PRIM

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Prim, S.A.

Financial Statements and Directors' Report
for the year ended 31 December 2014

PRIM, S.A.
Contents of Financial Statements
for the year ended 31 December 2014

BALANCE SHEET

2014 AND 2013

PRIM, S.A.

***BALANCE SHEETS** as of 31 December 2014 and 2013 (Expressed in euro)*

		31/12/2014	31/12/2013
Assets	*Note*	*107.051.099,02*	*101.025.384,58*
A. Non-current assets		*42.132.944,81*	*35.914.452,63*
I. Intangible assets	*5*	*276.435,94*	*159.558,60*
3. Patents, licences, brands and similar		*22.107,00*	*27.603,00*
5. Computer software		*254.328,94*	*131.955,60*
II. Property, plant & equipment	*6*	*6.721.965,61*	*6.491.097,99*
1. Land and structures		*2.376.290,49*	*2.449.301,49*
2. Technical installations and other property, plant and equipment		*3.940.023,94*	*3.967.969,64*
3. Construction in progress and advances		*405.651,18*	*73.826,86*
III. Investment property	*7*	*3.267.939,70*	*3.348.470,14*
1. Land		*489.460,99*	*489.460,99*
2. Buildings and other installations		*2.778.478,71*	*2.859.009,15*
IV. Long-term investment in group and associated undertakings	*8*	*7.767.055,45*	*7.196.290,15*
1. Equity instruments (group undertakings)		*7.387.724,44*	*6.816.959,14*
6. Equity instruments (associated undertakings)		*379.331,01*	*379.331,01*
V. Long-term financial assets	*9*	*23.787.850,52*	*18.585.182,27*
1. Equity instruments	*9.1*	*4.062.602,17*	*4.191.575,08*
2. Long-term debtors and other accounts receivable	*9.2*	*0,00*	*2.756.174,90*
4. Debt securities		*19.555.484,81*	*11.502.868,75*
6. Other financial assets	*9.2*	*169.763,54*	*134.563,54*
VI. Deferred tax assets	*9.2.4*	*311.697,59*	*133.853,48*
B. Current assets		*64.918.154,21*	*65.110.931,95*
II. Inventories	*10*	*17.336.530,29*	*15.480.980,59*
1. Commercial		*12.752.344,38*	*11.708.985,84*
2. Raw materials and other purchases		*1.405.389,00*	*1.245.085,00*
3. Products in process		*622.265,00*	*792.768,00*
4. Finished products		*1.647.750,00*	*1.117.086,00*
6. Supplier advances		*908.781,91*	*617.055,75*
III. Trade and other accounts receivable	*9.2*	*36.413.779,21*	*47.922.471,36*
1. Trade receivables for sales and services		*35.094.004,12*	*46.927.231,75*
2. Customer receivables – group and associated undertakings	*18.1*	*485.271,00*	*137.281,00*
3. Sundry debtors		*755.095,46*	*769.432,09*
5. Personnel receivables		*76.328,08*	*88.247,09*
7. Other receivables from public authorities	*15*	*3.080,55*	*279,43*
IV. Short-term investment in group and associated undertakings	*18*	*0,00*	*497.000,00*
3. Loans to group and associated undertakings		*0,00*	*497.000,00*
V. Short-term financial assets	*8.2*	*4.412.197,26*	*208.709,33*
3. Debt securities		*4.412.197,26*	*208.709,33*
VI. Short-term accruals		*3.820,20*	*0,00*
VII. Cash and cash equivalents		*6.751.827,25*	*1.001.770,67*
1. Cash	*11*	*6.751.827,25*	*1.001.770,67*

EQUITY AND LIABILITIES		107.051.099,02	101.025.384,58
A. Equity		87.900.964,92	79.785.968,84
A.1. Shareholder's equity		86.235.729,80	79.703.828,02
I. Capital	12.1	4.336.781,00	4.336.781,00
1. Share capital		4.336.781,00	4.336.781,00
II. Share premium	12.2	1.227.059,19	1.227.059,19
III. Reserves	12.3	73.590.276,91	67.198.340,87
1. Legal and bylaw reserves		1.153.637,59	1.153.637,59
2. Revaluation reserve		578.507,47	578.507,47
3. Reserve for amortised capital		1.256.814,96	1.256.814,96
5. Other reserves		70.601.316,89	64.209.380,85
IV. (Own shares and equity instruments)	12.4	-1.180.169,31	-2.017.689,96
VII. Income for the year	3 & 7	9.215.873,83	9.826.693,12
VIII. (Interim dividend)		-954.091,82	-867.356,20
A.2. Value adjustments		1.665.235,12	82.140,82
I. Available-for-sale financial assets		1.665.235,12	82.140,82
B. Non-current liabilities	6.2	3.471.641,46	4.874.823,40
I. Long-term provisions		1.906.373,11	1.900.000,00
4. Other provisions	15.4	1.906.373,11	1.900.000,00
II. Long-term debt		890.816,68	2.811.614,80
2. Bank loans	14.1	786.263,48	2.713.489,60
5. Other financial liabilities	14.2	104.553,20	98.125,20
IV. Deferred tax liabilities	15.3	674.451,67	163.208,60
C. Current liabilities		15.678.492,64	16.364.592,34
III. Short-term debt		2.638.754,55	3.656.153,61
2. Bank loans	14.1	1.403.093,29	2.499.520,28
5. Other financial liabilities	14.2	1.235.661,26	1.156.633,33
IV. Short-term payable to group and associated undertakings	14.3 18.1	1.479.735,11	2.479.735,11
V. Trade and other accounts payable	14.4	11.560.002,98	10.228.703,62
1. Suppliers		4.770.241,68	4.303.863,64
2. Supplier accounts payable – group and associated undertakings	18.1	183.083,00	64.293,00
3. Sundry creditors		1.356.926,87	1.215.834,19
4. Creditors – group and associated undertakings	18.1	7.332,47	0,00
5. Personnel (compensation payable)		2.682.476,28	2.238.997,89
6. Current tax liabilities	15	1.213.846,92	936.385,57
7. Other debt to public authorities	15	1.056.834,73	1.037.309,21
8. Customer advances		289.261,03	432.020,12

STATEMENT OF INCOME

2014 AND 2013

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PRIM, S.A.
STATEMENTS OF INCOME *for the years ended 31 December 2014 and 2013*

Expressed in euro

1. Net sales		73.269.726,94	69.161.194,63
a. Sales	16	71.751.386,18	67.935.813,05
b. Sales to group and associated undertakings	18	1.146.037,00	839.242,00
c. Services provided		372.303,76	386.139,58
2. Change in finished goods and work-in-process inventories	16	355.241,00	940.287,00
4. Procurements	16.2	-31.412.160,94	-30.184.430,93
a. Merchandise consumed		-27.750.420,92	-26.073.755,07
b. Merchandise consumed – group and associated undertakings		-540.087,00	-583.774,00
c. Raw materials and other consumables consumed		-2.837.909,85	-3.235.298,68
d. Work performed by other companies		-506.253,02	-687.530,48
e. Impairment of merchandise, raw materials and other procurements	10	222.509,85	395.927,30
5. Other operating revenues	16	1.008.212,40	1.076.260,80
a. Sundry and other current revenues		251.754,65	357.994,28
b. Sundry and other current revenues, group and associated undertakings	18.1	621.093,00	620.791,00
c. Operating subsidies recognised in profit or loss		54.080,04	35.249,72
d. Other income. Extraordinary revenues		81.284,71	62.225,80
6. Personnel expenses		-20.902.510,74	-19.509.504,22
a. Wages, salaries and similar		-17.092.115,38	-16.111.345,14
b. Employee welfare expenses	16.3	-3.810.395,36	-3.398.159,08
7. Other operating expenses		-10.674.385,78	-10.947.643,96
a. Outside services	16.4	-10.705.337,56	-9.954.243,89
b. Outside services, group and associated undertakings	16.4	-205.528,97	-205.656,47
c. Taxes other than income tax		-341.196,25	-210.464,43
d. Losses, impairment and change in trade provisions	9.2.2	847.857,70	-162.554,02
e. Other current operating expenses		-214.052,20	-219.643,17
f. Other income. Exceptional expenses		-56.128,50	-195.081,98
8. Depreciation and amortisation	5, 6 & 7	-1.587.411,54	-1.484.164,78
11. Impairment losses and income from disposal of assets		-729,96	-15.914,99
b. Income from disposals, etc.		-729,96	-15.914,99
A1. Operating income		10.055.981,38	9.036.083,55

A1. Operating income		10.055.981,38	9.036.083,55
12. Financial revenues	16.5	2.237.859,65	2.102.071,87
a. Equity instruments		163.924,56	150.053,54
a1. Group and associated undertakings	18.1	107.093,59	110.653,84
a2. Third parties	18.1	56.830,97	39.399,70
b. Marketable securities and other financial instruments		2.073.935,09	1.952.018,33
b1. Group and associated undertakings	18	8.456,00	47.231,00
b2. Third parties		2.065.479,09	1.904.787,33
13. Financial expenses	16.6	-198.171,81	-238.225,91
a. On debts to group and associated undertakings	18.1	-72.290,03	-30.932,79
b. On debts to third parties		-125.881,78	-207.293,12
15. Exchange differences	17	354.657,38	280.905,00
a. Exchange gains		354.657,38	280.905,00
16. Impairment and gain/loss on disposal of financial instruments		656.068,50	651.957,47
a. Impairments and losses	16.10	566.851,30	659.616,47
b. Income from disposals, etc.	8.1	89.217,20	-7.659,00
A2. Financial income		3.050.413,72	2.796.708,43
A3. Income before tax		13.106.395,10	11.832.791,98
17. Corporate income tax	15	-3.890.521,27	-3.413.699,88
A4. Income for the year from continuing operations		9.215.873,83	8.419.092,10
18. Income for the year from discontinued operations, net of taxes		0,00	1.407.601,02
A5. Income for the year	3	9.215.873,83	9.826.693,12

A) *Statement of recognised revenues and expenses for the years ended 31 December 2014 and 2013 (Expressed in euro)*

	Notes	2014	2013
A. Income for the year (from income statement)	3	9.215.873,83	9.826.693,12
B. Revenues and expenses recognised directly in equity:		1.583.094,30	82.140,82
1. Valuation of financial instruments		2.138.222,82	82.140,82
a. Available-for-sale financial assets	9.1.2	2.138.222,82	82.140,82
b.Other revenues/(expenses)		0,00	0,00
2. Cash flow hedges		0,00	0,00
3. Subsidies, donations and bequests received		0,00	0,00
4. Actuarial gains and losses and other adjustments		0,00	0,00
5. Other revenues and expenses through equity		0,00	0,00
6. Tax effect		-555.128,52	0,00
C. Transfers to profit or loss		0,00	0,00
1. Valuation of financial instruments		0,00	0,00
a. Available-for-sale financial assets		0,00	0,00
b.Other revenues/(expenses)		0,00	0,00
2. Cash flow hedges		0,00	0,00
3. Subsidies, donations and bequests received		0,00	0,00
4. Other revenues and expenses through equity		0,00	0,00
5. Tax effect		0,00	0,00
TOTAL RECOGNISED REVENUES / (EXPENSES) (A+B+C)	3	10.798.968,13	9.908.833,94

B) Statement of total changes in equity for the year ended 31 December 2014 (Expressed in euro)

	Shareholder's equity						
	Capital	Share premium and reserves	Interim dividend	Own shares and equity instruments	Income for the year	Value adjustments	Total equity
NOTES	12	12	12	12	3	13	
Beginning balance 31/12/2013	4.336.781,00	68.425.400,06	-867.356,20	-2.017.689,96	9.826.693,12	82.140,82	79.785.968,84
Own shares and related reserves	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Beginning balance 01/01/2014	4.336.781,00	68.425.400,06	-867.356,20	-2.017.689,96	9.826.693,12	82.140,82	79.785.968,84
Adjustment for changes in accounting method	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Value adjustments	0,00	(*)	0,00	0,00	0,00	0,00	0,00
Adjusted beginning balance	4.336.781,00	68.425.400,06	-867.356,20	-2.017.689,96	9.826.693,12	82.140,82	79.785.968,84
I. Total recognised revenues/(expenses)	0,00	0,00	0,00	0,00	9.215.873,83	1.583.094,30	10.798.968,13
II. Transactions with shareholders or owners	0,00	12.410,83	-86.735,62	837.520,65	-3.500.000,00	0,00	-2.736.804,14
1. Capital increase/(reduction)	0,00	0,00	0,00	0,00	0,00	0,00	0,00
2. Conversion of financial liabilities into equity	0,00	0,00	0,00	0,00	0,00	0,00	0,00
3. Distribution of dividends	0,00	0,00	0,00	0,00	-3.500.000,00	0,00	-3.500.000,00
4. Transactions with own shares and equity instruments (net) (12.4)	0,00	12.410,83	0,00	837.520,65	0,00	0,00	849.931,48
5. Increase/(decrease) due to business combinations	0,00	0,00	0,00	0,00	0,00	0,00	0,00
6. Other transactions with shareholders or owners	0,00	0,00	-86.735,62	0,00	0,00	0,00	-86.735,62
III. Other changes in equity	0,00	6.379.525,21	0,00	0,00	-6.326.693,12	0,00	52.832,09
1. Payments based on equity instruments	0,00	0,00	0,00	0,00	0,00	0,00	0,00
2. Transfers between equity items	0,00	6.326.693,12	0,00	0,00	-6.326.693,12	0,00	0,00
3. Other changes	0,00	52.832,09	0,00	0,00	0,00	0,00	52.832,09
Ending balance 31/12/2014	4.336.781,00	74.817.336,10	-954.091,82	-1.180.169,31	9.215.873,83	1.665.235,12	87.900.964,92

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B) Statement of total changes in equity for the year ended 31 December 2013 (Expressed in euro)

	Shareholder's equity						
	Capital	Share premium and reserves	Interim dividend	Own shares and equity instruments	Income for the year	Value adjustments	Total equity
NOTES	12	12	12	12	3	13	
Beginning balance 31/12/2012	4.336.781,00	63.050.528,22	-867.356,20	-2.272.336,11	8.758.292,61	0,00	73.005.909,52
Own shares and related reserves	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Beginning balance 01/01/2013	4.336.781,00	63.050.528,22	-867.356,20	-2.272.336,11	8.758.292,61	0,00	73.005.909,52
Adjustment for changes in accounting method	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Value adjustments	0,00	(*)	0,00	0,00	0,00	0,00	0,00
Adjusted beginning balance	4.336.781,00	63.050.528,22	-867.356,20	-2.272.336,11	8.758.292,61	0,00	73.005.909,52
I. Total recognised revenues/(expenses)	0,00	0,00	0,00	0,00	9.826.693,12	82.140,82	9.908.833,94
II. Transactions with shareholders or owners	0,00	-98.759,69	0,00	254.646,15	-3.300.000,00	0,00	-3.144.113,54
1. Capital increase/(reduction)	0,00	0,00	0,00	0,00	0,00	0,00	0,00
2. Conversion of financial liabilities into equity	0,00	0,00	0,00	0,00	0,00	0,00	0,00
3. Distribution of dividends	0,00	0,00	0,00	0,00	-3.300.000,00	0,00	-3.300.000,00
4. Transactions with own shares and equity instruments (net) (12.4)	0,00	-98.759,69	0,00	254.646,15	0,00	0,00	155.886,46
5. Increase/(decrease) due to business combinations	0,00	0,00	0,00	0,00	0,00	0,00	0,00
6. Other transactions with shareholders or owners	0,00	0,00	0,00	0,00	0,00	0,00	0,00
III. Other changes in equity	0,00	5.473.631,53	0,00	0,00	-5.458.292,61	0,00	15.338,92
1. Payments based on equity instruments	0,00	0,00	0,00	0,00	0,00	0,00	0,00
2. Transfers between equity items	0,00	5.458.292,61	0,00	0,00	-5.458.292,61	0,00	0,00
3. Other changes	0,00	15.338,92	0,00	0,00	0,00	0,00	15.338,92
Ending balance 31/12/2013	4.336.781,00	68.425.400,06	-867.356,20	-2.017.689,96	9.826.693,12	82.140,82	79.785.968,84

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Cash flow statements for the years ended 31 December 2014 and 2013 (Expressed in euro)

A. Operating cash flow		Notes	2.014	2.013
1. Income before taxes			**13.106.395,10**	**11.832.791,98**
2. Adjustments to income:	**0,00**		**-1.462.004,90**	**-1.565.251,66**
+a. Depreciation and amortisation		5, 6, 7	1.587.411,54	1.484.164,78
+/-b. Impairment		16.10	-395.927,30	-395.927,30
+/-c. Variation in provisions			162.554,02	162.554,02
+/-d. Allocation of subsidies			-35.249,72	-35.249,72
+/-e. Gain/loss on derecognition and disposal of fixed assets			15.914,99	15.914,99
+/-f. Gain/loss on derecognition and disposal of financial instruments			-651.957,47	-651.957,47
-g. Financial revenues			-2.102.071,87	-2.102.071,87
+h. Financial expenses			238.225,91	238.225,91
+/-i. Exchange differences			-280.905,00	-280.905,00
3. Changes in working capital	0,00		13.754.856,48	-2.685.936,62
+/-a. Inventories			-1.855.549,70	-1.282.276,10
+/-b. Debtors and other accounts receivable			11.508.692,15	-8.954.047,80
+/-d. Creditors and other accounts payable			1.430.299,36	350.716,23
+/-e. Other current liabilities			1.440.471,56	2.069.051,66
+/-f. Other non-current assets and liabilities			1.230.943,11	5.130.619,39
4. Other operating cash flow	0,00		-2.449.541,40	-1.921.945,32
-a. Interest paid			-919.412,26	-160.557,00
+b. Dividends received		8.2, 8.4	163.924,56	150.053,54
+c. Interest received			2.204.300,48	1.771.481,31
+/-d. Corporate income tax received/(paid)			-3.898.354,18	-3.682.923,17
5. Operating cash flow	**0,00**		**22.949.705,28**	**5.659.658,38**
B. Investing cash flow				
6. Payments for investments -	0,00		-11.077.475,94	-13.533.754,23
b. Intangible assets			-219.580,39	-72.865,44
c. Property, plant & equipment			-1.263.707,62	-2.083.848,35
e. Other financial assets			-9.558.987,93	-11.412.105,84
g. Other assets			-35.200,00	35.065,40
7. Received for divestments +	0,00		63.950,02	15.686.277,47
c. Property, plant & equipment			63.950,02	60.810,28
e. Other financial assets			0,00	15.590.401,79
g. Other assets			0,00	35.065,40
8. Investing cash flow	**0,00**		**-11.013.525,92**	**2.152.523,24**

C. Financing cash flow				
9. Receipts and payments for equity instruments	*0,00*		*877.911,66*	*155.886,46*
-c. Acquisition of own equity instruments		*12.4*	*0,00*	*-98.756,03*
+d. Disposal of own equity instruments		*12.4*	*877.911,66*	*254.642,49*
10. Receipts and payments for financial liabilities	*0,00*		*-3.841.130,88*	*-4.832.504,56*
a. Issuance	*0,00*		*852.570,48*	*4.425.371,42*
+2. Bank loans			*0,00*	*2.382.424,90*
+3. Debts to group and associated undertakings			*0,00*	*2.005.000,00*
+4. Other debts			*852.570,48*	*37.946,52*
b. Repayment and amortisation of	*0,00*		*-4.693.701,36*	*-9.257.875,98*
-2. Bank loans			*-3.693.701,36*	*-9.257.875,98*
-3. Debts to group and associated undertakings			*-1.000.000,00*	*0,00*
11. Dividend payments and remuneration of other equity instruments	*0,00*		*-3.500.000,00*	*-3.300.000,00*
-a. Dividends			*-3.500.000,00*	*-3.300.000,00*
12. Financing cash flow	***0,00***		***-6.463.219,22***	***-7.976.618,10***
D. Effect of exchange rate variations			*277.096,44*	*223.287,16*
E. Net increase/decrease in cash and cash equivalents	*0,00*		*5.750.056,58*	*58.850,68*
Beginning cash and cash equivalents			***1.001.770,67***	***942.919,99***
Ending cash and cash equivalents			***6.751.827,25***	***1.001.770,67***

NOTES TO FINANCIAL STATEMENTS

2014

1. BUSINESS DESCRIPTION

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 company's business has been carried on since 1870, it was incorporated in 1966 by means of a public instrument executed before the Madrid notary Mr. 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 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.

2. *BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS*

2.1. True and fair view

The financial statements were prepared in accordance with the accounting regulations established in Spanish law in order to present a true and fair view of the net worth, financial situation and results of the Company. The cash flow statement was prepared in order to provide an accurate picture of the source and application of the monetary flows representing the Company's cash and other liquid assets.

These financial statements were authorised by the Board of Directors to be submitted to the Shareholders' Meeting for approval; they are expected to be approved without changes.

2.2. Comparative information

The accompanying financial statements for 2014 are drawn up in accordance with the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November, as amended by Royal Decree 1159/2007, of 17 September, and with the other mercantile legislation in force.

The figures contained in these 2014 financial statements are presented with the corresponding 2013 figures for comparison purposes.

The 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

2.3. *Critical aspects of measuring and estimating uncertainty*

In preparing the Company's financial statements, the Directors made estimates based on past experience and other factors which are considered to be reasonable in the current circumstances and which constitute the basis for establishing the carrying amount of assets and liabilities whose value is not readily determinable by other means.

The Company constantly reviews its estimates but, given their inherent uncertainty, there is always a risk that significant adjustments to the value of those assets and liabilities may arise in the future in the event of a significant change in the assumptions, facts and circumstances upon which they are based.

The key assumptions about the future, and other relevant data about estimating the uncertainty at the year-end, which carry a risk of significant changes in the value of assets and liabilities in the next year are as follows:

Estimates

In preparing these financial statements, estimates by Company 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.

The useful life of intangible assets, property, plant & equipment, and investment property.

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 financial statements.

The Company recognised provisions for risks in line with the approved accounting policies. The Company 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 cost to the Company in that event.

Impairment of non-current assets

Non-current assets other than financial assets are measured on the basis of estimates to determine their fair value for the purposes of measuring impairment, particularly in the case of goodwill and intangible assets with an indefinite useful life.

To determine fair value, the Company's Directors estimate the future cash flows expected from the assets or the cash-generative units of which they form part, using an appropriate discount rate to calculate the present value of those cash flows.

Impairment of 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.

In the case of equity instruments categorised as "Financial assets available for sale", and of investments in the equity of group and associated undertakings, 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 or 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. These losses are recognised in the "Value adjustments" item in equity, until these investments are disposed of or impaired, at which time the accumulated balance of this account is recognised entirely in profit or loss. In the case of losses related to Investments held for sale and classified as "depreciated", the impairments are recognised directly in profit or loss without passing through equity.

2.4. Provisions and contingent liabilities

The Company recognised provisions for risks in line with the accounting policy set out in section 4.12 of these notes. The Company 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.

2.5. Monetary unit

The amounts contained in the documents comprising these financial statements are expressed in euro to two decimal places.

2.6. Changes in measurement standards

The Company 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 Company 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 on the balance sheet.

The total impact of this change in valuation actually amounted to 2,220,514.06 euro, but it is presented in equity net of the tax effect, which amounts to 555,128.52 euro. (Deferred tax liabilities)

3. APPLICATION OF RESULTS

The Board of Directors of PRIM, S.A. has proposed the following distribution of income to the Shareholders' Meeting:

(euro)	2014	2013
Basis of distribution		
Balance of profit and loss (profit)	9,215,873.83	9,826,693.12
Application		
Legal reserve		
Voluntary reserves	1,081.56	6,326,693.12
Dividends	9,214,792.27	3,500,000.00

3.1. Interim 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 legal requirements (Article 277 of the Capital Companies Act) disclosing the existence of sufficient liquidity to distribute the interim dividend resolved upon 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, in declaring an interim dividend out of 2013 income, it had sufficient liquidity to make the payment on the date that dividend was approved.

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 resolved upon by the Board of Directors on 22 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, in declaring an interim dividend out of 2014 income, it had sufficient liquidity to make the payment on the date that dividend was approved.

3.2. Limits on the distribution of dividends

The 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.

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 a 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 Company's net equity is less than the amount of capital stock, the income will be allocated to offset those losses.

4. ACCOUNTING AND VALUATION STANDARDS

The financial statements were drafted in accordance with the accounting principles and standards established in mercantile law; in particular, the following valuation methods were applied.

4.1. Intangible assets

Concessions, patents, licenses, brands and similar are valued at the acquisition price. Where operating and distribution rights have a specific term, they are amortised on a straight-line basis over that period, which is 10 years. Other rights are amortised on a straight-line basis over five years.

Computer software is valued at acquisition cost and amortised on a straight-line basis over four years.

Repairs which do not extend the useful life and maintenance costs are charged to profit and loss in the year in which they are incurred.

Intangible assets with a definite useful life are amortised systematically on the basis of the estimated useful life of the asset and the residual value. The amortisation methods and periods are reviewed at year-end and adjusted prospectively where necessary.

At least at year-end, measurements are made to detect impairment and, if necessary, the recoverable value is estimated and the appropriate impairment adjustments are made.

4.2. Property, plant & equipment

Property, plant and equipment are valued at the acquisition or production cost, net of accumulated depreciation, 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.

Depreciation is calculated on a straight-line basis using constant percentages determined on the basis of the asset's estimated useful life.

The depreciation rates applied by the Group are as follows:

ASSETS	Annual percentage
Structures	2% - 3%
Machinery, installations and tools	8% - 20%
Vehicles	16%
Furniture and fittings	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

Capitalised in-house work on fixed assets includes the costs of material and personnel expenses incurred, calculated on the basis of hours directly used, which are valued at the Group's standard hourly rates.

At year-end, the Company reviews the residual values, useful lives and depreciation methods of the property, plant and equipment and makes any necessary adjustments prospectively.

4.3. Investment property

Investment property is carried at acquisition price less accumulated depreciation and any impairment. In addition to the amount invoiced by the supplier, the acquisition price includes any additional expenses incurred up until the asset comes into service. Since 1 January 2008, interest costs are capitalised in the year in which they are incurred provided that they accrue before the property was brought into service and more than one year is required for it to come into service.

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

The depreciation rates applied by the Company are as follows:

	Annual percentage
Structures	*2%*
Installations	*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.

4.4. *Impairment of intangible assets, property, plant and equipment and investment property*

At year-end at least, the Company evaluates whether there are any signs of impairment to a non-current asset or a cash-generative unit. If such signs are found, and in any event, in the case of goodwill and intangible assets with an indefinite useful life, the recoverable amount is estimated.

The recoverable amount is determined as the higher of an asset's fair value less the cost of sale or its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount. The value in use is the present value of expected future effective cash flows, using risk-free market interest rates, adjusted for specific risks associated with the asset. For those assets that do not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generative units to which the assets belong.

Impairment loss and its reversion are recognised in profit and loss. An impairment loss is reversed if the circumstances giving rise to it have ceased to exist, except where it relates to goodwill. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognised for the asset.

4.5. *Leases*

4.5.1. *Finance 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.

The Company did not have any finance leases as of 2014 and 2013 year-end.

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.

4.5.2. Operating leases

Operating lease payments are recognised as expenses in profit and loss when accrued.

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

4.6. Financial assets

a)Recognition and measurement

Loans and receivables

In this category, the Company recognises trade and non-trade receivables, which include financial assets with fixed or determinable payments not listed on active markets and for which the Company expects to recover the full initial investment, except in cases of debtor insolvency.

Upon initial recognition in the balance sheet, they are measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

After initial recognition, these financial assets are measured at amortised cost.

Nevertheless, trade receivables which mature within more than one year with no contractual interest rate, as well as advances and loans to personnel, dividends receivable and called-up payments on equity instruments, the amount of which is expected to be received in the short term, are carried at nominal value both at initial and subsequent measurements, if the effect of not discounting cash flows is non-material.

The difference between fair value and the amount of deposits paid for operating leases is recognised in profit and loss as an advance lease payment over the lease term, provided that the amount is material. There was no difference between fair value and historical cost as of 2014 or 2013 year-end.

Investment in equity of group and associated undertakings

This includes equity investments in companies in which the entity exercises control, joint control via by-laws or contractual arrangements, or has significant influence.

Upon initial recognition in the balance sheet, they are measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs. In the case of non-monetary contributions to a group company for the purpose of a business, the investment is measured at the carrying amount of the assets constituting the business. The initial value includes the amount of any acquired pre-emptive subscription and similar rights.

Following initial measurement, these financial assets are stated at cost, less any accumulated impairment loss.

When an investment is classified as an investment in a group or associated undertaking, cost value is deemed to be the asset's recognised carrying amount. Previously recognised value adjustments are then carried in equity until the investment is either sold or impaired.

In the case of the sale of pre-emptive subscription rights and similar or their segregation for exercise, the carrying amount of the respective assets will be reduced by the cost of the rights.

Available-for-sale financial assets

Includes debt securities and equity instruments not included in the preceding categories.

Upon initial recognition in the balance sheet, they are measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Changes in fair value are recognised directly in equity and disclosed in the Statement of Recognised Revenues and Expenses until the financial asset is derecognised or impaired, at which time the amount recognised in equity is taken to profit and loss. Nevertheless, exchange gains and losses on monetary financial instruments in foreign currency are recognised in profit and loss.

a. Equity instruments

The initial value includes the amount of any acquired pre-emptive subscription and similar rights.

Equity instruments whose fair value cannot be measured reliably are carried at cost, less any accumulated impairment loss.

In the case of the sale of pre-emptive subscription rights and similar or their segregation for exercise, the carrying amount of the respective assets will be reduced by the cost of the rights.

Any impairments (reduction in fair value above a certain percentage for a certain time, issuer insolvency, etc.) or reversals of impairment are recognised in profit or loss.

At 2014 year-end, as at 2013 year-end, these assets were measured at amortised cost except for the investment in the equity of Alphatec, which is carried at fair value, determined by its quotation on an organised secondary market (NASDAQ).

b. Fixed-income securities (debt securities)

Any impairments (reduction in fair value above a certain percentage for a certain time, issuer insolvency, etc.) are recognised in profit or loss. while reversals of impairment are recognised in equity and disclosed in the Statement of Recognised Revenues and Expenses.

Investments held to maturity

These are debt securities with a fixed maturity date that earn determined or determinable amounts, are traded on an active market, and which the Company intends or has the capacity to retain until maturity.

They are measured initially at fair value, which is equivalent to the fair value of the consideration delivered plus the directly attributable transactions costs.

They are subsequently measured at amortised cost. Accrued interest is recognised in profit and loss using the effective interest rate method.

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.

b) Cancellation

Financial assets are derecognised when the contractual rights to the related cash flows have expired or when the assets are transferred, provided that substantially all the risks and rewards inherent to ownership are transferred.

If the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, the financial asset is derecognised when it has not retained control of the asset. If the Company retains control of the asset, it continues to recognise the asset at the amount of its exposure to fair value changes; i.e. to the extent of its continuing involvement, and recognises the related liability.

When the financial asset is derecognised, the difference between the consideration received less directly attributable transaction costs, taking into account any new asset acquired less any liability assumed, and the carrying amount of the transferred financial asset plus any accumulated amounts recognised directly in equity determines the related gain or loss and is recognised in profit and loss.

The Company does not derecognise financial assets in transfers where it retains substantially all the risks and benefits inherent to ownership, such as discounted bills of exchange, factoring with recourse, sales of financial assets under repurchase agreements at a fixed price or at the selling price plus interest and securitisations of financial assets where the Company retains subordinated financing or other types of guarantees that absorb substantially all the expected losses. In these cases, the Company recognises a financial liability for the amount of consideration received.

c)<u>Interest and dividends received on financial assets</u>

Interest and dividends on financial assets accrued subsequent to acquisition are recognised as revenue in profit and loss. Interest is recognised using the effective interest rate method and dividends when the right to receive payment is established.

For these purposes, upon initial measurement of the related financial assets, the explicit and unmatured interest accrued at that time and the dividends declared by the competent body up to acquisition are recognised separately based on their maturity. Explicit interest refers to the contractual interest rate applied to the financial instrument.

When dividends paid are unequivocally from profits obtained prior to the acquisition date because they exceed profits generated by the investee since the acquisition, they are not recognised as income but, rather, are deducted from the carrying amount of the investment.

d)<u>Reclassification of financial assets</u>

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

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.

4.7. Impairment of financial assets

The Company adjusts the carrying amount of financial assets against profit and loss when there is objective evidence of actual impairment.

To determine impairment loss, the Company assesses the potential loss of individual assets as well as 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 Company 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 and the existence of evidence that the agreed future flows may not be collected in full or that there may be an unusual delay in collection.

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 as revenue in profit and loss 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.

<u>Equity instruments</u>

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 Company 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 profit and loss 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", and of investments in the equity of group and associated undertakings, 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. Such losses are recognised in profit and loss as a direct decline in value of the equity instrument.

The reversal of impairment is recognised in profit and loss 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.

4.8. Financial liabilities

a) Recognition and measurement

Debtors and accounts payable

This includes financial liabilities generated by the purchase of goods and services arising from trade transactions and from non-trade transactions that are not derivative instruments.

Upon initial recognition in the balance sheet, they are measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted for directly attributable transaction costs.

At subsequent measurements, these financial liabilities are measured at amortised cost. Interest is recognised in profit and loss using the effective interest rate method.

Nevertheless, trade payables maturing in less than one year without a contractual interest rate, as well as amounts due to third parties for capital calls expected to be paid in the short term, are measured at nominal value when the impact of not discounting cash flows is not material.

b) Cancellation

Financial liabilities are retired when the related obligation is extinguished.

When a debt instrument is replaced by another on substantially different terms, the original liability is derecognised and the new financial liability is recognised. Substantial modifications in the terms of an existing financial liability are treated in the same way.

The difference between the carrying amount of the financial liability or the part of the financial liability that is derecognised and the amount paid, including attributable transaction costs and any asset transferred other than cash or assumed liability, is recognised in profit and loss in the year in which it occurs.

When a debt instrument is replaced by another and the terms are not substantially different, the original liability is not derecognised and any fees paid are recognised as an adjustment to its carrying amount. The new amortised cost of the financial liability is determined using the effective interest rate, i.e. the rate that matches the carrying amount of the financial liability at the date of modification with the cash flows payable under the new terms.

4.9. Own shares

Own shares are recognised in equity as a decrease in "Capital and reserves" when acquired. No loss or gain is recognised in profit or loss on sale or cancellation. Expenses incurred in connection with transactions with own shares are recognised directly in equity as a decrease in reserves.

4.10. Inventories

Inventories are measured at the average acquisition or production cost, or at market 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 Company values inventories at weighted average cost.

When the net realisable value of inventories is lower than their acquisition or production cost, a value adjustment is recognised as an expense in profit or loss.

No value adjustments are made in the case of raw materials and other consumables in the production process if it is expected that the finished products into which they are incorporated will be sold at above cost.

Inventories are provisioned at the end of each year as a function of impairment experienced during that year. Broadly speaking, provisioned inventories are those products in which the company has been dealing for more than one year but which have not registered any purchases or sales in the last six months.

4.11. Cash and cash equivalents

"Cash and cash equivalents" includes cash, current accounts, short-term deposits and repos which meet all of the following criteria:
- They are convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is not material.
- They are part of the Company's standard cash management strategy.

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company's cash management strategy are recognised as a decrease in cash and cash equivalents.

4.12. Provisions

Provisions are recognised in the balance sheet when the Company 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 balance sheet date and adjusted to reflect the current best estimate of the related liability.

In authorising the financial statements, the Company's directors distinguish between:

- *Provisions: Accounts payable which cover current obligations for past events, the cancellation of which will likely lead to a cash outflow, but whose amounts and/or time of cancellation are undetermined.*

- *Contingent liabilities Possible obligations arising from past events whose future occurrence is conditional upon the occurrence of one or more future events outside the company's control.*

4.13. Corporate income tax

Income tax expense is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable income for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognised deferred tax assets and liabilities.

The corresponding tax expense is recognised in profit or loss, except when it relates to transactions recognised directly in equity, in which case the corresponding tax expense is likewise recognised in equity; in business combinations, it is recognised with a charge or credit to goodwill.

Deferred income tax is recognised on all timing differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of timing differences is included in “"Deferred tax assets” or “Deferred tax liabilities” in the balance sheet, as applicable.

The Company recognises deferred tax liabilities for all timing differences, except where disallowed by prevailing legislation.

The Company recognises deferred tax assets for all deductible timing differences, unused tax credits and unused tax loss carryforwards, to the extent that it is probable that future taxable profit will be available against which these assets may be utilised, except where disallowed by prevailing legislation.

At each financial year end, the Company measures the deferred tax assets recognised and those that have not yet been recognised. On the basis of that measurement, the Company derecognises previously-recognised assets if they are no longer likely to be recovered, or recognises deferred tax assets not recognised previously where it is likely that future taxable profit will be available against which these assets may be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply at the time of the reversal based on prevailing laws and on the basis of reasonable expectations of recovering the deferred tax asset or settling the deferred tax liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities.

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 Company adjusted deferred tax assets and liabilities to the expected recovery rate.

4.14. Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current and non-current. Assets and liabilities are classified as current when they are associated with the Company's normal operating cycle 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, and 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.

4.15. Revenues and expenses

Revenues and expenses are recognised in accordance with the accrual principle when they arise, regardless of when actual payment or collection occurs.

Sales of goods and provision of services

Revenue is recognised when it is likely that the Company will collect the economic gains or yields from the transaction and the amount of the revenues and the costs incurred or to be incurred can be measured reliably. Revenues are recognised at the fair value of the related consideration received or receivable, less the amount of any discount, price reduction or similar granted by the Company, as well as any interest included in the nominal value of the debt claim. Indirect taxes levied on transactions that are chargeable to third parties do not form part of revenues.

Nevertheless, in accordance with the prudence principle, gains are only recognised at year-end whereas foreseeable risks and losses, including possible losses, are recognised as soon as they become known. Default interest arising by court order is recognised when the favourable court decision is received.

4.16. Transactions in foreign currency

The Company's functional and presentation currency is the euro.

Transactions in foreign currency are initially translated at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Exchange differences, both positive and *negative, originating in this process, and those arising from the settlement of those balance sheet items, are recognised in profit or loss in the year in which they arise.*

Non-monetary items measured at historical cost are translated at the exchange rate prevailing on the date of the transaction.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when the fair value is determined. Exchange differences are recognised directly in equity if the related non-monetary item is recognised in equity; otherwise, in profit or loss.

4.17. Environmental assets and liabilities

Environmental expenses correspond to the company's environmental activities and are recognised under "Other operating expenses" in the accompanying 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.

4.18. Related-party transactions

Related-party transactions are measured as described above.

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

5. INTANGIBLE ASSETS

The variations in 2014 and 2013 were as follows:

(euro)	Beginning balance	Recognitions and provisions	Derecognitions and reversal of impairment	Transfers	Ending balance
2014					
Cost	**1,714,915.11**	**107,227.06**	**0.00**	**112,353.33**	**1,934,495.50**
Patents, licences, brands and similar	960,664.05	0.00	0.00	0.00	960,664.05
Computer software	699,251.06	107,227.06	0.00	112,353.33	918,831.45
Other intangible assets	55,000.00	0.00	0.00	0.00	55,000.00
Accumulated amortisation	**-1,555,356.51**	**-102,703.05**	**0.00**	**0.00**	**-1,658,059.56**
Patents, licences, brands and similar	-960,664.05	0.00	0.00	0.00	-960,664.05
Computer software	-567,295.46	-97,207.05	0.00	0.00	-664,502.51
Other intangible assets	-27,397.00	-5,496.00	0.00	0.00	-32,893.00
Net carrying amount	**159,558.60**				**276,435.94**

(euro)	*Beginning balance*	*Recognitions and provisions*	*Derecognitions and reversal of impairment*	*Transfers*	*Ending balance*
2013					
Cost	***1,646,874.67***	***72,865.44***	***-4,825.00***	***0.00***	***1,714,915.11***
Patents, licences, brands and similar	*960,664.05*	*0.00*	*0.00*	*0.00*	*960,664.05*
Computer software	*631,210.62*	*72,865.44*	*-4,825.00*	*0.00*	*699,251.06*
Other intangible assets	*55,000.00*	*0.00*	*0.00*	*0.00*	*55,000.00*
Accumulated amortisation	***-1,463,134.42***	***-92,354.78***	***132.69***	***0.00***	***-1,555,356.51***
Patents, licences, brands and similar	*-960,664.05*	*0.00*	*0.00*	*0.00*	*-960,664.05*
Computer software	*-480,569.37*	*-86,858.78*	*132.69*	*0.00*	*-567,295.46*
Other intangible assets	*-21,901.00*	*-5,496.00*	*0.00*	*0.00*	*-27,397.00*
Net carrying amount	***183,740.25***				***159,558.60***

The fully amortised assets in use under this account amount to 1,308,457.57 euro as of 31 December 2013 and 1,481,908.59 euro as of 31 December 2014.

Description of main changes

The main change in 2013 was the acquisition of new software to improve the functioning of various areas of the organisation, particularly the Technical Service area.

Changes in 2014 include notably the acquisition of new software applications to enhance management of the Company's production processes.

6. PROPERTY, PLANT AND EQUIPMENT

The changes during 2014 and 2013 in the various property, plant and equipment accounts and in the related accumulated depreciation are as follows:

(euro)	Beginning balance	Recognitions and provisions	Derecognitions and reversal of impairment	Transfers (*)	Ending balance
2014					
Cost	**21,418,217.96**	**1,790,004.15**	**-4,478,350.84**	**-112,353.33**	**18,617,517.94**
Land and structures	4,197,432.67	0.00	0.00	0.00	4,197,432.67
Plant and machinery	1,224,820.29	97,103.95	0.00	0.00	1,321,924.24
Other installations, tools and furniture	14,409,953.59	1,179,973.17	-4,478,350.84	12,582.00	11,124,157.92
Other assets	1,512,184.55	56,167.38	0.00	0.00	1,568,351.93
Under construction YYYYYYYYY	73,826.86	456,759.65	0.00	-124,935.33	405,651.18
Accumulated amortisation	**-14,927,119.97**	**-1,404,178.05**	**4,435,745.69**	**0.00**	**-11,895,552.33**
Structures	-1,748,131.18	-73,011.00	0.00	0.00	-1,821,142.18
Plant and machinery	-804,724.22	-61,413.15	0.00	0.00	-866,137.37
Other installations, tools and furniture	-11,178,443.73	-1,154,478.55	4,435,745.69	0.00	-7,897,176.59
Other assets	-1,195,820.84	-115,275.35	0.00	0.00	-1,311,096.19
Impairment losses					
Net carrying amount	**6,491,097.99**				**6,721,965.61**

(*) The net amount (112,353.33) corresponds to the Assets under construction which, during the year, were capitalised as Computer Applications and refer mainly to the capitalisation of software used to manage the Company's production processes.

Recognitions in 2014 relate mainly to the acquisition of tools for the Company's various divisions and the refurbishment of the premises located at Conde de Peñalver 26 (Madrid), which the Company holds under an operating lease.

Notable derecognitions in 2014 include the process of clearing the balance sheet of fully amortised assets that were in disuse. This process resulted in the derecognition of assets with a cost (and accumulated depreciation) of 4,428,973.44 euro.

(euro)	Beginning balance	Recognitions and provisions	Derecognitions and reversal of impairment	Disposal of a line of business (*)	Ending balance
2013					
Cost	**26.453.970,95**	**2.098.307,16**	**-145.761,44**	**-6.988.298,71**	**21.418.217,96**
Land and structures	4.197.432,67	0,00	0,00	0,00	4.197.432,67
Plant and machinery	1.076.704,14	148.116,15	0,00	0,00	1.224.820,29
Other installations, tools and furniture	19.670.156,53	1.773.947,53	-45.851,76	-6.988.298,71	14.409.953,59
Other assets	1.509.677,61	102.416,62	-99.909,68	0,00	1.512.184,55
Assets under construction	0,00	73.826,86	0,00	0,00	73.826,86
Accumulated amortisation	**-19.271.170,94**	**-1.311.279,56**	**20.467,96**	**5.634.862,57**	**-14.927.119,97**
Structures	-1.675.120,18	-73.011,00	0,00	0,00	-1.748.131,18
Plant and machinery	-745.596,55	-59.127,67	0,00	0,00	-804.724,22
Other installations, tools and furniture	-15.751.486,32	-1.061.819,98	0,00	5.634.862,57	-11.178.443,73
Other assets	-1.098.967,89	-117.320,91	20.467,96	0,00	-1.195.820,84
Impairment losses					
Net carrying amount	**7.182.800,01**				**6.491.097,99**

Recognitions in 2013 relate mainly to tools for the Company's various divisions.

Derecognitions relate mainly to assets (primarily tooling) derecognised due to the disposal of the INFUSION business line during 2013.

6.1. Disposal of INFUSIÓN line of business

(*) In 2013, the Company booked extraordinary derecognitions as a result of the disposal of its "Infusión" business line.

This disposal included the sale of a large volume of property, plant & equipment, with a net carrying amount of 1,364,337.20 euro (a cost of 6,988,298.71 euro and accumulated depreciation amounting *to 5,623,961.51 euro). These changes are listed in a separate column in the table at the beginning of this section.*

6.2. Revaluation of property, plant and equipment

The 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 balance sheet.

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.

6.3. Fully depreciated assets

As of 31 December 2013, the Company had installations, machinery, tools and furniture with a cost of 10,865,047.98 euro which were fully depreciated and still in use. As of 2014 year-end, that amount was 7,293,773.91 euro.

This significant decline in 2014 is due, as noted above, to the major clearance conducted during 2014 under which fully depreciated assets that were no longer in use were derecognised.

7. INVESTMENT PROPERTY

The variations in 2014 and 2013 were as follows:

(euro)	*31/12/2013*	*Recognitions*	*Derecognition*	*Transfers*	*31/12/2014*
Cost	***5,969,233.51***	***0.00***	***0.00***	***0.00***	***5,969,233.51***
Land	*489,460.99*	*0.00*	*0.00*	*0.00*	*489,460.99*
Structures	*3,745,604.33*	*0.00*	*0.00*	*0.00*	*3,745,604.33*
Installations	*1,734,168.19*	*0.00*	*0.00*	*0.00*	*1,734,168.19*
Accumulated amortisation	***-2,620,763.37***	***-80,530.44***	***0.00***	***0.00***	***-2,701,293.81***
Structures	*-909,615.04*	*-75,688.56*	*0.00*	*0.00*	*-985,303.60*
Installations	*-1,711,148.33*	*-4,841.88*	*0.00*	*0.00*	*-1,715,990.21*
Net carrying amount	***3,348,470.14***				***3,267,939.70***

(euro)	*31/12/2012*	*Recognitions*	*Derecognition*	*Transfers*	*31/12/2013*
Cost	***5,969,233.51***	***0.00***	***0.00***	***0.00***	***5,969,233.51***
Land	*489,460.99*	*0.00*	*0.00*	*0.00*	*489,460.99*
Structures	*3,745,604.33*	*0.00*	*0.00*	*0.00*	*3,745,604.33*
Installations	*1,734,168.19*	*0.00*	*0.00*	*0.00*	*1,734,168.19*
Accumulated amortisation	***-2,540,232.93***	***-80,530.44***	***0.00***	***0.00***	***-2,620,763.37***
Structures	*-833,926.48*	*-75,688.56*	*0.00*	*0.00*	*-909,615.04*
Installations	*-1,706,306.45*	*-4,841.88*	*0.00*	*0.00*	*-1,711,148.33*
Net carrying amount	***3,429,000.58***				***3,348,470.14***

The Company's investment property corresponds to a building in Avenida de Llano Castellano nº 43 (Madrid) that is for lease to third parties.

The latest available appraisal valued that property at 20,133 thousand euro and there are no indications of any loss in value since that date.

7.1. 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 2 years and was signed on 1 November 2013

- The second is for 1 year and was signed on 1 April 2014

Both contracts may be renewed by mutual agreement.

7.2. Analysis of impairment and fair value estimate at year-end

Investment property is measured and reported in the balance sheet 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.

The value in use is determined at year-end 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.

There were no signs of impairment of the investment property as of 2014 and 2013 year-end.

7.3. 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.*
- *As of 2014 year-end, 58.86% of the property's total floor area was leased.*
- *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*

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

The impact on the value in use of investment property of a plausible change in the key assumptions is discussed below:

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

7.5. Breakdown of operating costs from investment property

Operating costs associated with the property which generated rent revenues in 2014 totalled 95,751.92 euro (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).

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.

7.6. Recognition of accrued revenues from Investment property

The Company recognises rent revenues on a straight-line basis, in accordance with the rent amounts agreed with the tenants. Information on the Company's operating leases is detailed in notes 16.1 and 4.3 of these Financial Statements.

7.7. Minimum future payments

As of 2013 year-end, the Company calculated the minimum future lease payments 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 payments 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 to determine the impact on the investment property's recoverable value of a reasonably plausible change in key assumptions.

8. INVESTMENT IN GROUP AND ASSOCIATED UNDERTAKINGS

The variations in 2014 and 2013 were as follows:

(euro)	31/12/2013	Recognitions	Derecognition	Transfers	31/12/2014
Equity instruments, group undertakings	6,816,959.14	570,765.30	0.00	0.00	7,387,724.44
Equity instruments, associated undertakings	379,331.01	0.00	0.00	0.00	379,331.01
	7,196,290.15	570,765.30	0.00	0.00	7,767,055.45

(euro)	31/12/2012	Recognitions	Derecognition	Transfers	31/12/2013
Equity instruments, group undertakings	6,153,323.70	663,635.44	0.00	0.00	6,816,959.14
Equity instruments, associated undertakings	379,331.01	0.00	0.00	0.00	379,331.01
	6,532,654.71	663,635.44	0.00	0.00	7,196,290.15

The holdings in the various companies were notified to them appropriately.

8.1. Description of main changes

The main changes in 2013 were as follows:

Equity instruments, group undertakings

1. *The value of the investment in Establecimientos Ortopédicos Prim, S.A. increased as the amount of the provision was reduced by 111,235.44 mainly as a result of improved income reported by that company in 2013.*

2. *The value of the investment in Luga Suministros Médicos, S.L. increased since the provision declined by 552,400.00 euro. (See Note 8.5)*

The main changes in 2014 were as follows:

Equity instruments, group undertakings

1. *The value of the investment in Establecimientos Ortopédicos Prim, S.A. increased as the amount of the provision was reduced by 148,888.13 euro, mainly as a result of improved results recognised by that company in 2014.*

2. *The value of the investment in Luga Suministros Médicos, S.L. increased since the provision declined by 421.877.17 euro. (See Note 8.5)*

8.2. Description of investment in group and associated undertakings

The investment in group undertakings as of 31 December 2014 comprises the investment in the following unlisted companies.

(euro)	Net carrying amount	Direct stake	Capital	Reserves and share premium	Income (loss) for the year	Total capital and reserves	Operating income	Dividends received in 2014 (1)
2014								
Group companies	7,387,724.44							
Enraf Nonius Ibérica, S.A.	685,544.45	99.99	396,660.00	3,304,906.06	455,997.07	4,157,563.13	502,555.08	
Establecimientos Ortopédicos Prim SA	1,322,028.65	99.99	510,850.00	662,290.52	475,134.48	1,648,275.00	483,195.70	
Siditemedic, S.L.	3,035.06	100.00	3,035.05	13,725.94	34.68	16,795.67	-280.32	
Enraf Nonius Ibérica Portugal Lda	100.00	0.01	100,000.00	-95,039.84	51,300.76	56,260.92	74,479.96	
Inmobiliaria Catharsis SA	2,494,204.13	100.00	118,216.70	716,531.67	101,958.90	936,707.27	127,475.54	107,093.59
Luga Suministros Médicos S.L.	2,882,812.15	99.00	6,010.12	2,439,754.22	437,047.81	2,882,812.15	618,210.08	
Associated companies	379,331.01							
Network Medical Products Ltd	379,331.01	43.68	414,689.00	842,275.76	26,363.31	1,283,328.07	42,105.71	
	7,767,055.45							**107,093.59**

(1) The dividends received in the year are disclosed in note 18.1

The investment in group undertakings as of 31 December 2013 comprises the investment in the following unlisted companies.

(euro)	Net carrying amount	Direct stake	Capital	Reserves and share premium	Income (loss) for the year	Total capital and reserves	Operating income	Dividends received in 2013 (1)
2013								
Group companies	6,816,959.14							
Enraf Nonius Ibérica, S.A.	685,544.45	99.99	396,660.00	3,191,873.01	113,033.05	3,701,566.06	126,397.02	
Establecimientos Ortopédicos Prim SA	1,173,140.52	99.99	510,850.00	551,055.08	111,235.44	1,173,140.52	162,281.92	
Siditemedic, S.L.	3,035.06	100.00	3,035.05	13,696.95	28.99	16,760.99	-331.01	
Enraf Nonius Ibérica Portugal Lda	100.00	0.01	100,000.00	-47,725.96	-38,582.08	13,691.96	-38,616.73	
Inmobiliaria Catharsis SA	2,494,204.13	100.00	118,216.70	716,531.67	107,093.59	941,841.96	133,706.06	110,653.84
Luga Suministros Médicos, S.L.	2,460,934.98	99.00	6,010.12	2,125,635.83	314,118.39	2,445,764.34	445,167.50	
Associated companies	379,331.01							
Network Medical Products Ltd	379,331.01	43.68	414,689.00	724,256.92	80,559.00	1,219,504.92	101,972.00	
	7,196,290.15							**110,653.84**

(1) The dividends received in the year are disclosed in note 18.1

8.3. Information about Group companies

The principal details of the aforementioned investees is as follows:

****   INMOBILIARIA CATHARSIS, S.A. (Sociedad Unipersonal)***

As of 31 December 2014 and 2013, the Company owned 1,967 shares of INMOBILIARIA CATHARSIS, S.A., representing 100% of its capital.

Domiciled in Móstoles (Madrid), C/ F, Polígono industrial Nº 1, this company was constituted in 1964 and its corporate purpose is to engage in all types of real estate transactions involving the purchase and sale of rural and urban properties, exploiting properties, constructing, repairing and refurbishing buildings, construction of industrial buildings, and the sale of properties of all types.

Prim, S.A. collected 107,093.59 euro in dividends from Inmobiliaria Catharsis, S.A. in 2014, and 110,653.84 euro in 2013.

****   ENRAF NONIUS IBÉRICA, S.A.***

As of 31 December 2014 and 2013, the Company owned 65,999 shares of ENRAF NONIUS IBÉRICA, S.A., representing 99.99% of its capital.

ENRAF NONIUS IBÉRICA, S.A. has its registered offices at Polígono Industrial 1, Calle F, 15, Móstoles, Madrid; its corporate purpose is the distribution, sale and installation of products in the field of physiotherapy, home medical care and rehabilitation.

No dividends were collected from this company in 2014 or 2013.

**** ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A.***

The Company owned 16,999 shares of this company, representing 99.99% of its capital, as of 31 December 2014 and 2013.

ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A. has its domicile in C/ F, número 15, Polígono Industrial nº 1, Móstoles and its corporate purpose 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 medical, surgical and similar material.

No dividends were collected from this company in 2014 or 2013.

**** ENRAF NONIUS IBÉRICA PORTUGAL, LDA.***

The Company owned 0.01% of this company's capital as of 31 December 2014 and 2013.

ENRAF NONIUS IBÉRICA PORTUGAL, LDA has its registered offices in Rua Aquiles Machado – Lisbon (Portugal). Its corporate purpose is the distribution, sale and installation of products in the area of physiotherapy, home medical care and rehabilitation.

No dividends were collected from this company in 2014 or 2013.

****SIDITEMEDIC, S.L. (Sociedad Unipersonal).***

As of 31 December 2014 and 2013, the Company owned 101 shares of SIDITEMEDIC, S.L. (formerly MEDIPRIM, S.L.), representing 100% of its capital.

SIDITEMEDIC, S.L. has its registered offices at D. Ramón de la Cruz, 83 (Madrid); its corporate purpose is the distribution and sale of medical products.

No dividends were collected from this company in 2014 or 2013.

****LUGA SUMINISTROS MEDICOS, S.L.***

The registered offices of LUGA SUMINISTROS MÉDICOS, S.L. are at Polígono Industrial Monte Boyal, Avenida Constitución, parcela 221, Casarrubios del Monte (Toledo), and its corporate purpose 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, and podology chairs and instrumentation.

No dividends were collected from this company in 2014 or 2013.

8.4. Holdings in associated undertakings.

**** NETWORK MEDICAL PRODUCTS LTD***

The registered offices of NETWORK MEDICAL PRODUCTS LIMITED are in England and its corporate purpose is the sale of medical products.

The Company owns 43.68% of NETWORK MEDICAL PRODUCTS LTD (the same percentage as in 2013), and its net carrying amount was 379,331.01 euro as of 2014 year-end (the same as in 2013).

The company's key figures, used for recognition by the equity method, are as follows:

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*

and the figures for 2013 are as follows:

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*

8.5. Impairment tests of holdings in Group and associated undertakings

It was considered reasonable to modify some impairments recognised at the end of 2014 and 2013, as detailed in the table below, which shows the changes in the impairment loss accounts for assets carried at cost under "Investment in group and associated undertakings":

Impairment losses	*31/12/2013*	*Change*	*31/12/2014*
Equity instruments, group undertakings	***3,379,560.04***	***-570,765.30***	*2,808,794.74*
Luga Suministros Médicos, S.L.	*3,230,671.91*	*-421,877.17*	*2,808,794.74*
Establecimientos Ortopédicos Prim, S.A	*148,888.13*	*-148,888.13*	*0.00*
Equity instruments, associated undertakings	***0.00***	***0.00***	***0.00***
Network Medical Products	*0.00*	*0.00*	*0.00*

Impairment losses	*31/12/2012*	*Change*	*31/12/2013*
Equity instruments, group undertakings	***4,043,195.48***	***-663,635.44***	***3,379,560.04***
Luga Suministros Médicos, S.L.	*3,783,071.91*	*-552,400.00*	*3,230,671.91*
Establecimientos Ortopédicos Prim, S.A	*260,123.57*	*-111,235.44*	*148,888.13*
Equity instruments, associated undertakings	***0.00***	***0.00***	***0.00***
Network Medical Products	*0.00*	*0.00*	*0.00*

At year-end, an impairment test was performed on the holdings in group and associated undertakings where there might be indications of impairment or differences between the net carrying amount on the balance sheet of Prim, S.A. and the investee's equity, referring to Luga Suministros Médicos, S.L. in particular.

To determine the existence of impairment in holdings in group undertakings as of 31 December 2014, the net value of the investment was compared with the recoverable value, calculated with cash flow projections based on the operating results and business projections of those companies for which projections were available.

At year-end, an impairment test of that holding 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. Future operating cash flows were estimated for 2015-2019 assuming a scenario of moderate growth (3.00%). Those cash flows were discounted using the weighted average cost of capital (WACC), 10.10% (11.90% in 2013), based on market interest rates and the risk premium associated with the company's business.

The growth rate used to extrapolate projected cash flow beyond the period covered by the most recent budgets is 1.00%.

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.

Sensitivity to changes in assumptions

The Company estimated the impairment of its holding in Luga Suministros Médicos, S.L. using cash flow projections based on the scenario for the coming years, having regard to the current economic situation. Regarding the assumptions for calculating the value in use of Luga Suministros Médicos, S.L., Management considers that no reasonable or feasible change in any of those assumptions would have a significant impact on the net carrying amount of the holdings as of 31 December 2014.

As regards Establecimientos Ortopédicos Prim, S.A., the impairment estimate was calculated on the basis of equity as of 31 December 2014 since cash flow projections were not available.

9. FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

The composition of financial assets, excluding investments in the equity of group, multi-group and associated undertakings (Note 8) as of 31 December 2014 and 2013 is as follows:

	Equity instruments	Debt securities	Loans and receivables	Deferred tax assets	Total
Figures as of 31 December 2014, in euro					
Long-term financial assets	**4,062,602.17**	**19,555,484.81**	**169,763.54**	**311,697.59**	**24,099,548.11**
Loans and receivables			169,763.54	0.00	169,763.54
Available-for-sale assets	4,062,602.17	19,555,484.81			23,618,086.98
Assets held to maturity					0.00
Deferred tax assets				311,697.59	311,697.59
Short-term financial assets		**4,412,197.26**	**36,413,779.21**		**40,825,976.47**
Loans and receivables			36,413,779.21		36,413,779.21
Available-for-sale assets		4,412,197.26			4,412,197.26
Loans to group undertakings			0.00		0.00
Assets held to maturity			0.00		0.00
	4,062,602.17	**23,967,682.07**	**36,583,542.75**	**311,697.59**	**64,925,524.58**

	Equity instruments	Debt securities	Loans and receivables	Deferred tax assets	Total
Figures as of 31 December 2013, in euro					
Long-term financial assets	**4,191,575.08**	**11,502,868.75**	**2,890,738.44**	**133,853.48**	**18,719,035.75**
Loans and receivables			2,890,738.44		2,890,738.44
Available-for-sale assets	4,191,575.08				4,191,575.08
Assets held to maturity		11,502,868.75			11,502,868.75
Deferred tax assets				133,853.48	133,853.48
Short-term financial assets		**208,709.33**	**48,419,471.36**		**48,628,180.69**
Loans and receivables		208,709.33	47,922,471.36		48,131,180.69
Loans to group undertakings			497,000.00		497,000.00
Assets held to maturity			0.00		0.00
	4,191,575.08	**11,711,578.08**	**51,310,209.80**	**133,853,48**	**67,347,216.44**

	Equity instruments	Debt securities	Loans and receivables	Deferred tax assets	Total
Figures as of 31 December 2014, in euro					
Non-current financial assets					
Equity instruments available for sale (9.1)	4,062,602.17				4,062,602.17
Debtors and other accounts receivable (9.2)			0.00		0.00
Debt securities (9.3)		19,555,484.81			19,555,484.81
Other financial assets (9.2)			169,763.54		169,763.54
Deferred tax assets (9.2)				311,697.59	311,697.59
Current financial assets					
Trade and other accounts receivable (9.2.)			36,413,779.21		36,413,779.21
Loans to group undertakings (9.2)			0.00		0.00
Debt securities (9.3)		4,412,197.26			4,412,197.26
	4,062,602.17	**23,967,682.07**	**36,583,542.75**	**311,697.59**	**64,925,524.58**

	Equity instruments	Debt securities	Loans and receivables	Deferred tax assets	Total
Figures as of 31 December 2013, in euro					
Non-current financial assets					
Equity instruments available for sale (9.1)	4,191,575.08				4,191,575.08
Debtors and other accounts receivable (9.2)			2,756,174.90		2,756,174.90
Debt securities (9.3)		11,502,868.75			11,502,868.75
Other financial assets (9.2)			134,563.54		134,563.54
Deferred tax assets (9.2)				133,853.48	133,853.48
Current financial assets					
Trade and other accounts receivable (9.2.)			47,922,471.36		47,922,471.36
Loans to group undertakings (9.2)			497,000.00		497,000.00
Debt securities (9.3)		208,709.33			208,709.33
	4,191,575.08	**11,711,578.08**	**51,310,209.80**	**133,853.48**	**67,347,216.44**

9.1. Equity instruments available for sale

The acquisition cost and fair value of financial assets classified in this category as of 31 December 2014 and 2013 are as follows:

Non-current financial assets Equity instruments Company	As of 31 December 2014 Cost	Impairment	Dilution Saarema	Fair value
Esta Healthcare B.V.	0,00	0,00		0,00
Hesperis Chirurgical	600,00	-600,00		0,00
Sas Safe Tee Fixe	226.400,00	-226.400,00		0,00
Choice Therapeutics, Inc	305.250,31	-305.250,31		0,00
Alphatec Holdings Inc	1.999.998,04	-1.538.940,46		461.057,58
Tissuemed Limited	276.701,72	-239.218,76		37.482,96
Saarema	4.807.636,82	-115.116,77	-1.128.458,42	3.564.061,63
	7.616.586,89	-2.425.526,30	-1.128.458,42	4.062.602,17

The breakdown as of 31 December 2013 was as follows:

Non-current financial assets Equity instruments Company	As of 31 December 2013 Cost	Impairment	Dilution Saarema	Fair value
Esta Healthcare B.V.	7.500,00	0,00		7.500,00
Hesperis Chirurgical	600,00	-600,00		0,00
Sas Safe Tee Fixe	226.400,00	-226.400,00		0,00
Choice Therapeutics, Inc	305.250,31	-305.250,31		0,00
Alphatec Holdings Inc	1.999.998,04	-1.421.381,55		578.616,49
Tissuemed Limited	276.701,72	-235.304,76		41.396,96
Saarema	4.807.636,82	-115.116,77	-1.128.458,42	3.564.061,63
	7.624.086,89	-2.304.053,39	-1.128.458,42	4.191.575,08

*9.1.1. **Equity instruments available for sale***

On 22 September 2005, the company acquired one share of the company ESTA HEALTHCARE, which is carried on the balance sheet for its acquisition cost: 7,500.00 euro. That holding was disposed of in 2014.

On 29 May 2007, the company acquired 3% of French company HESPERIS CHIRURGICAL. The cost of the holding (600.00 euro) is fully provisioned and its net carrying amount (0 euro) did not change in 2014 or 2013.

On 23 October 2006, the company acquired 10% of French company SAS SAFE TEE FIXE. It acquired 830 shares at a cost of 166,000 euro. In 2009, it recognised an impairment of 148,984.00 euro; as a result, the carrying amount at year-end was 17,016.00 euro. In 2010, a provision was recognised for the net carrying amount at that time, with the result that at 2010 year-end its carrying amount was 0.00 euro; this amount was maintained in 2011. The company increased capital in 2012 and Prim, S.A. subscribed for 302 new shares at a cost of 200 euro per share, thereby increasing its stake by 60,400 euro. Those securities were provisioned as of 2012 year-end; consequently, the net carrying amount of this holding as of 31 December 2012 was 0.00 euro. Since then, there have been no changes in either the investment's cost or the value adjustment; the net carrying amount at year-end was still 0.00 euro.

On 15 March 2007, the company acquired 4.8% of US company CHOICE THERAPEUTICS, INC. It acquired 200,000 shares at a cost of 305,250.31 euro. In 2009, an impairment loss of 268,086.00 euro was recognised; as a result, the net carrying amount at year-end was 37,164.31 euro. In 2012, the provision was increased by 36,197.80 euro to 304,283.80 euro. Accordingly, the net carrying amount of the holding as of 2012 year-end was 966.51 euro. In 2013, an impairment of 966.51 euro was recognised; as a result, the net carrying amount at 2013 year-end was 0.00 euro. Since then, there have been no changes in either the investment's cost or the value adjustment; the net carrying amount at year-end was still 0.00 euro.

On 31 July 2008, the CNMV was notified of the acquisition of 1.73% of French company SCIENT'X. A total of 233,372 shares were acquired at a cost of 1,999,998.04 euro. In 2009, an impairment loss of 528,402.87 euro was recognised; as a result, the carrying amount was 1,471,595.17 euro at the end of that year.

In 2010, Prim, S.A. participated in a share swap whereby it received shares of Alphatec Holding, Inc. in exchange for the shares of Scient'X. (The 233,372 shares of Scient'X owned by Prim, S.A. were replaced by 396,877 shares of Alphatec as a result of the acquisition of Scient'X by Alphatec on 26 March 2010).

Impairment was registered for that stake in 2010 amounting to 669,394.90 euro, and the resulting carrying amount was 802,200.27 euro at year-end. The impairment was calculated by using the company's share price on the NASDAQ as its fair value.

Another value adjustment was recognised as of 2011 year-end to adjust the carrying amount of our holding to the fair value (using the quotation on NASDAQ). This value adjustment reduced the carrying amount by 274,462.42 euro, with the result that the carrying amount was 527,737.85 euro as of 2011 year-end.

Another value adjustment was recognised as of 2012 year-end to adjust the carrying amount of our holding to the fair value (using the quotation on NASDAQ). This value adjustment reduced the carrying amount by 31,262.18 euro, with the result that the carrying amount was 496,475.67 euro as of 2012 year-end.

Another value adjustment was recognised as of 2013 year-end to adjust the carrying amount of the holding to the fair value (using the listed price on NASDAQ, once again). This value adjustment increased the carrying amount by 82,140.82 euro, with the result that the carrying amount was 578,616.49 euro as of 31 December 2013. Since this increase was in connection with an investment classified as "available for sale", it was recognised in equity as "Value adjustment of financial assets available for sale".

Another value adjustment was recognised as of 2014 year-end to adjust the carrying amount of the holding to the fair value (using the listed price on NASDAQ, once again). This value adjustment reduced the carrying amount by 117,558.91 euro, with the result that the net carrying amount was 461,057.58 euro as of 31 December 2014. Since this value adjustment (117,558.91 euro) was in connection with an investment classified as "available for sale", it was recognised in equity as "Value adjustment of financial assets available for sale". (The amount shown under "Value adjustment of financial assets available for sale" is 82,291.24 euro since it is presented net of the related tax effect, amounting to 35,267.67 euro and is disclosed under "Deferred Tax Liabilities").

On 18 December 2008, 5,555,555 shares of the company TISSUEMED LTD. were acquired for 250,000 pounds sterling, equivalent to 276,701.72 euro. In 2009, the Company recognised an impairment of 255,704.00 euro; as a result, the carrying amount at year-end was 20,977.72 euro. That impairment was increased in 2010 by 9,558.03 euro; as a result, the stake was valued at 11,439.69 euro at year-end.

That impairment was reduced in 2011 by 40,382.21 euro; as a result, the carrying amount of the stake was 51,821.90 euro at year-end.

That impairment was increased in 2012 by 7,372.48 euro; as a result, the carrying amount of the stake was 44,449.42 as of 2012 year-end.

That impairment was increased in 2013 by 3,052.46 euro; as a result, the carrying amount of the stake was 41,396.96 as of 2013 year-end.

That impairment was increased in 2014 by 3,914,000 euro; as a result, the carrying amount of the stake was 37,482.96 as of 2014 year-end.

At the end of 2010, the stake in Residencial CDV-16, S.A. was reclassified under Long-term financial asset, since Prim's stake had been diluted to 10.98% and it had ceased to exert significant influence.

As of 2011 year-end, the net carrying amount was 3,698,760.92 euro (3,679,178.40 euro as of 2010 year-end).

The merger of CDV-16 into Saarema, Sociedad promotora de Centros Residenciales, S.L. was approved in 2012. As a result of this merger, Prim owns 11.34% of the surviving company.

Also, in 2012 an additional provision was recognised for the amount of 134,699.29 euro, with the result that the net carrying amount was 3,546,061.63 as of 2012 year-end. Since then, there have been no changes in either the investment's cost or the value adjustment; the net carrying amount at year-end was still 3,546,061.63 euro.

The balance of impairments declined by 78,121.85 euro in 2013, to a total amount of 3,432,511.81 euro as of 31 December 2013 (see table at the beginning of this Note 9.1) (1,128,458.42 euro correspond to the dilution of the stake in Saarema Sociedad Promotora de Centros Residenciales, S.A., formerly CDV-16, S.A., in 2010 and 2,304,053.39 euro to other impairments).

The balance of impairments increased by 121,472.91 euro in 2014, to a total amount of 3,553,984.72 euro (see table at the beginning of this Note 9.1). (1,128,458.42 euro correspond to the dilution of the stake in Saarema Sociedad Promotora de Centros Residenciales, S.A., formerly CDV-16, S.A., in 2010 and 2,425,526.30 euro to other impairments).

Since cash flow projections for these investees are not available (except for Alphatec Holding Inc., whose fair value is available in the form of its market price since it is listed on an organised secondary market), the carrying amount of the stakes on PRIM's balance sheet was compared with the net equity value of the investees as of 31 December 2014 (and 2013) and the unrealised capital gains existing at the date of measurement.

The holdings in companies classified as equity instruments under "Long-term financial assets" are considered as available for sale for measurement purposes. PRIM, S.A. does not have control or a significant influence on these holdings, which were not acquired for control purposes but, rather, to own a stake so as to obtain commercialisation rights in Spain for their products.

9.2. Loans and receivables

The detail of the financial assets in this category as of 31 December 2014 and 2013 is as follows:

(euro)	*31/12/2014*	*31/12/2013*
Long-term financial assets		
Deposits and pre-payments (9.2.1.)	*169,763.54*	*134,563.54*
Trade and other accounts receivable (9.2.2.)	*0.00*	*2,756,174.90*
Deferred tax assets (9.2.4)	*311,697.59*	*133,853.48*
	481,461.13	***3,024,591.92***
Short-term financial assets		
Trade and other accounts receivable (9.2.2.)	*36,413,779.21*	*47,922,471.36*
Loans to group and associated undertakings (9.2.3)	*0.00*	*497,000.00*
	36,413,779.21	***48,419,471.36***

9.2.1. ***Long-term deposits and guarantees provided***

The balance of this item was reduced in 2013 basically since a deposit amounting to 35,890.40 euro for the lease of part of the building located at Avenida Llano Castellano in Madrid was received. Other changes in 2013 correspond to new deposits for a non-material amount (825.00 euro).

The changes in this item in 2014 were due mainly to an increase in the deposits made as a result of the new lease contract signed for the premises in Calle Conde de Peñalver, 26. (See note 16.9 in connection with operating leases).

9.2.2. ***Trade and other accounts receivable***

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

(euro)	*31/12/2014*	*31/12/2013*
Non-current	***0.00***	***2,756,174.90***
Customer receivables for sales and services (9.2.2.1)	*0.00*	*2,021,529.44*
Long-term receivables from the disposal of a line of business (9.2.2.2)	*0.00*	*734,645.46*
Current	***36,413,779.21***	***47,922,471.36***
Customer receivables for sales and services (9.2.2.1)	*35,094,004.12*	*46,927,231.75*
Receivable from group and associated undertakings (Note 18.1)	*485,271.00*	*137,281.00*
Sundry debtors (9.2.2.2)	*755,095.46*	*769,432.09*
Sundry debtors, group and associated undertakings (Note 18.1)	*0.00*	*0.00*
Personnel receivables	*76,328.08*	*88,247.09*
Other receivables from public authorities	*3,080.55*	*279.43*
	36,413,779.21	***50,678,646.26***

9.2.2.1. Trade receivables for sales and services

At 2013 year-end, the balance of long-term "Customer receivables for sales and services" corresponds to the Company's analysis of days' sales outstanding based on historical data and an estimate of that item's future performance. As a result of this analysis in 2013, the Company 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 Company 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.

Given the positive trend in debt collection, at 2014 year-end the Company considered that there were no customer balances that would be collected after 31 December 2015 and, consequently, did not classify any amount from 2014 under "Long-term customer receivables".

The Company does not discount long-term customer accounts receivable balances since the effect of not discounting them is non-material.

At year-end, the company analysed customer balances in order to determine the debt to provision according to the due date of each invoice and any problems inherent to each customer, only booking provisions in connection with private sector clients on the grounds that there are no doubts about the recoverability of accounts receivable from public sector customers.

Interest is claimed on the principal of those receivables whose average collection period exceeds the Company's standard terms.

Balances in foreign currency

The breakdown of "Customer receivables for sales and services" in foreign currency as of 31 December 2014 and 2013 is as follows:

	2014	
(euro)	***US dollar***	***Balance in euro***
Trade receivables for sales and services	*394,257.25*	*324,732.11*

	2013	
(euro)	***US dollar***	***Balance in euro***
Trade receivables for sales and services	*206,866.87*	*150,001.36*

Impairment

The balance of "Customer receivables for sales and services" is presented net of impairment. The variations in impairment in 2014 and 2013 are as follows:

(euro)	***2014***	***2013***
Beginning balance	***1,919,002.46***	***1,772,777.01***
Net provision	*0.00*	*146,225.45*
Provision released for purpose	*860,752.41*	*0.00*
Ending balance	***1,058,250.05***	***1,919,002.46***

The value adjustment in 2014 was reduced significantly due to the improvement in accounts receivable during the year, resulting in a reduction of 860,752.41 euro in the impairment recognised as of 2013 year-end.

Company policy is to recognise impairments in connection with private sector customer receivables. Such corrections are not recognised for public sector customers, since there are no doubts as to the recoverability of those balances.

9.2.2.2. Long- and short-term accounts receivable due to disposal of a business line

The Company disposed of its Infusión business line in 2013.The amount receivable for that disposal amounts to 734,645.46 euro in 2014 and 734,645.46 euro in 2015.

At 2013 year-end, the amount receivable in 2014 was recognised under "Sundry receivables" in current assets while the amount receivable in 2015 was recognised under "Long-term accounts receivable due to disposal of a business line" in non-current assets.

At 2014 year-end, the amount receivable in 2015 was recognised under "Sundry debtors" under current assets; that amount was collected in February 2015.

*9.2.3. **Loans to group and associated undertakings***

A loan was granted to subsidiary Establecimientos Ortopédicos Prim, S.A. in 2009 which amounted to 497,000.00 euro as of 31 December 2013. That loan was repaid in 2014.

A 250,000.00 euro loan was granted to, and repaid by, Enraf Nonius Ibérica, S.A. in 2013.

These loans accrue market interest.

Group undertaking	*Balance as of 31/12/13*	*Increases*	*Decreases*	*Balance as of 31/12/14*
Establecimientos Ortopédicos Prim, S.A	*497,000.00*	*0.00*	*-497,000.00*	*0.00*
Total	*497,000.00*	*0.00*	*-497,000.00*	*0.00*

Group undertaking	Balance as of 31/12/12	Increases	Decreases	Balance as of 31/12/13
Establecimientos Ortopédicos Prim, S.A	1,672,000.00	150,000.00	-1,325,000.00	497,000.00
Enraf Nonius Ibérica, S.A.	0.00	250,000.00	-250,000.00	0.00
Total	1,672,000.00	400,000.00	-1,575,000.00	497,000.00

9.2.4. *Deferred tax assets*

The deferred tax asset arose from the application of current tax law under which 30% of book depreciation was not considered to be tax deductible in the year 2013 and it was carried forward for deduction in future years (with some exceptions set out in tax law).

The amount generated by the discrepancy between the depreciation for tax and accounting purposes was 133,843.48 euro at 2013 year-end and it increased by 142,576.44 euro as a result of differences arising in 2014, resulting in a total amount of 276,429.92 euro. Additionally, there is an amount of 35,267.67 euro of deferred tax assets arising from updating the fair value of the investment in the company Alphatec (considered as an equity investment available for sale and discussed in section 9.1.1 above)

No deferred tax assets were recognised for unused tax losses.

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.

9.2.5. *Debt securities*

In 2013, the company changed its policy on managing cash surpluses. The table below shows how the company switched from short-term to long-term fixed-income securities, enabling it to optimise the returns on cash surpluses.

A more flexible policy was applied in 2014, under which cash surpluses were invested in long-term and short-term debt securities.

Fixed-income securities	***31/12/2013***	***Increases***	***Decreases***	***31/12/2014***
Long term	*11,502,868.75*	*10,060,896.06*	*-2,008,280.00*	*19,555,484.81*
Short term	*208,709.33*	*4,412,197.26*	*-208,709.33*	*4,412,197.26*

Fixed-income securities	***31/12/2012***	***Increases***	***Decreases***	***31/12/2013***
Long term	*100,000,00*	*11,402,868.75*	*0.00*	*11,502,868.75*
Short term	*14,427,904.53*	*0.00*	*-14,219,195.20*	*208,709.33*

Last year, the Company 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. Consequently, those investments are now carried at fair value rather than amortised cost, as is appropriate for financial assets classified as available for sale.

The following table shows the change in fair value (as of 31 December 2013) of the investment in long-term debt securities that are available for sale:

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		

The debt securities listed in the table above are financial instruments that are traded in an active market and the market value is determined based on the price in that market.

Accordingly, as of 2014 year-end, those long-term debt securities were classified as available for sale and, consequently, were recognised at fair value as of 31 December 2014. Accordingly, the above table is not presented since the fair value coincides with the carrying amount of these investments.

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
Derecognition cost)	1,003,309.00	993,460.00.00	1,996,769.00

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

Securities	Bonos del Tesoro	Total
Disposal date	25/03/2014	
Disposal amount	2,151,378.36	2,151,378.36
Derecognition cost)	1,996,000.00	1,996,000.00

10. INVENTORIES

The Company has arranged insurance policies to ensure recovery of the net carrying amount of inventories in the event of loss.

The balances as of 31 December 2014 and 2013 are as follows:

(euro)	*2014*	*2013*
Commercial	*12,752,344.38*	*11,708,985.84*
Raw materials and other supplies used	*1,405,389.00*	*1,245,085.00*
Products in process	*622,265.00*	*792,768.00*
Finished products	*1,647,750.00*	*1,117,086.00*
By-products, residues and recovered materials	*0.00*	*0.00*
Supplier advances	*908,781.91*	*617,055.75*
Total inventories	***17,336,530.29***	***15,480,980.59***

The variations in impairment in 2014 and 2013 were as follows:

(euro)	*2014*	*2013*
Beginning balance	*2,273,816.70*	*2,669,744.00*
Impairment	*-222,509.85*	*-395,927.30*
Ending balance	***2,051,306.85***	***2,273,816.70***

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, since stock rotation reduced the balance of inventories susceptible to being provisioned for obsolescence.

11. CASH AND CASH EQUIVALENTS

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

(euro)	*31/12/2014*	*31/12/2013*
Cash	*14,211.01*	*14,768.67*
Bank current accounts	*6,737,616.24*	*987,002.00*
	6,751,827.25	***1,001,770.67***

The current accounts earn market interest for this type of account.

There are no restrictions on these balances.

For the purposes of the cash flow statement, "Cash and cash equivalents" includes the following items as of 31 December 2014 and 2013:

(euro)	*31/12/2014*	*31/12/2013*
Cash and cash equivalents	*6,751,827.25*	*1,001,770.67*
Current account overdrafts	*-*	*-*
	6,751,827.25	***1,001,770.67***

12. EQUITY

12.1. Capital stock

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, S.A. that it had decided that PRIM, S.A.'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.

There were no changes in capital stock in 2014 and 2013.

Resolutions by the 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.

- *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 2014, and proposed to submit them to the General Meeting of Shareholders for approval.

Approved the full text of the Annual Corporate Governance Report for 2014

- *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.

12.2. 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.

12.3. Reserves

Reserve for amortised capital.

In compliance with current legislation, the Company has recognised a reserve for the same amount by which capital has been reduced in preceding years. As provided by the applicable legislation, this reserve is restricted until five years after the date of publication of the reduction unless all the

Company's debts incurred prior to the date upon which the capital reduction became effective vis-à-vis third parties are discharged before then.

The detail of the reserve, in terms of the years in which it was recorded, is as follows:

Year of capital reduction	***(euro)***
1997	*774,103.59*
2001	*362,861.06*
2002	*119,850.31*
TOTAL	*1,256,814.96*

Legal reserve.

The Company must transfer 10% of income for each year to the legal reserve until it represents at least 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.

Revaluation reserve.

The balance of this item is the Revaluation Reserve under Royal Decree-Law 7/1996, dated 7 June, which was included in the 1996 consolidated balance sheet and is the result of revaluing the property, plant and equipment in accordance with the regulations governing those transactions, less the 3% tax charge applied to the revaluations.

The detail of the Revaluation Reserve is as follows:

	(euro)
Revaluation of property, plant and equipment (Note 6)	*596,399.45*
Tax charge - 3% of the revaluation	*-17,891.88*
TOTAL	*578,507.47*

The revaluation entries and the balance of this reserve were approved by the tax inspection authorities on 24 November 1998. From that approval date, the reserve 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 *balance of the reserve may not be distributed, directly or indirectly, unless the capital gain has been fully realised through the sale or full depreciation of the revalued assets.*

12.4. Own shares

As of 31 December 2014, PRIM, S.A. held 203,239 own shares, representing 1.17% of capital stock. Those shares were acquired for a total of 1,180,169.31 euro.

As of 31 December 2013, PRIM, S.A. held 352,722 own shares, representing 2.03% of capital stock. These shares were acquired for a total of 2,017,689.96 euro.

The variations in 2014 and 2013 were as follows:

- *Year ended 31 December 2014*

	Number of shares	*Net carrying amount*
Situation as of 31 December 2013	*352,772*	*2,017,689.96*
Acquisitions	*123,310*	*725,647.62*
Decreases	*-272,843*	*-1,563,168.27*
Situation as of 31 December 2014	*203,239*	*1,180,169.31*

In 2014, own shares were sold at a profit of 12,410.83 euro, which was recognised directly in equity.

- *Year ended 31 December 2013*

	Number of shares	*Net carrying amount*
Situation as of 31 December 2012	*384,490*	*2,272,336.11*
Acquisitions	*149,426*	*797,448.93*
Decreases	*-181,594*	*-1,052,095.08*
Situation as of 31 December 2013	*352,772*	*2,017,689.96*

In 2013, own shares were sold at a loss of 98,759.69 euro, which was recognised directly in equity.

12.5. Dividends

An interim dividend out of 2014 income amounting to 954,091.82 euro was distributed at 2014 year-end. The rest will be distributed by the Shareholders' Meeting to be held in 2015, which will decide upon the distribution of 2014 income.

Total dividends paid out of 2013 income amounted to 3,500,000.00 euro (see Note 3). Of that amount 867,356.20 euro were paid out as an interim dividend in 2013 and the remainder was distributed following the 2014 Shareholders' Meeting, which decided upon the distribution of income for 2014.

Total dividends distributed out of 2012 income amounted to 3,300,000.00 euro. Of that amount 867,356.20 euro were paid out as an interim dividend in 2013 and the remainder was distributed following the 2014 Shareholders' Meeting, which decided upon the distribution of income for 2014.

13. EQUITY - IMPAIRMENTS

That balance amounted to 82,140.82 euro and is attributable to the greater valuation assigned to the stake in Alphatec, which is measured according to its market price on the NASDAQ index at year-end. (See Note 9.1.1)

As of 31 December 2014, the balance of this item in the balance sheet was 1,665,235.12 euro, basically due to adjusting debt instruments to fair value as of 31 December 2014.

The Company's investments in long-term debt securities were classified as held to maturity as of 2013 year-end and, consequently, were measured at amortised cost. In 2014, those investments were reclassified as available for sale; consequently, at 2014 year-end, they were recognised at fair value. The change in the valuation adjustment as a result of this change in recognition (net of the corresponding tax effect) was 1,665,385.54 euro.

14. FINANCIAL LIABILITIES

The detail of financial liabilities as of 31 December 2014 was as follows:

(euro)	Bank loans	Derivatives. etc,	Total
Long-term financial liabilities			890,816.68
Other financial liabilities (14.1/14.2/14.5)	786,263.48	104,553.20	890,816.68
Short-term financial liabilities			15,678,492.64
Debtors and accounts payable (14.1)	1,403,093.29	13,039,738.09	14,442,831.38
Others (14.2)		1,235,661.26	1,235,661.26
	2,189,356.77	**14,379,952.55**	**16,569,309.32**

Those amounts are broken down on the balance sheet as of 31 December 2014 as follows:

(euro)	Bank loans	Derivatives. etc,	Total
Long-term financial liabilities	**786,263.48**	**104,553.20**	**890,816.68**
Long-term bank loans (14.1)	786,263.48		**786,263.48**
Other financial liabilities (14.2)		104,553.20	**104,553.20**
Current financial liabilities	**1,403,093.29**	**14,275,399.35**	**15,678,492.64**
Short-term bank loans (14.1)	1,403,093.29		**1,403,093.29**
Other financial liabilities (14.2)		1,235,661.26	**1,235,661.26**
Short-term payable to group and associated undertakings (14.3)		1,479,735.11	**1,479,735.11**
Trade and other accounts payable (14.4)		11,560,002.98	**11,560,002.98**
	2,189,356.77	**14,379,952.55**	**16,569,309.32**

The detail of financial liabilities as of 31 December 2013 was as follows:

(euro)	***Bank loans***	***Derivatives. etc,***	***Total***
Long-term financial liabilities			*2,811,614.80*
Other financial liabilities (14.1/14.2/14.5)	*2,713,489.60*	*98,125.20*	*2,811,614.80*
Short-term financial liabilities			*16,593,301.68*
Debtors and accounts payable (14.1)	*2,499,520.28*	*12,708,438.73*	*15,207,959.01*
Others (14.2)		*1,156,633.33*	*1,156,633.33*
	5,213,009.88	***13,963,197.26***	***19,176,207.14***

Those amounts are broken down on the balance sheet as of 31 December 2013 as follows:

(euro)	Bank loans	Derivatives. etc,	Total
Long-term financial liabilities	**2,713,489.60**	**98,125.20**	**2,811,614.80**
Long-term bank loans (14.1)	2,713,489.60		2,713,489.60
Other financial liabilities (14.2)		98,125.20	98,125.20
Current financial liabilities	**2,499,520.28**	**13,865,072.06**	**16,364,592.34**
Short-term bank loans (14.1)	2,499,520.28		2,499,520.28
Other financial liabilities (14.2)		1,156,633.33	1,156,633.33
Short-term payable to group and associated undertakings (14.3)		2,479,735.11	2,479,735.11
Trade and other accounts payable (14.4)		10,228,703.62	10,228,703.62
	5,213,009.88	**13,963,197.26**	**19,176,207.14**

14.1. Current and non-current bank debt

(euro)	31/12/2014	31/12/2013
Long term		
Bank loans and credit (14.1.1)	786,263.48	2,713,489.60
	786,263.48	**2,713,489.60**
Short term		
Bank loans and credit (14.1.1)	566,924.30	1,669,596.50
Unmatured discounted notes	831,259.02	824,913.18
Outstanding interest accrued	4,909.97	5,010.60
	1,403,093.29	**2,499,520.28**

14.1.1. Bank loans and credit

Amount outstanding as of 31/12/2014				
(euro)	Long term	Short term	Maturity	Interest rate
	(14.1.1.1)	(14.1.1.2)		
Credit lines (a)	**0.00**	**0.00**	Sundry	Euribor plus a spread
Finance from foreign suppliers		**0.00**	Sundry	Euribor plus a spread
Other loans (c)	**786,263.48**	**566,924.30**		
V	596,695.05	463,523.30	2017	Euribor plus a spread
VI	189,868.43	103,401.00	2017	Euribor plus a spread
	786,263.48	**566,924.30**		

Amount outstanding as of 31/12/2013				
(euro)	Long term	Short term	Maturity	Interest rate
	(14.1.1.1)	(14.1.1.2)		
Mortgage loans on property, plant and equipment				
Credit lines (a)	2,382,390.60	384,120.16	Sundry	Euribor plus a spread
Finance from foreign suppliers		524,296.82	Sundry	Euribor plus a spread
Other loans (c)	**331,099.00**	**761,179.52**		
IV	0.00	207,998.58	2014	Euribor plus a spread
VI	331,099.00	123,151.00	2017	Euribor plus a spread
VIII	0.00	430,029.94	2014	Euribor plus a spread
	2,713,489.60	**1,669,596.50**		

14.1.1.1. Long-term bank loans

a. Long-term credit lines

These are credit lines in euro arranged with various banks, which accrue interest at Euribor plus a spread. A total of 7,500,000.00 euro of the long-term credit lines was undrawn as of 31 December 2014 (3,017,609.40 as of 31 December 2013).

The total limit of the credit lines was 7,500,000.00 euro as of 2014 year-end, with the following schedule:

Year	***(euro)***
2016	*4,500,000.00*
2017	*3,000,000.00*
2018 and thereafter	*0.00*
TOTAL	*7,500,000.00*

The total limit of the credit lines was 5,400,000.00 euro as of 2013 year-end, with the following schedule:

Year	***(euro)***
2015	*900,000.00*
2016	*2,500,000.00*
2017 and thereafter	*2,000,000.00*
TOTAL	*5,400,000.00*

b. Mortgage loan

On 31 July 2001, the Company arranged a mortgage loan for 7,212,145.25 euro which is secured by the construction performed in the building described in Note 7. That loan was expanded by 4,808,095 euro in January 2003, secured by the additional refurbishment and extension work performed on that premises, so that the available limit amounted 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.* - *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.* - *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 mortgage loan was cancelled in 2013.

c. Other loans

The balance of other loans relates to two loans to finance the Company's operations; the details are 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

The Other loans item includes 786,263.48 euro in long-term loans and 566,924.30 euro in short-term loans.

14.1.1.2. Short-term bank loans

The variations in the year were as follows:

	Credit lines (a)	Mortgage loan (b)	Other loans (c)	Other liabilities (d)	Finance from Foreign suppliers	Total
Balance as of 31/12/12	0.00	1,385,456.02	3,101,270.29	0.00	1,009,803.57	5,496,529.88
Additions and transfers	384,120.16	0.00	0.00	0.00	0.00	384,120.16
Decreases	0.00	-1,385,456.02	-2,340,090.77	0.00	-485,506.75	-4,211,053.54
Balance as of 31/12/13	384,120.16	0.00	761,179.52	0.00	524,296.82	1,669,596.50
Additions and transfers	0.00	0.00	463,523.30	0.00	0.00	463,523.30
Decreases	-384,120.16	0.00	-657,778.52	0.00	-524,296.82	-1,566,195.50
Balance as of 31/12/14	0.00	0.00	566,924.30	0.00	0.00	566,924.30

A total of 2,897,000.00 euro of these short-term credit lines was undrawn as of 31 December 2014 (1,865,879.84 euro as of 31 December 2013).

The Company had 831,259.02 euro in unmatured discounted notes as of 31 December 2014 (824,913.18 euro as of 31 December 2013). The limit available to the Company for discounting commercial notes was 1,500,000.00 euro as of 31 December 2014 and 1,000,000.00 euro as of 31 December 2013.

The interest accrued but not yet matured on bank debt amounted to 4,909.97 euro as of 31 December 2014 (5,010.60 euro as of 2013 year-end) and is classified as a current liability.

14.2. Other financial liabilities

Variations in this balance sheet item in 2014 and 2013 were as follows:

Variations in 2014 (in euro)				
	BALANCE BEGINNING	INCREASES	DECREASES	BALANCE ENDING
Other long-term financial liabilities				
1. Long-term deposits received	98,125.20	13,016.00	-6,588.00	104,553.20
TOTAL	98,125.20	13,016.00	-6,588.00	104,553.20
Other short-term financial liabilities				
2. Dividend payable	867,356.20	3,586,735.62	-3,500,000.00	954,091.82
3. Other	289,277.13	0.00	-7,707.69	281,569.44
TOTAL	**1,156,633.33**	**3,586,735.62**	**-3,507,707.69**	**1,235,661.26**

Variations in 2013 (in euro)				
	BALANCE BEGINNING	INCREASES	DECREASES	BALANCE ENDING
Other long-term financial liabilities				
1. Long-term deposits received	115,961.20	0.00	-17,836.00	98,125.20
TOTAL	115,961.20	0.00	-17,836.00	98,125.20
Other short-term financial liabilities				
2. Dividend payable	867,356.20	3,300,000.00	-3,300,000.00	867,356.20
3. Other	228,664.93	60,612.20	0.00	289,277.13
TOTAL	**1,096,021.13**	**3,360,612.20**	**-3,300,000.00**	**1,156,633.33**

On 23 December 2014, the Board of Directors notified the National Securities Market Commission (CNMV) that on 22 December 2014 it had declared a dividend of 0.055 euro gross per share out of 2014 earnings to the 17,347,124 shares outstanding at that time. That amount was paid on 15 January 2015.

On 12 December 2013, the Board of Directors notified the National Securities Market Commission (CNMV) that on 11 December 2013 it had declared a dividend of 0.05 euro gross per share out of 2013 earnings to the 17,347,124 shares outstanding at that time. That amount was paid on 15 January 2014.

On 20 December 2012, the Board of Directors declared a dividend of 0.05 euro gross per share out of 2012 earnings, payable to the 17,347,124 shares outstanding at that time. That amount was paid on 16 January 2013.

14.3. Debts to group and associated undertakings

The detail of the balances with group undertakings included in this item as of 31 December 2014 and 2013 is as follows:

(euro)	*31/12/2014*	*31/12/2013*
Short term		
Siditemedic, S.L.	*9,000.00*	*9,000.00*
Inmobiliaria Catharsis, S. A	*470,735.11*	*470,735.11*
Enraf Nonius Ibérica, S. A	*1,000,000.00*	*2,000,000.00*
	1,479,735.11	***2,479,735.11***

The preceding table details the loans granted by group subsidiaries to Prim, S.A. No loans were received from any associated undertakings.

These loans bear market interest rates and arose from the policy of optimising the returns on treasury held by the undertakings in the Consolidated Group.

14.4. Trade and other accounts payable

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

(euro)	*31/12/2014*	*31/12/2013*
Foreign suppliers	*4,770,241.68*	*4,303,863.64*
Due to Group and associated undertakings (Note 18.1)	*183,083.00*	*64,293.00*
Sundry creditors	*1,356,926.87*	*1,215,834.19*
Due to Group and associated undertakings (Note 18.1)	*7,332.47*	*0.00*
Personnel (compensation payable)	*2,682,476.28*	*2,238,997.89*
Current tax liabilities (Note 16)	*1,213,846.92*	*936,385.57*
Other debt to public authorities	*1,056,834.73*	*1,037,309.21*
Customer advances	*289,261.03*	*432,020.12*
	11,560,002.98	***10,228,703.62***

Supplier accounts payable include purchases of raw materials, merchandise and other items related to the Company's business activities.

15. TAX SITUATION

The detail of the tax assets and liabilities as of 31 December 2014 and 2013 is as follows:

(euro)	*31/12/2014*	*31/12/2013*
Long-term receivables from public authorities		
Deferred tax assets	*311,697.59*	*133,853.48*
Short-term receivables from public authorities		
Other receivables from public authorities:		
VAT	*386.53*	*279.43*
Personal income tax	*0.00*	*0.00*
IGIC (Canary Islands General Indirect Tax)	*2,694.02*	*0.00*
	314,778.14	***134,132.91***
Long-term payables to public authorities		
Deferred tax liabilities	*674,451.67*	*163,208.60*
Short-term payables to public authorities		
Current tax liabilities	*1,213,846.92*	*936,385.57*
Other debt to public authorities:		
Personal income tax	*548,626.47*	*547,564.27*
Social security	*313,937.30*	*303,055.66*
IGIC (Canary Islands General Indirect Tax)	*0.00*	*5,661.16*
VAT	*194,270.96*	*181,028.12*
	2,945,133.32	***2,136,903.38***

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 Company has the last four years open for inspection by the tax authorities for all applicable taxes.

As part of their periodic audit policy, the Spanish tax authorities audited Prim, S.A. The audit covered corporate income tax, VAT, and personal income tax for 2006 and 2007. (See Note 15.4).

15.1. Calculation of the corporate income tax charge

The reconciliation between the corporate income tax expense / (revenue) and the result of applying the applicable tax rates to the total amount of recognised revenues and expenses, distinguishing the balance of profit and loss, is as follows:

	2014	**2013**
Income before tax	**13.106.395,10**	**13.591.934,27**
Permanent differences	163.055,92	40.793,39
Timing differences	548.769,85	523.405,66
Consolidation adjustments	0,00	0,00
Adjusted income	**13.818.220,87**	**14.156.133,32**
Tax losses carried forward	0,00	0,00
Taxable income	**13.818.220,87**	**14.156.133,32**
Gross tax payable	-4.145.466,26	-4.246.840,00
Tax credits	19.015,13	0,00
Deductions	49.467,94	324.577,16
Net tax payable	**-4.076.983,19**	**-3.922.262,83**
Withholdings and prepayments	2.863.136,27	2.985.877,26
Net tax payable/(receivable)	**-1.213.846,92**	**-936.385,57**

(*) 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.

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 Company adjusted deferred tax assets and liabilities to the expected recovery rate. The effects of this regularisation were recognised under "Income tax" in the balance sheet for 2014, in the amount of 22,121.55 euro.

Corporate income tax payable is disclosed in "Current tax liabilities" under Current liabilities on the balance sheet.

15.2. Deferred corporate income tax

The Company has availed itself of the deferral of corporate income tax on extraordinary gains obtained on the disposal of intangible assets and financial assets in 1996, 1997 and 1999. Under the applicable tax *regulations, there are certain investment commitments relating to the capital gains on those disposals, as shown below:*

(euro)	*Capital gains*	*Amount reinvested through 31/12/98*	*Amount reinvested in 1999*	*Pending*
Obtained in 1996	*1,568,641*	*1,568,641*	*-*	*-*
Obtained in 1997	*3,629,398*	*1,870,698*	*1,758,700*	*-*
Obtained in 1999	*506,178*	*-*	*506,178*	*-*
TOTAL	*5,704,217*	*3,439,339*	*2,264,878*	*-*

Under current legislation, the assets in which the investments were made must remain in the Company's balance sheet for seven years.

15.3. Deferred tax assets and liabilities

As of 31 December 2014 and 2013, the detail and variations in the various deferred tax asset and liability items were as follows:

Variations in 2014 (euro)	Beginning balance	Changes in Profit or loss	Changes in Equity	Ending balance
Deferred tax assets (15.3.1)	133,853.48	142,576.44	35,267.67	311,697.59
Total deferred tax assets	**133,853.48**	**142,576.44**	**35,267.67**	**311,697.59**
Deferred tax liabilities				
Reinvestment (15.3.2)	114,412.40	-23,403.66	0.00	91,008.74
Unrestricted depreciation (15.3.3)	48,796.20	-20,481.79	0.00	28,314.41
Fair value adjustment of available-for-sale assets (15.3.4)	0,00	0.00	555,128.52	555,128.52
Total deferred tax liabilities	**163,208.60**	**-43,885.45**	**555,128.52**	**674,451.67**

Variations in 2013 (euro)	Beginning balance	Changes in Profit or loss	Changes in Equity	Ending balance
Deferred tax assets (15.3.1)	0.00	133,853.48	0.00	133,853.48
Total deferred tax assets	**0.00**	**133,853.48**	**0.00**	**133,853.48**
Deferred tax liabilities				
Reinvestment (15.3.2)	120,323.40	-5,911.00	0.00	114,412.40
Unrestricted depreciation (15.3.3)	66,053.40	-17,257.20	0.00	48,796.20
Total deferred tax liabilities	**186,376.80**	**-23,168.20**	**0.00**	**163,208.60**

15.3.1. *Deferred tax assets*

The breakdown of deferred tax assets is presented in note 9.2.4.

15.3.2. *Reinvestment of proceeds from fixed asset disposals*

The balance as of 31 December 2012 relates to the deferred tax base amounting to 120,323.40 euro which has been deferred under the regulations governing the reinvestment of capital gains on the disposal of intangible assets and financial assets in 1996, 1997 and 1999. The amount was 114,412.40 euro as of 2013 year-end and 91.008.74 as of 2014 year-end.

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 reduced in 2013 amounted to 5,911.00 euro, and to 23,403.66 euro in 2014.

Under the new General Accounting Plan, the full amount of deferred tax liabilities is presented under non-current liabilities on the balance sheet.

There were no credits pending application at the end of the year.

15.3.3. ***Unrestricted depreciation***

This is the deferred tax base arising from the ability to take unrestricted depreciation on assets acquired in 2011, in accordance with Royal Decree Act 13/2010, of 3 December.

In 2013, an amount of 17,257.20 was offset; consequently, the unused amount at the end of that year was 48,796.20 euro.

In 2014, an amount of 20,481.79 was offset; consequently, the unused amount at the end of that year was 28,314.41 euro.

*15.3.4. **Fair value adjustments of available-for-sale assets***

The company invests part of its cash surplus in long-term fixed-income debt securities. At 2013 year-end, those investments were classified as "Held to maturity" and, consequently were measured at amortised cost as of 31 December 2013.

In 2014, the Company reclassified these investments in long-term debt securities as available for sale, with the result that they are measured at fair value as of 31 December 2014.

The change in measurement method led to an increase in the net carrying amount of these investments, with the result that their net carrying amount (fair value) greatly exceeded their value for tax purposes (acquisition cost). Consequently, a taxable timing difference arose which is recognised as deferred tax liability.

*15.3.5. **Provision for taxes***

In consultation with its tax advisors, the Board of Directors agreed 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 settlement 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.*

- *settlement 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 settlement that was upheld. The hearing process has concluded and the case is pending a vote and a decision.*

16. REVENUES AND EXPENSES

16.1. Net sales

The Company'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.

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

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 beds, prostheses and braces.

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.

Within the real estate segment, the Company owns three properties:

- *One 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.*
- *The Company's facilities on Calle F in Polígono Industrial nº 1 (Móstoles). This is where the Company's production plant for its Orthopaedic Medical Supplies division is located. In 2013, part of these facilities were leased to Group company Establecimientos Ortopédicos Prim, S.A.*

- *Prim, S.A. has, through a lease entered into with third parties, a premises at Calle Conde de Peñalver 26, Madrid. The Company engages in commercial and administrative activities in that premises. Part of these facilities are sub-let to Group company Establecimientos Ortopédicos Prim, which uses the space for its commercial activities.*

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

Year ended 31 December 2014			
	Segment I	Segment II	Total
Net sales	72,914,996.25	354,730.69	73,269,726.94
Other operating revenues	875,289.43	132,922.97	1,008,212.40
Variation in provisions for finished products and products in process	355,241.00	0.00	355,241.00
Segment revenues	74,145,526.68	487,653.66	74,633,180.34
Segment operating income	9,812,201.61	243,779.77	10,055,981.38
Financial revenues	2,237,859.65	0.00	2,237,859.65
Financial expenses	-198,171.81	0.00	-198,171.81
Exchange differences	354,657.38	0.00	354,657.38
Impairment of financial instruments	566,851.30	0.00	566,851.30
Income on disposal of financial instruments:	89,217.20	0.00	89,217.20
Income before tax from continuing operations	12,862,615.33	243,779.77	13,106,395.10
Corporate income tax			-3,890,521.27
Provision for taxes			0.00
Income from continuing operations			9,215,573.83

Year ended 31 December 2013			
	Segment I	Segment II	Total
Net sales	68,649,139.49	512,055.14	69,161,194.63
Other operating revenues	939,735.02	136,525.78	1,076,260.80
Variation in provisions for finished products and products in process	940,287.00	0.00	940,287.00
Segment revenues	70,529,161.51	648,580.92	71,177,742.43
Segment operating income	8,783,899.36	252,184.19	9,036,083.55
Financial revenues	2,102,071.87	0.00	2,102,071.87
Financial expenses	-238,225.91	0.00	-238,225.91
Exchange differences	280,905.00	0.00	280,905.00
Impairment of financial instruments	659,616.47	0.00	659,616.47
Income on disposal of financial instruments:	-7,659.00	0.00	-7,659.00
Income before tax from continuing operations	11,580,607.79	252,184.19	11,832,791.98
Corporate income tax			-3,413,699.88
Provision for taxes			0.00
Income from continuing operations			8,419,092.10

The breakdown of the Company's net sales in its ordinary activities in 2014 and 2013 is as follows:

(euro)	***2014***	***2013***
Spain	65,305,209.94	60,692,727.66
Rest of European Union and other countries	7,964,517.00	8,468,921.97
TOTAL	73,269,726.94	69,161,194.63

16.2. Procurements

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

Year ended 31 December 2014			
(euro)	*Purchases*	*Change in inventories*	*Procurements*
Merchandise consumed	28,645,364.61	-894,943.69	27,750,420.92
Merchandise consumed – group and associated undertakings	540,087.00	0.00	540,087.00
Raw materials and other consumables consumed	2,929,038.85	-91,129.00	2,837,909.85
Work performed by other companies	506,253.02	0.00	506,253.02
Impairment of merchandise, raw materials and other procurements	-222,509.85	0.00	-222,509.85
	32,398,233.63	**-986,072.69**	**31,412,160.94**

Year ended 31 December 2013			
(euro)	*Purchases*	*Change in inventories*	*Procurements*
Merchandise consumed	25,589,050.77	484,704.30	26,073,755.07
Merchandise consumed – group and associated undertakings	583,774.00	0.00	583,774.00
Raw materials and other consumables consumed	3,593,624.68	-358,326.00	3,235,298.68
Work performed by other companies	687,530.48	0.00	687,530.48
Impairment of merchandise, raw materials and other procurements	-395,927.30	0.00	-395,927.30
	30,058,052.63	**126,378.30**	**30,184,430.93**

16.3. Employee welfare expenses

The detail of employee welfare expenses for the years ended 31 December 2014 and 2013 is as follows:

(euro)	*31/12/2014*	*31/12/2013*
Social security	*3,402,565.27*	*3,144,110.00*
Other welfare expenses	*407,830.09*	*254,049.08*
	3,810,395.36	***3,398,159.08***

This item contains no contribution or provision for pensions or similar obligations; the entire amount relates to social security payments and other minor payments (training, study grants, etc.).

16.4. Outside services

The detail of outside services for the years ended 31 December 2014 and 2013 is as follows:

(euro)	*31/12/2014*	*31/12/2013*
Leases and fees (16.9)	*1,574,480.92*	*1,424,999.85*
Repairs and upkeep	*408,855.13*	*451,326.43*
Independent professional services	*1,955,201.43*	*1,653,943.56*
Transport	*1,308,249.06*	*1,344,841.05*
Insurance premiums	*237,552.05*	*197,825.89*
Banking and similar services	*10,834.94*	*49,584.49*
Advertising and public relations	*882,377.06*	*589,667.51*
Utilities	*208,831.45*	*237,728.72*
Other services	*4,324,484.49*	*4,209,982.86*
	10,910,866.53	***10,159,900.36***

These amounts were reflected under "Outside services" (amounting to 9,954,243.89 euro) and "Outside services – group and associated undertakings" (205,656.47 euro) in the year ended 31 December 2013.

These amounts are reflected under "Outside services" (amounting to 10,705,337.56 euro) and "Outside services – group and associated undertakings" (205,528.97 euro) in the year ended 31 December 2014.

16.5. Financial revenues

The detail of financial revenues for the years ended 31 December 2014 and 2013 is as follows:

(euro)	*31/12/2014*	*31/12/2013*
Dividends received from group undertakings (Note 18)	*107,093.59*	*110,653.84*
Dividends received from associated undertakings	*56,830.97*	*39,399.70*
Interest on loans to group undertakings (Note 18)	*8,456.00*	*47,231.00*
Interest from third parties:		
Loans to third parties	*328,756.84*	*695,109.40*
Other financial revenues	*1,736,722.25*	*1,209,677.83*
	2,237,859.65	***2,102,071.87***

16.6. Financial expenses

The detail of financial expenses for the years ended 31 December 2014 and 2013 is as follows:

(euro)	*31/12/2014*	*31/12/2013*
Interest on debts to group undertakings (Note 18)	*72,290.03*	*30,932.79*
Interest on debts to third parties:		
Bank loans and credit (Note 14.1)	*125,881.78*	*207,293.12*
	198,171.81	***238,225.91***

16.7. Exchange differences

Exchange differences amounted to 354,657.38 euro in 2013 (280,905.00 euro in 2013). These differences relate mainly to purchases in foreign currencies, principally the US dollar (Note 17).

16.8. Items under finance lease

There were no items in use under finance lease at 2014 or 2013 year-end.

16.9. Operating leases

The Company, as lessee, 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 Company has operating leases on certain premises which are used as sales offices.

The operating lease payments recognised as expenses in 2014 and 2013 are as follows:

(in euro)	2014	2013
Lease of structures	*516,824.58*	*448,615.81*
Lease of vehicles	*864,662.69*	*844,041.94*
Lease of machinery	*1,777.10*	*0.00*
Lease of furniture	*100,297.53*	*57,266.21*
Lease of office equipment	*70,750.24*	*34,799.97*
Fees and royalties	*20,168.78*	*40,275.92*
TOTAL (16.4)	***1,574,480.92***	***1,424,999.85***

Vehicle leases arranged by the company relate to automobiles used by employees of Prim, S.A. (mainly the sales network). These contracts are arranged with various leasing companies and have a term of four years.

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	*463,011.53*	*1,447,455.70*	*688,711.16*	*2,599,178.39*
As of 31 December 2013	*406,506.40*	*1,440,542.99*	*743,431.07*	*2,590,480.46*

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	*453,762.43*	*1,313,062.16*	*541,260.67*	*2,308,085.26*
As of 31 December 2013	*398,010.09*	*1,308,277.54*	*574,588.37*	*2,280,876.00*

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

Future payments were calculating considering those leases that stipulate a minimum non-cancellable period and those which are recurring.

The main operating lease contracts in force, in which the Company is lessee, are as follows:

Location
Avenida Madariaga, 1 - Bilbao
Calle Islas Timor 22 - Madrid
Calle Conde de Peñalver 26 – Madrid
Juan Ramón Jiménez, 5-Sevilla
Maestro Rodrigo, 89-91-Valencia
Habana, 27 - Las Palmas de Gran Canaria
San Ignacio 77-Palma de Mallorca
Calle F, Número 15. Polígono Industrial I. – Móstoles. Madrid (*)
Calle Rey Abdulah – Coruña
Calle Conde de Peñalver 26 - Madrid

(*) Contracts signed with Prim Group undertakings

Prim S.A. has signed a lease, as lessee, on a premises located at Calle Conde de Peñalver 26, Madrid, where it will engage in administrative and commercial activities. Part of these facilities will be sub-let to Group undertaking Establecimientos Ortopédicos Prim, S.A. for its commercial activities.

The table below shows the minimum future lease payments under that contract, both discounted (using the WACC of the sector in which the company operates) and not discounted.

As of 31 December 2014	Under 1 year	1 to 5 years	Over 5 years	TOTAL
Future payments (discounted)	88,148.66	282,239.09	202,960.20	573,347.95
Future payments (not discounted)	97,051.68	393,594.85	417,105.15	907,751.68

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.

The Company has arranged leases, as lessor, on the property located at Avenida Llano Castellano, 43 (Madrid); the future lease revenues to be collected by the Company under the leases in force as of 31 December 2014 and 2013 are shown in the following table:

As of 31 December 2014	*Under 1 year*	*1 to 5 years*	*Over 5 years*	*TOTAL*
Future collections (discounted)	*185.771,12*	*0,00*	*0,00*	*185.771,12*
Future collections (not discounted)	*204,534.00*	*0.00*	*0.00*	*204,534.00*

As of 31 December 2013	*Under 1 year*	*1 to 5 years*	*Over 5 years*	*TOTAL*
Future collections (discounted)	*446,176.08*	*271,909.27*	*0.00*	*718,085.35*
Future collections (not discounted)	*454,680.00*	*285,300.00*	*0.00*	*739,980.00*

Prim signed an operating lease agreement for the property at Polígono Industrial 1, Calle C, Móstoles,. The lessee is Establecimientos Ortopédicos Prim, S.A. The size of the premises leased is not material.

The table below shows the minimum future lease payments under that contract, both discounted (using the WACC of the sector in which the company operates) and not discounted.

As of 31 December 2014	*Under 1 year*	*1 to 5 years*	*Over 5 years*	*TOTAL*
Future collections (discounted)	*15,825.61*	*25,253.25*	*0.00*	*41,078.86*
Future collections (not discounted)	*17,424.00*	*31,944.00*	*0.00*	*49,368.00*

16.10. Impairments and losses on financial instruments

	(euro)	*(euro)*
	2014	*2013*
Impairment of long-term holdings in group undertakings	*570,765.30*	*663,635.44*
Impairment of long-term holdings in other companies (1)	*-3,914.00*	*-4,018.97*
Income on disposal of financial instruments:	*89,217.20*	*-7,659.00*
Total	*656,068.50*	*651,957.47*

(1) See Note 9.1.2.

17. FOREIGN CURRENCY

The Company makes purchases in currencies other than its functional currency, which is the euro. The Company made purchases in foreign currency totalling 6,433,256.38 euro in 2013 and 7,116,118.35 in 2014, as follows:

	2014	2013
USD	6,149,726.13	5,589,443.95
Pound sterling	662,514.57	646,973.63
Swedish krona	0.00	15,202.11
Swiss franc	34,752.73	26,880.13
Japanese yen	260,601.45	154,756.56
Mexican peso	8,523.47	0.00
Total	7,116,118.35	6,433,256.38

No hedges have been arranged to cover the exchange rate risk since, because of the amounts and the terms of payment agreed upon with suppliers, it is estimated that the Company's exchange rate risk on this type of commercial transactions is minimal.

Exchange differences for a net amount of 280,905.00 euro were recognised in 2013.

Exchange differences for a net amount of 354,657.38 euro were recognised in 2014.

18. TRANSACTIONS WITH RELATED PARTIES

The related parties with which the Company entered into transactions in 2014 and 2013 , and the nature of the relationship, are set out below:

	Nature of relationship
Enraf Nonius Ibérica, S.A.	Group undertaking
Establecimientos Ortopédicos Prim, S.A.	Group undertaking
Siditemedic, S.L (Soc. Unipersonal).	Group undertaking
Luga Suministros Médicos, S.L.	Group undertaking

Inmobiliaria Catharsis, S.A. (Soc .Unipersonal)	Group undertaking
Enraf Nonius Ibérica Portugal, Lda	Group undertaking
Network Medical Products Ltd	Associated undertaking
Directors (Members of the Board of Directors)	Directors
Senior management	Executives and managers

The management expenses charged by the group's controlling company are based on the expenses incurred centrally, which are charged to each group company on the basis of the criteria defined for drawing up the Company's analytical accounts.

The finance agreements are loans received from group undertakings, with the following detail in 2014 and 2013.

The variations in 2014 are shown in the table below: :

Group undertaking	Balance as of 31/12/13	Increases	Decreases	Balance as of 31/12/14
Siditemedic, S.L.	9,000.00	0.00	0.00	9,000.00
I. Catharsis, S.A.	470,735.11	70,000.00	-70,000.00	470,735.11
Enraf Nonius Ibérica, S.A.	2,000,000.00	0.00	-1,000,000.00	1,000,000.00
Total	2,479,735.11	70,000.00	-1,070,000.00	1,479,735.11

The variations in 2013 are shown in the table below: :

Group undertaking	Balance as of 31/12/12	Increases	Decreases	Balance as of 31/12/13
Siditemedic, S.L.	9,000.00	0.00	0.00	9,000.00
I. Catharsis, S.A.	-34,264.89	505,000.00	0.00	470,735.11
Enraf Nonius Ibérica, S.A.	500,000.00	1,500,000.00	0.00	2,000,000.00
Total	474,735.11	2,005,000.00	0.00	2,479,735.11

These financing agreements are recognised under "Short-term debt to group and associated undertakings" under liabilities on the balance sheet. There is no repayment schedule for these loans since they are repaid depending on the liquidity needs of the group undertakings. For that reason, the loans have no fixed maturity date.

The other related party transactions are part of the Company's normal business activity and are carried out on an arm's-length basis. Specifically, purchases and sales of orthopaedic products and hospital supplies are conducted at market prices.

There are no joint ventures with third companies in which the Company has an interest, nor are there jointly-controlled companies or companies over which the Company has a significant influence apart from the associated undertakings listed in Note 8.

Notable among these transactions is the lease under which Inmobiliaria Catharsis, S.A. leases to Prim, S.A. the building in Móstoles where the latter has its registered offices. The amount of this lease was 192,937.08 euro in 2014 (191,695.11 euro in 2013), recognised under "Outside services – group and associated undertakings" in the income statement.

Prim, S.A. also leases part of the building on Calle C of Polígono Industrial to Establecimientos Ortopédicos Prim, S.A. The amount paid was 14,400.00 euro in both 2013 and 2014.

In 2014, Prim S.A. signed a lease, as lessee, on a premises located at Calle Conde de Peñalver 26, Madrid. Part of these facilities were sub-let to Group company Establecimientos Ortopédicos Prim, S.A. for its commercial activities. Prim, S.A. collected 6,508.00 euro for this sub-lease in 2014.

Related parties

Transactions with related persons are not disclosed since they form part of the ordinary course of the company's business, they are conducted on an arm's-length basis, their amount is not material and they are not material with regard to presenting a true and fair view of the company's net worth, financial position and results.

18.1. Related undertakings

Balances with related undertakings as of 31 December 2014 and 2013 were as follows:

Related-party transactions. Assets and liabilities	Prim 2014	Prim 2013
Assets		
Current assets		
Trade and other accounts receivable		
Customer receivables – group and associated undertakings	485.271,00	137.281,00
Establecimientos Ortopédicos Prim, S.A.		29.962,00
Enraf Nonius Ibérica, S.A.	7.714,00	2.223,00
Enraf Nonius Ibérica Portugal Lda	75.443,00	340,00
Luga Suministros Médicos, S.L.	402.114,00	104.756,00
Sundry debtors, group and associated undertakings	0,00	
Short-term investment in group and associated undertakings		
Loans to group and associated undertakings	0,00	497.000,00
Establecimientos Ortopédicos Prim, S.A.		497.000,00
Liabilities		
Current liabilities		
Short-term debts to group and associated undertakings	1.479.735,11	2.479.735,11
Siditemedic, S.L.	9.000,00	9.000,00
Enraf Nonius Ibérica, S.A.	1.000.000,00	2.000.000,00
Inmobiliaria Catharsis, S.A.	470.735,11	470.735,11
Short-term supplier accounts payable – Group and associated undertakings	183.083,00	64.293,00
Luga Suministros Médicos, S.L.	157.828,00	57.573,00
Establecimientos Ortopédicos Prim, S.A.	20.688,00	4.799,00
Enraf Nonius Ibérica, S.A.	4.567,00	1.921,00
Short-term accounts payable – Group and associated undertakings	7.332,47	
Establecimientos Ortopédicos Prim, S.A.	7.332,47	

Transactions with related undertakings in 2014 and 2013 were as follows:

	Prim 2014	Prim 2013
EXPENSES		
Procurements		
Merchandise consumed—group and associated undertakings	***540.087,00***	***583.774,00***
Establecimientos Ortopédicos Prim, S.A.	*38.983,00*	*12.703,00*
Enraf Nonius Ibérica, S.A.	*91.786,00*	*93.082,00*
Luga Suministros Médicos, S.L.	*409.318,00*	*477.989,00*
Other operating expenses		
Outside services	***205.528,97***	***205.656,47***
Establecimientos Ortopédicos Prim, S.A.	*12.591,89*	*13.961,36*
Inmobiliaria Catharsis, S.A.	*192.937,08*	*191.695,11*
Financial expenses		
Debts to group and associated undertakings	***72.290,03***	***30.932,79***
Siditemedic, S.L.	*315,00*	*360,00*
Enraf Nonius Ibérica, S.A.	*53.795,00*	*11.288,00*
Inmobiliaria Catharsis, S.A.	*18.180,03*	*19.284,79*
REVENUES		
Net sales		
Sales to group and associated undertakings	***1.146.037,00***	***839.242,00***
Establecimientos Ortopédicos Prim, S.A.	*337.989,00*	*334.517,00*
Enraf Nonius Ibérica, S.A.	*21.680,00*	*22.807,00*
Enraf Nonius Ibérica Portugal Lda	*88.427,00*	*3.929,00*
Luga Suministros Médicos, S.L.	*697.941,00*	*477.989,00*
Other operating revenues		
Sundry and other current revenues	***621.093,00***	***620.791,00***
Establecimientos Ortopédicos Prim, S.A.	*72.121,00*	*72.121,00*
Enraf Nonius Ibérica, S.A.	*534.672,00*	*534.670,00*
Inmobiliaria Catharsis, S.A.	*14.300,00*	*14.000,00*
Financial revenues		
Equity instruments		
Group and associated undertakings	***107.093,59***	***110.653,84***
Inmobiliaria Catharsis, S.A.	*107.093,59*	*110.653,84*
Marketable securities and other financial instruments		
Group and associated undertakings	***8.456,00***	***47.231,00***
Establecimientos Ortopédicos Prim, S.A.	*8.456,00*	*47.231,00*

18.2. Directors and senior management

The detail of remuneration received by members of the Board of Directors and Senior Management in the years ended 31 December 2014 and 2013 is as follows: (the individual breakdown by director and member of senior management is available in the Company's Corporate Governance Report)

(euro)	*2014*	*2013*
Directors		
Wages	*237,559.07*	*355,602.73*
Per diems		
Share in income	*350,000.00*	*350,000.00*
Senior management		
Wages	*411,669.00*	*536,552.31*
	999,228.07	***1,242,155.04***

In 2014, remuneration of the members of the Board of Directors arising from their status as heads of the various functional areas for which they are responsible amounted to 237,559.07 euro, while senior management remuneration amounted to 411,669.00 euro. In 2013, that remuneration amounted to 355,602.73 euro and 536,552.31 euro, respectively.

There is also an allocation of 350,000.00 euro in 2014 for members of the Board of Directors as a share in Company income. That allocation amounted to 350,000.00 euro in 2013.

The 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 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

19. INFORMATION ABOUT THE NATURE AND DEGREE OF RISKS RELATING TO FINANCIAL INSTRUMENTS

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

The main financial instruments used by the Company are bank loans, demand deposits and short-term deposits. The main purpose of these financial instruments is to finance the Company's operations.

The Company has other financial assets and liabilities, such as trade accounts receivable and payable, which arise directly in its operations.

Under the general risk policy, all of the Company's capabilities are deployed so as to properly identify, measure, manage and control risk of all types in line with 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 regarding risks and the functioning of control systems.*

Company policy, which was maintained in 2013 (as in 2013), is not to negotiate financial instruments.

The main risks deriving from the Company's financial instruments are the interest rate risk on 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.

19.1. Interest rate risks on cash flows

The Company is exposed to the risk of changes in the market interest rate, due to the loans at floating rates (Note 14).

The reference index of these bank loans is the interbank market rate, to which a spread is added. In recent months, there have been no changes in that reference index that might have an adverse effect on the company's income statement.

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

	31/12/2013	31/12/2014	Interest rate	Benchmark
Long-term debt				
Long-term credit lines	2.382.390,60	0,00	Floating-rate	Euribor
Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
Other loans	331.099,00	786.263,48	Floating-rate	Euribor
	2.713.489,60	786.263,48		
Short-term debt				
Short-term credit lines	384.120,16	0,00	Floating-rate	Euribor
Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
Discounted notes	824.913,18	831.259,02	Floating-rate	1-month Euribor
Other loans	1.290.486,94	571.834,27	Floating-rate	Euribor
	2.499.520,28	1.403.093,29		

The sensitivity of earnings to variations in interest rates is as follows:

	+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	-5.911,31	5.911,31	-5.911,31	5.911,31
Mortgage loan	0,00	0,00	0,00	0,00
Other loans	-5.728,88	5.728,88	-4.497,38	4.497,38
	-11.640,19	11.640,19	-10.408,69	10.408,69
Short-term debt				

Short-term credit lines	*-953,10*	*953,10*	*-953,10*	*953,10*
Mortgage loan	*-6.927,28*	*6.927,28*	*0,00*	*0,00*
Discounted notes	*-3.437,65*	*3.437,65*	*-3.519,37*	*3.519,37*
Other loans	*-21.721,11*	*21.721,11*	*-7.455,91*	*7.455,91*
	-33.039,14	*33.039,14*	*-11.928,38*	*11.928,38*

19.2. Exchange rate risk

The Company 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 income statement is not material.

The following items may be affected by exchange rate risk:

- *Bank current accounts in a currency other than the local currency or the Company's functional currency*

- *Collections and payments for supplies, services or investments in currencies other than the euro*

PRIM, S.A. mitigates this risk by arranging most of its economic flows in euro and by arranging appropriate terms of payment to its suppliers in foreign currency.

As shown in the preceding table, aside from the euro, the currency in which the Company most often deals is the US dollar.

The sensitivity of 2014 earnings was as follows:

	Exchange rate	*Purchases at rate*	*Effect on income*
Exchange rate as of 31/12/2014	*1,21*	*6.149.726,13*	*0,00*
Variation +5%	*1,27*	*5.856.882,03*	*292.844,10*
Variation -5%	*1,15*	*6.473.395,93*	*-323.669,80*

PRIM

The sensitivity of 2013 earnings was as follows:

	Exchange rate	Purchases at rate	Effect on income
Exchange rate as of 31/12/2013	1,38	5.589.443,95	0,00
Variation +5%	1,45	5.323.279,95	266.164,00
Variation -5%	1,31	5.883.625,21	-294.181,26

There are no financial debts in non-euro currencies.

19.3. Credit risk

19.3.1. Overview

The Company's main customers are public and private entities of acknowledged solvency. Any customer wishing to buy on credit is screened using the Company'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 Company's doubtful accounts receivable are not material.

As of 31 December 2014 (and 2013) there was no significant concentration in the Company's accounts receivable.

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

	Not yet matured	Under 90	90-180	180-360	Over 360	Total
Private sector						
Long-term customer receivables	0,00	0,00	0,00	0,00	0,00	0,00
Group and associated undertakings	0,00	0,00	0,00	0,00	0,00	0,00
Other	0,00	0,00	0,00	0,00	0,00	0,00
Short-term customer receivables	9.733.940,07	44.217,29	32.103,00	99.062,76	-360.648,63	9.548.674,50
Group and associated undertakings	132.762,65	603,09	437,86	1.351,13	-4.918,94	130.235,78
Other	9.601.177,42	43.614,20	31.665,15	97.711,63	-355.729,69	9.418.438,71
Total private sector	9.733.940,07	44.217,29	32.103,00	99.062,76	-360.648,63	9.548.674,50

Public sector						*0,00*
Long-term customer receivables	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Group and associated undertakings	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Other	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Short-term customer receivables	*25.381.719,25*	*677.743,87*	*402.162,45*	*229.561,21*	*-660.586,15*	*26.030.600,62*
Group and associated undertakings	*346.185,03*	*9.243,85*	*5.485,15*	*3.131,02*	*-9.009,83*	*355.035,22*
Other	*25.035.534,23*	*668.500,02*	*396.677,29*	*226.430,19*	*-651.576,32*	*25.675.565,41*
Total public sector	*25.381.719,25*	*677.743,87*	*402.162,45*	*229.561,21*	*-660.586,15*	*26.030.600,62*
Total						*0,00*
Long-term customer receivables	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Group and associated undertakings	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Other	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Short-term customer receivables	*35.115.659,32*	*721.961,16*	*434.265,45*	*328.623,97*	*-1.021.234,78*	*35.579.275,12*
Group and associated undertakings	*478.947,68*	*9.846,94*	*5.923,01*	*4.482,15*	*-13.928,77*	*485.271,00*
Other	*34.636.711,65*	*712.114,22*	*428.342,44*	*324.141,82*	*-1.007.306,00*	*35.094.004,12*
Grand total	*35.115.659,32*	*721.961,16*	*434.265,45*	*328.623,97*	*-1.021.234,78*	*35.579.275,12*

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

	Not yet matured	***Under 90***	***90-180***	***180-360***	***Over 360***	***Total***
Private sector						
Long-term customer receivables	*734.645,46*	*0,00*	*0,00*	*0,00*	*0,00*	*734.645,46*
Group and associated undertakings	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Other	*734.645,46*	*0,00*	*0,00*	*0,00*	*0,00*	*734.645,46*
Short-term customer receivables	*5.209.022,19*	*2.166.744,22*	*653.771,96*	*879.653,46*	*406.989,07*	*9.316.180,92*
Group and associated undertakings	*15.194,03*	*6.320,11*	*1.906,97*	*2.565,83*	*1.187,13*	*27.174,08*
Other	*5.193.828,16*	*2.160.424,12*	*651.865,00*	*877.087,63*	*405.801,94*	*9.289.006,84*
Total private sector	*5.943.667,65*	*2.166.744,22*	*653.771,96*	*879.653,46*	*406.989,07*	*10.050.826,38*
Public sector						*0,00*
Long-term customer receivables	*861.404,37*	*451.649,13*	*708.475,94*	*0,00*	*0,00*	*2.021.529,44*
Group and associated undertakings	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*

Other	861.404,37	451.649,13	708.475,94	0,00	0,00	2.021.529,44
Short-term customer receivables	915.423,94	9.146.291,69	5.679.132,10	9.414.381,59	12.593.102,51	37.748.331,83
Group and associated undertakings	2.670,17	26.678,53	16.565,28	27.460,51	36.732,43	110.106,92
Other	912.753,77	9.119.613,15	5.662.566,82	9.386.921,08	12.556.370,09	37.638.224,91
Total public sector	1.776.828,31	9.597.940,82	6.387.608,04	9.414.381,59	12.593.102,51	39.769.861,27
Total						0,00
Long-term customer receivables	1.596.049,83	451.649,13	708.475,94	0,00	0,00	2.756.174,90
Group and associated undertakings	0,00	0,00	0,00	0,00	0,00	0,00
Other	1.596.049,83	451.649,13	708.475,94	0,00	0,00	2.756.174,90
Short-term customer receivables	6.124.446,14	11.313.035,91	6.332.904,06	10.294.035,05	13.000.091,59	47.064.512,75
Group and associated undertakings	17.864,20	32.998,64	18.472,25	30.026,35	37.919,56	137.281,00
Other	6.106.581,93	11.280.037,27	6.314.431,81	10.264.008,71	12.962.172,03	46.927.231,75
Grand total	7.720.495,97	11.764.685,04	7.041.380,00	10.294.035,05	13.000.091,59	49.820.687,65

19.3.2. *Credit quality*

Receivables from public sector customers have proven credit quality and the Company 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.

19.3.3. *Collateral and credit enhancement*

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

19.3.4. Recognition of provisions and impairment

Prim does not use a blanket 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 9.2.2 "Trade and other accounts receivable", value adjustments amounted to 1,919,002.46 euro as of 2013 year-end and 1,058,250.05 euro as of 2014 year-end.

Also, as disclosed in note 9.2.2, at year-end, the company analyses customer balances in order to determine the debt to provision according to the due date of each invoice and any problems inherent to each customer, and recognises provisions only in connection with private sector customers on the grounds that there are no doubts about the recoverability of accounts receivable from public sector customers.

19.3.5. Risk concentration

The concentration of credit risk by counterparty in the "Trade and other accounts payable" account at 31 December 2014 and 2013 is as follows:

PRIM CUSTOMER CONCENTRATION 2014			
By amount	Customers	Advances from customers	Total
With balance .XXXX . .			
Over 1,000,000 euro	2.648.883,54	0,00	2.648.883,54
500,000-1,000,000 euro	7.347.243,43	0,00	7.347.243,43
200,000-500,000 euro	8.766.851,48	0,00	8.766.851,48
100,000-200,000 euro	5.218.799,69	0,00	5.218.799,69
Under 100,000 euro	10.337.307,93	-289.261,03	10.048.046,90
Total	34.319.086,07	-289.261,03	34.029.825,04
Number of customers	Customers	Advances from customers	Total

With balance .XXXX . .			
Over 1,000,000 euro	*2,00*	*0,00*	*2,00*
500,000-1,000,000 euro	*11,00*	*0,00*	*11,00*
200,000-500,000 euro	*29,00*	*0,00*	*29,00*
100,000-200,000 euro	*37,00*	*0,00*	*37,00*
Under 100,000 euro	*3.695,00*	*32,00*	*3.727,00*
Total	*3.774,00*	*32,00*	*3.806,00*

PRIM CUSTOMER CONCENTRATION 2013			
By amount	*Customers*	*Advances from customers*	*Total*
With balance:			
Over 1,000,000 euro	*10.845.323,10*	*0,00*	*10.845.323,10*
500,000-1,000,000 euro	*13.939.656,19*	*0,00*	*13.939.656,19*
200,000-500,000 euro	*8.665.587,43*	*0,00*	*8.665.587,43*
100,000-200,000 euro	*5.773.850,72*	*0,00*	*5.773.850,72*
Under 100,000 euro	*9.463.363,21*	*-432.020,12*	*9.031.343,09*
Total	*48.687.780,65*	*-432.020,12*	*48.255.760,53*
Number of customers	*Customers*	*Advances from customers*	*Total*
With balance:			
Over 1,000,000 euro	*8,00*	*0,00*	*8,00*
500,000-1,000,000 euro	*21,00*	*0,00*	*21,00*
200,000-500,000 euro	*29,00*	*0,00*	*29,00*
100,000-200,000 euro	*39,00*	*0,00*	*39,00*
Under 100,000 euro	*3.579,00*	*49,00*	*3.628,00*
Total	*3.676,00*	*49,00*	*3.725,00*

The foregoing analysis includes only those accounts which the Company estimates involve credit risk; as a result, the total balance analysed is less than the total balance of customer receivables.

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

19.3.6. ***Liquidity risk***

The Company'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 Company's ordinary activities, which minimises the liquidity risk and ensures the continuity of operations.

Note 14.1 "Bank loans" contains a table showing the maturities of the main long-term liabilities, specifically a mortgage loan and two loans which, because of their amount, are disclosed in detail in that note.

The following aspects are noteworthy:

The company had positive working capital amounting to 49,239,661.57 euro as of 31 December 2014 and 48,746,339.61 euro as of 31 December 2013, which guarantees that it can cancel current liabilities.(Working capital is defined as the difference between current assets and current liabilities)

The Company has a significant amount available in credit lines which it has not yet used. Specifically, the amount not drawn as of 2014 year-end was 7,500,000.00 euro on long-term credit lines (3,017,609.40 in 2013) and 2,897,000.00 euro on short-term credit lines (1,865,879.84 euro in 2013); accordingly, the group has sufficient liquidity to address any difficulty that may arise in future years.

20. OTHER INFORMATION

20.1. Average workforce

The Company's workforce is distributed as follows:

Average workforce in 2014:

Category	*Men*	*Women*	*Total*
Sales and technical staff	*114*	*29*	*143.00*
Clerical staff	*40*	*56*	*96.00*
Plant staff	*34*	*73*	*107.00*
Total	***188.00***	***158.00***	***346.00***

Average workforce in 2013:

Category	*Men*	*Women*	*Total*
Sales and technical staff	*94*	*24*	*118.00*
Clerical staff	*50*	*59*	*109.00*
Plant staff	*36*	*78*	*114.00*
Total	***180.00***	***161.00***	***341.00***

The average workforce as of 31 December does not differ materially between years.

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

20.2. Auditors' fees

The fees paid to the main auditor for auditing the 2014 financial statements amounted to 54,000.00 euro (the same as in 2013).

20.3. Environmental disclosure

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

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

20.4. Guarantees to third parties

As of 31 December 2014, Prim, S.A. had provided sureties to third parties in guarantee of supplies (government tenders) for a total of 664,453.24 euro (840,325.99 euro as of 31 December 2013).

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 15.4). 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.).

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

	Payments completed and outstanding on the balance sheet date			
	2014 Amount	% (*)	2013 Amount	% (*)
** Within maximum legal limit	34.204.403,25	73,03%	32.823.678,04	74,59%
Remainder	12.630.914,73	26,97%	11.178.846,47	25,41%
Total payments in year	46.835.317,98	100,00%	44.002.524,51	100,00%
Weighted average period by which payments are past due (days)	43,57		54,23	
Deferrals which exceeded the maximum legal limit at the balance sheet date	1.133.019,03		1.157.575,96	

* 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 by which payments were past-due declined by 10.66 days in 2014 with respect to the previous year.

22. DISCONTINUED OPERATIONS

The 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 (3)	2,645,665.11(2)

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 at 2014 year-end from non-current to current liabilities.*

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.

23. SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

In accordance with current legislation, the Company presents consolidated financial statements separately from its individual financial statements.

24. 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 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*

Directors' Report

2014

1. Business Performance and Income

Net revenues increased by 5.94% in 2014.Operating income increased by 11.29% while earnings before taxes from continuing operations increased by 10.76%, assisted by the 253,705.29 euro increase in financial income, from 2,796,708.43 euro in 2013 to 3,050,413.72 in 2014. .

Net income for the year declined by 6.22% although this performance is attributable to non-recurrence in 2014 of the income from the sale of the INFUSIÓN business line in 2013.

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

At 2013 year-end, the Company had 352,772 own shares, i.e. 2.03% of capital stock.

At 2014 year-end, the Company had 203,239 own shares, i.e. 1.17% of capital stock.

For more details, see Note 12.4, which details variations in own shares throughout 2014.

4. Subsequent events.

On 27 February 2015:

The Parent Company filed information about 2H14 earnings

5. Information under article 116 bis of the Securities Market Act.

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.

5.1. Restrictions on the transfer of securities.

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

PRIM

5.2. *Significant direct and indirect stakes in capital.*

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*

5.3. Restrictions on voting rights.

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

5.4. Shareholder agreements.

No shareholder agreements have been signed.

5.5. Regulations applicable to the appointment and replacement of members of the Board of Directors and amendments to the Company's Articles of Association.

5.5.1. Regulations applicable to the appointment and replacement 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.

PRIM

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.

5.5.2. Regulations applicable to the amendment of the Company's 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.

5.5.3. 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. Disclosures 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 company.

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

Under the general risk policy, all of the Company's capabilities are deployed so as to properly identify, measure, manage and control risk of all types in line with 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 regarding risks and the functioning of control systems.*

Company 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 Company's financial instruments are the interest rate risk on 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.

6.1. Interest rate risks on cash flows.

See Note 19.1 of the Notes to the Financial Statements for the year ended 31 December 2014, which provides information relating to interest rate risks on cash flows.

6.2. Exchange rate risk.

See Note 19.2 of the Notes to the Financial Statements for the year ended 31 December 2014, which provides information relating to exchange rate risk.

6.3. Credit risk.

See Note 19.3 of the Notes to the Financial Statements for the year ended 31 December 2014, which provides information relating to credit risk.

6.4. Liquidity risk.

See Note 19.4 of the Notes to the Financial Statements for the year ended 31 December 2014, which provides information relating to liquidity risk.

6.5. Capital management.

The Board of Directors of Prim, S.A., which is responsible for the management of Company capital, considers the following aspects to be key in determining the Company'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 was 4.59 in 2014 (3.76 in 2013), having improved during the year. As a result, all of the assets are financed. Fixed assets represent 39.35% (35.55% in 2013) and current assets 60.65% (64.45% in 2013), thereby achieving the desired structure in relation to working capital.*

These objectives are completed with other factors that the directors take into consideration when determining the Company's financial structure, such as managing collections from government agencies, tax efficiency, and the use of a range of short- and long-term financial liabilities.

7. Corporate governance report

The accompanying Annual Corporate Governance Report, in accordance with Directive 206/46 of the CNMV on Financial Statements, is a part of this Directors' Report and was authorised by the Directors together with the Financial Statements and the Directors' Report of PRIM, S.A. 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*
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ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ	*Director*
IGNACIO ARRAEZ BERTOLÍN	*Director and Secretary*

Corporate governance report

2014