

**GRIFOLS, S.A. and Subsidiaries**

**Condensed Consolidated Interim Financial Statements  
for the six month period ended 30 June 2011**

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

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# GRIFOLS, S.A. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets at 30 June 2011 and 31 December 2010

Assets	30/06/11	31/12/10
	(unaudited)	
	(expressed in thousands of euros)	
<b>Non-current assets</b>		
Intangible assets		
Goodwill (note 6)	2,281,696	189,448
Other intangible assets (note 7)	128,474	78,299
Total intangible assets	2,410,170	267,747
Property, plant and equipment (note 7)	639,735	434,131
Investments in equity accounted investees	3,546	598
Non-current financial assets (note 12)	41,667	7,535
Deferred tax assets	139,435	34,889
Total non-current assets	3,234,553	744,900
<b>Current assets</b>		
Inventories	997,826	527,865
Trade and other receivables		
Trade receivables (note 8)	405,450	224,355
Other receivables	48,971	44,032
Current income tax assets	41,029	14,607
Trade and other receivables	495,450	282,994
Other current financial assets	19,254	12,946
Other current assets (note 9)	13,344	80,628
Cash and cash equivalents (note 10)	583,792	239,649
Total current assets	2,109,666	1,144,082
<b>Total assets</b>	<b>5,344,219</b>	<b>1,888,982</b>

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 2011 and 31 December 2010

Equity and liabilities	30/06/11	31/12/10
	(unaudited)	
	(expressed in thousands of euros)	
<b>Equity</b>		
Share capital (note 11)	114,914	106,532
Share premium (note 11)	890,355	121,802
Reserves (note 11)		
Accumulated gains	519,788	350,543
Other reserves	49,894	53,061
Total reserves	569,682	403,604
Own shares (note 11)	(1,927)	(1,927)
Profit for the period / year attributable to the Parent	19,269	115,513
Total	1,592,293	745,524
Available-for-sale financial assets	(575)	--
Cash flow hedges	(2,331)	(1,751)
Translation differences	(88,734)	(50,733)
Other comprehensive income	(91,640)	(52,484)
<b>Equity attributable to the Parent</b>	<b>1,500,653</b>	<b>693,040</b>
Non-controlling interests	12,941	14,350
<b>Total equity</b>	<b>1,513,594</b>	<b>707,390</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Grants	1,815	2,088
Provisions	10,461	1,378
Non-current financial liabilities		
Loans and borrowings, bonds and other marketable securities	2,642,944	665,385
Other financial liabilities	72,400	10,474
Total non-current financial liabilities (note 12)	2,715,344	675,859
Deferred tax liabilities	140,075	79,141
Total non-current liabilities	2,867,695	758,466
<b>Current liabilities</b>		
Provisions	35,828	4,365
Current financial liabilities		
Loans and borrowings, bonds and other marketable securities	507,374	191,635
Other financial liabilities	17,336	18,236
Total current financial liabilities (note 12)	524,710	209,871
Debts with associates	2,352	1,162
Trade and other payables		
Suppliers	266,393	160,678
Other payables	25,618	11,928
Current income tax liabilities	27,227	4,172
Total trade and other payables	319,238	176,778
Other current liabilities	80,802	30,950
Total current liabilities	962,930	423,126
<b>Total liabilities</b>	<b>3,830,625</b>	<b>1,181,592</b>
<b>Total equity and liabilities</b>	<b>5,344,219</b>	<b>1,888,982</b>

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 2011 and 2010

	30/06/11	30/06/10
	(unaudited)	
	(expressed in thousands of euros)	
<b>Continuing Operations</b>		
Revenues (note 5)	635,341	487,809
Changes in inventories of finished goods and work in progress	2,757	41,209
Self-constructed non-current assets	32,346	16,051
Supplies	(175,142)	(157,107)
Other operating income	1,009	631
Personnel expenses	(183,727)	(141,972)
Other operating expenses	(155,532)	(98,279)
Amortisation and depreciation (note 7)	(28,156)	(21,434)
Transaction costs of Talecris business combination (note 3 & 9)	(38,607)	(2,019)
Non-financial and other capital grants	742	550
Impairment and gains/(losses) on disposal of fixed assets (notes 6 & 7)	(22,302)	681
<b>Results from operating activities</b>	<b>68,729</b>	<b>126,120</b>
Finance income	1,761	2,179
Finance expenses (notes 8 & 13)	(55,546)	(25,285)
Change in fair value of financial instruments (note 13)	13,945	(15,404)
Exchange gains / (losses)	(2,122)	1,970
<b>Finance expense</b>	<b>(41,962)</b>	<b>(36,540)</b>
Share of loss of equity accounted investees	(807)	(728)
<b>Profit before income tax</b>	<b>25,960</b>	<b>88,852</b>
Income tax expense (note 14)	(7,347)	(23,022)
<b>Consolidated profit for the period</b>	<b>18,613</b>	<b>65,830</b>
Profit attributable to equity holders of the Parent	19,269	66,408
Loss attributable to non-controlling interests	(656)	(578)
<b>Basic earnings per share (Euros)</b>	<b>0.09</b>	<b>0.31</b>
<b>Diluted earnings per share (Euros)</b>	<b>0.09</b>	<b>0.31</b>

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 2011 and 2010

	<b>30/06/11</b>	<b>30/06/10</b>
	(unaudited)	
	(expressed in thousands of euros)	
<b>Consolidated profit for the period</b>	<b>18,613</b>	<b>65,830</b>
<b>Other comprehensive income</b>		
<b>Income and expenses generated during the period</b>		
Measurement of financial instruments	(575)	0
Available-for-sale financial assets	(822)	0
Tax effect	247	0
Cash flow hedges	(2,331)	0
Cash flow hedges	(3,829)	0
Tax effect	1,498	0
Translation differences	(38,541)	74,874
<b>Income and expenses generated during the period</b>	<b>(41,447)</b>	<b>74,874</b>
<b>Income and expense recognised in the income statement:</b>		
Cash flow hedges	1,751	99
Cash flow hedges	2,870	159
Tax effect	(1,119)	(60)
<b>Income and expense recognised in the income statement:</b>	<b>1,751</b>	<b>99</b>
<b>Other comprehensive income and expenses for the period</b>	<b>(39,697)</b>	<b>74,973</b>
<b>Total comprehensive income and expenses for the period</b>	<b>(21,083)</b>	<b>140,803</b>
Total comprehensive income / (losses) attributable to the Parent	(19,887)	139,935
Total comprehensive income / (losses) attributable to non-controlling interests	(1,196)	868
<b>Total comprehensive income for the period</b>	<b>(21,083)</b>	<b>140,803</b>

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 2011 and 2010

	30/06/11	30/06/10
	(unaudited)	
	(expressed in thousands of euros)	
<b><u>Cash flows from operating activities</u></b>		
Profit before tax	25,960	88,852
Adjustments for:	92,638	53,782
Amortisation and depreciation	28,156	21,434
Other adjustments:	64,482	32,348
Losses on equity accounted investments	807	728
Exchange differences	2,122	(1,970)
Net provision charges	14,454	129
(Profit) / loss on disposal of fixed assets	9,416	(681)
Government grants taken to income	(742)	(550)
Finance expense / income	37,130	33,386
Other adjustments	1,295	1,306
Changes in capital and assets	(65,159)	13,700
Change in inventories	752	(11,982)
Change in trade and other receivables	(66,961)	20,239
Change in current financial assets and other current assets	(451)	(3,875)
Change in current trade and other payables	1,501	9,318
Other cash flows from operating activities	(36,745)	(34,465)
Interest paid	(34,021)	(19,801)
Interest recovered	999	3,861
Income tax recovered	(3,723)	(18,525)
<b>Net cash from operating activities</b>	<b>16,694</b>	<b>121,869</b>
<b><u>Cash flows from investing activities</u></b>		
Payments for investments	(1,669,390)	(56,997)
Group companies and business units (note 3)	(1,615,417)	(3,727)
Property, plant and equipment and intangible assets	(52,838)	(49,151)
Property, plant and equipment	(42,841)	(43,146)
Intangible assets	(9,997)	(6,005)
Other financial assets	(1,135)	(4,119)
Proceeds from the sale of property, plant and equipment	69,151	2,863
Property, plant and equipment	69,151	2,863
<b>Net cash used in investing activities</b>	<b>(1,600,239)</b>	<b>(54,134)</b>
<b><u>Cash flows from financing activities</u></b>		
Proceeds from and payments for equity instruments	(2,264)	(1,250)
Issue	(2,264)	(1,250)
Proceeds from and payments for financial liability instruments	2,235,339	(8,671)
Issue	2,982,877	51,067
Redemption and repayment	(747,538)	(59,738)
Dividends and interest on other equity instruments paid	0	(53)
Other cash flows from financing activities	(287,203)	323
Transaction costs of financial instruments issued in the acquisition of Talecris	(287,550)	0
Other amounts received from financing activities	347	323
<b>Net cash from / (used in) financing activities</b>	<b>1,945,872</b>	<b>(9,651)</b>
Effect of exchange rate fluctuations on cash	(18,184)	42,684
<b>Net increase in cash and cash equivalents</b>	<b>344,143</b>	<b>100,768</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>239,649</b>	<b>249,372</b>
<b>Cash and cash equivalents at end of period</b>	<b>583,792</b>	<b>350,140</b>

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 2011

	Attributable to equity holders of the Parent												
	Share capital	Share premium	Reserves (*)	Profit attributable to Parent	Interim dividend	Own Shares (unaudited)	Translation differences	Cash flow hedges	Other comprehensive income		Equity attributable to Parent	Non-controlling interests	Equity
									Available-for-sale financial assets	Equity attributable to Parent			
<b>Balances at 31 December 2009</b>	106,532	121,802	314,903	147,972	(31,960)	(677)	(90,263)	(1,948)	0	566,371	12,157	578,528	
Translation differences	--	--	--	--	--	--	73,428	--	--	73,428	1,446	74,874	
Cash flow hedges	--	--	--	--	--	--	--	99	--	99	--	99	
<b>Other comprehensive income for the period</b>	0	0	0	0	0	0	73,428	99	0	73,527	1,446	74,973	
<b>Profit/(loss) for the period</b>	--	--	--	66,408	--	--	--	--	--	66,408	(578)	65,830	
<b>Total comprehensive income for the period</b>	0	0	0	66,408	0	0	73,428	99	0	139,935	868	140,803	
Operations with own shares	--	--	--	--	--	(1,250)	--	--	--	(1,250)	--	(1,250)	
Other changes	--	--	1	--	--	--	--	--	--	1	--	1	
Distribution of 2009 profit	--	--	--	--	--	--	--	--	--	--	--	--	
Reserves	--	--	88,783	(88,783)	--	--	--	--	--	0	--	0	
Dividends	--	--	--	(27,229)	--	--	--	--	--	(27,229)	(53)	(27,282)	
Interim dividend	--	--	--	(31,960)	31,960	--	--	--	--	0	--	0	
<b>Operations with equity holders or owners</b>	0	0	88,784	(147,972)	31,960	(1,250)	0	0	0	(28,478)	(53)	(28,531)	
<b>Balances at 30 June 2010</b>	106,532	121,802	403,687	66,408	0	(1,927)	(16,825)	(1,849)	0	677,828	12,972	690,800	
<b>Balances at 31 December 2010</b>	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)	
<b>Other comprehensive income for the period</b>	0	0	0	0	0	0	(38,001)	(580)	(575)	(39,156)	(540)	(39,696)	
<b>Profit/(loss) for the period</b>	--	--	--	19,269	--	--	--	--	--	19,269	(656)	18,613	
<b>Total comprehensive income for the period</b>	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 (note 11)	8,382	768,553	(2,264)	--	--	--	--	--	--	774,671	--	774,671	
Other movements (note 11)	--	--	52,864	--	--	--	--	--	--	52,864	--	52,864	
Distribution of 2010 profit	--	--	115,513	(115,513)	--	--	--	--	--	0	--	0	
Reserves	8,382	768,553	166,078	(115,513)	0	0	0	0	0	827,500	(213)	827,287	
<b>Operations with equity holders or owners</b>	114,914	890,355	569,682	19,269	0	(1,927)	(88,794)	(2,331)	(575)	1,500,653	12,941	1,513,594	

(\*) 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 month period ended 30 June 2011

### **(1) General Information**

Grifols, S.A (hereinafter, 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 on 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 issued in May 2011, began quotation on the NASDAQ (United States) and on the Automated Quotation System in Spain on 2 June 2011 (see note 11).

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 Barcelona, 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**

The abridged consolidated interim financial statements for the six-month period ended at 30 June 2011 (hereinafter 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.

These interim financial statements have been prepared under the assumption that any one reading these statements will also have access to the Consolidated Annual Accounts of the Group for fiscal year 2010, prepared in accordance with the International Financial Reporting Standards (IFRS-EU) by the Board of Directors on 21 February 2011 and approved on the Annual General Meeting of the Parent Company on 24 May 2011. Consequently, it has not been necessary to repeat or to update the notes included in the aforementioned Consolidated Annual Accounts. Instead, the selected attached notes include a description of the events or variations that may be pertinent in order to explain the changes in the Group's financial situation and consolidated earnings since 31 December 2010.

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011

Accordingly, for a proper understanding of the information included in these interim financial statements, it is necessary to read these jointly with the Group's Consolidated Annual Accounts for fiscal year 2010.

These interim financial statements have been prepared by the Board of Directors at a meeting held on 21 July 2011.

The figures in these interim financial statements are expressed in thousand Euros.

The interim financial statements of Grupo Grifols for the first six months of 2011 have been prepared based on the accounting records kept by Grifols and by the other Group companies.

These interim financial statements reflect a true and accurate image of the Group's equity and financial situation at 30 June 2011, as well as of the results of its operations, its global income statements, and variations 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 2010.

In addition, the following standards that entered into force in 2011 have, accordingly, been taken into account for the preparation of these condensed consolidated interim financial statements:

- IAS 24 Revised Related Party Disclosures (effective date: 1 January 2011).
- Amendment to IFRIC 14: Prepayment of a minimum funding requirement (effective date: 1 January 2011).
- IFRS 7 Amendments resulting from May 2010 Annual Improvements (effective date: 1 January 2011).
- Amendment to IFRIC 13 Customer Loyalty Programmes (effective date: 1 January 2011).
- IAS 34 Amendments resulting from May 2010 Annual Improvements (effective date: 1 January 2011).
- IAS 1 Amendments resulting from May 2010 Annual Improvements (effective date: 1 January 2011).

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

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011

The European Union also issued the following standards that are effective for reporting periods beginning after 1 July 2011:

- 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)
- Amendment to IFRS 7 Financial Instrument: Disclosures – Transfer of Financial Assets (effective date: 1 July 2011)
- IFRS 9 Financial instruments (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)
- 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 consolidated 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 2011 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 corporate 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, S.A. AND SUBSIDIARIES**

### **Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011**

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

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 2010.

#### **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 2011 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. Note 1 (b) of the consolidated financial statements as at 31 December 2010 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 variations in the scope of consolidation during the interim period ended 30 June 2011 are detailed below:

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

for the six month period ended 30 June 2011

### Talecris Biotherapeutics Holdings Corp. and subsidiaries

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).

The operation was performed through a combined offer of cash and a new issue of Grifols non-voting shares (hereinafter Class B shares) (see note 11).

The offer was made in relation to all Talecris shares and the price offered per share amounted to US Dollars 19 in cash (totaling US Dollar 2,541 million) and 0.641 Grifols's Class B shares for each Talecris share issued held by Talecris LLC and directors of Talecris and 0.6485 Grifols's Class B shares for each Talecris share issued (totaling US Dollar 1,195 million).

On 2 May 2011, the Group signed a "Consent Agreement" with the Staff of the Bureau of Competition of the US Federal Trade Commission (FTC) by means of which the conditions for the merger transaction between both companies were agreed.

To satisfy the Consent Agreement conditions, the Group has signed agreements for the sale of assets and entered into certain commercial, lease and manufacturing agreements with the Italian company Kedrion, for up to seven years.

These agreements refer to the following areas:

- Kedrion and Grifols entered into a contract manufacturing agreement to fractionate and purify Kedrion's plasma to deliver IVIG and Albumin under Kedrion's private label, and Factor VIII under the trade name Koate, all of them for sale only in the United States.
- Grifols is committed to sell to Kedrion the Melville fractionation facility. Grifols lease from Kedrion the Melville fractionation facility being the lease term 3 years with an optional extension of up to 1 year at Grifols request.
- Grifols transfer to Kedrion all Koate (factor VIII) technology and commercial agreements for the US market. Grifols will produce Koate for Kedrion up to a period of 7 years.
- Grifols is committed to sell to Kedrion two plasma collection centers. In addition Grifols committed to sell 200.000 liters of source plasma to Kedrion at a fixed price.
- Grifols authorizes Kedrion to market and sell in the US, IVIG and albumin manufactured by Grifols for Kedrion.

These conditions established in the Consent Agreement have been executed on 3 June 2011.

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

for the six month period ended 30 June 2011

At the date of publication of these Consolidated Interim Financial Statements, taking into account that the transaction is recent and not all the information necessary to adequately determine the fair value of the assets, liabilities and contingent liabilities, the Group has not made any fair value adjustments to book values of Talecris at acquisitions date, prepared under IFRS. The areas under analysis are mainly tangible and intangible assets, acquired in-process research and development, customer relationships, developed and core technology, intellectual property, patents and trade names and contingent liabilities.

Details of the aggregate business combination cost and provisional fair value of the net assets acquired and provisional goodwill at the acquisition date (or excess of the cost of the business combination over the fair value of identifiable net assets acquired) follows. The values shown in the below table should therefore be considered as provisional amounts.

	<u>Thousands of Euros</u>	<u>Thousands of USD</u>
Cost of business combination (valuation of Class B Shares)	829,799	1,195,574
Cash paid (19 USD per share)	<u>1,763,601</u>	<u>2,540,997</u>
Total cost of business combination	2,593,400	3,736,571
Book value of net assets acquired (provisional)	<u>469,318</u>	<u>676,193</u>
Goodwill (excess of the cost of the business combination over the fair value of identifiable net assets acquired)	2,124,082	3,060,378
	<u>(see note 6)</u>	<u></u>
Cash paid	1,763,601	2,540,996
Cash and cash equivalents of the acquired company	(149,693)	(215,678)
Cash outflow for the acquisition	<u>1,613,908</u>	<u>2,325,319</u>

The fair value of Class B shares has been determined at the average price of the first weeks of quotation price on the stock exchange, being considered as a representative period for determining the fair value as they started quotation on 2 June.

Costs incurred in the acquisition amounting to Euros 55 million have been expensed as incurred and are included in Other operating expenses for an amount of Euros 38 million in the six month period ended 30 June 2011, Euros 2 million in the first half of the year 2010, and Euros 15 million in the second half of the year 2010.

Goodwill generated in the acquisition is attributed to the workforce, synergies and other expected benefits from the business combination of the assets and activities of the Group.

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

### for the six month period ended 30 June 2011

The acquisition of Talecris will consolidate the Group as the world's third largest producer of plasma products, significantly expanding its presence in the United States. Among other aspects, it will increase product availability in the market to the benefit of patients, through higher collection capacity and plasma fractionation, as well as with complementary R&D projects.

Had the acquisition taken place at 1 January 2011, the Group's revenue for the period would be Euros 503,625 thousand higher and consolidated profit for the period, excluding exceptional items as transaction costs and stock options cancellation costs derived from the change of control, would be Euros 75,478 thousand higher. Revenues and profits corresponding to Talecris from the date of acquisition to 30 June 2011 amount to Euros 104,730 thousand and Euros 17,926 thousand.

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

	Book value	
	Thousands of Euros	Thousands of USD
Intangible assets (note 7)	50,621	72,936
Property, plant and equipment (note 7)	306,401	441,462
Non - current financial assets	3,720	5,359
Deferred tax assets	80,115	115,429
Inventories	490,976	707,398
Trade and other receivables	126,772	182,653
Other assets	3,683	5,307
Cash and cash equivalents	149,693	215,678
<b>Total assets</b>	<b>1,211,981</b>	<b>1,746,222</b>
Non - current provisions	9,250	13,327
Non - current financial liabilities	6,289	9,061
Current financial liabilities	473,085	681,621
Current provisions	31,180	44,924
Trade and other payables	158,113	227,809
Other current liabilities	44,055	63,475
Deferred tax liabilities	20,691	29,812
<b>Total liabilities and contingent liabilities</b>	<b>742,663</b>	<b>1,070,029</b>
<b>Total net assets acquired</b>	<b>469,318</b>	<b>676,193</b>

The figures showed above correspond to the book value as at the date of publication of these Condensed Consolidated Interim Financial Statements, the fair value of the assets, liabilities and contingent liabilities was not finally determined.

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

for the six month period ended 30 June 2011

### (4) Financial Risk Management Policy

At 30 June 2011 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 2010.

### (5) Segment Reporting

The distribution by business segments of the Group's net revenues and consolidated income for the six month periods ended 30 June 2011 and 30 June 2010 is as follow:

SEGMENTS	Net revenues (Thousands of Euros)	
	Six months ended 30	Six months ended 30
	June 2011	June 2010
Bioscience	521,538	380,081
Hospital	49,289	45,146
Diagnostic	56,831	54,413
Raw materials + Other	7,683	8,169
<b>TOTAL</b>	<b>635,341</b>	<b>487,809</b>

SEGMENTS	Consolidated Income/(loss) (Thousands of Euros)	
	Six months ended 30	Six months ended 30
	June 2011	June 2010
Bioscience	186,521	162,938
Hospital	4,786	5,196
Diagnostic	(11,264)	4,798
Raw materials + Other	3,694	4,763
<b>Total income of reported segments</b>	<b>183,737</b>	<b>177,695</b>
Unallocated expenses plus net financial result	(157,777)	(88,843)
<b>Profit before income tax from continuing operations</b>	<b>25,960</b>	<b>88,852</b>



## GRIFOLS, S.A. AND SUBSIDIARIES

### Notes to Condensed Consolidated Interim Financial Statements

#### for the six month period ended 30 June 2011

The variation in the Diagnostic profit is mainly due to the goodwill impairment recognized in this period (see note 6).

The variation in the Bioscience segment profit reflects mainly the incorporation of one month of Talecris companies amounting to Euros 35,592 thousand.

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

### (6) Goodwill

Details and movement in goodwill during the six months ended 30 June 2011 are as follows:

	Thousand Euros				<b>Balance at 30/06/11</b>
	<b>Balance at 31/12/10</b>	Business Combination	Impairment	Translation differences	
<b>Net value</b>					
Grifols UK,Ltd. (UK)	7,982	0	0	(370)	7,612
Grifols Italia,S.p.A. (Italy)	6,118	0	0	0	6,118
Biomat USA, Inc. (USA)	113,052	0	0	(8,534)	104,518
Plasmacare, Inc. (USA)	38,464	0	0	(2,903)	35,561
Woolloomooloo Holdings Pty Ltd. (Australia)	23,832	0	(13,000)	(415)	10,417
Talecris Biotherapeutics (USA)	0	2,124,082	0	(6,612)	2,117,470
	189,448	2,124,082	(13,000)	(18,834)	2,281,696
		(note 3)			

Goodwill has been allocated to each of the Group's cash-generating units (CGUs) in accordance with their respective business segments and on a geographical basis, this being the lowest level at which goodwill is controlled for management purpose and lower than the operating segments. Plasmacare, Inc. is integrated into the management of Biomat USA, Inc. for the purpose of impairment testing.

Goodwill has been allocated to the cash generating units as follows:

- UK: bioscience segment
- Italy: bioscience segment
- USA: bioscience segment
- Australia: mainly to diagnostic segment.

Goodwill resulting from the Talecris acquisition is still provisional as the estimation of the fair value of assets, liabilities and contingent liabilities of the business acquired is in progress (see note 3).

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

### for the six month period ended 30 June 2011

The recoverable amount of a CGU is determined based on its value in use. These calculations use cash flow projections based on the financial budgets approved by management. Cash flows estimated as of the year in which stable growth has been reached are extrapolated using the estimated growth rates indicated below.

At 30 June 2011, on the basis of the profits generated during the six-month period ended 30 June 2011, there are no indications that the goodwill of the CGUs belonging to the Bioscience segment has been impaired.

For the six months ended 30 June 2011, there was an impairment indicator for the Australia CGU and therefore goodwill impairment was prepared. The CGU's market performance was lower than expected. As a result of the impairment test performed, an impairment of the CGU's goodwill (diagnostic) of Euros 13,000 thousand has been accounted for at 30 June 2011.

The key assumptions used in calculating values in use for the year ended 31 December 2010 and for the six month period ended 30 June 2011 were as follows:

	31/12/2010	
	Growth rate	Pre- tax discount rate
Bioscience	2.0% - 3.0%	10.5% - 10.9%
Diagnostic	2.0%	10.4%

  

	30/06/2011	
	Growth rate	Pre - tax discount rate
Bioscience	N/A	N/A
Diagnostic	2.0%	11.5%

Management determined budgeted gross margins based on past experience and forecast market development. Average weighted growth rates are coherent with the forecasts included in industry reports. The discount rate used reflects specific risks related to the CGU.

## GRIFOLS, S.A. AND SUBSIDIARIES

### Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011

#### (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 2011 is as follows:

	Other intangible Assets	Property, plant and equipment	Total
<b>Total Cost at 31/12/2010</b>	151,861	656,295	808,156
<b>Total dep. &amp; amort. At 31/12/2010</b>	(73,562)	(221,515)	(295,077)
<b>Impairment at 31/12/2010</b>	0	(649)	(649)
<b>Balance at 31/12/2010</b>	78,299	434,131	512,430
<b>Cost</b>			
Additions	9,997	43,101	53,098
Business Combination	50,621	306,401	357,022
Disposals	(588)	(123,965)	(124,553)
Transfers	(126)	(885)	(1,011)
Translation differences	(2,515)	(19,327)	(21,842)
<b>Total Cost at 30/06/2011</b>	209,250	861,620	1,070,870
<b>Depreciation &amp; amortization</b>			
Additions	(8,630)	(19,526)	(28,156)
Disposals	0	13,727	13,727
Transfers	600	411	1,011
Translation differences	816	5,553	6,369
<b>Total dep. &amp; amort. At 30/06/2011</b>	(80,776)	(221,350)	(302,126)
<b>Impairment</b>			
Additions	0	114	114
<b>Impairment at 30/06/2011</b>	0	(535)	(535)
<b>Balance at 30/06/2011</b>	128,474	639,735	768,209

Additions in property, plant and equipment mainly relates to the Bioscience segment, Talecris contributing an amount of Euros 16 million.

**GRIFOLS, S.A. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**for the six month period ended 30 June 2011**

At 30 June 2011 there are no indications that these assets have been impaired.

The key assumptions used in calculating value in use for intangible assets with indefinite useful lives for the year 2010 were as follows:

Growth rate used to extrapolate projections: 3.0%  
Pre-tax discount rate: 10.9%

**(a) Sale of Spanish properties and lease back**

On 10 May, 2011 the Group sold five properties based in Spain mainly related to non-core assets such as offices and warehouses and a factory premise, by an aggregated amount of Euros 80.4 million to Gridpan Invest, S.L., a company fully owned by Scranton Enterprises, B.V., a related party of Grifols, S.A. Two of the premises were sold together with its related mortgage loans amounting in total to Euros 53.5 million. As a result of the transactions the Group has recognized a net loss of Euros 7.4 million. The prices paid for the properties were established based on the appraisals made by independent appraisers.

At the same time, operating lease agreements for the aforementioned properties were entered into with Gridpan Invest, S.L., the main terms of the agreements being as follows:

- Compulsory initial term of five years,
- Initial rent established at market prices and will be reviewed annually, based on the percentage variation in the Spanish Consumer Price Index (CPI),
- Automatic extensions of five-year periods that can be avoided by both parties by a six month anticipated notice.
- Upon vacating the premises, the lessor will reimburse Grifols for the remaining value of leasehold improvements Grifols made.

In addition, the Group entered into a free of charge purchase option over the shares of Gridpan Invest, S.L. exercisable between 10 May 2016 and 10 May 2017. The strike price will be at market value at the date of exercise, based on independent appraisers.

The rental expense recognized by the Group for the six months period ended 30 June 2011 in connection with these agreements amounted to Euros 1,084 thousand, which related in full to the minimum contractual payments.

## GRIFOLS, S.A. AND SUBSIDIARIES

### Notes to Condensed Consolidated Interim Financial Statements

for the six month period ended 30 June 2011

#### **(b) Sale of properties and equipment in the USA and lease back**

On 9 June 2011 the Group entered into several agreements for the sale and lease back of a manufacturing building and related equipment to third party companies California Biogrif 330, LP and LA 300 Biologicals Financing, LP respectively. In addition, a lease was entered into for the piece of land on which the building sold is constructed, for a term of 99 years, to the same party. The sales price received for the building amounted to US Dollars 35.4 million (Euros 24.6 million) and the sales price for the equipment US Dollars 23.8 million (Euros 16.5 million).

The lease of the building has been designed as operating, while the lease of the equipment is considered as finance considering the terms of the purchase option. As a result of the sale of the building, the Group has recognized a net loss of US Dollars 2.4 million (Euros 1.3 million) mainly due to the expenses incurred on the transaction.

The main terms of the operating lease agreement over the building are as follows:

- Compulsory initial term of 20 years.
- Initial rent has been established at market prices and will be reviewed annually with a 3% increase. On the first day of the sixth year, the remaining rents until year twenty will be paid in advance in a lump sum.
- Renewal option to extend for a ten-year period at Grifols Group election.
- Purchase options granted during the sixth year and in year twenty (20) at market value, to be estimated by independent appraisers.

The main terms of the finance lease agreement over the equipment are a compulsory term of five years, and sixty (60) monthly rent instalments of US Dollars 529 thousand (Euros 369 thousand). The lease agreement is not renewable and provides for the repurchase of the equipment at the end of the term for \$1.

The rental expense recognized by the Group for the six month period ended 30 June 2011 in connection with the operating lease agreement amounted to US Dollars 148 thousand (Euros 103 thousand) , which related in full to the minimum contractual payments.

## GRIFOLS, S.A. AND SUBSIDIARIES

### Notes to Condensed Consolidated Interim Financial Statements

**for the six month period ended 30 June 2011**

Future minimum non-cancellable payments of new operating leases derived from the above mentioned operating leases and Talecris business acquisition are as follows:

	Thousand Euros
	30/06/11
Maturity:	
Up to 1 year	20,990
Between 1 and 5 years	87,742
More than 5 years	17,293
	126,025
Total future minimum payments	

Details of minimum payments and the current finance lease liabilities incurred on the financial lease transaction over the equipment in the US described above, by maturity date, are as follows:

	Thousand Euros	
	30/06/11	
	Current	Non-current
Minimum payments	4,659	17,295
Interest	(1,932)	(3,553)
	2,727	13,742
Present value		

	Thousand Euros		
	30/06/11		
	Minimum payments	Interest	Present value
Maturity at:			
Less than one year	4,659	1,932	2,727
Two years	4,391	1,486	2,905
Three years	4,391	1,119	3,272
Four years	4,391	706	3,685
Five years	4,124	241	3,883
	21,956	5,484	16,472
Total			

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

### for the six month period ended 30 June 2011

#### **(8) Trade Receivables**

At 30 June 2011, some Group companies had signed purchase 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 73,116 thousand for the six month period ended at 30 June 2011 (Euros 88,747 thousand for the six month period ended 30 June 2010).

The financial expenses of these operations incurred by the Group for the six month period ended 30 June 2011 amounted to approximately Euros 2,194 thousand (Euros 3,958 thousand for the six month period ended at 30 June 2010) which are recorded under the "Finance Expenses" caption in the condensed consolidated income statement.

#### **(9) Other current assets**

Other current assets corresponding to the costs incurred in connection with the issuance of new share capital increase have been taken to equity when the capital increase has been performed while other current assets corresponding to the issuance of senior debt and High Yield bonds, have been deducted from the financial liability when the debt has been issued (2 June 2011) (see note 12). Expenses amounting to Euros 38,607 thousand, for the six month period ended 30 June 2011, incurred related to the business combination have been expensed (Euros 2,019 thousand for the six month period ended at 30 June 2010).

#### **(10) Cash and Cash equivalents**

At 30 June 2011, cash and cash equivalents includes Euros 428 million in a restricted cash account in order to pay the bonds proceeding from Talecris, which have been subsequently paid on 1 July 2011 (see note 12).

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

- The Group has sold properties in Spain amounting to Euros 80.4 million which together with its related mortgage loan of Euros 53.5 million resulted in a net cash inflow of Euros 26.9 million (see note 7).
- Part of the consideration paid in the acquisition of Talecris Group has been realized by delivery of Class B shares (see note 3). The issue of Class B shares has had no cash impacts.

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011

At 30 June 2011 net cash from operating activities amounts to Euros 16,694 thousand. The impact of non-recurring effects are the following:

- This amount includes a decrease in profit before tax due to the transaction costs incurred by the Group during the six month period ended 30 June 2011 amounting to Euros 38,607 thousand (2,019 thousand for the six months ended at 30 June 2010) that have been paid in this period.
- Change in current trade and other payables includes Euros 19,516 thousand corresponding to business combination costs accrued by Talecris companies prior to acquisition date and paid during June 2011.

### **(11) Capital and Reserves**

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

#### **(a) Share Capital and Share Premium**

As authorised by the shareholders at their extraordinary shareholders' general meeting held on 25 January 2011, the Parent Company agreed to increase share capital through the issue of 83,811,688 new non-voting shares (Class B shares), which have been used in its acquisition of Talecris. These shares are listed on the NASDAQ Global Market (United States) and the Automated Quotation System ("mercado continuo") (Spain).

At 30 June 2011 the Company's share capital currently stands at 114,913,618 Euros, represented by:

- Class A Shares: 213,064,899 ordinary shares of 0.50 Euros nominal value each, fully subscribed and paid up, of the same class and series being the ordinary shares of the Company.
- Class B Shares: 83,811,688 preference non-voting shares of 0.10 Euros nominal value each, of the same class and series, and with the preferential rights set forth in the Company's by laws.



# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011

On 1 June 2011 Grifols, S.A. informed that the “Nota sobre Acciones” (Securities Note) requested for the admission to trading of Class B Shares was registered. Grifols has requested the admission to trading of the Class B Shares on the Stocks Exchanges of Madrid, Barcelona, Bilbao and Valencia as well as on Automated Quotation System (“mercado continuo”) and, through the American Depositary Shares (ADSs), on the National Association of Securities Dealers Automated Quotation (NASDAQ). The trading of Class B Shares on the Stock Market Interconnection System and the ADSs on the NASDAQ started on 2 June 2011.

The fair value of the Class B Shares has been estimated as its market value on the first weeks of quotation, as they began quotation on 2 June 2011. The positive difference amounting to Euros 52,864 thousand arising between the value assigned in the deeds of the share increase (Euros 776,935 thousand) and the fair value (Euros 829,799 thousand) has been presented as reserves.

The main characteristics of the Class B shares are as follows:

- Each Class B share entitles its holder to receive a minimum annual preferred dividend out of the distributable profits at the end of each fiscal year equal to a 0.01 Euros per Class B share if the aggregate preferred dividend does not exceed the distributable profits of that fiscal year. This preferred dividend is not cumulative if no sufficient distributable profits are obtained in the year.
- Each Class B share is entitled to receive, in addition to the preferred dividend referred to above, the same dividends and other distributions as one Grifols ordinary share.
- Each Class B share entitles its holder to have it redeemed under certain circumstances, if a tender offer for all or part of the shares in the Company is made and settled except if holders of Class B shares have been entitled to participate in such offer and have their shares acquired in such offer equally and on the same terms as holders of Class A shares. Terms and conditions of redemption incorporated in by laws limit the amounts to be redeemed to the existence of distributable reserves and limit the percentage of shares to be redeemed to a relation to the ordinary shares to which the offer is addressed.
- Each Class B shares has the right to receive prior to the ordinary shares, upon the winding-up and liquidation of Grifols, an amount equal to the sum of (i) the nominal value of each Class B share, and (ii) the share premium paid-up for such Class B share when it was subscribed for. Each holder is entitled to receive, in addition to the Class B liquidation amount, the same liquidation amount that is paid to each Grifols ordinary share.

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011

### (b) Reserves

The availability of the reserves for distribution is subject to legislation applicable to each of the Group companies. At 30 June 2011, an amount of Euros 28,811 thousand which is equivalent to the carrying amount of development costs pending amortisation of certain Spanish companies (Euros 28,876 thousand at 31 December 2010) 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 2011 and 31 December 2010 the legal reserve of the Parent Company amounts to Euros 21,306 thousand.

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 2011 and 31 December 2010 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 692 thousand at 30 June 2011 and 31 December 2010.

### (c) Own Shares

The Parent Company has executed the following transactions with its own shares during the six month period ended 30 June 2010. There were no movements in own shares from 30 June 2010 through 30 June 2011.

	<u>Num. of shares</u>	<u>Thousand Euros</u>
Balance at 1 January 2010	53,326	677
Acquisitions	105,000	1,250
<b>Balance at 30 June 2010 and 30 June 2011</b>	<b>158,326</b>	<b>1,927</b>

The Parent holds own shares equivalent to 0.05% of its capital at 30 June 2011 (0.07% at 31 December 2010).

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

for the six month period ended 30 June 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.

There were no dividends payments during the six month period ended 30 June 2011 and 2010. With regard to the results of the annual period 2009, the dividend approved at the Shareholder General Assembly in 2010 was paid in July 2010.

### (12) Financial Liabilities

The detail of non-current financial liabilities at 30 June 2011 and 31 December 2010 is as follow:

Non-current financial liabilities	Thousand Euros	
	30/06/11	31/12/10
Issue of Corporate bonds (a)	0	446,918
Issue High Yied Bonds (a)	761,088	0
Transaction costs on bonds	(110,542)	(5,715)
Non-current promissory notes (a)	650,546	441,203
Tranche A (US Dollars)	830,277	0
Tranche B (US Dollars)	892,721	0
Tranche A (Euros)	213,125	0
Tranche B (Euros)	217,800	0
Implicit Floor and swap floor	(19,565)	0
Transaction costs on loans and borrowings	(185,314)	(1,365)
Club Deal	0	100,000
Other loans	18,391	120,813
Finance lease liabilities	24,963	4,734
Loans and borrowings (b)	1,992,398	224,182
Loans and borrowings and bonds or other non current marketable securities	2,642,944	665,385
Financial derivatives	61,685	0
Other non-current financial liabilities	10,715	10,474
	<b>2,715,344</b>	<b>675,859</b>

# GRIFOLS, S.A. AND SUBSIDIARIES

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for the six month period ended 30 June 2011

### (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 already completed syndicated loan disclosed in the following paragraphs, allowed the Company to obtain necessary funds to pay the acquisition of Talecris (see note 3) on 2 June 2011.

As requested by this new credit agreement, on 2 June 2011 the Group has cancelled the US Private Placement (corporate bonds) totaling US Dollar 600 million and has expensed all associated transaction costs. The make-whole premium payment related to the required extinguishment of the US Private Placement amounting to Euros 112 million has been included as transaction costs as the payment was a requirement for obtaining new credit agreement. These costs together with other debt issuance costs (underwriting fees, ticking fees, closing fees, etc.) amounting to further Euros 239 million have been deferred as transaction costs based on the allocation to the associated liabilities.

The breakdown and variations of corporate bonds at 30 June 2011 and 30 June 2010 are as follows:

	Initial balance at 01/01/11	Issue	Redemption and Repayments	Exchange differences an 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 outside a member state of the European Union (nominal value)	446,918	761,088	(415,270)	(31,648)	761,088
<b>TOTAL</b>	<b>455,291</b>	<b>771,078</b>	<b>(423,643)</b>	<b>(31,648)</b>	<b>771,078</b>

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements

**for the six month period ended 30 June 2011**

	Initial balance at 01/01/11	Issue	Redemption and Repayments	Exchange differences an 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)	6,510	8,334	(6,510)	0	8,334
Other debt securities issued outside a member state of the European Union (nominal value)	416,147	0	0	72,404	488,551
<b>TOTAL</b>	<b>422,657</b>	<b>8,334</b>	<b>(6,510)</b>	<b>72,404</b>	<b>496,885</b>

The details of the new issue of corporates bonds are as follows:

- Company name : Grifols Inc.
- Relationship with the company that publishes : Subsidiary
- Country: United States of America
- Rating: Standard & Poors: B; Moody's: B3
- ISIN code : not aplicable as unquoted
- Value Type : unsecured bond
- Operation Date : 13 January 2011
- Issue amount : US Dollars 1.100 million
- Balance : US Dollars 1.100 million
- Interest rate : 8.25%
- Unquoted
- Guaranteed by Grifols, SA, Grifols Inc., and other subsidiaries listed as guarantors in credit agreement.

### **(b) Loans and borrowings**

On 23 November 2010 the Group signed loan agreements amounting to US Dollars 3,400 million for the purchase of Talecris. Details of this collateralized senior debt are as follows:

- **Non-current syndicated 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 :**
    - Aggregate Principal Amount of US Dolares 1,200 million.
    - Applicable margin of 375 basic points (bp) linked to US Libor.
    - Floor over US Libor of 1.75%
  - **Foreign Tranche A :**
    - Aggregate Principal Amount of Euros 220 million.
    - Applicable margin of 400 basic points (bp) linked to Euribor.

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### Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011

- Floor over Euribor of 1.75%

The detail of the Tranche A by maturity is as follows:

		US Tranche A		Foreign Tranche A	
		Amortization in thousands of US Dollar	Amortization in thousands of Euros	Currency	Amortization in thousands of Euros
Maturity					
2012	US Dollars	112,500	77,839	Euros	20,625
2013	US Dollars	127,500	88,217	Euros	23,375
2014	US Dollars	180,000	124,542	Euros	33,000
2015	US Dollars	585,000	404,760	Euros	107,250
2016	US Dollars	195,000	134,920	Euros	35,750
Total	US Dollars	1,200,000	830,277	Euros	220,000

○ **Non-current syndicated financing Tranche B:** six year loan (payment of whole principal upon maturity) divided into two tranches: US. Tranche B and Foreign Tranche B.

▪ **U.S Tranche B :**

- Aggregate Principal Amount of US Dollars 1,300 million.
- Applicable margin of 425 basic points (bp) linked to US Libor.
- Floor over US Libor of 1.75%

▪ **Foreign Tranche B :**

- Aggregate Principal Amount of Euros 220 million.
- Applicable margin of 450 basic points (bp) linked to Euribor.  
Floor over Euribor of 1.75%

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### for the six month period ended 30 June 2011

The detail of the Tranche B by maturity is as follows:

		US Tranche B		Foreign Tranche B	
		Amortization in thousands of US Dollar	Amortization in thousands of Euros	Currency	Amortization in thousands of Euros
Maturity					
2011	US Dollars	6,500	4,497	Euros	1,100
2012	US Dollars	13,000	8,995	Euros	2,200
2013	US Dollars	13,000	8,995	Euros	2,200
2014	US Dollars	13,000	8,995	Euros	2,200
2015	US Dollars	13,000	8,995	Euros	2,200
2016	US Dollars	9,750	6,746	Euros	1,650
2017	US Dollars	1,231,750	852,245	Euros	208,450
Total	US Dollars	1,300,000	899,467	Euros	220,000

○ **Senior revolving credit facility** amounting to US Dollars 300 million. No amounts have been drawn against the credit facility as of 30 June 2011.

- **U.S Revolving Credit Facility :**
  - Committed Amount : US Dollars 50 million
  - Applicable margin of 375 basis point (bp).
  
- **U.S. Multicurrency Revolving Credit Facility:**
  - Committed Amount : US Dollars 200 million
  - Applicable margin of 375 basis point (bp)
  
- **Foreign Revolving Credit Facility :**
  - Committed Amount : US Dollars 50 million.
  - Applicable margin of 400 basis point (bp).

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for the six month period ended 30 June 2011

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

Maturity	Thousands of Euros	
	High Yield Bond	Tranche A and B Senior Loan
2011	59,301	80,474
2012	62,790	235,792
2013	62,790	241,228
2014	62,790	279,372
2015	62,790	613,129
2016	62,790	248,557
2017	62,790	1,087,608
2018	763,994	0
Total	1,200,034	2,786,160

The issue of the High Yield Bond and Credit Agreement are subject to compliance with certain covenants. At 30 June 2011 the Group is in compliance with these covenants.

Grifols, S.A., Grifols Inc. and significant subsidiaries are guarantors of the new debt. Significant subsidiaries are those that meet 85% of earnings before interests, tax, depreciation and amortization, 85% of total consolidated assets and 85% of aggregated turnover of the Group or represents more than 3% of the above measures.

Club Deal and bilateral loans amounting to Euros 297 million have been cancelled on 2 June 2011. All deferred costs associated with them and the remaining cash flow hedge related to the US Private Placement carried out in October 2009 (totally amounting to Euros 9.3 million) have been expensed.

### (c) Derivatives

As the floor included in Tranche A and Tranche B loans is in the money, embedded derivatives exist in those contracts, which have been fair valued and separated from the loans.

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 have a notional of US Dollars 1,550 million each. The interest rate swap complies with the criteria required for hedge accounting.



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The detail of derivatives at 30 June 2011 and 31 December 2010 is as follows:

Financial Derivatives	Thousands of euros			
	Notional at 30/06/11	Notional at 31/12/10	Value at 30/06/11	Value at 31/12/10
Interest Rate Swap	50,000	50,000	(1,146)	(1,809)
Interest Rate Swap (Cash flow hedge)	1,072,442	--	(3,829)	--
Implicit Floor	3,113,540	--	(54,364)	--
Currency Rate Swap	47,800	--	(2,346)	--
Liability	4,283,782	50,000	(61,685)	(1,809)
Unquoted future	17,416	23,221	3,344	(2,821)
Unquoted future	26,370	26,370	4,078	(3,930)
Swap floor	1,072,442	--	32,558	--
Assets	1,116,227	49,591	39,980	(6,751)

The swap floor value at 30 June 2011 is included in non-current financial assets. The last maturity date of the swap floor is 2016.

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011

The detail of current financial liabilities 30 June 2011 and 31 December 2010 is as follows:

Current financial liabilities	Thousand Euros	
	30/06/11	31/12/10
Talecris bonds (note 10)	427,691	0
Transaction costs High Yield Bonds	(18,032)	0
Interest accrued on bonds	27,907	7,207
Promisory notes	9,586	8,235
Bonds	447,152	15,442
Tranche A (US Dollars)	0	0
Tranche B (US Dollars)	6,746	0
Tranche A (Euros)	6,875	0
Tranche B (Euros)	2,200	0
Transaction costs on loans and borrowings	(37,216)	(708)
Club Deal	0	66,667
Other loans	75,079	106,954
Finance lease liabilities	6,538	3,280
Loans and borrowings	60,222	176,193
Loans and borrowings and bonds or other current marketable securities	507,374	191,635
Financial derivatives	7,320	8,560
Other current financial liabilities	10,016	9,676
Other current financial liabilities	17,336	18,236
	<b>524,710</b>	<b>209,871</b>

### (13) Financial Income and Expenses

In relation to futures contracts with a creditworthy financial entity the underlying asset of which is Company shares, the financial income/(loss) for the six month period ended 30 June 2011 reflects an unrealised gain of Euros 14.2 million (loss of Euros 15.8 million for the six month period ended at 30 June 2010). On 30 May 2011 the Company has sold 500,000 futures and realized a gain of Euros 1 million. In June 2011 the remaining future contracts were extended until December 2011.

# GRIFOLS, S.A. AND SUBSIDIARIES

## Notes to Condensed Consolidated Interim Financial Statements for the six month period ended 30 June 2011

### (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 25.9% for the six month period ended 30 June 2010 to 28.3% for the six month period ended 30 June 2011 mainly due to a greater portion of earnings being taxed at a higher tax rate due to the inclusion of Talecris.

### (15) Average Workforce

The average consolidated workforce of the Group at 30 June 2011 and 2010 is as follows:

	Consolidated	
	June 2011	June 2010
Men	5,283	2,831
Women	5,891	3,050
<b>Total</b>	<b>11,174</b>	<b>5,881</b>

### (16) Discontinued Operations

The Group does not consider any operations as discontinued for the six month period ended 30 June 2011.

### (17) Commitments and Contingencies.

There have been no significant changes to the Group's commercial commitments during the first half of 2011. We have included information regarding significant litigation matters and other contingencies related to Talecris below.

#### (a) Capital Commitments

At 30 June 2011 the Group has commitments and open purchase orders for capital spending from Talecris of approximately US Dollars 114.2 million.

#### (b) Plasma Centers of America, LLC and G&M Crandall Limited Family Partnership

On 13 December 2010, a jury in the state court case rendered a verdict in the amount of US Dollar 37.0 million in favor of Plasma Centers of America, LLC

## GRIFOLS, S.A. AND SUBSIDIARIES

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(PCA) against Talecris Plasma Resources Inc. (TPR) in a breach of contract claim, which was confirmed by the court in post trial motions. The Talecris management filed an appeal to the North Carolina Court of Appeals to review the judgment entered in this case. The jury verdict, if sustained, will bear simple interest at 8% per statute from the date of breach, which totals approximately US Dollars 8.2 million at 30 June 2011, of which US Dollars 1.5 million was accrued during the six month period ended 30 June 2011 and US Dollars 6.7 million was accrued during the year ended 31 December 2010. The acquired net assets of Talecris Group included US Dollars 45.2 million within current provisions in the consolidated balance sheet related to the PCA judgment.

During the first quarter of 2011, the Talecris Group secured an appeal bond from a surety company in the amount of US Dollars 25.0 million in regard to this litigation.

#### (c) Foreign Corrupt Practices Act

The Talecris Group is conducting an internal investigation into potential violations of the Foreign Corrupt Practices Act (FCPA) that they became aware of during the conduct of 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 they are also reviewing sales practices in Brazil, Bulgaria, China, Georgia, Libya, Poland, Turkey, Ukraine, 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 our cooperation in any investigation that they want to conduct or they want us to conduct. The DOJ has not indicated what action it may take, if any, against us or any individual, or the extent to which it may conduct its own investigation. Even though they self-disclosed this matter to the DOJ, it or other federal agencies may seek to impose sanctions on us 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 the Talecris Group does business may initiate their own investigations and impose similar penalties. As a result of this investigation, we suspended shipments to some of these countries while the Talecris Group put 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 Talecris Group has resumed sales in countries where the Talecris Group believes they have appropriate safeguards in place and are reallocating product to other countries as necessary. To the extent that they conclude, or the DOJ concludes, that they cannot implement adequate safeguards or otherwise need to change our business practices, distributors, or consultants in affected countries or other countries, this may result in a permanent loss of business from those countries. The Talecris Group

## GRIFOLS, S.A. AND SUBSIDIARIES

### Notes to Condensed Consolidated Interim Financial Statements

#### for the six month period ended 30 June 2011

completed their internal FCPA investigation during the first quarter of 2011 and made an initial presentation of some of their findings to the DOJ in July 2011. The preliminary findings of this investigation indicate that it is probable that there were FCPA violations by persons associated with the Talecris Group that the DOJ or other regulators may assert are attributable to the Group.

Any sanctions or related loss of business could have a material adverse effect on the Group or our results of operations. It is possible; however, that any sanctions that DOJ or other federal agencies might otherwise consider imposing would be reduced, if not eliminated, in light of the comprehensive compliance measures that they have implemented. Given the preliminary nature of our findings, the continuing investigation and the uncertainties regarding this matter, the Group is unable to estimate the financial outcome and consequently, has not accrued any amounts related to the outcome of this matter.

#### **(d) Compliance with Pharmaceutical Pricing Agreement**

In November 2009, the Talecris Group received a letter from the United States Attorney's Office for the Eastern District of Pennsylvania (USAO). The USAO requested a meeting to review our compliance with the terms of the Pharmaceutical Pricing Agreement (PPA) under the Public Health Service program. Specifically, the USAO asked for information related to the sale of our IGIV product, Gamunex, under that program. In order to have federal financial participation apply to their products under the Medicaid program and to obtain Medicare Part B coverage, manufacturers are required to enter into a PPA. The PPA obligates manufacturers to charge covered entities the Public Health Service price for drugs intended for outpatient use. The Public Health Service price is based on the Medicaid rebate amount. The Group believes that they have complied with the terms of the PPA and federal law. If the USAO determines that the Talecris practices are inconsistent with the terms of the PPA, the USAO has stated that it may file a civil action against us under the Anti-fraud Injunction Act and seek a court order directing the company to comply with the PPA or, potentially, proceed under some other legal theory. The Group could also be subject to fines, damages, penalties, appointment of a monitor, or enhancement of existing compliance and training programs as a result of government action. The Group is cooperating with the investigation and intend to respond to information requests from the USAO. Based on the information obtained to date, the Group have not determined that any potential liability that may result is probable or can be reasonably estimated. Therefore, the Group has not made any accrual in our unaudited condensed consolidated interim financial statements at 30 June 2011.

## GRIFOLS, S.A. AND SUBSIDIARIES

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**for the six month period ended 30 June 2011**

#### (18) Related Parties

Transactions with related parties have been performed as part of the Groups' ordinary trade and have been performed at arm's length. The sale and lease back transaction with related parties described in note 7 a) and has been made at arm's length.

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)		(15,045)	(120)
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 issuance of debt and are deducted from equity and from financial liabilities.

A director signed a consultancy agreement for a three years period for which fees amount to US Dollar 1 million per year and an additional bonus fee of US Dollar 2 million payable upon the fulfilment of certain conditions.

Trade and other receivables at 30 June 2011 include an amount of Euros 14,471 thousand with related companies.

Group transactions with related parties during the six months ended 30 June 2010 were as follow:

	Thousand Euros		
	Key management personnel	Other related parties	Board of directors of the company
Other service expenses	--	(5,912)	(90)
Personnel expenses	(2,931)	--	(1,033)
	(2,931)	(5,912)	(1,123)

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Non-executive board members representing shareholders interests have received no remuneration during the six month period ended on 30 June 2011 and 2010.

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.

**(19) Subsequent Events**

From 30 June 2011 to the signing date of the attached financial statements, no subsequent event has taken place which, due to its importance, should have been mentioned in these Notes.