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28938 Móstoles. Madrid
Telephones: 91-334-24-00 - Fax: 91-334-24-94
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*Prim, S.A. and Dependent Companies*

*Consolidated Financial Statements and Directors' Report for the year ended 31 December 2014 drafted in accordance with International Financial Reporting Standards*

*PRIM, S.A. and Dependent Companies*
*Consolidated Financial Statements*
*for the year ended 31 December 2014*
*drafted in accordance with International Financial Reporting Standards*

PRIM

***CONSOLIDATED STATEMENT OF FINANCIAL POSITION***

***2014 AND 2013***

PRIM

*PRIM, S.A. and Dependent Companies*

## *CONSOLIDATED STATEMENT OF FINANCIAL POSITION*

*As of 31 December 2014 and 2013*

*Expressed in euro*

| | NOTES | 31/12/2014 | 31/12/2013 | 01/01/2013 |
|---|---|---|---|---|
| **ASSETS** | | **116.543.167,12** | **107.838.504,92** | **104.132.959,94** |
| Non-current assets | | 39.478.060,45 | 33.354.732,21 | 22.117.441,40 |
| Intangible assets | 5 | 283.737,82 | 179.916,91 | 206.398,38 |
| Property, plant and equipment | 6 | 9.509.363,21 | 8.802.626,46 | 9.536.641,32 |
| Investment property | 7 | 3.267.939,70 | 3.348.470,14 | 3.429.000,58 |
| Investment in associates | 8 | 700.624,01 | 675.179,01 | 661.520,01 |
| Other non-current financial assets | 9 | 23.818.885,38 | 15.884.515,31 | 4.447.472,39 |
| Deferred tax assets | 9 | 323.514,33 | 133.853,48 | 0,00 |
| Goodwill | 10 | 1.573.996,00 | 1.573.996,00 | 1.573.996,00 |
| Long-term debtors and other accounts receivable | 12 | 0,00 | 2.756.174,90 | 2.262.412,72 |
| Current assets | | 77.065.106,67 | 74.483.772,71 | 82.015.518,54 |
| Inventories | 11 | 20.809.514,20 | 18.471.258,90 | 17.095.623,41 |
| Trade and other accounts receivable | 12 | 42.547.780,53 | 53.024.635,14 | 45.205.953,32 |
| Other current financial assets | 13 | 4.433.454,52 | 887.005,83 | 17.705.799,02 |
| Cash and cash equivalents | 14 | 9.274.357,42 | 2.100.872,84 | 2.008.142,79 |
| **LIABILITIES AND EQUITY** | | **116.543.167,12** | **107.838.504,92** | **104.132.959,94** |
| Equity | 15 | 92.664.608,74 | 83.798.905,38 | 77.177.828,13 |
| Parent company | | 92.664.608,74 | 83.798.905,38 | 77.177.828,13 |
| Share capital | | 4.336.781,00 | 4.336.781,00 | 4.336.781,00 |
| Share premium | | 1.227.059,19 | 1.227.059,19 | 1.227.059,19 |
| Own shares | | -1.180.169,31 | -2.017.689,96 | -2.272.336,11 |
| Interim dividend paid during the year | | -954.091,82 | -867.356,20 | -867.356,20 |
| Revaluation reserve | | 578.507,47 | 578.507,47 | 578.507,47 |
| Income for the year | | 9.961.527,05 | 9.699.009,24 | 9.091.286,94 |
| Other reserves | | 77.029.760,05 | 70.760.453,82 | 65.083.885,84 |
| Value adjustments | | 1.665.235,12 | 82.140,82 | 0,00 |
| Non-controlling interests | | 0,00 | 0,00 | 0,00 |
| Non-current liabilities | | 3.783.327,89 | 5.267.858,72 | 4.210.625,79 |
| Interest-bearing debt | 16 | 786.266,38 | 2.733.719,57 | 1.278.728,59 |
| Other liabilities | 17 | 2.061.605,31 | 2.098.772,81 | 2.451.323,66 |
| Deferred tax liabilities | 18 | 935.456,20 | 435.366,34 | 480.573,54 |
| Current liabilities | | 20.095.230,49 | 18.771.740,83 | 22.744.506,02 |
| Trade and other accounts payable | 19 | 16.577.013,23 | 14.926.078,64 | 15.250.270,01 |
| Interest-bearing debt | 16 | 1.990.921,41 | 2.855.618,85 | 6.548.643,22 |
| Corporate income tax payable | 20 | 1.527.295,85 | 990.043,34 | 945.592,79 |

*The Consolidated Statement of Financial Position for 2013 is presented solely and exclusively for comparison purposes.*

*The figures as of 1 January 2013 are presented as a result of restating the previous years' figures*

*CONSOLIDATED INCOME STATEMENT*

*2014 AND 2013*

PRIM

## *PRIM, S.A. and Dependent Companies*
## *CONSOLIDATED INCOME STATEMENT*

*as of 31 December 2014 and 2013 and 1 January 2013*

*Expressed in euro*

| | NOTES | 2014 | 2013 |
|---|---|---|---|
| Net sales | 23.1 | 94.205.582,82 | 87.000.327,28 |
| Other revenues | | 453.758,95 | 785.194,05 |
| Change in finished goods and work-in-process inventories | | 217.254,08 | 919.210,22 |
| OPERATING REVENUES | | 94.876.595,85 | 88.704.731,55 |
| Consumables and other external expenses | 23.2 | -41.714.060,99 | -39.296.000,48 |
| External and operating expenses | 23.3 | -13.558.259,33 | -12.779.014,38 |
| Personnel expenses | 23.4 | -26.938.007,88 | -25.268.879,01 |
| Depreciation and amortisation expense | 5, 6 & 7 | -1.789.227,53 | -1.676.149,95 |
| Impairment losses and income from disposal of fixed assets | | 0,00 | 0,00 |
| Variation in operating provisions | 23.7 | 999.055,78 | 364.924,84 |
| Other operating expenses | | -58.316,90 | -228.780,68 |
| OPERATING EXPENSES | | -83.058.816,85 | -78.883.899,66 |
| NET OPERATING INCOME | | 11.817.779,00 | 9.820.831,89 |
| Income from undertakings accounted for using the equity method | 8 | 11.659,00 | 35.188,00 |
| Financial revenues | 23.5 | 2.520.775,62 | 2.311.271,54 |
| Financial expenses | 23.5 | -154.556,29 | -262.779,06 |
| Impairment of other financial assets | 23.8 | 85.303,33 | -11.677,63 |
| Other revenues | 23.1 | 0,00 | 0,00 |
| Other expenses | | 0,00 | 0,00 |
| FINANCIAL INCOME | | 2.463.181,66 | 2.072.002,85 |
| **INCOME BEFORE TAXES** | | **14.280.960,66** | **11.892.834,74** |
| Corporate income tax | 20 | -4.319.433,61 | -3.601.426,52 |
| NET INCOME FROM CONTINUING OPERATIONS | | 9.961.527,05 | 8.291.408,22 |
| NET INCOME FROM DISCONTINUED OPERATIONS | 28 | 0,00 | 1.407.601,02 |
| **NET INCOME FOR THE YEAR** | | **9.961.527,05** | **9.699.009,24** |
| Net income attributable to the parent company | | 9.961.527,05 | 9.699.009,24 |
| Net income attributable to non-controlling interests | | 0,00 | 0,00 |
| Net loss attributable to non-controlling interests | | 0,00 | 0,00 |
| **Earnings per share** | **23.6** | | |
| Basic earnings per share attributable to equity holders of the parent | | 0,58 | 0,57 |
| Diluted earnings per share attributable to equity holders of the parent | | 0,58 | 0,57 |

*The Consolidated Statement of Income for 2013 is presented solely and exclusively for comparison purposes.*

***CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***

***2014 AND 2013***

PRIM

*PRIM, S.A. and Dependent Companies*

## *CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*

*for the years ended 31 December 2014 and 2013 (*)*
*(euro)*

| NET INCOME RECOGNISED DIRECTLY IN EQUITY | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Parent company | Non-controlling interests | Total | Parent company | Non-controlling interests | Total |
| **IN OTHER RESERVES** | | | | | | |
| Fair value impairment of available-for-sale financial assets (Note 9) | 2.102.955,48 | - | 2.102.955,48 | 82.140,82 | - | 82.140,82 |
| Tax effect (Note 9) | -519.861,18 | - | -519.861,18 | 0,00 | - | 0,00 |
| TOTAL NET INCOME RECOGNISED DIRECTLY IN EQUITY | 1.583.094,30 | - | 1.583.094,30 | 82.140,82 | - | 82.140,82 |
| Transfers to Consolidated Income Statement | 0,00 | - | 0,00 | 0,00 | - | 0,00 |
| NET INCOME FOR THE YEAR | 9.961.527,05 | 0,00 | 9.961.527,05 | 9.699.009,24 | 0,00 | 9.699.009,24 |
| TOTAL RECOGNISED REVENUES AND EXPENSES | 11.544.621,35 | 0,00 | 11.544.621,35 | 9.781.150,06 | 0,00 | 9.781.150,06 |

*CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY*

*2014 AND 2013*

![PRIM logo] PRIM

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

*The composition of, and changes in, the Group's equity as of 31 December 2014 and 2013 are as follows:*

*a) Year ended 31 December 2014 (euro)*

| | Balance as of 31.12.13 | Interim diviend out of 2014 income | Own shares | Capital increase charged to reserves | Income from trading with own shares | Other changes | Obligations on holdings | Distribution of 2013 income | | Income in the year | | Balance as of 31.12.14 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Dividends | Reserves | Equity-holders of parent | Non-controlling interests | |
| Share capital | 4.336.781,00 | | | | | | | | | | | 4.336.781,00 |
| Share premium | 1.227.059,19 | | | | | | | | | | | 1.227.059,19 |
| Parent Company shares | -2.017.689,96 | | 837.520,65 | | | | | | | | | -1.180.169,31 |
| Interim dividend | -867.356,20 | -954.091,82 | | | | | | | 867.356,20 | | | -954.091,82 |
| Revaluation reserve | 578.507,47 | | | | | | | | | | | 578.507,47 |
| Income for the year | | | | | | | | | | | | |
| Equity holders of the parent company | 9.699.009,24 | | | | | | | -3.500.000,00 | -6.199.009,24 | 9.961.527,05 | | 9.961.527,05 |
| Non-controlling interest | 0,00 | | | | | | | | | | | 0,00 |
| Other reserves | | | | | | | | | | | | |
| Legal reserve | 1.153.637,59 | | | | | | | | | | | 1.153.637,59 |
| Reserve for amortised capital | 1.256.814,96 | | | | | | | | | | | 1.256.814,96 |
| Other reserves | 66.289.848,76 | | | | 12.410,83 | 606.998,20 | | 107.093,59 | 4.998.236,62 | | | 72.014.588,00 |
| Reserve for remeasurement of unrealised assets and liabilities | 0,00 | | | | | | | | | | | |
| Reserves at | | | | | | | | | | | | |
| Fully consolidated undertakings | 1.799.492,51 | | | | | | | -107.093,59 | 602.686,58 | | | 2.295.085,50 |
| Equity-accounted affiliates | 260.660,00 | | | | | | | | 48.974,00 | | | 309.634,00 |
| Value adjustments | 82.140,82 | | | | | | | | | 1.583.094,30 | | 1.665.235,12 |
| Equity of equity holders of the parent company | 83.798.905,38 | -954.091,82 | 837.520,65 | 0,00 | 12.410,83 | 606.998,20 | 0,00 | -3.500.000,00 | 318.244,16 | 11.544.621,35 | 0,00 | 92.664.608,74 |
| Equity of non-controlling interests | 0,00 | | | | | | | | | | | 0,00 |
| Total | 83.798.905,38 | -954.091,82 | 837.520,65 | 0,00 | 12.410,83 | 606.998,20 | 0,00 | -3.500.000,00 | 318.244,16 | 11.544.621,35 | 0,00 | 92.664.608,74 |

b) *Year ended 31 December 2013*

| | Balance as of 31.12.12 | Changes due to restatement | Balance as of 01.01.13 | Interim dividend charged to 2013 income | Own shares | Capital increase charged to reserves | Incvome from transactions with own shares | Other changes | Obligations on holdings | Distribution of 2012 income: Dividends | Distribution of 2012 income: Reserves | Income in the year: Equity-holders of parent | Income in the year: Non-controlling interests | Balance as of 31.12.13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Share capital | 4.336.781,00 | 0,00 | 4.336.781,00 | | | | | | | | | | | 4.336.781,00 |
| Share premium | 1.227.059,19 | 0,00 | 1.227.059,19 | | | | | | | | | | | 1.227.059,19 |
| Parent Company shares | -2.272.336,11 | 0,00 | -2.272.336,11 | | 254.646,15 | | | | | | | | | -2.017.689,96 |
| Interim dividend | -867.356,20 | 0,00 | -867.356,20 | -867.356,20 | | | | | | | 867.356,20 | | | -867.356,20 |
| Revaluation reserve | 578.507,47 | 0,00 | 578.507,47 | | | | | | | | | | | 578.507,47 |
| Income for the year | 0,00 | 0,00 | 0,00 | | | | | | | | | | | 0,00 |
| Equity holders of the parent company | 9.135.143,36 | -43.856,42 | 9.091.286,94 | | | | | | | -3.300.000,00 | -5.791.286,94 | 9.699.009,24 | | 9.699.009,24 |
| Non-controlling interests | 0,00 | 0,00 | 0,00 | | | | | | | | | | | 0,00 |
| Other reserves | 0,00 | 0,00 | 0,00 | | | | | | | | | | | 0,00 |
| Legal reserve | 1.153.637,59 | 0,00 | 1.153.637,59 | | | | | | | | | | | 1.153.637,59 |
| Reserve for amortised capital | 1.256.814,96 | 0,00 | 1.256.814,96 | | | | | | | | | | | 1.256.814,96 |
| Other reserves | 61.248.828,36 | 0,00 | 61.248.828,36 | | | | -49.204,03 | 912.495,11 | | 110.653,84 | 4.067.075,48 | | | 66.289.848,76 |
| Reserve for remeasurement of unrealised assets and liabilities | 0,00 | 0,00 | 0,00 | | | | | 0,00 | | | | | | 0,00 |
| Reserves at | 0,00 | 0,00 | 0,00 | | | | | | | | | | | 0,00 |
| Fully consolidated undertakings | 2.184.589,00 | -978.764,07 | 1.205.824,93 | | | | | | | -110.653,84 | 704.321,42 | | | 1.799.492,51 |
| Equity-accounted affiliates | 218.780,00 | 0,00 | 218.780,00 | | | | | | | | 41.880,00 | | | 260.660,00 |
| Value adjustments | | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | | 0,00 | 0,00 | 0,00 | 82.140,82 | 0,00 | 82.140,82 |
| Equity of equity holders of the parent company | 78.200.448,62 | -1.022.620,49 | 77.177.828,13 | -867.356,20 | 254.646,15 | 0,00 | -49.204,03 | 912.495,11 | 0,00 | -3.300.000,00 | -110.653,84 | 9.781.150,06 | 0,00 | 83.798.905,38 |
| Equity of non-controlling interests | 0,00 | 0,00 | 0,00 | | | | | | | | | | | 0,00 |
| Total | 78.200.448,62 | -1.022.620,49 | 77.177.828,13 | -867.356,20 | 254.646,15 | 0,00 | -49.204,03 | 912.495,11 | 0,00 | -3.300.000,00 | -110.653,84 | 9.781.150,06 | 0,00 | 83.798.905,38 |

*CONSOLIDATED CASH FLOW STATEMENTS*

*2014 AND 2013*

## *PRIM, S.A. and Dependent Companies*

## *CONSOLIDATED CASH FLOW STATEMENTS*

*For the years ended 31 December 2014 and 2013*
*(euro)*

| Notes | | 2014 | 2013 |
|---|---|---|---|
| | Receipts from customers and other debtors | 118.401.592,78 | 92.157.901,89 |
| | Payments to suppliers and other creditors | -61.297.836,43 | -54.596.479,45 |
| | Payments to employees | -25.958.594,06 | -24.995.622,42 |
| | Net VAT settlements | -3.567.349,26 | -3.236.394,04 |
| 1 | Other taxes | -298.054,10 | -389.583,11 |
| | Corporate income tax | -4.095.463,42 | -3.940.763,77 |
| | Net cash from operating activities | 23.184.295,51 | 4.999.059,10 |
| 2 | Acquisition of property, plant and equipment | -1.722.111,11 | -2.156.623,53 |
| 3 | Acquisition of intangible assets | -219.978,77 | -83.694,44 |
| 4 | Acquisition of other non-current financial assets | -5.852.500,00 | -11.412.105,84 |
| | Other current financial assets | -3.542.394,93 | 17.015.289,99 |
| | Deposits provided | -35.000,00 | 30.241,40 |
| | Cash subsidies received | 22.483,63 | 3.800,00 |
| 5 | Interest received | 2.200.317,35 | 1.756.378,34 |
| 6 | Dividends received | 56.830,97 | 39.399,70 |
| | Net investing cash flow | -9.092.352,86 | 5.192.685,62 |
| | Net cash on transactions with own shares | 877.911,66 | 155.886,46 |
| 7 | Cash movements due to long-term bank loans | -1.402.795,39 | 2.216.151,82 |
| | Cash inflows due to long-term bank loans | 0,00 | 2.401.904,50 |
| | Cash outflows due to long-term bank loans | -1.402.795,39 | -185.752,68 |
| 8 | Cash movements due to short-term bank loans | -2.311.133,04 | -9.257.875,98 |
| | Cash inflows due to short-term bank loans | 0,00 | 384.120,16 |
| | Cash outflows due to short-term bank loans | -2.311.133,04 | -9.641.996,14 |
| 9 | Dividends paid | -3.500.000,00 | -3.300.003,00 |
| 10 | Interest paid | -874.910,97 | -152.132,79 |
| | Net financing cash flow | -7.210.927,74 | -10.337.973,49 |
| | Net increase in cash and cash equivalents | 6.881.014,91 | -146.228,77 |
| | Net exchange differences | 292.469,67 | 238.958,82 |
| | Change in cash in year | 7.173.484,58 | 92.730,05 |
| | Beginning cash and cash equivalents | 2.100.872,84 | 2.008.142,79 |
| | Ending cash and cash equivalents | 9.274.357,42 | 2.100.872,84 |

*NOTES TO FINANCIAL STATEMENTS*

*2014*

PRIM

## *NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*

*Cross references enable the reader to connect the information contained in these notes to consolidated financial statements with the various line-items of the Consolidated Income Statement, Consolidated Statement of Financial Position, cash flow statement and statement of changes in equity.*

### *1. DESCRIPTION OF CONSOLIDATED COMPANIES AND THEIR BUSINESS ACTIVITY*

*PRIM, S.A. has its registered offices at Polígono Industrial 1, Calle F, 15, Móstoles, Madrid, and it has seven regional offices and a factory at the following locations:*

***Factory***

*Móstoles - Polígono Industrial nº 1; Calle C, nº 20*

***Regional offices***

*Barcelona - Nilo Fabra, 38*
*Bilbao - Avda. Madariaga, 1*
*La Coruña - Rey Abdullah, 7-9-11*
*Sevilla - Juan Ramón Jiménez, 5*
*Valencia - Maestro Rodrigo, 89-91*
*Las Palmas de Gran Canaria - Habana, 27*
*Palma de Mallorca – San Ignacio, 77*

*Although the Parent Company's business has been carried on since 1870, it was incorporated on 21 July 1966 by means of a public instrument executed before the Madrid notary José Luis Álvarez Álvarez, with number 3.480 of his protocol, and registered at the Madrid Mercantile Register on 9 January 1967 on sheet 11.844, folio 158, tome 2.075 general 1.456 of section 3 of the Companies Book.*

*The Articles of Association establish that the Parent Company has indefinite duration and that its purpose is to engage in all types of legal transactions of commerce or industry relating to the manufacture, sale or distribution of orthopaedic, medical, surgical or similar material, and the construction, operation and management of retirement homes and any type of real estate transaction.*

*On 29 June 1992, before the Madrid notary Enrique Arauz Arauz, with number 1053 of his protocol, the Articles of Association were adapted to the New Corporations Law of 1989, and that adaptation was registered with the Madrid Mercantile Register in Tome 3652, Folio 1, Section 8, Sheet M-61451, Inscription 36, dated 7 October 1992.*

*The companies owned directly or indirectly by PRIM, S.A. which form part of the consolidated group are as follows:*

| DEPENDENT COMPANIES | DOMICILE | GROSS COST OF OWNERSHIP | % |
|---|---|---|---|
| ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A. | Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid- | 1.322.102.77 | 100.00 |
| ENRAF NONIUS IBÉRICA, S.A. | Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid- | 690.461.45 | 100.00 |
| SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL) | D. Ramón de la Cruz, 83 Madrid | 3.035.06 | 100.00 |
| NETWORK MEDICAL PRODUCTS LTD. | North Yorkshire United Kingdom | 379.331.01 | 43.68 |
| INMOBILIARIA CATHARSIS, S.A. (SOCIEDAD UNIPERSONAL) | C/ F, no. 15. Polígono Industrial 1, Móstoles (Madrid) | 2.494.204.13 | 100.00 |
| ENRAF NONIUS IBÉRICA PORTUGAL, LDA (1) | Rua Aquiles Machado –Lisbon- Portugal | 100.000.00 | 100.00 |
| LUGA SUMINISTROS MÉDICOS, S.L. | Polígono Industrial Monte Boyal, Avda Constitución, Parcela 221, Casarrubios del Monte –Toledo | 5.749.110.42 | 100.00 |

(1) *The stake in ENRAF NONIUS IBÉRICA PORTUGAL LDA. is held through ENRAF NONIUS IBÉRICA, S.A., which owns 99.99%, and PRIM S.A., which owns 0.01%.*

*(*) There were no changes in the consolidation scope in 2014 or 2013.*

*None of the companies included in the consolidation scope and owned, directly or indirectly, by PRIM, S.A. is listed on an organized securities market.*

*The dependent companies engage in the following activities:*

*The corporate purpose of ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A. is to engage in all types of transactions of commerce or industry relating to the manufacture, purchase, sale, import, export, adaptation, placement and distribution of orthopaedic, medical, surgical and similar material.*

*The corporate purpose of ENRAF NONIUS IBÉRICA, S.A. is the distribution, sale and installation of products in the area of physiotherapy, home medical care and rehabilitation.*

*The corporate purpose of ENRAF NONIUS IBÉRICA, PORTUGAL, LDA. is the distribution, sale and installation of products in the area of physiotherapy, home medical care and rehabilitation.*

*The corporate purpose of INMOBILIARIA CATHARSIS S.A. (SOCIEDAD UNIPERSONAL) is to engage in all types of real estate transactions involving the purchase and sale of rural and urban properties, exploiting properties, repairing and refurbishing buildings, construction of industrial buildings, and the sale of properties of all types.*

*The corporate purpose of SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL), formerly called MEDIPRIM, S.L., is to engage in the marketing, sale, distribution, import and export of all types of orthopaedic, medical, surgical and similar equipment, and the holding and purchase and sale of assets of all types.*

*The corporate purpose of LUGA SUMINISTROS MÉDICOS, S.L. is the sale, manufacture, packaging, packing, sealing, import and export of all types of medical and surgical instruments, orthopaedic devices, dressings, bandages, podology equipment and materials of therapy and hygiene, podology chairs and instrumentation.*

*The corporate purpose of NETWORK MEDICAL PRODUCTS LTD. is the marketing, distribution and sale of medical products.*

*The companies forming part of the consolidated group closed their financial year, which has a duration of one year, as of 31 December 2014.*

## 2. *BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS*

### 2.1. *Accounting standards applied*

*The Consolidated Financial Statements of the PRIM Group for 2014, which the Directors authorised on 31 March 2015, are presented in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union in conformity with (EC) Regulation no. 1606/2002 of the European Parliament and of the Council. The directors of PRIM expect the Shareholders' Meeting to approve these Consolidated Financial Statements without changes.*

*These Consolidated Financial Statements have been prepared on a historical cost basis, except for available-for-sale financial assets, which have been measured at fair value.*

*Prim Group has adopted the latest version of all rules issued by the European Union's Regulatory Committee (hereinafter EU-IFRS) that are mandatory for annual periods beginning on or after 1 January 2014.*

*The separate 2014 financial statements of the Group companies will be submitted for approval by their respective General Meetings of Shareholders within the deadlines established by the regulation in force. The directors of the parent Company do not expect changes to arise that would significantly impact the 2014 consolidated financial statements. The consolidated financial statements of Prim Group for 2014 were authorised by the parent Company's Board of Directors on 31 March 2015. It is expected that they will be approved without changes by the General Meeting of Shareholders of the parent Company.*

*The amounts contained in the documents comprising these consolidated financial statements are expressed in euro, except where noted otherwise.*

### *2.1.1. Improvements to IFRS and impact of applying new IFRS and IAS*

*As a result of their approval, publication and entry into force on 1 January 2014, the following standards and amendments have been applied:*

*- IFRS 10 "Consolidated Financial Statements";*
*- IFRS 11 "Joint Arrangements";*
*- IFRS 12 "Disclosure of interests in other entities";*
*- IAS 27 (Amended) "Separate Financial Statements";*
*- IAS 28 (Amended) "Investments in associates and joint ventures";*
*- IFRS 32 (Amendment): "Financial instruments: Presentation - Offsetting financial assets and financial liabilities";*
*- IAS 36 (Amendment): "Impairment of financial assets";*
*- IAS 39 (Amendment): "Financial instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting";*
*- IFRS 10, IFRS 11 and IAS 27 (Amendments), "Investment entities";*
*- "Transition Guidance", Amendments to IFRS 10, IFRS 11 and IFRS 12.*
*The application of the standards and amendments listed above did not have a material impact on these consolidated financial statements.*

*In 2014, the European Union adopted the following standards, interpretations and amendments which come into force for annual periods beginning on or after 1 January 2015 and which were not adopted early:*
*- IFRIC 21 "Levies";*
*- IFRS - Annual Improvements cycle 2011-2013;*
*- IFRS - Annual Improvements cycle 2010-2012;*
*- IAS 19 (Amendment), "Defined Benefit Plans: employee contributions".*
*Based on an analysis of the new accounting standards and interpretations applicable from 1 January 2015 onwards, the Prim Group does not expect their application to have a material impact on the consolidated financial statements.*

## *2.2. True and fair view*

*The Consolidated Financial Statements were prepared from the accounting records of the Controlling company and its Dependent companies and associates by applying the current legislation on accounting in order to present a true and fair view of the equity, financial position and income of the Group Companies. The consolidated cash flow statement was prepared in order to provide an accurate picture of the source and application of the monetary flows representing the Group's cash and other liquid assets.*

### 2.3. Comparative information

*As required by mercantile legislation, for comparison purposes the figures for the preceding year are presented in addition to the figures for 2014 for each item in the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement. The notes also include quantitative information for the preceding year, except where an accounting standard states specifically that it is not necessary.*

*The parent company (PRIM, S.A.) disposed of the INFUSIÓN line of business in 2013. Consequently, the results (expenses and revenues) attributable to that line of business were reclassified as "Discontinued operations".*

*As required by IAS 1, the information in these consolidated financial statements referring to 2014 is presented for comparison with the information for 2013 and, therefore, does not in itself constitute the Consolidated Group's financial statements for 2013.*

*The resolution of the Spanish Institute of Accounting and Auditing (ICAC) dated 29 December 2010 on information to be included in the notes to the consolidated financial statements regarding deferred payments to suppliers in commercial transactions was applicable for the first time last year. As a result of the new requirements, the disclosures required by the resolution are presented at 2014 year-end. In addition, for the purposes of complying with the principle of uniformity and the comparability requirement, the information for the immediately preceding year is also presented for comparison.*

*In accordance with the provisions of that Resolution, the information on deferred payment to suppliers in commercial transactions is disclosed only for fully consolidated undertakings based in Spain (therefore, the calculations do not include, Enraf Nonius Ibérica Portugal Lda, which is part of the consolidated group but is based in Portugal).*

*The amounts contained in the consolidated financial statements are expressed in euro.*

### 2.4. Correction of errors and changes in approach

*Under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Company restated the 2013 consolidated figures to recognise the deferred tax asset and the depreciation of a property whose value was stepped up in consolidation, which depreciation should have commenced in 2000. To that end, the company recognised 708,056.22 euro of additional accumulated depreciation and 247,823.70 euro of deferred tax assets against reserves at fully consolidated companies.*

*Also, since the 228,780.68 euro of extraordinary expenses recognised in financial income in 2013 were operational in nature, they were reclassified in the Consolidated Income Statement under Operating income and not under Financial income, in both 2013 and 2014.*

### 2.5. Estimates

*In preparing the accompanying consolidated financial statements, estimates by Group Management have occasionally been used to quantify certain assets, liabilities, revenues and expenses listed in them. Those estimates refer basically to:*

- *Measurement of assets and goodwill to determine the existence of impairment losses (see note 3.7).*
- *The useful life of intangible assets, property, plant & equipment, and real estate (see note 3).*
- *Non-current trade accounts payable that were estimated on the basis of current data about average collection periods (balances expected to be collected within more than one year are classified as non-current).*

*These estimates were based on the best available information at the time of authorisation of these consolidated financial statements.*

*The Prim Group of Companies recognised provisions for risks in line with the accounting policy set out in section 3.21 of these notes. The Prim Group of Companies made judgements and estimates as to the probability that those risks will occur and the amount of those risks, and recognised a provision when the risk was considered to be probable, estimating the costs the Company would incur for such risks.*

### ***2.6. Changes in measurement standards***

*The Parent Company of the Consolidated Group (Prim, S.A.) invests part of its cash surplus in long-term debt securities which, in 2013, were classified under "Loans and accounts receivable" and, consequently, were measured at amortised cost.*

*However, during the year 2014 the Group reclassified these investments in long-term debt securities as available for sale, with the result that they are measured at year-end fair value. The impact, as of 31 December 2014, of measuring these investments at fair value at that date was an increase (net of the tax effect) of 1,665,385.54 euro. This amount was recognised in "Value adjustments" under equity in the Consolidated Statement of Financial Position.*

### *2.7. Consolidation methods*

*The consolidated financial statements include those of Prim, S.A. and its dependent companies. The dependent companies' financial statements are authorised for the same accounting year as those of the Parent Company, using the same accounting policies. Where necessary, adjustments are made to homogenise any differences between accounting policies.*

*The dependent companies over which the PRIM Group has control are fully consolidated. By application of IFRS 10, the PRIM Group considers that the criteria for determining whether a company should or should not belong to the consolidated group and, therefore, whether or not it should be classified as a subsidiary, are:*

- *Power*
- *Risk exposure*
- *Capacity to influence performance*

*Dependent companies are consolidated from the date they are acquired by the group and they cease to be consolidated when control is transferred outside of the Group. Where there is a loss of control of a dependent company, the consolidated financial statements include the results for the part of the year that the Group maintained control.*

*Associated companies over which the PRIM Group does not exercise control but in which it does have a significant influence without attaining joint control are accounted for by the equity method in the Consolidated Statement of Financial Position. For the purposes of preparing these Consolidated Financial Statements, significant influence is generally presumed to exist when an interest of at least 20% is held, except where there is evidence to the contrary. Specifically, the company Network Medical Products is recognised by the equity method.*

*The closing date of the financial statements of dependent and associated undertakings is 31 December. Those companies' accounting policies are the same as or have been standardised with those of the PRIM Group in preparing these Consolidated Financial Statements.*

*The financial statements of each of the foreign companies were prepared in their functional currency, i.e. the currency of the economic area in which each company operates and in which it generates and uses its cash.*

*The operations of PRIM and the consolidated dependent and associated undertakings are consolidated in accordance with the following basic principles:*

1) *Business combinations and goodwill*

    a. *Business combinations since 1 January 2010*

*Business combinations are accounted for by the acquisition method.*

*The identifiable assets acquired and the liabilities assumed are carried initially at their acquisition date fair value. For each business combination, the buyer will measure non-controlling interest in the acquiree at fair value or at the proportionate share of identifiable net assets of the acquiree. Acquisition-related costs are recognised in profit or loss.*

*When the Group acquires a business, it will classify or designate the identifiable assets acquired and liabilities assumed as needed based on contractual arrangements, economic conditions, accounting and operating policies and other relevant conditions at the acquisition date.*

*If the business combination is created in stages, the Group will reassess its equity interests in the acquired company which were previously recognised at fair value on the acquisition date, and it will recognise any resulting gains or losses in profit or loss.*

*Any contingent consideration which the Group transfers will be recognised at acquisition date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability will be recognised in accordance with IAS 39, recognising any resulting gain or loss in profit or loss or in other comprehensive income. If the contingent consideration is classified under equity, it should not be measured again, and subsequent settlement should be recognised under equity.*

*Goodwill acquired in a business combination will be recognised initially (upon acquisition) at cost as the difference between the consideration transferred plus any non-controlling stake in the acquired company and the amount of the identifiable assets acquired and the liabilities assumed. If the consideration is less than the fair value of the acquired company's assets, the difference is recognised directly in profit or loss.*

*After initial recognition, goodwill will be recognised at cost less accumulated impairment losses. Impairment testing of goodwill is performed annually and more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.*

*For impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each Cash Generative Unit (CGU) or group of CGUs expected to benefit from the synergies of the combination, independently of any other assets or liabilities of the Group assigned to those units or groups of units.*

*Goodwill impairment is determined by evaluating the recoverable amount of the CGU or group of CGUs to which the goodwill is related. If the recoverable amount of the CGU(s) is less than the carrying amount, the Group recognises an impairment loss.*

*Impairment losses on goodwill may not be reversed in future periods.*

*If goodwill has been distributed to a CGU and the undertaking sells or otherwise disposes of an activity within that unit, the goodwill associated with the activity will be included in the activity's carrying amount when determining the result from the sale or disposal by other means and will be measured using the relative values of the activity that was sold or otherwise disposed of and the part of the CGU that is retained.*

*b. Business combinations prior to 1 January 2010*

*In contrast with the above-mentioned requirements, the following differences apply:*
*Transaction costs directly related to the acquisition are part of the acquisition cost. The non-controlling interest in the acquiree (previously called minority interest) is recognised according to the proportion of identifiable net assets of the acquiree.*

*When the cost of the combination is adjusted on the basis of future events, the Group must include that adjustment amount in the cost of the combination at the acquisition date, provided that the adjustment is probable and may be reliably measured. Adjustments following the contingent consideration are considered part of goodwill.*

*The results of dependent companies acquired or disposed of in the year are included in the Consolidated Income Statement from their effective date of acquisition or until the effective date of disposal.*

2) *Goodwill arising on business combinations has not been amortised since 1 January 2004, the date of transition to IFRS; however, it is reviewed to detect impairment at least once per year.*

3) *The result of measuring the holdings by the equity method (after eliminating the result of intra-group transactions) is recognised under "Other reserves" and "Income of equity-accounted affiliates - net of taxes" in the Consolidated Statement of Financial Position and Consolidated Income Statement, respectively.*

4) *Dividends received by consolidated group undertakings arising from their interests in the equity of other undertakings that also form part of the same consolidated group are eliminated in consolidation via "Consolidation adjustments and eliminations".*

5) *The value of non-controlling interests in the equity and income of fully consolidated dependent companies is presented, respectively, under "Equity – non-controlling interests" on the Liabilities side of the Consolidated Statement of Financial Position and "Non-controlling interests" in the Consolidated Income Statement.*

6) *Purchases of holdings from non-controlling interests in companies over which the Company exercises control and sales of holdings that do not result in a loss of control are treated as transactions between owners and, therefore, the income is recognised as a debit or credit against reserves.*

7) *Foreign companies' financial statements are translated at the year-end closing exchange rate. Under this method, all assets, rights and obligations are translated to euro using the exchange rates prevailing at the closing date of the Consolidated Financial Statements, while the average exchange rates for the year are applied to items in the Consolidated Income Statement, and equity is translated at the historical exchange rates at the date of acquisition (or the average exchange rate in the year of origin in the case of retained earnings, provided that there are no significant transactions that make the use of the average exchange rates inappropriate). The resulting translation difference is recognised in Reserves.*

8) *All balances and transactions between fully consolidated companies are eliminated in consolidation.*

### ***2.8. Consolidated Cash Flow Statement***

*The following terms are used in the Consolidated Cash Flow Statements, which were prepared using the direct method, with the meanings indicated below:*

- *Cash flows: Inflows and outflows of cash and cash equivalents, the latter being short-term, highly liquid investments with a low risk of changes in value.*
- *Operating activities: The normal revenue-producing activities of Group companies and other activities that cannot be classified as investing or financing activities.*
- *Investing activities: The acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.*
- *Financing activities: Activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.*

## *3. VALUATION STANDARDS*

### ***3.1. Intangible assets***

*Intangible assets acquired individually are measured initially at the acquisition price. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any impairment in value. Interest costs are expensed in the year in which they are incurred.*

*The useful life of these assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite life-span are amortised over their economic useful life and impairment is measured whenever there is any indication that the intangible asset may have been impaired. The amortisation period and amortisation method of intangible assets with a finite life-span are reviewed at least once at the end of each year. Intangible assets with an indefinite lifetime are not amortised but are measured for impairment each year. The amortisation expense for intangible assets with finite life-spans is recognised in the Consolidated Income Statement under amortisation.*

*Concessions, patents, licenses, brands and similar are measured at the acquisition price. Where operating and distribution rights have a specific term, they are amortised on a straight-line basis over that period. Other rights are amortised on a straight-line basis over five years.*

*Computer software is carried at acquisition cost. It is amortised on a straight-line basis over four years.*

*Distribution rights are carried at the acquisition or payment price and are amortised on a straight-line basis over ten years, which is their validity period.*

### ***3.2. Goodwill***

*Goodwill in consolidation represents the future economic benefits from assets that cannot be identified individually and recognised separately.*

*Goodwill acquired since 1 January 2004 is carried at acquisition cost. Goodwill is not amortised; at each year-end, goodwill is measured to assess if there has been any impairment that reduced its recoverable value, in which case it is written down.*

### 3.3. Property, plant & equipment

*Property, plant and equipment are carried at the acquisition or production cost, net of accumulated depreciation and any impairment, and include the value of legal revaluations under Royal-Decree Law 7/1996. In addition to the amount invoiced by the supplier, the acquisition price includes any additional expenses incurred up until the asset comes into service. Interest costs incurred until property, plant and equipment become operational are capitalised in accordance with the mandatory accounting treatment under IAS 23 (2009).*

*Depreciation is taken using constant percentages determined on the basis of the asset's estimated useful life.*

*The depreciation rates applied by the Group, which are reviewed each year, are as follows:*

| Asset | Annual percentage |
|---|---:|
| Buildings and other structures | 2% - 3% |
| Machinery, fixtures and tools | 8% - 20 % |
| Transport equipment | 10%-16% |
| Furniture and fixtures | 8% - 10% |
| Computer hardware | 25% |

*Fixed asset maintenance and repair expenses are charged to income in the year in which they are incurred unless they entail an improvement or expansion, in which case they are capitalised.*

*Leased assets where substantially all the risks and benefits of ownership are assumed by the Group under the contract terms are classified as finance leases. Assets acquired under such leases are recognised at the lower of their fair value or the present value of the minimum payments at commencement of the lease contract, less accumulated depreciation and any impairment loss.*

*Potential impairments are analysed at the end of each year, by comparing the historical value recognised in the books with the recoverable value, i.e. the fair value less the cost of sale, or the value in use, whichever is higher.*

### 3.4. Investment property

*Investment property is carried at acquisition price less accumulated depreciation and any impairment. The acquisition price includes the amount paid to the seller plus additional expenses and interest incurred until the asset becomes operational, in accordance with the mandatory accounting treatment under IAS 23 (revised in 2009).*

*Depreciation is taken using constant percentages determined on the basis of the asset's estimated useful life.*

*The depreciation rates applied by the Group are as follows:*

| *Asset* | *Annual percentage* |
|---|---|
| *Buildings* | *2%* |
| *Plant* | *8% - 12 %* |

*Investment property maintenance and repair expenses are charged to income in the year in which they are incurred unless they entail an improvement or expansion, in which case they are capitalised.*

*Potential impairments are analysed at the end of each year, by comparing the historical value recognised in the books with the recoverable value, i.e. the fair value less the cost of sale, or the value in use, whichever is higher.*

*The value in use at year-end is determined by analysing the lease contracts in force at year-end, their estimated expiration and the projected future rental revenues. These assumptions yielded an estimated value in use using the revenue capitalisation approach.*

### ***3.5. Investment in associated undertakings***

*The Group's investment in associates is carried by the equity method. To this end, a company is classified as an associate if the parent company has a significant influence but it is not a dependent company.*

*Under the equity method, the investment in the associate is carried on the Consolidated Statement of Financial Position at cost plus any post-acquisition changes in the Group's interest in the associate's net assets. Goodwill in an associate is included in the carrying amount of the investment and is not amortised. After applying the equity method, the Group determines if it is necessary to recognise additional impairment with respect to the Group's net investment in the associate. The Consolidated Statement of Financial Position reflects the share in income from the associate. Where changes are recognised directly by the associate in its equity, the Group recognises its share in that change, disclosing it in the statement of changes in equity, if appropriate.*

*The Group and the associates close their accounts on the same date and the accounting policies applied by associates are in conformity with those used by the Group for similar transactions and events.*

*As of 2014 year-end (and 2013 year-end), only NETWORK MEDICAL PRODUCTS LTD. was recognised by the equity method.*

### 3.6. Financial assets

*Financial assets*

*The Group measures current and non-current financial assets as follows:*

*Loans and receivables: These are initially recognised in the Consolidated Statement of Financial Position at market value and are subsequently measured at amortised cost using the effective interest rate.*

*The PRIM Group provisions the difference between the amount of the receivables considered recoverable and their carrying amount.*

*Available-for-sale assets: These are all the investments that are not in the preceding category: financial investments in equity instruments and in securities representing debt issued by private and public sector issuers of acknowledged solvency.*

*These investments are also reported in the Consolidated Statement of Financial Position at year-end fair value; in the case of unlisted companies, the fair value is obtained through alternative methods such as comparison with similar transactions or, if sufficient information is available, by discounting expected cash flows.*

*a. Fixed-income securities (debt securities)*

*Value adjustments (both positive and negative) are disclosed in the Consolidated Statement of Comprehensive Income.*

*Any impairments (reduction in fair value above a certain percentage for a certain time, issuer insolvency, etc.) or reversals of impairment are recognised in the Consolidated Income Statement.*

*The debt securities in this item of the Consolidated Statement of Financial Position are financial instruments that are traded in an active market; accordingly, the market value is determined based on the price in that market. Consequently, for the purpose of the levels referred to in paragraph 97 of IFRS 13, all these financial instruments are classified as level 1.*

*b. Equity instruments*

*Value adjustments (both positive and negative) are disclosed in the Consolidated Statement of Comprehensive Income.*

*Any impairments (reduction in fair value above a certain percentage for a certain time, issuer insolvency, etc.) are recognised in the Consolidated Statement of Income, while reversals of impairment are recognised in the Consolidated Statement of Comprehensive Income.*

*Equity interests in unlisted companies whose market value can not be measured reliably are valued at acquisition cost.*

*In practice, all of these available-for-sale financial assets (apart from the stake in Alphatec) are measured at historical cost due to the impossibility of measuring fair (market) value since they are not listed in an organised market and it is impossible to obtain information about comparable transactions that would enable us to obtain a market value other than historical cost.*

*The equity instruments classified as Financial assets available for sale which do not have a listed market price are measured at cost in accordance with IAS 39. At year-end, the Consolidated Group did not intend to sell or otherwise dispose of these financial instruments.*

*The shares in Alphatec are measured at their market price on NASDAQ, applying the year-end exchange rate.*

*The PRIM Group determines the most appropriate classification for each asset upon acquisition, reviews it at the end of each year, and recognises conventional purchases and sales of financial assets on the transaction date.*

*Equity holdings listed under this item of the Consolidated Statement of Financial Position that are measured at fair value (Alphatec stake) are traded on an active market; accordingly the market value was determined using the quoted price on that market. Consequently, for the purpose of the levels referred to in paragraph 97 of IFRS 13, all these financial instruments are classified as level 1.*

*Derecognition of financial assets and liabilities: A financial asset is derecognised when:*

- *The contractual rights to receive cash flows from the asset have expired.*
- *The PRIM Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full to a third party and has transferred substantially all the asset's benefits and risks or does not retain them substantially.*
- *The PRIM Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.*

*Impairment of financial assets*

*The Group adjusts the carrying amount of financial assets against the Consolidated Income Statement when there is objective evidence of impairment.*

*To determine impairment loss, the Group assesses the potential loss of both individual assets and groups of assets with similar risk characteristics.*

*Debt instruments*

*There is objective evidence of impairment of debt instruments (i.e. accounts receivable, debt claims and debt securities) when, after initial recognition, an event occurs with a negative impact on estimated future cash flows.*

*The Group classifies as impaired (doubtful) assets those debt instruments for which there is objective evidence of impairment, basically the existence of bad debts, default, breach, refinancing or data evidencing that the agreed future flows may not be collected in full or that there may be a delay in collection.*

*For financial assets carried at amortised cost, the amount of impairment losses is equal to the negative difference between the carrying amount and the present value of future cash flows that it is estimated they will generate, discounted at the effective interest rate existing at the time of initial recognition of the assets. For financial assets at floating rates, the effective interest rate at the closing date of the financial statements is used. Trade and other receivables where the balances are more than six months past due and there is no assurance of recovery, and balances of companies that have declared themselves to be insolvent, are classified as doubtful assets. In particular, accounts receivable from private customers are classified as doubtful and provisioned once they are six months past due. Accounts receivable from public authorities are provisioned only where there are reasonable doubts as to recovery, regardless of the age of the debt.*

*In the case of listed instruments, the Group uses market value instead of the present value of future cash flows, provided that it is sufficiently reliable.*
*In the case of "Financial assets available for sale", where there is objective evidence that a reduction in fair value is due to impairment, the unrealised capital loss recognised as "Impairment loss" in equity is transferred to profit and loss.*

*The reversal of impairment is recognised in the Consolidated Statement of Income as revenue and is limited to the carrying amount that would have been recognised at the reversal date had no impairment loss been recognised for the asset.*

*Equity instruments*

*There is objective evidence of impairment of equity instruments when, after initial recognition, an event or combination of events occurs with the result that the carrying amount will not be recovered due to a prolonged or significant decline in fair value. For these purposes, the Group considers in any event that listed equity instruments are impaired when their value has decreased over 18 months and by 40% of their initial quoted price without having recovered their initial value.*

*In the case of equity instruments measured at cost and classified under "Financial assets available for sale", impairment loss is measured as the difference between acquisition cost and fair value less previously-recognised impairment losses. Unrealised capital losses recognised directly as "Impairment losses" in equity are transferred immediately to the Consolidated Income Statement if it is determined that the decline in fair value is due to impairment. If part or all of the impairment losses are subsequently recovered, their amount is recognised as "Impairment" in equity.*

*In the case of equity instruments recognised at cost that are categorised as "Financial assets available for sale", the impairment loss is calculated as the difference between the carrying amount and the recoverable amount, which is the higher of the fair value less the cost of sale and the present value of the future cash flows arising from the investment. Except where there is better evidence, impairment is estimated taking account of the investee company's net equity corrected for any unrealised capital gains existing at the measurement date.*

*The reversal of impairment is recognised in the Consolidated Income Statement and is limited to the carrying amount that would have been recognised at the reversal date had no impairment loss been recognised for the asset; in the case of investments in group and associated undertakings; impairment recognised in previous years on financial assets available for sale cannot be reversed.*

*Reclassification of financial assets*

*When an investment in equity is no longer classified as such, the investment in that undertaking is measured according to the rules on financial assets available for sale.*

*There were no reclassifications of financial assets in 2013.*

*In 2014, debt instruments that were previously classified as "Loans and receivables" were reclassified as "Financial assets available for sale". This change in classification of financial assets entailed a change in the valuation since they had previously been measured at historical cost while at 2014 year-end these financial instruments are measured at fair value.*

### ***3.7. Financial liabilities***

*a) Trade accounts payable, loans and other accounts payable*

*Trade accounts payable arising in the ordinary course of business are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.*

*b) Interest-bearing loans*

*These debts are initially recognised at the fair value of the consideration received, net of the costs directly attributable to the transaction. In subsequent periods, they are measured at amortised cost based on the effective interest method. Any difference between the cash received (net of transaction costs) and the reimbursement value is recognised in the P&L over the contract period.*

*Financial debts are presented as non-current liabilities when they mature at over twelve months or the Prim Group has an unconditional right to defer settlement for at least twelve months from the accounting close.*

*Financial liabilities are derecognised in the Consolidated Statement of Financial Position when the corresponding obligation is settled or cancelled or it expires. When a financial liability is replaced by another in substantially different terms, the change is treated as a derecognition of the original liability and the addition of the new liability, the difference between the respective carrying amounts being recognised in P&L.*

### 3.8. Current and non-current financial assets

*Assets that are expected to be disposed of or converted into cash within 12 months from year-end, and the liabilities that are expected to be cancelled in that same period, are classified as current financial instruments.*

*All other financial assets and liabilities are classified as non-current financial instruments.*

### 3.9. Inventories

*Inventories are measured at the average acquisition or production cost, or at net realisable value (if lower).*

*For these purposes, the acquisition cost of merchandise, raw materials and ancillary materials is taken to be that on the supplier invoice plus all additional expenses incurred until the goods are in the warehouse.*

*The production cost of finished and semi-finished products is the acquisition cost of the raw materials and other consumables plus the costs directly allocable to the product and the reasonably allocable part of indirect costs, insofar as such costs correspond to the manufacturing period.*

*The impairment of inventories is measured at year-end, taking account of expired, obsolete or slow-moving items. The approach is to classify as obsolete any product which has been in inventory for more than one year but which has not registered any purchases or sales in the last six months.*

*The Parent Company has licence contracts for some of the products it manufactures.*

### 3.10. Cash and cash equivalents

*Cash and cash equivalents recognised in the Consolidated Statement of Financial Position comprise cash on hand and at bank, demand deposits and other highly-liquid investments maturing at under three months from the date of arrangement.*

*These items are carried at historical cost, which does not differ materially from realisable value.*

*For the purposes of the consolidated cash flow statement, the balance of cash and cash equivalents defined in the preceding paragraph is presented net of any bank overdrafts.*

### 3.11. Treasury shares

*At year-end, the PRIM Group's treasury shares are recognised as a reduction of "Equity-Own shares" in the Consolidated Statement of Financial Position and are measured at acquisition cost.*

*Gains and losses obtained by the companies on disposal of treasury shares are recognised in "Other reserves" in the Consolidated Statement of Financial Position.*

### *3.12. Dividends*

*The interim dividends declared by the Board of Directors are presented as a deduction from PRIM Group equity.*

### *3.13. Recognition of revenues and expenses*

*In general, revenues and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Sales are considered to be completed upon physical delivery and acceptance by the customer.*

*Revenues for services are recognised when the result of the transaction can be estimated reliably, for which purpose the percentage of performance of the service at year-end is considered. Consequently, revenues for the provision of services are recognised only if all of the following conditions are met:*

a. *The revenue amount can be estimated reliably*
b. *The Group is likely to receive the economic benefit or yield arising from the transaction*
c. *The degree to which the service has been delivered as of year-end can be measured reliably, and*
d. *The costs already incurred in providing the service and those that remain to be incurred until its completion can be measured reliably.*

*Revenues from the sale of goods and the provision of services are measured at the fair value of the consideration received or to be received as a result. The taxes on the sale of goods and the provision of services that the company must charge to third parties, such as value added tax and excise tax, do not form part of revenues.*

*The Group reviews and, if necessary, modifies the estimates of revenues to be received as the service provision advances.*

*Where the outcome of a service provision transaction cannot be estimated reliably, revenues are recognised only to the extent that the recognised expenses can be classified as recoverable.*

### 3.14. Corporate income tax

*Corporate income tax is recognised in the Consolidated Income Statement or in equity in the Consolidated Statement of Financial Position depending on where the gains or losses leading to it arose. Differences between the carrying amount of assets and liabilities and their tax base lead to deferred tax asset or liability accounts, which are calculated using the tax rates that are expected to be in force when the assets and liabilities are realised.*

*Variations during the year in deferred tax assets and liabilities not arising from business combinations are recognised in the Consolidated Income Statement or in equity in the Consolidated Statement of Financial Position, as appropriate.*

*Deferred tax assets are recognised only when it is expected that there will be sufficient future taxable income against which to offset the tax credits for timing differences or there are offsetting deferred tax liabilities.*

*The Group companies pay tax on an individual basis.*

### 3.15. Earnings per share

*Earnings per share are calculated as the ratio between net income in the period attributable to the Parent Company and the weighted average number of ordinary shares that were outstanding in that period, not including shares of the PRIM Parent Company held by PRIM Group companies.*

*Diluted earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would be issued if all potential ordinary shares were converted into ordinary shares of PRIM.*

*For these purposes, shares are assumed to be converted at the beginning of the year (or at the date of issue, in the case of potential ordinary shares issued during the current year).*

*In the consolidated financial statements of the PRIM Group for the years ended 31 December 2014 and 2013, basic earnings per share coincide with diluted earnings per share since there were no instruments outstanding during these years that could be converted into ordinary shares.*

### 3.16. Transactions and balances in foreign currency

*Transactions in foreign currency are recorded in euro at the exchange rate in force at the transaction date. Exchange differences resulting from foreign currency transactions are recognised as financial income in the Consolidated Financial Statements when they arise.*

*Accounts receivable and payable in foreign currency are measured at year-end at the exchange rate in force at the time. Exchange gains and losses that arise are recognised as financial income in the Consolidated Income Statement.*

### 3.17. Classification of current and non-current assets and liabilities

*Assets and liabilities are classified in the Consolidated Statement of Financial Position as current or non-current. Assets and liabilities are classified as current when they are associated with the normal operating cycle of the Group companies and it is expected that they will be sold, consumed, realised or settled within the normal course of that cycle; if they differ from the aforementioned assets, but are expected to mature, or be sold or settled within one year; if they are held for trading or are cash and cash equivalents whose use is not restricted for more than one year.*

*The normal operating cycle for all activities is one year.*

### 3.18. Environmental assets and liabilities

*Environmental expenses correspond to the Group's environmental activities and are registered under "Other operating expenses" in the Consolidated Income Statement in accordance with the accrual principle.*

*Environmental assets are recognised at acquisition price or production cost, and are depreciated over their useful lives.*

### *3.19. Related-party transactions*

*Related-party transactions are measured as described above.*

*The prices of related-party transactions are properly documented; accordingly, the Group's directors do not consider it likely that significant tax liabilities will arise.*

### *3.20. Provisions*

*Provisions are recognised in the Consolidated Statement of Financial Position when the Group has a present obligation (derived from law, a contract, or an implicit or tacit commitment) as a result of past events and it is considered likely that a quantifiable outflow of resources will be required to settle the obligation.*

*Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party, and adjustments arising due to updating the provision are recognised as a financial expense as they accrue. Provisions falling due within one year that do not have a material financial effect are not discounted. Provisions are reviewed at each closing date of the Consolidated Statement of Financial Position and are adjusted to reflect the current best estimate of the related liability.*

### *3.21. Leases*

*Leases are considered to be finance leases when, based on the economic terms of the arrangement, substantially all risks and rewards inherent to ownership of the leased item are transferred to the lessee. All other lease arrangements are classified as operating leases.*

*Group companies as lessees*

*Assets acquired under financial lease arrangements are recognised, based on their nature, at the fair value of the leased item or, if lower, the present value at the commencement of the lease of the minimum lease payments. A financial liability is recorded for the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. These assets are depreciated, impaired, and derecognised using the same criteria applied to other assets of a similar nature.*

*Operating lease payments are recognised as expenses in the Consolidated Income Statement when accrued.*

*The Group's main operating leases relate to vehicles, structures and furniture.*

*Group companies as lessors*

*Operating lease revenues are recognised in consolidated profit and loss when accrued. Direct costs attributable to the contract are recognised as an increase in the value of the leased asset and as an expense over the term of the contract using the same method as for recognising lease revenues.*

### 3.22. Critical aspects of measuring and estimating uncertainty

*There are no material uncertainties or aspects about the future entailing a significant risk that might entail significant changes in the value of assets and liabilities in the following year.*

*There were no changes in accounting estimates such as to materially affect the current year or future years.*

### 3.23. Discontinued operations

*A component of an undertaking comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the undertaking.*

*In other words, a component of an undertaking will have been a cash-generating unit or a group of cash-generating units while it was in use.*

*A discontinued operation is a component of an undertaking that either has been disposed of or is classified as held for sale and*

*(a) represents a separate major line of business or geographical area of operations,*

*(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations that is material and can be separated from the remainder; or*

*(c) is a subsidiary acquired exclusively with a view to resale.*

*In the consolidated income statement, income from discontinued operations is presented separately from that from other (continuing) operations.*

*The Consolidated Group presents the information for all preceding years that are reported in the financial statements so that the information for those years refers to all operations that were discontinued as of the date of the balance sheet of the last year reported.*

## 4. SEGMENT REPORTING

*The Group's information is reported, primarily, by business segment and, secondarily, by geographical segment.*

*The group's operating businesses are organised and managed separately in accordance with the nature of the products and services they sell, so that each business segment represents a strategic business unit offering different products and supplying different markets.*

*There are no other segments in the Consolidated Financial Statements apart from the ones that are identified.*

*As regards the Medical and Orthopaedic Supplies segment, the Group adopts all strategic and operating decisions on a joint basis for all activities in this area; accordingly, there is no additional breakdown for this segment.*

*The Board of Directors is the ultimate authority in making operating decisions to define operating segments.*

### 4.1. Business segments

*a) Medical and orthopaedic supplies*

*The "medical supplies" business focuses on selling a number of products grouped into the following families:*

- *Cardiovascular*
- *Reconstructive plastic surgery*
- *Pain Unit*
- *Endosurgery*
- *Otorhinolaryngology*
- *Prim Spa*
- *Surgery*
- *Traumatology, neurosurgery and biomaterials*

*The "orthopaedic supplies" business consists of the production and distribution of orthopaedic products and technical aids and the sale of applied orthopaedic products and technical aids of different types, including articulated electric beds, trolleys, patient hoists, chairs, cupboards and all types of accessories and furniture, particularly geriatric.*

*As a result, there is a clear difference between the Medical Supplies and Orthopaedic Supplies activities.*

*The breakdown is as follows:*

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| **Segment I. (Medical-Hospital)** | **93,865,566.13** | **86,517,072.14** |
| Medical Supply Activity | 70,095,884.43 | 64,253,673.89 |
| Orthopaedic Supply Activity | 23,769,681.70 | 22,263,398.25 |
| **Segment II. (Real Estate)** | **340,016.69** | **483,255.14** |
| **REVENUES** | **94,205,582.82** | **87,000,327.28** |

*We do not have the necessary information to distinguish between the assets and results of the Medical-Hospital and the Medical and Orthopaedic Supplies segments.*

*b) Real estate segment*

*The real estate business involves engaging in all types of real estate transactions: purchasing and selling rural and urban properties, exploiting properties, repairing and refurbishing buildings, construction of industrial buildings, and the sale of properties of all types.*

*The only Group-owned property in the real estate segment is the property owned by the parent company located at avenida Llano Castellano, 43 (Madrid). This property, which is the former headquarters of the parent company, was refurbished for lease to third parties and became operational in the year ended 31 December 2006.*

### *4.2. Geographical segments*

*The Group's geographical segments are based on the customers' location.*

*There are two geographical segments:*

*a) Spain: This includes commercial activity with customers in Spain.*

*b) International: This includes commercial activity with customers in European Union countries other than Spain, and in other non-EU countries.*

### *4.3. Segment figures*

*The table below presents information about the revenues and income and certain assets and liabilities corresponding to the Group's business segments in the years ended 31 December 2014 and 2013*

*a) Year ended 31 December 2014:*

*Segment I:* *Medical-hospital segment*
*Segment II:* *Real estate segment*

| | Segment I | Segment II | Total |
|---|---|---|---|
| **Net sales** | | | |
| External customers | 93.850.852,13 | 354.730,69 | 94.205.582,82 |
| Between segments | 0,00 | 0,00 | 0,00 |
| Other revenues | 320.835,98 | 132.922,97 | 453.758,95 |
| Change in inventories | 217.254,08 | 0,00 | 217.254,08 |
| Segment revenues | 94.388.942,19 | 487.653,66 | 94.876.595,85 |
| Segment net operating income | 11.573.999,23 | 243.779,77 | 11.817.779,00 |
| Net financial income | 2.366.219,33 | 0,00 | 2.366.219,33 |
| Impairment of other financial assets | 85.303,33 | 0,00 | 85.303,33 |
| Share in income of undertakings accounted for by the equity method | 11.659,00 | 0,00 | 11.659,00 |
| Other revenues and expenses | 0,00 | 0,00 | 0,00 |
| Income before taxes | 14.037.180,89 | 243.779,77 | 14.280.960,66 |
| Corporate income tax | | | -4.319.433,61 |
| Non-controlling interests | | | 0,00 |
| **Income for the year attributable to controlling company (continuing operations)** | | | **9.961.527,05** |
| **Segment assets and liabilities** | | | |
| Investment in associated undertakings | 700.624,01 | 0,00 | 700.624,01 |
| Other assets of the segment | 112.574.603,41 | 3.267.939,70 | 115.842.543,11 |
| Total assets | 113.275.227,42 | 3.267.939,70 | 116.543.167,12 |
| Total liabilities | 23.878.558,38 | 0,00 | 23.878.558,38 |
| **Other segment information** | | | |
| **Investment in assets** | | | |
| Intangible assets | 219.779,58 | 0,00 | 219.779,58 |
| Property, plant & equipment | 2.878.764,78 | 0,00 | 2.878.764,78 |
| Investment property | 0,00 | 0,00 | 0,00 |
| **Impairment of other financial assets** | 85.303,33 | 0,00 | 85.303,33 |
| **Period depreciation and amortisation** | -1.699.660,59 | -89.566,94 | -1.789.227,53 |
| **Cash flows** | 6.955.207,45 | 218.277,13 | 7.173.484,58 |

*b) Year ended 31 December 2013*

*Segment I: Medical-hospital segment*
*Segment II: Real estate segment*

| | Segment I | Segment II | Total |
|---|---|---|---|
| **Net sales** | | | |
| External customers | 86.502.672,14 | 497.655,14 | 87.000.327,28 |
| Between segments | 0,00 | 0,00 | 0,00 |
| Other revenues | 648.668,27 | 136.525,78 | 785.194,05 |
| Change in inventories | 919.210,22 | 0,00 | 919.210,22 |
| Segment revenues | 88.070.550,63 | 634.180,92 | 88.704.731,55 |
| Segment net operating income | 9.583.047,70 | 237.784,19 | 9.820.831,89 |
| Net financial income | 2.048.492,48 | 0,00 | 2.048.492,48 |
| Impairment of other financial assets | -11.677,63 | 0,00 | -11.677,63 |
| Share in income of undertakings accounted for by the equity method | 35.188,00 | 0,00 | 35.188,00 |
| Other revenues and expenses | 0,00 | 0,00 | 0,00 |
| Income before taxes | 11.655.050,55 | 237.784,19 | 11.892.834,74 |
| Corporate income tax | | | -3.601.426,52 |
| Non-controlling interests | | | 0,00 |
| **Income for the year attributable to controlling company (continuing operations)** | | | **8.291.408,22** |
| **Segment assets and liabilities** | | | |
| Investment in associated undertakings | 661.520,01 | 0,00 | 661.520,01 |
| Other assets of the segment | 103.828.514,77 | 3.348.470,14 | 107.176.984,91 |
| Total assets | 104.490.034,78 | 3.348.470,14 | 107.838.504,92 |
| Total liabilities | 24.039.599,55 | 0,00 | 24.039.599,55 |
| **Other segment information** | | | |
| **Investment in assets** | | | |
| Intangible assets | 83.474,94 | 0,00 | 83.474,94 |
| Property, plant & equipment | 2.156.055,23 | 0,00 | 2.156.055,23 |
| Investment property | 0,00 | 0,00 | 0,00 |
| **Impairment of other financial assets** | -11.677,63 | 0,00 | -11.677,63 |
| **Period depreciation and amortisation** | -1.573.497,27 | -102.652,68 | -1.676.149,95 |
| **Cash flows** | -130.510,19 | 223.240,24 | 92.730,05 |

### *4.4. Geographical segments*

*The table below presents information about the revenues and income and certain assets and liabilities corresponding to the Group's geographical segments in the years ended 31 December 2014 and 2013.*

*a) Year ended 31 December 2014*

| | |
|---|---|
| *Segment I:* | *Spain* |
| *Segment II:* | *Rest of European Union and other countries* |

| | *Segment I* | *Segment II* | *Total* |
|---|---|---|---|
| ***Net sales*** | | | |
| *External customers* | *83.431.973,54* | *10.773.609,28* | *94.205.582,82* |
| *Between segments* | *0,00* | *0,00* | *0,00* |
| *Other operating revenues* | *453.758,95* | *0,00* | *453.758,95* |
| *Change in inventories* | *217.254,08* | *0,00* | *217.254,08* |
| *Segment revenues* | *84.102.986,57* | *10.773.609,28* | *94.876.595,85* |
| ***Segment assets*** | | | |
| *Total assets* | *113.596.977,57* | *2.946.189,55* | *116.543.167,12* |
| ***Other segment information*** | | | |
| ***Investment in assets*** | | | |
| *Intangible assets (Note 5)* | *219.580,39* | *199,19* | *219.779,58* |
| *Property, plant & equipment (Note 6)* | *2.877.651,04* | *1.113,74* | *2.878.764,78* |
| *Investment property (Note 7)* | *0,00* | *0,00* | *0,00* |
| *Total* | *3.097.231,43* | *1.312,93* | *3.098.544,36* |

*b)* *Year ended 31 December 2013*

*Segment I:* *Spain*
*Segment II:* *Rest of European Union and other countries*

| | *Segment I* | *Segment II* | *Total* |
|---|---|---|---|
| ***Net sales*** | | | |
| *External customers* | 75.728.962,60 | 11.271.364,68 | 87.000.327,28 |
| *Between segments* | 0,00 | 0,00 | 0,00 |
| *Other operating revenues* | 785.194,05 | 0,00 | 785.194,05 |
| *Change in inventories* | 919.210,22 | 0,00 | 919.210,22 |
| *Segment revenues* | 77.433.366,87 | 11.271.364,68 | 88.704.731,55 |
| | | | |
| ***Segment assets*** | | | |
| *Total assets* | 104.837.259,47 | 3.001.245,45 | 107.838.504,92 |
| | | | |
| ***Other segment information*** | | | |
| | | | |
| ***Investment in assets*** | | | |
| *Intangible assets (Note 5)* | 83.255,44 | 219,50 | 83.474,94 |
| *Property, plant & equipment (Note 6)* | 2.155.486,93 | 568,30 | 2.156.055,23 |
| *Investment property (Note 7)* | 0,00 | 0,00 | 0,00 |
| *Total* | 2.238.742,37 | 787,80 | 2.239.530,17 |

## *5. INTANGIBLE ASSETS*

*The variations in 2014 and 2013 are as follows:*

*a) Year ended 31 December 2014*

| | BALANCE 31.12.13 | RECOGNITION / PROVISION | DERECOGNITION | BALANCE 31.12.14 |
|---|---|---|---|---|
| **COST** | | | | |
| *Computer software* | *836,351.67* | *219,779.58* | | *1,056,131.25* |
| *Concessions, patents, licences, brands and similar* | *960,664.05* | | | *960,664.05* |
| *Distribution rights* | *703,184.16* | | *-703,184.16* | *0.00* |
| *Other intangible assets* | *55,000.00* | | | *55,000.00* |
| **TOTAL** | *2,555,199.88* | *219,799.58* | *-703,184.16* | *2,071,795.30* |
| **AMORTISATION** | | | | |
| *Computer software* | *-684,037.76* | *-110,462.67* | | *-794,500.43* |
| *Concessions, patents, licences, brands and similar* | *-960,664.05* | | | *-960,664.05* |
| *Distribution rights* | *-703,184.16* | | *703,184.16* | *0.00* |
| *Other intangible assets* | *-27,397.00* | *-5,496.00* | | *-32,893.00* |
| **TOTAL** | *-2,375,282.97* | *-115,958.67* | *703,184.16* | *-1,788,057.48* |
| **NET INTANGIBLE ASSETS** | **179,916.91** | | | **283,737.82** |

*In particular, distribution rights of the company Enraf Nonius Ibérica, S.A. were derecognised in the amount of 703,184.16.These rights had been fully amortised at 2013 year-end.*

*New software for improvement in the various areas of operations, including virtualisation of the Group's computing systems, was recognised in 2014.*

b) *Year ended 31 December 2013*

| | BALANCE 31.12.12 | RECOGNITION/ PROVISION | DERECOG NITION | BALANCE 31.12.13 |
|---|---|---|---|---|
| ***COST*** | | | | |
| *Computer software* | *757,701.73* | *83,474.94* | *-4,825.00* | *836,351.67* |
| *Concessions, patents, licences, brands and similar* | *960,664.05* | | | *960,664.05* |
| *Distribution rights* | *703,184.16* | | | *703,184.16* |
| *Other intangible assets* | *55,000.00* | | | *55,000.00* |
| ***TOTAL*** | *2,476,549.94* | *83,474.94* | *-4,825.00* | *2,555,199.88* |
| ***AMORTISATION*** | | | | |
| *Computer software* | *-584,402.35* | *-99,768.10* | *132.69* | *-684,037.76* |
| *Concessions, patents, licences, brands and similar* | *-960,664.05* | | | *-960,664.05* |
| *Distribution rights* | *-703,184.16* | | | *-703,184.16* |
| *Other intangible assets* | *-21,901.00* | *-5,496.00* | | *-27,397.00* |
| ***TOTAL*** | *-2,270,151.56* | *-105,264.10* | *132.69* | *-2,375,282.97* |
| ***NET INTANGIBLE ASSETS*** | ***206,398.38*** | | | ***179,916.91*** |

*The fully amortised items in use under this heading amounted to 1,586,688.34 euro as of 31 December 2014 and 2,100,945.84 euro as of 31 December 2013.*

## 6. PROPERTY, PLANT AND EQUIPMENT

*The variations in 2014 and 2013 are as follows:*

*a) Year ended 31 December 2014*

| | BALANCE 31.12.13 | TRANSFERS | RECOGNITION / PROVISIONS | DERECOGNITION / REDUCTIONS | BALANCE 31.12.14 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| Land and other structures | 7,176,721.71 | 392,325.36 | 0.00 | 0.00 | 7,569,047.07 |
| Plant and machinery | 1,858,255.08 | 0.00 | 123,573.95 | -2,826.00 | 1,979,003.03 |
| Other installations, tools and furniture | 16,476,317.96 | 14,731.70 | 1,231,198.98 | -4,486,181.95 | 13,236,066.69 |
| Other assets | 1,811,883.65 | 0.00 | 73,639.98 | 0.00 | 1,885,523.63 |
| In progress | 90,215.67 | -407,057.06 | 930,942.11 | 0.00 | 614,100.72 |
| **TOTAL** | 27,413,394.07 | 0.0 | 2,359,355.02 | -4,489,007.95 | 25,283,741.14 |
| **DEPRECIATION** | | | | | |
| Land and other structures | -2,959,495.62 | 0.00 | -164,788.63 | 0.00 | -3,124,284.250 |
| Plant and machinery | -1,258,908.72 | 0.00 | -93,969.18 | 1,752.04 | -1,351,125.86 |
| Other installations, tools and furniture | -12,919,555.30 | 0.00 | -1,219,015.62 | 4,441,449.09 | -9,697,121.83 |
| Other assets | -1,472,807.97 | 0.00 | -129,583.80 | 545.78 | -1,601,845.99 |
| **TOTAL** | -18,610,767.61 | 0.0 | -1,607,357.23 | 4,443,746.91 | -15,774,377.93 |
| **NET PROPERTY, PLANT AND EQUIPMENT** | **8,802,626.46** | | | | **9,509,363.24** |

*Recognitions in 2014 and 2013 relate mainly to tools for the various divisions.*

*The transfers are due to investment in structures, other installations and tools which were initially classified as in progress and, during 2014, were capitalised and, consequently, reclassified according to their nature. They refer basically to the expansion of the facilities of Group undertaking Luga Suministros Médicos, S.L. in Casarrubios del Monte (Toledo).*

*Notable derecognitions in 2014 include the process of clearing the Consolidated Statement of Financial Position of fully depreciated assets that were in disuse. The assets that were derecognised had a cost (and accumulated depreciation) of 4,428,973.44 euro.*

*b) Year ended 31 December 2013*

| | BALANCE 31.12.12 | TRANSFERS | RECOGNITION/ PROVISIONS | DERECOGNITION / REDUCTIONS | BALANCE 31.12.13 |
|---|---|---|---|---|---|
| **COST** | | | | | |
| Land and other structures | 7,176,721.71 | 0.00 | 0.00 | 0.00 | 7,176,721.71 |
| Plant and machinery | 1,652,559.60 | 0.00 | 230,571.48 | -24,876.00 | 1,858,255.08 |
| Other installations, tools and furniture | 21,663,005.52 | 0.00 | 1,847,462.91 | -7,034,150.47 | 16,476,317.96 |
| Other assets | 1,805,478.41 | 0.00 | 106,314.92 | -99,909.68 | 1,811,883.65 |
| In progress | 0.00 | 0.00 | 90,215.67 | 0.00 | 90,215.67 |
| **TOTAL** | 32,297,765.24 | 0.0 | 2,274,564.98 | -7,158,936.15 | 27,413,394.07 |
| **DEPRECIATION** | | | | | |
| Land and other structures | -2,797,492.15 | 0.00 | -162,003.47 | 0.00 | -2,959,495.62 |
| Plant and machinery | -1,174,564.50 | 0.00 | -84,344.22 | 0.00 | -1,258,908.72 |
| Other installations, tools and furniture | -17,426,355.28 | 0.00 | -1,128,062.59 | 5,634,862.57 | -12,919,555.30 |
| Other assets | -1,362,711.99 | 0.00 | -130,563.94 | 20,467.96 | -1,472,807.97 |
| **TOTAL** | -22,761,123.92 | 0.0 | -1,504,974.22 | 5,655,330.53 | -18,610,767.61 |
| **NET PROPERTY, PLANT AND EQUIPMENT** | **9,536,641.32** | | | | **8,802,626.46** |

*Derecognitions in 2013 relate to fixed assets disposed of in the Infusión business line, as detailed in Note 6.8.*

### *6.1. Revaluation of property, plant and equipment*

*The Parent Company availed itself of the asset revaluations allowed under Royal Decree-Law 7/1996, dated 7 June, and included the corresponding revaluation entries in the 1996 Consolidated Statement of Financial Position.*

*The increase in value or net capital gain was calculated using the revaluation coefficients depending on the year of acquisition of the asset.*

*Those coefficients were applied to both the cost and the accumulated depreciation, and the following values were obtained:*

| | **(euro)** |
|---|---|
| *Revaluation of cost* | *1,673,663* |
| *Revaluation of depreciation* | *-301,322* |
| *Net capital gain (before tax charge)* | *1,372,341* |

*The undepreciated amount of the revaluation was 68,183.37 euro as of 31 December 2013 and 64,948.41 euro as of 31 December 2014.*

*The effect of the revaluation on the following year's depreciation is not material.*

### *6.2. Items under finance lease*

*In 2011, the company signed a finance lease on motor vehicles. As required by IFRS, those vehicles are presented on the basis of their nature, under "Other property, plant and equipment" with the other items of transport equipment owned by the Consolidated Group.*

*The purchase option was exercised in 2013, there being no items under finance lease at 2013 or 2014 year-end at any of the undertakings in the Consolidated Group.*

*6.3. Fully depreciated assets*

*The Company has a number of fully depreciated items of property, plant and equipment which are not obsolete and are still in use.*

*The detail of the amount is as follows:*

| *Fully depreciated assets* | | *(euro)* |
|---|---|---|
| | *2014* | *2013* |
| *Structures* | *893,383.30* | *893,383.30* |
| *Installations, machinery, tools and furniture* | *8,469,678.79* | *11,969,278.68* |
| *Other tangible fixed assets* | *61,585.50* | *58,427.45* |
| ***TOTAL*** | ***9,424,647.59*** | ***12,921,089.43*** |

### *6.4. Impairment analysis*

*As of 31 December 2014 and 2013, the Group analysed whether there were any indicators of asset impairment. Since no such indications were observed, it was not considered necessary to perform impairment tests.*

### *6.5. Use in operations and insurance*

*All the property, plant and equipment is used in operations in pursuit of the object of the various undertakings within the consolidated group. Moreover, those assets are properly insured with sufficient coverage for common contingencies that may arise in the course of the undertaking's business, and none of them are subject to liens of any type.*

### *6.6. Capitalised financial expenses*

*There are no capitalised financial expenses and none that should be capitalised. In this regard, the Group has not received specific funding for the purchase of any item of property, plant and equipment.*

### *6.7. Property, plant and equipment with liens*

*In 2011, Prim, S.A. established a mortgage on the property at Calle C, Polígono Industrial número 1, Móstoles, in favour of the State Tax Agency as surety for the payment of the amounts assessed as a result of the tax audits of 2006 and 2007 (See note 20.4). For this purpose, the mortgaged property was appraised at 2,680,300.00 euro on 25 May 2011 by TasaMadrid.*

*The mortgage guarantees payment of the amount assessed under those audits against the parent company (Prim, S.A.) and its subsidiary (Enraf Nonius Ibérica, S.A.).*

### 6.8. Disposal of the Infusión business line

*The Parent Company (PRIM, S.A.) disposed of the INFUSIÓN line of business in 2013.*

*Under the contract for the sale of that line of business, the set of fixed (instrumental) assets associated with that line of business were disposed of. Specifically, the net carrying amount of the items disposed of was 1,364,337.20 euro (cost of 6,988,298.71 euro and accumulated depreciation amounting to 5,623,961.51 euro).*

## 7. INVESTMENT PROPERTY

*The variations in 2014 and 2013 are as follows:*

*a) Year ended 31 December 2014*

| | BALANCE 31.12.13 | RECOGNITION/ PROVISIONS | DERECOGNITION/ REDUCTIONS | BALANCE 31.12.14 |
|---|---|---|---|---|
| COST | | | | |
| Land and other structures | 4,235,065.32 | 0.00 | 0.00 | 4,235,065.32 |
| Other installations, tools and furniture | 1,734,168.19 | 0.00 | 0.00 | 1,734,168.19 |
| TOTAL | 5,969,233.51 | 0.00 | 0.00 | 5,969,233.51 |
| DEPRECIATION | | | | |
| Land and other structures | -909,615.04 | -75,688.56 | 0.00 | -985,303.60 |
| Other installations, tools and furniture | -1,711,148.33 | -4,841.88 | 0.00 | -1,715,990.21 |
| TOTAL | -2,620,763.37 | -80,530.44 | 0.00 | -2,701,293.81 |
| INVESTMENT PROPERTY | 3,348,470.14 | -80,530.44 | 0.00 | 3,267,939.70 |

*b) Year ended 31 December 2013*

| | BALANCE 31.12.12 | RECOGNITION/ PROVISIONS | DERECOGNITION/ REDUCTIONS | BALANCE 31.12.13 |
|---|---|---|---|---|
| COST | | | | |
| Land and other structures | 4,235,065.32 | 0.00 | 0.00 | 4,235,065.32 |
| Other installations, tools and furniture | 1,734,168.19 | 0.00 | 0.00 | 1,734,168.19 |
| TOTAL | 5,969,233.51 | 0.00 | 0.00 | 5,969,233.51 |
| DEPRECIATION | | | | |
| Land and other structures | -833,926.48 | -75,688.56 | 0.00 | -909,615.04 |
| Other installations, tools and furniture | -1,706,306.45 | -4,841.88 | 0.00 | -1,711,148.33 |
| TOTAL | -2,540,232.93 | -80,530.44 | 0.00 | -2,620,763.37 |
| INVESTMENT PROPERTY | 3,429,000.58 | -80,530.44 | 0.00 | 3,348,470.14 |

*The Group's real estate assets correspond to a building in Avenida de Llano Castellano 43 (Madrid) that is for lease to third parties.*

*General description of the leases*

*The leases refer to the building at Avenida del Llano Castellano, 43, in Madrid, which has a total gross lettable area of 7,329 square metres and 70 parking spaces.*

*In addition to the lettable area (which may not be used as dwelling space), the contracts generally include the lease of several parking spaces.*

*The contracts are governed by Act 29/1994, of 24 November on Urban Leases and, otherwise, by the applicable rules of the Civil Code and the Commercial Code.*

*Rent is adjusted each year in line with variations in the Consumer Price Index (for Spain as a whole), published by the Spanish National Statistics Institute (or any other body that takes its place) during the twelve months immediately preceding the date of the update or revision.*

*With regard to the duration of leases, two contracts are currently in effect:*
*- The first is for two years and was signed on 1 November 2013*
*- The second is for one year and was signed on 1 April 2014*
*Both contracts may be renewed by mutual agreement.*

*Analysis of impairment and fair value estimate at year-end*

*Investment property is measured and reported in the Consolidated Statement of Financial Position at historical cost.*

*Potential impairments are analysed at the end of each year, by comparing the historical value recognised in the books with the recoverable value, i.e. the fair value less the cost of sale, and the value in use, whichever is higher.*

*Recoverable value is analysed by comparing historical cost, per books, with the value in use estimated at year-end. The value in use is estimated on the basis of our market knowledge and professional judgment, together with other variables such as: lessee profile, future revenue flows, state of upkeep of the building and its installations, and estimates of necessary repairs in the future. All of this data is weighted for the specific features of the property market in the city of Madrid, where the investment property is located.*

*The value in use at year-end is determined by analysing the lease contracts in force at year-end, their estimated expiration and the projected future rental revenues. These assumptions yielded an estimated value in use using the revenue capitalisation approach.*

*At the end of 2014 and 2013, the value in use exceeded the historical cost, with the result that no correction in value was required.*

*Methods and assumptions used to determine the fair value of investment property*

*The value in use is determined at the end of each year using the revenue capitalisation approach, based on the following assumptions:*

- *The revenues to be capitalised are those collected as rent for leases, strictly speaking, i.e. excluding reimbursement of costs incurred by the lessor (surveillance, cleaning, etc.).*
- *All contracts in force at the end of the year were included.*
- *At year-end, an estimate is made for the next five years, and a perpetual rent is assumed thereafter.*
- *The lettable area is assumed to increase each year (by 20% of the available area, i.e. the area that is not leased at year-end, each year)*
- *Rent is assumed to increase in line with the inflation projected for the coming years (estimated at 2% year-on-year)*
- *A discount rate similar to WACC for the sector in which the company operates was used (10.1%).*
- *Using this assumption, a value in use of 6.9 million euro was calculated, confirming that there is no need to recognise any impairments by comparison with the carrying amount of the investment property*

*Impact on the recoverable value of investment property of a plausible change in the key assumptions*

*In compliance with IAS 1.122, below is disclosed the impact on the investment property's value in use of a plausible change in the key assumptions:*

| Increase in lettable area (as % of the total available) | Discount rate (%) | CPI (%) | Estimated value in use (million euro) |
|---|---|---|---|
| 20 | 10.1 | 2 | 6.9 |
| 20 | 10.1 | 4 | 7.5 |
| 10 | 10.1 | 2 | 5.6 |
| 10 | 10.1 | 4 | 6.1 |
| 20 | 8 | 2 | 9.1 |
| 20 | 8 | 4 | 9.9 |
| 10 | 8 | 2 | 7.4 |
| 10 | 8 | 4 | 8.0 |

*Breakdown of operating costs from investment property*

*Operating costs associated with the property which generated rent revenues totalled 95,751.92 euro in 2014 (158,900.42 euro in 2013), and operating costs which did not generate rent revenues totalled 148,121.97 euro in 2014 (237,496.31 euro in 2013).*

*Lease revenues from the property located at Llano Castellano amounted to 354,730.69 euro in 2014 and to 497,655.14 in 2013.*

*Operating costs which generate revenues are costs related to the specific property and, while they are originally borne by Prim, S.A., they are later passed on to tenants (security, cleaning, etc.).*

*Operating costs which do not generate revenues are those costs related to the specific property which are originally borne by Prim, S.A. and are not passed on to tenants; the most significant cost is depreciation of the property.*

*Recognition of accrued revenues from Investment property*

*Prim Group recognises rent revenues on a straight-line basis, in accordance with the rent amounts agreed with the tenants. Information related to the Group's operating leases is detailed in notes 23.1 and 4.3 of these Consolidated Financial Statements.*

*Minimum future receipts*

*As of 2013 year-end, the Group calculated the minimum future lease receipts under this lease contract. Those minimum payments were calculated for the next five years and are presented in the following table: (The discounted amount of minimum future payments was calculated using the WACC of the sector in which the company operates: 11.9% for 2013)*

| Year | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Not discounted | 508,387.71 | 582,152.34 | 658,664.19 | 738,003.66 | 820,253.24 |
| Discounted | 454,323.25 | 464,918.12 | 470,082.19 | 470,693.47 | 467,517.13 |

*The minimum future receipts calculated as of 2014 year-end, based on the WACC of the sector for 2014 (10.1%), are as follows:*

| Year | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Not discounted | 435,186.91 | 498,330.45 | 563,825.66 | 631,741.34 | 702,148.12 |
| Discounted | 395,265.14 | 411,095.56 | 422,457.36 | 429,922.35 | 434,002.41 |

*These are the minimum future payments that were taken into account to determine the year-end fair value and the impact on the investment property's recoverable value of a reasonably plausible change in key assumptions.*

## 8. INVESTMENT IN ASSOCIATES

*The detail of the Group's associates, carried by the equity method, and the variations in 2014 and 2013 are as follows:*

a) *Year ended 31 December 2014*

| COMPANY | Balance 31/12/13 | Income for the year | Changes in % ownership | Exchange differences | Balance 31/12/14 |
|---|---|---|---|---|---|
| Network Medical Products, Ltd. | 675.179,01 | 11.659,00 | 0,00 | 13.786,00 | 700.624,01 |
| TOTAL | 675.179,01 | 11.659,00 | 0,00 | 13.786,00 | 700.624,01 |

*The balance of the "Exchange differences" column in 2014 is due to the following: as of 2013 year-end, the equity of Network Medical Products, Ltd. was measured at the euro/sterling exchange rate as of 31 December 2013 whereas, as of 2014 year-end, that equity was measured using the euro/sterling exchange rate as of 31 December 2014.*

b) *Year ended 31 December 2013*

| COMPANY | Balance 31/12/12 | Income for the year | Changes in % ownership | Exchange differences | Balance 31/12/13 |
|---|---|---|---|---|---|
| Network Medical Products, Ltd. | 661.520,01 | 35.188,00 | -2.579,93 | -18.949,07 | 675.179,01 |
| TOTAL | 661.520,01 | 35.188,00 | -2.579,93 | -18.949,07 | 675.179,01 |

*The "Change in percentage of ownership" column reflects the change in the percentage of ownership of the company Network Medical Products, Ltd., from 44.07% as of 2012 year-end to 43.68% as of 2013 year-end.*

*The balance of the "Exchange differences" column in 2013 is due to: as of 2012 year-end, the equity of Network Medical Products, Ltd. was measured at the euro/sterling exchange rate as of 31 December 2012 whereas, as of 2013 year-end, that equity was measured using the euro/sterling exchange rate as of 31 December 2013.*

*The information about the main associates is as follows:*

*a) Year ended 31 December 2014*

| *Figures in euro* | *Network Medical Products, Ltd* |
|---|---|
| *Assets* | *1.635.227,22* |
| *Liabilities* | *351.899,15* |
| *Income for the year* | *26.363,31* |
| *Revenues* | *4.745.256,38* |

*b) Year ended 31 December 2013*

| *Figures in euro* | *Network Medical Products, Ltd* |
|---|---|
| *Assets* | *1.780.446,52* |
| *Liabilities* | *560.941,61* |
| *Income for the year* | *80.559,04* |
| *Revenues* | *4.720.068,70* |

## 9. OTHER NON-CURRENT FINANCIAL ASSETS AND DEFERRED TAX ASSETS

*The variations in 2014 and 2013 are as follows:*

| OTHER NON-CURRENT FINANCIAL ASSETS AND DEFERRED TAX ASSETS (euro) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Available-for-sale investments | | | | Held to maturity | Loans and receivables | Deferred tax assets | Total |
| | Equity holdings | | | | | | | |
| | Cost | Correction for impairment | Net value | Debt securities | Debt securities | | | |
| **Balance as of 31.12.12** | **7.624.086,89** | **-3.510.633,66** | **4.113.453,23** | **0,00** | **100.000,00** | **234.019,16** | **0,00** | **4.447.472,39** |
| **Recognitions/Provisions** | 0,00 | | 0,00 | | 13.407.296,75 | 6.427,27 | 133.853,48 | **13.547.577,50** |
| **Period provisions** | | -4.018,97 | -4.018,97 | | | | | **-4.018,97** |
| **Derecognition** | 0,00 | 82.140,82 | 82.140,82 | | -2.004.428,00 | -50.374,95 | | **-1.972.662,13** |
| **Balance as of 31.12.13** | **7.624.086,89** | **-3.432.511,81** | **4.191.575,08** | **0,00** | **11.502.868,75** | **190.071,48** | **133.853,48** | **16.018.368,79** |
| **Recognitions/Provisions** | 0,00 | | 0,00 | 10.069.014,06 | | 23.026,61 | 189.660,85 | **10.281.701,52** |
| **Period provisions** | | -121.472,91 | -121.472,91 | | | | | **-121.472,91** |
| **Derecognition** | -7.500,00 | | -7.500,00 | -2.016.398,00 | | -12.299,69 | | **-2.036.197,69** |
| **Transfers** | | | | 11.502.868,75 | -11.502.868,75 | | | |
| **Balance as of 31.12.14** | **7.616.586,89** | **-3.553.984,72** | **4.062.602,17** | **19.555.484,81** | **0,00** | **200.798,40** | **323.514,33** | **24.142.399,71** |
| Valuation standard | | | Fair value | Fair value | Amortised cost (*) | Amortised cost | Amortised cost | |

### 9.1. Equity instruments available for sale

*Equity instruments available for sale in this section of the Consolidated Statement of Financial Position (apart from the stake in Alphatec) are measured at historical cost due to the impossibility of measuring fair (market) value since they are not listed in an organised market and it is impossible to obtain information about comparable transactions that would enable us to obtain a market value other than historical cost.*

*The equity instruments classified as Financial assets available for sale which do not have a listed market price are measured at cost in accordance with IAS 39.*

*Measurement at amortised cost means that:*

a) *the assets are measured initially at fair value, which is equivalent to the fair value of the consideration delivered plus the directly attributable transactions costs.*
b) *they are subsequently measured at amortised cost. Accrued interest is recognised in profit and loss using the effective interest rate method.*

c) *at year-end, the necessary value adjustments are made if there is objective evidence that the asset value has been impaired. The impairment loss is the difference between the instrument's carrying amount and its market value.*

*The shares in Alphatec are measured at their market price on NASDAQ, applying the year-end exchange rate.*

*The amount of these available-for-sale investments increased by 78,121.85 euro in 2013 as a result of the following transactions:*

a) *Increase in the valuation of Alphatec by 82,140.82 euro, recognised as value adjustments in net equity.*

b) *The carrying amount of the investment in Choice Therapeutics was reduced by 966.51 euro.*

c) *The carrying amount of the investment in Tissuemed was reduced by 3,052.46 euro.*

*The carrying amount of these available-for-sale investments was reduced by 128,972.91 euro in 2014 as a result of the following transactions:*

a) *The investment in ESTA Healthcare, which was recognised at acquisition cost (7,500.00 euro), was reduced*

b) *The carrying amount of Alphatec was reduced by 117,558.91 euro*

c) *The carrying amount of Tissuemed was reduced by 3,914.00 euro*

*The breakdown of equity instruments available for sale as of 31 December 2014 is as follows:*

| | 31/12/2013 | | | Changes in 2014 | | 31/12/2014 | | |
|---|---|---|---|---|---|---|---|---|
| **Investment to which correction refers** | **Cost** | **Correction** | **Net carrying amount** | **Cost** | **Correction** | **Cost** | **Correction** | **Net carrying amount** |
| Hesperis Chirurgical | 600.00 | -600.00 | 0.00 | 0.00 | 0.00 | 600.00 | -600.00 | 0.00 |
| Alphatec | 1,999,998.04 | -1,421,381.55 | 578,616.49 | 0.00 | -117,558.91 | 1,999,998.04 | -1,538,940.46 | 461,057.58 |
| Esta HealthCare | 7,500.00 | 0.00 | 7,500.00 | -7,500.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SAS SAFE | 226,400.00 | -226,400.00 | 0.00 | 0.00 | 0.00 | 226,400.00 | -226,400.00 | 0.00 |
| Choice Therapeutics | 305,250.31 | -305,250.31 | 0.00 | 0.00 | 0.00 | 305,250.31 | -305,250.31 | 0.00 |
| Tissuemed | 276,701.72 | -235,304.76 | 41,396.96 | 0.00 | -3,914.00 | 276,701.72 | -239,218.76 | 37,482.96 |
| Saarema | 4,807,636.82 | -1,243,575.19 | 3,564,061.63 | 0.00 | 0.00 | 4,807,636.86 | -1,243,575.19 | 3,564,061.63 |
| Total | 7,624,086.89 | -3,432,511.81 | 4,191,575.08 | -7,500.00 | -121,472.91 | 7,616,586.93 | -3,553,984.72 | 4,062,602.17 |

*The breakdown of equity instruments available for sale as of 31 December 2013 is as follows:*

| | 31/12/2012 | | | Changes in 2013 | | 31/12/2013 | | |
|---|---|---|---|---|---|---|---|---|
| Investment to which correction refers | Cost | Correction | Net carrying amount | Cost | Correction | Cost | Correction | Net carrying amount |
| Hesperis Chirurgical | 600.00 | -600.00 | 0.00 | 0.00 | 0.00 | 600.00 | -600.00 | 0.00 |
| Alphatec | 1,999,998.04 | -1,503,522.37 | 496,475.67 | 0.00 | 82,140.82 | 1,999,998.04 | -1,421,381.55 | 578,616.49 |
| Esta HealthCare | 7,500.00 | 0.00 | 7,500.00 | 0.00 | 0.00 | 7,500.00 | 0.00 | 7,500.00 |
| SAS SAFE | 226,400.00 | -226,400.00 | 0.00 | 0.00 | 0.00 | 226,400.00 | -226,400.00 | 0.00 |
| Choice Therapeutics | 305,250.31 | -304,283.80 | 966.51 | 0.00 | -966.51 | 305,250.31 | -305,250.31 | 0.00 |
| Tissuemed | 276,701.72 | -232,252.30 | 44,449.42 | 0.00 | -3,052.46 | 276,701.72 | -235,304.76 | 41,396.96 |
| Saarema | 4,807,636.82 | -1,243,575.19 | 3,564,061.63 | 0.00 | 0.00 | 4,807,636.82 | -1,243,575.19 | 3,564,061.63 |
| Total | 7,624,086.89 | -3,510,633.66 | 4,113,453.23 | 0.0.00 | 78,121.85 | 7,624,086.89 | -3,432,511.81 | 4,191,575.08 |

### *9.2. Debt securities*

*These are debt securities, specifically bonds issued by public institutions and private undertakings of acknowledged solvency, in which cash surpluses are invested.*

*The Group intended to maintain its investments in long-term debt securities until maturity; consequently, at 2013 year-end, those investments were measured at amortised cost. However, during 2014 it became apparent that these investments would be realised if more attractive investment opportunities became available; consequently, they were reclassified as available for sale. As a result, those investments are recognised as of 31 December 2014 not at amortised cost but, rather, at fair value (as is appropriate for financial assets classified as available for sale).*

*Investments in long-term debt securities available for sale are mainly fixed-income securities in which the Parent Company's cash surpluses have been invested (particularly as a result of the implementation of the Supplier Payment Plan). These are debt securities issued by public institutions and private undertakings of acknowledged solvency which are traded in organised secondary markets.*

*The balance of those investments as of 2014 year-end was 19,555,484.41 euro, as detailed below, showing also the Moody's credit rating.*

| *Type of investment* | *Amount* | *Rating* |
|---|---|---|
| *Tesoro Público* | *7.563.034,58* | *Baa2* |
| *Castilla y Leon* | *2.772.023,80* | *Baa2* |
| *Comunidad de Madrid* | *100.764,00* | *Baa2* |
| *Bonos Europa* | *2.090.520,00* | *A2* |
| *Bonos empresa ICO* | *3.469.742,06* | *Baa2* |
| *Mutual funds* | *3.019.400,37* | *N.A.* |
| *Long-term deposits, etc.* | *540.000,00* | *N.A.* |
| *Total* | *19.555.484,81* | |

*The balance of those investments as of 2013 year-end was 11,502,868.75 euro, as detailed below.*

| *Type of investment* | *Amount (euro)* |
|---|---|
| *Tesoro Público* | *5,897,587.75* |
| *Castilla y León bonds* | *2,513,865.00* |
| *Comunidad Autónoma de Madrid bonds* | *100,000.00* |
| *Europa bonds* | *2,000,000.00* |
| *Company bonds (issued by ICO)* | *991,416.00* |
| *Total long-term debtors and other accounts receivable* | *11,502,868.75* |

*Those investments are classified below on the basis of their credit rating from Moody's:*

| Type of investment | Amount (euro) |
|---|---|
| A2 | 2,000,000.00 |
| Baa2 | 6,889,003.75 |
| Baa3 | 2,613,865.00 |
| Total long-term debtors and other accounts receivable | 11,502,868.75 |

*The fair value of financial instruments in the form of debt securities as of 31 December 2013 was as follows:*

| Description | Carrying amount as of 31/12/2013 | Market value as of 31/12/2013 | Maturity | Nominal yield |
|---|---|---|---|---|
| COMUNIDAD DE MADRID BONDS | 100,000.00 | 102,201.00 | 2015 | 4.75 |
| TESORO 30/07/25 | 993,694.75 | 1,001,276.25 | 2025 | 4.65 |
| INSTITUTO CREDITO OFICIAL | 991,416.00 | 1,014,336.00 | 2018 | 4.00 |
| TESORO BONO 31/01/24 | 987,493.00 | 1,053,900.00 | 2024 | 4.80 |
| TESORO BONO 30/07/25 | 1,920,400.00 | 2,051,200.00 | 2025 | 4.65 |
| TESORO BONO 14/05/18 | 1,996,000.00 | 2,038,800.00 | 2018 | 3.13 |
| CASTILLA LEON BONDS 05-12-2016 | 500,118.00 | 500,560.80 | 2016 | 3.00 |
| CASTILLA LEON BONDS 17-03-19 | 2,013,747.00 | 2,054,670.40 | 2019 | 3.38 |
| EUROPE BONDS 2019 | 2,000,000.00 | 1,987,340.00 | 2019 | 3.70 |
| LONG-TERM DEBT SECURITIES | 11,502,868.75 | 11,804,284.45 | | |

*As of 31 December 2014, those financial instruments in the form of debt securities were recognised at fair value.*

*The debt securities in this item of the Consolidated Statement of Financial Position are financial instruments that are traded in an active market; accordingly, the market value is determined based on the price in that market. Consequently, for the purpose of the levels referred to in paragraph 97 of IFRS 13, all these financial instruments are classified as level 1.*

*Some of those financial instruments were disposed of in 2013, as follows:*

| Securities | BBVA Senior Fin 3.25% | Santander inti Debt 4% | Total |
|---|---|---|---|
| Disposal date | 11/10/2013 | 11/10/2013 | |
| Disposal amount | 1,049,523.38 | 1,093,392.15 | 2,142,915.53 |
| Derecognised cost (1) | 1,003,309.00 | 993,460.00.00 | 1,996,769.00 |

*(1) The amount for which these financial assets were derecognised (1,996,769.00 euro) is included in the total amount of derecognitions (2,004,428.00) stated in the table at the beginning of this Note 9 to the Consolidated Financial statements as derecognition of "Investment in debt securities".*

*Some of those financial instruments were disposed of in 2014, as follows:*

| Securities | Bonos del Tesoro (Caixa) | Total |
|---|---|---|
| Disposal date | 26/03/2014 | |
| Disposal amount | 2,151,378.36 | 2,151,378.36 |
| Derecognised cost (1) | 1,996,000.00 | 1,996,000.00 |

(1) The amount for which this investment was derecognised (1,996,000.00 euro) is included in the total amount of derecognitions (2,016,398.00) stated in the table at the beginning of this Note 9 to the Consolidated Financial statements as derecognition of "Investment in debt securities".

*Investments amounting to 10,069,014.06 euro were recognised in 2014. That amount comprises new investments in 2014 (7,848,500.00 euro) and the revaluation performed as of 31 December 2014 to adapt the carrying amount of the investments to their year-end fair value (2,220,514.06 euro for all the long-term debt securities recognised in this item of the Consolidated Statement of Financial Position).*

### 9.3. Loans and receivables

*The balance as of 31 December 2013 was a loan for a non-material amount (12,293.07 euro) by one of the group undertakings and long-term deposits provided by a number of group undertakings arising from lease contracts signed by those companies as lessees (177,778.41 euro).*

*The loan referred to in the preceding paragraph was derecognised in 2014, with the result that the balance as of 31 December 2014 (200,798.40 euro) related entirely to long-term deposits provided by a number of Prim Group undertakings arising from lease contracts signed by those companies as lessees.*

### 9.4. Deferred tax assets

*The deferred tax asset recognised in 2013 arose at the controlling company of the consolidated Group (Prim, S.A.) from the application of current tax law in 2013, under which 30% of book depreciation was not considered to be tax deductible in the year 2013 and was carried forward for deduction in the years 2015 to 2024 (with some exceptions set out in tax law).*

*The deferred tax assets recognised in 2014 are due mainly to the application of tax law in force in 2013 and 2014 under which 30% of book depreciation was not considered to be tax deductible in the year, amounting to 288,246.66 euro. The other 35,267,67 euro arose from the tax effect of remeasuring the investment in Alphatec (classified as available for sale) at fair value.*

*None of the Consolidated Group companies recognise deferred tax assets for tax losses available for carryforward.*

*It was decided not to recognise deferred tax assets for tax losses available for carryforward because of reasonable doubts about the recoverability of these amounts as a result of the track record of the companies involved, which have reported losses in recent years that raise doubts about the possibility of offsetting those tax losses in the future.*

*Those doubts were heightened by the fact that certain tax losses generated at Prim group companies expired.*

## *10. GOODWILL AND BUSINESS COMBINATIONS*

*The detail of goodwill in the various CGUs to which it is assigned, and the variations in 2014 and 2013, are as follows:*

| **GOODWILL** | | | **(euro)** |
|---|---|---|---|
| | BALANCE 31.12.12 | RECOGNITION | BALANCE 31.12.13 |
| Luga Suministros Médicos, S.L. | 1.573.996,00 | 0,00 | 1.573.996,00 |
| Goodwill | 1.573.996,00 | 0,00 | 1.573.996,00 |

| **GOODWILL** | | | **(euro)** |
|---|---|---|---|
| | BALANCE 31.12.13 | RECOGNITION | BALANCE 31.12.14 |
| Luga Suministros Médicos, S.L. | 1.573.996,00 | 0,00 | 1.573.996,00 |
| Goodwill | 1.573.996,00 | 0,00 | 1.573.996,00 |

*The goodwill relates entirely to the company Luga Suministros Médicos, S.L., which was acquired at the end of 2005.*

*The premium paid for the stake in Luga Suministros Médicos, S.L. could not be assigned to specific assets and liabilities of that company and is justified by the synergy that was expected to be obtained. That synergy is due basically to:*

- *They engage in activities that are expected to be complementary in the future.*
- *They share many customers, both actual and potential*

*As of 2014 year-end, an impairment test of that goodwill was performed by estimating its value in use from projections of cash flow based on the operating results and business projections of Luga Suministros Médicos, S.L. The future operating cash flows were estimated for the period 2015-2019. Those cash flows were discounted in 2014 using the weighted average cost of capital (WACC), 10.10%, based on market interest rates and the risk premium associated with the company's business.*

*That discount rate was applied to projected future cash flows, which were estimated from projections for the next five years and applying a growth rate projected beyond the fifth year, as follows:*

| Year | Projected percentage of increase in net revenues |
|---|---|
| 2014 | 3.00% |
| 2015 | 3.00% |
| 2016 | 3.00% |
| 2017 | 3.00% |
| 2018 | 3.00% |
| Subsequent years | 1.00% |

*An analysis of sensitivity to variations in projected growth and W.A.C.C. gave the following results:*

| WACC | Growth | Calculated valuation (million euro) |
|---|---|---|
| 10.1 | 2 | 4.7 |

| WACC | Growth | Calculated valuation (million euro) |
|---|---|---|
| 11.1 | 2 | 4.3 |
| 9.1 | 2 | 5.3 |

*Estimates were based on projections for the coming years, in view of the current economic situation. The Management of Prim considers an adverse change in the assumptions that would reduce future cash flows to less than the carrying amount to be unlikely.*

*Since the calculations did not reveal the need to recognise an impairment at 2014 year-end, no value adjustment was made in connection with the goodwill in consolidation.*

### 11. INVENTORIES

*The detail of this caption as of 31 December 2014 and 2013 is as follows:*

| Figures in euro | BALANCE 31/12/2014 | BALANCE 31/12/2013 |
|---|---|---|
| Commercial | 17.561.808,63 | 16.409.524,73 |
| Raw materials and other purchases | 2.256.152,29 | 1.935.336,07 |
| Semi-finished products and products in process | 722.177,13 | 925.678,01 |
| Finished products | 1.920.967,68 | 1.500.212,72 |
| Byproducts and waste | 0,00 | 0,00 |
| Supplier advances | 979.715,65 | 680.290,88 |
| Value adjustments | -2.631.307,18 | -2.979.783,51 |
| **Total** | **20.809.514,20** | **18.471.258,90** |

*The variation in the inventory value adjustments was included in the Consolidated Income Statement under "Variation in operating provisions". (Note 23.7)*

*The balance of the impairment was reduced by 482,696.33 euro in 2013, from 3,462,479.84 as of 2012 year-end to 2,979,783.51 euro as of 2013 year-end.*

*The balance of the impairment was reduced by 348,476.33 euro in 2014, from 2,979,783.51 euro as of 2013 year-end to 2,631,307.18 euro as of 2014 year-end.*

*The criterion for recognising a provision for inventory obsolescence and, therefore, recognising an inventory valuation adjustment, did not change in 2014. The approach is to classify as obsolete any product which has been in the company's catalogue for more than one year but which has not registered any purchases or sales in the last six months.*

*The reduction in the inventory valuation adjustment recognised in 2014 was due simply to a lower amount of inventory obsolescence recognised at year-end, mainly because of the improvement in stock rotation in 2014, resulting in a reduction in the balance of inventories susceptible to being provisioned for obsolescence.*

## *12. TRADE AND OTHER ACCOUNTS RECEIVABLE*

*The detail of this caption as of 31 December 2014 and 2013 is as follows:*

| *Figures in euro* | *BALANCE 31/12/2014* | *BALANCE 31/12/2013* |
|---|---|---|
| *Trade receivables for sales and services* | *0,00* | *2.756.174,90* |
| ***Total non-current*** | ***0,00*** | ***2.756.174,90*** |
| *Trade receivables for sales and services* | *43.433.830,93* | *54.661.967,92* |
| *Other receivables* | *774.534,51* | *768.254,04* |
| *Personnel receivables* | *112.145,90* | *118.150,16* |
| *Public authorities (Note 20.3)* | *90.888,61* | *59.407,50* |
| *Value adjustments* | *-1.863.619,42* | *-2.583.144,48* |
| *Accrual adjustments* | *0,00* | *0,00* |
| ***Total current*** | ***42.547.780,53*** | ***53.024.635,14*** |
| ***Total*** | ***42.547.780,53*** | ***55.780.810,04*** |

*The breakdown of long-term "Customer receivables for sales and services" is as follows:*

| | 2014 | 2013 |
|---|---|---|
| *Customer receivables classified as long-term* | *0.00* | *2,021,529.44* |
| *Trade accounts receivable due to sale of line of business* | *0.00* | *734,645.46* |
| *Long-term customer receivables for sales and services* | *0.00* | *2,756,174.90* |

*Customer receivables classified as long-term*

*The "Trade receivables for sales and services" item contains the collection rights arising from the group's commercial activity. Customer receivables generally do not earn interest. Nevertheless, where public entities significantly delay the settlement of their debts, interest is claimed, in accordance with current legislation, and is collected in execution of court decision.*

*The balance of long-term "Customer receivables for sales and services" corresponds to the Group's analysis of days' sales outstanding based on historical data and an estimate of that item's future performance. As a result, the Group concluded that it needed to reclassify part of its customer receivables as "long-term" since the days' sales outstanding exceeded 365 days.*

*This situation was evidenced in the case of several regional governments. However, only those balances that the Group did not include under the "Supplier Payment Plan" were so reclassified, since the outstanding customer balances included under the plan are expected to be paid in a period of less than 12 months as from year-end.*

*The Group does not discount long-term customer accounts receivable balances since the effect is non-material.*

*At the end of each year, the consolidated Group companies analyse the status of customer balances to ascertain the need to recognise impairment. The analysis is based on the age of balances with customers whose balance is positive at the closing date. No corrections are recognised for public sector customers, since there are no reasonable doubts as to the recoverability of the Group companies' balances with public administrations.*

*The changes in the value adjustments in 2014 and 2013 are as follows:*

| | 2014 | 2013 |
|---|---|---|
| *Beginning balance* | *-2,583,144.48* | *-2,568,447.83* |
| *Provisions* | *-1,863,619.42* | *-2,583,144.48* |
| *Releases* | *2,583,144.48* | *2,568,447.83* |
| *Ending balance* | *-1,863,619.42* | *-2,583,144.48* |

*Trade accounts receivable due to disposal of a business line*

*The Parent Company disposed of the Infusión business line in 2013.*

*As of 31 December 2013, this item in the Consolidated Statement of Financial Position, amounting to 734,645.46 euro, represented the part of the sale price to be received in 2015 under the sale agreement for that line of business.*

*In 2014, that amount was classified as short-term accounts receivable on the basis of its maturity. That amount was received in February 2015.*

## 13. OTHER CURRENT FINANCIAL ASSETS

*The detail of this caption in the Consolidated Statement of Financial Position as of 31 December 2014 and 2013 is as follows:*

| | Loans to companies | Time deposits | Debt securities | Other financial assets (1) | Short-term accruals | Total |
|---|---|---|---|---|---|---|
| Balance as of 31 December 2012 | 11.882,99 | 17.143.484,07 | | 550.000,00 | 431,96 | 17.705.799,02 |
| Balance as of 31 December 2013 | 12.084,54 | 15.691,34 | 208.709,33 | 650.000,00 | 520,62 | 887.005,83 |
| Balance as of 31 December 2014 | 12.299,84 | 4.598,34 | 4.412.197,26 | 0,00 | 4.359,08 | 4.433.454,52 |
| Valuation standard | Amortised cost | Amortised cost | Amortised cost | Amortised cost | Amortised cost | |

*The "Other financial assets" item includes short-term deposits at various credit institutions maturing at over 3 months from the dates they were arranged, which justifies their inclusion under this section of the Consolidated Statement of Financial Position and not under Cash and cash equivalents.*

*The Debt securities item includes investments in fixed-income securities of cash surpluses, which arose mainly from the Supplier Payment Plan and, to a lesser extent, from the Autonomous Region Liquidity Fund.*

*The fair value of financial assets does not differ materially from their respective carrying amount.*

## 14. CASH AND CASH EQUIVALENTS

*The detail of this caption as of 31 December 2014 and 2013 is as follows:*

| Cash | BALANCE 31/12/2014 | BALANCE 31/12/2013 |
|---|---|---|
| Cash on hand in domestic currency | 31.968,14 | 38.864,19 |
| Cash on hand in foreign currency | 4.152,92 | 2.618,86 |
| Subtotal Cash on hand | 36.121,06 | 41.483,05 |
| Cash at banks in domestic currency | 8.877.107,61 | 1.613.729,32 |
| Cash at banks in foreign currency | 361.128,75 | 445.660,47 |
| Subtotal Cash at Banks | 9.238.236,36 | 2.059.389,79 |
| **Total** | **9.274.357,42** | **2.100.872,84** |

*The balances at banks are detailed below, by credit rating. The ratings are provided by Fitch Ratings.*

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| AAA | 0,00 | 0,00 |
| AA | 0,00 | 0,00 |
| A | 0,00 | 0,00 |
| A- | 5.444.622,87 | |
| BBB+ | 1.969.411,41 | 636.299,67 |
| BBB- | 525.881,92 | 424.372,32 |
| BB+ | 1.234.255,61 | 663.488,38 |
| BB- | 0,00 | 217.676,96 |
| B+ | 0,00 | 77.957,54 |
| CCC | 0,00 | 0,00 |
| CC | 0,00 | 0,00 |
| C | 0,00 | 0,00 |
| D | 0,00 | 0,00 |
| N.A. (*) | 64.064,55 | 39.594,92 |
| TOTAL | 9.238.236,36 | 2.059.389,79 |

*(*) These balances are for credit institutions to which Fitch Ratings has not assigned a rating.*

## *15. EQUITY*

### *15.1. Share capital*

*All the shares are listed on the Madrid Stock Exchange; they have also been listed on the Valencia Stock Exchange since 8 February 2005.*

*On 14 March 2005, the National Securities Market Commission (CNMV) notified Prim that it had decided that Prim's shares would be traded by the fixing mechanism. The change of trading method took effect on 1 April 2005.*
*On 1 June 2005, PRIM, S.A.'s shares commenced trading on the electronic market.*

*As of 31 December 2014 and 2013, the capital stock of Prim, S.A. amounted to 4,336,781.00 euro, represented by 17,347,124 shares of 0.25 euro par value each, all of which were fully paid and had the same rights and obligations. The shares are represented by book entries.*

*Resolutions by the Parent Company's governing bodies in 2014 and 2013 that affected equity were as follows:*

- *27 March 2013*

*The Board of Directors*

  - *Authorised the financial statements, directors' report, and distribution of income for the Parent Company, as well as the financial statements and directors' report for the Consolidated Group, for 2012, and proposed to submit them to the General Meeting of Shareholders for approval.*
  - *Approved the full text of the Annual Corporate Governance Report for 2012.*

- *29 June 2013*

*The General Meeting of Shareholders*

  - *Approved the separate financial statements (balance sheet, income statement, statement of recognised revenues and expenses, statement of total changes in net equity, cash flow statement, and notes to financial statements) and the directors' report of the parent company, and the consolidated financial statements (consolidated statements of financial position, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes to net equity, consolidated cash flow statements and consolidated notes to financial statements) and the directors' report of Prim, S.A. and Dependent companies for the year 2012,*

  - *the Annual Corporate Governance Report, and the proposed distribution of income, consisting of a gross dividend of 3,300,000.00 euro.*
  - *Approved the Board of Directors' performance in 2012.*
  - *Approved the report drawn up by the Board of Directors on 22 May 2013 on the remuneration policy for the current year and the application of the remuneration policy in force in the preceding year.*

- *27 February 2014*

*The Board of Directors*

  - *Approved the Board of Directors Regulation.*

- *31 March 2014*

*The Board of Directors*

  - *Authorised the financial statements, directors' report, and distribution of income for the Parent Company, as well as the financial statements and directors' report for the Consolidated Group for 2013, and proposed to submit them to the General Meeting of Shareholders for approval.*
  - *Approved the full text of the Annual Corporate Governance Report for 2013.*

- *28 June 2014*

*The General Meeting of Shareholders*

  - *Authorised the separate financial statements (balance sheet, income statement, statement of recognised revenues and expenses, statement of total changes in net equity, cash flow statement, and notes to financial statements) and the directors' report of the parent company, and the consolidated financial statements (consolidated statements of financial position, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes to net equity, consolidated cash flow statements and consolidated notes to financial statements) and the directors' report of Prim, S.A. and Dependent companies for the year 2013, the Annual Corporate Governance Report, and the proposed distribution of income, consisting of a gross dividend of 3,500,000.00 euro.*

  - *Approved the Board of Directors' performance in 2013.*

- *22 December 2014*

*The Board of Directors*

  - *Declared an interim dividend out of income for the year amounting to 0.055 euro per share, payable on 16 January 2015.*

### *15.2. Reserve for amortised capital*

*In compliance with current legislation, the Group has recognised reserves for the amount by which capital has been reduced in preceding years. Under current legislation, this reserve is restricted. The detail of the reserve, in terms of the years in which it was recognised, is as follows:*

| *Year of capital reduction* | *(euro)* |
| --- | --- |
| *1997* | *774,103.96* |
| *2001* | *362,861.00* |
| *2002* | *119,850.00* |
| ***TOTAL*** | ***1,256,814.96*** |

### *15.3. Legal reserve*

*This reserve has reached the required level of 20% of capital stock. In accordance with the Spanish Capital Companies Act, the balance of this reserve may only be used to offset losses in the income statement if there are no other unrestricted reserves available for this purpose, or to increase capital stock, provided that its balance is not reduced to less than 10% of the increased amount of capital stock.*

### *15.4. Revaluation reserve*

*The balance of this item is the Revaluation Reserve under Royal Decree-Law 7/1996, dated 7 June, which was recognised in the 1996 Consolidated Statement of Financial Position and is the result of revaluing the Parent Company's property, plant and equipment in accordance with the regulations governing those transactions, less the 3% tax charge applied to the revaluations.*

*The revaluation entries and the balance of this reserve were approved by the tax inspection authorities on 24 November 1998. From the date of approval of the reserve, it may be used to offset book losses, increase capital stock at the company, or, from 31 December 2006 (ten years after the date of the balance sheet disclosing the revaluation), it may be transferred to unrestricted reserves.*

*The detail of the Revaluation Reserve is as follows:*

| Figures in euro | BALANCE 31/12/2013 | CHANGES | BALANCE 31/12/2014 |
|---|---|---|---|
| Revaluation of property, plant and equipment (note 6) | 596,399.45 | 0.00 | 596,399.45 |
| Tax charge (3% of the revaluation) | -17,891.98 | 0.00 | -17,891.98 |
| Total | 578,507.47 | 0.00 | 578,507.47 |

### 15.5. Own shares

*The variations in 2014 and 2013 are as follows:*

a) *Year ended 31 December 2014*

| Figures in euro | Number of securities | Measured at cost |
|---|---|---|
| Situation as of 31 December 2013 | 352.772,00 | 2.017.689,96 |
| Acquisitions | 123.310,00 | 725.647,62 |
| Shares received in capital increases | 0,00 | 0,00 |
| Decreases | -272.843,00 | -1.563.168,27 |
| Situation as of 31 December 2014 | 203.239,00 | 1.180.169,31 |

b) *Year ended 31 December 2013*

| Figures in euro | Number of securities | Measured at cost |
|---|---|---|
| Situation as of 31 December 2012 | 384.940,00 | 2.272.336,11 |
| Acquisitions | 149.426,00 | 797.448,93 |
| Shares received in capital increases | 0,00 | 0,00 |
| Decreases | -181.594,00 | -1.052.095,08 |
| Situation as of 31 December 2013 | 352.772,00 | 2.017.689,96 |

*Own shares represented the following percentages of total outstanding shares as of 31 December 2014 and 2013 :*

| DESCRIPTION | 31/12/14 | 31/12/13 |
|---|---|---|
| No. of treasury shares | 203,239 | 352,772 |
| Total no. of outstanding shares | 17,347,124 | 17,347,124 |
| Treasury shares as % of total | 1.17% | 2.03% |

*Own shares were sold at a loss of 49,204.03 euro in 2013 and a gain of 12,410.83 euro in 2014.*

### *15.6. Reserves at fully consolidated companies*

*The detail of this item for the years ended 31 December 2014 and 2013 is as follows:*

*a) Year ended 31 December 2014*

| | E.O.P. S.A. | Enraf Nonius Ibérica , S.A. | Siditemedic S.L. | Enraf Nonius Ibérica Portugal, S.A. | Luga Suministros Médicos S.L. | Inmobiliaria Catharsis, S.A. | Total |
|---|---|---|---|---|---|---|---|
| Legal reserve | 102.170,03 | 79.333,60 | 607,01 | 15.124,85 | 1.202,02 | 23.642,25 | 222.079,76 |
| Other reserves | 100.934,97 | 2.931.771,40 | 575.774,99 | -23.955,44 | -571.893,02 | -939.627,16 | 2.073.005,74 |
| TOTAL | 203.105,00 | 3.011.105,00 | 576.382,00 | -8.830,59 | -570.691,00 | -915.984,91 | 2.295.085,50 |

*b) Year ended 31 December 2013*

| | E.O.P. S.A. | Enraf Nonius Ibérica , S.A. | Siditemedic S.L. | Enraf Nonius Ibérica Portugal, S.A. | Luga Suministros Médicos S.L. | Inmobiliaria Catharsis, S.A. | Total |
|---|---|---|---|---|---|---|---|
| Legal reserve | 102.170,03 | 79.333,60 | 607,01 | 15.124,85 | 1.202,02 | 23.642,25 | 222.079,76 |
| Other reserves | 100.934,97 | 2.931.771,40 | 575.774,99 | -23.955,44 | -571.893,02 | -939.627,16 | 2.073.005,74 |
| TOTAL | 203.105,00 | 3.011.105,00 | 576.382,00 | -8.830,59 | -570.691,00 | -915.984,91 | 2.295.085,50 |

*Reserves at fully consolidated companies include the legal reserve of fully consolidated companies, which cannot be treated as unrestricted.*

### *15.7. Distribution of income for the year attributed to equity holders of the parent*

*The Parent Company will propose that its Shareholders' Meeting approve the following distribution of income:*

| 2014 | | | |
|---|---|---|---|
| DISTRIBUTION BASIS | | DISTRIBUTION | |
| Income for the year | 9,961,527.05 | Dividends<br>Voluntary reserve | 9,214,792.27<br>746,734.78 |
| TOTAL | 9,961,527.05 | | 9,961,527.05 |
| Total number of shares issued by parent company | | | 17,347,124 |
| Dividends per share | | | €0.5312/share |

| 2013 | | | |
|---|---|---|---|
| *DISTRIBUTION BASIS* | | *DISTRIBUTION* | |
| *Income for the year* | *9,699,009.24* | *Dividends*<br>*Voluntary reserve* | *3,500,000.00*<br>*6,199,009.24* |
| *TOTAL* | *9,699,009.24* | | *9,699,009.24* |
| *Total number of shares issued by parent company* | | | *17,347,124* |
| *Dividends per share* | | | *€0.2018 / share* |

*Limits on the distribution of dividends*

*The Parent Company must transfer 10% of income for each year to the legal reserve until it represents at least 20% of capital stock. The reserve is restricted unless it exceeds 20% of capital stock.*

*As provided by current legislation, once the allocations required by law and the Articles of Association have been made, dividends may only be distributed out of income for the year or unrestricted reserves if net equity is not less than capital stock either before or after such distribution.*

*For these purposes, income allocated directly to equity may not be distributed, either directly or indirectly. Where, as a result of prior years' losses, the Parent Company's net equity is less than the amount of capital stock, income must be allocated to offset those losses.*

### *15.8. Share premium*

*There were no changes in the share premium account in 2014 and 2013.*
*The share premium account is unrestricted.*

*As of 31 December 2014 and 2013, there was no share premium that had not been claimed and, therefore, not been recognised.*

### *15.9. Consolidated income*

*Consolidated income is obtained by aggregating the individual results of the companies comprising the Consolidated Group that are attributable to the parent company, plus consolidation adjustments. These items are detailed below:*

| *Figures in euro* | *2014* | *2013* |
|---|---|---|
| *COMPANY* | *Income attributable to the parent company* | |
| *Prim, S.A.* | *9,215,873.83* | *9,826,693.12* |
| *Establecimientos Ortopédicos Prim, S.A.* | *475,134.48* | *111,235.44* |
| *Enraf Nonius Ibérica, S.A.* | *455,997.07* | *113,033.05* |
| *Luga Suministros Médicos, S.L.* | *437,047.81* | *314,118.39* |
| *Siditemedic* | *34.68* | *28.99* |
| *Enraf Nonius Ibérica Portugal Lda* | *51,300.76* | *-38,582.08* |
| *Inmobiliaria Catharsis, S.A.* | *101,958.90* | *107,093.59* |
| *AGGREGATE INCOME* | *10,737,347.53* | *10,433,620.50* |

*The main adjustments to Income attributed to the parent company that were made as a result of the consolidation process are shown below:*

| *Figures in euro* | *2014* | *2013* |
|---|---|---|
| *AGGREGATE INCOME* | *10,737,347.53* | *10,433,620.50* |
| *Financial revenues. Holdings in Group and associated undertakings (15.9.1)* | *-107,093.59* | *-110,653.84* |
| *Impairments and losses on financial instruments (15.9.2)* | *-636,529.47* | *-615,289.00* |
| *Share in income of companies carried by the equity method (15.9.3)* | *11,659.00* | *35,188.00* |
| *Depreciation of structures (15.9.4)* | *-43,856.42* | *-43,856.42* |
| *Impairment of goodwill in consolidation (10)* | *0.00* | *0.00* |
| *CONSOLIDATED INCOME* | *9,961,527.05* | *9,699,009.24* |

#### ***15.9.1. Financial revenues. Holdings in Group and associated undertakings***

*The adjustments performed in the consolidation process refer to cancellation of dividends collected from companies in the consolidated group, as follows:*

| *Figures in euro*<br>*Dividends paid by:* | *2014* | *2013* |
|---|---|---|
| *Inmobiliaria Catharsis. S, A* | *-107,093.59* | *-110,653.84* |
| *CONSOLIDATED INCOME* | *-107,093.59* | *-110,653.84* |

#### 15.9.2. Impairments and losses on financial instruments

*The adjustments made in the consolidation process refer to the cancellation of value adjustments made to investments in undertakings that are part of the consolidated group, as follows:*

| *Figures in euro*<br>*Value adjustments at company:* | *2014* | *2013* |
|---|---:|---:|
| *Establecimientos Ortopédicos Prim, S.A.* | *-148,888.00* | *-111,235.00* |
| *Enraf Nonius Ibérica Portugal, Lda* | *-65,764.30* | *48,346.00* |
| *Luga Suministros Médicos, S.L.* | *-421,877.17* | *-552,400.00* |
| *CONSOLIDATED INCOME* | *-636,529.47* | *-615,289.00* |

#### 15.9.3. Share in income of companies carried by the equity method

*The adjustments in the process of consolidation refer to the holdings in undertakings carried by the equity method, as follows:*

| *Figures in euro*<br>*Share in income of companies carried by the equity method* | *2014* | *2013* |
|---|---:|---:|
| *Network Medical Products, Ltd.* | *11,659.00* | *35,188.00* |
| *CONSOLIDATED INCOME* | *11,659.00* | *35,188.00* |

#### 15.9.4. Depreciation of structures

*The adjustment corresponds to the depreciation of the building at Calle F, no. 15, in Polígono Industrial número 1, Móstoles. That building is owned by Group undertaking Inmobiliaria Catharsis, S.A. and is leased to the parent company, Prim, S.A.*

*On the date of first consolidation of Inmobiliaria Catharsis, S.A., that property was stepped up as part of the consolidation process. That increase in value is being depreciated by 58,4745.23 euro per year (43,856.42 euro net of the tax effect).*

*Depreciation of that building will conclude in 2026.*

## 16. INTEREST-BEARING DEBT

### 16.1. Non-current interest-bearing debt

*The detail of, and net changes in, the non-current loans during 2014 and 2013 are as follows:*

*a) Year ended 31 December 2014*

| Figures in euro | 31/12/2013 | Recognitions | Decreases | 31/12/2014 |
|---|---|---|---|---|
| Credit lines | 2.402.620,57 | 10.492.621,28 | -12.895.238,95 | 2,90 |
| Mortgage loan | 0,00 | 0,00 | 0,00 | 0,00 |
| Finance leases | 0,00 | 0,00 | 0,00 | 0,00 |
| Other loans | 331.099,00 | 1.108.335,10 | -653.170,62 | 786.263,48 |
| **Total** | **2.733.719,57** | **11.600.956,38** | **-13.548.409,57** | **786.266,38** |

*b) Year ended 31 December 2013*

| Figures in euro | 31/12/2012 | Recognitions | Decreases | 31/12/2013 |
|---|---|---|---|---|
| Credit lines | 186.503,05 | 8.695.901,91 | -6.479.784,39 | 2.402.620,57 |
| Mortgage loan | 0,00 | 0,00 | 0,00 | 0,00 |
| Finance leases | 0,00 | 0,00 | 0,00 | 0,00 |
| Other loans | 1.092.225,54 | 118.534,30 | -879.660,84 | 331.099,00 |
| **Total** | **1.278.728,59** | **8.814.436,21** | **-7.359.445,23** | **2.733.719,57** |

#### 16.1.1. Credit lines

*These are credit lines in euro arranged with various banks, which accrue interest at Euribor plus a spread.*

*The total amount not drawn against these long-term credit lines was 9,149,997.10 euro as of 31 December 2014 and 4,797,379.43 euro as of 31 December 2013.*

*As of 31 December 2014, the total limit of the credit lines was 9,150,000.00 euro, which will be cancelled according to the following schedule:*

| Year | (euro) |
|---|---|
| 2016 | 5,550,000.00 |
| 2017 | 3,600,000.00 |
| 2018 and thereafter | 0.00 |
| **TOTAL** | **9,150,000.00** |

*As of 31 December 2013, the total limit of the credit lines was 7,200,000.00 euro, which will be cancelled according to the following schedule:*

| *Year* | *(euro)* |
|---|---|
| *2015* | *1,500,000.00* |
| *2016* | *3,700,000.00* |
| *2017 and thereafter* | *2,000,000.00* |
| ***TOTAL*** | ***7,200,000.00*** |

### *16.1.2. Mortgage loan*

*On 31 July 2001, the Parent Company arranged a mortgage loan for 7,212,145.25 euro, providing the building described in Note 7 as collateral. That loan was expanded by 4,808,095 euro in January 2003, which is also secured by that property, so that the available limit increased to 12,020,240 euro.*

*Other significant features of the loan are as follows:*

| | |
|---|---|
| *Repayment period* | - *The repayment deadline is 147 months after the date of signature, with a grace period from that date until 31 October 2003.*<br>- *Repayment is to be in 40 quarterly instalments from 31 October 2003.* |
| *Interest* | - *The interest rate in the first year was 3.517% per annum.*<br>- *For the remainder of the loan period, the interest rate is established at the one-year interbank reference rate in euro plus 0.5 points.* |

*This loan was cancelled in 2013.*

### *16.1.3. Other non-current interest-bearing loans*

*A loan amounting to 592,500.00 euro was arranged in 2010. That loan began to be repaid in 2012.*

*In 2014, a loan amounting to 3,900,000.00 euro was arranged to finance the Consolidated Group's operations, taking advantage of low interest rates.*

*The detail of these payments made during the year and the amounts payable in future years is as follows:*

| | Loans V | Loans VI | Total |
|---|---|---|---|
| *Initial principal* | *1.400.000,00* | *592.500,00* | *1.992.500,00* |
| *Starting date* | *2014* | *2012* | |
| *Maturity date* | *2017* | *2017* | |
| *Instalments* | *Quarterly* | *Monthly* | |
| *Interest* | *Euribor plus a spread* | *Euribor plus a spread* | |
| *2013* | *0,00* | *118.500,00* | *118.500,00* |
| *2014* | 339.781,65 | 161.280,57 | *501.062,22* |
| *I. Amount repaid* | *339.781,65* | *299.530,57* | *639.312,22* |
| *2015* | *463.523,30* | *103.401,00* | *566.924,30* |
| *II. Maturing in the short term* | *463.523,30* | *103.401,00* | *566.924,30* |
| *2016* | *475.792,17* | *103.401,12* | *579.193,29* |
| *2017* | *120.902,88* | *86.167,31* | *207.070,19* |
| *2018* | *0,00* | *0,00* | *0,00* |
| *2019 and thereafter* | *0,00* | *0,00* | *0,00* |
| *III. Maturing in the long term* | *596.695,05* | *189.568,43* | *786.263,48* |
| *Total (I+II+III)* | *1.400.000,00* | *592.500,00* | *1.992.500,00* |

*As of 31 December 2013, the "Interest-bearing debt" item under non-current liabilities included 331,099.00 corresponding to loan VI.*

*As of 31 December 2014, the "Interest-bearing debt" item under non-current liabilities included 596,695.05 euro corresponding to loan V and 189,568.43 euro corresponding to loan VI, making a total of 786,263.48 euro.*

### *16.2. Current interest-bearing debt*

*This item basically includes the amounts maturing in the short term of the aforementioned loans and unmatured discounted bills and the amounts drawn on short-term credit lines, the latter amounting to 384,120.16 euro as of 31 December 2013 and 126,484.69 euro as of 31 December 2014 (Note 21.1).*

*A total of 3,403,515.31 euro of these short-term credit lines was undrawn as of 31 December 2014 (1,868,879.84 euro as of 31 December 2013).*

*The interest accrued but not matured on bank loans amounted to 5,010.60 euro as of 31 December 2013 and 4,909.97 euro as of 31 December 2014, and is classified under "Interest-bearing debt" under current liabilities.*

*The breakdown of short-term debt, as shown also in note 21.1, is as follows:*

| | ***31/12/2013*** | ***31/12/2014*** | ***Interest rate*** | ***Benchmark*** |
|---|---|---|---|---|
| *Long-term debt* | | | | |
| *Long-term credit lines* | *2.402.620,57* | *2,90* | *Floating-rate* | *Euribor* |
| *Mortgage loan* | *0,00* | *0,00* | *Floating-rate* | *Interbank rate* |
| *Other loans* | *331.099,00* | *786.263,48* | *Floating-rate* | *Euribor* |
| | *2.733.719,57* | *786.266,38* | | |
| *Short-term debt* | *31/12/2013* | *31/12/2014* | | |
| *Short-term credit lines* | *384.120,16* | *126.484,69* | *Floating-rate* | *Euribor* |
| *Mortgage loan* | *0,00* | *0,00* | *Floating-rate* | *Interbank rate* |
| *Discounted notes* | *1.181.011,75* | *1.292.602,45* | *Floating-rate* | *1-month Euribor* |
| *Short-term interest on debt* | *5.010,60* | *4.909,97* | *Does not accrue* | *Does not apply* |
| *Funding of payments to suppliers* | *524.296,82* | *0,00* | *Floating-rate* | *Euribor* |
| *Other loans* | *761.179,52* | *566.924,30* | *Floating-rate* | *Euribor* |
| *Total* | *2.855.618,85* | *1.990.921,41* | | |

## *17. OTHER NON-CURRENT LIABILITIES*

*The detail of, and changes in, this caption in 2014 and 2013 are as follows:*

| ***(euro)*** | ***Other liabilities (17.1)*** | ***Provision for taxes (17.3)*** | ***TOTAL*** |
|---|---|---|---|
| *Balance as of 31.12.12* | *222,225.45* | *2,229,098.21* | *2,451,323.66* |
| *Recognitions* | *0.00* | *0.00* | *0.00* |
| *Derecognition* | *-50,031.15* | *-302,519.75* | *-352,550.90* |
| *Balance as of 31.12.13* | *172,194.25* | *1,926,578.46* | *2,098,772.71* |
| *Recognition* | *13,016.00* | *121,292.20* | *134,308.20* |
| *Derecognition* | *-29,978.15* | *-141,497.55* | *-171,475.70* |
| *Balance as of 31.12.14* | *155,232.10* | *1,906,373.11* | *2,061,605.21* |

### *17.1. Other liabilities*

*The balance as of 31 December 2013 consisted mainly of the debt to a third party for the acquisition of distribution rights by Enraf Nonius Ibérica, S.A., which matured in at most 10 years from the date of the agreement (17 November 1997). Since it matured, this agreement has been renewed tacitly each year. The outstanding balance was 74,069.15 euro as of 31 December 2013 and 63,695.00 euro as of 31 December 2014.*

*As of 31 December 2014, this item in the Consolidated Statement of Financial Position also included 89,133.15 euro of long-term deposits received by the Parent Company in connection with leases of its investment property.*

*(The outstanding balance as of 31 December 2013 was 98,125.20 euro)*

### *17.2. Provisions for taxes*

*As a result of the tax inspection of the group undertakings Prim, S.A. and Enraf Nonius Ibérica, S.A. for 2006 and 2007 in connection, in both cases, with the following taxes:*

- *Corporate income tax*
- *Value added tax*
- *Personal income tax*

*The tax situation of each of those companies is described below, together with the variations in 2014 in the provisions for taxes recognised at each one.*

#### *17.2.1. Prim, S.A.*

*In consultation with its tax advisors, the Board of Directors resolved to adopt a uniform position in its appeals as of 31 December 2014.*

*During 2014, the provision under "Other provisions" as part of current liabilities decreased by 114,919.09 euro as a result of the payment by the Company of value added tax assessed following tax audits in connection with tax assessment no. A2885014030000520. Additionally, the provision was increased by 121,292.20 euro That increase is due to the additional provision booked in 2014 for the additional default interest accrued during the year. Following these changes, the balance was 1,906,373.11 euro as of 31 December 2014.*

*All of these settlements and penalties have since been cancelled by virtue of the following Resolutions:*

- *Central Economic Administrative Tribunal (TEAC) Resolution 25/07/2013, in connection with corporate income tax for 2006-2007, partially accepting the Company's appeal and annulling the settlement agreement and the two penalties, which must be replaced by others for a lower amount. However, an appeal has been filed before the Spanish National Court in connection with the part of the settlement that was upheld, including suspension of enforcement The hearing process has concluded and the case is pending a vote and a decision.*

- *Assessment and the two fines, to be replaced by smaller amounts. However, an appeal has been filed before the Madrid High Court of Justice in connection with the part of the assessment that was upheld. The hearing process has concluded and the case is pending a vote and a decision.*

#### *17.2.2. Enraf Nonius Ibérica, S.A.*

*In 2014, that provision was derecognised due to receipt, on 5 March 2014, of the amounts corresponding to the decisions of the Madrid Regional Economic-Administrative Tribunal dated 25 June 2013 and 26 June 2013; consequently, it is not recognised in the Consolidated Statement of Financial Position as of 31 December 2014.*

*As of 2013 year-end, all the tax assessments and penalties were being appealed before the Madrid Regional Economic-Administrative Tribunal and were suspended, apart from Assessment A2885011030000462, which was appealed but had been paid. The Madrid Regional Economic-Administrative Tribunal rejected that appeal and an appeal was filed with the Madrid Higher Court of Justice.*

*As of 2014 year-end, the other assessments and penalties had been struck down by the following decisions:*

- *Madrid Economic Administrative Tribunal (TEAR) Resolution 25/06/2013, in connection with corporate income tax for 2006-2007, partially accepting the Company's appeal and annulling the assessment and penalty, replacing them with a new assessment for 25,235.88 euro, which the company paid on 5 March 2014.*

- *Madrid Economic Administrative Tribunal (TEAR) Resolution 26/06/2013, in connection with value added tax for 2006-2007, partially upholding the decision to strike down assessment no. A2885011026002996 and the penalty, replacing them with a new assessment for 10,464.12 euro, which the company paid on 5 March 2014.*

## *18. NON-CURRENT DEFERRED TAX LIABILITIES*

| | Reinvestment | Other differences | Step-up of Catharsis property in consolidation | Fair value adjustments of available-for-sale assets | Unrestricted depreciation | (euro) TOTAL |
|---|---|---|---|---|---|---|
| Balance as of 31.12.12 | 120,323.40 | 31,754.24 | 262,442.50 | 0.00 | 66,053.40 | 480,573.54 |
| Derecognition | -5,911.00 | -7,420.20 | -14,618.80 | 0.00 | -17,257.20 | -30,588.40 |
| Balance as of 31.12.13 | 114,412.40 | 24,334.04 | 247,823.70 | 0.00 | 48,796.20 | 435,366.34 |
| Recognition | | 7,420.20 | 0.00 | 555,128.52 | | 562,548.72 |
| Derecognition | -23,403.66 | -3,954.60 | -14,618.81 | 0.00 | -20,481.79 | -62,458.86 |
| Balance as of 31.12.14 | 91,008.74 | 27,799.64 | 233,204.89 | 555,128.52 | 28,314.41 | 935,456.20 |

### *18.1. Reinvestment*

*This caption refers to outstanding corporate income tax which has been deferred under the regulations governing the reinvestment of capital gains on the disposal of intangible assets and financial investments in 1996, 1997 and 1999.*

*In accordance with the applicable tax legislation, future payments of this deferred debt to the Administration will be made in accordance with the depreciation of the assets in which the gains were reinvested, in some cases, and by an increase of one-seventh on the originally deferred amount, in other cases. The amount paid in 2013 was 5,911.00 euro, and it is estimated that a similar amount will be paid in 2014.*

### *18.2. Other differences*

*The "Other differences" column shows the timing differences recognised by Luga Suministros Médicos.*

### *18.3. Unrestricted depreciation*

*In 2011, the company availed itself of the unrestricted depreciation allowed under Royal Decree Act 13/2010 and recognised timing differences in the amount of 83,358.00 euro. In 2012, that balance was reduced by 17,304.60 euro to 66,053.40 euro, while in 2013 it was reduced by 17,257.20 euro to 48,796.20 euro. Finally, in 2014, that balance was reduced by 20,481.79 euro and it amounted to 28,314.41 euro as of 31 December 2014.*

### *18.4. Step-up of Inmobiliaria Catharsis property in consolidation*

*The acquisition of Inmobiliaria Catharsis by Prim, S.A. generated goodwill in consolidation that was allocated to the property owned by Inmobiliaria Catharsis at Calle F, 15 in Móstoles.*

*That increase in the carrying amount of Inmobiliaria Catharsis led to a difference between the tax value of the property and its carrying amount in the Consolidated Statement of Financial Position, generating a deferred tax liability.*

*That deferred tax liability is being depreciated in line with the depreciation taken on the property.*

### *18.5. Fair value adjustments of available-for-sale assets*

*The parent Company has invested part of its cash surplus in long-term debt (fixed-income) securities which the company classifies as financial assets available for sale. Consequently, at year-end, those financial assets were measured at year-end fair value.*

*This change in valuation method led to a difference between the tax value (acquisition cost) and the carrying amount (fair value) of those financial assets, disclosing a deferred tax liability which will be eliminated when those available-for-sale financial assets are disposed of.*

*In 2014, these long-term investments in debt securities classified as available for sale were revalued by 2,220,514.06 euro in order to adapt their carrying amount to year-end fair value. This led to a deferred tax liability (calculated at a tax rate of 25%) amounting to 555,128.52 euro, as shown in the table at the beginning of this note 8.*

### *19. TRADE AND OTHER ACCOUNTS PAYABLE*

| *Figures in euro* | *31/12/2014* | *31/12/2013* |
|---|---|---|
| *Liabilities related to non-current assets available for sale* | *0,00* | *0,00* |
| *Short-term provisions* | *0,00* | *0,00* |
| *Short-term debt* | *1.572.566,61* | *1.487.809,04* |
| *Bonds and other marketable securities* | *0,00* | *0,00* |
| *Due under finance leases* | *0,00* | *0,00* |
| *Derivatives* | *0,00* | *0,00* |
| *Other financial liabilities (a)* | *1.572.566,61* | *1.487.809,04* |
| *Trade and other accounts payable* | *15.004.446,62* | *13.438.269,60* |
| *Supplier accounts payable* | *7.061.532,16* | *6.466.071,95* |
| *Supplier accounts payable – group and associated undertakings* | *0,00* | *0,00* |
| *Sundry creditors* | *2.449.413,47* | *2.233.964,73* |
| *Creditors – group and associated undertakings* | *0,00* | *0,00* |
| *Personnel (compensation payable)* | *3.423.844,67* | *2.818.728,97* |
| *Other debt to public authorities (Note 20.3)* | *1.584.029,87* | *1.448.991,16* |
| *Customer advances* | *485.626,45* | *470.512,79* |
| *Short-term accruals* | *0,00* | *0,00* |
| *Total trade and other accounts payable* | *16.577.013,23* | *14.926.078,64* |

*a) The "Other financial liabilities" caption contains basically:*

*(1) As of 31 December 2013, 867,356.20 euro corresponding to the amount committed to the shareholders in dividends for the financial year 2013, which will be paid at the beginning of 2014. As of 31 December 2014, 954,091.82 euro corresponding to the amount committed to the shareholders in dividends for 2014, which will be paid at the beginning of 2015.*

*(2) The amount of short-term debt owed by Group undertaking Enraf Nonius Ibérica, S.A. to non-Group undertaking Enraf Nonius B.V. That debt amounted to 241,380.15 euro as of 2013 year-end and 251,754.30 euro as of 2014 year-end.*

## 20. TAX SITUATION

*The corporate income tax expense is calculated as follows:*

| | Consolidated | |
|---|---|---|
| | **2014** | **2013** |
| **Income before tax** | **14.280.960,66** | **13.651.977,03** |
| Permanent differences | 163.055,92 | -112.710,93 |
| Timing differences | 528.260,89 | 578.342,76 |
| Consolidation adjustments | 775.820,48 | 734.611,26 |
| **Adjusted income** | **15.748.097,95** | **14.852.220,12** |
| Tax losses carried forward | -475.169,16 | -111.264,43 |
| **Taxable income** | **15.272.928,79** | **14.740.955,69** |
| Gross tax payable | -4.582.729,75 | -4.433.861,33 |
| Tax credits | 19.015,13 | 0,00 |
| Deductions | 49.401,80 | 324.501,56 |
| **Net tax payable** | **-4.514.312,82** | **-4.109.359,77** |
| Withholdings and prepayments | 2.987.016,97 | 3.119.316,43 |
| **Net tax payable/(receivable)** | **-1.527.295,85** | **-990.043,34** |
| | | |
| Current tax expense | -4.514.312,82 | -4.109.359,77 |
| Deferred tax expense | 172.982,10 | 173.502,83 |
| Prior years' tax expense | 0,00 | -17.186,43 |
| Tax adjustments at Prim, S.A. | 21.897,12 | 0,00 |
| **Corporate income tax expense** | -4.319.433,61 | -3.953.043,37 |
| Corporate income tax expense attributable to continuing operations | -4.319.433,61 | -3.601.426,52 |
| Corporate income tax expense attributable to discontinued operations | 0,00 | -351.541,25 |

*This credit corresponds to the reinvestment of the amount obtained from the disposal of the Infusión line of business. The income qualifying for the tax credit amounts to 4,112,265.09 euro and the assets in which it was reinvested amounted to 759,064.55 euro in 2012 and 1,980,680.98 euro in 2013.*

*The tax rate in 2014 and 2013 was 30.00% for all companies except ENRAF NONIUS IBÉRICA PORTUGAL, LDA, which was subject to tax at 25.0%.*

*Corporate income tax payable is disclosed in "Current tax liabilities" in the Consolidated Statement of Financial Position.*

*The detail of permanent differences in consolidation is as follows:*

| (euro) | 2014 | 2013 |
|---|---|---|
| Equity-accounted affiliates | -11,659.00 | -35,188.00 |
| Value corrections in portfolio of group undertakings (1) | 636,529.47 | 615,289.00 |
| Dividends received from group and associated undertakings (2) | 107,093.59 | 110,653.84 |
| Depreciation of structures (3) | 43,856.42 | 43,856.42 |
| **TOTAL** | **775,820.48** | **734,611.26** |

(1) *The amount in 2013 corresponds to the reversal of the 552,400.00 euro provision recognised previously to correct the valuation Luga Suministros Médicos, S.L., the reversal of the 111,235.44 euro provision recognised to correct the valuation of Establecimientos Ortopédicos Prim, S.A., and the 48,346.44 euro provision recognised to write down Enraf Nonius Ibérica Portugal, Lda.*
*The amount in 2014 corresponds to the reversal of the 421,877.17 euro provision recognised to correct the valuation of Luga Suministros Médicos, S.L. and of the 214,652.30 euro provision recognised to correct the valuation of Establecimientos Ortopédicos Prim, S.A.*

(2) *These dividends, paid by Group undertaking Inmobiliaria Catharsis, were eliminated in consolidation.*

(3) *The adjustment corresponds to the depreciation of the building at Calle F, no. 15, in Polígono Industrial número 1, Móstoles. That building is owned by Group undertaking Inmobiliaria Catharsis, S.A. and is leased to the parent company, Prim, S.A.*

*On the date of first consolidation of Inmobiliaria Catharsis, S.A., that property was stepped up as part of the consolidation process. That increase in value was amortised by 43,856.42 euro, net of the tax effect, in 2014.*

*Depreciation of that building will conclude in 2026.*

### 20.1. Years open for review

*Under current legislation, tax settlements cannot be considered final until they have been audited by the tax authorities or the statute of limitations period (currently four years) has elapsed. The Group has the last four years open for inspection for all applicable taxes, considering also the events discussed in Note 17.2.*

### 20.2. Tax losses at individual companies

*Additionally, the current legislation establishes that tax losses may be offset against taxable income in the following fifteen years. As of 31 December 2014, the unused tax losses were as follows:*

| Year | Amount (euro) | Expires in |
|---|---|---|
| ESTABLECIMIENTOS ORTOPÉDICOS PRIM. S,A, | | |
| 2006 | 55,130.97 | 2021 |
| 2007 | 21,205.00 | 2022 |
| 2008 | 17,065.11 | 2023 |
| 2009 | 830,531.12 | 2024 |
| 2010 | 14,298.71 | 2025 |
| | 938,230.91 | |
| SIDITEMEDIC. S,L, (SOCIEDAD UNIPERSONAL) | | |
| 2006 | 3,943.30 | 2021 |
| 2009 | 293.48 | 2024 |
| 2010 | 346.12 | 2025 |
| | 4,582.90 | |
| ENRAF NONIUS IBERICA PORTUGAL. LDA | | |
| 2010 | 33,946.84 | 2025 |
| 2011 | 156,873.58 | 2026 |
| 2012 | 132,353.00 | 2030 |
| 2013 | 38,582.08 | 2031 |
| | 361,755.50 | |

### *20.3. Assets and liabilities with public authorities*

#### *20.3.1. Assets and liabilities*

*The assets and liabilities with public administrations are shown below:*

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| Assets | | |
| Non-current assets | | |
| Deferred tax assets | 323.514,33 | 133.853,48 |
| Current assets | | |
| Current tax assets | 66.15 | 75.60 |
| Other receivables from public authorities | | |
| VAT receivable | 78,911.36 | 55,428.77 |
| IGIC receivable | 6,017.68 | 0.00 |
| Corporate income tax receivable | 0.00 | 0.00 |
| Withholdings and prepayments | 5,893.42 | 3,903.13 |
| | 90,822.460 | 59,331.90 |
| Liabilities | | |
| Non-current liabilities | | |
| Deferred tax liabilities | 935,456.20 | 435,366.34 |
| Current liabilities | | |
| Current tax liabilities | | |
| Current tax liabilities | 1,527,295.85 | 990,043.34 |
| Other debt to public authorities | | |
| VAT payable | 442,729.56 | 339,860.67 |
| Tax withholdings payable | 723,723.02 | 686,278.54 |
| IGIC payable | 0.00 | 6,331.94 |
| Social Security payable | 417,577.29 | 416,520.01 |
| | 1,582,029.87 | 1,448,991.16 |

*As a result of the tax reforms approved in Spain in 2014, which include the modification of the basic corporate income tax rate to 28% for 2015 and 25% for 2016 and subsequent years, the Group adjusted deferred tax assets and liabilities to the expected recovery rate. The effects of this regularisation were recognised under "Income tax" in the Consolidated Statement of Financial Position for 2014, in the amount of 22,121.55 euro.*

### *20.3.2. Deferred tax assets and liabilities*

*The changes in deferred tax assets and liabilities are as follows:*

| | 2013 | 2014 | Change |
|---|---|---|---|
| Deferred tax assets | 133,853.48 | 323,514.33 | 189,660.85 |
| Deferred tax liabilities | -435,366.34 | -935,456.20 | -500,089.86 |
| Total | -301,512.86 | -611,941.87 | -310,429.01 |

*These changes were reflected in income tax for the year, as follows:*

| 2014 | CONTINUING | DISCONTINUED | TOTAL |
|---|---|---|---|
| CURRENT | 3,819,343.75 | 0.00 | 3,819,343.75 |
| DEFFERED | 500,089.86 | 0.00 | 500,089.86 |
| TOTAL | 4,319,433.61 | 0.00 | 4,319,433.61 |

*The figures for 2013 were as follows:*

| | 2012 | 2013 | Change |
|---|---|---|---|
| Deferred tax assets | 0.00 | 133,853.48 | 133,853.48 |
| Deferred tax liabilities | -480,573.54 | -435,366.34 | 45,207.20 |
| Total | -480,573.54 | -301,512.86 | 179,060.68 |

*These changes were reflected in corporate income tax for the year, as follows:*

| 2013 | CONTINUING | DISCONTINUED | TOTAL |
|---|---|---|---|
| CURRENT | 3,780,487.20 | 351,541.25 | 4,132,028.45 |
| DEFFERED | -179,060.68 | 0.00 | -179,060.68 |
| TOTAL | 3,601,426.52 | 351,541.25 | 3,952,967.77 |

#### *20.3.3. Deferred tax liabilities arising on consolidation of Inmobiliaria Catharsis*

*On the date of first of consolidation of Inmobiliaria Catharsis, solely for the purposes of consolidation, the value of the property owned by that company (located at Calle F, Polígono Industrial 1, Móstoles) was recognised for a higher value than in the accounts of the company Inmobiliaria Catharsis, S.A.*

*As a result, the accounting and tax depreciation at the company Inmobiliaria Catharsis is calculated on the basis of a lower amount than the value of the property in the Consolidated Statement of Financial Position. As of 2014 year-end, that difference amounted to 933,819.55 euro, while as of 31 December 2013 it amounted to 991,294.78 euro (after depreciation for the years elapsed since first consolidation, in both cases).*

*As a result of this difference in valuation, a deferred tax liability was generated on the date of first consolidation. The outstanding balance of this deferred tax liability was 233,204.89 euro as of 2014 year-end and 247,823.70 euro as of 2013 year-end. (The deferred tax liabilities are reduced as the structures are depreciated, from the date of first consolidation until the end of their useful lives, scheduled for 2026)*

#### *20.3.4. Deferred tax liability for fair value adjustments of available-for-sale assets*

*The parent Company has invested part of its cash surplus in long-term debt (fixed-income) securities which the company classifies as financial assets available for sale. Consequently, at year-end, those financial assets were measured at year-end fair value.*

*This change in valuation method led to a difference between the tax value (acquisition cost) and the carrying amount (fair value) of those financial assets, disclosing a deferred tax liability which will be eliminated when those available-for-sale financial assets are disposed of.*

*In 2014, these long-term investments in debt securities classified as available for sale were revalued by 2,220,514.06 euro in order to adapt their carrying amount to year-end fair value. This led to a deferred tax liability (calculated at a tax rate of 25%) amounting to 555,128.52 euro, as shown in note 18.5.*

## *21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES*

*The Group's main financial instruments are bank loans, demand deposits and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities, such as trade accounts receivable and payable, which arise directly in its operations.*

*The general risk policy commits all the Group's capacities to appropriately identify, measure, manage and control the risks of all types based on the following principles:*

- *Separation of functions, at operating level, between the areas of decision-making, on the one hand, and analysis, control and supervision, on the other.*
- *Assurance of short- and long-term business and financial stability by maintaining an appropriate balance between risk, value and profit.*
- *Compliance with the current legislation regarding control, management and supervision of risks.*
- *Transparency in reporting on the Group's risks and the working of its risk control systems.*

*Group policy, which was maintained in 2014 and 2013, is not to negotiate financial instruments; however, financial instruments may be disposed of occasionally in order to invest the proceeds in higher-yield instruments.*

*The main risks deriving from the Group's financial instruments are the interest rate risk of cash flows, liquidity risk, exchange rate risk, and credit risk. The directors review and agree upon policies for managing these risks, which are summarised below.*

### *21.1. Interest rate risks on cash flows*

*The Group is exposed to the risk of changes in the market interest rate, since its loans are at floating rates (see note 16).*

*The reference index of these bank loans is the interbank market rate, to which a spread is added. That reference index has not changed significantly in recent years and, consequently, it is not considered that such changes will have a material impact on the Group's consolidated income statement.*

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*The debt structure as of 31 December 2014 and 2013 is as follows:*

| | 31/12/2013 | 31/12/2014 | Interest rate |
|---|---|---|---|
| *Long-term debt* | | | |
| *Long-term credit lines* | 2.402.620,57 | 2,90 | *Floating-rate* |
| *Mortgage loan* | 0,00 | 0,00 | *Floating-rate* |
| *Other loans* | 331.099,00 | 786.263,48 | *Floating-rate* |
| | 2.733.719,57 | 786.266,38 | |
| *Short-term debt* | 31/12/2013 | 31/12/2014 | |
| *Short-term credit lines* | 384.120,16 | 126.484,69 | *Floating-rate* |
| *Mortgage loan* | 0,00 | 0,00 | *Floating-rate* |
| *Discounted notes* | 1.181.011,75 | 1.292.602,45 | *Floating-rate* |
| *Short-term interest on debt* | 5.010,60 | 4.909,97 | *Does not accrue* |
| *Funding of payments to suppliers* | 524.296,82 | 0,00 | *Floating-rate* |
| *Other loans* | 761.179,52 | 566.924,30 | *Floating-rate* |
| | 2.855.618,85 | 1.990.921,41 | |

*The sensitivity of earnings to variations in interest rates is as follows: (assuming a variation of +/- 25% with respect to current reference indices)*

| | +25% | -25% | +25% | -25% |
|---|---|---|---|---|
| | Effect on income | | Effect on income | |
| | 31/12/2013 | 31/12/2013 | 31/12/2014 | 31/12/2014 |
| *Long-term debt* | | | | |
| *Long-term credit lines* | -6.424,26 | 6.424,26 | -5.961,51 | 5.961,51 |
| *Mortgage loan* | 0,00 | 0,00 | 0,00 | 0,00 |
| *Other loans* | -5.728,88 | 5.728,88 | -4.497,38 | 4.497,38 |
| | -12.153,14 | 12.153,14 | -10.458,89 | 10.458,89 |
| *Short-term debt* | | | | |
| *Short-term credit lines* | -953,10 | 953,10 | -1.266,94 | 1.266,94 |
| *Mortgage loan* | -6.927,28 | 6.927,28 | 0,00 | 0,00 |
| *Discounted notes* | -4.675,15 | 4.675,15 | -5.256,43 | 5.256,43 |
| *Short-term interest on debt* | 0,00 | 0,00 | 0,00 | 0,00 |
| *Funding of payments to suppliers* | -6.174,75 | 6.174,75 | -2.110,29 | 2.110,29 |
| *Other loans* | -15.546,36 | 15.546,36 | -5.345,62 | 5.345,62 |
| | -34.276,64 | 34.276,64 | -13.979,28 | 13.979,28 |

*The sensitivity of equity is not analysed since interest rate fluctuations have no impact on equity since they are reflected directly in P&L accounts.*

*There were no interest rate hedges as of 31 December 2014 or 2013.*

### *21.2. Exchange rate risk*

*The Group makes sales and purchases in currencies other than the euro. Nevertheless, most foreign currency transactions are made in currencies whose fluctuations against the euro are small, and with short collection or payment periods; consequently, the potential impact of this risk on the consolidated income statement is not material.*

*The main transactions in 2014 and 2013 in currencies other than the euro are the purchases from suppliers, mainly of raw materials and merchandise, as detailed below:*

| Purchases from suppliers | Equivalent value in euro 2014 | 2013 |
|---|---|---|
| Total purchases in foreign currency | 7,658,001.25 | 6,875,663.91 |

*The following items may be affected by exchange rate risk:*

- *Bank current accounts in currencies other than the local or functional currency of the Prim Group companies: The balance of the group's foreign currency current accounts was 445,990.47 euro as of 31 December 2013 and 361,128.75 euro as of 31 December 2014. Those balances were entirely in US dollars in both years.*

- *Payments for supplies or services in currencies other than the euro. Payments by the Group in foreign currency (including prepayments) amounted to 7,130,327.90 euro in 2013 and 7,678,780.41 in 2014.*

*The main non-euro currency in which the Prim Group operates is the US dollar. The sensitivity of the Prim Group's earnings and equity to variations in the euro/dollar exchange rate is as follows:*

| | Changes in the dollar/euro exchange rate | (euro) Effect on income before taxes |
|---|---|---|
| 2013 | +5% | 285,630.53 |
| | -5% | -315,696.90 |
| 2014 | +5% | 316,628.47 |
| | -5% | -349,957.78 |

*There are no financial debts in non-euro currencies.*
*There were no exchange rate hedges as of 31 December 2014 or 2013.*

### 21.3. Credit risk

#### 21.3.1. Overview

*The Group's main customers are public and private entities of acknowledged solvency. Any customer wishing to buy on credit is screened using the Group's procedures for assessing solvency. Additionally, accounts receivable are monitored continuously, analysing customer balances and trends by customer type and region. As a result of intensive receivable management, the Group's doubtful accounts receivable are not material.*

*There was not a material concentration of credit in the PRIM Group as of 31 December 2014 and 2013.*

*The analysis of financial assets by age as of 31 December 2014 and 2013 is as follows:*

*Year ended 31 December 2014:*

| | Consolidated<br>Not yet matured | Consolidated<br><=90 | Consolidated<br>>90 and <=180 | Consolidated<br>>180 and <=360 | Consolidated<br>>360 | Consolidated<br>Total |
|---|---|---|---|---|---|---|
| **Private sector** | | | | | | |
| Long-term customer receivables | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| Short-term customer receivables | 14.345.326,63 | 102.855,58 | 71.878,71 | 104.030,60 | -529.668,64 | 14.094.422,89 |
| Total | 14.345.326,63 | 102.855,58 | 71.878,71 | 104.030,60 | -529.668,64 | 14.094.422,89 |
| **Public sector** | | | | | | |
| Long-term customer receivables | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| Short-term customer receivables | 26.862.010,52 | 694.592,99 | 412.567,29 | 231.189,65 | -724.571,83 | 27.475.788,62 |
| Total | 26.862.010,52 | 694.592,99 | 412.567,29 | 231.189,65 | -724.571,83 | 27.475.788,62 |
| **Total** | | | | | | |
| Long-term customer receivables | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| Short-term customer receivables | 41.207.337,15 | 797.448,57 | 484.446,00 | 335.220,25 | -1.254.240,47 | 41.570.211,51 |
| Total | 41.207.337,15 | 797.448,57 | 484.446,00 | 335.220,25 | -1.254.240,47 | 41.570.211,51 |

*Year ended 31 December 2013:*

| | Consolidated Not yet matured | Consolidated <=90 | Consolidated >90 and <=180 | Consolidated >180 and <=360 | Consolidated >360 | Consolidated Total |
|---|---|---|---|---|---|---|
| **Private sector** | | | | | | |
| Long-term customer receivables | 734.645,46 | 0,00 | 0,00 | 0,00 | 0,00 | 734.645,46 |
| Short-term customer receivables | 6.813.748,00 | 2.699.498,00 | 889.084,95 | 1.329.076,77 | 422.765,91 | 12.154.173,63 |
| Total | 7.548.393,46 | 2.699.498,00 | 889.084,95 | 1.329.076,77 | 422.765,91 | 12.888.819,09 |
| **Public sector** | | | | | | |
| Long-term customer receivables | 861.404,37 | 451.649,13 | 708.475,94 | 0,00 | 0,00 | 2.021.529,44 |
| Short-term customer receivables | 1.068.409,58 | 10.191.450,07 | 5.916.092,45 | 9.700.449,22 | 13.048.248,49 | 39.924.649,81 |
| Total | 1.929.813,95 | 10.643.099,20 | 6.624.568,39 | 9.700.449,22 | 13.048.248,49 | 41.946.179,25 |
| **Total** | | | | | | |
| Long-term customer receivables | 1.596.049,83 | 451.649,13 | 708.475,94 | 0,00 | 0,00 | 2.756.174,90 |
| Short-term customer receivables | 7.882.157,57 | 12.890.948,07 | 6.805.177,40 | 11.029.525,99 | 13.471.014,40 | 52.078.823,44 |
| Total | 9.478.207,40 | 13.342.597,20 | 7.513.653,34 | 11.029.525,99 | 13.471.014,40 | 54.834.998,34 |

*The amount under customer receivables, both short- and long-term, refers solely to balances with companies outside the group, since balances with group companies are eliminated in consolidation and we understand that it is not possible to speak of credit risk between companies in the same consolidated group.*

### 21.3.2. Credit quality

*Receivables from public sector customers have proven credit quality and the Group considers that they should not be impaired. Receivables from private sector customers are provisioned appropriately when there are reasonable doubts as to their credit quality. Consequently, there are no doubts as to the credit quality of private customers for which no provisions have been recognised.*

### 21.3.3. Collateral and credit enhancement

*No customer receivables or other receivable balances are collateralised or enjoy credit enhancements requiring disclosure in the notes to consolidated financial statements or recognition in specific items of the consolidated financial statements.*

### 21.3.4. Recognition of provisions and impairment

*None of the Prim group companies uses a generic approach to provisioning accounts receivable (by provisioning a given percentage of receivable balances, or a percentage depending on the age of the balance or the customer type).*

*Rather, provisions are recognised based on an individual analysis of the risk associated with each customer and invoice; i.e. it recognises provisions for specific invoices. Also, when it is decided that an invoice is doubtful, it is written off. Consequently, impaired balances exactly match the amounts due and the recognised impairments.*

*As detailed in note 12. Value adjustments to "Trade and other accounts receivable" amounted to 2,583,144.48 euro as of 2013 year-end and 1,863,619.42 euro as of 2014 year-end.*

*As indicated in note 12, at the end of each year, the consolidated Group companies analyse the status of customer balances to ascertain the need to recognise impairment. The analysis is based on the age of balances with customers whose balance is positive at the closing date. No corrections are recognised for public sector customers, since there are no reasonable doubts as to the recoverability of the Group companies' balances with public administrations.*

#### *21.3.5. Customer concentration*

*No single customer accounts for 10% or more of the Consolidated Group's ordinary revenues.*

### *21.4. Liquidity risk*

*The Group's goal is to strike a balance between continuity and flexibility in financing, mainly by using bank loans.*

*The maturity of those financial instruments coincides in time with the cash flows generated by the Group's ordinary activities, which minimises the liquidity risk and ensures the continuity of operations.*

*The following aspects are noteworthy:*

- *The Group has positive working capital amounting to 56,969,876.18 euro (55,712,031.88 euro as of the end of the preceding year), which assures the cancellation of current liabilities. (Working capital is defined as the difference between current assets and current liabilities)*
- *The group has a significant amount available in credit lines which it has not yet used. Specifically, the amount not drawn on the credit lines at 2014 year-end was 9,149,997.10 euro on long-term credit lines and 3,403,515.31 euro on short-term credit lines; accordingly, the group has sufficient liquidity to address any difficulty that may arise in future years (4,797,379.43 euro and 1,868,879.87 euro, respectively, as of 2013 year-end)*
- *In 2014, the parent company collected a sizeable amount of debt plus default interest from certain government administrations: 1,190,721.87 euro in 2013 and 1,736,722.25 euro in 2014.*

### *21.5. Capital management*

*The Board of Directors of Prim, S.A., which is responsible for managing the Group's capital, considers the following aspects to be vital for determining the consolidated Group's capital structure:*

- *Consideration of the cost of capital at all times, in search of an optimal balance between debt and equity to optimise the cost of capital.*

- *Maintaining a level of working capital and a leverage ratio that enables Prim, S.A. to obtain and maintain the desired credit rating over the medium term, and enables it to combine cash flow with other alternative uses that may arise from time to time in pursuit of business growth.*

- *The equity/debt ratio rose from 3.48 in 2013 to 3.88 in 2014, and this is considered appropriate to cover the structural and operating needs that have been detected. As a result, all of the assets are financed. Fixed assets represented 33.87% in 2014 (30.93% in 2013) and current assets 66.13% (69.07% in 2013), thereby achieving the desired structure in relation to working capital.*

## 22. FINANCIAL INSTRUMENTS

*Below is a comparison of the carrying and market values of all the financial assets and liabilities disclosed in the Group's consolidated financial statements.*

| | 2014 | | 2013 | |
|---|---|---|---|---|
| *Financial instruments* | *Carrying amount* | *Market value* | *Carrying amount* | *Market value* |
| ***Non-current assets*** | | | | |
| *Trade and other accounts receivable* | 0,00 | 0,00 | 2.756.174,90 | 2.756.174,90 |
| *Other financial assets* | 23.818.885,38 | 23.818.885,38 | 15.884.515,31 | 15.884.515,31 |
| ***Current assets*** | | | | |
| *Trade and other accounts receivable* | 42.547.780,53 | 42.547.780,53 | 53.024.635,14 | 53.024.635,14 |
| *Other current financial assets* | 4.433.454,52 | 4.433.454,52 | 887.005,83 | 887.005,83 |
| *Cash and cash equivalents* | 9.274.357,42 | 9.274.357,42 | 2.100.872,84 | 2.100.872,84 |
| ***Non-current liabilities*** | | | | |
| *Interest-bearing loans* | 786.266,38 | 786.266,38 | 2.733.719,57 | 2.733.719,57 |
| *Other liabilities* | 2.061.605,31 | 2.061.605,31 | 2.098.772,81 | 2.098.772,81 |
| ***Current liabilities*** | | | | |
| *Trade and other accounts payable* | 16.577.013,23 | 16.577.013,23 | 14.926.078,64 | 14.926.078,64 |
| *Interest-bearing loans* | 1.990.921,41 | 1.990.921,41 | 2.855.618,85 | 2.855.618,85 |

*No material differences were detected between the market value and carrying amounts of the financial instruments in assets and liabilities.*

*The Group does not capitalise long-term customer accounts receivable since the effect is offset by capitalising the default interest collected from public administrations due to late payment. The effect is offset and is not material either in aggregate or individually.*

## *23. REVENUES AND EXPENSES*

*The detail of the principal line items of the Consolidated Income Statement for 2014 and 2013 is as follows:*

### *23.1. Net sales*

| | 2014 | 2013 |
|---|---|---|
| *Sales* | *92.719.681,62* | *85.688.697,42* |
| *Services provided* | *1.570.672,10* | *1.516.176,56* |
| *Sales returns and volume discounts* | *-84.770,90* | *-204.546,70* |
| *Total* | *94.205.582,82* | *87.000.327,28* |

*Sales were broken down as follows:*

| | 2014 | 2013 |
|---|---|---|
| *Spain* | *83.431.973,54* | *75.728.962,60* |
| *Exports* | *10.773.609,28* | *11.271.364,68* |
| *Total* | *94.205.582,82* | *87.000.327,28* |

*Since the object of Prim, S.A. includes "performing any type of real estate transaction", it was considered advisable to include revenues obtained by the parent company from leasing the former headquarters as part of net sales. Those revenues amounted to 354,730.69 euro in 2014 and 497,655.14 euro in 2013, as disclosed in section 4.3 "Segment disclosures".*

*The Other operating revenues item includes subsidies received, as follows:*

| | BALANCE 31.12.14 | BALANCE 31.12.13 |
|---|---|---|
| *Training* | *34,511.83* | *36,619.54* |
| *Export subsidies* | *0.00* | *1,568.80* |
| *Operating subsidies* | *42,483.63* | *3,800.00* |
| **TOTAL** | **76,995.46** | **41,988.34** |

*There are no contingencies related to the foregoing subsidies, and the conditions required to collect them have been complied with.*

### *23.2. Consumables and other external expenses*

*The detail of "Consumables and other external expenses" for the years ended 31 December 2014 and 2013 is as follows:*

*(The effect of variation in inventories is presented separately from in-house consumption in the tables).*

| **2014** | | | |
|---|---|---|---|
| | ***Purchases*** | ***Change in inventories*** | ***Total consumption*** |
| *Merchandise consumed* | *37,282,480.79* | *-894,943.69* | *36,387,537.10* |
| *Raw materials and other consumables consumed* | *4,821,333.17* | *-91,129.00* | *4,730,204.17* |
| *Other external expenses* | *596,319.72* | *0.00* | *596,319.72* |
| ***TOTAL*** | ***42,700,133.68*** | ***-986,072.69*** | ***41,714,060.99*** |

| **2013** | | | |
|---|---|---|---|
| | ***Purchases*** | ***Change in inventories*** | ***Total consumption*** |
| *Merchandise consumed* | *34,582,024.49* | *-834,927.86* | *33,747,096.63* |
| *Raw materials and other consumables consumed* | *4,354,159.59* | *384,100.62* | *4,738,260.21* |
| *Other external expenses* | *810,643.64* | *0.00* | *810,643.64* |
| ***TOTAL*** | ***39,746,827.72*** | ***-450,827.24*** | ***39,296,000.48*** |

### *23.3. External and operating expenses*

| | ***2014*** | ***2013*** |
|---|---|---|
| *Outside services* | *12.955.756,47* | *12.313.445,08* |
| *Taxes other than income tax* | *388.450,66* | *245.926,13* |
| *Other current operating expenses* | *214.052,20* | *219.643,17* |
| *Total external and operating expenses* | *13.558.259,33* | *12.779.014,38* |

*Below is a detail of the Outside Services account:*

| | 2014 | 2013 |
|---|---|---|
| *Research and development* | *0,00* | *0,00* |
| *Leases and fees* | *1.830.880,94* | *1.733.190,24* |
| *Repairs and upkeep* | *502.679,86* | *521.517,52* |
| *Independent professional services* | *2.109.978,25* | *1.782.549,72* |
| *Transport* | *1.672.419,30* | *1.702.672,10* |
| *Insurance premiums* | *293.238,15* | *238.946,80* |
| *Banking and similar services* | *30.334,91* | *78.482,23* |
| *Advertising and public relations* | *968.365,07* | *713.383,11* |
| *Utilities* | *287.556,51* | *328.615,90* |
| *Other services* | *5.260.303,48* | *5.214.087,46* |
| *Total outside services* | *12.955.756,47* | *12.313.445,08* |

### *23.4. Personnel expenses*

| | 2014 | 2013 |
|---|---|---|
| *Wages, salaries and similar* | *21.951.640,31* | *20.678.854,45* |
| *Employee welfare expenses* | *4.986.367,57* | *4.590.024,56* |
| *Total personnel expenses* | *26.938.007,88* | *25.268.879,01* |

*Employee welfare expenses consist mainly of employer social security payments by the group companies. There are no pension or similar commitments.*

*The Group's average workforce, by gender, is as follows:*

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | *Men* | *Women* | *Total* | *Men* | *Women* | *Total* |
| *Sales and technical staff* | *150,00* | *38,00* | *188,00* | *132,08* | *41,75* | *173,83* |
| *Clerical staff* | *48,00* | *81,00* | *129,00* | *65,00* | *82,00* | *147,00* |
| *Plant staff* | *68,00* | *89,00* | *157,00* | *69,00* | *90,33* | *159,33* |
| *Total* | *266,00* | *208,00* | *474,00* | *266,08* | *214,08* | *480,16* |

*The workforce as of 31 December did not differ materially from those average figures.*

*The Company's Board of Directors comprises six members, all male.*

### 23.5. *Financial revenues and expenses*

*The detail of financial revenues is as follows:*

| | 2014 | 2013 |
|---|---|---|
| *Revenues from equity holdings* | 56.830,97 | 39.399,70 |
| *Other financial revenues* | 2.070.310,96 | 1.937.757,47 |
| *Exchange gains* | 393.633,69 | 334.114,37 |
| *Financial revenues* | 2.520.775,62 | 2.311.271,54 |

*The other financial revenues include basically default interest on long-standing accounts receivable from a number of government agencies. That amount was 1,208,876.25 as of 2013 year-end, and 1,736,722.25 euro as of 2014 year-end.*

*The detail of financial expenses is as follows:*

| | 2014 | 2013 |
|---|---|---|
| *Financial expenses* | 154.556,29 | 232.661,23 |
| *Exchange losses* | 0,00 | 30.117,83 |
| *Financial expenses* | 154.556,29 | 262.779,06 |

*No financial expenses were capitalised in 2014 or 2013.*

### 23.6. *Earnings per share*

*The amount of basic earnings per share is calculated by dividing net income for the year attributable to equity holders of the parent company by the weighted average number of ordinary shares outstanding in that year. Outstanding shares are those which are tradeable on an organised market; accordingly, shares of the parent company held by the parent itself or any of its dependent companies are excluded.*

*The amount of diluted earnings per share is calculated by dividing the net income for the year attributable to shareholders by the weighted average number of ordinary shares in that year (adjusting for the effect of any options and convertible bonds). At year-end, no bonds convertible into shares had been issued; consequently, the basic earnings per share is equal to the diluted earnings per share.*

*The table below shows the income and share numbers used to calculate basic and diluted earnings per share:*

| Figures in euro | BALANCE 31/12/2014 | BALANCE 31/12/2013 |
|---|---|---|
| CONTINUING OPERATIONS | | |
| Net income attributable to equity holders of the parent | 9.961.527,05 | 8.291.408,22 |
| Weighted average of ordinary shares (excluding treasury shares) | 17.104.904,88 | 16.991.963,92 |
| Earnings per share | | |
| Basic | 0,58 | 0,49 |
| Diluted | 0,58 | 0,49 |
| DISCONTINUED OPERATIONS | | |
| Net income attributable to equity holders of the parent | 0,00 | 1.407.601,02 |
| Weighted average of ordinary shares (excluding treasury shares) | 17.104.904,88 | 16.991.963,92 |
| Earnings per share | | |
| Basic | 0,00 | 0,08 |
| Diluted | 0,00 | 0,08 |

*No transactions affecting ordinary shares arose between the closing date and the date on which these financial statements were completed.*

### *23.7. Variation in operating provisions*

| Figures in euro | BALANCE 31/12/2014 | BALANCE 31/12/2013 |
|---|---|---|
| Impairment of merchandise, raw materials and other procurements (1) | 348.476,33 | 482.696,33 |
| Losses, impairment and change in trade provisions (2) | 650.579,45 | -117.771,49 |
| Overprovision | 0,00 | 0,00 |
| TOTAL CHANGE IN OPERATING PROVISIONS | 999.055,78 | 364.924,84 |

*Below is a reconciliation of the foregoing items from the Consolidated Statement of Income and the items in the Consolidated Statement of Financial Position which contain the corresponding impairment:*

| *Figures in euro* | *BALANCE 31/12/2014* | *BALANCE 31/12/2013* | *TREND PERIOD* | |
|---|---|---|---|---|
| *IMPAIRMENT* | | | | |
| *Merchandise, raw materials and other procurements* | | | | |
| *Commercial* | *2.489.522,18* | *2.754.154,01* | *264.631,83* | |
| *Raw materials and other purchases* | *85.772,00* | *125.511,69* | *39.739,69* | |
| *Semi-finished products and products in process* | *0,00* | *39.547,17* | *39.547,17* | |
| *Finished products* | *56.013,00* | *60.570,64* | *4.557,64* | |
| *Byproducts and waste* | *0,00* | *0,00* | *0,00* | |
| TOTAL IMPAIRMENT (Note 11) | *2.631.307,18* | *2.979.783,51* | *348.476,33* | *(1)* |
| *IMPAIRMENT* | | | | |
| *Trade and other accounts receivable* | | | | |
| *Customer receivables for sales and services (Note 12)* | *1.863.619,42* | *2.583.144,48* | *719.525,06* | |
| *LOSSES DUE TO BAD DEBTS* | | | *-68.945,61* | |
| TOTAL LOSSES AND IMPAIRMENTS | | | *650.579,45* | *(2)* |

## *24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES*

### *24.1. Director and senior executive remuneration and other information*

| | | *(euro)* |
|---|---|---|
| | *31.12.14* | *31.12.13* |
| *Remuneration* | *649,228.07* | *892,155.04* |
| *Share in income* | *350,000.00* | *350,000.00* |
| ***TOTAL*** | ***999,228.07*** | ***1,242,155.04*** |

*The remuneration for the Directors of the Parent Company arises from their functions as managers of the functional areas within the Group for which they are responsible. The Annual Report on Director Remuneration discloses the itemised remuneration of the directors and senior managers.*

*The share in profits was provisioned as of 2014 year-end in the amount of 350,000.00 for that year (the same amount as in 2013).*

*The Parent Company's Articles of Association authorise the Board of Directors to receive remuneration of up to 10% of the Company's net profits.*

*During the last two years, director remuneration was much lower than the maximum set out in the Articles of Association. Based on a recommendation by the Remuneration and Appointments Committee, the Board of Directors proposes the remuneration amount, which is submitted to the General Meeting of Shareholders for approval.*

*The amount, which is provisioned at the end of the year, is paid the following year, after the General Meeting of Shareholders. The last payment was made on 28 July 2014.*

*In accordance with articles 229 and 230 of the Capital Companies Act, the directors have confirmed the following conflicts of interest in connection with holding positions or functions in companies whose activity is the same as, or similar or analogous to, that of the Company's corporate purpose, or with the performance, for their own account or that of third parties, of the same, similar or analogous activity as that constituting the Company's corporate purpose.*

| Director | Position/Function | Company |
|---|---|---|
| Victoriano Prim González | Joint and Several Administrator | ENRAF NONIUS IBÉRICA, S.A. |
| Victoriano Prim González | Joint and Several Administrator | ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A. |
| Victoriano Prim González | Joint and Several Administrator | LUGA SUMINISTROS MÉDICOS, S.L. |
| Victoriano Prim González | Joint and Several Administrator | INMOBILIARIA CATHARSIS, S.A. (SOCIEDAD UNIPERSONAL) |
| Victoriano Prim González | Joint and Several Administrator | SIDITEMEDIC, .S.L. (SOCIEDAD UNIPERSONAL) |
| Bartal Inversiones, S.L. | Joint and Several Administrator | ENRAF NONIUS IBÉRICA, S.A. |

*In accordance with article 114 of the Securities Market Law, it is disclosed that neither the Directors of the Parent Company nor persons acting on their behalf performed transactions with the Parent Company (or other companies in its Group) other than in the normal course of business or other than on an arm's-length basis. The Parent Company's Directors have stated that they do not hold shares or stakes in any company whose corporate purpose is similar to that of Prim, S.A.*

*As required by the Capital Companies Act, it is hereby stated that the members of the Board of Directors of the Parent Company (Prim, S.A.) do not have direct holdings in companies whose object is the same as, or similar or complementary to, that of the company.*

*In accordance with the requirements of the Capital Companies Act, the following table lists all the interests and transactions of the foregoing persons' related parties:*

| Person | Investee | Stake (%) | Line of business |
|---|---|---|---|
| María Teresa Martínez Sierra (spouse of Mr. Victoriano Prim) | Prim, S.A. | 0.020% | Medical and orthopaedic supplies |

### 24.2. Information about the shareholders

*There were no transactions with shareholders or related parties apart from the declared dividends.*

*A dividend of 867,356.20 euro charged to income for the year 2013 was declared in December 2013.*

*The provisional financial statement approved by the Directors in accordance with the legal requirements (Article 277 of the Capital Companies Act) disclosing the existence of sufficient liquidity to distribute the interim dividend declared by the Board of Directors on 11 December 2013 (November 2013 accounting close), was as follows:*

| Assets | | Liabilities | |
|---|---|---|---|
| Non-current assets | 32,372,535 | Equity | 70,615,675 |
| Current assets | 71,602,310 | Non-current liabilities | 4,441,500 |
| | | Current liabilities | 18,478,329 |
| **Total assets** | **103,974,845** | **Total liabilities** | **103,974,845** |

*In view of the financial statement and undrawn credit lines, the Company estimated that it had sufficient liquidity to make the payment on the date that dividend was declared.*

*A dividend of 954,091.82 euro charged to income for the year 2014 was declared in December 2014.*

*The provisional financial statement approved by the Directors, in accordance with the legal requirements (Article 277 of the Capital Companies Act), disclosing the existence of sufficient liquidity to distribute the interim dividend declared by the Board of Directors in December 2014 (November 2014 accounting close), was as follows:*

REPORT ON AVAILABILITY OF LIQUIDITY PRIOR TO THE RESOLUTION TO DISTRIBUTE AN INTERIM DIVIDEND OUT OF 2014 INCOME

(This report fulfils the provisions of article 277 of the Capital Companies Act)

| | ***(euro)*** |
|---|---|
| *Available liquidity as of 30 November 2014* | 1.999.598,51 |
| *Balance available in credit lines* | *9.905.174,00* |
| *Projected receipts less projected payments in the period* | *217.384,13* |
| ***Available liquidity projected as of 30 November 2015*** | ***12.122.156,64*** |
| ***Proposed dividend*** | ***954.091,82*** |
| *Income obtained since the last year (January to November 2014)* | *9.281.868,00* |
| *Estimated tax payable on that income* | *-2.784.560,40* |
| ***Total*** | ***6.497.307,60*** |
| ***Proposed dividend*** | ***954.091,82*** |

*In view of the financial statement and undrawn credit lines, the Company estimated that it had sufficient liquidity to make the payment on the date that dividend was declared.*

### *24.3. Information about associates*

*There were no material transactions with associates.*

## *25. GUARANTEES TO THIRD PARTIES*

### *25.1. Sureties*

*In 2011, Prim, S.A. established a mortgage on the property at Calle C, Polígono Industrial número 1, Móstoles, in favour of the State Tax Agency as surety for the payment of the amounts assessed as a result of the tax audits of 2006 and 2007 (See note 20.4). For this purpose, the mortgaged property was appraised at 2,680,300.00 euro on 25 May 2011 by TasaMadrid.*

*The mortgage guarantees payment of the amount assessed under those audits against the parent company (Prim, S.A.) and its subsidiary (Enraf Nonius Ibérica, S.A.).*

*As of 31 December 2013, the Group had provided bonds to third parties in guarantee of supplies (government tenders) for a total of 840,325.99 euro at Prim, S.A., 238,896.73 euro at Enraf Nonius Ibérica, S.A. and 87,027.00 euro Establecimientos Ortopédicos Prim, S.A.*

*As of 31 December 2014, the Group had provided bonds to third parties in guarantee of supplies (government tenders) for a total of 664,453.24 euro at Prim, S.A., 251,465.57 euro at Enraf Nonius Ibérica, S.A. and 85,249.75 euro at Establecimientos Ortopédicos Prim, S.A. Additionally, Luga Suministros Médicos, S.L. had provided bonds amounting to 16,600.00 euro relating to work carried out at its facilities in Casarrubios del Monte (Toledo).*

### *25.2. Operating leases*

*The Group has operating leases on certain vehicles and items of computer hardware. Those leases have an average term of 3-5 years and the contracts do not contain renewal clauses. The lessee is not subject to any restrictions in arranging those leases.*

*Additionally, the Group has certain premises, which are used as sales offices, under operating lease.*

*The operating lease payments recognised as expenses in the year are as follows:*

| | 31/12/2014 | 31/12/2013 |
|---|---|---|
| STRUCTURES | 477.419,18 | 429.056,74 |
| VEHICLES | 1.144.100,19 | 1.152.250,31 |
| FURNITURE | 100.347,53 | 57.411,21 |
| OFFICE EQUIPMENT | 78.910,44 | 40.176,64 |
| OTHERS | 30.103,60 | 54.295,34 |
| TOTAL | 1.830.880,94 | 1.733.190,24 |

*Because the leases of structures represent large amounts, the following tables detail the minimum future payments to be made under those operating leases (both discounted and undiscounted).*

*Committed future payments for leases of structures are as follows:*

| | Under 1 year | 1 to 5 years | Over 5 years | TOTAL |
|---|---|---|---|---|
| As of 31 December 2014 | 749,288.41 | 2,253,972.92 | 4,294,902.58 | 4,298,163.91 |
| As of 31 December 2013 | 328,984.99 | 948,715.13 | 799,564.35 | 2,077,264.47 |

*The present value of the minimum net payments is as follows:*

| | Under 1 year | 1 to 5 years | Over 5 years | TOTAL |
|---|---|---|---|---|
| As of 31 December 2014 | 734,725.64 | 2,045,309.98 | 1,0174,237.05 | 3,797,272,658 |
| As of 31 December 2013 | 322,599.40 | 861,433.62 | 619,137.37 | 1,803,170.39 |

*The present value of the minimum net payments was calculated using a 3.5% nominal annual discount rate.*

*Committed future payments increased considerably in 2014 as a result of the lease signed for the property located at Conde de Peñalver, 26 (Madrid), which will be used for commercial and administrative activities by Prim, S.A. and Establecimientos Ortopédicos Prim, S.A. This contract represents 987,057.61 euro in discounted future payments and 1,153,735.00 euro in minimum future payments (not discounted).*

*The main operating lease contracts in force are as follows:*

| Company | Location |
|---|---|
| Prim, S. A | Avenida Madariaga, 1 - Bilbao |
| Prim, S.A. | Calle Islas Timor 22 - Madrid |
| Prim, S.A. | Juan Ramón Jiménez, 5-Sevilla |
| Prim, S.A. | Maestro Rodrigo, 89-91-Valencia |
| Prim, S.A. | Habana, 27 - Las Palmas de Gran Canaria |
| Prim, S.A. | San Ignacio 77-Palma de Mallorca |
| Prim, S.A. | Rey Abdullah, 7-9-11 - La Coruña |
| Prim, S.A. (**) | C/ Conde de Peñalver 26, Madrid |
| Prim, S.A. (*) | C/F nº 15. Polígono Industrial 1, Móstoles |
| Establecimientos Ortopédicos Prim, S.A. (*) | C/C nº20. Polígono Industrial 1, Móstoles |
| Establecimientos Ortopédicos Prim, S.A. | Rey Abdullah, 7-9-11 - La Coruña |
| Establecimientos Ortopédicos Prim, S.A. | Don Ramón de la Cruz, 83 – Madrid |
| Establecimientos Ortopédicos Prim, S.A. | Zamora, 94 – Vigo |
| Establecimientos Ortopédicos Prim, S.A. | Cruceiro Quebrado, 10 – Orense |
| Establecimientos Ortopédicos Prim, S.A. | Fray Rosendo Salvado, 20 - Santiago de Compostela |
| Establecimientos Ortopédicos Prim, S.A. | Avenida de Córdoba 10 – Madrid |
| Enraf Nonius Ibérica Portugal, Lda | Aquiles Machado 5-J - Lisbon – Portugal |
| Enraf Nonius Ibérica, S.A. (*) | C/ Monte Boyal. Casarrubios del Monte |

*Apart from the foregoing contracts, specific leases are arranged for premises at which presentations of our products are given. Because of their nature, those leases are not predictable and there are no future commitments in connection with them.*

*(*) Under those lease contracts, one Group undertaking is the lessor and another is the lessee. Consequently, the amount of future lease payments does not include those contracts since the corresponding amounts are eliminated in consolidation.*

*(**) This contract was signed in 2014 but was taken into account to determine the future lease payments for 2013.*

## 26. ENVIRONMENTAL ASPECTS

*During the year, the Group did not incorporate systems, equipment or installations and did not record material expenses in connection with environmental protection and improvement.*

*The accompanying Consolidated Statement of Financial Position does not contain any provisions for environmental matters since the Directors of the Parent Company consider that, at year-end, there were no liabilities to be settled in the future arising from actions to prevent, abate or repair damage to the environment, and that any such liabilities would be non-material.*

## 27. INFORMATION ON DEFERRAL OF PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DISCLOSURE OBLIGATION" OF ACT 15/2010 OF 5 JULY.

*In accordance with the provisions of the Act, in calculating the deferrals of payment to suppliers subsidiary Enraf Nonius Ibérica Portugal Lda was excluded since it is not resident in Spanish territory.*

| | Payments completed and outstanding on the balance sheet date | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Amount | % (*) | Amount | % (*) |
| ** Within maximum legal limit | 43.001.633,41 | 69,07% | 40.562.008,73 | 71,52% |
| Remainder | 19.259.670,55 | 30,93% | 16.150.683,11 | 28,48% |
| Total payments in year | 62.261.303,96 | 100,00% | 56.712.691,84 | 100,00% |
| Weighted average period by which payments are past due (days) | 44,92 | | 48,95 | |
| Deferrals which exceeded the maximum legal limit at the balance sheet date | 1.981.392,47 | | 1.517.685,14 | |

** Percentage of total*

*** The maximum legal period for payment is the one corresponding in each case on the basis of the nature of the good or service received by the company in accordance with Act 3/2004, of 29 December, which establishes measures to fight late payment in commercial transactions.*

*The average period of late payment, in the consolidated Group as a whole, was reduced by 4.03 days, i.e. a significant 8% reduction with respect to the average period in 2013.*

## 28. DISCONTINUED OPERATIONS

*The Parent Company disposed of the INFUSIÓN line of business in 2013.*

*The results of that disposal are reflected in the "Net income from discontinued operations" line item, as follows:*

| Figures in euro | 2013 |
|---|---|
| Proceeds from disposal of INFUSIÓN business line | 4.114.956,03 |
| Net carrying amount of fixed assets disposed of in the line of business | -1.364.941,19 |
| Value of inventories disposed of in the line of business | -990.872,57 |
| Income before tax from discontinued operations | 1.759.142,27 |
| Corporate income tax expense attributable to discontinued operations | -351.541,25 |
| Net income from continuing operations | 1.407.601,02 |

*The cash flows associated with that business line in 2014 and 2013 are detailed below.*

| *Cash flow from discontinued operations* | *2014* | *2013* |
|---|---|---|
| *Operating cash flow* | *734.645,46 (3)* | *2.645.665,11 (2)* |
| *Investing cash flow* | *0.00* | *0.00* |
| *Financing cash flow* | *0.00* | *0.00* |
| *TOTAL CASH FLOW BEFORE TAXES* | *734,645.46* | *2,645,665.11* |

*The table below shows the items used to recognise the disposal of the INFUSIÓN line of business.*

| | *Consolidated notes to financial statements* | *2014* | *2013* |
|---|---|---|---|
| *Proceeds from disposal of INFUSION business line (1)* | *Note 28. Discontinued activities* | *0.00* | *4,114,956.03 (1)* |
| *Amount received in 2013 (2)* | *Note 28. Discontinued activities* | *0.00* | *2,645,665.11 (2)* |
| *Amount receivable in 2014 (3)* | *Note 12. Trade and other accounts receivable (short-term)* | *734,645.46 (4)* | *734,645.46 (3)* |
| *Amount receivable in 2015 (4)* | *Note 12. Trade and other accounts receivable (long-term)* | *0.00* | *734,645.46 (4)* |

*(1) Recognised under "Proceeds from disposal of INFUSION business line"*

*(2) Recognised under "Operating cash flow" in the Cash Flow Statements.*

*(3) The amount of 734,645.46 that was collected in 2014 under the contract signed by the parties was recognised at 2013 year-end under "Other accounts receivable" along with other lesser amounts and was part of "Current total". That amount was received in 2014 and, consequently, is recognised under "Operating cash flow" in the Cash Flow Statement.*

*(4) The amount of 734,645.46 euro that will be received in 2015 under the contract signed by the parties was recognised as of 2013 year-end under "Accounts receivable due to disposal of a business line", as part of the "Long-term customer receivables for sales and services". As of 2014 year-end, there were no long-term accounts receivable in connection with the sale of the INFUSIÓN line of business and the amount receivable in 2015 was reclassified from non-current to current liabilities as of 2014 year-end.*

*Receipt of the amounts recognised as receivable in the consolidated statement of financial position as of 2014 year-end (amount receivable in 2015) is not conditional upon any contingency or on the attainment of any milestone or target.*

### *29. AUDITORS' FEES*

*The fees paid to the main auditor for the audit of the consolidated financial statements for the years 2014 and 2013, including those for the parent company and subsidiaries, amounted to 87,440.00 euro in both years, plus 1,000.00 euro for services other than the audit.*

### *30. SUBSEQUENT EVENTS*

*On 27 February 2015:*

- *The Parent Company filed information about 2H14 earnings*

*This document was authorised by the Board of Directors on 31 March 2015.*

*The composition of the Parent Company's Board of Directors is as follows:*

| | |
|---|---|
| *VICTORIANO PRIM GONZÁLEZ* | *Chairman* |
| *BARTAL INVERSIONES, S.L. represented by:* | |
| *ANDRÉS ESTAIRE ÁLVAREZ* | *Vice-Chairman* |
| *JUAN JOSÉ PÉREZ DE MENDEZONA* | *Director* |
| *JOSÉ LUIS MEIJIDE GARCÍA* | *Director and Vice-Secretary* |
| *ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ* | *Director* |
| *IGNACIO ARRÁEZ BERTOLÍN* | *Director and Secretary* |

PRIM

# DIRECTORS' REPORT

# 2014 and 2013

## 1. SIGNIFICANT FIGURES AND BUSINESS PERFORMANCE

### 1.1. Significant figures (euro)

| | | 2014 | Change | 2013 |
|---|---|---|---|---|
| **Net sales** | | | | |
| | Continuing activities | 94.205.582,82 | 8,28% | 87.000.327,28 |
| | Total | 94.205.582,82 | 8,28% | 87.000.327,28 |
| | Net operating income | 11.817.779,00 | | 9.820.831,89 |
| | Period depreciation and amortisation | 1.789.227,53 | | 1.676.149,95 |
| | Variation in operating provisions | -999.055,78 | | -364.924,84 |
| **EBITDA** | | 12.607.950,75 | 13,26% | 11.132.057,00 |
| **Consolidated income before tax** | | | | |
| | Continuing activities | 14.280.960,66 | | 11.892.834,74 |
| | Discontinued operations | 0,00 | | 1.759.142,27 |
| | Total | 14.280.960,66 | 4,61% | 13.651.977,01 |
| **Income for the year attributable to** | | | | |
| the parent company | | 9.961.527,05 | 2,71% | 9.699.009,24 |
| non-controlling interests | | 0,00 | | 0,00 |
| **Equity** | | | | |
| | Attributable to equity holders of the parent company | 92.664.608,74 | 10,58% | 83.798.905,38 |
| | Non-controlling interests | 0,00 | | 0,00 |
| **Average workforce in the year** | | | | |
| | Sales and technical staff | 150,00 | -13,71% | 173,83 |
| | Clerical staff | 48,00 | -67,35% | 147,00 |
| | Plant staff | 68,00 | -57,32% | 159,33 |
| | Total | 266,00 | -44,60% | 480,16 |
| **Earnings per share (*)** | | | | |
| | Income for the year | 9.961.527,05 | 2,71% | 9.699.009,24 |
| | No. of shares | 17.104.904,88 | 0,66% | 16.991.963,92 |
| Basic | | 0,58 | 1,75% | 0,57 |
| | Income for the year | 9.961.527,05 | 2,71% | 9.699.009,24 |
| | No. of shares | 17.104.904,88 | 0,66% | 16.991.963,92 |
| Diluted | | 0,58 | 1,75% | 0,57 |

(*) The number of shares was calculated on the basis of IAS 33 (Earnings per share).

| | | 2014 | Change | 2013 |
|---|---|---|---|---|
| **Debt ratio** | | | | |
| | Total debt | 23.878.558,38 | -0,67% | 24.039.599,55 |
| | Total assets | 116.543.167,12 | 8,07% | 107.838.504,92 |
| | | 0,20 | -9,09% | 0,22 |
| **Gearing** | | | | |
| | Long-term interest-bearing debt | 786.266,38 | -71,24% | 2.733.719,57 |
| | Short-term interest-bearing debt | 1.990.921,41 | -30,28% | 2.855.618,85 |
| | Total interest-bearing debt | 2.777.187,79 | -50,31% | 5.589.338,42 |
| | Total assets | 116.543.167,12 | 8,07% | 107.838.504,92 |
| | | 0,024 | -54,02% | 0,052 |

### 1.2. Business performance and changes in the economic environment

*At the time of drafting this report, the main uncertainties were the political instability arising from the intentions of the newly-elected Greek government to revise the conditions that had been arranged for funding and tensions with the other European Union members, the International Monetary Fund, the European Central Bank, and the Troika, there even being talk of Grexit, i.e. Greece exiting the Euro area. Nevertheless, that risk appears to have been diluted following recent efforts by the parties to reach an agreement.*

*In Spain, there was political instability due to a crisis of confidence in the political class and economic uncertainty due to cooling by the Euro area's powerhouse economies (including France and Germany) that some economists claim may lead to another recession in the Euro area as a whole, truncating the incipient economic recovery observed in the Spanish economy in recent months.*

*There is also uncertainty in connection with the planned changes to VAT regulations, which came into force on 1 January 2015, under which certain products that heretofore attracted VAT at 10% will now be taxed at 21%.*

*This change is not expected to have a material impact on the Consolidated Group's margins.*

### 1.3. Segment performance

*Below is a summary of the changes in the main figures relating to the identified business segments, which are the principal segments identified for drafting the consolidated financial statements.*

| | 2014 | Change | 2013 |
|---|---|---|---|
| **Total revenues in the segment** | | | |
| Medical-hospital segment | 94.388.942,19 | 7,17% | 88.070.550,63 |
| Real estate segment | 487.653,66 | -23,10% | 634.180,92 |
| | 94.876.595,85 | 6,96% | 88.704.731,55 |
| **Net operating income** | | | |
| Medical-hospital segment | 11.573.999,23 | 20,78% | 9.583.047,70 |
| Real estate segment | 243.779,77 | 2,52% | 237.784,19 |
| | 11.817.779,00 | 20,33% | 9.820.831,89 |
| **Total asset volume** | | | |
| Medical-hospital segment | 113.275.227,42 | 8,41% | 104.490.034,78 |
| Real estate segment | 3.267.939,70 | -2,40% | 3.348.470,14 |
| | 116.543.167,12 | 8,07% | 107.838.504,92 |

*Note 4 to the consolidated financial statements provides detailed information about the business and geographical segments.*

### 1.4. Taxes

*The corporate income tax expense is analysed in note 20 to the consolidated financial statements. The table below analyses the variation in the effective tax rate.*

| *Effective tax rate* | *2014* | *Change* | *2013* |
| --- | --- | --- | --- |
| *Income before taxes from continuing operations* | *14.280.960,66* | | *11.892.834,74* |
| *Income before taxes from discontinued operations* | *0,00* | | *1.759.142,27* |
| *Consolidated income before tax* | *14.280.960,66* | *4,61%* | *13.651.977,01* |
| *Corporate income tax - continuing operations* | *4.319.433,61* | | *3.601.426,52* |
| *Corporate income tax - discontinued operations* | *0,00* | | *351.541,25* |
| *Total corporate income tax expense* | *4.319.433,61* | *9,27%* | *3.952.967,77* |
| *Effective tax rate* | *30,25%* | *4,46%* | *28,96%* |

### 1.5. Capital remuneration

*See note 15.1 to the Consolidated Financial Statements.*

### 1.6. Liquidity and capital

*The Consolidated Cash Flow Statement shows a positive change in the amount of cash and cash equivalents of 92,730.05 euro in the year ended 31 December 2013 and a positive variation of 7,173,484.50 euro in the year ended 31 December 2014.*

*That significant increase in liquidity was due to massive receipts in the last days of 2014 from a number of Spain's autonomous regional governments; at the closing date, those amounts were recognised under cash and cash equivalents as the most profitable way to invest those cash surpluses was being considered.*

### 1.7. Leverage and indebtedness

*The calculation of leverage does not include non-interest-bearing liabilities.*

*The Group's leverage is within the acceptable limits established by management; as shown in the table at the beginning of this directors' report, leverage declined from 0.051 in 2013 to 0.024 in 2014, a 53.98% decrease, mainly because the funds received were used to cancel loans and other debts of the Group at the end of the preceding year.*

*The table also shows that Consolidated group leverage was reduced by 9 9,09%, from 0.22 as of 2013 year-end to 0.20 as of 2014 year-end, remaining within the limits which Consolidated Group management considers to be acceptable.*

## 2. RESEARCH AND DEVELOPMENT

*Prim, S.A.'s R&D Department focused on the following projects in 2014:*

*1) Development of a line of high-containment back supports with a modern design and high-frequency technology (PRIM MAX). (6 models)*

*2) Development of a new line of semi-rigid wristbands (3 models plus an accessory), also based on high frequency technology.*

*3) An update to the ACTION line of elastic back supports, with a more compressive weave and a better visual design.*

*4) Development of a textile ankle-foot orthosis with accessories which is an improvement on existing models.*

*5) New line of ROM orthosis: Knee and elbow support, with their respective accessories.*

*6) Implementation of the High Frequency section, by training staff and developing work flows, all coordinated with production.*

## 3. TRANSACTIONS WITH OWN SHARES

*During 2013, own shares were purchased and sold, ending the year with 352,772 shares, i.e. 2.03% of capital stock.*

*During 2014, own shares were purchased and sold, ending the year with 203,239 shares, i.e. 1.17% of capital stock.*

## 4. SUBSEQUENT EVENTS

*On 27 February 2015:*

- *The Parent Company filed information about 2H14 earnings*

## 5. DISCLOSURES UNDER ARTICLE 116 BIS OF THE SECURITIES MARKET ACT.

### 5.1. Capital structure

*Capital stock is represented by 17,347,124 shares of 0.25 euro par value each, all of which are fully paid and have the same rights and obligations; accordingly, the total par value is 4,336,781.00 euro. The shares are represented by book entries.*

### 5.2. Restrictions on share transfer

*There are no legal restrictions on the acquisition or transfer of shares in capital.*

### 5.3. Significant holdings in capital, both direct and indirect

*In accordance with the information reported by the CNMV, the significant holdings in the capital of Prim, S.A. are as follows:*

| *Shareholder* | *% of direct voting rights* | *% of indirect voting rights* | *% of total voting rights* |
|---|---|---|---|
| CAREAGA SALAZAR, MARIA DEL CARMEN | 0.000 | 5.025 | 5.025 |
| CARTERA DE INVERSIONES MELCA, S.L. | 10.493 | 0.000 | 10.493 |
| FID LOW PRICES STOCK FUN | 5.950 | 0.000 | 5.950 |
| FMR LLC | 0.000 | 5.950 | 5.950 |
| GARCIA ARIAS, JOSE LUIS | 0.000 | 10.493 | 10.493 |
| ONCHENA, S.L. | 5.025 | 0.000 | 5.025 |
| PRIM BARTOMEU, ELISA | 2.361 | 7.568 | 9.929 |
| PRIM GONZALEZ, ANA MARÍA | 4.117 | 0.000 | 4.117 |
| PRIM GONZALEZ, MARÍA DOLORES | 5.633 | 0.000 | 5.633 |
| RUIZ DE ALDA RODRI, FRANCISCO JAVIER | 4.519 | 0.000 | 4.519 |
| *Shareholder (Director)* | *% of direct voting rights* | *% of indirect voting rights* | *% of total voting rights* |
| *Arráez Bertolín, Ignacio* | 0.019 | 0.000 | 0.019 |
| *Bartal Inversiones, S.L.* | 7.568 | 0.000 | 7.568 |
| *Giménez-Reyna Rodríguez, Enrique* | 0.017 | 0.000 | 0.017 |
| *Meijide García, José Luis* | 0.669 | 0.000 | 0.669 |
| *Pérez de Mendezona, Juan Jose Jaime* | 0.053 | 0.000 | 0.0053 |
| *Prim González, Victoriano* | 9.418 | 0.020 | 9.437 |

### *5.4. Restrictions on voting rights*

*There no restrictions on shareholders' voting rights under either the law or the Articles of Association.*

### *5.5. Shareholder agreements*

*There are no shareholder agreements.*

### *5.6. Rules governing the appointment and removal of members of the Board of Directors and amendments to its Articles of Association*

#### *5.6.1. Rules governing the appointment and removal of members of the Board of Directors*

*There must be at least 4 and at most 10 directors.*

*Based on recommendations from the Appointments and Remuneration Committee, the Board of Directors makes proposals to the Shareholders' Meeting for the appointment and removal of directors and their number, based on the Company's circumstances. The Board of Directors determines, at any given time, the procedures for appointing, re-appointing, evaluating and removing directors.*

*Under article 13 of the Board of Directors Regulation, directors' duties include the obligation to resign if their continuance on the Board might jeopardise the Board's operations or the Company's credit and reputation.*

*Article 4 of the Board of Directors Regulation establishes an age limit of 75 for directors, except for those who had already reached that age and are still active. There are no term limits.*

*None of the members of Board of Directors has a golden handshake clause in the event of removal. Such clauses require authorisation by the Board of Directors but the Shareholders' Meeting need not be notified.*

#### *5.6.2. Rules governing amendments to the Articles of Association*

*Article 13 of the Articles of Association provides that the Ordinary or Extraordinary Shareholders' Meeting may validly decide to issue bonds, increase or decrease capital, change the company's corporate form or merge or demerge it and, generally, make any other amendment to the Articles of Association; in general, to make any amendment to the Articles of Association, the meeting must be attended at first call by at last 50% of the subscribed voting capital.*

*At second call, 25% will suffice although, if the shareholders in attendance represent less than 50% of the subscribed voting stock, the resolutions referred to in this paragraph may only be validly adopted with the favourable vote of two-thirds of the capital present or represented at the Meeting.*

*Article 11.3 of the Shareholders' Meeting Regulation establishes that, if any items in the agenda require a special majority and that majority is not present, the agenda will be reduced to the items which do not require such a majority.*

*Also, article 11.14 establishes that the Chairman may put motions that have been debated in the Shareholders' Meeting to the vote, votes being cast individually for each motion. Article 11.15 establishes that votes may be cast by shareholders of record by any of the electronic or postal means that may be accepted in the future for the purpose of voting.*

### ***5.7. Powers of the members of the Board of Directors, particularly with respect to the issuance and repurchase of shares.***

*On 28 June 2014, the Shareholders' Meeting resolved:*

*To authorise the Board of Directors to acquire own shares and to authorise subsidiaries to acquire shares of the parent Company, in line with the limits and requirements set out in article 509 of the Capital Companies Act and other related legislation, by any legal means.*

*The maximum number of shares to be acquired was set at 10% of capital stock, at a price of at least 1 euro and at most 18 euro.*

*This authorisation, which expires after 18 months, revoked the unused portion of the authorisation granted by the Shareholders' Meeting on 29 June 2013.*

*Regarding the Board's power to issue shares, it is subservient to the Shareholders' Meeting as provided in article 13 of the Articles of Association, which is reproduced above in section 5.6.2 (Rules governing amendments to the Articles of Association).*

## 6. *INFORMATION UNDER ROYAL DECREE 1362/2007*

*Article 8.b).1 of Royal Decree 1362/2007 makes it obligatory to disclose the risks and uncertainties facing the Group.*

*The risks are defined in sufficient detail in note 21 of the Notes to the Consolidated Financial Statements.*

### ***6.1. Interest rate risks on cash flows***

*See note 21.1 of the Notes to the Consolidated Financial Statements.*

### ***6.2. Exchange rate risk***

*See note 21.2 of the Notes to the Consolidated Financial Statements.*

### ***6.3. Credit risk***

*See note 21.3 of the Notes to the Consolidated Financial Statements.*

### ***6.4. Liquidity risk***

*See note 21.4 of the Notes to the Consolidated Financial Statements.*

### ***6.5. Capital management***

*See note 21.5 of the Notes to the Consolidated Financial Statements.*

## 7. *INFORMATION ON DEFERRAL OF PAYMENTS TO SUPPLIERS. THIRD ADDITIONAL PROVISION. "DISCLOSURE OBLIGATION" OF ACT 15/2010 OF 5 JULY.*

*In accordance with the provisions of the Act, in calculating the deferalls of payment to suppliers subsidiary Enraf Nonius Ibérica Portugal Lda was excluded since it is not resident in Spanish territory.*

*( euro )*

| | Payments completed and outstanding on the balance sheet date | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Amount | % (*) | Amount | % (*) |
| **Within maximum legal limit | 43,001,633.41 | 69.07 | 40,562,008,73 | 71.52 |
| Remainder | 19,259,670.55 | 30.93 | 16,150,683,11 | 28.48 |
| Total payments in year | 62,261,303.96 | 100.00 | 56,712,691.84 | 100.00 |
| Weighted average period by which payments are past due | 44.92 | | 48.95 | |
| Deferrals which exceeded the maximum legal limit at the balance sheet date | 1,981,392,47 | | 1,517,685.14 | |

** Percentage of total*

*** The maximum legal period for payment is the one corresponding in each case on the basis of the nature of the good or service received by the company in accordance with Act 3/2004, of 29 December, which establishes measures to fight late payment in commercial transactions.*

*The average period of late payment, in the consolidated Group as a whole, was reduced by 4.03 days, i.e. a significant 8% reduction with respect to the average period in 2013.*

## 8. *CORPORATE GOVERNANCE REPORT*

*The accompanying Annual Corporate Governance Report, in accordance with Directive 206/46 of the CNMV on Financial Statements, is an integral part of this Consolidated Directors' Report and was authorised by the Directors together with the Consolidated Financial Statements and Consolidated Directors' Report of PRIM, S.A. and its subsidiaries for the year ended 31 December 2014.*

*This document was authorised by the Board of Directors on 31 March 2015.*

*The composition of the Company's Board of Directors is as follows:*

| | |
|---|---|
| *VICTORIANO PRIM GONZÁLEZ* | *Chairman* |
| *BARTAL INVERSIONES, S.L. represented by:* | |
| *ANDRÉS ESTAIRE ÁLVAREZ* | *Vice-Chairman* |
| *JUAN JOSÉ PÉREZ DE MENDEZONA* | *Director* |
| *JOSÉ LUIS MEIJIDE GARCÍA* | *Director and Vice-Secretary* |
| *ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ* | *Director* |
| *IGNACIO ARRAEZ BERTOLÍN* | *Director and Secretary* |