

GRIFOLS, S.A.

Annual Accounts and Directors' Report

31 December 2007

(With Auditors' Report thereon)

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



KPMG Auditores S.L.
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08034 Barcelona

Auditors' Report on the Annual Accounts

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

To the Shareholders of
Grifols, S.A.

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

In accordance with prevailing Spanish legislation, these annual accounts also include, for each individual caption in the balance sheet, statement of profit and loss and disclosure of source and application of funds, comparative figures for the previous year. We express our opinion solely on the annual accounts for 2007. On 19 February 2007 we issued our unqualified audit report on the annual accounts for 2006.

In our opinion, the annual accounts for 2007 present fairly, in all material respects, the shareholders' equity and financial position of Grifols, S.A. at 31 December 2007, and the results of its operations and source and application of funds for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain, applied on a basis consistent with that of the preceding year.

The accompanying directors' report for 2007 contains such explanations as the directors consider relevant to the situation of Grifols, S.A., the evolution of its business and other matters, but 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 2007. 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 Company's accounting records.

KPMG AUDITORES, S.L.

David Ghosh Basu (signed)

14 February 2008

GRIFOLS, S.A.

Balance sheets

31 December 2007 and 2006

(Expressed in Euros)

(Free translation from the original in Spanish.

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Assets	2007	2006
Fixed assets		
Establishment costs (note 5)	9,201,596	16,306,900
Intangible assets (note 6)	7,183,954	5,524,658
Tangible assets (note 7)	27,061,620	21,014,308
Investments (note 8)	257,905,836	87,234,236
Own shares (note 9)	28,893,132	-
Total fixed assets	330,246,138	130,080,102
Deferred expenses (note 4(f))	1,612,059	2,198,886
Current assets		
Stocks	618,313	588,097
Debtors (note 10)	11,826,542	18,173,179
Short-term investments (note 11)	197,667,645	351,749,127
Cash in hand and at banks	72,193	137,358
Prepayments	2,686,531	2,093,452
Total current assets	212,871,224	372,741,213
Total assets	544,729,421	505,020,201

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

GRIFOLS, S.A.

Balance sheets

31 December 2007 and 2006

(Expressed in Euros)

(Free translation from the original in Spanish.

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Liabilities	2007	2006
Shareholders' equity (note 12)		
Share capital	106,532,449	106,532,449
Share premium	131,831,810	131,831,810
Reserves	14,094,340	8,692,913
Net profit for the year	29,575,112	18,206,627
Total shareholders' equity	282,033,711	265,263,799
Deferred income (note 13)	796,106	992,896
Long-term liabilities		
Borrowings (note 14)	170,009,767	175,347,237
Total long-term liabilities	170,009,767	175,347,237
Current liabilities		
Borrowings (note 15)	59,471,056	34,818,600
Short-term debts with group and associated companies (note 16)	18,230,792	17,681,707
Trade creditors (note 17)	10,144,717	7,266,989
Other creditors (note 18)	4,043,272	3,648,973
Total current liabilities	91,889,837	63,416,269
Total liabilities	544,729,421	505,020,201

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

GRIFOLS, S.A.

Statements of profit and loss for the years ended 31 December 2007 and 2006

(Expressed in Euros)

(Free translation from the original in Spanish.

In the event of discrepancy, the Spanish-language version prevails)

Expenses	2007	2006
Operating expenses		
Materials consumed	209,643	200,388
Personnel expenses (note 20)	18,164,691	15,921,194
Amortisation and depreciation (notes 5, 6 and 7)	10,102,872	21,269,170
Other operating expenses	26,564,950	21,749,383
Total operating expenses	55,042,156	59,140,135
Financial expenses		
Interest and similar expenses	13,454,061	11,193,793
Changes in provisions for investments (note 8)	75,474	147,458
Exchange losses	2,125,885	1,351,375
Total financial expenses	15,655,420	12,692,626
Net financial income	42,641,435	39,200,867
Profit on ordinary activities	20,824,505	9,978,335
Extraordinary losses and expenses		
Movement in provision for tangible and intangible assets and investments (note 8)	2,048,591	(85,108)
Losses on tangible and intangible assets and investments	120,931	550,982
Extraordinary expenses	4,974	49,335
Total extraordinary expenses and losses	2,174,496	515,209
Net extraordinary income	3,262,271	-
Profit before income tax	24,086,776	9,630,797
Income tax (note 23)	(5,488,336)	(8,575,830)
Profit for the year	29,575,112	18,206,627

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

GRIFOLS, S.A.

Statements of profit and loss for the years ended 31 December 2007 and 2006

(Expressed in Euros)

(Free translation from the original in Spanish.

In the event of discrepancy, the Spanish-language version prevails)

Income	2007	2006
Operating income		
Net sales (notes 19 and 21)	31,800,194	29,404,747
Self-constructed assets	1,370,733	437,843
Other operating income	54,299	75,013
Total operating income	33,225,226	29,917,603
Operating losses	21,816,930	29,222,532
Financial income		
Dividends (notes 8 and 21)	38,304,605	36,238,913
Other interest and similar income (note 21)	18,228,269	14,486,923
Exchange gains	1,763,981	1,167,657
Total financial income	58,296,855	51,893,493
Extraordinary profit and income		
Profit on disposal of fixed assets (note 8)	5,436,767	97,728
Extraordinary income	-	18,000
Prior years' profit and income	-	51,943
Total extraordinary income	5,436,767	167,671
Net extraordinary expense	-	347,538

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

GRIFOLS, S.A.

Notes to the Annual Accounts

31 December 2007 and 2006

(Free translation from the original in Spanish.

In the event of discrepancy, the Spanish-language version prevails)

(1) Nature and Principal Activities

Grifols, S.A. (hereinafter the Company) was incorporated with limited liability under Spanish law on 22 June 1987. On 27 June 2005, the Company changed its name from Probitas Pharma, S.A. to Grifols, S.A.

The Company's principal activity is to render administrative and management services to its subsidiaries (see note 8).

The Company's registered offices are located in Barcelona and its main installations are in Barcelona and in Parets del Vallés (Barcelona).

The Company is the parent company of the Grifols Group, which is composed of the Company and the subsidiaries listed in note 8 to these annual accounts which operate in an integrated manner and under common management. The Group's principal activities comprise the manufacture, preparation and sale of therapeutic products, especially haemoderivatives.

On 17 May 2006 the Company completed the public offering of shares through a capital increase of Euros 312.4 million (including the share premium) equivalent to 71,000,000 ordinary shares of Euros 4.40 par value each (see note 12).

(2) Basis of Presentation

The accompanying annual accounts have been prepared by the board of directors in the format established by prevailing Spanish legislation to present fairly the shareholders' equity and financial position at 31 December 2007 and 2006 and the results of operations and source and application of funds during the years then ended, and to present the proposed distribution of profit for 2007.

These annual accounts have been prepared on the basis of the auxiliary accounting records of the Company.

The directors consider that the annual accounts for 2007 will be approved without significant changes. The comparative accounts for 2006 were approved in an annual general meeting held on 20 June 2007.

GRIFOLS, S.A.

Notes to the Annual Accounts

Solely for the purpose of presentation, these annual accounts have been rounded off to whole numbers, and do not include decimals.

In accordance with Royal Decree 1815 dated 20 December 1991, the Company prepares consolidated annual accounts for its group of companies. On 12 February 2008 the consolidated annual accounts of Grifols, S.A. and Subsidiaries at 31 December 2007 were prepared under International Financial Reporting Standards, presenting a net profit of Euros 87,774 thousand and shareholders' equity of Euros 384,166 thousand.

(3) Distribution of profits

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

	<u>Euros</u>
Legal reserve	2,957,511
Voluntary reserves	1,880,270
Dividends	24,737,331
	<u>29,575,112</u>

The distribution of profit for the year ended 31 December 2006, carried out in 2007, is shown in details of movement in shareholders' equity in Appendix II to note 12.

(4) Accounting and valuation principles applied

The accompanying annual accounts have been prepared in accordance with accounting principles established in the Spanish General Chart of Accounts, the most significant of which are as follows:

(a) Share issue costs

Share issue costs are stated at cost less accumulated amortisation, calculated on a straight-line basis over a period not exceeding five years.

GRIFOLS, S.A.

Notes to the Annual Accounts

(b) Intangible assets

Intangible assets are stated at cost of acquisition or direct cost of production, as appropriate, net of accumulated amortisation, as follows:

- The amounts paid to acquire industrial property rights, distribution rights and the capitalised expenses incurred as a result of registering patents, are amortised on a straight-line basis over a period not exceeding five years.
- Software acquired or developed by the Company is stated at cost and amortised on a straight-line basis over a period of between three and six years. Software maintenance costs are expensed when incurred.
- The rights to use and the option to purchase tangible assets contracted through lease financing are recorded at the cash value of the asset at the time of acquisition. These rights are generally amortised on a straight-line basis over the useful lives of the leased assets.

The total lease instalments and the amount of the purchase option are recorded as a liability. The initial difference between the cash value of the asset and the total debt, equivalent to the financial cost of the operation, is recorded under deferred expenses and expensed over the term of the contract using the interest method.

When the purchase option is exercised, the cost and accumulated depreciation of the assets is transferred to the relevant tangible asset category.

(c) Tangible assets

Tangible assets are stated at cost, revalued in 1983 as permitted by legislation prevailing at that time, less related accumulated depreciation.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Rates</u>
Buildings	1% - 3%
Plant and machinery	8%-10%
Other installations, equipment and furniture	10% - 30%
Other tangible assets	16% - 25%

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Notes to the Annual Accounts

Based on an appraisal by an independent third party, the Company has revalued the useful life of buildings with effect from 1 January 2005, which are now depreciated over a period of between 33 and 100 years. Since 2005, depreciation of the affected assets has been calculated based on their net book value as at 31 December 2004 over their remaining re-estimated useful life.

Repairs and maintenance costs which do not improve the related assets or extend their useful lives are expensed when incurred.

(d) Investments

Variable income securities are stated at cost, including inherent costs.

For the purpose of preparing the Company's individual annual accounts, investments in Group are not consolidated and are stated at cost.

Guarantee deposits are stated at the amount disbursed.

Provision is generally made for a decline in value of investments where circumstances so dictate. To this end, a provision is made where cost exceeds the underlying net book value adjusted to take into account any latent unrecorded goodwill at year end.

(e) Own shares

Own shares acquired by the Company are stated at the lower of cost or market value. The Company appropriates to an undistributable reserve the amounts required by law.

(f) Deferred expenses

Deferred expenses basically include the following:

- Deferred financial expenses related to lease financing operations, which are expensed over the terms of the operations using the interest method.
- Loan arrangement costs, which are expensed over the terms of the loans.
- Implicit interest on loans deferred for more than a year, which is expensed over the terms of the loans using the interest method.

GRIFOLS, S.A.

Notes to the Annual Accounts

(g) Stocks

Stocks are stated at cost and mainly comprise raw materials and other materials consumed.

The Company adjusts the value of stocks when cost exceeds market value.

(h) Debtors and notes receivable

Practically all the Company's revenues are collected from the different subsidiaries (see notes 10 and 21).

(i) Income taxes

Income taxes are calculated based on profit reported for accounting purposes, adjusted for permanent differences with fiscal criteria and taking into consideration any applicable tax credits and deductions. The effects of timing differences, where applicable, are included in deferred tax assets or liabilities.

The Company files consolidated tax returns with the other Spanish subsidiaries. As parent company, Grifols, S.A. is responsible for preparing and paying income tax and, as such, receives as a provision of funds those payments which the subsidiaries would have to pay if their tax returns were presented on an individual basis.

Tax credits in respect of loss carryforwards are generally recognised to the limit that they can be offset with profits from the same year of other companies from the consolidated tax group.

In accordance with the Spanish Institute of Accountants and Auditors' ruling dated 15 March 2002, since the fiscal year started 1 January 2002, the Company recognises tax credits pending application, mainly for foreign investments, as it is estimated that they will be reasonably recovered during the term established by prevailing legislation (see notes 8, 10 and 23). In accordance with this legislation, income from recognising such tax credits is deferred over the estimated useful life of the assets which have generated these tax credits, mainly foreign investments (see note 13).

(j) Transactions and balances in currencies other than the Euro

Transactions in currencies other than the Euro are accounted for in Euros at the rates of exchange prevailing at the transaction date. Exchange gains or losses on settlement of balances in currencies other than the Euro are taken to profit and loss when they arise.

GRIFOLS, S.A.

Notes to the Annual Accounts

Balances receivable and payable in currencies other than the Euro are expressed in Euros at the rates of exchange prevailing at year end. Unrealised foreign exchange losses, determined for groups of currencies with similar maturity or market trends, are charged to expenses while unrealised exchange gains, similarly determined, are deferred. Exceptionally, when exchange-rate hedging contracts exist, balances in currencies other than the Euro are expressed in Euros at the rate of exchange stipulated in these contracts.

Cash account balances in currencies other than the Euro are expressed in Euros at the rate of exchange prevailing at year end and any exchange gains or losses are taken to profit and loss.

(k) Compensation for termination of employment

Except in the case of justifiable cause, companies are liable to pay indemnities to employees whose services are discontinued.

In the absence of any foreseeable need for abnormal termination of employees' services and because the indemnities are not payable to those employees who retire or voluntarily leave the Company, indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

(l) Current/long-term

Assets and liabilities are classified as current if maturing within twelve months and long-term if maturing more than twelve months from the balance sheet date.

(m) Income and expenses

Net sales are presented net of taxes on sales and discounts and comprise the value of goods sold or services rendered during the normal course of business.

Income and expenses are generally recognised on an accruals basis, irrespective of collections and payments. Nevertheless, in accordance with prudent criteria, the Company only records realised gains at year end, while expected liabilities and estimated losses are recognised as soon as they become known.

GRIFOLS, S.A.

Notes to the Annual Accounts

(n) Pension obligations

On 24 May 2002, the Company set up a defined contribution pension plan for employees with more than two years of service at that date. This plan is integrated into the Bansabadell 18 Pension Fund which is managed by Bansabadell Pensiones.

The annual contribution of the Company is recorded under personnel expenses in the statement of profit and loss on an accruals basis (see note 20).

(o) Business activities affecting the environment, energy-saving and efficiency projects

Expenses incurred acquiring systems, equipment and installations for preventing, reducing or controlling the possible environmental impacts of the Company's normal activities are registered as fixed asset investments.

Expenses incurred on environmental activities other than those involving the acquisition of fixed assets are expensed.

The acquisition of assets destined for energy saving and efficiency which increase the productivity, capacity or extend the useful lives of the assets are recognised as an increase in the value of the fixed asset installations.

The directors of the Company consider that any possible environmentally related contingencies that may arise would not be significant.

(p) Financial derivatives

Differences in the value of OTC financial derivatives are recognised when the operations are settled or repaid, on the following basis:

- For hedging operations, the differences in value are registered according to the nature of the hedged risk. Gains and losses on interest-rate hedging operations are taken to income or expensed in line with the accrual of interest hedged.
- For operations that do not fulfil the criteria to be classified as hedges, differences in value are taken directly to income on settlement or repayment. Nevertheless, if accumulated and unpaid losses are expected at year end, the necessary provision for liabilities and charges is made.

GRIFOLS, S.A.
Notes to the Annual Accounts

(5) Establishment costs

Details of and movement in this caption at 31 December 2006 are as follows:

	Euros			
	Balances as at			Balances as at
	31/12/05	Additions	Amortisation	31/12/06
Share issue costs	16,447,851	17,852,167	(17,993,118)	16,306,900
	16,447,851	17,852,167	(17,993,118)	16,306,900

Details of and movement in this caption at 31 December 2007 are as follows:

	Euros		
	Balances as at		Balances as at
	31/12/06	Amortisation	31/12/07
Share issue costs	16,306,900	(7,105,304)	9,201,596
	16,306,900	(7,105,304)	9,201,596

Additions of share issue costs for the year 2006 comprise those the Company incurred in connection with the capital increase through the public offering of shares conducted in 2006 (see note 12(a)).

Amortisation of share issue costs during 2006 comprises the costs incurred by the Company mainly in connection with the capital reduction, on repurchasing own shares, conducted during 2006 (see note 12(a)).

GRIFOLS, S.A.

Notes to the Annual Accounts

(6) Intangible assets

Details of and movement in this caption at 31 December 2006 are as follows:

	Euros				
	Balances as at 31/12/05	Additions	Transfers	Disposals	
Cost:					
Concessions, patents, licences, trademarks and other property rights	2,051,825	-	-	(702,654)	1,349,171
Software	7,983,570	2,300,673	-	(541)	10,283,702
Rights over leased assets	1,969,573	197,002	(724,891)	-	1,441,684
	12,004,968	2,497,675	(724,891)	(703,195)	13,074,557
Accumulated amortisation:					
Concessions, patents, licences, trademarks and other property rights	(960,891)	(124,183)	-	89,261	(995,813)
Software	(5,442,374)	(876,061)	-	436	(6,317,999)
Rights over leased assets	(436,230)	(126,507)	326,650	-	(236,087)
	(6,839,495)	(1,126,751)	326,650	89,697	(7,549,899)
Net value	5,165,473	1,370,924	(398,241)	(613,498)	5,524,658

(note 7)

GRIFOLS, S.A.

Notes to the Annual Accounts

Details of and movement in this caption at 31 December 2007 are as follows:

	Euros				
	Balances as at 31/12/06	Additions	Transfers	Disposals	
Cost:					
Concessions, patents, licences, trademarks and other property rights	1,349,171	-	-	(1,829)	1,347,342
Software	10,283,702	2,120,653	-	(234,809)	12,169,546
Rights over leased assets	1,441,684	973,098	(312,359)	-	2,102,423
	13,074,557	3,093,751	(312,359)	(236,638)	15,619,311
Accumulated amortisation:					
Concessions, patents, licences, trademarks and other property rights	(995,813)	(109,910)	-	1,417	(1,104,306)
Software	(6,317,999)	(968,659)	-	231,963	(7,054,695)
Rights over leased assets	(236,087)	(129,480)	89,211	-	(276,356)
	(7,549,899)	(1,208,049)	89,211	233,380	(8,435,357)
Net value	5,524,658	1,885,702	(223,148)	(3,258)	7,183,954

(note 7)

At 31 December 2007 and 2006 software additions comprise the different software licenses acquired or developed by the Company.

GRIFOLS, S.A.

Notes to the Annual Accounts

The Company has contracted certain tangible assets through lease financing. Details of these assets and the main conditions of these contracts at 31 December 2007 are as follows:

Asset	Date of contract	Number of monthly payments	Euros		
			Cost value	Amount of each cash instalment (*)	Purchase option
Land and buildings	1998	120	625,052	6,118	6,741
Plant and machinery	2005	36	307,271	8,917	2,902
Plant and machinery	2006	36	32,593	975	1
Plant and machinery	2007	36	818,485	24,325	11,706
Information technology equipment	2006	36	164,409	4,911	-
Information technology equipment	2007	36	120,150	3,531	2,535
Furniture	2007	36	34,463	1,035	1
Total cost			2,102,423		
Less, accumulated amortisation			(276,356)		
			1,826,067		

(*) Variable linked to interest rate

A summary of the liabilities resulting from these operations at 31 December 2007 and 2006 is as follows:

	Euros	
	2007	2006
Total amount of operations	9,511,869	8,463,890
Payments made in prior years	(7,889,719)	(7,427,498)
Payments made during the year	(439,018)	(462,221)
Lease financing creditors	1,183,132	574,171

GRIFOLS, S.A.

Notes to the Annual Accounts

Details of these liabilities are as follows:

	Euros			
	2007		2006	
	Short-term	Long-term	Short-term	Long-term
Capital	495,467	609,592	316,503	230,530
Interest	44,709	33,364	14,425	12,713
	540,176	642,956	330,928	243,243
	(note 15)	(note 14)	(note 15)	(note 14)

At 31 December 2007 fully amortised assets in use amount to Euros 6,472,553 (Euros 5,252,310 at 31 December 2006).

(7) Tangible Assets

Details of and movement in this caption at 31 December 2006 are as follows:

	Euros				Balances as at 31/12/06
	Balances as at 31/12/05	Additions	Transfers	Disposals	
Cost:					
Land and buildings	16,559,046	-	-	-	16,559,046
Plant and machinery	2,239,991	-	400,660	-	2,640,651
Other installations, equipment and furniture	22,141,286	15,396	593,127	(15,356)	22,734,453
Other tangible assets	2,796,060	20,445	271,201	(8,271)	3,079,435
Work in progress	451,751	1,426,829	(540,097)	-	1,338,483
	44,188,134	1,462,670	724,891	(23,627)	46,352,068
Accumulated depreciation:					
Land and buildings	(3,745,653)	(183,873)	-	-	(3,929,526)
Plant and machinery	(1,279,676)	(200,373)	(108,583)	-	(1,588,632)
Other installations, equipment and furniture	(15,285,665)	(1,555,293)	(25,576)	15,356	(16,851,178)
Other tangible assets	(2,574,442)	(209,762)	(192,491)	8,271	(2,968,424)
	(22,885,436)	(2,149,301)	(326,650)	23,627	(25,337,760)
Net value	21,302,698	(686,631)	398,241	0	21,014,308
					(note 6)

GRIFOLS, S.A.

Notes to the Annual Accounts

Details of and movement in this caption at 31 December 2007 are as follows:

	Euros				
	Balances as at 31/12/06	Additions	Transfers	Disposals	
Cost:					
Land and buildings	16,559,046	-	-	-	16,559,046
Plant and machinery	2,640,651	11,770	191,245	(963,054)	1,880,612
Other installations, equipment and furniture	22,734,453	258,856	296,328	(136,550)	23,153,087
Other tangible assets	3,079,435	156,793	-	(21,229)	3,214,999
Work in progress	1,338,483	7,353,939	(175,214)	(4,524)	8,512,684
	46,352,068	7,781,358	312,359	(1,125,357)	53,320,428
Accumulated depreciation:					
Land and buildings	(3,929,526)	(185,024)	-	-	(4,114,550)
Plant and machinery	(1,588,632)	(212,558)	(54,186)	811,918	(1,043,458)
Other installations, equipment and furniture	(16,851,178)	(1,283,577)	(35,025)	124,589	(18,045,191)
Other tangible assets	(2,968,424)	(108,360)	-	21,175	(3,055,609)
	(25,337,760)	(1,789,519)	(89,211)	957,682	(26,258,808)
Net value	21,014,308	5,991,839	223,148	(167,675)	27,061,620

(note 6)

GRIFOLS, S.A.

Notes to the Annual Accounts

The Company's policy is to take out insurance to cover what it estimates as the possible risks which could affect the tangible assets. At 31 December 2007 the Group has taken out insurance along with all the Group, which more than covers the net book value of all the Company's assets.

At 31 December 2007 the cost of fully depreciated assets totals Euros 14,775,975 (Euros 10,820,548 at 31 December 2006).

At 31 December 2007 mortgaged land and buildings exist securing certain loans with an outstanding balance of Euros 383,996 (Euros 460,685 at 31 December 2006) (see note 14).

Fixed assets under construction at 31 December 2007 and 2006 mainly comprise the investments made to extend the Company's installations. At 31 December 2007 this caption also includes Euros 2,200 thousand corresponding to a purchase option on the acquisition of an industrial complex in Parets del Vallés (Barcelona) (see note 27(b)).

GRIFOLS, S.A.

Notes to the Annual Accounts

(8) Investments

Details of and movement in this caption at 31 December 2006 are as follows:

	Euros			Balances as at 31/12/06
	Balances as at 31/12/05	Additions	Disposals	
Investments in group companies	97,053,743	39	-	97,053,782
Long-term investments	245,298	-	-	245,298
Long-term guarantee deposits	228,493	9,078	-	237,571
Tax credits for deductions (note 23)	609,296	51,399	-	660,695
	98,136,830	60,516	0	98,197,346
Less, provision for decline in value of investments	(10,900,760)	(147,458)	85,108	(10,963,110)
	87,236,070	(86,942)	85,108	87,234,236

Details of and movement in this caption at 31 December 2007 are as follows:

	Euros				Balances as at 31/12/07
	Balances as at 31/12/06	Additions	Transfers	Disposals	
Investments in group companies	97,053,782	176,371,106	-	(2,918,377)	270,506,511
Long-term investments	245,298	-	-	-	245,298
Long-term guarantee deposits	237,571	2,909	-	(1,469)	239,011
Tax credit for deductions (note 23)	660,695	2,191	(660,695)	-	2,191
	98,197,346	176,376,206	(660,695)	(2,919,846)	270,993,011
Less, provision for decline in value of investments	(10,963,110)	(2,801,015)	-	676,950	(13,087,175)
	87,234,236	173,575,191	(660,695)	(2,242,896)	257,905,836

GRIFOLS, S.A.

Notes to the Annual Accounts

(a) Investments in Group companies

Details of investments in Group companies at 31 December 2007 and 2006 are as follows:

	Euros	
	2007	2006
Laboratorios Grifols, S.A.	4,798,330	4,798,330
Instituto Grifols, S.A.	1,537,990	1,537,990
Movaco, S.A.	2,404,619	2,404,619
Diagnostic Grifols, S.A.	336,561	336,561
Grifols Chile, S.A.	385,454	385,454
Biomat, S.A.	60,041	60,041
Grifols Argentina, S.A.	6,612,058	7,027,854
Grifols, s.r.o.	51,600	51,600
Grifols México, S.A. de C.V.	696,544	696,544
Grifols Viajes, S.A.	60,041	60,041
Grifols International, S.A.	2,860,085	2,860,085
Grifols Italia, S.p.A.	12,226,606	12,226,606
Grifols UK, Ltd.	22,847,046	22,847,046
Grifols Deutschland, GmbH	2,924,811	2,924,811
Grifols Brasil, Ltda.	764,095	764,095
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	139	139
Grifols France, S.A.R.L.	7,623	7,623
Grifols Engineering, S.A.	60,090	60,090
Squadron Reinsurance Ltd.	999,999	999,999
Grifols, Inc.	209,511,362	33,140,256
Grifols Asia Pacific Pte. Ltd.	714,769	714,769
Alpha Therapeutic Europe, Ltd.	-	2,502,581
Grifols Polska, Sp.z.o.o.	10,714	10,714
Alpha Therapeutic Italia S.p.A.	635,934	635,934
	<u>270,506,511</u>	<u>97,053,782</u>

During 2007 the Company internally restructured its subsidiaries in the USA, grouping them all under the common management of Grifols, Inc., in which the Company has a 100% interest. As the parent company of the Group, the Company has compensated Instituto Grifols, S.A. for the value adjustment made by the latter company of its shareholdings in Biomat USA, Inc. and Plasmacare, Inc. This compensation has amounted to Euros 176,371 thousand and has implied an increase in the Company's interest in Grifols, Inc. by the same amount. The balancing entry is a reduction in the debtor balance of the current account with Instituto Grifols, S.A.

In December 2007 the Company also wound up the subsidiary Alpha Therapeutic Europe, Ltd., generating a profit of Euros 5,437 thousand.

Certain additional information relating to these companies is as follows:

GRIFOLS, S.A.

Notes to the Annual Accounts

– **Laboratorios Grifols, S.A.**

Its registered offices are located on the Levante Industrial Estate, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the manufacture, preparation and sale of therapeutic and other pharmaceutical specialities, especially parenteral solutions.

– **Instituto Grifols, S.A.**

Its registered offices are located on the Levante Industrial Estate, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the manufacture, preparation and sale of therapeutic products and other pharmaceutical specialities, especially haemoderivatives.

This company also directly owns 100% of the profit-sharing rights of Plasmacare, Inc. (100% at 31 December 2006), acquired on 3 March 2006, with registered offices at Corporation Trust Center, 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801. Its activity, developed in the bioscience area, consists of obtaining human plasma. This company is the holding company of a group of 15 companies comprising the sub-consolidated group. With effect from 1 January 2007 this group was restructured and all the companies were grouped under Plasmacare, Inc.

This company directly owns 100% of the profit-sharing rights of Biomat USA, Inc. (100% at 31 December 2006), acquired on 1 March 2002, with registered offices at 1209 Orange Street, Wilmington, New Castle (Delaware Corporation). Its activity, developed in the bioscience area, consists of the obtaining of human plasma. Biomat USA, Inc. also holds 50% of the share capital of Plasma Collection Centers, Inc with registered offices at 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801 (USA) and incorporated on 2 March 2007. Its activity, developed in the bioscience area, consists of obtaining human plasma.

– **Movaco, S.A.**

This company's registered offices are at Polígono Levante, calle Can Guasch, s/n, 08150 Parets del Vallés, Barcelona. Its principal activity is the distribution and sale of reagents, chemical products and other pharmaceutical specialities, and of medical-surgical materials, equipment and instruments for use in laboratories and healthcare centres.

GRIFOLS, S.A.

Notes to the Annual Accounts

Movaco, S.A. owns 99.985% of Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda. and 99.971% of Logister, S.A. The registered offices of the former are located in c/ Jorge Barradas, 30 –c R/C, 1500 Lisbon (Portugal) and its activities are the import, export and distribution of pharmaceutical and clinical products, in particular Grifols products. The registered offices of the latter company are located on the Levante Industrial Estate, calle Can Guasch, s/n 08150 Parets del Vallés, Barcelona, and its activities are the manufacture, purchase, sale and distribution of computer hardware and software.

– **Diagnostic Grifols, S.A.**

Its registered offices are located on the Levante Industrial Estate, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activities are the manufacture, preparation, distribution and sale of reagents and chemical products for laboratories and hospitals, as well as supplies, machines and medical and surgical instruments.

– **Grifols Chile, S.A.**

Its registered offices are located in Avda. Americo Vespuccio 2242, Comuna de Conchali, Santiago de Chile (Chile). Its statutory activity is to operate pharmaceutical businesses involving the import, production, sale and export of pharmaceutical products.

– **Biomat, S.A.**

Its registered offices are located on the Levante Industrial Estate, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its statutory activity consists of the collection and sale of biological products.

– **Grifols Argentina, S.A.**

Its registered offices are located in Bartolomé Mitre 1371, 5th floor, room P, 1036 Buenos Aires (Argentina). Its statutory activity consists of biological and clinical investigation, the preparation and sale of reagents, therapeutic and dietetic products as well as the manufacture and sale of other pharmaceutical specialities.

– **Grifols s.r.o.**

Its registered offices are located in Zitná 2, 120 00 Prague (Czech Republic). Its statutory activity consists of the purchase, sale and distribution of chemical and pharmaceutical products including human plasma.

GRIFOLS, S.A.

Notes to the Annual Accounts

– **Grifols México, S.A. de C.V.**

Its registered offices are located in calle Eugenio Cuzin 909, Parque Industrial Belenes Norte, 45150 Zapopan, Jalisco, (Mexico). Its statutory activity consists of the manufacture and sale of pharmaceutical products for both human and veterinary use.

– **Grifols Viajes, S.A.**

Its registered offices are located on the Levante Industrial Estate, calle Can Guasch s/n, 08150 Parets del Vallés (Barcelona). Its statutory activity is to operate a retail travel agency and organise associated activities, group travel arrangements and passes.

– **Grifols International, S.A.**

Its registered offices are located on the Levante Industrial Estate, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona, and its statutory activity consists of the manufacture, import, export, preparation, distribution and the sale of reagents, chemical products for laboratory and hospital use, as well as supplies, devices and instruments for medical and surgical use or use in laboratories and warehouses.

– **Grifols Italia, S.p.A.**

Its registered offices are located in Via Carducci 62 d, 56010 Ghezzano, Pisa (Italy), and its statutory activity consists of the purchase, sale and distribution of chemical and pharmaceutical products.

– **Grifols UK, Ltd.**

Its registered offices are located in 72, St. Andrew's Road, Cambridge CB41G (United Kingdom). Its activity consists of the distribution and sale of therapeutic and pharmaceutical products, in particular haemoderivatives.

– **Grifols Deutschland, GmbH**

Its registered offices are located situated in Siemestrass 18, D-63225 Langen (Germany) and its statutory activity consists of the import, export, distribution and sale of reagents, chemical and pharmaceutical products for laboratory and hospital use, as well as medical and surgical supplies, devices and instruments for laboratory use.

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Notes to the Annual Accounts

– **Grifols Brasil, Ltda.**

Its registered offices are located in Rua Marechal Hermes 247, Centro Cívico, CEP 80530-230, Curitiba (Brazil) and its statutory activity consists of the import and export, preparation, distribution and sale of chemical and pharmaceutical products for laboratories, hospitals and medical and surgical supplies.

– **Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.**

Its registered offices are situated in c/ Jorge Barradas, 30 –c R/C, 1500 Lisbon (Portugal) and its activities are the import, export and sale of pharmaceutical and clinical products, in particular Grifols products. Movaco, S.A. owns 99.985% of this company.

– **Grifols France, S.A.R.L.**

Its registered offices are located in Centre d'affaires auxiliares system, Bat. 10, Parc du Millenaire – 125, Rue Henri Becquerel, 34036, Montpellier (France) and its statutory activity consists of selling chemical and medical products.

– **Grifols Engineering, S.A.**

Its registered offices are located on the Levante Industrial Estate, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona, and its activity consists of the design and performance of industrial engineering projects for pharmaceutical companies and health centres, as well as the design, assembly, sale and maintenance of machinery, equipment and installations for pharmaceutical companies and health centres.

– **Squadron Reinsurance, Ltd.**

Its registered offices are located in 38/39 Fitwilliam Square, Dublin 2, (Ireland). Its statutory activity involves reinsuring the Group companies' insurance policies.

– **Grifols, Inc.**

Its registered offices are located in 15, East North Street, Dover, Delaware 19901 (United States of America). Its principal activity consists of holding investments in companies.

GRIFOLS, S.A.

Notes to the Annual Accounts

This company also directly owns 50% of Plasmacare, Inc., acquired on 3 March 2006, with registered offices at Corporation Trust Center, 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801. Its activity, carried out in the bioscience area, consists of obtaining human plasma.

This company directly owns 50% of Biomat USA, Inc., acquired on 1 March 2002, with registered offices at 1209 Orange Street, Wilmington, New Castle (Delaware Corporation). Its activity, carried out in the bioscience area, consists of the obtaining of human plasma.

This company owns 100% of Grifols Biologicals, Inc. with registered offices in 15, East North Street, Dover, Delaware 19901 (United States of America). The principal activity of this company consists of the manufacture, preparation and sale of therapeutic products and other pharmaceutical specialities, especially haemoderivatives. This latter company also owns 100% of Grifols USA, Inc. with registered offices in 8880 N.W. 18 Terrace, Miami, Florida (USA). The statutory activity of this third company is to conduct any business permitted under United States of America law.

– **Grifols Asia Pacific Pte. Ltd.**

Its registered office is situated in 501 Orchard Road, 20-01 Wheelock Place, Singapore 238880. Its statutory activity is to sell medical and pharmaceutical products.

This company owns 48% of Grifols (Thailand) Ltd., with registered offices in No. 287 Liberty Square, Level 8, Silom Road, Bangrak, Bangkok (Thailand). The statutory activity of this latter company consists of the import, export and retail and wholesale marketing of pharmaceutical products.

This latter company also owns 30% of Grifols Malaysia Sdn Bhd, with registered offices in Selangor, (Malaysia), the activity of which relates to the sale and distribution of pharmaceutical products.

GRIFOLS, S.A.

Notes to the Annual Accounts

– Alpha Therapeutic Europe, Ltd.

Its registered offices are located in 100, New Bridge Street, London, EC4V6JA (United Kingdom). Its activity consists of providing technical, financial and marketing support to its subsidiaries.

This company owns 100% of Alpha Therapeutic UK, Ltd. with registered offices in 100, New Bridge Street, London, EC4V6JA (United Kingdom). This latter company's statutory activity consists of the distribution and sale of therapeutic products. Both companies were wound up in December 2007.

– Alpha Therapeutic Italia, S.p.A.

With registered offices in 3, Piazza Meda, Milano 20121 (Italy). Its statutory activity consists of the distribution and sale of products.

– Grifols Polska Sp.z.o.o.

With registered offices in UL. Nowogrodzka, 68, 00-116, Warsaw, Poland. Its activity consists of the preparation and sale of pharmaceutical products, cosmetics and others.

The Company has received dividends from the following companies:

	Euros	
	2007	2006
Instituto Grifols, S.A.	15,500,000	-
Movaco, S.A.	6,891,037	10,999,863
Diagnostic Grifols, S.A.	1,999,964	8,999,839
Grifols Chile, S.A.	612,691	-
Biomat, S.A.	280,396	3,196,800
Grifols México, S.A. de C.V.	686,741	-
Grifols Italia, S.p.A.	1,500,000	2,800,000
Grifols UK, Ltd.	5,188,645	5,172,923
Grifols Deutschland, GmbH	4,000,000	2,500,000
Grifols France, S.A.R.L.	235,000	369,488
Alpha Therapeutic Italia, S.p.A.	500,000	1,200,000
Grifols Asia Pacific Pte, Ltd	910,131	-
Grifols, Inc.	-	1,000,000
	<u>38,304,605</u>	<u>36,238,913</u>

(note 21)

GRIFOLS, S.A.

Notes to the Annual Accounts

Grifols, S.A.'s investments in Group companies and details of the shareholders' equity of these companies at 31 December 2007 and 2006 according to their annual accounts or financial statements are attached as Appendix I, which forms an integral part of this note to the annual accounts. All subsidiaries have the same year end date.

(b) Tax credit for deductions

The tax credit for deductions corresponds to the part of the tax credit for deductions pending application which the Company estimates will be recovered in more than a year (see notes 4(i) and 23).

(c) Provision for investments

Details of the provision for investments at 31 December 2007 and 2006 are as follows:

	Euros	
	2007	2006
Grifols Argentina, S.A.	4,379,054	4,613,009
Grifols UK, Ltd.	8,485,149	5,759,608
Grifols Brasil, Ltda.	-	442,962
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	40	73
	<hr/>	<hr/>
	12,864,243	10,815,652
Provision for long-term investments	222,932	147,458
	<hr/>	<hr/>
	13,087,175	10,963,110
	<hr/>	<hr/>

GRIFOLS, S.A.

Notes to the Annual Accounts

(9) Own shares

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

Movements in own shares during 2007 have been as follows:

	Number of shares	Euros
Balance as at 1 January 2007	-	-
Acquisitions	2,100,463	28,893,132
Balance as at 31 December 2007	2,100,463	28,893,132

At 31 December 2007 the Company has own shares amounting to 0.99% of share capital and has appropriated to the corresponding non-distributable reserve an amount equivalent to the value of own shares at that date (see note 12(c)).

No own shares have been disposed of during 2007.

During the year ended 31 December 2006 the Company performed the following own share transactions:

- On 5 April 2006 the Company increased capital by Euros 863,300 with a charge to the share premium by issuing and putting into circulation 1,726,600 shares of Euros 0.50 par value each. These shares were issued by the Company as a result of the waiving of preferential subscription rights by the Company's shareholders in order for the shares to be distributed to the employees of the group companies, based on previously established terms and conditions (see note 12(a)).
- On 16 May 2006 the Company acquired 260,000 own shares without voting rights for Euros 279,802,740 (see note 12(a)).
- On 16 May 2006 the Company redeemed 260,000 own shares without voting rights for Euros 279,802,740 (see note 12(a)).
- On 17 May 2006 the Company issued the group companies' employees with 1,726,600 own shares of Euros 0.50 par value each, based on previously established terms and conditions (see notes 12(a) and 24(b)).

GRIFOLS, S.A.
Notes to the Annual Accounts

(10) Debtors

At 31 December 2007 and 2006 debtors are as follows:

	Euros	
	2007	2006
Debtors for sales and services rendered	201,572	201,572
Trade debtors, group companies	8,991,773	9,650,444
Sundry debtors	74,547	117,870
Personnel	104,074	44,935
Public entities	2,656,746	8,360,528
	12,028,712	18,375,349
Less, provision for bad debts	(202,170)	(202,170)
	11,826,542	18,173,179

Balances receivable from public entities are as follows:

	Euros	
	2007	2006
Tax authorities:		
VAT	248,560	-
Grants	-	37,380
Withholdings	-	5
Withholdings for double taxation	-	11,409
Social Security	2,179	9,041
Deferred tax assets (note 23)	72,067	191,087
Balances receivable from tax authorities for income tax:		
Current period (note 23)	1,656,014	2,253,561
Prior years	-	395,661
Tax credit for deductions (note 23)	677,926	671,365
Tax credit for loss carryforwards (note 23)	-	4,791,019
	2,656,746	8,360,528

GRIFOLS, S.A.

Notes to the Annual Accounts

(11) Short-term Investments

Details of and movement in short-term investments at 31 December 2006 are as follows:

	Euros			
	Balances as at		Balances as at	
	31/12/05	Additions	Disposals	31/12/06
Short-term investments	316,973,695	132,709,780	(97,934,348)	351,749,127

Details of and movement in short-term investments at 31 December 2007 are as follows:

	Euros			
	Balances as at 31/12/06	Additions	Disposals	Balances as at 31/12/07
Short-term credit with group companies due to tax effect:				
Income tax	6,006,980	14,282,203	(6,006,980)	14,282,203
Payments on account	(2,013,468)	(10,650,681)	2,013,468	(10,650,681)
Loans to group companies	347,755,615	298,811,368	(452,550,610)	194,016,373
Other loans	-	19,750	-	19,750
	<u>351,749,127</u>	<u>302,462,640</u>	<u>(456,544,122)</u>	<u>197,667,645</u>

At 31 December 2007 loans to group companies include a loan of Euros 134,915 thousand (Euros 311,483 thousand at 31 December 2006) extended to Instituto Grifols, S.A. which is renewable on an annual basis and accrues interest at a variable market rate.

GRIFOLS, S.A.

Notes to the Annual Accounts

(12) Shareholders' Equity

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

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

Details of and movement in shareholders' equity are presented as Appendix II, which forms an integral part of this note to the annual accounts.

(a) Share capital

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

The Company only has information on the identity of its shareholders when this information is provided voluntarily or to comply with prevailing legislation. Based on the information available to the Company, its shareholders holding more than 10% of share capital at 31 December 2007 and 2006 are as follows:

	Percentage ownership	
	2007	2006
Scranton Enterprises, B.V.	10.65	10.78
Morgan Stanley & Co. Inc.	8.19	13.25
Others	81.16	75.97
	100.00	100.00

- Increase of share capital charged to share premium

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

GRIFOLS, S.A.

Notes to the Annual Accounts

All of the Company's shareholders agreed to freely grant their free assignment rights to the Company to enable the Company to fulfil the obligation agreed with the Group's employees on 25 May 2001 (see notes 9 and 24(b)).

- **Reduction of share capital**

In a general meeting held on 6 April 2006 the shareholders agreed to reduce share capital by Euros 130,000 by redeeming with a charge to voluntary reserves all of the 260,000 non-voting shares (see note 9). This agreement was made on the condition that the Company would first acquire these own shares without voting rights and that the operation would take place prior to the Company's shares being floated on the stock market.

The board of directors exercised the rights granted to it by the shareholders and acquired all the non-voting shares for an amount of Euros 279.8 million and redeemed these shares with a charge to voluntary reserves of Euros 19.8 million and a charge to the share premium of Euros 259.8 million, all of which took place prior to the flotation of the Company's shares.

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

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

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

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

GRIFOLS, S.A.

Notes to the Annual Accounts

(b) Share premium

The share premium is subject to the same restrictions and may be used for the same purposes as the voluntary reserves, including conversion into share capital. The share premium is freely distributable except for an amount of Euros 9,201,596 corresponding to the net book value at 31 December 2007 of the share issue costs pending amortisation (see note 5) and except for an amount of Euros 24,005,414 corresponding to the negative voluntary reserves (see note 12(c)).

(c) Reserves

At 31 December 2007 and 2006 reserves are as follows:

	Euros	
	2007	2006
Legal reserve	9,203,602	7,382,939
Non-distributable reserve	3,020	3,020
Voluntary reserves (note 12(b))	(24,005,414)	1,306,954
Reserve for own shares (note 9)	28,893,132	-
	<u>14,094,340</u>	<u>8,692,913</u>

- Legal reserve

Companies are obliged to transfer a minimum of 10% of the profits for the year to a legal reserve, until such a reserve reaches an amount equal to 20% of the share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase the share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase.

- Non-distributable reserve

This reserve includes Euros 3,020 resulting from the translation and round-off of share capital to Euros.

- Voluntary reserves

At 31 December 2007 voluntary reserves are not freely distributable. Movement during the year is shown in Appendix II.

GRIFOLS, S.A.

Notes to the Annual Accounts

- Reserve for own shares

The reserve for own shares is not freely distributable and must be maintained for an amount equal to the net book value of the shares until they are disposed of or redeemed (see note 9).

(13) Deferred Income

Details are as follows:

	Euros	
	2007	2006
Deferred income from income tax credits (note 23)	796,106	992,896
	<u>796,106</u>	<u>992,896</u>

(14) Long-term Borrowings

Details of long-term borrowings are as follows:

	Euros	
	2007	2006
Syndicated loan with a Euros 225 million limit, maturing on 21 June 2011 and bearing interest at a rate of Euribor plus a spread of between 0.7% and 1.50% depending on compliance with certain covenants, the agent bank of which is Banco Bilbao Vizcaya Argentaria, S.A.	170,000,000	175,000,000
Loans from Institut Català de Finances maturing on 29/11/2016 and bearing interest at a rate of Euribor +1%.	-	731,703
Mortgage loan of Euros 902 thousand maturing on 16/05/2012 and bearing interest at a rate of Euribor +1% (note 7).	383,996	460,685
Spanish Official Credit Institute loan of Euros 30,000 thousand maturing on 25/05/2016 and bearing interest at a rate of Euribor +1%.	30,000,000	30,000,000
Lease financing creditors (note 6)	642,956	243,243
	<u>201,026,952</u>	<u>206,435,631</u>
Less, current portion (note 15)	(31,017,185)	(31,088,394)
	<u>170,009,767</u>	<u>175,347,237</u>

GRIFOLS, S.A.

Notes to the Annual Accounts

Details of maturities of long-term borrowings at 31 December 2007 and 2006 are as follows:

	Euros	
	2007	2006
Maturity:		
Two years	35,413,053	31,282,812
Three years	35,276,714	33,142,192
Four years	81,280,053	33,094,870
Five years	4,039,947	33,097,648
Thereafter	14,000,000	44,729,715
	<hr/>	<hr/>
	170,009,767	175,347,237

On 21 June 2005, the Company signed a syndicated loan for an amount of Euros 225 million, the agent bank of which is BBVA. This syndicated loan, maturing on 21 June 2011, is subject to compliance with certain obligations relating to financial ratios. In accordance with the agreed conditions, the degree of compliance with the financial ratios will be determined at the close of each financial year and the Company must provide certain financial information to the granting banks during the six months following 31 December of each year of the term of the loan.

On 21 November 2006 the Company and the syndicate of banks that extended the syndicated loan signed a new contract to renew this loan so that the financial ratios established in the loan contract were calculated based on the figures presented under EU-IFRS.

At 31 December 2007 the Company has complied with the ratios established in this contract.

GRIFOLS, S.A.
Notes to the Annual Accounts

(15) Short-term Borrowings

Short-term borrowings are as follows:

	Interest rate, % Min-Max	Euros			
		Drawn down		Limit	
		2007	2006	2007	2006
Borrowings in:					
Euros	4.00% - 5.54%	517,467	3,011,924	1,977,750	50,888,394
US Dollars	5.41% - 6.54%	26,687,341	-	34,224,680	-
		<u>27,204,808</u>	<u>3,011,924</u>	<u>36,202,430</u>	<u>50,888,394</u>
Current interest on borrowings		708,887	387,354		
Lease financing creditors (note 6)		540,176	330,928		
Current portion of long-term debt (note 14)		31,017,185	31,088,394		
		<u>59,471,056</u>	<u>34,818,600</u>		

GRIFOLS, S.A.

Notes to the Annual Accounts

(16) Short-term debts with group companies

Details of short-term debts with group companies are as follows:

	Euros	
	2007	2006
Suppliers	36,374	52,650
Loans	13,489,727	10,886,196
Other short-term debt	4,284,983	3,198,857
Debts for tax effect:		
Income tax		
for the year	(815,445)	1,690,624
Payments on account	1,235,153	1,853,380
	<u>18,230,792</u>	<u>17,681,707</u>

Intercompany loans bear interest at rates of between 3.75% and 6.50% per annum (see note 21).

(17) Trade creditors

Details of trade creditors are as follows:

	Euros	
	2007	2006
Suppliers	9,894,654	7,138,130
notes payable to suppliers	250,063	128,859
	<u>10,144,717</u>	<u>7,266,989</u>

Practically all outstanding balances are expressed in Euros.

(18) Other creditors

Details of other creditors are as follows:

	Euros	
	2007	2006
Public entities	1,779,482	1,689,030
Other debts	5,766	133,862
Salaries payable	2,258,024	1,826,081
	<u>4,043,272</u>	<u>3,648,973</u>

GRIFOLS, S.A.
Notes to the Annual Accounts

Balances payable to public entities are as follows:

	Euros	
	2007	2006
Tax authorities:		
VAT / IGIC	-	37,340
Withholdings	447,405	353,577
Social Security, creditor	241,088	217,932
Deferred tax liabilities (note 23)	859,825	849,017
Other public entities	231,164	231,164
	1,779,482	1,689,030

(19) Net sales

As detailed in note 1, practically all revenues are generated from operations with group companies (see note 21).

(20) Personnel expenses

Details of personnel expenses are as follows:

	Euros	
	2007	2006
Wages and salaries	14,986,353	13,178,668
Pension plan contributions	43,102	42,061
Welfare benefits	3,135,236	2,700,465
	18,164,691	15,921,194

A breakdown of the average headcount, by professional category, is as follows:

	Average number of employees	
	2007	2006
Management	22	20
Technicians and middle management	121	120
Administrative staff	61	60
Auxiliary staff	37	32
	241	232

GRIFOLS, S.A.

Notes to the Annual Accounts

The workforce by professional category and gender at 31 December 2007 is as follows:

	Male	Female
Management	14	8
Technicians and middle management	55	65
Administrative staff	15	49
Auxiliary staff	30	13
	114	135

(21) Transactions with Group Companies

The main intercompany transactions are as follows:

	Euros	
	2007	2006
Income		
Net sales and services rendered	31,783,045	29,393,909
Interest income	18,108,141	14,453,726
Dividends (note 8(a))	38,304,605	36,238,913
Expenses		
Other operating expenses	342,165	225,363
Interest expenses	827,851	511,653

In addition to the above transactions, during 2007 the Company has acquired certain tangible assets from Group companies amounting to Euros 101,555 (Euros 251,239 at 31 December 2006).

Details of transactions between Group companies relating to with the corporate restructuring of the North American companies are provided in note 8(a).

GRIFOLS, S.A.

Notes to the Annual Accounts

(22) Remuneration of and Balances with Members of the Board of Directors

The overall remuneration of the members of the board of directors who have a working relationship with the Company amounts to Euros 1,766,955 in 2007 (Euros 1,637,508 at 31 December 2006).

The independent members of the board of directors of Grifols, S.A. have received remuneration of Euros 120,000 for their duties (Euros 60,000 at 31 December 2006), Euros 60,000 thousand of which is payable at 31 December 2007.

At 31 December 2007 and 2006 no debtor or creditor balances are held with the members of the board of directors.

The directors of Grifols, S.A. do not hold any investments in companies with a statutory activity which is identical, similar or complementary to that of the Company. The posts held and duties and activities conducted by the directors of Grifols, S.A. in group companies and/or companies with a statutory activity which is identical, similar or complementary to that of the Company are detailed in Appendix III which forms an integral part of this note to the annual accounts.

(23) Taxation

The Company presents annual income tax returns.

On 28 November 2006 Law 35 on Personal Income Tax was published, which partially modifies the Corporate Income Tax Law. This law establishes that an additional provision to the modified text of the Corporate Income Tax Law enacted by Royal Decree Law 4 dated 5 March 2004 will be applicable for periods starting 1 January 2007 which states that the income tax rate for tax periods starting on 1 January 2007 will be 32.5% and 30% for tax periods starting on 1 January 2008 and thereafter. The standard rate of tax may be reduced by certain credits.

The Company is authorised to file consolidated income tax returns. Owing to the fact that Grifols, S.A. is the parent company, it is responsible before the tax authorities for the filing and payment of consolidated income tax returns.

GRIFOLS, S.A.

Notes to the Annual Accounts

Due to the treatment permitted by fiscal legislation of certain transactions, the accounting profit differs from the profit for fiscal purposes. A reconciliation of accounting profit for the year with the taxable income that the Company expects to declare after approval of the annual accounts is as follows:

	Euros	
	2007	2006
Accounting income before income tax	24,086,776	9,630,797
Permanent differences:		
Generated during the year	(15,425,605)	(10,757,653)
Intercompany transactions	(24,671,397)	(23,196,502)
	(40,097,002)	(33,954,155)
Taxable accounting losses	(16,010,226)	(24,323,358)
Timing differences		
Generated during the year	36,817	282,917
Reversal of prior years	(447,046)	(3,093,054)
	(410,229)	(2,810,137)
Other adjustments to tax loss	-	(52,916)
Tax loss	(16,420,455)	(27,186,411)
Tax loss carryforwards applicable/(applied)	(14,741,597)	14,741,597
Adjusted tax loss	(31,162,052)	(12,444,814)
Tax at 32.5% (35% in 2006)	(10,127,667)	(4,355,685)
Deductions and credits	(871,681)	-
Net income tax	(10,999,348)	(4,355,685)
Withholdings and payments on account	(5,754,314)	(2,214,232)
Income tax recoverable	(16,753,662)	(6,569,917)

GRIFOLS, S.A.

Notes to the Annual Accounts

Details of consolidated income tax expense comprising the Company's individual income tax expense plus the income tax expense of the other group companies filing consolidated income tax returns are as follows:

	Euros	
	2007	2006
Individual income tax:		
Individual, recoverable	(16,753,662)	(6,569,917)
Group companies, recoverable	(298,384)	(1,690,624)
Group companies, payable	15,396,032	6,006,980
Consolidated income tax recoverable	(1,656,014)	(2,253,561)
	(note 10)	

The income tax payable/recoverable for the year is calculated as follows:

	Euros	
	2007	2006
Taxable accounting losses	(16,010,226)	(24,323,358)
Tax at 32.5% (35% in 2006)	(5,203,323)	(8,513,175)
Deductions and credits	(199,785)	-
Income from accrual of deductions	(216,743)	(203,831)
Other income taxes	131,515	347,911
Adjustment to prior years' income tax	-	(206,735)
Income for the year	(5,488,336)	(8,575,830)

GRIFOLS, S.A.

Notes to the Annual Accounts

Details of timing differences in the recognition of expenses and income for accounting and tax purposes and the corresponding accumulated deferred tax assets and liabilities are as follows:

	Euros			
	Timing difference		Tax effect	
	2007	2006	2007	2006
Deferred tax assets				
Pension fund	91,415	218,417	27,425	65,789
Provision for decline in value of investments	52,917	52,917	18,521	18,521
Provision for expenses pending valuation	-	230,000	-	74,750
Capitalisable expenses	87,071	101,200	26,121	32,027
	231,403	602,534	72,067	191,087
			(note 10)	
Deferred tax liabilities				
Lease financing	2,866,083	2,826,986	859,825	849,017
	2,866,083	2,826,986	859,825	849,017
			(note 18)	

Under the provisions of Royal Decree Law 3/1993 concerning urgent measures for budgetary, tax and financial items and of Royal Decree Law 7/1994 and 2/1995 concerning accelerated depreciation on investments that generate employment, Grifols, S.A. and its subsidiaries have decided to apply accelerated depreciation to certain fixed assets for fiscal purposes. The corresponding deferred tax has therefore been recognised in the individual and consolidated annual accounts.

Under current legislation, taxes cannot be considered definitive until they have been inspected and approved by the tax authorities or before the inspection period has elapsed. At 31 December 2007 the Company has open to inspection by the tax authorities all main applicable taxes since the year ended 31 December 2004. The directors do not expect that any significant liabilities would arise in the event of inspection.

GRIFOLS, S.A.

Notes to the Annual Accounts

At 31 December 2006 the Company's directors recognised Euros 4,791,019 for the tax credit resulting from the loss carryforwards amounting to Euros 14,741,597 at that date, the future recovery of which is estimated to be reasonably assured (see note 10). These tax loss carryforwards have been offset by the Group in 2007.

At 31 December 2007 the Company has the following deductions for investments pending application:

Year of origin	Euros	Available until
2003	291,510	2018
2004	340,466	2019
2005	21,146	2020
2006	7,042	2021
2007 (estimated)	19,953	2022
	<hr/>	
	680,117	
	<hr/>	

As mentioned in note 4 (i), at 31 December 2007 the Company's directors have recognised an amount of Euros 680 thousand (see notes 8 and 10) corresponding to the tax credit on deductions pending application, having estimated that its future recovery is assured. The income related to this recognition has been deferred over the useful life of the assets which have generated this deduction, mainly comprising foreign investments.

GRIFOLS, S.A.

Notes to the Annual Accounts

Details, of the tax effect of this recognition and the amounts pending application as at 31 December 2007 and 2006 are as follows:

	Euros	
	2007	2006
Tax credit for deductions pending application	1,332,060	1,230,911
Other movements	-	94,107
Deductions generated during the year	19,953	7,042
Deductions applied during the year	(671,896)	-
Tax credit for deductions (notes 8 and 10)	680,117	1,332,060
Deferred income	992,896	1,189,685
Income generated during the year	19,953	7,042
Income recognised during the year	(216,743)	(203,831)
Deferred income (note 13)	796,106	992,896

(24) Guarantees with third parties and other contingent liabilities

(a) Guarantees and other deposits

The Company has extended bank guarantees to group companies for a sum of Euros 203,184 thousand.

Instituto Grifols, S.A., Laboratorios Grifols, S.A., Movaco, S.A., Diagnostic Grifols, S.A. Biomat, S.A., Grifols Biologicals, Inc and Biomat USA, Inc. have extended joint bank guarantees to secure the syndicated loan for a total amount of Euros 178,594 thousand (Euros 209,531 thousand at 31 December 2006).

GRIFOLS, S.A.

Notes to the Annual Accounts

Instituto Grifols, S.A., Laboratorios Grifols, S.A., Movaco, S.A., Diagnostic Grifols, S.A., Biomat, S.A., Grifols Deutschland GmbH, Grifols Italia S.p.A. and Grifols UK Ltd. have extended joint bank guarantees of Euros 30,000 thousand.

(b) Obligations with personnel

As mentioned in note 4(n), in conjunction with the Spanish group companies, the Company is obliged to set up a defined contribution pension plan.

In the general meeting held on 25 May 2001 the shareholders authorised the board of directors to distribute 1,740,892 shares free-of-charge to the Group's employees (excluding directors and senior management) with a minimum of one year of service at the date of the agreement, following criteria based on years of service. The board of directors must establish when the shares should be awarded, which must be subsequent to flotation of the Company's shares on the stock market. During 2006 and subsequent to the flotation of the Company's shares on the stock market (17 May 2006), the board of directors distributed these shares to employees free-of-charge.

(c) Swaps

The Company carries out interest-rate swap operations. The results of these operations are registered on an accrual basis and, where applicable, at the moment early repayment is made.

At 31 December 2007 the Company has a swap contract for a nominal amount of Euros 50,000 thousand, maturing on 26 July 2011. The fair value of this contract is a positive amount of approximately Euros 511 thousand.

GRIFOLS, S.A.

Notes to the Annual Accounts

(25) Environment

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

Project	Euros		
	Cost	Accumulated depreciation	Net value
Equalisation pools	20,872	(6,982)	13,890
Waste disposal point connections	57,243	(27,115)	30,128
Well improvements	38,542	(22,162)	16,380
Water recovery	42,218	(42,218)	0
Chemical product storage deposit	20,033	(16,360)	3,673
Neutralisation tank automation	6,053	(6,053)	0
Drainage improvements	8,907	(8,907)	0
Preparation of external areas	19,495	(6,173)	13,322
HCl deposit for water area	16,200	(6,075)	10,125
NaOH deposit for water area	14,200	(5,325)	8,875
TOC meter for waste water	72,456	(34,858)	37,598
	316,219	(182,228)	133,991

The expenses incurred by the Company in the protection and improvement of the environment during the year ended 31 December 2007 have amounted to approximately Euros 407 thousand.

The Company considers that environmental risks are adequately controlled by the procedures currently implemented.

The Company has not received any environmental grants during the year ended 31 December 2007.

GRIFOLS, S.A.

Notes to the Annual Accounts

(26) Other information

KPMG Auditores, S.L. and other companies related to the auditors as defined in the fourteenth additional provision of legislation governing the reform of the financial system have accrued the following fees to the Company for professional services during the year ended 31 December 2007:

	Euros
Annual audit services	78,000
Other audit and related services	50,000
	<hr/> 128,000 <hr/>

Audit services detailed in the above table include the full amount of fees relating to the audit for 2007, irrespective of the date of invoice.

(27) Subsequent events

(a) Inclusion on the IBEX 35 stock market index

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

(b) Acquisition of fixed assets

On 17 January 2008 the Company has exercised the purchase option it held (see note 7) and has acquired a 31,000 m² industrial complex in Parets del Vallés in order to boost the Group's production capacity.

(c) Acquisition of treasury shares

Subsequent to the year-end close, the Company has acquired 256,792 additional own shares in addition to the shares held at 31 December 2007 (see note 9), whereby it now holds 1.10% of its share capital.

(28) Statements of Source and Application of Funds

The statements of source and application of funds for the years ended 31 December 2007 and 2006 are detailed in Appendix IV, which forms an integral part of this note to the annual accounts.

**APPENDIX I
GRIFOLS, S.A.**

**Details of shareholders' equity of group companies
31 December 2007**

(Expressed in Euros)

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

Name	% ownership		Share capital	Share premium	Reserves	Currency translation differences	Prior years' profit/(loss)	Profit/(Loss) for the year	Interim dividend	Total shareholders' equity
	Direct	Indirect								
Laboratorios Grifols, S.A.	99.998	0.002	4,798,324	--	8,097,308	--	--	(97,673)	--	12,797,959
Instituto Grifols, S.A.	99.998	0.002	1,537,989	--	13,646,536	--	--	30,397,723	(15,500,000)	30,082,248
Movaco, S.A.	99.999	0.001	2,404,601	--	885,442	--	--	7,056,024	--	10,346,067
Grifols Portugal Produtos Farmacéuticos e Hospitalares, Lda.	0.015	99.985	686,790	--	(252,286)	20,379	--	219,767	--	673,650
Diagnostic Grifols, S.A.	99.998	0.002	336,560	--	7,823,561	--	--	4,073,725	--	12,233,846
Logister, S.A.	--	100.000	105,325	--	254,757	--	--	7,972	--	368,054
Grifols Chile, S.A.	100.000	--	385,453	--	2,181,309	94,993	--	1,529,907	--	4,191,662
Blomat, S.A.	99.900	0.100	60,110	--	1,873,017	--	--	2,108,609	--	4,041,736
Grifols Argentina, S.A.	100.000	--	955,675	--	1,639,348	(941,360)	--	579,331	--	2,233,004
Grifols, s.r.o.	100.000	--	51,597	--	2,046,859	322,762	--	828,940	--	3,250,158
Grifols México, S.A. de C.V.	100.000	--	553,676	--	1,229,269	33,656	--	2,385,623	--	4,202,224
Grifols Viajes, S.A.	99.900	0.100	60,110	--	178,680	--	(2,646)	40,564	--	276,708
Grifols USA, LLC	--	100.000	561,686	198,985	(188,373)	(757,845)	--	11,943,708	--	11,758,161
Grifols International, S.A.	99.900	0.100	2,860,154	--	1,392,830	--	(1,093,393)	2,121,217	--	5,280,808
Grifols Deutschland, GmbH	100.000	--	2,924,813	--	556,313	8,913	--	3,356,873	--	6,846,912
Grifols Italia, S.p.A.	100.000	--	308,662	2,829,415	3,030,018	17,111	--	1,862,099	--	7,847,305
Grifols UK, Ltd.	100.000	--	4,285	4,385,892	(296,062)	(172,508)	--	3,853,549	(1,567,311)	6,007,845
Grifols Brasil, Ltda.	100.000	--	764,095	--	(150,386)	(227,501)	--	1,075,213	--	1,461,421
Grifols France, S.A.R.L.	99.000	1.000	7,700	--	533,760	--	--	373,304	--	914,764
Grifols Engineering, S.A.	99.950	0.050	60,120	--	1,766,434	--	--	458,829	--	2,285,383
Blomat USA, Inc.	--	100.000	--	74,050,489	(11,140,658)	(20,535,002)	--	6,851,928	--	49,226,757
Squadron Reinsurance Ltd.	99.999	0.001	1,000,000	--	4,734,353	--	--	2,662,011	--	8,416,364
Grifols, Inc.	100.000	--	--	34,585,918	167,705,720	(8,827,808)	--	4,765,307	--	198,229,137
Grifols Asia Pacific Pte. Ltd.	100.000	--	362,387	883,464	2,123,110	(667,444)	--	1,772,093	(352,634)	4,120,976
Grifols Biologicals, Inc.	--	100.000	--	33,372,773	17,359,846	(11,402,392)	--	21,766,390	--	61,096,617
Grifols (Thailand), Ltd.	--	48.000	61,198	234,646	238,975	(13,743)	--	965,558	--	1,486,634
Alpha Therapeutic Italia, S.p.A.	100.000	--	500,000	--	671,595	(47,522)	--	500,661	--	1,624,934
Grifols Polska, Sp.z.o.o.	100.000	--	10,714	--	261,147	49,575	--	432,815	--	754,251
Grifols Malaysia Sdn Bhd	--	30.000	30,283	--	189,970	(12,218)	--	102,133	--	310,168
Plasmacare, Inc.	--	100.000	15,241	--	8,492,991	(1,694,756)	--	4,022,499	--	10,835,975
Plasma Collection Centers, Inc.	--	50.000	--	16,463,553	--	(1,682,282)	--	(63,592)	--	14,717,679

This Appendix forms an integral part of note 8(a) to the annual accounts.

**APPENDIX I
GRIFOLS, S.A.**

Details of shareholders' equity of group companies

31 December 2006

(Expressed in Euros)

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

Name	% ownership		Share capital	Share premium	Reserves	Currency translation differences	Prior years' profit/(loss)	Profit/(Loss) for the year	Interim dividend	Total shareholders' equity
	Direct	Indirect								
Laboratorios Grifols S.A.	99.998	0.002	4,798,324	--	7,204,623	--	--	892,685	--	12,895,632
Instituto Grifols S.A.	99.998	0.002	1,537,989	--	30,064,375	--	--	2,033,070	--	33,635,434
Movaco, S.A.	99.999	0.001	2,404,601	--	885,442	--	--	6,891,123	--	10,181,166
Grifols Portugal Produtos Farmacéuticos e Hospitalares, Lda.	0.015	99.985	685,790	--	13,173	20,379	--	(266,459)	--	453,883
Diagnostic Grifols S.A.	99.998	0.002	336,560	--	7,055,903	--	--	5,767,658	(3,000,000.00)	10,160,121
Logister, S.A.	--	100.000	105,925	--	248,126	--	--	6,631	--	360,082
Grifols Chile S.A.	100.000	--	385,453	--	1,555,517	255,964	--	1,245,870	--	3,442,804
Biomat, S.A.	99.900	0.100	60,110	--	1,873,017	--	--	280,677	--	2,213,804
Grifols Argentina, S.A.	100.000	--	955,675	--	6,072,175	(595,765)	(4,378,970)	361,730	--	2,414,845
Grifols s.r.o.	100.000	--	51,597	--	1,701,391	221,450	--	345,405	--	2,319,843
Grifols México, S.A. de C.V.	100.000	--	553,676	--	1,095,073	487,183	--	823,968	--	2,959,900
Grifols Viajes, S.A.	99.900	0.100	60,110	--	178,680	--	(34,469)	31,824	--	236,145
Grifols USA, LLC	--	100.000	561,686	196,985	5,332,311	187,940	(4,269,516)	11,711,597	--	13,723,003
Grifols International S.A.	99.900	0.100	2,860,154	--	1,106,892	--	(3,666,837)	2,859,382	--	3,159,591
Grifols Deutschland, GmbH	100.000	--	2,924,813	--	1,553,647	8,913	(1,086,776)	4,089,442	--	7,490,039
Grifols Italia S.p.A.	100.000	--	308,662	2,829,415	2,177,533	17,111	--	2,352,485	--	7,685,206
Grifols UK, Ltd.	100.000	--	4,285	4,385,892	8,488,287	350,984	--	3,120,072	(8,263,313)	8,066,187
Grifols Brasil, Ltda.	100.000	--	764,095	--	513,469	(292,648)	(589,719)	(74,064)	--	321,133
Grifols France, S.A.R.L.	99.000	1.000	7,700	--	532,005	--	--	236,756	--	776,461
Grifols Engineering, S.A.	99.950	0.050	60,120	--	1,551,732	--	--	214,702	--	1,826,554
Biomat USA, Inc.	--	100.000	--	74,050,489	(501,682)	(14,763,944)	(12,074,624)	1,447,584	--	48,157,823
Squadron Reinsurance Ltd.	99.999	0.001	1,000,000	--	4,114,290	(2)	--	620,063	--	5,734,351
Grifols, Inc.	100.000	--	--	34,585,918	1,325,226	(2,430,503)	(10,484,796)	494,224	--	23,490,069
Grifols Asia Pacific Pte. Ltd.	100.000	--	362,387	863,464	1,492,053	(239,815)	(180,344)	1,369,043	--	3,686,788
Alpha Therapeutic Europe, Ltd.	100.000	--	9,277,682	--	892,911	320,720	(5,223,229)	561,000	--	5,829,084
Grifols Biologicals, Inc.	--	100.000	--	33,372,773	19,528,381	(4,451,739)	--	9,778,665	--	58,228,080
Grifols (Thailand), Ltd.	--	48.000	61,198	234,646	172,078	(79,603)	(295,228)	393,024	--	486,115
Alpha Therapeutic UK, Ltd.	--	100.000	1	--	1,075,887	17,137	--	432,126	--	1,525,151
Alpha Therapeutic Italia, S.p.A.	100.000	--	100,000	--	736,641	(47,522)	--	834,955	--	1,624,074
Grifols Polska, Sp.z.o.o.	100.000	--	10,714	--	163,585	16,555	--	97,603	--	288,457
Grifols Malaysia Sdn Bhd	--	30.000	30,283	--	66,840	797	--	123,128	--	221,048
Plasmacare, Inc.	--	100.000	8,319	--	5,631,950	(598,785)	--	2,860,666	--	7,902,150

This Appendix forms an integral part of note 8(a) to the annual accounts.

APPENDIX II
GRIFOLS, S.A.

Movement in shareholders' equity for the years ended
31 December 2007 and 2006

(Expressed in Euros)

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

	Share capital	Share premium	Legal reserve	Non-distributab. reserves	Voluntary reserves	Reserve for own shares	Profit for the year	Total
Balances as at 31 December 2005	70,299,149	115,665,110	6,086,843	3,020	16,444,831	-	12,960,959	221,459,912
Distribution of 2005 profit								
Reserves	-	-	1,296,096	-	4,664,863	-	(5,960,959)	0
Dividends	-	-	-	-	-	-	(7,000,000)	(7,000,000)
Increase in share capital through monetary contribution	35,500,000	276,900,000	-	-	-	-	-	312,400,000
Increase in share capital with a charge to share premium	863,300	(863,300)	-	-	-	-	-	0
Reduction in share capital	(130,000)	(259,870,000)	-	-	(19,802,740)	-	-	(279,802,740)
Profit for the year	-	-	-	-	-	-	18,206,627	18,206,627
Balances as at 31 December 2006	106,532,449	131,831,810	7,382,939	3,020	1,306,954	0	18,206,627	265,263,799
Distribution of 2006 profit								
Reserves	-	-	1,820,663	-	3,580,764	-	(5,401,427)	0
Dividends	-	-	-	-	-	-	(12,805,200)	(12,805,200)
Incorporation of reserve for own shares	-	-	-	-	(28,893,132)	28,893,132	-	0
Profit for the year	-	-	-	-	-	-	29,575,112	29,575,112
Balances as at 31 December 2007	106,532,449	131,831,810	9,203,602	3,020	(24,005,414)	28,893,132	29,575,112	282,033,711

This Appendix forms an integral part of note 12 to the annual accounts.

**APPENDIX III
GRIFOLS, S.A.**

**Members of the board of directors with posts in companies with identical, similar or complementary activities
31 December 2007**

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

Board member	Company in which post is held	Position
Dagà Gelibert, T.	Grifols, Inc.	Director
Dagà Gelibert, T.	Biomat USA, Inc.	Director
Dagà Gelibert, T.	PlasmaCare, Inc.	Director
Doster, T. E.	Instituto Grifols, S.A.	Director
Glanzmann, T.	Instituto Grifols, S.A.	Chairman / Director
Glanzmann, T.	Gambro AB	Director
Janotta, E.D.	Instituto Grifols, S.A.	Director
Grifols Gras, J.A.	Instituto Grifols, S.A.	Director
Grifols Roura, V.	Biomat, S.A.	Administrator
Grifols Roura, V.	Diagnostic Grifols, S.A.	Administrator
Grifols Roura, V.	Grifols Engineering, S.A.	Administrator
Grifols Roura, V.	Grifols International, S.A.	Administrator
Grifols Roura, V.	Grifols Viajes, S.A.	Administrator
Grifols Roura, V.	Instituto Grifols, S.A.	Chairman / Director / CEO
Grifols Roura, V.	Laboratorios Grifols, S.A.	Administrator
Grifols Roura, V.	Logister, S.A.	Administrator
Grifols Roura, V.	Movaco, S.A.	Administrator
Grifols Roura, V.	Grifols Deutschland, GmbH	Administrator
Grifols Roura, V.	Grifols, Inc.	Director
Grifols Roura, V.	Biomat USA, Inc.	Administrator
Grifols Roura, V.	Grifols, S.r.o.	Administrator
Grifols Roura, V.	Grifols UK, Ltd.	Administrator
Grifols Roura, V.	Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	Administrator
Grifols Roura, V.	Grifols France S.A.R.L.	Joint manager
Grifols Roura, V.	Grifols Chile, S.A.	Director
Grifols Roura, V.	Grifols Italia S.p.A.	Chairman
Grifols Roura, V.	PlasmaCare, Inc.	Chairman
Purslow, C.M.C.	Instituto Grifols, S.A.	Director
Riera Roca, R.	Grifols International, S.A.	Administrator
Riera Roca, R.	Instituto Grifols, S.A.	Director
Riera Roca, R.	Grifols, Inc.	Director
Riera Roca, R.	Biomat USA, Inc.	Director
Riera Roca, R.	Grifols Argentina, S.A.	Chairman
Riera Roca, R.	Grifols Polska Sp.z.o.o.	Chairman
Riera Roca, R.	Grifols France S.A.R.L.	Joint manager
Riera Roca, R.	Grifols Chile, S.A.	Director
Riera Roca, R.	Alpha Therapeutic Italia, S.p.A.	Chairman
Riera Roca, R.	PlasmaCare, Inc.	Director
Twose Roura, J.I.	Grifols Engineering, S.A.	Administrator
Twose Roura, J.I.	Instituto Grifols, S.A.	Director
Twose Roura, J.I.	Grifols, Inc.	Director
Twose Roura, J.I.	Biomat USA, Inc.	Director
Twose Roura, J.I.	PlasmaCare, Inc.	Director

**APPENDIX III
GRIFOLS, S.A.**

**Members of the board of directors with posts in companies with identical, similar or complementary activities
31 December 2006**

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

Board member	Company in which post is held	Position
Dagà Gelabert, T.	Grifols, Inc.	Director
Dagà Gelabert, T.	Biomat USA, Inc.	Director
Dagà Gelabert, T.	PlasmaCare, Inc.	Director
Doster, T. E.	Instituto Grifols, S.A.	Director
Glanzmann, T.	Instituto Grifols, S.A.	Director
Grifols Roura, V.	Biomat, S.A.	Administrator
Grifols Roura, V.	Diagnostic Grifols, S.A.	Administrator
Grifols Roura, V.	Grifols Engineering, S.A.	Administrator
Grifols Roura, V.	Grifols International, S.A.	Administrator
Grifols Roura, V.	Grifols Viajes, S.A.	Administrator
Grifols Roura, V.	Instituto Grifols, S.A.	Chairman / Director / CEO
Grifols Roura, V.	Laboratorios Grifols, S.A.	Administrator
Grifols Roura, V.	Logister, S.A.	Administrator
Grifols Roura, V.	Movaco, S.A.	Administrator
Grifols Roura, V.	Grifols Deutschland, GmbH	Administrator
Grifols Roura, V.	Grifols, Inc.	Director
Grifols Roura, V.	Biomat USA, Inc.	Director
Grifols Roura, V.	Grifols, s.r.o.	Administrator
Grifols Roura, V.	Grifols UK Ltd	Administrator
Grifols Roura, V.	Alpha Therapeutic UK, Ltd.	Administrator
Grifols Roura, V.	Alpha Therapeutic Europe, Ltd.	Administrator
Grifols Roura, V.	Grifols Portugal Productos	Administrator
Grifols Roura, V.	Farmacéuticos e Hospitalares, Lda.	Administrator
Grifols Roura, V.	Grifols France S.A.R.L.	Joint manager
Grifols Roura, V.	Grifols Chile, S.A.	Director
Grifols Roura, V.	Grifols Italia S.p.A.	Chairman
Grifols Roura, V.	PlasmaCare, Inc.	Chairman
Purslow, C.M.C.	Instituto Grifols, S.A.	Director
Riera Roca, R.	Grifols International, S.A.	Administrator
Riera Roca, R.	Instituto Grifols, S.A.	Director
Riera Roca, R.	Grifols, Inc.	Director
Riera Roca, R.	Biomat USA, Inc.	Director
Riera Roca, R.	Grifols Argentina, S.A.	Chairman
Riera Roca, R.	Grifols Polska Sp.z.o.o.	Chairman
Riera Roca, R.	Grifols France S.A.R.L.	Joint manager
Riera Roca, R.	Grifols Chile, S.A.	Director
Riera Roca, R.	Alpha Therapeutic Italia, S.p.A.	Chairman
Riera Roca, R.	PlasmaCare, Inc.	Director
Twose Roura, J.I.	Grifols Engineering, S.A.	Administrator
Twose Roura, J.I.	Instituto Grifols, S.A.	Director
Twose Roura, J.I.	Grifols, Inc.	Director
Twose Roura, J.I.	Biomat USA, Inc.	Director
Twose Roura, J.I.	PlasmaCare, Inc.	Director

This Appendix forms an integral part of note 22 to the annual accounts.

Appendix IV
GRIFOLS, S.A.

Statements of source and application of funds for the years ended
31 December 2007 and 2006

(Expressed in Euros)

(Free translation from the original in Spanish.

In the event of discrepancy, the Spanish-language version prevails)

Applications	2007	2006	Sources	2007	2006
Funds applied in operations					
Establishment costs and loan arrangement costs		17,852,167	Profit for the year	29,575,112	18,206,627
Acquisition of fixed assets:			Amortisation and depreciation	10,102,872	21,269,170
Intangible assets	3,093,751	2,497,675	Provision for investments	2,801,015	62,350
Tangible assets	7,781,358	1,462,670	Excess in provision for investments	(676,950)	-
Investments	176,376,206	60,516	Excess in provision for liabilities and charges	-	-
Reduction of share capital		279,802,740	Amortisation of loan arrangement costs	637,762	684,319
Dividends	12,805,200	7,000,000	Amortisation of other deferred expenses	28,857	21,908
Acquisition of own shares	28,893,132	-	(Profit)/Loss from disposal of fixed assets	(5,315,836)	453,254
Cancellation or transfer to short term of long-term debt	6,277,359	43,395,454	Deferred income taken to profit	(216,743)	(203,831)
			Total funds generated from operations	36,936,089	40,493,797
			Capital increase through monetary contribution	-	312,400,000
			Long-term debts	860,097	37,446,278
			Other deferred income	19,953	7,042
			Disposal of fixed assets:	-	-
			Intangible assets	-	160,244
			Tangible assets	50,102	-
			Investments	8,355,044	-
			Cancellation or transfer to short-term of long-term investments	662,164	-
Total applications	235,227,006	352,071,222	Total sources	46,883,449	390,507,361
Increase in working capital	-	38,436,139	Decrease in working capital	188,343,557	-
	235,227,006	390,507,361		235,227,006	390,507,361

Appendix IV
GRIFOLS, S.A.

Statements of source and application of funds for the years ended
31 December 2007 and 2006

(Expressed in Euros)

(Free translation from the original in Spanish.

In the event of discrepancy, the Spanish-language version prevails)

Changes in working capital are as follows:

	Increase (Decrease)	
	2007	2006
Stocks	30,216	59,540
Debtors	(6,346,637)	9,063,026
Short-term investments	(154,081,482)	34,775,432
Cash in hand and at banks	(65,165)	(232,341)
Deferred expenses	593,079	523,057
Borrowings	(24,443,208)	(14,367,810)
Lease finance creditors	(209,248)	110,914
Debts with group and associated companies	(549,085)	(2,329,893)
Trade creditors	(2,877,728)	2,836,886
Other creditors	(394,299)	7,997,328
Changes in working capital	(188,343,557)	38,436,139

This Appendix forms an integral part of note 28 to the accompanying annual accounts.

DIRECTORS' REPORT

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

GRIFOLS, S.A.

To the Shareholders:

1. Evolution of the Company's businesses and situation

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

- Define action plans and general procedures for the entire Group.
- Plan future investments by entering new markets or diversifying its product portfolio.
- Provide 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).
- Lease its buildings to group companies.
- Render a series of services to its subsidiaries which they are unable to perform due to structural limitations, such as: personnel recruitment and management, communications and corporate image, IT services and maintenance.

The Company's revenues are generated from the leasing of its buildings, services rendered, and dividends obtained from its subsidiaries.

2. Forecast performance of the Company

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

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

GRIFOLS, S.A.

3. Own shares

At 31 December 2007 the Company has own shares amounting to Euros 28,893 thousand, as explained in note 9 to the accompanying annual accounts. During 2007 it has not sold any own shares.

4. Research and development activities

The Company does not conduct any research and development activities.

5. Use of financial instruments by the Company

At 31 December 2007 the Company has no financial instruments except for the swaps described in note 24(c) to the accompanying annual accounts.

6. Subsequent events

As explained in note 27 to the accompanying annual accounts, with effect from 2 January 2008 the Company's shares have been quoted on the Spanish IBEX 35 index.

During January 2008 the Company has acquired an industrial complex in Parets del Valles (Barcelona).

Subsequent to the year-end close, the Company has acquired a further 256,792 own shares in addition to those held at 31 December 2007, and now holds 1.10% of its share capital.

GRIFOLS, S.A.

In accordance with the provisions of article 171, section 1, of the Spanish Limited Companies Act currently in force, the directors of Grifols, S.A. have prepared the annual accounts and directors' report of the Company for 2007 and 2006, both of which are drawn up and identified on sheets of paper bearing the official State seal, 8th class, numbered from 0I5777625 to 0I5777689.

Parets del Vallés, 12 February 2008

R. Riera R. (signed)

V. Grifols R.
(signed)

C.M.C. Purslow
(signed)

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

T. Daga G. (signed)

E.D. Jannotta (signed)

T. E. Doster (signed)

J.I. Twose R. (signed)

T. Glanzmann (signed)

R. Grifols R. (signed)