PRIM

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Prim, S.A. and Dependent Companies

Consolidated Financial Statements and Directors' Report for the year ended 31 December 2013 drafted in accordance with International Financial Reporting Standards

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

PRIM

PRIM, S.A. and Dependent Companies
Consolidated Financial Statements
for the year ended 31 December 2013
drafted in accordance with International Financial Reporting Standards

PRIM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2013 AND 2012

PRIM, S.A. and Dependent Companies
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2013 and 2012

Expressed in euro

	NOTES	2013	2012
ASSETS		**108.548.561,14**	**104.893.137,93**
Non-current assets		34.064.788,43	22.877.619,39
Intangible assets	5	179.916,91	206.398,38
Property, plant and equipment	6	9.512.682,68	10.296.819,31
Investment property	7	3.348.470,14	3.429.000,58
Investment in associates	8	675.179,01	661.520,01
Other non-current financial assets	9	16.018.368,79	4.447.472,39
Goodwill	10	1.573.996,00	1.573.996,00
Long-term accounts receivable	12	2.756.174,90	2.262.412,72
Current assets		74.483.772,71	82.015.518,54
Inventories	11	18.471.258,90	17.095.623,41
Trade and other accounts receivable	12	53.024.635,14	45.205.953,32
Other current financial assets	13	887.005,83	17.705.799,02
Cash and cash equivalents	14	2.100.872,84	2.008.142,79
LIABILITIES		**108.548.561,14**	**104.893.137,93**
Equity	15	84.756.785,29	78.200.448,62
Parent company		84.756.785,29	78.200.448,62
Share capital		4.336.781,00	4.336.781,00
Share premium		1.227.059,19	1.227.059,19
Own shares		-2.017.689,96	-2.272.336,11
Interim dividend paid during the year		-867.356,20	-867.356,20
Revaluation reserve		578.507,47	578.507,47
Income for the year		9.634.268,66	9.135.143,36
Other reserves		71.783.074,31	66.062.649,91
Value adjustments		82.140,82	0,00
Minority interests		0,00	0,00
Non-current liabilities		5.020.035,02	3.948.183,29
Interest-bearing debt	16	2.733.719,57	1.278.728,59
Other liabilities	17	2.098.772,81	2.451.323,66
Deferred tax liabilities	18	187.542,64	218.131,04
Current liabilities		18.771.740,83	22.744.506,02
Trade and other accounts payable	19	14.926.078,64	15.250.270,01
Interest-bearing debt	16	2.855.618,85	6.548.643,22
Corporate income tax payable	20	990.043,34	945.592,79

The Consolidated Statement of Financial Position for 2012 is presented solely and exclusive for comparison purposes.

PRIM

CONSOLIDATED INCOME STATEMENT

2013 AND 2012

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

For the years ended 31 December 2013 and 2012

Expressed in euro

	NOTES	2013	2012
Net sales	23.1	87.000.327,28	85.824.659,35
Other revenues		785.194,05	856.459,11
Change in finished goods and work-in-process inventories		919.210,22	-113.016,97
OPERATING REVENUES		88.704.731,55	86.568.101,49
Consumables and other external expenses	23.2	-39.296.000,48	-35.886.568,08
External and operating expenses	23.3	-12.779.014,38	-12.569.182,16
Personnel expenses	23.4	-25.268.879,01	-24.589.812,09
Depreciation and amortisation expense	5, 6 & 7	-1.740.890,53	-2.321.088,40
Impairment losses and income from disposal of fixed assets		0,00	0,00
Variation in operating provisions	23.7	364.924,84	1.073.894,82
OPERATING EXPENSES		-78.719.859,56	-74.292.755,91
NET OPERATING INCOME		9.984.871,99	12.275.345,58
Income from investments accounted for using the equity method	8	35.188,00	63.409,00
Financial revenues	23.5	2.311.271,54	1.995.870,53
Financial expenses	23.5	-262.779,06	-861.734,87
Impairment of other financial assets	23.8	-11.677,63	-924.867,41
Other revenues	23.1	0,00	10.023,80
Other expenses		-228.780,68	-291,69
FINANCIAL INCOME		1.843.222,17	282.409,36
INCOME BEFORE TAXES		**11.828.094,16**	**12.557.754,94**
Corporate income tax	20	-3.601.426,52	-3.783.821,07
NET INCOME FROM CONTINUING OPERATIONS		8.226.667,64	8.773.933,87
NET INCOME FROM DISCONTINUED OPERATIONS	28	1.407.601,02	361.209,49
NET INCOME FOR THE YEAR		**9.634.268,66**	**9.135.143,36**
Net income attributable to the parent company		9.634.268,66	9.135.143,36
Net income attributable to minority interests		0,00	0,00
Net loss attributable to minority interests		0,00	0,00
Earnings per share	**23.6**		
Basic earnings per share attributable to equity holders of the parent		0,57	0,54
Diluted earnings per share attributable to equity holders of the parent		0,57	0,54

The Consolidated Statement of Income for 2012 is presented solely and exclusive for comparison purposes.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

2013 AND 2012

PRIM

Consolidated Statement of Comprehensive Income for the years ended 31 December 2013 and 2012						
NET INCOME RECOGNISED DIRECTLY IN EQUITY	**2013**			**2012**		
	Parent company	Minority interests	Total	Parent company	Minority interests	Total
OTHER RESERVES						
Fair value impairment of available-for-sale financial assets (Note 9)	82.140,82	-	82.140,82	-269.931,75	-	-269.931,75
Tax effect (Note 9)	0,00	-	0,00	80.979,53	-	80.979,53
TOTAL NET INCOME RECOGNISED DIRECTLY IN EQUITY	82.140,82	-	82.140,82	-188.952,23	-	-188.952,23
Transfers to Consolidated Income Statement	0,00	-	0,00	188.952,23	-	188.952,23
NET INCOME FOR THE YEAR	9.634.268,66	0,00	9.634.268,66	9.135.143,36	0,00	9.135.143,36
TOTAL RECOGNISED REVENUES AND EXPENSES	9.716.409,48	0,00	9.716.409,48	9.135.143,36	0,00	9.135.143,36

(*) The Consolidated Statement of Comprehensive Income for 2012 is presented solely and exclusively for comparison purposes.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

2013 AND 2012

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

The composition of, and changes in, the Group's equity as of 31 December 2013 and 2012 are as follows:

a) Year ended 31 December 2013 (euro)

	Balance as of 31.12.12	Interim dividend out of 2013 income	Own shares	Capital increase out of reserves	Gain on transactions with own shares	Other changes	Obligations on holdings	Distribution of 2012 income: Dividends	Distribution of 2012 income: Reserves	Income for the year: Controlling shareholders	Income for the year: Minority interests	Balance as of 31.12.13
Share capital	4.336.781,00											4.336.781,00
Share premium	1.227.059,19											1.227.059,19
Parent company shares	-2.272.336,11		254.646,15									-2.017.689,96
Interim dividend	-867.356,20	-867.356,20							867.356,20			-867.356,20
Revaluation reserve	578.507,47											578.507,47
Income for the year												
Equity holders of the parent company	9.135.143,36							-3.300.000,00	-5.835.143,36	9.634.268,66		9.634.268,66
Minority interest	0,00											0,00
Other reserves												
Legal reserve	1.153.637,59											1.153.637,59
Reserve for amortised capital	1.256.814,96											1.256.814,96
Other reserves	61.248.828,36				-49.204,03	912.495,11		110.653,84	4.067.075,48			66.289.848,76
Reserve for revaluation of unrealised assets and liabilities	0,00											0,00
Reserves at												
Fully consolidated undertakings	2.184.589,00							-110.653,84	748.177,84			2.822.113,00
Equity-accounted affiliates	218.780,00								41.880,00			260.660,00
Value adjustments										82.140,82		82.140,82
Equity of equity holders of the parent company	78.200.448,62	-867.356,20	254.646,15	0,00	-49.204,03	912.495,11	0,00	-3.300.000,00	-110.653,84	9.716.409,48	0,00	84.756.785,29
Equity of minority interests	0,00											0,00
TOTAL	78.200.448,62	-867.356,20	254.646,15	0,00	-49.204,03	912.495,11	0,00	-3.300.000,00	-110.653,84	9.716.409,48	0,00	84.756.785,29

b) *Year ended 31 December 2012*

	Balance as of 31.12.11	Interim dividend out of 2012 income	Own shares	Capital increase out of reserves	Gain on transactions with own shares	Other changes	Obligations on holdings	Distribution of 2011 income		Income for the year		Balance as of 31.12.12
								Dividends	Reserves	Controlling shareholders	Minority interests	
Share capital	4.336.781,00											4.336.781,00
Share premium	1.227.059,19											1.227.059,19
Parent company shares	-2.703.262,14		430.926,03									-2.272.336,11
Interim dividend	-867.356,20	-867.356,20							867.356,20			-867.356,20
Revaluation reserve	578.507,47											578.507,47
Income for the year												
Equity holders of the parent company	8.908.860,05							-3.300.000,00	-5.608.860,05	9.135.143,36		9.135.143,36
Minority interest	0,00											0,00
Other reserves												
Legal reserve	1.153.637,59											1.153.637,59
Reserve for amortised capital	1.256.814,96											1.256.814,96
Other reserves	56.106.432,68				-280.187,45	881.008,06		406.830,99	4.134.744,08			61.248.828,36
Reserve for revaluation of unrealised assets and liabilities	0,00					(*)						0,00
Reserves at												
Fully consolidated undertakings	2.074.353,89							-406.830,99	517.066,10			2.184.589,00
Equity-accounted affiliates	113.807,00								104.973,00			218.780,00
Equity of equity holders of the parent company	72.185.635,49	-867.356,20	430.926,03	0,00	-280.187,45	881.008,06	0,00	-3.300.000,00	15.279,33	9.135.143,36	0,00	78.200.448,62
Equity of minority interests	0,00											0,00
Total	72.185.635,49	-867.356,20	430.926,03	0,00	-280.187,45	881.008,06	0,00	-3.300.000,00	15.279,33	9.135.143,36	0,00	78.200.448,62

PRIM

CONSOLIDATED CASH FLOW STATEMENTS

2013 AND 2012

PRIM

PRIM, S.A. and Dependent Companies

CONSOLIDATED CASH FLOW STATEMENTS

For the years ended 31 December 2013 and 2012 (euro)

Notes		2013	2012
	Collections from customers and other debtors	92.157.901,89	123.681.858,36
	Payments to suppliers and other creditors	-54.596.479,45	-46.466.397,72
	Payments to employees	-24.995.622,42	-24.558.334,37
	Net VAT settlements	-3.236.394,04	-3.416.358,28
1	Other taxes	-389.583,11	-321.159,33
	Corporate income tax	-3.940.763,77	-3.608.168,74
	Net cash from operating activities	4.999.059,10	45.311.439,92
2	Acquisition of property, plant and equipment	-2.156.623,53	-1.278.218,62
3	Acquisition of intangible assets	-83.694,44	-85.360,63
	Acquisition of investment property	0,00	-1.527,43
4	Acquisition of other non-current financial assets	-11.412.105,84	-160.400,00
	Other current financial assets	17.015.289,99	-17.300.410,20
	Acquisitions of group undertakings net of acquired cash	0,00	0,00
	Acquisitions of associated undertakings	0,00	0,00
	Deposits provided	30.241,40	-4.620,79
	Cash subsidies received	3.800,00	-1.245,50
5	Interest received	1.756.378,34	1.457.598,94
6	Dividends received	39.399,70	31.317,72
	Net investment cash flow	5.192.685,62	-17.342.866,51
	Refund of share premium	0,00	0,00
	Reserves	0,00	0,00
	Net cash on transactions with own shares	155.886,46	152.082,00
7	Cash movements due to long-term bank loans	2.216.151,82	-5.885.545,66
	Cash inflows due to long-term bank loans	2.401.904,50	674.040,82
	Cash outflows due to long-term bank loans	-185.752,68	-6.559.586,48
8	Cash movements due to short-term bank loans	-9.257.875,98	-17.705.509,04
	Cash inflows due to short-term bank loans	384.120,16	0,00
	Cash outflows due to short-term bank loans	-9.641.996,14	-17.705.509,04
	Cash movements due to long-term loans, group undertakings	0,00	0,00
	Cash inflows due to long-term loans, group undertakings	0,00	0,00
	Cash outflows due to long-term loans, group undertakings	0,00	0,00
	Cash movements due to short-term loans, group undertakings	0,00	0,00
	Cash inflows due to short-term loans, group undertakings	0,00	0,00
	Cash outflows due to short-term loans, group undertakings	0,00	0,00
9	Dividends paid	-3.300.003,00	-3.300.000,00
10	Interest paid	-152.132,79	-411.133,99
	Net financing cash flow	-10.337.973,49	-27.150.106,69
	Net increase in cash and cash equivalents	-146.228,77	818.466,72
	Net exchange differences	238.958,82	288.673,71
	Change in cash in year	92.730,05	1.107.140,43
	Beginning cash and cash equivalents	2.008.142,79	901.002,36
	Ending cash and cash equivalents	2.100.872,84	2.008.142,79

NOTES TO FINANCIAL STATEMENTS

2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Cross references enable the reader to connect the information contained in these notes to consolidated financial statements with the various line-items of the consolidated income statement, consolidated statement of financial position, cash flow statement and statement of changes in equity.

1. DESCRIPTION OF CONSOLIDATED COMPANIES AND THEIR BUSINESS ACTIVITY

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

Factory

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

Regional offices

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

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

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

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

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

DEPENDENT COMPANIES	***DOMICILE***	***GROSS COST OF OWNERSHIP***	***%***
ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A.	*Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid-*	*1.322.102,77*	*100,00*
ENRAF NONIUS IBÉRICA, S.A.	*Polígono Industrial nº1, Calle F, nº 15, de Móstoles –Madrid-*	*690.461,45*	*100,00*
SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL)	*D. Ramón de la Cruz, 83 Madrid*	*3.035,06*	*100,00*
NETWORK MEDICAL PRODUCTS LTD.	*North Yorkshire United Kingdom*	*379.331,01*	*43,68*
INMOBILIARIA CATHARSIS, S.A. (SOCIEDAD UNIPERSONAL)	*C/ F, no. 15. Polígono Industrial 1, Móstoles (Madrid)*	*2.494.204,13*	*100,00*
ENRAF NONIUS IBÉRICA PORTUGAL, LDA (1)	*Rua Aquiles Machado –Lisbon- Portugal*	*100.000,00*	*100,00*
LUGA SUMINISTROS MÉDICOS, S.L.	*Polígono Industrial Monte Boyal, Avda Constitución, Parcela 221, Casarrubios del Monte –Toledo*	*5.749.110,42*	*100,00*

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

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

The dependent companies engage in the following activities:

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

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

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

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

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

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

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

The companies forming part of the consolidated group closed their financial year, which has a duration of one year, as of 31 December 2013.

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

2.1. *Accounting standards applied*

The Consolidated Financial Statements of the PRIM Group for 2013, which the Directors of the Parent Company authorised on 31 March 2014, are presented in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union in conformity with (EC) Regulation no. 1606/2002 of the European Parliament and of the Council. The directors of PRIM expect the Shareholders' Meeting to approve these Consolidated Financial Statements without changes.

These Consolidated Financial Statements have been prepared on a historical cost basis, except for available-for-sale financial assets, which have been measured at fair value. The carrying amounts of assets and liabilities covered by fair value hedges are restated to reflect variations in their fair value as a result of the hedged risk.

Prim Group has adopted the latest version of all standards issued by the European Union's Regulatory Committee (hereinafter EU-IFRS) that are mandatory as of 31 December 2013.

The separate 2013 financial statements of the Group companies will be submitted for approval by their respective General Meetings of Shareholders within the deadlines established by the regulation in force. The directors of the parent Company do not expect changes to arise that would significantly impact the 2013 consolidated financial statements. The consolidated financial statements of Prim Group for 2013 were authorised by the parent Company's Board of Directors on 31 March 2014. It is expected that they will be approved without changes by the General Meeting of Shareholders of the parent Company.

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

2.1.1. Improvements to IFRS

The following standards came into force and were adopted by the European Union in 2013:

- *IAS 1 (Amended) "Presentation of financial statements" - requires disclosure of the total of items that will be recycled through profit or loss in future years and those that will not.*

- *IAS 19 (Amended) "Employee benefits" - eliminates the corridor approach in force until 1 January 2013 whereby undertakings could elect not to recognise (and, therefore, defer) a portion of actuarial gains or losses disclosed in measuring pension commitments. From the entry into force of this amendment, all actuarial gains and losses must be recognised immediately. This amendment also made significant changes to the presentation of cost components, so that the cost of service corresponding to post-employment benefit commitments (past service, curtailment and plan liquidation) and net interest costs are charged to profit and loss and the remeasurement component (basically comprising actuarial gains and losses) will be charged to equity in the form of valuation adjustments and not be reclassified to profit or loss.*

- *IFRS 13 "Fair value measurement" - replaced pre-existing standards on equity in a number of standards with a single standard. It does not change the criteria for measuring assets and liabilities at fair value as set out in other standards; rather, it sets out, in greater depth, how it should be measured. This is applicable to measurement of financial and non-financial assets and introduces new disclosure requirements.*

- *Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - introduces new disclosures to be made in the annual financial statements for financial assets and liabilities that are netted on the balance sheet and for other instruments subject to binding netting agreements.*

The application of the aforementioned accounting standards and interpretations did not have a material impact on the Group's financial statements.

Additionally, at the date of authorisation of these financial statements, the following standards were in force which are applicable subsequent to 31 December 2013:

- *IAS 32 (Amended) - "Financial Instruments: presentation - Asset and liability offsetting" (obligatory for annual periods commencing on or after 1 January 2014; early application allowed) - introduces a number of additional clarifications as to the requirements of the standard in order to be able to offset financial assets and liabilities, stating that they may only be offset when the undertaking has, at the present time, a legally enforceable right to offset the recognized amounts that does not depend on future events.*

- *Amendment to IAS 36 "Impairment of assets - Recoverable Amount Disclosures for Non-Financial Assets" (Effective for annual periods beginning on or after 1 January 2014; early application allowed) - eliminates the requirement for certain disclosures about the recoverable amount of each cash generative unit and introduces the obligation to disclose information about the recoverable amount of assets on which impairment has been recognised or reversed in the year.*

- *Amendment to IAS 39 "Financial Instruments: Recognition and Measurement -Novation of derivatives and continuation of hedge accounting" (effective for annual periods beginning on or after 1 January 2014; early application allowed) - introduces an exception to the discontinuation of hedge accounting for novations where, as a result of a law or regulation, the original counterparty of the hedge is replaced by one or more central counterparties, provided that no other change is made to the hedge beyond those strictly necessary to change the counterparty.*

At the date of authorisation of these consolidated financial statements, the following standards and interpretations were pending adoption by the European Union; their effective dates are subsequent to 31 December 2013:

- *NIIF 9 "Financial instruments: Classification and Measurement and Hedge Accounting" (no defined binding application date), which, in the future, will replace the sections of the current IAS 39 on classification and measurement of financial instruments and hedge accounting. This standard introduces significant changes with respect to financial assets, including the approval of a new classification model based on just two categories (amortised cost and fair value), the elimination of the current categories of held-to-maturity and available-for-sale, analysis of impairment only for assets recognised at amortised cost, and non-separation of derivatives embedded in financial contracts. The main change in connection with financial liabilities refers to assets that an undertaking elects to measure at fair value, for which the portion of the fair value change due to changes in the credit risk must be presented under valuation adjustments and not in profit or loss. As for hedge accounting, the new approach seeks to align the accounting rules with risk management; the three types of hedge accounting in the current standard are maintained (cash flow, fair value and net investment hedges) but significant changes are introduced with respect to IAS 39 in a number of areas such as the hedged items, hedging instruments, time value of options, and assessment of effectiveness.*

- *Amendments to IAS 19 – "Employment benefits - Defined Benefit Plans: Employee Contributions" (effective for annual periods commencing on or after 1 July 2014; early application allowed) - Allows these contributions to be recognised as a reduction of the service cost in the period in which they are paid subject to fulfilment of certain requirements, without having to perform the calculations necessary to attribute the reduction to each year of service.*

- *IFRIC 21 "Levies" (effective for annual periods commencing on or after 1 January 2014; early application allowed) - provides guidance on when to recognise a liability for a levy imposed by a government that is accounted for in accordance with IAS 37 and those where the timing and amount of the levy is certain. In these cases, the levy must be recognised when the obligating event takes place.*

- *IFRS Annual Improvements cycle 2010-2012 (effective for annual periods commencing on or after 1 July 2014) - introduced minor amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.*

- *IFRS Annual Improvements cycle 2011-2013 (effective for annual periods commencing on or after 1 July 2014) - introduced minor amendments to IFRS 3, IFRS 13 and IAS 40.*

At this time, the Group is analysing the potential impact of these new standards.

There is no obligatory accounting standard or valuation policy having a material effect on the 2013 financial statements that has not been applied in preparing these financial statements.

2.2. True and fair view

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

2.3. Comparative information

As required by mercantile legislation, for comparison purposes the figures for the preceding year are presented in addition to the figures for 2013 for each item in the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement. The notes also include quantitative information for the preceding year, except where an accounting standard states specifically that it is not necessary.

In 2013, the Parent Company (PRIM, S.A.) disposed of its INFUSIÓN business line. Consequently, the results (revenues and expenses) attributable to that line of business have been reclassified as "Discontinued operations". In order to achieve the best possible comparison with the immediately preceding year (2012), those results have been reclassified so that revenues and expenses for the line of business that was disposed of are recognised under "Discontinued operations" in the consolidated income statement.

As required by IAS 1, the information in these consolidated financial statements referring to 2012 is presented for comparison with the information for 2013 and, therefore, does not in itself constitute the Consolidated Group's financial statements for 2012.

The resolution of the Spanish Institute of Accounting and Auditing (ICAC) dated 29 December 2010 on information to be included in the notes to the consolidated financial statements regarding deferred payments to suppliers in commercial transactions was applicable for the first time in 2010. As a result of the new requirements, the disclosures required by the resolution are presented at 2013 year-end. In addition, for the purposes of complying with the principle of uniformity and the comparability requirement, the information for the immediately preceding year is also presented for comparison.

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

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

2.4. Correction of errors

It was not necessary to restate the 2012 figures presented for comparison purposes since no material errors were detected after authorisation of the consolidated financial statements for that year.

As noted in the previous section, the Parent Company (PRIM, S.A.) disposed of its INFUSIÓN business line in 2013. Consequently, the results (revenues and expenses) attributable to that line of business have been reclassified under "Discontinued operations". In order to achieve the best possible comparison with the immediately preceding year (2012), those results have been reclassified so that revenues and expenses for the line of business that was disposed of are recognised under "Discontinued operations" in the consolidated income statement.

There were no changes in accounting or presentation standards that might make it necessary to restate the 2012 figures in order to comply with the uniformity principle and the comparability requirement.

2.5. Estimates

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

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

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

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

2.6. Consolidation methods

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

The dependent companies over which the PRIM Group has control are fully consolidated. The PRIM Group considers that it exercises control over a company when it has sufficient power to govern its financial and operating policies so as to obtain profits from its activities.

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

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

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

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

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

1) *Business combinations and goodwill*

    a. *Business combinations since 1 January 2010*

    Business combinations are accounted for by the acquisition method.
    The identifiable assets acquired and the liabilities assumed are carried initially at their acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportional share of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss.

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

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

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

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

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

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

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

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

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

b. Business combinations prior to 1 January 2010

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

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

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

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

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

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

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

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

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

2.7. Consolidated Cash Flow Statement

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

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

3. VALUATION STANDARDS

3.1. Intangible assets

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

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

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

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

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

3.2. Goodwill

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

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

3.3. Property, plant & equipment

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

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

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

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

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

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

3.4. *Investment property*

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

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

The depreciation rates applied by the Group are as follows:

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

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

3.5. *Investment in associated undertakings*

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

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

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

As of 2013 year-end (and as of 2012 year-end), NETWORK MEDICAL PRODUCTS LTD. was the only company being carried by the equity method.

3.6. Financial assets

Financial assets

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

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

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

Available-for-sale assets: All assets that are not classified in any of the preceding categories (i.e. almost entirely equity interests).

These investments are also included in the Consolidated Statement of Financial Position at fair value on the closing date; in the case of unlisted companies, the fair value is obtained through alternative methods such as comparison with similar transactions or, if sufficient information is available, by discounting expected cash flows. Negative changes in fair value are recognised in the Consolidated Income Statement and positive changes in the Consolidated Statement of Comprehensive Income.

Equity interests in unlisted companies whose market value can not be measured reliably are valued at acquisition cost. Negative changes in fair value are recognised in the Consolidated Income Statement, while positive changes are not recognised since the previously recognised impairment was considered to be irreversible.

In practice, all of these available-for-sale financial assets (except for the stake in Alphatec) are valued at historical cost due to the inability to obtain fair value (market value) since they are not traded on an organised market and it is not possible to obtain information about comparable transactions that would allow us to determine a market value other than historical cost.

In the case of the stake in Alphatec, the shares of that company are measured at fair value according to their price on the market where they are traded (NASDAQ) and applying the exchange rate at year-end.

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

<u>Debentures, bonds and bank debt:</u> Loans, debentures and similar items are recorded initially at the amount received, net of transaction costs. In subsequent periods, all these debts are measured at amortised cost, using the effective interest rate, except for hedged transactions, which are measured using the method described below in this same Note.

Also, obligations under finance leases are recognised at the present value of the lease payments under "Bank debt – Loans and others" in the Consolidated Statement of Financial Position.

<u>Derecognition of financial assets and liabilities:</u> A financial asset is derecognised when:

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

<u>Impairment of financial assets</u>

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

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

<u>Debt instruments</u>

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

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

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

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

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

Equity instruments

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

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

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

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

Reclassification of financial assets

When an investment in the equity of a group, multi-group or associated undertaking is no longer classified as such, the investment in that undertaking is measured according to the rules on financial assets available for sale. There were no reclassifications of financial assets in 2013 and 2012.

3.7. Financial liabilities

a) Trade and other accounts payable

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

b) Interest-bearing loans

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

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

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

c) Commitments under contractual obligations to buy out minority interests

Contractual obligations to buy minority interests are reflected as the present value of the planned future payments. The difference between the amount payable and the value of the minority interests and any subsequent variations in the amount payable is recognised in equity attributable to equity holders of the parent company. Interest expenses accruing on these liabilities are recognised as a financial expense in the Consolidated Income Statement.

3.8. Inventories

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

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

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

The impairment of inventories is measured at year-end, taking account of expired, obsolete or slow-moving items. The approach consisted of recognising as obsolete items in inventory for more than one year for which no purchases or sales had been recognised in the last six months.

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

3.9. Cash and cash equivalents

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

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

3.10. Impairment of non-financial assets

At the end of each year, or whenever it considers it to be necessary, the Group assesses whether there are signs of asset impairment. If there are any signs, or when an annual impairment test is required, the Group estimates the asset's recoverable value.

An asset's recoverable amount is the greater of the market value (less the necessary cost of sale) and the value in use, i.e. the present value of estimated future cash flows.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and its carrying amount is written down to its recoverable amount. When assessing the value in use, future cash flows are discounted to present value using a discount rate before taxes that reflects the assessment of the value of money over time in the current market and of the asset's specific risks.

Impairment losses are recognised in the income statement under the expense heading that corresponds to the function of the impaired asset.

3.11. Impairment of non-financial assets

At the end of each year, the PRIM Group assesses its non-financial assets to measure whether there are any signs of impairment.

If there are any such signs, it estimates the asset's recoverable value to determine the amount by which to write it down, where necessary. In the case of identifiable assets that do not generate cash flows when considered independently, the PRIM Group estimates the recoverability of the Cash Generative Unit (CGU) to which the asset belongs.

In the case of goodwill and other intangible assets which are either not operational or have an indefinite useful life, the PRIM Group systematically analyses recoverability at the end of each year.

For the purposes of this recoverability analysis, goodwill is allocated to the CGUs in which it is controlled for internal management purposes. In no instance are these CGUs bigger than the operating segments defined by the PRIM Group and detailed in Note 4.

An asset's recoverable amount is the greater of the market value less selling costs and the value in use, i.e. the present value of estimated future cash flows. The assumptions used in estimating value in use include discount rates, growth rates and expected changes in selling prices and direct costs. The discount rates reflect the time value of money and the risks specific to the CGU. The growth rates and the changes in prices and direct costs are based on contractual commitments that have already been signed, information in the public domain, sector forecasts and the experience of the PRIM Group.

If the recoverable amount of an asset is less than its carrying amount, the difference is recognised with a charge to "Impairment and Income from asset disposals" in the Consolidated Income Statement. Impairment losses recognised for an asset are reversed with a credit to the aforementioned account when there is a change in the estimates concerning the recoverable amount such as to increase the carrying amount of the asset, capped at the carrying amount that would have been determined had no impairment loss been recognised, except in the case of the impairment of goodwill, which is not reversible.

3.12. Treasury shares

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

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

3.13. Dividends

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

3.14. Recognition of revenues and expenses

Revenues and expenses are generally recognised in accordance with the accrual principle, i.e. when the related actual flow of goods and services arises, regardless of when the resulting monetary or financial flow takes place. Sales are considered to be completed upon physical delivery and acceptance by the customer.

Revenues from the provision of services are recognised when the outcome of the transaction can be estimated reliably, in which case the percentage of the service that had been performed at year-end is used. Consequently, service revenues are recognised only if all of the following conditions are met:

a. *The amount of revenues can be estimated reliably*
b. *The Group is likely to receive the profits or economic benefits arising from the transaction*
c. *The degree of completion of the transaction at year-end can be estimated reliably, and*
d. *The costs already incurred in providing the service and those yet to be incurred in order to complete it can be measured reliably.*

Revenues from the sale of goods and the provision of services are recognised at the fair value of the related consideration received or receivable. The taxes levied on transactions involving the sale of goods and the provision of services which the company charges to third parties as Valued Added Tax and Special Taxes are not included in revenues.

Where necessary, the Group reviews and amends its estimates of future revenues as the service is provided. Where the outcome of a transaction involving the provision of services cannot be estimated reliably, revenues are recognised only to the extent that the recognised expenses can be considered to be recoverable.

3.15. Corporate income tax

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

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

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

The Group companies pay tax on an individual basis.

3.16. Earnings per share

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

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

In the Consolidated Financial Statements of the PRIM Group for the years ended 31 December 2013 and 2012, basic earnings per share coincide with diluted earnings per share since there were no instruments outstanding during these years that could be converted into ordinary shares.

3.17. Transactions and balances in foreign currency

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

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

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

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

The normal operating cycle for all activities is one year.

3.19. Environmental assets and liabilities

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

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

3.20. Related-party transactions

Related-party transactions are measured as described above.

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

3.21. Provisions

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

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

3.22. Leases

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

The Company as lessee

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

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

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

The Company as lessor

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

3.23. Critical aspects of measuring and estimating uncertainty

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

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

3.24. Interrupted or discontinued operations

A component of an entity comprises activities and cash flows that can be clearly distinguished from the rest of the organization, in both operational and financial reporting terms.

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

A discontinued operation is a component of an entity that has been transferred or disposed of by another method, or that is classified as available for sale, and

(a) represents a line of business or geographical area which is significant and can be considered separate from the rest;

(b) is part of a single coordinated plan to transfer or otherwise dispose of a line of business or geographical area of operations that is significant and can be considered separate from the rest; or

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

In the Consolidated Income Statement, income from discontinued operations is presented separately from that of continuing operations.

The Consolidated Group presents information for all of the years prior to the reporting year such that the information for those years refers to all activities classified as discontinued on the balance sheet date of the last reporting year.

Adjustments in the current financial year 2013 to amounts disclosed previously (in 2012) relating to discontinued operations are presented separately within discontinued operations related to such information, disclosing the nature and amount of such adjustments.

If an entity ceases to classify a component as available for sale, operating income from that component that had been previously recognised as income from discontinued operations must be reclassified and included in income from continuing operations for all reporting years. The fact that amounts from prior years have been re-stated must be disclosed expressly.

4. SEGMENT REPORTING

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

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

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

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

4.1. Business segments

a) Medical and orthopaedic supplies

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

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

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

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

The breakdown is as follows:

	31/12/2013	31/12/2012
Segment I. (Medical-Hospital)	86.517.072,14	85.014.337,20
Medical Supply Activity	64.253.673,89	64.325.960,57
Orthopaedic Supply Activity	22.263.398,25	20.688.376,63
Segment II. (Real Estate)	483.255,14	810.321,95
REVENUES	87.000.327,28	85.824.959,15

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

b) Real estate segment

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

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

4.2. Geographical segments

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

There are two geographical segments:

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

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

4.3. Segment figures

The table below presents information about the revenues and income and certain assets and liabilities corresponding to the Group's business segments in the years ended 31 December 2013 and 2012.

a) *Year ended 31 December 2013:*

Segment I: *Medical-hospital segment*

Segment II: *Real estate segment*

	Segment I	Segment II	Total
Net sales			
External customers	86.502.672,14	497.655,14	87.000.327,28
Between segments	0,00	0,00	0,00
Other revenues	648.668,27	136.525,78	785.194,05
Change in inventories	919.210,22	0,00	919.210,22
Segment revenues	88.070.550,63	634.180,92	88.704.731,55
Segment net operating income	9.747.087,80	237.784,19	9.984.871,99
Net financial income	2.048.492,48	0,00	2.048.492,48
Impairment of other financial assets	-11.677,63	0,00	-11.677,63
Share in income of companies carried by the equity method	35.188,00	0,00	35.188,00
Other revenues and expenses	-228.780,68	0,00	-228.780,68
Income before taxes	11.590.309,97	237.784,19	11.828.094,16
Corporate income tax			-3.601.426,52
Minority interest			0,00
Income for the year attributable parent company (continuing operations)			**8.226.667,64**
Segment assets and liabilities			
Investment in associated undertakings	661.520,01	0,00	661.520,01
Other assets of the segment	104.538.570,99	3.348.470,14	107.887.041,13
Total assets	105.200.091,00	3.348.470,14	108.548.561,14
Total liabilities	23.791.775,85	0,00	23.791.775,85
Other segment information			
Investment in assets			
Intangible assets	83.474,94	0,00	83.474,94
Property, plant & equipment	2.156.055,23	0,00	2.156.055,23
Investment property	0,00	0,00	0,00
Impairment of other financial assets	-11.677,63	0,00	-11.677,63
Period depreciation and amortisation	-1.638.237,85	-102.652,68	-1.740.890,53
Cash flows	-130.510,19	223.240,24	92.730,05

b) *Year ended 31 December 2012*

Segment I: *Medical-hospital segment*

Segment II: *Real estate segment*

	Segment I	Segment II	Total
Net sales			
External customers	85.014.337,40	810.321,95	85.824.659,35
Between segments	-188.724,99	188.724,99	0,00
Other revenues	663.910,08	192.549,03	856.459,11
Change in inventories	-113.016,97	0,00	-113.016,97
Segment revenues	85.376.505,52	1.191.595,97	86.568.101,49
Segment net operating income	11.755.902,65	519.442,93	12.275.345,58
Net financial income	1.134.135,66	0,00	1.134.135,66
Impairment of other financial assets	-924.867,41	0,00	-924.867,41
Share in income of companies carried by the equity method	63.409,00	0,00	63.409,00
Other revenues and expenses	9.732,11	0,00	9.732,11
Income before taxes	12.038.312,01	519.442,93	12.557.754,94
Corporate income tax			-3.783.821,07
Minority interest			0,00
Income for the year attributable parent company (continuing operations)			***8.773.933,87***
Segment assets and liabilities			
Investment in associated undertakings	661.520,01	0,00	661.520,01
Other assets of the segment	100.802.617,34	3.429.000,58	104.231.617,92
Total assets	101.464.137,35	3.429.000,58	104.893.137,93
Total liabilities	26.692.689,31	0,00	26.692.689,31
Other segment information			
Investment in assets			
Intangible assets	85.035,43	0,00	85.035,43
Property, plant & equipment	1.276.571,62	0,00	1.276.571,62
Investment property	0,00	1.527,43	1.527,43
Impairment of other financial assets	-924.867,41	0,00	-924.867,41
Period depreciation and amortisation	-2.150.682,80	-170.405,60	-2.321.088,40
Cash flows	639.312,03	467.828,40	1.107.140,43

4.4. Geographical segments

The table below presents information about the revenues and income and certain assets and liabilities corresponding to the Group's geographical segments in the years ended 31 December 2013 and 2012.

a) *Year ended 31 December 2013*

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

	Segment I	Segment II	Total
Net sales			
External customers	75.728.962,60	11.271.364,68	87.000.327,28
Between segments	0,00	0,00	0,00
Other operating revenues	785.194,05	0,00	785.194,05
Change in inventories	919.210,22	0,00	919.210,22
Segment revenues	77.433.366,87	11.271.364,68	88.704.731,55
Segment assets			
Total assets	105.547.315,69	3.001.245,45	108.548.561,14
Other segment information			
Investment in assets			
Intangible assets (Note 5)	83.255,44	219,50	83.474,94
Property, plant & equipment (Note 6)	2.155.486,93	568,30	2.156.055,23
Investment property (Note 7)	0,00	0,00	0,00
Total	2.238.742,37	787,80	2.239.530,17

b) *Year ended 31 December 2012*

Segment I: *Spain*

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

	Segment I	Segment II	Total
Net sales			
External customers	75.127.607,42	10.697.051,93	85.824.659,35
Between segments	0,00	0,00	0,00
Other operating revenues	856.459,11	0,00	856.459,11
Change in inventories	-113.016,97	0,00	-113.016,97
Segment revenues	75.871.049,56	10.697.051,93	86.568.101,49
Segment assets			
Total assets	101.435.785,82	3.457.352,11	104.893.137,93
Other segment information			
Investment in assets			
Intangible assets (Note 5)	84.710,23	325,20	85.035,43
Property, plant & equipment (Note 6)	1.275.232,60	1.339,02	1.276.571,62
Investment property (Note 7)	1.527,43	0,00	1.527,43
Total	1.361.470,26	1.664,22	1.363.134,48

PRIM

5. INTANGIBLE ASSETS

The variations in 2013 and 2012 are as follows:

a) *Year ended 31 December 2013*

	BALANCE 31/12/12	RECOGNITION / PROVISION	DERECOGNITION	BALANCE 31/12/13
COST				
Computer software	757.701,73	83.474,94	-4.825,00	836.351,67
Concessions, patents, licences, brands and similar	960.664,05			960.664,05
Distribution rights	703.184,16			703.184,16
Other intangible assets	55.000,00			55.000,00
TOTAL	2.476.549,94	83.474,94	-4.825,00	2.555.199,88
AMORTISATION				
Computer software	-584.402,35	-99.768,10	132,69	-684.037,76
Concessions, patents, licences, brands and similar	-982.565,05	-5.496,00		-988.061,05
Distribution rights	-703.184,16			-703.184,16
Other intangible assets	0,00			0,00
TOTAL	-2.270.151,56	-105.264,10	132,69	-2.375.282,97
NET INTANGIBLE ASSETS	**206.398,38**			**179.916,91**

b) Year ended 31 December 2012

	BALANCE 31/12/11	RECOGNITION / PROVISION	DERECOGNITION	BALANCE 31/12/12
COST				
Computer software	*689.729,27*	*85.035,43*	*-17.062,97*	*757.701,73*
Concessions, patents, licences, brands and similar	*960.664,05*	*-*	*-*	*960.664,05*
Distribution rights	*703.184,16*	*-*	*-*	*703.184,16*
Other intangible assets	*55.000,00*	*-*	*-*	*55.000,00*
TOTAL	*2.408.577,48*	*85.035,43*	*-17.062,97*	*2.476.549,94*
AMORTISATION				
Computer software	*-498.815,25*	*-86.026,08*	*438,98*	*-584.402,35*
Concessions, patents, licences, brands and similar	*-977.069,05*	*-5.496,00*	*-*	*-982.565,05*
Distribution rights	*-703.184,16*	*-*	*-*	*-703.184,16*
Other intangible assets	*0,00*	*0,00*	*0,00*	*0,00*
TOTAL	*-2.179.068,46*	*-91.522,08*	*438,98*	*-2.270.151,56*
NET INTANGIBLE ASSETS	***229.509,02***			***206.398,38***

The fully amortised items in use under this heading amounted to 2,100,945.84 euro as of 31 December 2013 and 2,072,767.37 euro as of 31 December 2012.

6. PROPERTY, PLANT AND EQUIPMENT

The variations in 2013 and 2012 are as follows:

a) *Year ended 31 December 2013*

	BALANCE 31/12/12	TRANSFERS	RECOGNITION / PROVISIONS	DERECOGNITION / REDUCTIONS	BALANCE 31/12/13
COST					
Land and other structures	7.176.721,71	0,00	0,00	0,00	7.176.721,71
Plant and machinery	1.652.559,60	0,00	230.571,48	-24.876,00	1.858.255,08
Other installations, tools and furniture	21.663.005,52	0,00	1.847.462,91	-7.034.150,47	16.476.317,96
Other assets	1.805.478,41	0,00	196.530,59	-99.909,68	1.902.099,32
TOTAL	32.297.765,24	0,0	2.274.564,98	-7.158.936,15	27.413.394,07
AMORTISATION					
Land and other structures	-2.037.314,16	0,00	-212.125,24	0,00	-2.249.439,40
Plant and machinery	-1.174.564,50	0,00	-84.344,22	0,00	-1.258.908,72
Other installations, tools and furniture	-17.426.355,28	0,00	-1.128.062,59	5.634.862,57	-12.919.555,30
Other assets	-1.362.711,99	0,00	-130.563,94	20.467,96	-1.472.807,97
TOTAL	-22.000.945,93	0,0	-1.555.095,99	5.655.330,53	-17.900.711,39
PROPERTY, PLANT & EQUIPMENT	**10.296.819,31**				**9.512.682,68**

Recognitions during the period mainly correspond to the acquisition of tooling for the various divisions, while derecognitions refer to fixed assets disposed of as part of the Infusión business line, as detailed in Note 6.8.

b) *Year ended 31 December 2012*

	BALANCE 31/12/11	TRANSFERS	RECOGNITION / PROVISIONS	DERECOGNITION / REDUCTIONS	BALANCE 31/12/12
COST					
Land and other structures	7.176.721,71	0,00	0,00	0,00	7.176.721,71
Plant and machinery	1.624.318,74	0,00	37.356,30	-9.115,44	1.652.559,60
Other installations, tools and furniture	20.587.982,13	0,00	1.125.439,51	-50.416,12	21.663.005,52
Other assets	1.700.197,09	0,00	145.497,41	-40.216,09	1.805.478,41
TOTAL	31.089.219,67	0,0	1.308.293,22	-99.747,65	32.297.765,24
AMORTISATION					
Land and other structures	-1.933.785,92	0,00	-103.528,24	0,00	-2.037.314,16
Plant and machinery	-1.105.345,59	0,00	-77.627,02	8.408,11	-1.174.564,50
Other installations, tools and furniture	-15.686.246,27	0,00	-1.769.165,36	29.056,35	-17.426.355,28
Other assets	-1.271.965,69	0,00	-130.962,34	40.216,04	-1.362.711,99
TOTAL	-19.997.343,47	0,0	-2.081.282,96	77.680,5	-22.000.945,93
PROPERTY, PLANT AND EQUIPMENT	**11.091.876,20**				**10.296.819,31**

6.1. Revaluation of property, plant and equipment

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

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

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

	(euro)
Revaluation of cost	*1.673.663*
Revaluation of depreciation	*-301.322*
Net capital gain (before tax charge)	*1.372.341*

The undepreciated amount of the revaluation was 68,183.37 euro as of 31 December 2013 and 71,418.33 euro as of 31 December 2012.

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

6.2. Items under finance lease

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

Future finance lease payments as of 31 December 2013 and 2012 were as follows:

	Under 1 year	***1 to 5 years***	***Over 5 years***	***TOTAL***
As of 31 December 2012	*10.534,75*	-	-	*10.534,75*
As of 31 December 2013	-	-	-	-

The purchase option was exercised in 2013

6.3. Fully depreciated assets

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

The detail of the amount is as follows:

Fully depreciated assets		*(euro)*
	2013	*2012*
Structures	*893.383,30*	*893.383,30*
Installations, machinery, tools and furniture	*11.969.278,68*	*14.567.962,62*
Other tangible fixed assets	*58.427,45*	*59.243,63*
TOTAL	***12.921.089,43***	***15.520.589,55***

6.4. *Impairment analysis*

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

6.5. *Use in operations and insurance*

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

6.6. *Capitalised financial expenses*

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

6.7. *Property, plant and equipment subject to liens*

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

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

6.8. Disposal of the Infusión line of business

In 2013, the Parent Company (Prim, S.A.) disposed of the INFUSIÓN business line.

As part of the contract to sell that business line, the company disposed of the associated fixed assets (instrumental). The items that were disposed of had a net carrying amount of 1,364,337.20 euro (cost amounting to 6,988,298.71 euro and accumulated depreciation amounting to 5,623,961.51 euro).

7. INVESTMENT PROPERTY

The variations in 2013 and 2012 are as follows:

a) *Year ended 31 December 2013*

	BALANCE 31/12/12	RECOGNITION/ PROVISIONS	DERECOGNITION/ REDUCTIONS	BALANCE 31/12/13
COST				
Land and other structures	4.235.065,32	0,00	0,00	4.235.065,32
Other installations, tools and furniture	1.734.168,19	0,00	0,00	1.734.168,19
TOTAL	5.969.233,51	0,00	0,00	5.969.233,51
AMORTISATION				
Land and other structures	-833.926,48	-75.688,56	0,00	-909.615,04
Other installations, tools and furniture	-1.706.306,45	-4.841,88	0,00	-1.711.148,33
TOTAL	-2.540.232,93			-2.620.763,37
INVESTMENT PROPERTY	3.429.000,58			3.348.470,14

b) *Year ended 31 December 2012*

	BALANCE 31/12/11	RECOGNITION/ PROVISIONS	DERECOGNITION /REDUCTIONS	BALANCE 31/12/12
COST				
Land and other structures	4.235.065,34	0,00	-0,02	4.235.065,32
Other installations, tools and furniture	1.732.640,75	1.527,43	0,01	1.734.168,19
TOTAL	5.967.706,09	1.527,43	-0,01	5.969.233,51
AMORTISATION				
Land and other structures	-758.237,92	-75.688,56	0,00	-833.926,48
Other installations, tools and furniture	-1.633.711,65	-72.594,80	0,00	-1.706.306,45
TOTAL	-2.391.949,57	--148.283,36	0,00	-2.540.232,93
INVESTMENT PROPERTY	3.575.756,52			3.429.000,58

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

In 2003, the Parent Company arranged a mortgage loan for 12,020,240 euro using that property as collateral (see note 16).

General description of the leases

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

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

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

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

With regard to the duration of leases, two contracts are currently in effect:
- The first is for 2 years and was signed on 1 November 2013
- The second is for 1 year and was signed on 1 July 2013
Both contracts may be renewed by mutual agreement.

Analysis of impairment and fair value estimate at year-end

Investment property is measured and reported at historical cost in the consolidated statement of financial position.

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

We were not able to determine the fair value based on similar market transactions since the real estate market has experienced a notable decline in transaction volume and, as a result, the amount of market information available in 2013 has also declined.

Accordingly, potential impairments were calculated by comparing the historical cost, as recognised in the books, with the estimated value in use at year-end. The value in use was estimated using our market knowledge and professional judgement, along with variables such as the profile of lessees, future revenue flows, the state of repair of the building and its installations, and estimates of necessary repairs in the future. All of this data was considered in the light of the specific characteristics of the Madrid real estate market, where all of the investment property is located.

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

At the end of 2013 and of 2012, the value in use exceeded the historical cost, with the result that no correction in value was required.

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

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

- *The revenues to be capitalised are those collected as rent for leases, strictly speaking, i.e. excluding reimbursement of costs incurred by the lessor (surveillance, cleaning, etc.).*
- *All contracts in force at the end of the year were included.*
- *At year-end, an estimate is made for the next five years, and a perpetual rent is assumed thereafter.*
- *The lettable area is assumed to increase each year (by 20% of the available area, i.e. the area that is not leased at year-end, each year)*
- *Rent is assumed to increase in line with the inflation projected for the coming years (estimated at 2% year-on-year)*
- *A discount rate similar to WACC for the sector in which the company operates was used*
- *Using this assumption, a value in use of 9.1 million euro was calculated, confirming that there is no need to recognise any impairments by comparison with the carrying amount of the investment property*

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

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

Increase in lettable area (as % of the total available)	Discount rate (%)	CPI (%)	Estimated value in use (million euro)
20	11	2	7,3
20	11	4	7,9
10	11	2	5,9
10	11	4	6,4
20	8	2	10,6
20	8	4	11,6
10	8	2	8,6
10	8	4	9,4

Breakdown of operating costs from investment property

Operating costs associated with the property which generated rent revenues in 2013 totalled 158,900.42 euro (156,560.60 euro in 2012), and operating costs which did not generate rent revenues totalled 237,496.31 euro in 2013 (326,867.45 euro in 2012).

Revenues from leasing the property at Llano Castellano amounted to 810,321.95 euro in 2012 and 497,655.14 euro in 2013.

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

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

Recognition of accrued revenues from Investment property

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

8. INVESTMENT IN ASSOCIATES

The detail of the Group's associates, carried by the equity method, and the variations in 2013 and 2012 are as follows:

a) Year ended 31 December 2013

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

The "Change in percentage stake" column refers to the change in stake in company Network Medical Products, Ltd. from 44.07% at 2012 year-end to 43.68% at 2013 year-end.

In 2013, the "Exchange differences" column refers to the following: at 2012 year-end, the equity of Network Medical Products, Ltd. was valued at the EUR/GBP exchange rate as of 31 December 2012, and at 2013 year-end, it was valued at the EUR/GBP exchange rate as of 31 December 2013.

b) Year ended 31 December 2012

COMPANY	Balance 31/12/11	Income for the year	Exchange differences	Balance 31/12/12
Residencial CDV-16, S.A.	0,00	0,00	0,00	0,00
Network Medical Products, Ltd.	557.031,01	63.409,00	41.080,00	661.520,01
BBE Healthcare, Ltd	0,00	0,00	0,00	0,00
TOTAL	557.031,01	63.409,00	41.080,00	661.520,01

In 2012, the "Exchange differences" column refers to the following: at 2011 year-end, the equity of Network Medical Products, Ltd. was valued at the EUR/GBP exchange rate as of 31 December 2011, and at 2012 year-end, it was valued at the EUR/GBP exchange rate as of 31 December 2012.

The information about the main associates is as follows:

a) Year ended 31 December 2013

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

b) Year ended 31 December 2012

Figures in euro	Network Medical Products, Ltd
Assets	1.570.453,51
Liabilities	392.746,51
Income for the year	143.870,80
Revenues	4.244.734,60

9. OTHER NON-CURRENT FINANCIAL ASSETS

The variations in 2013 and 2012 are as follows:

OTHER NON-CURRENT FINANCIAL ASSETS	Available-for-sale investments					(euro)
	Historical cost	Impairment	Net carrying amount	Loans and receivables	Deferred tax assets	Total
Balance as of 31/12/11	7.563.686,89	-3.240.701,91	4.322.984,98	279.653,26		4.602.638,24
Recognitions/Provisions	60.400,00		60.400,00	111.001,39		171.401,39
Period provisions		-269.931,75	-269.931,75			-269.931,75
Derecognition	0,00	0,00	0,00	-56.635,49		-56.635,49
Balance as of 31/12/12	7.624.086,89	-3.510.633,66	4.113.453,23	334.019,16	0,00	4.447.472,39
Recognitions/Provisions	0,00		0,00	16.372.448,86	133.853,48	16.506.302,34
Period provisions		-4.018,97	-4.018,97			-4.018,97
Derecognition	0,00	82.140,82	82.140,82	-5.013.527,79		-4.931.386,97
Balance as of 31/12/13	7.624.086,89	-3.432.511,81	4.191.575,08	11.692.940,23	133.853,48	16.018.368,79

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

Prim, S.A. holds a stake in Saarema, Sociedad Promotora de Centros Residenciales, S.L., whose acquisition cost was 4,807,636.82 euro.

Investments available for sale included under this heading in the Consolidated Statement of Financial Position (except for the stake in Alphatec) are measured at historical cost due to the inability to determine a fair (market) value since they are not traded on an organised market and it is not possible to obtain information about comparable transactions that would allow us to determine a market value other than historical cost.

In the case of the stake in Alphatec, the company's shares are valued at fair value according to their price on the NASDAQ, applying the year-end exchange rate.

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

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

b. *The valuation of the investment in Choice Therapeutics declined by 966.51 euro.*

c. *The valuation of the investment in Tissuemed declined by 3,052.46 euro.*

Investments available for sale as of 31 December 2013 were as follows:

	31/12/2012			Changes in 2013		31/12/2013		
Investment to which correction refers	Cost	Correction	Net carrying amount	Cost	Correction	Cost	Correction	Net carrying amount
Hesperis Chirurgical	600,00	-600,00	0,00	0,00	0,00	600,00	-600,00	0,00
Alphatec	1.999.998,04	-1.503.522,37	496.475,67	0,00	82.140,82	1.999.998,04	-1.421.381,55	578.616,49
Esta HealthCare	7.500,00	0,00	7.500,00	0,00	0,00	7.500,00	0,00	7.500,00
SAS SAFE	226.400,00	-226.400,00	0,00	0,00	0,00	226.400,00	-226.400,00	0,00
Choice Therapeutics	305.250,31	-304.283,80	966,51	0,00	-966,51	305.250,31	-305.250,31	0,00
Tissuemed	276.701,72	-232.252,30	44.449,42	0,00	-3.052,46	276.701,72	-235.304,76	41.396,96
Saarema	4.807.636,82	-1.243.575,19	3.564.061,63	0,00	0,00	4.807.636,82	-1.243.575,19	3.564.061,63
Total	7.624.086,89	-3.510.633,66	4.113.453,23	0,0,00	78.121,85	7.624.086,89	-3.432.511,81	4.191.575,08

The amount of these available-for-sale investments was reduced by 209,531.75 euro net in 2012 as a result of the additional investment by the company SAS SAFE and of the value adjustments by the parent company, as follows:

	31/12/2011			**Changes in 2012**		**31/12/2012**		
Investment to which correction refers	**Cost**	**Correction**	**Net carrying amount**	**Cost**	**Correction**	**Cost**	**Correction**	**Net carrying amount**
Hesperis Chirurgical	600,00	-600,00	0,00	0,00	0,00	600,00	-600,00	0,00
Alphatec	1.999.998,04	-1.472.260,19	527.737,85	0,00	-31.262,18	1.999.998,04	-1.503.522,37	496.475,67
Esta HealthCare	7.500,00	0,00	7.500,00	0,00	0,00	7.500,00	0,00	7.500,00
SAS SAFE	166.000,00	-166.000,00	0,00	60.400,00	-60.400,00	226.400,00	-226.400,00	0,00
Choice Therapeutics	305.250,31	-268.086,00	37.164,31	0,00	-36.197,80	305.250,31	-304.283,80	966,51
Tissuemed	276.701,72	-224.879,82	51.821,90	0,00	-7.372,48	276.701,72	-232.252,30	44.449,42
Saarema	4.807.636,82	-1.108.875,90	3.698.760,92	0,00	-134.699,29	4.807.636,82	-1.243.575,19	3.564.061,63
Total	7.563.686,89	-3.240.701,91	4.322.984,98	60.400,00	-269.931,75	7.624.086,89	-3.510.633,66	4.113.453,23

Loans and receivables relate mainly to investments in long-term securities of cash surpluses from the Parent Company (mainly due to the implementation of the Spanish government's Supplier Payment Plan).

The balance of those investments was 11,692,940.03 euro at 2013 year-end, with the following breakdown:

TYPE OF INVESTMENT	*Amount in euro*
Spanish Treasury	*5.897.587,75*
Castilla y León regional government bonds	*2.513.865,00*
Madrid regional government bonds	*100.000,00*
Europe bonds	*2.000.000,00*
Empresa Bonds (issued by ICO)	*991.416,00*
Long-term deposits and others	*190.071,28*
Total long-term loans and receivables	*11.692.940,03*

These investments are classified below according to credit quality, based on the credit ratings assigned by Moody's:

TYPE OF INVESTMENT	*Amount in euro*
A2	*2.000.000,00*
Baa2	*6.889.003,75*
Baa3	*2.613.865,00*
Long-term funding (unrated)	*190.071,28*
Total long-term deposits and receivables	*11.692.940,03*

10. GOODWILL AND BUSINESS COMBINATIONS

The detail of goodwill in the various CGUs to which it is assigned, and the variations in 2013 and 2012, are as follows:

GOODWILL			(euro)
	BALANCE 31.12.12	ADDITIONS	BALANCE 31.12.13
Luga Suministros Médicos, S.L.	1.573.996,00	0,00	1.573.996,00
Goodwill	1.573.996,00	0,00	1.573.996,00

GOODWILL			(euro)
	BALANCE 31.12.11	IMPAIRMENT	BALANCE 31.12.12
Luga Suministros Médicos, S.L.	2.228.931,00	-654.935,00	1.573.996,00
Goodwill	2.228.931,00	-654.935,00	1.573.996,00

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

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

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

Additionally, the Parent Company made a commitment to buy the remainder of Luga's capital (amounting to 40% at the time of the acquisition).

Under the conditions established in the share purchase agreement, the Parent Company is obliged to buy those shares if the sellers exercised their put option within the established times and limits, which are as follows:

Period	***maximum % of capital that can be sold in the period***
From 1/1/2007 to 30/6/2007	*10% (Put option already exercised)*
From 1/1/2008 to 30/6/2008	*10% (Put option already exercised)*
From 1/1/2009 to 30/6/2009	*10% (Put option already exercised)*
From 1/1/2010 to 30/6/2010	*10% (Put option already exercised)*
TOTAL	***40%***

The price at which the option has been exercised is determined by the previous year's income and the net asset position of Luga Suministros Médicos, S.L.

At 2012 year-end, an impairment test of that goodwill was performed by estimating its value in use from projections of cash flow based on the operating results and business projections of Luga Suministros Médicos, S.L. Future operating cash flows were estimated for 2013-2017. Those cash flows were discounted in 2012 using the weighted average cost of capital (WACC), 11.40%, based on market interest rates and the risk premium associated with the company's business.

This discount rate was applied to future expected future cash flows, which were estimated based on projections for the next five years and applying an expected growth rate for future years, after the fifth year, as follows:

Year	*Expected increase in revenues (%)*
2013	*6,00%*
2014	*3,00%*
2015	*2,00%*
2016	*1,00%*
2017	*1,00%*
Subsequent years	*0,05%*

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

These calculations disclosed the need to recognise an impairment of fully consolidated goodwill amounting to 654,935.00 euro.

At 2013 year-end, an impairment test of that goodwill was performed by estimating its value in use from projections of cash flow based on the operating results and business projections of Luga Suministros Médicos, S.L. Future operating cash flows were estimated for 2014-2018. Those cash flows were discounted in 2013 using the weighted average cost of capital (WACC), 11.90%, based on market interest rates and the risk premium associated with the company's business.

This discount rate was applied to future expected future cash flows, which were estimated based on projections for the next five years and applying an expected growth rate for future years, after the fifth year, as follows:

Year	Expected increase in EBIT (%)
2014	1,00%
2015	1,00%
2016	1,00%
2017	1,00%
2018	1,00%
Subsequent years	1,00%

Sensitivity to variations in projected growth and WACC was analysed, with the following results:

WACC	Growth	Valuation (Mn euro)
11,9	**1**	**3,3**
11,9	2	3,7
11,9	0	2,9
12,9	1	3,0
12,9	2	3,4
12,9	0	2,8
10,9	1	3,5
10,9	2	4,0
10,9	0	3,2

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

These calculations did not disclose any need to recognise any impairment of fully consolidated goodwill as of 2013 year-end.

11. INVENTORIES

The detail of this caption as of 31 December 2013 and 2012 is as follows:

Figures in euro	*BALANCE 31/12/2013*	*BALANCE 31/12/2012*
Commercial inventories	*16.409.524,73*	*17.244.452,59*
Raw materials and other purchases	*1.935.336,07*	*1.551.235,45*
Semi-finished products and products in process	*925.678,01*	*436.546,68*
Finished products	*1.500.212,72*	*1.070.133,83*
Byproducts and waste	*0,00*	*0,00*
Supplier advances	*680.290,88*	*255.734,70*
Value adjustments	*-2.979.783,51*	*-3.462.479,84*
Total	***18.471.258,90***	***17.095.623,41***

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

Impairments increased by 39,743.86 euro, from 3,422,732.98 euro at 2011 year-end to 3,462,479.84 euro at 2012 year-end.

Impairments declined by 482,696.33 euro, from 3,462,479.84 euro in 2012 to 2,979,783.51 in 2013.

12. TRADE AND OTHER ACCOUNTS RECEIVABLE

The detail of this caption as of 31 December 2013 and 2012 is as follows:

Figures in euro	*BALANCE 31/12/2013*	*BALANCE 31/12/2012*
Trade receivables for sales and services	*2.756.174,90*	*2.262.412,72*
Total non-current	***2.756.174,90***	***2.262.412,72***
Trade receivables for sales and services	*54.661.967,92*	*47.619.682,24*
Other receivables	*768.254,04*	*12.725,49*
Personnel receivables	*118.150,16*	*102.973,97*
Public authorities (Note 20.3)	*59.407,50*	*39.019,45*
Value adjustments	*-2.583.144,48*	*-2.568.447,83*
Accrual adjustments	*0,00*	*0,00*
Total current	***53.024.635,14***	***45.205.953,32***
Total	***55.780.810,04***	***47.468.366,04***

The main long-term balances under "Trade receivables for sales and services" break down as follows:

	2013	*2012*
Trade receivables reclassified as long term	*2.021.529,44*	*2.262.412,72*
Trade receivables from the disposal of the business line	*734.645,46*	*0,00*
Long-term trade receivables for sales and services	*2.756.174,90*	*2.262.412,72*

Trade receivables reclassified as long term

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

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

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

The company does not update (i.e. discount) long-term customer receivables since the effect would be offset if the default interest collected from public administrations as a result of late payment were capitalised. The company does not consider those two effects. Nevertheless, had it considered them, they would balance out and the outcome would not be material.

At the end of each year, the Companies that comprise the consolidated group analyse customer balances with a view to determining any impairments. This analysis considers the age of the corresponding customer balances that are positive at year-end. No impairment is recognised in the case of public sector clients on the grounds that there are no reasonable doubts as to the recoverability of the debt claims by Group companies against the various public administrations.

The changes in impairments in 2013 and 2012 are as follows:

	2013	2012
Beginning balance	-2.568.447,83	-3.712.414,22
Provisions	-2.583.144,48	-2.568.447,83
Releases	2.568.447,83	3.712.414,22
Ending balance	-2.583.144,48	-2.568.447,83

Trade receivables from the disposal of the business line

The Parent Company disposed of its Infusión business line in 2013.

Under this heading of the Consolidated Statement of Financial Position, 734,645.46 euro corresponds to the part of the sale price to be paid in 2015 under the agreement to dispose of that business line.

13. OTHER CURRENT FINANCIAL ASSETS

The detail of this caption in the Consolidated Financial Statements as of 31 December 2013 and 2012 is as follows:

Figures in euro	*BALANCE 31/12/2013*	*BALANCE 31/12/2012*
Short-term financial assets	***886.485,21***	***17.705.367,06***
Loans to companies	*12.084,54*	*11.882,99*
Debt securities	*224.400,67*	*17.143.484,07*
Other financial assets	*650.000,00*	*550.000,00*
Short-term accruals	***520,62***	***431,96***
Total	***887.005,83***	***17.705.799,02***

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

The balance of the debt securities item increased significantly in 2012. This item includes investments in fixed-income securities of cash surpluses arising mainly from the Supplier Payment Plan and, to a lesser extent, the Autonomous Region Liquidity Fund. That item was reduced notably in 2013, in large part due to the change in the company's approach to investing cash surpluses, focusing on long-term instruments.

The decline in "Short-term debt securities", which amounted to 16,919,083.40 euro, was offset in large part by the increase in "Long-term debt securities", which totalled 11,402,868.75 euro (Note 9).

14. CASH AND CASH EQUIVALENTS

The detail of this caption as of 31 December 2013 and 2012 is as follows:

Cash	BALANCE 31/12/2013	BALANCE 31/12/2012
Cash on hand in domestic currency	38.864,19	43.835,73
Cash on hand in foreign currency	2.618,86	3.721,94
Subtotal Cash	41.483,05	47.557,67
Cash at banks in domestic currency	1.613.729,32	1.584.377,10
Cash at banks in foreign currency	445.660,47	376.208,02
Subtotal Banks	2.059.389,79	1.960.585,12
Total	**2.100.872,84**	**2.008.142,79**

Below is a breakdown of bank balances, as a function of credit rating. The ratings were taken from data published by Fitch Ratings.

Credit ratings by Fitch	31/12/2013	31/12/2012
AAA	0,00	0,00
AA	0,00	0,00
A	0,00	3.862,78
BBB	636.299,67	440.855,68
BBB-	424.372,32	331.040,35
BB	663.488,38	778.432,57
BB-	217.676,96	17.751,96
B+	77.957,54	278.100,09
CCC	0,00	0,00
CC	0,00	0,00
C	0,00	0,00
D	0,00	0,00
N.A. (*)	39.594,92	110.541,69
TOTAL	2.059.389,79	1.960.585,12

(*) Balances at credit institutions to which Fitch has not assigned a credit rating

15. EQUITY

15.1. Share capital

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

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

As of 31 December 2013 and 2012, the capital stock of Prim, S.A. amounted to 4,336,781.00 euro, represented by 17,347,124 shares of 0.25 euro par value each, all of which were fully paid and had the same rights and obligations. The shares are represented by book entries.

Resolutions by the Company's governing bodies in 2013 and 2012 that affected equity were as follows:

- *29 March 2012*

The Board of Directors

  - *Authorised the financial statements, directors' report, and distribution of income for the Parent Company, as well as the financial statements and directors' report for the Consolidated Group, for 2011, and proposed to submit them to the General Meeting of Shareholders for approval.*
  - *Approved the full text of the Annual Corporate Governance Report for 2011.*

- *23 June 2012*

The General Meeting of Shareholders

  - *Approved the separate financial statements (balance sheet, income statement, statement of recognised revenues and expenses, statement of total changes in net equity, cash flow statement, and notes to financial statements) and the directors' report of the parent company, and the consolidated financial statements (consolidated statements of financial position, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes to net equity, consolidated cash flow statements and consolidated notes to financial statements) and the directors' report of Prim, S.A. and Dependent companies for the year 2011, the Annual Corporate Governance Report, and the proposed distribution of income, consisting of a gross dividend of 3,300,000.00 euro.*

- *Approved the Board of Directors' performance in 2011.*
- *Approved the report drawn up by the Board of Directors on 18 May 2012 on the remuneration policy for the current year and the application of the remuneration policy in force in the preceding year.*

- *27 March 2013*

The Board of Directors

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

- *29 June 2013*

The General Meeting of Shareholders

- *Approved the separate financial statements (balance sheet, income statement, statement of recognised revenues and expenses, statement of total changes in net equity, cash flow statement, and notes to financial statements) and the directors' report of the parent company, and the consolidated financial statements (consolidated statements of financial position, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes to net equity, consolidated cash flow statements and consolidated notes to financial statements) and the directors' report of Prim, S.A. and Dependent companies for the year 2012, the Annual Corporate Governance Report, and the proposed distribution of income, consisting of a gross dividend of 3,300,000.00 euro.*
- *Approved the Board of Directors' performance in 2012.*
- *Approved the report drawn up by the Board of Directors on 22 May 2013 on the remuneration policy for the current year and the application of the remuneration policy in force in the preceding year.*

15.2. Reserve for amortised capital

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

Year of capital reduction	*(euro)*
1997	*774.103,96*
2001	*362.861,00*
2002	*119.850,00*
TOTAL	***1.256.814,96***

15.3. Legal reserve

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

15.4. Revaluation reserve

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

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

The detail of the Revaluation Reserve is as follows:

Figures in euro	BALANCE 31/12/2012	CHANGES	BALANCE 31/12/2013
Revaluation of property, plant and equipment (note 6)	596.399,45	0,00	596.399,45
Tax charge (3% of the revaluation)	-17.891,98	0,00	-17.891,98
Total	578.507,47	0,00	578.507,47

15.5. Own shares

The variations in 2013 and 2012 are as follows:

a) Year ended 31 December 2013

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

b) Year ended 31 December 2012

Figures in euro	Number of securities	Measured at cost
Situation as of 31 December 2011	421.814,00	2.703.262,14
Acquisitions	97.762,00	338.674,95
Shares received in capital increases	0,00	0,00
Decreases	-134.636,00	-769.600,98
Situation as of 31 December 2012	384.940,00	2.272.336,11

Own shares represented the following percentages of total outstanding shares as of 31 December 2013 and 2012:

DESCRIPTION	31/12/13	31/12/12
No. of treasury shares	352.772	384.940
Total no. of outstanding shares	17.347.124	17.347.124
Treasury shares as % of total	2,03%	2,22%

Own shares were sold at a loss of 280,187.45 euro in 2012 and at a loss of 49,204.03 euro in 2013.

15.6. Reserves at fully consolidated companies

The detail of this item for the years ended 31 December 2013 and 2012 is as follows:

a) Year ended 31 December 2013

	E.O.P. S.A.	Enraf Nonius Ibérica, S.A.	Siditemedic S.L.	Enraf Nonius Ibérica Portugal, S.A.	Luga Suministros Médicos S.L.	Inmobiliaria Catharsis, S.A.	Total
Legal reserve	102.170,03	79.333,60	607,01	15.124,85	1.202,02	23.642,25	222.079,76
Other reserves	-10.301,03	2.818.737,40	575.745,99	-24.987,85	-886.011,02	126.849,75	2.600.033,24
TOTAL	91.869,00	2.898.071,00	576.353,00	-9.863,00	-884.809,00	150.492,00	2.822.113,00

b) Year ended 31 December 2012

	E.O.P. S.A.	Enraf Nonius Ibérica, S.A.	Siditemedic S.L.	Enraf Nonius Ibérica Portugal, S.A.	Luga Suministros Médicos S.L.	Inmobiliaria Catharsis, S.A.	Total
Legal reserve	102.170,03	79.333,60	607,01	15.124,85	1.202,02	23.642,25	222.079,76
Other reserves	-666.116,03	2.536.247,40	574.111,99	79.271,15	-687.855,02	126.849,75	1.962.509,24
TOTAL	-563.946,00	2.615.581,00	574.719,00	94.396,00	-686.653,00	150.492,00	2.184.589,00

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

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

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

2013			
DISTRIBUTION BASIS		DISTRIBUTION	
Income for the year	9.634.268,66	Dividends	3.500.000,00
		Voluntary reserve	6.134.268,66
TOTAL	9.634.268,66		9.634.268,66

2012			
DISTRIBUTION BASIS		DISTRIBUTION	
Income for the year	9.135.143,36	Dividends	3.300.000,00
		Voluntary reserve	5.835.143,36
TOTAL	9.135.143,36		9.135.143,36

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

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

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

15.8. Share premium

There were no changes in the share premium account in 2013 and 2012.
The share premium account is unrestricted.

As of 31 December 2013 and 2012, there was no share premium that had not been claimed and, therefore, not been recognised

15.9. Consolidated income

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

Figures in euro	2013	2012
COMPANY	Income attributable to the parent company	
Prim, S.A.	9.826.693,12	8.758.292,61
Establecimientos Ortopédicos Prim, S.A.	111.235,44	655.814,65
Enraf Nonius Ibérica, S.A.	113.033,05	282.490,38
Luga Suministros Médicos, S.L.	314.118,39	456.778,95
Siditemedic	28,99	1.634,01
Enraf Nonius Ibérica Portugal Lda	-38.582,08	-132.353,00
Inmobiliaria Catharsis, S.A.	107.093,59	110.653,84
AGGREGATE INCOME	10.433.620,50	10.133.311,44

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

Figures in euro	*2013*	*2012*
AGGREGATE INCOME	*10.433.620,50*	*10.133.311,44*
Financial revenues. Holdings in Group and associated undertakings (15.9.1)	*-110.653,84*	*-406.830,99*
Impairments and losses on financial instruments (15.9.2)	*-615.289,00*	*188,91*
Share in income of companies carried by the equity method (15.9.3)	*35.188,00*	*63.409,00*
Depreciation of structures (15.9.4)	*-108.597,00*	*0,00*
Amortisation of goodwill in full consolidation (10)	*0,00*	*-654.935,00*
CONSOLIDATED INCOME	*9.634.268,66*	*9.135.143,36*

15.9.1. Financial revenues. Holdings in Group and associated undertakings

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

Figures in euro *Dividends paid by:*	*2013*	*2012*
Inmobiliaria Catharsis, S. A	*-110.653,84*	*-106.830,99*
Luga Suministros Médicos, S.L.	*0,00*	*-300.000,00*
CONSOLIDATED INCOME	*-110.653,84*	*-406.830,99*

15.9.2. Impairments and losses on financial instruments

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

Figures in euro *Value adjustments at company:*	*2013*	*2012*
Establecimientos Ortopédicos Prim, S.A.	*-111.235,00*	*-655.815,00*
Enraf Nonius Ibérica Portugal, Lda	*48.346,00*	*37.863,00*
Luga Suministros Médicos, S.L.	*-552.400,00*	*618.140,91*
CONSOLIDATED INCOME	*-615.289,00*	*188,91*

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

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

Figures in euro Share in income of companies carried by the equity method	2013	2012
Network Medical Products, Ltd.	35.188,00	63.409,00
CONSOLIDATED INCOME	35.188,00	63.409,00

15.9.4. Depreciation of structures

The adjustment corresponds to depreciation of the building at Calle F, número 15, del Polígono Industrial número 1 in Móstoles. This building, which is owned by group company Inmobiliaria Catharsis, S.A., is leased to the parent company, Prim, S.A.

On the date of the first consolidation of Inmobiliaria Catharsis, S.A., the value of that property was stepped up as part of the consolidation process. That increase in value is depreciated in the amount of 108,597.00 euro per year.

That property will be fully depreciated in 2026.

16. INTEREST-BEARING DEBT

16.1. Non-current financial debt

The detail of, and net changes in, the non-current loans during 2013 and 2012 are as follows:

a) *Year ended 31 December 2013*

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

b) Year ended 31 December 2012

Figures in euro	31/12/2011	Additions	Decreases	Business combinations	31/12/2012
Credit lines	2.560.466,82	105.920.343,53	- 108.294.307,30		186.503,05
Mortgage loan	1.379.951,10	5.504,92	-1.385.456,02		0,00
Finance leases	8.852,62	0,00	-8.852,62		0,00
Other loans	8.197.748,91	1.982,26	-7.107.505,63		1.092.225,54
Total	**12.147.019,45**	**105.927.830,71**	**- 116.796.121,57**		**1.278.728,59**

16.1.1. Credit lines

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

The total amount not drawn against these long-term credit lines was 5,163,496.95 euro as of 31 December 2012 and 4,797,379.43 euro as of 31 December 2013.

As of 31 December 2012, the total limit on those credit lines was 5,350,000.00 euro, which will be cancelled according to the following schedule:

Year	**(euro)**
2014	2.250.000,00
2015	3.100.000,00
2016 and thereafter	0,00
TOTAL	**5.350.000,00**

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

Year	**(euro)**
2015	1.500.000,00
2016	3.700.000,00
2017 and thereafter	2.000.000,00
TOTAL	**7.200.000,00**

16.1.2. Mortgage loan

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

Other significant features of the loan are as follows:

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

This loan was cancelled in 2013.

16.1.3. Other non-current interest-bearing loans

In 2005, this liability item in the Consolidated Statement of Financial Position was increased considerably as Prim, S.A. arranged two loans, for 4,500,000 euro each, with different banks, to finance operations. The amount repaid in 2012 in connection with these two loans was 698,040.61, with the result that they were fully repaid in that year (Loans I and II).

In 2009, another loan was arranged for 2,000,000 euro repayable between 2009 and 2014; 412,561.99 euro were repaid in 2013 and 403,468.62 euro in 2012 (Loan IV).

Three loans were arranged in 2010 for 2,500,000.00 euro, 592,500.00 euro and 2,500,000.00 euro with different banks, to finance operations (Loans V, VI and VII). Repayment of the two 2,500,000.00 euro loans commenced in 2012, and 830,411.45 euro and 832,956.73 euro were repaid.

Repayment of the 592,500.00 euro loan commenced in 2012, and 19,750.00 euro were repaid during that year. In 2013, 858,436.94 euro and 864,206.22 euro were repaid against the two loans amounting to 2,500,000.00 euro, and 118,500.00 euro were repaid against the loan amounting to 592,500.00 euro.

Two new loans were arranged in 2011 for 2,500,000.00 euro and 5,000,000.00 euro with different banks, to finance the parent company's operations (Loans VIII and IX). In 2012, 821,910.80 euro corresponding to the former and 5,000,000.00 corresponding to the latter were repaid (as a result, the latter loan was cancelled). In 2013, 847,565.14 euro were repaid against the 2,500,000.00 euro loan.

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

	Loan I	Loans II	Loans III	Loans IV	Loans V	Loans VI	Loans VII	Loans VIII	Loans IX	Total
Initial principal	4.500.000,00	4.500.000,00	1.500.000,00	2.000.000,00	2.500.000,00	592.500,00	2.500.000,00	2.500.000,00	5.000.000,00	25.592.500,00
Starting date	2005	2005	2008	2009	2011	2012	2011	2011	2011	
Maturity date	2012	2010	2011	2014	2013	2017	2014	2016	2013	
Instalments	Quarterly	Half-yearly	Quarterly	Quarterly	Quarterly	Monthly	Monthly	Quarterly	Quarterly	
Interest	Euribor plus a spread	Euribor plus a spread	Euribor plus a spread	Euribor plus a spread	Euribor plus a spread	Euribor plus a spread	Euribor plus a spread	Euribor plus a spread	Euribor plus a spread	
2006	584.595,25	1.687.500,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	2.272.095,25
2007	583.877,10	703.125,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1.287.002,10
2008	601.124,95	703.125,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1.304.249,95
2009	667.150,45	703.125,00	487.009,86	190.078,86	0,00	0,00	0,00	0,00	0,00	2.047.364,17
2010	678.605,93	703.125,00	503.105,98	390.915,13	0,00	0,00	0,00	0,00	0,00	2.275.752,04
2011	686.605,71	0,00	509.884,16	394.986,82	811.151,61	0,00	802.837,05	400.494,12	0,00	3.605.959,47
2012	698.040,61	0,00	0,00	403.468,62	830.411,45	19.750,00	832.956,73	821.910,80	5.000.000,00	8.606.538,21
2013	0,00	0,00	0,00	412.561,99	858.436,94	118.500,00	864.206,22	847.565,14	0,00	3.101.270,29
I. Amount repaid	4.500.000,00	4.500.000,00	1.500.000,00	1.792.011,42	2.500.000,00	138.250,00	2.500.000,00	2.069.970,06	5.000.000,00	24.500.231,48
2014	0,00	0,00	0,00	207.988,58	0,00	123.151,00	0,00	430.029,94	0,00	761.169,52
II. Maturing in the short term	0,00	0,00	0,00	207.988,58	0,00	123.151,00	0,00	430.029,94	0,00	761.169,52
2015	0,00	0,00	0,00	0,00	0,00	118.500,00	0,00	0,00	0,00	118.500,00
2016	0,00	0,00	0,00	0,00	0,00	118.500,00	0,00	0,00	0,00	118.500,00
2017	0,00	0,00	0,00	0,00	0,00	94.099,00	0,00	0,00	0,00	94.099,00
2018 and thereafter	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
III. Maturing in the long term	0,00	0,00	0,00	0,00	0,00	331.099,00	0,00	0,00	0,00	331.099,00
Total (I+II+III)	4.500.000,00	4.500.000,00	1.500.000,00	2.000.000,00	2.500.000,00	592.500,00	2.500.000,00	2.500.000,00	5.000.000,00	25.592.500,00

As of 31 December 2012, the "Interest-bearing loans" item under non-current liabilities included 207,981.27 euro relating to loan IV, 454,250.00 euro relating to loan VI and 429,994.27 euro relating to loan VIII, making a total of 1,092,225.54 euro.

As of 31 December 2013, the "Interest-bearing loans" heading under non-current liabilities includes 331,099.00 euro corresponding to loan VI.

16.2. Non-current interest-bearing debt

This item basically includes the amounts maturing in the short term of the aforementioned loans and unmatured discounted bills and the amounts drawn on short-term credit lines, the latter amounting to 384,120.16 euro as of 31 December 2013 and 0.00 euro as of 31 December 2012 (Note 21.1).

The amount not drawn on short-term credit lines was 1,868,879.24 euro as of 31 December 2013 and 11,600,000.00 euro as of 31 December 2012.

The interest accrued but not matured on bank loans amounted to 5,010.60 euro as of 31 December 2013 and 33,052.48 euro as of 31 December 2012, and is classified under "Interest-bearing loans" under current liabilities.

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

	31/12/2012	31/12/2013	Interest rate	Benchmark
Long-term debt				
Long-term credit lines	186.503,05	2.402.620,57	Floating-rate	Euribor
Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
Other loans	1.092.225,54	331.099,00	Floating-rate	Euribor
	1.278.728,59	2.733.719,57		
Short-term debt	31/12/2012	31/12/2013		
Short-term credit lines	0,00	384.120,16	Floating-rate	Euribor
Mortgage loan	1.385.456,02	0,00	Floating-rate	Interbank rate
Discounted notes	1.019.060,86	1.181.011,75	Floating-rate	1-month Euribor
Short-term interest on debt	33.052,48	5.010,60	Does not accrue	Does not apply
Funding of payments to suppliers	1.009.803,57	524.296,82	Floating-rate	Euribor
Other loans	3.101.270,29	761.179,52	Floating-rate	Euribor
	6.548.643,22	2.855.618,85		

17. OTHER NON-CURRENT LIABILITIES

The detail of, and changes in, this caption in 2013 and 2012 are as follows:

(euro)	Other liabilities (17.1)	Provision for taxes (17.3)	Future payments for equity interests	TOTAL
Balance as of 31/12/11	354.666,55	2.229.098,21	0,00	2.583.764,76
Additions	0,00	0,00	0,00	0,00
Decreases	-132.441,10	0,00	0,00	-132.441,10
Balance as of 31/12/12	222.225,45	2.229.098,21	0,00	2.451.323,66
Additions	0,00	0,00	0,00	0,00
Decreases	-50.031,15	-302.519,75	0,00	-352.550,90
Balance as of 31/12/13	172.194,25	1.926.578,46	0,00	2.098.772,71

17.1. Other liabilities

The balance as of 31 December 2012 (106,264.25 euro) included mainly the debt to a third party for the acquisition of distribution rights by Enraf Nonius Ibérica, S.A., which matured in at most 10 years from the date of the agreement (17 November 1997). Since it matured, this agreement has been renewed tacitly each year. The outstanding balance as of 31 December 2013 was 74,069.15 euro.

This item in the Consolidated Statement of Financial Position also includes 98,125.20 euro of long-term deposits received by the Parent Company in connection with leases of its investment property. (The outstanding balance as of 31 December 2012 was 115,961.20 euro)

There were no additions in the Other liabilities caption in 2013.

17.2. Provisions for taxes

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

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

Below is the situation of each of these companies in connection with the Provision for Taxes recognised by each one, and the changes in 2013.

17.2.1. Prim, S.A.

In consultation with its tax advisors, the Board of Directors agreed to adopt a uniform position in its appeals as of 31 December 2013.

Therefore, the Company calculated the provision as of 31 December 2012 based on the estimated likelihood of the appeal's success. The amount provisioned at that date was 1,900,000.00 euro. The company maintained the same provision amount in 2013. That amount is included in the "Other provisions" item of Non-current liabilities.

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

- *Central Economic Administrative Tribunal (TEAC) Resolution 25/07/2013, in connection with corporate income tax for 2006-2007, partially accepting the Company's appeal and annulling the settlement agreement and the two penalties, which must be replaced by others for a lower amount. However, an appeal has been filed before the Spanish National Court in connection with the part of the settlement that was upheld, including suspension of enforcement The suit will be heard in 2014.*

- *Madrid Regional Economic Administrative Tribunal Resolution 20/12/2013, in connection with VAT for IVA 2006-2007, partially accepting the Company's appeal and annulling the settlement agreement and the two penalties, which must be replaced by others for a lower amount. However, an appeal has been filed before the Madrid High Court of Justice in connection with the part of the settlement that was upheld, including suspension of enforcement.*

17.2.2. Enraf Nonius Ibérica, S.A.

At 2012 year-end, all of the tax assessments for 2006 and 2007 were being appealed before the Central Economic Administrative Tribunal in Madrid and were suspended apart from the assessment issued by the Madrid Regional Inspection Unit for value added tax (2006 and 2007) amounting to a tax liability of 170,901.79 euro, which has been paid but is being appealed.

As of 31 December 2012, the provision for taxes amounted to 329,098.21 euro. That provision, was reduced by 302,519.75 euro in 2013 and amounted to 26,578.46 euro as of 31 December 2013. The balance of the provision is included in the "Other provisions" heading under Non-current liabilities on the balance sheet.

At the end of 2012, all of the assessments and penalties had been appealed before the Madrid Regional Economic Administrative Tribunal and were suspended, except for assessment A2885011030000462, which was paid but was also being appealed. The Madrid Tribunal rejected the appeal in connection with that settlement (which has been paid) and the matter is now on appeal before the Madrid High Court of Justice.

At 2013 year-end, the other assessments and penalties had been cancelled by virtue of the following resolutions:

- *Madrid Regional Economic Administrative Tribunal resolution 25/06/2013, in connection with corporate income tax 2006-2007, partially upholding the appeal and annulling the settlement and penalty, which has been replaced by a new assessment for 25,235.88 euro, payable in March 2014.*

- *Madrid Regional Economic Administrative Tribunal Resolution 26/06/2013, in connection with VAT for 2006-2007, partially upholding the Company's appeal and annulling settlement number A2885011026002996 and the penalty, which must be replaced by a new assessment, to be paid in 2014.*

18. NON-CURRENT DEFERRED TAX LIABILITIES

	Reinvestment	*Other differences*	*Unrestricted depreciation*	*(euro)* *TOTAL*
Balance as of 31/12/11	126.234,40	33.731,54	83.358,00	243.323,94
Decreases	-5.911,00	-1.977,30	-17.304,60	-25.192,90
Balance as of 31/12/12	120.323,40	31.754,24	66.053,40	218.131,04
Decreases	-5.911,00	-7.420,20	-17.257,20	-30.588,40
Balance as of 31/12/13	114.412,40	24.334,04	48.796,20	187.542,64

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

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

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

In 2011, the company availed itself of the unrestricted depreciation allowed under Royal Decree Act 13/2010 and recognised timing differences in the amount of 83,358.00 euro. In 2012, that balance declined by 17,304.60 euro to 66,053.40 euro, while in 2013 it declined by 17,257.20 euro to 48,796.20 euro.

19. TRADE AND OTHER ACCOUNTS PAYABLE

Figures in euro	31/12/2013	31/12/2012
Liabilities linked to available-for-sale non-current assets	0,00	0,00
Short-term provisions	0,00	0,00
Short-term debt	1.487.809,04	1.405.603,67
Debentures and other marketable securities	0,00	0,00
Due under finance leases	0,00	8.904,82
Derivatives	0,00	0,00
Other financial liabilities (a)	1.487.809,04	1.396.698,85
Trade and other accounts payable	13.438.269,60	13.844.666,34
Supplier accounts payable	6.466.071,95	6.939.251,57
Supplier accounts payable – group and associated undertakings	0,00	0,00
Sundry creditors	2.233.964,73	2.325.993,13
Creditors – group and associated undertakings	0,00	0,00
Personnel (compensation payable)	2.818.728,97	2.812.097,49
Other debt to public authorities (Note 20.3)	1.448.991,16	1.564.740,55
Customer advances	470.512,79	202.583,60
Short-term accruals	0,00	0,00
Total trade and other accounts payable	14.926.078,64	15.250.270,01

a) The "Other financial liabilities" heading includes the following:

(1) As of 31 December 2012, 867,356.20 euro for a 2012 interim dividend which was distributed to shareholders in early 2013. As of 31 December 2013, 867,356.20 euro for a 2013 interim dividend, which will be distributed to shareholders in early 2014.

(2) The short-term debt incurred by group company Enraf Nonius Ibérica, S.A. to non-Group company Enraf Nonius B.V. That debt amounted to 209,185.05 euro at 2012 year-end and 241,380.15 euro at 2013 year-end.

20. TAX SITUATION

The corporate income tax expense is calculated as follows:

		(euro)
	31/12/13	**31/12/12**
Income before tax from continuing operations	11.828.094,16	12.557.754,94
Income before tax from discontinued operations	1.759.142,27	508.322,24
INCOME BEFORE TAXES	13.587.236,43	13.066.077,18
Permanent differences at the individual companies	-55.422,81	611,82
Permanent differences in consolidation	799.351,84	998.168,08
Tax losses offset by the individual companies	-72.682,35	-525.095,66
Taxable income at the individual companies	14.258.483,11	13.539.761,42

Tax: 30% of taxable income (1)	4.277.544,93	4.061.928,43
Tax credit for double taxation	-45.016,07	-130.994,61
R&D tax credit	-103.359,67	0,00
Tax credit for reinvestment, in fixed assets, of the proceeds from the disposal of the Infusión business line (*)	-176.201,43	0,00
Consolidated corporate income tax expense	**3.952.967,76**	**3.930.933,82**
Corporate income tax expense attributable to continuing operations	3.601.426,52	3.783.821,07
Corporate income tax expense attributable to discontinued operations	351.541,25	147.112.75

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

(1) *The tax rate in 2013 and 2012 was 30.00% for all companies except ENRAF NONIUS IBÉRICA PORTUGAL, LDA, which was subject to tax at 25.0%.*

The net amount of corporate income tax payable is as follows:

(euro)	2013 Profit or loss	2012 Profit or loss
Taxable income	14.258.483,11	13.539.761,42
Current tax	4.277.544,93	4.061.928,43
Tax credit for double taxation	-45.016,07	-130.994,61
R&D tax credit	-103.359,67	0,00
Tax credit for reinvestment, in fixed assets, of the proceeds from the disposal of the Infusión business line (*)	-176.201,43	0,00
Withholdings and prepayments	-2.962.924,42	-2.985.341,03
Corporate income tax payable	990.043,34	945.592,79

(*) The income qualifying for the tax credit amounts to 4,112,265.09 euro and the assets in which it was reinvested amounted to 759,064.55 euro in 2012 and 1,980,680.98 euro in 2013.

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

The detail of permanent differences in consolidation is as follows:

(euro)	*2013*	*2012*
Equity-accounted affiliates	*-35.188,00*	*-63.409,00*
Value corrections in portfolio of group undertakings (1)	*615.289,00*	*-188,91*
Dividends received from group and associated undertakings (2)	*110.653,84*	*406.830,99*
Impairment of goodwill in full consolidation (3)	*0,00*	*654.935,00*
Depreciation of structures (4)	*108.597,00*	*0,00*
TOTAL	***799.351,84***	***998.168,08***

(1) *The amount in 2012 corresponds to the period allocation to a provision for impairment of the company Luga Suministros Médicos, S.L. (amounting to 618,140.91 euro) and the reversal of a pre-existing provision for the investment in Establecimientos Ortopédicos Prim, S.A. (the reversal amounted to 655,815.00 euro), plus a provision for the investment in Enraf Nonius Ibérica Portugal, Lda. amounting to 37,863.00.*

The amount in 2013 corresponds to the reversal of a pre-existing provision for impairment of the company Luga Suministros Médicos, S.L. (amounting to 552,400.00 euro), the reversal of a pre-existing provision for impairment of the company Establecimientos Ortopédicos Prim, S.A. (the reversal amounted to 111,235.44 euro), and a provision for impairment of the company Enraf Nonius Ibérica Portugal, Lda. amounting to 48,346.44 euro.

(2) *These dividends were eliminated in consolidation.*

(3) *This corresponds to the impairment of the goodwill in consolidation recognised in the investment in Luga Suministros Médicos, S.L., as detailed in Note 10.*

(4) *The adjustment corresponds to depreciation of the building at Calle F, número 15, del Polígono Industrial número 1 in Móstoles. This building, which is owned by group company Inmobiliaria Catharsis, S.A., is leased to the parent company, Prim, S.A.*

On the date of the first consolidation of Inmobiliaria Catharsis, S.A., the value of that property was stepped up as part of the consolidation process. That increase in value is depreciated in the amount of 108,597.00 euro per year.

That property will be fully depreciated in 2026.

20.1. Years open for review

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

20.2. Tax losses at individual companies

Additionally, the current legislation establishes that tax losses may be offset against taxable income in the following fifteen years. As of 31 December 2013, the unused tax losses were as follows:

Year	Amount (euro)	Expires in
ESTABLECIMIENTOS ORTOPÉDICOS PRIM, S.A.		
2006	166.365,97	2021
2007	21.205,00	2022
2008	17.065,11	2023
2009	830.531,12	2024
2010	14.298,71	2025
	1.049.465,91	
SIDITEMEDIC, S.L. (SOCIEDAD UNIPERSONAL)		
2006	3.943,30	2021
2009	293,48	2024
2010	346,12	2025
	4.582,90	
ENRAF NONIUS IBERICA PORTUGAL, LDA		
2010	33.946,84	2025
2011	156.873,58	2026
2012	132.353,00	2030
2013	38.582,08	2031
	361.755,50	

20.3. Assets and liabilities with public authorities

The assets and liabilities with public authorities are detailed below (except for non-current deferred tax liabilities, covered in Note 18):

	31/12/2013	31/12/2012
Assets		
Non-current assets		
Deferred tax assets	133.853,48	0,00
Current assets		
Current tax assets	75,60	7.575,57
Other receivables from public authorities		
VAT receivable	55.428,77	30.009,40
IGIC receivable	0,00	0,00
Corporate income tax receivable	0,00	0,00
Withholdings and prepayments receivable	3.903,13	1.434,48
	59.331,9	31.443,88
Liabilities		
Non-current liabilities		
Deferred tax liabilities	187.542,64	218.131,04
Current liabilities		
Current tax liabilities		
Current tax liabilities	990.043,34	945.592,79
Other debt to public authorities		
VAT payable	339.860,67	474.749,17
Tax withholdings payable	686.278,54	703.325,83
IGIC payable	6.331,94	2.459,52
Social Security payable	416.520,01	384.206,01
	1.448.991,16	1.564.740,53

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Group policy, which was maintained in 2013 and 2012, is not to negotiate financial instruments.

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

21.1. Interest rate risks on cash flows

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

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

The debt structure as of 31 December 2013 and 2012 is as follows:

	31/12/2012	31/12/2013	Interest rate	Benchmark
Long-term debt				
Long-term credit lines	186.503,05	2.402.620,57	Floating-rate	Euribor
Mortgage loan	0,00	0,00	Floating-rate	Interbank rate
Other loans	1.092.225,54	331.099,00	Floating-rate	Euribor
	1.278.728,59	2.733.719,57		
Short-term debt	31/12/2012	31/12/2013		
Short-term credit lines	0,00	384.120,16	Floating-rate	Euribor
Mortgage loan	1.385.456,02	0,00	Floating-rate	Interbank rate
Discounted notes	1.019.060,86	1.181.011,75	Floating-rate	1-month Euribor
Short-term interest on debt	33.052,48	5.010,60	Does not accrue	Does not apply
Funding of payments to suppliers	1.009.803,57	524.296,82	Floating-rate	Euribor
Other loans	3.101.270,29	761.179,52	Floating-rate	Euribor
	6.548.643,22	2.855.618,85		

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

	+25%	-25%	+25%	-25%
	Effect on income		Effect on income	
	31/12/2012	31/12/2012	31/12/2013	31/12/2013
Long-term debt				
Long-term credit lines	-6.815,92	6.815,92	-6.424,26	6.424,26
Mortgage loan	-6.899,76	6.899,76	0,00	0,00
Other loans	-37.392,15	37.392,15	-5.728,88	5.728,88
	-51.107,83	51.107,83	-12.153,14	12.153,14
Short-term debt				
Short-term credit lines	-16.199,95	16.199,95	-953,10	953,10
Mortgage loan	-14.988,66	14.988,66	-6.927,28	6.927,28
Discounted notes	-3.949,52	3.949,52	-4.675,15	4.675,15
Short-term interest on debt	0,00	0,00	0,00	0,00
Funding of payments to suppliers	-9.366,58	9.366,58	-6.174,75	6.174,75
Other loans	-31.006,81	31.006,81	-15.546,36	15.546,36
	-75.511,52	75.511,52	-34.276,65	34.276,65

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

21.2. Exchange rate risk

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

The main transactions in 2013 and 2012 in currencies other than the euro were purchases from suppliers, mainly of raw materials and merchandise, as detailed below:

Purchases from suppliers	Equivalent value in euro 2013	2012
Total purchases in foreign currency	6.875.663,91	6.566.277,22

The following items may be affected by exchange rate risk:

- *Bank current accounts in currencies other than the local or functional currency of the Prim Group companies: The balance of the group's foreign currency current accounts was 445,534.29 euro as of 31 December 2013 and 376,208.02 euro as of 31 December 2012. Those balances were entirely in US dollars in both years.*

- *Payments for supplies or services in currencies other than the euro. Payments by the Group in foreign currency (including prepayments) amounted to 7,130,327.90 euro, and 6,379,082.73 in 2012.*

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

	Changes in the dollar/euro exchange rate	(euro) Effect on income before taxes
2013	+5%	285.630,53
	-5%	-315.696,90
2012	+5%	274.100,53
	-5%	-302.953,22

There are no financial debts in non-euro currencies.

21.3. Credit risk

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

The PRIM Group did not have a material concentration of accounts receivable as of 31 December 2013 and 2012.

The analysis of financial assets by age as of 31 December 2013 and 2012 is as follows:

Year ended 31 December 2013:

Customer type	Not yet matured	Under 90	90-180	180-360	Over 360	Total
Long-term customer receivables	358.657,59	662.509,90	370.865,23	602.835,54	761.306,64	2.756.174,90
Short-term customer receivables	7.882.157,57	12.890.948,07	6.805.177,40	11.029.525,99	13.471.014,41	52.078.823,44

Year ended 31 December 2012:

Customer type	Not yet matured	Under 90	90-180	180-360	Over 360	Total
Long-term customer receivables	325.325,75	651.813,61	418.434,93	632.485,67	234.352,76	2.262.412,72
Short-term customer receivables	7.269.389,59	13.386.278,67	8.609.887,18	11.642.699,49	4.142.979,48	45.051.234,41

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

21.4. Liquidity risk

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

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

The following aspects are noteworthy:

- *The Group has positive working capital amounting to 55,712,031.88 euro (59,271,012.52 euro at the end of the preceding year), which assures the cancellation of current liabilities.*
- *The group has a significant amount available in credit lines which it has not yet used. Specifically, the unused amount of credit lines as of 2013 year-end was 4,797,379.43 euro of long-term credit lines and 1,868,879.84 euro of short-term credit lines; accordingly, the group has sufficient liquidity to address any difficulty that may arise in future years (5,163,496.95 euro and 11,600,000.00 euro, respectively, at 2012 year-end)*
- *In 2012, the parent company collected a sizeable amount of debt plus default interest from certain government administrations: 1,190,721.87 euro in 2013 and 1,171,015.50 euro in 2012.*

21.5. Capital management

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

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

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

- *The equity/debt ratio rose from 2.93 in 2012 to 3.56 in 2013, and this is considered appropriate to cover the structural and operating needs that have been detected. As a result, all of the assets are financed. Fixed assets represented 21.81% and current assets 78.19% in 2012 (31.38% and 68.62% in 2013), thereby achieving the desired structure in relation to working capital.*

22. FINANCIAL INSTRUMENTS

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

Financial instruments	2013 Carrying amount	2013 Market value	2012 Carrying amount	2012 Market value
Non-current assets				
Trade and other accounts receivable	2.756.174,90	2.756.174,90	2.262.412,72	2.262.412,72
Other financial assets	16.018.368,79	16.018.368,79	4.447.472,39	4.447.472,39
Current assets				
Trade and other accounts receivable	53.024.635,14	53.024.635,14	45.205.953,32	45.205.953,32
Other current financial assets	887.005,83	887.005,83	17.705.799,02	17.705.799,02
Cash and cash equivalents	2.100.872,84	2.100.872,84	2.008.142,79	2.008.142,79
Non-current liabilities				
Interest-bearing loans	2.733.719,57	2.733.719,57	1.278.728,59	1.278.728,59
Other liabilities	2.098.772,81	2.098.772,81	2.451.323,66	2.451.323,66
Current liabilities				
Trade and other accounts payable	14.926.078,64	14.926.078,64	15.250.270,01	15.250.270,01
Interest-bearing loans	2.855.618,85	2.855.618,85	6.548.643,22	6.548.643,22

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

The company does not discount long-term trade accounts since the effect would be offset by capitalising the default interest charged to public administrations for late payment. The effect is offset and is not material either at an aggregate or an individual level.

23. REVENUES AND EXPENSES

The detail of the principal line items of the Consolidated Income Statement for 2013 and 2012 is as follows:

23.1. Net sales

	2013	2012
Sales	85.688.697,42	84.480.698,00
Services provided	1.516.176,56	1.485.616,03
Sales returns and volume discounts	-204.546,70	-141.654,68
Total	87.000.327,28	85.824.659,35

Sales were broken down as follows:

	2013	2012
Spain	75.728.962,60	75.127.607,42
Exports	11.271.364,68	10.697.051,93
Total	87.000.327,28	85.824.659,35

Since the object of Prim, S.A. includes "performing any type of real estate transaction", it was considered advisable to include revenues obtained by the parent company from leasing the former headquarters as part of net sales. That amount was 497,655.14 euro in 2013 and 810,321.95 euro in 2012, as disclosed in section 4.3 "Segment disclosures".

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

(euro)		
	BALANCE 31/12/13	BALANCE 31/12/12
Training	36.619,54	39.254,03
Export subsidies	1.568,80	11.779,97
Operating subsidies	3.800,00	1.654,50
TOTAL	**41.988,34**	**52.688,50**

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

23.2. Consumables and other external expenses

The detail of "Consumables and other external expenses" for the years ended 31 December 2013 and 2012 is as follows:

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

Figures for 2013			
	Purchases	Change in inventories	Total consumption
Merchandise consumed	34.582.024,49	-834.927,86	33.747.096,63
Raw materials and other consumables consumed	4.354.159,59	384.100,62	4.738.260,21
Other external expenses	810.643,64	0,00	810.643,64
TOTAL	**39.746.827,72**	**-450.827,24**	**39.296.000,48**

Figures for 2012			
	Purchases	**Change in inventories**	**Total consumption**
Merchandise consumed	31.258.219,75	2.590.511,73	33.848.731,48
Raw materials and other consumables consumed	3.476.397,43	135.957,82	3.612.355,25
Other external expenses	322.378,93	0,00	322.378,93
TOTAL	**35.056.996,11**	**2.726.469,55**	**37.783.465,66**

23.3. External and operating expenses

	2013	2012
Outside services	12.313.445,08	12.116.377,69
Taxes other than income tax	245.926,13	219.320,01
Other current operating expenses	219.643,17	233.484,46
Total external and operating expenses	12.779.014,38	12.569.182,16

The table below analyses the items included in the Outside Services heading:

	2013	2012
Research and development	0,00	0,00
Leases and fees	1.733.190,24	1.804.624,13
Repairs and upkeep	521.517,52	478.345,18
Independent professional services	1.782.549,72	1.717.924,06
Transport	1.702.672,10	1.539.759,16
Insurance premiums	238.946,80	305.165,14
Banking and similar services	78.482,23	61.607,22
Advertising and public relations	713.383,11	911.665,26
Supplies	328.615,90	328.805,49
Other services	5.214.087,46	4.968.482,05
Total outside services	12.313.445,08	12.116.377,69

23.4. Personnel expenses

	2013	2012
Wages, salaries and similar	20.678.854,45	20.336.651,54
Employee welfare expenses	4.590.024,56	4.253.160,55
Total personnel expenses	25.268.879,01	24.589.812,09

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

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

	2013			2012		
	Men	*Women*	*Total*	*Men*	*Women*	*Total*
Sales and technical staff	*132,08*	*41,75*	*173,83*	*135,08*	*55,75*	*190,83*
Clerical staff	*65,00*	*82,00*	*147,00*	*59,00*	*80,00*	*139,00*
Plant staff	*69,00*	*90,33*	*159,33*	*74,00*	*84,33*	*158,33*
Total	*266,08*	*214,08*	*480,16*	*268,08*	*220,08*	*488,16*

The workforce as of 31 December did not differ materially from those average figures.
The Company's Board of Directors comprises six members, all male.

23.5. Financial revenues and expenses

The detail of financial revenues is as follows:

	2013	2012
Revenues from shareholdings	*39.399,70*	*31.317,72*
Other financial revenues	*1.937.757,47*	*1.592.321,04*
Exchange gains	*334.114,37*	*372.231,77*
Financial revenues	*2.311.271,54*	*1.995.870,53*

The other financial revenues include basically default interest on long-standing accounts receivable from a number of government agencies. That amount was 1,190,721.87 at 2013 year-end, and 1,171,015.50 euro at 2012 year-end.

The detail of financial expenses is as follows:

	2013	2012
Financial expenses	*232.661,23*	*836.683,36*
Exchange losses	*30.117,83*	*25.051,51*
Financial expenses	*262.779,06*	*861.734,87*

No financial expenses were capitalised in 2013 or 2012.

23.6. Earnings per share

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

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

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

Figures in euro	BALANCE 31/12/2013	BALANCE 31/12/2012
CONTINUING OPERATIONS		
Net income attributable to equity holders of the parent	8.226.667,64	8.773.933,87
Weighted average of ordinary shares (excluding treasury shares)	16.991.963,92	16.933.665,20
Earnings per share		
Basic	0,48	0,52
Diluted	0,48	0,52
DISCONTINUED OPERATIONS		
Net income attributable to equity holders of the parent	1.407.601,02	361.209,49
Weighted average of ordinary shares (excluding treasury shares)	16.991.963,92	16.933.665,20
Earnings per share		
Basic	0,08	0,02
Diluted	0,08	0,02

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

23.7. Variation in operating provisions

Figures in euro	BALANCE 31/12/2013	BALANCE 31/12/2012
Impairment of merchandise, raw materials and other procurements (1)	482.696,33	-39.746,86
Losses, impairment and change in trade provisions (2)	-117.771,49	1.113.641,68
Overprovision	0,00	0,00
TOTAL CHANGE IN OPERATING PROVISIONS	364.924,84	1.073.894,82

The table reconciles the foregoing headings for the Consolidated Income Statement and Consolidated Statement of Financial Position, including the following impairments:

Figures in euro	BALANCE 31/12/2013	BALANCE 31/12/2012	CHANGE IN PERIOD	
IMPAIRMENTS				
Merchandise, raw materials and other procurements				
Commercial inventories	2.754.154,01	3.198.038,37	443.884,36	
Raw materials and other purchases	125.511,69	155.113,22	29.601,53	
Semi-finished products and products in process	39.547,17	40.253,18	706,01	
Finished products	60.570,64	69.075,07	8.504,43	
Byproducts and waste	0,00	0,00	0,00	
TOTAL IMPAIRMENTS (Note 11)	2.979.783,51	3.462.479,84	482.696,33	(1)
IMPAIRMENTS				
Trade and other accounts receivable				
Trade receivables for sales and services (Note 12)	2.583.144,48	2.568.447,83	-14.696,65	
LOSS ON TRADE BAD DEBTS			-103.074,84	
TOTAL LOSSES AND IMPAIRMENTS			-117.771,49	(2)

23.8. Impairment of other financial assets

Impairment recognised in the Consolidated Income Statement as of 31 December is as follows:

		(euro)
	31/12/13	31/12/12
Impairment of available-for-sale assets (Note 9)	-4.018,97	-269.931,75
Impairment at associated undertakings (Note 8)	0,00	0,00
Impairment of goodwill in consolidation (Note 10)	0,00	-654.935,00
Impairment of marketable securities	-7.659,00	0,00
Impairment of loans	0,34	0,00
Gain/(loss) on disposal of shares	0,00	-0,66
TOTAL	**-11.677,63**	**-924.867,41**

The impairments of assets available for sale (Note 9) are recognised in the Consolidated Statement of Comprehensive Income, in accordance with IAS 39.55.

24. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

24.1. Director and senior executive remuneration and other information

		(euro)
	31/12/13	31/12/12
Remuneration	892.155,04	1.134.330,24
Share in income	350.000,00	420.000,00
TOTAL	**1.242.155,04**	**1.554.330,24**

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

The share in income provisioned at 2013 year-end was 350,000.00 euro. The share in income provisioned at 2012 year-end was 420,000.00 euro.

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

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

The amount, which is provisioned at the end of the year, is paid the following year, after the General Meeting of Shareholders.

The last payment was made in July 2013.

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

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

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

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

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

Person	Investee	Stake (%)	Line of business
María Teresa Martínez Sierra (spouse of Mr. Victoriano Prim)	Prim, S.A.	0,020%	Medical and orthopaedic supplies

24.2. Information about the shareholders

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

A dividend of 867,356.20 euro charged to income for the year 2011 was paid in December 2011.

That interim dividend was offset in the distribution of income for the year 2011 (distributed in June 2012).

A dividend of 867,356.20 euro charged to income for the year 2012 was declared in December 2012.

That interim dividend was offset in the distribution of income for the year 2012 (distributed in June 2013).

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

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

Assets		Liabilities	
Non-current assets	32.372.535	Equity	70.615.675
Current assets	71.602.310	Non-current liabilities	4.441.500
		Current liabilities	18.478.329
Total assets	**103.974.845**	**Total liabilities**	**103.974.845**

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

24.3. Information about associates

There were no material transactions with associates.

25. GUARANTEES TO THIRD PARTIES

25.1. Sureties

As of 31 December 2013, the Group had provided bonds to third parties in guarantee of supplies (government tenders) for a total of 840,325.99 euro in the case of Prim, S.A. (889,847.93 euro as of 31 December 2012), 238,896.73 euro in the case of Enraf Nonius Ibérica, S.A. (189,303.59 euro as of 31 December 2012) and 87,027.00 euro in the case of Establecimientos Ortopédicos Prim, S.A. (1,597.66 euro as of 31 December 2012).

Also, as of 31 December 2012, the Company had posted a bond of 47,107 euro with the Central Economic-Administrative Tribunal in Madrid for appeals against tax assessments in 1985. Those bonds were cancelled in 2013.

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

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

25.2. Operating leases

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

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

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

Description		*(euro)*
	31/12/13	*31/12/12*
Lease of structures	*429.056,74*	*456.903,73*
Lease of vehicles	*1.152.250,31*	*1.214.182,42*
Lease of furniture	*57.411,21*	*29.763,76*
Lease of office equipment	*40.176,64*	*47.161,94*
Other leases	*54.295,34*	*56.612,28*
TOTAL	***1.733.190,24***	***1.804.624,13***

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

Future payments committed for leases of structures are as follows:

	Under 1 year	*1 to 5 years*	*Over 5 years*	*TOTAL*
As of 31 December 2013	*328.984,99*	*948.715,13*	*799.564,35*	*2.077.264,47*
As of 31 December 2012	*266.240,04*	*676.689,17*	*270.618,77*	*1.213.547,98*

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

	Under 1 year	*1 to 5 years*	*Over 5 years*	*TOTAL*
As of 31 December 2013	*322.599,40*	*861.433,62*	*619.137,37*	*1.803.170,39*
As of 31 December 2012	*261.284,32*	*617.017,83*	*210.504,62*	*1.088.806,77*

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

The main operating lease contracts in force are as follows:

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

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

(*) Under those lease contracts, both the lessor and the lessee are group undertakings. Consequently, the amount of future lease payments does not include those contracts since the corresponding amounts are eliminated in consolidation.

(**) This contract was signed in 2014 but was taken into consideration to determine future lease payments

26. ENVIRONMENTAL ASPECTS

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

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

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

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

	Payments completed and outstanding on the balance sheet date			
	2013		2012	
	Amount	% (*)	Amount	% (*)
** Within maximum legal limit	40.562.008,73	71,52%	40.541.690,17	79,27%
Remainder	16.150.683,11	28,48%	10.600.490,92	20,73%
Total payments in year	56.712.691,84	100,00%	51.142.181,09	100,00%
Weighted average period by which payments are past due (days)	48,95		38,29	
Deferrals which exceeded the maximum legal limit at the balance sheet date	1.517.685,14		1.429.673,22	

* Percentage of total

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

The average period by which payments were past-due increased in 2013 with respect to the previous year. However, part of that increase is attributable to the fact that, at 2012 year-end, the payment period between private sector companies was 75 days, in accordance with Act 15/2010 of 5 July.

Under that same Act, the payment period between private sector companies was reduced to 60 days as from 1 January 2013. As a result, according to the Act, the limit established for an invoice to be considered past-due was reduced by 15 days in 2013, whereas the Consolidated Group's average period by which payments were past-due increased by just 10.66 days, with the result that period improved by 4.34 days in net terms.

28. DISCONTINUED OPERATIONS

In 2013, the Parent Company disposed of its INFUSIÓN business line.

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

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

With a view to standardising information for better comparison of data, the 2012 figures presented in these financial statements have been re-stated. To this end, "Net income from discontinued operations" reflects the revenues and expenses attributable to the INFUSIÓN business line in 2012, as follows:

Figures in euro	*2012*
Disposal of INFUSIÓN line of business	2.837.624,00
Personnel expenses attributable to the business line that was disposed of	-432.404,18
Other expenses attributable to the business line that was disposed of	-1.896.897,58
Income before tax from discontinued operations	508.322,24
Corporate income tax expense attributable to discontinued operations	-147.112,75
Net income from discontinued operations	361.209,49

The cash flows associated with that business line for 2013 and 2012 are detailed below.

Figures in euro	*2013*	*2012*
CASH FLOW FROM DISCONTINUED OPERATIONS		
Operating cash flow	2.645.665,11	508.322,24
Investing cash flow	0,00	0,00
Financing cash flow	0,00	0,00
TOTAL CASH FLOW BEFORE TAXES	2.645.665,11	508.322,24

29. AUDITORS' FEES

The fees paid to the main auditor for the audit of the consolidated financial statements for 2013 and 2012, which include the parent company and the dependent companies, amounted to 87,440.00 euro in both years.

30. SUBSEQUENT EVENTS

On 28 February 2014:

- *The Parent Company discloses amendments to its Board of Directors Regulation to the Spanish National Securities Market Commission (CNMV)*
- *The Parent Company discloses the new composition of its Appointments and Remuneration and Audit Committees to the Spanish National Securities Market Commission (CNMV)*
- *The Parent Company files information about 2H13 earnings*

This document was authorised by the Board of Directors on 31 March 2014.

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

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

DIRECTORS' REPORT

2013 and 2012

1. SIGNIFICANT FIGURES AND BUSINESS PERFORMANCE

1.1. Significant figures (euro)

		2013	Change	2012
Net sales				
	Continuing operations	87.000.327,28	1,37%	85.824.659,35
	Total	87.000.327,28	1,37%	85.824.659,35
	Net operating income	9.984.871,99		12.275.345,58
	Period depreciation and amortisation	1.740.890,53		2.321.088,40
	Variation in operating provisions	-364.924,84		-1.073.894,82
EBITDA		11.360.837,68	-15,99%	13.522.539,16
Consolidated income before tax				
	Continuing operations	11.828.094,16		12.557.754,94
	Discontinued activities	1.759.142,27		508.322,24
	Total	13.587.236,43	3,99%	13.066.077,18
Income for the year attributable to				
the parent company		9.634.268,66	5,46%	9.135.143,36
minority interests		0,00		0,00
Equity				
	Attributable to equity holders of the parent company	84.756.785,29	8,38%	78.200.448,62
	Minority interest	0,00		0,00
Average workforce in the year				
	Sales and technical staff	173,83	-8,91%	190,83
	Clerical staff	147,00	5,76%	139,00
	Plant staff	159,33	0,63%	158,33
	Total	480,16	-1,64%	488,16
Earnings per share (*)				
	Income for the year	9.634.268,66	5,46%	9.135.143,36
	No. of shares	16.991.963,92	0,34%	16.933.665,20
	Basic	0,57	5,56%	0,54
	Income for the year	9.634.268,66	5,46%	9.135.143,36
	No. of shares	16.991.963,92	0,34%	16.933.665,20
	Diluted	0,57	5,56%	0,54
(*) The number of shares was calculated on the basis of IAS 33 (Earnings per share).				
Debt ratio				
	Total debt	23.791.775,85	-10,87%	26.692.689,31
	Total assets	108.548.561,14	3,48%	104.893.137,93
		0,22	-12,00%	0,25
Gearing				
	Long-term interest-bearing debt	2.733.719,57	113,78%	1.278.728,59
	Short-term interest-bearing debt	2.855.618,85	-56,39%	6.548.643,22
	Total interest-bearing debt	5.589.338,42	-28,59%	7.827.371,81
	Total assets	108.548.561,14	3,48%	104.893.137,93
		0,051	-31,00%	0,075

1.2. Segment performance

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

	2013	Change	2012
Total revenues in the segment			
Medical-hospital segment	88.070.550,63	3,16%	85.376.505,52
Real estate segment	634.180,92	-46,78%	1.191.595,97
	88.704.731,55	2,47%	86.568.101,49
Net operating income			
Medical-hospital segment	9.747.087,80	-17,09%	11.755.902,65
Real estate segment	237.784,19	-54,22%	519.442,93
	9.984.871,99	-18,66%	12.275.345,58
Total asset volume			
Medical-hospital segment	3.429.000,58	-96,62%	101.464.137,35
Real estate segment	3.348.470,14	-2,35%	3.429.000,58
	6.777.470,72	-93,54%	104.893.137,93

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

1.3. Taxes

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

Effective tax rate	2013		2012
Income before taxes from continuing operations	11.828.094,16		12.557.754,94
Income before taxes from discontinued operations	1.759.142,27		508.322,24
Consolidated income before tax	13.587.236,43	3,99%	13.066.077,18
Corporate income tax on continuing operations	3.601.426,52		3.783.821,07
Corporate income tax on discontinued operations	351.541,25		147.112,75
Total corporate income tax expense	3.952.967,77	0,56%	3.930.933,82
Effective tax rate	29,09%	-3,30%	30,09%

1.4. Capital remuneration

See note 15.1 to the Consolidated Financial Statements.

1.5. Liquidity and capital

The Consolidated Cash Flow Statement shows a positive variation in the amount of cash and cash equivalents of 92,730.05 euro in the year ended 31 December 2013 and a positive variation of 1,107,140.43 euro in the year ended 31 December 2012.

1.6. Leverage and indebtedness

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

The Group's leverage is within the acceptable limits established by management; as shown in the table at the beginning of this directors' report, leverage declined from 0.075 in 2012 to 0.051 in 2013, a reduction of 31.00%, due mainly to the fact that the bulk of receipts (under the Spanish government's Supplier Payment Plan and, to a lesser extent, the Autonomous Region Liquidity Plan) were used to cancel loans and other debts that were on the balance sheet at the end of the preceding year.

The table also shows that Consolidated group leverage fell by 12.00%, from 0.25 at 2012 year-end to 0.22% at 2013 year-end, i.e. within the limits which Consolidated Group management considers to be acceptable.

2. *RESEARCH AND DEVELOPMENT*

PRIM, S.A. maintains ongoing relations with the R&D departments of the manufacturers whose products it distributes in Spain and other countries in order to exchange feedback and suggestions.

Significant events in 2013 were as follows:

- *Design update and optimisation of production costs for the neoprene brace line.*
- *Development of a one-size-fits-all brace line with new manufacturing technology*

3. TRANSACTIONS WITH OWN SHARES

The Company had 384,940 own shares as of 31 December 2012.

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

4. SUBSEQUENT EVENTS

On 28 February 2014:

- *The Parent Company discloses amendments to its Board of Directors Regulation to the Spanish National Securities Market Commission (CNMV)*
- *The Parent Company discloses the new composition of its Appointments and Remuneration and Audit Committees to the Spanish National Securities Market Commission (CNMV)*
- *The Parent Company files information about 2H13 earnings*

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

5.1. Capital structure

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

5.2. Restrictions on share transfer

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

5.3. Significant holdings in capital, both direct and indirect

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

Shareholder	*% of direct voting rights*	*% of indirect voting rights*	*% of total voting rights*
CARTERA DE INVERSIONES MELCA, S.L.	*5,141*	*0,000*	*5,141*
FID LOW PRICED STOCK FUND	*5,950*	*0,000*	*5,950*
FMR LLC	*0,000*	*5,950*	*5,950*
GARCIA ARIAS, JOSE LUIS	*0,000*	*5,017*	*5,017*
PRIM BARTOMEU, ELISA	*2,361*	*7,568*	*9,929*
PRIM GONZÁLEZ, ANA MARIA	*4,117*	*0,000*	*4,117*
PRIM GONZÁLEZ, MARIA DOLORES	*5,633*	*0,000*	*5.633*
PRIM RELLAN, ANA	*3,035*	*0,000*	*3,035*
PRIM RELLAN, MÓNICA	*3,035*	*0,000*	*3,035*
RUIZ DE ALDA RODRI, FRANCISCO JAVIER	*4,519*	*0,000*	*4,519*

5.4. Restrictions on voting rights

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

5.5. Shareholder agreements

There are no shareholder agreements.

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

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

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

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

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

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

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

5.6.2. Rules governing amendments to the Articles of Association

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

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

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

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

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

On 29 June 2013, the Shareholders' Meeting resolved:

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

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

This authorisation, which expires after 18 months, revoked the unused portion of the authorisation granted by the Shareholders' Meeting on 23 June 2012.

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

6. *INFORMATION UNDER ROYAL DECREE 1362/2007*

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

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

6.1. *Interest rate risks on cash flows*

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

6.2. *Exchange rate risk*

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

6.3. Credit risk

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

6.4. Liquidity risk

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

6.5. Capital management

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

7. CORPORATE GOVERNANCE REPORT

The accompanying Annual Corporate Governance Report, in accordance with CNMV Directive 206/46 on Financial Statements, is an integral part of this Consolidated Directors' Report and was authorised by the Directors together with the Consolidated Financial Statements and Consolidated Directors' Report of PRIM, S.A. and its subsidiaries for the year ended 31 December 2013.

PRIM

This document was authorised by the Board of Directors on 31 March 2014.

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

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