GRIFOLS, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements for the six- month period ended 30 June 2013

This is a translation of a SPANISH language announcement filed with the CNMV. In case of discrepancies, the Spanish version will prevail

GRIFOLS, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements for the six-month period ended 30 June 2013

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GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
at 30 June 2013 and 31 December 2012

Assets	30/06/13	31/12/12
	(unaudited)	
	(expressed in thousands of euros)	
Non-current assets		
Intangible assets		
Goodwill (note 6)	1,937,064	1,869,899
Other intangible assets (note 7)	974,645	969,095
Total intangible assets	2,911,709	2,838,994
Property, plant and equipment (note 7)	840,880	810,107
Non-current investments in related companies	300	0
Investments in equity accounted investees	2,898	2,566
Non-current financial assets	14,294	16,526
Deferred tax assets	36,765	24,717
Total non-current assets	3,806,846	3,692,910
Current assets		
Inventories	990,232	998,644
Trade and other receivables		
Trade receivables (note 8)	409,070	366,022
Other receivables (note 8)	51,134	43,833
Current income tax assets	93,300	37,318
Trade and other receivables	553,504	447,173
Other current financial assets	757	460
Other current assets	15,663	14,960
Cash and cash equivalents (note 9)	479,157	473,327
Total current assets	2,039,313	1,934,564
Total assets	**5,846,159**	**5,627,474**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
at 30 June 2013 and 31 December 2012

Equity and liabilities	30/06/13	31/12/12
	(unaudited)	
	(expressed in thousands of euros)	
Equity		
Share capital (note 10)	119,604	117,882
Share premium (note 10)	910,728	890,355
Reserves (note 10)		
Accumulated gains	820,931	571,268
Other reserves	51,282	48,876
Total reserves	872,213	620,144
Treasury stock (note 10)	(88,909)	(3,060)
Interim dividend (note 10)	(68,755)	0
Profit for the period / year attributable to the Parent	182,800	256,686
Total	1,927,681	1,882,007
Cash flow hedges	(27,297)	(33,036)
Translation differences	36,537	27,797
Other comprehensive income	9,240	(5,239)
Equity attributable to the Parent	**1,936,921**	**1,876,768**
Non-controlling interests	7,839	3,973
Total equity	**1,944,760**	**1,880,741**
Liabilities		
Non-current liabilities		
Grants	6,991	5,855
Provisions	3,919	3,348
Non-current financial liabilities		
Loans and borrowings, bonds and other marketable securities	2,575,636	2,585,988
Other financial liabilities	122,011	104,831
Total non-current financial liabilities (note 11)	2,697,647	2,690,819
Deferred tax liabilities	450,431	453,846
Total non-current liabilities	3,158,988	3,153,868
Current liabilities		
Provisions	54,223	55,139
Current financial liabilities		
Loans and borrowings, bonds and other marketable securities	231,416	189,335
Other financial liabilities	7,470	6,243
Total current financial liabilities (note 11)	238,886	195,578
Debts with associates	3,555	2,668
Trade and other payables		
Suppliers	241,198	228,405
Other payables	41,530	27,357
Current income tax liabilities	89,706	5,679
Total trade and other payables	372,434	261,441
Other current liabilities	73,313	78,039
Total current liabilities	742,411	592,865
Total liabilities	**3,901,399**	**3,746,733**
Total equity and liabilities	**5,846,159**	**5,627,474**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Income Statements
for the six-month period ended 30 June 2013 and 2012

	Six-Months' Ended	
	30/06/13	**30/06/12**
	(unaudited)	
	(expressed in thousands of euros)	
Continuing Operations		
Net revenue (note 5)	1,380,841	1,316,705
Cost of sales	(670,259)	(650,698)
Gross Profit	**710,582**	**666,007**
Research and Development	(58,471)	(58,702)
Sales, General and Administration expenses	(271,748)	(268,410)
Operating Expenses	**(330,219)**	**(327,112)**
Operating Results	**380,363**	**338,895**
Finance income	3,460	1,354
Finance expenses	(122,347)	(149,368)
Change in fair value of financial instruments	5,313	16,548
Exchange losses	(5,198)	(2,314)
Finance income and expense (note 12)	**(118,772)**	**(133,780)**
Share of profit / (losses) of equity accounted investees	(1,313)	(758)
Profit before tax	**260,278**	**204,357**
Income tax profit / (losses) (note 13)	(79,843)	(70,907)
Profit after income tax from continuing operations	**180,435**	**133,450**
Consolidated profit for the period	**180,435**	**133,450**
Profit attributable to equity holders of the Parent	182,800	133,496
Loss attributable to non-controlling interest	(2,365)	(46)
Basic earnings per share (Euros)	0.54	0.39
Diluted earnings per share (Euros)	0.54	0.39

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statement of Comprehensive Income
for the six-month period ended 30 June 2013 and 2012

	Six-Months' Ended	
	30/06/13	**30/06/12**
	(unaudited)	
	(expressed in thousands of euros)	
Consolidated profit for the period	**180,435**	**133,450**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences for foreign operations	8,769	44,501
Cash flow hedges	8,973	(15,039)
Income tax on items that may be reclassified to profit or loss	(3,234)	5,399
Other comprehensive income and expenses, net of tax	**14,508**	**34,861**
Total comprehensive income and expenses for the period	**194,943**	**168,311**
Total comprehensive income attributable to the Parent	197,279	168,290
Total comprehensive income / (losses) attributable to non-controlling interests	(2,336)	21
Total comprehensive income for the period	**194,943**	**168,311**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Statement of Cash Flows
for the six-month period ended 30 June 2013 and 2012

	30/06/13	30/06/12
	(unaudited)	
	(expressed in thousands of euros)	
Cash flows from operating activities		
Profit before tax	**260,278**	**204,357**
Adjustments for:	**187,567**	**188,498**
Amortisation and depreciation	64,209	63,589
Other adjustments:	123,358	124,909
Losses on equity accounted investments	1,313	758
Exchange differences	5,198	2,314
Net provision changes	4,928	4,815
Loss on disposal of fixed assets	3,673	889
Government grants taken to income	(447)	(625)
Finance expense / income	107,593	124,146
Other adjustments	1,100	(7,388)
Changes in capital and assets	**(29,666)**	**(67,223)**
Change in inventories	13,071	13,767
Change in trade and other receivables	(51,397)	(16,730)
Change in current financial assets and other current assets	(588)	(5,783)
Change in current trade and other payables	9,248	(58,477)
Other cash flows from operating activities	**(137,918)**	**(111,102)**
Interest paid	(77,949)	(93,140)
Interest received	2,214	3,901
Income tax paid	(62,183)	(21,863)
Net cash from operating activities	**280,261**	**214,530**
Cash flows from investing activities		
Payments for investments	**(109,138)**	**(86,274)**
Group companies and joint associates (note 3)	(36,093)	(7,642)
Property, plant and equipment and intangible assets	(69,352)	(78,562)
Property, plant and equipment	(58,752)	(67,310)
Intangible assets	(10,600)	(11,252)
Other financial assets	(3,693)	(70)
Proceeds from the sale of property, plant and equipment	**6,292**	**84,880**
Group companies and business units	0	683
Property, plant and equipment	6,292	67,754
Other financial assets	0	16,443
Net cash used in investing activities	**(102,846)**	**(1,394)**
Cash flows from financing activities		
Proceeds from and payments for equity instruments	(85,348)	(2)
Acquisition of Treasury stock	(120,429)	(2)
Disposal of Treasury stock	35,081	0
Proceeds from issue of share capital	20,461	0
Proceeds from and payments for financial liability instruments	(45,937)	(191,559)
Issue	46,340	23,237
Redemption and repayment	(92,277)	(214,796)
Dividends and interest on other equity instruments paid	(69,138)	0
Dividends paid	(70,062)	0
Dividend received	924	0
Other cash flows from financing activities	6,107	(54,206)
Costs of financial instruments issued	0	(43,752)
Other payments from financing activities	6,107	(10,454)
Net cash from / (used in) financing activities	**(173,855)**	**(245,767)**
Effect of exchange rate fluctuations on cash	**2,270**	**6,685**
Net increase/(decrease) in cash and cash equivalents	**5,830**	**(25,946)**
Cash and cash equivalents at beginning of the period	**473,327**	**340,586**
Cash and cash equivalents at end of period	**479,157**	**314,640**

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Statement of Changes in Consolidated Equity
for the six-month period ended 30 June 2013

	Attributable to equity holders of the Parent										
							Other comprehensive income				
	Share capital	Share premium	Reserves (*)	Profit attributable to Parent	Interim Dividend	Treasury Stock	Translation differences	Cash flow hedges	Equity attributable to the Parent	Non-controlling Interests	**Equity**
Balances at 31 December 2011	**117,882**	**890,355**	**568,274**	**50,307**	**0**	**(1,927)**	**58,800**	**(21,184)**	**1,662,507**	**2,487**	**1,664,994**
Translation differences	--	--	--	--	--	--	44,434	--	44,434	67	44,501
Cash flow hedges	--	--	--	--	--	--	--	(9,640)	(9,640)	--	(9,640)
Other comprehensive income for the period	--	--	--	--	--	--	44,434	(9,640)	34,794	67	34,861
Profit/(loss) for the period	--	--	--	133,496	--	--	--	--	133,496	(46)	133,450
Total comprehensive income for the period	0	0	0	133,496	0	0	44,434	(9,640)	168,290	21	168,311
Other changes	--	--	482	--	--	(2)	--	--	480	(59)	421
Acquisition of subsidiary with non-controlling interests	--	--	--	--	--	--	--	--	0	4,108	4,108
Distribution of 2011 profit											
Reserves	--	--	50,307	(50,307)	--	--	--	--	0	--	0
Operations with equity holders or owners	0	0	50,789	(50,307)	0	(2)	0	0	480	4,049	4,529
Balances at 30 June 2012 (unaudited)	**117,882**	**890,355**	**619,063**	**133,496**	**0**	**(1,929)**	**103,234**	**(30,824)**	**1,831,277**	**6,557**	**1,837,834**
Balances at 31 December 2012	**117,882**	**890,355**	**620,144**	**256,686**	**0**	**(3,060)**	**27,797**	**(33,036)**	**1,876,768**	**3,973**	**1,880,741**
Translation differences	--	--	--	--	--	--	8,740	--	8,740	29	8,769
Cash flow hedges	--	--	--	--	--	--	--	5,739	5,739	--	5,739
Other comprehensive income for the period	--	--	--	--	--	--	8,740	5,739	14,479	29	14,508
Profit/(loss) for the period	--	--	--	182,800	--	--	--	--	182,800	(2,365)	180,435
Total comprehensive income for the period	0	0	0	182,800	0	0	8,740	5,739	197,279	(2,336)	194,943
Net movement in own shares (note 10)	--	--	606	--	--	(85,849)	--	--	(85,243)	--	(85,243)
Capital Increase January 2013 (note 10)	1,633	--	(1,665)	--	--	--	--	--	(32)	--	(32)
Capital Increase April 2013 (note 10)	89	20,373	(375)	--	--	--	--	--	20,087	--	20,087
Acquisition of non-controlling interests (note 10)	--	--	(2,800)	--	--	--	--	--	(2,800)	2,800	--
Acquisition of subsidiary with non-controlling interests (note 3)	--	--	--	--	--	--	--	--	0	3,402	3,402
Distribution of 2012 profit											
Reserves	--	--	255,379	(255,379)	--	--	--	--	0	--	--
Dividend (Share B)	--	--	--	(1,307)	--	--	--	--	(1,307)	--	(1,307)
Interim dividend	--	--	924	--	(68,755)	--	--	--	(67,831)	--	(67,831)
Operations with equity holders or owners	1,722	20,373	252,069	(256,686)	(68,755)	(85,849)	0	0	(137,126)	6,202	(130,924)
Balance at 30 June 2013 (unaudited)	**119,604**	**910,728**	**872,213**	**182,800**	**(68,755)**	**(88,909)**	**36,537**	**(27,297)**	**1,936,921**	**7,839**	**1,944,760**

(*) Reserves include accumulated earnings and other reserves

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Notes to Condensed Consolidated Interim Financial Statements for the six-months period ended 30 June 2013

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

(1) General Information

Grifols, S.A (hereinafter, Grifols, the Company or the Parent Company) was founded in Spain on 22 June 1987 as a limited liability company for an indefinite period of time. Its registered and fiscal address is in Barcelona (Spain). The Company's statutory activity consists of providing corporate and business administrative, management and control services, as well as investing in assets and property. The Company's principal activity consists of rendering administrative, management and control services to its subsidiaries.

All the Company's shares are listed in the Barcelona, Madrid, Valencia, and Bilbao stock exchanges and on the Spanish electronic market. Class B shares began quotation on the NASDAQ (United States) and on the Automated Quotation System in Spain on 2 June 2011.

Grifols, S.A. is the parent company of a Group (hereinafter the Group) which acts on an integrated basis under a common management and whose main activity is the procurement, manufacture, preparation, and sale of therapeutic products, particularly haemoderivatives.

The main manufacturing facilities of the Spanish companies of the Group are located in Parets del Vallés (Barcelona) and Torres de Cotillas (Murcia), while those of the North American companies are located in Los Angeles (California, USA), Clayton (North Carolina, USA) and Melville (New York, USA).

(2) Basis of Presentation and Accounting Principles Applied

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (hereinafter IFRS-EU), pursuant to the (CE) regulation number 1606/2002 of the European Parliament, and specifically, with that provided by the guidelines of International Accounting Standard (hereinafter IAS) 34 on Interim Financial Reporting and in accordance with Section 12 of Royal Decree 1362/2007.

They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2012 prepared in accordance with IFRS as adopted by the European Union (EU-IFRS).

The Board of Directors of Grifols, S.A. authorised for issue these Condensed Consolidated Interim Financial Statements at their meeting held on 25 July 2013.

The figures in these condensed consolidated interim financial statements are expressed in thousands of Euros.

The condensed consolidated interim financial statements of Grifols for the six month period ended 30 June 2013 have been prepared based on the accounting records kept by Grifols and subsidiaries.

Accounting principles and basis of consolidation applied

The accounting principles and basis of consolidation applied in the preparation of these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

In addition, the following standards that entered into force in 2013 have, accordingly, been taken into account for the preparation of these condensed consolidated interim financial statements:

- Amendment to IAS 1 Presentation of Items of Other Comprehensive Income (effective date: 1 July 2012)
- Amendment to IFRS 1 Government Loans (effective date: 1 January 2013)

- Amendment to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective date: 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective date: 1 January 2014 – early application permitted)
- IFRS 11 Joint Arrangements (effective date: 1 January 2014 – early application permitted)
- IFRS 12 Disclosures of Interests in Other Entities (effective date: 1 January 2014 – early application permitted)
- Transition Guidance (issued 28 June 2012): Amendment to IFRS10, IFRS 11 and IFRS 12 (effective date: 1 January 2014 – early application permitted)
- IFRS 13 Fair Value Measurement (effective date: 1 January 2013)
- Amendment to IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2013.
- Amendment to IAS 28 Investments in Associates and Joint Ventures (effective date: 1 January 2014 - early application permitted)
- Improvement to IFRSs (2009-2011) issued on 17 May 2012 (effective date: 1 January 2013)

The application of these standards has not had a significant effect on the condensed consolidated interim financial statements.

The European Union also issued the following standards that are effective for reporting periods beginning after 1 July 2013:

- IAS 32 Financial Instruments: Presentation: Amendments to Offsetting Financial Assets and Financial Liabilities (effective date: 1 January 2014)
- IFRIC 21 interpretation: Levies. Effective date: 1 January 2014.
- Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (effective on 1 January 2014)
- Amendment to IAS 39: Novation of Derivatives and Continuation of hedge Accounting (effective 1 January 2014)

The Group has not applied any of the standards or interpretations issued prior to their effective date. The Company's directors do not expect that any of the above amendments will have a significant effect on the condensed consolidated interim financial statements.

Standards issued by the IASB and pending to be adopted by the European Union which are effective for reporting periods beginning after 1 July 2013 are the following ones:

- Investment Entities: Amendments to IFRSs 10, 12 and IAS 27 issued on 31 October 2012 (effective on 1 January 2014.)
- IFRS 9 Financial Instruments (effective date: 1 January 2015)

The Group has not applied any of the standards or interpretations issued prior to their effective date.

The Company's Directors do not expect that any of the above amendments will have a significant effect on the condensed consolidated interim financial statements.

Responsibility regarding information, estimates, hypotheses, and relevant judgments in the application of accounting policies

The information contained in these condensed consolidated interim financial statements for the six month period ended 30 June 2013 is the responsibility of the Directors of the Parent Company. The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

These estimates are made based on the best information available and refer to:

- The assumptions used for calculation of the fair value of financial instruments in particular financial derivatives. Financial derivatives are valued based on observable market data (level 2 of fair value hierarchy) (see note 16). In this respect, the selection of the appropriate data within the alternatives requires the use of judgment in qualitative factors, such as which methodology and valuation models are used, and in quantitative factors, such as the data required to be included within the chosen models.

- The assumptions used to test non-current assets and goodwill for impairment. Annual impairment tests of the relevant cash generating units are performed for impairment testing. These are based on risk-adjusted future cash flows discounted using appropriate interest rates. The assumptions relating to risk-adjusted future cash flows and discounted rates are based on business forecasts and are therefore inherently subjective. Future events could cause these to change with a consequent adverse effect on the future results of the Group. The valuations are made broadly such that a reasonably possible change to any of the key assumptions is unlikely to result in an impairment of the related goodwill.

- Useful lives of property, plant and equipment and intangible assets. The estimated useful lives applied for each category of property, plant and equipment and intangible assets are set out in notes 4(g) and 4(h) of the consolidated financial statements as at and for the year ended 31 December 2012. Although estimates are calculated by the Company's management based on the best information available at reporting date, future events may require changes to these estimates in subsequent years. Given the large number of individual items of property, plant and equipment, it is not considered likely that a reasonably possible change in the assumptions would lead to a material adverse effect. Changes in the useful lives of intangible assets are related to the currently marketed product Gamunex, which useful lives will depend on the life cycle of the product. The Company´s management does not expect significant changes to useful lives to be made in subsequent years, which should they happen would be recognized prospectively.

- Evaluation of the effectiveness of hedging derivatives. The key assumption relates to the measurement of the effectiveness of the hedge. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge, and in subsequent years, in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

- Evaluation of the nature of leases (operating or finance). The Group analyzes the conditions of the lease contracts at the inception of the leases, in order to conclude if the risks and rewards have been transferred. If the lease contract gets renewed or amended the Group conducts a new evaluation.

- Determination of the fair value of assets, liabilities and contingent liabilities related to business combinations.

- Evaluation of the capitalization of development costs. The key assumption is related to the estimation of the generation of sufficient future economic benefits of the projects.

- Evaluation of provisions and contingencies. The key assumptions relate to the evaluation of the likelihood of an outflow of resources due to a past event, as well as to the evaluation of the best estimate of the likely outcome. These estimates take into account the specific circumstances of each dispute and relevant external advice and therefore are inherently subjective and could change substantially over time as new facts emerge and each dispute progresses. Details of the status and various uncertainties involved in significant unresolved disputes are set out in note 15.

- Evaluation of the recoverability of receivables from public entities in countries facing liquidity problems, specifically in Italy, Portugal and Spain. The key assumption is the estimation of the expected amounts of collections from these public entities.

- Evaluation of the recoverability of tax credits including tax loss carry forwards and rights for deductions. Deferred tax assets are recognized to the extent future taxable profits will be available against which the temporary differences can be utilized, based on management's assumptions relating to the amount and timing of future taxable profits.

- The income tax expense which, according to IAS 34, is recognised in interim periods based on the best estimate of the average tax rate that the Group expects for the annual period.

Grifols' management does not believe that there are any assumptions or sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

The estimates, hypotheses and relevant judgements used in the preparation of these condensed consolidated interim financial statements do not differ from those applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2012.

Seasonality of transactions during this period

Given the nature of the activities conducted by the Group, there are no factors that determine any significant seasonality in the Group's operations that could affect the interpretation of these condensed consolidated interim financial statements for the six-month period ended 30 June 2013 in comparison with the financial statements for a full fiscal year.

Relative importance

When determining the information to be disclosed in these Notes, in accordance with IAS 34, the relative importance in relation to these condensed consolidated interim financial statements has been taken into account.

(3) Changes in the composition of the Group

For the preparation of its condensed consolidated interim financial statements, the Group has included its investments in all subsidiaries, associates and joint ventures. Appendix I of the consolidated financial statements as at 31 December 2012 lists the subsidiaries, associates and joint ventures in which Grifols, S.A. holds a direct or indirect stake and that were included in the scope of consolidation at that date.

The main variances in the scope of consolidation during the interim period ended 30 June 2013 are detailed below:

Progenika Biopharma, S.A.

On 27 February 2013 the Group acquired the shares representing 60% of the economic and voting rights (56.1% after Ekarpen capital increase mentioned below) of the Spanish biotechnology group of companies headed by Progenika Biopharma,S.A. (hereinafter Progenika) for an amount of Euros 37,010 thousand. The acquisition was paid through the following:

- 50% of the purchase price has been paid in exchange for 884,997 non-voting Grifols Class B shares, with a fair value of EUR 20.91 each. The Group granted to the selling shareholders the option to resell the Class B shares at the same price during the first five days following the acquisition date. Selling shareholders representing 879,913 shares executed this option, and the cash paid amounted to Euros 18,399 thousand, being considered as cash for investment activities in the cashflow statements.

- The remaining 50% of the price has been paid in cash (Euros 18,505 thousand).

The non-voting Grifols Class B shares have been provided by a related party under a loan agreement signed on 12 February 2013. On 16 April 2013, the Company´s share capital has been increased in the nominal amount of 88,499.70 Euros by issuing and placing in circulation 884,997 new Class B shares without voting rights. The share capital increase has enabled Grifols to issue the number of shares needed to pay the price for the acquisition of Progenika in shares and thus return the Lender the non-voting shares that were lent pursuant to the provisions of the Loan Agreement (see note 10).

Additionally, the Group and the selling shareholders have granted each other call and put options over the shares representing 35% (32.9% after Ekarpen capital increase mentioned below) of the remaining share capital held by the aforementioned sellers, which may be exercised in three years. The purchase price of the shares subject to the call and put option amount to Euros 21,701 thousand, increased at the rate of 5% per annum and has been treated as financial liability (see note 11 (c)). The conditions of the payment of these shares will be the same as the initial acquisition.

Grifols, Progenika and the investment vehicle EKARPEN SPE, S.A. ("Ekarpen"), owned by the Basque Government, Kutxabank, Caja Laboral –Euskadiko Kutxa, Lagun Aro and the Provincial Governments of the Basque Country, have agreed that Ekarpen subscribes a share capital increase pursuant to which, for an amount of Euros 5,000 thousand, Ekarpen has received new shares representing approximately 6.5% of the share capital of Progenika. These shares are subject to a call and put option which may be exercised at the end of a 5-year period for a purchase price of Euros 5,000 thousand and has been treated as financial liability (see note 11 (c)). The call option has premium costs of Euros 300 thousand for each of the 5-year period.

As the non-controlling shareholders do not have present access to the economic benefits associated with the underlying ownership interests related to shares under the put and call commitment, we have applied the anticipated-acquisition method. Under this method we recognize the contract as an anticipated acquisition of the underlying non controlling interest, as if the put option had been exercised already by the non-controlling shareholders.

Progenika specializes in the development of technology for personalized medicine, focusing on the design and manufacture of in vitro genome-based diagnostic tests, disease prognosis and prediction of responses to pharmacological treatment. It has also developed its own technology for the production of DNA chips for diagnosis and prognosis, and it is an international leader in this field. In particular, Progenika has pioneered the development of molecular biology tests for the performance of transfusional compatibility studies.

At the date of preparation of these consolidated financial statements, the Group does not have all the necessary information to determine the definitive fair value of intangible assets, liabilities and contingent liabilities acquired in the business combination.

Provisional goodwill generated in the acquisition is attributed to unique technology and products as well as the workforce and other synergies related to the R&D activity and has been allocated to the Diagnostic segment. This goodwill is not expected to be tax deductible.

Details of the aggregate business combination cost, the provisional fair value of the net assets acquired and provisional goodwill at the acquisition date (or the amounts by which the business combination cost exceeds the fair value of the net assets acquired) are provided below:

	Thousands of Euros
Cash paid	18,505
Class B shares	18,505
Deferred acquisition cost (call and put options)	26,701
Total cost of the business combination	63,711
Fair value of net assets acquired	14,652
Non-controlling interests	(3,402)
Goodwill (excess of cost of business combination over fair value of net assets acquired) (note 6)	52,461
Cash paid	36,904
Cash and cash equivalents of the acquired company	(2,283)
Net cash outflow in respect of the acquisition	34,621

After the acquisition, the Group has granted non-current loans amounting to Euros 11,266 thousands to Progenika.

Had the acquisition taken place at 1 January 2013, the Group's revenue and consolidated profit for the six-month period ended 30 June would not have varied significantly.

At the date of the acquisition the amounts of recognized assets, liabilities and contingent liabilities, which are provisional, are as follows:

	Provisional Fair Value
	Thousands of Euros
Intangible assets (note 7)	11,514
Property, plant and equipment (note 7)	7,552
Non-current financial assets	211
Deferred tax assets	10,182
Inventories	481
Trade and other receivables	12,363
Other current assets	151
Cash and cash equivalents	2,283
Total assets	44,737
Non-current financial liabilities	18,792
Deferred tax liabilities	17
Current financial liabilities	5,540
Trade and other payables	1,531
Other current liabilities	4,205
Total liabilities and contingent liabilities	30,085
Total net assets acquired	14,652

The Group is in the process of analyzing and valuing the net assets acquired. If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised. In this respect, the Group is evaluating the pre-existing distribution contract between Grifols and Progenika.

(4) Financial Risk Management Policy

At 30 June 2013 the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2012.

(5) Segment Reporting

The distribution by business segments of the Group's net revenues and consolidated income for the six-month period ended 30 June 2013 and 30 June 2012 is as follows:

	Net revenues (Thousands of Euros)	
Segments	Six-Months Ended 30 June 2013	Six-Months Ended 30 June 2012
Bioscience	1,220,948	1,163,696
Hospital	53,040	51,591
Diagnostic	66,726	69,603
Raw materials + Other	40,127	31,815
	1,380,841	1,316,705

	Profit/(loss) (Thousands of Euros)	
	Six-Months Ended 30 June 2013	Six-Months Ended 30 June 2012
Segments		
Bioscience	491,179	450,806
Hospital	1,191	1,435
Diagnostic	(1,105)	5,176
Raw materials + Other	21,633	19,994
Total income of reported segments	512,898	477,411
Unallocated expenses plus net financial result	(252,620)	(273,054)
Profit before income tax from continuing operations	260,278	204,357

Whereas the loss of certain third parties distribution agreements and increase in R&D has negatively impacted the Diagnostic margins, the Group´s management expects that new licenses and approvals of new technologies will turn margins in positive.

(6) Goodwill

Details and movement in goodwill during the six month period ended 30 June 2013 are as follows:

		Thousand Euros			
	Segment	**Balance at 31/12/12**	Business Combinations	Translation differences	**Balance at 30/06/13**
Net value					
Grifols UK,Ltd. (UK)	Bioscience	8,420	--	(404)	8,016
Grifols Italia,S.p.A. (Italy)	Bioscience	6,118	--	--	6,118
Biomat USA, Inc. (USA)	Bioscience	115,271	--	1,005	116,276
Plasmacare, Inc. (USA)	Bioscience	38,954	--	339	39,293
Grifols Australia Pty Ltd.(Australia)	Diagnostic	10,895	--	(915)	9,980
Talecris Biotherapeutics (USA)	Bioscience	1,684,241	--	14,679	1,698,920
Araclón Biotech, S.L. (Spain)	Diagnostic	6,000	--	--	6,000
Progenika Biopharma, S.A. (Spain)	Diagnostic	--	52,461	--	52,461
		1,869,899	52,461	14,704	1,937,064
			(note 3)		

Impairment testing:

For impairment testing purposes, the Group combines the CGUs allocated to the Bioscience segment, grouping them together at segment level, because substantial synergies have arisen on the acquisition of Talecris, and in light of the vertical integration of the business and the lack of an independent organised market for the products. As the synergies benefit the Bioscience segment as a whole, the Group could not allocate to individual CGUs. The Bioscience segment represents the lowest level at which goodwill is monitored for internal management purposes.

At 30 June 2013, on the basis of the profits to be generated during the six-month period ended 30 June

2013, there are no indications that the goodwill of the CGUs assigned to the Bioscience or the Diagnostics segments has been impaired.

(7) Other Intangible Assets and Property, Plant and Equipment

Movement of Other Intangible Assets and Property, Plant and Equipment during the six months ended 30 June 2013 is as follows:

	Thousands of Euros		
	Other intangible Assets	**Property, plant and equipment**	**Total**
Total Cost at 31/12/2012	**1,120,389**	**1,143,044**	**2,263,433**
Total dep. & amort. At 31/12/2012	**(151,185)**	**(327,798)**	**(478,983)**
Impairment at 31/12/2012	**(109)**	**(5,139)**	**(5,248)**
Balance at 31/12/2012	**969,095**	**810,107**	**1,779,202**
Cost			
Additions	10,598	63,212	73,810
Business Combination (note 3)	29,552	13,287	42,839
Disposals	(646)	(9,098)	(9,744)
Transfers	2,171	7,040	9,211
Translation differences	8,530	9,430	17,960
Total Cost at 30/06/2013	**1,170,594**	**1,226,915**	**2,397,509**
Depreciation & amortization			
Additions	(23,817)	(40,392)	(64,209)
Business Combination (note 3)	(18,038)	(5,735)	(23,773)
Disposals	151	5,477	5,628
Transfers	(2,119)	(7,092)	(9,211)
Translation differences	(905)	(5,690)	(6,595)
Total dep. & amort. at 30/06/2013	**(195,913)**	**(381,230)**	**(577,143)**
Impairment			
Net movement	73	334	407
Impairment at 30/06/2013	**(36)**	**(4,805)**	**(4,841)**
Balance at 30/06/2013	**974,645**	**840,880**	**1,815,525**

At 30 June 2013 there are no indications that these assets have been impaired beyond recognized impairment.

Intangible assets include mainly currently marketed products (CMPs). Identifiable intangible assets corresponding to Gamunex have been recorded at fair value at the time of acquisition of Talecris and have been classified under CMPs. The total cost and accumulated amortization of CMPs at the beginning and end of the period is as follows:

	Thousands of Euros			
	Balance at 31/12/12	Additions	Translation differences	**Balance at 30/06/13**
Cost of currently marketed products - Gamunex	909,504	--	7,927	917,431
Accumulated amortization of currently marketed products - Gamunex	(48,001)	(15,242)	(467)	(63,710)
Carrying amount of currently marketed products - Gamunex	861,503	(15,242)	7,460	853,721

The intangible assets recorded for CMPs represents an aggregate of Gamunex's product rights, regulatory approval documentation, brand name and hospital relationships related to Gamunex. Each of these components is closely intertwined and complimentary and they are subject to similar risks, namely, the regulatory approval process and market success of Gamunex.

The useful life of the CMP has been determined as finite and estimated to be 30 years. This useful life period mirrors the expected life cycle of Gamunex. The amortization method is straight line basis.

At 30 June 2013, the remaining useful life for current marketed products is 27 years and 11 months (28 years and 11 months at 30 June 2012).

(8) Trade and Other Receivables

At 30 June 2013, some Group companies had signed sales agreements for credit rights without recourse with certain financial institutions.

The total sum of credit rights sold without recourse, for which ownership was transferred to financial entities pursuant to the aforementioned agreements, amounts to Euros 127,641 thousand for the six-month period ended at 30 June 2013 (Euros 106,749 thousand for the six-month period ended 30 June 2012).

The deferred collection equivalent to the amount pending to be received from the financial entity is presented in the balance sheet under "Other receivables" for an amount of Euros 8,474 thousand as at 30 June 2013 (Euros 6,132 thousand as at 31 December 2012) which does not differ significantly of their fair value and is also the amount of the maximum exposure to loss.

The finance cost of credit rights sold amount to Euros 3,871 thousand for the six-month period ended 30 June 2013 (Euros 3,731 thousand for the six-month period ended 30 June 2012) (see note 12).

The recoverability of receivables from public entities in countries facing liquidity problems, specifically in Italy, Portugal and Spain, has not significantly changed compared to 31 December 2012.

(9) Cash and Cash Equivalents

The Group has carried out the following operations which have not required the use of cash or cash equivalents:

- Call and put options related with Progenika acquisition (see note 3);
- Loaned Class B shares from a related party (see notes 10 and 17);
- Issuance of new shares on 4 January 2013 (see note 10(a)).

(10) Capital and Reserves

Details of consolidated equity and changes are shown in the condensed consolidated statement of changes in equity, which forms part of the condensed consolidated interim financial statements.

(a) Share Capital and Share Premium

On 4 December 2012, the shareholders of Grifols approved a share capital increase through the issue of 16,328,212 new class B shares without voting rights and with a charge to voluntary reserves. This issue was raised in public deed on 4 January 2013 and the shares were traded on the four Spanish stock exchanges and the Spanish Automated Quotation System on 14 January 2013.

On 16 April 2013, Grifols has increased its share capital by issuing and placing in circulation 884,997 new Class B shares without voting rights, of a par value of Euro 0.10 each, with a share premium of Euro 23.02 per share. Therefore, the total amount of the share capital increase has been Euro 20,461,130.64, of which Euro 88,499.70 corresponds to the par value and Euro 20,372,630.94 to share premium. The Board of Directors has agreed to suppress the pre-emptive subscription rights in connection with the share capital increase.

The share capital increase mentioned above has enabled Grifols return the Lender the non-voting shares that were lent to attend the commitment with the sellers of Progenika shares pursuant to the provisions of the Loan Agreement signed in February 2013 (see note 3 and section b) of this note).

At 30 June 2013 the Company's share capital were represented by 213.064.899 class A shares and 130,712,555 class B shares.

(b) Reserves

The availability of the reserves for distribution is subject to legislation applicable to each of the Group companies. At 30 June 2013, an amount of Euros 47,817 thousand which is equivalent to the carrying amount of research and development costs pending amortisation of certain Spanish companies (Euros 33,097 thousand at 31 December 2012) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortised.

Companies in Spain are obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase. At 30 June 2013 the legal reserve of the Parent Company amounts to Euros 23,576 thousand (Euros 21,323 thousand at 31 December 2012).

Distribution of the legal reserves of other Spanish companies is subject to the same restrictions as those of the Parent Company and at 30 June 2013 the balance of the legal reserves of the other Spanish companies amounts to Euros 2,113 thousand (Euros 2,106 thousand at 31 December 2012).

Other foreign Group companies have a legal reserve amounting to Euros 587 thousand at 30 June 2013 and 31 December 2012.

On February 2013 a related party lent to the Group 884.997 Class B shares with a fair value of Euros 18 million, which has been used to acquire Progenika (see note 3). Under the Class B share loan agreement, the Group had the commitment to return the same number of class B shares on, or before 31 December 2013. On 16 April 2013, the Company´s share capital has been increased in the nominal amount of Euros 88,499.70, and has enabled the Group to return the Lender the non-voting shares.

In May 2013, Araclón Biotech, S.L. has increased capital by an amount of Euros 7 million of which Euros 6.9 million have been subscribed by the Group. As a result of this, the Group has increased its investment from 51% to 61.1%. The difference between the capital increase done by the Group and the non-controlling interest has been recorded as a Euros 2,8 million decrease in reserves.

(c) Treasury Shares

The Parent Company has executed the following transactions with its treasury shares during the six-month period ended 30 June 2012:

	No. of Class A shares	Thousand Euros
Balance at 1 January 2012	158,326	1,927
Balance at 30 June 2012	**158,326**	**1,927**

	No. of Class B shares	Thousand Euros
Balance at 1 January 2012	15,832	0
Acquisitions Class B	250	2
Balance at 30 June 2012	**16,082**	**2**

The Parent Company has executed the following transactions with its treasury shares during the six-month period ended 30 June 2013:

	No. of Class A shares	Thousand Euros
Balance at 1 January 2013	158,326	3,058
Acquisitions Class A	448,802	11,040
Disposals Class A	(607,128)	(14,098)
Balance at 30 June 2013	**0**	**0**

	No. of Class B shares	Thousand Euros
Balance at 1 January 2013	16,082	2
Cash acquisitions Class B	6,177,372	127,788
Non-Cash acquisitions Class B	884,997	17,744
Cash disposals Class B	(904,818)	(18,420)
Non-Cash Disposals Class B	(1,769,994)	(38,205)
Balance at 30 June 2013	**4,403,639**	**88,909**

On 11 March 2013 Grifols S.A purchased 4,402,986 of its American Depositary Shares ("ADSs") from various funds and accounts managed by Cerberus Capital Management, L.P and/or its affiliated advisory entities for a total purchase price of Euro 88.9 million (USD 118.9 million, or USD 27 per ADS). Grifols originally issued the ADSs to Cerberus in June 2011, in connection with its acquisition of Talecris Biotherapeutics Holdings Corp. Cerberus was the largest shareholder of Talecris.

Cash acquisitions also include the acquisition to the selling shareholders of Progenika of the Class B shares following the Grifols commitment of the cash option given to them amounting to Euros 18,399 thousand. This amount has been considered as cash for investment activity in the cash flow statement of the six month period ended 30 June 2013.

Finally, cash acquisitions also includes the acquisition of class B shares issued on 16 April 2013 and subscribed by a financial institution (see section a) of this note).

Non-cash acquisitions and disposals of Class B shares include the loan shares with a related party (note 17). Further disposals include the Class B shares delivered in exchange of acquisition of Progenika Biopharma, S.A. (note 3 and 9).

Cash in related with disposals of Class A and B shares amounted to Euros 15,286 and 19,794 thousand, respectively.

(d) Dividends

The profits of Grifols, S.A. and subsidiaries will be distributed as agreed by respective shareholders of each company at their general meetings.

Grifols will not be able to distribute dividends while the leverage ratio (net financial debt/adjusted EBITDA) is higher than 4.5. At 30 June 2013 leverage ratio amounts to 2.77.

The distribution of the profit for the year ended 31 December 2012 is presented in the consolidated statements of changes in equity.

The following dividends were paid during the six-month period ended 30 June 2013:

	Six-Months' Ended 30 June 2013		
	% over par value	Euros per shares	Amount in thousand of Euros
Ordinary Shares (Interim Dividend)	40%	0.20	42,612
Non-voting shares (Interim Dividend)	200%	0.20	26,143
Non-voting shares (Preferred Dividend)	10%	0.01	1,307
Total Dividends Paid			**70,062**

On 24 May 2013, the shareholders of Grifols have approved the distribution of the preferred dividend for non-voting shares (Class B), which amounts to 0.01 Euros per shares.

On 24 May 2013, Grifols Board of Directors has agreed to pay an ordinary interim dividend for the financial year 2013 of 0.20 Euros for each Class A and Class B shares, allocating a total amount of 68,755 thousand Euros to interim dividend.

(11) Financial liabilities

The detail of non-current financial liabilities at 30 June 2013 and 31 December 2012 is as follows:

	Thousands of Euros	
Non-current financial liabilities	**30/06/13**	**31/12/12**
High Yield Senior Unsecured Notes (a)	745,354	727,608
Senior secured debt (b)	1,786,197	1,807,339
Other loans	29,261	33,449
Finance lease liabilities	14,824	17,592
Loans and borrowings	1,830,282	1,858,380
Loans and borrowings and bonds or other non current marketable securities	2,575,636	2,585,988
Financial derivatives (note 16)	73,942	93,515
Other financial liabilities (d)	48,069	11,316
Other non-current financial liabilities	122,011	104,831
	2,697,647	**2,690,819**

The detail of current financial liabilities at 30 June 2013 and 31 December 2012 is as follows:

	Thousand Euros	
Current financial liabilities	**30/06/13**	**31/12/12**
Bonds (a)	72,445	42,968
Senior secured debt (b)	98,274	83,659
Other loans	53,886	55,703
Finance lease liabilities	6,811	7,005
Loans and borrowings	158,971	146,367
Loans and borrowings and bonds or other current marketeable securities	231,416	189,335
Other current financial liabilities	7,470	6,243
	238,886	**195,578**

(a) High Yield Senior Unsecured Notes

On 13 January 2011, the Group closed its scheduled issue of High Yield Senior Unsecured Notes for an amount of US Dollars 1,100 million, with a seven-year maturity period (2018) and an annual coupon of 8.25%.

Unamortised financing costs of High Yield Senior Unsecured Notes amounted to Euros 95.6 million at 30 June 2013 (Euros 106 million at 31 December 2012).

The total principal plus interest of the High Yield Senior Unsecured Notes is detailed as follows:

	High Yield Senior Unsecured Notes	
	Principal+Interests in Thousand of US Dollar	Principal+Interests in Thousand of Euros
Maturity		
2013	45,375	34,690
2014	90,750	69,381
2015	90,750	69,381
2016	90,750	69,381
2017	90,750	69,381
2018	1,145,375	875,669
Total	1,553,750	1,187,883

The breakdown and variances of High Yield Senior Unsecured Notes and promissory notes at 30 June 2013 and 30 June 2012 are as follows:

	Thousand of Euros				
	Initial balance at 01/01/12	Issue	Redemption and Repayments	Exchange differences and others	Final balance at 30/06/12
Issue of bearer promissory notes (nominal value)	9,960	14,427	(9,960)	--	14,427
High Yield Senior Unsecured Notes (nominal value)	850,143	--	--	23,566	873,709
	860,103	14,427	(9,960)	23,566	888,136

	Thousand of Euros				
	Initial balance at 01/01/13	Issue	Redemption and Repayments	Exchange differences and others	Final balance at 30/06/13
Issue of bearer promissory notes (nominal value)	14,547	45,654	(14,844)	--	45,357
High Yield Senior Unsecured Notes (nominal value)	833,712	--	--	7,267	840,979
	848,259	45,654	(14,844)	7,267	886,336

(b) Senior secured debt

On 23 November 2010 the Group signed senior debt contracts amounting to US Dollars 3,400 million for the purchase of Talecris. On 29 February 2012 the Group concluded the modification of the terms and conditions of the related agreements.

Unamortised financing costs from the senior secured debt amount to Euros 163.9 million at 30 June 2013 (Euros 190 million at 31 December 2012).

The conditions of this senior secured debt are as follows:

o **Non-current financing Tranche A**: Senior Debt Loan repayable in five years divided into two tranches: US Tranche A and Tranche A in Euros.

- **US Tranche A** :
  - Original Principal Amount of US 600 million.
  - Applicable margin of 325 basic points (bp) linked to US Libor.
  - No floor over US Libor.

- **Tranche A in Euros :**
  - Original Principal Amount of EUR 220 million.

- Applicable margin of 350 basic points (bp) linked to Euribor.
- No floor over Euribor.

The detail of the Tranche A by maturity as at 30 June 2013 is as follows:

	US Tranche A			Tranche A in Euros	
	Currency	Principal in thousands of US Dollar	Principal in thousands of Euros	Currency	Principal in thousands of Euros
Maturity					
2013	USD	30,000	22,936	EUR	11,000
2014	USD	90,000	68,807	EUR	33,000
2015	USD	292,500	223,624	EUR	107,250
2016	USD	97,500	74,541	EUR	35,750
Total	USD	510,000	389,908	EUR	187,000

o **Non-current financing Tranche B:** six year loan divided into two tranches: US Tranche B and Tranche B in Euros.

▪ **US Tranche B :**
- Original Principal Amount of US 1,700 million.
- Applicable margin of 350 basic points (bp) linked to US Libor (325 bp if leverage ratio is below 3.25x)
- Floor over US Libor of 1%

▪ **Tranche B in Euros :**
- Original Principal Amount of EUR 200 million.
- Applicable margin of 350 basic points (bp) linked to Euribor (325 bp if leverage ratio below 3.25x).
- Floor over Euribor of 1%

The detail of the Tranche B by maturity as at 30 June 2013 is as follows:

	US Tranche B			Tranche B in Euros	
	Currency	Principal in thousands of US Dollar	Principal in thousands of Euros	Currency	Principal in thousands of Euros
Maturity					
2013	USD	11,000	8,410	EUR	1,000
2014	USD	22,000	16,820	EUR	2,000
2015	USD	22,000	16,820	EUR	2,000
2016	USD	22,000	16,820	EUR	2,000
2017	USD	1,590,000	1,215,596	EUR	190,000
Total	USD	1,667,000	1,274,466	EUR	197,000

o **Senior revolving credit facility:** Amount maturing on 1 June 2016. At 30 June 2013 no amount has been drawn down on this facility.

- **US Revolving Credit Facility :**
  - Committed Amount : US 35 million
  - Applicable margin of 325 basis point (bp) linked to US Libor.

- **US Multicurrency Revolving Credit Facility:**
  - Committed Amount : US 140 million
  - Applicable margin of 325 basis point (bp) linked to US Libor

- **Revolving Credit Facility in Euros :**
  - Committed Amount: EUR 21,7 million.
  - Applicable margin of 325 basis point (bp) linked to Euribor.

The total principal plus interest of the Tranche A & B Senior Loan is detailed as follows:

	Thousands of Euros	
	Tranche A Senior Loan	Tranche B Senior Loan
Maturity		
2013	44,501	41,670
2014	120,751	81,514
2015	341,813	80,704
2016	112,284	82,022
2017	--	1,433,753
Total	619,349	1,719,663

The issue of the High Yield Senior Unsecured Notes and Credit Agreement are subject to compliance with the following covenants: interest coverage ratio and leverage ratio. At 30 June 2013 the Group is in compliance with these covenants.

Grifols, S.A., Grifols Inc. and other significant group companies, act as guarantor for the High Yield Senior Unsecured Notes. Significant group companies are those companies that contribute 85% of earnings before interest, tax, depreciation and amortisation (EBITDA), 85% of the Group's consolidated assets and 85% of total revenues, and those companies that represent more than 3% of the above mentioned indicators.

The Company and Grifols Inc. have pledged their assets and the shares of certain group companies as collateral, to guarantee repayment of the senior debt.

(c) Other financial liabilities

At 30 June 2013, this caption includes Euros 26,701 thousand related to the call and put options granted by the Group and Progenika shareholders (see note 3). The remaining balance mainly includes loans granted by public institutions.

(12) Finance Income and expenses

Details are as follows:

	Thousand of Euros	
	Six-Months' Ended 30 June 2013	Six-Months' Ended 30 June 2012
Finance Income	3,460	1,354
Finance expenses from High Yield Senior Unsecured Corporate Bonds	(45,955)	(48,826)
Finance expenses from senior debt- Tranche A	(19,871)	(35,987)
Finance expenses from senior debt- Tranche B	(47,826)	(51,283)
Finance expenses from sale of receivables (note 8)	(3,871)	(3,731)
Implicit interest on preference loans	(289)	(239)
Capitalised interest	4,458	3,460
Other finance expenses	(8,993)	(12,762)
Finance expenses	(122,347)	(149,368)
Change in fair value of financial derivatives	5,313	16,548
Exchange differences	(5,198)	(2,314)
Finance income and expense	(118,772)	(133,780)

(13) Income tax

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Group's consolidated effective tax rate has decreased from 34.7% for the six-month period ended 30 June 2012 to 30.7% for the six-month period ended 30 June 2013 mainly due to North Carolina (US) companies, that since fourth quarter 2012 are filing the state corporate tax on combined basis, reducing their effective tax. Also, during 2013, following US current regulations enacted in 2013, US companies are taking full benefit of 2012 R&D credits that could not be applied during 2012, as well as 2013 R&D credits.

The following events have arisen regarding income tax audits of US Group companies:

- Grifols Inc & Subsidiaries: Federal Income Tax Audit for the short tax year ending June 1, 2011 was initiated from October, 2012.

- Grifols Inc & Subsidiaries: Federal Income Tax Audit for tax years ending December 31, 2010 and 2011 was announced February 2013.

- Talecris Biotherapeutics Holdings Corp & Subs: California Franchise Tax Audit for 2009 & 2010 was settled with no significant impact for the Group.

- Talecris Plasma Resources: Inspection of Indiana Income Tax for 2009, 2010 & 2011 was settled in February, 2013 with no significant impact for the Group.

The Group does not expect any significant impact affecting the financial statements to arise from the ongoing inspections.

(14) Discontinued operations

The Group does not consider any operations as discontinued for the six-month periods ended 30 June 2013 and 30 June 2012.

(15) Commitments and Contingencies

a) Commitments

Aradigm Corporation

On May 20, 2013 the Group has announced signing of an Exclusive Worldwide License Agreement with Aradigm Corporation to develop and commercialize Pulmaquin.

Pulmaquin and Lipoquin are formulations of inhaled ciprofloxacin for the treatment of severe respiratory disease, including non-cystic bronchiectasis. Aradigm has completed Phase 2b clinical trials with Pulmaquin and Lipoquin in bronchiectasis patients.

Aradigm has been granted Orphan Drug designation for Liposomal ciprofloxacin for cystic fibrosis in the US and the EU, and for the combination of Liposomal ciprofloxacin and free ciprofloxacin for bronchiectasis in the US.

Grifols and Aradigm have agreed to advance the formulations of Pulmaquin and Lipoquin into phase III clinical trials in bronchiestasis.

Grifols will be responsible for the development and clinical expenses for bronchiectasis application up to a maximum of US Dollars 65 million. Aradigm will be entitled to receive from Grifols cash payments up to US Dollars 25 million upon achievement of development milestones. Grifols will be responsible for all commercialization activities and will pay Aradigm royalties on worldwide sales of products.

Additionally, Grifols, subject to the fulfilment of certain conditions, will subscribe a capital increase for an amount of US Dollars 25.7 million without payment of any share premium. The total amount of the increase in share capital will be US Dollars 40.7 million; as a result Grifols will hold 35% of Aradigm's common stock. It is anticipated that the closing will take place during the second half of 2013. Grifols will be entitled to designate two directors to serve on the Aradigm's Board of Directors.

Pulmaquin will complement Grifols' existing pulmonary business activity.

Aradigm's headquarters are based in Hayward, California, and its shares trade in the Nasdaq OTC BB market.

b) Contingencies

Catalan haemophiliacs

Instituto Grifols, S.A. was notified in 2007 of a claim for maximum damages of Euros 12,960 thousand filed by a group of 100 Catalan haemophiliacs against all plasma fractionation companies. During 2008 this claim was rejected, and the ruling appealed. Notification was published on 21 January 2011 that on 18 January 2011 the Barcelona Provincial Court had rejected the haemophiliacs' claim. An appeal was subsequently filed by the counterparty in the Catalan High Court, which was rejected. The Group is currently awaiting the ruling on the appeal filed again by the group of haemophiliacs at the Spanish Supreme Court.

Foreign Corrupt Practices Act (FCPA)

The Group is carrying out an internal investigation, already started prior to the acquisition, in relation to possible breaches of the Foreign Corrupt Practices Act (FCPA) of which Talecris was aware in the context of a review unrelated to this matter. This FCPA investigation is being carried out by an external legal advisor. In principle, the investigation has been focused on sales to certain Central and Eastern European countries, specifically Belarus and Russia, although trading practices in Brazil, China, Georgia, Iran and Turkey are also being investigated, in addition to other countries as considered necessary.

In July 2009, the Talecris Group voluntarily contacted the U.S. Department of Justice (DOJ) to inform them of an internal investigation that the Group was carrying out regarding possible breaches of the FCPA in certain sales to certain central and East European countries and to offer the Group's collaboration in any investigation that the DOJ wanted to carry out. As a result of this investigation the Group suspended shipments to some of these countries. In certain cases, the Group had safeguards in place which led to terminating collaboration with consultants and suspending or terminating relations with distributors in those countries under investigation as circumstances warranted.

As a consequence of the investigation, the agreement with Talecris' Turkish distributor was terminated and is currently subject to arbitration between the parties. It is not expected that any liabilities will arise for the Grifols Group from the outcome of this arbitration.

In November 2012, the Group was notified by the DOJ that the proceedings would be closed, without prejudice to the fact that they could be re-opened in the future should new information arise. The Group continues with the in-depth review of potential irregular practices.

Furthermore an investigation has been opened in Italy, in relation with the criminal prosecution in Naples against 5 employees of the Company, including the former General Manager. The review is expected to be concluded in 2013. The Company and its legal advisors consider this investigation will be limited to the individual employees and the likelihood is remote this issue will affect the Company.

The legal advisors recommend limiting disclosure of the aforementioned information in these consolidated financial statements, as they consider that disclosure of additional information could seriously jeopardise the Group's interests.

(16) Financial Instruments

Fair value

The fair value of High-Yield Senior Unsecured corporate bonds amounts to US Dollars 1,182 million (Euros 904 million) at 30 June 2013 (US Dollars 1,211 million and Euros 918 million at 31 December 2012). Furthermore, Tranche A and B senior debt amounts to US Dollars 2,702 million (Euros 2,066 million) at 30 June 2013 (US Dollars 2,810 million and Euros 2,130 million at 31 December 2012). The valuation has been made based on observable market data.

Financial derivatives have also been valued based on observable market data (level 2 of fair value hierarchy).

The fair value of financial assets and the remaining financial liabilities does not differ significantly from their carrying amount.

Financial Derivatives

At 30 June 2013 and 31 December 2012 the Group has recognized the following derivatives:

				Thousands of euros		
Financial Derivatives	**Currency**	**Notional at 30/06/2013**	**Notional at 31/12/12**	**Value at 30/06/13**	**Value at 31/12/12**	Maturity
Interest Rate Swap (Cash flow hedge)	USD	1,315,145,000	1,398,875,000	(44,119)	(50,900)	30/06/2016
Interest Rate Swap (Cash flow hedge)	EUR	100,000,000	100,000,000	(4,449)	(5,704)	31/03/2016
Swap Option	EUR	100,000,000	100,000,000	21	8	31/03/2016
Swap Floor	USD	1,315,145,000	1,398,875,000	1,975	4,494	30/06/2016
Embedded floor of senior debt	EUR	197,000,000	198,000,000	(4,060)	(5,965)	01/06/2017
Embedded floor of senior debt	USD	1,667,000,000	1,678,000,000	(21,314)	(30,946)	01/06/2017
Total				(71,946)	(89,013)	
Total Assets				1,996	4,502	
Total Liabilities (Note 11)				(73,942)	(93,515)	

(a) Derivative financial instruments at fair value through profit or loss

Derivative financial instruments that do not meet the hedge accounting requirements are classified and measured as financial assets or financial liabilities at fair value through profit and loss.

As the floors included in the Tranche A and Tranche B loans were in the money, embedded derivatives existed in those contracts, which were fair valued and separated from the loans at inception.

(b) Cash flow hedge

In June 2011, the Group subscribed two derivatives in order to comply with the mandatory hedging according to the Credit Agreement, a step-up interest rate swap and a swap floor, which originally had a notional amount of US Dollars 1,550 million each. The hedging, both the rate swap and the floor, have quarterly amortizations, in order to be always below the amounts borrowed to avoid being over hedged. At the end of June 2013, the notional amount for each derivative is US Dollars 1,315 million each. The interest rate swap complies with the criteria required for hedge accounting.

(17) Related Parties

As mentioned in note 3, the Group entered into an agreement with a related party under which 884,997 Grifols Class B shares are transferred to Grifols with no cash disbursement and an equal amount of class B shares should be returned on, or before 31 December 2013, no alternative of cancelation in cash is included in the agreement. The Group should pay to the related party a fee equal to 6% annual rate calculated over the market value of the loaned Class B shares, which is shown in “Financial expenses” in the table below. On 16 April 2013, the Group has returned the shares.

Transactions with related parties have been performed as part of the Group’s ordinary course of business and have been performed at arm’s length.

Group transactions with related parties during the six months ended 30 June 2013 were as follows:

	Thousand Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
Net sales	131	--	--	--
Other service expenses	--	--	(2,670)	(635)
Operating leases expenses	--	--	(12,002)	--
Remuneration	--	(4,583)	--	(2,203)
Financial expenses	--	--	(210)	--
	131	(4,583)	(14,882)	(2,838)

Group transactions with related parties during the six months ended 30 June 2012 were as follows:

	Thousand Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
Net sales	91	--	--	--
Other service expenses	--	--	(3,908)	(610)
Operating leases expenses	--	--	(11,763)	--
Remuneration	--	(4,056)	--	(1,844)
	91	(4,056)	(15,671)	(2,454)

“Other services expenses” include at 30 June 2012 costs for professional services with related companies amounting to Euros 1,156 thousand. These costs correspond to these incurred in the refinancing of the senior debt.

The Group has not extended any advances or loans to the members of the board of directors or key management personnel nor has it assumed any guarantee commitments on their behalf. It has also not assumed any pension or life insurance obligations on behalf of former or current members of the board of directors or key management personnel.

(18) Expenses by Nature

Details of wages and other employee benefits expenses by function are as follows:

	Thousands of Euros	
	Six-Months' Ended 30 June 2013	Six-Months' Ended 30 June 2012
Cost of sales	212,538	204,354
Research and development	30,068	29,901
Selling, general & administrative expenses	101,301	93,495
	343,907	327,750

Details of amortisation and depreciation expenses by function are as follows:

	Thousands of Euros	
	Six-Months' Ended 30 June 2013	Six-Months' Ended 30 June 2012
Cost of sales	33,977	32,664
Research and development	6,408	4,907
Selling, general & administrative expenses	23,824	26,018
	64,209	63,589

(19) Subsequent events

On 15 July 2013, Moody´s Investors Services has upgraded to Ba2 the Grifols Corporate Family Rating, to Ba1 the senior secured and to B1 the senior unsecured ratings of its bank and bond instruments respectively.