GRIFOLS, S.A. and Subsidiaries

Condensed Consolidated Interim Financial Statements
for the six month period ended 30 June 2012

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

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Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2012

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GRIFOLS, S.A. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
at 30 June 2012 and 31 December 2011

Assets	30/06/12	31/12/11
	(unaudited)	
	(expressed in thousands of euros)	
Non-current assets		
Intangible assets		
Goodwill (note 6)	1,950,389	1,895,101
Other intangible assets (note 7)	1,038,977	1,008,307
Total intangible assets	2,989,366	2,903,408
Property, plant and equipment (note 7)	823,251	775,869
Investments in equity accounted investees	1,715	1,001
Non-current financial assets	14,416	12,401
Deferred tax assets	186,897	185,824
Total non-current assets	4,015,645	3,878,503
Current assets		
Inventories	1,032,953	1,030,341
Trade and other receivables		
Trade receivables (note 8)	413,466	408,263
Other receivables (note 8)	49,296	108,616
Current income tax assets	43,960	15,110
Trade and other receivables	506,722	531,989
Other current financial assets	26,943	16,904
Other current assets	15,514	9,395
Cash and cash equivalents (note 9)	314,640	340,586
Total current assets	1,896,772	1,929,215
Total assets	**5,912,417**	**5,807,718**

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 2012 and 31 December 2011

Equity and liabilities	30/06/12	31/12/11
	(unaudited)	
	(expressed in thousands of euros)	
Equity		
Share capital (note 10)	117,882	117,882
Share premium (note 10)	890,355	890,355
Reserves (note 10)		
Accumulated gains	569,847	518,775
Other reserves	49,216	49,499
Total reserves	619,063	568,274
Own shares (note 10)	(1,929)	(1,927)
Profit for the period / year attributable to the Parent	133,496	50,307
Total	1,758,867	1,624,891
Cash flow hedges	(30,824)	(21,184)
Translation differences	103,234	58,800
Other comprehensive income	72,410	37,616
Equity attributable to the Parent	**1,831,277**	**1,662,507**
Non-controlling interests (note 11)	6,557	2,487
Total equity	**1,837,834**	**1,664,994**
Liabilities		
Non-current liabilities		
Grants	1,915	1,366
Provisions	4,599	11,052
Non-current financial liabilities		
Loans and borrowings, bonds and other marketable securities	2,702,437	2,809,225
Other financial liabilities	98,527	136,563
Total non-current financial liabilities (note 12)	2,800,964	2,945,788
Deferred tax liabilities	589,215	538,441
Total non-current liabilities	3,396,693	3,496,647
Current liabilities		
Provisions	89,235	81,112
Current financial liabilities		
Loans and borrowings, bonds and other marketable securities	204,646	147,789
Other financial liabilities	4,601	14,507
Total current financial liabilities (note 12)	209,247	162,296
Debts with associates	3,469	2,435
Trade and other payables		
Suppliers	249,769	280,722
Other payables	27,866	27,335
Current income tax liabilities	31,770	4,691
Total trade and other payables	309,405	312,748
Other current liabilities	66,534	87,486
Total current liabilities	677,890	646,077
Total liabilities	**4,074,583**	**4,142,724**
Total equity and liabilities	**5,912,417**	**5,807,718**

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 2012 and 2011

	30/06/12	30/06/11
	(unaudited)	
		(restated) *
	(expressed in thousands of euros)	
Continuing Operations		
Net revenue (note 5)	1,316,705	635,341
Cost of sales	(650,698)	(349,400)
Gross Profit	**666,007**	**285,941**
Research and Development	(58,702)	(30,165)
Sales, General and Administration expenses	(268,410)	(187,047)
Operating Expenses	**(327,112)**	**(217,212)**
Operating Results from operating activities	**338,895**	**68,729**
Finance income	1,354	1,761
Finance expenses	(149,368)	(55,546)
Change in fair value of financial instruments	16,548	13,945
Exchange gains/(losses)	(2,314)	(2,122)
Finance income and expense (note 13)	**(133,780)**	**(41,962)**
Share of profit of equity accounted investees	(758)	(807)
Profit before tax	**204,357**	**25,960**
Income tax expense (note 14)	(70,907)	(7,347)
Profit after income tax from continuing operations	**133,450**	**18,613**
Consolidated profit for the period	**133,450**	**18,613**
Profit attributable to equity holders of the Parent	133,496	19,269
Loss attributable to non-controlling interest	(46)	(656)
Basic earnings per share (Euros)	0.41	0.09
Diluted earnings per share (Euros)	0.41	0.09

* See note 2

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 2012 and 2011

	30/06/12	30/06/11
	(unaudited)	
	(expressed in thousands of euros)	
Consolidated profit for the period	**133,450**	**18,613**
Other comprehensive income		
Income and expenses generated during the period		
Measurement of financial instruments	0	(575)
Available-for-sale financial assets	0	(822)
Tax effect	0	247
Cash flow hedges	(10,571)	(2,331)
Cash flow hedges	(16,469)	(3,829)
Tax effect	5,898	1,498
Translation differences	44,501	(38,541)
Income and expenses generated during the period	**33,930**	**(41,447)**
Income and expense recognised in the income statement:		
Cash flow hedges	931	1,751
Cash flow hedges	1,430	2,870
Tax effect	(499)	(1,119)
Income and expense recognised in the income statement:	**931**	**1,751**
Other comprehensive income and expenses for the period	**34,861**	**(39,696)**
Total comprehensive income and expenses for the period	**168,311**	**(21,083)**
Total comprehensive income / (losses) attributable to the Parent	168,290	(19,887)
Total comprehensive income / (losses) attributable to non-controlling interests	21	(1,196)
Total comprehensive income for the period	**168,311**	**(21,083)**

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 2012

	Attributable to equity holders of the Parent											
							Other comprehensive income					
	Share capital	Share premium	Reserves (*)	Profit attributable to Parent	Interim dividend	Own Shares	Translation differences	Cash flow hedges	Available-for sale financial assets	Equity attributable to Parent	Non-controlling interests	**Equity**
	(unaudited) (expressed in thousands of euros)											
Balances at 31 December 2010	**106,532**	**121,802**	**403,604**	**115,513**	**0**	**(1,927)**	**(50,733)**	**(1,751)**	**0**	**693,040**	**14,350**	**707,390**
Translation differences	--	--	--	--	--	--	(38,001)	--	--	(38,001)	(540)	(38,541)
Cash flow hedges	--	--	--	--	--	--	--	(580)	--	(580)	--	(580)
Available-for-sale financial assets Gains/(losses)	--	--	--	--	--	--	--	--	(575)	(575)	--	(575)
Other comprehensive income for the period	0	0	0	0	0	0	(38,001)	(580)	(575)	(39,156)	(540)	(39,696)
Profit/(loss) for the period	--	--	--	19,269	--	--	--	--	--	19,269	(656)	18,613
Total comprehensive income for the period	0	0	0	19,269	0	0	(38,001)	(580)	(575)	(19,887)	(1,196)	(21,083)
Other changes	--	--	(35)	--	--	--	--	--	--	(35)	(213)	(248)
Capital Increase	8,382	768,553	(2,264)	--	--	--	--	--	--	774,671	--	774,671
Other movements	--	--	52,864	--	--	--	--	--	--	52,864	--	52,864
Distribution of 2010 profit												
Reserves	--	--	115,513	(115,513)	--	--	--	--	--	0	--	0
Operations with equity holders or owners	8,382	768,553	166,078	(115,513)	0	0	0	0	0	827,500	(213)	827,287
Balances at 30 June 2011 (Unaudited)	**114,914**	**890,355**	**569,682**	**19,269**	**0**	**(1,927)**	**(88,734)**	**(2,331)**	**(575)**	**1,500,653**	**12,941**	**1,513,594**
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	0	0	0	0	0	0	44,434	(9,640)	0	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)	0	168,290	21	168,311
Other changes	--	--	482	--	--	(2)	--	--	--	480	(59)	421
Acquisition of non-controlling interests (Note 11	--	--	--	--	--	--	--	--	--	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	0	480	4,049	4,529
Balance at 30 June 2012 (Unaudited)	**117,882**	**890,355**	**619,063**	**133,496**	**0**	**(1,929)**	**103,234**	**(30,824)**	**0**	**1,831,277**	**6,557**	**1,837,834**

(*) 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

Condensed Consolidated Statement of Cash Flows
for the Six Month Period Ended 30 June 2012 and 2011

	30/06/12	30/06/11
	(unaudited)	
	(expressed in thousands of euros)	
Cash flows from operating activities		
Profit before tax	**204,357**	**25,960**
Adjustments for:	**188,498**	**92,638**
Amortisation and depreciation	63,589	28,156
Other adjustments:	124,909	64,482
Losses on equity accounted investments	758	807
Exchange differences	2,314	2,122
Net provision changes	4,815	14,454
Loss on disposal of fixed assets	889	9,416
Government grants taken to income	(625)	(742)
Finance expense / income	124,146	37,130
Other adjustments	(7,388)	1,295
Changes in capital and assets	**(67,223)**	**(65,159)**
Change in inventories	13,767	752
Change in trade and other receivables	(16,730)	(66,961)
Change in current financial assets and other current assets	(5,783)	(451)
Change in current trade and other payables	(58,477)	1,501
Other cash flows from operating activities	**(111,102)**	**(36,745)**
Interest paid	(93,140)	(34,021)
Interest received	3,901	999
Income tax paid	(21,863)	(3,723)
Net cash from operating activities	**214,530**	**16,694**
Cash flows from investing activities		
Payments for investments	**(86,274)**	**(1,669,390)**
Group companies and business units (note 3)	(7,642)	(1,615,417)
Property, plant and equipment and intangible assets	(78,562)	(52,838)
Property, plant and equipment	(67,310)	(42,841)
Intangible assets	(11,252)	(9,997)
Other financial assets	(70)	(1,135)
Proceeds from the sale of property, plant and equipment	**84,880**	**69,151**
Group companies and business units	683	0
Property, plant and equipment	67,754	69,151
Other financial assets	16,443	0
Net cash used in investing activities	**(1,394)**	**(1,600,239)**
Cash flows from financing activities		
Proceeds from and payments for equity instruments	(2)	(2,264)
Issue	0	(2,264)
Acquisition of own shares	(2)	0
Proceeds from and payments for financial liability instruments	(191,559)	2,235,339
Issue	23,237	2,982,877
Redemption and repayment	(214,796)	(747,538)
Other cash flows from financing activities	(54,206)	(287,203)
Costs of financial instruments issued	(43,752)	(287,550)
Other payments from financing activities	(10,454)	347
Net cash from / (used in) financing activities	**(245,767)**	**1,945,872**
Effect of exchange rate fluctuations on cash	**6,685**	**(18,184)**
Net increase/(decrease) in cash and cash equivalents	**(25,946)**	**344,143**
Cash and cash equivalents at beginning of the period	**340,586**	**239,649**
Cash and cash equivalents at end of period	**314,640**	**583,792**

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

(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 is the provision of corporate administrative, management and control services and investment in real and personal property. Its main activity consists of the provision of corporate 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 2011 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 2012.

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 2012 have been prepared based on the accounting records kept by Grifols and subsidiaries.

These interim financial statements reflect a true and accurate image of the Group's equity and financial situation at 30 June 2012, as well as of the results of its operations, its global income statements, and variances in net equity and cash flows during the six-month period ended on the above-mentioned date.

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 2011.

In addition, the following standards that entered into force in 2012 have, accordingly, been taken into account for the preparation of these condensed consolidated interim financial statements:

- Amendment to IAS 12 Deferred tax: recovery of underlying assets (effective date: 1 January 2012)
- Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective date: 1 July 2011)
- Amendments to IFRS 7 – Disclosures – Transfers of Financial Assets (effective date: 1 July 2011).

The application of these standards has not had a significant impact on the Group's condensed consolidated interim financial statements.

The European Union also issued the following standards that are effective for reporting periods beginning after 1 July 2012:

- Amendments to IAS 1 – Presentation of components of other comprehensive income (effective for annual periods beginning on or after 1 July 2012)
- Amendment to IAS 19 Employee Benefits (effective date: 1 January 2013)

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 January 2013 are the following:

- 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 2013)
- IFRS 11 Joint Arrangements (effective date: 1 January 2013)
- IFRS 12 Disclosures of Interests in Other Entities (effective date: 1 January 2013)
- IFRS 13 Fair Value Measurement (effective date: 1 January 2013)
- IAS 27 Separate Financial Statements (effective date: 1 January 2013)
- IAS 28 Investments in Associates and Joint Ventures (effective date: 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective date: 1 January 2013)
- Amendment to IFRS 1: Government Loans (effective date: 1 January 2013)
- Improvement to IFRSs (2009-2011) issued on 17 May 2012 (effective date: 1 January 2013)
- Transition Guidance (issued 28 June 2012): Amendment to IFRS10, IFRS 11 and IFRS 12 (effective date: 1 January 2013)
- IAS 32 Financial Instruments: Presentation: Amendments to Offsetting Financial Assets and Financial Liabilities (effective date: 1 January 2014)
- IFRS 9 Financial Instruments (effective date: 1 January 2015).

At the date of preparation of these consolidated financial statements, the Group does not expect that any of the International Accounting Standards Board (IASB) standards pending to be adopted by the European Union 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 2012 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 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.

- The useful lives of property, plant, and equipment and intangible assets.

- Measurement of assets and goodwill to determine any related impairment losses.

- Evaluation of the capitalisation of development costs.

- Evaluation of provisions and contingencies.

- The assumptions used for calculation of the fair value of financial instruments.

- Evaluation of the effectiveness of hedging derivatives.

- Evaluation of the nature of leases (operating or financial).

- Assumptions used for determining the fair value of assets, liabilities and contingent liabilities in business combinations.

- Evaluation of recoverability of tax credits.

- Evaluation of the recoverability of receivables from public entities.

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 2011.

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 months period ended 30 June 2012 in comparison with the financial statements for a full fiscal year.

Relative importance

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

Comparative information

Change in the presentation of the consolidated income statements

In 2012 Grifols has decided to modify the presentation of the consolidated income statements by function instead of by nature as considers that it better gives an understanding of the business performance and has been reflected the 2011 comparatives accordingly.

Talecris Group acquisition in 2011

On 2 June 2011 the Group acquired 100% of the share capital of the American company Talecris Biotherapeutics Holdings Corp. (hereinafter Talecris), which also specialises in the production of plasma-derived biological medication, for a total of Euros 2,593 million (US Dollars 3,736 million). This should be considered when comparing the six month period of 2011.

Had the acquisition taken place at 1 January 2011, the Group's revenue for the six month period ended 30 June 2011 would be Euros 507,039 thousand higher and consolidated profit for the period, excluding non-recurring items as transaction costs and stock options cancellation costs derived from the change of control, would be Euros 74,705 thousand higher.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date were as follows:

	Thousands of Euros	Thousands of Dollars
Cost of the business combination (measurement of Class B shares)	829,799	1,195,574
Cash paid (US Dollars 19 per share)	1,763,601	2,540,997
Total cost of the business combination	2,593,400	3,736,571
Fair value of net assets acquired	1,052,163	1,515,957
Goodwill (excess of cost of business combination over fair value of net assets acquired)	1,541,237	2,220,614
Cash paid	1,763,601	2,540,996
Cash and cash equivalents of the acquired company	(149,693)	(215,678)
Net cash outflow in respect of the acquisition	1,613,908	2,325,318

At 2 June 2011 not all the information necessary to allocate the purchase price correctly between the different balance sheet captions used in the business combination was available to the Group. During second quarter 2012, the Group has obtained additional information about facts and circumstances existing at acquisition date that has made possible to finalize the allocation of assets and liabilities more accurately in accordance with the amounts indicated in the table above whereas the purchase price allocation is now definitive. Goodwill has increased in Euros 2,514 thousand (see note 6) due to a change in the valuation of inventories as well as the recognition of a current provision due to an onerous contract both net of tax effect. No restatement of comparable figures for 2011 has been made as the change is not significant.

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

	Fair Value		Book value	
	Thousands of Euros	Thousands of US Dollars	Thousands of Euros	Thousands of US Dollars
Intangible assets	846,504	1,219,643	21,122	30,432
Property, plant and equipment	466,674	672,384	306,401	441,462
Non-current financial assets	1,466	2,112	1,466	2,112
Deferred tax assets	55,985	80,663	55,985	80,663
Assets held for sale	8,200	11,814	2,254	3,247
Inventories	449,048	646,989	490,976	707,398
Trade and other receivables	188,068	270,969	188,068	270,968
Other assets	2,364	3,406	2,364	3,406
Cash and cash equivalents	149,693	215,678	149,693	215,678
Total assets	2,168,002	3,123,658	1,218,329	1,755,366
Non-current provisions	9,250	13,327	9,250	13,327
Non-current financial liabilities	6,289	9,061	6,289	9,061
Current financial liabilities	473,085	681,621	473,085	681,621
Current provisions	68,738	99,038	31,180	44,924
Trade and other payables	152,844	220,218	152,844	220,218
Other current liabilities	48,533	69,927	43,510	62,689
Deferred tax liabilities	357,100	514,509	15,125	21,792
Total liabilities and contingent liabilities	1,115,839	1,607,701	731,283	1,053,632
Total net assets acquired	1,052,163	1,515,957	487,046	701,734

(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. Note 1 (b) of the consolidated financial statements as at 31 December 2011 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 2012 are detailed below:

Araclón Biotech, S.L.

On 29 February 2012 and in relation to the Grifols R&D strategic priorities, Grifols acquired 51% of the capital of Araclón Biotech, S.L. for a total of Euros 8,259 thousands.

Araclón Biotech, S.L. was founded as a spin-off from the University of Zaragoza in 2004. Its main areas of research focus on the validation and marketing of a blood diagnosis kit for Alzheimer's and the development of an effective immunotherapy (vaccine) for this disease.

The operation was carried out by Gri-Cel, S.A., Grifols´ investment vehicle, that centralizes the group's investments in R&D projects in fields of medicine other than its core business, such as advanced therapies.

Grifols has committed under certain conditions to finance Araclón's on-going projects for the next five years. The total amount will not be higher than Euros 25 millions and it will result in Grifols' increasing its share in the capital of Araclón Biotech, S.L.

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.

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	8,259
Total cost of the business combination	8,259
Fair value of net assets acquired	8,259
Goodwill (excess of cost of business combination over fair value of net assets acquired)	0
Cash paid	8,259
Cash and cash equivalents of the acquired company	(2,089)
Net cash outflow in respect of the acquisition	6,170

Had the acquisition taken place at 1 January 2012, the Group´s revenue and consolidated profit for the period would not have differed significantly.
At the date of the acquisition the amounts of recognized assets, liabilities and contingent liabilities, which are provisional, are as follows:

	Fair Value	Book value
	Thousands of Euros	Thousands of Euros
Intangible assets (note 7)	16,747	12,525
Property, plant and equipment (note 7)	668	668
Non-current financial assets	600	600
Deferred tax assets	3,476	3,476
Trade and other receivables	142	142
Cash and cash equivalents	2,089	2,089
Total assets	23,722	19,500
Non-current grants	400	400
Non-current financial liabilities	3,532	3,532
Deferred tax liabilities	138	138
Current financial liabilities	6,766	6,766
Trade and other payables	736	736
Non-controlling interests (note 11)	3,891	0
Total liabilities and contingent liabilities	15,463	11,572
Total net assets acquired	8,259	7,928

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.

GRI-CEI, S/A Produtos para transfusão

During the first half of 2012, Grifols has incorporated a new company under the name Gri-Cei, S/A Produtos para transfusão with the Brazilian company CEI Comercio Exportação e Importação de Materiais Médicos, Ltda in which Grifols owns 60% of shares and has the control of the company. Gri-Cei was established in order to manufacture bags for extraction, separation, conservation and transfusion of blood components in Brazil.

(4) Financial Risk Management Policy

At 30 June 2012 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 2011.

(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 2012 and 30 June 2011 is as follows:

	Net revenues (Thousands of Euros)	
Segments	Six months ended 30 June 2012	Six months ended 30 June 2011
Bioscience	1,163,696	521,538
Hospital	51,591	49,289
Diagnostic	69,603	56,831
Raw materials + Other	31,815	7,683
	1,316,705	635,341

	Profit/(loss) (Thousands of Euros)	
	Six months ended 30 June 2012	Six months ended 30 June 2011
Segments		
Bioscience	450,806	186,521
Hospital	1,435	4,786
Diagnostic	5,176	(11,264)
Raw materials + Other	20,089	3,694
Total income of reported segments	477,506	183,737
Unallocated expenses plus net financial result	(273,149)	(157,777)
Profit before income tax from continuing operations	204,357	25,960

The variance in the Bioscience and Raw materials + other segment profit reflects mainly the incorporation of six months of Talecris companies for the six month period ended 30 June 2012 and one month for the six month period ended 30 June 2011.

The main variance in the Diagnostic profit is mainly due to the goodwill impairment of Euros 13 million recognized during the six months period ended 30 June 2011.

The main variance in unallocated expenses plus net financial result is mainly due to the incorporation of Talecris and financial costs from the acquisition of Talecris Biotherapeutics Holdings Corp.

(6) Goodwill

Details and movement in goodwill during the six months period ended 30 June 2012 are as follows:

	Thousand Euros			
	Balance at 31/12/11	Business Combination	Translation differences	**Balance at 30/06/12**
Net value				
Grifols UK,Ltd. (UK)	8,225	0	291	8,516
Grifols Italia,S.p.A. (Italy)	6,118	0	0	6,118
Biomat USA, Inc. (USA)	116,748	0	3,236	119,984
Plasmacare, Inc. (USA)	39,722	0	1,101	40,823
Woolloomooloo Holdings Pty Ltd. (Australia)	10,870	0	286	11,156
Talecris Biotherapeutics (USA)	1,713,418	2,514	47,860	1,763,792
	1,895,101	2,514	52,774	1,950,389
		(note 2)		

Impairment testing:

As a result of the acquisition of Talecris in 2011, and for impairment testing purposes, the Group combines the CGUs allocated to the Bioscience segment, grouping them together at segment level, because substantial synergies are expected to arise 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 will benefit the Bioscience segment as a whole, the Group could not allocate to individual CGUs, that represents the lowest level at which goodwill is monitored for internal management purposes.

At 30 June 2012, on the basis of the profits generated during the six-month period ended 30 June 2012, there are no indications that the goodwill of the CGUs belonging to the Bioscience and Diagnostic segment 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 2012 is as follows:

	Thousands of Euros		
	Other intangible Assets	**Property, plant and equipment**	**Total**
Total Cost at 31/12/2011	**1,120,584**	**1,051,302**	**2,171,886**
Total dep. & amort. At 31/12/2011	**(112,013)**	**(268,221)**	**(380,234)**
Impairment at 31/12/2011	**(264)**	**(7,212)**	**(7,476)**
Balance at 31/12/2011	**1,008,307**	**775,869**	**1,784,176**
Cost			
Additions	11,252	70,771	82,023
Business Combination (note 3)	17,148	2,768	19,916
Disposals	(449)	(7,312)	(7,761)
Transfers	1,759	(1,759)	0
Translation differences	28,286	23,114	51,400
Total Cost at 30/06/2012	**1,178,580**	**1,138,884**	**2,317,464**
Depreciation & amortization			
Additions	(24,939)	(38,650)	(63,589)
Business Combination (note 3)	(401)	(2,100)	(2,501)
Disposals	135	2,628	2,763
Translation differences	(2,349)	(5,830)	(8,179)
Total dep. & amort. at 30/06/2012	**(139,567)**	**(312,173)**	**(451,740)**
Impairment			
Net movement (mainly write-off)	228	3,752	3,980
Impairment at 30/06/2012	**(36)**	**(3,460)**	**(3,496)**
Balance at 30/06/2012	**1,038,977**	**823,251**	**1,862,228**

At 30 June 2012 there are no indications that these assets have been impaired.

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 31/12/11	Additions	Translation differences	**Balance at 30/06/12**
Cost of current marketed products - Gamunex	927,429	--	25,709	953,138
Accumulated amortization of current marketed products - Gamunex	(18,033)	(15,298)	(1,088)	(34,419)
Carrying amount of current marketed products - Gamunex	909,396	(15,298)	24,621	918,719

The intangible assets recorded for our 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 2012, the remaining useful life for current marketed products was 28 years and 11 month.

(8) Trade and Other Receivables

(a) Trade Receivables

At the end of June 2012, the Group has collected an amount of Euros 157 million from Spanish government of which Euros 109 million correspond to credit rights previously sold to a financial institution and has been presented offsetting the obligation of the Group to transfer said amounts.

The Spanish government imposed that the interests claimed to Social Security should be forgiven in order to collect the principal of the receivables. As a result of preliminary analysis, Grifols has accounted for a loss of approximately to Euros 6 million corresponding to the forgiven interest claimed and included under financial expenses.

At 30 June 2012, 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 106,749 thousand for the six month period ended at 30 June 2012 (Euros 73.116 thousand for the six month period ended 30 June 2011).

The deferred collection (equivalent to the continuing involvement) amount to Euros 20,312 thousand as at 30 June 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 amounts to Euros 3,731 thousand for the six months period ended 30 June 2012 (Euros 2,194 thousand for the six months period ended 30 June 2011) (see note 13).

(b) Other Receivables

During the first half of 2012, the Group has collected the remaining amount of USD 84 million (Euros 67 million) in respect of the sale of the property included in the North Fractionation Facilities transaction (NFF), pending to be collected at 31 December 2011.

(9) Cash and Cash equivalents

During the six month period ended 30 June 2012 the Group used net cash flow of Euros 25,946 thousand. The variance is mainly a result of:

- Net cash from operating activities amount to Euros 214.5 million. The Euros 392.9 million of cash flow generated from operations was offset in part by the Euros 67.2 million of cash used for working capital requirements and Euros 111.1 million of cash used for interest payment and taxes.
- Net cash used in investing activities amount to Euros 1.4 million. This variance reflects mainly the new investments to expand its production facilities in Spain and the United States and Araclón Biotech, S.L. acquisition. During the first half of 2012, the Group has collected the remaining amount of Euros 67 million related to the sale and lease back operation done in 2011 and pending to be collected at 31 December 2011.
- Net cash used in financing activities amount to Euros 245.8 million. This amount includes mainly debt repayments, mandatory and voluntary, of Euros 214.8 million. The Group also paid transaction fees in connection with the refinancing in the amount of Euros 43.8 million (see note 12).

(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

There were no variances in the Parent's share capital and share premium during the six months ended 30 June 2012.

(b) Reserves

The availability of the reserves for distribution is subject to legislation applicable to each of the Group companies. At 30 June 2012, an amount of Euros 36,895 thousand which is equivalent to the carrying amount of research and development costs pending amortisation of certain Spanish companies (Euros 29,705 thousand at 31 December 2011) 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 2012 the legal reserve of the Parent Company amounts to Euros 21,323 thousand (Euros 21,306 thousand at 31 December 2011).

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 2012 and 31 December 2011 the balance of the legal reserves of the other Spanish companies amounts to Euros 2,106 thousand.

Other foreign Group companies have a legal reserve amounting to Euros 687 thousand at 30 June 2012 and 31 December 2011.

(c) Own Shares

The Parent Company has executed the following transactions with its own shares during the six month period ended 30 June 2012.

	Num. of shares	Thousand Euros
Balance at 1 January 2012	174,158	1,927
Acquisitions	250	2
Balance at 30 June 2012	**174,408**	**1,929**

No movements have taken place in the six month period ended 30 June 2011.

The Parent holds own shares equivalent to 0.05% of its capital at 30 June 2012 and 31 December 2011.

(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.

As a consequence of the refinancing (see note 12) the leverage ratio limiting the distribution of dividends has been modified, improving from the leverage ratio of 3.75 to the new leverage ratio of 4.5.

The distribution of the profit for the year ended 31 December 2011 is presented in the consolidated statement of changes in equity.

There were no dividend payments during the six month period ended 30 June 2012 and 2011.

(11) Non-controlling interests

The caption of non-controlling interests amounts to Euros 6,557 thousand at 30 June 2012 (Euros 2,487 thousand at 31 December 2011). The main variance corresponds to:

- Due to the incorporation of Araclón Biotech, S.L. during the first half of 2012, the balance of non-controlling interests has increased in Euros 3,891 thousand corresponding to the fair value of the 49% of the capital owned by a third-party.

- Due to the incorporation of Gri-Cei, S/A Produtos para transfusão during the first half of 2012, the balance of non-controlling interests has increased in Euros 186 thousand corresponding to the 40% of the capital owned by a third-party.

(12) Financial Liabilities

The detail of non-current financial liabilities at 30 June 2012 and 31 December 2011 is as follows:

	Thousands of Euros	
Non-current financial liabilities	**30/06/12**	**31/12/11**
Non-current notes (a)	750,496	736,523
Senior secured debt	1,893,324	2,021,424
Other loans	36,055	26,661
Finance lease liabilities	22,562	24,617
Loans and borrowings (b)	1,951,941	2,072,702
Loans and borrowings and bonds or other non current marketable securities	2,702,437	2,809,225
Financial derivatives	86,999	127,875
Other financial liabilities	11,528	8,688
Other non-current financial liabilities	98,527	136,563
	2,800,964	**2,945,788**

(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%. This issuance, together with the senior debt disclosed in the following paragraphs, allowed the Company to obtain necessary funds to pay the acquisition of Talecris on 2 June 2011. In November 2011 the Company registered its High Yield Senior Unsecured Notes with the Securities Exchange Commission (SEC) on Form F4.

The breakdown and variances of corporate bonds at 30 June 2012 and 30 June 2011 are as follows:

	Initial balance at 01/01/12	Issue	Redemption and Repayments	Exchange differences and others	Final balance at 30/06/12
Debt securities issued in a member state of the European Union that have not required the registration of a prospectus (nominal value)	9,960	14,427	(9,960)	0	14,427
Other debt securities issued ouside a member state of the European Union (nominal value)	850,143	0	0	23,566	873,709
TOTAL	860,103	14,427	(9,960)	23,566	888,136

	Initial balance at 01/01/11	Issue	Redemption and Repayments	Exchange differences and others	Final balance at 30/06/11
Debt securities issued in a member state of the European Union that have not required the registration of a prospectus (nominal value)	8,373	9,990	(8,373)	0	9,990
Other debt securities issued ouside a member state of the European Union (nominal value)	446,918	761,088	(415,270)	(31,648)	761,088
TOTAL	455,291	771,078	(423,643)	(31,648)	771,078

(b) Loans and borrowings

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. The terms are not substantially different from original, as the discounted present value of the cash flows under the new terms, including the fees paid and discounted using the original effective interest rate, is less than 10% different from the discounted present value of the remaining cash flows of the original financial liability.

The Group has incurred costs amounting to Euros 43.8 million in the refinancing of the senior debt. The modification of the terms in the embedded derivatives of the senior debt has formed part of the refinancing (see caption (c) below) and the resulting change in the fair value amounting to Euros 65 million has reduced the financing cost. Based on the analysis of the quantitative and qualitative factors, Grifols has concluded that the renegotiation of conditions of the senior debt do not trigger for a derecognition of the liability. Therefore, the net amount of the financing cost have reduced the previous amount recognized and will form part of the amortized cost over the duration of the debt. Unamortized financing costs amount to Euros 351.6 million at 30 June 2012 (Euros 415 million at 31 December 2011).

The modifications are as follows:

(i) reduction of interest rates, retranching (US 600 million from U.S Tranche A to US Tranche B) and modification of embedded floor;

(ii) removal of covenants relating to limitations in fixed assets investments and the debt service coverage ratio;

(iii) amendment to the leverage ratio limiting the distribution of dividends, improving from the leverage ratio of 3.75 to the new leverage ratio of 4.5, as well as the relaxing of certain conditions relative to certain contracts;

The new 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: U.S Tranche A and Foreign Tranche A.

- **U.S 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.

- **Foreign Tranche A:**
  - 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 2012 is as follows:

	US Tranche A			Foreign Tranche A	
	Currency	Amortization in thousands of US Dollar	Amortization in thousands of Euros	Currency	Amortization in thousands of Euros
Maturity					
2012	USD	37,500	29,786	EUR	13,750
2013	USD	63,750	50,635	EUR	23,375
2014	USD	90,000	71,485	EUR	33,000
2015	USD	292,500	232,327	EUR	107,250
2016	USD	97,500	77,442	EUR	35,750
Total	USD	581,250	461,675	EUR	213,125

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

- **U.S 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 1.00%

- **Foreign Tranche B :**
  - 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 1.00%

The detail of the Tranche B by maturity as at 30 June 2012 is as follows:

	US Tranche B			Foreign Tranche B	
	Currency	Amortization in thousands of US Dollar	Amortization in thousands of Euros	Currency	Amortization in thousands of Euros
Maturity					
2012	USD	11,000	8,737	EUR	1,000
2013	USD	22,000	17,474	EUR	2,000
2014	USD	22,000	17,474	EUR	2,000
2015	USD	22,000	17,474	EUR	2,000
2016	USD	22,000	17,474	EUR	2,000
2017	USD	1,590,000	1,262,907	EUR	190,000
Total	USD	1,689,000	1,341,540	EUR	199,000

o **Senior revolving credit facility:** Amount maturing on 1 June 2016. At 30 June 2012 no amount has been drawn down on this facility.

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

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

- **Foreign Revolving Credit Facility :**
  - Committed Amount : EUR 22 million.
  - Applicable margin of 325 basis point (bp) linked to Euribor.

The total amortization plus interests of the High Yield Unsecured Notes and Tranche A & B Senior Loan is detailed as follows:

	Thousands of Euros	
	Unsecured Notes	Tranche A and B Senior Loan
Maturity		
2012	36,041	101,319
2013	72,081	185,965
2014	72,081	212,823
2015	72,081	438,516
2016	72,081	205,002
2017	72,081	1,482,461
2018	909,749	0
Total	1,306,195	2,626,086

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 2012 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 as collateral, and the shares of certain group companies have been pledged, to guarantee repayment of the senior debt.

(c) Derivatives

As the floor included in 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 the inception. As a result of the refinancing conditions signed at 29 February 2012 the two embedded floors have been modified and improved. The embedded floor included in Tranche A has been eliminated, and the embedded floor for the Tranche B has dropped from 1.75% to 1.00%. As a consequence of that, the notional amounts for the embedded floors of the senior debt have been sharply reduced for both USD tranches and EUR tranches. The decline in value of the embedded floors as at 29 February 2012 amounting to USD 71.6 million and Euros 12.2 million have reduced the senior debt refinanced.

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. In June 2012, the notional amount for each derivatives is US Dollars 1,441 million each. The interest rate swap complies with the criteria required for hedge accounting.

Additionally, during May 2012, the EUR interest rate swap has been modified, reducing the fixed interest rate and lengthening the maturity from September 2014 to March 2016. The modified interest rate swap complies with the criteria required for hedge accounting.

The detail of derivatives at 30 June 2012 and 31 December 2011 is as follows:

	Thousands of euros					
Financial derivatives	**Currency**	**Notional a 30/06/12**	**Notional a 31/12/11**	**Value at 30/06/2012**	**Value at 31/12/11**	**Maturity**
Interest rate swap (Cash flow hedge)	USD	1,440,740,000	1,522,685,000	(49,773)	(34,999)	30/06/2016
Interest rate swap (Cash flow hedge)	EUR	100,000,000	100,000,000	(4,453)	(2,762)	31/03/2016
Swap option	EUR	100,000,000	100,000,000	51	(135)	31/03/2016
Swap floor	USD	1,440,740,000	1,522,685,000	1,334	(801)	30/06/2016
Embedded floor of senior debt	EUR	199,000,000	438,900,000	(4,100)	(13,365)	01/06/2017
Embedded floor of senior debt	USD	1,689,000,000	2,493,500,000	(28,673)	(75,813)	01/06/2017
Unquoted future	N/A	1,474,697	3,200,000	12,426	3,619	28/09/2012
Call option	N/A	N/A	N/A	0	3,091	miscellaneous
Total				(73,188)	(121,165)	
Total Assets				13,811	6,710	
Total Liabilities				(86,999)	(127,875)	

The contracts of the unquoted futures expired on 29 June 2012. On 29 June 2012 it was agreed to extend the futures contract to 28 September 2012, through a novation without liquidation under the same terms and conditions. During the six month period ended 30 June 2012, Grifols has sold unquoted futures for a total cash income of Euros 15.6 million.

The detail of current financial liabilities 30 June 2012 and 31 December 2011 is as follows:

	Thousand Euros	
Current financial liabilities	**30/06/12**	**31/12/11**
Bonds	43,879	18,523
Senior secured debt	93,667	63,697
Other loans	59,421	58,467
Finance lease liabilities	7,679	7,102
Loans and borrowings	160,767	129,266
Loans and borrowings and bonds or other current marketeable securities	204,646	147,789
Other current financial liabilities	4,601	14,507
	209,247	**162,296**

(13) Finance Income and Expenses

Details are as follows:

	Thousands of Euros	
	30/06/12	30/06/11
Finance Income	1,354	1,761
Finance expenses from High Yield Unsecured Notes	(48,826)	(6,762)
Finance expenses from senior debt- Tranche A	(35,987)	(6,439)
Finance expenses from senior debt- Tranche B	(51,283)	(7,377)
Club Deal	0	(1,474)
Finance expenses from sale of receivables (note 8)	(3,731)	(2,194)
Finance expenses from unsecured senior corporate bonds	0	(20,847)
Implicit interest on preference loans	(239)	(267)
Capitalised interest	3,460	260
Other finance expenses	(12,762)	(10,446)
Finance expenses	(149,368)	(55,546)
Change in fair value of financial derivatives	16,548	13,945
Exchange differences	(2,314)	(2,122)
Finance income and expense	(133,780)	(41,962)

(14) 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 increased from 28.3 % for the six month period ended 30 June 2011 to 34.7 % for the six month period ended 30 June 2012 mainly due to a greater portion of earnings being taxed at a higher tax rate due to the inclusion of Talecris.

(15) Discontinued Operations

The Group does not consider any operations as discontinued for the six month period ended 30 June 2012.

(16) Commitments and Contingencies

There have been no significant changes to the Group's commercial commitments and significant litigation matters during the six month period ended 30 June 2012 except for the issues detailed below. A discussion of the commercial commitments and significant litigation is included in the Consolidated Annual Accounts at 31 December 2011.

Judicial procedures and arbitration

Instituto Grifols, S.A.

- The Company 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. On 18 January 2011, the Appeal Court (Barcelona Provincial Court) rejected the haemophiliacs' claim.

  An appeal was filed by the counterparties with the Catalan High Court, who rejected the appeal during the first semester of 2012. Now a new appeal has been filed before the Spanish High Court, and the Group is currently awaiting the ruling.

Grifols Biologicals Inc.

- Legal proceedings (consent decree) which were brought against the plasma fractioning centre in Los Angeles.

  On 15 March 2012, the United States District Court in Los Angeles entered an Order signed on 12 March 2012, vacating (dismissing) the Consent Decree on the Los Angeles manufacturing facility. The Consent Decree was originally imposed on the facility in 1998 while under the ownership of Alpha Therapeutic Corporation.

Grifols Therapeutics Inc.

- Foreign Corrupt Practices Act (FCPA)

  The Group is carrying out an internal investigation, which was underway before the acquisition, into potential violations of the Foreign Corrupt Practices Act (FCPA) of which the Talecris Group became aware while conducting an unrelated review. The FCPA investigation is being conducted by outside counsel. The investigation initially focused on sales to certain Eastern European and Middle Eastern countries, primarily Belarus, Russia, and Iran, but the Group is also reviewing sales practices in Brazil, China, Georgia, Turkey and other countries as deemed appropriate.

  In July 2009, the Talecris Group voluntarily contacted the U.S. Department of Justice (DOJ) to advise them of the investigation and to offer cooperation in any investigation that the DOJ might want to conduct or that it wants Talecris to conduct. The DOJ has not indicated what action it may take, if any, against the Group or any individual, or the extent to which it may conduct its own investigation. Even though Talecris self-disclosed this matter the DOJ or other federal agencies may seek to impose sanctions that may include, among other things, debarment, injunctive relief, disgorgement, fines, penalties, appointment of a monitor, appointment of new control staff, or enhancement of existing compliance and training programs. Other countries in which Talecris has done business may initiate their own investigations and impose similar penalties. As a result of this investigation, shipments to some of these countries have been suspended until the Group has additional safeguards in place. In some cases, safeguards involved terminating consultants and suspending relations with or terminating distributors in countries under investigation as circumstances warranted. The Group made an initial presentation of some of its findings to the DOJ in July 2011 and will continue to present its findings from the investigation to the DOJ. Given the preliminary nature of the findings, that investigation continues and the uncertainties regarding this matter, the final outcome is still uncertain.

  As a consequence of the investigation, the distribution agreement with Talecris Turkish distributor was terminated. This termination is currently the subject of an arbitration between the parties.

(17) Related Parties

Transactions with related parties have been performed as part of the Groups' ordinary trade and have been performed at arm's length.

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	--	--	(10,319)	(910)
Operating lease expenses	--	--	(11,763)	--
Personnel expenses	--	(4,056)	--	(1,544)
	91	(4,056)	(22,082)	(2,454)

"Other services expenses" include 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.

Group transactions with related parties during the six months ended 30 June 2011 were as follows:

	Thousand Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the company
Net sales	21	--	--	--
Other service expenses	(1,690)	--	(13,961)	(120)
Operating lease expenses	--	--	(1,084)	--
Personnel expenses	--	(3,250)	--	(1,168)
Sales of Property Plant and Equipment	--	--	80,393	--
	(1,669)	(3,250)	65,348	(1,288)

"Other services expenses" include costs for professional services with related companies amounting to Euros 9,239 thousand. These costs correspond to those incurred in increasing share capital and the issue of debt carried out relating to the acquisition of Talecris.

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

The employee benefits expenses of the Group for the six month period ended on 30 June 2012 and 2011 amount to Euros 327,750 thousand and Euros 183,727 thousand, respectively.

Amortisation and depreciation expenses for the six month period ended on 30 June 2012 and 2011 amount to Euros 63,589 thousand and Euros 28,156 thousand, respectively (see note 7).

(19) Subsequent events

From 30 June 2012 to the signing date of the attached financial statements, there have been the following subsequent events:

- **Credit rating**

On 9 July 2012 Moody´s Investors Services has upgraded to Ba3 Grifols Corporate Family Rating, to Ba2 its Senior Secured Debt and to B2 the Senior Unsecured Ratings to bank and bond instruments respectively. The outlook on the ratings is in all cases positive.

The positive outlook incorporated Moody´s assumption that Grifols will continue to improve its leverage, driven by both further improving EBITDA and continued reduction in gross indebtedness. It also incorporates the assumption of the existence of considerable synergies potential to be realized.

- **ADS ratio**

On 23 July 2012 the ADS representing Class B shares (non-voting shares) of the company will have an exchange ratio in relation to the Class B shares of 1 to 1, this means 1 ADS will represent 1 Class B share. The previous ratio being 2 ADS to 1 Class B share.