PRIM

Annual Report

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Prim, S.A. and Dependent Companies

Prim, S.A.

Prim, S.A. and Dependent Companies

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of 31 December 2017 and 2016

Expressed in euro

	NOTES	31.12.2017	31.12.2016
ASSETS		137,766,005.04	128,291,759.84
Non-current assets		37,704,417.71	39,887,101.72
Intangible assets	5	3,166,648.83	3,222,851.14
Goodwill	10	4,174,826.41	3,605,996.00
Property, plant and equipment	6	9,141,739.00	9,016,809.79
Investment property	7	3,147,331.14	3,236,031.16
Investment in associates	8	0.00	851,477.94
Other non-current financial assets	9	17,860,569.76	19,593,421.18
Deferred tax assets	9.4	213,302.57	360,514.51
Current assets		100,061,587.33	88,404,658.12
Non-current assets available for sale	8	886,691.97	0.00
Inventories	11	39,464,579.60	33,674,272.47
Trade and other accounts receivable	12	34,297,984.52	33,342,912.85
Other current financial assets	13	9,738,403.66	15,170,934.48
Cash and cash equivalents	14	15,673,927.58	6,216,538.32
LIABILITIES AND EQUITY		137,766,005.04	128,291,759.84
Equity	15	106,067,005.22	100,844,902.20
Parent company		106,067,005.22	100,844,902.20
Share capital	15	4,336,781.00	4,336,781.00
Share premium		1,227,059.19	1,227,059.19
Own shares	15.5	-179,092.29	-132,008.70
Interim dividend paid during the year		-1,908,183.64	-1,040,827.44
Revaluation reserve	15.4	578,507.47	578,507.47
Income for the year	15.9	13,897,881.53	13,096,662.80
Other reserves		87,654,686.98	82,574,895.73
Value adjustments		459,364.98	203,832.15
Non-current liabilities		2,918,176.13	4,061,663.90
Other liabilities	17	2,235,696.07	3,376,358.57
Deferred tax liabilities	18	682,480.06	685,305.33
Current liabilities		28,780,823.69	23,385,193.74
Trade and other accounts payable	19	25,697,109.04	21,068,813.16
Interest-bearing debt	16.2	2,140,032.82	1,641,258.54
Corporate income tax payable	20	943,681.83	675,122.04

The Consolidated Statement of Financial Position for 2016 is presented solely and exclusively for comparison purposes.

CONSOLIDATED INCOME STATEMENTS

As of 31 December 2017 and 2016
Expressed in euro

	NOTES	31.12.2017	31.12.2016
Net sales	23.1 & 4.1	121,272,878.00	110,099,596.92
Other revenues	4.3	1,273,231.74	1,731,777.35
Change in finished goods and work-in-process inventories	4.3	-46,966.35	606,946.46
OPERATING REVENUES		122,499,143.39	112,438,320.73
Consumables and other external expenses	23.2	-57,186,207.25	-52,328,170.46
External and operating expenses	23.3	-16,657,754.62	-15,519,161.64
Personnel expenses	23.4	-31,004,378.56	-29,237,538.56
Depreciation and amortisation expense		-2,496,367.23	-2,068,282.59
Variation in operating provisions	23.7	120,129.82	-236,767.55
Other operating expenses		-42,415.96	-24,860.16
OPERATING EXPENSES		-107,266,993.80	-99,414,780.96
NET OPERATING INCOME		15,232,149.59	13,023,539.77
Income from undertakings accounted for using the equity method	8	87,459.80	53,770.00
Financial revenues	23.5	1,613,592.26	1,285,242.42
Financial expenses	23.5	-29,655.37	-37,161.59
Exchange differences	23.5	-19,532.12	582,412.70
Impairment and disposal of other financial assets		1,394,709.37	-17,708.47
FINANCIAL INCOME		3,046,573.94	1,866,555.06
INCOME BEFORE TAXES		18,278,723.53	14,890,094.83
Corporate income tax	20	-4,380,842.00	-1,793,432.03
NET INCOME FROM CONTINUING OPERATIONS		13,897,881.53	13,096,662.80
NET INCOME FOR THE YEAR		13,897,881.53	13,096,662.80
Net income attributable to the parent company		13,897,881.53	13,096,662.80
Earnings per share	23.6		
Basic earnings per share attributable to equity holders of the parent		0.80	0.78
Diluted earnings per share attributable to equity holders of the parent		0.80	0.78

The Consolidated Statement of Income for 2016 is presented solely and exclusively for comparison purposes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2017 and 2016
(euro)

Consolidated Statement of Comprehensive Income for the years ended 31 December 2017 and 2016

NET INCOME RECOGNISED DIRECTLY IN EQUITY	2017		2016	
	Parent company	Total	Parent com-pany	Total
IN OTHER RESERVES				
Fair value changes of available-for-sale financial assets (Notes 9 & 13)	-214,872.60	-214,872.60	122,228.46	122,228.46
Translation differences	-16,408.48	-16,408.48	-61,635.26	-61,635.26
Tax effect (Notes 9 & 18)	22,920.30	22,920.30	-30,557.12	-30,557.12
TOTAL NET INCOME RECOGNISED DIRECTLY IN EQUITY	-208,360.78	-208,360.78	30,036.08	30,036.08
Transfers to Consolidated Profit & Loss	463,893.61	463,893.61	0.00	0.00
Tax effect (Notes 9 & 18)	0.00	0.00	0.00	0.00
TOTAL NET INCOME RECOGNISED IN INCOME FOR THE YEAR	463,893.61	463,893.61	0.00	0.00
NET INCOME FOR THE YEAR	13,897,881.53	13,897,881.53	13,096,662.80	13,096,662.80
TOTAL RECOGNISED REVENUES AND EXPENSES	14,153,414.36	14,153,414.36	13,126,698.88	13,126,698.88

The Consolidated Statement of Comprehensive Income for 2016 is presented solely and exclusively for comparison purposes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The composition of, and changes in, the Group's equity as of 31 December 2017 and 2016 are as follows:

a) Year ended 31 December 2017 (euro)

	Balance at 31.12.16	Interim dividend 2017	Own shares	Other movements	Prim Enraf merger	Distribution of 2016 income		Income for te year	Balance at 31.12.17
						Dividends	Reserves	Parent company	
Share capital	4,336,781.00								4,336,781.00
Share premium	1,227,059.19								1,227,059.19
Parent company shares	-132,008.70		-47,083.59						-179,092.29
Interim dividend	-1,040,827.44	-1,908,183.64				1,040,827.44			-1,908,183.64
Revaluation reserve	578,507.47								578,507.47
Income for the year									
Equity holders of the parent company	13,096,662.80					-7,979,677.04	-5,116,985.76	13,940,084.02	13,897,881.53
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				45,599.70		382,442.22		447,993.58
Other reserves	74,821,254.51			65,778.74	4,098,321.24	105,809.12	3,835,583.30		82,929,582.98
Reserves at									
Consolidadas por integración global	4,855,537.73			645,075.88	-4,098,321.24	-105,809.12	98,027.21		1,394,510.46
Puestas en equivalencia	467,699.28						4,448.13		472,147.41
Value adjustments									
Translation differences	-61,635.26			-16,408.48					-78,043.74
Others	265,467.41							271,941.31	537,408.72
Equity of equity holders of the parent company	100,844,902.20	-1,908,183.64	-47,083.59	694,446.14	45,599.70	-6,938,849.60	-796,484.90	14,212,025.33	106,067,005.22
Equity of non-controlling interests	0.00								0.00
Total	100,844,902.20	-1,908,183.64	-47,083.59	694,446.14	45,599.70	-6,938,849.60	-796,484.90	14,212,025.33	106,067,005.22

b) Year ended 31 December 2016

	Balance at 31.12.15	Interim dividend 2016	Own shares	Other changes	Distribution of 2015 income		Income for the year	Balance at 31.12.16
					Dividends	Reserves	Parent company	
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			209,202.15	120,075.23	2,783,938.33		74,821,254.51
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								
Translation differences				-61,635.26				-61,635.26
Others	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	812,594.43	-5,551,079.68	-765,151.11	13,065,063.62	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	812,594.43	-5,551,079.68	-765,151.11	13,065,063.62	100,844,902.20

CONSOLIDATED CASH FLOW STATEMENTS

For the years ended 31 December 2017 and 2016
(euro)

Notes		2017	2016
	Receipts from customers and other debtors	139,823,314.24	129,657,994.87
	Payments to suppliers and other creditors	-86,653,064.69	-80,544,066.01
	Payments to employees	-30,317,299.89	-28,173,254.04
	VAT settlements, net	-7,466,762.96	-6,455,418.35
	Other taxes	-415,964.45	-484,729.79
	Corporate income tax	-4,086,800.62	-3,660,801.35
	Net cash from operating activities	10,883,421.63	10,339,725.33
	Acquisition of property, plant and equipment	-2,108,068.35	-1,801,506.40
	Acquisition of intangible assets	-930,369.92	-1,328,824.30
7	Acquisition of investment property	0.00	-20,370.90
9	Acquisition of other non-current financial assets	-4,980,900.00	-1,883,854.19
9	Disposals of other non-current financial assets	4,525,000.00	
	Acquisitions of group companies net of acquired cash	-794,923.37	-49,145.81
	Disposals of other current financial assets	9,453,523.94	325,000.00
	Deposits provided	-2,534.47	76,377.36
	Cash subsidies received		-2,845.60
	Interest received	1,584,154.71	1,291,581.34
	Net investing cash flow	6,745,882.54	-3,393,588.50
	Net cash in transactions with own shares	-44,247.52	2,078,002.79
	Cash movements due to long-term bank loans		-34,817.37
16.1	Cash inflows due to long-term bank loans		530,554.45
	Cash outflows due to long-term bank loans		-565,371.82
	Cash movements due to short-term bank loans	-162,921.24	-581,424.29
	Cash inflows due to long-term bank loans	43,741.63	0.00
	Cash outflows due to short-term bank loans	-206,662.87	-581,424.29
	Dividends paid	-7,979,677.04	-6,388,847.14
	Interest paid	-29,162.37	-35,011.41
	Net financing cash flow	-8,216,008.17	-4,962,097.42
	Net increase in cash and cash equivalents	9,413,296.00	1,984,039.41
	Net exchange differences	44,093.26	431,566.71
	Change in cash in year	9,457,389.26	2,415,606.12
14	Beginning cash and cash equivalents	6,216,538.32	3,800,932.20
14	Ending cash and cash equivalents	15,673,927.58	6,216,538.32


PRIM

NOTES TO 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.

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

DEPENDENT COMPANIES	DOMICILE	GROSS COST OF OWNERSHIP	%
ESTABLECIMIENTOS ORTOPEDICOS PRIM, S.A.	Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid-	1,322,102.77	100.00
ENRAF NONIUS IBERICA, S.A. (3)	Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid-	0.00	100.00
SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL)	D. Conde de Peñalver 26 Madrid	3,035.06	100.00
INMOBILIARIA CATHARSIS S.A. (SOCIEDAD UNIPERSONAL)	C/ F, número 15. Polígono Industrial 1, Móstoles (Madrid)	2,494,204.13	100.00
ENRAF NONIUS IBÉRICA PORTUGAL, LDA (1)	Rua Aquiles Machado –Lisboa- Portugal	100,000.00	100.00
PRIM SALUDY BIENESTAR, S.A DE C.V (2)	Avenida José López Portillo, 66. Cancún Quintana Roo – Mexico	49,145.81	100.00
ANOTA, S.A.U.	Francesc Eximenis, Sabadell	1,230,000.00	100.00
NETWORK MEDICAL PRODUCTS LTD.	North Yorkshire United Kingdom	379,331.01	43.68

(1) The stake in ENRAF NONIUS IBÉRICA PORTUGAL LDA. was held through ENRAF NONIUS IBÉRICA, S.A., which owned 99.99%, and PRIM S.A., which owned 0.01%. Following the merger of PRIM, S.A and ENRAF NONIUS IBERICA, S.A., the company was owned 100% by the group controlling company, PRIM, S.A., as of 31 December 2017.

(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%.
(3) In 2017, the group controlling company, PRIM, S.A., absorbed 100% of the dependent company, ENRAF NONIUS IBÉRICA, S.A.; consequently, there was no holding in that company at 2017 year-end.

The company, PRIM SALUD Y BIENESTAR, S.A. DE C.V., which commenced operations in July 2016, joined the consolidated group in 2016; the group parent company, PRIM, S.A., acquired 100% of ANOTA, S.A.U. on 26 November 2017.

Merger of Enraf Nonius Ibérica S.A. into Prim, S.A.

As of 31 December 2016, the Prim Group owned 100% of Enraf Nonius Ibérica, S.L. (99.99% was held by the controlling company, Prim, and the other 0.01% by dependent company Inmobiliaria Establecimientos Ortopédicos Prim, S.A.).

In 2017, Prim acquired the stake in Enraf Nonius Ibérica that was owned by Ortopédicos Prim; as a result, it attained 100% of Enraf Nonius Ibérica.

At a meeting on 12 May 2017, the Board of Directors resolved to merge Enraf Nonius Ibérica into the Parent Company. That decision was ratified by the Shareholders' Meeting on 24 June 2017. The merger was registered with the Mercantile Register on 22 December 2017 and was effective for accounting purposes from 1 January 2017.

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

The corporate purpose of ENRAF NONIUS IBÉRICA, S.A. was the distribution, sale and installation of products in the area of physiotherapy, home medical care and rehabilitation. As a result of the merger described above, those activities will be conducted by PRIM, S.A. from 1 January 2017.

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 ANOTA, S.A.U. is to act as a wholesaler of medical and orthopaedic apparatus and instruments, including orthotics, chiropody, technical aids, health care and personalised dosing systems.

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

1. Description of business activity and consolidated companies

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. At 2017 year-end, the Board of Directors of PRIM, S.A. had decided to take the necessary steps to dispose of its holding in NETWORK; consequently, that investment was reclassified; whereas it had been carried under Investment in Associates at 2016 year-end, it was presented under Non-current assets held for sale at 2017 year-end.

The companies forming part of the consolidated group closed their financial year, which has a duration of one year, as of 31 December 2017.

2. Basis of presentation of the consolidated financial statements

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.

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 Regulation (EC) 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 2017.

The separate 2017 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 2017 consolidated financial statements.

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

2.1. Changes in accounting policies

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

The accounting policies used in preparing these consolidated financial statements are the same as those applied in the consolidated financial statements for the year ended 31 December 2016 except for the amendments to "IAS 7 Statements of Cash Flows - Disclosure Initiative", which require undertakings to disclose changes in liabilities arising from financing activities, including those arising from cash flows and those that do not entail cash flows (such as translation gains or losses).
These new disclosures are set out in notes 16 and 17. The Group has elected not to present comparative information, as allowed by the standard.

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

The Group will 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. Some of those standards that have not yet come into force will not have a material impact on the Group. Nevertheless, the Group estimates that other standards will have a material impact on its consolidated financial statements:

IFRS 9 - Financial instruments

In July 2014, the IASB released the final version of IFRS 9 - “Financial Instruments”, which replaces IAS 39 “Financial Instruments: Recognition and Measurement”, and all previous versions of IFRS 9.

IFRS 9 is applicable for annual periods beginning on or after 1 January 2018. Except for hedge accounting, it must be applied retroactively. With limited exceptions, the requirements as to hedge accounting are generally applied prospectively. The Group will elect to apply this standard without restating the comparative information.

During 2017, the Group conducted a detailed evaluation of the impacts of the three phases of IFRS 9. This assessment is based on the information currently available and may vary depending on additional information that becomes available in 2018 when the Group adopts IFRS 9.

That analysis concluded that this standard will not have a material impact..

(a) Classification and measurement

The Group does not expect material changes in its statement of financial position or statement of equity due to the application of the classification and measurement requirements of IFRS 9.

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. The Group analysed the cash flows from these instruments and concluded that they meet the criteria to be measured at amortised cost in accordance with IFRS 9. Consequently, those instruments do not need to be reclassified.

(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 will apply the simplified approach and recognise expected losses over the full lifetime of all trade accounts receivable. Considering the credit conditions applied to the Group’s customers, this new impairment model is not expected to have a material impact..

(c) Hedge accounting

The Group does not arrange hedges.

IFRS 15 “Revenue from contracts with customers”

IFRS 9 was released in May 2014 and amended in April 2016. It establishes a new five-step model that applies to accounting for revenue from contracts with customers. In accordance with IFRS 15, revenue is recognised for an amount that reflects the consideration that an undertaking expects to be entitled to receive in exchange for transferring goods or services to a customer.
IFRS 15 is applicable for annual periods beginning on or after 1 January 2018. The Group conducted an analysis that did not identify any material impact on the amount or timing of revenue recognition. The group’s specific circumstances are as follows:

(a) Identification of performance obligations

The services provided by the group consist basically of product delivery, without the need for complex and significant estimates relating, for example, to percentage of completion, returns, etc. Those products are delivered to the customer at one time, not over time. In general terms, the Group's contracts are contracts for delivery with indeterminate orders, i.e. orders that are received at different points of time.

(b) Calculation of the consideration

The Group negotiates concessions or incentives with its customers whose recognition in the accounts under IFRS 15 does not differ materially from the current approach. They are discounted from the revenues that are expected to be obtained in the future even though the contract has an undetermined number of deliveries.

(c) Recognition of revenues

Under the current standards, the group recognises revenues from the delivery of the products on the basis of the transfer of risks and benefits, as required by IAS 18. In contrast, IFRS 15 requires recognition of revenues based on the transfer of control. The Group transfers such control at the time it delivers the product to the customer's premises, at which point the debt claim is generated. This will entail recognising the revenue from the sale at the time when the customer accepts delivery of the products.

(d) Filing and reporting requirements

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. The Group expects that the notes to the financial statements may be expanded by the disclosures regarding the significant judgements that are made: identification of contract duration, identification of performance obligations.
In addition, in accordance with the requirements of IFRS 15, the Group will disaggregate the recognised revenue from contracts with customers into additional categories.

IFRS 16 "Leases"

IFRS 16, issued in January 2016, replaces the current standards on the accounting treatment of leases. Although the standard includes two exemptions to the recognition of leases (short term and low value), the lessee must recognise a liability for the lease payments (i.e. the liability for the lease) and an asset that represents the right to use the underlying asset during the term of the lease (i.e. the right-of-use asset). Lessees must recognise separately the interest expense corresponding to the lease liability and the charge for amortization of the right of use.

Lessees will also be required to remeasure the lease liability when certain events occur (e.g. a change in lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is applicable for annual periods beginning on or after 1 January 2019. A lessee may choose to apply the standard retrospectively in full or through a modified retrospective approach. The transitory provisions of the standard allow a number of exemptions.

In 2018, the Group will continue to evaluate the potential effect of IFRS 16 on its consolidated financial statements, which is not expected to be material given the volume of lease agreements currently in force.

IFRIC 22 - “Foreign Currency Transactions and Advance Consideration”

This interpretation clarifies that, when determining the spot exchange rate to be used for initial recognition of 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 an 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. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and revenues included in its scope that are initially recognised on or after:
i. The beginning of the year in which the entity applies this interpretation for the first time, or
ii. The beginning of a previous year presented as comparative information in the financial statements of the year in which the entity applies this interpretation for the first time

The Interpretation is applicable to annual periods beginning on or after 1 January 2018. Early application of the interpretation is allowed, in which case it must be disclosed. The Group does not expect there to be a material effect on its consolidated financial statements due to the low volume of transactions in foreign currency that it carries out.

IFRIC 23 - “Uncertainty over Income Tax Treatments”

This Interpretation addresses accounting for income tax when tax treatments involve an uncertainty that affects the application of IAS 12. This interpretation does not apply to taxes or charges t hat are outside the scope of IAS 12, nor does it include the treatment of interest and related penalties that may arise. The interpretation specifically addresses the following aspects:

- Whether an entity must consider tax uncertainties separately.
- The assumptions that an entity must make about taxation authorities’ examinations.
- Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- The effect of changes in facts and circumstances.

An entity must determine whether to consider each tax uncertainty separately or together with one or more tax uncertainties. The approach that is considered to best resolve the uncertainty must be used. The interpretation is applicable for annual periods beginning on or after 1 January 2019, though certain exemptions are allowed in the transition.
The Group will apply the interpretation from its effective date. Since the Group does not operate in a complex multinational tax environment, the application of the interpretation is not expected to affect its consolidated financial statements or the required disclosures.

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 2017 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.

2. Basis of presentation of the consolidated financial statements

The notes also include quantitative information for the preceding year, except where an accounting standard states specifically that it is not necessary. The disclosures for 2017 and 2016 include, for the first time, 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

It was not necessary to restate the figures for previous periods, by application of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.

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).

Recognition of revenues

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

The Prim Group of Companies recognises 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.

Specifically, the holding in ANOTA, S.A. was acquired on 26 November 2017 and, consequently, only the transactions performed by ANOTA, S.A. between 26 November and 31 December 2017 were included under full consolidation. Consequently, only the transactions carried out in that period were fully consolidated in the Consolidated Income Statement and the Consolidated Cash Flow Statement.

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.

However, although the holding in that company has been measured by applying the equity method, it should be noted that, at the end of 2017, the Company's Board of Directors decided to take the necessary measures to dispose of the holding in Network. As a result of this decision, the investment was reclassified: whereas it had been carried under Investment in Associates at 2016 year-end, it was presented under Non-current assets held for sale at 2017 year-end.

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

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 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 classifies or designates 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.

Any contingent consideration which the Group transfers is recognised at acquisition date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are 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 difference in 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. (See Note 26)

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.

2. Basis of presentation of the consolidated financial statements

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

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 significant transactions that make the use of the average exchange rates inappropriate). 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 result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

3. Valuation standards

3. 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 of 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 was 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 the contributory asset charges. 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. Under 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 and 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.

Potential impairments are analysed at the end of each year by comparing the historical value recognised in the books with the recoverable value.

The fair value at the closing date of the financial statements was determined as the price that would be received for selling the investment property in the market, at the transaction date..

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 an 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.

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 IAS 39
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.

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.
- When the Group disposes of available-for-sale financial assets, fair value adjustments previously recognised in equity are recognised in profit or loss.

Impairment of financial assets

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

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

Debt instruments

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

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

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

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

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

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

Equity instruments

There is objective evidence of impairment of equity instruments when, after initial recognition, an event or combination of events occurs with the result that the carrying amount will not be recovered due to a prolonged or significant decline in fair value. For these purposes, the Group considers in any event that listed equity instruments are impaired when their value has decreased over 18 months and by 40% of their initial quoted price without having recovered their initial value.
In the case of equity instruments measured at cost and classified under "Financial assets available for sale", impairment loss is measured as the difference between acquisition cost and fair value less previously-recognised impairment losses. Unrealised capital losses recognised directly as "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.
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 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.

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.

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

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 2017 and 2016, 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 and 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 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 significant risk that might entail significant changes in the value of assets and liabilities in the following year.

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

3.22. Non-current assets available for sale

Non-current assets and disposable groups are classified as held for sale if their book value will be recovered primarily through a sale transaction, rather than through continued use.
Non-current assets and disposable groups classified as held for sale are measured at the lower of book value and fair value less selling costs. Selling costs are the incremental costs directly attributable to the derecognition of the asset, excluding financial expenses and taxes.

The condition for classifying assets as held for sale is considered to be met only when the sale is highly probable and the asset or group is available, under its current conditions, for immediate sale. As mentioned in the note on subsequent events (note 30), the Company sold Network in 2018.
The steps to complete the sale indicate that it is unlikely that there will be significant changes in the sale to be made or that the sale decision will be cancelled. Management must have undertaken to make a plan to sell the asset and such sale is expected to be completed during the year following the date of classification as held for sale.

Additional disclosures are presented in Note 8. The other notes to the financial statements set out the amounts of continuing operations, unless otherwise indicated.

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 MILO business line, which was acquired in 2016, was added to this business line in 2016. In 2017, the "orthopaedic supplies" business conducted by Anota was added to this business line from the date of its inclusion in the Prim Group, namely 26 November 2017.

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

The revenue breakdown is as follows:

	31.12.2017	31.12.2016
Segment I. (Medical-Hospital)	120,787,988.26	109,719,285.34
"Medical supplies" activity (1)	88,657,204.99	82,536,006.21
"Orthopaedic supplies" activity (2)	32,130,783.27	27,183,279.13
Segment II. (Real Estate)	484,889.74	380,311.58
REVENUES	121,272,878.00	110,099,596.92

(1) Includes the business formerly conducted by Enraf Nonius Ibérica, S.A.
(2) Incluye Includes the business formerly conducted by Luga Suministros Médicos and the line of business acquired from Laboratorios Milo in 2016, as well as the business of Anota, S.A.U. (a company acquired in 2017 as disclosed in note 26).

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 commercial activity with customers in Spain.

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

4.3. Segment figures

The table below presents information about the revenues and income and certain assets and liabilities corresponding to the Group's business segments in the years ended 31 December 2017 and 2016.

a) Year ended 31 December 2017:

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

	Segment I	Segment II	Total
Net sales			
External customers	120,968,458.00	304,420.00	121,272,878.00
Between segments	0.00	0.00	0.00
Other revenues	1,092,762.00	180,469.74	1,273,231.74
Change in inventories	-46,966.35	0.00	-46,966.35
Segment revenues	122,014,253.65	484,889.74	122,499,143.39
Segment net operating income	15,225,935.25	6,214.34	15,232,149.59
Net financial income	1,564,404.77	0.00	1,564,404.77
Impairment and disposal of other financial assets	1,394,709.37	0.00	1,394,709.37
Share in income of undertakings			
accounted for by the equity method	87,459.80	0.00	87,459.80
Other revenues and expenses	0.00	0.00	0.00
Income before taxes	18,272,509.19	6,214.34	18,278,723.53
Corporate income tax			-4,380,842.00
Non-controlling interests			0.00
Income for the year attributed to the parent company (continuing operations)			13,897,881.53
Segment assets and liabiliti			
Other assets of the segment	134,618,673.90	3,147,331.14	137,766,005.04
Total assets	134,618,673.90	3,147,331.14	137,766,005.04
Total liabilities	31,698,999.82	0.00	31,698,999.82
Other segment information			
Investment in assets			
Intangible assets and goodwill	313,372.32	0.00	313,372.32
Property, plant & equipment	2,151,016.59	0.00	2,151,016.59
Impairment and disposal of other financial assets	1,394,709.37	0.00	1,394,709.37
Period depreciation and amortisation	-2,341,576.35	-154,790.88	-2,496,367.23
Cash flows	9,363,313.34	94,075.92	9,457,389.26

b) 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 companies carried 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 attributed to the parent 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

4.4. 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 2017 and 2016.

a) Year ended 31 December 2017

Segment I: Spain

Segment II: Rest of European Union and other countries

	Segment I	Segment II	Total
Net sales			
External customers	108,275,724.14	12,997,153.86	121,272,878.00
Between segments	0.00	0.00	0.00
Other operating revenues	1,273,231.74	0.00	1,273,231.74
Change in inventories	-46,966.35	0.00	-46,966.35
Segment revenues	109,501,989.53	12,997,153.86	122,499,143.39
Segment assets			
Total assets	134,383,144.06	3,382,860.98	137,766,005.04
Other segment information			
Investment in assets			
Intangible assets (Note 5)	313,372.32	0.00	313,372.32
Property, plant & equipment (Note 6)	2,151,016.59	0.00	2,151,016.59
Investment property (Note 7)	0.00	0.00	0.00
Total	2,464,388.91	0.00	2,464,388.91

b) 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

5. Intangible assets

5. INTANGIBLE ASSETS

The variations in 2017 and 2016 are as follows:

a) Year ended 31 December 2017

	BALANCE AT 31.12.16	ANOTA COMBINA-TION (Note 26)	ADDITIONS / PROVI-SIONS	TRANS-FERS	BALANCE AT 31.12.17
COST					
Computer software	1,170,701.28	66,183.42	313,372.32	33,422.34	1,583,679.36
Concessions, patents, licences, brands and similar	3,476,738.37	640.00	0.00	0.00	3,477,378.37
Customer portfolio	628,073.48	0.00	0.00	0.00	628,073.48
Other intangible assets	55,000.00	0.00	0.00	0.00	55,000.00
TOTAL	5,330,513.13	66,823.42	313,372.32	33,422.34	5,744,131.21
AMORTISATION					
Computer software	-1,023,109.24	-37,096.60	-112,684.91	0.00	-1,172,890.75
Concessions, patents, licences, brands and similar	-1,024,965.91	-122.67	-251,612.81	0.00	-1,276,701.39
Customer portfolio	-15,701.84	0.00	-62,807.40	0.00	-78,509.24
Other intangible assets	-43,885.00	0.00	-5,496.00	0.00	-49,381.00
TOTAL	-2,107,661.99	-37,219.27	-432,601.12	0,00	-2,577,482.38
NET INTANGIBLE ASSETS	3,222,851.14				3,166,648.83

As indicated in note 26, on 26 November 2017, Prim, S.A., the Parent Company of the Group, acquired 100% of Anota, S.A.U. Business combinations.

b) Year ended 31 December 2016

	BALANCE AT 31.12.15	TRANSFERS	ADDITIONS / PROVISIONS	BALANCE AT 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
AMORTISATION				
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

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 fair values of the identifiable assets as of the acquisition date were as follows:

	31.12.2016
Customer portfolio	628,073.48
Acquired brands	2,492,074.32
Goodwill	2,032,000.00

5. Intangible assets

After this first year of management of the aforementioned assets by the Prim Group, the Group was unable to achieve the EBITDA (*) projections established in the agreement with the sellers. As a result, the Prim Group revised the estimates of cash flow and EBITDA (*) for the next five years, with the result that it was not found necessary to cancel the estimated liabilities still outstanding at the end of 2017, apart from the payment that the Prim Group should have made in the financial year 2017 for an amount of 516,000.00 euro.

(*) EBITDA is defined as Net profit + Depreciation and Amortisation + Variation in working capital provisions.

Net carrying amount of these assets at the closing date is as follows:

	31.12.2017	31.12.2016
Customer portfolio	549,564.24	612,371.64
Acquired brands	2,180,564.98	2,429,772.46
Goodwill	2,032,000.00	2,032,000.00

6. Property, plant and equipment

6. PROPERTY, PLANT AND EQUIPMENT

The variations in 2017 and 2016 are as follows:

a) Year ended 31 December 2017

	BALANCE AT 31.12.16	ANOTA COMB. (Note 26)	TRANS-FERS	ADDITIONS / PROVISIONS	DISPO-SALS, WRI-TE-DOWNS AND WRI-TE-OFFS	BALANCE AT 31.12.17
COST						
Land and other structures	7,900,970.32	12,969.11	0.00	0.00	0.00	7,913,939.43
Plant and machi-nery	2,371,682.57	13,223.00	0.00	116,328.72	-18,943.21	2,482,291.08
Other installa-tions, tools and furniture	15,900,812.09	103,212.76	0.00	1,791,929.07	-71,306.13	17,724,647.79
Other assets	2,037,678.30	29,822.40	0.00	164,679.81	-64,489.54	2,167,690.97
In progress	4,824.60	0.00	-33,422.34	78,078.99	0.00	49,481.25
TOTAL	28,215,967.88	159,227.27	-33,422.34	2,151,016.59	-154,738.88	30,338,050.52
DEPRECIATION						
Land and other structures	-3,567,142.00	-9,946.54	0.00	-209,750.71	0.00	-3,786,839.25
Plant and machi-nery	-1,562,654.05	0.00	0.00	-141,302.27	18,943.21	-1,685,013.11
Other installa-tions, tools and furniture	-12,208,666.38	-69,763.20	0.00	-1,556,022.01	7,001.08	-13,827,450.51
Other assets	-1,860,695.66	0.00	0.00	-90,674.81	54,361.82	-1,897,008.65
TOTAL	-19,199,158.09	-79,709.74	0.00	-1,997,749.80	80,306.11	-21,196,311.52
PROPERTY, PLANT AND EQUIPMENT, NET	9,016,809.79					9,141,739.00

The amount of transfers relates to transfers from the construction in progress account to the computer software account.

As indicated in note 26, on 26 November 2017, Prim, S.A., the Parent Company of the Group, acquired 100% of Anota, S.A.U. At that time, that company had a number of tangible fixed assets detailed in the table for 2017 under the Anota Combination column.

6. Property, plant and equipment

b) Year ended 31 December 2016

	BALANCE AT 31.12.15	TRANS-FERS	ADDITIONS / PROVISIONS	DISPOSALS, WRITE-DOWNS AND WRI-TE-OFFS	BALANCE AT 31.12.16
COST					
Land and other structures	7,900,970.32	0.00	0.00	0.00	7,900,970.32
Plant and machi-nery	2,311,536.06	0.00	65,102.51	-4,956.00	2,371,682.57
Other installa-tions, 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	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 machi-nery	-1,423,054.28	0.00	-139,599.77	0.00	-1,562,654.05
Other installa-tions, 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
PROPERTY, PLANT AND EQUIPMENT, NET	9,037,072.88				9,016,809.79

Recognitions in 2017 and 2016 relate mainly to tools acquired for the various divisions.

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 55,243.53 euro as of 31 December 2017.
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:

Fully depreciated assets (euro)		
	2017	2016
Structures	403,922.31	403,922.31
Installations, machinery, tools and furniture	12,152,095.13	10,904,363.67
Other tangible fixed assets	157,714.63	66,537.44
TOTAL	12,713,732.07	11,374,823.42

6.3. Impairment analysis

As of 31 December 2017 and 2016, 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 December 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. The Company will cancel that mortgage in 2018.

7. INVESTMENT PROPERTY

The variations in 2017 and 2016 are as follows:

a) Year ended 31 December 2017

	BALANCE AT 31.12.16	ADDITIONS / PROVISIONS	OTHERS	BALANCE AT 31.12.17
COST				
Land and other structures	4,235,065.32	0.00	0.00	4,235,065.32
Other installations, tools and furniture	1,820,748.79	0.00	0.00	1,820,748.79
TOTAL	6,055,814.11	0.0	0.0	6,055,814.11
DEPRECIATION				
Land and other structures	-1,085,956.14	-75,688.56	0.00	-1,161,644.70
Other installations, tools and furniture	-1,733,826.81	-13,011.46	0.00	-1,746,838.27
TOTAL	-2,819,782.95	-88,700.02	0.00	-2,908,482.97
INVESTMENT PROPERTY	3,236,031.16	-88,700.02	0.00	3,147,331.14

b) Year ended 31 December 2016

	BALANCE AT 31.12.15	ADDITIONS / PROVISIONS	OTHERS	BALANCE AT 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

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.

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 24 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.

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.

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 fair value was determined considering the current data on rent per square meter for commercial offices located in the same area and with the same characteristics. The market price is 9.85 euro per square meter per month, which, applied to the 7,329 meters available, gives an annual valuation of 866,287.80 euro. Projecting that valuation for the next five years gives a cash flow of 4.3 million euro, i.e. in excess of the carrying amount, which is 3,147,331.14 euro. (The Company was extremely prudent in this valuation by assuming a time horizon of only the next five years).

At the end of 2017 and 2016, the value in use exceeded the cost, with the result that no correction in value was required.

Breakdown of operating costs related to investment property

Operating costs associated with the property which generated rent revenues totalled 128,711.32 euro in 2017 and 160,569.20 euro in 2016; operating costs which did not generate rent revenues totalled 349,964.08 euro in 2017 and 313,448.88 euro in 2016.

As a result of the contractual review in 2017, lease revenues from the Llano Castellano property amounted to 304,420.00 euro in 2017 and 266,647.70 euro in 2016. Costs passed on by Prim, S.A. to the tenants amounted to 180,469.74 euro in 2017 and 113,663.88 euro in 2016.

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.

Minimum future receipts

As of 2017 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 2019, amount to 152,010.00 euro (129,513.22 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: 12.9% for 2017.

8. Investment in associates

8. INVESTMENT IN ASSOCIATES AND NON-CURRENT ASSETS HELD FOR SALE

The detail of the Group's associates, carried by the equity method, and the variations in 2017 and 2016 are as follows:

a) Year ended 31 December 2017

COMPANY	Balance at 31.12.16	Income for the year	Translation differences	Reclassification	Balance at 31.12.17
Stake in Network Medical Products					
Investment in associates	851,477.94	87,459.80	-52,246.25	-886,691.97	0.00
Non-current assets available for sale				886,691.97	886,691.97
TOTAL	851,477.94	87,459.80	-52,246.25	0.00	886,691.97

b) Year ended 31 December 2016

COMPANY	Balance at 31.12.15	Income for the year	Changes in % ownership	Translation differences	Balance at 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

The parent company has a 43.68% stake in this company.
It should be noted that the value of the holding in Network Medical Products at the end of 2017 was determined following the same criteria as at the end of the previous year, 2016, that is, by application of the equity method, as is appropriate for investments in associates (given the percentage interest: 43.68%).

Nevertheless, at the end of 2017, the Board of Directors of the Parent Company had adopted the decision to dispose of its stake in Network. As a result of this decision, the holding in Network, which was presented under Investments in Associates at the end of 2016, is shown under Non-current assets held for sale at the end of 2017. That stake had been disposed of at the time these Consolidated Financial Statements were authorised.

The information about the main associates is as follows:

a) Year ended 31 December 2017

Figures in euro	Network Medical Products, Ltd
Assets	2,280,306.19
Liabilities	576,567.67
Income for the year	200,228.48
Revenues	6,321,348.98

b) 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

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

The variations in 2017 and 2016 are as follows:

OTHER NON-CURRENT FINANCIAL ASSETS AND DEFERRED TAX ASSETS (euro)							
	Available-for-sale investments				Loans and accounts receivable	Deferred tax assets	Total
	Equity holdings			Debt securities			
	Historical cost	Impairments	Net carrying amount				
Balance at 31.12.15	7,616,586.89	-3,904,488.99	3,712,097.90	14,074,921.64	202,628.69	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
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	131,503.83	360,514.51	19,953,935.69
Recognitions/Provisions				2,025,000.00	2,000,000.00	45,074.95	4,070,074.95
Value adjustments		-28,768.00	-28,768.00	-104,969.52			-133,737.52
Derecognitions	-4,807,636.82	1,707,468.82	-3,100,168.00	-2,537,461.00	13,515.10	-192,286.89	-5,816,400.79
Transfers							
Balance at 31.12.17	2,808,950.07	-2,703,576.28	105,373.79	15,610,177.04	2,145,018.93	213,302.57	18,073,872.33
Valuation method			Fair value	Fair value	Amortisec cost	Unused tax credits (not discounted)	

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

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) 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, as provided in IAS 39.

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

In 2016, it was possible to analyse financial information and comparable market transactions to obtain the fair value of Saarema. 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. Specifically, Saarema Group EBITDA was estimated at 4,053,079.00 euro in 2016.

(*) EBITDA is defined as Operating profit + Depreciation and Amortisation + Variation in working capital provisions.

The Prim Group owned 8.63% of Saarema at 2016 year-end. On 30 May 2017, the Prim Group sold its stake in the Saarema Group for an amount of 5,000,000.00 euro; a total of 2,000,000.00 euro had been collected as of 31 December 2017. The remaining amount will be collected in 2018 (1,000,000.00 euro), 2019 (1,000,000.00 euro) and 2020 (1,000,000.00 euro). This sale reduced the account by 3,100,168.00 euro, and a gain of 1,899,832 euro was recognised in the Consolidated Income Statement, while the value that had been recognised in the Group's equity in 2016, i.e. 463,893.63 euro, was transferred to profit or loss.

The Prim, S.A. Group's stake in Alphatec is less than 5%.

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.

These reductions were recognised in equity under "Value adjustments".
In addition to the derecognition of Saarema, the carrying amount of these available-for-sale equity investments was reduced by 28,768.00 euro in 2017 as a result of the following transactions:

b) The carrying amount of Alphatec was reduced by 27,361.00 euro.
c) The carrying amount of Tissuemed was reduced by 1,407.00 euro.

The breakdown of equity instruments available for sale as of 31 December 2017 is as follows:

	31.12.2016			Changes in 2017		31.12.2017		
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	-1,899,282.42	100,715.62	0.00	-27,361.00	1,999,998.04	-1,926,643.42	73,354.62
SAS SAFE	226,400.00	-226,400.00	0.00	0.00	0.00	226,400.00	-226,400.00	0.00
Alliqua (*)	305,250.31	-305,250.31	0.00	0.00	0.00	305,250.31	-305,250.31	0.00
Tissuemed	276,701.72	-243,275.55	33,426.17	0.00	-1,407.00	276,701.72	-244,682.55	32,019.17
Saarema	4,807,636.82	-1,707,468.82	3,100,168.00	-4,807,636.82	1,707,468.82	0.00	0.00	0.00
Total	7,616,586.89	-4,382,277.10	3,234,309.79	-4,807,636.82	1,678,700.82	2,808,950.07	-2,703,576.28	105,373.79

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

The breakdown of equity instruments available for sale as of 31 December 2016 was 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 Health-Care	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

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, since 31 December 2014 those investments have been recognised not at amortised cost but, rather, at fair value (as is appropriate for financial assets classified as available for sale).

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

The balance of those investments as of 2017 year-end was 15,610,177.04 euro, as detailed below, showing also the Moody's credit rating.

Type of investment	Amount	Rating
Tesoro Público	5,149,895.25	Baa2
Castilla y Leon	2,140,160.00	Baa2
Comunidad de Madrid	0.00	Baa2
Europa bonds	2,067,640.00	N.A.
Empresa ICO bonds	973,824.00	Baa2
Private company bonds	3,743,953.79	N.A.
Eurostoxx bonds	494,088.00	N.A.
Mutual funds	1,040,616.00	N.A.
Long-term deposits, etc.	0.00	N.A.
Total	15,610,177.04	

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 company 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	

As of 31 December 2017 and 2016, 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.

There were disposals of those financial instruments in 2017, as a result of which the carrying amount was reduced by 2,537,461.00, as stated in the table at the beginning of this Note 9 to the Consolidated Financial statements as derecognition of "Investment in debt securities".

Recognitions amounted to 2,025,000.00 in 2017 and 1,993,000.00 in 2016.

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

Securities	Cost derecognised
Others	-12,461,00
TOTAL	-12,461.00

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".

9.3. Loans and receivables

The balance as of 31 December 2017 and 2016 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.

Those deposits increased by 13,515.10 in 2017, with the result that the balance at 2017 year-end was 145,018.93.

Additionally, this account increased by 2,000,000.00 euro as a result of the sale in 2017 of the Prim Group's stake in Saarema. That holding was disposed of for 5,000,000.00 euro, with the following payment schedule.

Year	Amount
Received in 2017	2,000,000.00
Receivable in 2018	1,000,000.00
Receivable in 2018	2,000,000.00
	5,000,000.00

9.4. Deferred tax assets

The breakdown of deferred tax assets at 2017 year-end is as follows:

Type of deferred tax assets	Amount
Tax regulations applicable at the end of 2013 and 2014 (1)	213,302.57
	213,302.57

(1) Because of the applicable tax legislation, part of the depreciation and amortisation recognised in the accounts at the end of 2013 and 2014 was not deductible for tax purposes.

The breakdown of deferred tax assets at 2016 year-end is as follows:

Type of deferred tax assets	Amount
Tax regulations applicable at the end of 2013 and 2014 (1)	237,323.11
Adjustment to fair value of the investment in Alphatec (2)	123,191.40
	360,514.51

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

(1) Because of the applicable tax legislation, part of the depreciation and amortisation recognised in the accounts at the end of 2013 and 2014 was not deductible for tax purposes.

(2) The investment in Alphatec is carried at fair value and is recognised as available for sale.

10. Goodwill and business combinations

10. GOODWILL AND BUSINESS COMBINATIONS

The breakdown of goodwill and the variations in 2017 and 2016 are as follows:

GOODWILL (euro)			
	BALANCE 31.12.16	Business combi-nations	BALANCE 31.12.17
Luga Suministros Médicos	1,573,996.00		1,573,996.00
Laboratorios Milo (Nota 5)	2,032,000.00		2,032,000.00
Anota	0.00	568,830.41	568,830.41
Goodwill (26)	3,605,996.00	568,830.41	4,174,826.41

GOODWILL (euro)			
	BALANCE 31.12.15	Business combi-nations	BALANCE 31.12.16
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

The goodwill arising from the acquisition of Anota, S.A.U. (a transaction detailed in Note 26. Business Combinations) was measured provisionally, without prejudice to the possibility that, in the future, a part of it may be assigned to specific assets and/or liabilities of Anota as provided by IFRS 3.

Impairment testing

As indicated earlier, 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. XXXXXXXXXXXXX
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.

The goodwill that the group had recognised on its balance sheet as a result of the merger with LUGA and the business combinations with Laboratorios MILO (line of business) and ANOTA was tested for impairment at the end of 2017. All the assets and liabilities related to these transactions have been assigned by the Group to the Hospital Segment CGU. The provisions of IAS 36.68 were considered for this purpose. Identifying the lowest-level CGU to which to assign the operating assets and liabilities, including their goodwill, arising from the aforementioned transactions.
The methodology applied was as follows:

Take the market capitalisation of Prim, S.A. as of 31 December 2017 (measurement date), namely 179.5 million euro, as the starting point.

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 approximately 39.8 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 2017. The fair value of the Prim, S.A. CGU is 141.2 million euro.

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 64.5 million euro.

Based on that analysis, it was concluded that there had been no impairment of the aforementioned goodwill or of the other assets recognised in the accompanying financial statements.

11. Inventories

11. INVENTORIES

The detail of this caption as of 31 December 2017 and 2016 is as follows:

Figures in euro	BALANCE AT 31.12.2017	BALANCE AT 31.12.2016
Commercial	35,576,102.14	28,478,338.07
Raw materials and other purchases	2,040,645.26	2,414,713.08
Semi-finished products and products in process	1,021,162.85	978,356.46
Finished products	2,455,351.26	2,545,124.00
Supplier advances	1,782,465.07	2,422,404.38
Value adjustments	-3,411,146.98	-3,164,663.52
Total	39,464,579.60	33,674,272.47

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 2017 and 2016 is as follows:

Figures in euro	BALANCE AT 31.12.2017	BALANCE AT 31.12.2016
Trade receivables for sales and services	35,147,521.62	34,715,004.55
Other receivables	151.49	0.00
Personnel receivables	148,952.44	142,921.82
Public authorities (Note 20.3)	67,645.34	104,826.01
Value adjustments	-1,066,286.37	-1,619,839.53
Total current	34,297,984.52	33,342,912.85
Total	34,297,984.52	33,342,912.85

12. Trade and other accounts receivable

Value adjustments

The changes in the value adjustments in 2017 and 2016 are as follows:

	2017	2016
Beginning balance	-1,619,839.53	-1,959,285.87
Provisions	-1,066,286.37	-1,619,839.53
Releases	1,619,839.53	1,959,285.87
Ending balance	-1,066,286.37	-1,619,839.53

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 2017 and 2016 is as follows:

	Loans to companies	Time deposits	Short-term deposits	Other financial assets	Short-term accruals	Total
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
Balance as of 31 December 2017	1,382,877.00	4,598.34	2,600,000.00	5,750,234.68	693.64	9,738,403.66
Valuation standard	Amortised cost	Amortised cost	Amortised cost	Fair value	Amortised cost	

The “Loans to companies” account contains 365,377.00 euro corresponding to a loan granted by Prim, S.A. to Laboratorios Milo and 1,017,500.00 corresponding to the amount receivable in 2018 for the sale of Saarema.
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 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 2017 and 2016 is as follows:

Cash and cash equivalents	BALANCE AT 31.12.2017	BALANCE AT 31.12.2016
Cash on hand in domestic currency	40,174.53	37,395.27
Cash on hand in foreign currency	4,242.31	4,371.75
Subtotal Cash on hand	44,416.84	41,767.02
Cash at banks in domestic currency	12,385,124.62	5,720,123.91
Cash at banks in foreign currency	3,244,386.12	454,647.39
Subtotal Cash at Banks	15,629,510.74	6,174,771.30
Total	15,673,927.58	6,216,538.32

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 1 June 2005, PRIM, S.A.'s shares commenced trading on the electronic market.

As of 31 December 2017 and 2016, 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

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 2017 and 2016.

15.4. Revaluation reserve and capitalisation reserve

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

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

15. Equity

The detail of the Revaluation Reserve is as follows:

Figures in euro	BALANCE AT 31.12.2016	CHANGES	BALANCE AT 31.12.2017
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 changes in the capitalisation reserve at consolidated level in 2017 are as follows:

Type of deferred tax asset	Prim, S. A
Beginning balance 31.12.2016	19,951.66
Capitalisation reserve recognised at Enraf as of 31.12.2016 (*)	45,599.70
Provisions recognised in distribution of 2016 income	382,442.22
Ending balance 31.12.2017	447,993.58

(*) As a result of the merger between Prim, S.A. and Enraf Nonius Ibérica, S.A., the capitalisation reserve recognised by the latter was transferred to the former.

The capitalisation reserve, which enables the tax burden to be reduced, is restricted for 5 years.

15.5. Own shares

The variations in 2017 and 2016 are as follows:

a. Year ended 31 December 2017

Figures in euro	Number of shares	Value at cost
Situation as of 31 December 2016	15,847.00	132,008.70
Acquisitions	8,369.00	179,092.29
Decreases	-3,519.00	-132,008.70
Situation as of 31 December 2017	20,697.00	179,092.29

b. Year ended 31 December 2016

Figures in euro	Number of shares	Value at cost
Situation as of 31 December 2015	271,665.00	2,088,750.18
Acquisitions	73,139.00	640,458.87
Decreases	-328,957.00	-2,597,200.35
Situation as of 31 December 2016	15,847.00	132,008.70

Own shares represented the following percentages of total outstanding shares as of 31 December 2017 and 2016:

DESCRIPTION	31.12.17	31.12.16
No. of treasury shares	20,697	15,847
Total no. of outstanding shares	17,347,124	17,347,124
Treasury shares as % of total	0.12%	0.09%

Profit on the sale of own shares amounted to 121,214.03 euro in 2017 and 2,836.07 euro in 2016.

15.6. Reserves at fully consolidated companies

The detail of this item for the years ended 31 December 2017 and 2016 is as follows:

a. Year ended 31 December 2017

	E.O.P. S.A.	Prim Salud y Bienestar	Sidetemedic S.L.	Enraf Nonius Ibérica Portugal, S.A.	Inmobiliaria Catharsis, S.A.	Total
Legal reserve	102,170.03		607.01	15,436.12	23,642.25	141,855.41
Other reserves	1,727,806.87	30,462.25	576,859.68	-11,277.36	-1,071,196.39	1,252,655.05
TOTAL	1,829,976.90	30,462.25	577,466.69	4,158.76	-1,047,554.14	1,394,510.46

b. Year ended 31 December 2016

	E.O.P. S.A.	Enraf Nonius Ibérica , S.A.	Sidetemedic 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

In 2016, Enraf Nonius Ibérica, S.A. 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:

2017			
DISTRIBUTION BASIS		DISTRIBUTION	
Income attributable to the parent company	12,531,740.51	Dividends	10,024,902.96
		Reserves	2,506,837.55
TOTAL	12,531,740.51		12,531,740.51
Total number of shares issued by Parent Company			17,347,124
Dividends per share			0.5779 € /share

Limits on the distribution of dividends

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

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

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

15.8. Share premium

There were no changes in the share premium account in 2017 and 2016. 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	2017	2016
COMPANY	Income attributable to the parent company	
Prim, S.A.	12,531,740.51	10,969,199.92
Establecimientos Ortopédicos Prim, S.A.	927,388.77	645,132.95
Enraf Nonius Ibérica, S.A.	0.00	1,294,515.40
Anota , S.A.U.	-7,134.87	0.00
Prim Salud y Bienestar, S.A. de C.V.	90,802.85	30,462.25
Siditemedic	-572.12	-670.22
Enraf Nonius Ibérica Portugal Lda	43,268.76	6,225.37
Inmobiliaria Catharsis, S.A.	104,143.73	105,809.12
AGGREGATE INCOME	13,689,637.63	13,050,674.79

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	2017	2016
AGGREGATE INCOME	13,689,637.63	13,050,674.79
Financial revenues. Holdings in Group and associated undertakings (15.9.1)	-105,809.12	-120,075.23
Share in income of companies carried by the equity method	87,459.80	53,770.00
Depreciation of structures (15.9.2)	-43,856.42	-43,856.42
Amortisation of goodwill - Luga (15.9.3)	157,399.56	157,399.56
Amortisation of goodwill - MILO (15.9.3)	203,199.96	50,800.00
Adjustment of deferred taxes - Luga	-39,349.90	-39,349.90
Adjustment of deferred taxes - MILO	-50,799.98	-12,700.00
CONSOLIDATED INCOME	13,897,881.53	13,096,662.80

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.

15.9.1. 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.

15.9.2. 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.

16. INTEREST-BEARING DEBT

16.1. Non-current interest-bearing debt

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

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

There were no variations in 2017.

16.1.1. Credit lines

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

A total of 1,750,000.00 euro of these long-term credit lines was undrawn as of 31 December 2017 and 6,600,000.00 euro as of 31 December 2016.

As of 31 December 2017, the total limit of the credit lines was 1,750,000.00 euro, and they are scheduled to be cancelled in 2019.

As of 31 December 2016, the total limit of the credit lines was 6,600,000.00 euro, and they were scheduled to be cancelled in 2018.

16.1.2. Current interest-bearing debt

This item includes:

Concept	2017	2016
Discounted notes	1,930,392.47	1,641,258.54
Short-term loans (business)	99,055.75	-
Outstanding amount of factoring debt	110,584.60	-
	2,140,032.82	1,641,258.54

17. Other non-current liabilities

17. OTHER NON-CURRENT LIABILITIES

The detail of, and changes in, this caption in 2017 and 2016 are as follows:

	Other liabilities (17.1)			17,2 Prov. for taxes	Total
	Enraf Nonius BV	Milo	Deposits		
Balance at 31.12.2015	39,203.27	0.00	45,961.20	1,906,373.11	1,991,537.58
Recognitions		3,287,085.30	4,108.80	0.00	3,291,194.10
Derecognitions and writedowns				-1,906,373.11	-1,906,373.11
Balance at 31.12.2016	39,203.27	3,287,085.30	50,070.00	0.00	3,376,358.57
Recognitions					0.00
Transfer to short term		-625,062.50			-625,062.50
Adjustment to initial valuation		-516,000.00			-516,000.00
Derecognitions and writedowns			400.00		400.00
Balance at 31.12.2017	39,203.27	2,146,022.80	50,470.00	0.00	2,235,696.07

17.1. Other liabilities

As of 31 December 2016, this item in the Consolidated Statement of Financial Position included 50,070.00 euro of long-term deposits received by Group companies in connection with leases of investment property.

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 of Laboratorios Milo, S.A., a company with extensive experience in distributing products in the pharmacy and orthopaedics channel.

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 initially (in 2016) at their present value as follows:

Year	Initial recognition (2016)	Remeasurement (b)	Transfer from long-term to short-term (a)	Balance at 31.12.2017
Payments made in 2016	1,240,000.00			
Short-term debt	625,062.50			625,062.50
Long-term debt (through 2021)	3,287,085.30	-516,000.00	-625,062.50	2,146,022.,80
TOTAL	5,152,147.80			2,771,085.30

The amount of long-term debt was updated to discount the amount of the financial charges implicit in the amounts payable over the long term.

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).
As shown in the table at the beginning of this note 17, the long-term balance was reduced by 1,147,062.50 euro, as follows:

a. An amount of 652,062.50 was transferred from long-term to short-term.

b. As mentioned in Note 5, an analysis of the contractual conditions concluded that some of the milestones set out in that contract as requirements to trigger the obligation to pay the continent liabilities payable under that contract in 2018 had not been met. This resulted in a 516,000.00 euro reduction in the long-term liability that had been recognised previously. The decrease in this long-term liability was recognised as extraordinary income in 2017 under "Other revenues" in the Consolidated Statement of Income.

The Prim Group has re-evaluated its projections for the next four years and considers that the accounts payable recognised in these Consolidated Financial Statements are likely to be paid.

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 Prim Group recognised a provision for taxes.
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 the financial statements for 2016, 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 had ceased to exist.

18. Deferred tax liabilities

18. DEFERRED TAX LIABILITIES

	18.1 Reinvestment	18.2 Unrestricted depreciation	18.3 Step-up of Catharsis property in consolidation	18.4 Fair value adjustments of available-for-sale assets	18.5 Amortisation of goodwill	Other differences	(euro) TOTAL
Balance at 31.12.15	85,491.80	20,272.25	218,586.04	186,996.08	0	25,954.16	537,300.33
Recognitions					26,024.95		26024.95
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 at 31.12.16	80,565.95	16,464.25	203,967.23	333,976.54	26,024.95	24,306.41	685,305.33
Recognitions					45,074.94		45,074.94
Value adjustments				-22,920.30			-22,920.30
Decreases	-4,925.85	-3,787.50	-14,618.81			-1,647.75	-24,979.91
Balance at 31.12.17	75,640.10	12,676.75	189,348.42	311,056.24	71,099.89	22,658.66	682,480.06

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. The amount paid in 2017 and 2016 was 4,925.85 euro, and it is estimated that a similar amount will be paid in 2018.

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 2016, this balance was reduced by 3,808.00 euro to 16,464.25 euro. During 2017, this balance was reduced by 3,787.00 euro to 12,676.75 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.

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.

A decrease of 22,920.00 euro was recognised in 2017 as a result of fair value adjustments of financial instruments recognised under assets as of 31 December 2017.

19. Trade and other accounts payable

19. TRADE AND OTHER ACCOUNTS PAYABLE

Figures in euro	31.12.2017	31.12.2016
Short-term debt	2,437,385.83	1,660,926.62
Other financial liabilities (a)	2,437,385.83	1,660,926.62
Trade and other accounts payable	23,259,723.21	19,407,886.54
Supplier accounts payable	12,264,178.66	10,092,467.69
Sundry creditors	3,516,447.24	2,649,844.49
Personnel (compensation payable)	3,935,239.69	4,071,240.62
Other debt to public authorities (Note 20.3)	2,141,121.03	1,951,641.67
Customer advances	1,402,736.59	642,692.07
Total trade and other accounts payable	25,697,109.04	21,068,813.16

a) The “Other financial liabilities” caption contains basically:
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. As of 31 December 2017, 1,908,183.64 euro corresponding to the amount committed to the shareholders in dividends for 2017, which were paid at the beginning of 2018.

20. Tax situation

20. TAX SITUATION

The corporate income tax expense is calculated as follows:

	2017	2016
Income before tax	18,278,723.53	14,890,094.83
Permanent differences	371,732.62	714,488.44
Timing differences	-192,785.11	-54,555.81
Consolidation adjustments	-298,393.78	-98,037.91
Adjusted income	18,159,277.26	15,451,989.55
Capitalisation reserve	-492,917.13	-386,793.12
Tax losses carried forward	572.12	670.22
Taxable income	17,666,932.25	15,065,866.65
Gross tax payable	-4,422,778.78	-3,768,632.10
Tax credits	100,671.16	29,317.33
Deductions	0.00	79,240.49
Net tax payable	-4,322,107.62	-3,660,074.28
Withholdings and prepayments	3,389,251.11	2,984,976.18
	-10,801.38	0.00
Net tax payable/receivable	-943,657.89	-675,098.10
Current tax liabilities	-943,681.83	-675,122.04
Current tax assets	23.94	23.94

	2017	2016
Current tax expense	-4,322,107.62	-3,660,074.28
Deferred tax expense	-48,196.28	-13,638.95
Provision for taxes (2)	0.00	1,906,373.11
Other adjustments	-10,538.10	-26,091.91
Corporate income tax expense	-4,380,842.00	-1,793,432.03
Corporate income tax expense attributable to continuing operations	-4,380,842.00	-1,793,432.03

(1) The Parent Company of the Group (Prim, S.A.) acquired ANOTA, S.A.U. in 2017. The preceding table calculates the corporate income tax in connection with the expenses and revenues accrued by Anota from the time it became a member of the Prim Group (since only these items were fully consolidated).

(2) 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 at 2015 year-end, was cancelled in 2016. That cancellation in 2016 was recognised as a reduction in the corporate income tax expense.

The tax rate was 25% 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.

The detail of permanent differences in consolidation is as follows:

(euro)	2017	2016
Equity-accounted affiliates	-87,459.80	-53,770.00
Dividends received from group and associated companies	105,809.12	120,075.23
Depreciation of structures	43,856.42	43,856.42
Amortisation of goodwill - Luga	-157,399.56	-157,399.56
Amortisation of goodwill - Milo	-203,199.96	-50,800.00
TOTAL	-298,393.78	-98,037.91

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.

During 2017, the tax authorities initiated an inspection of corporate income tax, value added tax and personal income tax for the years 2012, 2013, 2014 and 2015 at Prim, S.A. and Establecimientos Ortopédicos Prim, S.A.

At 2017 year-end, the Company's directors do not expect the inspection to give rise to material penalties that might affect the true and fair view presented by these consolidated financial statements.

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

20.2. Tax losses at individual companies

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

As of 31 December 2017 and 2016, the unused tax losses (not counting the estimate of tax in the current year) were as follows:

Year	2017	2016
SIDITEMEDIC		
2006	2,194.07	2,159.39
2009	293.48	293.48
2010	346.12	346.12
2016	670.22	670.22
2017	577.12	-
	4,046.33	3,469.21

20.3. Assets and liabilities with public authorities

20.3.1. Assets and liabilities

The assets and liabilities with public administrations are shown below:

	31.12.2017	31.12.2016
Assets		
Non-current assets		
Deferred tax assets	213,302.57	360,514.51
Current assets		
Current tax assets	23.94	23.94
Other receivables from public authorities		
VAT receivable	55,150.64	96,658.34
IGIC receivable	10,322.88	3,659.01
Withholdings and prepayments	2,147.88	4,484.72
	67,621.40	104,826.01
Liabilities		
Non-current liabilities		
Deferred tax liabilities	682,480.06	685,305.33
Current liabilities		
Current tax liabilities	943,681.83	675,122.04
Other debt to public authorities		
VAT payable	910,745.79	787,032.85
Tax withholdings payable	724,719.76	678,753.33
IGIC payable	1,959.95	1,633.22
Social Security payable	503,695.53	484,222.27
	2,141,121.03	1,951,641.67

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 2017 and 2016, is not to negotiate financial instruments; however, financial instruments may be disposed of occasionally in order to invest the proceeds in higher-yield instruments.

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

21.1. Interest rate risks on cash flows

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

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

The debt structure as of 31 December 2017 and 2016 is as follows:

	31.12.2016	31.12.2017	Interest rate	Benchmark
Long-term debt				
Long-term credit lines	0.00	0.00	Floating-rate	Euribor
Mortgage loan	0.00	0.00	Floating-rate	Interbank rate
Other loans	0.00	0.00	Floating-rate	Euribor
	0.00	0.00		
Short-term debt				
Short-term credit lines	0.00	0.00	Floating-rate	Euribor
Mortgage loan	0.00	0.00	Floating-rate	Interbank rate
Discounted notes	1,433,892.67	2,040,977.07	Floating-rate	1-month Euribor
Short-term interest on debt	703.00	0.00	Does not accrue	Does not apply
Funding of payments to suppliers	0.00	0.00	Floating-rate	Euribor
Other loans	206,662.87	99,055.75	Floating-rate	Euribor

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	
	31.12.2016	31.12.2016	31.12.2017	31.12.2017
Long-term credit lines	-39.17	39.17	0.00	0.00
Mortgage loan	0.00	0.00	0.00	0.00
Other loans	-346.82	346.82	0.00	0.00
	-385.99	385.99	0.00	0.00
Short-term credit lines	-2.76	2.76	0.00	0.00
Mortgage loan	0.00	0.00	0.00	0.00
Discounted notes	-3,477.68	3,477.68	-4,343.59	4,343.59
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	-3,647.16	3,647.16	-1,230.52	1,230.52
	-7,127.60	7,127.60	-5,574.11	5,574.11

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 2017 and 2016.

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 2017 and 2016 in currencies other than the euro are purchases from suppliers, mainly of raw materials and merchandise, as detailed below:

Purchases from suppliers	Equivalent value in euro	
	2016	2016
Total purchases in foreign currency	9,464,421.73	10,415,334.59

The following items may be affected by exchange rate risk:

- Bank current accounts and cash on hand in currencies other than the local or functional currency of the Prim Group companies: The balance of the group's current accounts and cash in hand in foreign currency was 3,248,628.43 euro as of 31 December 2017 and 459,019.14 euro as of 31 December 2016.

- Payments for supplies or services in currencies other than the euro. Payments in foreign currency by the Group totalled 9,723,074.79 euro in 2017 and 10,587,702.20 euro 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	Effect on earnings before taxes (EBT)
2016	+5%	429,003.50
	-5%	-474,161.76
2017	+5%	450,686.75
	-5%	-498,127.46

There are no interest-bearing debts in non-euro currencies.

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 2017 and 2016.

The analysis of financial assets by age as of 31 December 2017 and 2016 is as follows:

Year ended 31 December 2017:

	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	13,854,256.67	8,816,268.20	5,517,748.01	74,922.48	-554,682.02
Total	13,854,256.67	8,816,268.20	5,517,748.01	74,922.48	-554,682.02
Public sector					
Long-term customer receivables	0.00	0.00	0.00	0.00	0.00
Short-term customer receivables	15,944,002.82	5,567,444.42	8,187,539.20	1,871,451.86	317,567.34
Total	15,944,002.82	5,567,444.42	8,187,539.20	1,871,451.86	317,567.34
Total					
Long-term customer receivables	0.00	0.00	0.00	0.00	0.00
Short-term customer receivables	29,798,259.49	14,383,712.62	13,705,287.21	1,946,374.34	-237,114.68
Total	29,798,259.49	14,383,712.62	13,705,287.21	1,946,374.34	-237,114.68

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

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. Dotación de provisiones y reconocimiento del deterioro

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 1,066,286.37 euro as of 31 December 2017.

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.

The following aspects are noteworthy:

- The Group has positive working capital amounting to 71,280,763.64 euro (65,019,464.38 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 2017 year-end was 1,750,000.00 euro in long-term credit lines and 6,600,000.00 euro in short-term credit lines. The corresponding amounts as of 2016 year-end were 6,600,000.00 euro and 1,450,000.00 euro, respectively. Consequently, the Group has sufficient liquidity to address any difficulty that may arise in future years.

21. Financial risk management objectives and policies

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 3.67 in 2016 to 3.35 in 2017, 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. Non-current assets represented 27.37% in 2017 (31.09% in 2017) and current assets 72.63% (68.91% in 2016), 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.

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.

		Level	Carrying amount		Fair value	
Asset/liability (elemento patrimonial)	Note		2017	2016	2017	2016
Assets						
Non-current assets						
Investment property	7	3	3,147,331.14	3,236,031.16	4,331,439.00	5,815,373.55
Other non-current financial assets						
Equity instruments available for sale						
Investment in Alphatec	9,1	1	73,354.62	100,715.62	73,354.62	100,715.62
Investment in Saarema	9,1	3	0.00	3,100,168.00	0.00	3,100,168.00
Investment in debt securities	9,1	1	15,610,177.04	16,277,607.56	15,610,177.04	16,277,607.56
Current assets						
Other current financial assets						
Equity instruments (mutual funds)	13	1	5,750,234.68	5,736,946.38	5,750,234.68	5,736,946.38

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.

The holding in Saarema was disposed of in 2017.

23. Revenues and expenses

23. REVENUES AND EXPENSES

The detail of the principal line items of the Consolidated Income Statement for 2017 and 2016 is as follows:

23.1. Net sales

	2017	2016
Revenues	119,194,602.06	108,418,413.02
Services provided	2,171,702.61	1,742,643.38
Returns and volume discounts	-93,426.67	-61,459.48
Total	121,272,878.00	110,099,596.92

Sales were broken down as follows:

	2017	2016
Spain	108,275,724.14	97,447,545.19
Exports	12,997,153.86	12,652,051.73
Total	121,272,878.00	110,099,596.92

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

	2017	2016
Training	54,097.64	38,694.47
Operating subsidies	0.00	1,154.40
Total	54,097.64	39,848.87

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

23.2. Consumables and other external expenses

The detail of “Consumables and other external expenses” for the years ended 31 December 2017 and 2016 is as follows:

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

2017			
	Purchases	Change in inventories	Total consumption
Merchandise consumed	57,249,136.53	-7,097,763.87	50,151,372.66
Raw materials and other consumables consumed	6,083,156.58	374,067.82	6,457,224.40
Other external expenses	577,610.19	0.00	577,610.19
TOTAL	63,909,903.30	-6,723,696.05	57,186,207.25

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

23. Revenues and expenses

23.3. External and operating expenses

	2017	2016
Outside services	16,112,108.25	15,052,653.45
Taxes other than income tax	320,565.73	292,428.61
Other current operating expenses	225,080.64	174,079.58
Total external and operating expenses	16,657,754.62	15,519,161.64

Below is a detail of the Outside Services account:

	2017	2016
Leases and fees	1,882,576.06	2,087,239.09
Repairs and upkeep	514,485.60	584,082.24
Independent professional services	2,597,645.63	2,295,996.25
Transport	2,607,534.69	2,279,904.32
Insurance premiums	514,834.42	424,263.09
Banking and similar services	63,185.96	71,882.17
Advertising and public relations	1,268,269.67	1,044,310.43
Utilities	278,628.41	326,198.09
Other services	6,384,947.81	5,938,777.77
Total outside services	16,112,108.25	15,052,653.45

23.4. Personnel expenses

	2017	2016
Wages, salaries and similar	25,333,602.36	23,927,220.66
Employee welfare expenses	5,670,776.20	5,310,317.90
Total personnel expenses	31,004,378.56	29,237,538.56

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:

	2017			2016		
	Men	Women	Total	Men	Women	Total
Sales and technical staff	192.00	50.00	242.00	183.00	49.00	232.00
Clerical staff	48.00	108.88	156.88	52.00	88.00	140.00
Plant staff	72.00	66.00	138.00	68.00	69.00	137.00
Total	312.00	224.88	536.88	303.00	206.00	509.00

The workforce as of 31 December did not differ materially from those average figures. There were nine employees with a degree of disability greater than 33% as of 31 December 2017 and six employees as of 31 December 2016.

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

23.5. Financial revenues and expenses

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

	2017	2016
Revenues from equity holdings	194,788.90	111,655.56
Other financial revenues	1,418,803.36	1,173,586.86
Financial revenues	1,613,592.26	1,285,242.42
Exchange differences	-19,532.12	582,412.70
Total financial revenues and exchange differences	1,594,060.14	1,867,655.12

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 959,021.06 euro as of 31 December 2017 and 612,481.48 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.

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 31.12.2017	BALANCE 31.12.2016
CONTINUING OPERATIONS		
Net income attributable to equity holders of the parent	13,897,881.53	13,096,662.80
Weighted average of ordinary shares (excluding treasury shares)	17,326,694.51	16,736,051.67
Earnings per share		
Basic	0.80	0.78
Diluted	0.80	0.78
DISCONTINUED OPERATIONS		
Net income attributable to equity holders of the parent	0.00	0.00
Weighted average of ordinary shares (excluding treasury shares)	17,326,694.51	16,736,051.67
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 31.12.2017	BALANCE 31.12.2016
Impairment of merchandise, raw materials and other procurements (1)	-246,483.46	-333,335.71
Losses, impairment and change in trade provisions (2)	366,613.28	96,568.16
Overprovision	0.00	0.00
TOTAL CHANGE IN OPERATING PROVISIONS	120,129.82	-236,767.55

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

Figures in euro	BALANCE 31.12.2017	BALANCE 31.12.2016	CHANGE IN PERIOD	
IMPAIRMENT				
Merchandise, raw materials and other procurements				
Commercial inventories	3,321,530.98	2,951,642.52	-369,888.46	
Raw materials and other purchases	8,446.00	102,462.00	94,016.00	
Semi-finished products and products in process	0.00	0.00	0.00	
Finished products	81,170.00	110,559.00	29,389.00	
Byproducts and waste	0.00	0.00	0.00	
TOTAL IMPAIRMENT (Note 11)	3,411,146.98	3,164,663.52	-246,483.46	(1)
IMPAIRMENT				
Trade and other accounts receivable				
Customer receivables for sales and services (Note 12)	1,066,286.37	1,619,839.53	553,553.16	
LOSSES DUE TO BAD DEBTS			-186,939.88	
TOTAL LOSSES AND IMPAIRMENTS			366,613.28	(2)

Figures in euro	SALDO 31.12.2016	SALDO 31.12.2015	CHANGE IN PERIOD	
IMPAIRMENT				
Merchandise, raw materials and other procurements				
Commercial 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)

24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

24.1. Director and senior executive remuneration and other information

		(euro)
	31.12.17	31.12.16
Remuneration	1,018,896.92	1,044,100.45
Share in income	360,000.00	300,000.00
TOTAL	1,378,896.92	1,344,100.45

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

The share in profits was provisioned as of 2016 year-end in the amount of 300,000.00 euro for that year (360,000.00 euro for 2017).

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 20 July 2017, and the previous year's payment was on 18 July 2016.

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 2017 and 2016. Additionally, a specific credit line in the amount of 1,972.06 euro was arranged for Prim Salud y Bienestar in 2017.

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.

On 30 November 2017, the company declared a dividend of 1,908,183.64 euro charged to income for the year 2017.

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 (October 2017 accounting close), was as follows:

REPORT ON AVAILABILITY OF LIQUIDITY PRIOR TO THE RESOLUTION TO DISTRIBUTE AN INTERIM DIVIDEND OUT OF 2017 INCOME

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

	Euros
Available liquidity as of 30 November 2017	11,476,601.37
Balance available in credit lines	6,400,000.00
Projected receipts less projected payments in the period	10,634,537.31
Available liquidity projected as of 30 November 2017	28,511,138.68
Proposed dividend	1,908,183.64

Income obtained since the last year (January to November 2017)	12,972,185.00
Estimated tax payable on that income	-3,243,046.25
Total	9,729,138.75
Proposed dividend	1,908,183.64

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:

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)

	Euros
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. The only holding in associates that existed as of 2016 year-end was the stake held by Prim, S.A. (group controlling company) in Network Medical Products.

In 2017, the Board of Directors of Prim, S.A. decided to launch negotiations aimed at the disposal of this holding; as a result, the holding is presented at 2017 year-end under non-current assets held for sale in the Consolidated Statement of Financial Position.

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.

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.).

Early in 2017, a final court ruling was obtained in connection with the foregoing tax inspections. The court found for the Prim Group; nevertheless, the previous mortgage had not been cancelled at the closing date of these consolidated financial statements.

As of 31 December 2016, bonds had been provided 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 euros 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 57,343.10 euro at Prim and 1,066.39 euro at Enraf Nonius Ibérica, S.A.

As of 31 December 2017, the Group had provided bonds to third parties in guarantee of supplies (government tenders) for a total of 1,260,684.01 euro at Prim, S.A., and 139,040.70 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). Prim has also presented other minor bonds amounting to 177,172.71 euro.

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	CONSOLIDATED
	31.12.2017	31.12.2016
STRUCTURES	604,412.58	584,846.65
VEHICLES	1,107,073.71	1,257,332.75
FURNITURE	80,376.19	67,473.14
OFFICE EQUIPMENT	33,847.86	82,211.73
OTHERS	59,805.72	95,375.02
TOTAL	1,885,516.06	2,087,239.29

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 2016	375,314.45	1,205,134.75	399,167.99	1,979,617.19
As of 31 December 2017	360,528.36	1,162,768.90	193,580.51	1,716,877.77

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 2016	368,508.16	1,086,058.79	324,027.60	1,778,594.55
As of 31 December 2017	353,924.04	1,051,227.71	159,475.53	1,564,627.28

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

26. Business combinations

26. BUSINESS COMBINATIONS

On 26 November 2017, Prim, S.A. acquired 100% of Anota, S.A.U.
The acquisition-date fair values of the identifiable assets and liabilities of Anota, S.A.U. are as follows:

	Fair valued recognised on acquisition
Assets	1,436,484.38
A. Non-current assets	124,321.68
I. Intangible assets	29,604.15
II. Property, plant & equipment	79,517.53
V. Long-term financial assets	15,200.00
B. Current assets	1,312,162.70
II. Inventories	423,567.32
III. Trade and other accounts receivable	756,017.62
V. Short-term financial assets	28,523.94
VII. Cash and cash equivalents	104,053.82
C. Current liabilities	775,314.79
III. Short-term debt	164,641.30
IV. Short-term payable to group and associated undertakings	0.00
V. Trade and other accounts payable	610,673.49
VI. Short-term accruals	0.00

Total assets	1,436,484.38
Total liabilities	775,314.79
Total net identifiable assets at fair value	661,169.59
Goodwill	568,830.41
Consideration transferred	1,230,000.00

Goodwill in the amount of 568,830.41 euro includes the value of synergies expected from the acquisition and has been allocated in its entirety to the medical-hospital segment. The assets and liabilities contributed by ANOTA, S.A.U. to the PRIM Group were not remeasured but were incorporated into these financial statements at their carrying amounts on the books of ANOTA at the date of acquisition of control.

That goodwill is not expected to be deductible, either partly or wholly, for corporate income tax purposes.
In relation to the acquisition cost, the parties agreed to a fixed consideration of 1,230,000.00 euro plus a variable consideration as a function of attainment of a number of milestones (EBITDA, gross margin, etc.). As of 31 December 2017, the Parent Company's directors consider that, due to the uncertainties in connection with the achievement of those milestones, there was no need to recognise any liability in connection with that variable consideration.
Acquisition cash flow analysis:

	Under 1 year
Cash paid for this transaction at year-end	898,977.19
Cash acquired in the combination with the dependent company (including investing cash flows)	104,053.82
Net cash disbursed in the dependent company	794,923.37

Net assets recognised in the financial statements were based on provisional fair value estimates.

Since the acquisition date, ANOTA, S.A.U. contributed 271,351.38 euro in revenues and -4,689.29 euro in pre-tax income from continuing operations. If the business combination had been carried out at the beginning of the year, this line of business would have contributed 3,641,394.07 euro in net revenues from continuing operations and -65,690.87 euro in pre-tax income from continuing operations to the Prim Group.

27. Environmental aspects

27. ENVIRONMENTAL ASPECTS

During the year, the Group did not incorporate 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.

28 Disclosure of deferrals of payment to suppliers
Third additional provision."Duty of disclosure" under Law 15/2010 of July 5

28. 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).

	Group 31-12-17	Group 31-12-16
Total (number of days payment delay * amount of payment)	3,893,035,097.93	3,848,538,830.62
Total amount of payments made	83,609,580.10	77,355,971.44
Ratio of payments made	46.56	49.75
Total (number of days outstanding * amount outstanding)	248,430,122.42	227,252,705.84
Total amount of payments outstanding	6,582,747.48	6,445,314.39
Ratio of payments outstanding	37.74	35.26
Average supplier payment period. Numerator	4,141,465,220.35	4,075,791,536.46
Average supplier payment period. Denominator	90,192,327.58	83,801,285.83
Average supplier payment period.	45.92	48.64

29. Auditors' fees

29. AUDITORS' FEES

The fees paid to the auditor for auditing the 2017 consolidated financial statements amounted to 81,500 euro (74,400.00 euro in 2016). The auditor also provided non-audit services amounting to to 34,435.00 euro in 2017.

30. Subsequent events

30. SUBSEQUENT EVENTS

On 1 March 2018, the Board of Directors informed the Spanish National Securities Market Commission that Prim, S.A. had sold its minority holding in UK-based company Network Medical to SCP Medical Holdings (UK) Limited for a total of 800,000 pounds sterling.

Network Medical, Inc., a company engaged in the manufacture and distribution of products for otorhinolaryngology and optometrics, will continue to be core supplier for the Prim Group in the area of otorhinolaryngology, a field in which the two companies have had commercial relations for many years.

This document was authorised by the Board of Directors on 28 March 2018.

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

MR. VICTORIANO PRIM GONZÁLEZ	Chairman
MR. ANDRÉS ESTAIRE ÁLVAREZ	Vice-Chairman
MR. JOSÉ LUIS MEIJIDE GARCÍA	Director
MR. ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ	Director
MRS. BELÉN AMATRIAIN CORBI	Director
MR. IGNACIO ARRAEZ BERTOLIN	Director - Vice-Secretary

YEAR 2017

DIRECTORS' REPORT

1. Significant figures and business performance

1. SIGNIFICANT FIGURES AND BUSINESS PERFORMANCE.

	2017	Change	2016
Net sales			
Continuing operations	121,272,878.00	10.15%	110,099,596.92
Total	121,272,878.00	10.15%	110,099,596.92
Net operating income	15,232,149.59		13,023,539.77
Period depreciation and amortisation	2,496,367.23		2,068,282.59
Variation in operating provisions	-120,129.82		236,767.55
EBITDA	17,608,387.00	14.87%	15,328,589.91
Consolidated income before tax			
Continuing operations	18,278,723.53		14,890,094.83
Total	18,278,723.53	22.76%	14,890,094.83
Income for the year attributed to			
parent company	13,897,881.53	6.12%	13,096,662.80
non-controlling interests	0.00		0.00
Equity			
Attributable to equity holders of the parent company	106,067,005.22	5.18%	100,844,902.20
Non-controlling interests	0.00		0.00
Average workforce in the year			
Sales and technical staff	242.00	4.31%	232.00
Clerical staff	156.88	12.05%	140.00
Plant staff	138.00	0.73%	137.00
Total	536.88	5.48%	509.00
Earnings per share (*)			
Income for the year	13,897,881.53	6.12%	13,096,662.80
No. of shares	17,326,694.51	3.53%	16,736,051.67
Basic	0.80	2.56%	0.78
Income for the year	13,897,881.53	6.12%	13,096,662.80
No. of shares	17,326,694.51	3.53%	16,736,051.67
Diluted	0.80	2.56%	0.78

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

	2017	Change	2016
Debt ratio			
Total debt	31,698,999.82	15.49%	27,446,857.64
Total assets	137,766,005.04	7.38%	128,291,759.84
	0.23	9.52%	0.21
Gearing			
Long-term interest-bearing debt	0.00		0.00
Short-term interest-bearing debt	2,140,032.82	30.39%	1,641,258.54
Total interest-bearing debt	2,140,032.82	30.39%	1,641,258.54
Total assets	137,766,005.04	7.38%	128,291,759.84
	0.016	21.42%	0.013

1.1. Business performance and changes in the economic environment

In the international arena, the tension arising from the nuclear crisis with North Korea seemed to ease after the recent Winter Olympics, which led to rapprochement betwen the two Koreas.

However, the situation in the Middle East continues to worsen and, following the apparent fall of the Islamic State, new tensions have emerged mainly in Syria (following Turkey's decision to send troops to Syrian territory in order to attack Kurdish positions) and in Israel (after the decision of the United States to move its embassy in Israel to Jerusalem, which has strained relations with the Palestinian Authority).

In Spain, the uncertainty surrounding the Catalan independence process remains unresolved. Following elections in December 2017, the political situation remains confused since pro-independence parties hold a parliamentary majority but have not yet reached an agreement on the formula to appoint a President and establish a regional government capable of dispelling the existing uncertainties, while opinion polls show that support for Catalan independence has declined considerably.

Nevertheless, the economic situation seems to be improving, as evidenced by the recent expert forecasts for the housing market, projecting an increase of 5% in prices and up to 20% in rents in 2018.

Also important is the USD's depreciation against the EUR in recent months.

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.

		2017	Change	2016
Total segment revenues				
	Medical-hospital segment	122,014,253.65	8.88%	112,058,009.15
	Real estate segment	484,889.74	27.50%	380,311.58
		122,499,143.39	8.95%	112,438,320.73
Net operating income				
	Medical-hospital segment	15,225,935.25	16.08%	13,117,243.27
	Real estate segment	6,214.34	-106.63%	-93,703.50
		15,232,149.59	16.96%	13,023,539.77
Total asset volume				
	Medical-hospital segment	134,618,673.90	7.65%	125,055,728.68
	Real estate segment	3,147,331.14	-2.74%	3,236,031.16
		137,766,005.04	7.38%	128,291,759.84

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. Significant figures and business performance

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 9,457,389.26 euro in 2017 and a positive variation of 2,415,606.12 euro in 2016.

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 went from 0.013 in 2016 to 0.016 in 2017, a 21.42% increase, mainly because of the increase in liabilities as a result of acquisitions in 2017 (Anota, S.A.U.).

That same table also shows that the Consolidated Group's indebtedness was practically stable with respect to 2016 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 2017:

1. New MOTTIO epicondylitis strap
2. New MOTTIO patella support
3. New line of multiband back supports
4. Neoprene hot/cold band
5. New Action Fit support
6. New Aqtivo knitwear garments
7. Elcross Lux corsets in beige
8. Elcross Lux corsets in grey
9. New Spinair trunk orthosis
10. Duoplus sling (Nordicare)
11. New C35 Basic Slim frame
12. 3cm finger splint
13. 21" Velcro strap
14. Neoprene range for Sanico
15. New neoprene range
16. Development of 124 and 128 knee supports in beige (Basko)
17. New Swash

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 2016, own shares were purchased and sold, ending the year with 15,847 shares, i.e. 0.09% of capital stock, with a carrying amount of 132,008.70 euro.
During 2017, own shares were purchased and sold, ending the year with 20,697 shares, i.e. 0.11% of capital stock, with a carrying amount of 179,092.29 euro.

4. Subsequent events

4. SUBSEQUENT EVENTS

On 1 March 2018, the Board of Directors informed the Spanish National Securities Market Commission that Prim, S.A. had sold its minority holding in UK-based company Network Medical to SCP Medical Holdings (UK) Limited for a total of 800,000 pounds sterling.

Network Medical, Inc., a company engaged in the manufacture and distribution of products for otorhinolaryngology and optometrics, will continue to be core supplier for the Prim Group in the area of otorhinolaryngology, a field in which the two companies have had commercial relations for many years.

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:

Shareholder	% of total voting rights
CARTERA DE INVERSIONES MELCA, S.L.	10.493
COMENGE SANCHEZ- REAL JOSE IGNACIO	13.928
FID LOW PRICED STOCK FUND	5.950
FMR LLC	9.998
GARCIA BECERRIL DANIEL	12.550
ONCHENA, S.L.	5.025
PRIM GONZALEZ, MARIA DOLORES	5.633
RUIZ ALDA RODRI, FRANCISCO JAVIER	4.519
YBARRA CAREAGA, CARMEN	5.861

Shareholder (Director)	% of total voting rights
Amatrian Corbi, María Belén	0.000
Arraez Bertolín, Ignacio	0.019
Estaire Álvarez, Andrés	0.937
Giménez-Reyna Rodríguez, Enrique	0.017
Meijide García, José Luis	0.669
Prim González, Victoriano	9.437

5.4. Restrictions on voting rights

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

5.5. Shareholder agreements

There are no shareholder agreements.

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

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

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

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

Under article 13 of the Board of Directors Regulation, directors' duties include the obligation to resign if their continuance on the Board might jeopardise the Board's 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.

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.

The Shareholders' Meeting on 24 June 2017 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 18 June 2016.

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. Disclosure under Royal Decree 1362/2007

6. DISCLOSURE 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. ...

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 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.

The report of reference is available on the Company's website, www.prim.es, and on the official website of the Spanish National Securities Market Commission, www.cnmv.es.

9. Disclosure of non-financial information

9. DISCLOSURE OF NON-FINANCIAL INFORMATION

In accordance with the provisions of Directive 2013/34/EU and Article 49 of the Spanish Commercial Code, as amended by Royal Decree-Law 18/2017, of 24 November, amending the Commercial Code, the consolidated text of the Capital Companies Law approved by Legislative Royal Decree 1/2010, of 2 July, Law 22/2015, of 23 July, on Auditing, in connection with non-financial disclosures and diversity, the Disclosure of Non-Financial Information was authorised by the directors along with the Consolidated Financial Statements and Consolidated Directors' Report of Prim, S.A. and dependent companies for the year ended 31 December 2017.

The report of reference is available on the Company's website, www.prim.es, and on the official website of the Spanish National Securities Market Commission, www.cnmv.es.

This document was authorised by the Board of Directors on 28 March 2018.

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

MR. VICTORIANO PRIM GONZÁLEZ	Chairman
MR. ANDRÉS ESTAIRE ÁLVAREZ	Vice-Chairman
MR. JOSÉ LUIS MEIJIDE GARCÍA	Director
MR. ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ	Director
MRS. BELÉN AMATRIAIN CORBI	Director
MR. IGNACIO ARRAEZ BERTOLIN	Director - Vice-Secretary

AUDITORS' REPORT

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Building a better working world

INFORME DE AUDITORÍA DE ESTADOS CONSOLIDADOS EMITIDO POR UN AUDITOR INDEPENDIENTE

A los accionistas de PRIM, S.A.:

Informe sobre los estados consolidados

Opinión

Hemos auditado los estados consolidados de PRIM, S.A. (la Sociedad Dominante), y sus sociedades dependientes (el Grupo) que comprenden el estado consolidado de situación financiera a 31 de diciembre de 2017, el estado consolidado de resultado, el estado consolidado de resultado global, el estado consolidado de cambios en el patrimonio neto, el estado consolidado de flujos de efectivo y las notas a los estados consolidados correspondientes al ejercicio anual terminado en dicha fecha.

En nuestra opinión, los estados consolidados adjuntos expresan, en todos los aspectos significativos, la imagen fiel del patrimonio consolidado y de la situación financiera consolidada del Grupo a 31 de diciembre de 2017, así como de sus resultados consolidados y flujos de efectivo consolidados correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea (NIIF-UE), y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de los estados consolidados* de nuestro informe.

Somos independientes del Grupo de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de los estados consolidados en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

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

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de los estados consolidados del periodo actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de los estados consolidados en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

Fondo de comercio e intangibles generados en las combinaciones de negocio con Laboratorios Milo S.L. y Anota S.A.U.

Descripción

El balance consolidado al 31 de diciembre de 2017 adjunto incluye determinados inmovilizados intangibles (básicamente marcas y cartera de clientes) y fondos de comercio derivados de la combinación de negocios originada en la adquisición de una rama de actividad a la sociedad Laboratorios Milo, S.L. efectuada en el ejercicio 2016, así como el fondo de comercio surgido de la combinación de negocios realizada con la sociedad Anota S.A.U. efectuada en el ejercicio 2017, tal y como se describe en las notas 5 y 10 de la memoria consolidada adjunta, que ascienden, en valor neto contable a:

- Fondo de comercio (Milo y Anota) - 2.601 miles de euros
- Marcas (Milo) - 2.181 miles de euros
- Cartera de clientes (Milo) - 550 miles de euros.

Hemos considerado que este área es una cuestión clave de nuestra auditoría por la significatividad de los importes y por la alta sensibilidad que presentan las asunciones consideradas por la Dirección como, por ejemplo, la tasa de crecimiento a largo plazo, la tasa de descuento y los distintos escenarios e hipótesis realizados sobre la información financiera proyectada en los planes de negocio del segmento hospitalario.

La descripción del saldo, los movimientos y el análisis de recuperabilidad realizado por la Dirección sobre los fondos de comercio, marcas y cartera de clientes anteriormente mencionados se encuentran recogidos en las notas 5,10 y 26 de la memoria consolidada adjunta.

Nuestra respuesta

En relación con esta área, nuestros procedimientos de auditoría han incluido, entre otros:

- La revisión de los modelos utilizados por la Dirección del Grupo, en colaboración con nuestros especialistas de valoraciones, cubriendo, en particular, el análisis matemático de los mismos, así como el análisis de los flujos de caja proyectados, la revisión de las tasas de descuento y de la razonabilidad de las tasas de crecimiento a largo plazo, así como revisión de los análisis de sensibilidades realizados por la Dirección del Grupo.
- La revisión de los desgloses incluidos en la memoria consolidada.

Reconocimiento de ingresos

Descripción Los ingresos por ventas de productos se reconocen una vez que los riesgos y beneficios significativos inherentes a la propiedad de los bienes se han transferido al comprador en la fecha de cierre de ejercicio y el resultado total de la transacción puede ser estimado con fiabilidad. El reconocimiento de ingresos es una de las áreas fundamentales en las que la Dirección debe realizar un proceso de estimación de la cuantía y el momento de la emisión de las correspondientes notas de abono, y por ello hemos considerado como una cuestión clave de nuestra auditoría el riesgo de que se produzca una anticipación en el reconocimiento de los ingresos en torno al cierre del ejercicio.

Hemos considerado este asunto como cuestión clave en nuestra auditoría debido al volumen de descuentos e incentivos existentes, así como por las estimaciones que la Dirección debe realizar en relación con el registro de algunos de los mismos al cierre del ejercicio.

Los desgloses relacionados con el criterio de reconocimiento de ingresos del Grupo así como la información relativa a ingresos por segmentos se encuentran recogidos, respectivamente, en las notas 3.12 y 23 de la memoria consolidada adjunta.

Nuestra respuesta En relación con esta área, nuestros procedimientos de auditoría han incluido, entre otros:

- El entendimiento de las políticas y procedimientos de reconocimiento de ingresos por ventas, así como su aplicación, incluyendo un análisis de la efectividad de los controles relevantes de los procesos de reconocimiento de ingresos.
- La realización de procedimientos analíticos sustantivos consistentes en una revisión de la evolución de ingresos y costes de venta y un análisis de correlaciones entre cuentas asociadas a ingresos.
- La realización de procedimientos de corte de operaciones para una muestra de transacciones de ingresos por ventas en torno al cierre del ejercicio de cara a concluir si las mismas se reconocieron contablemente en el periodo correcto, en base a su devengo, y por el importe correcto.
- El análisis de las notas de abono emitidas con posterioridad al cierre del ejercicio.

Otra información: Informe de gestión consolidado

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2017, cuya formulación es responsabilidad de los administradores de la Sociedad dominante y no forma parte integrante de las cuentas anuales consolidadas.

Nuestra opinión de auditoría sobre las cuentas anuales consolidadas no cubre el informe de gestión consolidado. Nuestra responsabilidad sobre la información contenida en el informe de gestión consolidado se encuentra definida en la normativa reguladora de la actividad de auditoría de cuentas, que establece dos niveles diferenciados sobre la misma:

a. Un nivel específico que resulta de aplicación al estado de la información no financiera, así como a determinada información incluida en el Informe de Gobierno Corporativo, según se define en el art. 35.2. b) de la Ley 22/2015, de Auditoría de Cuentas, que consiste en comprobar únicamente que la citada información se ha facilitado en el informe de gestión y en caso contrario, a informar sobre ello.

b. Un nivel general aplicable al resto de la información incluida en el informe de gestión, que consiste en evaluar e informar sobre la concordancia de la citada información con las cuentas anuales consolidadas, a partir del conocimiento del Grupo obtenido en la realización de la auditoría de las citadas cuentas y sin incluir información distinta de la obtenida como evidencia durante la misma, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión consolidado son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito en el párrafo anterior, hemos comprobado que la información específica mencionada en el apartado a) anterior ha sido facilitada en el informe de gestión consolidado y el resto de la información que contiene el informe de gestión concuerda con la de las cuentas anuales del ejercicio 2017 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores de la Sociedad dominante y de la Comisión de Auditoría en relación con los estados consolidados

Los administradores de la Sociedad dominante son responsables de formular los estados consolidados adjuntos, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados del Grupo, de conformidad con las NIIF-UE 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 estados consolidados libres de incorrección material, debida a fraude o error.

En la preparación de los estados consolidados, los administradores de la Sociedad dominante son responsables de la valoración de la capacidad del Grupo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

La Comisión de Auditoría de la Sociedad dominante es responsable de la supervisión del proceso de elaboración y presentación de los estados consolidados.

Responsabilidades del auditor en relación con la auditoría de los estados consolidados

Nuestros objetivos son obtener una seguridad razonable de que los estados consolidados en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose los estados consolidados.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en los estados consolidados, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.
- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar 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 del Grupo.
- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores de la Sociedad dominante.
- Concluimos sobre si es adecuada la utilización, por los administradores de la Sociedad dominante, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Grupo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en los estados consolidados o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que el Grupo deje de ser una empresa en funcionamiento.
- Evaluamos la presentación global, la estructura y el contenido de los estados consolidados, incluida la información revelada, y si los estados consolidados representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.
- Obtenemos evidencia suficiente y adecuada en relación con la información financiera de las entidades o actividades empresariales dentro del grupo para expresar una opinión sobre los estados consolidados. Somos responsables de la dirección, supervisión y realización de la auditoría del grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Nos comunicamos con la Comisión de Auditoría de la Sociedad dominante en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la Comisión de Auditoría de la Sociedad dominante una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la Comisión de Auditoría de la Sociedad dominante determinamos las que han sido de la mayor significatividad en la auditoría de los estados consolidados del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

Informe sobre otros requerimientos legales y reglamentarios

Informe adicional para la Comisión de Auditoría de la Sociedad dominante

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría de la Sociedad Dominante de fecha 6 de abril de 2018.

Periodo de contratación

La Junta General de Accionistas celebrada el 27 de junio de 2015 nos nombró como auditores del Grupo por un período de 3 años, contados a partir del ejercicio finalizado el 31 de diciembre de 2015.

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

ERNST & YOUNG, S.L.

Año 2018 Nº 01/18/04188
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
(Inscrito en el Registro Oficial de Auditores de Cuentas con el Nº 18189)

6 de abril de 2018

(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

Opinion

We have audited the consolidated financial statements of PRIM, S.A. (the "Parent Company") and subsidiaries (the "Group") consisting of the consolidated statement of financial position as of 31 December 2017, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, and the notes to the consolidated financial statements for the year then ended.

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 the Group as of 31 December 2017 and the 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 (EU-IFRS) and the other provisions of the financial reporting regulatory framework that are applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the section of our report entitled *Auditor's responsibility for the audit of the consolidated financial statements*.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are applicable to our audit of consolidated financial statements in Spain, in accordance with legislation governing the audit practice. In this regard, we have not provided services other than those relating to the audit of the accounts, and no situations or circumstances have arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such as to compromise it.

We believe that the audit evidence is a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill and intangibles generated in the business combinations with Laboratorios Milo, S.L. and Anota, S.A.U.

Description	The consolidated balance sheet as of 31 December 2017 includes certain intangible assets (basically brands and customer portfolio) and goodwill derived from the business combinations arising in the acquisition of a line of business from the company Laboratorios Milo, S.L. in 2016, and the goodwill derived from the business combination performed with the company Anota, S.A.U. that took place in 2017, as described in notes 5 and 10 of the accompanying notes to the consolidated financial statements, whose net carrying amount is as follows: • Goodwill (Milo and Anota) - 2,601 thousand euro • Brands (Milo) - 2,181 thousand euro • Customer portfolio (Milo) - 550 thousand euro.

	We considered this area to be a key audit matter because of the materiality of the amounts and because of the high sensitivity of management's assumptions, such as the long-term growth rate, the discount rate and the scenarios and assumptions made with regard to the projected financial information in the business plans for the hospital segment. The description of the balance, movements and recoverability analysis performed by management with respect to the goodwill, brands and customer portfolio referred to above is set out in notes 5.10 and 26 of the accompanying notes to consolidated financial statements.
Our response	In connection with this area, our audit procedures included, among others: • A review of the models used by Group management, in cooperation with our measurement specialists, focusing particularly on the mathematical analysis of same, and the analysis of the cash flow projections, a review of the discount rates and of the reasonableness of the long-term growth rates, and a review of the sensitivity analyses performed by Group management. • A review of the disclosures set out in the notes to consolidated financial statements.

[page 3]

Revenue recognition

Description	Revenues for product sales are recognised once the material risks and benefits inherent to ownership of the goods have been transferred to the buyer on the closing date and the total result of the transaction can be estimated reliably. The recognition of revenues is one of the fundamental areas in which management must perform a process of estimating the amount and timing of the issuance of the corresponding credit notes and, therefore, we considered the risk of early recognition of revenues around year-end to be a key audit matter. We considered this to be a key issue in our audit due to the volume of discounts and incentives, and to the estimates that management must make in relation to the recognition of some of them at the end of the year. The disclosures relating to the Group's revenue recognition criteria and the information related to segment revenues are set out, respectively, in notes 3.12 and 23 of the accompanying notes to consolidated financial statements.
Our response	In connection with this area, our audit procedures included, among others: • Understanding the policies and procedures for the recognition of sales revenues, and their application, including an analysis of the effectiveness of the relevant controls in the revenue recognition processes. • The performance of substantive analytical procedures consisting of a review of the trend in revenues and cost of sales and an analysis of the correlations between revenue-related accounts. • The performance of transaction cut-off procedures for a sample of sales revenue transactions around the year-end closing date in order to conclude as to whether they were recognised for accounting purposes in the correct period, based on their accrual, and for the proper amount. • Analysis of the credit notes issued following year-end.

Other information: Consolidated directors' report

Other information comprises only the consolidated directors’ report for 2017, the formulation of which is the responsibility of the Parent Company's directors and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the directors' report. Our responsibility for the information contained in the consolidated directors' report is defined in the regulations governing auditing, which establish two different levels in this connection:

a. A specific level arising from the application to the statement of non-financial information, and to certain information contained in the Corporate Governance Report, as defined in article 35.2.b) of Law 22/2015, on Auditing, which consists solely of checking that the aforementioned information is provided in the directors' report and, if not, to report on this.
b. A general level applicable to the rest of the information contained in the directors' report, which consists of evaluating and reporting on the consistency between that information and the consolidated financial statements based on the knowledge of the Group obtained during the audit of the aforementioned financial statements, but not including information different to that obtained as evidence during the audit, and of assessing and reporting on whether the content and presentation of this part of the consolidated directors' report conform to the applicable standards. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the preceding paragraph, we ascertained that the specific information referred to in section a) above was provided in the consolidated directors' report and that the rest of the information contained in the directors' report is consistent with the 2017 financial statements, and its content and presentation conform to the applicable standards.

Responsibility of the Parent Company's directors and Audit Committee in connection with the consolidated financial statements

The directors of the Parent Company are responsible for authorising the accompanying consolidated financial statements such as to give a true and fair view of the equity, financial position and results of the Group in accordance with the EU-IFRS and the other provisions of the financial reporting regulatory framework that are applicable to the Group in Spain, and for 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.

In preparing the consolidated financial statements, the directors of the Parent Company are responsible for assessing the Group's ability to continue as a going concern, disclosing any going concern issues and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent Company's Audit Committee is responsible for supervising the process of drawing up and presenting the consolidated financial statements.

Auditor's responsibility for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when one exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions that users make on the basis of the consolidated financial statements.

As part of an audit in accordance with the legislation governing the audit practice in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, in the consolidated financial statements, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the evasion of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company's directors.
- Conclude on the appropriateness of the use by the Parent Company's directors of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to qualify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that provides a true and fair view.
- Obtain sufficient appropriate evidence in connection with the financial information for undertakings or business activities within the group in order to be able to express an opinion on the consolidated financial statements. We are responsible for directing, overseeing and performing the audit of the group. We have sole responsibility for our audit opinion.

We communicated with the Parent Company's Audit Committee regarding, among other matters, the scope and timing of the planned audit and significant audit findings, as well as any significant deficiencies in internal control that we identify during our audit.

We also provided the Parent Company's Audit Committee with a statement that we have complied with the applicable ethical requirements, including those relating to independence, and we communicated to inform it of any matters that may reasonably be thought to bear on our independence and any related safeguards.

From the matters notified to the Parent Company's Audit Committee, we determined those that were of most significance in the audit of the consolidated financial statements for the current period and are, therefore, the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Information about other legal and regulatory requirements

Additional information for the Parent Company's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent Company's Audit Committee dated 6 April 2018.

Engagement period

The Shareholders' Meeting held on 27 June 2015 appointed us as auditors of the Group for a period of three years from the year ended 31 December 2015.

Prim, S.A

Financial statements and directors' report for the year ended 31 December 2017

2017 AND 2016

BALANCE SHEET
STATEMENT OF INCOME
STATEMENT OF RECOGNISED REVENUES AND EXPENSES
TOTAL STATEMENT OF CHANGES IN EQUITY
CASH FLOW STATEMENTS

PRIM, S.A.

BALANCE SHEET AS OF 31 DECEMBER 2017 AND 2016

Expressed in euro		31.12.2017	31.12.2016
Assets	Note	132,747,768.18	117,259,639.28
A. Non-current assets		40,397,887.86	42,348,747.80
I. Intangible assets	5	6,174,697.69	6,620,509.36
3. Patents, licences, brands and similar		2,205,783.98	2,462,887.46
4. Goodwill		3,037,196.92	3,397,796.44
5. Computer software		382,152.55	147,453.82
6. Other intangible assets		549,564.24	612,371.64
II. Property, plant & equipment	6	7,776,110.04	7,604,607.94
1. Land and structures		3,068,707.82	3,198,461.06
2.Plant and other property, plant and equipment		4,657,920.97	4,401,322.28
3. Construction in progress and advances		49,481.25	4,824.60
III. Investment property	7	3,147,331.14	3,236,031.16
1. Land		489,460.99	489,460.99
2. Structures and other facilities		2,657,870.15	2,746,570.17
IV. Long-term investment in group and associated undertakings	8	5,198,437.69	4,933,339.03
1. Equity instruments (group undertakings)		5,198,437.69	4,554,008.02
6. Equity instruments (associated undertakings)		0.00	379,331.01
V. Long-term financial assets	9	17,816,908.84	19,567,720.85
1. Equity instruments	9.1	105,373.79	3,234,309.79
3. Other receivables from third parties	9.2	2,000,000.00	0.00
4. Debt securities	9.3	15,610,177.04	16,227,607.56
6. Other financial assets	9.2	101,358.01	105,803.50
VI. Deferred tax assets	15	284,402.46	386,539.46
B. Current assets		92,349,880.32	74,910,891.48
I. Non-current assets available for sale	8	379,331.01	0.00
II. Inventories	10	37,661,511.80	29,650,120.56
1. Commercial inventories		31,174,170.68	22,096,330.32
2. Raw materials and other purchases		1,868,032.00	2,144,777.00
3. Products in process		727,712.00	733,516.00
4. Finished products		2,298,268.00	2,370,613.00
6. Supplier advances		1,593,329.12	2,304,884.24
III. Trade and other accounts receivable		30,740,914.74	28,402,284.14
1. Trade receivables for sales and services	9.2.2	29,856,323.66	28,144,388.65
2. Customer receivables—group and associated undertakings	9.2.2 y 18.1	727,840.00	71,308.00
5. Personnel receivables	9.2.2	146,428.20	116,713.91
7. Other receivables from public authorities	15 y 9.2.2	10,322.88	69,873.58
IV. Short-term investment in group and associated undertakings	18	229,672.18	0.00
3. Loans to group and associated undertakings		229,672.18	0.00
V. Short-term financial assets		9,733,111.68	12,736,946.38
1. Equity instruments	9,1	5,750,234.68	5,736,946.38
2. Loans to companies		1,382,877.00	0.00
5. Other financial assets	9,3	2,600,000.00	7,000,000.00
VI. Short-term accruals		0.00	3,941.24
VII. Cash and cash equivalents		13,605,338.91	4,117,599.16
1. Cash	11	13,605,338.91	4,117,599.16

EQUITY AND LIABILITIES		132,747,768.18	117,259,639.28
A. Equity		103,565,013.88	94,250,484.74
A.1. Shareholder's equity		103,027,605.16	93,985,017.33
I. Capital	12.1	4,336,781.00	4,336,781.00
1. Share capital		4,336,781.00	4,336,781.00
II. Share premium	12.2	1,227,059.19	1,227,059.19
III. Reserves		87,019,300.39	78,624,813.36
1. Legal and bylaw reserves		1,153,637.59	1,153,637.59
2. Revaluation reserve	12.3	578,507.47	578,507.47
3. Reserve for amortised capital	12.3	1,256,814.96	1,256,814.96
4. Capitalisation reserve		447,993.58	19,951.66
5. Other reserves		83,582,346.79	75,615,901.68
IV. (Own shares and equity instruments)	12.4	-179,092.29	-132,008.70
VII. Income for the year	3	12,531,740.51	10,969,199.92
VIII. (Interim dividend)	12.5	-1,908,183.64	-1,040,827.44
A.2. Value adjustments	13	537,408.72	265,467.41
I. Available-for-sale financial assets		537,408.72	265,467.41
B. Non-current liabilities		2,670,743.82	3,805,484.45
II. Long-term debt		2,248,712.07	3,350,171.30
5. Other financial liabilities	14.2	2,248,712.07	3,350,171.30
IV. Deferred tax liabilities	15.2	422,031.75	455,313.15
C. Current liabilities		26,512,010.48	19,203,670.09
III. Short-term debt		4,368,479.34	2,635,230.45
2. Bank loans	14.1	1,932,345.46	1,332,978.64
5. Other financial liabilities	14.2	2,436,133.88	1,302,251.81
IV. Short-term payable to group and associated undertakings	14.3	589,735.11	589,735.11
V. Trade and other accounts payable		21,553,796.03	15,978,704.53
1. Supplier accounts payable	14.4	10,783,837.90	7,814,556.28
2. Supplier accounts payable—group and associated undertakings	18.1 14.4	217,424.57	71,935.00
3. Sundry creditors	14.4	3,322,490.04	2,470,918.56
5. Personnel (compensation payable)	14.4	3,780,805.66	3,283,503.76
6. Current tax liabilities	14.4 15	757,933.91	307,666.06
7. Other debt to public authorities	14.4	1,876,183.67	1,498,128.74
8. Customer advances	14.4	815,120.28	531,996.13

PRIM, S.A.

STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2017 AND 2016

1. Net sales	16	112,483,233.78	90,307,497.86
a. Revenues		109,385,168.81	89,223,083.84
b. Sales to group and associated undertakings	18.1	1,385,401.00	542,968.00
c. Services provided		1,712,663.97	541,446.02
2. Change in finished goods and work-in-process inventories	16	-107,538.00	462,046.00
4. Procurements	162	-53,791,151.10	-41,511,611.37
a. Merchandise consumed		-47,508,727.60	-35,849,812.84
b. Merchandise consumed—group and associated undertakings		-425,146.57	-130,005.00
c. Raw materials and other consumables consumed		-5,047,746.74	-4,667,594.87
d. Work performed by other companies		-577,500.19	-659,514.66
e. Impairment of merchandise, raw materials and other procurements	10	-232,030.00	-204,684.00
5. Other operating revenues	16	1,283,947.20	1,407,459.85
a. Sundry and other current revenues		464,213.24	473,650.15
b. Sundry and other current revenues, group and associated undertakings	18.1	161,701.00	622,393.44
c. Operating subsidies recognised in profit or loss		54,097.64	37,323.75
d. Other income. Extraordinary revenues		603,935.32	274,092.51
6. Personnel expenses		-28,459,183.76	-24,604,060.58
a. Wages, salaries and similar		-23,377,477.84	-20,228,805.96
b. Employee welfare expenses	16.3	-5,081,705.92	-4,375,254.62
7. Other operating expenses		-15,250,523.44	-13,700,327.80
a. Outside services	16.4	-14,910,833.57	-13,114,465.33
b. Outside services, group and associated undertakings	16.4	-196,069.44	-195,944.44
c. Taxes other than income tax		-290,600.78	-261,323.75
d. Losses, impairment and change in trade provisions		372,023.58	57,263.89
e. Other current operating expenses		-225,043.23	-174,079.58
f. Other income. Exceptional expenses		0.00	-11,778.59
8. Depreciation and amortisation	5, 6 y 7	-2,732,213.53	-2,149,401.26
11. Impairment losses and income from disposal of assets		11,525.85	0.00
b. Income from disposals, etc.		11,525.85	0.00
A1. Operating income		13,438,097.00	10,211,602.70
12. Financial revenues	16.5	1,736,367.85	1,404,545.96
a. Equity instruments		300,598.02	231,730.79
a1. Group and associated undertakings	8.2	105,809.12	120,075.23
a2. Third parties		194,788.90	111,655.56
b. Marketable securities and other financial instruments		1,435,769.83	1,172,815.17
b1. Group and associated undertakings		17,388.60	0
b2. Third parties		1,418,381.23	1,172,815.17
13. Financial expenses	16.6	-36,397.47	-53,957.21
a. On debts to group and associated undertakings	18.1	-8,256.29	-22,256.29
b. On debts to third parties		-28,141.18	-31,700.92
15. Exchange differences	16.7	-24,492.47	552,106.39
a. Exchange gains		8,183.29	552,106.39
b. Exchange losses		-32,675.76	0
16. Impairment and gain/loss on disposal of financial instruments	16.10	1,394,709.37	-17,708.47
a. Impairments and losses		-28,768.00	-5,247.47
b. Income from disposals, etc.		1,423,477.37	-12,461.00
A2. Financial income		3,070,187.28	1,884,986.67
A3. Income before tax		16,508,284.28	12,096,589.37
17. Corporate income tax	15.1	-3,976,543.77	-1,127,389.45
A4. Income for the year from continuing operations		12,531,740.51	10,969,199.92
A5. Income for the year	3	12,531,740.51	10,969,199.92

Statement of recognised revenues and expenses for the years ended 31 December 2017 and 2016 (Expressed in euro)

	Notes	2017	2016
A. Income for the year (from income statement)	3	12,531,740.51	10,969,199.92
B. Revenues and expenses recognised directly through equity:		-191,952.30	-31,599.18
1. Valuation of financial instruments		-214,872.60	-42,132.24
a. Available-for-sale financial assets		-214,872.60	-42,132.24
b. Other revenues/(expenses)		0.00	0.00
2. Cash flow hedges		0.00	0.00
3. Subsidies, donations and bequests received		0.00	0.00
4. Actuarial gains and losses and other adjustments		0.00	0.00
5. Other revenues and expenses directly through equity		0.00	0.00
6. Tax effect		22,920.30	10,533.06
C. Transfers to profit or loss		463,893.61	0.00
1. Valuation of financial instruments		463,893.61	0.00
a. Available-for-sale financial assets	9.3	463,893.61	0.00
b. Other revenues/(expenses)		0.00	0.00
2. Cash flow hedges		0.00	0.00
3. Subsidies, donations and bequests received		0.00	0.00
4. Other revenues and expenses directly through equity		0.00	0.00
5. Tax effect	15.2	0.00	0.00
TOTAL RECOGNISED REVENUES / (EXPENSES) (A+B+C)	3	12,803,681.82	10,937,600.74

a) Statement of total changes in equity for the year ended 31 December 2017 (Expressed in euro)

	Shareholder's equity						
	Capital	Share premium and reserves	Interim dividend	Own shares and equity instruments	Income for the year	Value adjustments	Total equity
NOTES	12	12	12	12	3	13	
Beginning balance 01.01.2017	4,336,781.00	79,851,872.55	-1,040,827.44	-132,008.70	10,969,199.92	265,467.41	94,250,484.74
I. Total recognised revenues/(expenses)	0.00	0.00	0.00	0.00	12,531,740.51	271,941.31	12,803,681.82
II. Transactions with shareholders or owners	0.00	5,404,964.15	-867,356.20	-47,083.59	-7,979,677.04	0.00	-3,489,152.68
1. Capital increase/(reduction)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Conversion of financial liabilities into equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Distribution of dividends	0.00	0.00	1,040,827.44	0.00	-7,979,677.04	0.00	-6,938,849.60
4. Transactions with own shares and equity instruments (net) (12.4)	0.00	2,836.07	0.00	-47,083.59	0.00	0.00	-44,247.52
5.Increase/(decrease) due to business combinations (Note 20)	0.00	5,392,836.79	0.00	0.00	0.00	0.00	5,392,836.79
6. Other transactions with shareholders or owners	0.00	9,291.29	-1,908,183.64	0.00	0.00	0.00	-1,898,892.35
III. Other changes in equity	0.00	2,989,522.88	0.00	0.00	-2,989,522.88	0.00	0.00
1. Payments based on equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Transfers between equity items	0.00	2,989,522.88	0.00	0.00	-2,989,522.88	0.00	0.00
3. Other changes (Note 20)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending balance 31.12.2017	4,336,781.00	88,246,359.58	-1,908,183.64	-179,092.29	12,531,740.51	537,408.72	103,565,013.88

b) Statement of total changes in equity for the year ended 31 December 2016 (Expressed in euro)

	Shareholder's equity						
	Capital	Share premium and reserves	Interim dividend	Own shares and equity instru-ments	Income for the year	Value adjustments	Total equity
NOTES	12	12	12	12	3	13	
Beginning balance 01.01.2016	4,336,781.00	76,593,111.32	-954,091.82	-2,088,750.18	9,526,394.30	297,066.59	87,710,511.21
I. Total recognised revenues/(expen-ses)	0.00	0.00	0.00	0.00	10,969,199.92	-31,599.18	10,937,600.74
II. Transactions with shareholders or owners	0.00	237,538.43	-86,735.62	1,956,741.48	-6,505,171.50	0.00	-4,397,627.21
1. Capital increase/(reduction)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Conversion of financial liabilities into equity		0.00	0.00	0.00	0.00	0.00	0.00
3. Distribution of dividends	0.00	0.00	954,091.82	0.00	-6,505,171.50	0.00	-5,551,079.68
4. Transactions with own shares and equity instru-ments (net) (12.4)		0.00	0.00	0.00	1,956,741.48	0.00	2,077,955.51
5. Increase/(decrease) due to business combinations		0.00	0.00	0.00	0.00	0.00	0.00
6. Other transactions with sharehol-ders or owners	0.00	116,324.40	-1,040,827.44	0.00	0.00	0.00	-924,503.04
III. Other changes in equity	0.00	3,021,222.80	0.00	0.00	-3,021,222.80	0.00	0.00
1. Payments based on equity instru-ments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Transfers between equity items	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Other changes (Note 20)	0.00	3,021,222.80	0.00	0.00	-3,021,222.80	0.00	0.00
Ending balance 31.12.2016	4,336,781.00	79,851,872.55	-1,040,827.44	-132,008.70	10,969,199.92	265,467.41	94,250,484.74

Cash flow statements for the years ended 31 December 2017 and 2016 (Expressed in euro)

	Notes	2017	2016
A. Operating cash flow			
1. Income before taxes		16,508,284.28	12,096,589.37
2. Adjustments to income:		-465,511.83	374,510.95
+a. Depreciation and amortisation	5, 6, 7	2,732,213.53	2,149,401.26
+/-b. Impairment	10	232,030.00	204,684.00
+/-c. Variation in provisions		-372,023.58	-57,263.89
+/-d. Allocation of subsidies		-54,097.64	-37,323.75
+/-e. Gain/loss on derecognition and disposal of fixed assets		-11,525.85	0.00
+/-f. Gain/loss on derecognition and disposal of financial instruments		-1,394,709.37	17,708.47
-g. Financial revenues		-1,736,367.85	-1,404,545.96
+h. Financial expenses		36,397.47	53,957.21
+/-i. Exchange differences		24,492.47	-552,106.39
3. Changes in working capital		-1,907,257.53	-1,266,310.45
+/-a. Inventories		-8,011,391.04	-6,606,881.62
+/-b. Debtors and other accounts receivable		-2,329,339.31	3,384,600.42
+/-d. Creditors and other accounts payable		5,571,091.50	2,503,214.33
+/-e. Other current liabilities		2,346,964.27	-551,352.38
+/-f. Other non-current assets and liabilities		515,417.05	4,108.80
4. Other operating cash flow		-2,366,921.16	-1,919,667.82
-a. Interest paid		-36,010.52	-43,366.78
+b. Dividends received	8.2	105,815.12	120,075.23
+c. Interest received		1,388,943.68	1,282,552.36
+/-d. Corporate income tax received/(paid)		-3,825,669.44	-3,278,928.63
5. Operating cash flow		11,768,593.76	9,285,122.05
B. Investing cash flow			
6. Payments for investments -		-7,156,738.35	-5,019,983.44
a. Group and associated companies	20	-1,146,148.12	-49,095.73
b. Intangible assets		-1,008,448.91	-1,328,409.66
c. Property, plant & equipment		-2,045,506.85	-1,759,547.15
d. Investment property		0	-20,370.90
e. Other financial assets		-2,955,900.00	-1,933,000.00
g. Other assets		-734.47	70,440.00
7. Received for divestments +		13,140,136.12	2,313,457.28
a. Group and associated undertakings (business units)	20	1,181,448.03	0
c. Property, plant & equipment		88,905.19	68,017.28
e. Other financial assets		11,675,000.00	2,175,000.00
f. Non-current assets available for sale		0	0
g. Other assets		194,782.90	70,440.00
8. Investing cash flow		5,983,397.77	-2,706,526.16
C. Financing cash flow			
9. Receipts and payments for equity instruments		-44,247.52	2,078,002.79
-c. Acquisition of own equity instruments	12.4	-47,083.59	0
+d Disposal of equity instruments		2,836.07	2,078,002.79
10. Receipts and payments for financial liabilities		-281,735.54	-1,333,786.56
a. Issuance		400	279,999.89
+2. Bank loans		0	0
+3. Debts to group and associated undertakings		0	0
+4. Other debts		400	279,999.89
b. Repayment and amortisation of		-282,135.54	-1,613,786.45
-2. Bank loans		-206,662.87	-613,786.45
-3. Debts to group and associated undertakings		0	-1,000,000.00
-4. Other debts		-75,472.67	0
11. Dividend payments and remuneration of other equity instruments		-7,979,677.04	-6,388,847.14
-a Dividends	3	-7,979,677.04	-6,388,847.14
12. Financing cash flow		-8,305,660.10	-5,644,630.91
D. Effect of exchange rate variations		41,408.32	426,286.85
E. Net increase/decrease in cash and cash equivalents		9,487,739.75	1,360,251.83
Beginning cash and cash equivalents		4,117,599.16	2,757,347.33
Ending cash and cash equivalents		13,605,338.91	4,117,599.16

1. BUSINESS DESCRIPTION

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

Factory
Móstoles - Polígono Industrial nº 1; Calle C, nº 20
Casarrubios del Monte – Polígono Industrial Monte Boyal, Avenida Constitución P221

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
Madrid – Conde de Peñalver, 26
Although the 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 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, the Articles of Association were adapted to the new Corporations Law of 1989 before the Madrid notary, Mr. Enrique Arauz Arauz, with number 1053 of his protocol, and that adaptation was registered with the Madrid Mercantile Register in Tome 3652, Folio 1, Section 8, Sheet M-61451, Inscription 36, dated 7 October 1992.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. True and fair view

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

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

2.2. Comparative information

The accompanying financial statements for 2017 are drawn up in accordance with the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November, as amended by Royal Decree 1159/2010, of 17 September, and with the other mercantile legislation in force.

The figures contained in these 2017 financial statements are presented with the corresponding 2016 figures for comparison purposes.

2.2.1. Cash Flow Statement

Item B.6.A. “Payments for investments in group companies” contains a payment of 898,977.19 euro made by Prim, S.A. in 2017 to acquire Anota, S.A. Unipersonal in 2017.

That same item includes a payment of 4,917.00 euro for the acquisition, in 2017, of the stake held by dependent company Establecimientos Ortopédicos Prim in Enraf Nonius Ibérica, S.A., which was merged into Prim, S.A. in 2017.

That acquisition took place at a time when Prim, S.A. owned 99.99% of the capital of Enraf Nonius Ibérica, S.A. and, after it took effect, Prim owned 100% of the capital of that company, as a prelude to the aforementioned merger.

Item B.6.A in 2016 includes a payment for the investment to incorporate a new company, Prim Salud y Bienestar, S.A. de C.V., with registered offices in Mexico, in which Prim, S.A. owns 99.90%.

2.3. Critical aspects of measuring and estimating uncertainty

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

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

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

2. Basis of presentation of the financial statements

Estimates

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

a. Measurement of intangible assets and goodwill recognised as a result of business combinations with third parties, to determine the existence of impairment losses. Non-current assets other than financial assets are measured on the basis of estimates to determine their fair value for the purposes of measuring impairment, particularly in the case of goodwill and intangible assets. To determine fair value, the Company's Directors estimate the future cash flows expected from the assets or the cash-generative units of which they form part, using an appropriate discount rate to calculate the present value of those cash flows.

b. Recognition of revenues.The recognition of revenues is one of the fundamental areas in which the Management make estimates of the amount and timing of the issuance of credit notes.

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

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

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

2.4. Monetary unit

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

3. Application of results

3. APPLICATION OF RESULTS

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

(euros)	2017
Basis of distribution	
Balance of profit and loss (profit)	12,531,740.51
Application	
Reserves	2,506,837.55
Dividends	10,024,902.96

3.1. Interim dividends

On 30 November 2017, the company declared an interim dividend of 1,908,183.64 euro charged to income for the year 2017.

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 November 2017 (October 2017 accounting close), was as follows:

REPORT ON AVAILABILITY OF LIQUIDITY PRIOR TO THE RESOLUTION TO DISTRIBUTE AN INTERIM DIVIDEND OUT OF 2017 INCOME	
(This report fulfils the provisions of article 277 of the Capital Companies Act)	
	(euro)
Available liquidity as of 30 November 2017	11,476,601.37
Balance available in credit lines	6,400,000.00
Projected receipts less projected payments in the period	10,634,537.31
Available liquidity projected as of 30 November 2017	28,511,138.68
Proposed dividend	1,908,183.64
Income obtained since the last year (January to November 2017)	12,972,185.00
Estimated tax payable on that income	-3,243,046.25
Total	9,729,138.75
Proposed dividend	1,908,183.64

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:

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 available credit lines, the Company estimated that, in declaring an interim dividend out of 2016 income, it had sufficient liquidity to make the payment on the date that dividend was declared.

3. Application of results

3.2. Limits on the distribution of dividends

The Company must transfer 10% of income for each year to the legal reserve until it represents at least 20% of capital stock. The reserve is restricted unless it exceeds 20% of capital stock. Once the allocations required by law and the Articles of Association have been made, dividends may only be distributed out of income for the year or unrestricted reserves if net equity is not less than capital stock either before or after such a distribution.

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

4. Recognition and measurement standards

4. ACCOUNTING AND VALUATION STANDARDS

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

4.1. Intangible assets

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

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

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

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

Intangible assets with an indefinite useful life are amortised systematically over ten years in accordance with Royal Decree 602/2016, of 2 December, and are tested for impairment at year-end. This standard applies, in particular, to goodwill and some trade marks registered by the Company.

At least at year-end, measurements are made to detect signs of impairment, in which case an impairment test is performed.

The fair value of customer portfolios acquired in business combinations in 2016 was 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 the contributory asset charges. 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.

The fair value of brands acquired in the business combination performed in 2016 was measured using the Relief-from-royalty method. Under 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.

4.2. Property, plant & equipment

Property, plant and equipment are valued at the acquisition or production cost, net of accumulated depreciation, and include the value of legal revaluations under Royal-Decree Law 7/1996.

In addition to the amount invoiced by the supplier, the acquisition price includes any additional expenses incurred up until the asset comes into service.

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

The depreciation rates applied by the Group are as follows:

ASSETS	Annual rate
Structures	2% - 3%
Machinery, installations and tools	8% - 25%
Vehicles	16%
Furniture and fittings	8%- 10%
Computer hardware	25%

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

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

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

4.3. Investment property

Investment property is carried at acquisition price less accumulated depreciation and any impairment. In addition to the amount invoiced by the supplier, the acquisition price includes any additional expenses incurred up until the asset comes into service.

Since 1 January 2008, interest costs are capitalised in the year in which they are incurred provided that they accrue before the asset is brought into service and more than one year is required for it to come into service.

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

The depreciation rates applied by the Company are as follows:

	Annual rate
Structures	2%
Installations	8% - 12%

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

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

At year-end at least, the Company evaluates whether there are any signs of impairment to a non-current asset or a cash-generative unit.

The recoverable amount is determined as the higher of an asset's fair value less the cost of sale or its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The value in use is the present value of expected future effective cash flows, using risk-free market interest rates, adjusted for specific risks associated with the asset. For those assets that do not generate cash flows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generative units to which the assets belong.

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

4.5. Leases

4.5.1. Finance leases

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

The Company did not have any finance leases as of 2017 and 2016 year-end.

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

4.5.2. Operating leases

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

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

4.6. Financial assets

a) Recognition and measurement

Loans and receivables

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

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

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

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

The difference between fair value and the amount of deposits paid for operating leases is recognised in profit and loss as an advance lease payment over the lease term, provided that the amount is material. There was no difference between fair value and cost value as of 2017 and 2016 year-end.

Investment in equity of group and associated undertakings

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

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

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

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

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

Available-for-sale financial assets

Includes debt securities and equity instruments not included in the preceding categories.
Upon initial recognition in the balance sheet, they are measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Changes in fair value are recognised directly in equity and disclosed in the Statement of Recognised Revenues and Expenses until the financial asset is derecognised or impaired, at which time the amount recognised in equity is taken to profit and loss.

Nevertheless, exchange gains and losses on monetary financial instruments in foreign currency are recognised in profit and loss.

a. Equity instruments

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

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

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

b. Fixed-income securities (debt securities)

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

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

If the Company has neither transferred nor retained substantially all the risks and rewards of the financial asset, the financial asset is derecognised when it has not retained control of the asset.

If the Company retains control of the asset, it continues to recognise the asset at the amount of its exposure to fair value changes, i.e. to the extent of its continuing involvement, and recognises the related liability.

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

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

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

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

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

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

4.7. Impairment of financial assets

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

To determine impairment loss, the Company assesses the potential loss of individual assets as well as groups of assets with similar risk characteristics.

Debt instruments

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

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

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

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

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 Company considers in any event that listed equity instruments are impaired when their value has decreased over 18 months and by 40% of their initial quoted price without having recovered their initial value.

In the case of equity instruments measured at cost and classified under "Financial assets available for sale", impairment loss is measured as the difference between acquisition cost and fair value less previously-recognised impairment losses.

Unrealised capital losses recognised directly as "Impairment losses" in equity are transferred immediately to profit and loss if it is determined that the decline in fair value is due to impairment. If part or all of the impairment losses are subsequently recovered, their amount is recognised as "Value adjustments" in equity.

In the case of equity instruments recognised at cost that are categorised as "Financial assets available for sale", and of investments in the equity of group and associated undertakings, the impairment loss is calculated as the difference between the carrying amount and the recoverable amount, which is the higher of the fair value less the cost of sale and the present value of the future cash flows arising from the investment.

Except where there is better evidence, impairment is estimated taking account of the investee company's net equity corrected for any unrealised capital gains existing at the measurement date. Such losses are recognised in profit and loss as a direct decline in the value of the equity instrument.

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

4.8. Financial liabilities

a. Recognition and measurement

Debtors and accounts payable

This includes financial liabilities generated by the purchase of goods and services arising from trade transactions and from non-trade transactions that are not derivative instruments. Upon initial recognition in the balance sheet, they are measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted for directly attributable transaction costs.

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

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

b. Cancellation

Financial liabilities are retired when the related obligation is extinguished.

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

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

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

4.9. Own shares

Own shares are recognised in equity as a decrease in “Capital and reserves” when acquired. No loss or gain is recognised in profit or loss on sale or cancellation. Expenses incurred in connection with transactions with own shares, and any gains on their disposal, are recognised directly in equity as a decrease in reserves.

4.10. Inventories

Inventories are measured at the average acquisition or production cost, or at market value (if lower). For these purposes, the acquisition cost of merchandise, raw materials and ancillary materials is taken to be that on the supplier invoice plus all additional expenses incurred until the goods are in the warehouse.

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

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

No value adjustments are made in the case of raw materials and other consumables in the production process if it is expected that the finished products into which they are incorporated will be sold at above cost.
Inventories are provisioned at the end of each year as a function of impairment experienced during that year. Broadly speaking, provisioned inventories are those products in which the company has been dealing for more than one year but which have not registered any purchases or sales in the last six months.

4.11. Cash and cash equivalents

“Cash and cash equivalents” includes cash, current accounts, short-term deposits and repos which meet all of the following criteria:

- They are convertible to cash.

- They mature within less than three months from the acquisition date.

- The risk of change in value is not material.

- They are part of the Company’s standard cash management strategy.

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

4.12. Provisions

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

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

Provisions falling due within one year, where the financial effect is not material, are not discounted. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the related liability.

In authorising the financial statements, the Company’s directors distinguish between:
Provisions: Accounts payable which cover current obligations for past events, the cancellation of which will likely lead to a cash outflow, but whose amounts and/or time of cancellation are undetermined.

Contingent liabilities Possible or remotely likely obligations arising from past events whose future occurrence is conditional upon the occurrence, or not, of one or more future events outside the company’s control.

4.13. Corporate income tax

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

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

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

The tax effect of timing differences is included in “Deferred tax assets” or “Deferred tax liabilities” in the balance sheet, as applicable. The Company recognises deferred tax liabilities for all timing differences, except where disallowed by prevailing legislation.

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

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

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

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

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

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

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

The normal operating cycle for all activities is one year.

4.15. Revenues and expenses

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

Sales of goods and provision of services

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

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

4.16. Transactions in foreign currency

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

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

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

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

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

4.17. Environmental assets and liabilities

Environmental expenses correspond to the company's environmental activities and are recognised under "Other operating expenses" in the accompanying income statement in accordance with the accrual principle.

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

4.18. Related-party transactions

Related-party transactions are measured as described above, except for the following transactions: Non-monetary contributions of a business line to a group company are measured at the carrying amount of the assets and liabilities that are transferred, as of the transaction date.

In mergers and spin-offs of a business line, acquired assets and liabilities are generally measured at their value once the transaction is completed. Any differences are recognised in reserves.

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

4.19. Non-current assets available for sale.

Non-current assets and disposable groups are classified as held for sale if their book value will be recovered primarily through a sale transaction, rather than through continued use.

Non-current assets and disposable groups classified as held for sale are measured at the lower of book value or fair value less selling costs. Selling costs are the incremental costs directly attributable to the derecognition of the asset, excluding financial expenses and taxes.

The condition for classifying assets as held for sale is considered to be met only when the sale is highly probable and the asset or group is available for immediate sale in its current conditions. As mentioned in the note on subsequent events (note 24), the Company sold Network in 2018.

The steps to complete the sale indicate that it is unlikely that there will be significant changes in the sale to be made or that the sale decision will be cancelled. Management must have undertaken to make a plan to sell the asset and such sale is expected to be completed during the year following the date of classification as held for sale.

5. INTANGIBLE ASSETS

The breakdown and changes in this item in 2017 and 2016 are as follows:

2017 (euro)	Beginning balance	Business combinations (Note 20)	Recognitions and provisions	Transfers	Ending balance
Cost	8,904,646.50	8,064.90	313,372.32	33,422.34	9,259,506.06
Patents, licences, brands and similar	3,531,738.37	0.00	0.00	0.00	3,531,738.37
Computer software	1,138,838.65	8,064.90	313,372.32	33,422.34	1,493,698.21
Goodwill	3,605,996.00	0.00	0.00	0.00	3,605,996.00
Customer portfolio	628,073.48	0.00	0.00	0.00	628,073.48
Accumulated amortisation	-2,284,137.14	-8,064.90	-792,606.33	0.00	-3,084,808.37
Patents, licences, brands and similar	-1,068,850.91	0.00	-257,103.48	0.00	-1,325,954.39
Computer software	-991,384.83	-8,064.90	-112,095.93	0.00	-1,111,545.66
Goodwill	-208,199.56	0.00	-360,599.52	0.00	-568,799.08
Customer portfolio	-15,701.84	0.00	-62,807.40	0.00	-78,509.24
Net carrying amount	6,620,509.36	0.00	-479,234.01	33,422.34	6,174,697.69

2016 (euros)	Beginning balance	Business combinations (Note 20)	Recognitions and provisions	Transfers	Ending balance
Cost	3,664,089.04	5,152,147.80	40,701.79	47,707.87	8,904,646.50
Patents, licences, brands and similar	1,015,664.05	2,492,074.32	24,000.00	0.00	3,531,738.37
Computer software	1,074,428.99	0.00	16,701.79	47,707.87	1,138,838.65
Goodwill	1,573,996.00	2,032,000.00	0.00	0.00	3,605,996.00
Customer portfolio	0.00	628,073.48	0.00	0.00	628,073.48
Accumulated amortisation	-1,876,191.46	0.00	-407,945.68	0.00	-2,284,137.14
Patents, licences, brands and similar	-999,053.05	0.00	-69,797.86	0.00	-1,068,850.91
Computer software	-877,138.41	0.00	-114,246.42	0.00	-991,384.83
Goodwill	0.00	00	-208,199.56	0.00	-208,199.56
Customer portfolio	0.00	0.00	-15,701.84	0.00	-15,701.84
Net carrying amount	1,787,897.58				6,620,509.36

The fully amortised assets in this account amount to 1,986,430.96 euro as of 31 December 2017 and 1,764,765.67 euro as of 31 December 2016.

5.1. Intangible assets acquired in business combinations

In 2017, the Business Combinations column reflects the intangible assets from the company Enraf Nonius Ibérica, S.A. Those assets (consisting entirely of computer software) were added to Prim's accounts as a result of the merger of that company into Prim, S.A.

In 2016, the Business Combinations column reflects the intangible assets obtained in the 2016 acquisition of the parapharmacy, orthopaedics and podiatry business line from Laboratorios Milo, S.A.

5.2. Goodwill - Luga Suministros Médicos

As a result of the merger of Luga Suministros Médicos into Prim in 2015, Prim, S.A. recognised goodwill that already existed in the Consolidated Financial Statements of the Prim Group, estimated at 1,573,996.00.

5.3. Intangible assets acquired with the business line of Laboratorios Milo

In September 2016, the Company 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 acquisition of this line of business gave rise to the definitive recognition, as of 31 December 2016, of the following intangible assets:

	31.12.2016
Customer portfolio	628,073.48
Acquired brands	2,492,074.32
Goodwill	2,032,000.00

Net carrying amount of these assets at the closing data is as follows:

	31.12.2017	31.12.2016
Customer portfolio	549,564.24	612,371.64
Acquired brands	2,180,564.98	2,429,772.46
Goodwill	1,778,000.04	1,981,200.00

Goodwill in the amount of 2,032,000 euro includes the value of synergies expected from the acquisition, which have not been recognised separately. The goodwill was assigned entirely to the medical-hospital segment. Amortisation of that goodwill is expected to be deductible for corporate income tax purposes on the basis of the current tax legislation.

Since its acquisition, the line of business provided the Company with approximately 891,541.00 euro in revenues and 123,253.67 euro in pre-tax profit from continuing operations in 2016. If the business combination had been carried out at the beginning of the year, this line of business would have contributed 3,566,164.00 euro in ordinary revenues from continuing operations and 493,014.68 euro in pre-tax profit from continuing operations.

The contribution to consolidated net revenues by the line of business acquired from Milo amounted to 3,432,547.36 euro.

Contingent payment

As part of the purchase agreement with the former owners of Laboratorios Milo, it was agreed to pay:

a) 1,250,000.00 euro if the gross margin (*) at the end of 2016 and 2017 was at least 70% of the target gross margin, without exceeding 625,000.00 euro in either year.

b) 2,830,000.00 euro if the line of business generated actual EBITDA (*) equal to or greater than 55% of the theoretical EBITDA for each of the four years following the acquisition date.

(*) The gross margin is understood to mean sales revenues less the cost of sales. EBITDA is understood to mean operating profit less depreciation and amortisation and working capital provisions.

The acquisition date fair value of the contingent payment was estimated at 2,682,494.00 euro. The Company determined that it had incurred a contractual obligation to pay cash to the seller and, consequently, it constitutes a financial liability.

A significant increase (decrease) in the real gross margin or EBITDA would result in a higher (lower) fair value of the liability for the contingent consideration.

Of the total consideration agreed upon with the sellers, Prim has made the following payments to date:

Date of payment	Amount paid
September 2016	1,240,000.00
February 2017	625,000.00
February 2018	625,000.00

The Company has chosen to amortise both the customer portfolio and the brands acquired in the business combination over a period of 10 years. The goodwill is being amortised over 10 years.

In 2017, the Company re-measured those contingent liabilities and concluded that it was appropriate to reduce the liabilities recognised in the books by 516,000.00 euro. That resulted in a reduction in debt. This was reflected in the form of a revenue item under Other income. Extraordinary Revenues in the income statement.

5.4. Amortisation of goodwill

Effective 1 January 2016, as provided in Royal Decree 602/2016, of 2 December, goodwill is amortised on a straight-line basis over a useful life of 10 years.

At least once per year, the cash-generative units to which goodwill is assigned must analyse if there are any signs of impairment.

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.

The goodwill that the group had recognised on its balance sheet as a result of the merger with LUGA and the business combinations with Laboratorios MILO (line of business) and ANOTA was tested for impairment at the end of 2017. All the assets and liabilities related to these transactions have been assigned by the Group to the Hospital Segment CGU. The provisions of IAS 36.68 were considered for this purpose. Identifying the lowest-level CGU to which to assign the operating assets and liabilities, including their goodwill, arising from the aforementioned transactions.

The methodology applied was as follows:

Take the market capitalisation of Prim, S.A. as of 31 December 2017 (measurement date), namely 179.5 million euro, as the starting point.

The market capitalisation was adjusted, considering the amounts in the Prim Group's balance sheet with regard to the net financial position (net cash position of approximately 39.8 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 2017.

The fair value of the Prim, S.A. CGU is 141.2 million euro.

5. Intangible assets

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 64.5 million euro.

Based on that analysis, it was concluded that there had been no impairment of the aforementioned goodwill or of the other assets recognised in the accompanying financial statements.

6. Property, plant & equipment

6. PROPERTY, PLANT AND EQUIPMENT

The changes during 2017 and 2016 in the various property, plant and equipment accounts and in the related accumulated depreciation are as follows:

	31.12.16	Business comb.	Provisions	Derecogni-tions	Transfers	31.12.17
Cost	23,344,881.96	238,834.40	2,119,735.84	-154,738.88	-33,422.34	25,515,290.98
Land and structures	5,448,690.63	0.00	0.00	0.00	0.00	5,448,690.63
Plant and machinery	2,053,283.96	19,258.30	113,828.72	-18,943.21	0.00	2,167,427.77
Other insta-llations, tools and furniture	14,056,845.02	84,809.35	1,763,148.32	-71,306.13	0.00	15,833,496.56
Other assets	1,781,237.75	134,766.75	164,679.81	-64,489.54	0.00	2,016,194.77
In progress	4,824.60	0.00	78,078.99	0.00	-33,422.34	49,481.25
Accumulated depreciation	-15,740,274.02	-220,240.95	-1,858,972.08	80,306.11	0.00	-17,739,180.94
Structures	-2,250,229.57	0.00	-129,753.24	0.00	0.00	-2,379,982.81
Plant and machinery	-1,333,384.37	-16,742.61	-125,313.20	18,943.21	0.00	-1,456,496.97
Other insta-llations, tools and furniture	-10,535,794.31	-72,945.68	-1,519,214.95	7,001.08	0.00	-12,120,953.86
Other assets	-1,620,865.77	-130,552.66	-84,690.69	54,361.82	0.00	-1,781,747.30
Net carrying amount	7,604,607.94	18,593.45	260,763.76	-74,432.77	-33,422.34	7,776,110.04

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

(euro)	Beginning balance 31.12.2015	Recognitions and provisions	Derecognitions and reversal of impairment	Transfers (*)	Ending balance 31.12.2016
Cost	21,654,672.59	1,805,064.61	-67,147.37	-47,707.87	23,344,881.96
Land and structures	5,448,690.63				5,448,690.63
Plant and machinery	2,020,427.45	37,812.51	-4,956.00	0.00	2,053,283.96
Other installations, tools and furniture	12,471,654.24	1,647,382.15	-62,191.37	0.00	14,056,845.02
Other assets	1,713,900.27	67,337.48	0.00		1,781,237.75
In progress	0.00	52,532.47	0.00	-47,707.87	4,824.60
Accumulated depreciation	-14,123,029.65	-1,652,776.30	35,351.93	0.00	-15,740,274.02
Structures	-2,120,476.33	-129,753.24	0.00	0.00	-2,250,229.57
Plant and machinery	-1,211,030.36	-122,354.01	0.00	0.00	-1,333,384.37
Other installations, tools and furniture	-9,259,180.38	-1,312,145.86	35,531.93	0.00	-10,535,794.31
Other assets	-1,532,342.58	-88,523.19	0.00	0.00	-1,620,865.77
Net carrying amount	7,531,642.94				7,604,607.94

Recognitions in 2017 relate mainly to the acquisition of tools for the Company's various divisions. The business combination conducted in 2017 in connection with Anota is disclosed in note 20.

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

Recognitions in 2016 relate mainly to the acquisition of tools for the Company's various divisions.

6.1. Revaluations of property, plant and equipment

The Company availed itself of the asset revalvations allowed under Royal Decree-Law 7/1996, dated 7 June, and recognised the corresponding revaluation entries in the 1996 balance sheet.

The increase in value or net capital gain was calculated using the revaluation coefficients depending on the year of acquisition of the asset. Those coefficients were applied to both the cost and the accumulated depreciation, and the following values were obtained:

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

The undepreciated amount of the revaluation was 55,243.53 euro as of 31 December 2017 and 58,478.49 euro as of 31 December 2016.

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

6.2. Fully depreciated assets

As of 31 December 2017, the Company had installations, machinery, tools and furniture with a cost of 11,066,707.51 euro which were fully depreciated and still in use. The corresponding amount was 9,553,039.05 euro as of 31 December 2016.

6. Property, plant & equipment

6.3. 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 guarantees payment of the amount assessed against the company under those audits. In December 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. The mortgage had not yet been cancelled as of 31 December 2017.

7. Investment property

7. INVESTMENT PROPERTY

The variations in 2017 and 2016 are as follows:

a) Year ended 31 December 2017

	BALANCE 31.12.16	RECOGNITION / PROVISIONS	OTHERS	BALANCE 31.12.17
COST				
Land and other structures	4,235,065.32	0.00	0.00	4,235,065.32
Other installations, tools and furniture	1,820,748.79	0.00	0.00	1,820,748.79
TOTAL	6,055,814.11	0.00	0.00	6,055,814.11
DEPRECIATION				
Land and other structures	-1,085,956.14	-75,688.56	0.00	-1,161,644.70
Other installations, tools and furniture	-1,733,826.81	-13,011.46	0.00	-1,746,838.27
TOTAL	-2,819,782.95	-88,700.02	0.00	-2,908,482.97
INVESTMENT PROPERTY	3,236,031.16			3,147,331.14

b) 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			3,236,031.16

The Company's investment property corresponds to a building in Avenida de Llano Castellano nº 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, which may be extended by one-year increments; it covers a total of 2,515 square meters and 24 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 judgment, together with other variables such as: lessee profile, future revenue flows, state of upkeep of the building and its installations, and estimates of necessary repairs in the future. All of this data is weighted for the specific features of the property market in the city of Madrid, where the investment property is located.

At the end of 2017 and 2016, the value in use exceeded the cost, with the result that no correction in value was required.

The fair value was determined considering the current data on rent per square meter for commercial offices located in the same area and with the same characteristics. The market price is 9.85 euro per square meter per month, which, applied to the 7,329 meters available, gives an annual valuation of 866,287.80 euro. Projecting that valuation for the next five years gives a cash flow of 4.3 million euro, i.e. in excess of the carrying amount, which is 3,147,331.14 euro. (The Company was extremely prudent in this valuation by assuming a time horizon of only the next five years).

Breakdown of operating costs from investment property

Operating costs associated with the property which generated rent revenues totalled 128,711.32 euro in 2017 and 160,569.20 euro in 2016; operating costs which did not generate rent revenues totalled 349,964.08 euro in 2017 and 313,448.88 euro in 2016.

As a result of the contractual review in 2017, lease revenues from the Llano Castellano property amounted to 304,420.00 euro in 2017 and 266,647.70 euro in 2016. Costs passed on by Prim, S.A. to the tenants amounted to 180,469.74 euro in 2017 and 113,663.88 euro in 2016.

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.

8. INVESTMENT IN GROUP AND ASSOCIATED UNDERTAKINGS AND NON-CURRENT ASSETS HELD FOR SALE

Given the complexity of the changes in 2017, it has been decided to present a more detailed breakdown than in preceding years:

	31.12.2016	RECOGNITION AND DERECOGNITION	ACQUIRED FROM R1	ELIM. INV. MERGER	31.12.2017
ANOTA (1)	0.00	1,230,000.00			1,230,000.00
SIDITEMEDIC SL	3,035.06				3,035.06
ENRAF NONIUS IBERICA SA (2)	685,544.45	4,917.00		-690,461.45	0.00
E.O.P. SA (3)	1,322,028.65		74.12		1,322,102.77
ENRAF NONIUS IBERICA PORTUGAL LDA (4)	100.00		99,900.00		100,000.00
INMOBILIARIA CATHARSIS SA	2,494,204.13				2,494,204.13
PRIM SALUDY BIENESTAR SA DE CV	49,095.73				49,095.73
EQUITY INSTRUMENTS. GROUP COMPANIES	4,554,008.02	1,234,917.00	99,974.12	-690,461.45	5,198,437.69
NETWORK MEDICAL PRODUCTS (4)	379,331.01	-379,331.01			0.00
EQUITY INSTRUMENTS. ASSOCIATES	379,331.01	-379,331.01	0.00	0.00	0.00
NETWORK MEDICAL PRODUCTS (4)		-379,331.01			-379,331.01
NON-CURRENT ASSETS HELD FOR SALE	0.00	-379,331.01	0.00	0.00	-379,331.01

The variation in 2016 were as follows:

(euro)	31.12.2015	Recognitions	Derecognitions (Note 20)	31.12.2016
Equity instruments, group undertakings	4,504,912.29	49,095.73	0.00	4,554,008.02
Equity instruments, associated undertakings	379,331.01	0.00	0.00	379,331.01
	4,884,243.30	49,095.73	0.00	4,933,339.03

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

8.1. Description of main changes

The main changes in 2016 were as follows:

Equity instruments, group undertakings

A new company, Prim Salud y Bienestar, S.A. de C.V., domiciled in Cancún, Quintana Roo, Mexico, was incorporated in 2016. That company is owned 99.90% by Prim, S.A. and the other 0.1% belongs to Establecimientos Ortopédicos Prim, S.A. (a subsidiary of Prim, S.A.).

The main changes in 2017 were as follows:

(1) In 2017, 100% of the shares of Anota, S.A.U., a company with considerable experience in the distribution of products for the pharmacy and orthopaedics channel (orthosis, therapeutic compliance systems and technical aids), were acquired for 1,230,000.00 euro. Additionally, the parties agreed to a variable consideration as a function of attainment of a number of milestones (EBITDA, gross margin, etc.). As of 31 December 2017, the Parent Company's directors consider that, due to the uncertainties in connection with the achievement of those milestones, there was no need to recognise any liability in connection with that variable consideration.

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' operations, distribution and sale networks and product ranges are complementary.

(2) At the beginning of 2017, Prim, S.A. owned 99.99% of dependent company Enraf Nonius Ibérica, S.A. and dependent company Establecimientos Ortopédicos Prim, S.A. owned the other 0.01%.

That 0.01% stake was acquired by Prim in 2017 (at a cost of 4,917.00 euro), as a result of which Prim, S.A. attained 100% of the share capital of Enraf Nonius Ibérica, S.A.

As a consequence of the merger of Prim with Enraf, the former's stake in the latter was eliminated (elimination of investment - equity)

(3) At the beginning of 2017, Enraf Nonius Ibérica, S.A. owned 0.01% of sister company Establecimientos Ortopédicos Prim, S.A. That holding was transferred to the balance sheet of Prim, S.A. as a result of the merger of the latter with Enraf Nonius Ibérica, S.A.

(4) At the beginning of 2017, Enraf Nonius Ibérica, S.A. owned 99.99% of sister company Enraf Nonius Ibérica Portugal, Lda. That holding was transferred to the balance sheet of Prim, S.A. as a result of the merger of the latter with Enraf Nonius Ibérica, S.A.

8.2. Description of investment in group and associated undertakings and non-current assets held for sale

The investment in group undertakings as of 31 December 2017 comprises the investment in the following unlisted companies.

(euro)	Net carrying amount	Direct stake	Capital	Reserves and share premium	Income (loss) for the year	Total capital and reserves	Operating income	Dividends received in year 2017 (1)
2017								
Group companies	5,198,437.69							
Establecimientos Ortopédicos Prim SA	1,322,102.77	100.00	510,850.00	2,289,162.90	927,388.77	3,727,401.67	1,138,000.24	0.00
Siditemedic, S.L.	3,035.06	100.00	3,035.05	14,810.64	-572,12	17,273.57	-698.12	0.00
Enraf Nonius Ibérica Portugal Lda	100,000.00	100.00	100,000.00	4,458.76	43,268.76	147,727.52	53,090.26	0.00
Inmobiliaria Catharsis SA	2,494,204.13	100.00	118,216.70	716,531.67	104,143.73	938,892.10	130,728.02	105,809.12
Prim Salud y Bienestar, S.A. de C.V.	49,095.73	99.90	49,145.81	30,462.85	90,802.85	170,410.91	160,470.26	0.00
Anota, S.A.U. (1)	1,230,000.00	100.00	360,600.00	301,172.29	-7,134.87	654,034.72	-4,281.14	0.00
Associated companies	379,331.01							
Network Medical Products Ltd	379,331.01	43.68	447,452.00	1,056,055.03	200,228.48	1,703,735.51	200,228.48	0.00
	5,577,768.70							105,809.12

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

The investment in group undertakings as of 31 December 2016 comprises the investment in the following unlisted companies.

(euro)	Net carrying amount	Direct stake	Capital	Reserves and share premium	Income (loss) for the year	Total capital and reserves	Operating income	Dividends received in year 2016 (1)
2016								
Group companies	4,554,008.02							
Enraf Nonius Ibérica, S.A.	685,544.45	99.99	396,660.00	4,392,122.84	1,294,515.40	6,083,298.24	1,671,517.89	0,00
Establecimientos Ortopédicos Prim SA	1,322,028.65	99.99	510,850.00	1,644,029.95	645,132.95	2,800,012.90	793,398.99	0.00
Siditemedic, S.L.	3,035.06	100.00	3,035.05	15,480.86	-670.22	17,845.69	-796.22	0.00
Enraf Nonius Ibérica Portugal Lda	100.00	0.01	100,000.00	-2,066.61	6,225.37	104,158.76	11,905.64	0.00
Inmobiliaria Catharsis SA	2,494,204.13	100.00	118,216.70	716,531.67	105,809.12	940,557.49	132,435.20	120,075.23
Prim Salud y Bienestar, S.A. de C.V.	49,095.73	99.90	49,145.81	0.00	30,462.25	79,608.06	39,132.43	0.00
Associated companies	379,331.01							
Network Medical Products Ltd (8.4)	379,331.01	43.68	447,452.00	1,052,568.45	123,100.91	1,623,121.36	151,230.70	0.00
	4,933,339.03							120,075.23

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

8.3. Information about Group companies

The principal details of the aforementioned investees are as follows:

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

As of 31 December 2017 and 2016, the Company owned 1,967 shares of INMOBILIARIA CATHARSIS, S.A., representing 100% of its capital.
Domiciled in Móstoles (Madrid), C/ F, Polígono industrial Nº 1, this company was constituted in 1964 and its corporate purpose is to engage in all types of real estate transactions involving the purchase and sale of rural and urban properties, exploiting properties, constructing, repairing and refurbishing buildings, construction of industrial buildings, and the sale of properties of all types.

Prim, S.A. collected 105,809.12 euro in dividends from Inmobiliaria Catharsis, S.A. in 2017, and 120,075.23 euro in 2016.

*** ENRAF NONIUS IBÉRICA, S.A.**

As of 31 December 2016, the Company owned 65,999 shares of ENRAF NONIUS IBÉRICA, S.A., representing 99.99% of its capital.
ENRAF NONIUS IBÉRICA, S.A. had its registered offices at Polígono Industrial 1, Calle F, 15, Móstoles, Madrid; its corporate purpose was the distribution, sale and installation of products in the field of physiotherapy, home medical care and rehabilitation.
In 2017, Prim, S.A. increased its stake to 100% by acquiring the 0.01% stake owned by dependent company Establecimientos Ortopédicos Prim, S.A. Enraf Nonius Ibérica, S.A. was merged into Prim, S.A. effective 1 January 2017 for accounting purposes.

No dividends were collected from this company in 2017 or 2016.

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

The Company owned 16,999 shares of this company, representing 99.99% of its capital, as of 31 December 2017 and 2016. In 2017, as a result of merging Enraf Nonius Ibérica, S.A. into Prim, S.A., the latter received the former's 0.01% stake in Establecimientos Ortopédicos Prim, S.A. As a result, as of 31 December 2017, Prim, S.A. owned 100% of dependent company Establecimientos Ortopédicos Prim, S.A.
ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A. has its domicile in C/ F, número 15, Polígono Industrial nº 1, Móstoles and its corporate purpose is to engage in all types of transactions of commerce or industry relating to the manufacture, purchase, sale, import, export, adaptation, placement and distribution of medical, surgical and similar material.

No dividends were collected from this company in 2017 or 2016.

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

The Company owned 0.01% of this company's capital as of 31 December 2016. In 2017, as a result of merging Enraf Nonius Ibérica, S.A. into Prim, S.A., the latter received the former's 99.99% stake in Enraf Nonius Ibérica Portugal, Lda. As a result, as of 31 December 2017, Prim, S.A. owned 100% of dependent company Enraf Nonius Ibérica Portugal, Lda.
ENRAF NONIUS IBÉRICA PORTUGAL, LDA has its registered offices in Rua Aquiles Machado – Lisbon (Portugal). Its corporate purpose is the distribution, sale and installation of products in the area of physiotherapy, home medical care and rehabilitation.

No dividends were collected from this company in 2017 or 2016.

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

As of 31 December 2017 and 2016, the Company owned 101 shares of SIDITEMEDIC, S.L. (formerly MEDIPRIM, S.L.), representing 100% of its capital.
SIDITEMEDIC, S.L. has its registered offices at Conde de Peñalver, 26, Madrid; its corporate purpose is the distribution and sale of medical products.
No dividends were collected from this company in 2017 or 2016.

* PRIM SALUD Y BIENESTAR, S.A. DE C.V.

As of 31 December 2017, the company owned 99.90% of PRIM SALUD Y BIENESTAR, S.A. DE C.V., which has fixed capital in the amount of 50,000.00 Mexican pesos and variable capital in the amount of 950,000.00 Mexican pesos.

The registered offices of PRIM SALUD Y BIENESTAR, S.A. DE C.V. are located at Avenida José López Portillo, 66 – Cancún – Quintana Roo – Mexico, and its corporate purpose 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 same.

No dividends were collected from this company in 2017.

* ANOTA, S.A.U.

In 2017, 100% of the shares of Anota, S.A.U., a company with considerable experience in the distribution of products for the pharmacy and orthopaedics channel (orthosis, therapeutic compliance systems and technical aids), were acquired.

As of 31 December, the company owned 6,000 shares representing 100% of the capital of ANOTA, S.A.U.

ANOTA, S.A.U. has its registered office at calle Francesc Eximenis (Sabadell) and its corporate purpose is to act as a wholesaler of medical and orthopaedic apparatus and instruments, including orthotics, chiropody, technical aids, health care and personalised dosing systems.

No dividends were collected from this company in 2017.

8.4. Holdings in associated undertakings / Non-current assets held for sale

* NETWORK MEDICAL PRODUCTS LTD

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

The Company owns 43.68% of NETWORK MEDICAL PRODUCTS LTD (the same percentage as in 2016), and its net carrying amount was 379,331.01 euro as of 2017 year-end (the same as of 2016 year-end).

The company's key figures, used for recognition by the equity method in the financial statements of the Prim Group, are as follows:

Figures in euro	Network Medical Products, Ltd
Assets	2,280,306.19
Liabilities	576,567.67
Income for the year	200,228.48
Revenues	6,321,348.98

The figures for 2016 were as follows:

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

At 2017 year-end, the Board of Directors had decided to take the necessary steps to dispose of its holding in Network; consequently, that investment was reclassified; whereas it had been carried under Investment in Associates at 2016 year-end, it was presented under Non-current assets held for sale at 2017 year-end. On 1 March 2018, the Board of Directors informed the Spanish National Securities Market Commission that Prim, S.A. had sold its minority holding in UK-based company Network Medical to SCP Medical Holdings (UK) Limited for a total of 800,000 pounds sterling.

8.5. Impairment tests of holdings in Group and associated undertakings

At the end of 2017 and 2016, an impairment test was performed on the holdings in group and associated undertakings where there might be indications of impairment or differences between the net carrying amount on the balance sheet of Prim, S.A. and the investee's equity.

To determine whether there had been any impairment of the investment in group and associated companies as of 31 December 2017 and 2016, the net value of the investment was compared with the recoverable value.

In 2017 and 2016, it was not considered necessary to recognise any impairment in connection with these investments in group and associated companies.

9. Financial assets (current and non-current)

9. FINANCIAL ASSETS (CURRENT AND NON-CURRENT)

The composition of financial assets, excluding investments in the equity of group, multi-group and associated undertakings (Note 8) as of 31 December 2017 and 2016 is as follows:

	Equity instruments (9.1)	Debt securities	Loans and receivables (9.2)	Deferred tax assets (9.2.5)	Total
Figures as of 31.12.17, in euro					
Long-term financial assets	105,373.79	15,610,177.04	2,101,358.01	284,402.46	18,101,311.30
Loans and receivables			2,101,358.01		2,101,358.01
Available-for-sale assets	105,373.79	15,610,177.04			15,715,550.83
Assets held to maturity					
Deferred tax assets				284,402.46	284,402.46
Short-term financial assets	5,750,234.68	2,600,000.00	30,970,586.92	0.00	39,320,821.60
Loans and receivables			30,740,914.74		30,740,914.74
Available-for-sale assets	5,750,234.68				5,750,234.68
Loans to group undertakings			229,672.18		229,672.18
Assets held to maturity		2,600,000.00			2,600,000.00
	5,855,608.47	18,210,177.04	33,071,944.93	284,402.465	57,422,132.90

	Equity instruments	Debt securities	Loans and receivables	Deferred tax assets	Total
Figures as of 31.12.16, in euro					
Long-term financial assets	3,234,309.79	16,227,607.56	105,803.50	386,539.46	19,954,260.31
Loans and receivables			105,803.50		105,803.50
Available-for-sale assets	3,234,309.79	16,227,607.56			19,461,917.35
Assets held to maturity					
Deferred tax assets				386,539.46	386,539.46
Short-term financial assets	5,736,946.38	7,000,000.00	28,402,284.14	0.00	41,139,230.52
Loans and receivables			28,402,284.14		28,402,284.14
Available-for-sale assets	5,736,946.38				5,736,946.38
Loans to group undertakings					
Assets held to maturity		7,000,000.00			7,000,000.00
	8,971,256.17	23,227,607.56	28,508,087.64	386,539.46	61,093,490.83

9.1. Equity instruments available for sale

The acquisition cost and fair value of financial assets classified in this category as of 31 December 2017 and 2016 are as follows:

9. Financial assets (current and non-current)

Equity instruments	As of 31 December 2017		
Non-current financial assets	Cost	Fair value adjustments	Carrying amount
Society			
Esta Healthcare B.V.	0.00	0.00	0.00
Hesperis Chirurgical	600.00	-600.00	0.00
Sas Safe Tee Fixe	226,400.00	-226,400.00	0.00
Alliqua Inc (1)	305,250.31	-305,250.31	0.00
Alphatec Holdings Inc	1,999,998.04	-1,926,643.42	73,354.62
Tissuemed limited	276,701.72	-244,682.55	32,019.17
Saarema (2)			0.00
TOTAL	2,808,950.07	-2,703,576.28	105,373.79
Current financial assets			
Short-term mutual funds	5,999,998.96	-249,764.28	5,750,234.68
TOTAL	5,999,998.96	-249,764.28	5,750,234.68

(1) As a result of a corporate transaction, the shares in Choice Therapeutics were converted into shares of Alliqua in 2016. This entailed only a change of the company's name, with no accounting impact at Prim, S.A.

(2) In 2017, Prim, S.A. sold its stake in the Saarema Group in a transaction that is described in detail below.

Equity instruments	As of 31 December 2016		
Non-current financial assets	Cost	Fair value adjustments	Carrying amount
Society			
Esta Healthcare B.V.	0.00	0.00	0.00
Hesperis Chirurgical	600.00	-600.00	0.00
Sas Safe Tee Fixe	226,400.00	-226,400.00	0.00
Alliqua Inc (1)	305,250.31	-305,250.31	0.00
Alphatec Holdings Inc	1,999,998.04	-1,899,282.42	100,715.62
Tissuemed limited	276,701.72	-243,275.55	33,426.17
Saarema (2)	4,807,636.82	-1,707,468.82	3,100,168.00
TOTAL	7,616,586.89	-4,382,277.10	3,234,309.79
Current financial assets			
Short-term mutual funds	5,999,998.96	-263,052.58	5,736,946.38
TOTAL	5,999,998.96	-263,052.58	5,736,946.38

9.1.1. Equity instruments available for sale

Non-current equity instruments available for sale

On 29 May 2007, the company acquired 3% of French company HESPERIS CHIRURGICAL. The cost of the holding (600.00 euro) is fully provisioned and its net carrying amount (0 euro) did not change in 2017 and 2016.

On 23 October 2006, the company acquired 10% of French company SAS SAFE TEE FIXE. It acquired 830 shares at a cost of 166,000 euro, In 2009, it recognised an impairment of 148,984.00 euro; as a result, the carrying amount at year-end was 17,016.00 euro. In 2010, a provision was recognised for the net carrying amount at that time, with the result that at 2010 year-end its carrying amount was 0.00 euro; this amount was maintained in 2011. The company increased capital in 2012 and Prim, S.A. subscribed for 302 new shares at a cost of 200 euro per share, thereby increasing its stake by 60,400 euro. Those securities were provisioned as of 2012 year-end; consequently, the net carrying amount of this holding as of 31 December 2012 was 0.00 euro. Since then, there have been no changes in either the investment's cost or the value adjustment; the net carrying amount at 2017 year-end was still 0.00 euro. On 22 February 2016, the company performed a capital increase; since Prim did not subscribe for that transaction, its stake was reduced from 10% to 7.65%.

On 15 March 2007, the company acquired 4.8% of US company CHOICE THERAPEUTICS, INC. It acquired 200,000 shares at a cost of 305,250.31 euro. In 2009, an impairment loss of 268,086.00 euro was recognised; as a result, the net carrying amount at year-end was 37,164.31 euro. In 2012, the provision was increased by 36,197.80 euro to 304,283.80 euro. Accordingly, the net carrying amount of the holding as of 2012 year-end was 966.51 euro. In 2013, an impairment of 966.51 euro was recognised; as a result, the net carrying amount at 2013 year-end was 0.00 euro. Since then, there have been no changes in either the investment's cost or the value adjustment; the net carrying amount at 2016 year-end was still 0.00 euro. CHOICE THERAPEUTICS INC. was merged into ALLIQUA INC. in 2016, as a result of which Prim, S.A. achieved a 4.20% stake in the latter.

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

In 2010, Prim, S.A. participated in a share swap whereby it received shares of Alphatec Holding, Inc. in exchange for the shares of Scient'X. (The 233,372 shares of Scient'X owned by Prim, S.A. were replaced by 396,877 shares of Alphatec as a result of the acquisition of Scient'X by Alphatec on 26 March 2010). In 2016, Alphatec performed a reverse split with the result that the 396,877 shares owned by Prim, S.A. were converted into 33,073 shares of Alphatec Holding, Inc. At 2017 year-end, the fair value of those shares was 73,354.62 euro (100,715.62 euro at the end of 2016). The shares in Alphatec are measured at their market price on NASDAQ, applying the year-end exchange rate.

On 18 December 2008, 5,555,555 shares of the company TISSUEMED LTD., representing 1.57% of its capital, were acquired for 250,000 pounds sterling, equivalent to 276,701.72 euro.

An impairment amounting to 1,407.00 euro was recognised in 2017, as a result of which their fair value as of 31 December 2017 was 32,019.17 euro. As of 31 December 2016, the fair value amounted to 3,100,168.00 euro. That holding was disposed of in 2017 and, consequently, it no longer appears on the balance sheet as of 31 December 2017.

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

In 2016, it was possible to analyse financial information and comparable market transactions to obtain the fair value of Saarema. The fair value of that holding was determined using the following main assumptions: the existence of long-term contracts with insurance companies securing the Saarema Group's core business, trends in net interest-bearing debt, and the existence of comparable transactions.

The carrying amount of Saarema Sociedad Promotora de Centros Residenciales was written down by 463,893.63 euro against equity in 2016.

That holding was disposed of in 2017. The Prim Group owned 8.63% of Saarema at 2016 year-end.

9. Financial assets (current and non-current)

On 30 May 2017, the Prim Group sold its stake in the Saarema Group for an amount of 5,000,000.00 euro; a total of 2,000,000.00 euro had been collected as of 31 December 2017. The remainder will be collected in 2018 (1,000,000.00 euro), 2019 (1,000,000.00 euro) and 2020 (1,000,000.00 euro). This sale reduced the account by 3,100,168.00 euro, and a gain of 1,899,832 euro was recognised in profit or loss, while the value that had been recognised in the Group's equity in 2016, i.e. 463,893.63 euro, was transferred to profit or loss.

Current equity instruments available for sale

The item refers to investments of surplus cash in mutual funds in order to obtain a return. The cost of these investments is 5,750,234.68 euro as of 31 December 2017 and 5,736,946.38 euro as of 31 December 2016.

9.2. Loans and receivables

The detail of the financial assets in this category as of 31 December 2017 and 2016 is as follows:

(euro)	31.12.2017	31.12.2016
Long-term financial assets		
Deposits and pre-payments (9.2.1.)	101,358.01	105,803.50
Deferred tax assets (9.2.5)	284,402.46	386,539.46
Other receivables from third parties (9.2.6)	2,000,000.00	0.00
	2,385,760.47	492,342.96
Short-term financial assets		
Trade and other accounts receivable (9.2.2.)	30,740,914.74	28,402,284.14
Loans to group and associated undertakings (9.2.4)	0.00	0.00
	30,740,914.74	28,402,284.14

9.2.1. Long-term deposits and guarantees provided

The main change in 2016 was the recovery of the deposit posted with the Instituto de la Vivienda since one of the leases on the property on Avenida Llano Castellano (classified as investment property) was rescinded during the year; there were no material changes in 2017.

9.2.2. Trade and other accounts receivable

The detail of this caption as of 31 December 2017 and 2016 is as follows:

(euro)	31.12.2017	31.12.2016
Current	30,740,914.74	28,402,284.14
Customer receivables for sales and services (9.2.3)	29,856,323.66	28,144,388.65
Receivable from group and associated undertakings (Note 18.1)	727,840.00	71,308.00
Sundry debtors	0.00	0.00
Sundry debtors, group and associated undertakings (Note 18.1)	0.00	0.00
Personnel receivables	146,428.20	116,713.91
Current tax assets	0.00	0.00
Other receivables from public authorities	10,322.88	69,873.58
	30,740,914.74	28,402,284.14

9.2.3. Trade receivables for sales and services

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

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

Balances in foreign currency

Relate to balances with customers in the US at 2017 and 2016 year-end.

	2017	
(euro)	US dollar	Balance in euro
Trade receivables for sales and services	62,704.39	52,284.16

	2016	
(euro)	US dollar	Balance in euro
Trade receivables for sales and services	46,557.05	44,167.58

Value adjustments

The balance of "Trade receivables for sales and services" is presented net of impairment. The variations in impairment in 2017 and 2016 are as follows:

(euro)	2017	2016
Beginning balance	833,682.24	1,026,818.80
Provision for Enraf Nonius (1)	445,557.46	
Net provision	-	-57,263.89
Provision released for purpose	-557,815.95	-135,872.67
Ending balance	721,423.75	833,682.24

(1) This line item reflects the provision recognised by Enraf Nonius Ibérica, S.A. as of 31 December 2016 that, as a result of the latter being merged into Prim, S.A., was transferred to the balance sheet of Prim, S.A. as of 1 January 2017 (the effective date of that merger).

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

9.2.4. Loans to group and associated undertakings

No loans were granted to group undertakings in 2016.

In 2017, the Company granted a loan to dependent company Prim Salud y Bienestar, S.A. de C.V. At the end of 2017, that loan amounted to 212,283.58 euro, and interest accrued but not yet matured at that date amounted to 17,388.60 euro.

This loan accrues interest that will be settled, along with the principal, on the loan cancellation date, which will be in the first half of 2018.

9.2.5. Deferred tax assets

The tables below show the variations in 2016 and 2017:

	Balance as of 31.12.2016	Recogni-tions	Derecogni-tions	Balan-ce as of 31.12.2017
Non-deductible depreciation 2013	114,687.37		-11,608.03	103,079.34
Non-deductible depreciation 2014	122,635.74		-12,412.52	110,223.22
Fair value adjustment - Alphatec	123,191.40		-123,191.40	0.00
Amortisation of goodwill - Luga	19,674.95	19,674.95		39,349.90
Amortisation of goodwill - Milo	6,350.00	25,400.00		31,750.00
Total	386,539.46			282,402.46

	Balance as of 31.12.2015	Recogni-tions	Derecogni-tions	Balan-ce as of 31.12.2016
Non-deductible depreciation 2013	126,295.40		-11,608.03	114,687.37
Non-deductible depreciation 2014	135,048.26		-12,412.52	122,635.74
Fair value adjustment - Alphatec	123,191.40			123,191.40
Amortisation of goodwill - Luga		19,674.95		19,674.95
Amortisation of goodwill - Milo		6,350.00		6,350.00
Total	384,535.06			386,539.46

9.2.6. Other receivables from third parties

On 30 May 2017, the Prim Group sold its stake in the Saarema Group for an amount of 5,000,000.00 euro; a total of 2,000,000.00 euro had been collected as of 31 December 2017. The remainder will be collected in 2018 (1,000,000.00 euro), 2019 (1,000,000.00 euro) and 2020 (1,000,000.00 euro).

This balance sheet item reflects the part that was outstanding as of 31 December 2017.

9.3. Other financial assets

This item in the balance sheet refers to short- and long-term investments in order to obtain a return on the company's cash surpluses.

Fixed-income securities	Long term	Short term
Balance as of 31.12.2015	14,074,921.64	9,175,000.00
Recognitions	1,933,000.00	
Value adjustments	232,146.92	
Derecognitions	-12,461.00	-2,175,000.00
Balance as of 31.12.2016	16,227,607.56	7,000,000.00
Business combinations (Enraf)		2,175,000.00
Recognitions	2,025,000.00	2,600,000.00
Value adjustments	-104,969.52	
Derecognitions	-2,537,461.00	-9,175,000.00
Balance as of 31.12.2017	15,610,177.04	2,600,000.00

9.3.1. Long-term investment securities

Through 2013, the Company intended to maintain its investments in long-term debt securities until maturity; consequently, at 2013 year-end, those investments were measured at amortised cost. However, during 2014 it became apparent that these investments would be realised if more attractive investment opportunities became available; consequently, they were reclassified as available for sale. As a result, those investments are now carried at fair value rather than amortised cost, as is appropriate for financial assets classified as available for sale.

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

As of 2017 and 2016 year-end, those long-term debt securities were classified as available for sale and, consequently, were recognised at fair value.

	Balance as of 31.12.2015	Recognitions	Derecogni-tions	Balance as of 31.12.2016
Cost of acquisitions	12,708,109.75	1,933,000.00	-12,461.00	14,628,648.75
Value adjustments	1,366,811.89	232,146.92	0.00	1,598,958.81
Total	14,074,921.64	2,165,146.92	-12,461.00	16,227,607.56

	Balance as of 31.12.2016	Recognitions	Derecogni-tions	Balance as of 31.12.2017
Cost of acquisitions	14,628,648.75	2,025,000.00	-2,537,461.00	14,116,187.75
Value adjustments	1,598,958.81		-104,969.52	1,493,989.29
Total	16,227,607.56	2,025,000.00	-2,642,430.52	15,610,177.04

9.3.2. Other short-term financial assets

These are deposits earning returns at fixed rates and which are held to maturity; accordingly, no fair value adjustments are recognised at year-end.

10. Inventories

10. INVENTORIES

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

The balances as of 31 December 2017 and 2016 are as follows:

(euro)	2017	2016
Commercial inventories	31,174,170.68	22,096,330.32
Raw materials and other supplies used	1,867,032.00	2,144,777.00
Products in process	727,712.00	733,516.00
Finished products	2,298,268.00	2,370,613.00
By-products, residues and recovered materials	0.00	0.00
Supplier advances	1,593,329.12	2,304,884.24
Total inventories	37,661,511.80	29,650,120.56

The variations in impairment in 2017 and 2016 were as follows:

(euro)	2017	2016
Beginning balance	2,554,134.00	2,349,450.00
Correction arising from business combination	571,245.00	0.00
Impairments recognised in 2017	232,030.00	204,684.00
Ending balance	3,357,409.00	2,554,134.00

The criterion for recognising a provision for inventory obsolescence and, therefore, recognising an inventory valuation adjustment, did not change in 2017 and 2016. The approach is to classify as obsolete any product which has been in the company's catalogue for more than one year but has not registered any purchases or sales in the last six months.

11. Cash and cash equivalents

11. CASH AND CASH EQUIVALENTS

The detail of this caption as of 31 December 2017 and 2016 is as follows:

(euro)	31.12.2017	31.12.2016
Cash	22,151.22	19,970.45
Bank current accounts	13,583,187.69	4,097,628.71
	13,605,338.91	4,117,599.16

The current accounts earn market interest for this type of account. There are no restrictions on these balances.

12. EQUITY

12.1. Capital stock

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

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

On 1 June 2005, PRIM, S.A.'s shares commenced trading on the electronic market.

As of 31 December 2017 and 2016, the capital stock of Prim, S.A. amounted to 4,336,781.00 euro, represented by 17,347,124 shares of 0.25 euro par value each, all of which were fully paid and had the same rights and obligations. The shares are represented by book entries.

There were no changes in capital stock in 2017 or 2016.

12.2. Share premium

There were no changes in the share premium account in 2017 and 2016. The share premium account is unrestricted.

12.3. Reserves

Reserve for amortised capital.

In compliance with current legislation, the Company has recognised a reserve for the same amount by which capital was reduced in preceding years. As provided by the applicable legislation, this reserve is restricted until five years after the date of publication of the reduction unless all the Company's debts incurred prior to the date upon which the capital reduction became effective vis-à-vis third parties are discharged before then.

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

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

Legal reserve.

The Company must transfer 10% of income for each year to the legal reserve until it represents at least 20% of capital stock. In accordance with the Spanish Capital Companies Act, the balance of this reserve may only be used to offset losses in the income statement if there are no other unrestricted reserves available for this purpose, or to increase capital stock, provided that its balance is not reduced to less than 10% of the increased amount of capital stock.

Revaluation reserve.

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

The detail of the Revaluation Reserve is as follows:

Concept	(euro)
Revaluation of property, plant and equipment (Note 6)	596,399.45
Tax charge - 3% of the revaluation	-17,891.98
TOTAL	578,507.47

The revaluation entries and the balance of this reserve were approved by the tax inspection authorities on 24 November 1998. From that approval date, the reserve may be used to offset book losses, increase capital stock at the company, or, from 31 December 2006 (ten years after the date of the balance sheet disclosing the revaluation), it may be transferred to unrestricted reserves. The balance of the reserve may not be distributed, directly or indirectly, unless the capital gain has been fully realised through the sale or full depreciation of the revalued assets.

Capitalisation reserve

The capitalisation reserve arose for the first time in 2016 as a result of recent changes in tax legislation. The capitalisation reserve, which enables the tax burden to be reduced, is restricted for 5 years.

12.4. Own shares

As of 31 December 2017, PRIM, S.A. held 20,697.00 own shares, representing 0.12% of capital stock. Those shares were acquired for a total of 179,092.29 euro.

As of 31 December 2016, PRIM, S.A. held 15,847 own shares, representing 0.09% of capital stock. Those shares were acquired for a total of 132,008.70 euro.

The variations in 2017 and 2016 were as follows:

Year ended 31 December 2017

	Number of shares	Net carrying amount
Situation as of 31 December 2016	15,847.00	132,008.70
Acquisitions	8,369.00	179,092.29
Decreases	-3,519.00	-132,008.70
Situation as of 31 December 2017	20,697.00	179,092.29

In 2017, own shares were sold at a profit of 2,836.07 euro, which was recognised directly in equity.

Year ended 31 December 2016

	Number of shares	Net carrying amount
Situation as of 31 December 2015	271,665.00	2,088,750.18
Acquisitions	73,139.00	640,458.87
Decreases	-328,957.00	-2,597,200.35
Situation as of 31 December 2016	15,847.00	132,008.70

In 2016, own shares were sold at a profit of 121,214.03 euro, which was recognised directly in equity.

12.5. Dividends

In 2017, the Board of Directors declared an interim dividend of 1,908,183.64 euro out of 2017 income. That dividend will be supplemented by the final dividend to be distributed out of 2017 income, the proposal for which is shown in note 3 and will foreseeably be approved by the Shareholders' Meeting in mid-2018.

In 2016, the Board of Directors declared an interim dividend of 1,040,827.44 euro out of 2016 income. That dividend was supplemented by the final dividend distributed out of 2016 income, the proposal for which is shown in note 3 and was approved by the Shareholders' Meeting in June 2017.

13. Equity – Impairments

13. EQUITY - IMPAIRMENTS

The detail of this item over the last two years is as follows:

	31.12.2017	31.12.2016
Impairment of non-current assets	583,083.25	933,751.71
Impairment of current assets	-1,120,491.97	-1,199,219.12
TOTAL	-537,408.72	-265,467.41

There was a notable reduction in impairments of non-current assets. That decrease is mainly due to the fact that, in 2017, Prim, S.A. disposed of its stake in Saarema, which was recognised at fair value including, at the time of the sale, a fair value impairment in the amount of 463,893.63 euro that was derecognised when the sale took place.

That amount of 463,893.63 euro was transferred to profit or loss under "Gain/loss on disposal of financial instruments" along with the gain/loss recognised by Prim, S.A. as a result of that disposal.

14. Financial liabilities

14. FINANCIAL LIABILITIES

The detail of financial liabilities as of 31 December 2017 was as follows:

(euro)	Bank loans	Derivatives, etc.	Milo line of business	Total
Long-term financial liabilities	0.00	102,689.27	2,146,022.80	2,248,712.07
Long-term bank loans (14.1)				
Other financial liabilities (14.2)		102,689.27	2,146,022.80	2,248,712.07
Current financial liabilities	1,932,345.66	23,954,602.52	625,062.50	26,512,010.48
Short-term bank loans (14.1)	1,932,345.66			1,932,345.66
Other financial liabilities (14.2)		2,436,133.88		2,436,133.88
Short-term payable to group and associated undertakings (14.3)		589,735.11		589,735.11
Trade and other accounts payable (14.4)		20,928,733.53	625,062.50	21,553,796.03
	1,932,345.46	24,057,291.79	2,771,085.30	28,760,722.55

The detail of financial liabilities as of 31 December 2016 was as follows:

(euro)	Bank loans	Derivatives, etc.	Milo line of business	Total
Long-term financial liabilities	0.00	63,086.00	3,287,085.30	3,350,171.30
Long-term bank loans (14.1)				
Other financial liabilities (14.2)		63,086.00	3,287,085.30	3,350,171.30
Current financial liabilities	1,332,978.64	17,245,628.95	625,062.50	19,203,670.09
Short-term bank loans (14.1)	1,332,978.64			1,332,978.64
Other financial liabilities (14.2)		1,302,251.81		1,302,251.81
Short-term payable to group and associated undertakings (14.3)		589,735.11		589,735.11
Trade and other accounts payable (14.4)		15,353,642.03	625,062.50	15,978,704.53
	1,332,978.64	17,308,714.95	3,912,147.80	22,553,841.39

As detailed above, 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 payments envisaged in connection with this transaction amounted 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

As of 31 December 2017, the outstanding payments schedule was as follows:

Year	Amount payable
Short-term debt (2018)	625,062.50
Long-term debt (2019-2021)	2,146,022.80
TOTAL	2,771,085.30

The amount of long-term debt was updated to discount the amount of the financial charges implicit in the amounts payable over the long term.

As of 31 December 2016, this item in the balance sheet 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). The related short-term debt (payable in 2017) was 625,062.50 euro.

14.1. Current and non-current bank debt

(euro)	31.12.2017	31.12.2016
Long term		
Bank loans and credit (14.1.1)	0.00	0.00
	0.00	0.00
Short term		
Bank loans and credit (14.1.1)	0.00	206,662.87
Unmatured discounted notes (14.1.2)	1,932,345.46	1,125,612.77
Outstanding interest accrued	0.00	703.00
	1,932,345.46	1,332,978.64

14.1.1. Bank loans and credit

The outstanding balances as of 31 December 2016 were as follows:

	Amount outstanding as of 31.12.2016			
(euro)	Long term	Short term	Maturity	Interest rate
Credit lines (a)	0.00	0.00	Various dates	Euribor plus a spread
Other loans (c)	0.00	206,662.87		
V	0.00	120,495.44	2017	Euribor plus a spread
VI	0.00	86,167.43	2017	Euribor plus a spread
	0.00	206,662.87		

These loans, which were recognised as short term at 2016 year-end, were repaid in 2017 and, consequently, there were no outstanding bank loans at either short or long term as of 31 December 2017.

Long-term bank loans

a. Long-term credit lines

These are credit lines in euro arranged with various banks, which accrue interest at

Euribor plus a spread. A total of 1,600,000.00 euro was available under long-term credit lines as of 31 December 2017 (6,600,000.00 as of 31 December 2016).

The total limit of the credit lines was 1,600,000.00 euro as of 2017 year-end, with the following schedule:

Year	(euro)
2019	1,600,000.00
TOTAL	1,600,000.00

The total limit of the credit lines was 6,600,000.00 euro as of 2016 year-end, with the following schedule:

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

b. Other loans

The balance of other loans as of 31 December 2016 related to two loans received to finance the Company's operations, with a short-term balance of 120,495.44 and 86,167.43 euro, totalling 206,662.87, as shown in the table at the beginning of this note 14.1.1.1.

The first of the foregoing amounts (120,495.44 euro) corresponds to a loan with a principal of 1,400,000.00 euro granted in 2014 that was scheduled to be cancelled in 2017, with quarterly repayments and interest calculated as Euribor plus a spread.

The second of the foregoing amounts (86,167.43 euro) corresponds to a loan with a principal of 592,500.00 euro that was granted in 2010 and was scheduled to be cancelled in 2017, with monthly repayments and interest calculated as Euribor plus a spread.

Those outstanding balances were repaid in 2017 and, consequently, there was no outstanding balance as of 31 December 2017.

Short-term bank loans

The variations in the year were as follows:

	Credit lines (a)	Mortgage loan (b)	Other loans (c)	Other liabilities (d)	Finance from foreign suppliers (e)	Total
Balance as of 31.12.15	0.00	0.00	699,464.52	0.00	0.00	699,464.52
Additions and transfers	0.00	0.00	86,167.46	0.00	0.00	86,167.43
Decreases	0.00	0.00	-578,969.08	0.00	0.00	-578,969.08
Balance as of 31.12.16	0.00	0.00	206,662.87	0.00	0.00	206,662.87
Additions and transfers	0.00	0.00	0.00	0.00	0.00	0.00
Decreases	0.00	0.00	-206,662.87	0.00	0.00	-206,662.87
Balance as of 31.12.17	0.00	0.00	0.00	0.00	0.00	0.00

A total of 6,000,000.00 euro was available under these short-term credit lines as of 31 December 2017, and 1,450,000.00 euro as of 31 December 2016.

14.1.2. Other financial liabilities

The Company had 1,932,345.46 euro in unmatured discounted notes as of 31 December 2017 and 1,125,612.77 euro as of 31 December 2016. The limit available to the Company for discounting commercial notes was 1,750,000.00 euro as of 31 December 2017 and 2016.

The interest accrued but not yet matured on bank debt amounted to 703.00 euro as of 31 December 2016 and 0.00 euro as of 31 December 2017.

14.2. Other financial liabilities

Variations in this balance sheet item in 2017 and 2016 were as follows:

Variations in 2017 (in euro)				
	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Other long-term financial liabilities				
1. Long-term deposits received	63,086.00	39,603.27	0.00	102,689.27
Long-term accounts payable - Milo business line	3,287,085.30	0.00	-1,141,062.50	2,146,022.80
TOTAL	3,350,171.30			2,248,712.07
Other short-term financial liabilities				
2. Dividend payable	1,040,827.44	1,908,183.64	-1,040,827.44	1,908,183.64
3. Other	261,424.37	658,247.93	-391,722.06	527,950.24
TOTAL	1,302,251.81			2,436,133.88

Variations in 2018 (in euro)				
	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
Other long-term financial liabilities				
1. Long-term deposits received	58,977.20	4,108.80	0.00	63,086.00
Long-term accounts payable - Milo business line	0.00	3,287,085.30	0.00	3,287,085.30
TOTAL	58,977.20			3,350,171.30
Other short-term financial liabilities				
2. Dividend payable	954,091.82	1,040,827.44	-954,091.82	1,040,827.44
3. Other	104,444.84	354,135.23	-197,155.70	261,424.37
TOTAL	1,058,536.66			1,302,251.81

On 30 November 2017, the Board of Directors notified the National Securities Market Commission (CNMV) that on that day it had declared a dividend of 0.11 euro gross per share out of 2017 earnings to the 17,347,124 outstanding shares. That amount was paid on 16 January 2018.

On 22 December 2016, the Board of Directors notified the National Securities Market Commission (CNMV) that on that day it had declared a dividend of 0.0600 euro gross per share out of 2016 earnings to the 17,347,124 outstanding shares. That amount was paid on 18 January 2017.

14.3. Debts to group and associated undertakings

The detail of the balances with group undertakings included in this item as of 31 December 2017 and 2016 is as follows:

(euro)	31.12.2017	31.12.2016
Short term		
Siditemedic, S.L.	9,000.00	9,000.00
Inmobiliaria Catharsis, S. A	580,735.11	580,735.11
	589,735.11	589,735.11

14. Financial liabilities

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

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

14.3.1. Trade and other accounts payable

The detail of this caption as of 31 December 2017 and 2016 is as follows:

(euro)	31.12.2017	31.12.2016
Supplier accounts payable	10,783,837.90	7,814,556.28
Due to Group and associated undertakings (Note 18.1)	217,424.57	71,935.00
Sundry creditors	3,322,490.04	2,470,918.56
Due to Group and associated undertakings (Note 18.1)	0.00	0.00
Personnel (compensation payable)	3,780,805.66	3,283,503.76
Current tax liabilities (Note 16)	757,933.91	307,666.06
Other debt to public authorities	1,876,183.67	1,498,128.74
Customer advances	815,120.28	531,996.13
	21,553,796.03	15,978,704.53

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

15. Tax situation

15. TAX SITUATION

The detail of the tax assets and liabilities as of 31 December 2017 and 2016 is as follows:

(euro)	31.12.2017	31.12.2016
Long-term receivables from public authorities		
Deferred tax assets	284,402.46	386,539.46
Short-term receivables from public authorities		
Current tax assets	0.00	0.00
Other receivables from public authorities:	0.00	66,214.57
VAT	0.00	0.00
Personal income tax	10,322.88	3,659.01
IGIC (Canary Islands General Indirect Tax)	294,725.34	456,413.04
Long-term payables to public authorities		
Deferred tax liabilities	422,031.75	455,313.15
Short-term payables to public authorities		
Current tax liabilities	757,933.91	307,666.06
Other debt to public authorities:		
Personal income tax	657,736.53	594,799.38
Social security	435,766.48	397,341.73
IGIC (Canary Islands General Indirect Tax)	1,959.95	0.00
VAT	780,720.71	505,987.63
	3,056,149.33	2,261,107.95

Under current legislation, tax settlements cannot be considered final until they have been audited by the tax authorities or the statute of limitations period (currently four years) has elapsed. The Company has the last four years open for inspection by the tax authorities for all applicable taxes.

During 2017, the tax authorities initiated an inspection of corporate income tax, value added tax and personal income tax for the years 2012, 2013, 2014 and 2015 at Prim, S.A. and Establecimientos Ortopédicos Prim, S.A.

As of 2017 year-end, the Company's directors do not expect the inspection to give rise to material penalties that might affect the true and fair view presented by these financial statements.

15.1. Calculation of the corporate income tax charge

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

	2017	2016
Income before tax	16,508,284.28	12,096,589.37
Permanent differences	309,319.07	703,508.44
Timing differences	-234,937.59	-54,555.81
Consolidation adjustments	0.00	0.00
Adjusted income	16,582,665.76	12,745,542.00
Capitalisation reserve	-428,403.83	-323,880.22
Tax losses carried forward	0.00	0.00
Taxable income	16,154,261.93	12,421,661.78
Gross tax payable	-4,038,565.48	-3,105,415.45
Tax credits	30,606.21	29,317.33
Deductions	0.00	29,949.56
Net tax payable	-4,007,959.27	-3,046,148.56
Withholdings and prepayments	3,250,025.36	2,738,482.50
Net tax payable/receivable	-757,933.91	-307,666.06
Total tax base	16,154,261.93	12,421,661.78
Tax base arising in previous years	-248,086.85	-182,511.74
Tax base arising in current year	15,906,175.08	12,239,150.04
Tax rate	25.00%	25.00%
Corporate income tax in the year	3,976,543.77	3,059,787.51

In 2012, the Company availed itself of the reinvestment tax credit for the amount obtained on disposing of the Infusión business line. The income qualifying for the tax credit amounted to 4,112,265.09 euro and the assets in which it was reinvested amounted to 759,064.55 euro in 2012 and 1,980,680.98 euro in 2013.

Deferred tax assets and liabilities were adjusted to the foreseeable recovery rate of 25%.

In accordance with the calculation shown in the preceding table, the corporate income tax in the year (current tax) amounted to 3,976,543.77 euro in 2017 (3,059,787.51 in 2016). Nevertheless, the corporate income tax expense shown in the income statement amounts to 1,127,389.45 euro; the reconciliation between those two items is shown below:

(euro)	31.12.2016
Corporate income tax in the year	-3,059,787.51
Deferred corporate income tax	26,024.95
Positive adjustment to corporate income tax	1,906,373.11
	-1,127,389.45

The deferred corporate income tax arose from the fact that the company amortises goodwill over ten years for accounting purposes but over 20 years for tax purposes:

CALCULATION OF DEFERRED TAX ASSETS		PORC ANUAL	COSTE FONDO	AMORT ANUAL	AMORT 2017	CUOTA 2017
LABORATORIOS MILO					3 MONTHS	
	BOOK AMORTISATION	10%	2,032,000.00	203,200.00	12	203,200.00
	TAX AMORTISATION	5%	2,032,000.00	101,600.00	12	101,600.00
	DIFFERENCE IN TAX BASE					101,600.00
	DIFFERENCE IN TAX CHARGE (25%)	= DEFERRED TAX ASSET				25,400.00

		ANNUAL %	GOODWILL COST	ANNUAL AMORT.	AMORT. 2017	TAX 2017
LUGA SUMINISTROS MÉDICOS, S.L.					3 MONTHS	
	BOOK AMORTISATION	10%	1,573,996.00	157,399.60	12	157,399.60
	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 ASSET				19,674.95
TOTAL		TOTAL DEFERRED TAX LIABILITY				45,074.95

The positive adjustment to corporate income tax recognised in 2016 was due to the fact that the company had an open tax audit covering corporate income tax, value added tax and personal income tax for the years 2006 and 2007.

As a result, a provision for taxes was recognised which amounted to 1,906,373.11 euro as of 2015 year-end. In December 2016, a court found for the company and the decision had become final by the date of authorisation of the 2016 financial statements since the period granted to the tax authorities to appeal had expired. Consequently, the company decided to cancel the provision.

15.2. Deferred tax assets and liabilities

As of 31 December 2017 and 2016, the detail and variations in the various deferred tax asset and liability items were as follows:

Variations in 2017 (euro)			Changes in		
	Beginning balance	Business combinations	Profit or loss	Equity	Ending balance
Total deferred tax assets (15.2.1)	386,539.46	0.00	21,054.40	-123,191.40	284,402.46
Deferred tax liabilities					
Reinvestment (15.2.2)	104,872.36	0.00	-6,573.60	0.00	98,298.76
Unrestricted depreciation (15.2.3)	16,464.25	0.00	-3,787.50	0.00	12,676.75
Fair value adjustment of long-term available-for-sale assets (15.2.4)	399,739.69	0.00	0.00	-26,242.37	373,497.32
Fair value adjustment of short-term available-for-sale assets (15.2.5)	-65,763.15	0.00	0.00	3,322.07	-62,441.08
Total deferred tax liabilities	455,313.15				422,031.75

Variations in 2016 (euro)			Changes in		
	Beginning balance	Business combinations	Profit or loss	Equity	Ending balance
Deferred tax assets (15.2.1)	384,535.06	0.00	2,004.40	0.00	386,539.46
Total deferred tax assets	384,535.06	0.00	2,004.40	0.00	386,539.46
Deferred tax liabilities					
Reinvestment (15.2.2)	111,445.96	0.00	-6,573.60	0.00	104,872.36
Unrestricted depreciation (15.2.3)	20,272.25	0.00	-3,808.00	0.00	16. 464.25
Fair value adjustment of long-term available-for-sale assets (15.2.4)	341,702.98	0.00	0.00	58,036.71	399,739.69
Fair value adjustment of short-term available-for-sale assets (15.2.5)	-154,706.90	0.00	0.00	88,943.75	-65,763.15
Total deferred tax liabilities	318,714.29				455,313.15

15.2.1. Deferred tax assets

The breakdown of deferred tax assets is presented in note 9.2.5.

15.2.2. Reinvestment of proceeds from fixed asset disposals

The balance as of 31 December 2017 and 2016 relates to the deferred corporate income tax base which was deferred under the regulations governing the reinvestment of the proceeds from the disposal of intangible assets and financial assets in preceding years.

In accordance with the applicable tax legislation, future payments of this deferred debt to the Administration will be made in line with the depreciation of the assets in which the proceeds were reinvested, in some cases, and by an increase of one-seventh on the originally deferred amount, in other cases. The balance was reduced by 7,362.42 euro in 2017 and 2016.

15.2.3. Unrestricted depreciation

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

15.2.4. Provision for taxes

In consultation with its tax advisors, the Board of Directors resolved to recognise that provision, which was on the balance sheet as of 2015 year-end, as a function of the assessment of the risk associated with the Company's claims.

The provision for taxes was recognised under Other provisions as part of non-current liabilities and amounted to 1,906,373.11 euro as of 31 December 2015.

In December 2016, the company's position was upheld by the courts and the decision had become final by the date of authorisation of the 2016 financial statements since the period granted to the tax authorities to appeal had expired. Consequently, the company decided to cancel the provision as of 31 December 2016.

16. REVENUES AND EXPENSES

16.1. Net sales

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

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

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

Business segments

a. Medical and orthopaedic supplies

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

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

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 MILO business line, which was acquired in 2016, was added to this business line in 2016. In 2017, the "orthopaedic supplies" business conducted by Anota was added to this business line from the date of its inclusion in the Prim Group, namely 26 November 2017.

b. Real estate segment

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

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

- One at Avenida Llano Castellano, 43 (Madrid). This property, which is the former headquarters of the Parent Company, was refurbished for lease to third parties and became operational in the year ended 31 December 2006.
- The Company's facilities on Calle C in Polígono Industrial no. 1 (Móstoles). This is where the Company's production plant for its Orthopaedic Medical Supplies division is located. A part of these facilities is leased to Group company Establecimientos Ortopédicos Prim, S.A.
- Prim, S.A. has a premises at Calle Conde de Peñalver 26, Madrid which it leases from third parties. The Company engages in commercial and administrative activities in that premises. Part of these facilities are sub-let to Group company Establecimientos Ortopédicos Prim, which uses the space for its commercial activities.

- As a result of the merger of dependent company Luga Suministros Médico, S.L. into Prim, S.A. in 2015, Prim, S.A. now owns the production facilities formerly owned by Luga. Those facilities are located in the Monte Boyal industry park in Casarrubios del Monte (Toledo). Part of the facilities were leased to dependent company Enraf Nonius Ibérica, S.A. as of 2016 year-end. Enraf Nonius Ibérica, S.A. was merged into Prim, S.A. effective 1 January 2017 for accounting purposes.

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

Year ended 31 December 2017			
	Segment I	Segment II	Total
Net sales	112,084,013.78	399,220.00	112,483,233.78
Other operating revenues	1,166,960.82	116,986.38	1,283,947.20
Variation in provisions for finished products and products in process	-107,538.00	0.00	-107,538.00
Segment revenues	113,143,436.60	516,206.38	113,659,642.98
Segment operating income (*)	13,400,566.02	37,530.98	13,438,097.00
Financial revenues	1,736,367.85	0.00	1,736,367.85
Financial expenses	-36,397.57	0.00	-36,397.57
Exchange differences	-24,492.47	0.00	-24,492.47
Impairment of financial instruments	-28,768.00	0.00	-28,768.00
Income on disposal of financial instruments:	1,423,477.37	0.00	1,423,477.37
Income before tax from continuing operations	16,470,753.30	37,530.98	16,508,284.28
Corporate income tax			-3,976,543.77
Income from continuing operations			12,531,740.51

Year ended 31 December 2016			
	Segment I	Segment II	Total
Net sales	89,886,050.16	421,447.70	90,307,497.86
Other operating revenues	1,293,795.97	113,663.88	1,407,459.85
Variation in provisions for finished products and products in process	462,046.00	0.00	462,046.00
Segment revenues	91,641,892.13	535,111.58	92,177,003.71
Segment operating income (*)	10,153,506.20	58,096.50	10,211,602.70
Financial revenues	1,404,545.96	0.00	1,404,545.96
Financial expenses	-53,957.21	0.00	-53,957.21
Exchange differences	552,106.39	0.00	552,106.39
Impairment of financial instruments	-5,247,47	0.00	-5,247.47
Income on disposal of financial instruments:	-12,461.00	0.00	-12,461.00
Income before tax from continuing operations	12,038,492.87	58,096.50	12,096,589.37
Corporate income tax			-1,127,389.45
Income from continuing operations			10,969,199.92

(*) The operating income of each segment is determined by deducting the segment's operating expenses from its operating revenues, both figures being obtained from the information produced by the company, broken down by cost centre.

The breakdown of the Company's net sales in its ordinary activities in 2017 and 2016 is as follows:

Euro	2017	2016
Spain	100,600,581.56	79,313,913.86
Rest of European Union and other countries	11,882,652.22	10,993,584.00
TOTAL	112,483,233.78	90,307,497.86

16.2. Procurements

The detail of Procurements for the years ended 31 December 2017 and 2016 is as follows:

Year ended 31 December 2017			
(euro)	Purchases	Change in inventories	Procurements
Merchandise consumed	54,239,041.52	-6,730,313.92	47,508,727.60
Merchandise consumed—group and associated undertakings	425,146.57	0.00	425,146.57
Raw materials and other consumables consumed	4,676,985.74	370,761.00	5,047,746.74
Work performed by other companies	577,500.19	0.00	577,500.19
Impairment of merchandise, raw materials and other procurements	232,030.00	0.00	232,030.00
	60,150,704.02	-6,359,552.92	53,791,151.10

Year ended 31 December 2016			
(euro)	Purchases	Change in inventories	Procurements
Merchandise consumed	30,813,316.04	5,036,496.80	35,849,812.84
Merchandise consumed—group and associated undertakings	130,005.00	0.00	130,005.00
Raw materials and other consumables consumed	4,943,182.87	-275,588.00	4,667,594.87
Work performed by other companies	659,514.66	0.00	659,514.66
Impairment of merchandise, raw materials and other procurements	204,684.00	0.00	204,684.00
	36,750,702.57	4,760,908.80	41,511,611.37

16.3. Employee welfare expenses

The detail of employee welfare expenses for the years ended 31 December 2017 and 2016 is as follows:

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(euro)	31.12.2017	31.12.2016
Social security	4,573,817.19	3,968,144.64
Other welfare expenses	507,888.73	407,109.98
	5,081,705.92	4,375,254.62

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

16.4. Outside services

The detail of outside services for the years ended 31 December 2017 and 2016 is as follows:

(euro)	31.12.2017	31.12.2016
Leases and fees (16.9)	1,818,059.12	1,859,132.27
Repairs and upkeep	469,898.29	541,870.06
Independent professional services	2,384,459.12	2,146,754.32
Transport	2,542,525.77	1,906,922.52
Insurance premiums	477,156.91	358,005.00
Banking and similar services	49,415,26	31,509.85
Advertising and public relations	1,205,652.69	977,984.97
Utilities	219,683.35	266,896.69
Other services	5,940,52.50	5,221,334.09
	15,106,903.01	13,310,409.77

Those amounts are contained in the following items of the income statement

(euro)	31.12.2017	31.12.2016
Outside services	14,910,833.57	13,114,465.33
Outside services, group and associated undertakings	196,069.44	195,944.44
	15,106,903.01	13,310,409.77

16.5. Financial revenues

The detail of financial revenues for the years ended 31 December 2017 and 2016 is as follows:

(euro)	31.12.2017	31.12.2016
Dividends received from group undertakings (Note 18)	105,809.12	120,075.23
Dividends received from associated undertakings	0.00	0.00
Interest on loans to group undertakings (Note 18)	17,388,60	0.00
Interest from third parties:		
Loans to third parties, fixed-income securities and mutual funds	617,388.05	669,318.28
Other financial revenues	995,782.08	615,152.45
	1,736,367.85	1,404,545.96

The "Other financial revenues" item includes 959,021.06 euro of default interest collected in 2017 upon enforcement of a number of court rulings against public administrations for late payment.

16.6. Financial expenses

The detail of financial expenses for the years ended 31 December 2017 and 2016 is as follows:

(euro)	31.12.2017	31.12.2016
Interest on debts to group undertakings (Note 18)	8,256.29	22,256.29
Interest on debts to third parties:		
Bank loans and credit (Note 14.1)	28,141.18	31,700.92
	36,397.47	53,957.21

16.7. Exchange differences

Exchange differences amounted to -24,492.47 euro in 2017 and 552,106.39 euro in 2016. These differences relate mainly to purchases in foreign currencies, principally the US dollar (Note 17).

16.8. Items under finance lease

There were no items in use under finance lease at 2017 and 2016 year-end.

16.9. Operating leases

16.9.1. Operating leases in which the Company acts as lessee

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

Additionally, the Company has operating leases on certain premises which are used as sales offices.

The operating lease payments recognised as expenses in 2017 and 2016 are as follows:

(euro)	2017	2016
Lease of structures	647,927.00	674,426.68
Lease of vehicles	1,004,538.11	1,018,512.29
Lease of machinery	3,400.00	3,000.00
Lease of furniture	80,376.19	66,588.77
Lease of office equipment	27,956.37	74,976.51
Fees and royalties	53,861.45	21,628.02
TOTAL (16.4)	1,818,059.12	1,859,132.27

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

Future payments for leases of structures are as follows:

	Under 1 year	1 to 5 years	Over 5 years	TOTAL
As of 31 December 2017	499,636.91	1,092,479.68	172,947.59	1,765,064.18
As of 31 December 2016	475,271.40	1,088,466.67	332,479.08	1,896,217.15

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 2017	489,763.30	995,892.85	142,326.16	1,627,982.31
As of 31 December 2016	465,820.85	990,452.84	269,464.17	1,725,737.86

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

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

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

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

(*) Contracts signed with Prim Group undertakings

16.9.2. Operating leases in which the Company acts as lessor

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

The table below shows the minimum future lease payments under the contract in which Prim acts as lessor, both discounted (using the discount rate of the industry in which company operates) and not discounted.

As of 31 December 2017	Under 1 year	1 to 5 years	Over 5 years	TOTAL
Future payments (discounted)	86,168.29	269,362.48	52,965.76	408,496.53
Future payments (not discounted)	97,284.00	408,187.45	110,660.55	616,132.00

As of 31 December 2017	Under 1 year	1 to 5 years	Over 5 years	TOTAL
Future payments (discounted)	88,359.67	289,140.78	113,374.61	490,875.06
Future payments (not discounted)	97,284.00	403,323.25	212,808.75	713,416.00

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

The Company has arranged operating leases, as lessor, on the property located at Avenida Llano Castellano, 43 (Madrid); the future lease revenues to be collected by the Company under the leases in force as of 31 December 2017 and 2016 are shown in the following table:

As of 31 December 2017	Under 1 year	1 to 5 years	Over 5 years	TOTAL
Future collections (discounted)	269,282.55	79,504.74	0.00	348,787.29
Future collections (not discounted)	304,020.00	101,340.00	0.00	405,360.00

As of 31 December 2016	Under 1 year	1 to 5 years	Over 5 years	TOTAL
Future collections (discounted)	91,316.98	0.00	0.00	91,316.98
Future collections (not discounted)	100,540.00	0.00	0.00	100,540.00

The table shows only future receipts up to the next annual renewal of the lease, in April 2019.

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

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

As of 31 December 2017	Under 1 year	1 to 5 years	Over 5 years	TOTAL
Future collections (discounted)	15,433.13	11,391.44	0.00	26,824.57
Future collections (not discounted)	17,424.00	14,520.00	0.00	31,944.00

As of 31 December 2016	Under 1 year	1 to 5 years	Over 5 years	TOTAL
Future collections (discounted)	15,825.61	11,978.21	0.00	27,803.82
Future collections (not discounted)	17,424.00	14,520.00	0.00	31,944.00

As a result of the merger performed in 2015, Prim manages the assets of Luga Suministros

16. Revenues and expenses

Médicos, S.L. One such asset is the warehouse formerly owned by Luga in Casarrubios del Monte, part of whose facilities were being leased in 2016 to Group company Enraf Nonius Ibérica, S.A. for use to store its stock.

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

As of 31 December 2016	Under 1 year	1 to 5 years	Over 5 years	TOTAL
Future collections (discounted)	65,940.05	59,891.06	0.00	125,831.11
Future collections (not discounted)	72,600.00	72,600.00	0.00	145,200.00

That lease was cancelled as a result of the merger of Enraf Nonius Ibérica, S.A. into Prim, S.A. in 2017.

16.10. Impairment losses and income from disposal of financial instruments

	(euro) 2017	(euro) 2016
Impairment of long-term holdings in group undertakings	0.00	0.00
Impairment of long-term holdings in other companies	-28,768.00	-17,708.47
Loss on disposal of financial instruments	-12,461.00	0.00
Income on disposal of financial instruments	1,435,938.37	0.00
Total	1,394,709.37	-17,708.47

Income on disposal of financial instruments relates entirely to the sale of the holding in the Saarema group. That holding stood at 8.63% as of 2016 year-end. On 30 May 2017, the Prim Group sold its stake in the Saarema Group for an amount of 5,000,000.00 euro; a total of 2,000,000.00 euro had been collected as of 31 December 2017.

17. Foreign currency

17. FOREIGN CURRENCY

The Company makes purchases in currencies other than its functional currency, which is the euro. The Company made purchases in foreign currency totalling 8,170,338.43 euro in 2017 and 9,867,122.40 euro in 2016, as follows:

	2017	2016
USD	7,622,482.78	8,568,991.88
Pound sterling	483,784.55	587,134.89
Japanese yen	27,257.27	365,998.55
Canadian dollar	34.10	241.34
Dominican peso	12,182.57	17,408.69
Mexican peso	24,597.16	327,347.05
Total	8,170,338.43	9,867,122.40

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

18. Related-party transactions

18. TRANSACTIONS WITH RELATED PARTIES

The related parties with which the Company entered into transactions in 2017 and 2016, and the nature of the relationship, are set out below:

	Nature of relationship
Enraf Nonius Ibérica, S.A. (1)	Group undertaking
Establecimientos Ortopédicos Prim, S.A.	Group undertaking
Enraf Nonius Ibérica Portugal, Lda	Group undertaking
Siditemedic, S.L (Soc. Unipersonal).	Group undertaking
Inmobiliaria Catharsis, S.A. (Soc .Unipersonal)	Group undertaking
Prim Salud y Bienestar, S.A. de C. V.	Group undertaking
Anota, S.A.U.	Group undertaking
Network Medical Products Ltd	Associated undertaking
Directors (Members of the Board of Directors)	Directors
Senior management	Executives and managers

(1) Effective 1 January 2017 for accounting purposes, wholly-owned subsidiary Enraf Nonius Ibérica, S.A. was merged into Prim, S.A. and, consequently, had ceased to exist as of 2017 year-end.

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

The finance agreements are loans received from group undertakings, with the following detail in 2017 and 2016.

The variations in 2017 are shown in the table below:

Group undertaking	Balance at 31.12.2016	Increases	Decreases	Balance at 31.12.2017
Siditemedic, S.L.	9,000.00	0.00	0.00	9,000.00
I. Catharsis, S.A.	580,735.11	0.00	0.00	580,735.11
Total	589,735.11	0.00	0.00	589,735.11

The variations in 2016 are shown in the table below:

Group undertaking	Balance at 31.12.2015	Increases	Decreases	Balance at 31.12.2016
Siditemedic, S.L.	9,000.00	0.00	0.00	9,000.00
I. Catharsis, S.A.	580,735.11	0.00	0.00	580,735.11
Enraf Nonius Ibérica, S.A.	1,000,000.00	0.00	-1,000,000.00	0.00
Total	1,589,735.11	0.00	-1,000,000.00	589,735.11

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

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

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

Related parties

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

18.1. Related undertakings

Balances with related undertakings as of 31 December 2017 and 2016 were as follows:

Related-party transactions. Assets and liabilities	Prim 2017	Prim 2016
Assets		
Current assets		
Trade and other accounts receivable		
Customer receivables—group and associated undertakings	727,840.00	71,308.00
Establecimientos Ortopédicos Prim, S.A.	103,950.00	37,176.00
Enraf Nonius Ibérica, S.A.		3,754.00
Enraf Nonius Ibérica Portugal Lda	585,115.00	30,378.00
Anota, S.A.U.	38,775.00	
Sundry debtors, group and associated undertakings	0.00	0.00
Short-term investment in group and associated undertakings		
Loans to group and associated undertakings	229,672.18	0.00
Prim Salud y Bienestar, S. A de C.V.	229,672.18	
Liabilities		
Current liabilities		
Short-term debts to group and associated undertakings	589,735.11	589,735.11
Siditemedic, S.L.	9,000.00	9,000.00
Enraf Nonius Ibérica, S.A.		0.00
Inmobiliaria Catharsis, S.A.	580,735.11	580,735.11
Short-term supplier accounts payable—Group and associated undertakings	217,424.57	71,935.00
Establecimientos ortopédicos Prim, S.A.		53,316.00
Enraf Nonius Ibérica, S.A.		18,619.00
Enraf Nonius Ibérica Portugal Lda	217,424.57	
Short-term accounts payable—Group and associated undertakings	0.00	0.00

Transactions with related undertakings in 2017 and 2016 were as follows:

Related-party transactions. Expenses and revenues	Prim 2017	Prim 2016
Expenses		
Procurements		
Merchandise consumed—group and associated undertakings	425,146.57	130,005.00
Establecimientos ortopédicos Prim, S.A.	207,722.00	109,506.00
Enraf Nonius Ibérica, S.A.		20,499.00
Enraf Nonius Ibérica Portugal Lda	217,424.57	
Other operating expenses		
Outside services	196,069.44	195,944.44
Establecimientos ortopédicos Prim, S.A.	2,940.00	2,815.00
Inmobiliaria Catharsis, S.A.	193,129.44	193,129.44

Financial expenses		
Debts to group and associated undertakings	8,256.29	22,256.29
Siditemedic, S.L.	126.00	126.00
Enraf Nonius Ibérica, S.A.		14,000.00
Inmobiliaria Catharsis, S.A.	8,130.29	8,130.29
Revenues		
Net sales		
Sales to group and associated undertakings	1,385,401.00	542,968.00
Establecimientos ortopédicos Prim, S.A.	586,216.00	407,259.00
Enraf Nonius Ibérica, S.A.		103,600.00
Enraf Nonius Ibérica Portugal Lda	763,982.00	32,109.00
Anota, S.A.U.	35,203.00	
Other operating revenues		
Sundry and other current revenues	161,701.00	622,393.44
Establecimientos ortopédicos Prim, S.A.	145,555.00	72,121.00
Enraf Nonius Ibérica, S.A.		534,672.44
Inmobiliaria Catharsis, S.A.	16,146.00	15,600.00
Financial revenues		
Equity instruments		
Group and associated undertakings	0.00	120,075.23
Inmobiliaria Catharsis, S.A.		120,075.23
Marketable securities and other financial instruments		
Group and associated undertakings	17,388.60	0.00
Prim, Salud y Bienestar	17,388.60	

18.2. Directors and senior management

The detail of remuneration received by members of the Board of Directors and Senior Management in the years ended 31 December 2017 and 2016 is as follows:

(euro)	2017	2016
Directors		
Wages	533,483.88	190,500.00
Per diems		
Share in income	360,000.00	300,000.00
Senior management		
Wages	485,412.84	853,600.45
	1,378,896.92	1,344,100.45

In 2017, remuneration of the members of the Board of Directors arising from their status as heads of the various functional areas for which they are responsible amounted to 533,483.88 euro, while senior management remuneration amounted to 485,412.84 euro. In 2016, that remuneration amounted to 190,500 euro and 853,600.45 euro, respectively.

There is also an allocation of 300,000.00 euro in 2017 and 2016 as a share in Company income for members of the Board of Directors.

The Company paid a third-party liability insurance premium for its directors amounting to 14,330.25 euro in 2017 and 2016.

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

18. Related-party transactions

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 20 July 2017, and the previous year's payment was on 18 July 2016.

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.

In 2017 and 2016, no person represented the Company on any board of directors since the company was not a director of any company.

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

19. Information about the nature and degree of risks relating to financial instruments

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

Article 8.1.b) of Royal Decree 1362/2007 makes it obligatory to disclose the risks and uncertainties facing the company.

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

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

Under the general risk policy, all of the Company's capabilities are deployed so as to properly identify, measure, manage and control risk of all types in line with the following principles:

Separation of functions, at operating level, between the areas of decision-making, on the one hand, and analysis, control and supervision, on the other.

Assurance of short- and long-term business and financial stability by maintaining an appropriate balance between risk, value and profit.

Compliance with the current legislation regarding control, management and supervision of risks.

Transparency regarding risks and the functioning of control systems.

Company policy, which was maintained in 2017 and 2016, is not to negotiate financial instruments.

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

19.1. Interest rate risks on cash flows

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

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

The debt structure as of 31 December 2017 and 2016 is as follows:

	31.12.2017	31.12.2016	Interest rate	Benchmark
Long-term debt				
Credit lines	0.00	0.00	Floating-rate	Euribor
Mortgage loan	0.00	0.00	Floating-rate	Interbank rate
Other loans	0.00	0.00	Floating-rate	Euribor
Short-term debt				
Credit lines	0.00	0.00	Floating-rate	Euribor
Mortgage loan	0.00	0.00	Floating-rate	Interbank rate
Discounted notes	1,932,345.46	1,125,612.77	Floating-rate	1-month Euribor
Other loans	0.00	207,365.87	Floating-rate	Euribor

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

	Effect on income			
	31.12.2017		31.12.2016	
	+25%	-25%	+25%	-25%
Long-term debt	0.00	0.00	-385.99	385.99
Credit lines	0.00	0.00	-39.17	39.17
Mortgage loan	0.00	0.00	0.00	0.00
Other loans	0.00	0.00	-346.82	346.82
Short-term debt	-5,031.12	5,031.12	-6,379.33	6,379.33
Credit lines	0.00	0.00	0.00	0.00
Mortgage loan	0.00	0.00	0.00	0.00
Discounted notes	-4,199.30	4,199.30	-2,732.17	2,732.17
Other loans	-831.82	831.82	-3,647.16	3,647.16

19.2. Exchange rate risk

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

The following items may be affected by exchange rate risk:

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

Receipts and payments for supplies, services or investments in currencies other than the euro

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

See the table in Note 17. Aside from the euro, the currency in which the Company most often deals is the US dollar.

The sensitivity of earnings in 2017 was as follows:

	Exchange rate	Purchases at rate	Effect on income
Exchange rate as of 31/12/2017	1.20	8,170,338.43	0.00
Exchange rate incremented by 5%	1.26	7,781,274.70	389,063.73
Exchange rate decreased by 5%	1.14	8,600,356.24	-430,01.81

The sensitivity of earnings in 2016 was as follows:

	Tipo de cambio	Compras al tipo	Impacto en Rdos
Exchange rate as of 31/12/2016	1.05	8,568,991.88	0.00
Exchange rate incremented by 5%	1.11	8,160,944.65	408,047.23
Exchange rate decreased by 5%	1.00	9,019,991.45	-450,999.57

The amount of interest-bearing debt in currencies other than the euro is not material.

19.3. Credit risk

19.3.1. Overview

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

There was not a material concentration of credit in the company as of 2017 and 2016 year-end.

2017	Not yet matured	Under 90	90-180	Over 180	Total
Private sector					
Long-term customer receivables	0.00	0.00	0.00	0.00	0.00
Group and associated undertakings	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Short-term customer receivables	8,597,445.51	4,337,978.06	97,607.38	-312,258.34	12,720,772.61
Group and associated undertakings	147,076.39	261,970.97	66,741.93	252,050.71	727,840.00
Other	8,450,369.12	4,076,007.09	30,865.45	-564,309.05	11,992,932.61
Total	8,597,445.51	4,337,978.06	97,607.38	-312,258.34	12,720,772.61
Public sector					
Long-term customer receivables	0.00	0.00	0.00	0.00	0.00
Group and associated undertakings	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Short-term customer receivables	5,272,415.51	6,953,268.11	1,335,384.76	-17,822.82	13,543,245.56

Group and associated undertakings	0.00	0.00	0.00	0.00	0.00
Other	5,272,415.51	6,953,268.11	1,335,384.76	-17,822.82	13,543,245.56
Total	5,272,415.51	6,953,268.11	1,335,384.76	-17,822.82	13,543,245.56
Total					
Long-term customer receivables	0.00	0.00	0.00	0.00	0.00
Group and associated undertakings	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Short-term customer receivables	13,869,861.02	11,291,246.17	1,432,992.14	-330,081.16	26,264,018.17
Group and associated undertakings	147,076.39	261,970.97	66,741.93	252,050.71	727,840.00
Other	13,722,784.63	11,029,275.20	1,366,250.21	-582,131.87	25,536,178.17
Total	13,869,861.02	11,291,246.17	1,432,992.14	-330,081.16	26,264,018.17

2016	Not yet matured	Under 90	90-180	Over 180	Total
Private sector					
Long-term customer receivables	0.00	0.00	0.00	0.00	0.00
Group and associated undertakings					0.00
Other					0.00
Short-term customer receivables	171,996.62	8,691,119.60	2,476,316.77	272,206.18	11,611,639.17
Group and associated undertakings	1,061.08	70,246.92	0.00	0.00	71,308.00
Other	170,935.54	8,620,872.68	2,476,316.77	272,206.18	11,540,331.17
Total	171,996.62	8,691,119.60	2,476,316.77	272,206.18	11,611,639.17
Public sector					
Long-term customer receivables	0.00	0.00	0.00	0.00	0.00
Group and associated undertakings					0.00
Other					0.00
Short-term customer receivables	347,684.07	9,603,840.60	3,379,090.82	310,395.44	13,641,010.93
Group and associated undertakings					0.00
Other	347,684.07	9,603,840.60	3,379,090.82	310,395.44	13,641,010.93
Total	347,684.07	9,603,840.60	3,379,090.82	310,395.44	13,641,010.93
Total					
Long-term customer receivables	0.00	0.00	0.00	0.00	0.00
Group and associated undertakings	0.00	0.00	0.00	0.00	0.00
Other	0.00	0.00	0.00	0.00	0.00
Short-term customer receivables	519,680.69	18,294,960.20	5,855,407.59	582,601.62	25,252,650.10
Group and associated undertakings	1,061.08	70,246.92	0.00	0.00	71,308.00
Other	518,619.61	18,224,713.28	5,855,407.59	582,601.62	25,181,342.10
Total	519,680.69	18,294,960.20	5,855,407.59	582,601.62	25,252,650.10

19.3.2. Credit quality

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

19.3.3. Collateral and credit enhancement

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

19.3.4. Recognition of provisions and impairment

Prim does not use a blanket approach to provisioning accounts receivable (by provisioning a given percentage of receivable balances, or a percentage depending on the age of the balance or the customer type).
Rather, provisions are recognised based on an individual analysis of the risk associated with each customer and invoice; i.e. provisions are recognised for specific invoices. Also, when it is decided that an invoice is doubtful, it is written off. Consequently, in the case of impaired balances, the amount due exactly matches the recognised impairment.

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

19.3.5. Risk concentration

The concentration of credit risk by counterparty in the "Trade and other accounts payable" account as of 31 December 2017 and 2016 is as follows:

PRIM CUSTOMER CONCENTRATION 2017			
By amount	Customers	Customer advances	Total
With balance...			
Over 1,000,000 euro	4,698,946.41	0.00	4,698,946.41
500,000-1,000,000 euro	2,939,588.73	0.00	2,939,588.73
200,000-500,000 euro	6,570,911.15	0.00	6,570,911.15
100,000-200,000 euro	3,528,003.26	0.00	3,528,003.26
Under 100,000 euro	12,973,873.27	-815,120.28	12,158,752.99
Total	30,711,322.82	-815,120.28	29,896,202.54
Number of customers	Customers	Customer advances	Total
With balance...			
Over 1,000,000 euro	2.00	0.00	2.00
500,000-1,000,000 euro	5.00	0.00	5.00
200,000-500,000 euro	22.00	0.00	22.00
100,000-200,000 euro	27.00	0.00	27.00
Under 100,000 euro	7,806.00	90.00	7,896.00
Total	7,862.00	90.00	7,952.00

PRIM CUSTOMER CONCENTRATION 2016			
By amount	Customers	Customer advances	Total
With balance...			
Over 1,000,000 euro	1,998,776.46	0.00	1,998,776.46
500,000-1,000,000 euro	1,998,982.51	0.00	1,998,982.51
200,000-500,000 euro	7,191,639.74	0.00	7,191,639.74
100,000-200,000 euro	3,772,719.57	0.00	3,772,719.57
Under 100,000 euro	10,290,531.85	-531,996.13	9,758,535.72
Total	25,252,650.13	-531,996.13	24,720,654.00
Number of customers	Customers	Customer advances	Total
With balance...			
Over 1,000,000 euro	1.00	0.00	1.00
500,000-1,000,000 euro	3.00	0.00	3.00
200,000-500,000 euro	24.00	0.00	24.00
100,000-200,000 euro	25.00	0.00	25.00
Under 100,000 euro	3,944.00	23.00	3,967.00
Total	3,997.00	23.00	4,020.00

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

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

19.3.6. Liquidity risk

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

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

The company had positive working capital amounting to 65,837,869.84 euro as of 31 December 2017 and 55,707,221.39 euro as of 31 December 2016, which guarantees that it can cancel current liabilities. (Working capital is defined as the difference between current assets and current liabilities)

The Company has a significant amount available in credit lines which it has not yet used. Specifically, the amount not drawn on long-term credit lines was 1,600,000.00 euro as of 2017 year-end and 5,400,000.00 as of 2016 year-end, and the amount not drawn on short-term credit lines was 6,000,000.00 euro as of 2017 year-end and 1,000,000.00 euro as of 2016 year-end; accordingly, the group has sufficient liquidity to address any difficulty that may arise in future years.

20. Business Combinations

20. BUSINESS COMBINATIONS

The merger of wholly-owned subsidiary Enraf Nonius Ibérica, S.A. into the Prim Group parent company (Prim, S.A.) was expressed in a public instrument on 25 September 2017.

That merger was effective for accounting purposes from 1 January 2017; accordingly all transactions performed by Enraf Nonius Ibérica, S.A. as of the end of 2017 were deemed to have been performed by Prim, S.A.

The acquisition-date fair values of the identifiable assets and liabilities of Enraf Nonius Ibérica, S.A. are as follows:

			Value
Assets			9,430,895.97
	Non-current assets		118,567.57
		Intangible assets	0.00
		Property, plant & equipment	18,593.45
		Investment property	0.00
		Investment in group and associated undertakings	99,974.12
	Current assets		9,312,328.40
		Inventories	2,808,157.53
		Trade and other accounts receivable	3,147,722.84
		Short-term financial assets	2,175,000.00
		Cash and cash equivalents	1,181,448.03
Liabilities			3,347,597.73
	Non-current liabilities		39,203.27
		Long-term debt	39,203.27
	Current liabilities		3,308,394.46
		Short-term debt	659,863.26
		Trade and other accounts payable	2,648,531.20
Total assets			9,430,895.97
Total liabilities			3,347,597.73
Total identifiable assets at carrying amount per consolidated financial statements			6,083,298.24
Value of Prim's investment in Enraf			690,461.45
Final effect on book equity			5,392,836.79

Since no amount was paid by the Company (as the subsidiary was 100% owned), the cash acquired in the business combination matches the cash held by Enraf Nonius Ibérica as of 31 December 2016, i.e. 1,181,448.03 euro.

21. Other information

21. OTHER INFORMATION

21.1. Average workforce

The Company's workforce is distributed as follows: Average workforce in 2017:

Category	Men	Women	Total
Sales and technical staff	173	43	216
Clerical staff	45	88	133
Plant staff	42	64	106
Total	260	195	455

There are eight employees with a degree of disability greater than 33%. Average workforce in 2016:

Category	Men	Women	Total
Sales and technical staff	151	44	195
Clerical staff	46	66	112
Plant staff	38	69	107
Total	235	179	414

There are six employees with a degree of disability greater than 33%.
The average workforce in each year does not differ materially from the workforce as of 31 December of that year.
The Company's Board of Directors comprises six members: five men and one woman.

21.2. Auditors' fees

The fees paid to the auditor for auditing the 2017 consolidated financial statements amounted to 71,000.00 euro (74,400.00 euro in 2016). The auditor also provided non-audit services amounting to 34,435.00 euro in 2017.

21.3. Environmental disclosure

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

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

21.4. Guarantees to third parties

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.

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.). In December 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. That mortgage was still in force as of 31 December 2017.

As of 31 December 2017, the Company had provided sureties to third parties in guarantee of supplies (government tenders) for a total of 1,260,684.01 euro. Additionally, the company had provided bonds amounting to 12,000.00 euro relating to work carried out at its facilities in Casarrubios del Monte (Toledo). The Company has also presented other minor bonds amounting to 177,172.71 euro.

As of 31 December 2016, the Company had provided sureties to third parties in guarantee of supplies (government tenders) for a total of 756,290.60 euro. Additionally, the company had provided bonds amounting to 12,000.00 euro relating to work carried out at its facilities in Casarrubios del Monte (Toledo). The Company has also presented other minor bonds amounting to 57,343.10 euro.

22. Information on deferral of payments to suppliers

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

The average period of payment to suppliers is detailed below:

	2017	2016
Total (number of days payment delay * amount of payment)	3,587,217,617.70	3,084,271,813.81
Total amount of payments made	79,259,267.61	63,477,499.70
Ratio of payments made	45.26	48.59
Total (number of days outstanding * amount outstanding)	215,541,047.44	180,445,418.22
Total amount of payments outstanding	5,936,567.80	5,208,836.42
Ratio of payments outstanding	36.31	34.64
Average supplier payment period. Numerator	3,802,758,665.14	3,264,717,232.03
Average supplier payment period. Denominator	85,195,835.41	68,686,336.12
Average supplier payment period. Denominator	44.64	47.53

23. Separate and consolidated financial statements

23. SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

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

24. Subsequent events

24. SUBSEQUENT EVENTS

On 1 March 2018, the Company informed the Spanish National Securities Market Commission that it had sold its minority holding in UK-based company Network Medical to SCP Medical Holding (UK) Limited for a total of 800,000.00 pounds sterling.

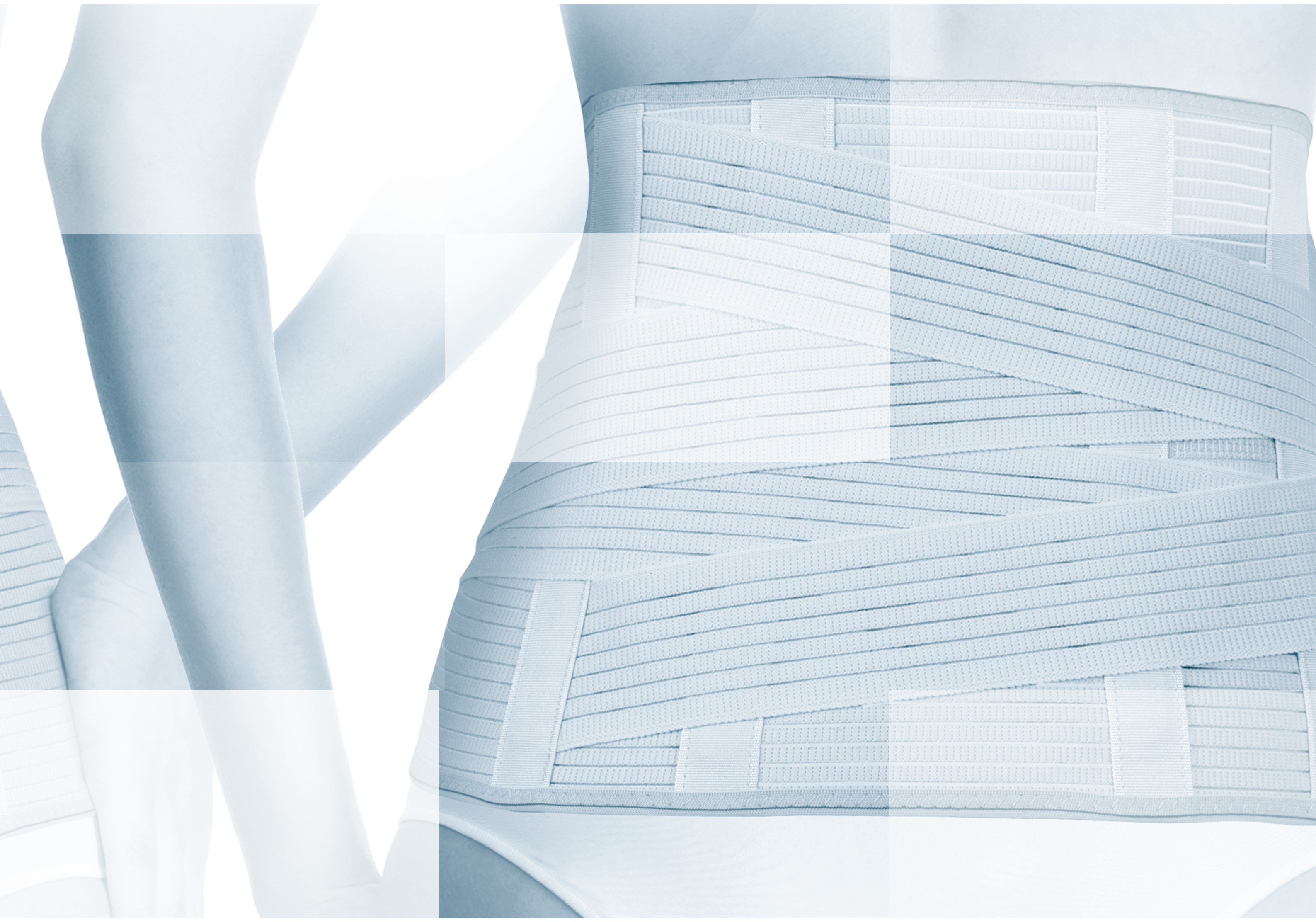
Network Medical, a company engaged in the manufacture and distribution of products for otorhinolaryngology and optometrics, will continue to be a core supplier for the Prim Group in the area of otorhinolaryngology, a field in which the two companies have had commercial relations for many years.

There were no material events after year-end that have not been disclosed in these financial statements.

This document was authorised by the Board of Directors on 28 March 2018.

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

MR. VICTORIANO PRIM GONZÁLEZ	Chairman
MR. ANDRÉS ESTAIRE ÁLVAREZ	Vice-Chairman
MR. JOSÉ LUIS MEIJIDE GARCÍA	Director
MR. ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ	Director
MRS. BELÉN AMATRIAIN CORBI	Director
MR. IGNACIO ARRAEZ BERTOLIN	Director - Vice-Secretary



1. Business performance and results

1. BUSINESS PERFORMANCE AND RESULTS

Net revenues increased by 24.554% in 2017. The increase in net revenues is due partly to the fact that the company absorbed dependent company Enraf Nonius Ibérica, S.A. in 2017, with the result that all the latter's transactions as from 1 January 2017 are deemed, for accounting purposes, to have been performed by Prim, S.A. Apart from this effect, Prim, S.A.'s own businesses performed very well in 2017.

Operating profit increased significantly, by 31.59%.

Financial income improved by 62.87%, mainly as a result of the sale of the stake in the Saarema Group, resulting in recognition of 1,435,938.37 euro.

Financial revenues include default interest collected by enforcement of court rulings against public administrations for late payment. That interest amounted to 959,021.06 euro in 2017 and 612,481.04 euro in 2016.

Comparison between 2017 and 2016 is distorted by the corporate income tax expense, whose composition in 2016 was as follows:

(euro)	31.12.2016
Corporate income tax in the year	-3,059,787.51
Deferred corporate income tax	26,024.95
Positive adjustment to corporate income tax	1,906,373.11
	-1,127,389.45

As discussed in Note 15 "Tax matters", the positive adjustment to corporate income tax relates to a provision that had been recognised for ongoing tax audits. Once a final court ruling upholding the Company's position had been obtained, that provision was cancelled through "Corporate income tax expense" in profit or loss.

As a result, the corporate tax expense for 2016 is lower than would have been the case had the provision for taxes not been cancelled.

2. Research and development

2. RESEARCH AND DEVELOPMENT

Prim, S.A.'s R&D Department focused on the following projects in 2017:

- New MOTTIO epicondylitis strap
- New MOTTIO patella support
- New line of multiband back supports
- Neoprene hot/cold band
- New Action Fit support
- New Aqtivo knitwear garments
- Elcross Lux corsets in beige
- Elcross Lux corsets in grey
- New Spinair trunk orthosis
- Duoplus sling (Nordicare)
- New C35 Basic Slim frame
- 3cm finger splint
- 21" Velcro strap
- Neoprene range for Sanico
- New neoprene range
- Development of 124 and 128 knee supports in beige (Basko)
- New Swash

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.

As of 31 December 2017, PRIM, S.A. held 20,697.00 own shares, representing 0.12% of capital stock. Those shares were acquired for a total of 179,092.29 euro.

As of 31 December 2016, PRIM, S.A. held 15,847 own shares, representing 0.09% of capital stock. Those shares were acquired for a total of 132,008.70 euro.

For more details, see Note 12.4, which details variations in own shares in 2017 and 2016.

4. Subsequent events

4. SUBSEQUENT EVENTS.

On 1 March 2018, the Company informed the Spanish National Securities Market Commission that it had sold its minority holding in UK-based company Network Medical to SCP Medical Holding (UK) Limited for a total of 800,000.00 pounds sterling.

Network Medical, a company engaged in the manufacture and distribution of products for otorhinolaryngology and optometrics, will continue to be a core supplier for the Prim Group in the area of otorhinolaryngology, a field in which the two companies have had commercial relations for many years.

There were no material events after year-end that have not been disclosed in these financial statements.

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

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

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

5.1. Restrictions on the transfer of securities.

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

5.2. Significant direct and indirect stakes in capital.

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

Shareholder	% of total voting rights
CARTERA DE INVERSIONES MELCA, S.L.	10.493
COMENGE SANCHEZ- REAL JOSE IGNACIO	13.928
FID LOW PRICED STOCK FUND	5.950
FMR LLC	9.998
GARCIA BECERRIL DANIEL	12.550
ONCHENA, S.L.	5.025
PRIM GONZALEZ, MARIA DOLORES	5.633
RUIZ ALDA RODRI, FRANCISCO JAVIER	4.519
YBARRA CAREAGA, CARMEN	5.861

Shareholder (Director)	% of total voting rights
Amatrian Corbi, María Belén	0.000
Arraez Bertolín, Ignacio	0.019
Estaire Álvarez, Andrés	0.937
Giménez-Reyna Rodríguez, Enrique	0.017
Meijide García, José Luis	0.669
Prim González, Victoriano	9.437

5.3. Restrictions on voting rights.

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

5.4. Shareholder agreements.

No shareholder agreements have been signed.

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

5.5.1. Regulations applicable to the appointment and replacement of members of the Board of Directors.

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

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

Under article 13 of the Board of Directors Regulation, directors' duties include the obligation to resign if their continuance on the Board might jeopardise the Board's 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.

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

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

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

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

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

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

The Shareholders' Meeting in 2017 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 in 2016.

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. DISCLOSURE UNDER ROYAL DECREE 1362/2007.

Article 8.1.b) of Royal Decree 1362/2007 makes it obligatory to disclose the risks and uncertainties facing the company.

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

Under the general risk policy, all of the Company's capabilities are deployed so as to properly identify, measure, manage and control risk of all types in line with the following principles:

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

Company policy, which was maintained in 2017 and 2016, is not to negotiate financial instruments; however, financial instruments may be disposed of occasionally in order to invest the proceeds in higher-yield instruments.

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

6.1. Interest rate risks on cash flows.

See Note 19.1 of the Notes to the Financial Statements for the year ended 31 December 2016, which provides information relating to interest rate risks on cash flows.

6.2. Exchange rate risk.

See Note 19.2 of the Notes to the Financial Statements for the year ended 31 December 2017, which provides information relating to exchange rate risk.

6. Disclosures under Royal Decree 1362/2007

6.3. Credit risk.

See Note 19.3 of the Notes to the Financial Statements for the year ended 31 December 2017, which provides information relating to credit risk.

6.4. Liquidity risk.

See Note 19.4 of the Notes to the Financial Statements for the year ended 31 December 2017, which provides information relating to liquidity risk.

6.5. Capital management.

The Board of Directors of Prim, S.A., which is responsible for the management of Company capital, considers the following aspects to be key in determining the Company's capital structure:

- Consideration of the cost of capital at all times, in search of an optimal balance between debt and equity to optimise the cost of capital.
- Maintaining a level of working capital and a leverage ratio that 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 was 3.53 in 2017 and 4.08 in 2016. As a result, all of the assets are funded. Fixed assets represented 30.43% in 2017 and 36.12% in 2016, while current assets represented 69.57% in 2017 and 63.88% in 2016, thereby achieving the desired structure in relation to working capital.

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

7. Corporate Governance report

7. CORPORATE GOVERNANCE REPORT

In accordance with Directive 206/46 of the CNMV on Financial Statements, the Annual Corporate Governance Report is a part of this Directors' Report and was authorised by the directors together with the Financial Statements and the Directors' Report of PRIM, S.A. for the year ended 31 December 2017.

The report of reference is available on the Company's website, www.prim.es, and on the official website of the Spanish National Securities Market Commission, www.cnmv.es.

8. Disclosure of non-financial information

8. DISCLOSURE OF NON-FINANCIAL INFORMATION

In accordance with the provisions of Directive 2013/34/EU and Article 49 of the Spanish Commercial Code, as amended by Royal Decree-Law 18/2017, of 24 November, amending the Commercial Code, the consolidated text of the Capital Companies Law approved by Legislative Royal Decree 1/2010, of 2 July, and Law 22/2015, of 23 July, on Auditing, in connection with non-financial disclosures and diversity, the Disclosure of Non-Financial Information is an integral part of this Consolidated Directors' Report and was authorised by the directors along with the Financial Statements and Directors' Report of Prim, S.A. for the year ended 31 December 2017.

The report of reference is available on the Company's website, www.prim.es, and on the official website of the Spanish National Securities Market Commission, www.cnmv.es.

This document was authorised by the Board of Directors on 28 March 2018.

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

MR. VICTORIANO PRIM GONZÁLEZ	Chairman
MR. ANDRÉS ESTAIRE ÁLVAREZ	Vice-Chairman
MR. JOSÉ LUIS MEIJIDE GARCÍA	Director
MR. ENRIQUE GIMÉNEZ-REYNA RODRÍGUEZ	Director
MRS. BELÉN AMATRIAIN CORBI	Director
MR. IGNACIO ARRAEZ BERTOLIN	Director - Vice-Secretary

AUDITORS' REPORT

EY
Building a better working world

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INFORME DE AUDITORÍA DE CUENTAS ANUALES EMITIDO POR UN AUDITOR INDEPENDIENTE

A los accionistas de PRIM, S.A.:

Informe sobre las cuentas anuales

Opinión

Hemos auditado las cuentas anuales de PRIM, S.A. (la Sociedad), que comprenden el balance a 31 de diciembre de 2017, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio anual terminado en dicha fecha.

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de la Sociedad a 31 de diciembre de 2017, así como de sus resultados y flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación (que se identifica en la nota 2 de la memoria adjunta) y, en particular, con los principios y criterios contables contenidos en el mismo.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales* de nuestro informe.

Somos independientes de la Sociedad de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

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

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales del periodo actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

Valoración de las inversiones en el patrimonio de empresas del grupo

Descripción

Tal y como se muestra en el balance de situación al 31 de diciembre de 2017 adjunto, la Sociedad tiene por importe total de 5.198 miles de euros inversiones en instrumentos de patrimonio de empresas del grupo. Al cierre del ejercicio, la Dirección de la Sociedad realiza juicios significativos al objeto de determinar la existencia de indicios de deterioro, y en su caso, estima el valor recuperable de estas inversiones.

Hemos considerado esta área como una cuestión clave de nuestra auditoría debido a que los análisis efectuados por la Dirección de la Sociedad requiere la realización de estimaciones y juicios acerca de los resultados futuros y otras variables de las empresas del grupo en los que la Sociedad participa que permitan determinar sus valores recuperables.

La descripción del saldo, los movimientos y las eventuales correcciones valorativas realizadas tras el análisis de recuperabilidad realizado por la Dirección, se encuentran recogidos en la nota 8 de la memoria adjunta.

Nuestra respuesta

En relación con esta área, nuestros procedimientos de auditoría han incluido, entre otros:

- La revisión de los procedimientos establecidos por la Sociedad para evaluar la existencia de indicios de deterioro, así como aquellos seguidos para la determinación del valor recuperable de las inversiones en empresas del grupo.
- La revisión, en colaboración con nuestros especialistas de valoraciones, de la razonabilidad de las asunciones de los modelos utilizados y la metodología empleada en la construcción de los test de deterioro relativos a las inversiones en empresas del grupo.
- Revisión de la documentación soporte de los análisis realizados por la Dirección cuando se utiliza como evidencia del valor recuperable, el patrimonio neto de la de las sociedades participadas corregido por las plusvalías tácitas existentes al cierre del ejercicio.
- Revisión de la corrección e integridad de los desgloses de la memoria adjunta.

Reconocimiento de ingresos

Descripción Los ingresos por ventas de productos se reconocen una vez que los riesgos y beneficios significativos inherentes a la propiedad de los bienes se han transferido al comprador en la fecha de cierre de ejercicio y el resultado total de la transacción puede ser estimado con fiabilidad. El reconocimiento de ingresos es una de las áreas fundamentales en las que la Dirección debe realizar un proceso de estimación de la cuantía y el momento de la emisión de las correspondientes notas de abono, y por ello hemos considerado como una cuestión clave de nuestra auditoría el riesgo de que se produzca una anticipación en el reconocimiento de los ingresos en torno al cierre del ejercicio.

Hemos considerado este asunto como cuestión clave en nuestra auditoría debido al volumen de descuentos e incentivos existentes, así como por las estimaciones que la Dirección debe realizar en relación con el registro de algunos de los mismos al cierre del ejercicio.

Los desgloses relacionados con el criterio de reconocimiento de ingresos de la Sociedad así como la información relativa a ingresos por segmentos se encuentran recogidos, respectivamente, en las notas 4.15 y 16 de la memoria adjunta.

Nuestra respuesta En relación con esta área, nuestros procedimientos de auditoría han incluido, entre otros:

- El entendimiento de las políticas y procedimientos de reconocimiento de ingresos por ventas, así como su aplicación, incluyendo un análisis de la efectividad de los controles relevantes de los procesos de reconocimiento de ingresos.
- La realización de procedimientos analíticos sustantivos consistentes en una revisión de la evolución de ingresos y costes de venta y un análisis de correlaciones entre cuentas asociadas a este riesgo.
- La realización de procedimientos de corte de operaciones para una muestra de transacciones de ingresos por ventas en torno al cierre del ejercicio de cara a concluir si las mismas se reconocieron contablemente en base a su correspondiente devengo y correcta cuantía.
- El análisis de las notas de abono emitidas con posterioridad al cierre del ejercicio.

Fondo de comercio e intangibles generados en la combinación de negocios de Laboratorios MILO S.L.

Descripción El balance de Prim S.A. incluye determinados inmovilizados intangibles (básicamente marcas y cartera de clientes) y fondos de comercio derivados de la combinación de negocios originada en la adquisición de una rama de actividad a la sociedad Laboratorios Milo, S.L. efectuada en el ejercicio 2016, tal y como se describe en la nota 5 la memoria adjunta, que ascienden, en valor neto contable a:

- Fondo de comercio (Milo) - 1.778 miles de euros
- Marcas (Milo) - 2.181 miles de euros
- Cartera de clientes (Milo) - 550 miles de euros.

Hemos considerado que esta es una cuestión clave de nuestra auditoría por la significatividad de los importes y por la alta sensibilidad que presentan los análisis realizados con respecto a los cambios en las asunciones consideradas por la Dirección como, por ejemplo, la tasa de crecimiento a largo plazo, la tasa de descuento y los distintos escenarios e hipótesis realizados sobre la información financiera proyectada en los planes de negocio del segmento hospitalario.

La descripción del saldo, los movimientos y el análisis de recuperabilidad realizado por la Dirección sobre los fondos de comercio, marcas y cartera de clientes anteriormente mencionados se encuentran recogidos en la nota 5 de la memoria adjunta.

Nuestra respuesta

En relación con esta área, nuestros procedimientos de auditoría han incluido, entre otros:

- La revisión de los modelos utilizados por la Dirección del Grupo, en colaboración con nuestros especialistas de valoraciones, cubriendo, en particular, el análisis matemático de los mismos, así como el análisis de los flujos de caja proyectados, la revisión de las tasas de descuento y de la razonabilidad de las tasas de crecimiento a largo plazo, así como revisión de los análisis de sensibilidades realizados por la Dirección de la Sociedad.

- La revisión de los desgloses incluidos en la memoria del ejercicio en relación con el análisis de recuperabilidad realizado sobre los activos anteriormente mencionados.

Otra información: Informe de gestión

La otra información comprende exclusivamente el informe de gestión del ejercicio 2017, cuya formulación es responsabilidad de los administradores de la Sociedad y no forma parte integrante de las cuentas anuales.

Nuestra opinión de auditoría sobre las cuentas anuales no cubre el informe de gestión. Nuestra responsabilidad sobre la información contenida en el informe de gestión se encuentra definida en la normativa reguladora de la actividad de auditoría de cuentas, que establece dos niveles diferenciados sobre la misma:

a. Un nivel específico que resulta de aplicación al estado de la información no financiera, así como a determinada información incluida en el Informe de Gobierno Corporativo, según se define en el art. 35.2. b) de la Ley 22/2015, de Auditoría de Cuentas, que consiste en comprobar únicamente que la citada información se ha facilitado en el informe de gestión y en caso contrario, a informar sobre ello.

b. Un nivel general aplicable al resto de la información incluida en el informe de gestión, que consiste en evaluar e informar sobre la concordancia de la citada información con las cuentas anuales, a partir del conocimiento del Grupo obtenido en la realización de la auditoría de las citadas cuentas y sin incluir información distinta de la obtenida como evidencia durante la misma, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito en el párrafo anterior, hemos comprobado que la información específica mencionada en el apartado a) anterior ha sido facilitada en el informe de gestión y el resto de la información que contiene el informe de gestión concuerda con la de las cuentas anuales del ejercicio 2017 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores y de la Comisión de Auditoría en relación con las cuentas anuales

Los administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de la Sociedad, de conformidad con el marco normativo de información financiera aplicable a la entidad en España, que se identifica en la nota 2 de la memoria adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales, los administradores son responsables de la valoración de la capacidad de la Sociedad para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar la sociedad o de cesar sus operaciones, o bien no exista otra alternativa realista.

La Comisión de Auditoría es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.
- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar 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.

(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 FINANCIAL STATEMENTS

To the shareholders of PRIM, S.A.:

Report on financial statements

Opinion

We have audited the financial statements of PRIM, S.A. (the Company), which comprise the balance sheet as of 31 December 2017, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as of 31 December 2017, as well as its financial performance and cash flows for the year then ended, in accordance with the financial reporting framework that is applicable (identified in Note 2 of the accompanying notes to financial statements) and, in particular, with the accounting principles and standards contained therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the section of our report entitled *Auditor's responsibility for the audit of the financial statements.*

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are applicable to our audit of financial statements in Spain, in accordance with legislation governing the audit practice. In this regard, we have not provided services other than those relating to the audit of the financial statements, and no situations or circumstances have arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such as to compromise it.

We believe that the audit evidence is a sufficient and appropriate basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of the investment in equity of group undertakings

<table>
<tr><td>Description</td><td>As disclosed in the accompanying balance sheet as of 31 December 2017, the Company has recognised 5,198 thousand euro of investments in the equity of group undertakings. At year-end, Company management makes significant judgments in order to determine whether there are signs of impairment and, in that event, to estimate the recoverable value of those investments.

We considered this area to be a key audit matter since the analysis performed by Company management requires estimates and judgements to be made about the future results and other variables of the group companies in which the Company has a stake in order to determine their recoverable value.

The description of the balance, movements and any impairments booked following the recoverability analysis performed by management are set out in note 8 of the accompanying notes to financial statements.</td></tr>
<tr><td>Our response</td><td>In connection with this area, our audit procedures included, among others:
• A review of the procedures established by the Company to assess whether there are signs of impairment, and those applied to determine the recoverable value of the investment in group undertakings.
• A review, in cooperation with our measurement specialists, of the reasonableness of the assumptions in the models used and the methodology applied to construct the impairment tests relating to the investment in group undertakings.
• A review of the documentation supporting the analysis performed by management of the equity of investees corrected for unrealised capital gains existing at year-end when used as evidence of the recoverable value.</td></tr>
</table>

	• A review of the correctness and integrity of the disclosures in the accompanying notes to financial statements.

Revenue recognition

Description	Revenues for product sales are recognised once the material risks and benefits inherent to ownership of the goods have been transferred to the buyer on the closing date and the total result of the transaction can be estimated reliably. The recognition of revenues is one of the fundamental areas in which management must perform a process of estimating the amount and timing of the issuance of the corresponding credit notes and, therefore, we considered the risk of early recognition of revenues around year-end to be a key audit matter. We considered this to be a key issue in our audit due to the volume of discounts and incentives, and to the estimates that management must make in relation to the recognition of some of them at the end of the year. The disclosures relating to the Company's revenue recognition criteria and the information related to segment revenues are set out, respectively, in notes 4.15 and 16, respectively, of the accompanying notes to financial statements.
Our response	In connection with this area, our audit procedures included, among others: • Understanding the policies and procedures for the recognition of sales revenues, and their application, including an analysis of the effectiveness of the relevant controls in the revenue recognition processes. • The performance of substantive analytical procedures consisting of a review of the trend in revenues and cost of sales and an analysis of the correlations between accounts associated with this risk. • The performance of transaction cut-off procedures for a sample of sales revenue transactions around the year-end closing date in order to conclude as to whether they were recognised for accounting purposes in the correct period, based on their accrual, and for the proper amount. • Analysis of the credit notes issued following year-end.

Goodwill and intangibles generated in the business combination with Laboratorios Milo, S.L.

Description	The balance sheet of Prim, S.A. includes certain intangible assets (basically brands and customer portfolio) and goodwill derived from the business combination arising in the acquisition of a line of business from the company Laboratorios Milo, S.L. in 2016, as described in note 5 of the accompanying notes to the financial statements, whose net carrying amount is as follows: • Goodwill (Milo) - 1,778 thousand euro • Brands (Milo) - 2,181 thousand euro • Customer portfolio (Milo) - 550 thousand euro We considered this area to be a key audit matter because of the materiality of the amounts and because of the high sensitivity of the analysis performed with respect to the changes in management's assumptions, such as the long-term growth rate, the discount rate and the scenarios and assumptions made with regard to the projected financial information in the business plans for the hospital segment. The description of the balance, movements and recoverability analysis performed by management with respect to the goodwill, brands and customer portfolio referred to above is set out in note 5 of the accompanying notes to financial statements.
Our response	In connection with this area, our audit procedures included, among others: • A review of the models used by Group management, in cooperation with our measurement specialists, focusing particularly on the mathematical analysis of same, and the analysis of the cash flow projections, a review of the discount rates and of the reasonableness of the long-term growth rates, and a review of the sensitivity analyses performed by Company management. • A review of the disclosures in the notes to financial statements in connection with the recoverability analysis performed for the aforementioned assets.

Other information: Directors' report

Other information comprises only the directors' report for 2017, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility for the information contained in the directors' report is defined in the regulations governing auditing, which establish two different levels in this connection:

a. A specific level arising from the application to the statement of non-financial information, and to certain information contained in the Corporate Governance Report, as defined in article 35.2.b) of Law 22/2015, on Auditing, which consists solely of checking that the aforementioned information is provided in the directors' report and, if not, to report on this.
b. A general level applicable to the rest of the information contained in the directors' report, which consists of evaluating and reporting on the consistency between that information and the financial statements based on the knowledge of the Group obtained during the audit of the aforementioned financial statements, but not including information different to that obtained as evidence during the audit, and of assessing and reporting on whether the content and presentation of this part of the directors' report conform to the applicable standards. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described in the preceding paragraph, we ascertained that the specific information referred to in section a) above was provided in the directors' report and that the rest of the information contained in the directors' report is consistent with the 2017 financial statements, and its content and presentation conform to the applicable standards.

Responsibility of the directors and the Audit Committee for the financial statements

The directors are responsible for authorising the accompanying financial statements, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the legal framework for financial reporting that is applicable to the undertaking in Spain, identified in note 2 of the accompanying notes to financial statements, and for such internal control as they determine is necessary to enable the financial statements to be drawn up free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing any going concern issues and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the process of preparation and presentation of the financial statements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when one exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions that users make on the basis of the financial statements.

As part of an audit in accordance with the legislation governing the audit practice in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, in the financial statements, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the evasion of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to qualify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that provides a true and fair view.

We communicated with the company's Audit Committee regarding, among other matters, the scope and timing of the planned audit and significant audit findings, as well as any significant deficiencies in internal control that we identify during our audit.

We also provided the company's Audit Committee with a statement that we have complied with the applicable ethical requirements, including those relating to independence, and we communicated to inform it of any matters that may reasonably be thought to bear on our independence and any related safeguards.

From the matters notified to the company's Audit Committee, we determined those that were of most significance in the audit of the financial statements for the current period and are, therefore, the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Information about other legal and regulatory requirements

Additional information for the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's Audit Committee dated 6 April 2018.

Engagement period

The Extraordinary Shareholders' Meeting held on 27 June 2015 appointed us as auditors of the Group for a period of three years from the year ended 31 December 2015.

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