.

In order to continuously improve the quality of customer service, Magyar Posta introduced the option of **making appointments electronically** at post offices with a customer queuing system. Customers can book the time they are to be served in advance on the website **posta.hu** or using the **Magyar Posta mobile app**. To **effectively use** the postal network's **sales management** and support capacities, the Company placed almost **2,600 postal outlets under the supervision of 98 district post offices**.

In order to meet market demands and ensure the safe performance of contractual conditions, Magyar Posta reorganised its Saturday newspaper delivery routes and now carries out the **delivery of Saturday dailies by postal van** nationally in **2,700 towns and villages**.

The Company strives continually to develop the infrastructure of its network points in order to improve service conditions, to ensure business continuity, to meet legal obligations and to rationalise operating costs.

In line with these objectives, Magyar Posta **continued making its service points suitable for disabled access**, resulting in the **number of such points** growing to **1,226** in December 2016.

Last year Magyar Posta **devoted almost HUF 1.3 billion** to the upkeep of its **properties** for use on a daily basis (to **maintaining and improving** its postal outlets), to the **security** of customer service and to **environmental protection**.

In the properties operated by the Company, electricity worth approximately HUF 1.4 billion was consumed, and natural gas and district heating worth HUF 1.2 billion was purchased to heat and supply them with hot water.

NUMBER OF CUSTOMERS VISITING
POST OFFICES DAILY: ALMOST

700,000

TOTAL NUMBER OF OPENING HOURS
AT 2,700 POST OFFICES ON
WEEKDAYS:

19,500

NUMBER OF MODERN POST OFFICES
WITH QUEUING SYSTEMS:

173

NUMBER OF POST OFFICES
WITH DISABLED ACCESS:

1,226



DEVELOPING
THE LOGISTICS
VEHICLE FLEET



Apart from serving the logistics needs of the postal network, the development and daily operation of Magyar Posta's logistics aids the realisation of the Company's business strategy. In the long term logistics developments ensure the retention of the CEP market position and the creation of the technical conditions necessary for satisfying the expanding market needs of the parcel market.

Magyar Posta, as an enterprise with one of the country's major vehicle fleets, **pays special attention to reducing emissions**. Newly acquired vehicles with modern engines resulted in **significantly lower vehicle emissions** in all segments. To this end, not only new vehicles or vehicles with lower or zero emissions are used but **vehicle use with an environment-conscious driving style has been built into the corporate culture through in-house training**.

The renewal of the logistics vehicle fleet occurs based on a long-term vehicle development and replacement plan accepted by Magyar Posta's

TOTAL MILEAGE OF
THE VEHICLE FLEET IN 2016:

82 million km

TOTAL VALUE OF DEVELOPMENTS:

HUF 4.2 bn

management in 2016. The Company **devoted almost HUF 4.2 billion to improving its vehicle fleet** in 2016, which resulted in the acquisition of almost 600 modern vehicles and putting them into service. The acquisitions affected medium and large trucks, trailers and vans used on a daily basis, as well as light vans and 18 electric vehicles.

It is part of Magyar Posta's history that the Hungarian Royal Post used electric vehicles to carry mail as



ELECTRIC VANS PAST AND PRESENT. MAGYAR POSTA'S VEHICLE FLEET WAS ENHANCED BY 18 NEW ELECTRIC VANS IN 2016

early as 1926, continuing until 1963. In 2016 in urban **parcel delivery and mobile post services, environment friendly electric vans appeared again.** The outstanding achievements of the 2016 vehicle procurements are the renewal of the long-distance heavy goods vehicle fleet carrying out backbone transport and that now **modern, safe and economically operated off-road vehicles are used to reach customers in outlying farming areas.**

In addition to these vehicles, with a view to **renewing delivery service devices** in 2016, Magyar Posta also put into service 200 new motorbikes and mopeds, and more than 1,000

new bicycles, which enhanced working conditions for employees and aided the safe forwarding of mail to addressees.

The increase in the Company's parcel traffic also affects vehicle mileage. In 2016 the distance covered by **vehicles delivering parcels** was **8% higher** than the figure for the previous year, totalling **almost 13 million km**, while the entire vehicle fleet travelled more than **82 million km** in 2016. This is equivalent to circling the Earth with a vehicle more than 2,000 times. During this time the vehicle fleet used approximately **8.9 million litres of fuel**, and by operating the new vehicles achieved fuel savings of **90,000 litres**.

In 2016 Magyar Posta further strengthened the partnerships it had entered into in previous years. The enterprise MPT Security Magyar Posta Takarékszövetkezeti Zrt. (in short MPT Security Zrt.), operated in the joint ownership of Magyar Posta, Magyar Takarékszövetkezeti Bank Zrt. and FHB Jelzálogbank Nyrt., provides for the safe transport and processing of the money generated at postal outlets.

NUMBER OF MOTORCYCLES
AND MOPEDS:

200

NUMBER OF NEW VEHICLES:

600



RESPONSIBILITY FOR
EMPLOYEES – CONFORMITY
WITH BUSINESS EXPECTATIONS

MANY CULTURAL AND CHARITY EVENTS WERE HELD FOR POSTAL EMPLOYEES AND THEIR FAMILIES DURING THE YEAR



Magyar Posta, as a responsible employer, organises its staffing resources in line with business expectations and in conformity with business policy goals. In 2016 the **average statistical staff number** – taking into consideration all kinds of employment status including employment from 1 day to 5 days, was 29,717, which, converted to a full-time staff number, means **28,273 FTEs**. Thus **the Company's** reduced **staff number shows a fall** of 2.2% compared to the previous year, while the **average salary** for full-time work **rose** by 4.4%.

Magyar Posta's management continues to pay special attention to appreciating the Company's

employees. As an acknowledgement of outstanding performance and profitability, **the Company** awarded high-level **professional distinctions** to **almost 500 employees**.

In addition to this, **all employees became involved in Magyar Posta's incentive scheme**. The size of the sum transferred to them under the incentive scheme in 2016 was more than 8% of salaries. Last year, too, **optional fringe benefits (OFB)** were part of the incomes, and employees could choose the elements best suited to their particular living conditions and personal and family needs.

HUMAN RESOURCES

29,717

EMPLOYEES

500

COLLEAGUES AWARDED
PROFESSIONAL DISTINCTIONS

AID

130

HOUSING LOANS

2,265

AID PAYMENTS FOR POSTAL
EMPLOYEES IN NEED



IN 2016 MORE THAN 400 CHILDREN TOOK PART IN OUR CONCESSIONARY HOLIDAY SCHEME TO HELP THE FAMILIES OF EMPLOYEES

In its 44 welfare institutions, Magyar Posta organised **corporate concessionary holidays for 4,900 employees and over 3,000 postal pensioners** and their families, and **provided concessionary holidays** for more than **400 children**. The Company's responsibility and commitment towards its employees is reflected by the fact that 130 staff members received an employee's **housing loan and support**, and **aid for postal employees in need** was paid on 2,265 occasions.

SUPPORTING POSTAL CAREERS

New employees receive information in order to facilitate their integration into the work organisation in the form of the **Posta Start Package**, and are given the chance to get to know the operation of some organisational units which significantly influence the day-to-day work of the postal administration through the **Plant Visit and Rotation Programme**.

Since 2015 the Company has successfully operated its **Career Care scheme**, which covers the entire employment process. In 2016 labour supply planning based on career care became part of the set of tools of postal outlets. The **Postman of the Future Programme** supporting

BENEFICIARIES OF THE CONCESSIONARY HOLIDAY SCHEME IN 2016

4,900

POSTAL WORKERS

400

CHILDREN

3,000

PENSIONERS
AND FAMILY MEMBERS

the management supply planning system based on voluntary employee applications was extended to external labour market applicants as well. In this way the Company provides a means of supporting people who, in order to fill a position at a postal outlet, are willing to expand their knowledge, to prepare for the fulfilment of a new post and to face the challenges connected with the new duties.

ENSURING COMPETITIVE KNOWLEDGE

Magyar Posta considers the **expansion of the staff's professional knowledge** and the **development of competences** a priority task, and **at an annual level 80,000 participants registered to expand their knowledge**¹⁵. In addition to the employees, Magyar Posta provides

¹⁵ Training programmes with differentiated content for the different target groups related to the introduction of products and services and the improvement of sales skills, as well as obligatory training prescribed by law.

professional practice for 240 students each month at almost **60 accredited training locations**. The Company is also open to offer employment to qualified students. The professional preparation and IT training of the Company's employees is basically provided by the educational unit Magyar Posta Takarékné Oktatási Szolgáltató Zrt.

TRAINING PROGRAMMES WITH

80,000

REGISTERED PARTICIPANTS

PROFESSIONAL PRACTICE FOR

240

STUDENTS EACH MONTH



SENSITIVE EMPLOYMENT - INDIVIDUAL SITUATIONS IN LIFE

The Company is also affected by the market trend of labour shortage, and thus **ensuring a suitable labour supply** with the right qualifications is becoming increasingly **difficult**. With a view to reducing the staff shortage, apart from the earlier methods, new recruitment support tools (employee recommendation programme, displaying A-boards, leaflets and banners) are used to counter the problem.

In order to ensure varied and flexible forms of work, numerous **atypical employment options** including distance work, temporary employment, student jobs, part-time jobs, split service, working time banking, flexible working hours and flexible working arrangements are offered by Magyar Posta.

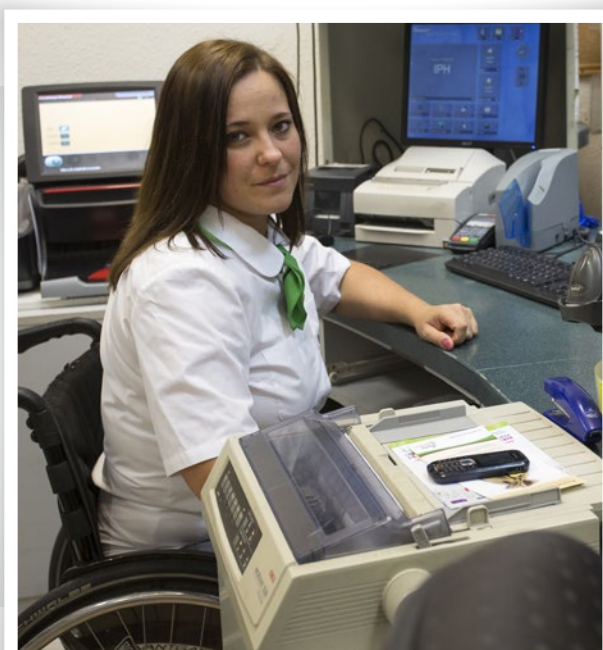
The Company's management continues to be committed to **employing people with a reduced capacity to work**. In 2016, as in previous years, Magyar Posta strove to contact people with a reduced capacity to work and continuously developed its recruitment and employment



MAGYAR POSTA WAS AWARDED
THE DISABILITY-FRIENDLY WORKPLACE
DISTINCTION FOR THE THIRD TIME

practices. The employment and integration in the labour market of such people is aided by operating an in-house support system.

In acknowledgement of these efforts, in 2016 Magyar Posta **was awarded for the third time** the joint prize of the Ministry of Human Capacities, the American Chamber of Commerce, the Non-Profit Association for Excellence and the Salva Vita Foundation, the **Disability-Friendly Workplace distinction**, while the Company also won a special prize for the occupational programme for people in transit employment.



ACTION AND FLEXIBILITY AS REGARDS EMPLOYMENT OPTIONS:

DISTANCE WORK
TEMPORARY EMPLOYMENT
STUDENT JOBS
PART-TIME JOBS
SPLIT SERVICE
WORKING TIME BANKING
FLEXIBLE WORKING HOURS AND
FLEXIBLE WORKING ARRANGEMENTS



IN 2016 MAGYAR POSTA AGAIN WON THE PRESTIGIOUS "HUNGARY'S MOST EXCELLENT COMPANY" AWARD

In 2016 **Magyar Posta's Human Resources unit** received the **"Hungary's Most Excellent Company" award**, which was founded jointly by Investors in People Hungary (IIP)¹⁶ and the British Chamber of Commerce in Hungary, in the **category of "Living the organisation's values"**.

SAFETY AND HEALTH AT WORK

In 2016, **for the third time**, the Company **provided the opportunity for employees to have a health check** under the Comprehensive National Health Protection Screening Programme, including **34 types** of special **tests**. Under the voluntary Health Protection Programme, 1,055 employees gained a comprehensive overview of their current state of health at 7 locations, and learnt about the importance of prevention. The Company funded participation in the programme to the tune of HUF 5.2 million net, while the state provided HUF 30.7 million. **The success of the programme is indicated by the fact that 93% of those taking part who gave an opinion assessed the programme positively and have also taken steps towards changing their lifestyle.**

¹⁶ Magyar Posta's HR unit has been an IIP accredited organisation since 2006. The IIP is a framework designed to measure and develop organisational excellence, which began as a British government initiative with the aim of coordinating the organisation through its recommendations to make it as suitable as possible to support business objectives.

VALUES

In 2015 Magyar Posta was a founding signatory of the **Diversity Charter**. This was transformed in 2016, and the Company was among the first 50 **signatories** of the international initiative of the European Union, which was also supported by the Hungarian Government, **the Diversity Charter in Hungary**. Its purpose is to raise awareness and to secure the commitment of and gain the support of the managers of the participating organisations to make organisational diversity a reality.





ENVIRONMENTAL
PROTECTION – RESPECT
FOR THE ENVIRONMENT



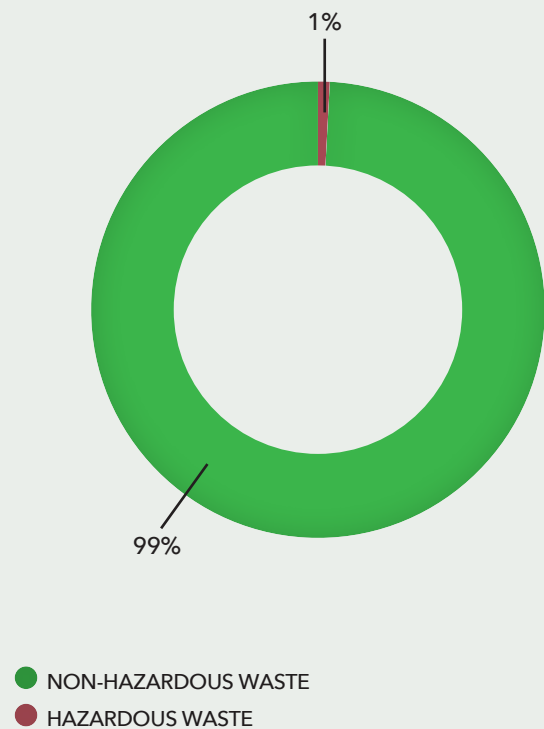
The importance of environmental protection was highlighted by the Association of European Postal Operators (PostEurop), which drew attention to this with a postage stamp of uniform design in 2016.

In the area of environmental protection **an important basic value for the Company is respect for the environment**, aiming to **reduce its own environmental impact**. To this end, in the course of its operation, the Company continuously strives to ensure that the environment is polluted as little as possible, to use natural resources sparingly, to reduce the amount of waste it generates and to increase the rate of recycling waste by expanding separate waste collection.

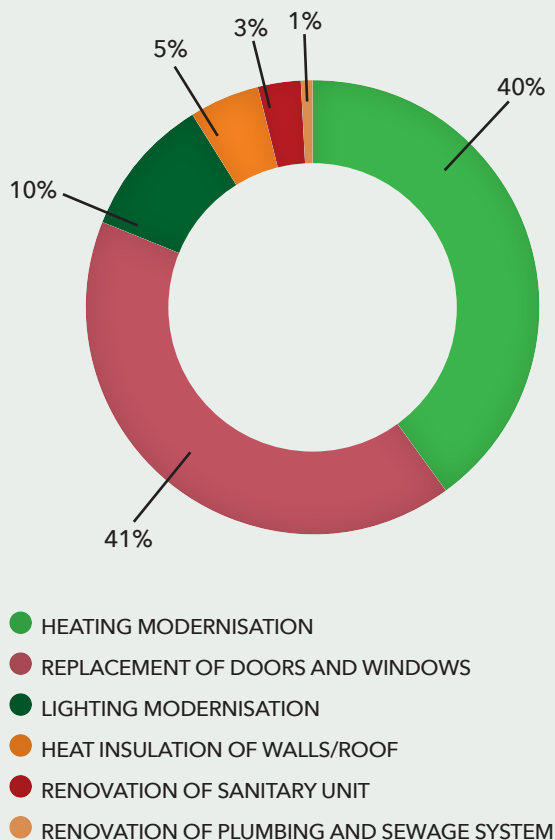
A **key element** of effective **waste management is the centralised and integrated corporate waste logistics system**, under which the separately collected waste generated at the different premises is transferred to central collection points, from where – strictly observing data protection regulations – it is forwarded for further utilisation or is destroyed.

In 2016 Magyar Posta generated 3,428 tons of separately collected waste, 3,402 tons of which

SEPARATELY COLLECTED WASTE BY TYPE (%)



MAJOR ENERGY EFFICIENCY INVESTMENTS IN 2016 (%)



were classified as non-hazardous and 26 tons as hazardous. More than 77% of the separately collected waste (paper, metal, plastic, electronic waste, etc.) was sold for recycling.

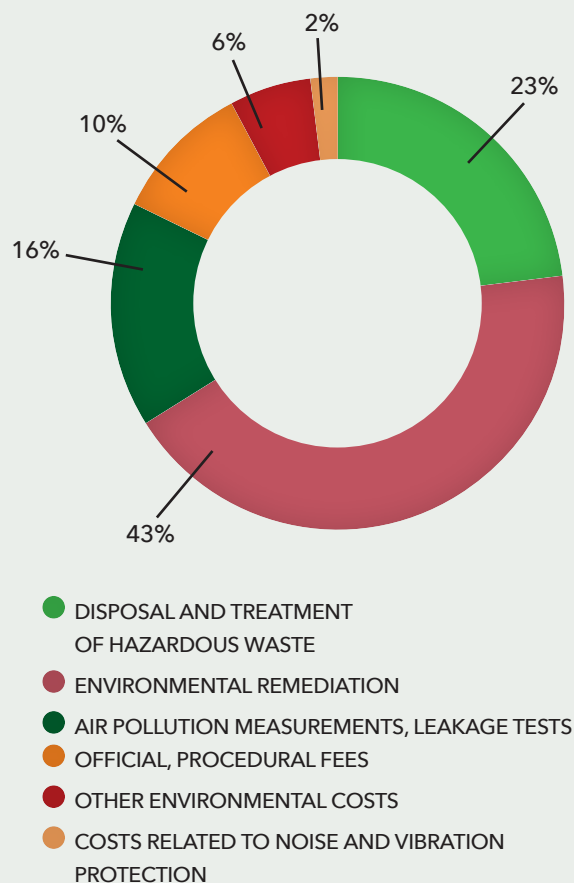
Magyar Posta regards waste as a value because, by recycling, not only is the environment protected but significant revenue is also generated from the sales. The largest proportion of the sold waste is represented by paper and plastic waste.

The Company's CO₂ emissions were almost identical with those of the previous year and, compared to its corporate infrastructure, remained at a relatively low level. In addition to the Environmental Management System introduced to optimise energy use, the Company also operates

an audited Energy Management System according to the ISO 50001 standard.

In recognition of its environmental protection activity, Magyar Posta **came in second** in the large company category of the "Ozone Green Prize 2016" competition and **also won the "GREEN AIRPORT PRIZE 2016" organised by Budapest Airport.**

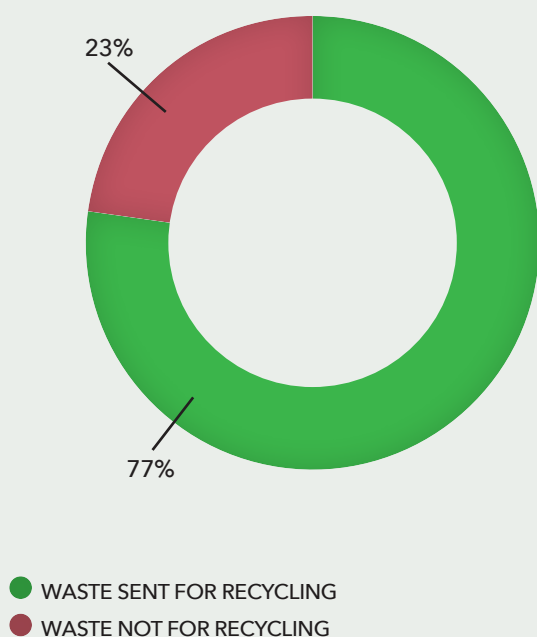
MAJOR ENVIRONMENTAL PROTECTION EXPENDITURE IN 2016 (%)



The management believes that strengthening environmental awareness and encouraging good practices amongst employees is very important. To this end, in 2016 **for the fifth time it joined and successfully participated** in the **national "Pick**

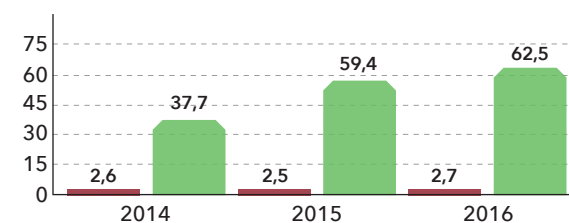


RECYCLED WASTE 2016 (%)



It Up!" litter collection campaign organised by the National Waste Management Directorate of the National Inspectorate for Environment and Nature. **A team of postal volunteers was formed, which cleared** one of Budapest's gems, Margaret Island, of litter **through their joint efforts**. Apart from picking up litter, Magyar Posta **provided the logistics needed to carry out the national campaign**, transporting the bags, gloves and other necessities to the over 1,000 collection points.

WASTE RECOVERY



● QUANTITY OF WASTE RECOVERED (THOUSAND TONS)
● WASTE SALES REVENUE (HUF MILLION)



QUALITY MANAGEMENT –
SATISFIED CUSTOMERS FIRST

In its **new integrated Quality, Environment and Energy Policy**, Magyar Posta's management set the objectives for the Company to operate as a reliable and responsible national postal provider offering quality services, and undertook the commitment to protect the environment, avoid environmental pollution and implement rational energy management.

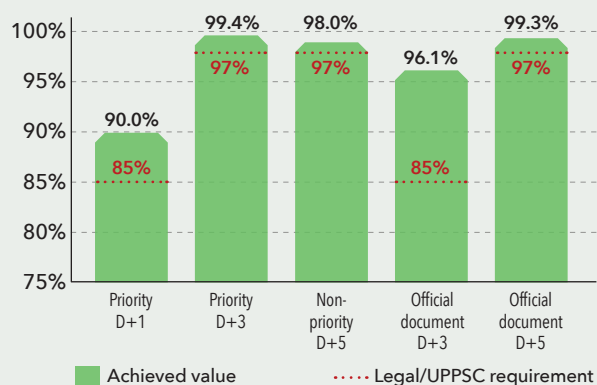
In addition to the ISO 9001 standard Quality Management System operated since 2005, the ISO 14001 standard Environment Management System introduced for the logistics premises and the ISO 27001 Information Security Management System for units performing key activities, in order to increase energy efficiency, **the ISO 50001 standard Energy Management System was also**



MAGYAR POSTA IS COMMITTED TO PRESERVING THE ENVIRONMENT, AVOIDING ENVIRONMENTAL POLLUTION AND MANAGING ENERGY RATIONALLY



UNIVERSAL LETTER-MAIL SERVICE - MAIL POSTED IN ACCORDANCE WITH SINGLE-PIECE TARIFFS AND OFFICIAL DOCUMENTS - 2016



implemented in 2016. An independent certifying body inspects and audits the compliance of the management systems on a regular, annual basis, and verifies compliant operation with a certificate.

Magyar Posta Zrt., as the universal postal service provider, must meet quality expectations¹⁷ laid down by legislation. Based on the **results of the independent measuring organisation**, Gfk Hungária Piackutató Kft., **Magyar Posta fulfilled its obligations for domestic transit times laid down by law** again in 2016. The requirements for the transit times of domestic, non-priority letter-mail items and official documents set out by the Universal Postal Public Service Contract were also met.

¹⁷ Based on back testing in accordance with the transit methodology of the universal service and services substituting the universal postal service approved in the resolutions of the National Media and Infcommunications Authority and Literature for the Blind mail items as well as the regulations of relevant standards.



HU05/1670 számú tanúsítvány fordítása

Tanúsítjuk, hogy a

Magyar Posta Zrt.

1138 Budapest, Dunavirág u. 2-6.

irányítási rendszerét auditáltuk és az megfelel az alábbi szabvány követelményeinek:

ISO 9001:2008

A tanúsítás az alábbi tevékenységekre érvényes:

Levélszolgáltatások, csomagszolgáltatások, árufuvarozási és komplex raktár logisztikai szolgáltatás, küldemény-előállítás szolgáltatás (Insert Pack) és hiteles küldemény digitalizálási, adatfeldolgozási szolgáltatás teljes üzleti folyamata, valamint a kapcsolódó technológiai és támogató folyamatok.

A tanúsított területtel és az ISO 9001:2008 szabvány követelményeinek alkalmazhatóságával kapcsolatban további információ a szervezettel való konzultáció útján nyerhető.

A tanúsítvány 2014. december 9-től 2017. december 8-ig érvényes, sikeres felülvizsgálatok esetén.
Megújító audit esedékes legkésőbb 2017. október 10-ig.
Kiadás 10. Tanúsítva 2005. december 9-től.

Jóváhagyta:

SGS United Kingdom Ltd Systems & Services Certification
Rossmore Business Park Ellesmere Port Cheshire CH65 3EN UK
t +44 (0)151 350-6666 f +44 (0)151 350-6600 www.sgs.com



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Oldalszám 1 / 1



Cégünk ezt a dokumentumot a "Tanúsítási Szolgáltatás Általános Szerződési Feltételei" szerint állította ki. A szabályzat teljes szövege megtalálható a www.sgs.com/terms_and_conditions.htm webcímen, amely különös figyelmet szentel a felelősségi, kártalanítási és jogi kérdésekre. Ezen nyomtatott dokumentum hitelességét a <http://www.sgs.com/en/Our-Company/Certified-Client-Directories/Certified-Client-Directories.aspx> webcímen lehet ellenőrizni. Minden jogszabályi módosítás, tartalmi vagy kinézetbeli változtatás hamisításnak minősül, tehát törvénybe ütköző és jogi eljárást vonhat maga után.

HU16/7967 számú tanúsítvány fordítása



Tanúsítjuk, hogy a

Magyar Posta Zrt.

1138 Budapest, Dunavirág u. 2-6.

irányítási rendszerét auditáltuk és az megfelel az alábbi szabvány követelményeinek:

ISO 50001:2011

A tanúsítás az alábbi tevékenységekre érvényes:

Levélszolgáltatások, csomagszolgáltatások, árufuvarozási és komplex raktár logisztikai szolgáltatás, küldemény-előállítás szolgáltatás (Insert Pack) és hiteles küldemény digitalizálási, adatfeldolgozási szolgáltatás teljes üzleti folyamata, valamint a kapcsolódó technológiai és támogató folyamatok.

EA Sector: 31

A tanúsítvány 2016. december 13-tól 2019. december 12-ig érvényes, sikeres felülvizsgálatok esetén.

Megújító audit esedékes legkésőbb 2019. október 28-ig.

Kiadás 1. Tanúsítva 2016. december 13-tól.

Jóváhagyta:
Paola Santarelli

SGS ITALIA S.p.A. - Systems & Services Certification
Via Caldera, 21 20153 MILANO - Italy
t +39 02 73 93 1 f +39 02 70 10 94 89 www.sgs.com

Oldalszám 1 / 1



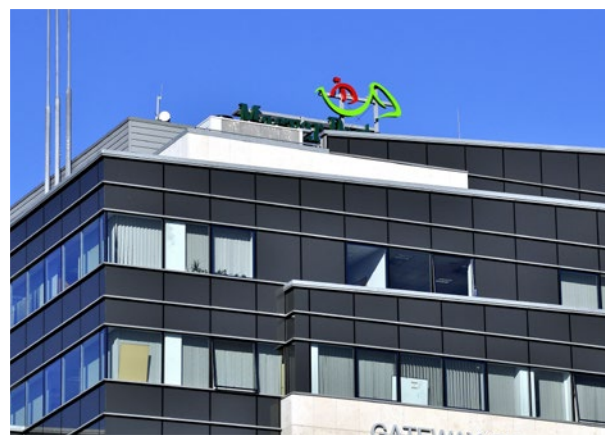
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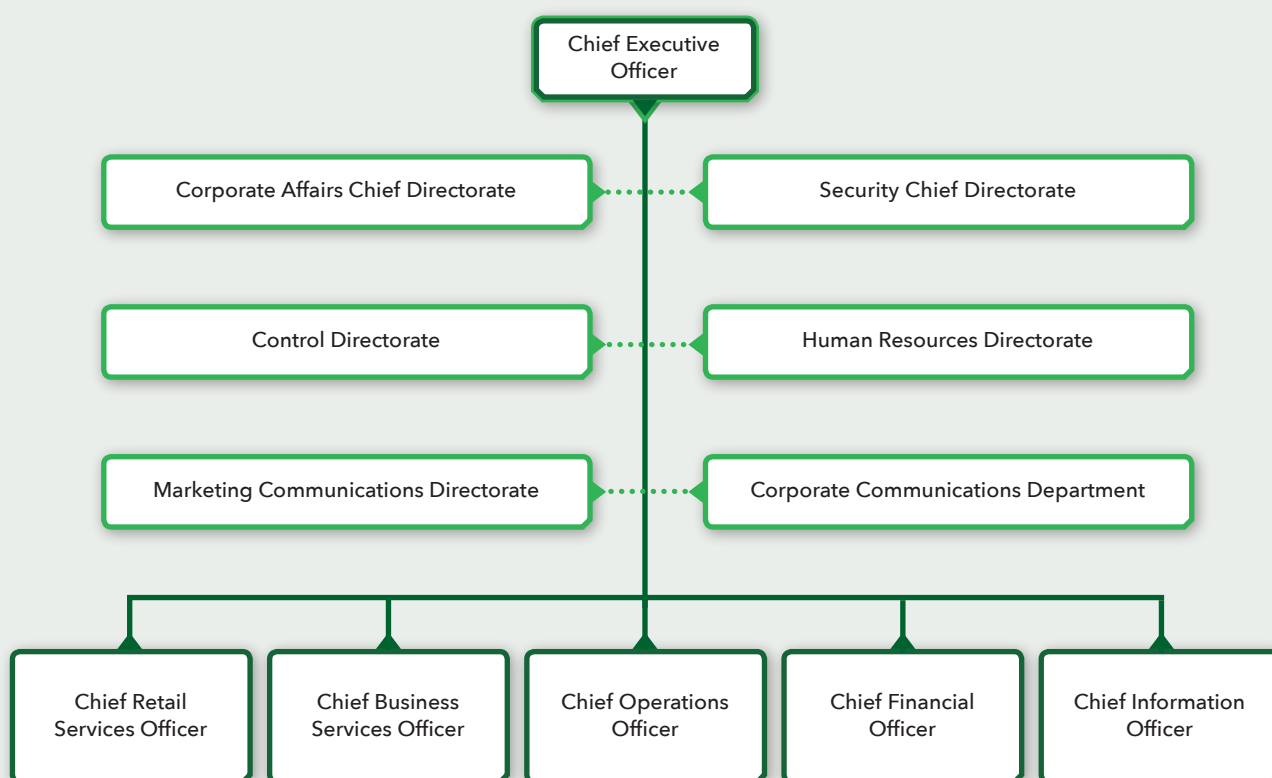
MAGYAR POSTA ZRT.'S DATA

MANAGEMENT AND ORGANISATION

Magyar Posta pursued its activities in 2016 under an **effective organisational structure supporting business and profitability**. The course of its optimised decision processes, its profitable, and customer- and sales-oriented management was ensured from October by a new organisational structure tailored to the goals to be achieved and business requirements.



CORPORATE MANAGEMENT STRUCTURE OF MAGYAR POSTA ZRT.



BOARD OF DIRECTORS: MEMBERS ON 31 DECEMBER 2016

- Zoltán Illés, *chairman*
- László Kálmán
- Dr László Károlyi
- Zsolt László Majláth
- Gábor Osztrogonác
- Dr Norbert Szivek

SUPERVISORY BOARD: MEMBERS ON 31 DECEMBER 2016:

- Dr Barnabás Balczó *chairman*
- Dr Mónika Kovács
- Dr Eszter Boros
- Dr Sándor Nemes
- Mrs Endre Csoltkó
- Zsuzsanna Tóth

REGISTRATION DATA ABOUT MAGYAR POSTA ZRT. (2016)

Magyar Posta was founded for an indefinite period of time. 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

THE COMPANY'S SHARE CAPITAL ON 31 DECEMBER 2016:

HUF 14,138,000,000

MAIN ACTIVITIES:

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

THE COMPANY'S MANAGING BODY: Board of Directors

THE COMPANY'S CHIEF EXECUTIVE OFFICER: Zoltán Illés

THE COMPANY'S AUDITOR ON 31 DECEMBER 2016:

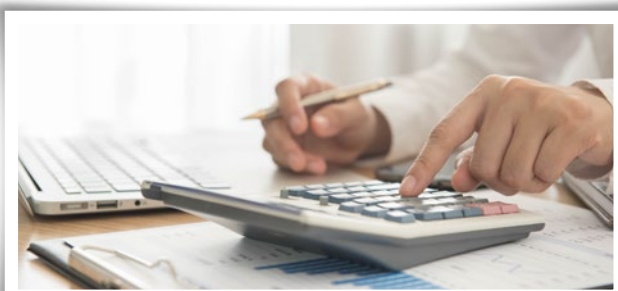
Deloitte Könyvvizsgáló és Tanácsadó Kft.

Tamás Horváth, certified auditor

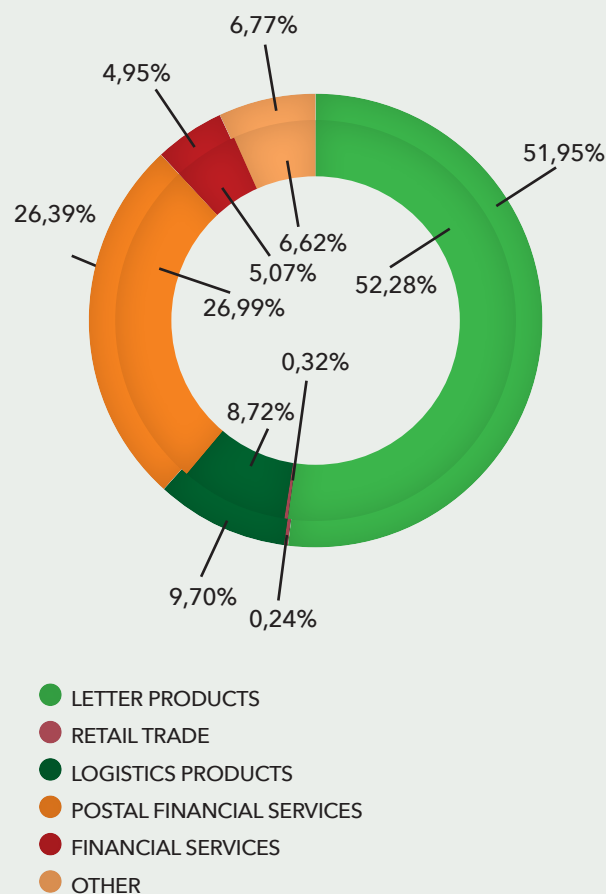
Chamber membership number: 003449

RESULTS

The Company's strategic alliances formed in the previous period were further strengthened over the last year and the foundations for long-term cooperation were laid, ensuring mutual advantages. The Company's services are typified by continuous product and service renewal irrespective of whether they are provided in a competitive environment or under a legal obligation. The developments follow changes in consumption patterns, expectations generated by customer requirements and international trends. The **growth in the Company's 2016 sales revenue** compared to the previous year **exceeded 1.2%**. Following the trend of earlier years, in the breakdown of turnover by product, the share of logistics and newspaper products grew within the portfolio.



BREAKDOWN OF MAGYAR POSTA ZRT.'S REVENUE FOR 2016-2015



Name	2015 (year)	2016 (year)
EBIT (HUF million)	3,547	3.815
EBITDA (HUF million)	12,348	13.488
EBIT/average equity	4.3%	4.40%
EBIT/average assets	2.0%	2.07%
EBIT/net sales revenue	1.9%	2.00%
EBITDA/average equity	15.1%	15.54%
EBITDA/average assets	6.8%	7.32%
EBITDA/net sales revenue	6.5%	7.06%

Annex 1**INDEPENDENT AUDITOR'S REPORT****Deloitte.**

Deloitte Könyvvizsgáló
és Tanácsadó Kft.
1068 Budapest,
Dózsa György út 84/C.
Levélcím: 1438 Budapest, Pf. 471

Tel: +36 (1) 428-6800
Fax: +36 (1) 428-6801
www.deloitte.hu

Bejegyezve:
Fővárosi Törvényszék Cégbírósága
Cg.: 01-09-071057

Adószám: 10443785-2-42
Közüsségi adószám: HU10443785

FÜGGETLEN KÖNYVVIZSGÁLÓI JELENTÉS

A Magyar Posta Zrt. részvényeseinek

Vélemény

Elvégeztük Magyar Posta Zrt. (a „Társaság”) 2016. évi éves beszámolójának könyvvizsgálatát, amely éves beszámoló a 2016. december 31-i fordulónapra készített mérlegből – melyben az eszközök és források egyező végösszege 188.503 M Ft, az adózott eredmény 3.067 M Ft nyereség –, és az ugyanezen időponttal végződő üzleti évre vonatkozó eredménykimutatásból, valamint a számviteli politika jelentős elemeinek összefoglalását is tartalmazó kiegészítő mellékletből áll.

Véleményünk szerint a mellékelt éves beszámoló megbízható és valós képet ad a Társaság 2016. december 31-én fennálló vagyoni és pénzügyi helyzetéről, valamint az ezen időponttal végződő üzleti évre vonatkozó jövedelmi helyzetéről a Magyarországon hatályos, a számvitelről szóló 2000. évi C. törvénnyel (a „számviteli törvény”) összhangban.

A vélemény alapja

Könyvvizsgálatunkat a Magyar Nemzeti Könyvvizsgálati Standardokkal összhangban és a könyvvizsgálatra vonatkozó – Magyarországon hatályos – törvények és egyéb jogszabályok alapján hajtottuk végre. Ezen standardok értelmében fennálló felelősségünk bővebb leírását jelentésünk „A könyvvizsgáló éves beszámoló könyvvizsgálatáért való felelőssége” szakasza tartalmazza.

Az éves beszámoló általunk végzett könyvvizsgálatára vonatkozó, Magyarországon hatályos etikai követelményeknek megfelelően, függetlenek vagyunk a Társaságtól, és ugyanezen etikai követelményekkel összhangban eleget tettünk egyéb etikai felelősségeinknek is.

Meggyőződésünk, hogy az általunk megszerzett könyvvizsgálati bizonyíték elegendő és megfelelő alapot nyújt véleményünkhöz.

Egyéb információk: Az üzleti jelentés

Az egyéb információk a Magyar Posta Zrt. 2016. évi üzleti jelentéséből állnak. A vezetés felelős az üzleti jelentésnek a számviteli törvény, illetve egyéb más jogszabály vonatkozó előírásaival összhangban történő elkészítéséért. A jelentésünk „Vélemény” szakaszában az éves beszámolóra adott véleményünk nem vonatkozik az üzleti jelentésre.

Az éves beszámoló általunk végzett könyvvizsgálatával kapcsolatban a mi felelősségünk az üzleti jelentés átolvasása és ennek során annak mérlegelése, hogy az üzleti jelentés lényegesen ellentmond-e az éves beszámolónak vagy a könyvvizsgálat során szerzett ismereteinknek, vagy egyébként úgy tűnik-e, hogy az lényeges hibás állítást tartalmaz.

Az üzleti jelentéssel kapcsolatban, a számviteli törvény alapján a mi felelősségünk továbbá az üzleti jelentés átolvasása során annak megítélése, hogy az üzleti jelentés a számviteli törvény, illetve, ha van, egyéb más jogszabály vonatkozó előírásaival összhangban készült-e.

Véleményünk szerint a Magyar Posta Zrt. 2016. évi üzleti jelentése összhangban van a Magyar Posta Zrt. 2016. évi éves beszámolójával és az üzleti jelentés a számviteli törvény előírásaival összhangban készült.

Mivel egyéb más jogszabály a Társaság számára nem ír elő az üzleti jelentésre vonatkozó további követelményeket, ezért ezzel kapcsolatban az üzleti jelentésre vonatkozó véleményünk nem tartalmaz a számviteli törvény 156.§ (5) bekezdésének h) pontjában előírt véleményt.

A fentiekén túl a Társaságról és annak környezetéről megszerzett ismereteink alapján jelentést kell tennünk arról, hogy a tudomásunkra jutott-e bármely lényegesnek tekinthető hibás közlés (lényeges hibás állítás) az üzleti jelentésben, és ha igen, akkor a szóban forgó hibás közlés (hibás állítás) milyen jellegű. Ebben a tekintetben nincs jelenteni valónk.

A vezetés és az irányítással megbízott személyek felelőssége az éves beszámolóért

A vezetés felelős az éves beszámolónak a számviteli törvénnyel összhangban történő és a valós bemutatás követelményének megfelelő elkészítéséért, valamint az olyan belső kontrollért, amelyet a vezetés szükségesnek tart ahhoz, hogy lehetővé váljon az akár csalásból, akár hibából eredő lényeges hibás állítástól mentes éves beszámoló elkészítése.

Az éves beszámoló elkészítése során a vezetés felelős azért, hogy felmérje a Társaságnak a vállalkozás folytatására való képességét és az adott helyzetnek megfelelően közzétegye a vállalkozás folytatásával kapcsolatos információkat, valamint a vezetés felel a vállalkozás folytatásának elvén alapuló számviteli éves beszámolóban való alkalmazásáért, azt az esetet kivéve, ha a vezetésnek szándékában áll megszüntetni a Társaságot vagy beszüntetni az üzletszerű tevékenységet, vagy amikor ezen kívül nem áll előtte más reális lehetőség.

Az irányítással megbízott személyek felelősek a Társaság pénzügyi beszámolási folyamatának felügyeletéért.

A könyvvizsgáló éves beszámoló könyvvizsgálatáért való felelőssége

A könyvvizsgálat során célunk kellő bizonyosságot szerezni arról, hogy az éves beszámoló egésze nem tartalmaz akár csalásból, akár hibából eredő lényeges hibás állítást, valamint az, hogy ennek alapján a véleményünket tartalmazó független könyvvizsgálói jelentést bocsássunk ki. A kellő bizonyosság magas fokú bizonyosság, de nem garancia arra, hogy a Magyar Nemzeti Könyvvizsgálati Standardokkal összhangban elvégzett könyvvizsgálat mindig feltárja az egyébként létező lényeges hibás állítást. A hibás állítások eredhetnek csalásból vagy hibából, és lényegesnek minősülnek, ha ésszerű lehet az a várakozás, hogy ezek önmagukban vagy együttesen befolyásolhatják a felhasználók adott éves beszámoló alapján meghozott gazdasági döntéseit.

Egy, a Magyar Nemzeti Könyvvizsgálati Standardokkal összhangban elvégzésre kerülő könyvvizsgálatnak a részeként szakmai megítélést alkalmazunk, és szakmai szkepticizmust tartunk fenn a könyvvizsgálat egésze során. Emellett:

- Azonosítjuk és felbecsüljük az éves beszámoló akár csalásból, akár hibából eredő lényeges hibás állításainak kockázatait, az ezen kockázatok kezelésére alkalmas könyvvizsgálati eljárásokat alakítunk ki és hajtunk végre, valamint véleményünk megalapozásához elegendő és megfelelő könyvvizsgálati bizonyítékot szerzünk. A csalásból eredő lényeges hibás állítás fel nem tárásának kockázata nagyobb, mint a hibából eredőé, mivel a csalás magában foglalhat összejátszást, hamisítást, szándékos kihagyásokat, téves nyilatkozatokat, vagy a belső kontroll felülírását.
- Megismerjük a könyvvizsgálat szempontjából releváns belső kontrollt annak érdekében, hogy olyan könyvvizsgálati eljárásokat tervezzünk meg, amelyek az adott körülmények között megfelelőek, de nem azért, hogy a Társaság belső kontrolljának hatékonyságára vonatkozóan véleményt nyilvánítsunk.
- Értékeljük a vezetés által alkalmazott számviteli politika megfelelőségét és a vezetés által készített számviteli becslések és kapcsolódó közzétételek ésszerűségét.
- Következtetést vonunk le arról, hogy helyénvaló-e a vezetés részéről a vállalkozás folytatásának elvén alapuló számvitel alkalmazása, valamint a megszerzett könyvvizsgálati bizonyíték alapján arról, hogy fennáll-e lényeges bizonytalanság olyan eseményekkel vagy feltételekkel kapcsolatban, amelyek jelentős kétséget vethetnek fel a Társaság vállalkozás folytatására való képességét illetően. Amennyiben azt a következtetést vonjuk le, hogy lényeges bizonytalanság áll fenn, független könyvvizsgálói jelentésünkben fel kell hívnunk a figyelmet az éves beszámolóban lévő kapcsolódó közzétételekre, vagy ha a közzétételek e tekintetben nem megfelelőek, minősítenünk kell véleményünket. Következtetéseink a független könyvvizsgálói jelentésünk dátumáig megszerzett könyvvizsgálati bizonyítékon alapulnak. Jövőbeli események vagy feltételek azonban okozhatják azt, hogy a Társaság nem tudja a vállalkozást folytatni.
- Értékeljük az éves beszámoló átfogó prezentálását, felépítését és tartalmát, beleértve a kiegészítő mellékletben tett közzétételeket, valamint értékeljük azt is, hogy az éves beszámolóban teljesül-e az alapul szolgáló ügyletek és események valós bemutatása.

Kommunikáljuk az irányítással megbízott személyek felé – egyéb kérdések mellett – a könyvvizsgálat tervezett hatókörét és ütemezését, a könyvvizsgálat jelentős megállapításait, beleértve a Társaság által alkalmazott belső kontrollnak a könyvvizsgálatunk során általunk azonosított jelentős hiányosságait is.

Budapest, 2017. május 9.

(A papír alapú könyvvizsgálói jelentés került aláírásra.)

Horváth Tamás
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Annex 2

FINANCIAL AND OPERATING PERFORMANCE

BALANCE SHEET

Assets		figures in HUF million	
	Item	31 december 2015	31 december 2016
A.	Investments (non-financial)	141,519	144,691
I.	INTANGIBLE ASSETS	9,283	9,054
	Capitalised value of start-up and restructuring		
	Capitalised value of R&D		
	Rights representing property	6,935	6,270
	Intellectual products	2,348	2,784
	Goodwill		
	Prepayment on intangible assets		
	Revaluation of intangible assets		
II.	TANGIBLE ASSETS	89,802	93,153
	Land and related property-valued rights	37,834	37,642
	Technical equipment, machinery, vehicles	14,447	17,123
	Other equipment, accessories, vehicles	2,027	2,122
	Livestock		
	Reconstruction in progress	3,083	2,412
	Prepayment on investments	1	1
	Revaluation of tangible assets	32,410	33,853
III.	FINANCIAL INVESTMENTS	42,434	42,484
	Long-term shares in associated undertakings	15,527	15,567
	Long-term loans to associated undertakings		
	Long-term major shares	25,821	25,854
	Long-term loans to undertakings in major profit-sharing partnership	310	310
	Other long-term shares		
	Long-term loans to undertakings in other profit-sharing partnership		
	Other long-term loans	776	753

	Securities embodying long-term credit partnership		
	Revaluation of financial investments		
B.	Current assets	36,925	42,317
I.	STOCKS (INVENTORY)	799	803
	Raw materials	454	486
	Unfinished goods and work-in-progress		
	Livestock		
	Finished goods	68	59
	Goods	147	167
	Advance payments on inventories	130	91
II.	RECEIVABLES	16,683	18,437
	Receivables from customers	11,539	13,863
	Accounts owed by associated undertakings	1,049	1,493
	Accounts owed by undertakings in major profit-sharing partnership	379	354
	Accounts owed by undertakings in other profit-sharing partnership		
	Bills of exchange receivable		
	Other debtors	3,716	2,727
III.	SECURITIES	4,213	4,213
	Share in associated undertakings		
	Major shares		
	Other shares	206	206
	Own shares		
	Securities for trade embodying credit partnership	4,007	4,007
IV.	LIQUID ASSETS	15,230	18,864
	Cash in hand, cheques	13,378	15,314
	Bank deposits	1,852	3,550
C.	Prepayments	1,362	1,495
	Prepayments of income	282	458
	Prepayments of costs and expenditures	1,080	1,037
	Deferred expenditures		
	Total assets	179,806	188,503

Liabilities		figures in HUF million	
	Item	31 December 2015	31 December 2016
D. Equity		84,546	89,056
I. REGISTERED CAPITAL		14,138	14,138
	of which repurchased property share at face value		
II. REGISTERED UNPAID CAPITAL (-)			
III. CAPITAL RESERVE		4,941	4,941
IV. PROFIT RESERVE		29,147	32,504
V. TIED UP RESERVE		578	553
VI. REVALUATION RESERVE		32,410	33,853
VII. PROFIT AFTER TAX		3,332	3,067
E. Provisions		17,333	18,605
	Provisions for expected liabilities	17,333	18,605
	Provisions for future costs		
	Other provisions		
F. Credits (liabilities)		53,827	63,851
I. SUBORDINATED LIABILITIES		0	0
	Subordinated liabilities against associated undertakings		
	Subordinated liabilities against undertakings in major profit-sharing partnership		
	Subordinated liabilities against undertakings in other profit-sharing partnership		
	Subordinated liabilities against other party		
II. LONG-TERM LIABILITIES		195	222
	Long-term loans		
	Convertible and equity bonds		
	Debenture loans		
	Investment and development credits		
	Other long-term credits		
	Long-term liabilities against associated undertakings		
	Long-term liabilities against undertakings in major profit-sharing partnership	4	0

	Long-term liabilities against undertakings in other profit-sharing partnership		
	Other long-term liabilities	191	222
III.	SHORT-TERM LIABILITIES	53,632	63,629
	Short-term loans		
	of which convertible and equity bonds		
	Short-term credits	5,840	6,720
	Prepayments received from purchasers	756	784
	Trade creditors	8,490	12,297
	Bills of exchange payable		
	Short-term liabilities against associated undertakings	7,049	8,358
	Short-term liabilities against undertakings in major profit-sharing partnership	1,274	1,644
	Short-term liabilities against undertakings in other profit-sharing partnership		
	Other short-term liabilities	30,223	33,826
G.	Accruals and deferred income	24,100	16,991
	Accrual of income	549	756
	Accrual of costs and expenditures	19,627	12,895
	Deferred income	3,924	3,340
	Total equity and liabilities	179,806	188,503

PROFIT AND LOSS STATEMENT (total costs method)

		figures in HUF million	
	Item	31 December 2015	31 December 2016
1	Net domestic sales	180,440	179,054
2	Net export sales	8,367	12,052
I.	Turnover (01+02)	188,807	191,106
3	Change in stocks produced ±	-3	-9
4	Capitalised value of assets produced	314	220
II.	Own performance capitalised (±03+04)	311	211
III.	Other income	11,576	8,056
	of which reversed diminution in value	148	250
5	Cost of raw materials	7,695	7,438
6	Services used	36,295	37,882
7	Other services	842	1,609
8	Original value of goods sold	5,183	5,206
9	Value of services sold (brokerage)	304	316
IV.	Material-type expenditures (05+06+07+08+09)	50,319	52,451
10	Wage costs	74,248	78,433
11	Other personal type expenses	9,979	8,762
12	Wage contributions	22,783	23,256
V.	Staff costs (10+11+12)	107,010	110,451
VI.	Depreciation write-off	8,801	9,673
VII.	Other expenditures	31,241	23,018
	of which value loss	237	416

A.	OPERATING PROFIT (I±II+III-IV-V-VI-VII)	3,323	3,780
13	Dividend and profit-sharing from investments		
	of which from associated undertakings		
14	Income from shares and exchange gains	224	0
	of which from associated undertakings		
15	Income from financial investments (securities, loans) and exchange gains	39	25
	of which from associated undertakings		
16	Other interest and similar income due	382	225
	of which from associated undertakings	21	9
17	Other income from payment transactions	227	218
VIII.	Income from financial transactions (13+14+15+16+17)	872	468
18	Expenditures from shares and exchange losses		
	of which to associated undertakings		
19	Expenditures from financial investments (securities, loans) and exchange losses		
	of which to associated undertakings		
20	Interest and similar expenditures payable	375	193
	of which to associated undertakings	63	29
21	Losses on shares, securities, long-term loans, bank deposits	-15	-33
22	Other expenditures on payment transactions	242	216
IX.	Expenditures on payment transactions (18+19+20+21+22)	602	376
B.	PROFIT ON PAYMENT TRANSACTIONS (VIII-IX)	270	92
C.	PROFIT BEFORE TAX (±A±B)	3,593	3,872
X.	Taxation	261	805
D.	PROFIT AFTER TAX (±C-X)	3,332	3,067

