

GRIFOLS, S.A. and Subsidiaries

Consolidated Annual Accounts prepared under EU-endorsed
International Financial Reporting Standards
and Consolidated Directors' Report

31 December 2007

(With Auditors' Report thereon)

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



KPMG Auditores S.L.
Edifici La Porta de Barcelona
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08034 Barcelona

Auditors' Report on the Consolidated Annual Accounts

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

To the Shareholders of
Grifols, S.A.

We have audited the consolidated financial statements of Grifols, S.A. (the Company) and subsidiaries (the Group) which comprise the consolidated balance sheet at 31 December 2007, the related consolidated statement of profit and loss, the consolidated cash flow statement, the statement of changes in consolidated equity for the year then ended and the consolidated notes thereto, the preparation of which is the responsibility of the Parent company's board of directors. Our responsibility is to express an opinion on the consolidated financial statements, taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the consolidated financial statements and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these consolidated financial statements also include, for each individual caption in the consolidated balance sheet, consolidated statement of profit and loss, consolidated cash flow statement, statement of changes in consolidated equity and the consolidated notes thereto, comparative figures for the previous year. We express our opinion solely on the consolidated financial statements for 2007. On 19 February 2007 we issued our unqualified audit report on the consolidated annual accounts for 2006.

In our opinion, these consolidated annual accounts for 2007 present fairly, in all material respects, the consolidated shareholders' equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2007, and the consolidated results of their operations, changes in consolidated equity and consolidated cash flows for the year then ended and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with EU-endorsed international financial reporting standards, applied on a basis consistent with that of the preceding year.

The accompanying consolidated directors' report for 2007 contains such explanations as the Parent company's directors consider relevant to the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2007. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Grifols, S.A. and subsidiaries.

KPMG AUDITORES, S.L.

David Ghosh Basu (signed)

14 February 2008

GRIFOLS, S.A. AND SUBSIDIARIES

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31 December 2007 and 2006

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GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated balance sheets

31 December 2007 and 2006

(In thousands of Euros)

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

Assets	31/12/07	31/12/06
Non-current assets		
Intangible assets (note 6)		
Goodwill	150,243	150,820
Other assets	57,223	60,850
Total intangible assets	207,466	211,670
Property, plant and equipment (note 7)	201,332	184,993
Investments (note 8)		
Investments accounted for using the equity method	243	253
Other investments	868	843
Total investments	1,111	1,096
Deferred tax assets (note 28)	34,110	41,452
Financial assets available-for-sale (note 9)	23	1,169
Total non-current assets	444,042	440,380
Current assets		
Inventories (note 10)	270,659	235,475
Trade and other receivables (note 11)	205,256	196,998
Short-term investments (note 12)	7,088	6,232
Derivatives (note 20)	512	0
Public entities (note 13)	6,322	7,706
Cash and cash equivalents	5,690	26,883
Total current assets	495,527	473,294
Total assets	939,569	913,674

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

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated balance sheets 31 December 2007 and 2006 (In thousands of Euros)

Equity and liabilities	31/12/07	31/12/06
Equity (note 14)		
Share capital	106,532	106,532
Reserves	316,288	284,040
Profit for the year	87,774	45,394
Treasury shares	(28,893)	0
Translation differences	(98,516)	(68,022)
Total majority shareholders' equity	383,185	367,944
Minority interests (note 15)	981	408
Total equity	384,166	368,352
Liabilities		
Non-current liabilities		
Borrowings (note 17)	178,425	198,329
Other payables (note 18)	16,608	18,367
Deferred tax liabilities (note 28)	43,794	45,862
Total non-current liabilities	238,827	262,558
Current liabilities		
Notes and other liabilities (note 16)	5,521	5,375
Borrowings (note 19)	172,019	132,748
Derivatives (note 20)	0	648
Payables to related parties (note 21)	24	39
Trade payables (note 22)	94,723	82,271
Other payables (note 23)	29,123	45,075
Public entities (note 13)	15,166	16,608
Total current liabilities	316,576	282,764
Total liabilities	555,403	545,322
Total equity and liabilities	939,569	913,674

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

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated income statements for the years ended 31 December 2007 and 2006 (In thousands of Euros)

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

Profit and loss	31/12/07	31/12/06
Revenues		
Net sales (note 24)	703,291	648,417
Total revenues	<u>703,291</u>	<u>648,417</u>
Operating expenses		
Change in inventories of finished goods and work in progress and cost of raw materials consumed and services (note 10)	(179,426)	(203,172)
Personnel expenses (note 25)	(209,049)	(184,730)
Depreciation and amortisation (notes 6 and 7)	(31,528)	(29,357)
Other operating expenses (note 26)	(136,934)	(131,087)
Total operating expenses	<u>(556,937)</u>	<u>(548,346)</u>
Operating profit	<u>146,354</u>	<u>100,071</u>
Financial income/expense		
Financial income	5,762	7,526
Financial expense	(23,930)	(43,100)
Exchange gains/(losses)	(4,618)	(1,064)
Net financing costs (note 27)	<u>(22,786)</u>	<u>(36,638)</u>
Interest in equity accounted companies (note 8)	19	76
Profit before income tax	<u>123,587</u>	<u>63,509</u>
Income tax (note 28)	(35,239)	(17,824)
Profit after income tax	<u>88,348</u>	<u>45,685</u>
Minority interest (note 15)	574	291
Profit attributable to the Group	<u>87,774</u>	<u>45,394</u>

The accompanying notes form an integral part of the consolidated annual accounts.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated cash flow statements for the years ended 31 December 2007 and 2006

(In thousands of Euros)

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

	31/12/07	31/12/06
<u>Cash flows from operating activities</u>		
Net profit	87,774	45,394
Profit / (loss) from equity accounted companies	(19)	(76)
Net provisions for fixed assets	31,528	29,357
Net provisions for liabilities and charges	156	101
Profit / (loss) on disposal of fixed assets	1,073	574
Minority interests	574	291
Grants taken to income	(283)	(202)
Deferred tax assets / liabilities	6,485	(7,676)
Financial expense / income	18,168	35,574
Income tax expense, net of temporary differences	28,754	25,500
Operating profit prior to changes	174,210	128,837
Changes in inventories	(45,516)	7,456
Changes in receivables	(11,819)	(43,616)
Changes in short-term investments	(880)	(5,655)
Changes in current liabilities	17,833	8,159
	(40,382)	(33,656)
Cash generated from operations	133,828	95,181
Interest paid	(16,649)	(14,840)
Tax paid / recovered	(28,535)	(31,265)
	(45,184)	(46,105)
Net cash from operating activities	88,644	49,076
<u>Cash flows from investing activities</u>		
Sale of non-current assets	894	190
Business combination	(17,077)	(60,458)
Acquisition of non-current assets	(54,531)	(35,025)
Net cash used in investing activities	(70,714)	(95,293)
<u>Cash flows from financing activities</u>		
Purchase / sale of treasury	(28,893)	(279,803)
Net capital increase	-	300,796
Additions / settlement of loans	(552)	35,381
Dividends paid	(12,805)	(7,000)
Conversion differences	4,122	1,038
Net cash used in financing activities	(38,128)	50,412
Net increase in cash and cash equivalents	(20,198)	4,195
Cash and cash equivalents at beginning of the year	26,883	22,856
Effect of exchange rate fluctuations on cash held	(995)	(1,056)
Cash and cash equivalents from business combinations	-	888
Cash and cash equivalents at close of year	5,690	26,883

The accompanying notes form an integral part of the consolidated annual accounts.

Consolidated statements of changes in equity
for the years ended 31 December 2007 and 2006

(Expressed in thousands of Euros)

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

	Attributable to equity holders of the Parent							Minority interests	Net equity		
	Share capital	Legal reserves	Other reserves	Accumulated earnings for the year	Treasury shares	Translation differences	Financial instrument reserve			Others	Equity attributable to the parent
Balance at 31 December 2005	70,159	7,551	(8,044)	25,659	0	(41,592)	95	0	55,826	121	55,947
Changes in equity during 2006											
Reserves for foreign currency translation	--	--	--	--	--	(26,520)	--	--	(26,520)	(4)	(26,524)
Financial assets available for sale	--	--	--	--	--	--	(147)	--	(147)	--	(147)
Profit/(loss) recognised as equity	--	--	(405)	45,394	--	--	--	--	--	--	(405)
Other movements	--	--	(405)	--	--	--	--	--	(405)	--	(405)
Net income / expense recognised directly in equity	0	0	(405)	0	0	(26,520)	(147)	0	(27,072)	(4)	(27,076)
Profit / (loss) for the year	--	--	--	45,394	--	--	--	--	45,394	281	45,675
Total income and expense recognised directly during the year	0	0	(405)	45,394	0	(26,520)	(147)	0	18,323	287	18,610
Distribution of profits for 2005											
Reserves	--	1,579	18,577	(18,556)	--	--	--	--	0	--	0
Dividends	--	--	--	(7,000)	--	--	--	--	(7,000)	--	(7,000)
Capital increase with monetary contribution	35,500	--	276,600	--	--	--	--	--	312,400	--	312,400
Capital increase with a charge to share premium	869	--	(863)	--	--	--	--	--	0	--	0
Capital increase expenses	--	--	(11,504)	--	--	--	--	--	(11,504)	--	(11,504)
Balance at 31 December 2006	105,532	5,150	274,562	45,394	0	(69,022)	(52)	0	337,944	408	338,352
Changes in equity during 2007											
Reserves for foreign currency translation	--	--	--	--	--	(30,494)	--	--	(30,494)	8	(30,486)
Financial assets available for sale profit/(loss) recognised as equity	--	--	--	--	--	--	(100)	--	(100)	--	(100)
Operations with treasury shares	--	--	--	--	(28,893)	--	--	--	(28,893)	--	(28,893)
Other movements	--	--	(241)	--	--	--	--	--	(241)	(9)	(250)
Net income/expense recognised directly in equity	0	0	(241)	0	(28,893)	(30,494)	(100)	0	(59,729)	(1)	(59,730)
Profit / (loss) for the year	--	--	--	87,774	--	--	--	--	87,774	574	88,348
Total income and expense recognised directly during the year	0	0	(241)	87,774	(28,893)	(30,494)	(100)	0	28,046	573	28,619
Distribution of profits for 2006											
Reserves	--	2,314	30,275	(34,589)	--	--	--	--	0	--	0
Dividends	--	--	--	(12,805)	--	--	--	--	(12,805)	--	(12,805)
Capital increase with monetary contribution	--	--	--	--	--	--	--	--	0	--	0
Capital increase with a charge to share premium	--	--	--	--	--	--	--	--	0	--	0
Share capital decrease	--	--	--	--	--	--	--	--	0	--	0
Balance at 31 December 2007	105,532	11,444	304,896	87,774	(28,893)	(99,516)	(192)	0	382,165	981	383,146

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Notes to the Consolidated Annual Accounts
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(1) Nature, principal activities and subsidiaries

(a) Grifols, S.A.

Grifols, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 22 June 1987. Its registered and tax offices are in Barcelona (Spain). The Company's statutory activity consists of providing administrative, management and control services to its subsidiaries.

The principal activity of Grifols, S.A. and subsidiaries (hereinafter the Group) is the procurement, manufacture, preparation and sale of therapeutic products, especially haemoderivatives.

Grifols, S.A. is the parent company in a Group formed by the subsidiaries listed in section 1(b) of these notes. The Group acts on an integrated basis and under common management.

The Spanish companies' main installations are located in Barcelona, Parets del Vallés (Barcelona) and Torres de Cotilla (Murcia), while the American companies' installations are located in Los Angeles.

On 17 May 2006, the Company completed the public share offering by increasing share capital by Euros 312.4 million (including the share premium), equivalent to 71,000,000 ordinary shares of Euros 4.40 par value each (see note 14).

(b) Subsidiaries

The Group companies are grouped into three areas: industrial, commercial and services.

- Industrial area

The following companies are included:

Diagnostic Grifols, S.A., with registered offices in Parets del Vallés (Barcelona), Spain, was incorporated into the Group on 24 March 1987, and is engaged in the development and manufacture of diagnostic equipment, instrumentation and reagents.

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Instituto Grifols, S.A. which has registered offices in Parets del Vallès (Barcelona), Spain, and was incorporated into the Group on 21 September 1987, carries out its activities in the area of bioscience and is engaged in plasma fractioning and the manufacture of haemoderivative pharmaceutical products.

Laboratorios Grifols, S.A., with registered offices in Parets del Vallès (Barcelona), Spain, was incorporated into the Group on 18 April 1989 and is engaged in the production of glass- and plastic-packaged parenteral solutions, parenteral and enteral nutrition products and blood extraction equipment and bags. Its production facilities are in Barcelona and Murcia.

Biomat, S.A. with registered offices in Parets del Vallès (Barcelona), Spain, was incorporated into the Group on 30 July 1991. It operates in the field of bioscience and basically engages in analysis and certification of the quality of plasma used by Instituto Grifols, S.A. It also provides transfusion centres with plasma virus inactivation services.

Grifols Engineering, S.A., with registered offices in Parets del Vallès (Barcelona), Spain, was incorporated into the Group on 14 December 2000 and is engaged in the design and development of the Group's manufacturing installations and part of the equipment and machinery used at these premises. The company also renders engineering services to external companies.

Logister, S.A. was incorporated with limited liability under Spanish law on 22 June 1987 and its registered offices are at Polígono Levante, calle Can Guasch, s/n, 08150 Parets del Vallés, Barcelona. Its activity comprises the manufacture, sale and purchase, marketing and distribution of all types of computer products and materials. 99.985% of this company is solely-owned directly by Movaco, S.A.

Biomat USA, Inc. with registered offices in 1209, Orange Street, Wilmington, New Castle (Delaware Corporation) (USA), was incorporated into the Group on 1 March 2002 and carries out its activities in the area of bioscience, procuring human plasma. Since 1 November 2007, this company's share capital is held by Instituto Grifols, S.A. and Grifols, Inc.

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Grifols Biologicals, Inc., with registered offices in 15 East North Street, Dover, (Delaware) (USA), was incorporated into the Group on 15 May 2003 and is exclusively engaged in plasma fractioning and the production of haemoderivatives. Grifols, Inc. directly owns 100% of this company.

Plasmacare, Inc., with registered offices at 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801 (USA). This company joined the Group on 3 March 2006 and its activity, developed in the bioscience area, consists of obtaining human plasma. Since 1 November 2007, part of this company's share capital is owned by Instituto Grifols, S.A. and the remainder by Grifols Inc. It was the holding company of a group of 14 companies comprising the sub-consolidated group. On 1 January 2007, this sub-group was restructured, grouping all the companies under PlasmaCare, Inc.

Plasma Collection Centers, Inc with registered offices at 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801 (USA) and incorporated on 2 March 2007. Its activity, developed in the bioscience area, consists of obtaining human plasma. 50% of this company's share capital is held directly by Biomat USA Inc, which has 100% voting rights (see note 1 d.3).

- Commercial area

The companies responsible for the marketing and distribution of, mainly, products manufactured by the industrial area companies are all grouped in the commercial area.

Movaco, S.A. was incorporated with limited liability under Spanish law on 21 July 1987 and its registered offices are at Polígono Levante, calle Can Guasch, s/n, 08150 Parets del Vallés, Barcelona. Its principal activity is the distribution and sale of reagents, chemical products and other pharmaceutical specialities, and of medical-surgical materials, equipment and instruments for use in laboratories and healthcare centres.

Grifols International, S.A. with registered offices in Barcelona, Spain, was incorporated into the Group on 4 June 1997. This company directs and coordinates the marketing, sales and logistics for all the Group's commercial subsidiaries. Products are marketed through subsidiaries operating in different countries. These subsidiaries, their registered offices and date of incorporation into the Group, are listed below:

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Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda., was incorporated with limited liability under Portuguese law on 10 August 1988. Its registered offices are at Jorge Barradas, 30 -c R/C, 1500 Lisbon (Portugal) and it imports, exports and markets pharmaceutical and hospital equipment and products, particularly Grifols products. 99.975% of this company is owned directly by Movaco, S.A.

Grifols Chile, S.A. was incorporated under limited liability in Chile on 2 July 1990. Its registered offices are at calle Avda. Americo Vesputio 2242, Comuna de Conchali, Santiago de Chile (Chile). Its statutory activity comprises the development of pharmaceutical businesses, which can involve the import, production, marketing and export of related products.

Grifols Argentina, S.A. was incorporated with limited liability in Argentina on 1 November 1991 and its registered offices are at Bartolomé Mitre 1371, fifth floor office "P" (CP 1036), Buenos Aires (Argentina). Its statutory activity consists of clinical and biological research, the preparation of reagents and therapeutic and diet products, the manufacture of other pharmaceutical specialities and the marketing thereof.

Grifols s.r.o. was incorporated with limited liability under Czech Republic law on 15 December 1992. Its registered offices are at Zitná 2, Praga (Czech Republic) and its statutory activity consists of the purchase, sale and distribution of chemical-pharmaceutical products, including human plasma.

Grifols México, S.A. de C. V. was incorporated with limited liability under Mexican law on 9 January 1970, with registered offices at calle Eugenio Cuzin n° 909, Parque Industrial Belenes Norte, 45150 Zapopan, Jalisco (Mexico). Its statutory activity comprises the manufacture and marketing of pharmaceutical products for human and veterinary use.

Grifols USA, Llc. was incorporated in the state of Florida (USA) on 19 April 1990. Its registered offices are at 8880 N.W. 18 Terrace, Miami, Florida (USA) and its statutory activity is any activity permitted by US legislation. This company is directly owned by Grifols Biologicals, Inc.

Grifols Italia S.p.A. has its registered offices at Via Carducci 62 d, 56010 Ghezzano, Pisa (Italy) and its statutory activity comprises the purchase, sale and distribution of chemical-pharmaceutical products. 66.66% of this company was acquired on 9 June 1997 and the remaining 33.34% on 16 June 2000.

GRIFOLS, S.A. AND SUBSIDIARIES

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Grifols UK Ltd., the registered offices of which are at 72, St. Andrew's Road, Cambridge CB4 1G (United Kingdom), is engaged in the distribution and sale of therapeutic and other pharmaceutical products, especially haemoderivatives. 66.66% of this company was acquired on 9 June 1997 and the remaining 33.34% on 16 June 2000.

Grifols Deutschland GmbH was incorporated with limited liability under German law on 21 May 1997, with registered offices at Siemensstrasse 18, D-63225 Langen (Germany). Its statutory activity consists of the import, export, distribution and sale of reagents, chemical and pharmaceutical products, especially to laboratories and healthcare centres, and medical and surgical materials, equipment and instruments for laboratory use.

Grifols Brasil, Ltda. was incorporated with limited liability in Brazil on 4 May 1998. Its registered offices are at Rua Marechal Hermes 247, Centro Cívico, CEP 80530-230, Curitiba (Brazil). Its statutory activity consists of the import and export, preparation, distribution and sale of pharmaceutical and chemical products for laboratory and hospital use, and medical-surgical equipment and instrumentation.

Grifols France, S.A.R.L. was incorporated with limited liability under French law on 2 November 1999, with registered offices at Centre d'affaires auxiliares system, Bat. 10, Parc du Millenaire - 125, Rue Henri Becquerel, 34036, Montpellier (France). Its statutory activity is the marketing of chemical and healthcare products.

Alpha Therapeutic Europe, Ltd was incorporated on 5 April 2000 and its registered offices are at 100 New Bridge Street, London. It renders technical, financial and marketing services to other Group companies. This company has been wound up at 31 December 2007.

Alpha Therapeutic UK, Ltd was incorporated on 8 April 2000 and its registered offices are at 100 New Bridge Street, London. Its activity consists of the distribution and sale of therapeutic products, especially haemoderivatives. The company is directly owned by Alpha Therapeutic Europe, Ltd. This company has been wound up at 31 December 2007.

Alpha Therapeutic Italia, S.p.A. was incorporated on 3 July 2000, with registered offices at Piazza Meda 3, 20121 Milan (Italy), and engages in the distribution and sale of therapeutic products, especially haemoderivatives.

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Grifols Asia Pacific Pte, Ltd was incorporated on 10 September 1986 , with registered offices at 501 Orchard Road #20-01 Wheelock Place, Singapore, and its activity consists of the distribution and sale of medical and pharmaceutical products.

Grifols Malaysia Sdn Bhd is partly owned (30%) by Grifols Asia Pacific Pte, Ltd. The registered offices of this company are in Selangor (Malaysia) and it engages in the distribution and sale of pharmaceutical products.

Grifols (Thailand) Ltd was incorporated on 1 September 1995 and its registered offices are at 287 Liberty Square Level 8, Silom Road, Bangkok. Its activity comprises the import, export and distribution of pharmaceutical products. 48% of this company is directly owned by Grifols Asia Pacific Pte., Ltd.

Grifols Polska Sp.z.o.o. was incorporated on 12 December 2003, with registered offices at UL. Nowogrodzka, 68, 00-116, Warsaw, Poland, and engages in the manufacture and sale of pharmaceutical, cosmetic and other products.

- Services area

The following companies are included in this area:

Grifols, Inc. was incorporated on 15 May 2003 with registered offices at 15 East North Street, Dover (Delaware, USA). Its principal activity is the holding of investments in companies.

Grifols Viajes, S.A., with registered offices in Barcelona, Spain, was incorporated into the Group on 31 March 1995 and operates as a retail travel agency exclusively serving Group companies.

Squadron Reinsurance Ltd., with registered offices in Dublin, Ireland, was incorporated into the Group on 25 April 2003 and engages in the reinsurance of Group companies' insurance policies.

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(c) Associated companies

Associated companies are as follows:

Quest Internacional, Inc, 35% owned by Diagnostic Grifols, S.A., with registered offices in Miami, Florida (USA), engages in the manufacture and marketing of reagents and clinical analysis instruments and is accounted for under the equity method.

(d) Business combinations

d.1 Acquisition of Plasmacare Inc.

On 3 March 2006 the Group acquired 100% of Plasmacare Inc. through Instituto Grifols, S.A. PlasmaCare Inc. has registered offices in 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801 and its principal activity, consists of obtaining human plasma. The business acquired has generated a consolidated profit of Euros 4,440 thousand for the Group during the period between the date of acquisition and the year-end close.

Had the acquisition taken place at 1 January 2006, the Group's ordinary income and consolidated profit for the year ended 31 December 2006 would have been Euros 655,959 thousand and Euros 46,259 thousand, respectively.

Details of the aggregated business combination cost and fair value of the net assets acquired and goodwill (or excess of net assets acquired over the cost of the business combination) are as follows:

	Thousands of Euros
Cost of combination	
Cash paid	50,131
Directly attributable costs	364
Total cost of combination	50,495
Fair value of assets acquired	7,738
Goodwill (excess of net assets acquired over cost of acquisition)	42,757
	(see note 6)

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The assets, liabilities and contingent liabilities recognised at the acquisition date are as follows:

	Thousands of Euros	
	Fair value	Carrying amount
Property, plant and equipment	2,106	2,106
FDA licences (note 6)	6,581	--
Intangible assets	18	18
Financial assets	6	6
Trade and other receivables	1,085	1,085
Inventories	2,649	2,649
Cash and cash equivalents	888	888
Deferred tax assets	1,103	--
Total assets	14,436	6,752
Trade and other payables	4,024	873
Deferred tax liabilities	2,674	238
Total liabilities and contingent liabilities	6,698	1,111
Total net assets	7,738	5,641
Goodwill	42,757	
Amount paid in cash	50,495	
Cash and cash equivalents of acquiree	(888)	
Cash flow paid on acquisition	49,607	

d.2 Acquisition of plasma centres

On 1 April 2006 the Group acquired through Biomat Usa, Inc. eight plasma centres in the USA from Biolife Plasma Service L.P., a subsidiary of Baxter Healthcare corporation.

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Details of the aggregated business combination cost and fair value of the net assets acquired and goodwill (or excess of net assets acquired over the cost of the business combination) are as follows:

	Thousands of Euros
Cost of combination	
Cash paid	1,554
Payment deferred	8,408
Total cost of combination	9,963
Fair value of net assets acquired	4,844
Goodwill (excess of net assets acquired over cost of acquisition)	5,119
	(see note 6)

The fair value of the net assets acquired amounting to Euros 4,844 thousand includes Euros 3,357 thousand in FDA licences (see note 6).

d.3 Acquisition of Plasma Colleccion Centers, Inc.

On 2 March 2007 Plasma Collection Centers, Inc was incorporated. Biomat USA holds 50% of this company's share capital which confers no voting rights but does confer profit-sharing rights and a purchase option on 30 June 2008 over the remaining shares. This purchase option is dependent on the fulfilment of certain criteria, which are expected to be met. Therefore, the acquisition is treated as an investment with a partial deferral of payment (see note 23). Plasma Collection Centers, Inc. has registered offices in 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801 (USA) and its principal activity consists of obtaining human plasma. The business acquired has generated a consolidated loss of Euros 63 thousand for the Group during the period between the date of acquisition and the 2007 year-end close.

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Details of the aggregated business combination cost and fair value of the net assets acquired and goodwill (or excess of net assets acquired over the cost of the business combination) are as follows:

	Thousands of Euros
Cost of combination	
Fair value of instruments issued	17,077
Total cost of combination	17,077
Fair value of net assets acquired	971
Goodwill (excess of net assets acquired over cost of acquisition)	16,106
	(see note 6)

(2) Basis of Preparation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Grifols, S.A. and the companies forming the Group. The consolidated annual accounts for 2007 have been prepared under EU-endorsed International Financial Reporting Standards (IFRS-EU) to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2007, as well as the consolidated results from their operations, their consolidated cash flows and changes in consolidated equity for the year then ended.

(a) Bases of preparation of the consolidated annual accounts

These consolidated annual accounts have been prepared on the historical cost basis except for:

- Derivative financial instruments, which are stated at fair value through profit or loss, and available-for-sale financial assets, which have been recorded at fair value.

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(b) Comparison of information

The consolidated annual accounts comprise the consolidated balance sheet and consolidated statements of income, cash flow and changes in equity and the consolidated notes thereto for 2007 and include comparative data for 2006, which was obtained through consistent application of IFRS-EU, except for the criteria outlined in the following paragraphs. Income statement figures for 2006 have been reclassified in accordance with 2007 criteria to facilitate a comparison.

The Group's accounting policies detailed in note 4 have been consistently applied to the years ended 31 December 2007 and 2006.

(c) Relevant accounting estimates, assumptions and judgements

Preparation of the consolidated annual accounts under IFRS-EU requires that accounting estimates, judgements and assumptions be made in the process of applying the Group's accounting policies. Aspects which involved a greater degree of judgement, complexity or for which the assumptions and estimates are significant for preparation of the consolidated annual accounts, are detailed below:

- The assumptions used for calculation of the fair value of financial instruments (see note 4 (f)).
- Measurement of assets and goodwill to determine any related impairment losses (see note 4(d)).
- Useful lives of property, plant and equipment and intangible assets (see notes 4(b) and 4(c)).

(d) Consolidation

The percentages of direct or indirect ownership of subsidiaries by the parent company at 31 December 2007 and 2006, as well as the consolidation method used in each case for preparation of the accompanying consolidated annual accounts, are detailed below:

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	31/12/2007		31/12/2006	
	Percentage interest		Percentage interest	
	Direct	Indirect	Direct	Indirect
Parent company				
Grifols, S.A.	--	--	--	--
Companies fully consolidated				
Laboratorios Grifols, S.A.	99.998	0.002	99.998	0.002
Instituto Grifols, S.A.	99.998	0.002	99.998	0.002
Movaco, S.A.	99.999	0.001	99.999	0.001
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	0.015	99.985	0.015	99.985
Diagnostic Grifols, S.A.	99.998	0.002	99.998	0.002
Logister, S.A.	--	100.000	--	100.000
Grifols Chile, S.A.	99.000	--	99.000	--
Biomat, S.A.	99.900	0.100	99.900	0.100
Grifols Argentina, S.A.	100.000	--	100.000	--
Grifols, s.r.o.	100.000	--	100.000	--
Grifols México, S.A. de C.V.	100.000	--	100.000	--
Grifols Viajes, S.A.	99.900	0.100	99.900	0.100
Grifols USA, Inc.	--	100.000	--	100.000
Grifols International, S.A.	99.900	0.100	99.900	0.100
Grifols Italia, S.p.A.	100.000	--	100.000	--
Grifols UK, Ltd.	100.000	--	100.000	--
Grifols Deutschland, GmbH	100.000	--	100.000	--
Grifols Brasil, Ltda.	100.000	--	100.000	--
Grifols France, S.A.R.L.	99.000	1.000	99.000	1.000
Grifols Engineering, S.A.	99.950	0.050	99.950	0.050
Biomat USA, Inc.	--	100.000	--	100.000
Squadron Reinsurance Ltd.	100.000	--	100.000	--
Grifols, Inc.	100.000	--	100.000	--
Grifols Biologicals, Inc.	--	100.000	--	100.000
Alpha Therapeutic Europe, Ltd.	--	--	100.000	--
Alpha Therapeutic UK, Ltd.	--	--	--	100.000
Alpha Therapeutic Italia, S.p.A.	100.000	--	100.000	--
Grifols Asia Pacific Pte., Ltd.	100.000	--	100.000	--
Grifols Malaysia Sdn Bhd	--	30.000	--	30.000
Grifols (Thailand) Ltd.	--	48.000	--	48.000
Grifols Polska Sp.z.o.o.	100.000	--	100.000	--
Plasmacare, Inc.	--	100.000	--	100.000
Plasma Collection Centers, Inc.	--	50.000	--	--

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	31/12/2007		31/12/2006	
	Percentage interest		Percentage interest	
	Direct	Indirect	Direct	Indirect
Companies accounted for using the equity method				
Quest International, Inc.	--	35.000	--	35.000

Subsidiaries in which the Company directly or indirectly owns the majority of equity or voting rights have been fully consolidated. Associates in which the Company owns between 20% and 50% of share capital and has no power to govern the financial or operating policies of these companies have been accounted for under the equity method.

All significant balances and transactions between consolidated companies and unrealised gains and losses have been eliminated in the consolidation process.

Financial statements of foreign subsidiaries expressed in foreign currencies have been translated to Euros based on the closing exchange rate. Accordingly, all assets, rights and liabilities are converted to Euros using the prevailing year-end exchange rate. Respective income statement items are translated to Euros at the average exchange rate for the period. The difference between equity included in the income statement for the period, translated at the historical exchange rate, and the net equity position resulting from the translation of assets, rights and liabilities at the closing exchange rate, is included as "Translation differences" under equity in the accompanying consolidated balance sheet.

The accounting principles and criteria used by subsidiaries have been consistent with those applied by the parent company in the preparation of the consolidated annual accounts.

(e) Changes to EU-IFRS in 2007

These consolidated annual accounts have been prepared without considering EU-IFRS, modifications thereto and interpretations thereof which will come into effect on or after 1 January 2008, some of which are listed below:

- IFRS 8 Operating segments (years starting 1 January 2009 and thereafter).
- IAS 23 (amended 2007) Borrowing costs (as from 1 January 2009).

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Standards not adopted by EU

- IFRIC 12 Service concession arrangements.
- IFRIC 13 Customer loyalty programmes.
- IFRIC 14 IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction.

The Company's directors do not foresee that the impact of applying where applicable these standards and interpretations in the preparation of future consolidated annual accounts will be significant.

(3) Distribution of Profits

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

The board of directors will propose to the shareholders at their annual general meeting that the parent company's profit for the year ended 31 December 2007 be distributed as follows.

	<u>Thousands of Euros</u>
Legal reserves	2,958
Voluntary reserves	1,880
Dividends	24,737
	<hr/>
	29,575
	<hr/>

The distribution of the profit for the year ended 31 December 2006 is presented in the consolidated statement of changes in equity.

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(4) Accounting and Valuation Principles applied

(a) Foreign currency transactions

(i) Functional currency and presentation currency

The consolidated annual accounts are presented in thousands of Euros, which is the functional and presentation currency of the parent company.

(ii) Transactions, balances and cash flows in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the transaction date.

Monetary assets and liabilities expressed in foreign currencies have been translated into Euros at the year-end exchange rate, whereas non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using the exchange rate at the transaction date. Non-monetary assets denominated in foreign currencies measured at fair value are translated to Euros at the foreign currency exchange rate prevailing at the date the value was determined.

Cash flows from transactions in foreign currency are translated into Euros in the consolidated cash flow statement at the foreign exchange rate prevailing at the transaction date. The effect of variations in exchange rates on cash and cash equivalents expressed in foreign currencies is presented separately in the cash flow statement as "Effect of exchange rate fluctuations on cash held".

Differences arising from settlement of transactions in foreign currency and on the translation to Euros of monetary assets and liabilities expressed in foreign currency are taken to the income statement. However, translation differences arising from monetary items forming part of the net investment in businesses abroad, the functional currency of which is that of the country in which their registered offices are located, are recognised as translation differences in equity.

Translation gains or losses related with monetary financial assets or liabilities expressed in foreign currency are also recognised in the income statement.

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(iii) *Translation of foreign businesses*

The translation to Euros of foreign businesses for which the functional currency is not that of a hyperinflationary national economy is based on the following criteria:

- Assets and liabilities, including goodwill and adjustments to net assets deriving from the acquisition of businesses, including comparative balances, are translated at the year-end exchange rate at each balance sheet date.
- Income and expenses, including comparative balances, are translated at the exchange rates prevailing at each transaction date; and
- Translation differences arising from application of the above criteria are recognised as translation differences in equity.

In the consolidated cash flow statement, the cash flows, including comparative balances, from subsidiaries and jointly-controlled foreign businesses are translated to Euros applying the exchange rates prevailing at the date of the cash flows.

(b) Property, plant and equipment

(i) *Initial recognition*

Property, plant and equipment is measured at cost or deemed cost, less accumulated depreciation and any impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, considering the principles established for the cost of production of inventories. The cost of production is capitalised with a charge to self-constructed assets in the consolidated income statement.

At 1 January 2004 the Group opted to apply the exemption regarding fair value and revaluation as deemed cost as permitted by IFRS 1 First time Adoption of IFRS.

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(ii) *Depreciation*

Depreciation of items of property, plant and equipment is calculated using the straight-line basis over their estimated useful lives. The depreciable amount of items of property, plant and equipment is the cost of acquisition or deemed cost less the residual value. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment is determined based on the criteria outlined below:

	Depreciation method	Rates
Buildings	Straight line	1% - 3%
Plant and machinery	Straight line	8%-10%
Other installations, equipment and furniture	Straight line	10% - 30%
Other property, plant & equipment	Straight line	16% - 25%

The Group reassesses residual values, useful lives and depreciation methods at the end of each financial year. Changes to the initially established criteria are recognised as a change in estimates.

On the basis of a study by an independent third party, the Group reestimated the useful lives of buildings with effect from 1 January 2005. These are now depreciated over a period of between 33 and 100 years.

(iii) *Subsequent recognition*

Subsequent to initial recognition of the asset, only those costs incurred which will probably generate future economic benefits and for which the amount may reliably be measured are capitalised. Maintenance costs are expensed as they are incurred.

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Replacements of property, plant and equipment which meet the requirements for capitalisation are recognised as a reduction in the carrying amount of the items replaced. Where the cost of the replaced items has not been depreciated independently and it has not been practical to determine the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

(iv) Impairment

The Group evaluates and determines impairment losses and reversals of impairment losses on property, plant and equipment based on the criteria set out in section (d) of this note.

(c) Intangible assets

(i) Goodwill

Goodwill is generated on the business combinations. The Group has applied the exception permitted under IFRS 1 “First-time adoption of International Financial Reporting Standards”, whereby only those business combinations performed as from 1 January 2004, date of transition to EU-IFRS, have been recognised using the acquisition method. Acquisitions of entities prior to that date have been recognised in accordance with Spanish GAAP, subsequent to considering any corrections and adjustments required at the transition date.

Goodwill is not amortised, but tested for impairment annually or more frequently where there have been indications of a potential impairment loss. Goodwill on business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in note 6 are applied. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

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(ii) *Self-constructed assets*

Any research and development expenditure incurred during the research phase of projects is recognised when it is incurred.

Costs related with development activities are capitalised when:

- The Group has technical studies justifying the feasibility of the production process.
- The Group has an obligation to complete production of the asset whereby it is in condition for sale or internal use.
- The asset will generate sufficient economic benefits.
- The Group has the necessary financial and technical resources to complete production of the asset and has developed budget and cost accounting control systems which allow budgeted costs, introduced changes and costs actually assigned to different projects to be monitored.

The cost of self-constructed assets is determined following the same principles as established for determining the production cost for inventories. The cost of production is capitalised with a charge to self-constructed assets in the consolidated income statement.

Costs incurred in the course of activities which contribute to increasing the value of the different businesses in which the Group as a whole operates are expensed as they are incurred. Replacements or subsequent costs incurred for intangible assets are generally expensed unless they increase the future economic benefits expected from the assets.

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(iii) *Other intangible assets*

Other intangible assets are stated at cost, less accumulated amortisation and impairment losses.

(iv) *Useful life and amortisation rates*

The Group evaluates whether the useful life of each intangible asset acquired is definite or indefinite. An intangible asset is considered to have an indefinite useful life where there is no foreseeable limit to the period over which it will generate net cash inflows.

Intangible assets with indefinite useful lives are not amortised but tested for impairment at least annually.

Intangible assets with definite useful lives are amortised on a straight-line basis in accordance with the following criteria:

	Amortisation method	Years of useful life
Development costs	Straight line	3 - 5
Concessions, patents, licences, trademarks & similar	Straight line	5
Software	Straight line	3 - 6

The depreciable amount of intangible asset items is the cost of acquisition or deemed cost less the residual value.

The Group reassesses residual values, useful lives and amortisation methods at the end of each financial year. Changes to initially established criteria are recognised as a change in estimates.

(v) *Impairment*

The Group evaluates and determines impairment losses and reversals of impairment losses on intangible assets based on the criteria set out in note 6.

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(d) Impairment of non-financial assets subject to depreciation or amortisation

The Group evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount.

Irrespective of whether any indication of impairment exists, at least annually the Group verifies the possible impairment of goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use.

The recoverable amount of assets is the greater of their fair value less selling costs and value in use. An asset's value in use is calculated based on the expected future cash flows deriving from use of the assets, expectations of possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would reflect in pricing the future cash flows the entity expects to derive from the asset.

Negative differences arising from comparison of carrying amounts of assets with their recoverable amounts are expensed.

Recoverable amounts should be calculated for individual assets, unless the asset does not generate cash inflows that are largely independent from those corresponding to other assets or groups of assets. In this case, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Impairment losses recognised for cash-generating units are initially allocated to reduce, where applicable, the goodwill distributed to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each of the assets. The carrying amount of each asset may not be reduced to the highest of its fair value less selling costs, its value in use and zero.

At each close the Group assesses whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Impairment losses on goodwill are not reversible. Impairment losses for other assets are only reversed if there has been a change to the estimates used to calculate the asset's recoverable amount.

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A reversal of an impairment loss for an asset is recognised in the consolidated income statement. However, the reversal of the loss cannot increase the carrying amount of the asset in excess of the carrying amount which would have been obtained, net of depreciation, had no impairment loss been recorded.

The amount of the reversal of the impairment of a CGU is distributed between its assets, except goodwill, pro rata on the basis of the carrying amount of the assets, with the limit per asset of the lower of its recoverable value and the carrying amount which would have been obtained, net of depreciation, had no impairment loss been recorded.

(e) Leases

(i) Lease accounting

The Group has the right to use certain assets through lease contracts.

Lease operations are classified as finance leases and operating leases. Unlike operating leases, under finance leases the significant risks and rewards of ownership of the contract asset are transferred.

- Finance leases:

At the commencement of the lease term, the Group recognises finance leases as assets and liabilities at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Initial direct costs are added to the carrying amount of the leased asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent payments are expensed in the years when they are incurred.

- Operating leases

Lease payments under an operating lease (excluding insurance and maintenance) are recognised as an expense on a straight-line basis unless another systematic basis is representative of the time pattern of the user's benefit.

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(ii) *Investment properties*

Long-term investments in properties leased from third parties are measured based on the same criteria for property, plant and equipment. Investments are amortised over the lower of their useful lives and the term of the lease contract. The lease period is consistent with that established for recognition of the lease.

(f) Financial instruments

(i) *Classification of financial instruments*

Financial instruments are classified on initial recognition as a financial asset, financial liability or equity instrument, in accordance with the substance of the contractual agreement and the definitions of a financial liability, financial asset and equity instrument as set out in IAS 32 Financial Instruments: Presentation.

For the purpose of measurement, financial instruments are also classified as financial assets and liabilities at fair value through profit or loss, initially distinguishing between those held for trading, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. This classification depends on the purpose for which the financial instrument was acquired.

Regular way purchases and sales are accounted for at trade date, when the Group undertakes to purchase or sell the asset.

a) Financial assets at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are those which are classified as held for trading or which the Group designated such at 1 January 2005.

A financial asset or liability is classified as held for trading if:

- it is acquired or incurred mainly for sale or repurchase in the immediate future

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- it forms part of a portfolio of financial instruments which are managed jointly and for which there is evidence of a recent pattern of short-term profits, or
- it is a derivative, except a derivative which has been designated as a hedging instrument and complies with conditions for effectiveness or a derivative that is a financial guarantee contract.

Financial assets and liabilities at fair value with changes through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the purchase or accrual are recorded as an expense in the consolidated income statement.

The Group does not reclassify any financial assets or liabilities from or to this category while they are recorded in the consolidated balance sheet.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and differ from those classified in other financial asset categories. Loans and receivables are initially recognised at fair value, including transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated specifically to this category or do not comply with requirements for classification in the above categories.

Available-for-sale financial assets are initially recognised at fair value, plus any transaction costs directly attributable to the purchase.

Subsequent to initial recognition, financial assets classified in this category are measured at fair value, recording the gain or loss in income and expenses in equity. Amounts recorded in equity are taken to the consolidated income statement when the financial assets are written off.

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d) Financial assets and liabilities measured at cost

Investments in equity instruments for which the fair value cannot be reliably estimated and linked derivatives which are settled through the delivery of these unquoted equity instruments are measured at cost. However, if at any time the Group is able to reliably measure the financial asset or liability, these are then recognised at fair value, recording the gains or losses based on their classification.

For investments in equity instruments measured at cost, the Group recognises income on investments only to the extent that the reserves for accumulated earnings from the investee entity, created following its acquisition, are distributed. Dividends received in excess of these profits are considered as a recovery of the investment and therefore recognised as a decrease in its value.

(ii) *Offsetting principles*

A financial asset and a financial liability can only be offset when the Group has a legally enforceable right to set off the recognised amounts or intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) *Fair value*

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. In general the Group applies the following system to calculate the fair value of assets and liabilities:

- Firstly, the Group applies the price quotations from the most advantageous active market to which it has immediate access, adjusted as necessary to reflect any difference in credit risk between the instruments usually traded and that being measured. The purchasing price is used for purchased assets or liabilities pending accrual and the selling price is used for assets pending purchase or liabilities accrued. If the Group possesses assets and liabilities which between them offset market risks, average market prices are used for the offset risk positions, applying the appropriate price to the net position.

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- If no market prices are available, prices of recent transactions are used, adapted to current conditions.
- Otherwise, the Group applies generally accepted measurement techniques using market data as much as possible and, to a lesser extent, specific Group data.

(iv) *Amortised cost*

The amortised cost of a financial asset or liability is the amount at which the asset or liability was initially measured, less repayments of the principal, plus or less assigned or gradually accumulated amortisation, based on the effective interest method, from any difference between the initial value and repayment value on maturity, less any reduction due to impairment or defaults.

The effective interest rate is the discount rate exactly equal to the estimated cash inflows and outflows over the expected life of the financial instrument or, where appropriate, over a shorter period, to the carrying amount of the financial asset or liability. For financial instruments, for which the related variable for fees, base points, transaction costs, discounts or premiums is revised at market rates prior to expected maturity, the amortisation period is that until the following review of conditions.

Cash flows are estimated considering all the contractual conditions of the financial instrument without considering future loan losses. The calculation includes the fees and interest base points paid or received by the contract parties, as well as the transaction costs and any other premium or discount. In those cases where the Group is unable to reliably estimate the cash flows or expected life of a financial instrument, contractual cash flows are used over the full term of the contract.

(v) *Impairment and default of financial assets*

A financial asset or group of financial assets is impaired and has generated an impairment loss if there is objective evidence of impairment as a result of an event or events which have occurred subsequent to initial recognition of the asset, and where the event or events causing the loss have an impact on the estimated future cash flows from the asset or group of financial assets which can be reliably estimated.

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The Group recognises impairment losses and defaults on loans and other receivables and debt instruments through recognition of a corrective provision for financial assets.

(vi) *Impairment of financial assets measured at amortised cost*

The amount of the impairment loss on assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future loan losses not incurred, discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss and can be reversed in subsequent years if the decrease of the impairment loss can be related objectively to an event occurring after the impairment was recognised. However, the loss can only be reversed up to the limit of the amortised cost which the assets would have had if the impairment loss had not been recorded.

(vii) *Impairment of financial assets measured at cost*

The amount of the impairment loss on assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses cannot be reversed and are therefore recorded directly against the value of the asset and not as a corrective provision.

(viii) *Impairment of available-for-sale financial assets*

A decline in the fair value of an available-for-sale financial asset which has been recognised directly in equity is recognised in profit or loss when there is objective evidence that the asset is impaired, even though the financial asset has not been derecognised. The amount of the loss recognised in profit or loss is the difference between the acquisition cost, net of any repayment or amortisation of the principal, and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses relating to investments in equity are not reversible and are therefore recorded directly against the value of the asset and not as a corrective provision.

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The increase in the fair value of debt instruments, which could objectively be related with an event subsequent to recognition of the impairment, is recorded against profit or loss up to the amount of the previously recognised impairment loss and the excess, where applicable, is recorded against equity.

(ix) *Financial liabilities*

Financial liabilities, including trade and other payables, which are not classified at fair value through profit or loss, are initially recognised at fair value, less, as applicable, directly attributable transaction costs. Subsequent to initial recognition, the liabilities classified in this category are measured at amortised cost using the effective interest method.

(g) Parent Company shares

Equity instruments acquired by the Group have been presented separately as a reduction in equity in the consolidated balance sheet, irrespective of the purpose of their acquisition, and no gains or losses have been recorded as a result of transactions carried out with own equity instruments.

The Group also applies the following criteria when accounting for operations with its own equity instruments:

- Distributions to holders of own equity instruments are charged to equity once any tax effect has been considered;
- Transaction costs related with own equity instruments, including the issue costs related with a business combination, are recorded as a reduction in equity, once any tax effect has been considered.
- Dividends relating to equity instruments are recognised as a reduction in equity when approved at the general meeting of shareholders.

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(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost comprises all costs of acquisition, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventory conversion costs comprise the costs directly related with the units produced and a systematically calculated part of the indirect, variable or fixed costs incurred in the conversion process. Indirect fixed costs are distributed on the basis of the higher of normal production capacity or actual production.

The cost of materials and other supplies and merchandise and conversion costs are assigned to the different inventory units based on the FIFO method.

The Group uses the same cost formula for all inventories that have the same nature and similar use within the Group.

Volume discounts extended by suppliers are recognised as a reduction in the cost of inventories when it is probable that the discount conditions will be met. Discounts for prompt payment are recognised as a reduction in the cost of the inventories acquired.

The cost of inventories is subject to adjustments against profit or loss in cases where cost exceeds net realisable value. Net realisable value is considered as the following:

- Raw materials and other supplies: replacement cost. However, materials are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
- Goods for resale and finished product: estimated sale price, less selling costs.
- Work in progress: the estimated sale price for corresponding finished products, less the estimated costs for completion of their production and selling costs.

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When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed against the items changes in inventories of finished products and work in progress and consumption of materials and other supplies. Write-downs may be reversed to the limit of the lower of cost and the new net realisable value.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks, other short-term highly-liquid investments with original maturities of three months or less, providing these are readily convertible to known amounts of cash, and bank overdrafts.

Bank overdrafts which are recognised as financial liabilities on the consolidated balance sheet are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

The Group recognises interest received and paid under cash flow from operating activities, and dividends received and distributed by the Company are classified under financing activities.

(j) Government grants

Government grants are recognised in the balance sheet when there is reasonable assurance that they will be received and that the Group will comply with the conditions attached.

(i) Capital grants

Outright capital grants are initially recorded as deferred income in the consolidated balance sheet. Income from capital grants is recognised as other income in the income statement in line with the depreciation of the corresponding financed assets.

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(ii) *Operating subsidies*

Operating subsidies received as compensation for expenses or losses already incurred, or for the purpose of providing immediate financial support unrelated with future expenses, are recognised as other income in the consolidated income statement.

(iii) *Interest rate subsidies*

Financial liabilities with implicit assistance in the form of below-market rates of interest are initially recognised at fair value. The difference between this value, adjusted where applicable by the costs of issue of the financial liability and the amount received, is recorded as an official grant based on the nature of the grant.

(k) Employee benefits

(i) *Defined contribution plans*

The Group records contributions to defined contribution plans in line with employees' periods of service. Accrued contributions are recorded as an employee benefit expense in the corresponding consolidated income statement.

(ii) *Termination benefits*

The Group recognises benefits for termination unrelated to restructuring processes when it is demonstrably committed to terminating the employment of current employees before the normal retirement date. The Group is demonstrably committed to terminating the employment of current employees when a detailed formal plan has been prepared and there is no possibility of withdrawing or changing the decisions made.

Except in the case of justifiable cause, companies are liable to pay indemnities to employees whose services are discontinued. Indemnity payments are expensed when the decision to terminate employment is taken.

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(iii) *Short-term employee benefits*

Short-term benefits accrued for the Group's personnel is recorded in line with the employees' period of service. The amount is recorded as an employee benefit expense and as a liability once already settled amounts have been deducted. If the contribution already paid exceeds the contribution due, an asset is recorded to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

The Group recognises the expected cost of short-term benefits in the form of accumulated compensated absences, when the employees render service that increases their entitlement to future compensated absences, and in the case of non-accumulating compensated absences, when the absences occur.

The Group recognises the expected cost of profit-sharing and bonus payments when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(l) Provisions

The Group recognises provisions when it has a present obligation (legal or constructive) as a result of a past event; it is more likely than not that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amounts recognised as a provision are the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date, taking into account the risks and uncertainties related with the provision and, where significant, the effect of the time value of money, provided that the expenditures required in each period can be reliably measured. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks for which future cash flow estimates have been adjusted.

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated income statement item where the corresponding expense was recorded, and any excess is recognised as other income.

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(m) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of VAT and any other amounts or taxes which are effectively collected on the behalf of third parties. Volume or other types of discounts for prompt payment are recorded as a reduction in revenues if considered probable at the time of revenue recognition.

(i) Sale of goods

Revenues on the sale of goods are recognised when the following conditions have been satisfied:

- the Group has transferred the significant risks and rewards of ownership of the goods to the buyer.
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when the amount of revenue, the stage of completion, the costs incurred for the transaction and the costs to complete the transaction can all be measured reliably, and it is probable that the economic benefits associated with the services will be received.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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(iii) *Dividends*

Revenue from dividends is recognised when the Group's right to receive payment is established.

(n) **Income tax**

Income tax or benefits on the profit or loss for the year comprises current and deferred tax.

Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. Current tax assets or liabilities are measured for amounts payable to or recoverable from tax authorities, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences, whereas deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses, and the carryforward of unused tax credits. Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the year except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity, or from a business combination.

(i) *Taxable temporary differences*

Taxable temporary differences are recognised in all cases except where:

- Arising from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit;
- Associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the timing difference will reverse in the foreseeable future.

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(ii) *Deductible temporary differences*

Deductible temporary differences are recognised provided that:

- it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.
- the temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Tax planning opportunities are only considered on evaluation of the recoverability of deferred tax assets and if the Group intends to use these opportunities or it is probable that they will be used.

(iii) *Measurement*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the years when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets or liabilities.

The carrying amounts of deferred tax assets are reviewed by the Group at each balance sheet date to reduce these amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of the deferred tax assets to be utilised.

Deferred tax assets which do not comply with the abovementioned conditions are not recognised in the consolidated balance sheet. At year end the Group reassesses unrecognised deferred tax assets.

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(iv) Offset and recognition

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group only offsets tax assets and liabilities where it has a legally enforceable right, where these relate to taxes levied by the same tax authority and where the tax authorities permits the entity to settle on a net basis, or to realise the asset and settle the liability simultaneously for each of the future years in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax assets and liabilities are recognised on the consolidated balance sheet under non-current assets or liabilities, irrespective of the date of realisation or settlement.

(o) Segment reporting

A business segment is an identifiable component of the Group that is engaged in providing products or services which are subject to risks and rewards that are different from those of other segments within the Group. Factors considered by the Group in determining whether products or services are related include the nature of the products and services, the nature of the production processes, and the type or class of customer for the products or services.

A geographical segment is a identifiable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments. Factors considered by the Group in identifying geographical segments are essentially the location of its assets and the final destination of sales.

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(p) Classification of assets and liabilities as current and non-current

Assets and liabilities are classified as current and non-current in the consolidated balance sheet based on the following criteria:

- Assets are classified as current when they are expected to be realised, sold or traded in the Group's ordinary course of business within 12 months of the balance sheet date and when held essentially for trading. Cash and cash equivalents are also classified as current, except where they may not be exchanged or used to settle a liability, at least within the 12 months following the balance sheet date.
- Liabilities are classified as current when expected to be settled in the Group's ordinary course of business within 12 months of the balance sheet date and when essentially held for trading, or where the Group does not have an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.
- Current liabilities such as trade creditors, personnel expenses and other operating costs are classified as current, even if maturing more than 12 months from the balance sheet date.
- Financial liabilities which must be settled within the 12 months following the balance sheet date are classified as current, even if the original maturity exceeded 12 months and a refinancing or restructuring agreement for long-term payments exists which has been finalised subsequent to the close and before the consolidated annual accounts have been prepared.

(q) Environment

The Group takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

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Assets used by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognised in the consolidated balance sheet based on the criteria for recognition, measurement and disclosure detailed in note 32.

(r) Share-based payment

The Group recognises goods or services received or acquired in a share-based payment transaction when it obtains the goods or as the services are received. If the share-based transaction is equity-settled, equity is increased with a balancing entry under consolidated profit and loss or under assets in the consolidated balance sheet, whilst cash-settled share-based payments are recorded under liabilities.

The Group recognises equity-settled share-based payments, including non-monetary contributions to capital increases and the corresponding increase in equity, at the fair value of the goods or services received, unless fair value cannot be estimated reliably, in which case value is determined by reference to the fair value of the equity instruments granted.

Equity-settled payments for services rendered by the Group's employees or third parties providing similar services are valued by reference to the fair value of the equity instruments granted.

The Group opted to apply IFRS 2 "Share-based payment" for transactions subscribed between parties subsequent to 7 November 2002, the vesting date of which is subsequent to 1 January 2005. Any other transactions are recognised in accordance with accounting principles prevailing in Spain.

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(5) Segment Reporting

In accordance with IAS 14 Segment Reporting, financial information for business segments is reported in the accompanying Appendix I, which forms an integral part of this note to the consolidated annual accounts.

Group companies are divided into three areas: companies from the industrial area, companies from the commercial area and companies from the services area. Within each of these areas, activities are organised based on the nature of the products and services manufactured and marketed.

Based on the Group's internal management information system, business segments have been defined as primary and geographical segments as secondary.

Assets, liabilities, income and expenses for segments include directly and reliably attributable items. Items which are not attributed to segments by the Group are:

- Balance sheet: cash and cash equivalents, debtors, public entities, deferred tax assets and liabilities, borrowings and creditors.
- Income statement: general administration expenses, other operating income / expenses, financial income / expense and income tax.

(a) Business segments

The business segments defined by the Group are as follows:

- Bioscience: including all activities related with products deriving from human plasma for therapeutic use.
- Hospital: comprising all non-biological pharmaceutical products and medical supplies manufactured by Group companies earmarked for hospital pharmacy. Products related with this business which the Group does not manufacture but markets as supplementary to its own products are also included.
- Diagnostic: including the marketing of diagnostic testing equipment, reagents and other equipment, manufactured by Group or other companies.
- Materials: including sales of intermediate biological products and the rendering of manufacturing services to third party companies.

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(b) Geographical segments

Geographical segments are grouped into three areas:

- European Union
- United States of America
- Rest of the world

The financial information reported for geographical segments is based on sales to third parties in these markets as well as the location of assets.

(6) Intangible assets

Details of intangible assets and movement during the years ended 31 December 2007 and 2006 are included in Appendix II, which forms an integral part of these notes to the consolidated annual accounts.

Goodwill and intangible assets with indefinite useful lives

Details of and movement in goodwill in the consolidated balance sheet at 31 December 2006 are as follows:

	Thousands of Euros			
	Balances at 31/12/05	Business combinations	Translation differences	Balances at 31/12/06
Net carrying amount				
Grifols UK, Ltd.	10,027	--	206	10,233
Grifols Italia, S.p.A.	6,118	--	--	6,118
Biomat USA, Inc.	100,970	5,119	(10,643)	95,446
Plasmacare, Inc.	--	42,757	(3,734)	39,023
	117,115	47,876	(14,171)	150,820

(note 1 (d))

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In 2006, the business combinations of PlasmaCare and Baxter resulted in increases in FDA licences with indefinite useful lives of Euros 6,581 thousand and Euros 3,357 thousand, respectively (note 1 (d)). In 2006, additions to concessions, patents, licences, trademarks and similar items included Euros 4,030 thousand relating to the cost of the licence agreement for the use of patents that a group company signed with Novartis Vaccines and Diagnostics, Inc. These licences are amortised over a period of five years.

Details of and movement in goodwill in the consolidated balance sheet at 31 December 2007 are as follows:

	Thousands of Euros			Balances at 31/12/07
	Balances at 31/12/06	Business combinations	Translation differences	
Net carrying amount				
Grifols UK, Ltd.	10,233	--	(864)	9,369
Grifols Italia, S.p.A.	6,118	--		6,118
Biomat USA, Inc.	95,446	--	(10,056)	85,390
Plasmacare, Inc.	39,023	--	(4,111)	34,912
Plasma Collection Centers, Inc.	--	16,106	(1,652)	14,454
	<u>150,820</u>	<u>16,106</u>	<u>(16,683)</u>	<u>150,243</u>

(note 1 (d))

At 31 December 2007 the Group has recognised licenses and other intangible assets with indefinite useful lives for a carrying amount of Euros 23,019 thousand (Euros 24,955 thousand at 31 December 2006). The Group has also recognised Euros 13,183 thousand as costs of research and development in progress (Euros 7,651 thousand at 31 December 2006).

Impairment testing:

Goodwill and indefinite-lived intangible assets have been allocated to the Group's cash-generating units (CGUs) in accordance with their respective business segment. These assets have been allocated to the Bioscience segment.

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The recoverable amount of a CGU is calculated from its value in use. These calculations are based on cash flow projections from the financial budgets approved by management over a period of five years. Cash flows subsequent to this five-year period are extrapolated using the following estimated growth rates.

The key assumptions used in calculating value in use are as follows:

Growth rate:	3%
Discount rate:	12%

These assumptions have been used in analysing each CGU within the business segment.

Management determines projected gross margins based on past performance and forecast market development. Average weighted growth rates are in line with the forecasts included in industry reports. The discount rates used are before tax and reflect the specific risks of the relevant segments.

(7) Property, Plant and Equipment

Details of property, plant and equipment and movement in the consolidated balance sheet at 31 December 2007 and 2006 are included in Appendix III, which forms an integral part of these notes to these consolidated annual accounts.

Property, plant and development under construction at 31 December 2007 and 2006 mainly comprises investments made to extend the companies' installations and to increase their productive capacity.

a) Mortgaged property, plant and equipment

At 31 December 2007 certain land and buildings have been mortgaged for Euros 383 thousand (Euros 460 thousand at 31 December 2006) to secure payment of certain loans (see note 17).

b) Official capital grants received

During 2007, the Group has received capital grants totalling Euros 33 thousand (Euros 35 thousand at 31 December 2006) (see note 18 (d)).

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c) Insurance

Group policy is to contract sufficient insurance coverage for the risk of damage to property, plant and equipment. At 31 December 2007 the Group has a combined insurance policy for all Group companies, which adequately covers the carrying amount of all the Group's assets.

d) Revalued assets

The Group opted to apply the exemption regarding fair value and revaluation as deemed cost as permitted by IFRS 1 First time Adoption of IFRS. In accordance with this exemption, the Group's land and buildings were revalued based on independent expert appraisals at 1 January 2004. Appraisals were carried out at market value.

The Group had contracted the following types of property, plant and equipment under finance leases at 31 December 2006:

Asset	Thousands of Euros		
	Cost	Accumulated depreciation	Carrying amount
Land and buildings	625	(117)	508
Plant and machinery	7,158	(1,545)	5,613
Other installations, equipmt. & furniture	2,227	(577)	1,650
Other fixed assets	5,129	(2,320)	2,809
	15,139	(4,559)	10,580

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The Group has contracted the following types of property, plant and equipment under finance leases at 31 December 2007:

<u>Asset</u>	Thousands of Euros		
	Cost	Accumulated depreciation	Carrying amount
Land and buildings	625	(124)	501
Plant and machinery	6,182	(655)	5,527
Other installations, equipmt. & furniture	2,157	(395)	1,762
Other fixed assets	6,305	(2,199)	4,106
	15,269	(3,373)	11,896

Details of minimum payments and the current finance lease liabilities, by maturity date, are as follows:

	Miles de Euros			
	31/12/07		31/12/06	
	Current	Non-current	Current	Non-current
Minimum payments	4,564	5,823	3,704	3,850
Interest	(498)	(336)	(266)	(261)
Current value	4,066	5,487	3,438	3,589
	(note 19)	(note 17)	(note 19)	(note 17)

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	Thousands of Euros					
	31/12/2007			31/12/2006		
	Minimum payments	Interest	Current value	Minimum payments	Interest	Current value
Maturity:						
Up to 1 year	4,564	498	4,066	3,704	266	3,438
Up to 2 years	3,317	224	3,093	2,009	134	1,875
Up to 3 years	1,984	96	1,888	983	72	911
Up to 4 years	522	16	506	275	38	237
Up to 5 years	0	0	0	583	17	566
More than 5 years	0	0	0	0	0	0
Total	10,387	834	9,553	7,554	527	7,027

(8) Investments

Details of short-term investments and movement during the year ended 31 December 2006 are as follows:

	Miles de Euros					
	Balances at 31/12/05	Additions	Disposals/ Reversals	Business combinations	Translation differences	Balances at 31/12/06
Equity accounted interests	210	76	0	0	(33)	253
Other investments:						
Long-term guarantee deposits	799	192	(120)	6	(38)	839
Other investments	4	0	0	0	0	4
Carrying amnt. of other invest.	803	192	(120)	6	(38)	843
TOTAL INVESTMENTS	1,013	268	(120)	6	(71)	1,096

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Details of short-term investments and movement during the year ended 31 December 2007 are as follows:

Miles de Euros					
	Balances at 31/12/06	Additions	Disposals/ Reversals	Translation differences	Balances at 31/12/07
Equity accounted interests	253	19	0	(29)	243
Other investments:					
Long-term guarantee deposits	839	131	(54)	(48)	868
Other investments	4	0	(4)	0	0
Carrying amnt. of other invest.	843	131	(58)	(48)	868
TOTAL INVESTMENTS	1,096	150	(58)	(77)	1,111

Investments accounted for using the equity method at 31 December 2007 and 2006 comprise the investment held by Diagnostic Grifols, S.A in the company Quest International, Inc. This company is located in Miami, Florida (USA) and its activity consists of the manufacture and commercialisation of reagents and clinical analysis instruments.

		Miles de Euros					
	Country	% interest	Assets	Liabilities	Equity	Income	Profit/(loss)
2007							
Quest International, Inc	US	35%	1,348	493	855	1,101	54
			1,348	493	855	1,101	54
2006							
Quest International, Inc	US	35%	1,048	147	901	1,229	208
			1,048	147	901	1,229	208

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This company has been accounted for using the equity method, as the Group does not exert significant influence.

(9) Available-for-sale Financial Assets

Details of available-for-sale financial assets are as follows:

	Thousands of Euros	
	31/12/2007	31/12/2006
Investments (quoted shares)	23	99
Fixed income securities	0	1,070
	23	1,169

Investments in quoted shares mainly reflect the Group's investment in Northfield Laboratorios, Inc (USA), which amounts to less than 1% of share capital.

At 31 December 2006 fixed interest securities reflect a term deposit of approximately Euros 1 million held by a group company and which matured on 31 May 2007.

(10) Inventories

Details of inventories at 31 December 2007 and 2006 are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Goods for resale	37,138	33,850
Raw materials and supplies	96,044	77,214
Work in progress and semi-finished goods	95,770	79,105
Finished goods	42,456	48,235
	271,408	238,404
Less, provision for obsolescence	(749)	(2,929)
	270,659	235,475

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As mentioned in note 31 (b), at 31 December 2006 raw materials and materials consumed included 350 thousand litres of plasma which had been pledged to secure payment of US Dollars 27,500 thousand for the acquisition of Alpha Therapeutic Corporation, which was made in July 2007.

Change in inventories of finished products, work in progress and materials consumed was as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Goods for resale		
Net purchases	34,542	35,571
Changes in inventories	(4,098)	(4,800)
	30,445	30,771
Raw materials and supplies		
Net purchases	178,262	157,004
Changes in inventories	(24,045)	(9,209)
	154,217	147,795
Other external expenses	11,646	2,975
Supplies of inventories	196,308	181,541
Changes in inventories of finished goods and work in progress	(16,882)	21,631
Changes in inventories of finished goods and work in progress and supply of inventories	179,426	203,172

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Movement in goods for resale during 2007 and 2006 have been as follows:

	Thousands of Euros	
	31/12/2007	31/12/2006
Opening goods for resale	33,850	29,968
Increase / (Decrease) in goods for resale	4,098	4,800
Translation differences	(810)	(918)
Closing goods for resale	<u>37,138</u>	<u>33,850</u>

Change in inventories of raw materials and materials consumed during 2007 and 2006 have been as follows:

	Thousands of Euros	
	31/12/2007	31/12/2006
Opening raw materials	77,214	70,320
Business combinations	0	2,649
Increase / (decrease) in raw materials	24,045	9,209
Translation differences	(5,215)	(4,964)
Closing raw materials	<u>96,044</u>	<u>77,214</u>

Change in inventories of finished products and work in progress during 2007 and 2006 have been as follows:

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	Thousands of Euros	
	31/12/2007	31/12/2006
Opening finished goods and work in progress	127,340	153,511
Increase / (decrease) in finished goods and work	16,882	(21,631)
Translation differences	(5,996)	(4,540)
Closing finished goods and work in progress	138,226	127,340

Net sales include sales made in the following foreign currencies:

Currency	Thousands of Euros	
	31/12/07	31/12/06
US Dollars	139,240	125,493
Other currencies	6,540	3,668

Movement in the provision for obsolescence was as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Opening balance	2,929	4,254
Net provision for the year	(2,096)	(1,020)
Net applications for the year	(7)	0
Translation differences	(77)	(305)
Closing balance	749	2,929

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(11) Trade and Other Receivables

Details at 31 December are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Trade receivables	174,351	173,053
Sundry receivables	19,799	15,815
Advances for fixed assets	2,468	95
Other advances	2,437	2,682
Prepayments	6,201	5,353
	205,256	196,998

Trade receivables net of the provision for bad debts include notes receivable discounted at banks at 31 December 2007, which amount to Euros 1,620 thousand (Euros 1,350 thousand at 31 December 2006) (see note 19).

At 31 December 2007 advances for fixed assets includes an amount of Euros 2,200 thousand corresponding to the purchase option extended for the acquisition of industrial facilities in Parets del Vallés (Barcelona) (see note 35 (a)).

Sundry debtors at 31 December 2007 mainly comprises Euros 9,790 thousand (Euros 11,324 thousand at 31 December 2006) reflecting interest receivable from social security-affiliated bodies.

On 31 January 2007 one of the Group companies signed an agreement to cancel the plasma supply contract signed by the Group on 31 August 2005. The Group has received compensation of US Dollars 10 million, US Dollars 5 million of which has been recognised under sundry debtors at 31 December 2007. This amount has been collected at the date of signing the consolidated annual accounts.

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In 2005 the Group also made a Euros 5,000 thousand advance payment on account to the Spanish Haemophilia Federation relating to an agreement which provides an economic contribution to this entity, which is calculated on the basis of sales of a certain product of the Group between 2005 and 2009. During 2007 Euros 2,184 thousand (Euros 2,189 thousand in 2006) has been accrued and recognised as an expense under other operating expenses. At 31 December 2007 and subsequent to the payment of Euros 1,478 thousand in 2007, the balance of the advance of Euros 1,406 thousand (Euros 2,110 thousand at 31 December 2006) has been included under sundry debtors.

In 2007 and 2006 certain Grifols Group companies have sold trade receivables from several public entities to Deutsche Bank, S.A.E. At 31 December 2007 Euros 3,240 thousand (Euros 2,038 thousand in 2006) receivable from Deutsche Bank for balances receivable from public entities sold in December 2007 was recorded under sundry debtors. This balance will be collected by the Group once Deutsche Bank has collected the nominal amount of the receivables sold plus delay interest. Some foreign Group companies have also signed a trade receivables sale and purchase agreement with a financial institution.

Total balances receivable sold to financial institutions through the aforementioned contracts amount to Euros 41.6 million (Euros 16.3 million in 2006).

The Company's directors consider that these contracts transfer all associated collection and financial risks and improve collection of invoices from these entities. Consequently, balances of Euros 41,636 thousand have been written off the balance sheet, reflecting the par value of these receivables (Euros 16,306 thousand in 2006).

The financial cost of these operations for the Group totals approximately Euros 1,235 thousand which has been recognised under finance costs in the 2007 consolidated income statement (Euros 245 thousand in 2006) (see note 27). In 2007 the Group has also collected Euros 449 thousand (Euros 640 thousand in 2006) from Deutsche Bank reflecting a cash collection bonus for receivables sold in prior years. This income was recorded on the 2007 consolidated income statement as a reduction in the finance expenses (see note 27).

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Trade receivables include balances in the following foreign currencies:

Currency	Thousands of Euros	
	31/12/07	31/12/06
US Dollars	22,071	25,432
Pounds Sterling	4,269	4,225
Czech Crown	3,284	2,505
Argentine Peso	1,400	1,056
Chilean Peso	6,490	4,429
Mexican Peso	4,964	3,139
Brazilian Real	2,329	1,359

Movement in the provision for bad debts was as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Opening balance	3,448	3,065
Net provisions for the year	(113)	713
Net applications for the year	(48)	(281)
Business combinations	0	4
Translation differences	(2)	(53)
Closing balance	3,285	3,448

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(12) Short-term investments

Details of short-term investments are as follows:

	Thousands of Euros	
	Balances at	Balances at
	31/12/07	31/12/06
Investment portfolio	7,080	5,646
Guarantee deposits	8	442
Other loans	0	144
	7,088	6,232

The investment portfolio comprises short-term guarantee deposits extended by a group company.

(13) Public entities

Accounts receivable from public entities are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Tax authorities		
VAT	3,128	3,002
Capital grants	0	38
Social security	121	126
Recoverable income tax:		
Current year	2,402	3,559
Prior years	0	151
Other public entities	671	830
	6,322	7,706

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Accounts payable to public entities are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Payable to tax authorities:		
VAT/Canary Island tax	5,787	5,841
Withholdings	2,700	2,195
Social security	2,431	2,621
 Income tax payable to tax authorities		
Current year	3,649	4,043
Prior years	121	302
Other public entities	478	1,606
	15,166	16,608

(14) Net Equity

On 17 May 2006 Grifols, S.A. (the Company) completed its flotation on the Spanish stock market which was conducted through the public offering of 71,000,000 ordinary shares of Euros 0.50 par value each and a share premium of Euros 3.90 per share. The total capital increase (including the share premium) amounted to Euros 312.4 million, equivalent to a price of Euros 4.40 per share (see note 1(a)).

Since that date, all of the Company's shares have been quoted on the Barcelona, Madrid, Valencia and Bilbao stock exchanges and on the electronic stock market.

Details of consolidated net equity and movement are shown in the consolidated statement of changes in net equity, which forms an integral part of the consolidated annual accounts.

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(a) Share capital

At 31 December 2007 and 2006 the Company's share capital is represented by 213,064,899 ordinary shares of Euros 0.50 par value each, which are subscribed and fully paid and have the same voting and profit-sharing rights.

At 31 December 2005 share capital in Grifols, S.A. comprised 140,598,299 shares of Euros 0.50 par value each, 260,000 of which did not confer voting rights. As mentioned in note 18 (a), these 260,000 shares have been recorded under non-current payables.

The Company only has information on the identity of its shareholders when this information is provided voluntarily or to comply with prevailing legislation. Based on the information available to the Company, its most significant shareholders at 31 December 2007 and 2006 are as follows:

	Percentage interest	
	31/12/07	31/12/06
Scranton Enterprises, B.V.	10.65%	10.78%
Morgan Stanley & Co. Inc.	8.19%	13.25%
Others	81.16%	75.97%
	100.00%	100.00%

During 2007 there were no movements in share capital.

Movements during 2006 are as follows:

- **Share capital increase with a charge to the share premium**

In a general meeting held on 5 April 2006 the shareholders agreed to increase the Company's capital with a charge to the share premium of Euros 863.3 thousand by issuing and putting into circulation 1,726,600 new ordinary shares of Euros 0.50 par value each.

All of the Company's shareholders agreed to freely transfer their free assignment rights to the Company to enable the Company to fulfil the obligation agreed with the Group's employees on 25 May 2001 (see note 31 (c)).

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- **Reduction of share capital**

In a general meeting held on 6 April 2006 the shareholders agreed to reduce share capital by Euros 130,000 by redeeming with a charge to voluntary reserves all of the 260,000 non-voting shares. This agreement was made on the condition that the Company would first acquire these shares without voting rights and that the operation would take place prior to the Company's shares being floated on the stock market.

On 17 May 2006 the board of directors exercised the rights granted to it by the shareholders and acquired all the non-voting shares for an amount of Euros 279.8 million and redeemed these shares with a charge to voluntary reserves, all of which took place prior to the flotation of the Company's shares. These two movements relating to non-voting shares are not recognised under equity but under other non-current payables and other payables (see notes 18 & 23).

- **Increase of share capital through a public offering**

As authorised by the shareholders in their general meeting on 5 April 2006, on 6 April 2006 the board of directors increased the Company's share capital by Euros 35.5 million by issuing and putting into circulation 71,000,000 ordinary shares of Euros 0.50 par value each.

All of the shareholders waived their preferential subscription rights in relation to the shares included in this capital increase to enable these shares to be offered publicly.

On 15 May 2006 the price of the shares to be offered publicly was established at Euros 4.40 per share, equivalent to a share premium of Euros 3.90 per share. Consequently, the total capital increase was fixed at Euros 312.4 million, Euros 35.5 million of which corresponds to the nominal value and Euros 276.9 million to the share premium. On 16 May 2006 this capital increase was registered by public deed, which was filed in the Mercantile Registry on the same date.

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Movements in equity during 2005 were as follows:

- **Share capital increase with a charge to the share premium**

As authorised by the shareholders at their general meeting on 30 June 2005 the Company agreed to increase share capital by Euros 7,017 thousand, through the issue of 14,033,831 new shares of Euros 0.5 par value each.

The shareholders agreed to freely transfer their assignation rights to Morgan Stanley & Co, Inc.

- **Share capital increase with monetary contribution with subsequent share capital reduction**

At their annual general meeting held on 10 August 2005 the shareholders agreed to:

- Increase share capital by issuing 260,000 new non-voting shares with a par value of Euros 0.5 each, plus a total share premium of Euros 259,870 thousand. The total share capital increase amounted to Euros 260,000 thousand, which, after deducting expenses incurred in this operation (Euros 15,018 thousand) was recorded under other non-current payables (see note 18 (a)).

The Company's shareholders renounced their preferential subscription rights and the share capital increase was fully subscribed and paid by the new shareholder Morgan Stanley & Co., Inc.

At their annual general meeting held of 10 August 2005 the shareholders agreed to issue 260,000 non-voting shares of Euros 0.5 par value each, which included a new Class B share without voting rights. The preferential rights of non-voting shares, as stated in the share issue agreements, were also approved by the shareholders at their annual general meeting and are as follows:

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1. Non-voting shares are entitled to receive a minimum annual dividend of:

- 10% during the first period
- 12.5% during the second period
- 13.125% during the third period, increasing at an annual rate of 0.625% every three months up to a maximum of 17.5% per annum, and
- 0.5% during the fourth period

The first period is until 10 August 2007. The second three-month period starts the day after the end of the first period and last for three months, whereas the third period begins the day after expiry of the second period and continues until 1 October 2012 unless, (i) the shareholders, at an annual general meeting, agree to redeem the non-voting shares, in which case the period will last until this resolution is adopted, or (ii) the Company is floated on the stock exchange, in which case this period shall continue until part or all of the ordinary shares are admitted for trading in any organised national or international market. The fourth period is of indefinite duration, commencing on the day subsequent to the end of the third period.

The minimum dividend will be distributed pro rata temporis, taking into account the date that shares were issued. Accordingly, if non-voting shares were issued on 1 July, the minimum dividend in respect of these shares for the year of issue would be fixed taking into account the days remaining until year end, resulting in a minimum dividend of 5%.

2. The minimum annual dividend is calculated in accordance with deemed cost of non-voting shares (hereinafter Deemed Cost), which is set at Euros 1,000 per share. Once the minimum dividend has been approved, holders of non-voting shares shall be entitled to the same dividend as that corresponding to ordinary shares.

Deemed cost of non-voting shares reflects the value of the investment, which is the par value plus share premium paid, or the minimum dividend which substitutes it, in accordance with section 1.3 below.

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3. As approved by the shareholders at their annual general meeting and without the need for the majority approval of non-voting shares, the Company may opt to pay the minimum dividend either in cash or by distributing new non-voting shares with the same characteristics as those which are the subject of the present agreement. Accordingly, the number of non-voting shares to be distributed would be calculated by dividing the total dividend corresponding to each holder of non-voting shares by the deemed cost of the non-voting shares.

4. Although the right to receive the minimum dividend depends on distributable profits for the year, the Company will pay dividends (either in cash or by distributing new non-voting shares) from the share premium reserve where possible.

5. If there are distributable profits for the year, the Company is obliged to approve distribution of the minimum dividend indicated in the preceding paragraphs. If there are no distributable profits, or if profits are insufficient to pay the established minimum dividends, the unpaid portion of the dividend must be paid within seven years of the year in which the minimum dividend was not paid, with annual interest of 10%. While the minimum dividend remains unpaid, non-voting shares shall be entitled to vote in equal conditions as ordinary shares, and retaining, where applicable, their economic benefits.

Minimum dividends accrued from prior years shall be settled prior to payment of the minimum dividend of the current year.

6. In the event of the Company's dissolution and liquidation, holders of non-voting shares shall have the right to repayment of the shares' deemed cost plus, where applicable, the unpaid dividends accrued at the date of liquidation, prior to the distribution of any amounts to the other shareholders. Nevertheless, this repayment must be equivalent to deemed cost plus the additional amount required for non-voting shareholders to receive dividends of at least 10% of deemed cost per share annually, from the date of issue to the date of repayment.

7. In exceptional circumstances, the holders of non-voting shares shall have the right to vote on matters defined as Extraordinary Agreements in Article 12 bis as permitted by Company statutes.

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8. Non-voting shares are freely transferable.
9. Non-voting shares include all other rights as established by articles 91 and 92 of the Spanish Companies' Act.
10. The holders of non-voting shares have the right to convert these into ordinary shares at a ratio of one ordinary share for each non-voting share, in the following circumstances:
 - i. Merger of the Company, except in the event of improper merger as described in Article 250 of the Spanish Companies' Act.
 - ii. Change of control of the Company. Change of control is defined as where one shareholder or group of shareholders acting jointly acquire, directly or indirectly, over 24% of the Company's share capital for the first time.
 - iii. If shareholders do not approve the redemption of the non-voting shares at an annual general meeting prior to 1 October 2012.
 - iv. If 30 days have elapsed subsequent to all or some ordinary shares having been admitted to trade in any organised national or international market, and the shareholders, at their annual general meeting have not agreed to redeem non-voting shares.
11. Conversion rights must be exercised in writing within two months of the reference date.
 - Increase share capital by issuing 22,451,474 new voting shares with a par value of Euros 0.5 each, plus a share premium of Euros 48,774 thousand. The total share capital increase amounts to Euros 60,000 thousand. The issue expenses incurred (Euros 2,252 thousand) were charged to distributable reserves (see consolidated statement of changes in equity).

The Company's shareholders renounced their preferential subscription rights and the share capital increase was fully subscribed and paid by the new shareholder Morgan Stanley & Co., Inc.

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- Reduce share capital by redeeming 107,828,446 treasury shares (see section (d)) of Euros 0.5 par value each. The total share capital reduction, including a par value of Euros 53,914 thousand, amounted to Euros 310,751 thousand of which Euros 231,081 thousand was charged against share premium and Euros 25,756 thousand charged against voluntary reserves.

(b) Other reserves

During 2007, other reserves have been reduced by Euros 241 thousand basically due to the effect of the change in tax rates on deferred tax assets and liabilities and to the winding-up of two Group companies.

During 2006, other reserves was reduced by Euros 11,604 thousand due to the share issue costs related to the public share offering.

This caption was also decreased by Euros 405 thousand, Euros 642 thousand of which is due to the effect of the change in tax rates on deferred tax assets and liabilities (see note 28).

At 31 December 2005, other reserves included a share premium of Euros 115,665 thousand which was partly reduced by the issue of non-voting shares included under other non-current payables (see notes 14 (a) and 18 (a)). This caption also included the Group's other non-legal reserves.

The availability of other reserves is subject to legislation applicable to each of the Group companies. At 31 December 2007, Euros 28,893 thousand relating to the treasury reserve (see note 14(d)), Euros 24,225 thousand of research and development costs (Euros 23,404 thousand at 31 December 2006), and an amount of Euros 9,256 thousand (Euros 16,477 thousand at 31 December 2006) are not freely available.

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(c) Legal reserve

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.

Distribution of the legal reserves of Spanish companies is subject to the same restrictions as those of the Parent company.

(d) Treasury shares

During the year ended 31 December 2007 the Company carried out the following operations with treasury shares:

In their annual ordinary general meeting on 20 June 2007 the shareholders approved the acquisition of a maximum of treasury shares equivalent to 5% of the Company's share capital. This approval was granted for a maximum period of 18 months as from the date of the agreement. Movements in treasury shares during 2007 have been as follows:

	<u>N° of shares</u>	<u>Thousands of Euros</u>
Balance at 1 January 2007	--	--
Acquisitions	2,100,463	28,893
Balance at 31 December 2007	<u>2,100,463</u>	<u>28,893</u>

As a result, the Company holds treasury shares equivalent to 0.99% of its capital at 31 December 2007.

At 31 December 2007 the Company has set aside the corresponding reserve for total treasury shares at that date (see note 14 (b)).

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During the year ended 31 December 2006 the Company carried out the following operations with treasury shares:

- On 5 April 2006 the Company increased capital by Euros 863,300 with a charge to the share premium by issuing and putting into circulation 1,726,600 shares of Euros 0.50 par value each. These shares were distributed to the Company after the Company's shareholders waived their preferential subscription rights. These shares were distributed to Group employees and their distribution was dependant upon meeting certain conditions and previously established periods.
- On 17 May 2006 the Company issued the Group companies' employees with 1,726,600 treasury shares of Euros 0.50 par value each, based on previously established terms and conditions (see notes 31 (c)).

(15) Minority interests

Details of minority interests and movement during the year 31 December 2006 are as follows:

	Thousands of Euros			
	Balances at 31/12/05	Additions	Translation differences	Balances at 31/12/06
Grifols (Thailand) Pte Ltd	48	204	1	253
Grifols Malaysia Sdn Bhd	73	87	(5)	155
	121	291	(4)	408

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Details of minority interests and movement during the year 31 December 2007 are as follows:

	Thousands of Euros				Balances at 31/12/07
	Balances at 31/12/06	Additions	Disposals	Translation differences	
Grifols (Thailand) Pte Ltd	253	502	(9)	18	764
Grifols Malaysia Sdn Bhd	155	72	0	(10)	217
	408	574	(9)	8	981

(16) Notes and Other Current and Non-current Interest-bearing Liabilities

In 2005 a Group company issued bearer promissory notes of Euros 3,000 thousand par value each for a total amount of Euros 5,748 thousand being the maximum amount authorised by the Spanish Securities and Exchange Commission on 15 April 2005, which were earmarked for Group employees. At 31 December 2006 promissory notes of Euros 5,463 thousand par value were subscribed, which have been redeemed during 2007.

During 2007 a Group company has issued bearer promissory notes of Euros 3,000 thousand par value each for a total amount of Euros 6,000 thousand being the maximum amount, which were earmarked for Group employees. At 31 December 2007 promissory notes at a par value of Euros 5,616 thousand have been subscribed.

At 31 December 2007 unaccrued interest payable on these promissory notes in 2007 amounts to Euros 95 thousand which was deducted from the previous amount.

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(17) Non-current Borrowings

Details of non-current borrowings, excluding the syndicated loan, at 31 December 2006 are as follows:

Extended by	Date awarded	Maturity date	Amount awarded	Thousands of Euros		
				In prior years	In current year	Non current
Institut Catalá de Finances	01/11/2002	01/11/2016	1,024	293	73	658
Bancaja (note 7)	01/05/2000	01/05/2012	902	442	77	383
EBN	01/07/2003	01/10/2006	1,300	313	987	0
Banc Sabadell	24/05/2005	31/12/2007	504	0	0	504
Institut Catalá de Finances	27/01/2005	28/02/2010	6,185	2,163	1,237	2,785
Instituto de crédito Oficial	01/06/2006	26/05/2016	29,790	0	(54)	29,844
Banc Sabadell	27/07/2006	30/06/2008	202	0	0	202
Banc Sabadell	27/07/2006	30/06/2008	147	0	0	147
BBVA	27/02/2006	24/02/2009	14,940	0	5,962	8,978
Comerica Bank	17/03/2006	17/03/2008	8,544	0	0	8,544
			63,538	3,211	8,282	52,045
Non current finance lease liabilities (Note 7)						3,589
			63,538	3,211	8,282	55,634

Amounts are shown net of loan arrangement expenses amounting to Euros 241 thousand in 2006.

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Details of non-current borrowings, excluding the syndicated loan, at 31 December 2007 are as follows:

Extended by	Date awarded	Maturity date	Amount awarded	Thousands of Euros		
				In prior years	In current year	31/12/07 Non current
Institut Catalá de Finances	01/11/2002	01/11/2016	1,024	366	658	0
Bancaja (note 7)	01/05/2000	01/05/2012	902	519	79	304
Banc Sabadell	24/05/2005	31/12/2007	504	0	504	0
Institut Catalá de Finances	27/01/2005	28/02/2010	6,185	3,400	1,237	1,548
Instituto de crédito Oficial	01/06/2006	26/05/2016	29,790	(54)	(32)	29,876
Banc Sabadell	27/07/2006	30/06/2008	202	0	202	0
Banc Sabadell	27/07/2006	30/06/2008	147	0	147	0
BBVA	27/02/2006	24/02/2009	14,940	5,962	5,979	2,999
Comerica Bank	17/03/2006	17/03/2008	7,643	0	7,643	0
			61,337	10,193	16,417	34,727
Non current finance lease liabilities (Note 7)						5,487
			61,337	10,193	16,417	40,214

Amounts are shown net of loan arrangement expenses amounting to Euros 139 thousand in 2007.

The majority of these loans bear interest at variable rates (of Euribor + between 0.7% and 1.5%).

On 21 June 2005 the Company signed a syndicated loan with BBVA as agent for Euros 225,000 thousand. This syndicated loan, which matures on 21 June 2011, is subject to compliance with certain financial ratio covenants. In accordance with the agreed-upon conditions, the level of compliance with financial ratios and levels is determined at year end. The Company is required to provide financial information to the lending banks within the six-month period subsequent to 31 December of each year of duration of the contract.

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On 21 November 2006 the Company renegotiated the syndicated loan contract with the relevant financial institutions so that the financial ratios established in the loan contract are calculated using the figures presented under EU-IFRS.

At 31 December 2007 and 2006 the Company fulfils the ratios established in the syndicated loan contract.

Details of movement in the syndicated loan are as follows:

	Thousand of Euros	
	31/12/2007	31/12/2006
Opening balance	142,695	174,958
Drawdowns/Repayments	30,469	(2,031)
Transfer to short term	34,953	30,232
Closing balance	138,211	142,695

Amounts are shown net of loan arrangement expenses amounting to Euros 852 thousand in 2007 (Euros 1,368 thousand in 2006).

Details of maturity of non-current borrowings at 31 December 2007 and 2006 are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Maturity at:		
Two years	38,818	47,166
Three years	34,993	38,883
Four years	81,133	35,058
Five years	4,022	55,261
More than five years	13,972	18,372
	172,938	194,740

Details of the maturities of non-current finance lease liabilities are presented in note 7.

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(18) Other Non-current Payables

Details are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Notes payable	0	0
Biolife Plasma Services LP	0	1,316
Novartis	1,394	2,270
Privileged loans from Ministry of Science and Technology	9,670	9,060
Other debts (b)	11,064	12,646
Provisions for pensions & similar	793	685
Other provisions	206	217
Provisions for liabilities & charges(c)	999	902
Capital grants	750	830
Other grants	1,332	1,663
Capital grants for privileged loans	2,463	2,326
Deferred income (d)	4,545	4,819
Other non-current payables	16,608	18,367

(a) Non-voting share capital increase

As described in note 14, on 10 August 2005 the Company increased share capital by issuing 260,000 new non-voting shares of Euros 0.5 par value each plus a share premium of Euros 259,870 thousand. The share capital increase amounted to Euros 260,000 thousand in total. This operation also incurred net share capital increase expenses of Euros 15,018 thousand, which were deducted from the prior amount at 31 December 2005.

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During 2006 Euros 12,332 thousand was accrued for the redemption of share issue costs (Euros 2,686 thousand during 2005) relating to the share capital increase in 2005 through the issue of 260,000 new non-voting shares with a par value of Euros 0.50 each and a total share premium of Euros 259,870 thousand (see note 27).

In relation to the floating of the Company on the stock market, on 17 May 2006 these non-voting shares were purchased and subsequently redeemed by the Company (see note 14(a)).

Details of movement at 31 December 2006 are as follows:

	Balance at 31/12/05	Dividend accrued during the year	Financial expenses accrued during the year	Share issue costs	Balance at 31/12/06
Other non-current payables	247,668	--	12,332	(260,000)	0
Other current payables (note 27)	10,258	9,545	--	(19,803)	0
	<u>257,926</u>	<u>9,545</u>	<u>12,332</u>	<u>(279,803)</u>	<u>0</u>
		(note 27)	(note 27)	(note 14)	

(b) Other payables

At 31 December 2006 other debts included Euros 1,343 thousand comprising the Euros equivalent of the debt in US Dollars payable in the long term to Biolife Plasma Service L.P., subsidiary of Baxter Healthcare Corporation, for the eight plasma centres acquired in the USA (note 1 (d.2)). Deferred financial expenses resulting from this transaction amount to Euros 27 thousand and have been deducted from the aforementioned amount. Other payables includes the current portion of this debt which amounts to Euros 2,410 thousand (see note 23). This debt has been cancelled in 2007.

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At 31 December 2007 this caption also includes Euros 1,562 thousand (Euros 2,620 thousand at 31 December 2006) comprising the long-term debt with Novartis Vaccines and Diagnostics, for the licence contract signed by a group company during 2006. Deferred financial expenses resulting from this transaction amount to Euros 168 thousand (Euros 350 thousand at 31 December 2006) and have been deducted from the aforementioned amount. Other payables includes the current portion of this debt which amounts to Euros 762 thousand (Euros 852 thousand at 31 December 2006) (see note 23).

Details of preference loans granted by the Spanish Ministry of Science and Technology which are interest free, to various different Group companies are as follows:

Company	Date awarded	Amount awarded	Thousands of Euros			
			31/12/2007		31/12/2006	
			Non-current	Current	Non-current	Current
Instituto Grifols S.A	22/02/2002	749	101	106	196	106
Instituto Grifols S.A	31/01/2001	637	158	86	231	86
Instituto Grifols S.A	13/02/2002	691	253	94	329	94
Instituto Grifols S.A	17/01/2003	1,200	587	165	718	165
Instituto Grifols S.A	13/11/2003	2,000	1,212	279	1,422	279
Instituto Grifols S.A	17/01/2005	2,680	1,934	375	2,210	--
Instituto Grifols S.A	29/12/2005	2,100	1,679	--	1,603	--
Instituto Grifols S.A	29/12/2006	1,700	1,293	--	1,232	--
Instituto Grifols S.A	27/12/2007	1,700	1,191	--	--	--
Laboratorios Grifols, S.A	20/03/2001	219	55	30	79	30
Laboratorios Grifols, S.A	29/01/2002	210	77	29	100	29
Laboratorios Grifols, S.A	15/01/2003	220	108	30	132	30
Laboratorios Grifols, S.A	26/09/2003	300	178	41	216	42
Laboratorios Grifols, S.A	22/10/2004	200	144	28	165	--
Laboratorios Grifols, S.A	20/12/2005	180	144	--	137	--
Laboratorios Grifols, S.A	29/12/2006	400	304	--	290	--
Laboratorios Grifols, S.A	27/12/2007	360	252	--	--	--
Diagnostic Grifols, S.A	23/05/2002	507	--	--	--	77
		16,053	9,670	1,263	9,060	938

In 2007 the implicit interest expense taken to profit and loss amounts to Euros 477 thousand (Euros 419 thousand in 2006) (see note 27).

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Details of the maturity of other debts are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Maturity at:		
Two years	2,177	3,053
Three years	2,315	2,219
Four years	1,666	2,360
Five years	1,490	1,377
More than five years	3,416	3,637
	11,064	12,646

(c) Provisions for Liabilities and Charges

At 31 December 2007 and 2006 this balance mainly comprises provision made by a foreign subsidiary in respect of labour commitments with certain employees.

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(d) Deferred income

Details of capital grants are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Total amount of the grant:		
Prior to 1995	330	330
1995	627	627
1996	54	54
1997	426	426
1998	65	65
1999	42	42
2000	179	179
2001	214	214
2002	626	626
2005	37	37
2006	35	35
Current year	33	--
	2,668	2,635
Less, recognised income:		
In prior years	(1,805)	(1,700)
During the year	(113)	(105)
	(1,918)	(1,805)
Carrying amount of capital grant	750	830

At 31 December 2007 preference loan capital grants include Euros 2,463 thousand of implicit interest on loans extended by the Spanish Ministry of Science and Culture as these are interest free (Euros 2,326 thousand at 31 December 2006).

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Movement during 2006 is as follows:

	Thousands of Euros			
	Balances at 31/12/05	Additions	Transfer to profit/(loss)	Balances at 31/12/06
Capital grants through privileged loans	1,534	1,211	(419)	2,326
			(note 27)	

Movement during 2007 is as follows:

	Thousands of Euros			
	Balances at 31/12/06	Additions	Transfer to profit/(loss)	Balances at 31/12/07
Capital grants through privileged loans	2,326	614	(477)	2,463
			(note 27)	

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(19) Current Borrowings

Details of current borrowings are as follows:

	Interest rate (*) Min - max	Thousands of Euros			
		Drawn down		Limit	
		31/12/07	31/12/06	31/12/07	31/12/06
Loans in:					
US Dollars	5,41% - 6,51%	48,631	8,360	67,790	30,372
Euros	3,494% - 5,875%	111,759	113,792	449,383	258,389
Other currencies	TIE+1.30% - 15%	4,718	5,132	8,649	9,750
		165,108	127,284	525,822	298,511
Discounted trade notes (note 11)	3,57-5,24%	1,620	1,350		
Current interest on borrowings		1,913	1,387		
Finance lease payables (note 7)		4,564	3,704		
		173,205	133,725	525,822	298,511
Less, current portion of deferred financial expenses for leasing (note 7)		(498)	(266)		
Less, current portion of loan arrangement expenses		(688)	(711)		
		172,019	132,748		

(*) The loans bear interest at variable rates

(20) Derivatives

(a) Exchange rate hedges

The Group on occasions uses hedges to cover its foreign currency operations and cash flows. The instruments used mainly comprise term exchange rate insurance for the currencies of the main markets in which the Group operates.

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Exchange rate risks assumed by the Group mainly related to the following operations:

- Foreign currency debt contracted by Group companies
- Results of operations performed in countries outside the Euro zone linked to fluctuations in the respective currencies of these countries.
- Investments made to acquire shareholdings in foreign companies.

At 31 December 2006 the Group had an exchange rate hedging instrument contracted, the value of which is negative by Euros 37 thousand. The gradual rise in inflows of foreign currency makes the current level of hedging increasingly higher. At 31 December 2007 the Group has no exchange rate hedging instruments contracted.

(b) Interest rate hedges

The Group is exposed to variations in interest rates as practically all of its debt with financial entities accrues interest at variable rates.

At 31 December 2007 the Group has contracted an interest rate swap for a par value of Euros 50,000, which matures on 26 July 2011. The positive fair value of this swap amounts to approximately Euros 512 thousand (negative fair value of Euros 611 thousand in 2006).

(21) Payables to Related Parties

Details are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Payables to:		
Associates	24	39
Key management personnel	0	0
Members of the board of directors	0	0
	24	39

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At 31 December 2006 there were no balances with members of the board of directors or with key management personnel. At 31 December 2007 a credit balance of Euros 60 thousand is held with the members of the board of directors.

(a) Group transactions with related parties

Group transactions with related parties during 2007 were as follows:

	Thousands of Euros		
	Associates	Key management personnel	Board of directors of the Company
Net purchases	(105)	--	--
Net sales	--	--	--
Other services	(148)	--	(1,390)
	(253)	0	(1,390)
Interest	--	--	--
Dividends and other distributed profits	--	45	1,702
Dividends and other received profits	--	--	--
	0	45	1,702

Group transactions with related parties during 2006 were as follows:

	Thousands of Euros		
	Associates	Key management personnel	Board of directors of the Company
Net purchases	(131)	--	--
Net sales	--	--	--
Other services	(8,373)	--	(1,905)
	(8,504)	0	(1,905)
Interest	--	--	--
Dividends and other distributed profits	--	38	1,534
Dividends and other received profits	--	--	--
	0	38	1,534

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b) Information on the Board of Directors of the Parent company and key Group personnel

During 2007 the members of the board of directors of Grifols, S.A. have received Euros 120,000 in respect of their office (Euros 60,000 during 2006).

Details of remuneration of Members of the Board of Directors which have a labour relationship with Group companies and remuneration received by key management personnel are as follows:

	Thousands of Euros	
	31/12/2007	31/12/2006
Current remuneration	1,967	1,771
Total key management personnel	1,967	1,771

c) Investments and positions held by directors of the parent company in other companies

The directors of the Company do not hold any investments in companies with a statutory activity which is identical, similar or complementary to that of the Parent company. The positions, functions and activities developed and/or performed by the members of the board of directors in such companies are detailed in the attached Appendix IV, which forms an integral part of these consolidated notes.

(22) Trade payables

Details are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Suppliers	76,910	66,478
Notes payable to suppliers	1,031	758
Trade provisions	3,957	3,890
Advances received	11,571	11,019
Accruals	1,254	126
	94,723	82,271

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Balances with suppliers include the following accounts payable in foreign currencies:

Currency	Thousands of Euros	
	31/12/07	31/12/06
US Dollars	19,423	18,538
Pounds Sterling	844	1,632
Japanese Yen	623	560
Czech Crowns	480	355
Chilean Pesos	661	234
Brazilian Real	354	246
Singapore Dollars	226	0
Other currencies	176	453

Movement in trade provisions in 2006 was as follows:

	Thousands of Euros				
	Balances at 31/12/05	Provision	Reversal	Translation differences	Balances at 31/12/06
Trade provisions	1,245	2,611	46	(12)	3,890
	1,245	2,611	46	(12)	3,890

Movement in this provision in 2007 has been as follows:

	Thousands of Euros				
	Balances at 31/12/06	Provision	Reversal	Translation differences	Balances at 31/12/07
Trade provisions	3,890	956	(889)	0	3,957
	3,890	956	(889)	0	3,957

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(23) Other Payables

Details are as follows:

	Thousands of Euros	
	31/12/2007	31/12/2006
Mitsubishi Pharma Corporation	0	20,343
Receivables from social security transferred to Deutsche Bank	4,057	5,366
Biolife Plasma Services LP (note 18 (b))	0	2,410
Novartis (nota 18 (b))	762	852
Acquisition of Plasma Collection Centres, Inc	3,397	0
Privileged loans from Ministry of Science and Technology (note 18 (b))	1,263	938
Others	408	956
Other payables	<u>9,887</u>	<u>30,865</u>
Remunerations payable	19,159	14,140
Guarantee deposits received	77	70
	<u>29,123</u>	<u>45,075</u>

At 31 December 2006 other payables included Euros 20,881 thousand reflecting the Euros equivalent of the short-term balance payable in US Dollars to Mitsubishi Pharma Corporation for the acquisition of certain assets from Alpha Therapeutic Corporation (note 31 (b)). Deferred financial expenses resulting from the transaction amounted to Euros 538 thousand at 31 December 2006 and have been deducted from the above balance. Financial expenses accrued for this item have amounted to Euros 531 thousand, while the debt was repaid in June 2007.

At 31 December 2007 and 2006 other payables also include approximately Euros 4,057 thousand and Euros 5,366 thousand, respectively, which was collected directly from social security affiliated bodies, as the receivables had been transferred from Deutsche Bank (see note 11).

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(24) Net Sales

The distribution of consolidated net sales in 2007 and 2006, by segment, was as follows:

	%	
	31/12/07	31/12/06
Bioscience	70	68
Diagnostics	11	11
Hospital	11	10
Raw materials	7	10
Others	1	1
	100	100

The geographical distribution of consolidated net sales is as follows:

	%	
	31/12/07	31/12/06
Sales, European Union	54%	52%
Sales, USA	34%	37%
Sales, rest of the world	13%	11%
	100%	100%

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Net sales include sales made in the following foreign currencies:

Currency	Thousands of Euros	
	31/12/07	31/12/06
US Dollars	252,410	258,643
Pounds Sterling	39,709	40,295
Mexican Pesos	22,990	13,451
Chilean Pesos	12,242	9,834
Czech Crowns	13,184	7,779
Brazilian Reals	6,828	4,240
Thai Bahts	5,545	2,806
Argentine Pesos	5,395	3,512
Singapore Dollars	3,809	2,377
Swiss Francs	0	85
Malaysian Ringgits	1,909	2,411
Slovak Koruna	28	0

(25) Personnel Expenses

Details are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Wages and salaries	173,927	148,472
Pension plan contributions	1,619	1,814
Welfare benefits	33,503	34,444
	209,049	184,730

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The average headcount in 2007, by department, was as follows:

	Average number	
	31/12/07	31/12/06
Manufacturing	3,576	3,065
Research & development – technical area	215	209
Administration and others	359	349
General management	85	80
Marketing	75	68
Sales and distribution	439	428
	4,749	4,199

The average headcount in 2007, by gender, was as follows:

	Number at 31/12/07		Total number of employees
	Male	Female	
Manufacturing	1,781	2,087	3,868
Research & development – technical area	82	140	222
Administration and others	192	186	378
General management	43	44	87
Marketing	39	40	79
Sales and distribution	239	207	446
	2,376	2,704	5,080

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(26) Other Operating Expenses

Details are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Changes in trade provisions (notes 10, 11 & 22)	(1,253)	2,304
Amounts capitalised for self-constructed assets	(19,860)	(12,472)
Servicios Profesionales	25,022	24,200
Supplies and other material	22,274	17,775
Operating leases (note 30 a)	11,142	11,237
Lease financing and other leases	5,234	4,288
Transport	15,707	13,133
Repairs and maintenance costs	12,978	12,196
Publicity	13,830	10,563
Insurance	10,787	10,791
Royalties and service charges	5,236	10,790
Travel expenses	11,962	10,244
External services	18,465	13,101
Others	5,410	2,937
Other operating expenses	136,934	131,087

On 13 April 2007 one of the Group companies signed an agreement cancelling the contract it had regarding the payment of royalties with effect from May 2005, resulting in the reversal of the provision for the accrual of these expenses which the Group had booked until the date of the agreement. Approximately Euros 3 million has been reversed.

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(27) Net Financing Costs

Details are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Interest from Social Security	2,847	4,014
Change in fair value of financial derivatives (Note 20)	1,236	2,440
Implicit interest on privileged loans (note 18 (b))	477	419
Other financial income	1,202	653
Financial income	5,762	7,526
Syndicated loan (other financial expenses)	694	801
Syndicated loan (interest)	9,042	7,657
Financial expenses from sale of receivables (Note 11)	786	(395)
Dividend guaranteed to shareholders with no voting rights (Note 18 (a))	0	9,545
Financial expenses on preference shares (Note 18 (a))	0	12,332
Change in fair value of financial derivatives (Note 20)	407	960
Implicit interest on privileged loans (Note 18 (b))	477	419
Other financial expenses	12,524	11,781
Financial expenses	23,930	43,100
Exchange gains	5,314	6,688
Exchange losses	9,932	7,752
Exchange differences	(4,618)	(1,064)
Net financing costs	(22,786)	(36,638)

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(28) Income Tax

Companies present annual income tax returns. The standard rate of tax is 32.5%, which may be reduced by certain credits.

Grifols, S.A. is authorised to present a consolidated tax return with Diagnostic Grifols, S.A., Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Logister, S.A., Biomat, S.A., Grifols Viajes, S.A., Grifols International, S.A. y Grifols Engineering, S.A. Grifols, S.A., in its capacity as Parent company, is responsible for the presentation and payment of the consolidated tax return.

The North-American company Grifols, Inc. is also permitted to present consolidated tax returns in the USA with Grifols Biologicals, Inc. and Grifols USA, LLC. Since November 2007 Biomat USA, Inc, Plasmacare, Inc and Plasma Collection Centers, Inc. have also been included in this tax consolidation.

a) Reconciliation of accounting and taxable income

Details of the income tax expense/(income) are as follows:

	Thousands of Euros	
	31/12/07	31/12/06
Profit/(loss) for the year before income tax	123,587	63,509
Tax at 32.5% / 35%	40,166	22,228
Permanent differences	104	3,361
Effect of different tax rates	769	(69)
Deductions for research and development	(4,728)	(3,654)
Other deductions	(837)	(145)
Expense for income tax in prior years	21	240
Other income tax expenses/(recoverable)	(256)	(4,137)
Total income tax expense	35,239	17,824
Deferred tax expenses	6,414	(7,924)
Current tax expenses	28,825	25,748
Total	35,239	17,824

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(b) Deferred tax assets and liabilities

On 28 November 2006 Law 35 on Personal Income Tax was published, which partially modifies the Corporate Income Tax Law. This law establishes that an additional provision to the modified text of the Corporate Income Tax Law enacted by Royal Decree Law 4 dated 5 March 2004 will be applicable for periods starting 1 January 2007 which states that the income tax rate for tax periods starting on 1 January 2007 will be 32.5% and 30% for tax periods starting on 1 January 2008 and thereafter. At 31 December 2007 the Spanish companies' deferred tax assets and liabilities have been recalculated in accordance with the new criteria. The effect of this adjustment has been a profit of Euros 523 thousand (Euros 4,056 thousand at 31 December 2006) (recorded as other income tax recoverable (see note 28 (a)) and a increase in reserves of Euros 100 thousand (Euros 642 thousand at 31 December 2006) (see note 14(b)). The net effect of this adjustment in deferred tax assets and liabilities has been Euros 623 thousand (Euros 3,414 thousand at 31 December 2006).

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Details of the deferred tax assets and liabilities are as follows:

	Thousands of Euros		
	Tax effect		
		with rate change	without rate change
	31/12/07	31/12/06	31/12/06
Assets			
Deductions	19,667	18,737	18,737
Tax credits in respect of loss carryforwards	181	7,534	8,051
Non-current assets & amortisation	651	1,117	1,148
Derivatives	0	143	167
Unrealised margins on inventories	6,613	5,349	5,575
Provision for bad debts	332	478	478
Inventories	985	707	707
Share issue costs	2,760	4,969	5,607
Others	2,921	2,418	2,462
	34,110	41,452	42,932
Liabilities			
Goodwill	(9,661)	(6,895)	(8,045)
Revaluation of non-current assets	(15,302)	(16,379)	(18,161)
Non-current assets & amortisation	(13,537)	(14,911)	(15,904)
Finance leases	(2,917)	(2,573)	(2,999)
Provision for treasury shares	(2,322)	(3,235)	(3,774)
Others	(55)	(1,869)	(1,873)
	(43,794)	(45,862)	(50,756)

As permitted by Royal Decree – Law 3/1993 governing urgent tax and financial measures and Royal Decrees – Law 7/1994 and Law 2/1995 governing accelerated depreciation of property, plant and equipment for investments which generate employment, the Spanish companies have opted to apply accelerated depreciation to certain additions to property, plant and equipment, which has resulted in the corresponding deferred tax liability.

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Details of deferred tax assets and liabilities on items directly debited and credited to equity during the year are as follows:

	Thousands of Euros		
	Tax effect		
	With rate change 31/12/07	With rate change 31/12/06	Without rate change 31/12/06
Available for sale financial assets	(7)	(21)	(24)
	(7)	(21)	(24)

The remaining assets and liabilities recognised in 2007 were taken to the income statement.

No other significant temporary differences which have generated deferred tax liabilities have arisen from investments in subsidiaries or associates.

The Spanish consolidated companies have deductions pending application mainly in respect of research and development, which are detailed below:

Year of origin	Thousands of Euros	Applicable through
2003	3,410	2018
2004	4,138	2019
2005	3,423	2020
2006	3,883	2021
2007 (estimated)	4,813	2022
	19,667	

At 31 December 2007 the Group recognised a tax credit of Euros 19,667 thousand (Euros 18,737 thousand at 31 December 2006) from the deductions pending application, as its future recovery was reasonably assured.

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At 31 December 2007 the Group has future tax deductions of Euros 30,048 thousand (Euros 32,346 thousand at 31 December 2006) pending application as a result of goodwill generated on the acquisition of Biomat USA, Inc. This amount will be deducted annually from the taxable profits until 2022, without being limited by the amount of tax payable in any one year. The amount that will be deducted in 2007 at the rate of 32.5% will be Euros 2,298 thousand, whilst in prior years an amount of Euros 2,121 thousand will be deducted at a rate of 30%. The Group has recognised a deferred tax liability of Euros 8,485 thousand in respect of this item at 31 December 2007 (Euros 6,364 thousand at 31 December 2006).

At 31 December 2007 the Group has future tax deductions of Euros 11,651 thousand (Euros 12,346 thousand at 31 December 2006) pending application as a result of goodwill generated on the acquisition of Plasmacare, Inc. This amount will be deducted annually from the taxable profits until 2026, without being limited by the amount of tax payable in any one year. The amount that has been deducted in 2007 at the rate of 32.5% has been Euros 695 thousand, whilst in future years an amount of Euros 641 thousand will be deducted at a rate of 30%. The Group has recognised a deferred tax liability of Euros 1,176 thousand in respect of this item at 31 December 2007 (Euros 531 thousand at 31 December 2006).

At 31 December 2007 the Group has recognised tax assets for loss carryforwards amounting to Euros 181 thousand (Euros 7,534 thousand at 31 December 2006) generated by the North American companies Biomat Usa, Inc and Grifols Usa, Inc. Euros 6,722 thousand of the loss carryforwards generated by the Spanish companies in 2006 have been applied during 2007.

The Group has not recognised loss carryforwards of Euros 696 thousand (Euros 1,311 thousand at 31 December 2006) from Grifols Portugal as deferred tax assets. The remaining companies do not have significant loss carryforwards which have not been recognised.

c) Years open to inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the prescribed inspection period has elapsed.

Due to, among other reasons, the treatment permitted by fiscal legislation of certain transactions, additional tax contingencies could arise in the event of inspection. In any event, the parent company's directors do not consider that any such contingencies that could arise would significantly affect the consolidated annual accounts.

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(29) Earnings per Share

The calculation of basic earnings per share is based on the profit for the year attributable to the shareholders of the Parent divided by the weighted average number of ordinary shares in circulation throughout the year, excluding treasury shares.

Details of the calculation of basic earnings per share are as follows:

	2007	2006
Profit for the year attributable to equity holders of the Parent company (Thousands of Euros)	87,774	45,394
Average weighted value of ordinary shares in circulation	212,106,273	185,966,769
Basic earnings per share (Euros per share)	0.41382	0.24410

The weighted average number of ordinary shares issued is determined as follows:

	Number of shares	
	2007	2006
Ordinary shares in circulation at 1 January	213,064,899	140,338,299
Effect of own shares issued	0	45,822,416
Effect of treasury shares	(958,626)	(193,947)
	212,106,273	185,966,769

Diluted earnings per share are calculated by dividing profit attributable to shareholders of the Parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares.

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Details of the diluted earnings per share calculation are as follows:

	2007	2006
Profit for the year attributable to equity holders of the Parent company (Thousands of Euros)	87,774	45,394
Average weighted value of ordinary diluted shares in circulation	212,106,273	184,240,169
Diluted earnings per share (Euros per share)	0.41382	0.24638

Weighted average number of ordinary shares issued is determined as follows:

	Number of shares	
	2007	2006
Average weighted value of ordinary shares in circulation	212,106,273	185,966,769
- Effect of shares issued for employees (Note 14 (d))	0	(1,726,600)
Average weighted value of ordinary diluted shares in circulation	212,106,273	184,240,169

(30) Operating Leases

(a) Operating leases (as lessee)

At 31 December 2007 and 2006 the Group leases buildings to third parties under operating leases.

The Group has warehouses and buildings contracted under operating lease. The duration of these lease contracts ranges from between 1 to 30 years. Contracts may be renewed on termination. Lease instalments are adjusted periodically in accordance with the price index established in each contract. One Group company has entered into lease contracts which include contingent rents. These contingent rents have been based on production capacity, surface area used and the real estate market and are expensed on a straight line basis.

Operating lease instalments of Euros 11,142 thousand have been recognised as an expense for the year at 31 December 2007 (Euros 11,237 thousand at 31 December 2006). Of this amount Euros 11,128 thousand (Euros 11,218 thousand at 31 December 2006) corresponds to minimum lease payments and Euros 14 thousand (Euros 19 thousand at 31 December 2006) to contingent rent instalments.

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Future minimum payments on non-cancellable operating leases at 31 December are as follows:

	Thousands of Euros	
	31/12/2007	31/12/2006
Maturity:		
Up to 1 year	7,597	7,236
Between 1 and 5 years	21,864	13,817
More than 5 years	5,472	977
Total future minimum payments	34,933	22,030

(b) Operating leases (as lessee)

The Group has a building leased to third parties under an operating lease at 31 December 2007 and 2006:

	Thousands of Euros	
	31/12/2007	31/12/2006
Maturity:		
Up to 1 year	74	80
Between 1 and 5 years	109	206
More than 5 years	--	--
Total future minimum payments	183	286

This contract does not include contingent rent or purchase options. Income of Euros 75 thousand has been recognised in 2007 (Euros 56 thousand in 2006).

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(31) Other Commitments with Third Parties and Other Contingent Liabilities and Assets

(a) Guarantees extended and other deposits

The group has no guarantees issued to third parties.

(b) Guarantees with third parties

Details of payment commitments which exist at 31 December 2006 due to the acquisition of Alpha Therapeutic Corporation in 2003 are as follows:

<u>Maturity</u>	<u>Thousands of US Dollars</u>	
	<u>31/12/2007</u>	<u>31/12/2006</u>
16/07/07	-	27,500
	0	27,500
	(note 18)	

This guarantee was cancelled in June 2007.

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(c) Obligations with personnel

As described in note 4 (k) section (i), Spanish companies of the Group are obliged to contribute to a defined contribution pension plan. Contributions made by the Group amounted to Euros 351 thousand in 2007 (Euros 344 thousand at 31 December 2006).

In successive years this contribution will be defined through labour negotiations.

Some foreign subsidiaries of the Group made contributions of Euros 1,268 thousand to complementary pension schemes (Euros 1,470 thousand at 31 December 2006).

At the annual general meeting held on 25 May 2001 the shareholders agreed to freely distribute 1,740,892 shares among the Group's employees (excluding directors and senior management) with a minimum of one year's service from the date of the agreement and using criteria based on employees' length of service. The directors will determine the date the shares are awarded, which will be subsequent to the Company's flotation on the stock market.

During 2006 and subsequent to the floating of the Company's shares on the stock market (17 May 2006), the board of directors distributed these shares to employees free-of-charge.

(d) Judicial procedures and arbitration

Details of legal proceeding in which the Company or Group companies are involved are as follows:

Instituto Grifols, S.A.

- Litigation was initiated in February 2000. Proceedings have been brought jointly against the Company and another plasma fractioning company.

The claimant (an individual) claimed Euros 542 thousand in damages due to the alleged contagion of HIV and Hepatitis C.

The first instance court in Cadiz fully rejected the claim against Instituto Grifols, S.A on 25 November 2005.

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An appeal was filed, which was rejected by the Cádiz Provincial Court in April 2007, thereby confirming the company's line of defence. A further appeal to this ruling has been filed with the Supreme Court.

- A claim brought against the Health Board of Castilla y León in February 2005.

The defendant (an individual) claimed Euros 180 thousand in damages due to the alleged contraction of Hepatitis C. The health authorities requested that this claim be extended to include the Company.

A court ruling is pending since this company has contested the claim.

- The Company was notified in 2007 of a claim for maximum damages of Euros 12,960,000 filed by a group of 100 Catalan haemophiliacs against all plasma fractionation companies. The Company does not consider that the outcome of this lawsuit will have a material impact on the consolidated financial statements.

Grifols Biologicals, Inc.

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

The blood plasma fractioning centre in Los Angeles is managed through consent decree which was applied for in January 1998 to the Courts by the FDA and US Department of Justice as a result of an infringement of FDA regulations committed by the former owner of the centre (Alpha Therapeutic Corporation). As a result of this consent decree, the Los Angeles centre is subject to strict FDA audits and may only sell products manufactured in the centre subsequent to prior authorisation.

The Company cannot guarantee if or when the consent decree will be lifted. These proceedings could result in the temporary closure of the centre.

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The Company considers that the investments being made for the centre (including the construction of a new sterile purification dosage area) and the previous good record with the FDA should help the centre to return to normal activity. Furthermore, as a result of improvements to the centre made by the Group, the FDA awarded several free sales certificates for the former ATC products manufactured in this centre in March 2004.

Recently, the FDA carried out an inspection of the centre which was concluded without any significant matters arising.

Some previous litigation was not quantified as this was not possible while proceedings were underway. At the date on which the events took place, the Group still had not implemented its self-insurance policy (through its reinsurance subsidiary Squadron Reinsurance, Ltd) and consequently, insurance companies will cover all risks.

The amount claimed by product civil liability amounts to approximately Euros 2,942 thousand.

No accounting provision has been made for this litigation as in each case the Company considers that the risks are adequately covered by insurance.

(e) Swaps

The Group recognised the following swaps at 31 December 2006:

Swap	Thousands of Euros		Maturity
	Par	31/12/2006	
Interest rate swap	10,000	0	26/04/2006
Interest rate swap	50,000	611	26/07/2011
	60,000	611	
	(Note 20)		

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The Group has recognised the following swaps at 31 December 2007:

Swap	Thousands of Euros		Maturity
	Par	31/12/2007	
Interest rate swap	50,000	(512)	26/07/2011
	50,000	(512)	
	(Note 20)		

(f) Long-term materials supply contract

On 15 July 2003, one of the Group's companies in the USA signed a contract for the supply of raw materials with Mitsubishi Pharma Corporation, undertaking to purchase 270,000 litres of plasma at a fixed price and until no later than 31 December 2007. During 2005 and 2006 the Group acquired the agreed number of litres of plasma.

One of the Group's companies in the USA also signed a contract for the supply of raw materials, undertaking to purchase a maximum of 375,000 litres of plasma at a fixed price and until no later than 2010.

(g) Services contract with Baxter Healthcare Corporation

On 2 January 2006, the Group and Baxter Healthcare Corporation entered another materials supply contract whereby the Group will manufacture finished product for Baxter until December 2008. This contract has no impact on any other contracts previously signed by the parties.

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(32) Risk Management

(a) Financial risk factors

The Group's activities are exposed to various financial risks: market risk (including exchange-rate risk, interest-rate risk affecting fair value, and price risk), credit risk, liquidity risk and interest-rate risk affecting cash flows. The Group's global risk management programme focuses on uncertainties in the financial markets and aims to mitigate any potentially adverse effects on the Group's financial profitability. The Group partially uses derivatives to cover certain risks.

Market risk

(i) Exchange-rate risk

The Group operates internationally and is therefore exposed to exchange-rate risk when operating with foreign currencies, especially the US Dollar. Exchange-rate risk affects future commercial transactions, recognised assets and liabilities and net investments in foreign companies.

In order to mitigate the exchange-rate risk affecting future commercial transactions and recognised assets and liabilities, Group companies use forward foreign exchange contracts which are negotiated with the Group's Treasury Department. Exchange-rate risk arises when future commercial transactions and recognised assets and liabilities are in foreign currencies other than the Company's functional currency. The Group's Treasury Department is responsible for managing the net position of each foreign currency using external forward foreign exchange contracts.

The Group has various investments in foreign businesses, the net assets of which are exposed to exchange-rate risk. Exchange-rate risk affecting the Group's net assets of foreign operations in US Dollars is mainly managed through external resources in the corresponding foreign currencies.

The Group does not consider that it is exposed to a significant risk due to possible fluctuations in the value of the US Dollar due to the existing balance between sales in US Dollars and costs incurred in this currency. This balance is achieved considering that the operating cycle of Biociencia's main currency is approximately eight months.

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Exposure of the Group's most significant financial instruments to exchange-rate risk at 31 December 2007 and 2006 is described in each of the notes to the consolidated annual accounts when the impact thereof is material to the Group.

(ii) Price risk

The group is not exposed to price risk affecting equity instruments designated as available-for-sale or at fair value through profit or loss.

Price risk affecting raw materials is mitigated by the structure of the organisation, the vertical nature of which ensures increases which are, at most, in line with the consumer price index and under current market conditions.

Demand for the finished products of the Biociencia Division outstrips supply, which ensures prices vary favourably.

(iii) Credit risk

The Group is not exposed to significant credit risk because of the customers with which it operates, most of which are public entities. The term of collection in the private market in which it operates is short and no significant bad debt issues have been detected.

(iv) Liquidity risk

The Group prudently manages liquidity risk, by keeping sufficient levels of cash, the availability of financing through a sufficient amount of committed credit facilities, and the ability to liquidate market positions when required. As a result of the dynamics of the underlying businesses, the Treasury Department's objective is to ensure financing remains flexible through the availability of contracted lines of credit.

(v) Interest-rate risk

The interest-rate risk affecting the Group results from external long-term assets. External resources issued at variable rates expose the Group to interest-rate risk affecting cash flows. The Group's policy is to hold external assets with variable interest rates.

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The Group manages interest-rate risk affecting cash flows using variable to fixed interest-rate swaps for some of its loans. The economic effect of these interest-rate swaps is to convert external assets with variable interest rates to fixed interest rates. In general, the Group obtains long-term external assets with variable interest rates and converts them using swaps to fixed interest rates that are usually lower than those available had the Group obtained the external assets directly with fixed interest rates. These interest-rate swaps establish a commitment for the Group with third parties to exchange with certain regularity (normally quarterly), the difference between interest calculated at a fixed rate and that calculated at a variable rate based on the main terms contracted.

Had the interest rates at 31 December 2007 been 10 basic points higher or lower, other things being equal, the consolidated profit after income tax would have been Euros 189 thousand (Euros 175 thousand in 2006) higher/lower, primarily because of a higher/lower financial expense incurred on debt with variable interest rates. This estimate is based on an average annual financial debt of Euros 333 million (Euros 320 million in 2006), less the effect of the swap contract of Euros 50 million in both years.

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(33) Environment

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2006 are as follows:

Project	Thousands of Euros		
	Cost	Accumulated amort. & depr.	Carrying amount
Clean in Process	484	(89)	395
Water treatment plant	156	(156)	0
Equalisation pool	141	(123)	18
Installation of PEG collector	77	(63)	14
TOC meter for waste water	72	(8)	64
Joint effluent doors	58	(21)	37
Water recovery	42	(42)	0
Well improvements	39	(18)	21
Neutralisation tank automation	36	(23)	13
Series of 220m condensers	36	(1)	35
Alcohol transfer engineering	31	(19)	12
HCL deposit for dosifying neutralisation pool	26	(8)	18
LG 20m3 deposit in p9	22	(12)	10
Chemical product storage deposit	20	(14)	6
Preparation of external areas	19	(4)	15
HCl deposit for water area	16	(4)	12
NaOH deposit for water area	14	(4)	10
Concentrated effluent recovery	14	(5)	9
Equalisation of effluents	13	(1)	12
Drainage adequation	9	(9)	0
Others	32	(13)	19
	1,357	(637)	720

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The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2007 are as follows:

Project	Thousands of Euros		
	Cost	Accumulated amort. & depr.	Carrying amount
Cips (clean in process)	484	(137)	347
Water recovery	184	(65)	119
Equalisation pools	163	(131)	32
Water treatment plant	156	(70)	86
Installation of PEG collector	77	(71)	6
Automation of regenerant neutralisation	73	(53)	20
TOC meter for waste water	72	(35)	37
Alcohol pumping system	72	0	72
Joint effluent doors	57	(27)	30
Well improvements	39	(22)	17
Alcohol transfer engineering	31	(22)	9
HCL deposit for dosifying neutralisation pool	26	(12)	14
PEG stock deposit	23	0	23
LG 20m3 deposit in p9	22	(16)	6
Chemical product storage deposit	20	(16)	4
Preparation of external areas	19	(6)	13
HCl deposit for water area	16	(5)	11
NaOH deposit for water area	14	(5)	9
Concentrated effluent recovery	14	(6)	8
Equalisation of effluents	13	(3)	10
Drainage adequation	9	(9)	0
Collection 15% PEG ALPHAIPi generated	8	(3)	5
PEG deposit	6	(1)	5
Automation of neutralisation tank	6	(6)	0
Series of 220m condensers	5	(2)	3
Others	22	(6)	16
	1,631	(729)	902

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Expenses incurred by the Group for protection and improvement of the environment in the year ended 31 December 2007 totalled approximately Euros 1,330 thousand (Euros 968 thousand at 31 December 2006).

The Group considers that the environmental risks are adequately controlled by the procedures currently in place.

The Group has not received any environmental grants during the years ended 31 December 2007 and 2006.

(34) Other Information

(a) Audit fees:

KPMG Auditores, S.L. and other companies related to the auditors as defined in the fourteenth additional provision of legislation governing the reform of the financial system, have invoiced the Company and its subsidiaries fees and expenses for professional services during the years ended 31 December 2007 and 2006, as follows:

	Thousands of Euros	
	31/12/2007	31/12/2006
For annual audit services	260	262
For other audit services & related items	50	696
	<u>310</u>	<u>958</u>

Audit services detailed in the above table include the total fees for the 2007 and 2006 audit, irrespective of the date of invoice.

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Other companies associated with KPMG International have also invoiced the Company and its subsidiaries fees in 2007 and 2006, as follows:

	Thousands of Euros	
	31/12/2007	31/12/2006
For annual audit services	572	667
For other audit services & related items	79	94
For other services	111	144
	762	905

(35) Subsequent Events

(a) Acquisition of fixed assets

On 17 January 2008 the Company exercised the purchase option it held and acquired 31,000 m2 of industrial facilities in Parets del Vallès in order to increase the Group's production capacity (see note 11).

(b) Inclusion on the IBEX 35 stock market index

With effect from 2 January 2008 the Company's shares have been quoted on the Spanish IBEX 35.

(c) Acquisition of treasury shares

Subsequent to year end, the Company has acquired 256,792 treasury shares in addition to those held at 31 December 2007 (see note 14) reaching 1.10% of share capital.

APPENDIX I
GRIFOLS, S.A. AND SUBSIDIARIES
FINANCIAL INFORMATION BY SEGMENTS

BUSINESS SEGMENTS

Expressed in thousands of Euros

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

	Biocencia		Hospital		Diagnostics		Raw materials		Others/Unallocated		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Operating income	493,100	440,335	74,683	62,900	79,709	74,566	50,651	66,019	5,148	4,597	703,291	648,417
Total operating income	493,100	440,335	74,683	62,900	79,709	74,566	50,651	66,019	5,148	4,597	703,291	648,417
Profit/(Loss) for the segment	169,955	120,190	10,730	6,507	17,006	17,448	12,954	17,066	5,148	4,597	215,793	165,809
Unallocated expense									(69,439)	(67,579)	(69,439)	(67,579)
Other unallocated (expense) income									0	1,841	0	1,841
Operating profit											146,354	100,071
Financial income/expenses											(22,786)	(36,638)
Interest in equity accounted companies	0	0	0	0	19	76	0	0	0	0	19	76
Income tax											(35,239)	(17,824)
Profit for the year											88,348	45,685
Segment assets	620,301	579,141	48,766	45,201	54,721	52,132	5,296	6,068	-	-	729,084	682,542
Equity accounted investments											243	253
Unallocated assets					243	253			210,242	230,879	210,242	230,879
Total assets											939,569	913,674
Segment liabilities	68,165	83,688	2,306	2,093	7,255	5,900	0	0	-	-	77,726	91,681
Unallocated liabilities									477,677	453,641	477,677	453,641
Total liabilities											555,403	545,322
Other information:												
Amortisation and depreciation	20,588	18,759	3,491	3,327	4,762	4,143	31	18	2,656	3,110	31,528	29,357
Expenses that do not require cash payments	(1,500)	(1,379)	(4)	48	59	25	(81)	691	272	2,913	(1,254)	2,304
Additions for the year of property, plant & equipment & intangible assets	35,098	20,725	3,452	2,836	4,954	5,768	0	0	11,991	7,419	55,495	36,748

This Appendix forms an integral part of note 5 to the consolidated annual accounts.

APPENDIX I
GRIFOLS, S.A. AND SUBSIDIARIES
FINANCIAL INFORMATION BY SEGMENTS

GEOGRAPHICAL SEGMENTS

Expressed in thousands of Euros

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

	European Union		United States		Rest of the world		Non-assignable		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Ordinary revenues	376,905	335,112	235,929	242,978	90,457	70,327	0	0	703,291	648,417
Assets by segment	531,238	537,197	373,225	349,310	35,106	27,167	0	0	939,569	913,674
Other information:										
Additions for the year of property, plant & equipment & intangible assets	30,882	22,689	23,183	12,730	1,430	1,329	-	-	55,495	36,748

This appendix forms an integral part of note 5 to the consolidated annual accounts.

APPENDIX II
GRIFOLS, S.A. AND SUBSIDIARIES

**Movement of intangible assets
for the year ended
31 December 2007**
(Expressed in thousands of Euros)
(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Balances at 31/12/2006	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/2007
Goodwill	150,820		16,106	0	0	(16,663)	150,243
Other							
Development costs	37,710	5,532	0	0	0	(101)	43,141
Concessions, patents, licenses brands and similar	43,960	0	0	0	(519)	(2,651)	40,790
Software	15,409	2,778	0	5	(298)	(190)	17,704
Total cost other	97,079	8,310	0	5	(817)	(2,942)	101,635
Accum. amort. of development costs	(14,306)	(4,610)	0	0	0	0	(18,916)
Accum. Amort of concessions, patents, licenses, brands & similar	(12,008)	(3,156)	0	0	412	642	(14,110)
Accum. Amort. of software	(9,915)	(1,875)	0	(5)	239	170	(11,386)
Total Accum. amort other	(36,229)	(9,641)	0	(5)	651	812	(44,412)
<i>Carrying amount of other intangible assets</i>	60,850	(1,331)	0	0	(166)	(2,130)	57,223
TOTAL INTANGIBLE ASSETS	211,670	(1,331)	16,106	0	(166)	(18,813)	207,466

(note 7)

This appendix forms an integral part of note 6 to the consolidated annual accounts.

APPENDIX II
GRIFOLS, S.A. AND SUBSIDIARIES

**Movement of intangible assets
for the year ended**

31 December 2006

(Expressed in thousands of Euros)

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

	Balance at 31/12/2005	Additions	Business combinations	Transfers	Disposals	Translation differences	Balance at 31/12/2006
Goodwill	117,115	0	47,876	0	0	(14,171)	150,820
Other							
Development costs	33,032	4,854	0	0	(69)	(107)	37,710
Concessions, patents, licenses brands and similar	32,628	4,030	9,938	0	(4)	(2,632)	43,960
Software	12,770	2,740	133	0	(26)	(208)	15,409
Total cost other	78,430	11,624	10,071	0	(99)	(2,947)	97,079
Accum. amort. of development costs	(11,764)	(2,542)	0	0	0	0	(14,306)
Accum. Amort of concessions, patents, licenses, brands & similar	(9,873)	(2,690)	0	0	4	551	(12,008)
Accum. Amort. of software	(8,075)	(1,884)	(115)	0	26	133	(9,915)
Total Accum. amort other	(29,712)	(7,116)	(115)	0	30	684	(36,229)
Carrying amount of other intangible assets	48,718	4,508	9,956	0	(69)	(2,263)	60,850
TOTAL INTANGIBLE ASSETS	165,833	4,508	57,832	0	(69)	(16,434)	211,670

(note 7)

This appendix forms an integral part of note 6 to the consolidated annual accounts.

APPENDIX III
GRIFOLS, S.A. AND SUBSIDIARIES

**Movement in property, plant and equipment
for the year ended
31 December 2007
(Expressed in thousands of Euros)**

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

	Balances at 31/12/06	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/07
Cost:							
Land and buildings	80,669	2,482	0	(777)	0	(2,529)	79,845
Plant and machinery	108,404	4,302	0	(126)	(1,287)	(3,384)	107,909
Other installations, equipment & furniture	85,572	8,747	971	3,516	(3,470)	(3,876)	91,460
Other	30,112	5,521	0	605	(904)	(891)	34,443
Under construction	8,352	26,133	0	(3,223)	(127)	(1,056)	30,079
	313,109	47,185	971	(5)	(5,788)	(11,736)	343,736
Accumulated depreciation:							
Buildings	(6,336)	(713)	0	205	0	109	(6,735)
Plant and machinery	(53,301)	(9,274)	0	1,108	1,028	1,479	(58,960)
Other installations, equipment & furniture	(45,702)	(7,708)	0	(1,308)	2,196	1,451	(51,071)
Other	(22,777)	(4,192)	0	0	764	567	(25,638)
	(128,116)	(21,887)	0	5	3,988	3,606	(142,404)
Carrying amount	184,993	25,298	971	0	(1,800)	(8,130)	201,332

(note 6)

This appendix forms an integral part of note 7 to the consolidated annual accounts.

APPENDIX III
GRIFOLS, S.A. AND SUBSIDIARIES

**Movement in property, plant and equipment
for the year ended
31 December 2006
(Expressed in thousands of Euros)**

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

	Balances at 31/12/05	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/06
Cost:							
Land and buildings	77,527	22	960	4,537	(28)	(2,349)	80,669
Plant and machinery	95,657	1,489	2,699	12,859	(1,244)	(3,056)	108,404
Other installations, equipment & furniture	75,418	7,901	2,842	4,053	(1,776)	(2,866)	85,572
Other	27,084	4,873	2	129	(985)	(991)	30,112
Under construction	20,768	10,839	5	(21,802)	(72)	(1,386)	8,352
	296,454	25,124	6,508	(224)	(4,105)	(10,648)	313,109
Accumulated depreciation:							
Buildings	(5,460)	(1,043)	(215)	224	28	130	(6,336)
Plant and machinery	(44,197)	(9,661)	(1,996)	0	1,198	1,355	(53,301)
Other installations, equipment & furniture	(40,061)	(7,373)	(676)	0	1,327	1,081	(45,702)
Other	(20,115)	(4,164)	(1)	0	857	646	(22,777)
	(109,833)	(22,241)	(2,888)	224	3,410	3,212	(128,116)
Carrying amount	186,621	2,883	3,620	0	(695)	(7,436)	184,993

(note 6)

This appendix forms an integral part of note 7 to the consolidated annual accounts.

APPENDIX IV
GRIFOLS, S.A. AND SUBSIDIARIES

Members of the Board of Directors with positions in companies with identical, similar or complementary statutory activities
31 December 2007

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

Director	Company in which position held	Position
Dagà Gelabert, T.	Grifols, Inc.	Board member
Dagà Gelabert, T.	Biomat USA, Inc.	Board member
Dagà Gelabert, T.	PlasmaCare, Inc.	Board member
Doster, T. E.	Instituto Grifols S.A.	Board member
Glanzmann, T.	Instituto Grifols, S.A.	Board member
Glanzmann, T.	Gambro AB	CEO and Chairman
Janotta, E.D.	Instituto Grifols, S.A.	Board member
Grifols Gras, J.A.	Instituto Grifols, S.A.	Board member
Grifols Roura, V.	Biomat, S.A.	Director
Grifols Roura, V.	Diagnostic Grifols, S.A.	Director
Grifols Roura, V.	Grifols Engineering, S.A.	Director
Grifols Roura, V.	Grifols International, S.A.	Director
Grifols Roura, V.	Grifols Viales, S.A.	Director
Grifols Roura, V.	Instituto Grifols, S.A.	Director
Grifols Roura, V.	Laboratorios Grifols, S.A.	Chairman / Director / Managing Director
Grifols Roura, V.	Logister, S.A.	Director
Grifols Roura, V.	Movaco, S.A.	Director
Grifols Roura, V.	Grifols Deutschland, GmbH	Director
Grifols Roura, V.	Grifols, Inc.	Director
Grifols Roura, V.	Biomat USA, Inc.	Board member
Grifols Roura, V.	Grifols, s.r.o.	Board member
Grifols Roura, V.	Grifols UK, Ltd.	Director
Grifols Roura, V.	Grifols Portugal Produtos	Director
Grifols Roura, V.	Farmacéuticos e Hospitalares, Lda.	Director
Grifols Roura, V.	Grifols France S.A.R.L.	Co-manager
Grifols Roura, V.	Grifols Chile, S.A.	Board member
Grifols Roura, V.	Grifols Italla s.p.a.	Chairman
Grifols Roura, V.	PlasmaCare, Inc.	Chairman
Purslow, C.M.C.	Instituto Grifols, S.A.	Board member
Riera Roca, R.	Instituto Grifols, S.A.	Board member
Riera Roca, R.	Grifols International, S.A.	Director
Riera Roca, R.	Instituto Grifols, S.A.	Board member
Riera Roca, R.	Grifols, Inc.	Board member
Riera Roca, R.	Biomat USA, Inc.	Board member
Riera Roca, R.	Grifols Argentina, S.A.	Board member
Riera Roca, R.	Grifols Polska Sp.z.o.o.	Board member
Riera Roca, R.	Grifols France S.A.R.L.	Board member
Riera Roca, R.	Grifols Chile, S.A.	Chairman
Riera Roca, R.	Alpha Therapeutic Italia, s.p.a.	Chairman
Riera Roca, R.	PlasmaCare, Inc.	Co-manager
Twose Roura, J.I.	Grifols Engineering, S.A.	Board member
Twose Roura, J.I.	Instituto Grifols, S.A.	Director
Twose Roura, J.I.	Grifols, Inc.	Board member
Twose Roura, J.I.	Biomat USA, Inc.	Board member
Twose Roura, J.I.	PlasmaCare, Inc.	Board member

**APPENDIX IV
GRIFOLS, S.A. AND SUBSIDIARIES**

**Members of the Board of Directors with positions in companies with identical, similar or complementary statutory activities
31 December 2006**

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

Director	Company in which position held	Position
Dagà Gelabert, T.	Grifols, Inc.	Board member
Dagà Gelabert, T.	Biomat USA, Inc.	Board member
Dagà Gelabert, T.	PlasmaCare, Inc.	Board member
Duster, T. E.	Instituto Grifols, S.A.	Board member
Glanzmann, T.	Instituto Grifols, S.A.	Board member
Grifols Gras, J.A.	Gambro AB	CEO and Chairman
Grifols Roura, V.	Instituto Grifols, S.A.	Board member
Grifols Roura, V.	Biomat S.A.	Director
Grifols Roura, V.	Diagnostic Grifols, S.A.	Director
Grifols Roura, V.	Grifols Engineering, S.A.	Director
Grifols Roura, V.	Grifols International, S.A.	Director
Grifols Roura, V.	Grifols Viajes, S.A.	Director
Grifols Roura, V.	Instituto Grifols, S.A.	Chairman / Director / Managing Director
Grifols Roura, V.	Laboratorios Grifols, S.A.	Director
Grifols Roura, V.	Logister, S.A.	Director
Grifols Roura, V.	Movaco, S.A.	Director
Grifols Roura, V.	Grifols Deutschland, GmbH	Director
Grifols Roura, V.	Grifols, Inc.	Board member
Grifols Roura, V.	Biomat USA, Inc.	Board member
Grifols Roura, V.	Grifols, S.R.O.	Director
Grifols Roura, V.	Grifols UK, Ltd.	Director
Grifols Roura, V.	Alpha Therapeutic UK, Ltd.	Director
Grifols Roura, V.	Alpha Therapeutic Europe, Ltd.	Director
Grifols Roura, V.	Grifols Portugal Produtos	Director
Grifols Roura, V.	Farmacéuticos e Hospitalares, Lda.	Director
Grifols Roura, V.	Grifols France S.A.R.L.	Co-manager
Grifols Roura, V.	Grifols Chile, S.A.	Board member
Grifols Roura, V.	Grifols Italia S.p.A.	Chairman
Grifols Roura, V.	PlasmaCare, Inc.	Chairman
Purslow, C.M.C.	Instituto Grifols, S.A.	Board member
Riera Roca, R.	Instituto Grifols, S.A.	Board member
Riera Roca, R.	Grifols International, S.A.	Director
Riera Roca, R.	Instituto Grifols, S.A.	Board member
Riera Roca, R.	Grifols, Inc.	Board member
Riera Roca, R.	Biomat USA, Inc.	Board member
Riera Roca, R.	Grifols Argentina, S.A.	Chairman
Riera Roca, R.	Grifols Polska Sp.z.o.o.	Chairman
Riera Roca, R.	Grifols France S.A.R.L.	Co-manager
Riera Roca, R.	Grifols Chile, S.A.	Board member
Riera Roca, R.	Alpha Therapeutic Italia, S.p.A.	Chairman
Riera Roca, R.	PlasmaCare, Inc.	Board member
Twose Roura, J.I.	Grifols Engineering, S.A.	Director
Twose Roura, J.I.	Instituto Grifols, S.A.	Board member
Twose Roura, J.I.	Grifols, Inc.	Board member
Twose Roura, J.I.	Biomat USA, Inc.	Board member
Twose Roura, J.I.	PlasmaCare, Inc.	Board member

2007 Directors' Report

Grifols S.A and subsidiaries

To the Shareholders:

Grifols, S.A. is a Spanish holding company operating in the pharmaceutical and healthcare sector in over 90 countries. It is currently the leader in the haemoderivatives sector and is the fourth worldwide producer. In coming years, the Company will reinforce its leadership in the industry as a vertically integrated company as a result of investments already made which enable it to guarantee the supply of the raw material plasma to 77 plasmapheresis centres in the USA. With respect to its plasma fractioning capacity, the Group's production centres in Barcelona (Spain) and Los Angeles (the USA) afford it capacity to respond to increasing market demand.

Grifols and its subsidiaries' activities are focused on research, development, manufacture and marketing of plasma derivatives, fluid therapy products, enteral nutrition, reagents, clinical analysis instruments and medical equipment.

Since May 2006, Grifols has been quoted on the Spanish official stock market and until December 2007 formed part of the Spanish IBEX MEDIUM CAP index for medium-sized companies. Since 2 January 2008 it has been quoted on the IBEX 35, an index which comprises the top 35 quoted companies in terms of liquidity and capitalisation, on the Spanish stock market.

Total sales of group companies during 2007 have amounted to Euros 703.3 million, up by 8.4% on 2006 and by 12.6% in recurrent terms (excluding the effect of plasma sales resulting from PlasmaCare's contract with third parties).

The USA has generated 33.6% of the Group's turnover, while Europe has contributed 53.6% of income for the year.

A breakdown by division shows that Bioscience has reached total sales of Euros 493.1 million, 12% higher than this division's sales in 2006. The Hospital division has achieved sales of Euros 74.7 million (+18.7%) and the Diagnostic division has had sales of Euros 79.7 million (6.9%), confirming growth in all areas.

Operating expenses (Euros 169.3 million) represent 24.1% of sales compared to 24.3% in the previous year. These expenses include marketing expenses which have increased more than forecast due to Grifols' involvement in a number of important international trade fairs.

Financial expenses related to the bank debt have amounted to Euros 21.3 million, 11.5% higher than the previous year because interest rates and debt levels are both up. Exchange differences, amounting to Euros 4.6 million, are primarily a result of the weakening of the US Dollar against the Euro.

EBITDA has risen by 37% from the previous year to Euros 177.9 million, representing 25.3% as a percentage of sales compared to 20% in the prior year.

Profit before income taxes stands at Euros 123.6 million which, when compared to normalised profit (excluding the effect of costs related with shares without voting rights), has risen by 44.7%. The effective tax rate stands at 28.5%.

The Group's net profit has amounted to Euros 87.8 million (+93.4%). On excluding the effect of the cancellation of shares without voting rights, included as financial expenses in 2006 and which had a net effect on profit of Euros 17.6 million, the rise in net profit in comparable terms would be 39.3%.

The net financial expense at year end amounts to Euros 343.2 million, which is 1.9 times EBITDA. This level of debt represents a significant improvement compared to previous years and affords the Group a significant margin for leverage to carry out planned investment programmes.

One of the Group's strategies in the short and medium term is to focus on increasing the number of litres of plasma available by establishing new centres and expanding those that already exist in the USA. During the first half of 2007, this strategy involved the incorporation of four new centres. As a result of these new openings and expansion of existing centres, Grifols has 22% more plasma than in the previous year. Grifols currently has 77 plasmapheresis centres in the USA, with a capacity of approximately two million litres of plasma per annum, ensuring that there is an adequate supply of the raw material for the volume of plasma fractioning and that the increasing market demand for haemoderivatives is met.

The current industrial reorganisation at the Los Angeles plant involves adapting the installations to the Company's high quality standards. The new building for the sterile dosifying of haemoderivative products is currently being certified along with the albumin production plant subsequent to the improvements made to adapt it to the production methods used at the Barcelona plant. The strategic growth plan in the USA has involved investments of US Dollars 300 million over four years (since the acquisition in 2003) in production and logistics centres and to procure licences and guarantee plasma supply.

Furthermore, a process known as "Minifrac" has been initiated at the production facilities in Los Angeles. This process involves expanding the fractioning area thereby increasing production capacity by 700,000 litres. This area is independent from but adjoins the current area in operation and it is planned that it will be brought into service within two years once all the necessary paperwork has been completed and the licence obtained from the Food & Drug Administration (FDA).

In the Diagnostic division, all the investments related with expanding reactive production capacity have been completed, the most noteworthy of which are the new mini-load automated warehouse for gel cards for in vitro diagnostics, the new clean production areas, and a new machine for producing cards.

In the Hospital division in Parets del Vallés, work has started to expand the plant on the Autopista industrial estate. Once completed, the Group will be able to relocate the parenteral nutrition production lines to these installations at the end of 2008. This relocation will permit all of the division's production activity in Parets del Vallés to be concentrated in a single production plant. The Fleboflex® bag production line has been brought into service at the Murcia plant.

Investments made for the maintenance of the general installations include the first stage of refurbishment of Grifol's offices in Los Angeles.

Grifols continues to give priority to research and development aimed at obtaining product registers and patents for procedures. In general, the Group has strengthened the workforce dedicated to R&D and associated net costs have risen by 11.9% compared to the prior year. This increase is lower than forecast due to delays in certain projects.

In the Bioscience division, projects have been started to incorporate new products and develop new therapeutic uses for current products which will boost their use. Other initiatives focus on improving productivity and performance and it is also planned that new clinical testing with new proteins will begin, mainly in the area of surgery.

Grifols plans to expand collaborative agreements with national and international research centres to jointly conduct research projects. Agreements are currently in place with Spanish public research bodies to research viral safety and co-development agreements to evaluate new applications for haemoderivatives in other pathologies.

The Diagnostic division's research and development continues to involve developing a new generation of automated instrument for processing blood type cards. At the end of 2007 the Q automated coagulation timer was completed and launched onto the market, permitting Grifols to enter into the coagulation market through its own instruments. During 2008, it is planned that a new coagulation timer with a greater capacity will be developed in order to offer a full range of hemostasis instruments.

The Hospital division's R&D activity in the area of fluid therapy has resulted in the development of new versions of software for the Grifill® and MixManager® systems, which include new features. Subsequent to obtaining the relevant accreditation at the end of the year, these products will start to be commercialised during the first few months of 2008, thereby improving the launch of these products in the USA.

Several projects have been started in conjunction with third parties in this area through the Grifols Partnership programme and it is planned that new products will be incorporated which result from these projects with third parties.

Production capacity in the Bioscience division will continue to be boosted in accordance with the Group's growth plans. The increase in prices of the main haemoderivatives commercialised through this division by Grifols and the drop in production costs have contributed to the improvement in the gross margin during the year.

The Diagnostic division is conducting projects to analyse packaging and modify processes which will also result in a cut in production costs.

In February 2007 the FDA approved the use of the haemoderivative Alphanate® for the treatment of Von Willebrand disease. This haemoderivative is the first and only highly pure concentrate of the factor VIII and the Von Willebrand factor which is subject to two-stage inactivation during its production which the FDA has licensed for the treatment of this disease.

In August, the European Medicines Agency (EMA) granted Grifols the licence to commercialise the new generation of intravenous immunoglobulin (IVIG) in all the countries in the EU under the name Flebogammadif®. The licence was obtained eight months after the FDA approved the distribution of this haemoderivative in the USA.

Flebogammadif® (double inactivation and filtration) is the only multi-purpose IVIG on the market which is subject to two-stage inactivation and a filtration stage involving 20 nanometre nanofiltration during its production, which significantly increases the safety margin.

The patented production process for Flebogammadif® is the result of research performed by Grifols. It is a very efficient process and contributes to a notable improvement in output per litre of plasma used, thereby enabling a better use of the raw material in the medium term.

In November 2007 conversion to the new generation of IVIG was completed and Flebogammadif® will gradually start to be commercialised in the EU from 2008 onwards, and subsequently in other markets, depending on the time it takes to obtain the relevant licences in each country.

The Hospital division's sales have grown by 18.7% to Euros 74.7 million, partly due to the evolution of the Hospital Logistics area in the Iberian and Latin American markets.

The Diagnostic division has increased its rate of growth in the areas of hemostasis, immunology and immunohaematology. This division's turnover is up 6.9% on the prior year to Euros 79.7 million.

The strategic agreements reached by Grifols during the year include the agreement to commercialise the Cerus Corporation's Intercept Blood System in Spain and Portugal. This new generation system is designed to inactivate pathogens present in platelets and plasma, thereby improving the safety of blood transfusions for patients undergoing chemotherapy, heart surgery and other surgical procedures requiring platelet or plasma transfusions. Grifols is also responsible for rendering technical support and after-sales services related with this system in these markets.

Laboratorios Grifols has signed a strategic collaboration agreement with Laboratorios Divasa to manufacture a fluid therapy line for the veterinary sector. This agreement covers several specialities and involves packaging the solutions in the Flebobag® bag which is usually used in the hospital sector.

Grifols has received the highest classification of Excellent for its research and development activities in the 2006 Profarma Plan by the Ministry of Industry, Tourism and Trade and the Ministry of Health and Consumption. The Profarma Plan aims to promote scientific research, development and innovation in the pharmaceutical sector.

In forthcoming years, Grifols will continue to implement its expansion plans enabling it to increase its market share in the different areas of activity. In order to guarantee growth in the long term, the Group has developed a plan to invest Euros 400 million between 2008 and 2012. These investments are aimed at boosting plasma fractioning and protein purifying capacity and increase plasma supply.

Subsequent to year end, Grifols acquired an industrial complex in Parets del Vallés, adjoining Biomat, S.A.'s installations. This complex has a total surface area of 31,000 m² and the Group is analysing the construction of a new fractioning plant on this site as part of the aforementioned five-year investment plan. The current installations include an automated silo warehouse with a capacity for 8,200 palettes.

Own share operations during 2007 are described in notes 14(d) and 35(c) of the accompanying consolidated annual accounts.

Grifols' strategy in recent years has focused on developing a vertically-integrated business structure where the plasma is mainly sourced from its own plasma centres, which not only allows the Group to control haemoderivative production costs but also guarantee the supply of a raw material which meets high levels of guaranteed safety and quality standards.

The Group's future results could be affected by events related with its own activity such as a shortage of raw materials for manufacturing its products, the launch of competing products on the market, or changes in legislation regulating the markets in which it operates. Nonetheless, no significant changes in this regard are forecast in the short term.

At the date of preparation of these annual accounts, the Group has taken the necessary measures to mitigate any possible effects arising from the aforementioned events.

In accordance with section 1 of Article 171 of the Spanish Companies Act, the directors of Grifols, S.A. have prepared the Company's annual accounts and directors' report for 2007, printed on official class 8 stamped paper numbered OI5777502 to OI5777605, OI5777607 to OI5777614, OI5777617 to OI5777623, OI5777753, and OI577755 to OI5777757 signed by the members of the board of directors.

Parets del Vallés, 12 February 2008

R.Riera R.

V.Grifols R.

C.M.C. Purslow

Thortol Holdings B.V.
(J.A. Grifols G.)

T. Daga G.

E.D. Jannotta

T.E.Doster

J.I. Twose R.

T. Glänzmänn

R.Grifols R