

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

ISSUER IDENTIFICATION DATA

DATE OF YEAR-END: 31/12/2012

TAX ID NO.: A-28165587

Name: PRIM, S.A.

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR LISTED COMPANIES

For a better understanding of the form and its subsequent completion, it is necessary to read the instructions at the end of this report.

A OWNERSHIP STRUCTURE

A.1 Complete the next table about the company's ownership structure:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
05/12/2008	4,336,781.00	17,347,124	17,347,124

State whether there are different classes of shares with different associated rights:

No

A.2 Detail of direct and indirect owners of significant stakes, and of their stake at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
UNRESOLVED ESTATE OF M ^a DOLORES GONZALEZ DE LA FUENTE	2,376,557	0	13.700
ELISA PRIM BARTOMEU	409,628	1,312,765	9.929
FID LOW PRICED STOCK FUND	1,032,168	0	5.950
FMR LLC	0	1,032,168	5.950
JOSE LUIS GARCIA ARIAS		870,364	5.017
FRANCISCO RUIZ DE ALDA	647,868	0	3.735
CARTERA DE INVERSIONES MELCA, S.L.	522,410	0	3.012

Name of indirect owner of stake	Through: Name of direct owner of stake	Number of direct voting rights	% of total voting rights
ELISA PRIM BARTOMEU	BARTAL INVERSIONES, S.L.	1,312,765	7.568

Indicate significant changes in the ownership structure in the year:

A.3 Complete the next tables regarding the members of the company's board of directors who own stock options in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
VICTORIANO PRIM GONZALEZ	709,480	3,403	4.110
BARTAL INVERSIONES. S.L.	1,312,765	0	7.568
ANDRES M PEREZ PRIM	56,794	0	0.327
ENRIQUE GIMENEZ-	1,000	0	0.006

REYNA RODRIGUEZ			
JUAN JOSÉ PEREZ DE MENDEZONA	9,192	0	0.053
IGNACIO ARRAEZ BERTOLI	3,332	0	0.019
JOSE LUIS MEIJIDE GARCIA	115,969	0	0.669

Name of indirect owner of stake	Through: Name of direct owner of stake	Number of direct voting rights	total % of voting rights
VICTORIANO PRIM GONZALEZ	Spouse	3,403	0.020

Total % of voting rights owned by the board of directors:	12.751
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Complete the next tables regarding the members of the company's board of directors who own stock options in the company:

A.4 Indicate any family, commercial, contractual or business relationships among owners of significant stakes, insofar as they are known by the company, unless they are insignificant or are derived from ordinary commercial transactions:

Type of relationship:

Family

Brief description:

Related to Elisa Prim, a core shareholder

Name of related shareholders
M ^a DOLORES GONZÁLEZ DE LA FUENTE

Type of relationship:

Family

Brief description:

Related to M^a Dolores González de la Fuente, a core shareholder

Name of related shareholders
ELISA PRIM BARTOMEU

A.5 Indicate any commercial, contractual or corporate relationships between owners of significant stakes and the company and/or its group, unless they are insignificant or are derived from ordinary commercial transactions:

A.6 Indicate whether shareholders' agreements that affect the company have been notified to the company as provided in article 112 of the Securities Market Law: If so, briefly describe the agreements and the shareholders involved:

None

Indicate if the company is aware of the existence of concerted shares between its shareholders. If so, give a brief description:

None

If the shareholders' agreements or concerted actions have been amended or terminated in the year, indicate this expressly.

A.7 Indicate if any natural or legal person exercises or can exercise control over the company in accordance with article 4 of the Securities Market Law. If so, identify them:

No

A.8 Complete the next tables about the company's own shares:

At year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
384,940	0	2.219

(*) Through:

Total:	0
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Detail the significant changes in the year, in accordance with Royal Decree 1362/2007:

Capital gain/loss on own shares disposed of in this period (thousand euro)	-280
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A.9. Indicate the conditions and deadline of the current authorisation to the Board of Directors to acquire or dispose of own shares.

On 23 June 2012, the Shareholders' Meeting authorised the Board of Directors of Prim, S.A. to acquire own shares, and it also authorised the subsidiaries to acquire shares of the parent company, within the limits and subject to the requirements established in article 509 of the consolidated text of the Capital Companies Act and other matching legislation, by any means established by law.

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 is valid for 18 months from the date of the Meeting, and revokes the authorisation granted by the Shareholders' Meeting on 25 June 2011, in the part not used.

A.10 Indicate any restrictions in the law or the Articles of Association on the exercise of voting rights or any legal restrictions on the acquisition or sale of stakes in share capital. Indicate whether there are any legal restrictions on the exercise of voting rights:

None

Percentage cap on a shareholder's voting rights by law	0
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Indicate if there are any restrictions on voting rights in the bylaws:

None

Percentage cap on a shareholder's voting rights due to restrictions in the Articles of Association	0
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Indicate whether there are any legal restrictions on the acquisition or sale of stakes in share capital:

No

A.11 Indicate whether the Shareholders' Meeting has decided on the adoption of neutralisation measures vis-à-vis a takeover bid under Law 6/2007.

None

Detail any such methods that have been approved and the terms in which the restrictions will be rendered ineffective:

B STRUCTURE OF THE COMPANY'S ADMINISTRATION

B.1 Board of Directors

B.1.1 Indicate the maximum and minimum number of directors envisaged in the Articles of Association:

Maximum number of directors	10
Minimum number of directors	4

B.1.2 Complete the next table with the members of the board:

Name of director	Representative	Board position	Date of first appointment	Date of latest appointment	Form of appointment
VICTORIANO PRIM GONZÁLEZ	--	CHAIRMAN	26/06/1993	21/06/2008	VOTE AT THE SHAREHOLDER S' MEETING
BARTAL INVERSIONE S. S.L.	ANDRES ESTAIRE ALVAREZ	VICE-CHAIRMAN	25/06/2005	19/06/2010	VOTE AT THE SHAREHOLDER S' MEETING
ANDRES M PEREZ PRIM	--	DIRECTOR	30/03/2012	30/03/2012	VOTE AT THE SHAREHOLDER S' MEETING
ENRIQUE GIMENEZ-REYNA RODRIGUEZ	--	DIRECTOR	14/06/2012	14/06/2012	CO-OPTATION
JUAN JOSE PEREZ DE MENDEZONA	--	DIRECTOR	30/06/1990	19/06/2010	VOTE AT THE SHAREHOLDER S' MEETING
IGNACIO ARRAEZ BERTOLIN	--	SECRETARY AND DIRECTOR	14/06/2012	14/06/2012	CO-OPTATION
JOSE LUIS MEIJIDE GARCIA	--	VICE-SECRETARY AND DIRECTOR	23/12/1996	30/06/2007	VOTE AT THE SHAREHOLDER S' MEETING

Total number of directors	7
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Indicate any removals from the Board of Directors in the period:

Name of director	Status of director at time of removal	Date of removal
FRANCISCO FERNÁNDEZ-FLORES FUNES	INDEPENDENT	05/03/2012
CARLOS RODRÍGUEZ ÁLVAREZ	EXECUTIVE	10/05/2012

B.1.3 Complete the next tables with the members of the board and their status:

EXECUTIVE DIRECTORS

Name of director	Committee that proposed the appointment	Position in the company
VICTORIANO PRIM GONZALEZ	--	General Manager
JOSE LUIS MEIJIDE GARCIA	--	Manager of the Orthopaedics Division

Total number of executive directors	2
Total % of directors	28.571

EXTERNAL PROPRIETARY DIRECTORS

Name of director	Committee that proposed the appointment	Name of the significant shareholder who is represented or who proposed the appointment
BARTAL INVERSIONES, S.L.	--	ELISA PRIM BARTOMEU

Total number of proprietary directors	1
Total % of directors	14.286

EXTERNAL INDEPENDENT DIRECTORS

Name of director

ANDRES M^a PEREZ PRIM

Profile

Graduate in Industrial Engineering, MBA (IESE).

Name of director

ENRIQUE GIMENEZ-REYNA RODRIGUEZ

Profile

Lawyer; former Director-General of Taxes and Secretary of State for Finance.

Name of director

JUAN JOSE PEREZ DE MENDEZONA

Profile

Economist; former finance and tax inspector; auditor.

Name of director

IGNACIO ARRAEZ BERTOLIN

Profile

Lawyer, Master's degree in Tax Law (CEU); member of the Spanish Association of Tax Lawyers

Total number of independent directors	4
% of total board	57.143

OTHER EXTERNAL DIRECTORS

State why these directors cannot be considered proprietary or independent, and indicate any relations between them and the company, its executives or shareholders:

Indicate any changes in directors' status in the period:

B.1.4 Indicate any reasons for which proprietary shareholders were appointed at the proposal of a shareholder owning less than 5% of capital:

Disclose any rejection of a formal request for a board seat from shareholders whose equity stake is

equal to or greater than that of others which applied successfully for a proprietary directorship. Detail the reasons for any such rejection:

None

B.1.5 State whether any director has withdrawn from his/her position before the expiration of his/her term of office, whether the director has given reasons to the Board and by what means, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

None

B.1.6 Indicate any powers delegated to the managing director(s):

B.1.7 Identify any board members with directorships or management positions in other companies that form part of the listed company's group:

Name of director	Name of the group company	Position
VICTORIANO PRIM GONZALEZ	ENRAF NONIUS IBERICA, S.A.	Chairman
VICTORIANO PRIM GONZALEZ	ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A.	Jointly and severally liable administrator
VICTORIANO PRIM GONZALEZ	LUGA SUMINISTROS MÉDICOS, S.L.	Jointly and severally liable administrator
VICTORIANO PRIM GONZALEZ	ENRAF NONIUS IBERICA PORTUGAL LDA.	Manager
VICTORIANO PRIM GONZALEZ	INMOBILIARIA CATHARSIS, S.A.	Jointly and severally liable administrator
VICTORIANO PRIM GONZALEZ	SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL)	Jointly and severally liable administrator
JOSE LUIS MEIJIDE GARCIA	LUGA SUMINISTROS MÉDICOS, S.L.	Jointly and severally liable administrator
JOSE LUIS MEIJIDE GARCIA	ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A.	Jointly and severally liable administrator

B.1.8 Indicate any company directors who are members of the board of directors of other companies listed on Spanish official stock markets, other than group companies, that have been notified to the company:

B.1.9 Indicate whether the company has established rules about the number of directorships that board members can hold, and describe any such rules:

None

B.1.10 In connection with recommendation number 8 of the Unified Code, indicate the Company's general policies and strategies that must be approved by the full Board:

Investment and financing policy	YES
Design of the structure of the corporate group	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
The strategic or business plan, management targets and annual budgets	YES
Remuneration and evaluation of senior executives	YES
Risk control and management, and the periodic monitoring of internal information and control systems	YES
Dividend policy, as well as the policies and limits applying to treasury stock	YES

B.1.11 Complete the next tables regarding the aggregate directors' remuneration accrued in the year:

In the company to which this report refers:

Remuneration item	Thousand euro
Fixed remuneration	501
Variable remuneration	22
Per diems	0
Remuneration mandated in the Articles of Association	420
Stock options and/or other financial instruments	0
Other	0
TOTAL:	943

Other benefits	Thousand euro
Advances	0
Loans granted	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations	0
Life insurance premiums	0
Guarantees granted by the company to directors	0

b) Company directors who belong to the boards of directors and/or senior management of group companies:

Remuneration item	Thousand euro
Fixed remuneration	0
Variable remuneration	0
Per diems	0
Remuneration mandated in the Articles of Association	0
Stock options and/or other financial instruments	0
Other	0
TOTAL:	0

Other benefits	Thousand euro
Advances	0
Loans granted	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations acquired	0
Life insurance premiums	0
Guarantees granted by the company to directors	0

c) Total remuneration by type of director:

Type of director	By company	By group
Executive	663	0
External and proprietary	70	0
External independent	210	0
Other external	0	0
Total	943	0

d) With respect to profit attributable to the parent company:

Total directors' remuneration (in thousand euro)	943
Total directors' remuneration/profit attributed to the parent company (%):	10.8

B.1.12. Indicate senior executives who are not executive directors and the total remuneration accrued to them in the year:

Name	Position
ANDRES ESTAIRE ALVAREZ	MANAGER OF HOSPITAL SUPPLIES DIVISION
JUAN ALCANTARA MORALES	CORPORATE GENERAL MANAGER
ESPERANZA DEZA ANTA	CFO

Total remuneration of senior management (in thousand euro)	611
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B.1.13 Indicate in an aggregate way any guarantee or "golden handshake" clauses in favour of senior management members, including executive directors, of the company or its group for the event of dismissal or change of control. Indicate whether these contracts have to be notified to and/or approved by the company's or group's bodies:

Number of beneficiaries	1
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	Board of Directors	Shareholders' Meeting
Body that authorises the clauses	YES	NO

Is the Shareholders' Meeting informed of the clauses?	NO
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B.1.14 Indicate the process to establish the remuneration for board members and the corresponding clauses of the Articles of Association:

Process to establish the remuneration for board members and the corresponding clauses of the Articles of Association
The executive directors' remuneration as employees of the Company is established by the Managing Director at the proposal of the Appointments and Remuneration Committee. Under article 24 of the Articles of Association, the Board remuneration may amount to up to 10% of income, subject to the limitations established in article 218 of the Capital Companies Act. The exact remuneration to be received by the Board of Directors must be approved by the Shareholders' Meeting.

State whether the Board has reserved the right to approve the following matters;

On the proposal of the company's chief executive, the appointment and removal of senior executives, and their compensation clauses.	YES
Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.	YES

B.1.15 State whether the Board of Directors approves a detailed compensation policy and specify the matters which it covers:

Yes

Amount of fixed components, with a breakdown of per diems for attending meetings of the Board of Directors and its Committees, and an estimate of the fixed annual remuneration they accrue	YES
Variable remuneration	NO
The main characteristics of pension systems, with an estimate of their amount or annual equivalent cost.	NO
Terms and conditions that must be included in the contracts with executive directors performing senior management duties	YES

B.1.16 State whether the board submits a report on the directors' remuneration policy to the consultative vote of the Shareholders' Meeting, as a separate point on the agenda. In which case, describe the points in the report dealing with remuneration policies approved by the Board for future years, the main policy changes, and a general summary of how the remuneration policies

were applied throughout the year. Describe the role of the Remuneration Committee and, if external advisors were engaged, indicate their identity:

Yes

Remuneration policy

1. Director remuneration for membership of the Board for the current year will amount to at most 10% of net profit, once allocations are made to the legal and bylaw reserves and a dividend has been declared. The exact amount to be received by the Board of Directors must be approved by the Shareholders' Meeting.

2. The executive directors' remuneration as employees of the Company.

Role of the Remuneration Committee

The Appointments and Remuneration Committee has proposed to the Board of Directors, to be submitted for approval to the Shareholders' Meeting, remuneration amounting to 420,000 euro for all of its members, to be distributed equally among its members, as in previous years.

Were external advisors used?	NO
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Identity of external advisors

B.1.17 Identify any board members who are also directors, executives or employees of companies with significant stakes in the listed company and/or in subsidiaries of its group:

Identify any significant relationships, other than those stated in the preceding section, between board members and significant shareholders and/or companies in their group:

Name of related director

VICTORIANO PRIM GONZÁLEZ

Name of related significant shareholder

UNRESOLVED ESTATE OF M^a DOLORES GONZALEZ DE LA FUENTE

Description of Relationship

Heir

Name of related director

VICTORIANO PRIM GONZÁLEZ

Name of related significant shareholder

ELISA PRIM BARTOMEU

Description of Relationship

Family member

B.1.18 Indicate whether there were any amendments to the board regulation in the year.

Yes

Description of the amendments

The Board of Directors, having consulted the Shareholders' Meeting of 30 March 2012, resolved to amend articles 4 of the Board of Directors Regulation to include an age limit for directors.

B.1.19 Indicate the procedure for appointing, re-appointing, assessing and removing directors. Indicate the competent bodies, the process and the criteria for each procedure.

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

B.1.20 Indicate the reasons for which directors may be forced to resign.

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

B.1.21 Detail whether the functions of the company's top executive fall on the board chair. If so, indicate the measures taken to limit the risk of a single person accumulating power:

Yes

Measures to limit risks
All decisions of strategic importance are discussed with the Board of Directors.

State whether the company has established rules to empower an independent director to request a board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation; detail any such rules.

Yes

Detail the rules
Both article 18 of the Articles of Association and article 8 of the Board of Directors Regulation state that the Board of Directors will meet when the Chairman decides or at the request of one of the directors, in which case a meeting will be called in the 15 days following the request for a meeting.

B.1.22 Is a supermajority, other than the legal majority, required in some decisions?

No

Explain how resolutions are adopted by the board of directors, stating at least the quorum and type of majority required to adopt resolutions:

Resolutions are adopted by majority vote. In the event of a tie, the Chairman has the casting vote.

Quorum	%
Half of its members plus one, i.e. four	57.00

Type of majority	%
Absolute majority	51.00

B.1.23 Detail whether there are specific requirements, other than those relating to directors, for appointing the board chair.

No

B.1.24 Indicate if the Chair has a casting vote:

Yes

Issues on which there is a casting vote
The Chairman has a casting vote in the event of a tie, as provided in the Articles of Association and the Board of Directors Regulation, and this applies to all issues.

B.1.25 Indicate if the Articles of Association or board regulation establish an age limit for directors:

Yes

Age limit for chairman	Age limit for Managing Director	Age limit for director
0	0	75

B.1.26 Indicate if the Articles of Association or board regulation establish a term limit for independent directors:

No

Maximum term (years)	0
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B.1.27 When there are few or no female directors, indicate the reasons for this situation and the measures taken to correct it.

Detail the reasons and initiatives
There has never been a rule in the Company's Board of Directors prohibiting the appointment of a female director. Selection of directors has always focused on what that person could contribute to improving the functioning of the Company's governing body, regardless of gender.

In particular, state whether the Appointments and Remuneration Committee has established procedures to ensure that the selection processes have no implicit bias that might hamper the selection of female candidates, and to ensure that female candidates with the right profile are actively sought:

None

B.1.28 Indicate whether there are formal processes for delegating votes in the board of directors. If so, give a brief description.

Directors may only grant proxy to another director.

B.1.29 Indicate the number of board of directors meetings held in the year. Also, state the number of times that the Chair did not attend a board meeting:

Number of board meetings	19
Number of board meetings without the presence of the Chair	0

Indicate the number of meetings held by board committees in the year:

Number of executive or advisory committee meetings	0
Number of meetings held by the Audit Committee	9
Number of meetings held by the Appointments and Remuneration Committee	9
Number of meetings held by the Appointments Committee	0
Number of meetings held by the Remuneration Committee	0

B.1.30 Indicate the number of board of directors meetings held in the year which were not attended by all members. Proxies granted without specific instructions are not counted as absences:

Number of meetings missed by directors during the year	5
Absences as a % of the total number of votes during the year	4.340

B.1.31 Indicate whether the individual and consolidated financial statements that are presented for board approval are certified beforehand:

No

Indicate any person that has certified the company's individual and consolidated financial statements for board authorisation:

B.1.32 Detail whether the board of directors has established any mechanisms to ensure that the parent company and consolidated financial statements authorised by it are presented to the Shareholders' Meeting without audit qualifications.

The Company has an Audit Committee which oversees compliance with the law and ensures that generally-accepted accounting principles are applied properly in connection with the financial statements and directors' report so as to avoid qualifications in the auditors' report.

B.1.33 Is the board secretary a director?

Yes

B.1.34 Describe the procedures for appointment and removal of the Secretary of the Board, stating whether Appointments Committee was consulted and the appointment or removal was approved by the full Board.

Is the Appointments Committee consulted on the appointment?	YES
Is the Appointments Committee consulted on the removal?	YES
Does the full Board approve the appointment?	YES
Does the full Board approve the removal?	YES

Is the Board Secretary entrusted in particular with ensuring compliance with corporate governance recommendations?

Yes

B.1.35 Indicate whether the company has established mechanisms to maintain the independence of auditors, financial analysts, investment banks and rating agencies.

The Audit Committee is entrusted with ensuring the independence of the external auditors.

B.1.36 State whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditor:

No

Outgoing auditor	Incoming auditor

If there was a disagreement with the outgoing auditor, describe it:

None

B.1.37 Indicate whether the audit firm performs work for the company and/or its group other than auditing and, if so, state the fees received for such work and those fees as a percentage of total fees billed to the company and/or its group:

No

	Company	Group	Total
Fees for work other than auditing (thousand euro)	0	0	0
Fees for work other than auditing/Total fees billed by the audit firm (%)	0.000	0.000	0.000

B.1.38 State whether or not the auditors' report on the previous year's financial statements contained a qualification or exception. If it did, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualification or exception.

Yes

Description of the reasons
In their report on the financial statements of the Company for the year ended 31 December 2012, the auditors expressed a scope limitation, in that, at the time the financial statements were authorised by the Board of Directors, those of one of the subsidiaries, namely Saarema Sociedad Promotora de Centros Residenciales, S.L. (formerly Residencial CDV-16, S.A.), had not been audited and, consequently, the last available audited financial statements, i.e. those for 2011, were used to draw up our financial statements. These were the reasons given by the Audit Committee through its Chairman, who added that, since the Company does not hold a majority of voting rights in that investee, delays of this type could arise again in the future and that Prim, S.A. does not have the legal power to avoid the aforementioned scope limitation in this or subsequent years.

B.1.39 Indicate the number of consecutive years that the current audit firm has been auditing the financial statements of the company and/or its group. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Company	Group
Number of consecutive years	2	2

	Company	Group
No. of years audited by the current audit firm/No. of years that the company has been audited (%)	10.0	10.0

B.1.40 Indicate the stakes owned by members of the company's board of directors in companies whose activity is the same, analogous or complementary to the corporate purpose of the company and its group that have been notified to the company. Also, indicate the positions they hold or the functions they perform in those companies:

B.1.41 Indicate whether there is a procedure for directors to engage external consultants and, if so, provide details.

Yes

Detail the procedure
Any director seeking external advice may make a proposal to the Board of Directors for approval.

B.1.42 Indicate whether there is a procedure for directors to have the necessary information to prepare for the meetings of the governing bodies with sufficient time and, if so, provide details.

Yes

Detail the procedure
The Secretary of the Board of Directors provides the necessary information sufficiently in advance so that Directors may debate the items on the agenda. Any additional information that is required may be requested from the Secretary of the Board of Directors or any of the Executive Directors before, during or after the Board Meeting, or whenever it is considered appropriate.

B.1.43 State whether the company has rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, and describe any that exist:

Yes

Describe the rules

Article 13 of the Board of Directors Regulation requires any director to resign under any circumstances in which his membership of the Board of Directors might affect its operations or the Company's credit and reputation.

B.1.44 State whether any member of the Board of Directors has informed the Company that he has been charged with, or tried for, any of the crimes covered by article 124 of the Corporations Law:

No

State whether the Board of Directors has analysed the case. If it has, detail and explain the decision as to whether or not the director should retain his/her position.

No

Decision taken	Reasoned explanation

B.2. Board of Directors Committees

B.2.1 Indicate all the Board of Directors committees and their members:

AUDIT COMMITTEE

Name	Position	Category
ENRIQUE GIMENEZ-REYNA RODRIGUEZ	CHAIRMAN	INDEPENDENT
VICTORIANO PRIM GONZALEZ	MEMBER	EXECUTIVE
IGNACIO ARRAEZ BERTOLIN	SECRETARY-MEMBER	INDEPENDENT

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
ANDRES M PEREZ PRIM	CHAIRMAN	INDEPENDENT
VICTORIANO PRIM GONZÁLEZ	MEMBER	EXECUTIVE
BARTAL INVERSIONES, S.L.	SECRETARY-MEMBER	PROPRIETARY

B.2.2 Indicate which of the following functions are attributed to the Audit Committee:

Supervision of the drafting process and the integrity of the financial information regarding the company and the group, reviewing compliance with required regulations, the appropriate delimitation of the consolidated group, and the appropriate application of accounting criteria	YES
Review of internal control and risk management systems on a regular basis, to ensure that main risks are properly identified, managed and disclosed.	YES
Ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports	NO
Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company	NO
Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement	YES
Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations	YES
Ensure the independence of the external auditor	YES
In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies	YES

B.2.3 Describe the rules that govern each Board committee and their responsibilities

Name of committee

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

1. Oversee the process of selecting directors and senior executives of the Company.
2. Propose and supervise the remuneration policy for directors and senior executives of the Company.

Name of committee

AUDIT COMMITTEE

Brief description

1. Inform the Shareholders' Meeting about the matters raised by shareholders within the scope of its functions.
2. Propose to the Board of Directors, for submission to the Shareholders' Meeting, the appointment of external auditors as referred to in article 264 of the current Capital Companies Act.
3. Supervise the internal audit units of the Company, if any.
4. Be apprised of the company's financial reporting process and internal control systems.
5. Liaise with the Company's external auditors in order to receive information about matters that might jeopardise their independence and any other matters related to the audit process as well as other

communications envisaged in the audit legislation and technical audit standards.

B.2.4 Indicate each committee's powers to advise, consult and delegate:

Name of committee

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

Members of the Committee may request that the Board of Directors hire an external consultant if necessary to fulfil their functions. The Committee may also request the presence of Company directors, executives and auditors at its meetings. The Board of Directors has not delegated any powers to the Appointments and Remuneration Committee.

Name of committee

AUDIT COMMITTEE

Brief description

Members of the Audit Committee may request that the Board of Directors hire an external consultant if necessary to fulfil their functions. The Committee may also request the presence of Company directors, executives and auditors at its meetings. The Board of Directors has not delegated any powers to the Audit Committee.

B.2.5 Indicate if there are any Board committee regulations, where they can be consulted, and amendments made in the year. Also, indicate if an annual report on each committee's activities has been drafted voluntarily.

Name of committee

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

Regulated by the Appointments and Remuneration Committee Regulation, established December 2007, as amended in July 2012. This regulation is available on the CNMV website and at www.prim.es. No annual report on the activities of this Committee has been drafted.

Name of committee

AUDIT COMMITTEE

Brief description

Regulated by the Audit Committee Regulation, established June 2003, with no amendments to date. This regulation is available on the CNMV website and at www.prim.es. No annual report on this Committee's activities has been drafted.

B.2.6 Indicate if the executive committee's composition reflects the composition of the board in terms of director type:

No

If not, detail the composition of the executive committee
There is no executive committee

C RELATED-PARTY TRANSACTIONS

C.1 State whether the full Board has reserved for itself the power to approve transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto, subject to a favourable opinion of the Audit Committee or any other committee entrusted with this function:

Yes

C.2 Detail significant transactions involving a transfer of funds or liabilities between the company or subsidiaries in its group and significant shareholders of the company:

C.3 Detail transactions involving a significant transfer of funds or liabilities between the company or subsidiaries in its group and directors or executives of the company:

C.4 Detail the significant transactions between the company and other companies in the group, except those that are eliminated in consolidation or do not form part of the company's normal operations with regard to their purpose and conditions:

C.5 State whether any members of the Board of Directors have found themselves, at any time during the year, in a situation of conflict of interest as provided in article 127 ter of the Corporations Law.

No

C.6 Detail the mechanisms established for detecting, determining and resolving any conflicts of interest between the company and/or its group, and its directors, executive or significant shareholders.

Article 229.1 of the Spanish Capital Companies Act establishes that the Directors must notify the Board of Directors when a conflict of interest arises with the Company. In the event of a conflict of interest, the affected director must abstain from participating in the specific matter.

C.7 Is more than one Group company listed in Spain?

No

Identify the listed subsidiaries:

D RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the company and/or its group, detailing and assessing the risks covered by the system, and justify why those systems conform to each type of risk.

Apart from the risks inherent to all companies in the normal course of business, the fact that the Company and its subsidiaries operate in the healthcare field entails specific risks, the most important of which are detailed below.

Any product distributed by a medical supplies company, such as ours, may be withdrawn from the market by the health authorities of any of the countries where it is marketed if any issue is detected in its use. This immediately halts marketing in all other countries, with the resulting negative impact on sales. This risk is real but has arisen only very rarely because manufacturers of healthcare products are very careful to comply strictly with the law in the respective countries and because of our requirement that the manufacturer of any product distributed by the Company should comply strictly with the product safety standards established by the corresponding health authorities.

Every company in the industry accepts the risk that a product which it distributes and which is used by various areas of the healthcare industry may have unforeseen effects when applied to patients. Although this risk might be attributable to the manufacturer, in principle it is covered by the manufacturer's insurance (in the case of a product we distribute) or the Company's insurance since we have, among others, product liability insurance covering both our distribution and manufacturing activities.

The Company is certified by SGS as complying with the EN-ISO 13485 Standard: Medical devices. Quality management systems. Requirements for regulatory purposes. It is also licensed as a manufacturer and importer of medical products by the Spanish Medicines and Medical Devices Agency (AEMPS), an agency of the Ministry of Health, Social Services and Equality, and has a licence from the health authorities of the Madrid Autonomous Region to store and distribute medical devices. This provides maximal assurance with regard to our procedures for manufacturing and distributing medical products.

Another risk to which distribution companies are subject is that they may not be able to continue distributing the product either because the distribution contract is not renewed on expiry or because the manufacturer is unable to provide supplies for unexpected reasons. These risks are addressed in several ways, either by establishing distribution joint ventures in Spain with the manufacturer, or by directly or indirectly acquiring a stake in the manufacturer.

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

The Company has the years 2006 to 2012 open for inspection by the tax authorities; the years 2006 and 2007 are currently being resolved.

D.2 Indicate whether any of the various types of risks (operational, technological, financial, legal, reputational, tax-related, etc.) affecting the company and/or its group materialised during the year:

No

If so, indicate the circumstances giving rise to them and whether the established control systems worked.

D.3 Indicate if there is a committee or other body in charge of establishing and supervising those control measures:

No

If so, detail their functions.

D.4 Identify and describe the processes for compliance with the various regulations that affect the company and/or its group.

PRIM, S.A., as a manufacturer and distributor of medical devices, is regulated, on an international level, by European Directive 93/42/EEC concerning medical devices, which was updated by Directive 2007/47/EC transposed into Spanish law via Royal Decree 1591/2009, which regulates medical devices.

As a guarantee of compliance with the legislation, the company is certified to the UNE-EN ISO 13485 standard: Medical Devices; Quality Management Systems; Regulatory Requirements. Since January 1998, the scope of this certification includes: design, manufacturing and distribution of orthosis and orthopaedic products, distribution and technical service of medical devices, manufacturing and distribution of sterile surgical cases for surgical equipment.

The company has a Health Licence for the Installation of Medical Products No. 134-PS, issued by the Spanish Medicines and Medical Devices Agency, the scope of activity being as a manufacturer and importer of health products, and a Warehouse & Distributor Authorisation for Health Products in the Madrid Region No: 71/M.; accordingly, all of its activities are within the law.

E SHAREHOLDERS' MEETING

E.1 Indicate and, if applicable, explain whether there are differences with respect to the minimum requirements set out in the Corporations Law in connection with the quorum needed to hold a valid General Shareholders' Meeting.

No

	Quorum % different from that established as a general rule in article 102 of the Corporations Law	Quorum % other than that established in article 103 of the Corporations Law for the special cases set out in article 103
Quorum required at first call	0	0
Quorum required at second call	0	0

E.2 Indicate and, if applicable, explain whether there are differences with respect to the rules provided by the Corporations Law for the adoption of corporate resolutions:

No

Describe how they differ from the provisions envisaged in the Spanish Corporations Law.

E.3 Detail shareholders' rights in relation to shareholders' meetings that differ from those established in the Spanish Corporations Law.

Shareholders' rights are as provided in the legislation in force and do not differ from those envisaged in the law.

E.4 Indicate any measures adopted to encourage shareholders to participate in shareholders' meetings.

Shareholder meetings are generally held on Saturdays to encourage participation.

E.5 Indicate if the position of Chair of the shareholders' meeting coincides with that of the Chair of the board of directors. Detail any measures adopted to guarantee the independence and smooth transaction of the shareholders' meeting:

Yes

Detail the measures
In order to guarantee the Shareholders' Meeting's independence and functioning, the provisions of the Shareholders' Meeting Regulation apply.

E.6 Indicate any amendments to the shareholders' meeting regulation in the year.

The Shareholders' Meeting of 25 June 2011 approved amendments to the Shareholders' Meeting Regulation with a view to adapting it to the new legislation in force.

E.7 Indicate the attendance of the shareholders' meetings held in the year of this report:

Attendance					
Date of the Shareholders' Meeting	% of attendance	% by proxy	% distance vote		Total
			Electronic voting	Other	
30/03/2012	7.230	50.850	0.000	0.000	58.080
23/06/2012	11.170	54.770	0.000	0.000	65.940

E.8 Briefly indicate the resolutions adopted by the shareholders' meetings held in the year of this report and the percentage of votes that approved each resolution.

SHAREHOLDERS' MEETING HELD ON 30 MARCH 2012

1. Appointment of Andrés M Pérez Prim as a director of the Company, for a six-year term as provided in the Articles of Association.

Passed. In favour: 54.9737% of the shares present or represented; against: 0.3240%; abstentions: 0.3273%.

2. Creation of the Company's website.

Unanimously approved.

3. Amendment of articles 2 and 13 of the Articles of Association.

Unanimously approved.

4. Creation of a consolidated text of the Articles of Association.

Unanimously approved.

5. Disclosure of amendments of the Board of Directors Regulation.

Approved by 46.0000% of shares present or represented; 9.6251% abstained.

6. Delegation of powers.

Unanimously approved.

7. Any other business.

Approved by 46.0000% of shares present or represented; 9.6251% abstained.

8. Reading and approval of the minutes.

SHAREHOLDERS' MEETING HELD ON 23 JUNE 2012

1. Ratification of the appointment of Enrique Giménez-Reyna Rodríguez as a director, for a six-year term as provided in the Articles of Association.

Passed. In favour: 86.979% of the shares present or represented; against: 13.014%; abstentions: 0.007%.

2. Ratification of the appointment of Ignacio Arraez Bertolín as a director, for a six-year term as provided in the Articles of Association.

Passed. In favour: 86.597% of the shares present or represented; against: 13.012%; abstentions: 0.030%.

3. Approval of the Separate and Consolidated Financial Statements, Directors' Reports and Corporate Governance Report for 2011, and approval of the proposed distribution of income, consisting of the

distribution of a gross dividend amounting to 3,300,000 euro.
 Passed. In favour: 86.988% of the shares present or represented; against: 0.476%; abstentions: 12.536%.
 4. Discharge of the Board of Directors from liability with respect to its performance.
 Approved by 87.464% of shares present or represented; 12.536% abstained.
 5. Authorisation to the Board of Directors to acquire own shares and to subsidiaries to acquire shares of the parent company.
 Approved: in favour 86.988% of the voting stock; against: 0.476%; abstained: 12.536%.
 6. Report by the Board of Directors on remuneration policy (advisory vote).
 Approved: in favour 86.988% of the voting stock; against: 0.476%; abstained: 12.536%.
 7. Delegation of powers.
 Approved by 87.464% of shares present or represented; 12.536% abstained.
 8. Reading and approval of the minutes.
 Approved: in favour 86.988% of the voting stock; abstained: 13.012%.

E.9 Indicate whether there are any restrictions in the Articles of Association requiring a minimum number of shares to attend the General Shareholders' Meeting.

No

Number of shares required to attend the Shareholders' Meeting	
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E.10 Indicate and explain the company's policy on delegating votes in the shareholders' meeting.

At all times, the Company follows the rules on proxies at Shareholders' Meetings as established under the legislation in force and matching provisions, and in the Shareholders' Meeting Regulation. Since the Company's foundation in 1966, there have never been any conflicts at General Meetings such as to warrant a change to the regulation.

E.11 Indicate if the company is aware of the institutional investors' policy of participation in company decisions:

No

E.12 Indicate the web site and the way to access corporate governance content on the company's web site.

The information on corporate governance is available at www.prim.es/html/front/esp/info_gobierno.html.

F DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the company's degree of conformance to the recommendations of the Unified Code of Corporate Governance. In the event of not complying with some recommendations, detail the recommendations, regulations, practices or criteria applied by the company.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2.

Complies

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) **The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;**
- b) **The mechanisms in place to resolve possible conflicts of interest.**

See sections: C.4 and C.7

Not applicable.

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

- a) **The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;**
- b) **Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;**
- c) **Operations that are equivalent to the company's liquidation.**

Explanation

The Board of Directors does not foresee any of the situations in this recommendation occurring in the near future. However, in the event that any of the aforementioned situations occurred, the Board would submit any decision to modify the Company's structure to the Shareholders' Meeting.

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 28, should be made available at the same time as the publication of the Meeting notice.

Explanation

The Company complies with all of the information regarding recommendation 28, except for the professional profiles and biographies of executive directors.

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

- a) **The appointment or ratification of directors, with separate voting on each candidate;**
- b) **Amendments to the Articles of Association, with votes taken on all articles or groups of articles that are materially different.**

See section: E.8

Complies

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

See section: E.4

Explanation

The Company complies with this recommendation, even though it is not set out in the Shareholders' Meeting Regulation, provided that the proxies comply with the current legislation.

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time. It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies

8. The Board should see the core components of its mission as approving the company's strategy and authorising the organisational resources to carry it forward, and ensuring that management meets the objectives set while pursuing the company's interests and corporate purpose. As such,

the board in full should reserve the right to approve:

a) The company's general policies and strategies, and in particular:

- i) The strategic or business plan, management targets and annual budgets;
- ii) Investment and financing policy;
- iii) Design of the structure of the corporate group;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Remuneration and evaluation of senior executives;
- vii) Risk control and management, and the periodic monitoring of internal information and control systems.
- viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i) On the proposal of the company's chief executive, the appointment and removal of senior executives, and their compensation clauses.

See section: B.1.14

- ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

See section: B.1.14

- iii) The financial information that all listed companies must periodically disclose.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
- v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
2. They are arranged at market rates, generally set by the person supplying the goods or services;
3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board debates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See sections: C.1 and C.6

Complies

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See section: B.1.1

Complies

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See sections: A.2, A.3, B.1.3 and B.1.14.

Explanation

The Board of Directors is currently comprised of 7 members, 4 of whom are independent and 1 is proprietary, i.e. executive directors account for 42% of the Board. The special characteristics of our

Company require directors to have extensive experience.

11. In the event that some external director can be deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

See section: B.1.3

Not applicable

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2 In companies with a plurality of shareholders represented on the board but not otherwise related.

See sections: B.1.3, A.2 and A.3

Explanation

The Company rigorously complies with the Board of Directors Regulation and the Articles of Association, which do not specify a minimum number of independent or proprietary directors in any given proportion.

13. The number of independent directors should represent at least one third of all board members.

See section: B.1.3

Complies

14. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See sections: B.1.3 and B.1.4

Partially complies

Whenever the appointment of a director has been referred to the Shareholders' Meeting, the Board of Directors has always detailed the director's status.

15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

a) The process of filling board vacancies has no implicit bias against women candidates;

b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

See sections: B.1.2, B.1.27 and B.2.3.

Explain

There has never been a Board of Directors regulation prohibiting the appointment of a female director.

16. The Chair, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and

work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairs of the relevant board committees.

See section: B.1.42

Complies

17. When a company's Chair is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chair.

See section: B.1.21

Complies

18. The Secretary should take care to ensure that the board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
- b) Comply with the company Articles of Association and the regulations of the Shareholders' Meeting, the Board of Directors and others;**
- c) Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.**

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board's regulations.

See section: B.1.34

Complies

19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See section: B.1.29

Complies

20. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See sections: B.1.28 and B.1.30

Complies

21. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies

22. The board in full should evaluate the following points on a yearly basis:

- a) The quality and efficiency of the board's operation;**
- b) Starting from a report submitted by the Appointments Committee, how well the Chairman and chief executive have carried out their duties;**
- c) The performance of its committees on the basis of the reports furnished by the same.**

See section: B.1.19

Complies

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the Articles of Association or board regulations indicate otherwise, such requests should be addressed to the Chair or Secretary.

See section: B.1.42

Complies

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See section: B.1.41

Complies

25. Companies should organise induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Complies

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;**
- b) Companies should lay down rules about the number of directorships their board members can hold.**

See sections: B.1.8, B.1.9 and B.1.17

Explanation

Due to the small number of directors, the Chairman is constantly aware of the activities carried out by members of the Board. Accordingly, the Board of Directors has never had to establish a regulation to demand a minimum level of dedication by directors to the company.

27. The proposal for the appointment or renewal of directors which the board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

- a) On the proposal of the Appointments Committee, in the case of independent directors.**
- b) Subject to a report from the Appointments Committee in all other cases.**

See section: B.1.2

Complies

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background;**
- b) Directorships held in other companies, listed or otherwise;**
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.**
- d) The date of their first and subsequent appointments as a company director, and;**
- e) Shares held in the company and any options on the same.**

Partially complies

Only the professional profiles and biographies of the independent directors are specified.

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

See section: B.1.2

Explanation

There is currently no term limit for Board members in the Articles of Association or in the Board of Directors Regulation.

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

See sections: A.2, A.3 and B.1.2

Explanation

The Articles of Association and the Board of Directors Regulation do not establish a term limit. However, and although the case has never arisen, the Board of Directors would logically remove proprietary directors where the ownership interest is reduced significantly.

31. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the board, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 of this Code. The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Explanation

Although there is no clause of this kind in the Board of Directors Regulation or in the Articles of Association, to date the Board has never proposed the removal of an independent director.

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article 124 of the Corporations Law, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See sections: B.1.43, B.1.44

Complies

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation. The terms of this Recommendation should also apply to the Secretary of the board; director or otherwise.

Complies

34. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the

Annual Corporate Governance Report.

See section: B.1.5

Not applicable

35. The company's remuneration policy, as approved by its Board of Directors, should specify at least the following points:

- a) **The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to;**
- b) **Variable components, in particular:**
 - i) **The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.**
 - ii) **Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;**
 - iii) **The main parameters and grounds for any system of annual bonuses or other, non-cash benefits; and**
 - iv) **An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.**
- c) **The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount or annual equivalent cost.**
- d) **Terms and conditions that must be included in the contracts with executive directors performing senior management duties, which will include:**
 - i) **Duration;**
 - ii) **Notice periods; and**
 - iii) **Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.**

See section: B.1.15

Complies

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors. The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

See sections: A.3, B.1.3

Explanation

The Company has never considered remuneration in the form of shares or stock options.

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Complies

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Explanation

Audit scope limitations have always been resolved favourably.

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Complies

40. The board should submit a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in Recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the Remuneration Committee in designing the policy should be reported to the Meeting, along with the identity of any external advisors engaged.

See section: B.1.16

Explanation

There is no provision in the Articles of Association requiring the Board to submit a report on director remuneration policy to the Shareholders' Meeting. Nevertheless, the Board does prepare such a report and submit it to the Shareholders' Meeting for a vote on an advisory basis.

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

a) A breakdown of the compensation obtained by each company director, to include where appropriate:

- i) Participation and attendance fees and other fixed director payments;**
- ii) Additional compensation for acting as chairman or member of a board committee;**
- iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;**
- iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;**
- v) Any severance packages agreed or paid;**
- vi) Any compensation they receive as directors of other companies in the group;**
- vii) The remuneration executive directors receive in respect of their senior management posts;**
- viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.**

b) An itemised breakdown of any delivery of shares or stock options to directors or any other instrument referenced to the value of the share, with details regarding:

- i) Number of shares or options awarded in the year, and the terms set for their execution;**
- ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;**
- iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;**
- iv) Any change in the year in the exercise terms of previously awarded options.**

c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Explanation

The Company's notes to financial statements and this Corporate Governance Report disclose director remuneration on an aggregate basis, broken down by director category.

42. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the board should also act as secretary to the Executive Committee.

See sections: B.2.1 and B.2.6

Not applicable

43. The board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Not applicable

44. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, for Appointments and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the Appointments and Remuneration committee or committees should be set forth in the Board Regulations, and include the following:

- a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;**
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior executives may also attend meetings, for information purposes, at the Committees' invitation.**
- c) Committees should be chaired by an independent director.**
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.**
- e) Meeting proceedings should be minuted and a copy sent to all board members.**

See sections: B.2.1 and B.2.3

Partially complies

Sections a), c), d) and e) are complied with. Section b) is partly complied with as the Audit Committee is comprised of 2 independent directors and 1 executive director, while the Appointments and Remuneration Committee is comprised of 1 independent director, 1 proprietary director and 1 executive director.

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Appointments Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Explanation

These functions are reserved for the full Board of Directors.

46. All members of the Audit Committee, particularly its chair, should be appointed on the basis of their knowledge and background in accounting, auditing and risk management.

Complies

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Explanation

The size of the Company has led to the creation and maintenance of a management control department which reports directly to the Managing Director. The Audit Committee is in constant contact with this department.

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Explanation

The Company does not have an internal audit body, but, rather, a management control department.

49. Risk control and management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational ...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Complies

50. The Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Review internal control and risk management systems on a regular basis, to ensure that the main risks are properly identified, managed and disclosed.
- c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular reports on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- d) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, particularly financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a) Make recommendations to the board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement.
- b) Receive regular information from the external auditor on the progress and findings of the audit programme, and check that senior management are acting on its recommendations.
- c) Monitor the independence of the external auditor, to which end:
 - i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
 - ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
 - iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.
- d) In the case of groups, the Committee should urge the group auditor to take on the auditing of all component companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Partially complies

The Company does not have an internal audit body, but, rather, a management control department, as disclosed in item F.47. The parent company, the consolidated group and the other group companies are all audited by the same firm: BDO Auditores.

51. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior executive.

Complies

52. The Audit Committee should prepare information on the following points from

Recommendation 8 for input to board decision-making:

- a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See sections: B.2.2 and B.2.3

Complies

53. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chair of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See section: B.1.38

Complies

54. The majority of Appointments Committee members – or Appointments and Remuneration Committee members as the case may be – should be independent directors.

See section: B.2.1

Complies

55. The Appointments Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organise, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so that the handover proceeds in a planned and orderly manner.
- c) Report on the senior executive appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies

56. The Appointments Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors. Any board member may suggest directorship candidates to the Appointments Committee for its consideration.

Complies

57. The Remuneration Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Make proposals to the Board of Directors regarding:
 - i) The remuneration policy for directors and senior executives;
 - ii) The individual remuneration and other contractual conditions of executive directors.
 - iii) The standard conditions for senior executive employment contracts.
- b) Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14 and B.2.3

Complies

58. The Remuneration Committee should consult with the Chair and chief executive, especially on matters relating to executive directors and senior officers.

Complies

G - OTHER INFORMATION OF INTEREST

If you believe that a significant principle or item relating to corporate governance practices applied by your company has not been disclosed in this report, provide information.

This section can include any other information, clarification or qualification related to the aforementioned sections of this report provided that they are significant and are not repetitive.

Specifically, indicate if the company is subject to corporate governance legislation other than Spain's and, if so, include the obligatory disclosures that differ from those required in this report.

Binding definition of independent director:

Indicate whether any of the independent directors has or has had any relationship with the company, its significant shareholders or its executives which, had it been sufficiently significant or important, would have resulted in the director not qualifying for consideration as independent under the definition set forth in section 5 of the Unified Code of Corporate Governance:

No

Signed and dated:

This annual corporate governance report was approved by the company's Board of Directors on

27/03/2013

Indicate any directors who voted against, or abstained from approving, this report.

No

ANNUAL CORPORATE GOVERNANCE REPORT ANNEX

2012

This annex provides additional information to the Annual Corporate Governance Report of PRIM, S.A. for the year ended 31 December 2012, in order to comply with the new minimum content that the report must contain under the provisions of Article 61bis of Act 24/1988 on the Securities Market, amended by the Sustainable Economy Act, Law 2/2011, of 4 March.

INFORMATION RELATED TO SECURITIES THAT DO NOT TRADE ON AN EU REGULATED MARKET

The Company does not have securities which do not trade on a regulated market in the EU. All of PRIM, S.A.'s shares are listed on the Spanish electronic market, in the Madrid and Valencia stock exchanges.

RESTRICTIONS ON THE TRANSFER OF SECURITIES AND ANY RESTRICTION ON VOTING RIGHTS

There are no restrictions on the transfer of securities arising from the law or the Articles. There are no restrictions on voting rights.

In accordance with the provisions of article 7 of the Articles of Association, shares are freely transferable.

There are no restrictions on voting rights. According to article 12 of the Articles of Association, "all shareholders may attend the Shareholders' Meetings personally or by proxy. Proxies to attend and vote at the Shareholders' Meeting must be given in writing specifically for each Meeting and only to another shareholder, except as provided in articles 183 and 184 of the Capital Companies Act."

RULES ON AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION.

Amendments to the Articles of Association are regulated by the Capital Companies Act 1/2010. There are no special rules other than those established in the legislation in force for amending the Company's Articles of Association.

INFORMATION ON SIGNIFICANT AGREEMENTS SIGNED BY THE COMPANY AND WHICH ENTER INTO FORCE, ARE AMENDED OR ARE TERMINATED IN THE EVENT OF A CHANGE IN CONTROL OF THE COMPANY AS A RESULT OF A TAKEOVER BID, AND THEIR EFFECTS.

The Company has not signed any significant agreements of this kind.

AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS AND SENIOR MANAGEMENT OR EMPLOYEES WHICH PROVIDE FOR COMPENSATION IN THE EVENT OF RESIGNATION OR UNFAIR DISMISSAL OR IF THE EMPLOYMENT CONTRACT ENDS DUE TO A TAKEOVER BID.

There are no agreements of this kind between the Company and its management. As regards senior management, Mr Juan Alcántara Morales's contract has an indemnity clause amounting to €450,000, applicable in the event of unfair dismissal.

Regular employee contracts with Prim, S.A. do not contain specific indemnity clauses; accordingly, in the event of termination of an employment contract, standard labour regulations would apply.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN CONNECTION WITH FINANCIAL REPORTING (ICFR)

1. BODIES AND/OR FUNCTIONS RESPONSIBLE FOR: (I) EXISTENCE AND MAINTENANCE OF AN APPROPRIATE AND EFFECTIVE INTERNAL CONTROL SYSTEM (II) IMPLEMENTATION (III) OVERSIGHT

The Board of Directors and Senior Management of the Company are aware of the importance of ensuring that the financial information disclosed to the market is reliable, and to this end they are fully committed to the implementation of an internal control system for financial reporting (ICFR).

The Audit Committee is empowered by the Board of Directors to oversee the functioning of the ICFR. The Committee's functions include:

- a) Being apprised of the company's financial reporting process and internal control systems.
2. DEPARTMENTS AND/OR MECHANISMS IN CHARGE OF: (I) DESIGNING AND REVIEWING THE ORGANISATIONAL STRUCTURE; (II) CLEARLY DEFINING LINES OF RESPONSIBILITY AND AUTHORITY TO ENSURE APPROPRIATE DISTRIBUTION OF TASKS AND FUNCTIONS; AND (III) ENSURING THAT THERE ARE SUFFICIENT PROCEDURES FOR PROPER INFORMATION FLOWS IN THE COMPANY, ESPECIALLY IN CONNECTION WITH REPORTING OF FINANCIAL INFORMATION

(I) The Human Resources Department is responsible for designing and reviewing the organisational structure, with the participation by management of the corresponding Department. Proposals are submitted to the General Manager.

(II) Lines of responsibility and authority are defined in detail and set out in the Company's organisation chart. Functions and responsibilities are properly defined for the following departments: Sales, Technology and Quality, Human Resources, Systems, Operations, Management Oversight, and Finance. The basic function of each area is defined, and responsibilities are set out in detail for each job post, as well as the training, experience and skills that employees must have for such post.

(III) Internal dissemination of the organisational structure and the definition of lines of responsibility and authority via Prim, S.A.'s intranet, placing the Technical Instructions which define functions and responsibilities at the disposal of all personnel in each of the Company's divisions. Any change in the organizational structure and/or in defined lines of responsibility and authority are updated in the aforementioned Technical Instructions and communicated by distributing circulars via e-mail or on bulletin boards.

3. CODE OF CONDUCT, WHISTLEBLOWER CHANNEL AND TRAINING PROGRAMMES AND PERIODIC UPDATES FOR PERSONNEL INVOLVED IN THE PREPARATION, EVALUATION AND REVIEW OF FINANCIAL REPORTING THAT COVER AT LEAST THE ACCOUNTING, AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT STANDARDS.

The Company does not currently have a Code of Conduct.

Although Prim, S.A. does not currently have a specific formalised procedure for managing communication related to accounting irregularities, the Management Control Department, which reports directly to the General Manager, is responsible for receiving communications relating to behaviour that is contrary to the rules, procedures, principles and values of the Company and, in particular, in relation to finance and accounting.

Employees responsible for preparing financial information have the necessary training, knowledge and experience to carry out the functions assigned to them in accordance with the Technical Instructions for Employees in the Finance Area. In the event of changes in applicable legislation, specific training programmes are executed.

The Company also has external consultants who assist staff in the finance division on tax, legal and accounting matters and with whom contact is maintained on a regular basis.

ASSESSMENT OF FINANCIAL REPORTING RISKS

4. MAIN CHARACTERISTICS OF THE PROCESS FOR IDENTIFYING RISK, INCLUDING RISK OF ERRORS OR FRAUD: WHETHER THE PROCESS EXISTS AND IS DOCUMENTED; WHETHER THE PROCESS ADDRESSES ALL OBJECTIVES OF FINANCIAL REPORTING, AND IF IT IS

UPDATED AND HOW OFTEN; THE EXISTENCE OF A PROCESS TO IDENTIFY THE SCOPE OF CONSOLIDATION; WHETHER THE PROCESS TAKES ACCOUNT OF THE EFFECTS OF OTHER TYPES OF RISK TO THE EXTENT THAT THEY AFFECT THE FINANCIAL STATEMENTS; WHICH OF THE COMPANY'S GOVERNING BODIES OVERSEES THE PROCESS.

The Company does not have a specific, formal or documented procedure for identifying risks.

The consolidation scope for accounting purposes is identified on a quarterly basis by reviewing stakes to determine the companies to be included or excluded. The review and update process is performed by the Finance Department, under the supervision of the Audit Committee, which is responsible for defining the consolidation scope and correctly applying the accounting criteria.

The Company's consolidation scope is reviewed and updated by the unit in charge of consolidation, under the supervision of the Audit Committee, which is responsible for defining the consolidating scope and correctly applying the accounting criteria.

OVERSIGHT ACTIVITIES

5. DETAILED DOCUMENTATION OF THE FLOW OF ACTIVITIES AND CONTROLS (INCLUDING THOSE RELATING TO THE RISK OF FRAUD) OF THE TYPES OF TRANSACTIONS THAT MAY HAVE A MATERIAL IMPACT ON THE FINANCIAL STATEMENTS, INCLUDING THE ACCOUNTING CLOSE PROCEDURE AND SPECIFIC REVIEW OF THE RELEVANT OPINIONS, ESTIMATES AND PROJECTIONS.

The Company's Finance Department has detailed documentation on the flows of activities and control of the different types of transactions that may have a material impact on the financial statements, including the accounting close procedure. The design of the flows of activities and control was prepared having consideration for the risks of fraud, providing the internal control system with appropriate tools to minimise those risks (levels of authority and responsibility of personnel, separation of duties, authorisation procedures, transaction documentation, independent checks, etc.)

6. INTERNAL CONTROL POLICIES AND PROCEDURES ON INFORMATION SYSTEMS WHICH SUPPORT THE COMPANY'S RELEVANT PROCESSES IN CONNECTION WITH THE PREPARATION AND PUBLICATION OF FINANCIAL INFORMATION.

The Systems Department is responsible for systems support and maintenance and communication and administration of data, as well as analysis of systems and rules which ensure adequate protection and recovery of data and programmes, ensuring compliance with security regulations and legislation. The Systems Department is also responsible for proposing and implementing information security measures.

The Systems Department is currently in the process of formalising policies and procedures related to the operation of systems and applications, which cover access to applications and systems, separation of functions, management of changes in applications, data recovery and continuity in transaction processing and registration.

7. INTERNAL CONTROL POLICIES AND PROCEDURES TO MONITOR THE MANAGEMENT OF SUBCONTRACTED ACTIVITIES, AND EVALUATION, CALCULATION AND VALUATION BY INDEPENDENT EXPERTS WHICH MAY HAVE A MATERIAL IMPACT ON THE FINANCIAL STATEMENTS.

Before subcontracting, PRIM, S.A. ensures the competency, technical and legal accreditation, and independence of the proposed third parties.

In the event of a business acquisition, the Company engages external advisors to appraise the assets and liabilities pertaining to such business.

8. PROCEDURES FOR REVIEW AND APPROVAL OF THE FINANCIAL INFORMATION AND DESCRIPTION OF THE ICFR TO BE RELEASED TO THE SECURITIES MARKETS, INDICATING THE PARTIES THAT ARE RESPONSIBLE.

The procedures for reviewing and authorising the financial information that is released to the markets commenced with a review by the Finance Department.

Once it has been reviewed and approved by the Finance Department, it is presented to the Audit Committee.

The Audit Committee is involved in the review of financial information, informing the Board of its conclusions on the financial information that is presented. In the final instance, the Board of Directors has the task of authorising the financial statements that are presented each year.

INFORMATION AND COMMUNICATION

9. FUNCTION IN CHARGE OF DEFINING AND UPDATING ACCOUNTING POLICIES, AND RESOLVING DOUBTS OR CONFLICTS ARISING FROM THEIR INTERPRETATION, MAINTAINING SMOOTH COMMUNICATIONS WITH THE PERSONS IN CHARGE OF OPERATIONS WITHIN THE ORGANIZATION.

Accounting policies are updated whenever required by changes in standards.

The Company's Finance Department is responsible for reporting to the Audit Committee on new accounting standards, the results of implementing them, and their

impact on the annual accounts of PRIM, S.A. contained in the annual financial statements authorised by the Board of Directors.

10. MANUAL ON ACCOUNTING POLICIES THAT IS UPDATED AND COMMUNICATED TO THE DEPARTMENTS THROUGH WHICH THE COMPANY OPERATES.

There are no accounting policies other than those established in the law on companies, including those set out in the Code of Commerce, Legislative Royal Decree 1/2010, of 2 July, which approves the consolidated text of the Capital Companies Act, and the General Accounting Plan; the Company does not have a specific accounting policy manual.

11. MECHANISMS FOR CAPTURING AND PREPARING FINANCIAL INFORMATION, WITH STANDARD FORMATS, FOR APPLICATION AND USE BY ALL DEPARTMENTS IN THE COMPANY OR GROUP, WHICH SUPPORT THE MAIN FINANCIAL STATEMENTS AND NOTES, AND THE DISCLOSURES ON ICFR.

The Company has mechanisms for capturing and drawing up the financial information with uniform formats that support the financial statements and the notes, for the various types of transactions. The Company has procedures that ensure that any transaction is duly supported by documents, and authorised according to the different levels of authorisation and responsibility that have been established.

SUPERVISION OF THE SYSTEM'S WORKINGS

12. COMPETENCIES OF THE INTERNAL AUDIT FUNCTION IN SUPPORT OF THE AUDIT COMMITTEE'S WORK TO SUPERVISE THE INTERNAL CONTROL SYSTEM, INCLUDING ICFR.

Prim, S.A. does not have a formal internal audit function, but it does have a Management Control Department that oversees the internal control system, including ICFR.

13. DISCUSSION PROCEDURE WHEREBY, DURING THE YEAR, THE AUDITOR, THE INTERNAL AUDIT FUNCTION AND/OR EXPERTS HIRED FOR THIS PURPOSE MAY NOTIFY SIGNIFICANT WEAKNESS IN INTERNAL CONTROL TO THE COMPANY'S SENIOR MANAGEMENT, AUDIT COMMITTEE OR DIRECTORS. ACTION PLAN TO CORRECT OR MITIGATE OBSERVED WEAKNESSES.

The external auditors engaged for this purpose communicate directly with Senior Management and with the Audit Committee to inform them of significant weaknesses in the internal control system that are disclosed as a result of the audit work. Any weaknesses that are observed are notified immediately to the persons in charge of the areas of the Company that are affected so as to ensure they are eliminated or minimised as soon as possible.

14. EVALUATION OF ICFR IN THE YEAR AND PROCEDURE WHEREBY THE PERSON IN CHARGE OF IMPLEMENTING IT COMMUNICATES THE RESULTS, AND ACTION PLAN DETAILING ANY CORRECTIVE MEASURES REFERRED TO IN THE EVALUATION, WITH DUE CONSIDERATION OF THE IMPACT ON THE FINANCIAL REPORTING.

The Management Control Department oversees the ICFR process and communicates the results to both Senior Management of the Company and the Audit Committee, but there is no formalised procedure for the supervisory work or for the communication of the results.

Although the Audit Committee assesses the potential impact of observed ICFR deficiencies on financial reporting and it notifies them to the heads of the Company's areas in order for them to be remedied, it does not draw up a formal plan detailing any such corrective measures.

15. ICFR ACTIVITIES PERFORMED BY THE AUDIT COMMITTEE.

The Audit Committee continuously monitors the internal control systems, ensuring that they are effective and obtaining evidence to ensure they are designed and working properly. The Committee also verifies that appropriate controls exist to identify risks, take appropriate corrective action and reduce their potential impact on the true and fair view presented by the financial information.

16. REVIEW BY THE EXTERNAL AUDITOR OF THE ICFR INFORMATION DISCLOSED TO THE MARKETS.

The Company's external auditors are not tasked specifically with reviewing the ICFR information distributed to the market on the grounds that the Audit Committee's oversight of Senior Management and of the ICFR information is sufficient.

Móstoles, Madrid, 27 March 2013