PRIM

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Prim, S.A. and Dependent Companies

Consolidated Financial Statements and Consolidated Directors' Report for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards adopted by the European Union.

R.M. de Madrid – Tomo 3652 – Sec. 8ª - Fo.1 – Hoja M 61451 – Insc. 36.7 – 10.92 C.I.F. A-28165587

PRIM, S.A.
AND
DEPENDENT
COMPANIES

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of 31 December 2016 and 2015 (euro)

	NOTES	31/12/2016	31/12/2015
ASSETS		***128.291.759,84***	***116.213.553,12***
Non-current assets		*39.887.101,72*	*33.350.589,68*
Intangible assets	*5*	*3.222.851,14*	*213.967,96*
Goodwill	*10*	*3.605.996,00*	*1.573.996,00*
Property, plant and equipment	*6*	*9.016.809,79*	*9.037.072,88*
Investment property	*7*	*3.236.031,16*	*3.304.339,54*
Investment in associates	*8*	*851.477,94*	*847.030,01*
Other non-current financial assets	*9*	*19.593.421,18*	*17.989.648,23*
Deferred tax assets	*9*	*360.514,51*	*384.535,06*
Current assets		*88.404.658,12*	*82.862.963,44*
Inventories	*11*	*33.674.272,47*	*26.294.012,22*
Trade and other accounts receivable	*12*	*33.342.912,85*	*37.631.828,44*
Other current financial assets	*13*	*15.170.934,48*	*15.136.190,58*
Cash and cash equivalents	*14*	*6.216.538,32*	*3.800.932,20*
LIABILITIES AND EQUITY		***128.291.759,84***	***116.213.553,12***
Equity	*15*	*100.844.902,20*	*92.246.346,87*
Parent company		*100.844.902,20*	*92.246.346,87*
Share capital		*4.336.781,00*	*4.336.781,00*
Share premium		*1.227.059,19*	*1.227.059,19*
Own shares		*-132.008,70*	*-2.088.750,18*
Interim dividend paid during the year		*-1.040.827,44*	*-954.091,82*
Revaluation reserve		*578.507,47*	*578.507,47*
Income for the year		*13.096.662,80*	*10.702.847,49*
Other reserves		*82.513.260,47*	*78.146.927,13*
Value adjustments		*265.467,41*	*297.066,59*
Non-current liabilities		*4.061.663,90*	*2.649.822,71*
Interest-bearing debt	*16*	*0,00*	*120.984,80*
Other liabilities	*17*	*3.376.358,57*	*85.164,47*
Provision for taxes	*17*	*0,00*	*1.906.373,11*
Deferred tax liabilities	*18*	*685.305,33*	*537.300,33*
Current liabilities		*23.385.193,74*	*21.317.383,54*
Trade and other accounts payable	*19*	*21.068.813,16*	*18.541.922,92*
Interest-bearing debt	*16*	*1.641.258,54*	*2.050.167,27*
Corporate income tax payable	*20*	*675.122,04*	*725.293,35*

The Consolidated Statement of Financial Position for 2015 is presented solely and exclusively for comparison purposes.

CONSOLIDATED INCOME STATEMENTS

2016 AND 2015

CONSOLIDATED INCOME STATEMENTS

As of 31 December 2016 and 2015 (euro)

	NOTES	31/12/2016	31/12/2015
Net sales	23.1	110.099.596,92	99.227.781,20
Other revenues		1.731.777,35	850.994,91
Change in finished goods and work-in-process inventories		606.946,46	273.389,19
OPERATING REVENUES		112.438.320,73	100.352.165,30
Consumables and other external expenses	23.2	-52.328.170,46	-45.931.222,09
External and operating expenses	23.3	-15.519.161,64	-13.815.874,05
Personnel expenses	23.4	-29.237.538,56	-26.780.913,60
Depreciation and amortisation expense	5, 6 & 7	-2.068.282,59	-1.923.814,46
Variation in operating provisions	23.7	-236.767,55	-369.456,80
Other operating expenses		-24.860,16	-68.263,76
OPERATING EXPENSES		-99.414.780,96	-88.889.544,76
NET OPERATING INCOME		13.023.539,77	11.462.620,54
Income from undertakings accounted for using the equity method	8	53.770,00	70.563,00
Financial revenues	23.5	1.285.242,42	1.837.868,96
Financial expenses	23.5	-37.161,59	-58.948,76
Exchange differences	23.5	582.412,70	574.498,73
Impairment and disposal of other financial assets		-17.708,47	729.517,68
FINANCIAL INCOME		1.866.555,06	3.153.499,61
INCOME BEFORE TAXES		***14.890.094,83***	***14.616.120,15***
Corporate income tax	20	-1.793.432,03	-3.913.272,66
NET INCOME FROM CONTINUING OPERATIONS		13.096.662,80	10.702.847,49
NET INCOME FOR THE YEAR		***13.096.662,80***	***10.702.847,49***
Net income attributable to the parent company		13.096.662,80	10.702.847,49
Earnings per share	***23.6***		
Basic earnings per share attributable to equity holders of the parent		0,78	0,62
Diluted earnings per share attributable to equity holders of the parent		0,78	0,62

The Consolidated Statement of Income for 2015 is presented solely and exclusively for comparison purposes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

2016 AND 2015

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended 31 December 2016 and 2015 (Euro)

NET INCOME RECOGNISED DIRECTLY IN EQUITY	2016		2015	
	Parent company	Total	Parent company	Total
IN OTHER RESERVES				
Fair value changes of available-for-sale financial assets (Notes 9 & 13)	-42.132,24	-42.132,24	-1.185.067,23	-1.185.067,23
Translation differences	61.635,26	61.635,26		
Tax effect (Notes 9 & 18)	10.533,06	10.533,06	296.266,81	296.266,81
TOTAL NET INCOME RECOGNISED DIRECTLY IN EQUITY	30.036,08	30.036,08	-888.800,42	-888.800,42
Transfers to Consolidated Profit & Loss	0,00	0,00	-639.970,69	-639.970,69
Tax effect (Notes 9 & 18)	0,00	0,00	160.602,58	160.602,58
TOTAL NET INCOME RECOGNISED IN INCOME FOR THE YEAR	0,00	0,00	-479.368,11	-479.368,11
NET INCOME FOR THE YEAR	13.096.662,80	13.096.662,80	10.702.847,49	10.702.847,49
TOTAL RECOGNISED REVENUES AND EXPENSES	13.126.698,88	13.126.698,88	9.334.678,96	9.334.678,96

(*) The Consolidated Statement of Comprehensive Income for 2015 is presented solely and exclusive for comparison purposes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

2016 AND 2015

Consolidated statements of changes in equity

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The composition of, and changes in, the Group's equity as of 31 December 2016 and 2015 are as follows:

a) Year ended 31 December 2016 (euro)

		Balance at 31.12.15	Interim dividend 2016 income	Own shares	Income from transactions with own shares	Other changes	Distribution of 2015 income		Income for the year		Balance at 31.12.16
							To Dividends	To Reserves	Equity holders of parent company	Non-controlling interests	
Share capital		4.336.781,00									4.336.781,00
Share premium		1.227.059,19									1.227.059,19
Parent Company shares		- 2.088.750,18		1.956.741,48							-132.008,70
Interim dividend		-954.091,82	-1.040.827,44				954.091,82				-1.040.827,44
Revaluation reserve		578.507,47									578.507,47
Income for the year											
	Equity holders of the parent company	10.702.847,49					-6.505.171,50	-4.197.675,99	13.096.662,80		13.096.662,80
	Non-controlling interests	0,00									0,00
Other reserves											
	Legal reserve	1.153.637,59									1.153.637,59
	Reserve for amortised capital	1.256.814,96									1.256.814,96
	Capitalisation reserve					19.951,66					19.951,66
	Other reserves	71.586.824,77			121.214,03	147.566,89	120.075,23	2.783.938,33			74.759.619,25
Reserves at											
	Fully consolidated undertakings	3.752.513,81				645.075,88	-120.075,23	578.023,27			4.855.537,73
	Equity-accounted affiliates	397.136,00						70.563,28			467.699,28
Value adjustments											
	Other	297.066,59							-31.599,18		265.467,41
Equity of equity holders of the parent company		92.246.346,87	-1.040.827,44	1.956.741,48	121.214,03	812.594,43	-5.551.079,68	-765.151,11	13.065.063,62	0,00	100.844.902,20
Equity of non-controlling interests		0,00									0,00
Total		92.246.346,87	-1.040.827,44	1.956.741,48	121.214,03	812.594,43	-5.551.079,68	-765.151,11	13.065.063,62	0,00	100.844.902,20

b) Year ended 31 December 2015

		Balance at 31.12.15	Interim dividend 2015 income	Own shares	Income from transactions with own shares	Other changes	Distribution of 2014 income		Income for the year		Balance at 31.12.15
							To Dividends	To Reserves	Controlling interests	Non-controlling interests	
Share capital		4.336.781,00									4.336.781,00
Share premium		1.227.059,19									1.227.059,19
Parent Company shares		-1.180.169,32		-908.580,86							-2.088.750,18
Interim dividend		-954.091,82	-954.091,82				954.091,82				-954.091,82
Revaluation reserve		578.507,47									578.507,47
Income for the year											
	Equity holders of the parent company	9.961.527,05					-9.214.492,27	-747.034,78	10.702.847,49		10.702.847,49
	Non-controlling interests	0,00									0,00
Other reserves											
	Legal reserve	1.153.637,59									1.153.637,59
	Reserve for amortised capital	1.256.814,96									1.256.814,96
	Other reserves	72.014.588,00			202.345,01	1.223.838,01	101.958,90	-1.955.905,15			71.586.824,77
	Reserve for remeasurement of unrealised assets and liabilities	0,00									
Reserves at											
	Fully consolidated undertakings	2.295.085,50				645.075,88	-101.958,90	914.311,33			3.752.513,81
	Equity-accounted affiliates	309.634,00						87.502,00			397.136,00
Value adjustments		1.665.235,12							-1.368.168,53		297.066,59
Equity of equity holders of the parent company		92.664.608,74	-954.091,82	-908.580,86	202.345,01	1.868.913,89	-8.260.400,45	-1.701.126,60	9.334.678,96	0,00	92.246.346,87
Equity of non-controlling interests		0,00									0,00
Total		92.664.608,74	-954.091,82	-908.580,86	202.345,01	1.868.913,89	-8.260.400,45	-1.701.126,60	9.334.678,96	0,00	92.246.346,87

CONSOLIDATED CASH FLOW STATEMENTS

2016 AND 2015

Consolidated cash flow statements

CONSOLIDATED CASH FLOW STATEMENTS

For the years ended 31 December 2016 and 2015 (euro)

Notes		2016	2015
	Receipts from customers and other debtors	129.657.994,87	124.213.572,94
	Payments to suppliers and other creditors	-80.544.066,01	-76.644.728,48
	Payments to employees	-28.173.254,04	-26.506.621,46
	VAT settlements, net	-6.455.418,35	-5.432.736,07
	Other taxes	-484.729,79	-499.326,90
	Corporate income tax	-3.660.801,35	-4.690.099,97
	Net cash from operating activities	10.339.725,33	10.440.060,06
6	Acquisition of property, plant and equipment	-1.801.506,40	-1.419.627,82
5	Acquisition of intangible assets	-1.328.824,30	-34.613,05
7	Acquisition of investment property	-20.370,90	-66.209,70
9	Acquisition of other non-current financial assets	-1.883.854,19	-898.000,00
9	Disposal of other non-current financial assets		5.512.400,01
	Acquisition of other current financial assets		-10.597.013,70
	Acquisition of group companies net of acquired cash	-49.145,81	0,00
	Acquisition of associated companies	0,00	0,00
	Disposals of other non-current financial assets	325.000,00	0,00
	Deposits provided	76.377,36	-41.768,88
	Cash subsidies received	-2.845,60	14.864,46
	Interest received	1.291.581,34	1.846.072,91
	Dividends received	0,00	0,00
	Net investing cash flow	-3.393.588,50	-5.683.895,77
	Refund of share premium	0,00	0,00
	Reserves	0,00	0,00
	Net cash in transactions with own shares	2.078.002,79	-706.235,86
	Cash movements due to long-term bank loans	-34.817,37	34.182,94
16.1	Cash inflows due to long-term bank loans	530.554,45	4.902.078,71
	Cash outflows due to long-term bank loans	-565.371,82	-4.867.895,77
	Cash movements due to short-term bank loans	-581.424,29	-690.953,78
	Cash inflows due to short-term bank loans	0,00	0,00
	Cash outflows due to short-term bank loans	-581.424,29	-690.953,78
	Cash movements due to long-term loans to/from group companies	0,00	0,00
	Cash inflows due to long-term loans to/from group companies	0,00	0,00
	Cash outflows due to long-term loans to/from group companies	0,00	0,00
	Cash movements due to short-term loans to/from group companies	0,00	0,00
	Cash inflows due to short-term loans to/from group companies	0,00	0,00
	Cash outflows due to short-term loans to/from group companies	0,00	0,00
	Dividends paid	-6.388.847,14	-9.136.439,53
	Interest paid	-35.011,41	-40.326,65
	Net financing cash flow	-4.962.097,42	-10.539.772,88
	Net increase in cash and cash equivalents	1.984.039,41	-5.783.608,59
	Net exchange differences	431.566,71	310.183,37
	Change in cash in year	2.415.606,12	-5.473.425,22
14	Beginning cash and cash equivalents	3.800.932,20	9.274.357,42
14	Ending cash and cash equivalents	6.216.538,32	3.800.932,20

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cross references enable the reader to connect the information contained in these notes to consolidated financial statements with the various line-items of the Consolidated Income Statement, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity.

1. Description of business activity and consolidated companies

1. DESCRIPTION OF CONSOLIDATED COMPANIES AND THEIR BUSINESS ACTIVITY

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

Factories

Móstoles (Madrid) - Polígono Industrial nº 1; Calle C, nº 20
Casarrubios del Monte (Toledo)– Polígono Industrial Monte Boyal. Avenida Constitución P-221.

Regional offices

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

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

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

On 29 June 1992, before the Madrid notary, Mr 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.

1. Description of business activity and consolidated companies

DEPENDENT COMPANIES	*DOMICILE*	*GROSS COST OF OWNERSHIP*	*%*
ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A.	*Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid-*	*1,322,102.77*	*100.00*
ENRAF NONIUS IBÉRICA, S.A.	*Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid-*	*690,641.45*	*100.00*
SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL)	*D. Ramón de la Cruz, 83 Madrid*	*3,035.06*	*100.00*
NETWORK MEDICAL PRODUCTS LTD.	*North Yorkshire United Kingdom*	*379,331.01*	*43.68*
INMOBILIARIA CATHARSIS, S.A. (SOCIEDAD UNIPERSONAL)	*C/ F, no. 15. Polígono Industrial 1, Móstoles (Madrid)*	*2,494,204.13*	*100.00*
ENRAF NONIUS IBÉRICA PORTUGAL, LDA (1)	*Rua Aquiles Machado –Lisbon- Portugal*	*100,000.00*	*100.00*
PRIM SALUD Y BIENESTAR, S.A DE C.V. (2)	*Avenida José López Portillo, 66. Cancún Quintana Roo – Mexico*	*49,145.81*	*100.00*

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

(2) The stake in PRIM SALUD Y BIENESTAR, S.A. DE C.V. is held through PRIM, S.A., which owns 99.90%, and ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A., which owns 0.1%.

(*) There were no changes in the consolidation scope in 2015; in 2016, the company PRIM SALUD Y BIENESTAR, S.A. DE C.V., which became operational in July 2016, was added to the consolidation scope.

Merger of Luga Suministros Médicos, S.L. into Prim, S.A.

As of 31 December 2014, the Prim Group owned 100% of Luga Suministros Médicos, S.L. (99% was held by the controlling company, Prim, and the other 1% by dependent company Inmobiliaria Catharsis, S.A.).

In 2015, Prim acquired the stake in Luga from Catharsis, with the result that it owned 100% of Luga.

The Shareholders' Meeting on 27 June 2015 approved the merger of Luga Suministros Médicos, S.L. into the parent company, Prim; the merger was registered in the Mercantile Register on 30 October 2015.

Companies within the Consolidation Scope

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

The dependent companies engage in the following activities:

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

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

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

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

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

The corporate purpose of PRIM SALUD Y BIENESTAR S.A. DE C.V. is to develop, manufacture, distribute, commercialise, install, maintain, import and export all kinds of scientific, medical, surgical, pharmaceutical, orthopaedic, food, dietetic, veterinary, chemical and industrial material as well as the construction, project realisation, plan design, installation advice, operation and management of products, equipment and facilities related to healthcare, rehabilitation, physiotherapy, hydrotherapy, orthopaedics, geriatrics and spas, and the supply, assembly and installation of materials.

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

The companies forming part of the consolidated group closed their financial year, which has a duration of one year, as of 31 December 2016.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1. Accounting standards applied

The Consolidated Financial Statements of the PRIM Group for 2016, which the Directors authorised on 28 March 2017, are presented in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union in conformity with (EC) Regulation no. 1606/2002 of the European Parliament and of the Council. The directors of PRIM expect the Shareholders' Meeting to approve these Consolidated Financial Statements without changes.

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

Prim Group has adopted the latest version of all standards issued by the European Union's Regulatory Committee (hereinafter EU-IFRS) that are mandatory for annual periods beginning on or after 1 January 2016.

The separate 2016 financial statements of the Group companies will be submitted for approval by their respective General Meetings of Shareholders within the deadlines established by the regulations in force. The directors of the parent Company do not expect changes to arise that would materially impact the 2016 consolidated financial statements.

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

2.1.1. Improvements to IFRS and impact of applying new IFRS

a) Standards and interpretations approved by the European Union that are applicable for the first time in the year.

The accounting policies used in preparing the consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended 31 December 2015 since no new standard, interpretation or amendment that was applicable for the first time in the year had an impact on the Group.

b) Standards and interpretations issued by the IASB that are not applicable this year

The Group intends to adopt the standards, interpretations and amendments to the standards issued by the IASB which are not mandatory in the European Union at the date of authorisation of these Consolidated Financial Statements, when they come into force, if they are applicable. Based on the information available to date, the Group estimates that their application will not have a material impact on the consolidated financial statements:

2. Basis of presentation of the consolidated financial statements

IFRS 15 "Revenue from contracts with customers".

IFRS 15 "Revenue from contracts with customers" In May 2014, the IASB and the FASB jointly issued a convergent standard regarding the recognition of revenue from contracts with customers. Under this standard, revenue is recognised when a customer obtains control over the good or service sold, i.e. when it has the capacity both to direct the use of, and to obtain benefits from, the good or service. This standard includes new guidelines for determining whether to recognise revenue over time or at a particular time. IFRS 15 requires extensive disclosures of both recognised revenue and revenue expected to be recognised in the future in relation to existing contracts. Quantitative and qualitative information is also required about the significant judgements made by management in determining recognised revenue, as well as any changes in these judgements.

IFRS 15 will be effective for annual periods starting on or after 1 January 2018; early application is permitted. During 2016, the Group carried out a preliminary assessment of IFRS 15, which is subject to changes as a result of a more detailed analysis that is currently under way. The Group is also considering the clarifications issued by the IASB in April 2016 and will monitor any further developments. The analysis indicates that no material impacts are expected for the Group, since the Group's core activities correspond to product delivery, without the need for complex and significant estimates relating, for example, to percentage of completion, returns, etc.

IFRS 15 includes filing and reporting requirements that are more detailed than current standards. The filing requirements represent a significant departure from current practice and significantly increase the volume of disclosures required in the Group's financial statements.

Many of the disclosure requirements in IFRS 15 are totally new. In 2016, the Group began to analyse the systems, internal controls, policies and procedures that would be needed to collect and obtain the required information.

IFRS 16 "Leases"

In January 2016, the IASB published IFRS 16, which introduced substantial changes for lessees since, in most cases, they must recognise an asset on the balance sheet for the usage right and a liability for the amounts due. For lessors, there are few changes with respect to the current IAS 17.

The new standard will derogate the previous standard on leases. The standard may be adopted with full retroactive effect or with modified retroactive effect for annual periods beginning on or after 1 January 2019, and early application is allowed, although the standard has not yet been adopted by the European Union. The Group plans to adopt the new standard when effectively required to do so, using the modified retroactive method. Based on a preliminary analysis of the impact of this standard performed by the Group in 2016, no material impacts are expected.

The Company as lessee

2. Basis of presentation of the consolidated financial statements

Except for contracts already classified as leases under IAS 17, and which continue to be classified as such under the new standard, the Group does not have other contracts that might be classified as leases due to holding the right to control the use of the identified assets, since there are no service agreements based on asset utilisation.

For finance leases that are current on the date of application of the new standard, the practical solution allowing them to be recognised in accordance with the existing standard (IAS 17) will be adopted.

Amendments to IAS 16/IAS 38 "Clarification of acceptable methods of depreciation and amortisation"

These amendments clarify that revenues reflect a pattern of obtainment of economic benefits from the exploitation of a business (of which the asset forms part), rather than the consumption of the economic benefits embodied in the asset. Therefore, property, plant and equipment cannot be depreciated using a method based on revenues, which may be used only in very limited circumstances to amortise intangible assets. These amendments will be applied prospectively for annual periods beginning on or after 1 January 2016. Early application of the standard is allowed. The Group will assess its impact in 2017.

IFRS 9 “Financial Instruments”

The final version of IFRS 9 was released in July 2014 and replaces IAS 39 on the classification and measurement of financial instruments as well as all previous versions of IFRS 9. This standard compiles the three phases of the financial instruments project: classification and measurement, impairment, and hedge accounting. IFRS 9 is applicable for annual periods beginning on or after 1 January 2018, although early adoption is allowed. With the exception of hedge accounting, retroactive application is required, but comparative information need not be modified. With limited exceptions, the requirements as to hedge accounting are generally applied prospectively. The Group plans to adopt the new standard when required to do so. During 2016, the Group conducted a high-level evaluation of the impacts of the three aspects of IFRS 9. This preliminary assessment is based on the information currently available and may vary depending on more exhaustive analysis or additional information that becomes available in the future. In general, the Group does not expect major changes in the balance sheet or equity as a result of the application of this standard.

(a) Classification and measurement

The Group does not expect material changes in its balance sheet or equity due to the application of the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value the financial assets that are currently measured at fair value.

It expects to hold the shares in unlisted companies for the foreseeable future. The Group expects to apply the option to present fair value changes in other comprehensive income and, therefore, considers that the application of IFRS 9 will not have a material impact. If the Group did not apply this option, the shares would be recognised at fair value through profit or loss, which would increase earnings volatility.

Loans and trade accounts receivable are held to receive contractual cash flows and are expected to entail cash flows that represent only payments of principal and interest. Therefore, the Group expects to continue to recognise them at amortised cost in accordance with IFRS 9. However, the Group will perform a more detailed analysis of the contractual cash flows from these instruments before concluding whether all the instruments meet the criteria to be measured at amortised cost in accordance with IFRS 9.

(b) Impairment

IFRS 9 requires the Group to recognise expected credit losses on all its debt securities, loans and trade accounts receivable, either on a 12-month or a full lifetime basis. The Group expects to apply the simplified approach and recognise expected losses over the full lifetime of all trade accounts receivable.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

This interpretation clarifies that, when determining the spot exchange rate to be used to recognise an asset, expense or revenue (or part thereof) arising from cancellation of a non-monetary asset or a non-monetary liability that was recognised on the basis of the advance consideration, the date of the transaction in which the non-monetary asset or non-monetary liability derived from the advance consideration was initially recognised must be used. If there are multiple payments or advances, the entity must determine the transaction date for each payment or collection of advance consideration. This interpretation may be applied entirely retroactively. It may also be applied prospectively from the beginning of the year in which the interpretation is applied or from the beginning of the comparable year.

IAS 7 (Amendments) - "Statement of cash flows". Disclosure initiative

The amendments to IAS 7 are part of the IASB's Disclosure Initiative and require the entity to provide information that enables users of the financial statements to assess changes in liabilities arising from financing activities, including both changes that arise from cash flows and those that are not due to cash flows. In initial application of the amendment, entities are not required to provide comparative information for prior years. These amendments are effective for annual periods beginning on or after 1 January 2017, though early adoption is permitted. The application of these modifications will mean that the Group will make additional disclosures from the date of entry into force of this standard.

2.2. True and fair view

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

2.3. Comparative information

As required by mercantile legislation, for comparison purposes the figures for the preceding year are presented in addition to the figures for 2016 for each item in the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement.

The notes also include quantitative information for the preceding year, except where an accounting standard states specifically that it is not necessary. The 2016 disclosures include information about employees with a disability of over 33%, and third-party liability insurance premiums paid for the directors.

2.4. Correction of errors and changes in approach

Under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", it was not necessary to restate the figures for previous periods.

2.5. Estimates

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

- Measurement of assets and goodwill to determine the existence of impairment losses (see note 3.2).
- The useful life of intangible assets, property, plant & equipment, and real estate (see note 3).
- Non-current trade accounts payable that were estimated on the basis of current data about average collection periods (balances expected to be collected within more than one year are classified as non-current).

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

The Prim Group of Companies recognise provisions for contingencies in line with the accounting policy set out in section 3.19 of these notes. The Prim Group of Companies made judgements and estimates as to the probability that those risks will occur and the amount of those risks, and recognised a provision when the risk was considered to be probable, estimating the costs the Company would incur for such risks.

2.6. Consolidation methods

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

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

- Power
- Risk exposure
- Capacity to influence performance

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

Associated companies over which the PRIM Group does not exercise control but in which it does have a significant influence are accounted for by the equity method in the Consolidated Statement of Financial Position. For the purposes of preparing these Consolidated Financial Statements, significant influence is generally presumed to exist when an interest of at least 20% is held, except where there is evidence to the contrary. Specifically, the company Network Medical Products is recognised by the equity method.

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

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

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

1) Business combinations and goodwill

a. Business combinations since 1 January 2010

Business combinations are accounted for by the acquisition method.

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

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

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

Any contingent consideration which the Group transfers will be recognised at acquisition date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability will be recognised in accordance with IAS 39, recognising any resulting gain or loss in profit or loss.

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

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

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

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

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

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

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

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

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

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

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

2.7. Consolidated Cash Flow Statement

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

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

3. VALUATION STANDARDS

3.1. Intangible assets

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

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

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

Customer portfolio

The fair value of customer portfolios acquired in business combinations in 2016 is measured using the Multi-period Excess Earnings method, which is based on discounting the cash flows from the future economic profits attributable to the customer base, after eliminating charges for assets that contribute to generating them. In order to estimate the remaining useful life of the customer base, the average duration of the relationships with these customers was analysed. The duration was estimated to be 10 years.

Brands

The fair value of brands acquired in the business combination performed in 2016 is measured using the Relief-from-royalty method. According to this method, the value of the asset is determined by capitalising the royalties that are saved due to owning the intellectual property. The saving on royalties is determined by applying a market royalty rate (expressed as a percentage of revenue) to future revenues expected to be obtained from the sale of the product associated with the intangible asset; for the brands acquired by the Group, this percentage ranges between 11.0 and 11.5%. The brands in question are assumed to have a useful life of 10 years.

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

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

3.2. Goodwill

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

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

3.3. Property, plant & equipment

Property, plant and equipment are carried at the acquisition or production cost, net of accumulated depreciation and any impairment, and include the value of legal revaluations under Royal-Decree Law 7/1996. In addition to the amount invoiced by the supplier, the acquisition price includes any additional expenses incurred up until the asset comes into service.

Interest costs incurred until property, plant and equipment become operational and for a period exceeding one year are capitalised in accordance with the mandatory accounting treatment under IAS 23 (2009 amendment).

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

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

Asset	*Annual rate*
Buildings and other structures	*2% - 3%*
Machinery, fixtures and tools	*8% - 25%*
Transport equipment	*16%*
Furniture and fixtures	*8%- 10%*
Computer hardware	*25%*

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

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

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

3.4. Investment property

Investment property is carried at acquisition price less accumulated depreciation and any impairment. The acquisition price includes the amount paid to the seller plus additional expenses and interest incurred for a period of more than one year until the asset becomes operational, in accordance with the mandatory accounting treatment under IAS 23 (2009 amendment).

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

The depreciation rates applied by the Group are as follows:

Asset	*Annual rate*
Buildings	*2%*
Plant	*8% - 12 %*

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

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

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

3.5. Investment in associated undertakings

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

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

3.6. Financial assets

Financial assets

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

Loans and receivables: These are initially recognised in the Consolidated Statement of Financial Position at market value (the economic consideration at the transaction date) and are subsequently measured at amortised cost using the effective interest rate.

3. Valuation standards

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

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

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

a. Fixed-income securities (debt securities)

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

b. Equity instruments

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

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

Exceptionally, equity interests in unlisted companies whose market value can not be measured reliably are valued at acquisition cost in accordance with the provisions of IAS 39 (it may be impossible to determine the fair value objectively at the closing date of the consolidated financial statements if there is not an organised market and no information is available about comparable transactions that would enable a market value other than historical cost to be obtained).

At year-end, the Consolidated Group did not intend to sell or otherwise dispose of these financial instruments.

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

3. Valuation standards

Derecognition of financial assets: A financial asset is derecognised when:

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

Impairment of financial assets

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

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

Debt instruments

There is objective evidence of impairment of debt instruments (i.e. accounts receivable, debt claims and debt securities) when, after initial recognition, an event occurs with a negative impact on estimated future cash flows.
The Group classifies as impaired (doubtful) assets those debt instruments for which there is objective evidence of impairment, basically the existence of bad debts, default, breach, refinancing or data evidencing that the agreed future flows may not be collected in full or that there may be a delay in collection.

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

In the case of listed instruments, the Group uses market value instead of the present value of future cash flows, provided that it is sufficiently reliable.

In the case of "Financial assets available for sale", where there is objective evidence that a reduction in fair value is due to impairment, the unrealised capital loss recognised as "Impairment loss" in equity is transferred to profit and loss.

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

Equity instruments

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

In the case of equity instruments measured at fair value 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 "Value adjustments" in equity are transferred immediately to the Consolidated Income Statement if it is determined that the decline in fair value is due to impairment. If part or all of the impairment losses are subsequently recovered, their amount is recognised as "Value adjustments" in equity.

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

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

3.7. Financial liabilities

a) Trade accounts payable, loans and other accounts payable

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

b) Interest-bearing loans

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

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

3.8. Inventories

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

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

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

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

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

3.9. Cash and cash equivalents

Cash and cash equivalents recognised in the Consolidated Statement of Financial Position comprise cash on hand and at bank, demand deposits and other highly-liquid investments maturing at under three months from the date of arrangement. These items are carried at historical cost, which does not differ materially from realisable value.

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

3.10. Treasury shares

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

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

3.11. Dividends

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

3.12. Recognition of revenues and expenses

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

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

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

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

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

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

3.13. Corporate income tax

Corporate income tax is recognised in the Consolidated Income Statement or in equity in the Consolidated Statement of Financial Position depending on where the gains or losses leading to it were recognised.

Differences between the carrying amount of assets and liabilities and their tax base lead to deferred tax asset or liability accounts, which are calculated using the tax rates that are expected to be in force when the assets and liabilities are realised.

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

The Group companies pay tax on an individual basis.

3.14. Earnings per share

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

Diluted earnings per share are calculated by dividing the net income for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would be issued if all potential ordinary shares were converted into ordinary shares of PRIM. For these purposes, shares are assumed to be converted at the beginning of the year (or at the date of issue, in the case of potential ordinary shares issued during the current year).

In the consolidated financial statements of the PRIM Group for the years ended 31 December 2016 and 2015, basic earnings per share coincide with diluted earnings per share since there were no instruments outstanding during these years that could be converted into ordinary shares.

3.15. Transactions and balances in foreign currency

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

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

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

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

3.17. Environmental assets and liabilities

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

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

3.18. Related-party transactions

Related-party transactions are measured as described above.

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

3.19. Provisions

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

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it to a third party, and adjustments arising due to updating the provision are recognised as a financial expense as they accrue.

Provisions falling due within one year, where the financial effect is not material, are not discounted.

Provisions are reviewed at each closing date of the Consolidated Statement of Financial Position and are adjusted to reflect the current best estimate of the related liability.

3.20. Leases

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

Group companies as lessees

Assets acquired under financial lease arrangements are recognised, based on their nature, at the fair value of the leased item or, if lower, the present value of the minimum lease payments at the commencement of the lease. A financial liability is recognised 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 as applied to other assets of a similar nature.

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

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

Group companies as lessors

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

3.21. Critical aspects of measuring and estimating uncertainty

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

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

4. SEGMENT REPORTING

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

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

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

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

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

4.1. Business segments

a) Medical and orthopaedic supplies

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

- Cardiovascular
- Reconstructive plastic surgery
- Pain unit
- Endosurgery
- Otorhinolaryngology
- Spa
- Surgery
- Traumatology, neurosurgery and biomaterials

The "orthopaedic supplies" business consists of the production and distribution of orthopaedic products and technical aids and the sale of applied orthopaedic products and technical aids of different types, including articulated electric beds, trolleys, patient hoists, chairs, cupboards and all types of accessories and furniture, particularly geriatric. The activity conducted by the recently-acquired MILO business line was added to this business in 2016.

4. Segment reporting

As a result, there is a clear difference between the "medical supplies" and "orthopaedic supplies" activities.

The revenue breakdown is as follows:

	31/12/2016	31/12/2015
Segment I. (Medical-Hospital)	109,719,285.34	98,859,884.40
"Medical supplies" activity	82,536,006.21	74,713,961.10
"Orthopaedic supplies" activity (*)	27,183,279.13	24,145,923.30
Segment II. (Real Estate)	380,311.58	367,896.80
REVENUES	110,099,596.92	99,227,781.20

(*) Includes the activities of Luga Suministros Médicos and the line of business acquired from Laboratorios Milo in 2016.

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

b) Real estate segment

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

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

4.2. Geographical segments

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

There are two geographical segments:

a) Spain: This includes sales to customers in Spain.

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

4. Segment reporting

4.3. Business segment figures

The table below presents information about the revenues and income and certain assets and liabilities corresponding to the Group's business segments in the years ended 31 December 2016 and 2015.

a) Year ended 31 December 2016:

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

	Segment I	*Segment II*	*Total*
Net sales			
External customers	109.832.949,22	266.647,70	110.099.596,92
Between segments	0,00	0,00	0,00
Other revenues	1.618.113,47	113.663,88	1.731.777,35
Change in inventories	606.946,46	0,00	606.946,46
Segment revenues	112.058.009,15	380.311,58	112.438.320,73
Segment net operating income	13.117.243,27	-93.703,50	13.023.539,77
Net financial income	1.830.493,53	0,00	1.830.493,53
Impairment and disposal of other financial assets	-17.708,47	0,00	-17.708,47
Share in income of undertakings accounted for by the equity method	53.770,00	0,00	53.770,00
Other revenues and expenses	0,00	0,00	0,00
Income before taxes	14.983.798,33	-93.703,50	14.890.094,83
Corporate income tax			-1.793.432,03
Non-controlling interests			0,00
Income for the year attributable to controlling company (continuing operations)			***13.096.662,80***
Segment assets and liabilities			
Investment in associated undertakings	851.477,94	0,00	851.477,94
Other assets of the segment	124.204.250,74	3.236.031,16	127.440.281,90
Total assets	125.055.728,68	3.236.031,16	128.291.759,84
Total liabilities	27.446.857,64	0,00	27.446.857,64
Other segment information			
Investment in assets			
Intangible assets and goodwill	5.409.041,98	0,00	5.409.041,98
Property, plant & equipment	1.886.368,19	0,00	1.886.368,19
Investment property	0,00	20.370,90	20.370,90
Impairment and disposal of other financial assets	-17.708,47	0,00	-17.708,47
Period depreciation and amortisation	-1.913.526,05	-154.756,54	-2.068.282,59
Cash flows	2.421.094,72	-5.488,60	2.415.606,12

4. Segment reporting

b) Year ended 31 December 2015

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

	Segment I	Segment II	Total
Net sales			
External customers	98.859.884,40	367.896,80	99.227.781,20
Between segments	0,00	0,00	0,00
Other revenues	670.473,61	180.521,30	850.994,91
Change in inventories	273.389,19	0,00	273.389,19
Segment revenues	99.803.747,20	548.418,10	100.352.165,30
Segment net operating income	11.344.215,15	118.405,39	11.462.620,54
Net financial income	2.353.418,93	0,00	2.353.418,93
Impairment and disposal of other financial assets	729.517,68	0,00	729.517,68
Share in income of undertakings accounted for by the equity method	70.563,00	0,00	70.563,00
Other revenues and expenses	0,00	0,00	0,00
Income before taxes	14.497.714,76	118.405,39	14.616.120,15
Corporate income tax			-3.913.272,66
Non-controlling interests			0,00
Income for the year attributable to controlling company (continuing operations)			**10.702.847,49**
Segment assets and liabilities			
Investment in associated undertakings	847.030,01	0,00	847.030,01
Other assets of the segment	112.062.183,57	3.304.339,54	115.366.523,11
Total assets	112.909.213,58	3.304.339,54	116.213.553,12
Total liabilities	23.967.206,25	0,00	23.967.206,25
Other segment information			
Investment in assets			
Intangible assets	49.953,05	0,00	49.953,05
Property, plant & equipment	1.429.368,05	0,00	1.429.368,05
Investment property	0,00	66.209,70	66.209,70
Impairment and disposal of other financial assets	729.517,68	0,00	729.517,68
Period depreciation and amortisation	-1.775.697,36	-148.117,10	-1.923.814,46
Cash flows	-5.614.225,90	140.800,68	-5.473.425,22

4.4. Geographical segments

The table below presents information about the revenues and income and certain assets and liabilities corresponding to the Group's geographical segments in the years ended 31 December 2016 and 2015.

a) Year ended 31 December 2016

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

	Segment I	Segment II	Total
Net sales			
External customers	97.447.545,19	12.652.051,73	110.099.596,92
Between segments	0,00	0,00	0,00
Other operating revenues	1.731.777,35	0,00	1.731.777,35
Change in inventories	606.946,46	0,00	606.946,46
Segment revenues	99.786.269,00	12.652.051,73	112.438.320,73
Segment assets			
Total assets	125.098.271,49	3.193.488,35	128.291.759,84
Other segment information			
Investment in assets			
Intangible assets (Note 5)	5.408.834,66	207,32	5.409.041,98
Property, plant & equipment (Note 6)	1.885.729,98	638,21	1.886.368,19
Investment property (Note 7)	20.370,90	0,00	20.370,90
Total	7.314.935,54	845,53	7.315.781,07

4. Segment reporting

b) Year ended 31 December 2015

Segment I: *Spain*

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

	Segment I	*Segment II*	*Total*
Net sales			
External customers	*87.955.440,35*	*11.272.340,85*	*99.227.781,20*
Between segments	*0,00*	*0,00*	*0,00*
Other operating revenues	*850.994,91*	*0,00*	*850.994,91*
Change in inventories	*273.389,19*	*0,00*	*273.389,19*
Segment revenues	*89.079.824,45*	*11.272.340,85*	*100.352.165,30*
Segment assets			
Total assets	*112.955.505,52*	*3.258.047,60*	*116.213.553,12*
Other segment information			
Investment in assets			
Intangible assets (Note 5)	*49.953,05*	*0,00*	*49.953,05*
Property, plant & equipment (Note 6)	*1.429.368,05*	*0,00*	*1.429.368,05*
Investment property (Note 7)	*66.209,70*	*0,00*	*66.209,70*
Total	*1.545.530,80*	*0,00*	*1.545.530,80*

5. Intangible assets

5. INTANGIBLE ASSETS

The variations in 2016 and 2015 are as follows:

a) Year ended 31 December 2016

	BALANCE 31.12.15	TRANSFERS	RECOGNITION / PROVISION	BALANCE 31.12.16
COST				
Computer software	*1,106,084.30*	*47,707.87*	*16,909.11*	*1,170,701.28*
Concessions, patents, licences, brands and similar	*960,664.05*	*0.00*	*2,516,074.32*	*3,476,738.37*
Customer portfolio	*0.00*	*0.00*	*628,073.48*	*628,073.48*
Other intangible assets	*55,000.00*	*0.00*	*0.00*	*55,000.00*
TOTAL	*2,121,748.35*	*47,707.87*	*3,161,056.91*	*5,330,513.13*
DEPRECIATION				
Computer software	*-908,727.34*	*0.00*	*-114,381.90*	*-1,023,109.24*
Concessions, patents, licences, brands and similar	*-960,664.05*	*0.00*	*-64,301.86*	*-1,024,965.91*
Customer portfolio	*0.00*	*0.00*	*-15,701.84*	*-15,701.84*
Other intangible assets	*-38,389.00*	*0.00*	*-5,496.00*	*-43,885.00*
TOTAL	*-1,907,780.39*	*0,00*	*-199,881.60*	*-2,107,661.99*
NET INTANGIBLE ASSETS	***213,967.96***			***3,222,851.14***

5. Intangible assets

b) Year ended 31 December 2015

	BALANCE 31.12.14	TRANSFERS	RECOGNITION / PROVISION	BALANCE 31.12.15
COST				
Computer software	*1,056,131.25*	*15,340.00*	*34,613.05*	*1,106,084.30*
Concessions, patents, licences, brands and similar	*960,664.05*			*960,664.05*
Distribution rights	*0.00*			*0.00*
Other intangible assets	*55,000.00*			*55,000.00*
TOTAL	*2,071,795.30*	*15,340.00(1)*	*34,613.05*	*2,121,748.35*
AMORTISATION				
Computer software	*-794,500.43*		*-114,226.91*	*-908,727.34*
Concessions, patents, licences, brands and similar	*-960,664.05*			*-960,664.05*
Distribution rights	*0.00*			*0.00*
Other intangible assets	*-32,893.00*		*-5,496.00*	*-38,389.00*
TOTAL	*-1,788,057.48*	*0,00*	*-119,722.91*	*-1,907,780.39*
NET INTANGIBLE ASSETS	***283,737.82***			***213,967.96***

In September 2016, the parent company, Prim, S.A., reached an agreement to acquire the parapharmacy, orthopaedics and podiatry business lines from Laboratorios Milo, S.A., a company with extensive experience in distributing products in the pharmacy and orthopaedics channel.

This operation strengthened Prim's exposure to this channel, enabling it to continue pursuing its strategy of growth in the healthcare segment because the two companies' operating structures, distribution and sale networks and product ranges are complementary. The acquired line of business registered 4 million euro of sales in the pharmacy and orthopaedics channel in 2015.
The fair values of the identifiable assets as of the acquisition date are as follows:

	31/12/2016
Customer portfolio	628,073.48
Acquired brands	2,492,074.32
Goodwill	2,032,000.00
Total agreed consideration	5,152,147.80

6. Property, plant and equipment

6. PROPERTY, PLANT AND EQUIPMENT

The variations in 2016 and 2015 are as follows:

a) Year ended 31 December 2016

	BALANCE 31.12.15	TRANSFERS	RECOGNITION / PROVISIONS	DERECOGNITION / REDUCTIONS	BALANCE 31.12.16
COST					
Land and other structures	7,900,970.32	0.00	0.00	0.00	7,900,970.32
Plant and machinery	2,311,536.06	0.00	65,102.51	-4,956.00	2,371,682.57
Other installations, tools and furniture	14,297,784.27	0.00	1,665,219.19	-62,191.37	15,900,812.09
Other assets	1,967,131.81	0.00	70,546.49	0.00	2,037,678.3
In progress	0.00	-47,707.87 (1)	52,532.47	0.00	4,824.6
TOTAL	26,477,422.46	-47,707.87	1,853,400.66	-67,147.37	28,215,967.88
DEPRECIATION					
Land and other structures	-3,357,391.29	0.00	-209,750.71	0.00	-3,567,142.00
Plant and machinery	-1,423,054.28	0.00	-139,599.77	0.00	-1,562,654.05
Other installations, tools and furniture	-10,895,779.92	0.00	-1,348,418.39	35,531.93	-12,208,666.38
Other assets	-1,764,124.09	0.00	-96,571.57	0.00	-1,860,695.66
TOTAL	-17,440,349.58	0.0	-1,794,340.44	35,531.93	-19,199,158.09
NET PROPERTY, PLANT AND EQUIPMENT	**9,037,072.88**				**9,016,809.79**

(1) *Corresponds to transfers from the construction in progress to computer software accounts.*

6. Property, plant and equipment

b) Year ended 31 December 2015

	BALANCE 31.12.14	TRANSFERS	RECOGNITION / PROVISIONS	DERECOGNITION / REDUCTIONS	BALANCE 31.12.15
COST					
Land and other structures	*7,569,047.07*	*331,923.25*	*0.00*	*0.00*	*7,900,970.32*
Plant and machinery	*1,979,003.03*	*208,449.54*	*181,056.36*	*-56,972.87*	*2,311,536.06*
Other installations, tools and furniture	*13,236,066.69*	*67,989.83*	*1,151,183.07*	*-157,455.32*	*14,297,784.27*
Other assets	*1,885,523.63*	*0.00*	*87,388.40*	*-5,780.22*	*1,967,131.81*
In progress	*614,100.72*	*-623,702.62*	*9,740.70*	*-138.80*	*0.0*
TOTAL	*25,283,741.14*	*-15,340.00 (1)*	*1,429,368.53*	*-220,347.21*	*26,477,422.46*
DEPRECIATION					
Land and other structures	*-3,124,284.25*	*0.00*	*-233,107.04*	*0.00*	*- 3,357,391.290*
Plant and machinery	*-1,351,125.86*	*0.00*	*-128,901.29*	*56,972.87*	*-1,423,054.28*
Other installations, tools and furniture	*-9,697,121.83*	*0.00*	*-1,258,833.85*	*60,175.76*	*- 10,895,779.92*
Other assets	*-1,601,845.99*	*0.00*	*-168,058.32*	*5,780.22*	*-1,764,124.09*
TOTAL	*- 15,774,377.93*	*0.0*	*-1,788,900.50*	*122,928.85*	*- 17,440,349.58*
NET PROPERTY, PLANT AND EQUIPMENT	***9,509,363.21***				***9,037,072.88***

Recognitions in 2016 and 2015 relate mainly to tools for the various divisions.

Transfers in 2015 refer basically to the expansion of the facilities in Casarrubios del Monte (Toledo).

Fully depreciated assets that were in disuse were derecognised in 2015 for a cost (and accumulated depreciation) of 115,648.57 euro (in the machinery and furniture accounts).

6.1. Revaluation of property, plant and equipment

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

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

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

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

The undepreciated amount of the revaluation was 58,478.49 euro as of 31 December 2016 and 61,713.45 euro as of 31 December 2015.

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

6.2. Fully depreciated assets

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

The detail of the amount is as follows:

		(euro)
	2016	*2015*
Structures	*893,383.30*	*893,383.30*
Installations, machinery, tools and furniture	*10,904,363.67*	*9,804,914.50*
Other tangible fixed assets	*66,537.44*	*61,805.50*
TOTAL	***11,864,284.41***	***10,760,103.30***

6. Property, plant and equipment

6.3. Impairment analysis

As of 31 December 2016 and 2015, the Group analysed whether there were any indications of asset impairment. Since no such indications were observed, it was not considered necessary to perform impairment tests.

6.4. Use in operations and insurance

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

6.5. Capitalised financial expenses

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

6.6. Property, plant and equipment with liens

In 2011, Prim, S.A. established a mortgage on the property at Calle C, Polígono Industrial número 1, Móstoles, in favour of the Spanish 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 17). For this purpose, the mortgaged property was appraised at 2,680,300.00 euro by TasaMadrid on 25 May 2011.

The mortgage guaranteed payment of the amount assessed against the controlling company (Prim, S.A.) under those audits. In 2016, a court found for the company and the decision had become final by the date of authorisation of these financial statements since the period granted to the tax authorities to appeal had expired. Consequently, the mortgage will be cancelled in 2017.

7. Investment property

7. INVESTMENT PROPERTY

The variations in 2016 and 2015 are as follows:

7. Investment property

a) Year ended 31 December 2016

	BALANCE 31.12.15	RECOGNITION / PROVISIONS	OTHERS	BALANCE 31.12.16
COST				
Land and other structures	*4,235,065.32*	*0.00*	*0.00*	*4,235,065.32*
Other installations, tools and furniture	*1,800,377.89*	*20,370.90*	*0.00*	*1,820,748.79*
TOTAL	*6,035,443.21*	*20,370.90*	*0.00*	*6,055,814.11*
DEPRECIATION				
Land and other structures	*-1,010,267.58*	*-75,688.56*	*0.00*	*-1,085,956.14*
Other installations, tools and furniture	*-1,720,836.09*	*-12,990.72*	*0.00*	*-1,733,826.81*
TOTAL	*-2,731,103.67*	*-88,679.28*	*0.00*	*-2,819,782.95*
INVESTMENT PROPERTY	*3,304,339.54*	*-68,308.38*	*0.00*	*3,236,031.16*

b) Year ended 31 December 2015

	BALANCE 31.12.14	RECOGNITION / PROVISIONS	OTHERS	BALANCE 31.12.15
COST				
Land and other structures	*4,235,065.32*	*0.00*	*0.00*	*4,235,065.32*
Other installations, tools and furniture	*1,734,168.19*	*66,209.70*	*0.00*	*1,800,377.89*
TOTAL	*5,969,233.51*	*66,209.70*	*0.00*	*6,035,443.21*
DEPRECIATION				
Land and other structures	*-985,303.60*	*-75,687.98*	*50,724.00*	*-1,010,267.58*
Other installations, tools and furniture	*-1,715,990.21*	*-4,845.88*	*0.00*	*-1,720,836.09*
TOTAL	*-2,701,293.81*	*-80,533.86*	*50,724.00*	*-2,731,103.67*
INVESTMENT PROPERTY	*3,267,939.70*	*-14,324.16*	*50,724.00*	*3,304,339.54*

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

General description of the leases

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

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

The contracts are governed by Law 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.

A lease is currently in force with a one-year term starting from 1 April 2015, which may be extended by one-year increments; it covers a total of 2,515 square meters and 14 parking spaces.

Analysis of impairment and fair value estimate at year-end

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

Potential impairments are analysed at the end of each year by comparing the historical value recognised in the books with the recoverable value, i.e. the fair value less the cost of sale, or the value in use, whichever is higher.
Recoverable value is analysed by comparing historical cost, per books, with the value in use estimated at year-end. The value in use is estimated on the basis of our market knowledge and professional judgement, together with other variables such as: lessee profile, future revenue flows, state of upkeep of the building and its installations, and estimates of necessary repairs in the future. All of this data is weighted for the specific features of the property market in the city of Madrid, where the investment property is located.

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

At the end of 2016 and 2015, the value in use exceeded the cost, with the result that no correction in value was required.

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

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

- The revenues to be capitalised are those collected as rent, strictly speaking, i.e. excluding reimbursement of costs incurred by the lessor (surveillance, cleaning, etc.).
- All contracts in force at the end of the year were included.
- At year-end, an estimate is made for the next five years, and a perpetual rent is assumed thereafter based on 0% growth beyond the fifth year.
- The leased floor space is assumed to increase each year (by 5% of the available area, i.e. the area that is not leased at year-end).

7. Investment property

- 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 was calculated, confirming that there is no need to recognise any impairments by comparison with the carrying amount of the investment property That value in use was 5.4 million euro in 2015 and 5.8 million euro in 2016.

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

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

Increase in lettable area (as % of the total available)	*Discount rate (%)*	*CPI (%)*	*Estimated value in use (million euro)*
5	*10.1*	*2*	*4.5*
5	*10.1*	*4*	*4.9*
10	*10.1*	*2*	*5.8*
10	*10.1*	*4*	*6.3*
5	*8*	*2*	*5.8*
5	*8*	*4*	*6.3*
10	*8*	*2*	*7.5*
10	*8*	*4*	*8.2*

The outcome of the sensitivity analysis performed in 2015 is as follows:

Increase in lettable area (as % of the total available)	*Discount rate (%)*	*CPI (%)*	*Estimated value in use (million euro)*
5	*10.1*	*2*	*4.1*
5	*10.1*	*4*	*4.4*
10	*10.1*	*2*	*5.4*
10	*10.1*	*4*	*5.9*
5	*8*	*2*	*5.4*
5	*8*	*4*	*5.9*
10	*8*	*2*	*7.2*
10	*8*	*4*	*7.9*

7. Investment property

Breakdown of operating costs from investment property

Operating costs associated with the property which generated rent revenues totalled 145,477.41 euro in 2015 and 160,569.20 euro in 2016, and operating costs which did not generate rent revenues totalled 284,535.30 euro in 2015 and 313,448.88 euro in 2016.

Lease revenues from the Llano Castellano property amounted to 266,647.70 euro in 2016 and 367,896.80 euro in 2015 as a result of the reduction in leased space in 2016. Costs passed on by Prim, S.A. to the tenants amounted to 113,663.88 euro in 2016 and 180,521.30 euro in 2015.

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 such cost is depreciation of the property.

Recognition of accrued revenues from investment property

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

As of 2016 year-end, the Group calculated the minimum future lease receipts under this lease contract. Those minimum lease payments up to the next annual renewal, in April 2017, amount to 100,540.00 euro (91,316.98 euro in net present value). The discounted amount of minimum future payments was calculated using the WACC of the sector in which the company operates: 10.1% for 2016.

8. Investment in associates

8. INVESTMENT IN ASSOCIATES

The detail of the Group's associates, carried by the equity method, and the variations in 2016 and 2015 are as follows:

a) Year ended 31 December 2016

COMPANY	Balance 31/12/15	Income for the year	Changes in % ownership	Translation differences	Balance 31/12/16
Network Medical Products, Ltd.	847.030,01	53.770,00	0,00	-49.322,07	851.477,94
TOTAL	847.030,01	53.770,00	0,00	-49.322,07	851.477,94

b) Year ended 31 December 2015

COMPANY	Balance 31/12/14	Income for the year	Changes in % ownership	Exchange differences	Balance 31/12/15
Network Medical Products, Ltd.	700.624,01	70.563,00	0,00	75.843,00	847.030,01
TOTAL	700.624,01	70.563,00	0,00	75.843,00	847.030,01

The parent company has a 43.68% stake in this company.

The information about the main associates is as follows:

a) Year ended 31 December 2016

Figures in euro	Network Medical Products, Ltd
Assets	2.180.409,73
Liabilities	557.288,37
Income for the year	123.100,91
Revenues	5.692.068,82

8. Investment in associates

b) Year ended 31 December 2015

Figures in euro	Network Medical Products, Ltd
Assets	2.069.149,37
Liabilities	456.209,98
Income for the year	161.545,97
Revenues	5.950.799,77

9. Other non-current financial assets and deferred tax assets

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

The variations in 2016 and 2015 are as follows:

	Available-for-sale investments				Debt securities	Loans and receivables	Deferred tax assets	Total
	Equity holdings							
	Historical cost	Correction for impairment	Net carrying amount	Debt securities				
Balance as of 31/12/14	**7.616.586,89**	**-3.553.984,72**	**4.062.602,17**	**19.555.484,81**	**0,00**	**323.514,33**	**323.514,33**	**24.142.399,71**
Recognitions/Provisions				898.000,00		1.830,29	61.020,73	**960.851,02**
Value adjustments		-350.504,27	-350.504,27	-213.731,48				**-564.235,75**
Transfer to profit or loss of value adjustments due to sale				-639.970,69				**-639.970,69**
Derecognitions				-5.524.861,00				**-5.524.861,00**
Transfers								
Balance at 31/12/15	**7.616.586,89**	**-3.904.488,99**	**3.712.097,90**	**14.074.921,64**	**0,00**	**325.344,62**	**384.535,06**	**18.374.183,29**
Recognitions/Provisions				1.933.000,00		5.113,62	118.135,16	**2.056.248,78**
Value adjustments		-477.788,11	-477.788,11	232.146,92				**-245.641,19**
Transfer to profit or loss of value adjustments due to sale								**0,00**
Derecognitions				-12.461,00		-76.238,48	-142.155,71	**-230.855,19**
Transfers								
Balance at 31/12/16	**7.616.586,89**	**-4.382.277,10**	**3.234.309,79**	**16.227.607,56**	**0,00**	**254.219,76**	**360.514,51**	**19.953.935,69**
Valuation standard			Fair value	Fair value	Amortised cost	Amortised cost	Unused tax credits (not discounted)	

9.1. Equity instruments available for sale

Equity instruments available for sale in this section of the Consolidated Statement of Financial Position (apart from the stakes in Alphatec and Saarema, the latter since 2015) are measured at cost due to the impossibility of measuring fair (market) value since they are not listed in an organised market and it is impossible to obtain information about comparable transactions that would enable us to obtain a market value other than historical cost.

The equity instruments classified as Financial assets available for sale whose fair value cannot be determined objectively at the closing date are measured at cost in accordance with IAS 39.

The shares in Alphatec are measured at their market price on NASDAQ, applying the year-end exchange rate. In 2016, as in 2015, it was possible to obtain the fair value of Saarema by analysing financial information and comparable market transactions. The fair value of that holding was determined using the following main assumptions: the existence of long-term contracts with insurance companies securing the company's core business, trends in net interest-bearing debt, and the existence of comparable transactions. Saarema Group EBITDA was estimated at 4,053,079.00 euro in 2016 (4,003,324.00 euro in 2015).

The Prim Group owns 8.63% of Saarema, and less than 5% of Alphatec.

The carrying amount of these available-for-sale equity investments was reduced by 477,788.11 euro in 2016 as a result of the following transactions:

a) The carrying amount of Alphatec was reduced by 8,647.01 euro.

b) The carrying amount of Tissuemed was reduced by 5,247.47 euro.

c) The carrying amount of Saarema Sociedad Promotora de Centros Residenciales was reduced by 463,893.63 euro. As of 31 December 2016, the carrying amount comprised a recognised cost of 4,807,636.82 euro and a fair value adjustment of 1,707,468.82 euro, resulting in a net carrying amount of 3,100,168.00 euro.

These reductions were recognised in equity under "Value adjustments".

The carrying amount of these available-for-sale investments was reduced by 350,504.27 euro in 2015 as a result of the following transactions:

a) The carrying amount of Alphatec was reduced by 351,694.95 euro with an offsetting item (net of the tax effect) under "Value adjustments" in the Consolidated Statement of Financial Position.

b) The carrying amount of Tissuemed was increased by 1,190.68 euro.

c) On 9 December 2015, Saarema performed a capital increase by issuing new shares for cash and amending article 5 of its Articles of Association; the transaction was registered in the Mercantile Register in 2016. Since Prim, S.A. did not subscribe for the capital increase, its stake was reduced to 8.63%.

9. Other non-current financial assets and deferred tax assets

The breakdown of equity instruments available for sale as of 31 December 2016 is as follows:

	31/12/2015			**Changes in 2016**		**31/12/2016**		
Investment to which correction refers	**Cost**	**Fair value adjustments**	**Net carrying amount**	**Cost**	**Fair value adjustments**	**Cost**	**Fair value adjustments**	**Net carrying amount**
Hesperis Chirurgical	*600.00*	*-600.00*	*0.00*			*600.00*	*-600.00*	*0.00*
Alphatec	*1,999,998.04*	*-1,890,635.41*	*109,362.63*		*-8,647.01*	*1,999,998.04*	*-1,899,282.42*	*100,715.62*
Esta HealthCare	*0.00*	*0.00*	*0.00*			*0.00*	*0.00*	*0.00*
SAS SAFE	*226,400.00*	*-226,400.00*	*0.00*			*226,400.00*	*-226,400.00*	*0.00*
Alliqua (*)	*305,250.31*	*-305,250.31*	*0.00*			*305,250.31*	*-305,250.31*	*0.00*
Tissuemed	*276,701.72*	*-238,028.08*	*38,673.64*		*-5,247.47*	*276,701.72*	*-243,275.55*	*33,426.17*
Saarema	*4,807,636.82*	*-1,243,575.19*	*3,564,061.63*		*-463,893.63*	*4,807,636.82*	*-1,707,468.82*	*3,100,168.00*
Total	*7,616,586.89*	*-3,904,488.99*	*3,712,097.90*		*-477,788.11*	*7,616,586.89*	*-4,382,277.10*	*3,234,309.79*

(*) As a result of a corporate transaction, the shares in Choice Therapeutics were converted into shares of Alliqua in 2016.

9. Other non-current financial assets and deferred tax assets

The breakdown of equity instruments available for sale as of 31 December 2015 was as follows:

	31/12/2014			Changes in 2015		31/12/2015		
Investment to which correction refers	***Cost***	***Fair value adjustments***	***Net carrying amount***	***Cost***	***Fair value adjustments***	***Cost***	***Fair value adjustments***	***Net carrying amount***
Hesperis Chirurgical	*600.00*	*-600.00*	*0.00*	*0.00*	*0.00*	*600.00*	*-600.00*	*0.00*
Alphatec	*1,999,998.04*	*-1,538,940.46*	*461,057.58*	*0.00*	*-351,694.95*	*1,999,998.04*	*-1,890,635.41*	*109,362.63*
Esta HealthCare	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
SAS SAFE	*226,400.00*	*-226,400.00*	*0.00*	*0.00*	*0.00*	*226,400.00*	*-226,400.00*	*0.00*
Choice Therapeutics	*305,250.31*	*-305,250.31*	*0.00*	*0.00*	*0.00*	*305,250.31*	*-305,250.31*	*0.00*
Tissuemed	*276,701.72*	*-239,218.76*	*37,482.96*	*0.00*	*1,190.68*	*276,701.72*	*-238,028.08*	*38,673.64*
Saarema	*4,807,636.82*	*-1,243,575.19*	*3,564,061.63*	*0.00*	*0.00*	*4,807,636.82*	*-1,243,575.19*	*3,564,061.63*
Total	*7,616,586.89*	*-3,553,984.72*	*4,062,602.17*	*0.0,00*	*-350,504.27*	*7,616,586.89*	*-3,904,488.99*	*3,712,097.90*

9.2. Debt securities

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

During 2014 it became apparent that these investments would be realised if more attractive investment opportunities became available; consequently, they were reclassified as available for sale. As a result, those investments were recognised as of 31 December 2014 not at amortised cost but, rather, at fair value (as is appropriate for financial assets classified as available for sale).

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

The balance of those investments as of 2016 year-end was 16,227,607.56 euro, as detailed below, showing also the Moody's credit rating.

Type of investment	*Amount*	*Rating*
Tesoro Público	*5.274.267,53*	*Baa2*
Castilla y Leon	*2.203.400,00*	*Baa2*
Comunidad de Madrid	*0,00*	*Baa2*
Europa bonds	*2.008.820,00*	*N.A.*
Empresa ICO bonds	*1.013.952,00*	*Baa2*
Private sector bonds	*3.782.565,03*	*N.A.*
Eurostoxx bonds	*1.384.083,00*	*N.A.*
Mutual funds	*560.520,00*	*N.A.*
Long-term deposits, etc.	*0,00*	*N.A.*
Total	*16.227.607,56*	

The balance of those investments as of 2015 year-end was 14,074,921.64 euro, as detailed below, showing also the Moody's credit rating.

9. Other non-current financial assets and deferred tax assets

Type of investment	*Amount*	*Rating*
Tesoro Público	*4.948.450,51*	*Baa2*
Castilla y Leon	*2.210.996,00*	*Baa2*
Comunidad de Madrid	*0,00*	*Baa2*
Europa bonds	*2.025.700,00*	*N.A.*
Empresa ICO bonds	*3.931.635,13*	*Baa2*
Eurostoxx bonds	*433.908,00*	*N.A.*
Mutual funds	*524.232,00*	*N.A.*
Long-term deposits, etc.	*0,00*	*N.A.*
Total	*14.074.921,64*	

As of 31 December 2016 and 2015, those financial instruments in the form of debt securities were recognised at fair value.

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

Some of those financial instruments were disposed of in 2016, as follows:

Securities	*Derecognised cost (1)*
Other	*-12,461,00*
TOTAL	*-12,461.00*

(1) The amount for which these investments were derecognised (12,461.00 euro) is stated in the table at the beginning of this Note 9 to the Consolidated Financial statements as derecognition of "Investment in debt securities".

Some of those financial instruments were disposed of in 2015, as follows:

Securities	*Derecognised cost (1)*
Comunidad de Madrid bonds	*-100,000.00*
Bonos del Tesoro	*-1,920,400.00*
Castilla y León bonds	*-492,000.00*
International mutual funds	*-3,000,000.00*
Other	*-12,461,00*
TOTAL	*-5,524,861.00*

(2) The amount for which this investment was derecognised (5,515,018 euro) is stated in the table at the beginning of this Note 9 to the Consolidated Financial statements as derecognition of "Investment in debt securities".

Investments amounting to 898,000.00 euro were recognised in 2015. The value adjustment recognised as of 31 December 2015 to adapt the carrying amount of the investments to their year-end fair value was -213,731.48 euro for all the long-term debt securities recognised in this item of the Consolidated Statement of Financial Position, while the transfer of value adjustments on sales amounted to 639,970.69 euro, as shown in the table at the beginning of this Note 9.

Investments amounting to 1,993,000.00 euro were recognised in 2016. The value adjustment recognised as of 31 December 2016 to adapt the carrying amount of the investments to their year-end fair value was +232,146.92 euro for all the long-term debt securities recognised in this item of the Consolidated Statement of Financial Position.

9.3. Loans and receivables

The balance as of 31 December 2016 and 2015 related entirely to long-term deposits provided by a number of Prim Group undertakings arising from lease contracts signed by those companies as lessees.

That balance was reduced by 71,124.86 euro in 2016, with the result that it amounted to 131,503.83 euro at 2016 year-end.

9.4. Deferred tax assets

The deferred tax assets recognised in 2016 are due mainly to the application of tax law in force in 2013 and 2014 under which book depreciation, amounting to 237,323.11 euro, was not considered to be tax deductible in the year. The other 123,191.40 euro arose from the tax effect of remeasuring the investment in Alphatec (classified as available for sale) at fair value in previous years.

The deferred tax assets recognised in 2015 are due mainly to the application of tax law in force in 2013 and 2014 under which book depreciation, amounting to 261,343.66 euro, was not considered to be tax deductible in the year. The other 123,191.40 euro arose from the tax effect of remeasuring the investment in Alphatec (classified as available for sale) at fair value.

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

It was decided not to recognise deferred tax assets for tax losses available for carryforward because of reasonable doubts about the recoverability of these amounts.

10. GOODWILL AND BUSINESS COMBINATIONS

The breakdown of goodwill and the variations in 2016 and 2015 are as follows:

GOODWILL	***(euro)***		
	BALANCE 31/12/2014	*Change*	*BALANCE 31/12/2015*
Luga Suministros Médicos, S.L.	*1.573.996,00*	*0,00*	*1.573.996,00*
Goodwill	*1.573.996,00*	*0,00*	*1.573.996,00*

GOODWILL	***(euro)***		
	BALANCE 31/12/2015	*Business combinations*	*BALANCE 31/12/2016*
Luga Suministros Médicos	*1.573.996,00*	*0,00*	*1.573.996,00*
Laboratorios Milo	*0,00*	*2.032.000,00*	*2.032.000,00*
Goodwill	*1.573.996,00*	*2.032.000,00*	*3.605.996,00*

Goodwill is not amortised but is subjected to an impairment test at the end of each year. That test was not performed in 2016 for the goodwill acquired with the business line acquired from Laboratorios Milo since it was acquired in 2016 and there were no signs of impairment.

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

- They engage in activities that are expected to be complementary in the future.

- They share many customers, both actual and potential

Key assumptions for calculating the value in use

An impairment test of goodwill was performed at 2016 year-end. At the closing date of Prim's financial statements, it was not possible to obtain a balance sheet with the operating assets and liabilities unequivocally related to the business acquired from Luga Suministros Médicos, S.A. that might serve as a basis for comparing the value in use of the acquired cash generating unit with its net carrying amount as of that date in order to fulfil the requirements of IAS 36 "Impairment of assets". The provisions of IAS 36.68 were considered for this purpose. The lowest-level CGU to which the operating assets and liabilities, including goodwill, arising from the LUGA acquisition can be assigned is Prim, S.A.

The methodology applied was as follows:

1. Take the market capitalisation of Prim, S.A. as of 31 December 2016 (measurement date), namely 154 million euro, as the starting point.
2. The market capitalisation was adjusted, considering the amounts in Prim's consolidated balance sheet with regard to the net financial position (net cash position of 35 million euro), the value of short- and long-term provisions and of deferred tax assets and liabilities, to obtain the fair value of Prim, S.A.'s operating assets in accordance with IFRS 3, distinguishing between those relating to the medical/hospital business line and the real estate business line on the basis of their percentage contribution to the company's total operating income in 2016. The fair value of the Prim, S.A. CGU is 119 million euro.
3. The contrasting value of the Prim, S.A. CGU, comprising working capital, fixed assets and goodwill, was calculated from the amounts stated in Prim's consolidated balance sheet. In this process, a distinction was made between those assets assigned to the medical/hospital business segment and those related to the real estate business, based on their percentage contribution to the Company's income statement. That contrasting value was 56.3 million euro.

Based on that analysis, it was concluded that there had been no impairment of the goodwill deriving from the LUGA acquisition.

11. INVENTORIES

The detail of this caption as of 31 December 2016 and 2015 is as follows:

Figures in euro	BALANCE 31/12/2016	BALANCE 31/12/2015
Trade inventories	28.478.338,07	22.668.209,72
Raw materials and other purchases	2.414.713,08	2.784.077,00
Semi-finished products and products in process	978.356,46	678.570,00
Finished products	2.545.124,00	2.237.964,00
Byproducts and waste	0,00	0,00
Supplier advances	2.422.404,38	756.519,31
Value adjustments	-3.164.663,52	-2.831.327,81
Total	33.674.272,47	26.294.012,22

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

The approach to provisioning for obsolescence 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.

12. Trade and other accounts receivable

12. TRADE AND OTHER ACCOUNTS RECEIVABLE

The detail of this caption as of 31 December 2016 and 2015 is as follows:

Figures in euro	BALANCE 31/12/2016	BALANCE 31/12/2015
Trade receivables for sales and services	34.715.004,55	39.293.376,14
Other receivables	0,00	27.209,52
Personnel receivables	142.921,82	128.657,87
Public authorities (Note 20.3)	104.826,01	141.870,78
Value adjustments	-1.619.839,53	-1.959.285,87
Total current	33.342.912,85	37.631.828,44
Total	33.342.912,85	37.631.828,44

<u>Value adjustments</u>

The changes in the value adjustments in 2016 and 2015 are as follows:

	2016	2015
Beginning balance	*-1,959,285.87*	*-1,863,619.42*
Provisions	*-1,619,839.53*	*-1,959,285.87*
Releases	*1,959,285.87*	*1,863,619.42*
Ending balance	*-1,619,839.53*	*-1,959,285.87*

13. Other current financial assets

13. OTHER CURRENT FINANCIAL ASSETS

The detail of this caption in the Consolidated Statement of Financial Position as of 31 December 2016 and 2015 is as follows:

	Loans to companies	*Time deposits*	*Short-term deposits*	*Other financial assets*	*Short-term accruals*	*Total*
Balance as of 31 December 2015	*0,00*	*4.598,34*	*9.750.000,00*	*5.381.171,38*	*420,86*	*15.136.190,58*
Balance as of 31 December 2016	*0,00*	*4.598,34*	*9.425.000,00*	*5.736.946,38*	*4.389,76*	*15.170.934,48*
Valuation standard	*Amortised cost*	*Amortised cost*	*Amortised cost*	*Amortised cost*	*Amortised cost*	

The "Other financial assets" item includes short-term investments in mutual funds of cash surpluses generated by companies in the consolidated Group which, since they are classified as available for sale, are measured at market value on the closing date, obtained from the listed prices on organised markets at that date.

The Short-term deposits item includes investments in deposits maturing at less then one year of cash surpluses which arose mainly from the Spanish Government's Supplier Payment Plan and, to a lesser extent, from the Autonomous Region Liquidity Fund. Those deposits are classified as held to maturity and, consequently, are measured at cost at year-end. Their fair value does not differ materially from their respective carrying amount.

14. Cash and cash equivalents

14. CASH AND CASH EQUIVALENTS

The detail of this caption as of 31 December 2016 and 2015 is as follows:

Cash and cash equivalents	*BALANCE 31/12/2016*	*BALANCE 31/12/2015*
Cash on hand in domestic currency	*37.395,27*	*43.460,58*
Cash on hand in foreign currency	*4.371,75*	*5.250,38*
Subtotal Cash on hand	*41.767,02*	*48.710,96*
Cash at banks in domestic currency	*5.720.123,91*	*2.960.663,96*
Cash at banks in foreign currency	*454.647,39*	*791.557,28*
Subtotal Cash at Banks	*6.174.771,30*	*3.752.221,24*
Total	***6.216.538,32***	***3.800.932,20***

15. EQUITY

15.1. Share capital

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

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

As of 31 December 2016 and 2015, 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.

15.2. Reserve for amortised capital

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

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

This balance of 1,256,814.96 euro was unchanged at 2016 and 2015 year-end.

15.3. Legal reserve

This reserve has reached the required level of 20% of capital stock. In accordance with the Spanish Capital Companies Law, 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.

The balance of the legal reserve was 1,153,637.59 euro at the end of 2016 and of 2015.

15.4. Revaluation reserve and capitalisation reserve

15. Equity

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

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

The detail of the Revaluation Reserve is as follows:

Figures in euro	*BALANCE 31/12/2015*	*CHANGES*	*BALANCE 31/12/2016*
Revaluation of property, plant and equipment (note 6)	*596,399.45*	*0.00*	*596,399.45*
Tax charge (3% of the revaluation)	*-17,891.98*	*0.00*	*-17,891.98*
Total	*578,507.47*	*0.00*	*578,507.47*

The capitalisation reserve arose in 2016 as a result of recent changes in tax legislation. The total amount of the reserve at 31 December 2016 (19,951.66 euro) related entirely to the parent company (Prim, S.A.). The capitalisation reserve, which enables the tax burden to be reduced, is restricted for 5 years.

15.5. Own shares

The variations in 2016 and 2015 are as follows:

a) Year ended 31 December 2016

Figures in euro	*Number of securities*	*Valuation at cost*
Situation as of 31 December 2015	*271.665,00*	*2.088.750,18*
Acquisitions	*73.139,00*	*640.458,87*
Shares received in capital increases	*0,00*	*0,00*
Decreases	*-328.957,00*	*-2.597.200,35*
Situation as of 31 December 2016	*15.847,00*	*132.008,70*

b) Year ended 31 December 2015

Figures in euro	Number of securities	Valuation at cost
Situation as of 31 December 2014	203.239,00	1.180.169,31
Acquisitions	164.335,00	1.480.452,83
Shares received in capital increases	0,00	0,00
Decreases	-95.909,00	-571.871,96
Situation as of 31 December 2015	271.665,00	2.088.750,18

Own shares represented the following percentages of total outstanding shares as of 31 December 2016 and 2015:

DESCRIPTION	31/12/16	31/12/15
No. of treasury shares	15,847	271,665
Total no. of outstanding shares	17,347,124	17,347,124
Treasury shares as % of total	0.09%	1.56%

Profit on the sale of own shares amounted to 202,345.01 euro in 2015 and 121,214.03 in 2016.

15.6. Reserves at fully consolidated companies

The detail of this item for the years ended 31 December 2016 and 2015 is as follows:

a) Year ended 31 December 2016

	E.O.P. S. A.	Enraf Nonius Ibérica , S. A.	Siditemedic S. L.	Enraf Nonius Ibérica Portugal, S. A.	Inmobiliaria Catharsis, S. A.	Total
Legal reserve	102.170,03	79.333,60	607,01	15.124,85	23.642,25	220.877,74
Other reserves	1.082.673,78	4.018.987,64	577.530,00	-17.191,46	-1.027.339,97	4.634.659,99
TOTAL	1.184.843,81	4.098.321,24	578.137,01	-2.066,61	-1.003.697,72	4.855.537,73

b) Year ended 31 December 2015

	E.O.P. S. A.	Enraf Nonius Ibérica , S. A.	Siditemedic S. L.	Enraf Nonius Ibérica Portugal, S. A.	Inmobiliaria Catharsis, S. A.	Total
Legal reserve	102.170,03	79.333,60	607,01	15.124,85	23.642,25	220.877,74
Other reserves	576.068,97	3.387.768,40	575.809,99	-24.527,74	-983.483,55	3.531.636,07
TOTAL	678.239,00	3.467.102,00	576.417,00	-9.402,89	-959.841,30	3.752.513,81

15. Equity

In 2015, Luga Suministros Médicos, S.L. ceased to exist as it was merged into Prim, S.A.; consequently, the amounts corresponding to the former no longer appear under "Reserves at fully consolidated companies".

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

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

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

Year 2016			
DISTRIBUTION BASIS		*DISTRIBUTION*	
Income attributable to the parent company	*10,969,199.92*	*Dividends*	*7,979,677.040*
		Reserves	*2,989,522.80*
TOTAL	*10,969,199.92*		*10,969,199.92*
Total number of shares issued by Parent Company			*17,347,124*
Dividend per share			*0.46 euro/share*

Limits on the distribution of dividends

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

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

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

15. Equity

15.8. Share premium

There were no changes in the share premium account in 2016 and 2015.
The share premium account is unrestricted and fully called.

15.9. Consolidated income

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

Figures in euro	*2016*	*2015*
COMPANY	*Income attributable to the parent company*	
Prim, S.A.	*10,969,199.92*	*9,526,394.30*
Establecimientos Ortopédicos Prim, S.A.	*645,132.95*	*506,604.95*
Enraf Nonius Ibérica, S.A.	*1,294,515.40*	*631,219.71*
Prim Salud y Bienestar, S.A. de C.V.	*30,462.25*	*0.00*
Siditemedic	*-670.22*	*1,720.24*
Enraf Nonius Ibérica Portugal Lda	*6,225.37*	*35,026.96*
Inmobiliaria Catharsis, S.A.	*105,809.12*	*120,075.23*
AGGREGATE INCOME	*13,050,674.79*	*10,821,041.39*

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

Figures in euro	*2016*	*2015*
AGGREGATE INCOME	*13,050,674.79*	*10,821,041.39*
Financial revenues. Holdings in Group and associated undertakings (15.9.1)	*-120,075.23*	*-101,958.90*
Impairments and losses on financial instruments (15.9.2)	*0.00*	*-42,941.58*
Share in income of companies carried by the equity method (15.9.3)	*53,770.00*	*70,563.00*
Depreciation of structures (15.9.4)	*-43,856.42*	*-43,856.42*
Impairment of goodwill in consolidation (10)	*0.00*	*0.00*
Amortisation of goodwill - Luga (15.9.5)	*157,399.56*	*0.00*
Amortisation of goodwill - Milo (15.9.5)	*50,800.00*	*0.00*
Adjustment of deferred taxes - Luga (15.9.6)	*-39,349.90*	*0.00*
Adjustment of deferred taxes - Milo (15.9.6)	*-12,700.00*	*0.00*
CONSOLIDATED INCOME	*13,096,662.80*	*10,702,847.49*

15.9.1. Financial revenues. Holdings in Group and associated undertakings

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

Figures in euro *Dividends paid by:*	*2016*	*2015*
Inmobiliaria Catharsis, S.A.	*-120,075.23*	*-101,958.90*
CONSOLIDATED INCOME	*-120,075.23*	*-101,958.90*

15.9.2. Impairments and losses on financial instruments

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

Figures in euro *Value adjustments at company:*	*2016*	*2015*
Enraf Nonius Ibérica Portugal, Lda	*0.00*	*-20,445.11*
Income from the sale of holdings in group undertakings (*)	*0.00*	*-22,496.47*
CONSOLIDATED INCOME	*0.00*	*-42,941.58*

(*) The adjustment to the income from the sale of holdings is due to the elimination in consolidation of the income recognised by dependent company Inmobiliaria Catharsis upon the sale to the controlling company, Prim, of a stake in dependent company Luga Suministros Médicos.

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

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

Figures in euro *Share in income of companies carried by the equity method*	*2016*	*2015*
Network Medical Products, Ltd.	*53,770.00*	*70,563.00*
CONSOLIDATED INCOME	*53,770.00*	*70,563.00*

15. Equity

15.9.4. Depreciation of structures

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

On the date of first consolidation of Inmobiliaria Catharsis, S.A., that property was stepped up as part of the consolidation process. That increase in value is being depreciated by 58,475.23 euro per year (43,856.42 euro net of the tax effect).

Depreciation of that building will conclude in 2026.

15.9.5. Amortisation of goodwill

In 2016, following the amendment of Royal Decree 602/2016, of 2 December, the general accounting plan under which the Parent Company draws up its separate financial statements was modified to allow goodwill and intangible assets to be amortised on a straight-line basis over 10 years. This resulted in amortisation being taken in the amount of 157,399.56 euro in connection with the Luga goodwill and of 50,800.00 euro in connection with the goodwill that arose from the acquisition of a business lines from Laboratorios Milo, which was eliminated in consolidation since these financial statements are drawn up in accordance with IFRS.

15.9.6. Deferred taxes

The amortisation of goodwill referred to in the preceding item resulted in the recognition of a deferred tax asset at the parent company since that goodwill is being amortised on a straight-line basis over 10 years for accounting purposes but over 20 years for tax purposes. As a result, in its separate financial statements, the parent company recognised a deferred tax asset in the amount of 19,674.95 euro in connection with Luga amortisation and 6,350.00 euro in connection with Milo amortisation.

That goodwill is not being amortised for accounting purposes in the consolidated financial statements but it is being amortised for tax purposes over 20 years, resulting in a deferred tax liability.

16. Interest-bearing debt

16. INTEREST-BEARING DEBT

16.1. Non-current interest-bearing debt

The detail of, and net changes in, the non-current loans during 2016 and 2015 are as follows:

a) Year ended 31 December 2016

Figures in euro	*31/12/2015*	*Recognitions*	*Decreases*	*31/12/2016*
Credit lines	*34.817,37*	*530.554,45*	*-565.371,82*	*0,00*
Finance leases	*0,00*	*0,00*	*0,00*	*0,00*
Other loans	*86.167,43*	*0,00*	*-86.167,43*	*0,00*
Total	***120.984,80***	***530.554,45***	***-651.539,25***	***0,00***

b) Year ended 31 December 2015

Figures in euro	*31/12/2014*	*Recognitions*	*Decreases*	*31/12/2015*
Credit lines	*2,90*	*4.902.078,71*	*-4.867.264,24*	*34.817,37*
Finance leases	*0,00*	*0,00*	*0,00*	*0,00*
Other loans	*786.263,48*	*0,00*	*-700.096,05*	*86.167,43*
Total	***786.266,38***	***4.902.078,71***	***-5.567.360,29***	***120.984,80***

16.1.1. Credit lines

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

The total amount available in these long-term credit lines was 6,600,000.00 euro as of 31 December 2016 and 6,565,182.63 euro as of 31 December 2015.

As of 31 December 2016, the total limit of the credit lines was 6,600,000.00 euro, which will be cancelled according to the following schedule:

Year	***(euro)***
2018	*6,600,000.00*
2019	*0.00*
2020 and thereafter	*0.00*
TOTAL	*6,600,000.00*

As of 31 December 2015, the total limit of the credit lines was 6,600,000.00 euro, which will be cancelled according to the following schedule:

Year	(euro)
2017	0.00
2018	6,600,000.00
2019 and thereafter	0.00
TOTAL	6,600,000.00

16.1.2. Other non-current interest-bearing loans

A loan amounting to 592,500.00 euro was arranged in 2010. That loan began to be repaid in 2012. (Loan VI)

In 2014, a loan amounting to 1,400,000.00 euro was arranged to finance the Consolidated Group's operations, taking advantage of low interest rates. (Loan V)

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

	Loans V	Loans VI	Total bank debt
Initial principal	*1.400.000,00*	*592.500,00*	*1.992.500,00*
Starting date	*2014*	*2010*	
Maturity date	*2017*	*2017*	
Instalments	*Quarterly*	*Monthly*	
Interest	*Euribor plus a spread*	*Euribor plus a spread*	
2012	0,00	19.750,00	*19.750,00*
2013	0,00	118.500,00	*118.500,00*
2014	340.413,18	161.280,57	*501.693,75*
2015	463.523,30	103.401,00	*566.924,30*
2016	475.568,08	103.401,00	*578.969,08*
I. Amount repaid	*1.279.504,56*	*506.332,57*	*1.785.837,13*
2017	*120.495,44*	*86.167,43*	*206.662,87*
II. Maturing in the short term	*120.495,44*	*86.167,43*	*206.662,87*
2018			*0,00*
2019			*0,00*
2020			*0,00*
2021 and thereafter			*0,00*
III. Maturing in the long term	*0,00*	*0,00*	*0,00*
Total (I+II+III)	*1.400.000,00*	*592.500,00*	*1.992.500,00*

As of 31 December 2015, the "Interest-bearing debt" item under non-current liabilities included 86,167.43 euro corresponding to loan VI; that amount was payable in 2016.

16. Interest-bearing debt

The outstanding balance of loan V as of 31 December 2015 (596,063.52 euro) was expected to be repaid in full in 2016 and, consequently, no long-term balance was recognised in connection with that loan. That balance was paid in 2016 (475,568.08 euro) and 2017 (120,495.44 euro).

As of 31 December 2016, the "Interest-bearing debt" item under non-current liabilities did not contain any amount in connection with the loans shown in the preceding table since the outstanding amounts will be paid in 2017 and, consequently, those amounts are recognised under current liabilities in the Consolidated Statement of Financial Position.

16.2. Current interest-bearing debt

This item basically includes the amounts maturing in the short term of the aforementioned loans and unmatured discounted bills and the amounts drawn on short-term credit lines, the latter amounting to 2,455.21 euro as of 31 December 2015 and zero as of 31 December 2016 (Note 21.1).

A total of 1,450,000.00 euro of these short-term credit lines was undrawn as of 31 December 2016 and 6,047,544.79 euro as of 31 December 2015.

The breakdown of short-term debt, as shown also in note 21, is as follows:

	31/12/2015	31/12/2016	Interest rate	Benchmark
Long-term debt				
Long-term credit lines	34.817,37	0,00	Floating-rate	Euribor
Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
Other loans	86.167,43	0,00	Floating-rate	Euribor
	120.984,80	0,00		
Short-term debt				
Short-term credit lines	2.455,21	0,00	Floating-rate	Euribor
Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
Discounted notes	1.348.247,54	1.433.892,67	Floating-rate	1-month Euribor
Short-term interest on debt	0,00	703,00	Does not accrue	Does not apply
Funding of payments to suppliers	0,00	0,00	Floating-rate	Euribor
Other loans	699.464,52	206.662,87	Floating-rate	Euribor
	2.050.167,27	1.641.258,54		

17. Other non-current liabilities

17. OTHER NON-CURRENT LIABILITIES

The detail of, and changes in, this caption in 2016 and 2015 are as follows:

17. Other non-current liabilities

(euro)	Other liabilities (17.1)	Provision for taxes (17.3)	TOTAL
Balance as of 31/12/14	155,232.20	1,906,373.11	2,061,605.31
Recognitions	0.00	0.00	0.00
Decreases	-70,067.73	0.00	-70,067.73
Balance as of 31/12/15	85,164.47	1,906,373.11	1,991,537.58
Recognitions	3,291,194.10	0.00	3,291,194.10
Decreases	0.00	-1,906,373.11	-1,906,373.11
Balance as of 31/12/16	3,376,358.57	0.00	3,376,358.57

17.1. Other liabilities

The balance as of 31 December 2015 consisted mainly of the debt to a third party for the acquisition of distribution rights by Enraf Nonius Ibérica, S.A., which matured in at most 10 years from the date of the agreement (17 November 1997). Since it matured, this agreement has been renewed tacitly each year. The outstanding balance was 39,203.27 euro as of 31 December 2015 and 2016.

This item in the Consolidated Statement of Financial Position also included long-term deposits received by Group companies in connection with leases of their investment property amounting to 45,961.20 euro as of 2015 year-end. The corresponding amount at 31 December 2016 was 50,070.00 euro.

As detailed in note 5 of these Notes to consolidated financial statements, in September 2016, the parent company, Prim, S.A., reached an agreement to acquire the parapharmacy, orthopaedics and podiatry business lines from Laboratorios Milo, S.A., a company with extensive experience in distributing products in the pharmacy and orthopaedics channel.

This operation strengthened Prim's exposure to this channel, enabling it to continue pursuing its strategy of growth in the healthcare segment because the two companies' operating structures, distribution and sale networks and product ranges are complementary. The acquired line of business registered 4 million euro of sales in the pharmacy and orthopaedics channel in 2015.

The payments envisaged in connection with this transaction amount to 5,320,425.00 euro, to be paid in accordance with the following schedule:

Year	*Amount payable*
2016	*1,240,000.00*
2017	*625,062.50*
2018	*1,141,062.50*
2019	*668,300.00*
2020	*823,000.00*
2021	*823,000.00*
TOTAL	*5,320,425.00*

The Company recognised those liabilities at their present value as follows:

Year	*Amount payable*
Payments made in 2016	*1,240,000.00*
Short-term debt (2017)	*625,062.50*
Long-term debt (2018-2021)	*3,287,085.30*
TOTAL	*5,152,147.80*

The amount of long-term debt was discounted to separate the amount of interest implicit in the long-term amounts payable; consequently, the total cost recognised for the assets acquired in the business combination amounted to 5,152,147.80 euro, as shown in the table.

As of 31 December 2016, this item in the Consolidated Statement of Financial Position showed the amount payable in 2018-2021 to be 3,287,085.30 euro, after deducting the amount of implicit interest (3,455,362.50 euro before discounting).

17.2. Provisions for taxes

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

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

The tax situation of each of those companies is described below, together with the variations in 2016 in the provisions for taxes recognised at each one.

17.2.1. Prim, S.A.

In consultation with its tax advisors, the Board of Directors resolved to recognise that provision as a function of the assessment of the risk associated with the Company's claims.

On 21 December 2016, Section Two of the Contentious-Administrative division of the National Court issued a decision in which it upheld all of Prim, S.A.'s claims. The decision allowed for an appeal for review to be filed with the same court.

At the date of authorising these financial statements, the deadline for presenting such an appeal had passed and no appeal had been filed; consequently, the decision can be considered to be final. As a result, the Company cancelled the aforementioned provision for taxes since the risk related to those assessments has ceased to exist.

18. Deferred tax liabilities

18. DEFERRED TAX LIABILITIES

	18,1	18,2	18,3	18,4	18,5		(euro)
	Reinvestment	*Unrestricted depreciation*	*Step-up of Catharsis property in consolidation*	*Fair value adjustments of available-for-sale assets*	*Amortisation of goodwill*	*Other differences*	*TOTAL*
Balance as of 31/12/14	91,008.74	28,314.41	233,204.89	555,128.52		27,799.64	935,456.20
Recognitions							
Value adjustments				-207,529.86			-207,529.86
Decreases	-5,516.94	-8,042.16	-14,618.05	-160,602.58		-1,845.48	-190,625.21
Balance as of 31/12/15	85,491.80	20,272.25	218,586.04	186,996.08		25,954.16	537,300.33
Recognitions					26,024.95		26,024.95
Value adjustments				146,980.46			146,980.46
Decreases	-4,925.85	-3,808.00	-14,618.81			-1,647.75	-25,000.41
Balance as of 31/12/16	80,565.95	16,464.25	203,967.23	333,976.54	26,024.95	24,306.41	685,305.33

18. Deferred tax liabilities

18.1. Reinvestment

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

In accordance with the applicable tax legislation, future payments of this deferred debt to the Administration will be made in accordance with the depreciation of the assets in which the gains were reinvested, in some cases, and by an increase of one-seventh on the originally deferred amount, in other cases. An amount of 5,516.94 euro was paid in 2015 and 4,925.85 euro in 2016, and it is estimated that a similar amount will be paid in 2017.

18.2. Unrestricted depreciation

In 2011, the company availed itself of the unrestricted depreciation allowed under Royal Decree Law 13/2010 and recognised timing differences in the amount of 83,358.00 euro. During 2015, this balance was reduced by 8,042.16 euro to 20,272.25 euro. During 2016, this balance was reduced by 3,808.00 euro to 16,464.25 euro.

18.3. Step-up of Inmobiliaria Catharsis property in consolidation

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

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

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

18.4. Fair value adjustments of available-for-sale assets

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

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

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

18. Deferred tax liabilities

An amount of 160,602.58 euro was derecognised in 2015 as a result of the disposal of financial assets, as was 207,529.86 as a result of fair value adjustments of the financial instruments that formed part of the assets as of 31 December 2015. That value adjustment was also calculated using a 25% tax rate.

An increase of 146,980.46 euro was recognised in 2016 as a result of fair value adjustments of financial instruments that formed part of assets as of 31 December 2016.That value adjustment was also calculated using a 25% tax rate since there were no changes in the regulations governing corporate income tax.

18.5. Amortisation of goodwill

As a result of the acquisition of a number of intangible assets from Milo in 2016 and the absorption of Luga in 2015, that goodwill was amortised by the Group parent company for tax purposes at the end of 2016 but not for accounting purposes, which resulted in a deferred tax liability for the amount resulting from applying the tax rate (25%) to the difference between the tax and accounting amortisation, as shown in the table:

CALCULATION OF DEFERRED TAX LIABILITY		ANNUAL PERC.	COST OF	ANNUAL AMORT.	2016 AMORT.	2016 TAX
LABORATORIOS MILO (1)			GOODWILL		3 MONTHS	
	BOOK AMORTISATION	0%	2.032.000,00	0,00	3	0,00
	TAX AMORTISATION	5%	2.032.000,00	101.600,00	3	25.400,00
	DIFFERENCE IN TAX BASE					-25.400,00
	DIFFERENCE IN TAX CHARGE (25%)	= DEFERRED TAX LIABILITY				-6.350,00
		ANNUAL PERC.	COST OF	ANNUAL AMORT.	2016 AMORT.	2016 TAX
LUGA SUMINISTROS MÉDICOS, S. L. (2)			GOODWILL		3 MONTHS	
	BOOK AMORTISATION	0%	1.573.996,00	0,00	12	0,00
	TAX AMORTISATION	5%	1.573.996,00	78.699,80	12	78.699,80
	DIFFERENCE IN TAX BASE					-78.699,80
	DIFFERENCE IN TAX CHARGE (25%)	= DEFERRED TAX LIABILITY				-19.674,95
TOTAL		TOTAL DEFERRED TAX LIABILITY				-26.024,95

19. Trade and other accounts payable

19. TRADE AND OTHER ACCOUNTS PAYABLE

Figures in euro	31/12/2016	31/12/2015
Short-term debt	1.660.926,62	1.409.988,84
Other financial liabilities (a)	1.660.926,62	1.409.988,84
Trade and other accounts payable	19.407.886,54	17.131.934,08
Supplier accounts payable	10.092.467,69	8.412.585,33
Sundry creditors	2.649.844,49	2.615.919,60
Personnel (compensation payable)	4.071.240,62	3.545.879,30
Other debt to public authorities (Note 20.3)	1.951.641,67	1.914.934,57
Customer advances	642.692,07	642.615,28
Total trade and other accounts payable	21.068.813,16	18.541.922,92

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

(1) As of 31 December 2014, 954,091.82 euro corresponding to the amount committed to the shareholders in dividends for 2015, which were paid at the beginning of 2016. As of 31 December 2016, 1,040,827.44 euro corresponding to the amount committed to the shareholders in dividends for 2016, which were paid at the beginning of 2017.

20. Tax situation

20. TAX SITUATION

The corporate income tax expense is calculated as follows:

	2016	2015
Income before tax	**14.890.094,83**	**14.616.120,15**
Permanent differences	**714.488,44**	-70.262,98
Timing differences	**-54.555,81**	-167.353,83
Consolidation adjustments	**-98.037,91**	118.193,90
Adjusted income	**15.451.989,55**	**14.496.697,24**
Capitalisation reserve	**-386.793,12**	
Tax losses carried forward	**670,22**	-464.816,23
Taxable income	**15.065.866,65**	**14.031.881,01**
Gross tax payable	**-3.768.632,10**	-3.928.926,69
Tax credits	**29.317,33**	24.214,09
Deductions	**79.240,49**	3.855,15
Net tax payable	**-3.660.074,28**	**-3.900.857,45**
Withholdings and prepayments	**2.984.976,18**	3.220.692,49
Net tax payable/receivable	**-675.098,10**	**-680.164,96**
Current tax liabilities	-675.122,04	-725.293,35
Current tax assets	23,94	45.128,39

	2016	2015
Current tax expense	-3.660.074,28	-3.900.857,45
Deferred tax expense	-13.638,95	-46.375,97
Provision for taxes (1)	1.906.373,11	0,00
Other adjustments	-26.091,91	33.960,76
Corporate income tax expense	-1.793.432,03	-3.913.272,66
Corporate income tax expense attributable to continuing operations	-1.793.432,03	-3.913.272,66

(1) As detailed in note 17.2, the provision for taxes that had been booked for the tax inspection of years 2006 and 2007, amounting to 1,906,373.11 euro, was cancelled in 2016. That cancellation was recognised as a reduction in the corporate income tax expense.

The tax rate was 25% (28% in 2015) for all companies except ENRAF NONIUS IBÉRICA PORTUGAL, LDA. and PRIM SALUD Y BIENESTAR, S.A. DE C.V., since they are domiciled in Portugal and Mexico, respectively, and are not subject to Spanish tax.

Corporate income tax payable is disclosed in "Current tax liabilities" in the Consolidated Statement of Financial Position: 675,122.04 euro as of 31 December 2016 and 725,293.35 euro as of 31 December 2015.

20. Tax situation

The amount of corporate income tax that is recoverable is disclosed in the "Current tax assets" item under "Due from public authorities" as part of "Trade and other accounts receivable" in the Consolidated Statement of Financial Position: 23.94 euro as of 31 December 2016 and 45,128.39 euro as of 31 December 2015.

The difference between those two amounts (current tax liabilities and current tax assets) is the figure shown in the preceding table showing the consolidated group's tax position at 2016 and 2015 year-end.

The detail of permanent differences in consolidation is as follows:

(euro)	*2016*	*2015*
Equity-accounted affiliates	*-53,770.00*	*-70,563.00*
Value corrections in portfolio of group undertakings (1)	*0.00*	*20,445.11*
Dividends received from group and associated undertakings (2)	*120,075.23*	*101,958.90*
Depreciation of structures (3)	*43,856.42*	*43,856.42*
Income on disposal of equity holdings (4)	*0.00*	*22,496.47*
Amortisation of goodwill - Luga (5)	*-157,399.56*	*0.00*
Amortisation of goodwill - Milo (5)	*-50,800.00*	*0.00*
TOTAL	***-98,037.91***	***118,193.90***

(1) The amount in 2015 relates to the reversal of impairment recognised in previous years for Group company Enraf Nonius Ibérica Portugal.

(2) These dividends, paid by Group undertaking Inmobiliaria Catharsis (in 2015 and 2016), were eliminated in consolidation.

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

On the date of first consolidation of Inmobiliaria Catharsis, S.A., that property was stepped up as part of the consolidation process. That increase in value is being amortised; the amount of depreciation in 2016 and 2015, net of the tax effect, was 43,856.42 euro.

Depreciation of that building will conclude in 2026.

20. Tax situation

(4) *In 2015, dependent company Inmobiliaria Catharsis sold a stake in dependent company Luga Suministros Médicos, S.L. to the parent company, Prim, S.A. As a result of that disposal, Catharsis recognised a gain of 22,496.47 euro, which was eliminated in consolidation.*

(5) *In 2016, the goodwill recognised by the parent company, Prim, S.A., was classified as an intangible asset of definite duration and, in accordance with the amendments to the General Accounting Plan, began to be amortised over a period of 10 years.*

(6) *In 2016, the goodwill recognised by the parent company, Prim, S.A., was classified as an intangible asset of indefinite duration and, in accordance with the amendments to the General Accounting Plan, began to be amortised over a period of 10 years. That book amortisation is not admissible under the IFRS and, consequently, this consolidation adjustment must be made to eliminate the amortisation taken by the parent company.*

20.1. Years open for review

Under current legislation, tax settlements cannot be considered final until they have been audited by the tax authorities or the statute of limitations period (currently four years) has elapsed.

The Group has the last four years open for inspection for all applicable taxes, considering also the events discussed in Note 17.2.

20. Tax situation

20.2. Tax losses at individual companies

Additionally, the current legislation establishes that tax losses may be offset against taxable income in the following fifteen years.

As of 31 December 2016, the unused tax losses (not counting the estimate of tax in the current year) were as follows:

Year	***Amount (euro)***
ESTABLECIMIENTOS ORTOPÉDICOS PRIM	
2009	*448,797.28*
2010	*14,298.71*
	463,095.99
SIDITEMEDIC	
2006	*2,194.07*
2009	*293.48*
2010	*346.12*
2016	*670.22*
	3,503.89
ENRAF NONIUS IBERICA PORTUGAL	
2010	*33,946.84*
2011	*156,873.58*
2012	*132,353.00*
2013	*38,582.08*
	361,755.50

20. Tax situation

As of 31 December 2015, the unused tax losses (not counting the estimate of tax in the current year) were as follows:

Year	***Amount (euro)***
ESTABLECIMIENTOS ORTOPÉDICOS PRIM	
2009	*448,797.28*
2010	*14,298.71*
	463,095.99
SIDITEMEDIC	
2006	*3,943.30*
2009	*293.48*
2010	*346.12*
	4,582.90
ENRAF NONIUS IBERICA PORTUGAL	
2010	*33,946.84*
2011	*156,873.58*
2012	*132,353.00*
2013	*38,582.08*
	361,755.50

20. Tax situation

20.3. Assets and liabilities with public authorities

20.3.1. Asset and liability balance

The assets and liabilities with public administrations are shown below:

	31/12/2016	31/12/2015
Assets		
Non-current assets		
Deferred tax assets	*360,514.51*	*384,535.06*
Current assets		
Current tax assets	*23.94*	*45,128.39*
Other receivables from public authorities		
VAT receivable	*96,658.34*	*87,186.61*
IGIC receivable	*3,659.01*	*0.00*
Withholdings and prepayments	*4,484.72*	*9,555.78*
	104,826.01	*141,870.78*
Liabilities		
Non-current liabilities		
Deferred tax liabilities	*685,305.33*	*537,300.33*
Current liabilities		
Current tax liabilities	*675,122.04*	*725,293.35*
Other debt to public authorities		
VAT payable	*787,032.85*	*729,528.11*
Tax withholdings payable	*678,753.33*	*691,843.37*
IGIC payable	*1,633.22*	*34,702.44*
Social Security payable	*484,222.27*	*458,860.65*
	1,951,641.67	*1,914,934.57*

As a result of the tax reforms approved in Spain in 2014, which include the modification of the basic corporate income tax rate to 28% for 2015 and 25% for 2016 and subsequent years, the Group adjusted deferred tax assets and liabilities to the expected recovery rate.

20. Tax situation

20.3.2. Deferred tax assets and liabilities

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

	2015	2016	Change
Deferred tax assets	384,535.06	360,514.51	-24,020.55
Deferred tax liabilities	-537,300.33	-685,305.33	-148,005.00
Total	-152,765.27	-324,790.82	-172,025.55

The changes in deferred tax assets and liabilities in 2015 were as follows:

	2014	2015	Change
Deferred tax assets	323,514.33	384,535.06	61,020.73
Deferred tax liabilities	-935,456.20	-537,300.33	398,155.87
Total	-611,941.87	-152,765.27	459,179.60

21. Financial risk management objectives and policies

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Group policy, which was maintained in 2016 and 2015, is not to negotiate financial instruments; however, financial instruments may be disposed of occasionally in order to invest the proceeds in higher-yield instruments.

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

21. Financial risk management objectives and policies

21.1. Interest rate risks on cash flows

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

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

The debt structure as of 31 December 2016 and 2015 is as follows:

	31/12/2015	*31/12/2016*	*Interest rate*	*Benchmark*
Long-term debt				
Long-term credit lines	*34.817,37*	*0,00*	*Floating-rate*	*Euribor*
Mortgage loan	*0,00*	*0,00*	*Floating-rate*	*Interbank rate*
Other loans	*86.167,43*	*0,00*	*Floating-rate*	*Euribor*
	120.984,80	*0,00*		
Short-term debt				
Short-term credit lines	*2.455,21*	*0,00*	*Floating-rate*	*Euribor*
Mortgage loan	*0,00*	*0,00*	*Floating-rate*	*Interbank rate*
Discounted notes	*1.348.247,54*	*1.433.892,67*	*Floating-rate*	*1-month Euribor*
Short-term interest on debt	*0,00*	*703,00*	*Does not accrue*	*Does not apply*
Funding of payments to suppliers	*0,00*	*0,00*	*Floating-rate*	*Euribor*
Other loans	*699.464,52*	*206.662,87*	*Floating-rate*	*Euribor*
	2.050.167,27	*1.641.258,54*		

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

	+25%	-25%	+25%	-25%
	Effect on income		Effect on income	
	31/12/2015	31/12/2015	31/12/2016	31/12/2016
Long-term debt				
Long-term credit lines	-39,17	39,17	-39,17	39,17
Mortgage loan	0,00	0,00	0,00	0,00
Other loans	-4.497,38	4.497,38	-346,82	346,82
	-4.536,55	4.536,55	-385,99	385,99
Short-term debt				
Short-term credit lines	-145,06	145,06	-2,76	2,76
Mortgage loan	0,00	0,00	0,00	0,00
Discounted notes	-3.301,06	3.301,06	-3.477,68	3.477,68
Short-term interest on debt	0,00	0,00	0,00	0,00
Funding of payments to suppliers	0,00	0,00	0,00	0,00
Other loans	-5.097,22	5.097,22	-3.647,16	3.647,16
	-8.543,34	8.543,34	-7.127,60	7.127,60

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

There were no interest rate hedges as of 31 December 2016 and 2015.

21.2. Exchange rate risk

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

The main transactions in 2016 and 2015 in currencies other than the euro are the purchases from suppliers, mainly of raw materials and merchandise, as detailed below:

	Equivalent value in euro	
Purchases from suppliers	**2016**	**2015**
Total purchases in foreign currency	10,415,334.59	9,420,322.75

The following items may be affected by exchange rate risk:

- Bank current accounts in currencies other than the local or functional currency of the Prim Group companies: The balance of the group's foreign currency current accounts was 791,557.28 euro as of 31 December 2015 and 454,647.39 euro as of 31 December 2016.

- Payments for supplies or services in currencies other than the euro. Payments by the Group in foreign currency (including prepayments) amounted to 8,839,541.71 euro in 2015 and 10,587,702.20 in 2016.

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

	Changes in the dollar/euro exchange rate	(euro) Effect on income before taxes
2016	*+5%*	*429,003.50*
	-5%	*-474,161.76*
2015	*+5%*	*392,669.86*
	-5%	*-434,003.53*

There is no interest-bearing debt in non-euro currencies.

There were no exchange rate hedges as of 31 December 2016 and 2015.

21.3. Credit risk

21.3.1. Overview

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

There was not a material concentration of credit in the PRIM Group as of 31 December 2016 and 2015.

The analysis of financial assets by age as of 31 December 2016 and 2015 is as follows:

21. Financial risk management objectives and policies

Year ended 31 December 2016:

	Total	Not yet matured	Under 90	90-180	Over 180
Private sector					
Long-term customer receivables	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Short-term customer receivables	*13.791.697,49*	*461.666,40*	*9.856.548,40*	*3.134.419,78*	*339.062,91*
Total	*13.791.697,49*	*461.666,40*	*9.856.548,40*	*3.134.419,78*	*339.062,91*
Public sector					
Long-term customer receivables	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Short-term customer receivables	*16.358.097,16*	*565.939,74*	*11.204.633,02*	*4.025.383,51*	*562.140,89*
Total	*16.358.097,16*	*565.939,74*	*11.204.633,02*	*4.025.383,51*	*562.140,89*
Total					
Long-term customer receivables	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Short-term customer receivables	*30.149.794,65*	*1.027.606,14*	*21.061.181,42*	*7.159.803,29*	*901.203,80*
Total	*30.149.794,65*	*1.027.606,14*	*21.061.181,42*	*7.159.803,29*	*901.203,80*

Year ended 31 December 2015:

	Total	Not yet matured	Under 90	90-180	Over 180
Private sector					
Long-term customer receivables	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Short-term customer receivables	*12.576.899,64*	*366.336,34*	*8.245.621,77*	*2.940.840,42*	*1.024.101,11*
Total	*12.576.899,64*	*366.336,34*	*8.245.621,77*	*2.940.840,42*	*1.024.101,11*
Public sector					
Long-term customer receivables	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Short-term customer receivables	*22.012.654,50*	*233.584,91*	*12.617.233,83*	*5.936.574,23*	*3.225.261,53*
Total	*22.012.654,50*	*233.584,91*	*12.617.233,83*	*5.936.574,23*	*3.225.261,53*
Total					
Long-term customer receivables	*0,00*	*0,00*	*0,00*	*0,00*	*0,00*
Short-term customer receivables	*34.589.554,14*	*599.921,25*	*20.862.855,60*	*8.877.414,65*	*4.249.362,64*
Total	*34.589.554,14*	*599.921,25*	*20.862.855,60*	*8.877.414,65*	*4.249.362,64*

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

21.3.2. Credit quality

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

21.3.3. Collateral and credit enhancement

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

21.3.4. Recognition of provisions and impairment

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

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

As detailed in note 12.Value adjustments to "Trade and other accounts receivable" amounted to 1,619,839.53 euro as of 31 December 2016 and 1,959,285.87 euro as of 31 December 2015.

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

21.3.5. Customer concentration

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

21.3.6. Liquidity risk

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

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

21. Financial risk management objectives and policies

The following aspects are noteworthy:

- The Group has positive working capital amounting to 65,019,464.38 euro (61,545,579.90 euro as of the end of the preceding year), which assures the cancellation of current liabilities. (Working capital is defined as the difference between current assets and current liabilities)
- The group has a significant amount available in credit lines which it has not yet used. Specifically, the unused balance in these credit lines at 2016 year-end was 6,600,000.00 euro in long-term credit lines and 1,450,000.00 euro in short-term credit lines. The corresponding amounts as of 2015 year-end were 6,565,182.63 euro and 6,047,544.79 euro, respectively. Consequently, the Group has sufficient liquidity to address any difficulty that may arise in future years.
- In 2016 and 2015, the parent company collected a sizeable amount of debt plus default interest from certain government administrations. That amount was 1,119,817.45 euro in 2015 and 612,481.48 euro in 2016.

21.4. Capital management

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

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

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

- The equity/debt ratio went from 3.84 in 2015 to 3.67 in 2016, and this is considered appropriate to cover the structural and operating needs that have been detected. As a result, all of the assets are financed. Fixed assets represented 31.09% in 2015 (28.69% in 2015) and current assets 68.91% (71.31% in 2015), thereby achieving the desired structure in relation to working capital.

22. Financial instruments

22. FINANCIAL INSTRUMENTS

Financial assets and liabilities whose fair value has been calculated are shown below: The corresponding carrying amount is shown alongside each fair value amount.

The fair value of financial instruments was calculated since they are required to be stated at fair value in the consolidated financial statements.

22. Financial instruments

Other cases must be reported in the consolidated financial statements at cost, although their fair value is calculated at year-end as part of the analysis performed to determine whether or not it is necessary to recognise impairment.

Assets	*Note*	*Level*	*Carrying amount*		*Fair value*	
			2016	*2015*	*2016*	*2015*
Assets						
Non-current assets						
Investment property	*7*	*3*	*3.236.031,16*	*3.304.339,54*	*5.815.373,55*	*5.419.122,51*
Other non-current financial assets						
Equity instruments available for sale						
Investment in Alphatec	*9.1*	*1*	*100.715,62*	*109.362,63*	*100.715,62*	*109.362,63*
Investment in Saarema	*9.1*	*3*	*3.100.168,00*	*3.564.061,63*	*3.100.168,00*	*3.564.061,63*
Investment in debt securities	*9.1*	*1*	*16.277.607,56*	*14.074.921,64*	*16.277.607,56*	*14.074.921,64*
Current assets						
Other current financial assets						
Equity instruments (mutual funds)	*13*	*1*	*5.736.946,38*	*5.381.171,38*	*5.736.946,38*	*5.381.171,38*

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

23. Revenues and expenses

23. REVENUES AND EXPENSES

The detail of the principal line items of the Consolidated Income Statement for 2016 and 2015 is as follows:

23.1. Net sales

	2016	2015
Revenues	108.418.413,02	97.713.654,37
Services provided	1.742.643,38	1.580.461,14
Sales returns and volume discounts	-61.459,48	-66.334,31
Total	110.099.596,92	99.227.781,20

Sales were broken down as follows:

	2016	2015
Spain	97.447.545,19	87.955.440,35
Exports	12.652.051,73	11.272.340,85
Total	110.099.596,92	99.227.781,20

Since the object of Prim, S.A. includes "performing any type of real estate transaction", it was considered advisable to include revenues obtained by the parent company from leasing the former headquarters as part of net sales. Those revenues amounted to 266,647.70 euro in 2016 and 367,896.80 euro in 2015, as disclosed in section 4.3 "Segment disclosures".

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

	2016	2015
Training	38,694.47	54,615.89
Operating subsidies	1,154.40	10,864.46
TOTAL	39,848.87	65,480.35

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

23. Revenues and expenses

23.2. Consumables and other external expenses

The detail of "Consumables and other external expenses" for the years ended 31 December 2016 and 2015 is as follows:

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

2016

	Purchases	*Change in inventories*	*Total consumption*
Merchandise consumed	*51,638,971.38*	*-5,810,128.35*	*45,828,843.03*
Raw materials and other consumables consumed	*5,470,108.85*	*369,363.92*	*5,839,472.77*
Other external expenses	*659,854.66*	*0.00*	*659,854.66*
TOTAL	***57,768,934.89***	***-5,440,764.43***	***52,328,170.46***

2015

	Purchases	*Change in inventories*	*Total consumption*
Merchandise consumed	*44,712,633.04*	*-5,097,716.09*	*39,614,916.95*
Raw materials and other consumables consumed	*6,324,358.49*	*-527,924.71*	*5,796,433.78*
Other external expenses	*519,871.36*	*0.00*	*519,871.36*
TOTAL	***51,556,862.89***	***-5,625,640.80***	***45,931,222.09***

23.3. External and operating expenses

	2016	***2015***
Outside services	*15.052.653,45*	*13.380.270,27*
Taxes other than income tax	*292.428,61*	*242.121,23*
Other current operating expenses	*174.079,58*	*193.482,55*
Total external and operating expenses	*15.519.161,64*	*13.815.874,05*

23. Revenues and expenses

Below is a detail of the Outside Services account:

	2016	2015
Research and development	0,00	0,00
Leases and fees	2.087.239,09	1.779.308,92
Repairs and upkeep	584.082,24	482.742,43
Independent professional services	2.295.996,25	2.095.525,37
Transport	2.279.904,32	1.857.959,50
Insurance premiums	424.263,09	342.079,53
Banking and similar services	71.882,17	74.726,83
Advertising and public relations	1.044.310,43	1.057.118,32
Utilities	326.198,09	309.010,50
Other services	5.938.777,77	5.381.798,87
Total outside services	15.052.653,45	13.380.270,27

23.4. Personnel expenses

	2016	2015
Wages, salaries and similar	23.927.220,66	21.784.054,23
Employee welfare expenses	5.310.317,90	4.996.859,37
Total personnel expenses	29.237.538,56	26.780.913,60

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

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

	2016			2015		
	Men	Women	Total	Men	Women	Total
Sales and technical staff	183,00	49,00	232,00	164,00	37,00	201,00
Clerical staff	52,00	88,00	140,00	64,00	93,00	157,00
Plant staff	68,00	69,00	137,00	65,00	75,00	140,00
Total	303,00	206,00	509,00	293,00	205,00	498,00

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

There are six employees with a degree of disability greater than 33%.

The Company's Board of Directors comprises six members: five men and one woman.

23. Revenues and expenses

23.5. Financial revenues and expenses

The detail of financial revenues, including exchange gains, is as follows:

	2016	2015
Revenues from equity holdings	*111.655,56*	*0,00*
Other financial revenues	*1.173.586,86*	*1.837.868,96*
Financial revenues	*1.285.242,42*	*1.837.868,96*
Exchange differences	*582.412,70*	*574.498,73*
Total financial revenues and exchange differences	*1.867.655,12*	*2.412.367,69*

Revenues from equity holdings are the returns obtained on investments in mutual funds.

The other financial revenues include basically default interest on long-standing accounts receivable from a number of government agencies. That figure was 1,119,817.45 euro as of 31 December 2015 and 612,4481.48 euro as of 31 December 2016, and the remainder was the return on the investments in fixed-income securities in which cash surpluses are invested.

The detail of financial expenses is as follows:

	2016	2015
Financial expenses	*37.161,59*	*58.948,76*
Exchange losses	*0,00*	*0,00*
Financial expenses	*37.161,59*	*58.948,76*

No financial expenses were capitalised in 2016 and 2015.

23.6. Earnings per share

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

The amount of diluted earnings per share is calculated by dividing the net income for the year attributable to shareholders by the weighted average number of ordinary shares in that year (adjusting for the effect of any options and convertible bonds).

At year-end, no bonds convertible into shares had been issued; consequently, the basic earnings per share is equal to the diluted earnings per share.

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

Figures in euro	*BALANCE 31/12/2016*	*BALANCE 31/12/2015*
CONTINUING OPERATIONS		
Net income attributable to equity holders of the parent	*13.096.662,80*	*10.702.847,49*
Weighted average of ordinary shares (excluding treasury shares)	*16.736.051,67*	*17.156.485,28*
Earnings per share		
Basic	*0,78*	*0,62*
Diluted	*0,78*	*0,62*
DISCONTINUED OPERATIONS		
Net income attributable to equity holders of the parent	*0,00*	*0,00*
Weighted average of ordinary shares (excluding treasury shares)	*16.736.051,67*	*17.156.485,28*
Earnings per share		
Basic	*0,00*	*0,00*
Diluted	*0,00*	*0,00*

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

23.7. Variation in operating provisions

Figures in euro	*BALANCE 31/12/2016*	*BALANCE 31/12/2015*
Impairment of merchandise, raw materials and other procurements (1)	*-333.335,71*	*-200.020,63*
Losses, impairment and change in trade provisions (2)	*96.568,16*	*-169.436,17*
Overprovision	*0,00*	*0,00*
TOTAL CHANGE IN OPERATING PROVISIONS	*-236.767,55*	*-369.456,80*

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

23. Revenues and expenses

Figures in euro	BALANCE 31/12/2016	BALANCE 31/12/2015	TREND PERIOD	
IMPAIRMENT				
Merchandise, raw materials and other procurements				
Trade inventories	2.951.642,52	2.524.493,81	-427.148,71	
Raw materials and other purchases	102.462,00	211.213,00	108.751,00	
Semi-finished products and products in process	0,00	0,00	0,00	
Finished products	110.559,00	95.621,00	-14.938,00	
Byproducts and waste	0,00	0,00	0,00	
TOTAL IMPAIRMENT (Note 11)	3.164.663,52	2.831.327,81	-333.335,71	(1)
IMPAIRMENT				
Trade and other accounts receivable				
Customer receivables for sales and services (Note 12)	1.619.839,53	1.959.285,87	339.446,34	
LOSSES DUE TO BAD DEBTS			-242.878,18	
TOTAL LOSSES AND IMPAIRMENTS			96.568,16	(2)

Figures in euro	BALANCE 31/12/2015	BALANCE 31/12/2014	TREND PERIOD	
IMPAIRMENT				
Merchandise, raw materials and other procurements				
Trade inventories	2.524.493,81	2.489.522,18	-34.971,63	
Raw materials and other purchases	211.213,00	85.772,00	-125.441,00	
Semi-finished products and products in process	0,00	0,00	0,00	
Finished products	95.621,00	56.013,00	-39.608,00	
Byproducts and waste	0,00	0,00	0,00	
TOTAL IMPAIRMENT (Note 11)	2.831.327,81	2.631.307,18	-200.020,63	(1)
IMPAIRMENT				
Trade and other accounts receivable				
Customer receivables for sales and services (Note 12)	1.959.285,87	1.863.619,42	-95.666,45	
LOSSES DUE TO BAD DEBTS			-73.769,72	
TOTAL LOSSES AND IMPAIRMENTS			-169.436,17	(2)

24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

24.1. Director and senior executive remuneration and other information

		(euro)
	31.12.16	31.12.15
Remuneration	*1,044,100.45*	*650,031.95*
Share in income	*300,000.00*	*300,000.00*
TOTAL	***1,344,100.45***	***950,031.95***

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

The share in profits is provisioned at year-end; it amounted to 300,000.00 euro as of 2016 and 2015 year-end.

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

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

The amount, which is provisioned at the end of the year, is paid the following year, after the General Meeting of Shareholders. The last payment was made on 18 July 2016, and the previous payment was on 20 July 2015.

In connection with article 229 of the Capital Companies Law (CCL), the directors have not disclosed any conflicts of interest.

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.

The Company paid a third-party liability insurance premium for its directors amounting to 14,330.25 euro in 2016.

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

24.2. Information about the shareholders

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

A dividend of 954,091.82 euro charged to income for the year 2015 was declared in December 2015.

24. Balances and transactions with related parties

The provisional financial statement approved by the Directors, in accordance with the legal requirements (Article 277 of the Capital Companies Law), disclosing the existence of sufficient liquidity to distribute the interim dividend declared by the Board of Directors in December 2015 (November 2015 accounting close), was as follows:

REPORT ON AVAILABILITY OF LIQUIDITY PRIOR TO THE RESOLUTION TO DISTRIBUTE AN INTERIM DIVIDEND OUT OF 2015 INCOME

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

	(euro)
Available liquidity as of 30 November 2015	*1.400.859,33*
Balance available in credit lines	*8.192.195,00*
Projected receipts less projected payments in the period	*-517.401,61*
Available liquidity projected as of 30 November 2016	***9.075.652,72***
Proposed dividend	***954.091,82***
Income obtained since the last year (January to November 2016)	*10.909.159,00*
Estimated tax payable on that income	*-3.054.564,52*
Total	***7.854.594,48***
Proposed dividend	***954.091,82***

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

A dividend of 1,040,827.44 euro charged to income for the year 2016 was declared in December 2016.

The provisional financial statement approved by the Directors, in accordance with the legal requirements (Article 277 of the Capital Companies Law), disclosing the existence of sufficient liquidity to distribute the interim dividend declared by the Board of Directors in December 2016 (November 2016 accounting close), was as follows:

24. Balances and transactions with related parties

REPORT ON AVAILABILITY OF LIQUIDITY PRIOR TO THE RESOLUTION TO DISTRIBUTE AN INTERIM DIVIDEND OUT OF 2016 INCOME

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

	(euro)
Available liquidity as of 30 November 2016	*4.445.544,08*
Balance available in credit lines	*6.400.000,00*
Projected receipts less projected payments in the period	*6.401.393,47*
Available liquidity projected as of 30 November 2016	***17.246.937,55***
Proposed dividend	***1.040.827,44***
Income obtained since the last year (January to November 2016)	*11.401.211,00*
Estimated tax payable on that income	*-2.850.302,75*
Total	***8.550.908,25***
Proposed dividend	***1.040.827,44***

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

24.3. Information about associates

There were no material transactions with associates.

25. Guarantees to third parties

25. GUARANTEES TO THIRD PARTIES

25.1. Sureties

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

25. Guarantees to third parties

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

As of 31 December 2015, the Group had provided bonds to third parties in guarantee of supplies (government tenders) for a total of 587,447.37 euro at Prim, S.A., 316,692.31 euro at Enraf Nonius Ibérica, S.A. and 89,120.00 euro at Establecimientos Ortopédicos Prim, S.A. Additionally, Prim, S.A. had provided bonds amounting to 12,000.00 euro relating to work carried out at its facilities in Casarrubios del Monte (Toledo). Other minor bonds amounted to 25,950.00 euro at Prim and 7,757.51 euro at Enraf Nonius Ibérica, S.A.

As of 31 December 2016, the Group had provided bonds to third parties in guarantee of supplies (government tenders) for a total of 756,290.60 euro at Prim, S.A., 315,836.99 euro at Enraf Nonius Ibérica, S.A. and 96,620.20 euro at Establecimientos Ortopédicos Prim, S.A. Additionally, Prim, S.A. had 12,000.00 euro in bonds in connection with work performed at its facilities in Casarrubios del Monte (Toledo). Other minor bonds amounted to 57,3413.10 euro at Prim and 1,066.39 euro at Enraf Nonius Ibérica, S.A.

25.2. Operating leases

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

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

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

	CONSOLIDATED 31/12/2016	*CONSOLIDATED 31/12/2015*
STRUCTURES	*584.846,65*	*463.728,99*
VEHICLES	*1.257.332,75*	*1.146.881,91*
FURNITURE	*67.473,14*	*61.224,45*
OFFICE EQUIPMENT	*82.211,73*	*84.389,16*
OTHERS	*95.375,02*	*23.084,41*
TOTAL	*2.087.239,29*	*1.779.308,92*

25. Guarantees to third parties

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

Committed future payments for leases of structures are as follows:

	Under 1 year	*1 to 5 years*	*Over 5 years*	*TOTAL*
As of 31 December 2015	*370,654.20*	*1,132,360.57*	*643,429.53*	*2,146,444.30*
As of 31 December 2016	*375,314.45*	*1,205,134.75*	*399,167.99*	*1,979,617.19*

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 2015	*363,761.16*	*1,022,135.72*	*514,774.83*	*1,900,671.71*
As of 31 December 2016	*368,508.16*	*1,086,058.79*	*324,027.60*	*1,778,594.55*

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

26. Environmental aspects

26. ENVIRONMENTAL ASPECTS

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

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

27. Disclosure of deferrals of payment to suppliersAdditional Provision 3 “Duty of disclosure” of Law 15/2010 of July 5Information on deferred payments to suppliers

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

In accordance with the provisions of that Resolution, the information on deferred payment to suppliers in commercial transactions is disclosed only for fully consolidated undertakings based in Spain (therefore, the calculations do not include Enraf Nonius Ibérica Portugal Lda. or Prim Salud y Bienestar, S.A. de C. V., which are part of the consolidated group but are domiciled in Portugal and Mexico, respectively).

	31-12-16	*31-12-15*
*Total (number of days payment delay * amount of payment)*	*3.848.538.830,62*	*3.423.270.463,45*
Total amount of payments made	*77.355.971,44*	*68.898.750,55*
Ratio of payments made	*49,75*	*49,69*
*Total (number of days outstanding * amount outstanding)*	*227.252.705,84*	*244.890.583,64*
Total amount of payments outstanding	*6.445.314,39*	*5.563.797,10*
Ratio of payments outstanding	*35,26*	*44,02*
		0,00
Average supplier payment period. Numerator	*4.075.791.536,46*	*3.668.161.047,09*
Average supplier payment period. Denominator	*83.801.285,83*	*74.462.547,65*
Average supplier payment period.	*48,64*	*49,26*

28. Auditors' fees

28. AUDITORS' FEES

The fees paid to the main auditor for the audit of the consolidated financial statements for 2016, which include the parent company and the dependent companies, amounted to 78,000.00 euro in 2016.

In 2015, the audit fees amounted to 78,000.00 euro and fees for non-audit services, provided before the firm was appointed as the Group's auditors, amounted to 26,090.05 euro.

29. Subsequent events

29. SUBSEQUENT EVENTS

There were no material events following year-end whose impact was not reflected in these Consolidated Financial Statements.

This document was authorised by the Board of Directors on 28 March 2017.

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

MR VICTORIANO PRIM GONZÁLEZ	Chairman
BARTAL INVERSIONES, S.L. represented by	
MR ANDRÉS ESTAIRE ÁLVAREZ	Vice-Chairman
MR JOSÉ LUIS MEIJIDE GARCÍA	Director
MR ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ	Director
MS BELÉN AMATRIAIN CORBI	Director
MR IGNACIO ARRAEZ BERTOLÍN	Director and Vice-Secretary

DIRECTORS' REPORT

2016 and 2015

1. Significant figures and business performance

1. SIGNIFICANT FIGURES AND BUSINESS PERFORMANCE.

		2016	Change	2015
Net sales				
	Continuing operations	*110.099.596,92*	*10,96%*	*99.227.781,20*
	Total	*110.099.596,92*	*10,96%*	*99.227.781,20*
	Net operating income	*13.023.539,77*		*11.462.620,54*
	Period depreciation and amortisation	*2.068.282,59*		*1.923.814,46*
	Variation in operating provisions	*236.767,55*		*369.456,80*
EBITDA		*15.328.589,91*	*11,43%*	*13.755.891,80*
Consolidated income before tax				
	Continuing operations	*14.890.094,83*		*14.616.120,15*
	Discontinued operations	*0,00*		*0,00*
	Total	*14.890.094,83*	*1,87%*	*14.616.120,15*
Income for the year attributable to				
the parent company		*13.096.662,80*	*22,37%*	*10.702.847,49*
non-controlling interests		*0,00*		*0,00*
Equity				
	Attributable to equity holders of the parent company	*100.844.902,20*	*9,32%*	*92.246.346,87*
	Non-controlling interests	*0,00*		*0,00*
Average workforce in the year				
	Sales and technical staff	*232,00*	*15,42%*	*201,00*
	Clerical staff	*140,00*	*-10,83%*	*157,00*
	Plant staff	*137,00*	*-2,14%*	*140,00*
	Total	*509,00*	*2,21%*	*498,00*

Earnings per share (*)					
		Income for the year	*13.096.662,80*	*22,37%*	*10.702.847,49*
		No. of shares	*16.736.051,67*	*-2,45%*	*17.156.485,28*
	Basic		*0,78*	*25,81%*	*0,62*
		Income for the year	*13.096.662,80*	*22,37%*	*10.702.847,49*
		No. of shares	*16.736.051,67*	*-2,45%*	*17.156.485,28*
	Diluted		*0,78*	*25,81%*	*0,62*

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

Debt ratio				
	Total debt	*27.446.857,64*	*14,52%*	*23.967.206,25*
	Total assets	*128.291.759,84*	*10,39%*	*116.213.553,12*
		0,21	*0,00%*	*0,21*
Gearing				
	Long-term interest-bearing debt	*0,00*	*-100,00%*	*120.984,80*
	Short-term interest-bearing debt	*1.641.258,54*	*-19,95%*	*2.050.167,27*
	Total interest-bearing debt	*1.641.258,54*	*-24,41%*	*2.171.152,07*
	Total assets	*128.291.759,84*	*10,39%*	*116.213.553,12*
		0,013	*-31,52%*	*0,019*

1. Significant figures and business performance

1.1. Business performance and changes in the economic environment

Spain's new government is proving capable of reaching major agreements with the other forces at least to ensure governability and political stability in the coming years. Nevertheless, the executive faces a difficult task since the Spanish economy's underlying problems persist and most analysts estimate that the deficit at the end of 2016 was above the limit agreed upon by the Spanish executive and the EU authorities.

Consequently, it may be necessary to adopt additional measures to control the deficit, which will not be easy given the fragmentation existing in the Spanish parliament.

Another notable source of political instability is the drive towards independence by some Spanish regions, which may ultimately unsettle the economy, not just of those regions but of the country as a whole. This instability issue was far from being resolved at the time this directors' report was drafted.

The major uncertainties at European level are the situation of some large credit institutions (mainly Italian), and the need for sweeping reforms in Greece in order for the Troika to release the second tranche of the country's third bailout in order to prevent the instability from triggering another liquidity crisis in Greece.

Other sources of uncertainty on the international stage are the outcome of the recent presidential elections in the US and its potential impact on trade policy between the EU and the US, as well as how Brexit materialises, since there is still considerable uncertainty about the UK's status and relationship with the rest of the European Union in the post-Brexit era.

1.2. Segment performance

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

		2016	***Change***	***2015***
Total segment revenues				
	Medical-hospital segment	*112.058.009,15*	*12,28%*	*99.803.747,20*
	Real estate segment	*380.311,58*	*-30,65%*	*548.418,10*
		112.438.320,73	*12,04%*	*100.352.165,30*
Net operating income				
	Medical-hospital segment	*13.117.243,27*	*15,63%*	*11.344.215,15*
	Real estate segment	*-93.703,50*	*-179,14%*	*118.405,39*
		13.023.539,77	*13,62%*	*11.462.620,54*
Total asset volume				
	Medical-hospital segment	*125.055.728,68*	*10,76%*	*112.909.213,58*
	Real estate segment	*3.236.031,16*	*-2,07%*	*3.304.339,54*
		128.291.759,84	*10,39%*	*116.213.553,12*

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

1.3. Taxes

The corporate income tax expense is analysed in note 20 to the consolidated financial statements.

1.4. Capital remuneration

See note 15.1 to the Consolidated Financial Statements.

1.5. Liquidity and capital

The Consolidated Cash Flow Statement shows a negative change in the amount of cash and cash equivalents of 5,473,425.22 euro in 2015 and a positive variation of 2,415,606.12 euro in 2016.

1. Significant figures and business performance

1.6. Leverage and indebtedness

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

The Group's leverage is within the acceptable limits established by management; as shown in the table at the beginning of this directors' report, leverage declined from 0.019 in 2015 to 0.013 in 2016, a 31.58% decrease, mainly because funds received were used to cancel loans and other debts of the Group at the end of the preceding year.

That same table also shows that the Consolidated Group's indebtedness was stable with respect to 2015 and within the limits that Consolidated Group Management considers to be acceptable.

2. Research and development

2. RESEARCH AND DEVELOPMENT

Prim, S.A.'s R&D Department focused on the following projects in 2016:

1. Expansion of the AVANT truss line: C35 Basic and C34
2. 912 sling
3. RS 3000 knee brace
4. Post-surgery shoes:
5. D81 B drop foot brace
6. Elcross Lux corset line
7. Pressure relief cushions - manufacturing process and enhancement.
8. Kim Face Bandage (Nordicare).
9. TLSOP corset.
10. Confort back brace.
11. ONE SIZE pharmacy brace.
12. Abdu Sling -20116- (Nordicare).
13. Ankle brace with stabilisers
14. 70º wrist stabiliser (Cizeta).
15. BASICAS line of wrist stabilisers.
16. Expansion of the T124 and T128 breathable braces (TIELLE)

Additionally, the IT Department is involved in major R&D and innovation projects with the company's other departments in order to digitise archives and procedures, in addition to one-off projects to meet specific needs of the Group.

3. Transactions with own shares

3. TRANSACTIONS WITH OWN SHARES

During 2015, own shares were purchased and sold, ending the year with 271,665 shares, i.e. 1.57% of capital stock.

During 2016, own shares were purchased and sold, ending the year with 15,847 shares, i.e. 0.09% of capital stock.

4. Subsequent events

4. SUBSEQUENT EVENTS

There were no significant events after year-end that have not been disclosed in these Consolidated Financial Statements.

5. Disclosures under article 116 bis of the Securities Market Law.

5. DISCLOSURES UNDER ARTICLE 116 BIS OF THE SECURITIES MARKET LAW.

5.1. Capital structure

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

5.2. Restrictions on share transfer

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

5.3. Significant holdings in capital, both direct and indirect

Significant holdings in the capital of Prim, S.A. are as follows:

5. Disclosures under article 116 bis of the Securities Market Law.

Shareholder	*% of total voting rights*
CARTERA DE INVERSIONES MELCA, S.L.	*12.55*
BROWN BROTHERS HARRIMAN	*10.01*
LA FUENTE SALADA, S.L.	*6.43*
ONCHENA, S.L.	*5.86*
PRIM GONZALEZ, MARIA	*5.63*

Shareholder (Director)	*% of total voting rights*
Amatrian Corbi, María Belén	*0.000*
Arráez Bertolín, Ignacio	*0.019*
Bartal Inversiones, S.L.	*7.568*
Giménez-Reyna Rodríguez, Enrique	*0.017*
Meijide García, José Luis	*0.669*
Prim González, Victoriano	*9.437*

5.4. Restrictions on voting rights

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

5.5. Shareholder agreements

There are no shareholder agreements.

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

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

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

Based on recommendations from the Appointments and Remuneration Committee, the Board of Directors makes proposals to the Shareholders' Meeting for the appointment and removal of directors and with regard to their number, having regard to 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 performance or the Company's credit and reputation.

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

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

5.6.2. Rules governing amendments to the Articles of Association

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

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

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

5. Disclosures under article 116 bis of the Securities Market Law.

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

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

On 18 June 2016, 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 by any legal means, in line with the limits and requirements set out in article 509 of the Capital Companies Law and other related legislation.

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 27 June 2015.

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

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 Group.

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

6.1. Interest rate risks on cash flows

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

6.2. Exchange rate risk

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

6.3. Credit risk

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

6.4. Liquidity risk

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

6.5. Capital management

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

7. Disclosure of deferrals of payment to suppliers Third additional provision.“Duty of disclosure” under Law 15/2010 of July 5

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

See note 27 to the Consolidated Financial Statements.

8. Corporate governance report

8. CORPORATE GOVERNANCE REPORT

The accompanying Annual Corporate Governance Report, in accordance with Directive 206/46 of the CNMV on Financial Statements, is an integral part of this Consolidated Directors' Report and was authorised by the Directors together with the Consolidated Financial Statements and Consolidated Directors' Report of PRIM, S.A. and its subsidiaries for the year ended 31 December 2016.

This document was authorised by the Board of Directors on 28 March 2017.

This document was authorised by the Board of Directors on 28 March 2017.

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

MR VICTORIANO PRIM GONZÁLEZ	Chairman
BARTAL INVERSIONES, S.L. represented by	
MR ANDRÉS ESTAIRE ÁLVAREZ	Vice-Chairman
MR JOSÉ LUIS MEIJIDE GARCÍA	Director
MR ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ	Director
MS BELÉN AMATRIAIN CORBI	Director
MR IGNACIO ARRAEZ BERTOLÍN	Director and Vice-Secretary

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INFORME DE AUDITORÍA INDEPENDIENTE DE CUENTAS ANUALES CONSOLIDADAS

A los accionistas de PRIM, S.A.:

Informe sobre las cuentas anuales consolidadas

Hemos auditado las cuentas anuales consolidadas adjuntas de PRIM, S.A. (la Sociedad dominante) y sociedades dependientes (el Grupo), que comprenden el estado consolidado de situación financiera a 31 de diciembre de 2016, el estado consolidado de resultado consolidado, el estado consolidado del resultado global, el estado consolidado de cambios en el patrimonio neto, el estado de flujos de efectivo consolidado y la memoria consolidada correspondientes al ejercicio terminado en dicha fecha.

Responsabilidad de los Administradores en relación con las cuentas anuales consolidadas

Los Administradores de la Sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados de PRIM, S.A. y sociedades dependientes, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

Responsabilidad del auditor

Nuestra responsabilidad es expresar una opinión sobre las cuentas anuales consolidadas adjuntas, basada en nuestra auditoría. Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la auditoría de cuentas vigente en España. Dicha normativa exige que cumplamos los requerimientos de ética, así como que planifiquemos y ejecutemos la auditoría con el fin de obtener una seguridad razonable de que las cuentas anuales consolidadas están libres de incorrecciones materiales.

Una auditoría requiere la aplicación de procedimientos para obtener evidencia de auditoría sobre los importes y la información revelada en las cuentas anuales consolidadas. Los procedimientos seleccionados dependen del juicio del auditor, incluida la valoración de los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error. Al efectuar dichas valoraciones del riesgo, el auditor tiene en cuenta el control interno relevante para la formulación por parte de los administradores de la sociedad dominante de las cuentas anuales consolidadas, con el fin de diseñar los procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad. Una auditoría también incluye la evaluación de la adecuación de las políticas contables aplicadas y de la razonabilidad de las estimaciones contables realizadas por la dirección, así como la evaluación de la presentación de las cuentas anuales consolidadas tomadas en su conjunto.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión de auditoría.

Opinión

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada de Prim, S.A. y Sociedades Dependientes a 31 de diciembre de 2016, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internaciones de Información Financiera, adoptadas por la Unión Europea, y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Informe sobre otros requerimientos legales y reglamentarios

El informe de gestión consolidado adjunto del ejercicio 2016 contiene las explicaciones que los Administradores de la Sociedad dominante consideran oportunas sobre la situación del Grupo, la evolución de sus negocios y sobre otros asuntos y no forma parte integrante de las cuentas anuales consolidadas. Hemos verificado que la información contable que contiene el citado informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2016. Nuestro trabajo como auditores se limita a la verificación del informe de gestión consolidado con el alcance mencionado en este mismo párrafo y no incluye la revisión de información distinta de la obtenida a partir de los registros contables de PRIM, S.A. y sociedades dependientes.

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

ERNST & YOUNG, S.L.

Año 2017 Nº 01/17/25764
COPIA

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

ERNST & YOUNG, S.L.
(Inscrita en el Registro Oficial de Auditores de Cuentas con el Nº S0530)

Carlos Hidalgo Andrés

24 de abril de 2017

(Free translation of a report and annual accounts issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails)

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of PRIM, S.A.

Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of PRIM, S.A. (the Controlling Company) and dependent companies (the Group), consisting of the consolidated statement of financial position as of 31 December 2016, the consolidated statement of income, consolidated statement of comprehensive income, statement of changes in consolidated equity, statement of consolidated cash flow, and the notes to the consolidated financial statements for the year then ended.

Directors' responsibility in connection with the consolidated financial statements

The directors of the Controlling Company are responsible for authorising the accompanying consolidated financial statements such as to give a true and fair view of the consolidated equity, financial position and results of PRIM, S.A. and dependent companies in accordance with the International Financial Reporting Standards as adopted by the European Union and the other provisions of the financial reporting regulatory framework that are applicable to the Group in Spain, and the internal control that they deem necessary to enable the consolidated financial statements to be drawn up free of material inaccuracies due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying consolidated financial statements based on our audit. We performed our audit in accordance with the regulations governing auditing in Spain. Those regulations require us to fulfil ethics requirements and to plan and execute the audit in order to obtain reasonable assurance that the consolidated financial statements are free of material inaccuracies.

An audit requires the application of procedures to obtain audit evidence in connection with the amounts and the information disclosed in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material inaccuracies in the consolidated financial statements as a result of fraud or error. When performing that risk assessment, the auditor considers the internal control that is germane to the authorisation of the consolidated financial statements by the controlling company's directors in order to design the audit procedures that are appropriate to the circumstances, and not to express an opinion on the efficacy of the company's internal controls. An audit also includes an assessment of the appropriateness of the accounting policies that are applied and of the reasonableness of the accounting estimates made by management, as well as an evaluation of the presentation of the consolidated financial statements taken as a whole.

We consider that the audit evidence that we obtained provides a sufficient and appropriate basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give, in all material respects, a true and fair view of the consolidated equity and consolidated financial position of Prim, S.A. and Dependent Companies as of 31 December 2016 and their consolidated results and consolidated cash flow in the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union and the other provisions of the financial reporting regulatory framework that are applicable in Spain.

Information about other legal and regulatory requirements

The accompanying consolidated directors' report for the year 2016 contains such explanations on the state of the Group's affairs, business performance and other matters as the directors of the Controlling Company consider appropriate and does not form an integral part of the consolidated financial statements. We verified that the financial information contained in that consolidated directors' report is consistent with the 2016 consolidated financial statements. Our work as auditors is limited to checking the consolidated directors' report with the scope set out in this paragraph and it does not include the review of information not derived from the accounting records of PRIM, S.A. and dependent companies.

24 April 2017

ERNST & YOUNG, S.L.
(Registered in the Official Register of Auditors with no. S0530)
Carlos Hidalgo Andrés