

# **Grifols, S.A.**

## **Annual Accounts**

31 December 2014

## **Directors' Report**

2014

(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.**  
Torre Reafia  
Plaça d'Europa, 41  
08908 L'Hospitalet de Llobregat  
Barcelona

### **Independent Auditor's Report on the Annual Accounts**

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

To the Shareholders of  
Grifols, S.A.

#### **Report on the annual accounts**

We have audited the accompanying annual accounts of Grifols, S.A. (the "Company"), which comprise the balance sheet at 31 December 2014, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

#### *Directors' responsibility for the annual accounts*

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they present fairly the equity, financial position and financial performance of Grifols, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, specified in note 2 to the accompanying annual accounts, and for such internal control that they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of Grifols, S.A. at 31 December 2014, its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework and, in particular, with the accounting principles and criteria set forth therein.

*Report on other legal and regulatory requirements*

The accompanying directors' report for 2014 contains such explanations as the Directors consider relevant to the situation of the Company, its business performance and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2014. Our work as auditors is limited to the verification of the 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 the Company.

KPMG Auditores, S.L.

*(Signed on the original in Spanish)*

Bernardo Rücker-Embden

23 February 2015

**GRIFOLS, S.A.**

Annual Accounts  
and Directors' Report

31 December 2014

(With Auditor's Report Thereon)

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

**GRIFOLS, S.A.**  
**Balance Sheets**  
**31 December 2014 and 2013**

(Expressed in Euros)

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

<i>Assets</i>	<i>Note</i>	<i>2014</i>	<i>2013</i>
<b>Intangible assets</b>	<b>Note 5</b>	<b>8,905,919</b>	<b>5,220,249</b>
Computer software		6,163,117	5,138,119
Greenhouse gas emission allowances		122,856	82,130
Advances		2,619,946	-
<b>Property, plant and equipment</b>	<b>Note 6</b>	<b>12,640,817</b>	<b>15,020,737</b>
Technical installations, machinery, equipment, furniture and other items		11,528,431	9,992,831
Under construction and advances		1,112,386	5,027,906
<b>Investment property</b>	<b>Note 7</b>	<b>45,334,746</b>	<b>30,493,722</b>
Land		12,509,791	4,946,480
Buildings		29,099,084	22,137,168
Investments in adaptation and advances		3,725,871	3,410,074
<b>Non-current investments in Group companies and associates</b>		<b>1,658,242,265</b>	<b>1,329,475,204</b>
Equity instruments	<b>Note 12</b>	1,641,831,810	1,311,316,684
Loans to companies	<b>Note 14</b>	16,410,455	18,158,520
<b>Non-current investments</b>	<b>Note 14</b>	<b>4,133,928</b>	<b>3,712,235</b>
Other financial assets	<b>Note 14</b>	4,133,928	3,712,235
<b>Deferred tax assets</b>	<b>Note 23</b>	<b>11,427,335</b>	<b>2,797,309</b>
<b>Total non-current assets</b>		<b>1,740,685,010</b>	<b>1,386,719,456</b>
<b>Inventories</b>	<b>Note 16</b>	<b>3,724,293</b>	<b>1,055,933</b>
Raw materials and other supplies		3,454,261	955,661
Work in progress – short cycle		270,032	100,272
<b>Trade and other receivables</b>	<b>Note 14</b>	<b>85,504,235</b>	<b>43,469,776</b>
Trade receivables – current		365,051	824,198
Trade receivables from Group companies and associates – current	<b>Note 25</b>	32,517,642	11,925,808
Other receivables		68,284	631,923
Personnel		11,410	8,827
Current tax assets	<b>Note 23</b>	47,190,583	22,340,496
Public entities, other	<b>Note 23</b>	5,351,265	7,738,524
<b>Current investments in Group companies and associates</b>	<b>Note 14</b>	<b>222,110,583</b>	<b>538,787,935</b>
Loans to companies		222,110,583	538,787,935
<b>Current investments</b>	<b>Note 14</b>	<b>8,802</b>	<b>15,573</b>
Other financial assets		8,802	15,573
<b>Prepayments for current assets</b>	<b>Note 17</b>	<b>4,891,351</b>	<b>2,847,802</b>
<b>Cash and cash equivalents</b>		<b>23,505,652</b>	<b>110,536,215</b>
Cash		23,505,652	110,536,215
<b>Total current assets</b>		<b>339,744,916</b>	<b>696,713,234</b>
<b>Total assets</b>		<b>2,080,429,926</b>	<b>2,083,432,690</b>

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

**GRIFOLS, S.A.**  
**Balance Sheets**  
**31 December 2014 and 2013**

(Expressed in Euros)

<i>Equity and Liabilities</i>	<i>Note</i>	<i>2014</i>	<i>2013</i>
<b>Capital and reserves</b>	<b>Note 18</b>	<b>1,284,378,496</b>	<b>1,304,440,552</b>
Capital			
Registered capital		119,603,705	119,603,705
Share premium		910,727,619	910,727,619
Reserves			
Legal and statutory reserves		23,920,741	23,576,478
Other reserves		180,125,869	150,937,357
(Treasury stock and equity holdings)		(69,252,443)	-
Profit for the year		205,197,369	168,350,884
(Interim dividend)		(85,944,364)	(68,755,491)
<b>Valuation adjustments</b>		-	<b>(669,792)</b>
Hedging transactions	<b>Note 15</b>	-	(669,792)
<b>Grants, donations and bequests received</b>		79,542	74,239
<b>Total equity</b>		<b>1,284,458,038</b>	<b>1,303,844,999</b>
<b>Non-current payables</b>	<b>Note 21</b>	<b>46,649,450</b>	<b>370,241,045</b>
Loans and borrowings		14,211,247	332,229,183
Finance lease payables	<b>Note 8</b>	2,174,537	1,453,878
Derivatives	<b>Note 15</b>	-	7,563,959
Other financial liabilities		30,263,666	28,994,025
<b>Group companies and associates, non-current</b>	<b>Note 21</b>	<b>409,536,410</b>	<b>86,201,597</b>
<b>Deferred tax liabilities</b>	<b>Note 23</b>	<b>3,334,193</b>	<b>4,277,996</b>
<b>Total non-current liabilities</b>		<b>459,520,053</b>	<b>460,720,638</b>
<b>Current provisions</b>	<b>Note 19</b>	<b>685,517</b>	<b>185,517</b>
Other provisions		685,517	185,517
<b>Current payables</b>	<b>Note 21</b>	<b>6,761,698</b>	<b>39,422,872</b>
Loans and borrowings		4,810,340	37,630,146
Finance lease payables	<b>Note 8</b>	949,505	946,209
Other financial liabilities		1,001,853	846,517
<b>Group companies and associates, current</b>	<b>Note 21</b>	<b>230,380,846</b>	<b>219,195,997</b>
<b>Trade and other payables</b>	<b>Note 21</b>	<b>98,623,774</b>	<b>60,062,667</b>
Current payables to suppliers		33,751,144	42,907,308
Suppliers, Group companies and associates, current	<b>Note 25</b>	8,928,909	8,082,603
Personnel (salaries payable)		10,156,817	7,721,943
Current Income tax liabilities		30,004,299	-
Public entities, other	<b>Note 23</b>	15,782,605	1,350,813
<b>Total current liabilities</b>		<b>336,451,835</b>	<b>318,867,053</b>
<b>Total equity and liabilities</b>		<b>2,080,429,926</b>	<b>2,083,432,690</b>

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

**GRIFOLS, S.A.**  
**Income Statements**  
**for the years ended**  
**31 December 2014 and 2013**

(Expressed in Euros)

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

	<i>Note</i>	<i>2014</i>	<i>2013</i>
<b>Revenues</b>	<b>Note 26</b>	<b>375,610,748</b>	<b>312,669,570</b>
Services rendered		90,615,939	85,589,288
Finance income	<b>Note 13</b>	13,309,791	4,387,719
Dividends		271,685,018	222,692,563
<b>Changes in inventories of finished goods and work in progress</b>		<b>169,761</b>	<b>100,272</b>
<b>Self-constructed assets</b>		<b>1,347,339</b>	<b>1,471,953</b>
<b>Supplies</b>	<b>Note 26</b>	<b>(1,881,527)</b>	<b>(2,404,665)</b>
Raw materials and consumables used		(1,017,671)	(617,986)
Subcontracted work		(857,352)	(1,739,310)
Impairment of merchandise, raw materials and other supplies		(6,504)	(47,369)
<b>Other operating income</b>		<b>4,303,434</b>	<b>4,856,473</b>
Non-trading and other operating income		4,193,826	4,782,858
Operating grants taken to income		109,608	73,615
<b>Personnel expenses</b>	<b>Note 26</b>	<b>(41,298,739)</b>	<b>(36,082,101)</b>
Salaries and wages		(34,639,951)	(30,636,478)
Employee benefits expense	<b>Note 26</b>	(6,645,276)	(5,433,969)
Provisions		(13,512)	(11,654)
<b>Other operating expenses</b>		<b>(90,088,840)</b>	<b>(101,420,374)</b>
External services		(89,727,759)	(98,096,841)
Taxes		(221,337)	(205,445)
Losses, impairment and changes in trade provisions	<b>Note 14</b>	695,360	(2,335,173)
Other operating expenses		(835,104)	(782,915)
<b>Amortisation and depreciation</b>	<b>Notes 5, 6 and 7</b>	<b>(6,565,102)</b>	<b>(5,445,343)</b>
<b>Non-financial and other capital grants</b>	<b>Note 5</b>	<b>-</b>	<b>(21,256)</b>
<b>Impairment and gains/(losses) on disposal of fixed assets</b>	<b>Note 26</b>	<b>2,532,400</b>	<b>(4,980,297)</b>
Impairment and losses	<b>Note 12</b>	2,860,145	(4,920,286)
Losses on disposal and other	<b>Note 7</b>	(327,745)	(60,011)
<b>Results from operating activities</b>		<b>244,129,474</b>	<b>168,744,232</b>
<b>Finance income</b>		<b>23,906</b>	<b>551,396</b>
Other investment income			
Other	<b>Note 13</b>	45,870	387,701
Capitalised borrowing costs	<b>Note 6</b>	(21,964)	163,695
<b>Finance costs</b>	<b>Note 20</b>	<b>(54,129,441)</b>	<b>(24,358,345)</b>
Group companies and associates	<b>Note 25</b>	(27,445,636)	(749,465)
Third parties		(26,683,805)	(23,608,880)
<b>Change in fair value of financial instruments</b>	<b>Notes 13 and 20</b>	<b>2,249,126</b>	<b>(758,407)</b>
Trading portfolio and other		2,249,126	(281,924)
Proceeds from available-for-sale financial assets		-	(476,483)
<b>Exchange gains/(losses)</b>	<b>Notes 14 and 21</b>	<b>(16,980,897)</b>	<b>6,778,600</b>
<b>Net finance cost</b>		<b>(68,837,306)</b>	<b>(17,786,756)</b>
<b>Profit before income tax</b>		<b>175,292,168</b>	<b>150,957,476</b>
<b>Income tax</b>	<b>Note 23</b>	<b>29,905,201</b>	<b>17,393,408</b>
<b>Profit for the year</b>		<b>205,197,369</b>	<b>168,350,884</b>

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

GRIFOLS, S.A.

Statements of Changes in Equity  
for the years ended  
31 December 2014 and 2013

A) Statements of Recognised Income and Expense  
for the years ended  
31 December 2014 and 2013

(Expressed in Euros)

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

	<i>Note</i>	<i>2014</i>	<i>2013</i>
<b>Profit for the year</b>		<b>205,197,369</b>	<b>168,350,884</b>
<b>Income and expense recognised directly in equity</b>			
Cash flow hedges	<b>Note 15</b>	(333,033)	3,364,474
Tax effect		99,910	(1,009,342)
<b>Total income and expense recognised directly in equity</b>		<b>(233,123)</b>	<b>2,355,132</b>
<b>Amounts transferred to the income statement</b>			
Cash flow hedges	<b>Note 15</b>	1,289,879	(669,694)
Grants, donations and bequests	<b>Note 5</b>	-	21,256
Tax effect		(381,661)	194,531
<b>Total amounts transferred to the income statement</b>		<b>908,218</b>	<b>(453,907)</b>
<b>Total recognised income and expense</b>		<b>205,872,464</b>	<b>170,252,109</b>

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



GRIFOLS, S.A.

Statements of Changes in Equity  
for the years ended  
31 December 2014 and 2013

B) Statement of Total Changes in Equity for the year ended  
31 December 2014

(Expressed in Euros)

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

	Registered capital	Share premium	Reserves	Treasury stock	Profit for the year	Interim dividend	Valuation adjustments	Grants, donations and bequests received	Total
<b>Balance at 31 December 2013</b>	<b>119,603,70</b>	<b>910,727,619</b>	<b>174,513,835</b>	-	<b>168,350,884</b>	<b>(68,755,491)</b>	<b>(669,792)</b>	<b>74,239</b>	<b>1,303,844,999</b>
Recognised income and expense		-	-	-	205,197,369	-	669,792	5,303	<b>205,872,464</b>
Transactions with equity holders or owners									
Net movement in treasury stock		-	-	(69,252,443)	-	-	-	-	<b>(69,252,443)</b>
Interim dividend		-	-	-	-	(85,944,364)	-	-	<b>(85,944,364)</b>
Distribution of profit for the period									
Reserves		-	29,532,775	-	(29,532,775)	-	-	-	-
Dividends		-	-	-	(138,818,109)	68,755,491	-	-	<b>(70,062,618)</b>
<b>Balance at 31 December 2014</b>	<b>119,603,70</b>	<b>910,727,619</b>	<b>204,046,610</b>	<b>(69,252,443)</b>	<b>205,197,369</b>	<b>(85,944,364)</b>	-	<b>79,542</b>	<b>1,284,458,038</b>

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

**GRIFOLS, S.A.**  
**Statements of Changes in Equity**  
**for the years ended**  
**31 December 2013 and 2012**

**B) Statement of Total Changes in Equity for the year ended**  
**31 December 2013**

(Expressed in Euros)

	Registered capital	Share premium	Reserves	Treasury stock	Profit for the year	Interim dividend	Valuation adjustments	Grants, donations and bequests received	Total
<b>Balance at 31 December 2012</b>	<b>117,882,384</b>	<b>890,354,988</b>	<b>108,751,501</b>	<b>(3,060,444)</b>	<b>52,369,156</b>	-	<b>(2,556,138)</b>	<b>59,360</b>	<b>1,163,800,807</b>
Recognised income and expense	-	-	-	-	168,350,884	-	1,886,346	14,879	<b>170,252,109</b>
Transactions with equity holders or owners									
Capital increases									
January 2013	1,632,820	-	(1,664,332)	-	-	-	-	-	<b>(31,512)</b>
Capital increase April 2013	88,501	20,372,631	(371,800)	-	-	-	-	-	<b>20,089,332</b>
Net movement in treasury stock	-	-	11,806,429	3,060,444	-	-	-	-	<b>14,866,873</b>
Interim dividend	-	-	924,627	-	-	(68,755,491)	-	-	<b>(67,830,864)</b>
Other movement (note 12)	-	-	4,005,380	-	-	-	-	-	<b>4,005,380</b>
Distribution of profit for the period									
Reserves	-	-	51,062,030	-	(51,062,030)	-	-	-	-
Dividends	-	-	-	-	(1,307,126)	-	-	-	<b>(1,307,126)</b>
<b>Balance at 31 December 2013</b>	<b>119,603,705</b>	<b>910,727,619</b>	<b>174,513,835</b>	-	<b>168,350,884</b>	<b>(68,755,491)</b>	<b>(669,792)</b>	<b>74,239</b>	<b>1,303,844,999</b>

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

**GRIFOLS, S.A.**  
**Statements of Cash Flows**  
**for the years ended**  
**31 December 2014 and 2013**

(Expressed in Euros)

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

	2014	2013
<i>Cash flows from operating activities</i>		
<b>Profit for the year before tax</b>	<b>175,292,168</b>	<b>150,957,476</b>
<b>Adjustments for:</b>		
Amortisation and depreciation	6,565,102	5,445,344
Dividend income	(271,685,018)	(222,692,563)
Proceeds from disposals and sale of fixed assets	368,471	615
Impairment	(8,232,061)	7,314,854
Finance income	(12,883,697)	(4,939,115)
Finance costs	52,132,561	22,576,688
Exchange gains	-	(6,778,600)
Change in fair value of financial instruments	(1,148,983)	1,688,336
Other income and expense	-	(382,053)
<b>Changes in operating assets and liabilities</b>		
Inventories	(2,668,360)	(126,478)
Trade and other receivables	(19,571,630)	14,838,671
Other current assets	(2,043,549)	(159,786,992)
Trade and other payables	(5,874,984)	17,712,675
Other current assets and liabilities	13,789,297	(483,351)
<b>Other cash flows from operating activities</b>		
Interest paid	(36,145,984)	(16,185,929)
Dividends received	271,685,018	222,692,563
Interest received	12,066,627	4,666,696
Income tax (paid) received	(3,224,532)	40,351,201
<b>Cash flows from operating activities</b>	<b>168,420,446</b>	<b>76,870,038</b>
<i>Cash flows from investing activities</i>		
<b>Payments for investments</b>		
Group companies and associates	(329,015,066)	(119,942,839)
Intangible assets	(5,479,590)	(3,623,494)
Property, plant and equipment	(17,929,817)	(3,288,509)
Investment property	-	(1,966,137)
Other financial assets	(414,922)	-
Non-current loans to third parties	-	(14,845,067)
<b>Proceeds from sale of investments</b>		
Group companies and associates	2,860,085	1,000,000
Property, plant and equipment	347,820	1
Other financial assets	(372,017)	(1,319,911)
<b>Cash flows used in investing activities</b>	<b>(350,003,507)</b>	<b>(143,985,956)</b>
<i>Cash flows from financing activities</i>		
<b>Proceeds from and payments for equity instruments</b>		
Issue of equity instruments	-	20,461,131
Acquisition of own equity instruments	(69,252,443)	(120,428,920)
Sale of own equity instruments	-	135,189,487
<b>Proceeds from and payments for financial liability instruments</b>		
Disposal		
Loans and borrowings	(363,879,400)	(14,359,533)
Group companies and associates	683,691,323	134,818,073
<b>Dividends and interest on other equity instruments paid</b>		
Dividends	(156,006,982)	(69,137,990)
<b>Cash flows from financing activities</b>	<b>94,552,498</b>	<b>86,542,248</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>(87,030,563)</b>	<b>19,426,330</b>
Cash and cash equivalents at beginning of year	110,536,215	91,109,885
Cash and cash equivalents at the end of the year	23,505,652	110,536,215

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

**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**  
**31 December 2014**

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

**(1) Nature and Activities of the Company and Composition of the Group**

Grifols, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 22 June 1987. Its registered office is in Barcelona. The Company's statutory activity consists of providing corporate and business administrative, management and control services, as well as investing in assets and property. Its principal activity involves rendering administrative, management and control services to its subsidiaries.

Its main facilities are located in Sant Cugat del Vallés (Barcelona) and Parets del Vallés (Barcelona).

Grifols, S.A.'s shares are listed on the Barcelona, Madrid, Valencia and Bilbao stock exchanges and on the electronic stock market. As of 2 June 2011 the class B non-voting shares were listed on the NASDAQ (USA) and the Automated Quotation System (SIBE/Continuous Market).

In accordance with prevailing legislation, the Company is the Parent of a Group comprising the Company and the subsidiaries listed in note 12. In accordance with generally accepted accounting principles in Spain, consolidated annual accounts must be prepared to present fairly the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of investments in Group companies are provided in Appendix III. .

On 20 February 2015 the Company's board of directors authorised for issue the consolidated annual accounts of Grifols, S.A. and subsidiaries for 2014 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), which show consolidated profit attributable to the Parent of Euros 470,253 thousand, total assets of Euros 8,449,749 thousand and consolidated equity of Euros 2,662,888 thousand (Euros 345,551 thousand, Euros 5,841,036 thousand and Euros 2,107,204 thousand, respectively, in 2013).

**(2) Basis of Presentation**

**(a) Fair presentation**

The accompanying annual accounts have been prepared on the basis of the accounting records of Grifols, S.A. The annual accounts for 2014 have been prepared in accordance with prevailing legislation and the Spanish General Chart of Accounts to present fairly the equity and financial position of the Company at 31 December 2014 and results of operations, changes in equity, and cash flows for the year then ended.

The directors consider that the annual accounts for 2014, authorised for issue on 20 February 2015, will be approved with no changes by the shareholders at their annual general meeting.

**(b) Comparative information**

The balance sheet, income statement, statement of changes in equity, statement of cash flows and the notes thereto for 2014 include comparative figures for 2013, which formed part of the annual accounts approved by the shareholders at the annual general meeting held on 30 May 2014.

**(c) Functional and presentation currency**

The figures disclosed in the annual accounts are presented in Euros, the Company's functional and presentation currency, rounded off to the nearest Euro.

**(d) Critical issues regarding the valuation and estimation of relevant uncertainties and judgements used when applying accounting principles**

Relevant accounting estimates and judgements and other estimates and assumptions have to be made when applying the Company's accounting principles to prepare the annual accounts. A summary of the items requiring a greater degree of judgement or which are more complex, or where the assumptions and estimates made are significant to the preparation of the annual accounts, is as follows:

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts****(i) Relevant accounting estimates and assumptions**

The Company tests investments in Group companies for impairment on an annual basis when the net value of the investment exceeds the carrying amount of the subsidiary and when there are indications of impairment. Fair value of the investment is measured based on estimates made by management. The Company uses cash flow discounting methods to calculate this value. Discounted cash flow calculations are based on five-year projections in the budgets approved by management. The cash flows take into consideration past experience and represent management's best estimate of future market performance. From the fifth year cash flows are extrapolated using individual growth rates. The key assumptions employed when determining fair value include growth rates and the discount rate. The estimates, including the methodology used, could have a significant impact on values and impairment.

The calculation of provisions for litigation is subject to a high degree of uncertainty. The Company recognises provisions for liabilities when an unfavourable outcome is highly probable and can be reasonably quantified. These estimates are subject to change based on new information available and on the progress of each litigation or lawsuit.

**(ii) Relevant judgements used when applying accounting principles**

The Company has lease contracts for its activity (see notes 7, 8 and 9). These leases are classified as operating or finance leases and require that the Company determine, based on the evaluation of the terms and conditions of these contracts, who substantially retains all the risks and rewards incidental to ownership of the assets and consequently, based on this evaluation, the contracts shall be classified as operating or finance leases

**(iii) Changes in accounting estimates**

Although estimates are calculated by the Company's directors based on the best information available at 31 December 2014, future events may require changes to these estimates in subsequent years. Any effect on the annual accounts of adjustments to be made in subsequent years would be recognised prospectively. Grifols management does not consider that there are any assumptions or sources of uncertainty that would have a significant risk of resulting in a material adjustment within the next financial year.

**(3) Distribution of Profit**

The distribution of profit and reserves of the Company for the year ended 31 December 2013, approved by the shareholders at their annual general meeting held on 30 May 2014, is as follows:

	<b>Euros</b>
Basis of allocation	
Profit for the year	<u>168,350,884</u>
Distribution	
Legal reserve	344,263
Voluntary reserve	29,188,513
Mandatory preferred dividend on Class B shares	1,307,126
Dividend	<u>137,510,982</u>
	<u>168,350,884</u>

At the general meeting held on 30 May 2014, the shareholders of Grifols, S.A. approved the distribution of a mandatory preferred dividend of Euros 0.01 for every Class B share entitled to receive the dividend, with a charge to 2013 profits, for a total amount of Euros 1,307 thousand.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

According to the minutes to the Grifols, S.A. board of directors' meeting held on 20 October 2014, an interim dividend of Euros 0.25 for every Class A and B shares was distributed to shareholders and paid on 4 December 2014, totalling Euros 85,944 thousand and charged to 2014 profits. The amounts to be distributed did not exceed the profits reported by the Company since the end of the previous reporting period, after deducting the estimated income tax payable on these profits, as required by article 277 of the Revised Spanish Companies Act. The provisional accounting statement prepared in accordance with statutory requirements demonstrating that sufficient cash was available for distribution of the aforementioned dividend is provided in Appendix XIV.

The proposed distribution of profit for the year ended 31 December 2014 to be submitted to the shareholders for approval at their annual general meeting is as follows:

	<u>Euros</u>
Basis of allocation	
Profit for the year	<u>205,197,369</u>
Distribution	
Voluntary reserve	17,096,208
Mandatory preferred dividend on Class B shares	1,307,126
Dividend	<u>186,794,035</u>
	<u>205,197,369</u>

At 31 December non-distributable reserves are as follows:

	<u>Euros</u>	
	<u>2014</u>	<u>2013</u>
Non-distributable reserves:		
Legal reserve	23,920,741	23,576,478
Other	3,020	3,020
	<u>23,923,761</u>	<u>23,579,498</u>

Profit recognised directly in equity cannot be distributed, either directly or indirectly.

**(4) Significant Accounting Policies**

- (a) Foreign currency transactions, balances and cash flows
- (i) Foreign currency transactions, balances and cash flows

Foreign currency transactions have been translated into Euros using average exchange rates for the prior month for all foreign currency transactions during the following month. This method does not differ significantly from applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date.

In the statement of cash flows, cash flows from foreign currency transactions have been translated into Euros using the average exchange rates for the prior month for all flows that occur during the following month. This method does not differ significantly from applying the exchange rate at the date of the transaction.

Exchange gains and losses arising on the settlement of foreign currency transactions and the translation into Euros of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts****(b) Capitalised borrowing costs**

As permitted by the second transitional provision of Royal Decree 1514/2007 approving the Spanish General Chart of Accounts, the Company opted to apply this accounting policy to work in progress at 1 January 2008 that will not be available for use, capable of operating or available for sale for more than one year. Until that date, the Company opted to recognise borrowing costs as an expense as they were incurred.

Borrowing costs related to specific and general financing that are directly attributable to the acquisition, construction or production of intangible assets, property, plant and equipment and investment property that will not be available for use, capable of operating or available for sale for more than one year are included in the cost of the asset.

To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined as the actual borrowing costs incurred. Non-commercial general borrowing costs eligible for capitalisation are calculated as the weighted average of the borrowing costs applicable to the Company's outstanding borrowings during the period, other than those specifically for the purpose of obtaining a qualifying asset and the portion financed using equity. The borrowing costs capitalised cannot exceed the borrowing costs incurred during that period.

The Company begins capitalising borrowing costs as part of the cost of a qualifying asset when it incurs expenditures for the asset, interest is accrued, and it undertakes activities that are necessary to prepare the asset for its intended use, operation or sale, and ceases capitalising borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset for its intended use, operation or sale are complete, even though the necessary administrative permits may not have been obtained. Interruptions in the active development of a qualifying asset are not considered. Nonetheless, advances on account requiring adjustment do not qualify for capitalisation as borrowing costs.

Capitalised borrowing costs are recognised in the income statement under capitalised borrowing costs.

**(c) Intangible assets**

Intangible assets are measured at cost or cost of production. Capitalised production costs are recognised under self-constructed assets in the income statement. Intangible assets are carried at cost, less any accumulated amortisation and impairment.

Advances on account of fixed assets are initially recognised at cost. In subsequent years and provided that the period between payment and receipt of the asset exceeds one year, advances accrue interest at the supplier incremental rate.

Cost of production of intangible assets comprises the purchase price and any costs directly related to production.

Expenditure on activities that contribute to increasing the value of the Company's business as a whole, such as goodwill, trademarks and other similar items generated internally, as well as establishment costs, are recognised as expenses when incurred.

**(i) Computer software**

Computer software acquired and developed by the Company is recognised to the extent that costs can be clearly allocated, expensed and distributed over time to each project, and when there is evidence of technical success and economic viability. Computer software maintenance costs are charged as expenses when incurred.

**(ii) Emission allowances**

Emission allowances, which are recognised when the Company becomes entitled to such allowances, are measured at cost of acquisition. Allowances acquired free of charge, or, at a price substantially lower than fair value, are carried at fair value. Any difference between fair value and the consideration given is recognised as a non-refundable grant associated with the emission allowances and credited to equity. These grants are recognised as income and matched with the associated costs which the grants are intended to compensate, using the same criteria as for capital grants.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

Emission allowances are not amortised.

Provision is systematically made under current provisions for liabilities and charges for expenses related to the emission of greenhouse gases. This provision is maintained until the obligation is cancelled, through the conveyance of the corresponding rights. Provisions released or surplus provisions reversed are recognised as operating income. The provision is determined on the basis that it will be cancelled, as follows:

- Firstly, through allowances received under the emission allowances regime, which are then used to cancel actual emissions in proportion to total forecast emissions for the entire period to which they have been allocated. The expense corresponding to this part of the obligation is determined based on the carrying amount of the transferred emission allowances.
- Secondly, through the remaining emission allowances recorded. Expenditure on this part of the obligation is measured as the weighted average cost of the emission allowances.

If the emission of gases necessitates the acquisition or production of emission allowances because actual emissions exceed those which can be cancelled through the allowances assigned, or through surplus emission allowances, whether acquired or produced, provision is made for the shortfall in allowances. The expense is determined using the best estimate of the amount necessary to cover the shortfall in emission allowances.

Emission allowances acquired for resale are classified and measured using the same criteria as for inventories.

## (iii) Subsequent costs

Subsequent costs incurred on intangible assets are recognised in profit and loss, unless they increase the expected future economic benefits attributable to the intangible asset.

## (iv) Useful life and amortisation rates

Intangible assets with finite useful lives are amortised by allocating the depreciable amount of an asset on a systematic basis over its useful life, by applying the following criteria:

	<b>Amortisation method</b>	<b>Rates</b>
Computer software	Straight-line	16%-33%

The depreciable amount is the acquisition or production cost of an asset.

The Company considers the residual value of assets to be zero unless:

- There is a commitment from a third party to purchase the asset at the end of its useful life.
- There is an active market for the intangible asset, and:
  - The residual value can be determined by reference to this market, and
  - It is probable that this market will still exist at the end of the asset's useful life.

(Continued)



**GRIFOLS, S.A.****Notes to the Annual Accounts**

The Company reviews the useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

## (v) Impairment losses

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (f) Impairment of non-financial assets subject to amortisation or depreciation.

## (d) Property, plant and equipment

## (i) Initial recognition

Property, plant and equipment are measured at cost of acquisition or production, using the same criteria as for determining the cost of production of intangible assets. Capitalised production costs are recognised under "Self-constructed assets" in the income statement. Property, plant and equipment are carried at cost less any accumulated depreciation and impairment.

The cost of an item of property, plant and equipment includes the estimated costs of its dismantling or removal and restoration of the site on which it is located, provided that the obligation is incurred as a consequence of having used the item.

## (ii) Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of the asset on a systematic basis over its useful life. The depreciable amount is the cost of an asset. The Company determines the depreciation charge separately for each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and with a useful life that differs from the remainder of the asset.

Property, plant and equipment are depreciated using the following criteria:

	<u>Depreciation method</u>	<u>Rates</u>
Buildings	Straight-line	1%-3%
Technical installations and machinery	Straight-line	10%
Other installations, equipment and furniture	Straight-line	4%-10%
Other property, plant and equipment	Straight-line	7%-33%

The Company reviews useful lives and depreciation methods at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

## (iii) Subsequent costs

Subsequent to initial recognition of the asset, only the costs incurred which increase capacity or productivity or which lengthen the useful life of the asset are capitalised. The carrying amount of parts that are replaced is derecognised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

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 is not possible to determine their carrying amount, replacement cost is used as an indication of the cost of the items upon acquisition or construction.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

## (iv) Impairment

The Company measures and determines impairment to be recognised or reversed based on the criteria in section (f) Impairment of non-financial assets subject to amortisation or depreciation.

## (e) Investment property

The Company classifies property leased to its subsidiaries under this caption. All property is earmarked exclusively for own use or the use of Group companies.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment under development until construction or development is complete. Nevertheless, redevelopment work to extend or improve property is classified as investment property.

The Company measures and recognises investment property following the policy for property, plant and equipment.

Investment property is depreciated applying the following policies:

	<b>Depreciation method</b>	<b>Rates</b>
Buildings and other installations	Straight-line	1%-10%

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

The Company 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. The recoverable amount is the higher of the fair value less costs to sell and the value in use.

Impairment losses are recognised in the income statement.

At the end of each reporting period the Company 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 on other assets are only reversed if there has been a change in the estimates used to calculate the recoverable amount of the asset.

A reversal of an impairment loss is recognised in the income statement. The increased carrying amount of an asset attributable to a reversal of an impairment loss may not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

After an impairment loss or reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods based on its new carrying amount.

However, if the specific circumstances of the assets indicate an irreversible loss, this is recognised directly in losses on the disposal of fixed assets in the income statement.

## (g) Leases

## (i) Lessor accounting records

Leases which, on inception, transfer to third parties substantially all the risks and rewards incidental to ownership of the assets are classified as finance leases, otherwise they are classified as operating leases.

## (ii) Lessee accounting records

Leases in which, upon inception, the Company assumes substantially all the risks and rewards incidental to ownership are classified as finance leases, otherwise they are classified as operating leases.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts***- Finance leases*

At the commencement of the lease term, the Company recognises finance leases as assets and liabilities at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Initial direct costs are added to the asset's carrying amount. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Interest is expensed using the effective interest method.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Company by virtue of finance lease contracts are the same as those set out in sections (d) and (e) (Property, plant and equipment or Investment Property).

*- Operating leases*

Lease payments under an operating lease, net of incentives received, are recognised as an expense on a straight-line basis over the lease term.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

## (iii) Sale and leaseback transactions

Asset sale and leaseback transactions that meet the conditions for classification as a finance lease are considered as financing operations and, therefore, the type of asset is not changed and no profit or loss is recognised.

## (h) Financial instruments

## (i) Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments into different categories based on the nature of the instruments and the Company's intentions on initial recognition.

## (ii) Offsetting principles

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## (iii) Financial assets and financial liabilities held for trading

Financial assets or financial liabilities held for trading are those which are classified as held for trading from initial recognition.

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

- Originates or is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- Forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or
- Is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

Financial assets and financial liabilities held for trading are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

After initial recognition, they are recognised at fair value through profit or loss. Fair value is not reduced by transaction costs incurred on sale or disposal. Accrual interest and dividends are recognised separately.

The Company does not reclassify any financial asset or financial liability into or out of this category while it is recognised in the balance sheet, except when there is a change in the classification of hedging financial instruments.

(iv) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss, which comprise derivatives, are initially recognised at fair value and after initial recognition are recognised at fair value through profit or loss.

(v) Loans and receivables

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

Nevertheless, financial assets which have no established interest rate, which mature or are expected to be received in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

(vi) Available-for-sale financial assets

The Company classifies in this category debt securities and equity instruments which do not qualify for inclusion in the aforementioned categories.

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

After initial recognition, financial assets classified in this category are measured at fair value and any gain or loss is accounted for in income and expenses recognised in equity. On disposal of the financial assets, amounts recognised in equity or the impairment loss are reclassified to profit or loss.

(vii) Investments in Group companies and associates

Group companies are those over which the Company, either directly, or indirectly through subsidiaries, exercises control as defined in article 42 of the Spanish Code of Commerce, or when the companies are controlled by one or more individuals or entities acting jointly or under the same management through agreements or statutory clauses.

Control is the power to govern the financial and operating policies of an entity or business so as to obtain benefits from its activities. In assessing control, potential voting rights held by the Company or other entities that are exercisable or convertible at the end of each reporting period are considered.

Associates are those over which the Company, directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the company. The existence of potential voting rights that are currently exercisable or convertible, including potential voting rights held by the Company or a third party, are considered when assessing whether an entity has significant influence.

**GRIFOLS, S.A.****Notes to the Annual Accounts**

Investments in Group companies and associates are initially recognised at cost, which is equivalent to the fair value of the consideration given, including transaction costs in the case of investments in associates, and are subsequently measured at cost net of any accumulated impairment. For investments in Group companies acquired prior to 1 January 2010 the cost of acquisition includes transaction costs.

If an investment no longer qualifies for classification under this category, it is reclassified as available-for-sale and is measured as such from the reclassification date.

(viii) Non-monetary contributions in exchange for investments in the equity of other companies

However, in non-monetary contributions of businesses (including investments in Group companies), to Group companies, equity investments received are measured at the transaction date at the carrying amount of the assets and liabilities conveyed in the annual accounts of the contributor or at the amount representative of the percentage of interest in the equity of the contributed business, if higher. Gains or losses deferred in recognised income and expense associated with the assets and liabilities conveyed continue to be recognised in equity but are linked to the investment received.

(ix) Interest and dividends

Interest is recognised using the effective interest method.

Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investment since acquisition have been distributed, the carrying amount of the investment is reduced.

Interest and dividend income are classified as revenue when they form part of the Company's ordinary activity.

(x) Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company recognises impairment of loans and receivables and debt instruments when estimated future cash flows are reduced or delayed due to debtor insolvency.

For equity instruments, objective evidence of impairment exists when the carrying amount of an asset is uncollectible due to a significant or prolonged decline in its fair value.

Nevertheless, in cases in which the fair value of these instruments declines and subsequently recovers to above their quoted price, the 1.5 year period is counted from the date on which, after this recovery, the quoted price starts to drop progressively again, except when the recovery of the fair value would have been an isolated and insignificant event, in which case, the 1.5 year period is counted from the date the value first starts to decrease. This same criterion is applicable to determine whether there has been a 40% decrease in the quoted price. For this purpose, the quoted price is understood to be the initial measurement of the asset, or the weighted average price of homogeneous groups, if there had been various acquisitions.

*Investments in Group companies*

An asset is impaired when its carrying amount exceeds its recoverable amount, the latter of which is understood as the higher of the asset's value in use or fair value less costs to sell.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

Value in use is calculated based on the Company's share of the present value of future cash flows expected to be derived from ordinary activities and from the disposal of the asset. Unless better evidence is available, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date.

In subsequent years, reversals of impairment losses in the form of increases in the recoverable amount are recognised, up to the limit of the carrying amount that would have been determined for the investment if no impairment loss had been recognised.

The recognition or reversal of an impairment loss is disclosed in the income statement unless it should be recognised in equity. Impairment of an investment is limited to the amount of the investment, except when contractual, legal or constructive obligations have been assumed by the Company or payments have been made on behalf of the companies. In the latter case, provision is made.

*Impairment of available-for-sale financial assets*

When a decline in the fair value of an available-for-sale financial asset at fair value through profit or loss has been accounted for in recognised income and expense, the cumulative loss is reclassified from equity to profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss reclassified from equity to profit or loss is calculated as the difference between the cost or amortised cost, less any impairment loss previously recognised in profit or loss, and the fair value.

Impairment losses for investments in equity instruments are not reversed through profit or loss. Increases in the fair value after the impairment loss was recognised are classified in equity.

If the fair value of debt instruments increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the increase is recognised in profit and loss up to the amount of the previously recognised impairment loss and any excess is accounted in other comprehensive income.

**(xi) Financial liabilities**

Financial liabilities, including trade and other payables, that are not classified as held for trading or as financial liabilities at fair value through profit or loss are initially recognised at fair value less any transaction costs directly attributable to the issue of the financial liability. After initial recognition, liabilities classified under this category are measured at amortised cost using the effective interest method.

Nevertheless, financial liabilities which have no established interest rate, which mature or are expected to be settled in the short term, and for which the effect of discounting is immaterial, are measured at their nominal amount.

The Company measures financial liabilities at amortised cost provided that reliable estimates of cash flows can be made based on the contractual terms.

**GRIFOLS, S.A.****Notes to the Annual Accounts****(xii) Derecognition and modifications of financial liabilities**

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor. The exchange of debt instruments between the Company and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different terms.

The Company considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(xiii) Reverse factoring**

The Company has contracted reverse factoring facilities with various financial institutions to manage payments to suppliers. Trade payables settled under the management of financial institutions are recognised under trade and other payables in the balance sheet until they are settled, repaid or have expired.

**(i) Hedge accounting**

Derivative financial instruments which qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments. However, transaction costs are recognised subsequently in profit or loss, when they do not form part of the effective variation in the hedge.

The Company hedges cash flows. At the inception of the hedge the Company formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years to offset changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis) and the actual effectiveness, which can be reliably measured, is within a range of 80%-125% (retrospective analysis).

**(i) Cash flow hedges**

The Company recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in recognised income and expense. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised under change in fair value of financial instruments.

The separate component of equity associated with the hedged item is adjusted to the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in fair value or present value of the expected future cash flows on the hedged item from inception of the hedge. However, if the Company expects that all or a portion of a loss recognised in equity will not be recovered in one or more future periods, it reclassifies into change in fair value of financial instruments the amount that is not expected to be recovered.

The Company prospectively discontinues hedge accounting if the foreseen circumstances affecting fair value hedges arise. In these cases, the cumulative gain or loss on the hedging instrument that has been recognised in equity is not recorded in profit or loss until the forecast transaction occurs. If the transaction is no longer expected to occur, the cumulative gain or loss that had been recognised in equity is reclassified from equity to profit or loss as change in fair value of financial instruments.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts****(j) Own equity instruments held by the Company.**

Equity instruments acquired by the Company are shown separately at cost of acquisition as a reduction in capital and reserves in the balance sheet. Any gains or losses on transactions with own equity instruments are not recognised in profit or loss.

Transaction costs related to own equity instruments, including issue costs related to a business combination, are accounted for as a deduction from reserves, net of any tax effect.

**(k) Inventories**

Inventories are measured using the FIFO (first in, first out) method, and mainly comprise spare parts which are stored for less than a year. When the cost of inventories exceeds replacement value, materials are written down to net realisable value.

**(l) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

**(m) Grants**

Grants are recorded in recognised income and expense when, where applicable, they have been officially awarded and the conditions attached to them have been met or there is reasonable assurance that they will be received.

The accounting treatment of grants related to emission allowances is described in section c(ii).

**(n) Defined contribution plans**

The Company recognises the contributions payable to a defined contribution plan in exchange for a service when an employee has rendered service to the Company. The contributions payable are recognised as an expense for employee remuneration, and as a liability after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the period, the Company only recognises that excess as an asset (prepaid expense) to the extent that the prepayments will lead to, for example, a reduction in future payments or a cash refund.

**(o) Provisions****(i) General criteria**

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event; it is probable 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 amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects the time value of money and the specific risks for which future cash flows associated with the provision have not been adjusted at each reporting date.

If it is not probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

(Continued)



**GRIFOLS, S.A.****Notes to the Annual Accounts**

## (ii) Provisions for taxes

Provisions for taxes are measured at the estimated amount of tax debt calculated in accordance with the aforementioned criteria. Provision is made with a charge to income tax for the tax expense for the year, to finance costs for the late payment interest, and to other income for the penalty. The effects of changes in estimates of prior years' provisions are recognised according to their nature, unless they involve the correction of an error.

## (p) Revenue from the rendering of services

Revenue from the rendering of services is measured at the fair value of the consideration received or receivable.

Practically all services are rendered to Group companies.

## (q) Income taxes

The income tax expense or tax income for the year comprises current tax and deferred tax.

Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the reporting date.

Current and deferred tax are 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.

Government assistance provided in the form of deductions and other tax relief applicable to income tax payable is recognised as a reduction in the income tax expense in the year in which it is accrued.

The Company files consolidated tax returns with its Spanish subsidiaries: Laboratorios Grifols, S.A., Instituto Grifols, S.A., Diagnostic Grifols, S.A., Grifols Movaco, S.A., Biomat, S.A., Logister, S.A., Grifols International, S.A., Grifols Engineering, S.A., Grifols Viajes, S.A., Arrahona Optimus, S.L. and Gri-Cel, S.A.

In addition to the factors to be considered for individual taxation, set out previously, the following factors are taken into account when determining the accrued income tax expense for the companies forming the consolidated tax group:

- Temporary and permanent differences arising from the elimination of profits and losses on transactions between Group companies, derived from the process of determining consolidated taxable income.
- Deductions and credits corresponding to each company forming the consolidated tax group. For these purposes, deductions and credits are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the deduction or tax credit.

Temporary differences arising from the elimination of profits and losses between companies in the tax group, are recognised by the company generating the profit or incurring the loss and are measured at the tax rate applicable thereto.

A reciprocal credit and debit arises between the companies that contribute tax losses to the consolidated Group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other consolidated Group companies, these tax credits for loss carryforwards are recognised as deferred tax assets using the applicable recognition criteria, considering the tax group as a taxable entity.

The Parent of the Group records the total consolidated income tax payable with a debit to receivables from Group companies.

The amount of the debt relating to the subsidiaries is recognised with a credit to payables to Group companies.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts****(i) Taxable temporary differences**

Deferred tax liabilities derived from taxable temporary differences are recognised in all cases except where they arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income.

**(ii) Deductible temporary differences**

Deferred tax assets derived from deductible temporary differences are recognised provided that it is probable that sufficient taxable income will be available against which they can be utilised. Nonetheless, assets arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income, are not recognised.

**(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 substantially enacted. The tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of its assets or liabilities are also reflected in the measurement of deferred tax assets and liabilities.

**(iv) Offset and classification**

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

Deferred tax assets and liabilities are recognised in the balance sheet under non-current assets or liabilities, irrespective of the expected date of recovery or settlement.

**(r) Classification of assets and liabilities as current and non-current**

The Company classifies assets and liabilities in the balance sheet as current and non-current. Current assets and liabilities are determined as follows:

- Assets are classified as current when they are expected to be realised or are intended for sale or consumption in the Company's normal operating cycle, they are held primarily for the purpose of trading, they are expected to be realised within twelve months after the reporting date or are cash or a cash equivalent.
- Liabilities are classified as current when they are expected to be settled in the Company's normal operating cycle, they are held primarily for the purpose of trading, or they are due to be settled within twelve months after the reporting date.

**(s) Environmental issues**

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

Expenses derived from environmental activities are recognised as other operating expenses in the period in which they are incurred.

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

Property, plant and equipment acquired by the Company to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Company's activities, are recognised as assets applying the measurement, presentation and disclosure criteria described in section (d) Property, plant and equipment.

- (t) Transactions between Group companies

Transactions between Group companies are recognised at the fair value of the consideration given or received. The difference between this value and the amount agreed is recognised in line with the underlying economic substance of the transaction.

**(5) Intangible Assets**

- (a) Details of intangible assets and movement are shown in Appendix I.  
 (b) Emission allowances

At 31 December 2014, greenhouse gas emission allowances allocated during the National Allocation Plan period, movements therein and their annual distribution are as follows:

	2014			
	Number of allowances		Euros	
	Free of charge	Purchased	Free of charge	Purchased
2010	31,394	11,000	398,700	135,080
2011	(3,415)	(2,000)	(15,579)	(17,580)
2012	3,938	(2,000)	(64,524)	(91,400)
2013	(14,948)	(7,000)	(212,360)	(26,100)
Total	<b>16,969</b>	-	<b>106,237</b>	-

Impaired emission allowances amount to Euros 17 thousand at 31 December 2014 (Euros 24 thousand at 31 December 2013). During 2013 the Company adjusted grants recognised in prior years by Euros 21 thousand.

Movement in the number of allowances is as follows:

Description	Free of charge	Purchased	Total
Balances at 1 January 2013	31,917	7,000	<b>38,917</b>
Disposals	(14,948)	(7,000)	<b>(21,948)</b>
Balance at 31 December 2013	<b>16,969</b>	-	<b>16,969</b>

- (c) Fully amortised assets

The cost of fully amortised intangible assets in use at 31 December is as follows:

	Euros	
	2014	2013
Computer software	19,739,459	18,935,629

Fully amortised computer software in use at 31 December 2014 and 2013 mainly reflects computer licences.

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

**(6) Property, Plant and Equipment**

Details of property, plant and equipment and movement are shown in Appendix II.

**(a) Capitalised finance costs**

During 2014 the Company has not capitalised finance costs on investments in progress (Euros 164 thousand in 2013) (see note 4(b)).

**(b) Fully depreciated assets**

Details of the cost of fully depreciated property, plant and equipment in use at 31 December are as follows:

	Euros	
	2014	2013
Technical installations and machinery	1,036,590	1,804,611
Other installations, equipment and furniture	4,588,138	3,219,964
Other property, plant and equipment	4,184,529	3,996,152
	<b>9,809,257</b>	<b>9,020,727</b>

**(c) Insurance**

The Company has taken out insurance policies to cover the risk of damage to its property, plant and equipment. These policies amply cover the net carrying amount of the Company's assets.

**(7) Investment Property**

Details of investment property and movement during the year are as follows:

Description	Euros			Total
	2014			
	Land	Buildings and other installations	Investments in adaptation and advances	
Cost at 1 January 2014	4,946,480	44,702,228	3,410,074	<b>53,058,782</b>
Additions	7,563,311	4,955,152	1,800,271	<b>14,318,734</b>
Disposals	-	(1,318,040)	-	<b>(1,318,040)</b>
Transfers	-	4,427,928	(1,484,474)	<b>2,943,454</b>
Cost at 31 December 2014	<b>12,509,791</b>	<b>52,767,268</b>	<b>3,725,871</b>	<b>69,002,930</b>
Accumulated depreciation at 1 January 2014	-	(22,565,060)	-	<b>(22,565,060)</b>
Additions	-	(2,056,779)	-	<b>(2,056,779)</b>
Disposals	-	953,655	-	<b>953,655</b>
Accumulated depreciation at 31 December 2014	-	<b>(23,668,184)</b>	-	<b>(23,668,184)</b>
Carrying amount at 31 December 2014	<b>12,509,791</b>	<b>29,099,084</b>	<b>3,725,871</b>	<b>45,334,746</b>

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

Description	Euros			Total
	Land	Buildings and other installations	Investments in adaptation and advances	
Cost at 1 January 2013	4,946,480	43,104,144	3,599,824	51,650,448
Additions	-	695,283	1,270,854	1,966,137
Disposals	-	(711)	-	(711)
Transfers	-	903,512	(1,460,604)	(557,092)
Cost at 31 December 2013	4,946,480	44,702,228	3,410,074	53,058,782
Accumulated depreciation at 1 January 2013	-	(20,607,675)	-	(20,607,675)
Additions	-	(1,957,480)	-	(1,957,480)
Disposals	-	95	-	95
Accumulated depreciation at 31 December 2013	-	(22,565,060)	-	(22,565,060)
Carrying amount at 31 December 2013	4,946,480	22,137,168	3,410,074	30,493,722

At 31 December 2014 and 2013 additions comprise the investments incurred to expand the Company's facilities.

On 10 May 2011 Grifols S.A. sold three properties located in Spain to Gripdan Invest, S.L., a wholly-owned subsidiary of Scranton Enterprises, B.V., in turn a related party of Grifols, S.A., for Euros 37.6 million. These properties related to non-core assets such as offices, warehouses and factory premises. One of the properties was sold in conjunction with its related mortgage loans, which amounted to Euros 11.5 million. The prices paid for the properties were established based on independent appraisals (see note 29).

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

- Compulsory initial term of five years
- Initial rent established at market prices, adjusted annually for inflation (Spanish Consumer Price Index).
- Automatic five-year extensions, unless six months prior notice is given by either party.
- Upon vacating the premises, Grifols will be compensated by the lessor for any on-site assets in which it has invested, insofar as these have a residual value and are not recoverable by Grifols.

Grifols also signed a call option on the shares of Gripdan Invest, S.L., exercisable on 10 May 2016 and 10 May 2017 and for which no consideration was required. The strike price will be calculated by independent appraisers as the exercise date market value.

(a) Fully depreciated assets

The cost of fully depreciated investment property in use at 31 December is as follows:

	Euros	
	2014	2013
Buildings	1,031,792	1,031,792
Other installations	12,569,889	12,356,871
	<b>13,601,681</b>	<b>13,388,663</b>

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

## (b) Income and expenses from investment property

Details of income and expenses from investment property are as follows:

	Euros	
	2014	2013
Rental income (note 25)	13,284,373	13,296,104
Operating expenses From income-generating investments	(12,974,685)	(12,113,460)
Net	<b>309,688</b>	<b>1,182,644</b>

During 2014, the Company passes on costs of owned buildings and reinvoices the cost of leased buildings at market price. In 2013 the Company passed on costs of owned buildings to its subsidiaries, applying a margin of no more than 10%. It passed on the cost of general services based on the surface area occupied by each subsidiary, charging a 10% management fee.

## (c) Insurance

The Company has taken out insurance policies to cover the risk of damage to its investment property. The coverage of these policies is considered sufficient.

**(8) Finance Leases - Lessee**

The Company has leased the following types of property, plant and equipment under finance leases:

	Euros			Total
	Land	Technical installations and machinery	Other property, plant and equipment	
<i>Initially recognised at:</i>				
Fair value	435,000	1,815,000	4,001,505	<b>6,251,505</b>
Accumulated depreciation	(18,451)	(1,416,076)	(1,082,885)	<b>(2,517,412)</b>
Carrying amount at 31 December 2014	<b>416,549</b>	<b>398,924</b>	<b>2,918,620</b>	<b>3,734,093</b>
<i>Initially recognised at:</i>				
Present value of minimum lease payments	435,000	1,815,000	2,446,445	<b>4,696,445</b>
Accumulated depreciation	(9,595)	(1,293,330)	(592,505)	<b>(1,895,430)</b>
Carrying amount at 31 December 2013	<b>425,405</b>	<b>521,670</b>	<b>1,853,940</b>	<b>2,801,015</b>

Future minimum lease payments are reconciled with their present value as follows:

	Euros	
	2014	2013
Future minimum payments	3,639,816	2,747,742
Unaccrued finance costs	(515,774)	(347,665)
Present value	<b>3,124,042</b>	<b>2,400,087</b>

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

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

	<b>Euros</b>			
	<b>2014</b>		<b>2013</b>	
	<b>Minimum payments</b>	<b>Present value</b>	<b>Minimum payments</b>	<b>Present value</b>
Less than one year	1,031,745	949,505	1,010,520	946,209
One to five years	2,608,071	2,174,537	1,737,222	1,453,878
	3,639,816	3,124,042	2,747,742	2,400,087
Less current portion	(1,031,745)	(949,505)	(1,010,520)	(946,209)
<b>Total non-current</b>	<b>2,608,071</b>	<b>2,174,537</b>	<b>1,737,222</b>	<b>1,453,878</b>

**(9) Operating Leases - Lessee**

The Company has contracted offices and land under operating leases from related parties and Group companies.

The most significant lease contracts are as follows:

Offices located in Sant Cugat del Vallès (Barcelona), leased from a Group company

The Company has leased the offices in which it operates from one of its subsidiaries since September 2009. The lease contract is valid for one year and is automatically renewed on an annual basis.

Land located in Parets del Vallés (Barcelona), leased from a third party

This contract is valid for 30 years from 1996 and is automatically renewable for five-year periods. One year's notice must be given if either party wishes to cancel the contract.

Offices located in Parets del Vallés (Barcelona), leased from a third party

This contract is valid for ten years from 2005 and can be renewed for between one and twenty years at the lessee's discretion, which the lessor is obliged to accept, and can be cancelled at any moment in time with four months' notice.

Offices located in Parets del Vallés and Barcelona, leased from a related party.

This contract is valid for five years from 2011 and compliance is compulsory for both parties. Once the initial term has elapsed, the contract will be automatically renewed for successive periods of five years unless the parties notify of their intention not to renew it, within six months of the end of the initial term (note 7).

Operating lease payments have been recognised as an expense for the year as follows:

	<b>Euros</b>	
	<b>2014</b>	<b>2013</b>
Minimum lease payments	8,813,088	8,993,778

Future minimum payments under non-cancellable operating leases are as follows:

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

	<b>Euros</b>	
	<b>2014</b>	<b>2013</b>
Less than one year	4,153,297	4,654,280
One to five years	1,668,750	5,346,483
Over five years	327,155	582,895
	<b>6,149,202</b>	<b>10,583,658</b>

The Company uses part of these premises for its own use and sub-leases the rest to its Spanish subsidiaries (see note 7 (b)).

**(10) Operating Leases - Lessor**

As described in note 7(b) and note 25, the Company leases and sub-leases premises and installations that it owns and leases from third parties to its Spanish subsidiaries.

Contracts signed with its subsidiaries are renewed automatically on an annual basis and can be cancelled at any time with three months' prior notice. The minimum non-cancellable amount receivable totals Euros 3,321 thousand at 31 December 2014 (Euros 3,324 thousand in 2013).

**(11) Risk Management Policy****(a) Financial risk factors**

The Company's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk in fair value and price risk), credit risk, liquidity risk and interest rate risk in cash flows. The Company's global risk management programme focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Company's profits. The Company used derivatives to mitigate certain risks.

The Company's risk management policies are established in order to identify and analyse the risks to which the Company is exposed, establish suitable risk limits and controls, and control risks and compliance with limits. Risk management procedures and policies are regularly reviewed to ensure they take into account changes in market conditions and in the Company's activities. The Company's management procedures and rules are designed to create a strict and constructive control environment in which all employees understand their duties and obligations.

The Group's Audit Committee supervises how management controls compliance with the Group's risk management procedures and policies and reviews whether the risk management policy is suitable considering the risks to which the Group is exposed. This committee is assisted by Internal Audit which acts as supervisor. Internal Audit performs regular and ad hoc reviews of the risk management controls and procedures and reports its findings to the Audit Committee.

**(i) Market risk**

The Company is not exposed to market risks associated with non-financial assets.

**(ii) Currency risk**

The Company operates internationally and is therefore exposed to currency risk when operating with foreign currencies, especially with regard to the US Dollar. Currency risk is associated with recognised assets and liabilities, and net investments in foreign operations.

The Company holds several investments in foreign operations, the net assets of which are exposed to currency risk. Currency risk affecting net assets of the Company's foreign operations in US Dollars is mitigated primarily through borrowings in the corresponding foreign currency.

Details of financial monetary assets and liabilities in foreign currencies and transactions in foreign currencies are provided in notes (14) and (21).

(Continued)



**GRIFOLS, S.A.****Notes to the Annual Accounts**

At 31 December 2014 had the US Dollar weakened by 10% against the Euro, with the other variables remaining constant, post-tax profit would have been Euros 1,125 thousand higher, mainly as a result of translating payables to Group companies.

**(iii) Credit risk**

The Company's financial assets mainly comprise the trade receivables from and loans to Group companies.

Derivative and cash transactions are only carried out using financial instruments with a high credit rating.

The Company considers that its financial assets are not significantly exposed to credit risk.

**(iv) Liquidity risk**

The Company applies a prudent policy to cover its liquidity risks based on having sufficient cash, as well as sufficient financing through credit facilities, to settle market positions.

Details of financial liabilities by contractual maturity date are provided in note (21).

**(v) Cash flow and fair value interest rate risks**

Interest rate risk arises on loans extended to Group companies and current and non-current borrowings. Borrowings and loans extended at variable interest rates expose the Company to cash flow interest rate risks. The Company's policy involves contracting borrowings and extending loans to Group companies at variable interest rates.

The Company manages cash flow interest rate risks through interest rate swaps. The variable to fixed interest rate swaps convert variable interest rates on borrowings to fixed interest rates. The Company generally obtains non-current borrowings with variable interest rates (see note 21) and on occasions swaps these for fixed interest rates that are normally lower than if the financing had been obtained directly with fixed interest rates. Through variable to fixed interest rate swaps the Company undertakes to exchange the difference between fixed interest and variable interest with other parties on a monthly basis. The difference is calculated based on the contracted notional principal amount. At 31 December 2013 the Company had two interest-rate swaps for loans, one of which was from variable to fixed, for which the Company applied hedge accounting (see note 15) and the other swap had a variable interest rate. The notional amount of these swaps was Euros 100,000 thousand each (see note 15). As at 31 December 2014, these swaps have been cancelled.

At 31 December 2014, had interest rates been 10 basis points higher/lower, with the other variables remaining constant, post-tax profit would have been Euros 300 thousand lower/higher, mainly because of higher borrowing costs on variable interest debt.

**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**

**(12) Investments in Equity Instruments of Group Companies and Associates**

Details of investments in equity instruments of Group companies are as follows:

	Euros	
	2014	2013
	Non-current	Non-current
Group companies		
Investments	1,610,563,463	1,305,061,532
Impairment	(11,520,575)	(14,380,720)
	<b>1,599,042,888</b>	<b>1,290,680,812</b>
Associates		
Investments	42,788,922	20,635,872
	42,788,922	20,635,872
<b>Total</b>	<b>1,641,831,810</b>	<b>1,311,316,684</b>

During 2014 the following changes to Company investments in equity instruments have taken place:

- The Company subscribed to the share capital increase issued by Laboratorios Grifols S.A. for an amount of Euros 7,000 thousand.
- The Company subscribed to the share capital increase issued by Movaco S.A. for an amount of Euros 1,500 thousand.
- The Company subscribed to the share capital increase issued by Grifols Brasil Ltda. for an amount of Euros 3,944 thousand. In 2013 the Company subscribed to the share capital increase issued by this company for an amount of Euros 3,571 thousand.
- The Company subscribed to the share capital increase issued by Grifols Colombia Ltda for an amount of Euros 814 thousand.
- The Company subscribed to the share capital increase issued by Grifols Pharmaceutical Consulting (Shanghai) Co., Ltd. for an amount of Euros 600 thousand (incorporated in 2013 with an investment of Euros 400 thousand).
- In 2013 the Company incorporated Grifols Diagnostics Solutions Inc (formerly G-C Diagnostics Corp.). On 9 January 2014 the Grifols Group acquired the transfusional medicine and immunology diagnostic unit of the Swiss company Novartis International AG for approximately USD 1,653 million (Euros 1,215 million). The transaction was carried out through the newly-incorporated subsidiary, Grifols Diagnostics Solutions (formerly G-C Diagnostics Corp.) (USA), which is wholly-owned by the Company. At 31 December 2014 the amount of the investment is Euros 293,794 thousand.
- The Company incorporated Grifols Japan KK. Its investment in this company amounts to Euros 709 thousand.
- The Company incorporated Grifols India Healthcare Private. Its investment in this company amounts to Euros 1,300 thousand.
- The Company has sold ownership of Grifols International, SA to another Group company by Euros 2,860 thousand. The investment in the transferred entity was fully impaired, generating income of Euros 2,860 thousand.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

- The Company acquired 50% of Kiro Robotics, S.L. for Euros 22,153 thousand.

During 2013 the following changes to Company investments in equity instruments took place:

- The Company subscribed to the share capital increase issued by Grifols Nordic AB for an amount of Euros 1,783 thousand.
- The Company acquired shares representing 60% of the economic and voting rights (56.1% after Ekarpén capital increase described below) of Progenika Biopharma, S.A. for an amount of Euros 37,010 thousand. The acquisition was paid through the following:
  - 50% of the purchase price was paid with 884,997 Class B non-voting Grifols shares, with a fair value of Euros 20.91 per share. The Group guaranteed the vendor shareholders a resale option on the Class B shares at the same price during the 5 days subsequent to the sale. Vendor shareholders holding 879,913 shares executed this option and the cash paid amounted to Euros 18,399 thousand, being considered as cash for investment activities in the statement of cash flows.
  - The remaining 50% of the price had been paid in cash (Euros 18,505 thousand).

The Class B non-voting Grifols shares, used as consideration for the acquisition of the Progenika shares, were lent by a related party under a share loan agreement signed on 12 February 2013 (note 25). On 16 April 2013 share capital was increased in the nominal amount of Euros 88,499.70 by issuing and placing in circulation 884,997 new Class B non-voting shares (note 18). The capital increase enabled the Company to return the non-voting shares to the lender, which were lent pursuant to the provisions of the share loan agreement.

In addition, the Company and the vendor shareholders granted a reciprocal put and call option for the 35% (32.9% after Ekarpén capital increase explained below) of shares still held by these shareholders, which may be exercised in a period of three years. The sale/purchase price of the shares affected by the option had been set at Euros 21,701 thousand, plus simple annual interest of 5% and this amount had been treated as a financial liability. Grifols, Progenika and the investment vehicle EKARPEN SPE, S.A. (hereinafter Ekarpén), owned by the Basque Government, Kutxabank, Caja Laboral-Euskadiko Kutxa, Lagun Aro and the Provincial Governments of the Basque Country, agreed that the share capital of Ekarpén be increased by a total of Euros 5,000 thousand, whereby Ekarpén received new shares representing approximately 6.5% of the share capital of Progenika. These shares are subject to a put and call option which may be exercised at the end of a 5-year period for a purchase price of Euros 5,000 thousand and had been treated as a financial liability. The call option has premium costs of Euros 300 thousand for each of the five-year periods. Additionally, an amount of Euros 1,643 thousand consisting of participating loans extended to Progenika Biopharma, S.A. had been treated as an investment.

The Company acquired 99.98 % of Logister S.A. from another Group company. Its investment in this company amounted to Euros 105 thousand.

The Company incorporated Grifols Worldwide Operations Limited. Its investment in this company amounted to Euros 56,505 thousand, of which Euros 4,005 thousand consisted of the contribution from the subsidiary Squadron Reinsurance, Ltd to Grifols Worldwide Operations, Ltd. The investment in Squadron Reinsurance Ltd had a carrying amount of Euros 1,000 thousand.

The Company acquired a 35% interest in Aradigm Corporation. Its investment in this company amounted to Euros 20,636 thousand.

The Company incorporated Grifols Switzerland AG. Its investment in this company amounted to Euros 81 thousand.

After analysing the likelihood of recovering its investment in Grifols Nordic the Company recognised impairment of Euros 3,027 thousand on this investment.

The Company subscribed to the share capital increase issued by Gri-Cei, S.A. for an amount of Euros 2,321 thousand.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

At 31 December 2011 the Company recognised impairment of Euros 6,583 thousand for the investment in Arrahona Optimus, S.L based on the analysis of its recoverability. On 31 December 2013 the Company reversed Euros 163 thousand of the provision.

**(a) Investments in Group companies**

Details of investments in Group companies are provided in Appendix III.

Subsidiaries' activities comprise the following:

- Industrial activity: consisting of the manufacture, preparation and sale of therapeutic products and other pharmaceutical specialities, particularly haemoderivatives and parenteral solutions, reagents, chemical products for use in laboratories and healthcare centres, and medical-surgical materials, equipment and instruments; the collection and analysis of products of biological origin, and the procurement of human plasma.

- Commercial activity: consisting primarily of the marketing of products manufactured by the industrial Group companies.

- Service activity: comprising the management of business trips for Group companies, the preparation and implementation of engineering projects for both the Group and third parties, and the rendering of centralised services such as accounting, human resources, marketing, etc. This activity also includes the reinsurance of the Group's insurance policies.

- Research activity: includes research activities in different fields such as biotechnology, nanotechnology and genetic and cellular therapy tools, as well as the development of new products and applications for existing products.

The percentage ownerships included in Appendix III agree with the voting rights the Company has in its subsidiaries, except for Grifols Thailand, Ltd. (48% ownership) and Grifols Malaysia Sdn Bhd (30% ownership), in which the Company has majority voting rights through the type of shares it holds in Grifols Thailand, Ltd, and through a contract entered into with the other shareholder and the pledging of this shareholder's shares in Grifols Malaysia.

**(i) Foreign currency**

The functional currencies of foreign operations are the currencies of the countries in which they are domiciled, except Grifols Worldwide Operations Limited with functional currency US Dollars.

**(b) Other information**

Subsidiaries have been audited/reviewed by companies associated with KPMG International in the countries in which they have their registered office, except for Grifols Chile, S.A. (audited by Surlatina Auditores, Ltda., a member of Grant Thornton) and Grifols Argentina, S.A. (audited by Alexia Consulting Group, S.R.L.).

Grifols France, S.A.R.L., Grifols Malaysia SDN BHD, Grifols Viajes, S.A., Logister, S.A., Arrahona Optimus, S.L. and GriCel, S.A. have not been audited.

**(13) Financial Assets by Category****(a) Classification of financial assets by category**

The classification of financial assets by category and class and a comparison of the fair value and the carrying amount are provided in Appendix IV.

(Continued)

**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**

(i) Net losses and gains by category of financial asset

Net losses and gains by category of financial asset are as follows:

	Euros	
	Loans and receivables	Total
<b>2014</b>		
Finance income at amortised cost, Group companies	13,309,791	<b>13,309,791</b>
Finance income at amortised cost	45,870	<b>45,870</b>
Net gains in profit or loss	<b>13,355,661</b>	<b>13,355,661</b>
Total	<b>13,355,661</b>	<b>13,355,661</b>

	Euros			Total
	Held-for-trading assets	Loans and receivables	Available-for-sale financial assets	
<b>2013</b>				
Finance income at amortised cost, Group companies	-	4,387,719	-	<b>4,387,719</b>
Finance income at amortised cost	-	387,701	-	<b>387,701</b>
Change in fair value	(7,668)	-	-	<b>(7,668)</b>
Losses on disposal	-	-	(476,483)	<b>(476,483)</b>
Net gains/(losses) in profit or loss	<b>(7,668)</b>	<b>4,775,420</b>	<b>(476,483)</b>	<b>4,291,269</b>
Total	<b>(7,668)</b>	<b>4,775,420</b>	<b>(476,483)</b>	<b>4,291,269</b>

#### **(14) Investments and Trade Receivables**

(a) Investments in Group companies

Details of investments in Group companies and related parties are as follows:

	Euros			
	2014		2013	
	Non-current	Current	Non-current	Current
Group				
Loans	16,410,455	201,659,132	18,158,520	545,660,430
Receivables, tax effect (note 23)	-	23,175,818	-	2,472,096
Interest	-	1,921,323	-	632,289
Impairment	-	(4,645,690)	-	(9,976,880)
Total	<b>16,410,455</b>	<b>222,110,583</b>	<b>18,158,520</b>	<b>538,787,935</b>

(Continued)

**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**

## (b) Investments

Details of investments are as follows:

	Euros			
	2014		2013	
	Non-current	Current	Non-current	Current
Unrelated parties				
Assets available for sale	-	-	245,298	-
Deposits and guarantees	839,307	8,802	811,793	15,573
Other	3,294,621	-	2,900,442	-
Impairment	-	-	(245,298)	-
<b>Total</b>	<b>4,133,928</b>	<b>8,802</b>	<b>3,712,235</b>	<b>15,573</b>

The Company's interest of less than 2% in Cardio BioSciences (Belgium), acquired in 2008, was fully impaired at 31 December 2012. In 2013 this interest was sold, incurring a loss of Euros 476 thousand in respect of the cost of acquisition and the provision was reversed.

At 31 December 2014 and 2013 the balance of deposits and guarantees consists of the new lease with Gripdan Invest, S.L. a company wholly owned by Scranton Enterprise B.V, which is a related party to Grifols S.A. (see notes 7 and 25).

At the end of December 2011 the Company contracted a call option on the shares of Scranton Investments, B.V., a shareholder of Scranton Enterprises USA, Inc. This option, which had a cost of USD 4,000 thousand, Euros 3,295 thousand at 31 December 2014; (Euros 2,900 thousand at 31 December 2013), can be exercised on the date the Food and Drug Administration (FDA) grants the licence for a plant located in Clayton, USA which belongs to that company and is leased to the Group company Grifols Therapeutics, Inc. The option may also be exercised at five and ten years from the licence date, and on the expiry date of the lease contract. The purchase price will vary depending on the market value determined on the date the option is exercised.

## (c) Trade and other receivables

Details of trade and other receivables are as follows:

	Euros	
	2014	2013
	Current	Current
<i>Group</i>		
Trade receivables (note 25)	32,506,427	11,918,832
<i>Associates</i>		
Trade receivables (note 25)	11,215	6,976
<i>Unrelated parties</i>		
Trade receivables	365,051	824,198
Other receivables	68,284	631,923
Personnel	11,410	8,827
Taxation authorities, income tax (note 23)	47,190,583	22,340,496
Public entities, other (note 23)	5,351,265	7,738,524
<b>Total</b>	<b>85,504,235</b>	<b>43,469,776</b>

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

At 31 December 2014 and 2013 public entities, other predominantly comprise recoverable value added tax and income tax. The Company files consolidated VAT and income tax returns.

(d) Amounts denominated in foreign currencies

Details of monetary financial assets denominated in foreign currencies are as follows:

2014	Euros			Total
	US Dollar	Swiss Franc	Pound Sterling	
Non-current investments in Group companies and associates				
Loans to companies	3,247,918	-	-	<b>3,247,918</b>
Non-current investments				
Loans to related companies	3,294,621	2,661,344	-	<b>5,955,965</b>
Total non-current financial assets	<b>6,542,539</b>	<b>2,661,344</b>	<b>-</b>	<b>9,203,883</b>
Trade and other receivables				
Trade receivables – current	441	-	-	<b>441</b>
Trade receivables from Group companies and associates – current	607,616	3,682,123	19,461	<b>4,309,200</b>
Other receivables	139,260	-	-	<b>139,260</b>
Current financial investments in Group companies and associates				
Loans to companies	686,897	182,856	-	<b>869,753</b>
Total current financial assets	<b>1,434,214</b>	<b>3,864,979</b>	<b>19,461</b>	<b>5,318,654</b>
Total financial assets	<b>7,976,753</b>	<b>6,526,323</b>	<b>19,461</b>	<b>14,522,537</b>

  

2013	Euros		Total
	USD Dollar	Swiss Franc	
Non-current investments in Group companies and associates			
Loans to companies	2,859,327	3,258,390	<b>6,117,717</b>
Non-current investments			
Loans to related companies	2,900,442		<b>2,900,442</b>
Total non-current financial assets	<b>5,759,769</b>	<b>3,258,390</b>	<b>9,018,159</b>
Trade and other receivables			
Trade receivables – current	173,023	-	<b>173,023</b>
Current investments			
Loans to companies	72,539,190	950,590	<b>73,489,780</b>
Total current financial assets	<b>72,712,213</b>	<b>950,590</b>	<b>73,662,803</b>
Total financial assets	<b>78,471,982</b>	<b>4,208,980</b>	<b>82,680,962</b>

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

Details of exchange differences recognised in profit or loss on financial instruments, distinguishing between settled and outstanding transactions, are as follows:

	Euros			
	2014		2013	
	Settled	Outstanding	Settled	Outstanding
<i>Investments in Group companies</i>				
Loans to Group companies	(2,272,887)	279,382	180,699	2,773,449
Total non-current financial assets	<b>(2,272,887)</b>	<b>279,382</b>	<b>180,699</b>	<b>2,773,449</b>
<i>Trade and other receivables</i>				
Trade receivables – current	30,458	11,114	(3,493)	(5,547)
Trade receivables from Group companies – current	-	(2,578)	-	(986)
<i>Current investments</i>				
Loans to Group companies	(31,877)	-	(254)	-
Total current financial assets	<b>(1,419)</b>	<b>8,536</b>	<b>(3,747)</b>	<b>(6,533)</b>
Total financial assets	<b>(2,274,306)</b>	<b>287,918</b>	<b>176,952</b>	<b>2,766,916</b>

**(15) Derivative Financial Instruments**

At 31 December 2014 the Company has not recognised any derivative financial instruments. Details of derivative financial instruments at 31 December 2013 are as follows:

	Notional amount	Euros
		Fair values Liabilities
2013		Non-current
Derivatives held for trading and at fair value through profit or loss		
<i>Interest rate derivatives</i>		
Embedded floor in senior debt (note 21 (c))	196,000,000	(3,539,005)
Total derivatives at fair value through profit or loss (note 21)	<b>196,000,000</b>	<b>(3,539,005)</b>
<i>Embedded derivatives</i>		
Foreign currency	100,000,000	(4,024,954)
Total embedded derivatives	<b>100,000,000</b>	<b>(4,024,954)</b>
Total derivatives at fair value through profit or loss	<b>296,000,000</b>	<b>(7,563,959)</b>

(Continued)



**GRIFOLS, S.A.****Notes to the Annual Accounts**

On 17 March 2014 the Grifols Group refinanced its secured senior debt, which is held by the Group company Grifols Worldwide Operations Limited. Consequently, at 31 December 2014 the Company does not have any loans or embedded derivatives in its books. At 31 December 2013 the floor included in the tranche B senior debt constituted an embedded derivative measured at fair value and recognised separately from loans.

**(a) Interest rate swaps**

The Company has no interest rate swaps at 31 December 2014. At 31 December 2013 the Company used interest rate swaps to manage its exposure to interest rate fluctuations for some of its bank loans.

At 31 December 2013 the Company held two swap contracts, each for a notional amount of Euros 100 million and expiring on 31 March 2016. The variable to fixed interest swap hedged the Company against a possible rise in the variable interest rate to which part of the Group's financing is pegged. The swap met all the prerequisites to qualify for hedge accounting: throughout the term of this contract the notional amount will be equal to or less than the balance of the loans; the term of the contract does not exceed the maturity date of the loans; and the settlement dates and terms of the derivative contract are the same as those for repayment of the loans.

**(b) Cash flow hedges**

The total amount of cash flow hedges recognised in equity is as follows:

	<b>Euros</b>	
	<b>Income/(Expenses)</b>	
	<b>2014</b>	<b>2013</b>
Finance income	38,984	3,364,464

The total amount of cash flow hedges transferred from recognised income and expense to profit or loss and details of the income statement headings under which these items have been recognised are as follows:

	<b>Euros</b>	
	<b>Gains/(Losses)</b>	
	<b>2014</b>	<b>2013</b>
Finance income/(costs)	917,862	(669,694)

The total amount of the ineffective portion of cash flow hedges recognised as changes in fair value of financial instruments in the income statement is as follows:

	<b>Euros</b>	
	<b>2014</b>	<b>2013</b>
Interest rate swaps	13,676	1,015,470

**(16) Inventories**

Inventories are mainly spares used to maintain the Company's buildings and facilities. At 31 December 2014 the figure includes spare parts acquired from the Group company Instituto Grifols, S.A.

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

**(17) Prepayments**

At 31 December 2014 prepayments include advanced payments for insurance premiums and professional service fees.

**(18) Equity**

Details of equity and movement during the year are shown in the statement of changes in equity.

**(a) Capital**

At 31 December 2014 the share capital of Grifols S.A. amounts to Euros 119,603,705 and is represented by:

Class A shares: 213,064,899 ordinary shares of Euros 0.50 par value each, subscribed and fully paid and of the same class and series.

Class B Shares: 130,712,555 non-voting preference shares of Euros 0.10 par value each, of the same class and series, and with the preferential rights set forth in the Company's by-laws.

Since 23 July 2012 the ADSs (American Depositary Shares) representing Grifols, S.A.'s Class B non-voting shares have had an exchange ratio of 1:1 in relation to Class B shares; i.e. 1 ADS represents 1 Class B share. The ratio was previously 2 ADSs to each Class B share.

On 4 December 2012, the shareholders of Grifols approved a share capital increase through the issue of 16,328,212 new Class B non-voting shares, with a charge to voluntary reserves. This issue was executed in a public deed on 4 January 2013 and the shares were admitted for trading on the four Spanish stock exchanges and the Spanish Automated Quotation System on 14 January 2013.

On 16 April 2013 Grifols increased its share capital by issuing 884,997 Class B non-voting shares of Euros 0.10 par value each, with a share premium of Euros 23.02 per share. Therefore, the total amount of the share capital increase had been Euros 20,461,131, of which Euros 88,499.70 corresponded to the par value and Euros 20,372,630.94 to share premium. The board of directors agreed to suppress the pre-emptive subscription rights in connection with this share capital increase.

The aforementioned share capital increase had enabled Grifols to return to the lender the non-voting shares to comply with the commitment with the vendors of Progenika shares pursuant to the provisions of the share loan agreement signed in February 2013.

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

- Each Class B share entitles its holder to receive a minimum annual preferred dividend out of the distributable profits at the end of each year equal to Euros 0.01 per Class B share provided that the aggregate preferred dividend does not exceed the distributable profits for that year and a distribution of dividends has been approved by the Company's shareholders. This preferred dividend is not cumulative if sufficient distributable profits are not obtained in the period.
- Each Class B share holder is entitled to receive, in addition to the above-mentioned preferred dividend, the same dividends and other distributions as for one Grifols ordinary share.
- Each Class B share entitles the holder to its redemption under certain circumstances, if a takeover bid for all or part of the shares in the Company has been made, except if holders of Class B shares have been entitled to participate in the bid on the same terms as holders of Class A shares. The redemption terms and conditions reflected in the Company's by-laws limit the amount that may be redeemed, requiring that sufficient distributable reserves be available, and limit the percentage of shares to be redeemed in line with the ordinary shares to which the bid is addressed.
- In the event the Company were to be wound up and liquidated, each Class B share entitles the holder to receive, before any amounts are paid to holders of ordinary shares, an amount equal to the sum of (i) the par value of the Class B share, and (ii) the share premium paid for the Class B share when it was subscribed. In addition to the Class B liquidation preference amount, each holder is entitled to receive the same liquidation amount that is paid for each ordinary share. These shares are freely transferable.

The Company's knowledge of its shareholders is based on information provided voluntarily or in compliance with applicable legislation. According to the information available to the Company, there are no interests higher than 10% with voting rights at 31 December 2014 and 2013.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts****(b) Share premium**

This reserve is freely distributable.

**(c) Reserves**

Details of reserves and movement during the year are shown in Appendix V.

**(i) Legal reserve**

The legal reserve has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital.

The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits.

**(ii) Treasury stock and reserve for Company shares**

At the ordinary general meeting held on 24 January 2011 the shareholders of the Company agreed to authorise the acquisition of a maximum of treasury stock equivalent to 10% of the Company's share capital at a minimum price equal to the par value of shares and a maximum equal to the price quoted on the stock exchange on the date of acquisition or, where applicable, the price authorised by the Spanish National Securities Market Commission.

This acquisition has been authorised for a period of five years from the date this decision was taken. Shares acquired may be handed over to the Group's employees or directors either directly or as a result of them exercising share options they may hold.

The Company held Class A and B treasury stock equivalent to 0.82% of its capital at 31 December 2014. The Company does not hold any Class A treasury stock at 31 December 2013.

Details of Class A and B treasury stock at 31 December 2014 and 2013 are provided in Appendix XV.

On 11 March 2013 Grifols S.A. purchased 4,402,986 of its American Depositary Shares ("ADSs") from various funds managed by Cerberus Capital Management, L.P. and/or its affiliated advisory entities for a total of Euros 88.9 million (US Dollars 118.9 million, or USD 27 per ADS). Grifols originally issued the ADSs to Cerberus in June 2011, in connection with the acquisition of Talecris Biopharmaceuticals Corp. Cerberus was the majority shareholder of Talecris. In November 2013, the Company sold all the ADSs forming part of its treasury stock. The sale generated a profit of Euros 11.2 million, which has been recognised in reserves.

Cash acquisitions included the purchase of the Class B shares from the vendor shareholders of Progenika for which Grifols exercised the cash option for an amount of Euros 18,399 thousand. This amount had been considered as cash used in investing activities in the statement of cash flows. Cash acquisitions also included purchases of Class B shares issued on 16 April 2013 and subscribed by a financial institution (see section (a) of this note).

Non-cash acquisitions and disposals of Class B shares included a share loan transaction entered into with a related party (see note 25). Subsequent disposals included Class B shares exchanged in the acquisition of Progenika Biopharma, S.A. (see note 12). Cash obtained through disposals of Class A and B shares amounted to Euros 15,286 thousand and Euros 119,903 thousand, respectively.

**(iii) Differences on redenomination of capital to Euros**

This reserve is not distributable.

**(iv) Voluntary reserves**

These reserves are freely distributable.

(Continued)

**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**

**(19) Other Provisions, Other Guarantees with Third Parties and Other Contingent Liabilities**

Movement in other provisions is as follows:

	Euros	
	Provisions for taxes	Total
At 1 January 2014	185,517	185,517
Charges	500,000	500,000
At 31 December 2014	<b>685,517</b>	<b>685,517</b>

(a) Contingencies

Contingent liabilities for bank and other guarantees are disclosed in note 21. The Company does not expect any significant liabilities to arise from these guarantees.

In the event of a takeover, the Company has agreements with 29 employees/directors whereby they can unilaterally rescind their employment contracts with the Company and are entitled to termination benefits ranging from two to five years' salary.

The Company also has a contract with a member of senior management who will receive a termination benefit ranging from one to two years' salary, depending on the circumstances.

**(20) Financial Liabilities by Category**

(a) Classification of financial liabilities by category

The classification of financial liabilities by category and class and a comparison of the fair value with the carrying amount are provided in Appendix VI.

(i) Net losses and gains by financial liability category

Net losses and gains by financial liability category are as follows:

	Euros			Total
	Held-for-trading liabilities	Debts and payables	Hedging derivatives	
<b>2014</b>				
Finance costs at amortised cost, third parties	-	(26,683,805)	-	(26,683,805)
Finance costs at amortised cost, Group companies	-	(27,445,636)	-	(27,445,636)
Change in fair value of derivative financial instruments	3,539,005	-	(1,289,879)	2,249,126
Net gains/(losses) in profit or loss	3,539,005	(54,129,441)	(1,289,879)	(51,880,315)
Change in fair value of derivative financial instruments	-	-	956,846	956,846
Net gains/(losses) in equity	-	-	956,846	956,846
<b>Total</b>	<b>3,539,005</b>	<b>(54,129,441)</b>	<b>(333,033)</b>	<b>(50,923,469)</b>

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

2013	Euros			Total
	Held-for-trading liabilities	Debts and payables	Hedging derivatives	
Finance costs at amortised cost, third parties	-	(23,608,880)	-	(23,608,880)
Finance costs at amortised cost, Group companies	-	(749,465)	-	(749,465)
Change in fair value of derivative financial instruments	2,426,377	-	(2,700,634)	(274,257)
Net gains/(losses) in profit or loss	2,426,377	(24,358,345)	(2,700,634)	(24,632,602)
Change in fair value of derivative financial instruments	-	-	2,694,780	2,694,780
Net gains in equity	-	-	2,694,780	2,694,780
<b>Total</b>	<b>2,426,377</b>	<b>(24,358,345)</b>	<b>(5,854)</b>	<b>(21,937,822)</b>

**(21) Payables and Trade Payables**

## (a) Group companies and associates

Details of payables to Group companies and associates are as follows:

	Euros			
	2014		2013	
	Non-current	Current	Non-current	Current
<i>Group</i>				
Payables	29,610,743	199,622,090	-	132,051,579
Loans received	378,136,055	-	86,201,597	46,053,256
Payables, tax effect (note 23)	-	26,849,084	-	38,103,481
Interest	1,789,612	850,269	-	304,764
<i>Associates</i>				
Loans received	-	3,059,403	-	2,682,917
<b>Total</b>	<b>409,536,410</b>	<b>230,380,846</b>	<b>86,201,597</b>	<b>219,195,997</b>

Details of payables to Group companies do not include trade payables to Group companies, details of which are provided in section d) of this note.

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

## (b) Debts

Details of debts are as follows:

	Euros			
	2014		2013	
	Non-current	Current	Non-current	Current
<i>Unrelated parties</i>				
Loans and borrowings	14,211,247	4,759,661	332,229,183	37,628,778
Interest	-	50,679	-	1,368
Finance lease payables (note 8)	2,174,537	949,505	1,453,878	946,209
Derivative financial instruments (note 15)	-	-	7,563,959	-
Debts	30,263,666	996,088	28,994,025	840,752
Guarantees and deposits received	-	5,765	-	5,765
<b>Total</b>	<b>46,649,450</b>	<b>6,761,698</b>	<b>370,241,045</b>	<b>39,422,872</b>

At 31 December 2014 non-current payables include Euros 28,724 thousand (Euros 27,624 thousand at 31 December 2013), reflecting a put and call option granted by the Company and the shareholders of Progenika.

## (c) Other information on payables

## (i) Main characteristics of payables

The terms and conditions of loans and payables are provided in Appendix VIII.

On 17 March 2014 the Grifols Group refinanced its secured senior debt, being assumed by the Group company Grifols Worldwide Operations Limited. At 31 December 2014 the Company does not have any loans or embedded derivatives in its books.

The total debt refinanced amounts to US Dollars 5,500 million (Euros 4,075 million) and represents Grifols' entire debt, including the US Dollars 1,500 million bridge loan obtained for the acquisition of Novartis' transfusional diagnostic unit. Following the refinancing process, Grifols' debt structure consists of a US Dollars 4,500 million non-current loan with institutional investors and banks segmented in two tranches (Term Loan A and Term Loan B), and a US Dollars 1,000 million bond issuance (Senior Unsecured Notes).

Non-current and current loans and borrowings are presented net of loan arrangement costs, which at 31 December 2014 amount to Euros 25 thousand for current debt (at 31 December 2013 loan arrangement costs comprised Euros 12,697 thousand non-current and Euros 881 thousand current).

The Company has extended guarantees to banks on behalf of Group companies for Euros 17,649 thousand at 31 December 2014 (Euros 35,829 thousand at 31 December 2013).

On 5 March 2014, Grifols Worldwide Operations Limited, a 100% subsidiary of Grifols, S.A., issued US Dollars 1,000 million of senior unsecured notes that will mature in 2022 and will bear annual interest at a rate of 5.25%. These notes replaced the senior unsecured notes issued in 2011 amounting to US Dollars 1,100 million, falling due in 2018 and at interest rate of 8.25%. On 29 May 2014 the notes have been admitted to listing on the Irish Stock Exchange.

Both the senior term loans and the revolving loans of the Grifols Group are secured by Grifols, S.A. and certain significant subsidiaries of Grifols, S.A. which, in conjunction with Grifols, S.A. represent, in the aggregate, at least 80% of the consolidated assets and consolidated EBITDA of Grifols, S.A. and its subsidiaries.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

The notes have been issued by Grifols Worldwide Operations Limited and are guaranteed on a senior unsecured basis by Grifols, S.A. and the subsidiaries of Grifols, S.A. that are guarantors and co-borrower under the New Credit Facilities. The guarantors are Grifols, S.A., Biomat USA, Inc., Grifols Biologicals Inc., Grifols Shared Services North America, Inc., Grifols Diagnostic Solutions Inc., Grifols Therapeutics, Inc., Instituto Grifols, S.A. and Grifols Worldwide Operations USA, Inc.

## (d) Trade and other payables

Details of trade and other payables are as follows:

	Euros	
	2014	2013
	Current	Current
<i>Group</i>		
Suppliers (note 25)	8,928,909	8,082,603
<i>Related parties</i>		
Suppliers (note 25)	8,767,718	6,668,487
<i>Unrelated parties</i>		
Suppliers	24,983,426	36,238,821
Personnel	10,156,817	7,721,943
Public entities, current tax (note 23)	30,004,299	-
Public entities, other (note 23)	15,782,605	1,350,813
<b>Total</b>	<b>98,623,774</b>	<b>60,062,667</b>

## (e) Classification by maturity. The classification of financial liabilities by maturity is included in Appendix VII.

## (f) Amounts denominated in foreign currencies

The Euro value of monetary financial liabilities denominated in foreign currencies is as follows:

	Euros					Total
	2014					
	US Dollar	Indian Rupee	Swiss Franc	Canadian Dollar	Argentine Peso	
Current payables						
Other financial liabilities	122,778	-	-	-	-	122,778
Group companies – current	792,685	-	-	-	-	792,685
Trade and other payables						
Suppliers	1,155,466	-	5,825	11,481	-	1,172,772
Suppliers, Group companies	21,975	1,303	9,795	-	27,678	60,751
<b>Total current liabilities</b>	<b>2,092,904</b>	<b>1,303</b>	<b>15,620</b>	<b>11,481</b>	<b>27,678</b>	<b>2,148,986</b>
<b>Total financial liabilities</b>	<b>2,092,904</b>	<b>1,303</b>	<b>15,620</b>	<b>11,481</b>	<b>27,678</b>	<b>2,148,986</b>

Euros

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

	2013				Total
	US Dollar	Japanese Yen	Brazilian Real	Thai Baht	
Group companies and associates, non-current	86,201,597	-	-	-	86,201,597
Total non-current liabilities	86,201,597	-	-	-	86,201,597
Current payables					
Other financial liabilities	67,755	-	-	-	67,755
Group companies – current	46,349,742	-	-	-	46,349,742
Trade and other payables					
Suppliers	14,575,031	-	-	-	14,575,031
Suppliers, Group companies	299,881	7,225	1,688,360	133	1,995,599
Total current liabilities	61,292,409	7,225	1,688,360	133	62,988,127
Total financial liabilities	<b>147,494,006</b>	<b>7,225</b>	<b>1,688,360</b>	<b>133</b>	<b>149,189,724</b>

Details of exchange differences recognised in profit or loss on financial instruments, distinguishing between settled and outstanding transactions, are as follows:

	Euros			
	2014		2013	
	Settled	Outstanding	Settled	Outstanding
<i>Current payables</i>				
Loans and borrowings	(13,827,936)	(3,958,494)	1,649,679	1,270,228
Suppliers	(414,401)	(71,269)	113,250	331,806
<i>Group companies</i>				
Suppliers, Group companies	3,280,011	(2,421)	340,328	129,441
Total current liabilities	(10,962,326)	(4,032,184)	2,103,257	1,731,475
Total financial liabilities	<b>(10,962,326)</b>	<b>(4,032,184)</b>	<b>2,103,257</b>	<b>1,731,475</b>

**(22) Late Payments to Suppliers. "Reporting Requirement", Third Additional Provision of Law 15/2010 of 5 July 2010**

Details of late payments to suppliers are as follows:

	Payments made and outstanding at the reporting date			
	2014		2013	
	Amount	%	Amount	%
Within maximum legal period	(86,039,331)	70%	(55,540,784)	66%
Other	(37,180,743)	30%	(28,770,441)	34%
Total payments for the year	(123,220,074)	100%	(84,311,225)	100%
Weighted average late payment days	32	--	31	--
Late payments exceeding the maximum legal period at the reporting date	3,992,555	37%	2,579,134	18%

(Continued)



**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**

**(23) Taxation**

Details of balances with public entities are as follows:

	<b>Euros</b>			
	<b>2014</b>		<b>2013</b>	
	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>	<b>Current</b>
<b>Assets</b>				
Deferred tax assets	11,427,335	-	2,797,309	-
Current tax assets	-	47,190,583	-	22,340,496
Value added tax and similar taxes	-	5,351,265	-	7,738,524
	<b>11,427,335</b>	<b>52,541,848</b>	<b>2,797,309</b>	<b>30,079,020</b>
<b>Liabilities</b>				
Deferred tax liabilities	3,334,193	-	4,277,996	-
Current tax liability	-	30,004,299	-	-
Social Security	-	567,500	-	439,980
Withholdings	-	15,215,105	-	910,833
	<b>3,334,193</b>	<b>45,786,904</b>	<b>4,277,996</b>	<b>1,350,813</b>

At 31 December 2014 the Company has recognised deferred tax assets of Euros 6,455,058 in respect of tax credits for loss carryforwards.

Also, at 31 December 2014 current tax liabilities include deferral of the payment on account.

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts**

Details by company of intercompany receivables and payables resulting from the tax effect of filing consolidated tax returns are as follows:

	Euros	
	2014	2013
	Current	Current
Receivables (note 14)		
Laboratorios Grifols, S.A.	240,036	240,036
Instituto Grifols,S.A.	18,522,421	-
Logister,S.A.	864,378	66,994
Biomat,S.A.	207,023	383,528
Grifols International,S.A.	83,570	600,302
Grifols Movaco,S.A.	429,586	715,223
Grifols Viajes,S.A.	189,963	106,199
Grifols Engineering,S.A.	884,565	65,721
Arrahona Optimus, S.L.	265,325	44,986
Diagnostic Grifols, S.A.	1,222,379	-
Gri-Cel, S.A.	266,572	249,107
	<b>23,175,818</b>	<b>2,472,096</b>
Payables (note 21)		
Biomat, S.A.	181,429	131,933
Grifols Viajes, S.A	119,580	12,673
Instituto Grifols,S.A.	14,258,115	22,741,675
Diagnostic Grifols,S.A.	3,143,241	7,988,410
Laboratorios Grifols,S.A.	2,809,357	1,814,569
Grifols Movaco, S.A	834,970	1,474,422
Grifols Engineering,S.A.	776,582	987,493
Logister, S.A.	112,894	147,226
Grifols International,S.A.	4,549,619	1,945,959
Arrahona Optimus,S.L.	46,305	46,499
Gri-Cel S.A	16,992	812,622
	<b>26,849,084</b>	<b>38,103,481</b>

Balances receivable and payable at 31 December 2014 and 2013 comprise accrued income tax and value added tax.

The Company has the following main applicable taxes open to inspection by the Spanish taxation authorities:

Tax	Years open to inspection
Income tax	2010-2014
Value added tax	2010-2014
Personal income tax	2010-2014
Capital gains tax	2011-2014
Tax on economic activities	2011-2014
Social Security	2011-2014
Non-residents tax	2010-2014
Customs duties	2011-2014

(Continued)

**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**

Tax inspections on income tax, withholdings and VAT for 2010, 2011 and 2012 were initiated in Instituto Grifols, S.A and Grifols Movaco, S.A in July 2014. Due to the treatment permitted by fiscal legislation of certain transactions, additional tax liabilities could arise in the event of inspection. In any case, the Company's directors do not consider that any such liabilities that could arise would have a significant effect on the annual accounts.

(a) Income tax

The Company files consolidated tax returns with Instituto Grifols, S.A., Laboratorios Grifols, S.A., Diagnostic Grifols, S.A., Grifols Movaco, S.A., Biomat, S.A., Logister, S.A., Grifols International, S.A., Grifols Engineering, S.A., Grifols Viajes, S.A., Arrahona Optimus, S.L. and Gri-Cel, S.A.

A reconciliation of net income and expenses for the year with the taxable income is provided in Appendix IX.

The relationship between the tax income and accounting profit for the year is shown in Appendix X.

Details of the tax income recognised in the income statement are as follows:

	Euros	
	2014	2013
Current tax		
Present year	(27,719,904)	(21,056,546)
	<u>(27,719,904)</u>	<u>(21,056,546)</u>
Deferred tax		
Source and reversal of temporary differences		
Property, plant and equipment	(814,009)	(732,925)
Investments	-	(238,909)
Finance costs	-	2,677,792
Cost of reducing deferred tax assets recognised in prior years	-	2,410,984
Provisions	500,000	-
Tax rate adjustment	46,304	-
Deductions generated	(1,748,561)	(1,616,029)
Deductions applied	4,876	1,480,635
Adjustment of deductions in prior years	(136,778)	(467,092)
Adjustment of deferred tax assets and liabilities	(37,129)	148,682
	<u><b>(29,905,201)</b></u>	<u><b>(17,393,408)</b></u>

(Continued)

**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**

Details of deferred tax assets and liabilities by type of asset and liability are as follows:

	<b>Euros</b>					
	<b>Assets</b>		<b>Liabilities</b>		<b>Net</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Property, plant and equipment	755,590	402,942	(2,873,454)	(3,725,109)	(2,117,864)	(3,322,167)
Grants	-	-	(26,514)	(31,817)	(26,514)	(31,817)
Investments in Group companies	-	-	(434,225)	(521,070)	(434,225)	(521,070)
Hedging derivatives	-	287,054	-	-	-	287,054
Tax credits for tax loss carryforwards	6,455,058	-	-	-	6,455,058	-
Rights to tax deductions and credits	4,216,687	2,107,313	-	-	4,216,687	2,107,313
<b>Total assets/liabilities</b>	<b>11,427,335</b>	<b>2,797,309</b>	<b>(3,334,193)</b>	<b>(4,277,996)</b>	<b>8,093,142</b>	<b>(1,480,687)</b>

In 2013 deferred tax assets and liabilities totalling Euros 291,170 were adjusted in the 2012 income tax settlement.

Details of deferred tax assets and liabilities that are expected to be realised or reversed in periods exceeding 12 months are as follows:

	<b>Euros</b>	
	<b>2014</b>	<b>2013</b>
Deferred tax assets relating to temporary differences	671,125	397,779
<b>Total assets</b>	<b>671,125</b>	<b>397,779</b>
Deferred tax liabilities	3,104,073	3,884,375
<b>Net</b>	<b>(2,432,948)</b>	<b>(3,486,596)</b>

(b) Value added tax

Since 1 January 2008 the Company has filed consolidated tax returns with Instituto Grifols, S.A., Laboratorios Grifols, S.A., Diagnostic Grifols, S.A., Grifols Movaco, S.A., Biomat, S.A., Logister, S.A., Grifols International, S.A., Grifols Engineering, S.A., Grifols Viajes, S.A., Arrahona Optimus, S.L. and Gri-Cel, S.A. (the latter two since 1 January 2009).

(Continued)

**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**

**(24) Environmental Information**

Details at 31 December of property, plant and equipment used to minimise the Company's impact on the environment are as follows:

Description	Euros		
	2014		
	Cost	Accumulated depreciation	Net
Sewage treatment	126,162	(37,356)	88,806
Water saving	311,021	(167,660)	143,361
Electricity saving	1,237,578	(276,182)	961,396
Waste management	243,427	(230,040)	13,387
	<b>1,918,188</b>	<b>(711,238)</b>	<b>1,206,950</b>
	<b>2013</b>		
Sewage treatment	126,162	(24,740)	101,422
Water saving	311,021	(140,779)	170,242
Electricity saving	544,443	(65,158)	479,285
Waste management	243,427	(221,458)	21,969
	<b>1,225,053</b>	<b>(452,135)</b>	<b>772,918</b>

Environmental expenses amount to Euros 99,953 in 2014 (Euros 76,936 in 2013).

**(25) Related Party Balances and Transactions**

(a) Related party balances

Details of balances receivable from and payable to Group companies and related parties and the main characteristics are disclosed in notes 14 and 21.

Details of balances by category are provided in Appendix XI.

(b) Related party transactions

Details of the Company's transactions with related parties are provided in Appendix XII.

Services are normally negotiated with Group companies to include a mark-up of between 5% and 10%.

The Company contributes 0.7% of pre-tax consolidated profits for each year to a non-profit organisation.

During 2013 the Company carried out a loan of treasury stock with a related party (see note 18).

Transactions with other related parties are conducted at arm's length.

(Continued)

**GRIFOLS, S.A.**  
**Notes to the Annual Accounts**

(c) Information on the Company's directors and senior management personnel

In 2014 the independent members of the Company's board of directors accrued Euros 650 thousand in their capacity as such (Euros 600 thousand in 2013). Directors representing shareholders' interests received remuneration of Euros 100 thousand in 2014 (Euros 100 thousand in 2013). The members of the Company's board of directors who have a labour relationship with the Company and senior management personnel received total remuneration of Euros 3,881 thousand and Euros 5,586 thousand, respectively (Euros 3,705 thousand and Euros 5,104 thousand in 2013). Members of the board of directors have not received any loans or advances nor has the Company extended any guarantees on their behalf. The Company has no pension or life insurance obligations with its former or current directors or senior management personnel. In addition, termination benefit commitments are in place for certain Company directors and senior management personnel (see note 19).

(d) Conflicts of interest concerning the directors

The Company's directors and their related parties, have not entered into any conflict of interest that should have been reported in accordance with article 229 of the revised Spanish Companies Act.

**(26) Income and Expenses**

(a) Revenues

Details of revenues by category of activity and geographical market are shown in Appendix XIII.

(b) Supplies

Details of other supplies used are as follows:

	Euros	
	2014	2013
Other supplies used		
Purchases of spare parts	3,516,271	644,193
Impairment of merchandise	6,504	47,369
Change in inventories	(2,505,104)	(73,576)
	<b>1,017,671</b>	<b>617,986</b>

In 2014 the Company executed projects on behalf of other companies, with a cost of Euros 857 thousand (Euros 1,739 thousand in 2013).

(c) Employee benefits expense and provisions

Details of employee benefits expense are as follows:

	Euros	
	2014	2013
Employee benefits expense		
Social Security payable by the Company	5,320,496	4,323,748
Defined contribution plan contributions	88,364	79,992
Other employee benefits expenses	1,236,416	1,030,229
	<b>6,658,788</b>	<b>5,445,623</b>
Annual contributions	13,512	11,654
	<b>6,658,788</b>	<b>5,445,623</b>

(Continued)

## GRIFOLS, S.A.

## Notes to the Annual Accounts

**(27) Employee Information**

The average headcount of the Company, distributed by department, is as follows:

	Number	
	2014	2013
Technical area	60	48
Administration and other	323	282
General management	31	27
Marketing	7	6
	<b>421</b>	<b>363</b>

At 31 December 2014 and 2013 the distribution by gender of Company personnel and the members of the board of directors is as follows:

	Number			
	2014		2013	
	Female	Male	Female	Male
Technical area	58	7	50	5
Administration and other	128	223	106	186
General management	19	15	16	12
Marketing	4	3	3	3
Directors	3	10	2	10
	<b>212</b>	<b>258</b>	<b>177</b>	<b>216</b>

**(28) Audit Fees**

KPMG Auditores, S.L., the auditors of the Company's annual accounts, have invoiced the Company the following fees and expenses for professional services during the years ended 31 December 2014 and 2013:

	Euros	
	2014	2013
Audit services	1,554,200	1,084,200
Other assurance services	285,025	86,678
Other services	-	243,909
	<b>1,839,225</b>	<b>1,414,787</b>

The amounts in the above table include the total fees for services rendered in 2014 and 2013, irrespective of the date of invoice.

Audit services include the audit under PCAOB of the financial statements prepared in accordance with IFRS-IASB and limited review services for the interim financial statements prepared in accordance with IFRS-IASB. In addition, they include audit services subject to the Spanish Audit Law, amounting to 310,200 euros (185,200 euros in 2013).

(Continued)

**GRIFOLS, S.A.****Notes to the Annual Accounts****(29) Events After the Reporting Period**

The Company has repurchased industrial assets in Spain for a total amount of Euros 44 million. The Company has exercised the options to purchase assets at fair value included in the corresponding sale and leaseback agreements (see note 7).



**GRIFOLS, S.A.**  
**Details of intangible assets and movement**  
**for the year ended 31 December 2014**  
**(Expressed in Euros)**

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

	Computer software	Emission allowances	Advances	<b>Total</b>
Cost at 1 January 2014	25,876,997	82,130	0	25,959,127
Additions	2,734,572	-	2,619,946	5,354,518
Disposals	(97,017)	-	-	(97,017)
Irreversible impairment losses	-	40,726	-	40,726
Cost at 31 December 2014	28,514,552	122,856	2,619,946	31,257,354
Accumulated amortisation at 1 January 2014	(20,738,878)	-	-	(20,738,878)
Additions	(1,709,574)	-	-	(1,709,574)
Disposals	97,016	-	-	97,016
Accumulated amortisation at 31 December 2014	(22,351,436)	0	0	(22,351,436)
Carrying amount at 31 December 2014	<b>6,163,116</b>	<b>122,856</b>	<b>2,619,946</b>	<b>8,905,918</b>

This appendix forms an integral part of note 5 to the annual accounts, in conjunction with which it should be read

**GRIFOLS, S.A.**

**Details of intangible assets and movement  
for the year ended 31 December 2013  
(Expressed in Euros)**

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

	Computer software	Emission allowances	Advances	<b>Total</b>
Cost at 1 January 2013	22,083,276	235,462	131,465	22,450,203
Additions	3,754,959	-	-	3,754,959
Disposals	-	(238,460)	(131,465)	(369,925)
Transfers	38,762	-	-	38,762
Irreversible impairment losses	-	85,128	-	85,128
Cost at 31 December 2013	25,876,997	82,130	0	25,959,127
Accumulated amortisation at 1 January 2013	(19,399,718)	-	-	(19,399,718)
Additions	(1,339,160)	-	-	(1,339,160)
Disposals	-	-	-	0
Accumulated amortisation at 31 December 2013	(20,738,878)	0	0	(20,738,878)
Carrying amount at 31 December 2013	<b>5,138,119</b>	<b>82,130</b>	<b>0</b>	<b>5,220,249</b>

This appendix forms an integral part of note 5 to the annual accounts, in conjunction with which it should be read

**GRIFOLS, S.A.**

**Details of Property, Plant and Equipment and Movement  
for the year ended 31 December 2014  
(Expressed in euros)**

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

	Euros				<b>Total</b>
	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other items	
Cost at 1 January 2014	7,231,022	10,992,326	5,027,906	8,048,205	31,299,459
Additions	41,263	329,239	471,618	2,524,299	3,366,419
Disposals	(2,898)	(171,727)	--	(63,801)	(238,426)
Transfers	626,446	599,537	(4,387,138)	217,700	(2,943,455)
Cost at 31 December 2014	7,895,833	11,749,375	1,112,386	10,726,403	31,483,997
Accumulated depreciation at 1 January 2014	(4,309,511)	(6,715,976)	--	(5,253,235)	(16,278,722)
Additions	(710,903)	(813,816)	--	(1,274,030)	(2,798,749)
Disposals	990	169,499	--	63,802	234,291
Accumulated depreciation at 31 December 2014	(5,019,424)	(7,360,293)	0	(6,463,463)	(18,843,180)
Carrying amount at 31 December 2014	<b>2,876,409</b>	<b>4,389,082</b>	<b>1,112,386</b>	<b>4,262,940</b>	<b>12,640,817</b>

This appendix forms an integral part of note 6 to the annual accounts, in conjunction with which it should be read

**GRIFOLS, S.A.**

**Details of Property, Plant and Equipment and Movement  
for the year ended 31 December 2013**

**(Expressed in Euros)**

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

	Euros				<b>Total</b>
	Technical installations and machinery	Other installations, equipment and furniture	Under construction and advances	Other items	
Cost at 1 January 2013	6,701,091	10,569,757	3,774,018	6,285,164	27,330,030
Additions	42,120	282,421	1,366,233	1,761,430	3,452,205
Disposals	0	(637)	0	(468)	(1,105)
Transfers	487,811	140,785	(112,346)	2,079	518,329
Cost at 31 December 2013	7,231,022	10,992,326	5,027,906	8,048,205	31,299,459
Accumulated depreciation at 1 January 2013	(3,638,508)	(5,941,568)	0	(4,551,047)	(14,131,123)
Additions	(671,003)	(775,045)	0	(702,656)	(2,148,704)
Disposals	0	637	0	468	1,105
Accumulated depreciation at 31 December 2013	(4,309,511)	(6,715,976)	0	(5,253,235)	(16,278,722)
Carrying amount at 31 December 2013	<b>2,921,511</b>	<b>4,276,350</b>	<b>5,027,906</b>	<b>2,794,970</b>	<b>15,020,737</b>

This appendix forms an integral part of note 6 to the annual accounts, in conjunction with which it should be read





**GRIFOLS, S.A.**

**Classification of Financial Assets by Category  
for the year ended 31 December 2014  
(Expressed in Euros)**

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

	Non-current			Current		
	At amortised cost or cost			At amortised cost or cost		
	Carrying amount	Fair value	Total	Carrying amount	Fair value	Total
<i>Loans and receivables</i>						
Fixed rate	--	--	0	198,934,765	198,934,765	198,934,765
Variable rate	16,410,455	16,410,455	16,410,455	--	--	0
Tax effect	--	--	0	23,175,818	23,175,818	23,175,818
Deposits and guarantees	839,307	839,307	839,307	8,802	8,802	8,802
Other Trade receivables	--	--	0	68,284	68,284	68,284
Trade receivables	--	--	0	32,882,693	32,882,693	32,882,693
Other receivables	3,294,621	3,294,621	3,294,621	11,410	11,410	11,410
Total	20,544,383	20,544,383	20,544,383	255,081,772	255,081,772	255,081,772
<b>Total financial assets</b>	<b>20,544,383</b>	<b>20,544,383</b>	<b>20,544,383</b>	<b>255,081,772</b>	<b>255,081,772</b>	<b>255,081,772</b>

This appendix forms an integral part of note 13 to the annual accounts, in conjunction with which it should be read.

**GRIFOLS, S.A.**

**Classification of Financial Assets by Category  
for the year ended 31 December 2013  
(Expressed in Euros)**

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

	Non-current			Current		
	At amortised cost or cost			At amortised cost or cost		
	Carrying amount	Fair value	Total	Carrying amount	Fair value	Total
<i>Loans and receivables</i>						
Fixed rate	--	--	0			
Variable rate	18,158,520	18,158,520	18,158,520	536,315,839	536,315,839	536,315,839
Tax effect	--	--	0	2,472,096	2,472,096	2,472,096
Deposits and guarantees	811,793	811,793	811,793	15,573	15,573	15,573
Other Trade receivables	--	--	0	631,923	631,923	631,923
Trade receivables	--	--	0	12,750,006	12,750,006	12,750,006
Other receivables	2,900,442	2,900,442	2,900,442	8,827	8,827	8,827
<b>Total</b>	<b>21,870,755</b>	<b>21,870,755</b>	<b>21,870,755</b>	<b>552,194,264</b>	<b>552,194,264</b>	<b>552,194,264</b>
<b>Total financial assets</b>	<b>21,870,755</b>	<b>21,870,755</b>	<b>21,870,755</b>	<b>552,194,264</b>	<b>552,194,264</b>	<b>552,194,264</b>

This appendix forms an integral part of note 13 to the annual accounts, in conjunction with which it should be read.



**GRIFOLS, S.A.**

**Details of Reserves and Results and movement  
for the year ended 31 December 2014  
(Expressed in Euros)**

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

	<b>Euros</b>				
	Legal and statutory reserves	Differences on translation of capital to Euros	Voluntary reserves	Profit for the year	<b>Total</b>
Balance at 1 January 2014	23,576,478	3,020	150,934,337	168,350,884	342,864,719
Recognised income and expense	--	--	--	205,197,369	205,197,369
<i>Distribution of profit for 2013</i>					
Appropriation to legal reserves	344,263	--	--	(344,263)	0
Reserves	--	--	29,188,512	(29,188,512)	0
Preferred dividend	--	--	--	(1,307,126)	(1,307,126)
Interim dividend	--	0	--	(68,755,491)	(68,755,491)
Other movements (Note 12)	--	0	--	(68,755,492)	(68,755,492)
Balance at 31 December 2014	<b>23,920,741</b>	<b>3,020</b>	<b>180,122,849</b>	<b>205,197,369</b>	<b>409,243,979</b>

This appendix forms an integral part of note 18 to the annual accounts, in conjunction with which it should be read.

**GRIFOLS, S.A.**

**Details of Reserves and Results and movement  
for the year ended 31 December 2013  
(Expressed in Euros)**

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

	<b>Euros</b>				
	Legal and statutory reserves	Differences on translation of capital to Euros	Voluntary reserves	Profit for the year	<b>Total</b>
Balance at 1 January 2013	21,323,219	3,020	87,425,262	52,369,156	161,120,657
Recognised income and expense	--	--	--	168,350,884	168,350,884
<i>Distribution of profit for 2012</i>					
Appropriation to legal reserves	2,253,259	--	--	(2,253,259)	0
Reserves	--	--	48,808,771	(48,808,771)	0
Preferred dividend	--	--	--	(1,307,126)	(1,307,126)
Acquisition of treasury stock	--	--	--	--	0
Disposal of treasury stock	--	--	11,806,429	--	11,806,429
Capital increase	--	--	(2,036,132)	--	(2,036,132)
Interim dividend	--	--	924,627	--	924,627
Other movements (Note 12)	--	--	4,005,380	--	4,005,380
<b>Balance at 31 December 2013</b>	<b>23,576,478</b>	<b>3,020</b>	<b>150,934,337</b>	<b>168,350,884</b>	<b>342,864,719</b>

This appendix forms an integral part of note 18 to the annual accounts, in conjunction with which it should be read.

GRIFOLS, S.A.

**Details of Financial Liabilities by Category  
for the year ended 31 December 2014  
(Expressed in Euros)**

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

	Non- Current				Current		
	At amortised cost or cost		At fair value	Total	At amortised cost or cost		Total
	Carrying amount	Fair value			Carrying amount	Fair value	
<i>Other liabilities at fair value through profit or loss</i>							
Derivative financial instruments (note 15)	--	--	0	0	--	--	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Debts and payables</i>							
Loans, Group companies	409,536,410	409,536,410	--	409,536,410	230,380,846	230,380,846	230,380,846
Variable rate loans and borrowings	14,211,247	14,211,247	--	14,211,247	4,810,340	4,810,340	4,810,340
Finance lease payables	2,174,537	2,174,537	--	2,174,537	949,505	949,505	949,505
Other financial liabilities	30,263,666	30,263,666	--	30,263,666	1,001,853	1,001,853	1,001,853
<i>Trade and other payables</i>							
Suppliers	--	--	--	0	33,751,144	33,751,144	33,751,144
Suppliers, Group companies	--	--	--	0	8,928,909	8,928,909	8,928,909
Other payables	--	--	--	0	10,156,817	10,156,817	10,156,817
<b>Total</b>	<b>456,185,860</b>	<b>456,185,860</b>	<b>0</b>	<b>456,185,860</b>	<b>289,979,414</b>	<b>289,979,414</b>	<b>289,979,414</b>
<b>Total financial liabilities</b>	<b>456,185,860</b>	<b>456,185,860</b>	<b>0</b>	<b>456,185,860</b>	<b>289,979,414</b>	<b>289,979,414</b>	<b>289,979,414</b>

This appendix forms an integral part of note 20 to the annual accounts, in conjunction with which it should be read

GRIFOLS, S.A.

**Details of Financial Liabilities by Category  
for the year ended 31 December 2013  
(Expressed in Euros)**

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

	Non-current				Current		
	At amortised cost or cost		At fair value	Total	At amortised cost or cost		Total
	Carrying amount	Fair value			Carrying amount	Fair value	
<i>Other liabilities at fair value through profit or loss</i>							
Derivative financial instruments (note 15)	--	--	7,563,959	7,563,959	--	--	0
Total	0	0	7,563,959	7,563,959	0	0	0
<i>Debts and payables</i>							
Loans, Group companies	86,201,597	86,201,597	--	86,201,597	219,195,997	219,195,997	219,195,997
Variable rate loans and borrowings	332,229,183	332,229,183	--	332,229,183	37,630,146	37,630,146	37,630,146
Finance lease payables	1,453,878	1,453,878	--	1,453,878	946,209	946,209	946,209
Other financial liabilities	28,994,025	28,994,025	--	28,994,025	846,517	846,517	846,517
<i>Trade and other payables</i>							
Suppliers	--	--	--	0	42,907,308	42,907,308	42,907,308
Suppliers, Group companies	--	--	--	0	8,082,603	8,082,603	8,082,603
Other payables	--	--	--	0	7,721,943	7,721,943	7,721,943
Total	448,878,683	448,878,683	0	448,878,683	317,330,723	317,330,723	317,330,723
<b>Total financial liabilities</b>	<b>448,878,683</b>	<b>448,878,683</b>	<b>7,563,959</b>	<b>456,442,642</b>	<b>317,330,723</b>	<b>317,330,723</b>	<b>317,330,723</b>

This appendix forms an integral part of note 20 to the annual accounts, in conjunction with which it should be read

**GRIFOLS, S.A.**

**Classification of Financial Liabilities by Maturity  
for the year ended 31 December 2014  
(Expressed in Euros)**

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

	Euros						Total
	2015	2016	2017	2018	Subsequent years	Less current portion	
	<b>2014</b>						
<i>Payables</i>							
Loans and borrowings	4,810,340	3,126,619	2,618,543	2,268,827	6,197,258	(4,810,340)	14,211,247
Finance lease payables	949,505	736,575	651,354	501,881	284,727	(949,505)	2,174,537
Derivative financial instruments	--	--	0	0	--	0	0
Other financial liabilities	1,001,853	29,344,155	591,973	252,767	74,770	(1,001,853)	30,263,666
<i>Trade and other payables</i>							
Suppliers	24,983,426	--	--	--	--	(24,983,426)	0
Suppliers, Group companies	8,928,909	--	--	--	--	(8,928,909)	0
Suppliers, related parties	8,767,718	--	--	--	--	(8,767,718)	0
Personnel	10,156,817	--	--	--	--	(10,156,817)	0
<b>Total financial liabilities</b>	<b>59,598,568</b>	<b>33,207,349</b>	<b>3,861,870</b>	<b>3,023,475</b>	<b>6,556,755</b>	<b>(59,598,568)</b>	<b>46,649,449</b>

This appendix forms an integral part of note 21 to the annual accounts, in conjunction with which it should be read

**GRIFOLS, S.A.**

**Classification of Financial Liabilities by Maturity  
for the year ended 31 December 2013  
(Expressed in Euros)**

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

	Euros						Total
	2013						
	2014	2015	2016	2017	Subsequent years	Less current portion	
<i>Payables</i>							
Loans and borrowings	37,630,146	110,046,410	38,218,324	182,659,787	1,304,661	(37,630,146)	332,229,183
Finance lease payables	946,209	531,339	284,870	270,115	367,553	(946,209)	1,453,878
Derivative financial instruments	--	--	4,024,954	3,539,005	--	0	7,563,959
Other financial liabilities	846,517	528,182	23,025,257	270,115	5,170,471	(846,517)	28,994,026
<i>Trade and other payables</i>							
Suppliers	36,238,821	--	--	--	--	(36,238,821)	0
Suppliers, Group companies	8,082,603	--	--	--	--	(8,082,603)	0
Suppliers, related parties	6,668,487	--	--	--	--	(6,668,487)	0
Personnel	7,721,943	--	--	--	--	(7,721,943)	0
<b>Total financial liabilities</b>	<b>98,134,726</b>	<b>111,105,931</b>	<b>65,553,404</b>	<b>186,739,023</b>	<b>6,842,686</b>	<b>(98,134,726)</b>	<b>370,241,045</b>

Este anexo forma parte integrante de la nota 21 de la memoria de las cuentas anuales, junto con la cual debe ser leído.

## GRIFOLS, S.A.

## Main characteristics of payables for the year ended 31 December 2014

(Expressed in Euros)

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

Loan	Currency	Interest rate	Grant date	Maturity	Euros			
					Amount extended	Total value	Carrying amount Current	Non-current
<b>Group</b>								
Credit Grifols World Wide Operations Ltd. (Note 21)	EUR	5,25% (Group Senior debt interest rate + 0,75%)	27/02/2014	27/02/2024	1,000,000,000	378,136,055	--	378,136,055
Cash pooling ( Note 21)	EUR	5,25% (Group Senior debt interest rate + 0,75%)		2015	--	199,622,090	199,622,090	--
Cash pooling ( Note 21)	EUR	5,25% (Group Senior debt interest rate + 0,75%)		2016	--	29,610,743	--	29,610,743
					1,000,000,000	607,368,888	199,622,090	407,746,798
<b>Associates</b>								
Cash pooling ( Note 21)	EUR	5,25% (Group Senior debt interest rate + 0,75%)		2015	--	3,059,403	3,059,403	--
<b>Unrelated parties</b>								
Banco Santander	EUR	ICO+1,89	01/06/2009	25/06/2016	6,000,000	1,800,000	1,200,000	600,000
Banca March	EUR	Euribor + 4%	10/07/2013	01/08/2018	6,500,000	6,125,798	1,539,551	4,586,247
Bankinter	EUR	2,25% (to 2018)	21/11/2014	30/09/2024	10,000,000	9,925,613	900,613	9,025,000
Credit facilities	EUR	2,25% -4,75%		2015 -2016	43,000,000	1,170,175	1,170,175	--
					65,500,000	19,021,586	4,810,340	14,211,247
					1,065,500,000	629,449,877	207,491,833	421,958,045

This appendix forms an integral part of note 21 to the annual accounts, in conjunction with which it should be read

## GRIFOLS, S.A.

## Main characteristics of payables for the year ended 31 December 2013

(Expressed in Euros)

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

Loan	Currency	Interest rate	Grant date	Maturity	Euros			
					Amount extended	Total value	Carrying amount Current	Non-current
<b>Group</b>								
Credit Grifols Inc. (note 21)	USD	0.24%	11/03/2013	11/03/2016	86,201,597	86,201,597	--	86,201,597
Credit Grifols Inc. (note 21)	USD	0.21%	03/06/2013	03/06/2016	46,053,256	46,053,256	46,053,256	--
Cash pooling (note 21)	EUR	Euribor + 1%		2014	--	132,051,579	132,051,579	--
					132,254,853	264,306,432	178,104,835	86,201,597
<b>Associates</b>								
Cash pooling (note 21)	EUR	Euribor + 1%		2014	--	2,682,917	2,682,917	--
<b>Unrelated parties</b>								
Senior debt Tranche A	EUR	Euribor + 3,5%	(*) 23/11/2010	01/06/2016	220,000,000	172,967,265	32,431,362	140,535,903
Senior debt Tranche B	EUR	Euribor + 3,5%	(*) 23/11/2010	01/06/2017	220,000,000	186,699,029	1,905,093	184,793,936
Total Senior debt					440,000,000	359,666,294	34,336,455	325,329,839
Revolving Credit	EUR	Euribor + 3,25%	(*) 23/11/2010	01/06/2016	21,666,667	(1,026,514)	--	(1,026,514)
Banco Santander	EUR	ICO+1,89	01/06/2009	25/06/2016	6,000,000	3,000,000	1,200,000	1,800,000
Banca March	EUR	Euribor + 4%	10/07/2013	01/08/2018	6,500,000	6,500,000	374,142	6,125,858
Credit facilities	EUR -USD	2,129% -4,8 %		2014	103,000,000	1,719,549	1,719,549	--
					577,166,667	369,859,329	37,630,146	332,229,183
					709,421,520	636,848,678	218,417,898	418,430,780

(\*) Refinanced on 29 February 2012 (see note 21)

This appendix forms an integral part of note 21 to the annual accounts, in conjunction with which it should be read



**GRIFOLS, S.A.**

**Reconciliation between net income and expense for the year  
and the tax loss for the year ended 31 December 2014  
(Expressed in Euros)**

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

	Income statement			Income and expense recognised in equity			Total
	Increases	Decreases	Net	Increases	Decreases	Net	
Income and expenses for the period			205,197,369	333,033	(1,289,879)	(956,846)	204,240,523
Income tax			(30,268,424)	(99,910)	381,661	281,751	(29,986,673)
Income tax, prior years			363,222				363,222
Profit before income tax			175,292,167	233,123	(908,218)	(675,095)	174,617,072
Permanent differences							
Individual company	5,005,913	232,996,017	(227,990,104)	--	--	0	(227,990,104)
Tax consolidation adjustments	--	42,244,507	(42,244,507)	--	--	0	(42,244,507)
Temporary differences							
Individual company							
Deferred tax assets not recognised	--	--	0				
originating in current year	1,455,313	0	1,455,313	(233,123)	908,218	675,095	2,130,408
originating in prior years	1,258,050	0	1,258,050	--	--	0	1,258,050
<b>Tax loss</b>			(92,229,080)			0	<b>(92,229,080)</b>

This appendix forms an integral part of note 23 to the annual accounts, in conjunction with which it should be read

**GRIFOLS, S.A.**

**Reconciliation between net income and expense for the year  
and the tax loss for the year ended 31 December 2013  
(Expressed in Euros)**

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

	Income statement			Income and expense recognised in equity			Total
	Increases	Decreases	Net	Increases	Decreases	Net	
Income and expenses for the period			168,350,884	1,175,517	725,708	1,901,225	170,252,109
Income tax			(17,074,997)	503,793	311,018	814,811	(16,260,186)
Income tax, prior years			(318,411)				(318,411)
Profit before income tax			150,957,476	1,679,310	1,036,726	2,716,036	153,673,512
Permanent differences							
Individual company	4,108,425	28,124,857	(24,016,432)	--	--	0	(24,016,432)
Tax consolidation adjustments	5,032,437	194,567,706	(189,535,269)	--	--	0	(189,535,269)
Temporary differences							
Individual company							
Deferred tax assets not recognised	3,027,716	--	3,027,716				3,027,716
originating in current year	1,273,026	--	1,273,026	(1,679,310)	(1,036,726)	(2,716,036)	(1,443,010)
originating in prior years	2,132,139	9,091,691	(6,959,551)	--	--	0	(6,959,551)
<b>Tax loss</b>			(65,253,035)			0	<b>(65,253,035)</b>

This appendix forms an integral part of note 23 to the annual accounts, in conjunction with which it should be read

**APPENDIX X  
GRIFOLS, S.A.**

**Details of income tax expenses/(tax income) related to profit/(loss)  
for the year ended 31 December 2014  
(Expressed in Euros)**

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

	Euros		
	Profit and loss	Equity	Total
Income and expenses for the period before tax	175,292,167	(675,095)	174,617,072
Tax at 30%	52,587,650	(202,529)	52,385,122
Dividends	(12,505,506)	--	(12,505,506)
Dividends double taxation (exemption)	(69,000,000)	--	(69,000,000)
Non-deductible expenses			
Donations	1,498,766	--	1,498,766
Cost of reducing deferred tax assets recognised in prior years	(898,805)	--	(898,805)
Cost of reducing deferred tax assets not recognised in prior years	--	--	0
Charge to the provision for investments	(167,846)	--	(167,846)
Penalties and fines	3,008	--	3,008
Tax deductible expenses			
Deductions and credits for the current year	(1,748,561)	--	(1,748,561)
Adjustment for prior years	363,222	--	363,222
Adjustment for tax rate	(37,130)		(37,130)
<b>Taxable income/(tax loss)</b>	<b>(29,905,201)</b>	<b>(202,529)</b>	<b>(30,107,730)</b>

This appendix forms an integral part of note 23 to the annual accounts, in conjunction with which it should be read

**APPENDIX X  
GRIFOLS, S.A.**

**Details of income tax expenses/(tax income) related to profit/(loss)  
for the year ended 31 December 2013  
(Expressed in Euros)**

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

	Euros		
	Profit and loss	Equity	Total
Income and expenses for the period before tax	150,957,476	2,716,036	153,673,512
Tax at 30%	45,287,243	814,811	46,102,054
Non-taxable income			
Dividends double taxation (exemption)	(8,437,457)	--	(8,437,457)
Non-deductible expenses			
Donations	1,385,168	--	1,385,168
Cost of reducing deferred tax assets recognised in prior year	2,410,984	--	2,410,984
Cost of reducing deferred tax assets not recognised in prior :	908,315	--	908,315
Charge to the provision for investments	1,509,731	--	1,509,731
Penalties and fines	20,211	--	20,211
Tax deductible expenses			
Capital increase	(172,851)	--	(172,851)
Deductions and credits for the current year	(1,616,029)	--	(1,616,029)
Adjustment for prior years	(318,411)	--	(318,411)
<b>Taxable income/(tax loss)</b>	<b>(17,393,408)</b>	<b>814,811</b>	<b>(16,578,598)</b>

This appendix forms an integral part of note 23 to the annual accounts, in conjunction with which it should be read

**GRIFOLS, S.A,**  
**Related Party Transactions**  
**for the year ended 31 December 2014**  
**(Expressed in Euros)**

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

	Euros			Total
	Group companies	Directors	Other related parties	
<i>Non-current investments in Group companies</i>				
Equity instruments (note 12)	1,641,831,810	--	--	1,641,831,810
Loans to companies	16,410,455	--	--	16,410,455
Deposits and guarantees	--	--	624,068	624,068
<i>Investments in related companies</i>				
Other investments	--	--	3,294,622	3,294,622
<b>Total non-current assets</b>	<b>1,658,242,265</b>	<b>0</b>	<b>3,918,689</b>	<b>1,662,160,954</b>
<i>Trade and other receivables</i>				
Trade receivables – current	32,517,642	--	--	32,517,642
<i>Current investments in Group companies</i>				
Loans to companies	222,110,583	--	--	222,110,583
<b>Total current assets</b>	<b>254,628,225</b>	<b>0</b>	<b>0</b>	<b>254,628,225</b>
<b>Total assets</b>	<b>1,916,165,112</b>	<b>0</b>	<b>3,918,689</b>	<b>1,916,789,179</b>
Non-current payables to Group companies	409,536,410	--	--	409,536,410
<b>Total non-current liabilities</b>	<b>409,536,410</b>	<b>0</b>	<b>0</b>	<b>409,536,410</b>
Current payables to Group companies	230,380,846	--	--	230,380,846
<i>Trade and other payables (note 21)</i>				
Suppliers	--	600,000	8,167,718	8,767,718
Suppliers, Group companies and associates	8,928,909	--	--	8,928,909
<b>Total current liabilities</b>	<b>239,309,755</b>	<b>600,000</b>	<b>8,167,718</b>	<b>248,077,473</b>
<b>Total liabilities</b>	<b>648,846,165</b>	<b>600,000</b>	<b>8,167,718</b>	<b>657,613,883</b>

This appendix forms an integral part of note 25 to the annual accounts, in conjunction with which it should be read.

**GRIFOLS, S.A.**  
**Related Party Transactions**  
**for the year ended 31 December 2013**  
**(Expressed in Euros)**

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

	<b>Euros</b>			<b>Total</b>
	Group companies	Directors	Other related parties	
<i>Non-current investments in Group companies</i>				
Equity instruments (note 12)	1,311,316,684	--	--	1,311,316,684
Loans to companies	18,158,520	--	--	18,158,520
Deposits and guarantees	--	--	811,793	811,793
<i>Investments in related companies</i>				
Other investments	--	--	2,900,442	2,900,442
<b>Total non-current assets</b>	<b>1,332,375,646</b>	<b>0</b>	<b>3,712,235</b>	<b>1,333,187,439</b>
<i>Trade and other receivables</i>				
Trade receivables – current	11,925,808	--	--	11,925,808
<i>Current investments in Group companies</i>				
Loans to companies	538,787,936	--	--	538,787,936
<b>Total current assets</b>	<b>550,713,744</b>	<b>0</b>	<b>0</b>	<b>550,713,744</b>
<b>Total assets</b>	<b>1,883,089,390</b>	<b>0</b>	<b>3,712,235</b>	<b>1,883,901,183</b>
Non-current payables to Group companies	86,201,597	--	--	86,201,597
<b>Total non-current liabilities</b>	<b>86,201,597</b>	<b>0</b>	<b>0</b>	<b>86,201,597</b>
Current payables to Group companies	219,195,998	--	--	219,195,998
<i>Trade and other payables (note 21)</i>				
Suppliers	--	400,000	6,268,487	6,668,487
Suppliers, Group companies and associates	8,082,604	--	--	8,082,604
<b>Total current liabilities</b>	<b>227,278,602</b>	<b>400,000</b>	<b>6,268,487</b>	<b>233,947,089</b>
<b>Total liabilities</b>	<b>313,480,199</b>	<b>400,000</b>	<b>6,268,487</b>	<b>320,148,686</b>

This appendix forms an integral part of note 25 to the annual accounts, in conjunction with which it should be read.

**GRIFOLS, S.A.**

**Related Party Transactions  
for the year ended 31 December 2014  
(Expressed in Euros)**

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

	<b>Euros</b>				
	Group companies	Key management personnel	Directors	Other related parties	<b>Total</b>
<i>Income</i>					
Operating lease income	13,284,373	--	--	--	13,284,373
Other services rendered	72,661,736	--	--	--	72,661,736
Royalties	--	--	--	--	0
Finance income	13,309,791	--	--	--	13,309,791
Dividends	271,685,018	--	--	--	271,685,018
<b>Total income</b>	<b>370,940,918</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>370,940,918</b>
<i>Expenses</i>					
Operating lease expenses	4,360,576	--	--	3,991,919	8,352,495
Contributions to foundations	--	--	--	4,261,748	4,261,748
Expenses for licences	--	--	--	3,470,547	3,470,547
Other services received	5,834,866	--	750,000	1,093,482	7,678,348
Personnel expenses (note 25)	--	5,585,932	3,881,024	--	9,466,956
Finance costs	27,445,636	--	--	--	27,445,636
<b>Total Expenses</b>	<b>37,641,078</b>	<b>5,585,932</b>	<b>4,631,024</b>	<b>12,817,697</b>	<b>60,675,730</b>
<i>Investments</i>					
Cost of assets acquired					
Buildings and other installations	550,070	--	--	--	550,070
<b>Total investments</b>	<b>550,070</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>550,070</b>

This appendix forms an integral part of note 25 to the annual accounts, in conjunction with which it should be read.

**GRIFOLS, S.A.**

**Related Party Transactions  
for the year ended 31 December 2013  
(Expressed in Euros)**

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

	<b>Euros</b>				
	Group companies	Key management personnel	Directors	Other related parties	<b>Total</b>
<i>Income</i>					
Operating lease income	13,296,104	--	--	--	13,296,104
Other services rendered	64,210,629	--	--	--	64,210,629
Royalties	5,562,054	--	--	--	5,562,054
Finance income	4,387,719	--	--	--	4,387,719
Dividends	222,692,563	--	--	--	222,692,563
<b>Total income</b>	<b>310,149,069</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>310,149,069</b>
<i>Expenses</i>					
					<b>0</b>
Operating lease expenses	4,423,610	--	--	3,965,906	8,389,516
Contributions to foundations	--	--	--	3,839,128	3,839,128
Expenses for licences	--	--	--	1,859,033	1,859,033
Other services received	5,795,525	--	700,000	1,268,710	7,764,235
Personnel expenses (note 25)	--	5,103,669	3,704,779	--	8,808,448
Finance costs	749,465	--	--	--	749,465
<b>Total Expenses</b>	<b>10,968,600</b>	<b>5,103,669</b>	<b>4,404,779</b>	<b>10,932,776</b>	<b>31,409,824</b>
<i>Investments</i>					
Cost of assets acquired					
Buildings and other installations	557,154	--	--	--	557,154
<b>Total investments</b>	<b>557,154</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>557,154</b>

This appendix forms an integral part of note 25 to the annual accounts, in conjunction with which it should be read.



## GRIFOLS, S.A.

**Details of Revenues by Category of Activity and Geographical Market  
for the years ended  
31 December 2014 and 2013  
(Expressed in Euros)**

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

	Euros								Total	
	Domestic		Rest of European Union		United States		Rest of the world			
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue from the rendering of service	39,432,193	39,621,846	16,896,434	3,113,542	19,894,441	23,091,005	1,108,498	904,736	77,331,566	66,731,129
Lease income	13,284,373	13,296,104	--	--	--	--	--	--	13,284,373	13,296,104
Royalties	--	--	--	--	--	5,562,054	--	--	0	5,562,054
Finance income	5,573,177	3,785,996	925,291	518,424	6,305,156	--	506,167	83,299	13,309,791	4,387,719
Dividends	41,685,018	194,567,706	230,000,000	20,500,000	--	--	--	7,624,857	271,685,018	222,692,563
	<b>99,974,761</b>	<b>251,271,652</b>	<b>247,821,725</b>	<b>24,131,966</b>	<b>26,199,597</b>	<b>28,653,059</b>	<b>1,614,665</b>	<b>8,612,892</b>	<b>375,610,748</b>	<b>312,669,569</b>

This appendix forms an integral part of note 26 to the annual accounts, in conjunction with which it should be read.

**GRIFOLS, S.A.**  
**Statement of Liquidity for Distribution of Interim Dividend 2014**  
**(Expressed in Euros)**

	Euros
Forecast profits distributable for 2014:	
Projected profits net of taxes until 31/12/2014	211,556,000
Less, charge required to legal reserve	0
Estimated profits distributable for 2014	211,556,000
Dividendos a cuenta distribuidos	85,944,364
Forecast cash for the period 2 October 2014 to 20 October 2015:	
Cash balances at 20 October 2014	67,048,000
Projected amounts collected	508,971,000
Projected payments, including interim dividend	383,137,000
Projected cash balances at 20 Octubre 2015	192,882,000

This appendix forms an integral part of note 3 to the annual accounts, in conjunction with which it should be read.

**GRIFOLS, S.A.**

**Details and movements of Class A and B treasury stock  
for the year ended  
31 December 2014  
(Expressed in Euros)**

	Number of Class A shares	Euros
Balance at 1 January 2014	0	0
Acquisitions of Class A shares	1,967,265	69,134,763
Disposals of Class A shares	--	--
Balance at 31 December 2014	<b>1,967,265</b>	<b>69,134,763</b>

	Number of Class B shares	Euros
Balance at 1 January 2014	653	0
Acquisitions of Class B shares	5,000	117,680
Disposals of Class B shares	--	--
Balance at 31 December 2014	<b>5,653</b>	<b>117,680</b>

This appendix forms an integral part of note 18 to the annual accounts, in conjunction with which it should be read.

**GRIFOLS, S.A.**

**Details and movements of Class A and B treasury stock  
for the year ended  
31 December 2013  
(Expressed in Euros)**

	<b>Number of Class A shares</b>	<b>Euros</b>
Balance at 1 January 2013	158,326	3,058
Acquisitions of Class A shares	448,802	11,040
Disposals of Class A shares	(607,128)	(14,098)
Balance at 31 December 2013	<b>0</b>	<b>0</b>

	<b>Number of Class B shares</b>	<b>Euros</b>
Balance at 1 January 2013	16,082	2,124
Cash acquisitions of Class B shares	6,177,372	127,787,825
Non Cash acquisitions of Class B shares	884,997	17,744,190
Cash disposals of Class B shares	(5,307,804)	(107,328,818)
Non Cash disposals of Class B shares	(1,769,994)	(38,205,321)
Balance at 31 December 2013	<b>653</b>	<b>0</b>

This appendix forms an integral part of note 18 to the annual accounts, in conjunction with which it should be read.

**GRIFOLS, S.A.**  
**Directors' Report**  
**2014**

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

To the Shareholders:

**1. Business performance and position of the Company**

Grifols, S.A. is a Spanish holding company specialising in the pharmaceutical-clinical sector. It is the Parent of the Grifols Group and its principal activities are as follows:

- Defining action plans and general procedures for the entire Group.
- Planning future investments by entering new markets or through product diversification.
- Providing support to the various functional areas in each Group company (products division, technical division, marketing/sales division, scientific division, financial division and planning and control division).
- Leasing buildings to Group companies.
- Rendering services to subsidiaries such as personnel recruitment and management, communications and corporate image, IT services and maintenance.

The Company obtains its income from leasing its buildings and rendering services, and through dividends from its subsidiaries.

**2. Forecast**

The Company's profits could be affected by events relating to the activities of its subsidiaries, such as a lack of raw materials for product manufacturing, the arrival of competitor products on the market or regulatory changes in the markets in which it operates.

At the date of authorisation for issue of these annual accounts, the Company has taken the measures it considers appropriate to mitigate any possible effects arising from the aforementioned events.

**3. Treasury stock**

At 31 December 2014, the Company has treasury stock of Euros 69,252,443, as described in note 18 to the accompanying annual accounts. Transactions involving treasury stock in 2014 are described in note 18 to the accompanying annual accounts.

**4. Research and development**

The Company does not conduct any research and development activities.

**5. Management of financial risks**

The Company's financial risk management policy is detailed in note 11 to the accompanying annual accounts.

**6. Average payment period**

As mentioned in note 22 to the annual accounts, the average payment period is longer than the maximum period stipulated in late payment legislation. The Company is evaluating the most appropriate measures to reduce the average number of days.

**7. Events After the Reporting Period**

The Company has repurchased industrial assets in Spain for a total amount of Euros 44 million. The Company has exercised the options to purchase assets at fair value included in the corresponding sale and leaseback agreements (see note 7).

The Annual Corporate Governance Report, which is required of listed companies, is included separately to this Directors' Report, of which it forms part.

**GRIFOLS, S.A.**

At their meeting held on 20 February 2015, pursuant to the requirements of article 253.2 of the Revised Spanish Companies Act and article 37 of the Spanish Code of Commerce, the Directors of Grifols, S.A. authorised for issue the annual accounts and directors' report for the period from 1 January 2014 to 31 December 2014. The annual accounts comprise the documents that precede this certification.

Signed:

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Victor Grifols Roura  
(signed) Chairman

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Ramón Riera Roca  
(signed) Board member

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Juan Ignacio Twose Roura  
(signed) Board member

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Tomás Dagá Gelabert  
(signed) Board member

---

Thortol Holding B.V. (J.A.  
Grifols G.) (signed) Board  
member

---

Thomas Glanzmann  
(signed) Board member

---

Edgar Dalzell Jannotta  
(signed) Board member

---

Anna Veiga Lluch (signed)  
Board member

---

Luis Isasi Fernández de  
Bobadilla (signed) Board  
member

---

Steven F. Mayer (signed)  
Board member

---

W. Brett Ingersoll (signed)  
Board member

---

Belen Villaronga Morenés  
(signed) Board member

---

Marla E. Salmon (signed)  
Board Member

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Raimon Grifols Roura  
(signed) Secretary to the  
board