



# DIRECTORS' REPORT

## PRIM GROUP

2H2012





## 1. Operating environment

The economic situation is clearly influenced by the lack of funding for companies.

During the year, Cristóbal Montoro, Spain's Minister for the Treasury and Public Administration, announced the extension of the Regional Liquidity Fund in 2013.

The fund provides regional governments with liquidity to meet debt maturities and pay suppliers.

According to the press release published by the Ministry of the Treasury and Public Administration, the objective is to prioritise essential public services, such as education, healthcare and social services.

The Regional Liquidity Fund, which had a budget of 18 billion euro in 2012, received 17.837 billion euro in requests from regional governments, and has distributed a total of 10.613 billion euro to date.

Fund requests have been submitted by the governments of Cataluña, Andalucía and Valencia, among others.

The Fund is expected to enable regional governments to pay suppliers to the healthcare industry, which would reduce Prim Group's days' sales outstanding with respect to regional governments.



## 2. Key figures for the consolidated group

	2012 4Q	2011 4Q	Absolute change	Change (%)
<b>Income Statement</b>				
Net revenue	88.662.283,35	91.446.384,65	-2.784.101,30	-3,04%
OPERATING INCOME	12.793.399,95	11.979.037,66	814.362,29	6,80%
FINANCIAL INCOME	209.268,25	481.415,18	-272.146,93	-56,53%
INCOME BEFORE TAXES	13.066.077,20	12.524.345,84	541.731,36	4,33%
CONSOLIDATED INCOME IN THE YEAR	9.240.227,10	8.908.860,05	331.367,05	3,72%
<b>EBITDA</b>				
	15.114.488,35	14.535.641,04	578.847,31	3,98%
<b>Financial Structure</b>				
Net interest-bearing debt (1)	6.315.671,61	26.271.908,18	-19.956.236,57	-75,96%
(1) Bank debt - Treasury				
Working capital	59.674.347,81	53.456.130,82	6.218.216,99	11,63%
<b>Asset structure</b>				
Non-current assets	21,89%	28,59%	-6,70%	
Current assets	78,11%	71,41%	6,70%	
TOTAL ASSETS	100,00%	100,00%	0,00%	
<b>Liability structure</b>				
Equity	74,31%	61,23%	13,07%	
Non-current liabilities	4,21%	12,70%	-8,49%	
Current liabilities	21,48%	26,06%	-4,58%	
TOTAL LIABILITIES	100,00%	100,00%	0,00%	



### 3. Comments regarding 2H12 figures

The implementation of the Spanish government's Supplier Payment Plan was the most notable event in 2012.

The plan, which became effective in May for local governments and in June for regional governments,

has had a significant impact on our Consolidated Group.

The bulk of the amount collected corresponded to Prim, S.A. (mainly from regional governments).

As a result of this notable cash inflow:

- The company was able to cancel a large portion of its credit lines, which are recognised under items *B.3.a. Bank debt and bonds and other marketable securities* and *C.3.a. Bank debt and bonds and other marketable securities* on the Liabilities side of the Consolidated Balance Sheet.

Net interest-bearing debt declined by 75.96% (19,956,236.57 euro) with respect to 31 December 2011.

- The company invested in fixed-income securities.

The investment in those short-term fixed-income securities is reflected in item *B.4. Other current financial assets* on the Assets side of the Consolidated Balance Sheet.

Investment in Debt Securities increased from 11,093.00 euro at 31 December 2011 to 17,143,484.07 euro at 31 December 2012.

- A change in criteria for estimating the long-term customer balance became necessary. As a result, the long-term customer balance declined, from 11,417,870.83 euro at 2011 year-end, to 2,451,698.94 euro at 2012 year-end.



This portion of the customer balance (i.e., the part expected to be collected in more than 12 months) is reflected in item *A.7 Other non-current assets* on the Assets side of the Consolidated Balance Sheet.

<b>Trade receivables for sales and services</b>	<b>2012 4Q</b>	<b>2011 4Q</b>	<b>Absolute change</b>	<b>Change (%)</b>
Long term	2.451.698,94	11.417.870,83	-8.966.171,89	-78,53%
Short term	45.349.485,96	62.639.235,59	-17.289.749,63	-27,60%
<b>TOTAL</b>	<b>47.801.184,90</b>	<b>74.057.106,42</b>	<b>-26.255.921,52</b>	<b>-35,45%</b>

As a result, working capital increased by 11.63% (6,218,216.99 euro) with respect to 31 December 2011 (see table in Section 2).

The Prim Group was not immune to the current macroeconomic situation, and was particularly impacted by the new measures implemented to curb public healthcare spending.

In this context, Prim Group maintained its cost containment policy to palliate the decline in revenues.



The table below analyses the most important operating cost items.

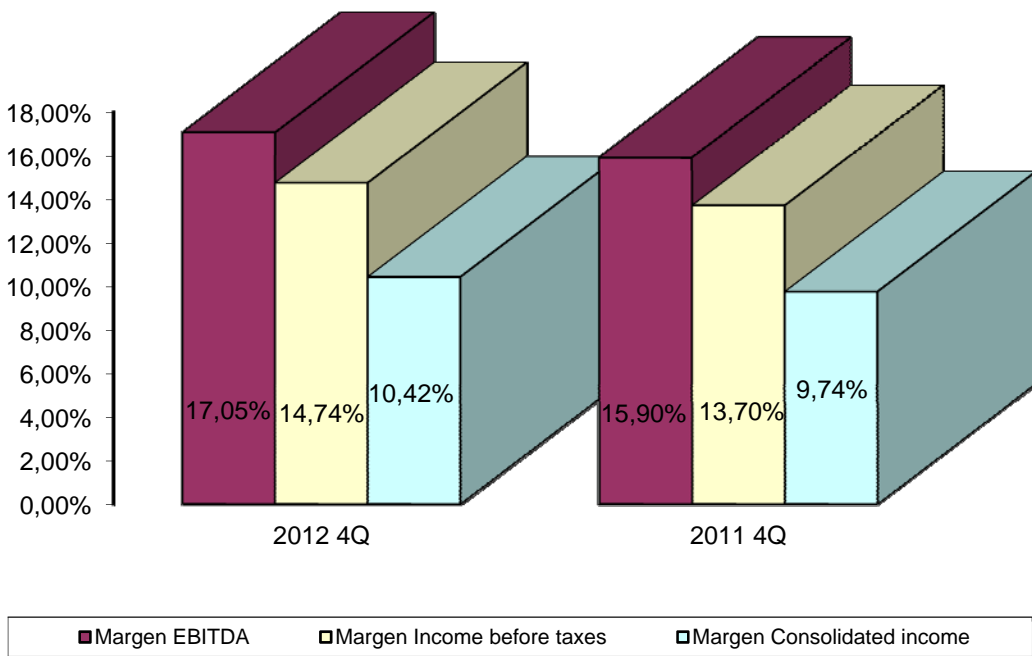
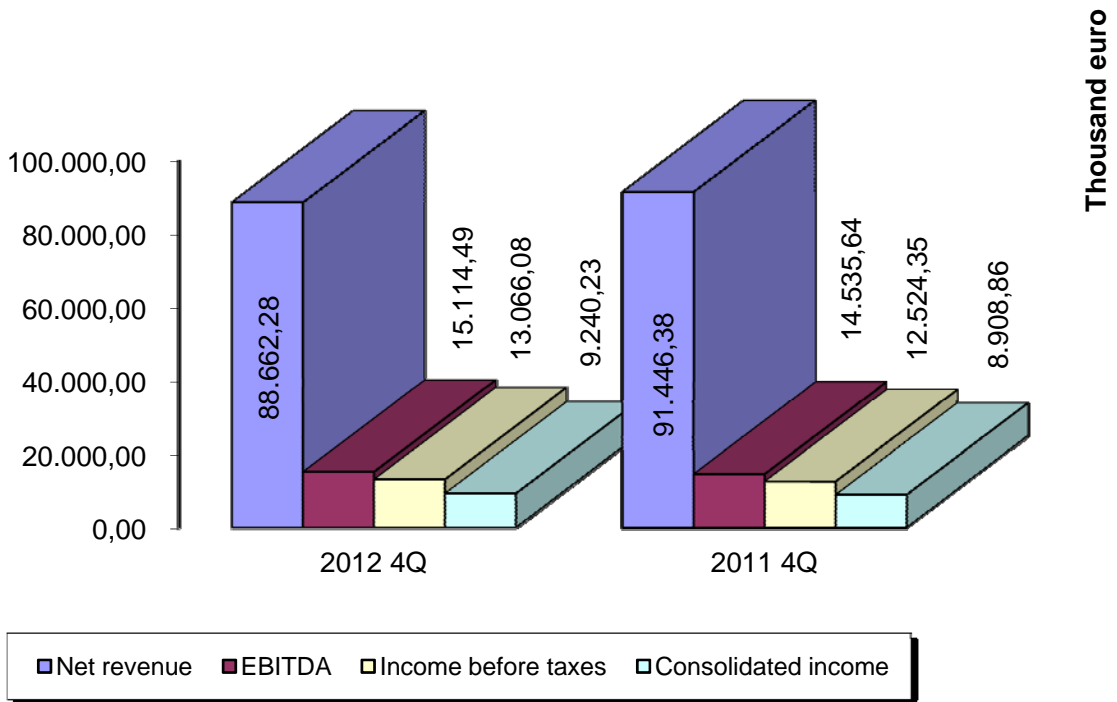
Operating expenses	2012 4Q	2011 4Q	Absolute change	Change (%)
Purchases	37.823.212,52	37.628.015,55	195.196,97	0,52%
Personnel expenses	25.022.216,27	25.761.352,27	-739.136,00	-2,87%
Other operating expenses	11.455.832,15	13.901.282,76	-2.445.450,61	-17,59%

Moreover, the company continued to manage receivables and balance its financial position so as to maintain appropriate levels of debt with a view to ensuring the availability of the liquidity required to sustain Prim Group's various companies.

#### 4. Consolidated Income Statement

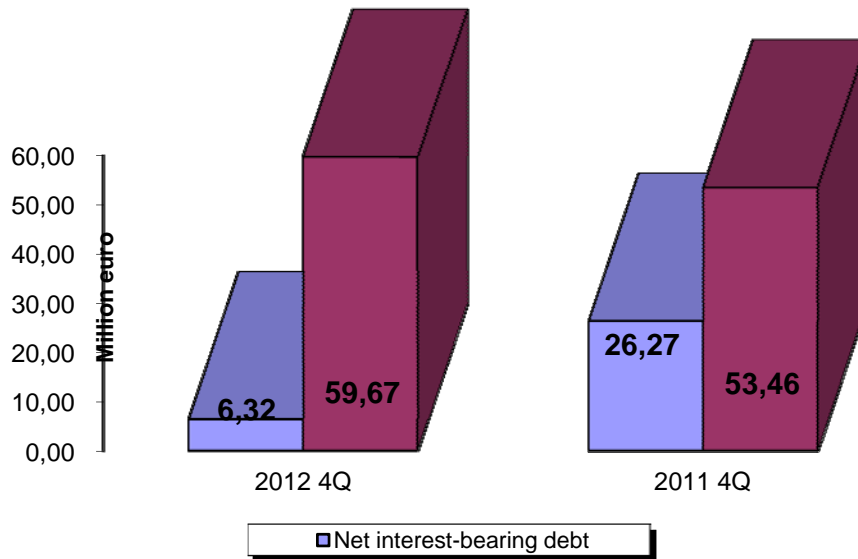
The following table shows the year-on-year performance of the key Consolidated Income Statement line items.

	2012 4Q	2011 4Q	Absolute change	Change (%)
<b>Income Statement</b>				
Net revenue	88.662.283,35	91.446.384,65	-2.784.101,30	-3,04%
EBITDA	15.114.488,35	14.535.641,04	578.847,31	3,98%
<i>% of sales</i>	17,05%	15,90%		1,15% pp
EBIT	12.793.399,95	11.979.037,66	814.362,29	6,80%
<i>% of sales</i>	14,43%	13,10%		1,33% pp
Income before taxes	13.066.077,20	12.524.345,84	541.731,36	4,33%
<i>% of sales</i>	14,74%	13,70%		1,04% pp
Consolidated income	9.240.227,10	8.908.860,05	331.367,05	3,72%
<i>% of sales</i>	10,42%	9,74%		0,68% pp





## 5. Consolidated Balance Sheet



The figure above reflects the year-on-year performance of working capital and net interest-bearing debt.

The significant improvement in both items is mainly due to the entry of liquidity in 1H12 as a result of the Spanish central government's supplier payment mechanism and, to a lesser extent, to the subsequent approval of the Regional Liquidity Fund.

The table below reflects the performance of Consolidated Group leverage, net interest-bearing debt, EBITDA and operating income.

	2012 4Q	2011 4Q	Absolute change	Change (%)
<b>Group leverage</b>				
Net interest-bearing debt	6.315.671,61	26.271.908,18	19.956.236,57	-75,96%
EBITDA	15.114.488,35	14.535.641,04	578.847,31	3,98%
<b>Debt/EBITDA</b>	0,42	1,81	-1,39	-76,88%
Net interest-bearing debt	6.315.671,61	26.271.908,18	19.956.236,57	-75,96%
Operating income	12.793.399,95	11.979.037,66	814.362,29	6,80%
<b>Debt/operating income</b>	0,49	2,19	-1,70	-77,49%





## 6. Regulatory disclosures communicated to the CNMV in the period

**02/01/2012:** Prim, S.A. announced a dividend payment for 18 January.

**24/02/2012:** The company announced the Shareholders' Meeting to be held on 29 and 30 March 2012.

**29/02/2012:** The company announced earnings for the second half of 2011

**05/03/2012:** The company announced the death of Mr Fernández-Flores Funes, a Director.

**02/04/2012:** The company announced the resolutions adopted by the Shareholders' Meeting on Friday, 30 March.

**20/04/2012:** The company announced the appointment of Mr Andrés María Pérez Prim, a Director, to the Audit Committee and the Appointments and Remuneration Committee.

**20/04/2012:** The company announced the organisation chart for the Audit Committee and the Appointments and Remuneration Committee.

**30/04/2012:** The company submitted its 2011 Corporate Governance Report to the CNMV.

**07/05/2012:** The company announced the death of Mr Carlos José Rodríguez Álvarez, Secretary-Director of the Board of Directors

**14/05/2012:** The company filed information on its earnings for the first quarter of 2012.

**18/05/2012:** The company announced the Shareholders' Meeting for 22 and 23 June.

**15/06/2012:** The company announced the appointment of new Directors at the meeting on 14 June 2012.

**25/06/2012:** The company announced the resolutions adopted at the Shareholders' Meeting on 23 June.

**29/06/2012:** The company announced the distribution of a supplementary dividend on 12 July 2012.

**05/07/2012:** The company announced the appointment of a Secretary of the Board of Directors.



**05/07/2012:** The company announced the new composition of the Audit Committee.

**05/07/2012:** The company announced changes in the Regulation of the Appointments and Remuneration Committee, and the new composition of that committee.

**31/08/2012:** The Company issued information about earnings for the first half of 2012.

**15/10/2012:** The Company announced its plans for dividend distribution in 2012 and for exports to Latin America.

**14/11/2012:** The company filed information on its results for the third quarter of 2012.

**20/12/2012:** The company announced a 2012 interim dividend payment on 16 January.

## **7. Regulatory disclosures communicated to the CNMV after period close**

**04/01/2013:** The Company announced the agreement reached with Fresenius Vial SAS.

**01/02/2013:** The Company announced modifications to the "Internal Code of Conduct on Activities related to the Securities Market"



## 8. Consolidated Balance Sheet, drafted in accordance with IFRS

		2012 4Q	2011 4Q	Absolute change	Change (%)
1040	<b>A. NON-CURRENT ASSETS</b>	<b>23.066.905,61</b>	<b>33.703.612,82</b>	<b>-10.636.707,21</b>	<b>-31,56%</b>
1030	1. Intangible assets	1.780.394,38	2.458.440,02	-678.045,64	-27,58%
1031	a. Goodwill	1.573.996,00	2.228.931,00	-654.935,00	-29,38%
1032	b. Other intangible assets	206.398,38	229.509,02	-23.110,64	-10,07%
1033	2. Property, plant and equipment	10.296.819,31	11.091.876,20	-795.056,89	-7,17%
1034	3. Investment property	3.429.000,58	3.575.756,52	-146.755,94	-4,10%
1035	4. Investments accounted for using the equity method	661.520,01	557.031,01	104.489,00	18,76%
1036	5. Non-current financial assets	4.447.472,39	4.602.638,24	-155.165,85	-3,37%
1037	6. Deferred tax assets	0,00	0,00	0,00	0,00%
1038	7. Other non-current assets	2.451.698,94	11.417.870,83	-8.966.171,89	-78,53%
1085	<b>B. CURRENT ASSETS</b>	<b>82.313.770,09</b>	<b>84.180.288,25</b>	<b>-1.866.518,16</b>	<b>-2,22%</b>
1050	1. Non-current assets available for sale		0,00	0,00	0,00%
1055	2. Inventories	17.095.623,41	20.208.584,48	-3.112.961,07	-15,40%
1060	3. Trade and other accounts receivables	45.504.204,87	62.791.021,90	-17.286.817,03	-27,53%
1061	a. Trade receivables for sales and services	45.349.485,96	62.639.235,59	-17.289.749,63	-27,60%
1062	b. Other receivables	147.143,34	144.210,74	2.932,60	2,03%
1063	c. Current tax assets	7.575,57	7.575,57	0,00	0,00%
1070	4. Other current financial assets	17.705.367,06	272.515,95	17.432.851,11	6397,00%
1075	5. Other current assets	431,96	7.163,56	-6.731,60	-93,97%
1072	6. Cash and cash equivalents	2.008.142,79	901.002,36	1.107.140,43	122,88%
1100	<b>TOTAL ASSETS (A+B)</b>	<b>105.380.675,70</b>	<b>117.883.901,07</b>	<b>-12.503.225,37</b>	<b>-10,61%</b>



1195	A. EQUITY		78.305.532,36	72.185.635,49	6.119.896,87	8,48%
1180	A.1. CAPITAL AND RESERVES		78.305.532,36	72.185.635,49	6.119.896,87	8,48%
1171	1. Capital		4.336.781,00	4.336.781,00	0,00	0,00%
1161	a. Share capital		4.336.781,00	4.336.781,00	0,00	0,00%
1162	b. Less: Uncalled capital		0,00	0,00	0,00	0,00%
1172	2. Share premium		1.227.059,19	1.227.059,19	0,00	0,00%
1173	3. Reserves		66.641.157,38	61.283.553,59	5.357.603,79	8,74%
1174	4. Less: Own shares and equity instruments		-2.272.336,11	-2.703.262,14	430.926,03	-15,94%
1178	5. Prior years' income		0,00	0,00	0,00	0,00%
1179	6. Other shareholder contributions		0,00	0,00	0,00	0,00%
1175	7. Income for the year attributed to the parent company		9.240.227,10	8.908.860,05	331.367,05	3,72%
1176	8. Less: Interim dividend		-867.356,20	-867.356,20	0,00	0,00%
1177	9. Other equity instruments		0,00	0,00	0,00	0,00%
1188	A.2. VALUE ADJUSTMENTS		0,00	0,00	0,00	0,00%
1181	1. Available-for-sale financial assets		0,00	0,00	0,00	0,00%
1182	2. Hedge transactions		0,00	0,00	0,00	0,00%
1184	3. Translation differences		0,00	0,00	0,00	0,00%
1183	4. Other		0,00	0,00	0,00	0,00%
1189	EQUITY ATTRIBUTED TO PARENT COMPANY		78.305.532,36	72.185.635,49	6.119.896,87	8,48%
1193	A.3. MINORITY INTERESTS		0,00	0,00	0,00	0,00%
1120	B. NON-CURRENT LIABILITIES		4.435.721,06	14.974.108,15	-10.538.387,09	-70,38%
1117	1. Subsidies		0,00	0,00	0,00	0,00%
1115	2. Non-current provisions		2.229.098,21	2.229.098,21	0,00	0,00%
1116	3. Non-current financial liabilities		1.766.266,36	12.147.019,45	-10.380.753,09	-85,46%
1131	a. Bank debt, and bonds and other marketable securities		1.766.266,36	12.147.019,45	-10.380.753,09	-85,46%
1132	b. Other financial liabilities		0,00	0,00	0,00	0,00%
1118	4. Deferred tax liabilities		218.131,04	243.323,94	-25.192,90	-10,35%
1135	5. Other non-current liabilities		222.225,45	354.666,55	-132.441,10	-37,34%



1130	<b>C. CURRENT LIABILITIES</b>		<b>22.639.422,28</b>	<b>30.724.157,43</b>	<b>-8.084.735,15</b>	<b>-26,31%</b>
1121	1. Liabilities related to non-current assets available for sale		0,00	0,00	0,00	0,00%
1122	2. Current provisions		0,00	0,00	0,00	0,00%
1123	3. Current financial liabilities		6.557.548,04	15.025.891,09	-8.468.343,05	-56,36%
1133	a. Bank debt, and bonds and other marketable securities		6.557.548,04	15.025.891,09	-8.468.343,05	-56,36%
1134	b. Other financial liabilities		0,00	0,00	0,00	0,00%
1124	4. Trade and other accounts payable		16.081.874,24	15.698.266,34	383.607,90	2,44%
1125	a. Suppliers		9.265.244,70	9.188.781,43	76.463,27	0,83%
1126	b. Other debt		5.976.120,49	5.777.902,02	198.218,47	3,43%
1127	c. Current tax liabilities		840.509,05	731.582,89	108.926,16	14,89%
1136	5. Other current liabilities		0,00	0,00	0,00	0,00%
1200	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>105.380.675,70</b>	<b>117.883.901,07</b>	<b>-12.503.225,37</b>	<b>-10,61%</b>



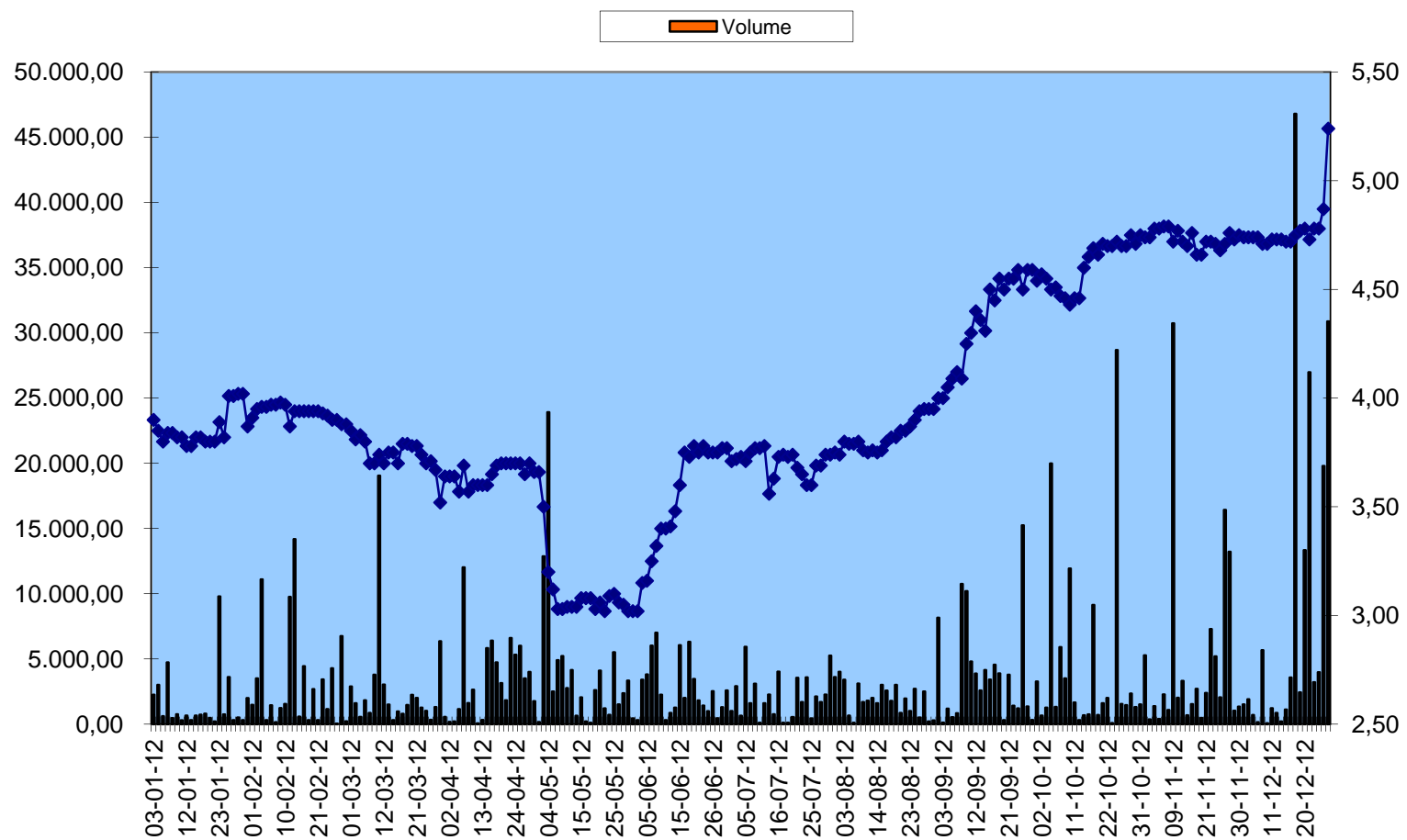
## 9. Consolidated Income Statement, drafted in accordance with IFRS

			2012 4Q	2011 4Q	Absolute change	Change (%)
1205	+	Net revenue	88.662.283,35	91.446.384,65	-2.784.101,30	-3,04%
1206	+/-	Change in finished goods and work-in-process inventories	-113.016,97	-162.211,04	49.194,07	-30,33%
1207	+	Capitalised in-house work	0,00	0,00	0,00	0,00%
1208	-	Purchases	-37.823.212,52	-37.628.015,55	-195.196,97	0,52%
1209	+	Other operating revenues	313.187,80	462.790,90	-149.603,10	-32,33%
1217	-	Personnel expenses	-25.022.216,27	-25.761.352,27	739.136,00	-2,87%
1210	-	Other operating expenses	-11.455.832,15	-13.901.282,76	2.445.450,61	-17,59%
1211	-	Depreciation and amortisation	-2.321.088,40	-2.556.603,38	235.514,98	-9,21%
1212	+	Recognition of subsidies for non-financial assets and other	0,00	0,00	0,00	0,00%
1214	+/-	Impairment losses and income from disposal of assets	10.023,80	0,00	10.023,80	0,00%
1215	+/-	Other income	543.271,31	79.327,11	463.944,20	584,85%
1245		<b>OPERATING INCOME</b>	<b>12.793.399,95</b>	<b>11.979.037,66</b>	<b>814.362,29</b>	<b>6,80%</b>
1250	+	Financial revenues	2.401.394,71	2.177.442,41	223.952,30	10,29%
1251	-	Financial expenses	-1.267.259,05	-1.585.262,63	318.003,58	-20,06%
1252	+/-	Variation in fair value of financial instruments	-654.935,00	0,00	-654.935,00	0,00%
1254	+/-	Exchange differences		0,00	0,00	0,00%
1255	+/-	Impairment losses and income from disposal of financial instruments	-269.932,41	-110.764,60	-159.167,81	143,70%
1256		<b>FINANCIAL INCOME</b>	<b>209.268,25</b>	<b>481.415,18</b>	<b>-272.146,93</b>	<b>-56,53%</b>
1253	+/-	Income from investments accounted for using the equity method	63.409,00	63.893,00	-484,00	-0,76%
1265		<b>INCOME BEFORE TAXES</b>	<b>13.066.077,20</b>	<b>12.524.345,84</b>	<b>541.731,36</b>	<b>4,33%</b>
1270	+/-	Income tax	-3.825.850,10	-3.615.485,79	-210.364,31	5,82%
1280		<b>INCOME FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>9.240.227,10</b>	<b>8.908.860,05</b>	<b>331.367,05</b>	<b>3,72%</b>
1285	+/-	Income for the year from discontinued operations, net of taxes	0,00	0,00	0,00	0,00%
1288		<b>CONSOLIDATED INCOME FOR THE YEAR</b>	<b>9.240.227,10</b>	<b>8.908.860,05</b>	<b>331.367,05</b>	<b>3,72%</b>
1300		a. Income attributable to the parent company	9.240.227,10	8.908.860,05	331.367,05	3,72%
1289		b. Income attributable to minority interest	0,00	0,00	0,00	0,00%
		<b>EARNINGS PER SHARE</b>		<b>0,00</b>	<b>0,00</b>	<b>0,00%</b>
1290		Basic	0,54	0,53	0,02	3,72%
1295		Diluted	0,54	0,53	0,02	3,72%





## 10. Share performance (Closing price and Trading volume)





## 11. Share performance (Key figures)

	<b>4Q 2012</b>
<b>Share performance in 1H</b>	
No. of shares	17.347.124
Share price at 31/12/2012	5,24
Market capitalisation at 31/12/2013	90.898.929,76
Highest closing price	(31/12/2012) 5,24
Lowest closing price	(31/05/2012) 3,02
Average trading volume	3.564
Maximum trading volume	(18/12/2012) 46.794
Share price at 01/01/2012	3,90
Share price at 31/12/2012	5,24
Appreciation	34,36%