09





ANNUAL REPORT 2009

GRIFOLS

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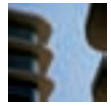
1. INTRODUCTION

1. INTRODUCTION

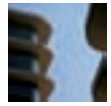


GRIFOLS: SERVING PEOPLE'S HEALTH

We offer innovative products and responsible service to help professionals working in the health sector to look after people's health. Our business is based on ethical principles which form the bedrock of our reputation and ensure the company's continuity and its economic performance.

Our commitment to health is reflected in every area of our activity: we research, develop, manufacture and market plasma products, products for intravenous therapy, enteral nutrition, diagnostic systems and medical supplies to help patients and health professionals in over 90 countries to get better every day with us.

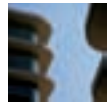
1.1 KEY INDICATORS



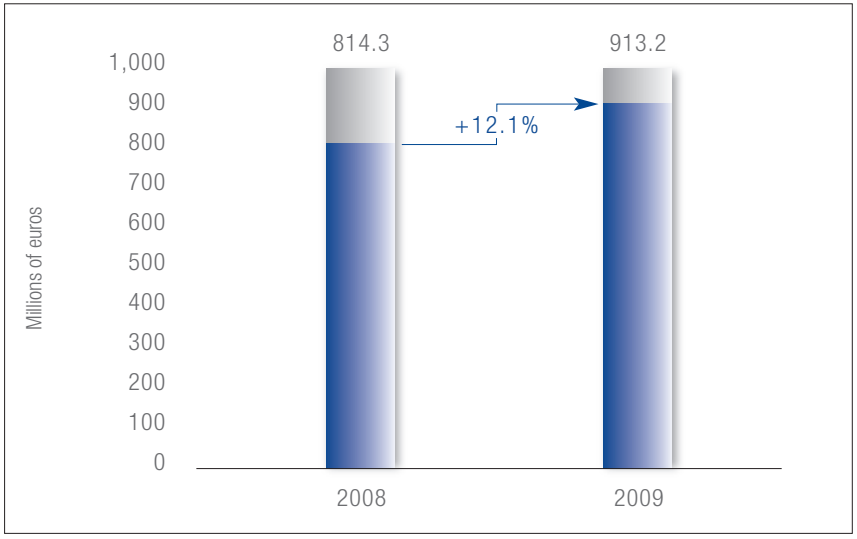
MAIN INDICATORS	Millions of euros		
	2008	2009	% VAR.
INCOME	814.3	913.2	12.1
EBITDA	236.2	266.1	12.6
EBIT	203.0	226.5	11.6
NET RESULTS	121.7	148.0	21.6

OTHER INDICATORS	2008	2009	% VAR.
SHAREHOLDERS' EQUITY	481.3	578.5	20.2
TOTAL ASSETS/LIABILITIES	1.180.2	1,657.2	40.4
FIXED ASSETS	301.0	371.7	23.5

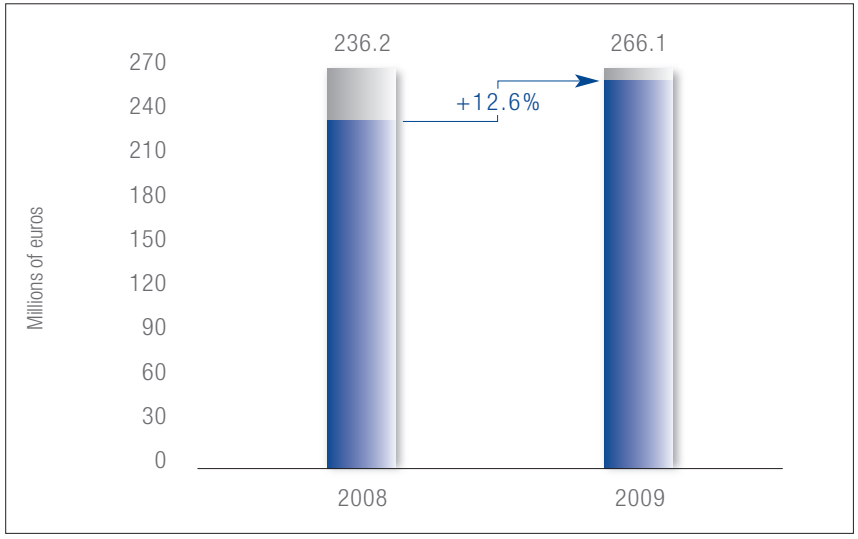
1.1 KEY INDICATORS



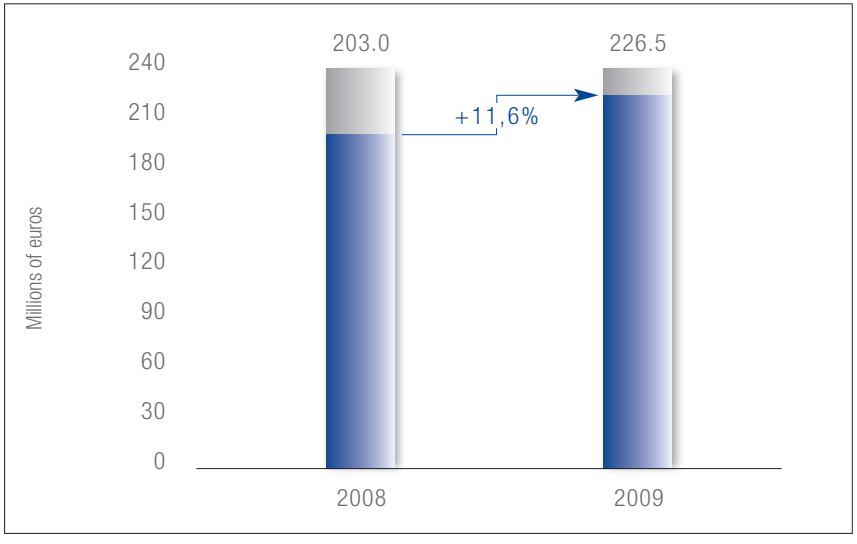
INCOME



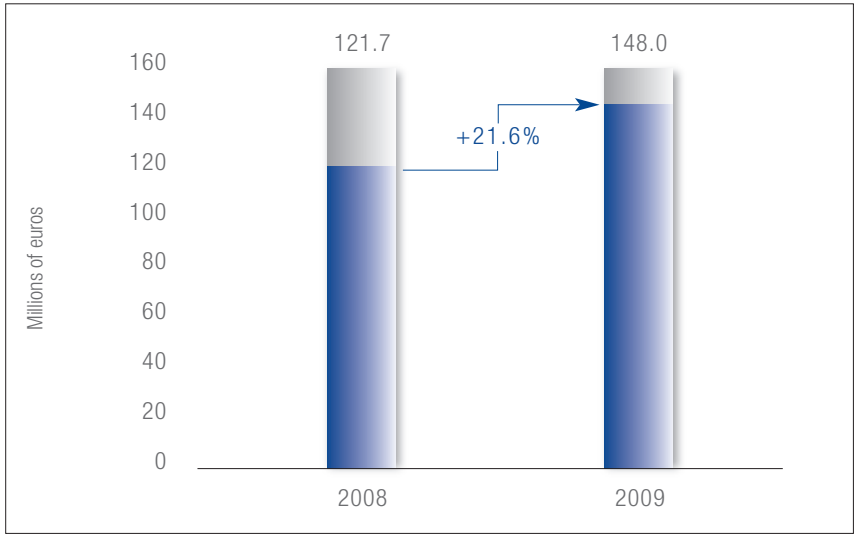
EBITDA



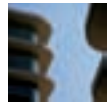
EBIT



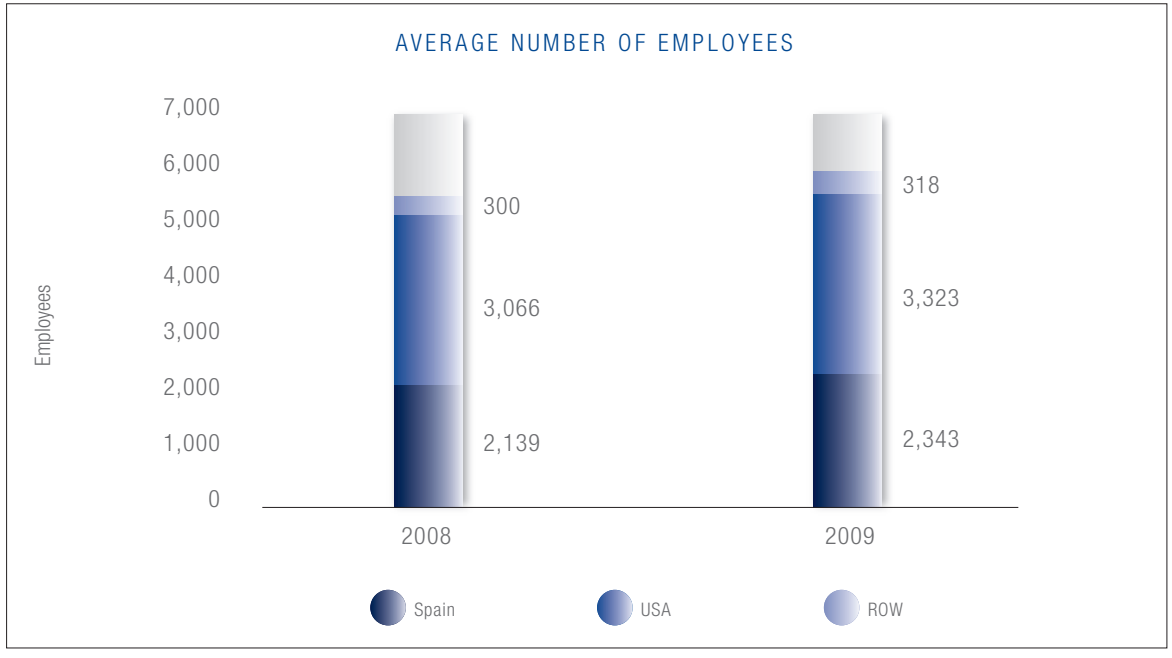
NET PROFIT



1.1 KEY INDICATORS



AVERAGE NUMBER OF EMPLOYEES			
	2008	2009	% VAR.
SPAIN	2,139	2,343	9.5%
USA	3,066	3,323	8.4%
ROW	300	318	6.0%
	5,505	5,984	8.7%



1.2 SIGNIFICANT EVENTS IN 2009

FIRST QUARTER

- **Grifols** acquires 49% of an Australian-Swiss company which manufactures and distributes clinical diagnostics equipment, for 25 million euros. The purchase agreement contemplates taking control of the company.

- **Grifols** achieves quarterly sales record with turnover of 235.6 million euros, 16.8% more than in the same period of the previous year.

- **Grifols** starts sale of Flebogamma® (intravenous immunoglobulin) in Brazil, as a result of submitting a successful tender.

- Opening of **Grifols** Academy of Plasmapheresis in Phoenix, Arizona, in January 2009. The principal function of these facilities is to deliver continuing professional development to the staff of **Grifols**' plasmapheresis centres. The opening was attended by the Spanish Ambassador to the United States, and representatives of the Spanish Ministry of Health, among others.

- New manufacturing area for parenteral nutrition products brought into operation at Parets del Vallès (Barcelona, Spain).

- **Grifols** acquires small holding in the Belgian biotechnological company, Cardio3 BioScience, dedicated to research and development of stem cells for use in cardiology.

1.2 SIGNIFICANT EVENTS IN 2009

SECOND QUARTER

- Start of trading of **Grifols** shares in United States through ADRs (American Depositary Receipts).

- Approval of total gross dividend of 0.23208 euros per share, charged to the results for 2008. This means that almost 40% of net profit has been distributed as dividends.

- **Grifols** promotes research in Spain and Europe into cirrhosis of the liver, signing a cooperation agreement with *Fundació Clínic per a la Recerca Biomèdica* and providing funds worth 2 million euros.

- Renewal of agreement with Kardex Remstar for the exclusive distribution of Kardex systems in Spain, Portugal, Italy and Latin America.

- Agreement with Cerus Corporation to extend the sale and distribution of Intercept Blood System to Italy, together with the joint development of the Intercept System for the specific inactivation of red blood cells.

1.2 SIGNIFICANT EVENTS IN 2009

THIRD QUARTER

- First issue of **Grifols** corporate bonds in the United States, for a value of 600 million dollars.

- **Grifols** starts sale of Niuliva® in Spain and Italy. This is a liquid intravenous immunoglobulin with specific Hepatitis B antibodies, and the first to be marketed in Spain.

- **Grifols** Biologicals Inc. obtains FDA approval for its new fractionation plant. Known as "Minifrac", it has a fractionation capacity of 700,000 litres a year which, together with the 1.5 million litres of existing capacity, increases total fractionation capacity to 2.2 million litres.

- **Grifols** obtains licences to start construction of a second plasma analysis laboratory in San Marcos (Texas). This second laboratory is 30 km from the current one in Austin. **Grifols** has obtained a subsidy from the state of Texas for this project, to the value of 500,000 euros. And the city and county of San Marcos have also offered the group tax advantages worth 2.5 million US dollars over the next 7 years.

- In September, **Grifols** releases intermediate results of its clinical trial into Alzheimer's in the journal *"Drug News and Perspectives"*. The results suggest that systematic plasmapheresis and the administration of albumin could stabilize the illness. The study is due to be completed in mid-2010.

1.2 SIGNIFICANT EVENTS IN 2009

FOURTH QUARTER

- Spain's Minister for Industry, Tourism and Trade, Miguel Sebastián, visits **Grifols** facilities in Los Angeles as part of a Spanish trade mission in California.

- **Grifols** agrees modification of syndicated loan. Net Financial Debt/Equity ratio replaced by Minimum Equity Level. The agreement has been signed by all 24 participating financial institutions.

- **Grifols** starts construction of new parenteral solutions manufacturing plant at Las Torres de Cotillas (Murcia, Spain). Total value of investment is 18 million euros.

1.3 LETTER FROM THE PRESIDENT

Dear shareholders,

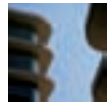
It is time once again for our annual review Grifols' activity, and 2009 has certainly been anything but an easy year, given the fear that liquidity problems and the credit squeeze would put many companies out of business. I usually start these letters by highlighting our sales achievements, but this year I would like to focus on the fact that we are among the top companies in terms of the confidence we enjoy from banks and investors.

We have succeeded in mobilizing impressive volumes of new financial resources, and this not only enables us to grow but also demonstrates that the markets are convinced of our capacity to do so. In 2009 our first corporate bond issue in the United States, for 600 million dollars, was heavily oversubscribed by institutional investors, while all 24 financial institutions participating in the syndicated loan for 350 million euros issued in May 2008, unanimously agreed the novation of this facility. The purpose was to bring the covenants in line with the corporate bond issue, to standardize our financial ratios and provide a more accurate indication of the growth in the group's equity and the value of the company. This would not have been possible without our track record of delivering results which confirm our management strategy.

Income from each division grew in every quarter of the year. Sales of plasma products included in the Bioscience division rose by 12.5% to 695.0 million euros, the Diagnostic division's sales rose by 20.2% to 103.1 million euros, and the Hospital division's sales grew by 4.7% to 86.3 million euros.

Taken overall, we ended 2009 with a rise in turnover of 12.1% to 913.2 million euros, and growth in net profit of 21.6% to 148 million euros, achieving our twin objectives of improving margins and reducing costs, goals which applied to every area of the company's activities. In addition, our EBITDA to sales margin stood at 29.1%, 12.6% up on the figure for the previous year at 266.1 million euros.

1.3 LETTER FROM THE PRESIDENT



The commitment to reducing expenses during 2009 did not affect either our investment policy or our R&D programme, both of which are essential to delivering growth. We continued to invest both in Spain and the United States, with a 104 million euro investment programme which has seen work get under way on the company's second plasma analysis laboratory in Texas, together with the start of construction at the new serum production facilities in Murcia.

At the same time, we have continued working to maintain our competitive advantage within the industry. The FDA approved our new sterile albumin filling facility and the Minifrac fractionation plant in Los Angeles. This will increase our fractionation capacity by 700,000 litres, giving a total capacity of 2.2 million litres. Construction of the new IVIG plant, as part of the same complex, is also making good progress and is scheduled for completion in the second half of 2010.

In addition to the planned organic growth, 2009 has seen significant acquisition activity, with the purchase of an Australian-Swiss group which not only offers significant synergies for our diagnostics area, but also provides us with an opportunity to start the sale of plasma products in Australia.

International expansion has been a key consideration during the year, and over 75% of income is now generated outside of Spain. At the same time, we have succeeded in expanding the overseas markets for the majority of our products and services in all three divisions, including Hospital. Outside of Spain, the United States continues to be a key region, and we have also consolidated our presence in Europe. At the same time, our strategy of achieving geographical balance is currently focused on gradually consolidating sales in new emerging regions. We are therefore seeking to combine our presence in these two mature markets with growth in two areas which promise to be a source of economic dynamism: Latin America and the Asia-Pacific Region. As a result, we are planning to gradually increase our supplies to these emerging markets to meet existing demand in key areas. Indeed, during 2009 countries such as Brazil, Australia and China played a central role in our expansion, delivering growth of around 50%.

1.3 LETTER FROM THE PRESIDENT

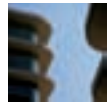
Beyond the figures, Grifols' existing achievements and new projects bring clear benefits for patients, customers, shareholders and employees. At Grifols, our strategy for the future is based on our commitment to maintaining our position as one of the world's leading manufacturers of plasma products, and this is why our R&D activity is so essential. It enables us to improve the efficacy of our biological products, and to explore new lines of research which offer the hope of specific benefits for patients and health systems. One example is provided by the intermediate results presented in mid-2009 with regard to our clinical trial into the treatment of Alzheimer's disease. This provides patients and their families with hope that it may be possible to stabilize Alzheimer's disease through systematic therapeutic plasmapheresis with human albumin.

Grifols' considerable investment in R&D+i, together with our clear commitment to the continuing professional development of our staff, are part of the very essence of the company. The Grifols Academy of Plasmapheresis, which opened in 2009, provides clear evidence of the group's commitment to ensuring that its employees are able to keep abreast of new developments, and it is also an essential tool for disseminating the company's corporate culture, the basis for Grifols three key objectives in 2009: efficacy, internationalization and planning.

I would like to end by thanking our shareholders for their ongoing support, and by reaffirming our commitment to the continuing growth of the company.

Víctor Grifols
President and CEO

1.4 CORPORATE GOVERNMENT

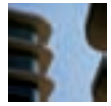


BOARD OF DIRECTORS

Members of **Grifols** Board of Directors at 31 December 2009

Name	Position	Type
Víctor Grifols Roura	President	Executive
Juan Ignacio Twose Roura	Member	Executive
Ramón Riera Roca	Member	Executive
Tomás Dagá Gelabert	Member	Other/external
Thorthol Holdings B.V.	Member	Dominical
Christian M.C. Purslow	Member	Independent
Thomas Glanzmann	Member	Independent
Edgar Dalzell Jannotta	Member	Independent
Anna Veiga Lluch	Member	Independent
Raimon Grifols Roura	Secretary of the Board of Directors (non-member)	
Nuria Martín Barnés	Vice-Secretary (non-member)	

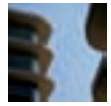
1.4 CORPORATE GOVERNMENT



AUDIT COMMITTEE		
Name	Position	Type
Christian M.C. Purslow	President	Independent
Tomás Dagá Gelabert	Member	Other/external
Tomas Glanzmann	Member	Independent
Raimon Grifols Roura	Secretary (non-member)	

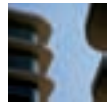
APPOINTMENTS AND RETRIBUTIONS COMMISSION		
Name	Position	Type
Tomas Glanzmann	President	Independent
Víctor Grifols Roura	Member	Executive
Edgar D. Jannotta	Member	Independent
Nuria Martín Barnés	Secretary (non-member)	

1.4 CORPORATE GOVERNMENT



EXECUTIVE COMMITTEE	
Chief Executive Officer	Víctor Grifols Roura
Vice President Administration and Financial	Alfredo Arroyo
Vice President Commercial Division	Ramón Riera
Vice President Industrial Division	Juan Ignacio Twose
Administration Director and Controller	Montserrat Lloveras
Financial Director	Javier Roura
Planning and Control Director	Antonio Viñes
Scientific Director	Eva Bastida
Technical Director	Vicente Blanquer
Human Resources Director	Mateo Borrás
Deputy Vice President Industrial Division	Carlos Roura
Managing Director of Instituto Grifols, S.A.	Javier Jorba
President and CEO of Grifols Inc.	Gregory Rich
Vice President of Grifols Inc.	David Bell

1.5 COMPANY PROFILE



1.5.1 A MISSION FOR THE FUTURE

We have been present in the health sector since 1940, building on a foundation of ethical values and responsible practice to develop products and services which provided added value. Our activities are characterized by a commitment to safety, efficacy and innovation.

1.5.2 ACHIEVING OBJECTIVES

We are recognized in the health sector for our dedication to research, our ethical commitment and our financial solidity. 2009 has been characterized by continuing efficiency gains in our production processes and the renewed confidence of investors, employees and health professionals.

Grifols had set itself three objectives for 2009, designed to ensure future growth and to enable it to respond to the demands of a constantly changing market: improving the efficiency of processes; increasing the production volume of plasma products without compromising on quality, safety and efficacy; and continuing with the internationalization of the group by consolidating our presence in the United States, Europe, Latin America, Asia and Australia. These objectives were achieved despite a difficult global economic situation, and the group has the support of its investors.

In a year which has been characterized by restricted access to funding, **Grifols** continues to enjoy the confidence of international financial markets. The company's corporate bond issue in the United States was heavily oversubscribed, and this has enabled it to reorganize its debt and make more funds available to support its research, development and innovation activities.

Grifols' R&D effort focuses on studying plasma proteins and their therapeutic potential for the treatment of other illnesses. Worth noting is the presentation of intermediate results of the clinical trial exploring the possibility of stabilizing Alzheimer's disease through systematic therapeutic plasmapheresis with human albumin.

Another part of the research effort was aimed at improving the efficiency of plasma fractionation processes, with the hope of increasing profitability and delivering higher production yields. The technological developments of recent years have gradually been implemented at the manufacturing facilities in Los Angeles. 2009 saw the industrial restructuring brought to completion with the unification of production standards on both sides of the Atlantic.

The continuing professional development of our staff has been another focus of investment. The **Grifols** Plasmapheresis Academy, opened at the start of 2009, is one of the tools for extending the group's

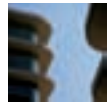
corporate culture, the basis for achieving the three objectives established for 2009.

1.5.3 STRATEGY FOR THE FUTURE

Maintaining our competitive advantages, continuing with our investment plan, continuing to promote geographic diversification, and increasing the resources allocated to R&D are the principal focuses of our strategy for the future.

The reorganization of **Grifols**' debt, and shareholders' support for the strategy of increasing the scale of the 2008-2012 Investment Plan to 433 million euros, are designed to lay the foundations for the company's growth over the next 8 to 10 years. **Grifols** will focus on continuing to develop and implement this plan, which is designed to deliver increased plasma fractionation and protein

1.5 COMPANY PROFILE



purification capacity, and to consolidate its capacity to analyse samples, with the construction of a new laboratory at San Marcos (Texas, United States).

Internationalization will continue to be a route to growth. The consolidation of the US market and the group's commitment to Latin America and south-east Asia, two of the emerging markets where demand for plasma products is expected to rise fastest, will be the main focus of **Grifols**' efforts in this area.

Another key element of our plans for the future involves increased investment in R&D, together with the possibility of entering new fields related to our main activity (plasma products) with a long-term view to identifying potential therapeutic applications for the treatment of plasma protein-related illnesses.

1.5.4 BUILDING RELATIONSHIPS WITH STAKEHOLDERS

RELATIONSHIPS WITH CUSTOMERS

- GMP audits to verify our manufacturing processes and assure customers that our products are of the highest quality.

RELATIONSHIPS WITH SUPPLIERS

- Improving processes and protocols to ensure product traceability.

SHAREHOLDERS AND INVESTORS

- Annual meeting with analysts and investors.
- Regular communications channelled through the Investor Relations department.
- Participation in the "Small Shareholder Forum".
- General Meeting of Shareholders in June.
- Regular visits to manufacturing facilities.

RELATIONSHIPS WITH GOVERNMENT AGENCIES AND HEALTH AUTHORITIES

- Visit of Spanish Minister for Industry, Tourism and Trade, Miguel Sebastián, to the Los Angeles plant (United States).
- Regular institutional visits to manufacturing plants.
- Verification audits of good manufacturing practices, including monitoring and supervision by the FDA and the EMEA.

RELATIONSHIPS WITH OUR EMPLOYEES

- Opening of Grifols Academy of Plasmapheresis, training centre in the USA.
- Maintenance and updating of intranet portal for employees.
- In-house magazine.

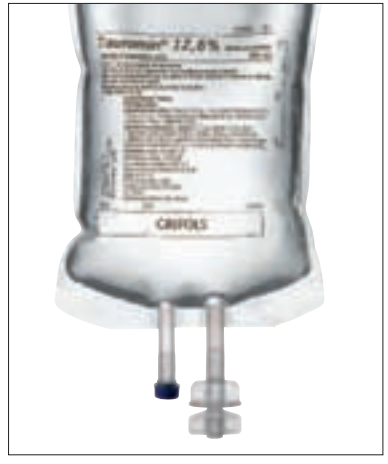
2

2. ACTIVITY AREAS

2.1 DIVISIONAL PERFORMANCE: 2009

2009 was characterized by the general restriction of access to funding and the impact of the financial crisis on the world's leading economies. Predictions of restricted economic growth were confirmed, and the majority of sectors suffered from the impact of the economic cycle.

The weaker influence of the economic cycle on the plasma products sector and the growing importance of countries such as China and other emerging nations as consumers of plasma proteins meant that the crisis had less impact on our key activity area, Bioscience. Nor has the reduction of pharmaceutical expenditure by governments had a significant effect on the performance of our other two divisions: Diagnostic and Hospital.

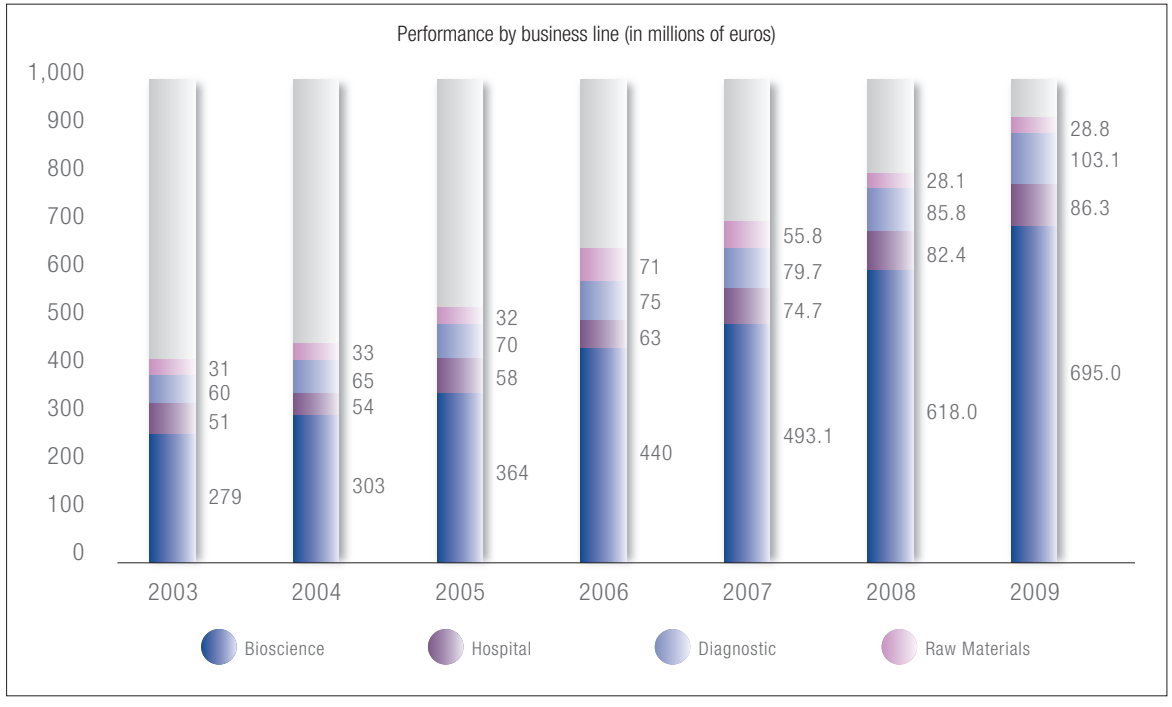


2.1 DIVISIONAL PERFORMANCE: 2009

During this financial year we sustained the forecast growth rates for all divisions:

TURNOVER AND GROWTH BY DIVISION IN 2009 (IN MILLIONS OF EUROS)

	TURNOVER	% GROWTH	% OF TURNOVER
BIOSCIENCE	694.9	+12.5%	76.1%
HOSPITAL	86.3	+4.7%	9.4%
DIAGNOSTIC	103.1	+20.2%	11.3%
RAW MATERIALS	28.8	+2.4%	3.2%



2.2 BIOSCIENCE DIVISION

The Bioscience division is our main activity area by business volume. It includes the research, development, production and marketing of plasma products, biological products which save lives, extend life expectancy and improve quality of life for millions of individuals. This is the case, for example, for patients suffering from illnesses such as hemophilia or immune system disorders.

ACTIVITY SUMMARY

Bioscience sales rose by 12.5% in 2009.

Our plasma fractionation capacity increased as a result of the "Minifrac" fractionation facility in Los Angeles coming on line.

Grifols Academy of Plasmapheresis starts training activities.

Our presence in emerging markets is consolidated: Latin America and Asia gain importance in the sales mix.

Significant progress in the construction of new manufacturing facilities and analysis laboratories in the United States.

2.2 BIOSCIENCE DIVISION

2.2.1 RESULTS IN 2009

The Bioscience division had turnover of 695.0 million euros in 2009, growth of 12.5% with respect to 2008, accounting for 76.1% of the group's total income.

The division's growth has been based on the general increase in the sales volume of the group's principal plasma products. The increased availability of some plasma products, together with the financial crisis, contributed to a general trend towards price stability. The most significant events underpinning the positive performance of this area were the award of major contracts for the supply of intravenous immunoglobulin (IVIG) in Brazil and factor VIII (FVIII) in Poland and Chile, increasing sales of albumin in China, and the start of sales in Spain and Italy of an intravenous anti-hepatitis B immunoglobulin.

2.2.1.1 Analysis by product

- **Intravenous immunoglobulin (IVIG)** was the main plasma product by sales volume, contributing 46.7% of the division's sales. The award of two major contracts in Brazil and the maintenance of sales in the United States and Europe generated growth of 7.2% with respect to 2008. Another significant development was the gradual introduction of Flebogamma® 5% DIF in the countries of the European Union.

- With growth of 18.4% in 2009, sales of **albumin** were one of the drivers of growth in the division. All markets in which the company sells this product recorded growth, although the most dramatic increase in demand was in China.

- **Factor VIII**, marketed under the Fanhdi® and Alphanate® brands, saw sales growth of 19.8% in 2009. The increase in the volume of plasma fractionated enabled **Grifols** to increase its market share for this product in some countries, and to achieve significant sales.

- Also worth noting is the start of sales in Spain and Italy of anti-hepatitis B intravenous immunoglobulin (**Niuliva®**) in September 2009. In the case of Spain, this is the first anti-hepatitis B intravenous immunoglobulin to be registered in the country. **Grifols** hopes to begin marketing this product in other markets during 2010.

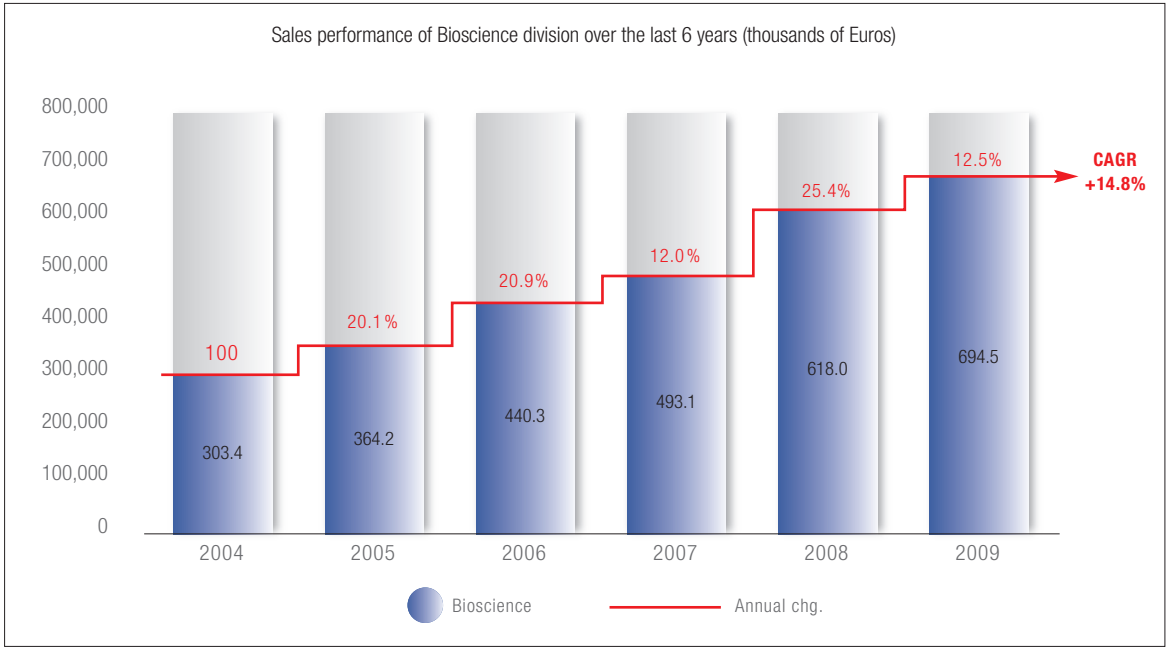
- Of the other **Grifols** plasma products, the performances of intramuscular anti-hepatitis B immunoglobulin and alpha-1 antitrypsin were particularly impressive, with sales growth of 38.4% and 23.5% respectively.

2.2.1.2 Third-party fractionation services rose by 36.9% in 2009

The third-party fractionation service sustained the growth trend of recent years. In 2009 sales turnover for such services rose by 36.9% with respect to 2008.

For over 20 years, **Grifols** has fractionated excess plasma from Spanish hospitals under the *AIPH program* for the Total Utilization of Hospital Plasma. In this way, Spanish plasma is transformed into plasma products which are used by the Spanish health system. Similar agreements exist with hospitals in the Czech Republic and Slovakia.

2.2 BIOSCIENCE DIVISION



CAGR: compound annual growth rate over the last 5 years

2.2.1.3 Sales by geographic region

Sales in international markets rose by 14.4% during the financial year, to reach 687.4 million euros, a figure which represents 75.3% of the group's total income. The Bioscience division has been one of the strongest exporters, helping to ensure the geographic diversification of **Grifols**, one of the key objectives for 2009.

During 2009, the geographic balance between sales of plasma products in the European and United States markets remained stable, although the group continued to expand in regions such as Latin America and Asia, where penetration reflects the increased production of plasma derivatives.

Supply of IVIG to the Brazilian health system

During 2009 **Grifols** has been awarded several contracts for the supply of plasma products to the health systems in various countries. The increased availability of the product as a result of increased plasma fractionation volumes has enabled the group to compete for some of these major contracts for the first time.

Particularly significant contracts include those awarded by the Brazilian Department of Health for the supply of a large quantity of IVIG which confirms the company's presence as one of the leading suppliers of plasma products to what is a fast-growing market.

2.2 BIOSCIENCE DIVISION

Grifols also won a major contract in Chile for the supply of factor VIII, while a number of agreements in Mexico and Argentina completed an excellent year in Latin America.

Once again, China made a significant contribution to divisional growth. This, together with significant sales for the first time in the Middle East, rounds off a year characterized by geographical expansion in emerging markets in 2009.

In Europe, the major change was the growth of sales in Poland, which was the Bioscience division's tenth-largest market in 2009.

2.2.2 KEY ACTIVITY DATA

Planning provides the keystone of our management strategy. If we are to respond to the growing demand for plasma products, we need to predict our requirements at least 6 years in advance, both in terms of raw material and fractionation capacity. With these objectives in mind, in 2008 we launched our 2008-2012 investment plan, backed by 433 million euros and designed to ensure the growth of our activity until 2013 and beyond.

2.2.2.1 Supply and control of plasma

The vertically integrated business model **Grifols** has been consolidating over recent years gives it access to the raw materials it needs to meet its production requirements, while retaining control over both price and quality. In 2009 this trend was sustained, and the company obtained 3.2 million liters of plasma from its 80 collection centers in the United States, representing growth of 12% with respect to 2008. In 2009, the group maintained its position as the world's second-largest plasma collection company.

Controlling samples of donated plasma

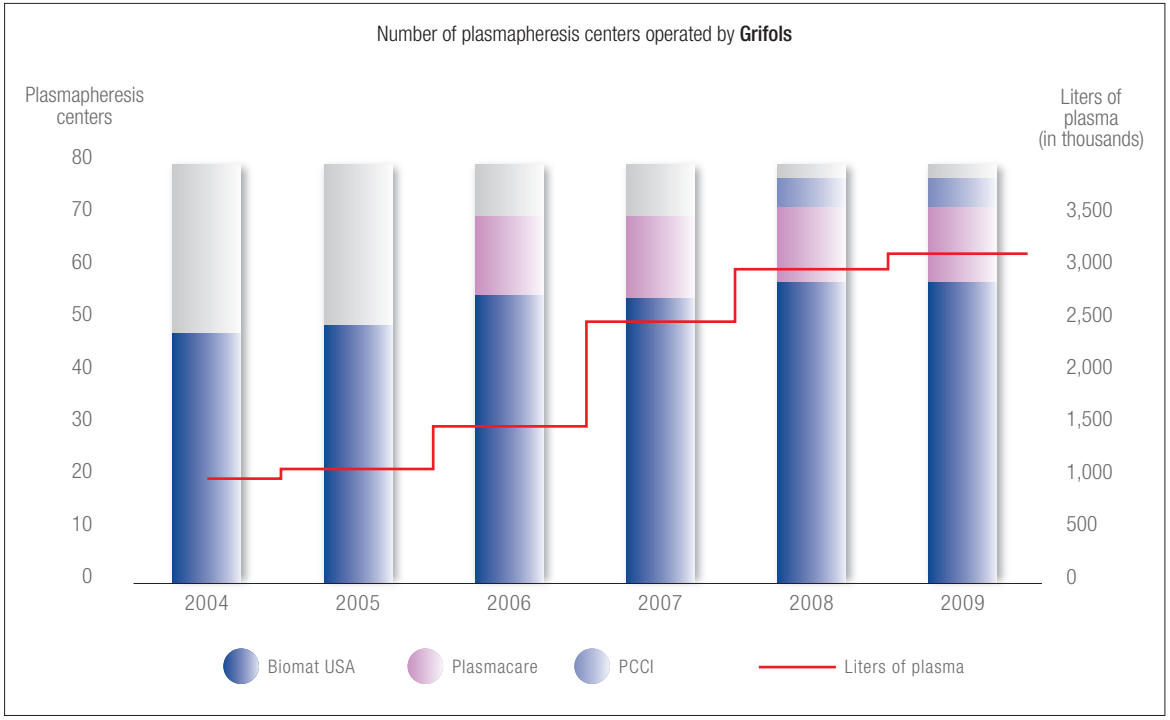
The increase of plasma for fractionation has been accompanied by a concomitant rise in the number of donations and samples for analysis. In order to meet these requirements, in the final quarter of 2009 **Grifols** announced the construction of a new complex in the city of San Marcos (Texas) which includes a new analysis laboratory and plasma warehouse, and a new fractionation plant.

Construction work on the laboratory began in October 2009 and is scheduled for completion in 2010. When it comes on line, **Grifols** will have two dedicated plasma analysis laboratories, enabling it to cope with the increased number of samples to be analyzed, and reducing the company's vulnerability to disaster events by spreading the workload between two analysis labs.

In addition to controlling and analyzing all the samples of plasma donated at plasmapheresis centers in the United States, the plasma is analyzed again before being used for industrial fractionation, the process by which the different plasma products are obtained.

In 2009, 3.5 million units of plasma were analyzed using various high-sensitivity techniques (ELISA and genome amplification techniques (NAT)).

2.2 BIOSCIENCE DIVISION



2.2.2.2 Fractionation

During the final quarter of 2009 the "Minifrac" facility, part of the Los Angeles plant, was granted FDA approval, permitting **Grifols** to increase its plasma fractionation capacity in the United States by 700,000 liters a year, to 2.2 million liters.

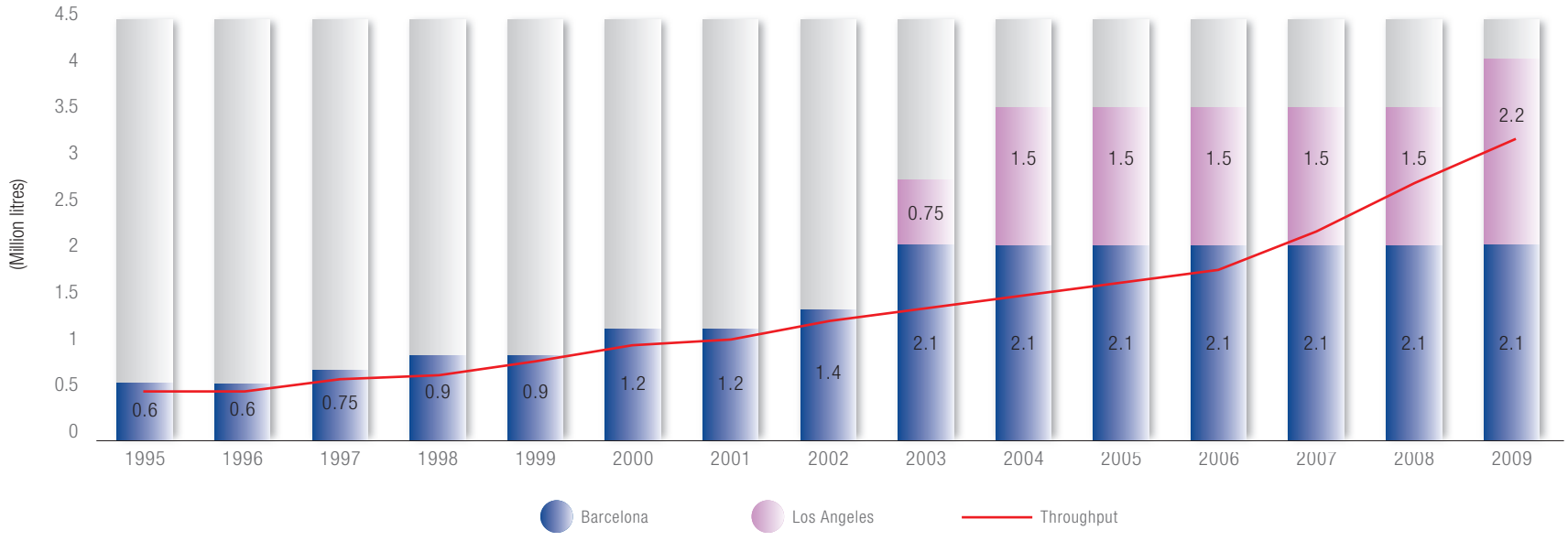
Grifols' total installed capacity in 2009, including the Parets del Vallès plant (outside Barcelona), stood at 4.3 million liters per year, an increase of almost 20% with respect to 2008 which stands as testimony to the group's success in ensuring that it is able to supply future requirements.

In 2009 **Grifols** fractionated 3.2 million liters of plasma, representing 74.4% utilization of total capacity. 25.6% of the company's installed capacity remains unused, representing a total of 1.1 million additional liters which enable it to face a future of growing market demand with confidence. This long-term vision provides the group with a clear competitive advantage within the industry.

1.9 million liters of its plasma was fractionated in Spain, and the rest was processed in the United States.

2.2 BIOSCIENCE DIVISION

Development of **Grifols** fractionation capacity



2.2 BIOSCIENCE DIVISION

2.2.2.3 Approvals and new products

FDA approval for "Minifrac" plasma fractionation facility at the Los Angeles plant

This authorization increases **Grifols**' plasma fractionation capacity in the United States by 700,000 liters per year, to 2.2 million liters. Total capacity, including the company's facilities in Spain, amounts to 4.3 million liters.

FDA approval for new albumin sterile filling plant in Los Angeles

At the end of December, the FDA granted approval for the new albumin sterile filling plant in Los Angeles. This authorization represents the latest step in the modernization and industrial reorganization of the group, with the aim of standardizing albumin collection, purification and vial filling processes at the United States facilities to ensure that they are the same as those at the sister plant in Spain.

First sales of Flebogamma® DIF in Australia

2009 saw the start of sales of next-generation intravenous immunoglobulin (IVIG) (Flebogamma® DIF) in Australia. **Grifols** already had a healthy presence in the Australian *in vitro* diagnostics market with its range of clinical analysis instruments for immunology and immunohematology laboratories, but the sale of this plasma product opens up new possibilities for growth. This forms part of **Grifols**' international expansion plans and helps to lay the foundations for entry into the plasma products market in Australia, a country with one of the highest levels of per capita IVIG consumption.

Commercial launch of Niuliva® in Spain and Italy

In September 2009 started sales of Niuliva® 250 U.l./ml in the Spanish and Italian markets. This product is an anti-hepatitis B IVIG used to prevent reinfection by the hepatitis B virus in patients who have undergone liver transplant due to liver failure as a result of hepatitis B.

2.2 BIOSCIENCE DIVISION

2.2.3 GRIFOLS ACADEMY OF PLASMAPHERESIS STARTS TRAINING ACTIVITY

January 2009 saw the opening of the **Grifols** Academy of Plasmapheresis, in Arizona (USA). The initiative represents the company's commitment to training its staff, and to standardizing the knowledge base which underpins innovation, a key factor in the search for excellence.

During 2009 over 25 advanced training courses were delivered, relating to plasma collection, analysis and control processes, and plasma derivate manufacturing processes, with the participation of over 500 employees. This knowledge has been complemented with specific courses and seminars on bioethics, economics and quality, among others, helping to standardize knowledge within the company and promote a global vision based on high quality work and an ethical commitment to human health. **Grifols**' strategy is to ensure that its staff have the knowledge they need by providing training which responds to the specialist requirements of the plasma products industry. The long-term aim is for training delivered at the academy to form part of a recognized qualification.

For this reason, there is a degree of separation between the company and the academy. The Academic Committee consists of recognized experts in the field, while the tutors, who are **Grifols** staff, have extensive experience in their respective fields.

2.2 BIOSCIENCE DIVISION

2.2.4 STRATEGY FOR THE FUTURE

2.2.4.1 New products for the next few years

Marketing license for Flebogamma® DIF 10% in the United States

FDA approval for Flebogamma® DIF (IVIG) 10% in the United States is expected to be granted in 2010. This new presentation will expand the **Grifols** portfolio, and the plan is to extend it worldwide.

Fibrin glue

Grifols' facilities at Parets del Vallès will house the new manufacturing plant for fibrin glue, a product which combines two plasma proteins - fibrinogen and thrombin - which, when mixed, act as a biological glue with a wide range of surgical applications. The validation processes are scheduled to start during 2010. Phase III clinical trials for product registration are already underway in North America and Europe.

2.2.4.2 New therapeutic uses for plasma products

The R&D activities of the Bioscience division are essential to the long-term growth of this activity area. The company continued to promote R&D in 2009, increasing both the financial and staff resources allocated to this area.

This commitment to research is reflected by two developments: the presentation of the intermediate results of the clinical trial exploring the possible use of albumin in the treatment of Alzheimer's disease (AD); and the participation of **Grifols** in the European Consortium for the Study of Chronic Liver Failure.

Plasmapheresis with albumin as a possible treatment of Alzheimer's disease

September 2009 saw the presentation of the intermediate results of the clinical trial of the treatment of Alzheimer's disease using systematic therapeutic plasmapheresis with albumin. Although the results are preliminary, the main conclusions of the study, with the participation of the Fundación ACE and the hospitals of Vall d'Hebron (Barcelona), Gregorio Marañón (Madrid), Howard University (DC Washington) and Mid Atlantic Geriatric Association (New Jersey), are encouraging and suggest a potential improvement of cognitive development in patients receiving treatment.

Albumin for the treatment of cirrhosis of the liver

Albumin was also the focus of an agreement between **Grifols** and the *Fundació Clínic per a la Recerca Biomèdica* to promote and fund the development of the European Consortium for the Study of Chronic Liver Failure, which brings together 70 centers across Europe. This agreement reflects **Grifols**' commitment to contributing to projects being conducted by the world's leading scientific centers.

In addition, the company will fund two new research lines exploring the use of albumin in the treatment of cirrhosis of the liver. The first of these will focus on the use of albumin to prevent potential complications deriving from illnesses such as cirrhosis of the liver and ascites. And the second will focus on the practice of plasma replacement in patients suffering from acute complications relating to cirrhosis of the liver.

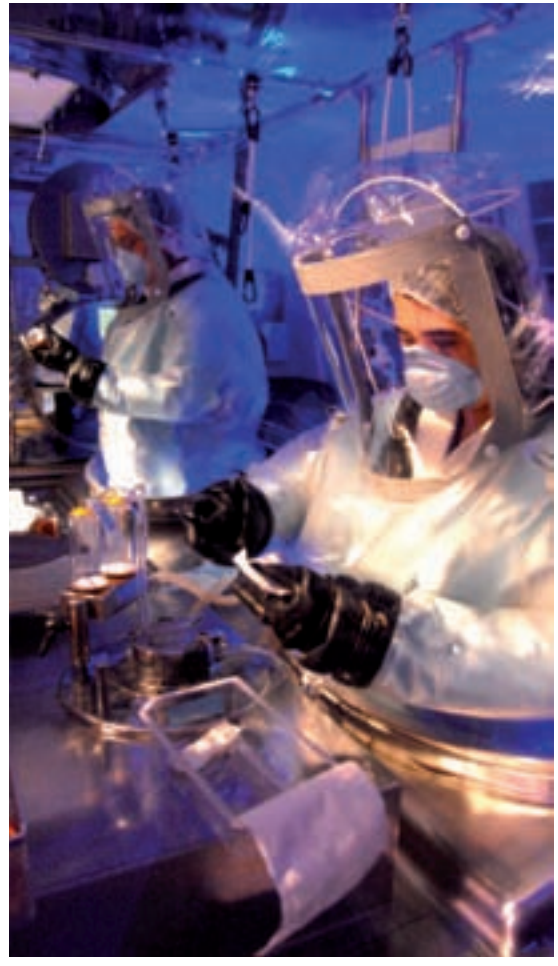
2.2 BIOSCIENCE DIVISION

2.2.4.3 Maintenance of investment plan for the division

From 2008 to 2012 **Grifols** will allocate 260 million euros to expanding and improving the fractionation and purification capacity for plasma proteins, in both the United States and Spain. These investments will enable the group to meet potential production requirements and to satisfy future market demand. They also entail improvements to the production processes.

2.2.4.4 Safety and traceability of plasma

Ensuring the maximum safety of raw plasma is a key priority for **Grifols**, and during 2009 various projects were implemented to ensure that this goal was achieved. Particularly significant developments in this regard included the development of a plasma bottle sampling system, to be applied at all **Grifols** donation centers in the United States, and tests relating to radiofrequency identification labels at the Los Angeles laboratory and collection centers. In addition, the company has been conducting pilot tests to study the potential thermodynamic effect of RFIDs on plasma temperature.



2.3 DIAGNOSTIC DIVISION

The Diagnostic division focuses on the development, manufacture and marketing of analysis systems for *in vitro* diagnostics, blood donation kits and procedures for the inactivation of blood components for transfusion. The division markets both **Grifols**' own products and those manufactured by third parties, and its catalog includes instruments and reagents.

This product range is primarily designed to satisfy the requirements of three segments of the health sector: transfusional medicine, clinical analysis (especially immunoanalysis) and hemostasis laboratories.

ACTIVITY SUMMARY

In 2009, sales of the Diagnostic division rose by 20.2%.

China and Latin America were two of the geographical regions which saw most growth, while the company's exports to the United States, Europe and Australia remained stable.

We are one of the leading companies in the *in vitro* diagnostics segments in which we operate. We are leaders in the production of instrumentation and reagents for blood typing using gel agglutination technology, the development and production of analyzers for the automation of enzyme immunoanalysis, and the very latest hemostasis analyzers.

2.3 DIAGNOSTIC DIVISION

THE DIVISION'S PRINCIPAL PRODUCTS ARE:	
Products – description	Indications and use
Blood typing systems: • **Diana® and WaDiana®:** automatic immunohematology analyzers for gel agglutination and filtration technology. • **DG Therm, DG Spin and DG Rack:** modular immunohematology system for gel agglutination and filtration technology. • **DG Gel® Cards:** gel agglutination and filtration reagents. • **MDmulticard:** rapid mutliplex tests for blood typing based on immunochromatography.	For pre-transfusion blood typing tests.
Enzyme immunoanalysis system: • **Triturus® analyzer:** fully automatic, open, multi-test and multi-series processor for enzyme immunoanalysis tests in microplate format. • **ELISA kits:** enzyme immunoanalysis reagents from various manufacturers and for a range of diagnostic indications, for use in conjunction with the Triturus® analyzer.	For the automation of the ELISA test routine in clinical analysis laboratories.
Hemostasis system: • **Q® Analyzer:** automatic, high-spec system for the performance of coagulation, chromogenic and immunological tests. • **Hemostasis DG Reagents:** kits for the determination of screening, thrombophilia and hemophilia profiles, in conjunction with Q Analyzer.	For routine analysis and special laboratory coagulation tests.
Transfusion kits: • **Grifols blood bags:** containers for the collection and processing of blood and blood components for transfusion. The Leucored® line also includes a leukocyte filter. • **IPTH and Intercept:** equipment and methods for the inactivation of pathogens in plasma or platelets for transfusion.	For the collection and processing of donor blood used to obtain safe blood components for transfusion.

2.3 DIAGNOSTIC DIVISION

2.3.1 RESULTS IN 2009

Diagnostic closed 2009 with income of 103.1 million euros, an increase of 20.2% compared to 2008. It currently accounts for 11.3% of the company's total business.

The division's growth has been based on a number of factors. These include the increase in immunohematology sales in Mexico and China, the first sales for this business line in France and Italy, the maintenance of instrumentation exports to the United States, Europe and Australia, and growing sales for the line of blood components for transfusion. Direct sales to Brazil also began.

Internationalization remains the engine of the division's growth, and sales in overseas markets accounted for over 80% of business turnover.

In 2009 **Grifols** acquired 49% of the Australian-Swiss group Lateral-Diagnostic, as part of its strategy of strengthening the product catalog and sales force of **Grifols** Immunohematology.

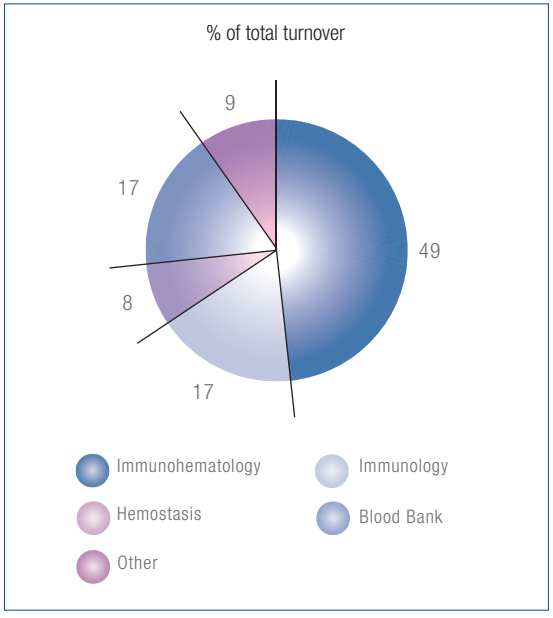
2.3.1.1 Analysis by activity area:

- The **Immunohematology** area increased its turnover by 26.3% to 49.9 million euros. Particularly significant were the increase in sales of cards for blood typing and serum typing of donors and patients in pre-transfusion tests. Expectations in this area proved to be more than justified, and the production of DG Gel® cards has surpassed 10 million units, an increase of over 20% compared to 2008. And the outlook for 2010 is that growth of the production and sale of DG Gel® is set to continue, thanks to forecast growth in demand and the start of manufacturing and distribution in Australia at the new Lateral **Grifols** plant.

- In **Immunology** income grew slightly to 17.7 million euros. This area includes sales of the Triturus® autoanalyzer for ELISA tests, together with ELISA reagents. There was also a slight recovery in sales of instruments, while the consolidation of sales for the Triturus® looks secure for 2010.

- Sales for the **Hemostasis** area grew by 26.6% in 2009 to 8.2 million euros. This was due to the strong performance of sales of the Q® hemostasis analyzer, together with the start of sales in new markets such as Turkey.

- Turnover for the **Blood Bank** area stood at 17.3 million euros, 11.6% more than in 2008. This includes income from the Hospital Transfusion Plasma Inactivation Service (IPTH) and sales of the Intercept Blood System platelet inactivation system.



2.3 DIAGNOSTIC DIVISION

2.3.2 KEY ACTIVITY DATA

2.3.2.1 Key achievements

- Manufacture of 93 Triturus® autoanalyzers for the automation of ELISA technology, 345 WaDiana blood typing analyzers, ID GelStation and Provue, 26 Q2 automatic hemostasis analyzers, and 689 incubators and 392 centrifuges for immunohematology tests.
- In the reagents area, the production of immunohematology cards surpassed 10 million units, an increase of over 20% compared to 2008.
- Launch of various reagents in the immunohematology area, incorporating a new alternative, complementary series of monoclonal antibodies with the aim both of complying with legislation in some countries and of diversifying supplies.
- Sales of Q® hemostasis analyzer in Turkey, and immunohematology reagents in Italy and France begins.
- Sale of Triturus® starts in Russia.
- Maintenance of instrumentation exports to United States, Australia, Europe and China.
- Consolidation of development of Sintromac®/INRatio business line for the decentralization of oral anticoagulant therapy.

2.3.2.2 Attendance at international conferences

During 2009, the division maintained its promotional activities by attending events and conferences both in Spain and internationally. The aim of this is to make people aware of the innovation and development of **Grifols**' range of diagnostic products, and to maintain a prestigious international image. The organization of scientific symposiums and seminars, with the participation of highly respected figures from the world of medicine, makes a particularly good impression on customers.

During 2009 important events included the congress of the American Association for Clinical Chemistry (AACC) in Chicago, The American Association of Blood Banks (AABB) in New Orleans, Medica 2009 in Düsseldorf, International Society for Thrombosis and Hemostasis (ISTH) in Boston, regional meetings of the International Society of Blood Transfusion (ISBT) in Cairo and Nagoya, and the congress of the German Society for Transfusional Medicine and Immunology (DGTI).

2.3 DIAGNOSTIC DIVISION

2.3.2.3 Agreements

Agreement with Cerus Corporation to extend to Italy the sale and distribution of Intercept Blood System for the inactivation of pathogens in plasma and platelets for transfusional use.

In 2007 both companies reached a similar distribution agreement for Spain and Portugal, and in 2008 the agreement was extended to Chile. Intercept Blood System permits the inactivation of viruses, bacteria and parasites which can be transmitted during plasma or platelet transfusion, including emerging pathogens such as West Nile virus, Chikungunya virus or avian influenza.

Cooperation agreement between **Grifols** and Cerus Corporation for the development and manufacture of the Intercept Red Cells kit for the inactivation of pathogens in red blood cells for transfusion. This project is currently at clinical trial Phase I.

Agreement with Diesse Diagnostica Senesse S.p.A. for the supply of ELISA kits for infectious serology. Under the agreement, **Grifols** will obtain kits which are specifically configured for the Triturus® processor and can be marketed internationally under the Grifols brand without any restrictions. The agreement is expected to increase sales of ELISA kits linked to the Triturus® to territories where the company currently operates through distributors, and where its business is based exclusively on the sale of instruments.

Agreement between **Grifols** and Accumetrics, of San Diego (United States) for the exclusive distribution in Spain, Portugal and Chile of the VerifyNow® System for monitoring and treating platelet aggregation.

2.3.3 APPROVALS AND NEW PRODUCTS

- Market launch of first latex-based proprietary reagent to determine von Willebrand's disease. It is adapted for **Grifols**' Q® hemostasis autoanalyzer.
- Launch of an innovative range of immunohematology reagents, incorporating a new alternative, complementary series of monoclonal antibodies. This range diversifies supplies and also satisfies legal requirements in certain markets.
- Presentation of software update for the next-generation WaDiana® analyzer.

2.3.4 INVESTMENTS IN 2009

Growth by acquisition

As part of its growth strategy for the division, **Grifols** remains open to the possibility of acquisitions which generate synergies. In 2009, **Grifols** acquired 49% of the capital of an Australian-Swiss group for 25 million euros, although the agreement provides for 100% control of the company being acquired. This group in turn owns Swiss company Medion, which specializes in the development and production of reagents for immunohematology and has developed new technology for the rapid performance of blood typing tests based on lateral flow.

2.3 DIAGNOSTIC DIVISION

The principle purpose of the purchase was to consolidate expansion in the Asia-Pacific Region. The investment gives **Grifols** the sales force it needs to increase its presence in the diagnostics market in Australia and New Zealand, where it had previously focused on the sale of instrumentation through distributors.

The operation also gives **Grifols** access to innovative blood group determination technology developed by Medion, which complements **Grifols**' own offering. In addition, many of the Swiss company's products already hold an FDA license, and this will help accelerate the Diagnostic division's penetration of the United States market.

New manufacturing facilities in Australia

Grifols' commitment to the Asia-Pacific Region was behind the decision to purchase a building in Australia, where the new DG Gel® immunohematology cards factory has been installed. It started operating at the start of 2010.

Investment in Cardio3 BioScience

In 2009 **Grifols** took a share in biotechnology firm Cardio3 BioScience, a company founded in 2007 by a group of scientists at the Aalst Cardiovascular Center (Belgium) with technology developed by the Mayo Clinic, which specializes in the research and development of biological therapies using stem cells to treat cardiovascular pathologies.

Grifols' acquisition of shares in Cardio3 BioScience, partially subscribing the capital increase implemented by this company, will allow **Grifols** to continue to promote its R&D+i program, while generating synergies and boosting some of its lines of activity. **Grifols**, through its Diagnostic division, may also become a preferred provider of cell collection bags, which it would produce at its Murcia plant. In addition, **Grifols** Engineering's biopharmaceutical engineering business may be one of the technological partners for the design and execution of the new plant which Cardio3 BioScience plans to construct in Belgium. At present, the company's two products are at the clinical trial stage, and are produced at a pilot plant in Liège (Belgium).

Cutting-edge manufacturing equipment

There has been major investment in the group's manufacturing plants. The total value of this investment was 2.5 million euros, allocated primarily to the purchase of several reactors, one of which incorporates a system which automatically regulates temperature and agitation, together with the purchase of other manufacturing equipment, including a continuous evaporator and a homogenizer which delivers a high degree of standardization in the size of liposomes. In addition to providing the basis for increasing manufacturing

volumes, all of this equipment will enable the hemostasis line to manufacture a range of high-quality products at very competitive cost in 2010.

Improved facilities to ensure future growth

2009 saw completion of work on the old production zone at the Barcelona plant to adapt it to the specific requirements of manufacturing reagent red blood cells. In addition to installing machinery to automatically dispense, cap and label vials, a new refrigeration chamber has been added which significantly increases raw material storage capacity. As a result, the manufacturing capacity for reagent red blood cells could triple during 2010.

2.3 DIAGNOSTIC DIVISION

2.3.5 STRATEGY FOR THE FUTURE AND NEW PROJECTS

Internationalization and gradual expansion of marketing

- As part of **Grifols**' strategy to consolidate its leadership in the immunohematology field, it is hoped that the synergies generated by the purchase of the Australian-Swiss group will help to increase both the supply and reach of **Grifols** Immunohematology. In particular, the company hopes that this will facilitate **Grifols** Immunohematology's penetration of the United States market in the years to come.

- International expansion for immunohematology instrumentation and products has been sustained.

- **Grifols** has continued working to adapt the Q® hemostasis analyzer and proprietary reagents for the control of various conditions including plasma deficiency, abnormal control, D-dimer and DRVV, and APC resistance.

New products to be launched over the next few years

- Launch in 2010 of Erytra® autoanalyzer for processing blood typing cards and immunohematology tests. The Erytra® autoanalyzer is an advanced system which completes and enhances the specifications of the WaDiana, offering users greater automation, more capacity, more autonomy, more flexibility, more security and better useability.

- Launch in 2010 of a latex reagent to determine von Willebrand factor activity. This product will complement the existing latex reagent, which analyzes this factor but does not measure activity.

- Launch in 2010 of new formulation thromboplastin (PT) reagent, synthetic phospholipid-based APTT reagent, fibrinogen reagent and chromogenic substrate.

- Launch in 2010 of an extensive range of infectious serology reagents adapted and branded for the Triturus® to complete that instrument's product catalog and extend business to countries where the company operates through distributors.

- The Blood Bank area is working on an additive solution for platelets which will improve their preservation and storage conditions and reduce plasma consumption. Work is also being carried out on a new plasma pools blood bag to optimize use of the Cerus Intercept plasma inactivation system. Also under development is a bone marrow collection bag for regenerative medicine.

- During 2009 work continued on development of an autoanalyzer for the latest ELISA microplate techniques, designed to replace Triturus® and adapt to the latest developments in the ELISA market, in which consolidation of laboratories means an increase of such tests in high volume centers is likely.

- In 2009 **Grifols** started development of a new, high-spec hemostasis analyzer with processing capacity which complements the "Q" analyzer. In a few years, **Grifols** will be able to offer a full range of instrumentation for this line, to meet demand from large and medium-sized laboratories.

- As a result of collaboration with US firm Cerus Corporation, **Grifols** has started development of a specific set for the inactivation of red blood cells which will be released in the next few years. Its availability is subject to the results of clinical trials being performed by Cerus.

2.4 HOSPITAL DIVISION

Our Hospital division supplies hospitals in Spain, Portugal, Italy, the USA and some Latin American countries with a wide range of pharmaceutical products and medical devices for use in hospital pharmacy, surgery, clinical nutrition and fluid therapy. The division's products are divided into four areas: Intravenous Therapy, Clinical Nutrition, Hospital Logistics and Medical Devices.

ACTIVITY SUMMARY

The division's turnover rose by 4.7% compared to 2008.

In 2009 the division achieved its key objectives of greater internationalization and increased production for third parties to optimize the use of manufacturing facilities.

We have begun construction of a new plant for the manufacture of parenteral solutions in Murcia which would enable us to increase our production in order to meet rising market demand.

2.4 HOSPITAL DIVISION

THE DIVISION'S PRINCIPAL PRODUCTS ARE:	
Products and description	Indications and use
I.V. Therapy	
Glucose and electrolyte solutions	Carbohydrate nutrition, and electrolyte solutions for drug administration.
Washing solutions	For the washing of wounds, operation sites and urological irrigation.
Irrigation solutions	Bladder irrigation following transurethral resection.
Intravenous mixtures Ready for use in a range of applications.	Increase safety and efficacy by avoiding the need to mix solutions in hospital pharmacy.
Partially dosed solutions in containers	Hospital pharmacy preparations.
Solutions for drug administration: Fluxisol®, Sercuflux®, Fleboset Múltiple, photoprotective bags, Vacuflasc®.	Increased safety and comfort for nurses and patients.
Laboratory solutions	Solutions for the hospital laboratory.
Prescription formulae	Made-to-measure solutions for special situations.
Grifill® System	System for preparing intravenous mixtures in hospital pharmacies, using the sterile filtration principle.
Misterium®	Modular clean room system for hospitals.
Telstar	Laminar flow cabinets.
Accufuser	Portable elastomeric pump for IV drug administration.
PhaSeal	Closed system for the preparation and administration of cytostatics.
Oncofarm	Software to control prescription, validation, preparation and administration of cytostatics.
IV Station & Cytocare	Robots for the preparation of IV mixtures.

continued >

2.4 HOSPITAL DIVISION

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THE DIVISION'S PRINCIPAL PRODUCTS ARE:	
Products and description	Indications and use
Enteral and Parenteral Nutrition	
Soyacal®. Liquid intravenous emulsion at 10% and 20%.	Lipid emulsion, providing calories and fatty acids.
Dietgrif® liquid enteral diets	For patients who have difficulty ingesting solid foods. Administered by tube or orally.
Tauramin: amino acid solution	Source of dietary amino acids.
Bags, tubes and pumps	Hospital pharmacy.
Hospital Logistics	
Pyxis	Hospital management.
Kardex	Hospital management.
Hospital software	Hospital pharmacy.
Medical Devices	
Disposable material for Radiology	Angiography catheters, peripheral stents, and support material for radiology.
Disposable material for Urology	Urology catheters, baskets, urological extraction systems.
Disposables for ICU / Cardio	Coronary stents, guide catheters, ultrasound catheters for IVUS.

2.4 HOSPITAL DIVISION

2.4.1 RESULTS IN 2009

The sales of the Hospital division grew by 4.7% in 2009 to 86.3 million euros. This business line contributes 9.4% of **Grifols**' total income.

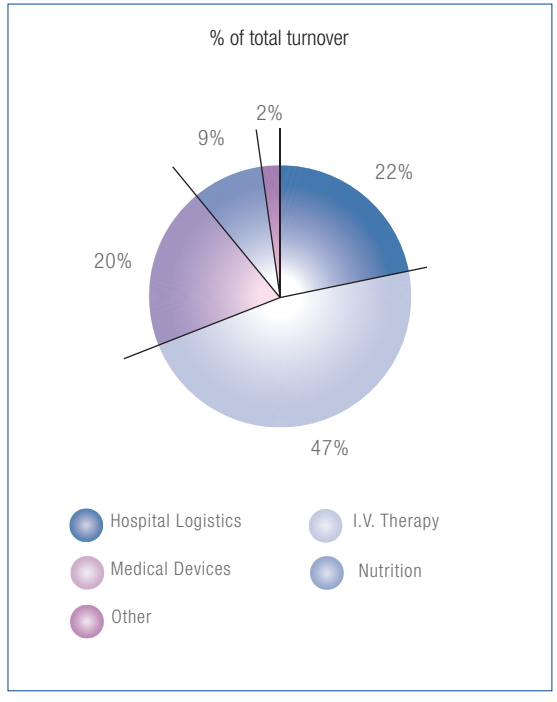
All activity areas experienced growth. The key objectives for the division in 2009 were achieved, and both internationalization and the expansion of manufacturing services for third parties have been consolidated.

2.4.1.1 Analysis by activity area:

- **Hospital Logistics** projects generated income of 18.7 million euros, up almost 4% compared to 2008. This activity line, which focuses on providing solutions and services to improve the efficiency and quality of hospital pharmacy services, confirmed the positive trend of recent years. Despite budgetary restrictions in hospitals as a result of the economic crisis, **Grifols** continued to be a leader in this sector in Spain, Portugal and Latin America.

- The **Intravenous Therapy** area closed 2009 with sales of 39.8 million euros, 1.2% up on the preceding year. This included a significant increase in the manufacture of special pharmaceutical preparations for third parties, enabling **Grifols** to make optimal use of its manufacturing facilities and to deliver increased returns on its investments in fixed assets. One of the most significant developments in this area was the start of manufacturing of a painkiller for hospital use in 100 ml polypropylene bags.

- **Medical Devices** and **Clinical Nutrition** also delivered income growth, of 8% and 8.8% respectively, to stand at 17.3 and 8.17 million euros.



2.4.2 KEY ACTIVITY DATA

2.4.2.1 Agreements in 2009

Renewal of agreement with Kardex Remstar

In 2009, **Grifols** renewed its agreement with Kardex Remstar, a leading company in the automated storage and handling solutions segment, for a period of five years. **Grifols** will continue to be the exclusive distributor of Kardex systems for hospital use in Spain, Portugal, Italy and Latin America, where 250 units have already been installed in 150 hospitals. This enables the company to strengthen its Hospital Logistics line.

2.4.2.2 Key achievements

- Start of activity at new R&D and Control laboratories, together with the new raw materials warehouse at the Parets del Vallès plant (Barcelona, Spain).

- Completion of industrial transfer process for fluid therapy area, and start of manufacturing of a painkiller for hospital use in 100 ml polypropylene bags.

- Completion of process of adapting hyper nitrogenated amino acid solution (12.5%) in polypropylene bags, for Clinical Nutrition.

2.4 HOSPITAL DIVISION

- Increased production levels, primarily of blood bags, at the facilities of Las Torres de Cotillas (Murcia, Spain) resulting in higher productivity.

2.4.3 APPROVALS AND NEW PRODUCTS

The first units of the new hospital logistics system, BlisPack®, will go on sale in 2010.

BlisPack® is a system for the automation of blister cutting and electronic identification of medications for hospital use. The system helps reduce medication errors, both by simplifying the unit dose packing process for medications and by guaranteeing identification through the use of barcodes. This new system is the product of research involving a multidisciplinary group of professionals from the Hospital division and engineers from **Grifols** Engineering.

2.4.4 INVESTMENTS IN 2009

Barcelona (Spain)

- 2009 saw completion of the investments started in 2008 to construct a raw materials warehouse and R&D and Control laboratories at the plant at Parets del Vallès (Barcelona). **Grifols** has allocated 3 million euros to this project. In addition, further investment at the plant has supported the installation of a new line for the production of pre-diluted paracetamol in bags, and the registration for this product was presented to the French medications agency in 2008.

Murcia (Spain)

- Production lines have been automated at the Murcia plant in order to meet growing market demand, and work has begun on the construction of a new factory for the production of parenteral solutions in flexible containers (polypropylene).

Murcia is the Spanish region which receives most Grifols investment, after Catalonia

The new facilities constitute the third phase of **Grifols**' investment in this region, and, once completed, will increase the group's parenteral solution production capacity by 30 million bags a

2.4 HOSPITAL DIVISION

year, to a total of 44 million, in addition to enabling a switch to PVC bags in line with market requirements.

Grifols' total investment in this plant will amount to 16 million euros, resources which are already earmarked in the 2008-2012 Investment Plan, and the project has also been supported by the Public Investment Institution of the Murcia Region, which partially funded its development through the *Regional Incentives Programme of the Ministry for the Economy and the Treasury*, and by the Regional Government of Murcia, through the *Programme for Investment in Advanced Technology in Strategic Sectors*.

The new plant forms part of the Murcia-II industrial complex, opened in 2003, where the company plans to gradually increase its serum production capacity. Indeed, when it comes on tap in the third quarter of 2011, this capacity will increase by over 110%. Completion of the project will bring the total area of **Grifols**' complexes in Murcia to over 8,000m^2.

Grifols currently produces 14 million intravenous serum bags per year in Murcia, to supply the Spanish health system. It also produces 6 million blood extraction and storage bags, of which over 50% are exported.

All of this has helped make **Grifols** the leading Spanish company in the manufacture and distribution of enteral and parenteral solutions in flexible and glass containers, and it also has manufacturing facilities at Parets del Vallès (Barcelona). Both plants manufacture products for intravenous therapy in accordance with the highest quality standards, and hold environmental, quality and workplace safety certification: ISO 9001, ISO 14001, ISO 13485, OHSAS 18001.

2.4.5 STRATEGY FOR THE FUTURE AND NEW PROJECTS

- New products to be launched over the next few years: expansion of enteral and parenteral nutrition product range.
- Expansion of new manufacturing line to produce IV mixtures in PP bags for third parties at Parets del Vallès plant.
- Consolidation of third-party manufacturing agreements through **Grifols** Partnership.
- Development of new products in the fluid therapy area, to increase the range of mixtures available for hospital use.
- Strengthening the R&D area, incorporating new technology, with a twin objective:
  - Optimizing and improving the efficiency of productive processes.
  - Consolidating the development of new applications and services for the Hospital Logistics area, one of this division's principal business lines.

Diversification and internationalization of the division

The bulk of the Hospital division's income is generated in the Spanish market. However, the potential for Hospital Logistics projects and the manufacture of products for third parties for other European markets are driving the internationalization and diversification of this division.

2.5 R&D AS A GROWTH STRATEGY

R&D AS A STRATEGY FOR GROWTH AND SOCIAL COMMITMENT

In 2009 resources allocated to R&D were 35.4 million euros, a figure which represents 3.9% of sales, an increase of 24.2% with respect to 2008. In this respect, we have strengthened our investment in R&D across all our areas of activity with both human and financial resources.

2.5 R&D AS A GROWTH STRATEGY

Grifols' overriding social commitment is expressed through a consistent R&D policy designed to deliver progress in the search for treatments and solutions for those suffering from illnesses resulting from plasma protein deficits and other pathologies in which plasma derivatives may have a therapeutic application. Through its Diagnostic and Hospital divisions, the company is committed to developing specific medical diagnostic instrumentation and new products and services for the Fluid therapy and Hospital Logistics areas. This commitment is part of the group's strategy for growth.

At **Grifols**, R&D enables us to look to the future with confidence, and to contribute to excellence in research and innovation. Cooperation agreements to fund R&D projects play a key role in this process, the end result of which is the registration of new patents.

2.5.1 BIOSCIENCE DIVISION R&D

In 2009 **Grifols** increased the resources allocated to R&D in the Bioscience division by 28%, with the aim of ensuring the progress of a range of projects which the company has under way. This increase in resources also led to an expansion of the workforce, which grew by 8% with respect to 2008.

Grifols currently has 14 trials at the clinical phase and 5 at the development or research phases, prior to the clinical phase. The key achievements include:

Improving the management and control of plasma

Completion of development of plasma bottle sampling system, to be applied at all **Grifols** plasma donation centers in the United States, and tests relating to radiofrequency identification labels at the Los Angeles laboratory and collection centers. These tests are complemented by tests to study the potential thermodynamic effect of RFIDs on plasma temperature.

Study into the treatment of Alzheimer's disease using plasmapheresis with albumin

A phase II clinical trial is currently underway in Spain and the United States. In 2009 the intermediate results of the trial were presented, and these suggest a trend towards stabilization of the disease in patients treated. There is evidence both of an improvement in cognitive development and of significant beta amyloid mobilization in the plasma of patients undergoing therapeutic plasmapheresis with albumin. However, the clinical trial must be completed before conclusive results can be obtained.

2.5 R&D AS A GROWTH STRATEGY

Other projects at clinical phase

- Clinical trial of biological adhesive (fibrin glue) for surgical use. The first clinical trial is designed to evaluate efficacy and safety in vascular surgery patients, and involves centers in Canada, Spain and the United Kingdom.
- Two clinical trials with Flebogamma® DIF 10% for idiopathic thrombocytopenic purpura underway in the United States, Europe and India. If predictions are confirmed, this may lead to a new therapeutic indication for this protein (IVIG).
- Clinical trial to evaluate the efficacy and safety of Flebogamma® DIF 5% in pediatric patients with primary immunodeficiency. This study is being conducted in the United States.
- Pilot studies with intravenous immunoglobulin (IVIG) in Alzheimer's disease.
- Design of a trial with anti-hepatitis B immunoglobulin to prevent the recurrence of hepatitis B in patients with chronic hepatitis B undergoing liver transplant.
- Pilot study to evaluate the effects of the prolonged administration of human albumin 20% on cardiocirculatory and renal function, and on hepatic hemodynamics in patients with advanced cirrhosis and ascites. The study began in 2009.
- Design of a pilot trial to evaluate the effects of plasmapheresis with albumin 5% in treating deterioration of patients with cirrhosis.
- Pharmacokinetics and safety study of Anbinex® (anti-thrombin III) in 15 patients with congenital anti-thrombin deficit, together with its clinical efficacy in the prevention of thrombosis in surgery and pregnancy/childbirth.
- Pilot study to evaluate the effect of pre-operative administration of anti-thrombin in patients undergoing heart surgery.
- There are various clinical trials or post-authorization trials underway with factor VIII, von Willebrand factor and factor IX concentrates in hemophilia A and B and in von Willebrand's disease.
- The necessary administrative steps have been taken prior to a clinical trial of the safety and efficacy of AAT **Grifols** (Trypsone®).

2.5.2 DIAGNOSTIC DIVISION R&D

During 2009, **Grifols** sustained the very significant levels of investment it had committed to this division during recent years. Net investment in intangible fixed assets exceeded 1.6 million euros, and over 28% of the division's workforce are dedicated to R&D activities.

The most important projects include:

- Continuation of R&D work to develop a next-generation automatic analyzer for the processing of blood typing cards (Erytra®). The first prototype was presented at a congress in Nagoya (Japan), at the International Biology Workshops in Paris and at the French transfusion congress held in Strasbourg.
- Start of development of a high-capacity hemostasis analyzer to expand the hemostasis product range.
- Continuation of work to develop a new ELISA techniques Triturus® autoanalyzer, scheduled for launch in 2012.
- In the reagents area, major developments included a new formulation thromboplastin (PT) reagent, the development of another synthetic phospholipid-based APTT reagent, a fibrinogen reagent and a chromogenic substrate. All these products should be ready for market in 2010.
- Blood bank projects included the start of development of an additive solution to improve the preservation and storage of platelets, a set for plasma pools to optimize the use of plasma prior to inactivation, and the development of a collection bag for bone marrow for use in regenerative medicine.

2.5 R&D AS A GROWTH STRATEGY

2.5.3 HOSPITAL DIVISION R&D

The Hospital division has made significant progress. Specifically, in the Fluid therapy area stability studies have continued to consider various "ready to use" drug mixtures in polypropylene containers, such as dobutamine, ranitidine, gentamicin and metronidazole. The aim of these studies is to expand the range of mixtures available for use in a hospital setting.

2009 saw the start of a project to develop electrolytic solutions of 5% glucose saline solution and 5% glucose in polypropylene bag and semi-filled format in a range of volumes, with sterile connection which does not require needles. These are designed for the preparation of pharmaceutical mixtures. Finally, R&D activities in the Fluid therapy area also involved the contract development of an antibiotic in a polypropylene bag in two formats, for the European market. The registration file was submitted at the end of 2009. Another important project concerned the development of a product, presented in polypropylene bags, for the treatment of osteoporosis and bone marrow loss in cancer patients. This is aimed at the European and US markets, and will therefore require FDA authorization for the development and manufacture of injectable medicinal products.

In the clinical nutrition area, the Spanish Agency for Medicines and Health Products (AEMPS) has begun the review process for the registration files of two different formulations of three-chamber bag, containing lipids, aminoacids and glucose, and lipid emulsion of soya oil with medium-chain triglycerides. Both reviews mean that final approval may be issued in 2010.

2.5.4 PHARMACEUTICAL ENGINEERING: GRIFOLS ENGINEERING

2009 has been a year of consolidation for **Grifols**' Engineering division, a pharmaceutical engineering consultancy specializing in biotechnology and sterile processes. Although **Grifols** continues to be this division's main client, the volume of projects for third parties grew with respect to 2008.

2.5.5 COLLABORATION AGREEMENTS TO PROMOTE RESEARCH

Promoting the development of gene and cell therapy strategies to treat chronic inflammatory illnesses

Cooperation and collaboration between the Autonomous University of Barcelona (UAB), the Germans Trías i Pujol Institute for Research in the Health Sciences (IGTP) and **Grifols** has led to the patenting of a new method for the genetic modification of a specific type of blood cell. Specifically, using a nanotransporter, it is possible to insert therapeutic genes into the blood cells of patients suffering from chronic inflammatory illness and to significantly modify their function. This represents progress towards combining cell therapy and gene therapy, and also represents a step towards the personalized treatment which it has been argued represents the future of medicine.

Grifols, UAB, IGTP and ICREA have signed a co-ownership for the corresponding patent.

Promoting European research into cirrhosis of the liver

Under a cooperation agreement with the *Fundació Clínic per a la Recerca Biomèdica* (FCRB), **Grifols** is promoting and funding the development of the European Consortium for the Study of Chronic Liver Failure. This agreement reflects **Grifols**' commitment to contributing to projects being conducted by the world's leading scientific centers.

2.5 R&D AS A GROWTH STRATEGY

Grifols' contribution, of 2 million euros, will cover the initial development phase of the agreement for a period of 4 years.The Consortium is backed by the European Association for the Study of the Liver (EASL) and has 70 participating European hospitals in Austria, Belgium, Croatia, the Czech Republic, Denmark, Estonia, France, Georgia, Germany, Holland, Hungary, Iceland, Ireland, Italy, Lithuania, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Turkey, Ukraine and the United Kingdom.

Collaboration with Cerus for the joint development of the Intercept system for specific red blood cell inactivation

Grifols will provide technical experience, knowledge and resources to develop blood bags for this new method, which is currently at clinical trial phase I. Intercept Red Blood Cell System for specific red blood cell inactivation will make it possible to inactivate a wide range of pathogens which can contaminate donated blood.

2.5.6 NEW PATENTS

During 2009 **Grifols** applied for a total of 5 patents: 2 in the Bioscience area, 1 in Diagnostic, and 2 in **Grifols** Engineering. It was also granted 12 patents during the year and this, together with those patents already held by the company, confirms **Grifols** as one of the leading Spanish companies in terms of patent registrations during 2009. In total, the group holds over 618 patents.

MAIN PATENTS GRANTED DURING 2009	
PATENT	COUNTRY
Virus elimination procedure in fibrinogen solutions, and fibrinogen obtained as a result of this procedure	Japan
Procedure for the production of virus-inactivated human gammaglobulin G	Czech Republic
Use of Alpha-1-antitrypsin for the preparation of medicinal products for the treatment of fibromyalgia	Japan
Therapeutic preparation of very high purity FVIIa and method for obtaining it	USA, European patent
Biologically stable liquid composition of human FVIII, FvW FVIII/FvW complex	Canada, Japan

3

3. GRIFOLS COMMITMENT

3.1 HUMAN RESOURCES

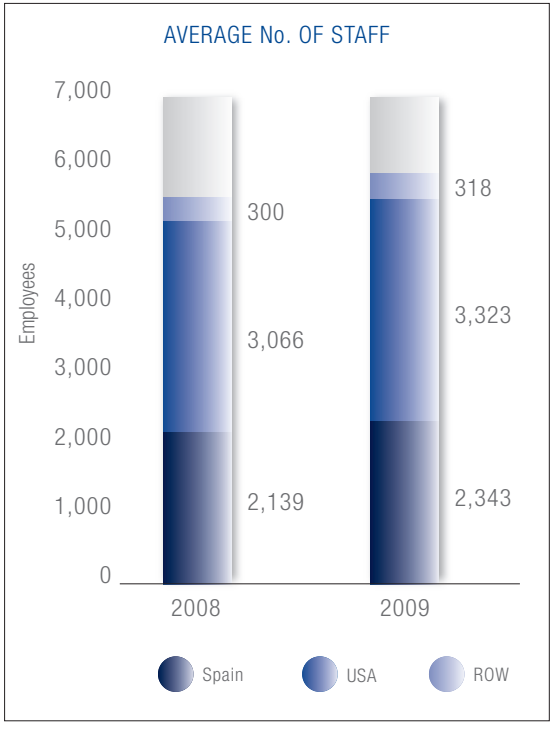
3.2 THE ENVIRONMENT

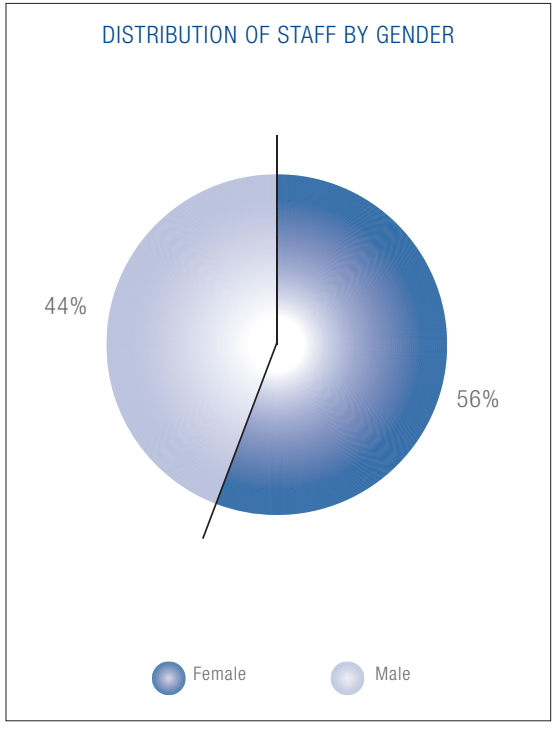
3.1 HUMAN RESOURCES

3.1.1 STAFF NUMBERS

Grifols' positive performance during 2009 has enabled it to continue to generate employment. During 2009 **Grifols** employed an average of 5,984 members of staff, an increase of 8.7% with respect to the previous year. This increase occurred both in Spain and in the United States, the two countries where the group's manufacturing base is located.

3.1 HUMAN RESOURCES





Pay

Staff costs grew by 14.70% to 273 million euros. 80.5% of this corresponded to salaries, with the rest being accounted for by social security and other payments.

3.1 HUMAN RESOURCES

3.1.2 OCCUPATIONAL HEALTH AND SAFETY

As in previous years, **Grifols** continued to promote health and safety in the workplace. Important developments during 2009 included the establishment of measures to prevent psychosocial risks, after assessing approximately 80% of the staff at **Grifols** companies in Spain (approximately 2,000 people).

During 2009, **Grifols** workplaces in Spain renewed their health and safety certification in accordance with OHSAS standard 18001. This demonstrates that the company is continuously applying the most exacting safety management and risk prevention criteria at work.

During 2009 the company has continued to train new employees in issues relating to occupational risks, prevention, safety and hygiene. The company has also conducted regular training events to ensure that employees comply with safety regulations and the company's own standards.

Grifols has introduced procedures to ensure compliance with health and safety legislation by contractors working for the company.

3.1.3 EDUCATION AND TRAINING

The fact that the company operates in the human health sector means that the training of its staff is absolutely essential.

Training initiatives have addressed the knowledge base in quality, risk prevention, technical development and the improvement of processes and systems, in addition to which continuing professional development provides ongoing skills training.

During 2009 an average of 26 hours of training were provided per employee.

KEY TRAINING INDICATORS	
No. OF COURSES	15,369
TOTAL HOURS	155,584
AVERAGE HOURS PER EMPLOYEE	26

3.1 HUMAN RESOURCES

Internal training plans are designed to reflect the needs of the group's employees, depending on the activities they have to perform. In 2009, 15,369 courses were delivered, representing a total of 155,584 training hours.

Subject	Hours
QUALITY / GMP	50,639
PRODUCT KNOWLEDGE	13,020
SKILLS DEVELOPMENT	26,755
LANGUAGES	13,828
ENVIRONMENT / PREVENTION	11,492

United States

A major portion of training in the United States is now delivered by the Plasmapheresis Academy, in the state of Arizona. Created in January 2009 as a **Grifols** training center at the company's 80 plasma collection centers, the academy provides a meeting point for staff of the different **Grifols** companies in the USA. During its first year, 500 members of staff have taken part in courses in areas such as quality, operations and medical knowledge.

At the same time, through the Human Resources department at corporate head office in Los Angeles, **Grifols** has implemented a structured management skills program designed to develop interpersonal, tactical and strategic skills, in which 150 senior and middle managers have taken part.

The recruitment system in the United States has been upgraded with the implementation of a new IT application to automate the administrative tasks associated with the recruitment process, freeing recruitment officers to concentrate on the task of evaluating candidates and vacancies. The purpose of this change is to ensure that the organization is able to recruit and retain the best talent.

3.1.4 INTERNAL COMMUNICATION

In order to provide employees with better access to information, a portal application has been created to allow staff in the United States to access their personal information relating to their social benefits and salary, and to enable them to use the intranet to complete administrative procedures. This means that the portal now offers the same level of functionality for staff in Spain and in the United States.

One of the objectives for 2010 is to extend this functionality to employees at all the group's subsidiaries.

3.1 HUMAN RESOURCES

3.1.5 STAFF CODE OF CONDUCT

Grifols has a code of conduct for all its staff. The code includes a commitment to ethical behavior, and basic principles of conduct for employees in all professional situations. Approved by the Board of Directors of **Grifols** on December 9, 2008, it was distributed internally in 2009.

Issues covered by the code include respect for employees, the principles of product safety, anti-corruption, free competition, conflicts of interest and accurate financial information. A tool for confidential inquiries and reporting of violations has been in operation since April 2009.

3.2 THE ENVIRONMENT

The Environment Department coordinates the environmental activities of the group's companies. **Grifols** environmental management is based on its ISO 14.001-certified Management System and on the commitments established by the management in its environmental policy.

3.2 THE ENVIRONMENT

Each company has an Environmental Committee which monitors the company's environmental system and performance, establishing targets and and verifying that they have been achieved.

The company is on line to achieve its environmental targets for the period 2008-2010. Particularly important are the goals relating to the continuous improvement of waste management, such as the recycling of alcohol and the use of polyethylene glycol, internal reuse of water, and the reduction of CO_2 emissions.

Each year **Grifols** publishes its Environmental Management Report, which provides detailed information regarding the company's environmental targets and performance during the year. This report is available on the company's website.

In 2009, output continued to grow at the Bioscience, Hospital and Diagnostic divisions, with an impact on the following key environmental aspects: residues, waste, emissions, and the consumption of water, gas and electricity. In a context of rising output, in most cases the increase was lower than the increase in production, consolidating the objective of eco-efficiency in resource management.

	BIOSCIENCE	HOSPITAL	DIAGNOSTIC
PRODUCTION INCREASE	13.3%	6.9%	25.2%

3.2.1 ENERGY AND WATER

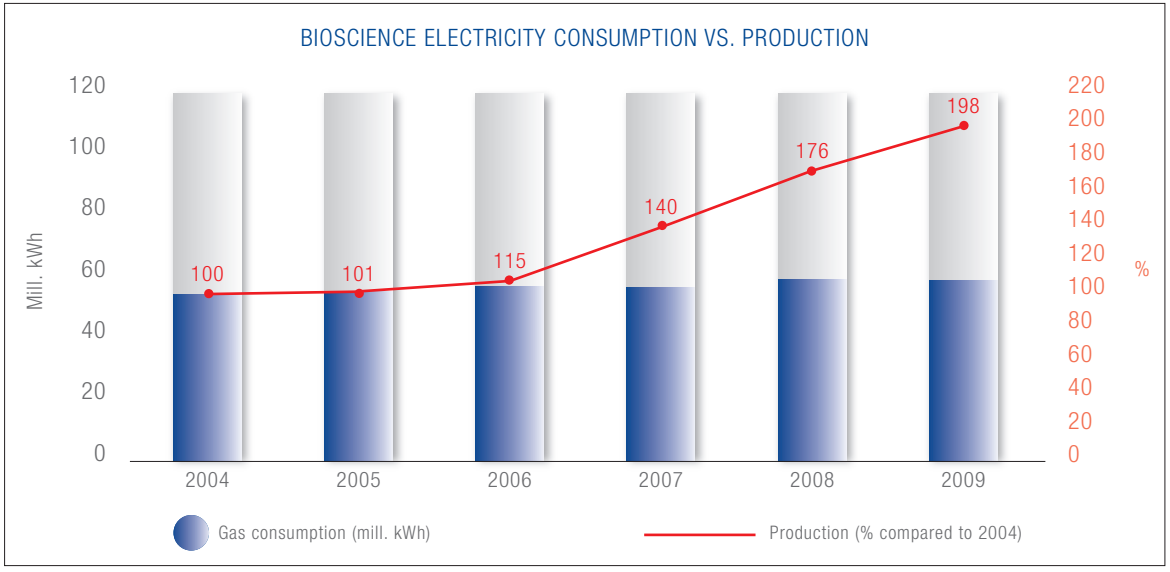
Energy consumption

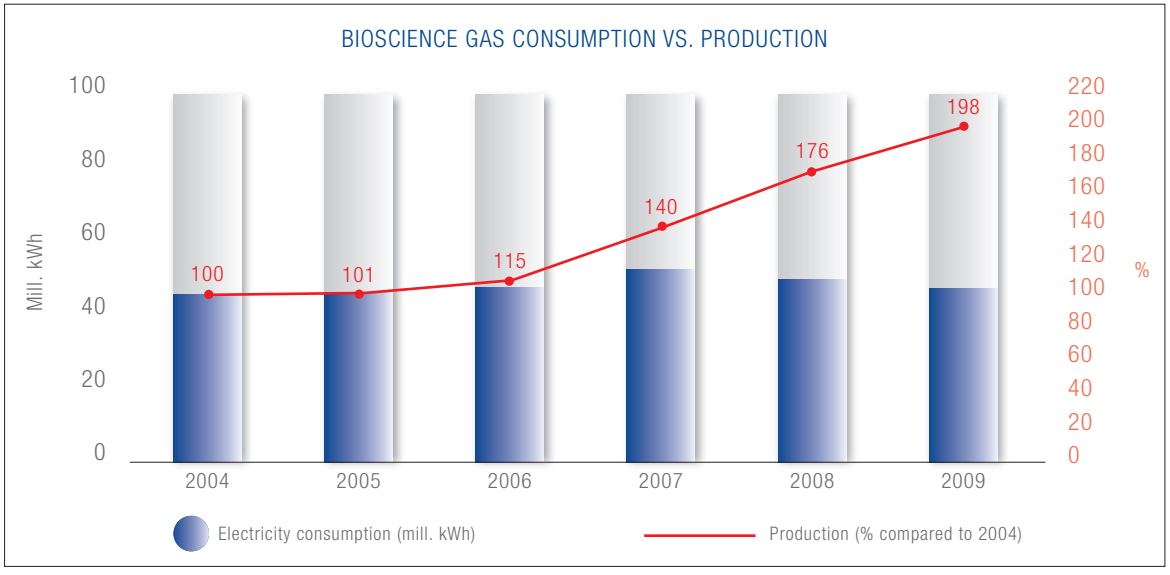
In 2009, energy consumption increased by 1%, to 73 million kWh. Almost 80% of this is consumed by the Bioscience division.

The new cogeneration plant which supplies the production requirements of this division in Spain has completed its first year of operation, producing 44.5 million kWh of electricity, and recovering 33.5 million kWh in the form of steam and hot water.

Total natural gas consumption, excluding the natural gas needed for cogeneration, was 58.8 million kWh. Increased use of heat by the cogeneration plant has contributed to a 10.8% reduction in natural gas consumption by the Bioscience division.

3.2 THE ENVIRONMENT



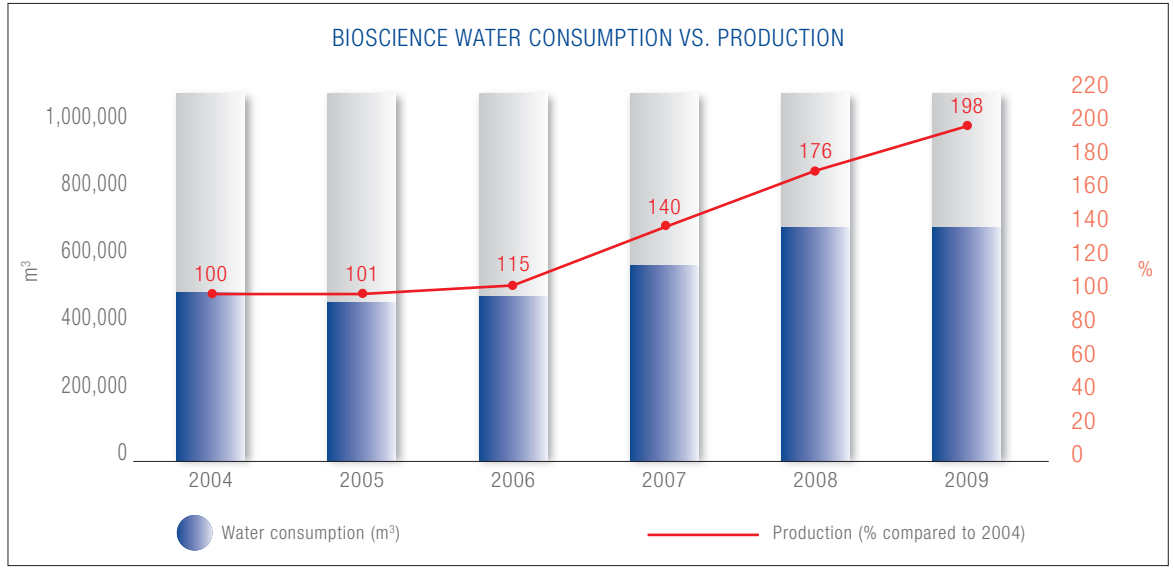


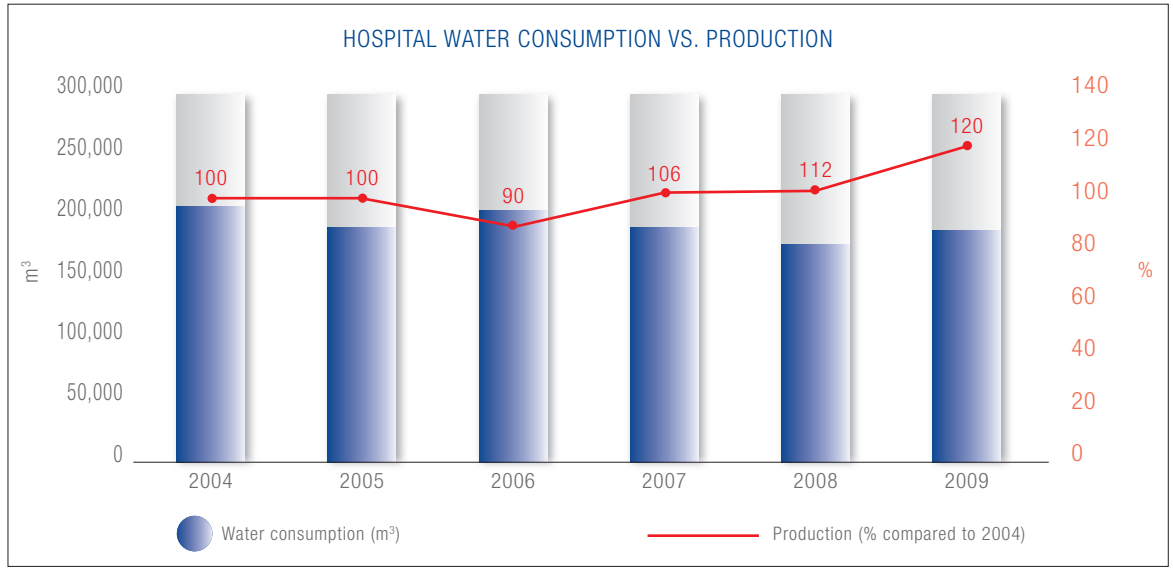
3.2 THE ENVIRONMENT

Water consumption

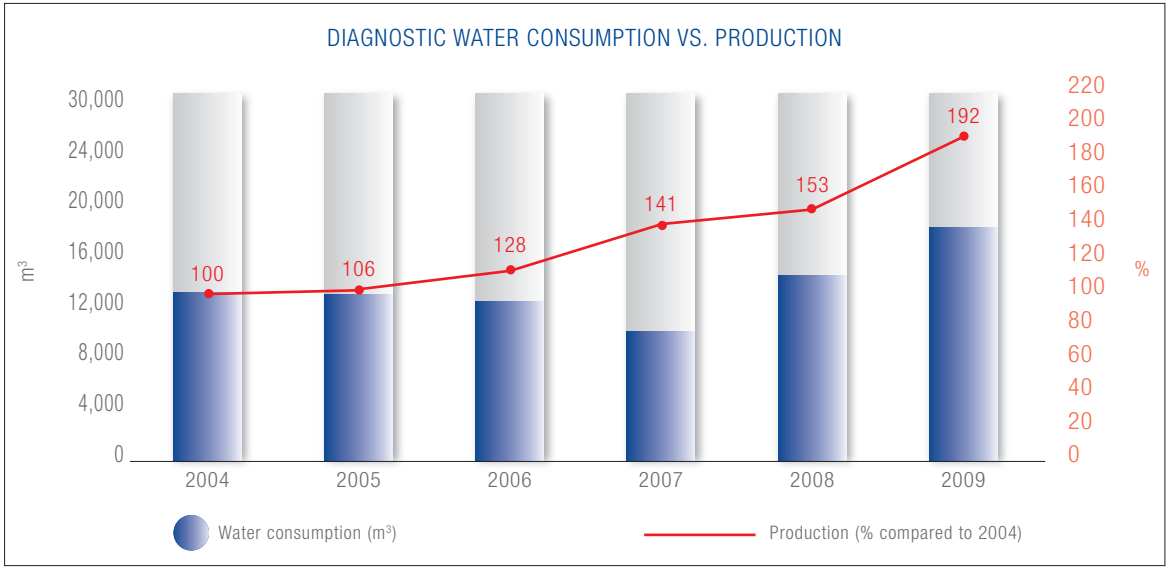
Water consumption rose to 901,785 m³, a 4.6% increase which is less than the increase in production.

More Clean-in-Place systems, which are more efficient in their consumption of water and detergents, have been installed in the production areas of the Bioscience and Hospital divisions. Work has also been conducted to improve the recovery of clean water for reuse in the refrigeration towers of the Hospital division.





3.2 THE ENVIRONMENT

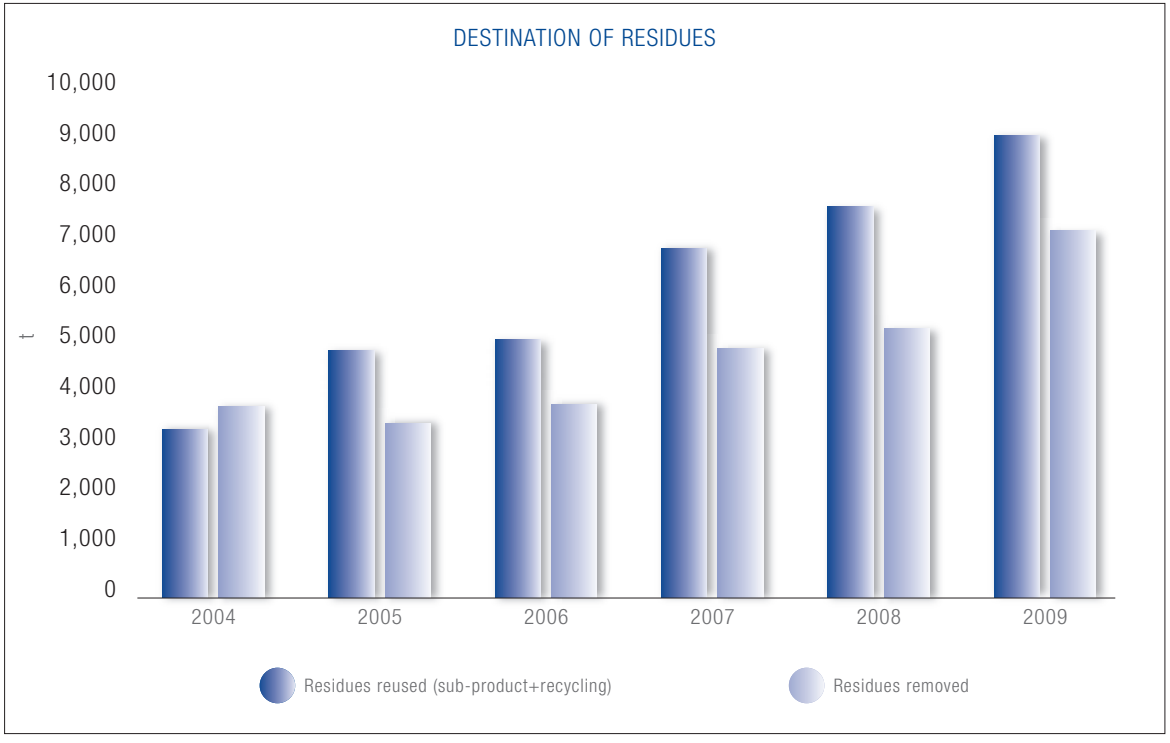


3.2.2 RESIDUES, WASTE WATER AND EMISSIONS

Residues

Total production of residues rose to 16,560 t, of which 55% are recycled or used as sub-products. The most important residue by quantity is water-concentrated polyethylene glycol, which is produced in the manufacture of next-generation immunoglobulin Flebogamma® DIF, at the Parets del Vallès plant, which is managed as a sub-product.

3.2 THE ENVIRONMENT



Waste water

Waste water from all manufacturing facilities flows into the public sewer network and purification systems established by the authorities in each location. 70% of the water used ultimately ends up on the sewer system. The total organic load discharged, measured as Chemical Oxygen Demand (COD), has fallen by 10% as a result of improvements in the treatment of new effluents in the biological purification plant at the Bioscience division in Spain.

Emissions

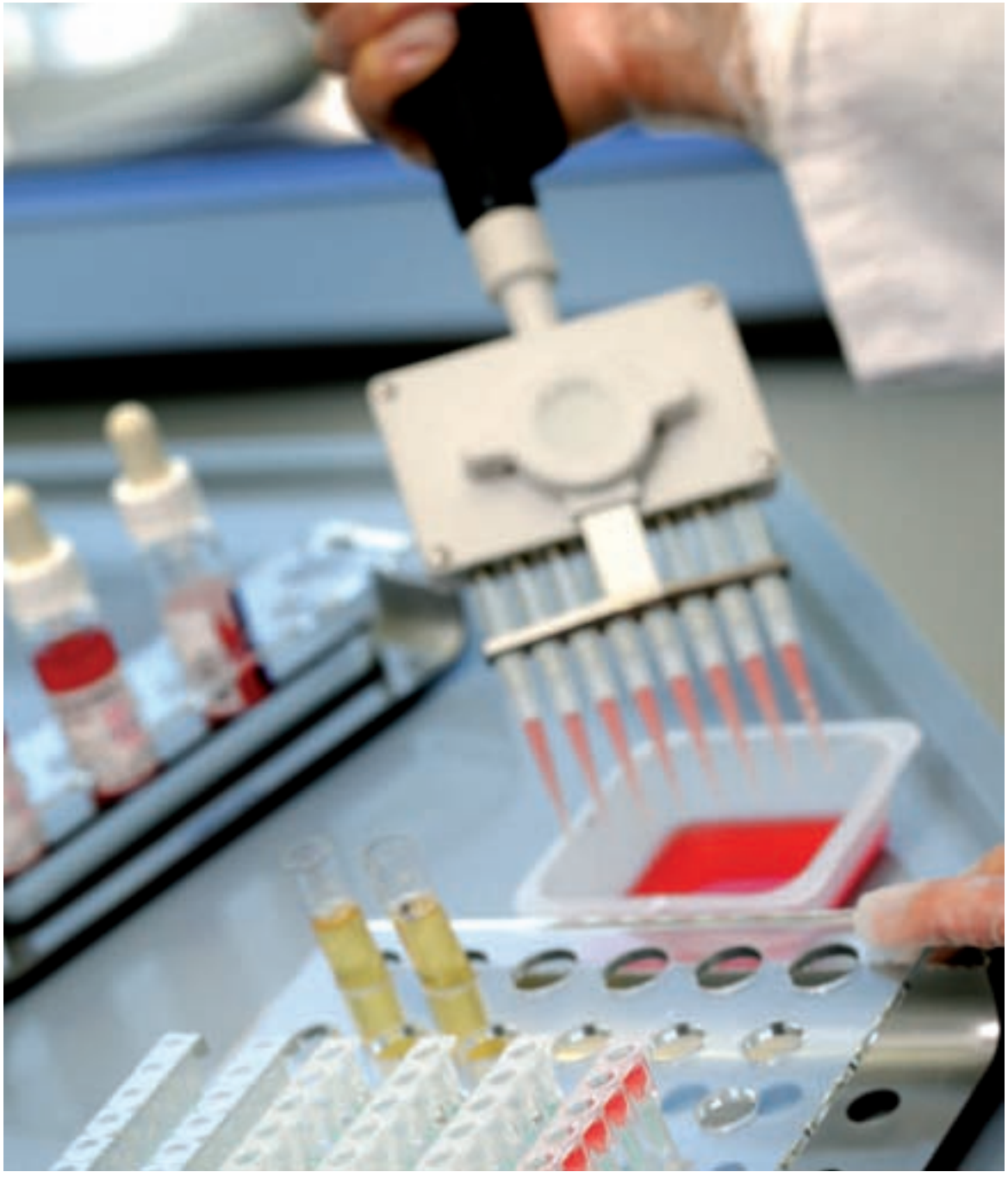
Total CO_2 emissions, both direct and indirect, due to the consumption of natural gas and electricity at all manufacturing facilities, was 36,696 t, 6% lower than the previous year. This reflects improved use of residual heat in the cogeneration plant, and the reduction of average CO_2 emissions generated by electricity companies in Spain, thanks to the increasing role of renewable energy sources. Emissions of CO_2 by the cogeneration plant totalled 21,179 t.

3.2 THE ENVIRONMENT

3.2.3 ENVIRONMENTAL INVESTMENT AND EXPENDITURE

Environmental expenditure during 2009 totalled 3 million euros, 74% of which was allocated to residue management. Environmental investment stood at 773,820 euros. 90% of this investment was allocated to reducing the consumption of water and improving the quality of waste water. 4% was invested in measures to reduce electricity consumption in offices and production processes.

ITEM	EXPENDITURE €	INVESTMENT €
WASTE WATER	692,517	700,952
RESIDUES	2,191,599	39,154
EMISSIONS	16,958	5,183
OTHERS	67,672	28,531
	2,968,747	**773,820**



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4. ECONOMIC-FINANCIAL PERFORMANCE

4.1 MACROECONOMIC ENVIRONMENT

4.2 ANALYSIS OF RESULTS

4.1 MACROECONOMIC ENVIRONMENT

4.1.1 GLOBAL ECONOMIC ENVIRONMENT

The international economic crisis, which began in 2007, had its greatest impact in 2009. All developed countries have seen a significant downturn in activity, and Spain has been no exception. Although interest rates were pegged to historic minimums in an attempt to revive economies, the credit squeeze for both businesses and families restricted consumption until the end of the financial year. In the United States, the political changes promised to herald improvements, but many of the imbalances in the world's largest economy are still to be corrected, something which is essential if a sustainable recovery is to be achieved.

4.1 MACROECONOMIC ENVIRONMENT

2009 has been the worst year yet in a crisis which began in August 2007. According to the World Bank (WB) the global economy actually shrank by -2.2% in 2009, making it the worst year of recent decades, despite the monetary and fiscal policies applied by governments in an effort to stimulate growth.

Data from the Bank of Spain suggests that GDP in the eurozone fell by 4.1% in 2009, while in the United States activity declined by 2.4%. Both sets of figures contrast with 2008, which saw growth of 1.1% in Europe and 1.3% in the United States, levels which were already lower than for any year since 2001. As elsewhere, the Spanish economy was affected by the international recession, with GDP falling by 3.6% in 2009, compared with growth of 1.2% in 2008. This put it broadly in line with other western economies, although in Spain the impact on the labour market, domestic demand and the property sector all appear to be bigger.

Both the FED and the Central European Bank held interest rates at historically low levels in an attempt to stimulate demand, although this growth policy did not deliver immediate results.

In general terms, domestic demand in OCDE countries stagnated in 2009, with a major impact on sensitive sectors such as automobiles and housing. This slowdown in domestic consumption has its roots in the crisis of confidence on both sides of the Atlantic, and in the credit squeeze for businesses and families, which has had a direct impact on the labour market, leading to high rates of unemployment. In December 2009 the unemployment rate in the United States had almost doubled, reaching 10%, while the rate in the eurozone stood at 9.6%. The rate in Spain rose to 19.5%.

However, recent economic indicators from the largest economies in the EU, central and eastern Europe suggest a degree of improvement, while the emerging economies of Asia have started a more rapid recovery. China has consolidated its position as the world's second largest economy, while in Latin America there have been positive economic signs in the majority of countries.

In this context, the main stock exchange indicators have been volatile, reflecting the latent risk to real economies as a result of the adjustment process now underway.

At the same time, the business results have been affected both by the need to fund working capital and by exchange rates. Exchange rate risks were exacerbated in 2009 by volatility in the dollar-euro exchange rate.

2010 is expected to be a difficult year, in which the majority of the world's economies seek to come to terms with the challenge of coming out of recession.

In 2009 **Grifols** occupied a leading position in the global plasma products market. It maintains a clear competitive advantage, due to the fact that it is one of the few fractionators with a vertically integrated business model, allowing it to control the entire production process, from raw material to finished product.

4.1 MACROECONOMIC ENVIRONMENT

4.1.2 THE PLASMA PRODUCTS SECTOR

The majority of analysts highlight the favourable performance of the plasma products market in 2009 and positive prospects for future growth. The gradual incorporation of developing countries as significant consumers of plasma products within a general context of price stability and potential new therapeutic indications for plasma proteins will be the drivers of our sector over the coming years.

The prices of the principal plasma proteins have remained stable, and volume is therefore the main engine for growth of the sector. New markets such as Asia and Latin America are becoming increasingly important, with double-digit growth figures, while western markets, led by the United States and Europe, continue to grow more moderately.

It is also important to note the efforts made by the industry with respect to R&D. There are now numerous studies and clinical trials underway exploring new therapeutic properties of plasma products. Key among these are studies into the use of albumin and IVIG for the treatment of Alzheimer's disease, and the use of albumin for the treatment of cirrhosis of the liver, among others.

In terms of products, intravenous immunoglobulin (IVIG), albumin and factor VIII account for almost two thirds of the global market by sales turnover, although the proportions are not uniform across different markets.

Major corporate events in the industry included the Talecris IPO in September, an operation which confirms the interest of investors in the plasma products sector. This enthusiasm was also clear from the response to the first issue of corporate bonds by **Grifols** in the United States, which was heavily over-subscribed.

The latest data for the plasma fractionation industry confirms that:

- The United States remains the most important market by sales turnover.
- Latin America and Asia are gaining in importance, with double-digit growth.
- China, the world's second largest economy, has become a major consumer of plasma products.
- Europe maintains sale volumes.

4.2 ANALYSIS OF RESULTS

Despite the current situation, all activity indicators saw double-digit growth. International expansion in emerging markets such as Asia and Latin America have driven sales, and investors have demonstrated their confidence in the company by oversubscribing our first issue of corporate bonds in the United States. In addition, debt levels remained stable and the solidity of our balance sheet was confirmed.

4.2 ANALYSIS OF RESULTS

4.2.1 INCOME STATEMENT

Grifols closed 2009 with turnover of 913.2 million euros. This represents growth of +12.1% compared to 2008.

Sales performed well in all four quarters of the year, with record turnover in the first quarter. During the final quarter, the rise of the dollar against the euro had a moderate effect on the group's turnover. However, **Grifols** has a natural hedge against exchange rate risk which enables it to offset any negative impact from dollar-denominated sales with purchases of plasma, its main raw material, also in dollars. Year-on-year growth stood at +10.1%, excluding the effect of exchange rate variations and the incorporation of income from the Australian group acquired during the year.

The cost of plasma, the main raw material, remained stable and the gross margin stood at levels similar to those for 2008, representing 48.7% of sales. Operating expenses totalled 218.0 million euros, an increase of 11.7%.

Maintaining a cost control policy throughout the year, together with positive sales performance, has allowed the EBITDA to sales margin to rise to 29.1%. Gross operating results reached 266.1 million euros, growth of +12.6% with respect to the preceding year. Net profit stood at 148.0 million euros, reflecting an increase of +21.6% with respect to 2008 and representing 16.2% of sales, compared to a figure of 14.9% in 2008.

In 2009 financial expenses fell considerably due to the continuing decline of interest rates. However, in 2010 the company expects these to return to their 2008 levels in the light of forecast interest rate rises and new funding resources.

GRIFOLS 2009 KEY FIGURES (millions of euros)

	2009	2008	% 2009/2008
TOTAL INCOME	913.2	814.3	+12.1%
EBITDA	266.1	236.2	+12.6%
% OF SALES	29.1%	29.0%	
NET PROFIT	148.0	121.7	+21.6%
% OF SALES	16.2%	14.9%	

4.2 ANALYSIS OF RESULTS

4.2.1.1 Sales performance by business line

All business lines recorded a positive annual performance.

Sales performed well in all four quarters of the year in all divisions. The global economic slowdown had less impact on the company's sales, and annual turnover was boosted by growth in all divisions:

The Bioscience division, which accounts for 76.1% of the group's turnover, generated 695.0 million euros, with growth of +12.5%. In the context of price stability, the increased volume of the main plasma products was the principal driver of activity.

For its part, the Diagnostic division, which benefited from the increased sales volume of reagents (DG Gel® cards), achieved sales of 103.1 million euros, a rise of +20.2%. The prolonged global economic slowdown which began in the final quarter of 2008 has led to restrictions in both public and private investment in hospital automation systems in Spain. This has had a moderate impact on areas of the Hospital division which, despite this, increased sales turnover by +4.7% compared to 2008, recording a figure of 86.3 million euros.

The Raw Materials & Others division, which includes the sales of raw material (plasma) to third parties, and other services, maintained its turnover at 28.8 million euros, in line with forecasts.

TURNOVER AND GROWTH BY DIVISION IN 2009 (millions of euros)

ANALYSIS OF SALES BY DIVISION

	2009	% Sales	2008	% Sales	% Var.	% Var CC.
BIOSCIENCE DIVISION	694,969	76.1%	617,975	75.9%	12.5%	11.9%
HOSPITAL DIVISION	86,328	9.4%	82,440	10.1%	4.7%	5.0%
DIAGNOSTIC DIVISION	103,091	11.3%	85,775	10.5%	20.2%	20.9%
RAW MATERIALS DIVISION AND OTHERS	28,798	3.2%	28,121	3.5%	2.4%	-7.6%
TOTAL	**913,186**	**100.0%**	**814,311**	**100.0%**	**12.1%**	**11.4%**

Adjustment from Raw Mat. to Biosc.: 11,725

4.2 ANALYSIS OF RESULTS

4.2.1.2 Sales performance by geographic region

As part of our growth strategy, we have promoted sales in emerging areas such as Asia and Latin America, and have strengthened our presence in the diagnostics market in Australia and New Zealand.

At year-end 2009, geographic diversification meant that **Grifols**' turnover in external markets accounted for 75.3% of its total turnover. International sales grew by +14.4%, totalling 687.4 million euros.

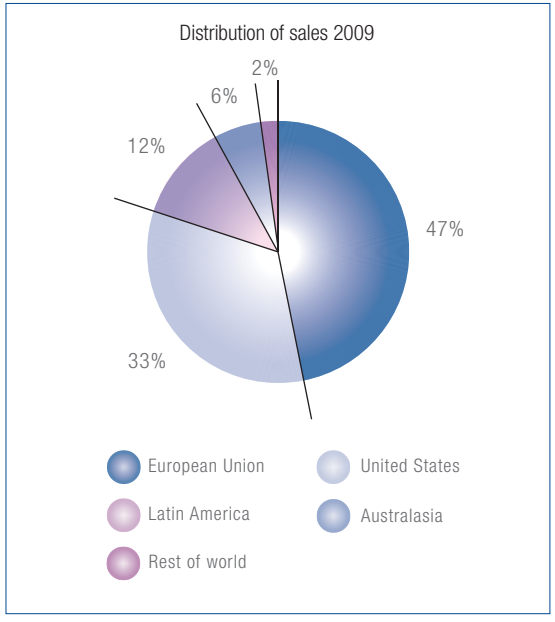
By geographic area, the group generated 296.7 million euros in the United States, where turnover increased by +2.1% with respect to 2008. As a result, 32.5% of **Grifols**' income in 2009 was generated in the US market, where the company has sustained its penetration strategy. For its part, Europe accounts for 46.5% of the group's turnover with a figure of 424.6 million euros, representing growth of +5.1%. Spain and Portugal contributed 233.5 million euros to **Grifols**' total revenues, an increase of +5.6%.

4.2 ANALYSIS OF RESULTS

The largest increases were seen in new areas of expansion for **Grifols**, such as Latin America (+50.5%) and Asia (+45.9%). In particular, countries such as Brazil, Mexico, Argentina, China and Australia have gained importance in the sales mix, contributing both to the group's growth and diversification strategies. The company has also strengthened its presence in Australia after purchasing an Australian-Swiss group which will give **Grifols** the commercial weight it needs in order to consolidate and increase its presence in the diagnostics market in Australia and New Zealand. It will also enable the group to explore opportunities for future industrial investment utilizing **Grifols** Engineering technology, and will help speed up the marketing of Flebogamma® DIF (new generation IVIG) in this geographic region.

GEOGRAPHIC DISTRIBUTION OF ORDINARY INCOME OF GROUP

	% of total sales		% of total sales	
	2009		2008	
EUROPEAN UNION	424.6	46.5%	404.1	49.6%
UNITED STATES	296.7	32.5%	290.7	35.7%
LATIN AMERICA	114.1	12.5%	75.8	9.3%
AUSTRALASIA	56.0	6.1%	33.9	4.2%
REST OF THE WORLD	21.8	2.4%	9.8	1.2%
CONSOLIDATED	**913.2**	**100.0%**	**814.3**	**100.0%**



International expansion continues to be the driver of future growth. Sales outside of Spain accounted for 75.3% of our income, standing at 687.4 million euros. Growth in Latin America (+50.5%) and Asia (+45.9%) were particularly impressive.

4.2 ANALYSIS OF RESULTS

Grifols currently operates in more than 90 countries through 20 subsidiaries and various distribution agreements. Geographic diversification is a priority objective for the group, following the consolidation of its business in the United States, where it has continued to expand its productive structure. As a result, **Grifols** is currently one of the most international Spanish companies, with a commercial presence and experience in emerging markets such as China, Brazil and India, and operations in the Asia-Pacific region through its subsidiaries in Malaysia, Thailand, Singapore and Japan.

Throughout the financial year, the group's international efforts have enabled it to:

- Increase its presence in Australia with the purchase of an Australian-Swiss group.
- Expand its productive structure in the United States, specifically in San Marcos (Texas), where the company has started building a second plasma analysis laboratory and plans to construct a new fractionation plant and a plasma warehouse.
- Win major contracts to supply plasma products in emerging areas such as China and Brazil.

The United States remains a priority area, and we will invest over 210 million euros in this market up to 2012.

Grifols has one of the largest presences of any Spanish group in the United States, a country which accounted for 32.5% of turnover in 2009. It holds a 10% share of the plasma products market, and employs over 3000 people.

With a presence there since 1990, when the group first began to invest in this market, it was really in 2002 that **Grifols** intensified its strategy of achieving market penetration through acquisitions. The United States is one of the major targets of **Grifols** investment, and in the period 2008-2012 the company plans to invest over 200 million euros there. In this regard, the facilities at Los Angeles are expected to receive a total of 110 million euros while San Marcos (Texas) will also benefit from the group's expansion plans.

Grifols' presence in the United States consists of:

- **Plasma products plant at Los Angeles**, occupying an area of 39,432 m^2 and with the capacity to fractionate 2.2 million litres of plasma/year.
- **80 plasma collection centres** or plasmapheresis centres, which supply over 3 million litres of plasma/year, making **Grifols** the world's second largest plasma supplier.
- **FDA licenses for the marketing of its main plasma products:** albumin, IVIG, clotting factors, etc.
- **1 central laboratory for the analysis of plasma samples at Austin (Texas)**, which performs more than 1 million tests per month.
- **Average staff of 3,323 employees, over 55% of total global employees.**
- **Grifols Academy of Plasmapheresis.** Located in Arizona, the Academy represents the company's commitment to ensuring that its staff have all the training, knowledge and skills they need to manage the plasma production process with the levels of specialization our industry requires.

4.2 ANALYSIS OF RESULTS

Grifols in the world

4.2 ANALYSIS OF RESULTS

4.2.2 BALANCE SHEET ANALYSIS

At the end of 2009, **Grifols** had total consolidated assets of 1,657.2 million euros, compared to 1,180.2 million euros in 2008.

Within non-current assets, It is worth noting the 70.7 million euro net increase in fixed assets, with a total investment of 103.4 million euros. This increase corresponded primarily to the investments made to expand the productive capacity of the facilities at Los Angeles, which include both the new IVIG plant and the sterile albumin filling plant. It also reflects the extension and improvement of the solutions manufacturing plant in Murcia (Spain). In addition, in 2009 **Grifols** began a third phase of investment in the Murcia region of south-eastern Spain which, once completed, will increase the group's parenteral solutions production capacity by 30 million bags a year, to a total of 44 million.

The investments undertaken in 2009 in accordance with the planned investment of 433 million approved for 2008-2012, correspond to **Grifols**' strategy of increasing fractionation and productive capacity to assure the group's sustainable growth.

With respect to current assets, inventory has risen from 373.1 million euros in 2008 to 484.5 million

euros in 2009. This includes both inventories of finished product and work in process, as well as the supply of raw materials. The higher levels of inventories ensure the group's future sales growth and confirm **Grifols**' commitment to maintaining the highest standards of product safety and quality.

The outstanding debit balance stood at 255.2 million euros, compared to 235.2 million euros in 2008. The group's higher turnover did not translate into a notable increase in trade receivables, despite the fact that 2009 has seen a gradual increase in the default rate in other activity sectors. Likewise, throughout the financial year there has been a gradual improvement in debt recovery and this, together with the favourable impact of higher sales in markets with shorter and more stable payment periods allowed **Grifols** to maintain its payment period at levels similar to those of 2008.

The balance of cash and cash equivalents rose during the year, totalling 249.4 million euros in 2009 compared to the 6.4 million euros recorded in 2008. This improvement in the cash position was the result of various financial operations conducted during the year, among which the most important was the first issue of **Grifols** corporate bonds in the United States. This should enable the group to address further investments with greater flexibility and to increase the resources allocated to R&D in general, and in particular to the performance of studies linked to the possible use of albumin to treat Alzheimer's disease and other projects related to future biotechnological developments.

Grifols' main financial ratios in 2009 remain at similar levels to those for 2008 and attest to the solidity of the group's s balance sheet.

4.2 ANALYSIS OF RESULTS

Net financial borrowings increased from 446 million euros in 2008 to 561.6 million in 2009. The financial operations undertaken during the year have led to the restructuring of the debt term, with over 68% of available funding coming from long-term sources. The company had set itself this objective in order to better meet its working capital needs and to implement its investment plans.

Among the most important of these operations was the first issue of **Grifols** corporate bonds in the United States, for a value of 600 million dollars. It was fully subscribed by qualified investors, and was structured in three tranches: 200 million dollars for 12 years, 300 million dollars for 10 years and 100 million dollars for 7 years, with a spread over 10-year US Treasury Bills of 370 base points for 12-year bonds, 350 points for 10-year bonds, and 335 points for 7-year bonds.

Also worth noting is the novation of the syndicated loan agreed with 24 financial institutions in May 2008 for a value of 350 million euros, with the aim of homogenizing the financial covenants with those of the corporate debt issued. This has led to the replacement of the Net Financial Debt / Equity ratio by the level of Minimum Equity, providing a more accurate measure of the growth of the group's equity and the value of the company.

The utilization of these financial resources has enabled **Grifols** to finance the investment and operating activities contained in its growth plan and ensures the availability of working capital to cover the group's needs. In 2010 and thereafter, the investment plan is expected to be successfully implemented by group companies through to 2012, with emphasis on expansions and new buildings, specialized machinery for new facilities, and the implementation of new R&D initiatives.

International investors have confidence in **Grifols**' management and business strategy, and the first issue of **Grifols** corporate bonds in the United States, for a value of 600 million dollars, was heavily over-subscribed.

The main financial ratios in 2009 attest to the solidity of **Grifols**' balance sheet:

	DECEMBER 2009	DECEMBER 2008
NET FINANCIAL DEBT	561.6	446.0
NET FINANCIAL DEBT/EBITDA (<3.5)	2.1	1.9
EBITDA/FINANCIAL EXPENSES (>5.00)	11.8	7.7
MINIMUM EQUITY (>420.8)	566.4	N/A
NET FINANCIAL DEBT / EQUITY (<1.00)	0.87	0.86

4.2 ANALYSIS OF RESULTS

4.2.3 EQUITY

As of 31 December, 2009, **Grifols**' equity was 578.5 million euros, a net increase of 97.3 million euros over the 481.2 million euros recorded in 2008.

Following the IPO in May 2006, as at December 2009 no changes had occurred in the company's share capital, which stood at 106.5 million euros and is represented by 213,064,899 ordinary shares with a nominal value of 0.50 euros each. All the shares bear equal voting and dividend rights.

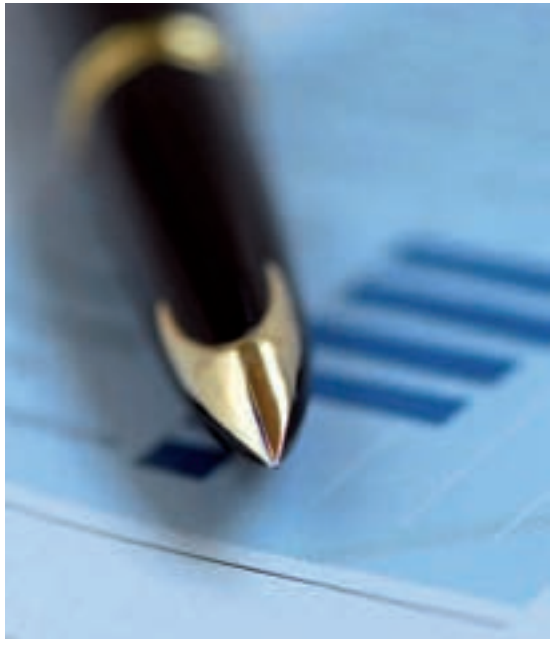
Once again, the company's excellent performance in 2009 contributed to the growth of its assets, after deducting dividend payments to shareholders. For their part, the increase in treasury shares effected by **Grifols** in 2009 has increased equity by 32.4 million euros, making up for the reduction of 33.0 million euros during the preceding financial year. At the close of 2009, the company held treasury stock equivalent to 0.03% of its share capital, compared to the figure of 1.13% reported at the close of 2008.

The agreement signed at the General Meeting of Shareholders to distribute a dividend against 2008 results of 0.23209 euros (gross) per share, which means allocating 40% of net profit to dividends, for a total of 48.69 million euros, did not produce any changes in the issue premium, which remained at the same level as in 2008.

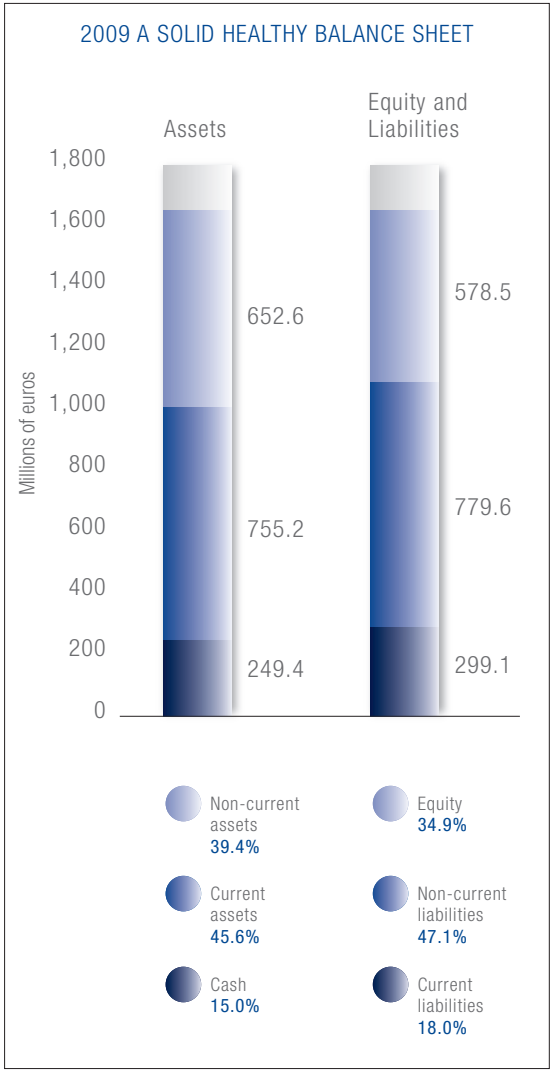
Likewise, following ratification by the Ordinary General Meeting of Shareholders for 2008, in December 2009 the first gross dividend on account of 2009 financial year of 0.15305 euros per share was paid out, for a total of 32.0 million euros. While this reduced equity by the same amount, it made clear that there is sufficient liquidity to pay dividends to shareholders.

Currency movements (mainly in US dollars) in 2009 had a greater impact on group equity than in 2008, producing a total reduction of 90.2 million euros, compared to the 84.5 million euro reduction in 2008, recorded under the heading of exchange rate conversion differences.

Finally, in 2009 cash flow hedging operations reduced the group's net equity by 2.0 million euros. This amount is the financial cost, less the taxation impact, derived from the cover arranged by the group to protect itself against interest rate fluctuations relating to the issue of corporate bonds in the United States, consisting of variable to fixed interest rate swap contract.



4.2 ANALYSIS OF RESULTS



4.2.4 CORPORATE AND FINANCIAL OPERATIONS

Acquisition of 49% of an Australian-Swiss group

In 2009 **Grifols** acquired 49% of an Australian-Swiss holding group for 25 million euros. The purchase agreement includes taking control of the company. This investment offers important synergies for **Grifols** as a result of the similarity between the business areas of both groups, and confirms its strategy of strengthening the Diagnostic division through acquisitions. The investment will enable **Grifols** to consolidate and strengthen its commercial presence in the diagnostic market in Australia and New Zealand, with its own sales force. Before this, sales of instruments in these markets was conducted through distributors.

With respect to the Bioscience division, the purchase will help to improve the marketing of its next-generation Intravenous Immunoglobulin (IVIG), Flebogamma® DIF, in Australia. The license was obtained at the end of 2008.

The investment also includes Medion, a Swiss-based company which has developed new technology for determining blood groups which complements the technology used by **Grifols**. This new range of products will expand the group's offering in the fields of blood typing and pre-transfusional diagnostics. All of the markets in which **Grifols** operates will benefit from the availability of the new Swiss-manufactured products, although the United States will be one of the most important, as some of the products developed by the group's Swiss company already hold FDA approval. The investment will therefore also help to accelerate the Diagnostic division's penetration of the United States market.

First corporate bond issue in the United States

Grifols completed its first issue of corporate bonds in the United States for a value of 600 million dollars (410 million euros), although demand from institutional investors, primarily from the US, exceeded 1,000 million dollars.

4.2 ANALYSIS OF RESULTS

The resources raised have enabled the group to restructure part of its debt (from short to long term), while also guaranteeing the financial resources needed to fund future plans, particularly in the R&D area.

This corporate debt issue is the Spanish group's first, and was one of the largest of 2009. The heavy over-subscription together with the long maturity date are clear evidence of the confidence which international investors have in **Grifols** and in the plasma products sector, in which the company has significant competitive advantages.

STRUCTURE OF THE OPERATION:

	Value (in millions of USD)	Maturity	Spread (over US Treasury Bills)	Issue price
1ST TRANCHE	100	7 years	335 bp (3.35%)	Par (100%)
2ND TRANCHE	300	10 years	350 bp (3.50%)	Par (100%)
3RD TRANCHE	200	12 years	370 bp (3.70%)	Par (100%)
TOTAL	**600**			

KEY FIGURES:

VALUE OF THE OPERATION	600 million US dollars
CURRENCY OF ISSUE	90% dollars (USD) – 10% pounds (GBP) / euros (€)
TOTAL INVESTORS SUBSCRIBING	49 institutional participants
COORDINATORS	Nomura Securities and BBVA

Start of trading of Grifols shares in United States through ADRs

The group launched an "American Depositary Receipt" (ADR) Sponsored Program (level 1). This formula means that securities are available to all US investors while also facilitating share ownership by the group's North American staff. **Grifols** ADRs are negotiated in dollars in the OTC market (over-the-counter) with a parity of 1 **Grifols** share for every 2 ADRs.

4.2 ANALYSIS OF RESULTS

The ease of processing and the absence of costs for the company were central to **Grifols**' decision to opt for ADR Sponsored Program (level 1). Its introduction also enables the company to consolidate its policy of internationalization, by increasing the opportunities for the US market to invest in **Grifols**.

Among the advantages which the ADR Sponsored Program (level 1) offers to **Grifols** are:

1. Access to a greater number of investors in the United States, including small and medium investors who, as a result of domestic policies, are unable to invest in foreign securities. ADRs are treated as domestic investments.

2. Expands investment opportunities for large funds, whose investment policies limit their investments in assets outside of the United States.

3. Greater liquidity of shares.

4. Offers **Grifols** employees in the United States the opportunity of owning shares in the company.

5. Increases the group's profile in the United States.

Novation of Grifols syndicated loan

In December, **Grifols** agreed to modify one of the covenants which affect the syndicated loan agreed in May 2008 with 24 credit institutions for a value of 350 million euros.

This modification consists of **replacing the Net Financial Debt / Equity ratio with the Minimum Equity Level**, as one of the financial obligations to be met by the company during the term of the loan. The rest of the conditions remain unchanged.

The novation, accepted unanimously by all of the institutions, is designed to give a more accurate reflection of **Grifols**' value, as the accounting value of the company's Equity may be affected by fluctuations in the value of the dollar. The novation eliminates distortions resulting from exchange rate variations, and more accurately reflects growth in the group's equity. Until maturity of the loan, Equity must increase by a minimum of 25% of the net consolidated profit for each financial year, taking as a benchmark 80% of the accounting value of the Equity at 30 June 2009.

The novation also brings the covenants of the syndicated facility in line with those of the corporate bond recently issued by the **Grifols** group in the US.

Historically, **Grifols**' operations have always been well received by the market. In this case, this acceptance has also been extended to the novation, as reflected by the fact that the change in the conditions was approved unanimously by all the financial institutions involved in the syndication.

The conditions which affect the syndicated loan agreed in May 2008 for a value of 350 million euros remain in force:

- "Dual currency" syndicated loan, for 5 years.

- Value: **350 million euros**.

- Structured in 2 tranches:

  1. A **200 million euro facility, which can be drawn down in euros**.

  2. **A 150 million euro** revolving credit facility, which can be **drawn down in euros or dollars** (USD) throughout the life of the facility.

There will be a two-year grace period for the repayment of tranche 1, while tranche 2 will be repaid upon maturity of the facility.

5

5. SHAREHOLDERS AND STOCK EXCHANGE

5. SHAREHOLDERS AND STOCK MARKET PERFORMANCE

Grifols' shares have traded on the Barcelona, Madrid, Valencia and Bilbao stock markets, as well as on the Spanish Continuous Market since 17 May 2006. In January 2008, **Grifols** joined the IBEX-35, the Spanish benchmark index. At the close of 2009, **Grifols**' share capital amounted to 106.5 million euros, represented by 213,064,899 ordinary shares, each with a nominal value of 0.50 euros.

5.1 STOCK MARKET PERFORMANCE IN 2009

We might summarize 2009 as the year in which investors recovered some of their confidence in variable income, after a very difficult 2008 for the stock markets. The mortgage crisis, its impact on the results of some financial institutions, and fear of the largest global economic crisis since the Great Depression continued to weigh upon the minds of investors at the start of the year. This fear was reflected in the level of the IBEX-35, which fell by 8.1% in January and 9.8% in February. In this context, **Grifols** began the year as a safe haven share, with its value rising by almost 12%. In fact, the value of the company's shares rose as high as 14.53 euros, recording the greatest inter-annual differential on 22 January. This trend was not consolidated in February, when the company's share price, dragged down by generalized panic among investors, fell by 9.2%.

Confidence finally returned to the stock markets with the announcement of rescue plans for the financial sector, drawn up by the governments of the world's leading economies. Greater confidence about the macroeconomic outlook, public aid, and improved results in the banking sector were the principal drivers of the stock market recovery in 2009.

The IBEX-35 bottomed out on 9 March, at 6,817 points, the lowest inter-annual differential. And one day later **Grifols** shares reached their own floor: 10.1 euros. From that point on, red figures gave way to green in the Spanish index, which closed the year up 29.8%. The Dow Jones EURO STOXX® Health Care, the benchmark European pharmaceutical index, rose by 18.4% in 2009.

For their part, **Grifols** shares were generally outperformed by the IBEX-35, with some exceptions in April, September and December, months in which they registered rises of 22.9%, 6.1% and 9.6%, respectively. Their value held over the course of a year in which they were one of the most widely recommended shares.

5.2 SHARE PERFORMANCE

Grifols began trading on the stock exchanges in Madrid, Barcelona, Valencia and Bilbao and on Spain's Continuous Market on 17 May 2006, following an initial public offering (IPO) involving a share issue and an increase in the number of **Grifols** shares.

On 2 January 2008, **Grifols** joined the IBEX-35. On this date the stock was listed at 15.21 euros.

The steady growth in the volume of trading in the stock experienced by **Grifols** in 2008, as a result of the company's inclusion in the IBEX-35, continued into 2009. **Grifols**' trading volume in 2009 has risen by 20% with respect to 2008, with an average of 1.7 million shares traded daily.

At the close of 2009, the stock was trading at 12.21 euros, a year-on-year drop of 0.8%. Nonetheless, in relation to the reference price of 4.40 euros per share with which the shares started trading on 17 May 2006, **Grifols**' shares had risen by 177.5% at the close of 2009.

The group's market capitalization at year-end 2009 was 2,600 million euros.

The highest closing price of the year was reached on 22 January 2009, at 14.29 euros, and the lowest closing price on 24 March, at 10.30 euros per share.

The total cash volume in 2009 amounted to 5,299 million euros. Thus, from 2 January 2009, a total of 433.91 million shares were traded, representing an annual rotation of 5.67 times the total number of company shares outstanding, calculated using the average number of shares in the year.

5.2 SHARE PERFORMANCE

SHARE PRICE PERFORMANCE

Month	Days traded	Closing price	Monthly variation %	Maximum	Date	Minimum	Date	Average daily volume (shares)
JANUARY	21	13.78	11.9	14.53	22/01/2009	12.20	05/01/2009	1,641,634
FEBRUARY	20	12.51	-9.2	13.80	02/02/2009	12.36	27/02/2009	1,354,627
MARCH	22	10.85	-13.3	12.46	02/03/2009	10.10	10/03/2009	2,124,724
APRIL	20	13.33	22.9	13.49	30/04/2009	10.84	01/04/2009	2,011,160
MAY	20	12.73	-4.5	13.64	04/05/2009	12,70	29/05/2009	1,743,887
JUNE	22	12.59	-1.1	12.92	01/06/2009	11.75	08/06/2009	2,002,500
JULY	23	12.78	1.5	12.90	31/07/2009	11.86	15/07/2009	1,652,112
AUGUST	21	12.27	-4.0	12.95	03/08/2009	12.10	07/08/2009	1,143,640
SEPTEMBER	22	13.02	6.1	13.29	24/09/2009	11.95	03/09/2009	1,542,394
OCTOBER	22	11.01	-15.4	13.16	01/10/2009	10.83	15/10/2009	2,209,416
NOVEMBER	21	11.14	1.2	11.77	18/11/2009	10.84	27/11/2009	1,833,694
DECEMBER	20	12.21	9.6	12.54	23/12/2009	11.17	10/12/2009	1,169,123
TOTAL 2009	**254**	**12.21**	**-11.4**	**14.53**	**22/01/2009**	**10.10**	**10/03/2009**	**1,708,314**
IBEX-35	254	11,940	29.8	12,035	29/12/2009	6,817	09/03/2009	

5.2 SHARE PERFORMANCE

GRIFOLS' DAILY SHARE PRICE VS IBEX 35

(Base 100, from january 1 2009 to december 31 2009)

(Base 100, from may 17 2006 to december 31 2009)

5.3 DIVIDENDS AND YIELD

During 2009, as announced at the General Ordinary Meeting of Shareholders held on 15 May 2009, **Grifols** continue to increase its dividend payments to shareholders.

In 2009, **Grifols** allocated 48.69 million euros to dividends, charged to the results for 2008, representing an increase of almost 40% compared to the previous year, when 34.76 million euros were disbursed. This maintains the company's pay-out at 40% of net profit.

In addition, with effect from 2009, the company agreed the payment of dividends to be charged to the results for the year in two payments. The first was paid in advance to the account of the results for the year in progress, in December 2009, while the second will be paid after the Annual General Meeting has been held in 2010. This dividend distribution policy is consistent with the profile of a high-growth company with good liquidity.

DIVIDENDS DISTRIBUTED AT 30 JUNE 2009, CHARGED TO FINANCIAL YEAR 2008:

	30/06/2009		
	Thousands of euros		
	% of nominal value	Euro per share	Amount
ORDINARY SHARES	46	0.23	48,691
TOTAL DIVIDENDS PAID IN JUNE 2009	**46**	**0.23**	**48,691**
DIVIDENDS CHARGED TO RESULTS	46	0.23	48,691
TOTAL DIVIDENDS PAID IN JUNE 2009	**46**	**0.23**	**48,691**

DIVIDEND ON ACCOUNT OF 2009 RESULTS, DISTRIBUTED IN DECEMBER 2009:

	30/12/2009		
	Thousands of euros		
	% of nominal value	Euro per share	Amount
ORDINARY SHARES	30	0.15	31,960
TOTAL DIVIDENDS PAID IN DECEMBER 2009	**30**	**0.15**	**31,960**
DIVIDENDS CHARGED TO RESULTS	30	0.15	31,960
TOTAL DIVIDENDS PAID IN DECEMBER 2009	**30**	**0.15**	**31,960**

5.3 DIVIDENDS AND YIELD

GRIFOLS STOCK MARKET PERFORMANCE IN 2009: MAIN INDICATORS	
YEAR END (EUROS)	12.21
INTRADAY HIGH (EUROS)	14.53
INTRADAY LOW (EUROS)	10.10
ANNUAL VOLUME (NUMBER OF SHARES)	433,911,648
AVERAGE DAILY VOLUME (NUMBER OF SHARES)	1,708,314
ANNUAL CASH VOLUME (EUROS)	5,299,254,350.48
DAILY ANNUAL VOLUME (EUROS)	20,863,206.10
TRADING DAYS	254
MARKET CAPITALIZATION (MILLIONS OF EUROS)	2,600.457
NUMBER OF SHARES	213,064,899

5.4 SHARE CAPITAL

Grifols' share capital at 31 December 2009 was 106.5 million euros, represented by 213,064,899 ordinary shares with a nominal value of 0.50 euros per share. The capital is fully subscribed and paid in and there were no variations or movements in the company's share capital during the year. All the shares bear equal voting and dividend rights. There have been no changes or movements in the company's share capital during the financial year.

NUMBER OF SHARES IN CIRCULATION AS OF DECEMBER 2006	213,064,899
NUMBER OF SHARES IN CIRCULATION AS OF DECEMBER 2007	213,064,899
NUMBER OF SHARES IN CIRCULATION AS OF DECEMBER 2008	213,064,899
NUMBER OF SHARES IN CIRCULATION AS OF DECEMBER 2009	213,064,899

5.5 SHARE OWNERSHIP AND TREASURY STOCK

Since the company's shares are represented through book entries, their exact ownership structure cannot be known, except through the information that the shareholders provide voluntarily or in compliance with applicable regulations, and information provided by Iberclear and its participating entities. According to the information available to the Company, as of 31 December 2009 the major shareholdings in **Grifols** were as follows:

SHAREHOLDER NAME	No. of direct voting rights	No. of indirect voting rights	% of total voting rights
SCRANTON ENTERPRISES B.V.	22,697,437	0	10.653
DERIA S.A.	18,687,588	0	8.771
NOVOSTI S.L.	16,540,827	0	7.763
VÍCTOR GRIFOLS LUCAS	0	13,112,187	6.154
THORTOL HOLDINGS B.V.	15,032,766	0	7.060

TREASURY STOCK

During 2009 **Grifols** performed several operations involving treasury stock. At the close of the year it held the equivalent of 0.03% of its share capital in treasury stock, compared to the figure of 1.13% reported at the close of 2008.

The group currently has no share buyback program in place, nor does it have an employee remuneration policy involving share plans or share options.

The Ordinary General Meeting of Shareholders, held on 15 May 2009, renewed authority for the derivative acquisition of treasury stock, revoking and annulling the preceding authorization agreed by the General Meeting of 13 June 2008. This agreement permits acquisition by the company of treasury stock up to a maximum level equivalent to 5% of the share capital, and was granted for a period of 18 months effective from the date of the agreement.

THE PRINCIPAL MOVEMENTS OCCURRING IN 2009 WERE AS FOLLOWS:		
	No. of shares	1000s of euros
BALANCE AT 1 JANUARY 2009	2,411,622	33,087
ACQUISITIONS	2,176,929	25,186
DISPOSALS	-4,535,225	-57,596
BALANCE AS OF 31 DECEMBER 2009	53,326	677

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6. ANNUAL ACCOUNTS

6.1 AUDITOR'S REPORT

KPMG Auditores S.L.
Edificio La Perla de Barcelona
Av. Diagonal, 662
08034 Barcelona

Auditors' Report on the Consolidated Annual Accounts

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

To the Shareholders of
Grifols, S.A.

We have audited the consolidated annual accounts of Grifols, S.A. (the "Parent company") and subsidiaries (the "Grifols Group"), which comprise the consolidated balance sheet at 31 December 2009, the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year then ended and the consolidated notes thereto, the preparation of which is the responsibility of the Parent company's Directors. Our responsibility is to express an opinion on the consolidated 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 and disclosures in the consolidated annual accounts and evaluating their overall presentation, as well as the appropriateness of the accounting principles used and the reasonableness of accounting estimates made.

In accordance with prevailing Spanish legislation, the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity for the year ended 31 December 2009 and the consolidated notes thereto include comparative figures for the prior year, which differ regarding presentation from those included in the consolidated annual accounts approved for that year as a consequence of the first-time application of IAS 1 (Revised) regarding the presentation of financial statements. Details of differences are provided in note 3 a) to the accompanying consolidated annual accounts. We express our opinion solely on the consolidated annual accounts for 2009. On 23 February 2009 we issued our unqualified audit report on the 2008 annual accounts.

In our opinion, these consolidated annual accounts for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2009 and the consolidated results of their operations and changes in consolidated equity and consolidated cash flows for the year then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with EU-IFRS which, except for the change in accounting policy described in note 3 (d) to the accompanying annual accounts, with which we concur, have been applied on a basis consistent with that applied in the preparation of the prior year's figures and information which have been included in the 2009 annual accounts for comparative purposes.

The accompanying consolidated directors' report for 2009, contains such explanations as the directors consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2009. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Grifols, S.A. and subsidiaries.

KPMG Auditores, S.L.

(Signed)
David Ghosh Basu
Partner

22 February 2010

6.2 ANNUAL ACCOUNTS

6.2.1 BALANCE SHEETS

Consolidated Balance Sheets at 31 December 2009 and 2008 (Expressed in thousands of Euros)

Assets	31/12/09	31/12/08
Non-current assets		
Intangible assets		
Goodwill (note 7)	174,000	158,567
Other intangible assets (note 8)	69,385	57,756
Total intangible assets	243,385	216,323
Property, plant and equipment (note 9)	371,705	301,009
Investments in equity accounted investees (note 10)	383	374
Non-current financial assets (note 11)	3,731	1,636
Deferred tax assets (note 27)	33,395	34,297
Total non-current assets	652,599	553,639
Current assets		
Inventories (note 12)	484,462	373,098
Trade and other receivables		
Trade receivables	207,840	186,324
Other receivables	39,540	43,443
Current income tax assets	7,802	5,428
Trade and other receivables (note 13)	255,182	235,195
Other current financial assets (note 14)	8,217	6,680
Other current assets	7,345	5,259
Cash and cash equivalents (note 20)	249,372	6,368
Total current assets	1,004,578	626,600
Total assets	1,657,177	1,180,239

6.2 ANNUAL ACCOUNTS

Consolidated Balance Sheets at 31 December 2009 and 2008 (Expressed in thousands of Euros)

Equity and liabilities	31/12/09	31/12/08
Equity		
Share capital	106,532	106,532
Share premium	121,802	121,802
Reserves		
Accumulated gains	264,039	203,045
Other reserves	50,864	44,624
Total reserves	**314,903**	**247,669**
Own shares	(677)	(33,087)
Interim dividend	(31,960)	--
Profit for the year attributable to the Parent	147,972	121,728
Total equity	**658,572**	**564,644**
Available-for-sale financial assets	--	(158)
Cash flow hedges	(1,948)	--
Translation differences	(90,253)	(84,457)
Other comprehensive income	(92,201)	(84,615)
Equity attributable to the Parent (note 15)	**566,371**	**480,029**
Minority interest (note 17)	12,157	1,250
Total equity	**578,528**	**481,279**

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6.2 ANNUAL ACCOUNTS

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Equity and liabilities	31/12/09	31/12/08
Liabilities		
Non-current liabilities		
Grants (note 18)	2,311	2,353
Provisions (note 19)	1,232	3,045
Non-current financial liabilities		
Loans and borrowings, bonds and other marketable securities	703,186	311,513
Other financial liabilities	12,552	12,542
Total non-current financial liabilities (note 20)	715,738	324,055
Deferred tax liabilities (note 27)	60,325	51,969
Total non-current liabilities	779,606	381,422
Current liabilities		
Provisions (note 19)	4,702	3,830
Current financial liabilities		
Loans and borrowings, bonds and other marketable securities	113,991	147,547
Other financial liabilities	12,230	9,685
Total current financial liabilities (note 20)	126,221	157,232
Trade and other payables		
Suppliers	120,909	107,613
Other payables	17,832	9,068
Current income tax liabilities	3,258	16,362
Total trade and other payables (note 21)	141,999	133,043
Other current liabilities (note 22)	26,121	23,433
Total current liabilities	299,043	317,538
Total liabilities	**1,078,649**	**698,960**
Total equity and liabilities	**1,657,177**	**1,180,239**

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

6.2 ANNUAL ACCOUNTS

6.2.2 INCOME STATEMENTS

Consolidated Income Statements for the years ended 31 December 2009 and 2008 (Expressed in thousands of Euros)

Profit and loss	31/12/09	31/12/08
Revenues (note 23)	913,186	814,311
Changes in inventories of finished goods and work in progress (note 12)	73,093	31,058
Self-constructed non-current assets (notes 8 and 9)	41,142	25,794
Supplies (note 12)	(286,274)	(206,738)
Other operating income (note 25)	1,443	1,289
Personnel expenses (note 24)	(273,168)	(238,159)
Other operating expenses (note 25)	(203,381)	(192,288)
Amortisation and depreciation (notes 8 and 9)	(39,554)	(33,256)
Non-financial and other capital grants (note 18)	1,188	2,941
Impairment and gains/(losses) on disposal of fixed assets	(1,147)	(1,991)
Results from operating activities	**226,528**	**202,961**
Finance income	7,067	2,682
Finance expenses	(27,087)	(29,305)
Change in fair value of financial instruments	(587)	(1,268)
Impairment of gains/(losses) on disposal of financial instruments	(245)	--
Exchange losses	(1,733)	(2,825)
Finance income and expense (note 26)	**(22,585)**	**(30,716)**
Share of profit of equity accounted investees (note 10)	51	24
Profit before income tax from continuing operations	**203,994**	**172,269**
Income tax expense (note 27)	(56,424)	(50,153)
Profit after income tax from continuing operations	**147,570**	**122,116**
Profit attributable to equity holders of the Parent	147,972	121,728
Profit attributable to minority interest	(402)	388

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6.2 ANNUAL ACCOUNTS

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Profit and loss	31/12/09	31/12/08
Consolidated profit for the year	147,570	122,116
Basic earnings per share (Euros) (note 16)	0.706	0.578
Diluted earnings per share (Euros) (note 16)	0.706	0.578

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

6.2.3 STATEMENTS OF COMPREHENSIVE INCOME

Consolidated Statements of Comprehensive Income for the years ended 31 December 2009 and 2008 (Expressed in thousands of Euros)

	31/12/09	31/12/08
Consolidated comprehensive income for the year	147,570	122,116
Income and expenses generated during the year		
Measurement of financial instruments (note 11)	(14)	(6)
Available-for-sale financial assets	(18)	(9)
Tax effect	4	3
Cash flow hedges (note 15 g)	(1,998)	0
Cash flow hedges	(3,275)	0
Tax effect	1,277	0
Translation differences	(4,145)	13,955
Income and expenses generated during the year	(6,157)	13,949
Income and expense recognised in the income statement:		
Measurement of financial instruments (note 11)	172	0
Available-for-sale financial assets	245	0
Tax effect	(73)	
Cash flow hedges (note 15 g)	50	0
Cash flow hedges	80	
Tax effect	(30)	0

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6.2 ANNUAL ACCOUNTS

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	31/12/09	31/12/08
Income and expense recognised in the income statement:	222	0
Total comprehensive income for the year	141,635	136,065
Total comprehensive income attributable to the Parent	140,386	135,781
Total comprehensive income attributable to minority interests	1,249	284
Total comprehensive income for the year	141,635	136,065

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

6.2.4 STATEMENT OF CASH FLOWS

Statements of Cash Flows for the years ended 31 December 2009 and 2008 (Expressed in thousands of Euros)

	31/12/09	31/12/08
Cash flows from operating activities		
Profit before tax	203,994	172,269
Adjustments for:	61,800	66,034
Amortisation and depreciation	39,554	33,256
Other adjustments:	22,246	32,778
(Profit) /losses on equity accounted investments	(51)	(24)
Exchange differences	1,733	2,825
Net provision charges	53	1,994
(Profit) / loss on disposal of fixed assets	1,147	2,001
Government grants taken to income	(1,188)	(2,943)
Finance expense / income	17,551	27,891
Other adjustments	3,001	1,034

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6.2 ANNUAL ACCOUNTS

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	31/12/09	31/12/08
Changes in capital and assets	(104,127)	(86,550)
Change in inventories	(113,104)	(98,520)
Change in trade and other receivables	(12,549)	(7,951)
Change in current financial assets and other current assets	(1,287)	405
Change in current trade and other payables	22,813	19,516
Other cash flows from operating activities	(73,487)	(77,310)
Interest paid	(14,719)	(25,972)
Interest recovered	2,509	2,213
Income tax (paid) / recovered	(61,277)	(53,551)
Net cash from operating activities	88,180	74,443
Cash flows from investing activities		
Payments for investments	(136,626)	(130,923)
Group companies and business units (note 2)	(15,385)	(632)
Property, plant and equipment and intangible assets	(118,770)	(129,568)
Property, plant and equipment	(103,415)	(119,824)
Intangible assets	(15,355)	(9,744)
Other financial assets	(2,471)	(723)
Proceeds from the sale of investments	673	157
Property, plant and equipment	673	157
Net cash used in investing activities	(135,953)	(130,766)

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6.2 ANNUAL ACCOUNTS

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	31/12/09	31/12/08
Cash flows from financing activities		
Proceeds from and payments for equity instruments	26,655	(4,212)
Issue	(76)	0
Acquisition of treasury shares	(25,186)	(4,880)
Disposal of treasury shares	51,917	668
Proceeds from a payments for financial liability instruments	344,413	96,349
Issue	525,078	394,109
Redemption and repayment	(180,665)	(297,760)
Dividends and interest on other equity instruments paid	(80,913)	(34,792)
Other cash flows from financing activities	741	0
Other amounts received from financing activities	741	0
Net cash used in financing activities	290,896	57,345
Effect of exchange rate fluctuations on cash	(119)	(344)
Net increase in cash and cash equivalents	243,004	678
Cash and cash equivalents at beginning of the year	6,368	5,690
Cash and cash equivalents at end of year	249,372	6,368

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

6.2 ANNUAL ACCOUNTS

6.2.5 STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Consolidated Equity for the years ended 31 December 2009 and 2008 (Expressed in thousands of Euros)

Attributable to equity holders of the Parent

	Share capital	Share premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury Shares	Other comprehensive income: Translation differences	Other comprehensive income: Cash flow hedges	Other comprehensive income: Available for sale financial assets	Equity attributable to Parent	Minority interests	Equity
Balances at 31 December 2007	**106,532**	**131,832**	**184,608**	**87,774**	**0**	**(28,893)**	**(98,516)**	**0**	**(152)**	**383,185**	**981**	**384,166**
Other comprehensive income for the year	0	0	0	0	0	0	14,059	0	(6)	14,053	(104)	13,949
Profit/(loss) for the year	--	--	--	121,728	--	--	--	--	--	121,728	388	122,116
Total comprehensive income for the year	0	0	0	121,728	0	0	14,059	0	(6)	135,781	284	136,065
Operations with own shares	--	--	24	--	--	(4,194)	--		--	(4,170)	--	(4,170)
Other changes	--	--	--	--	--	--	--		--	0	(15)	(15)
Distribution of 2007 profit												
Reserves	--	--	63,037	(63,037)	--	--	--	--	--	0	--	0
Dividends	--	(10,030)	--	(24,737)	--	--	--	--	--	(34,767)	--	(34,767)
Operations with equity holders or owners	0	(10,030)	63,061	(87,774)	0	(4,194)	0	0	0	(38,937)	(15)	(38,952)

continued >

6.2 ANNUAL ACCOUNTS

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Attributable to equity holders of the Parent

	Share capital	Share premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury Shares	Other comprehensive income: Translation differences	Other comprehensive income: Cash flow hedges	Other comprehensive income: Available for sale financial assets	Equity attributable to Parent	Minority interests	Equity
Balances at 31 December 2008	106,532	121,802	247,669	121,728	0	(33,087)	(84,457)	0	(158)	480,029	1,250	481,279
Other comprehensive income for the year	0	0	0	0	0	0	(5,796)	(1,948)	158	(7,586)	1,651	(5,935)
Profit/(loss) for the year	--	--	--	147,972	0	--	--	--	--	147,972	(402)	147,570
Total comprehensive income for the year	0	0	0	147,972	0	0	(5,796)	(1,948)	158	140,386	1,249	141,635
Operations with own shares	--	--	(5,679)	--		32,410	--	--	--	26,731	--	26,731
Other changes	--	--	(124)	--		--	--	--	--	(124)	44	(80)
Business combinations	--	--	--	--		--	--	--	--	0	9,876	9,876
Distribution of 2008 profit												
Reserves	--	--	73,037	(73,037)	--	--	--	--	--	0	--	0
Dividends	--	--	--	(48,691)	--	--	--	--	--	(48,691)	(54)	(48,745)
Interim dividend	--	--	--	--	(31,960)	--	--	--	--	(31,960)	(208)	(32,168)
Operations with equity holders or owners	0	0	67,235	(121,728)	(31,960)	32,410	0	0	0	(54,044)	9,658	(44,386)
Balance at 31 December 2009	106,532	121,802	314,903	147,972	(31,960)	(677)	(90,253)	(1,948)	0	566,371	12,157	578,528

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

6.2 ANNUAL ACCOUNTS

6.2.6 NOTES

(1) Nature, Principal Activities and Subsidiaries

(a) Grifols, S.A.

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

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.

With effect as of 2 January 2008 the Company's shares were floated on the Spanish stock exchange's IBEX-35 index.

All of the Company's shares are listed on the Barcelona, Madrid, Valencia and Bilbao stock exchanges and on the electronic stock market.

Grifols, S.A. is the parent company of the subsidiaries listed in section 1(b) of these notes.

Grifols, S.A. and subsidiaries (hereinafter the Group) act on an integrated basis and under common management and their principal activity is the procurement, manufacture, preparation and sale of therapeutic products, especially haemoderivatives.

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

6.2 ANNUAL ACCOUNTS

(b) Subsidiaries

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

Industrial area

The following companies are included:

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

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

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

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

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

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

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

6.2 ANNUAL ACCOUNTS

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

PlasmaCare, Inc. with registered offices in 1209, Orange Street, County of New Castle, Wilmington, Delaware 19801, was incorporated into the Group on 3 March 2006 and carries out its activities in the area of bioscience, procuring human plasma. Since 1 November 2007, this company's share capital is held by Instituto Grifols, S.A. and Grifols, Inc.

Plasma Collection Centers, Inc. with registered offices in 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 procuring human plasma. 100% of this company's share capital is held directly by Biomat USA Inc.

Diamed Australia Pty Ltd. with registered offices at 14 Palmer Court, Mount Waverley, Victoria 3149 (Australia), was incorporated into the Group on 3 March 2009. Its activity consists of the distribution of pharmaceutical products and the development and manufacture of reagents for diagnostics. This company is directly and fully owned by Woolloomooloo Holdings Pty Ltd.

Medion Grifols Diagnostic AG cwith registered offices at Bonnstrasse, 9, 3186 Düdingen, Switzerland, was incorporated into the Group on 3 March 2009. The Company's statutory activity consists of development and production in the biotechnology and diagnostic sectors. 80% of this company is directly held by Saturn Investments AG.

Commercial area

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

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

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

6.2 ANNUAL ACCOUNTS

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

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

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

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

Logística Grifols, S.A de C.V. (anteriormente **Grifols México, S.A. de C. V.**) was incorporated with limited liability under Mexican law on 9 January 1970, with registered offices at calle Eugenio Cuzin nº 909, Parque Industrial Belenes Norte, 45150 Zapopan, Jalisco (Mexico). Its statutory activity comprises the manufacture and marketing of pharmaceutical products for human and veterinary use. On 6 May 2008 Grifols Mexico S.A. de C.V. was spun off into two companies and its name was changed to Logística Grifols S.A. de C.V.

Grifols México, S.A. de C. V. was incorporated with limited liability under Mexican law on 6 May 2008, as a result of the spin off of the former company Grifols Mexico S.A. de C.V. Its registered offices are at calle Eugenio Cuzin nº 909, Parque Industrial Belenes Norte, 45150 Zapopan, Jalisco (Mexico). Its statutory activity comprises the production, manufacture, adaptation, conditioning, sale and purchase, commissioning, representation and consignment of all kinds of pharmaceutical products and the acquisition of machinery, equipment, raw materials, tools, assets and property for the aforementioned purposes.

Grifols USA, LLC. was incorporated in the state of Florida (USA) on 19 April 1990. Its registered offices are at 8880 N.W. 18 Terrace, Miami, Florida (USA) and its statutory activity is any activity permitted by US legislation. This company is 100% directly owned by Grifols Biologicals, Inc.

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

6.2 ANNUAL ACCOUNTS

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

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

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

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

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

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

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

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

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

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Lateral Grifols Diagnostics Pty Ltd. with registered offices at 14 Palmer Court, Mount Waverley, Victoria 3149 (Australia) was incorporated into the Group on 3 March 2009. Its activity comprises the distribution of pharmaceutical products and reagents for diagnostics. This company is 100% directly held by Woolloomooloo Holdings Pty Ltd.

Medion GmbH with registered offices at Lochhamer Schlag 12 D-82166 Gräfelfing (Alemania), was incorporated into the Group on 3 March 2009. The Company's statutory activity consists of the distribution and sale of biotechnological and diagnostic products.This company is fully owned by Medion Grifols Diagnostic AG.

Services area

The following companies are included in this area:

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

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

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

Arrahona Optimus, S.L., with registered offices at Gràcia 33, 08201 Sabadell, was incorporated into the Group on 28 August 2008. The Company's statutory activity is the development and construction of offices and business premises. Its only asset is the office complex located in the municipality of Sant Cugat del Vallés.

Gri-Cel, S.A., with registered offices at Avenida de la Generalitat 152, Sant Cugat del Vallés (Barcelona), was incorporated on 9 November 2009. The Company's statutory activity consists of research and development in the field of regenerative medicine, awarding of research grants, subscription to collaboration agreements with entities and participation in projects in the area of regenerative medicine.

Saturn Australia Pty Ltd. with registered offices at 14 Palmer Court, Mount Waverley, Victoria 3149 (Australia), was incorporated to the Group on 3 March 2009. Its activity consists of holding shares and investments. This company is directly and fully owned by Woolloomooloo Holdings Pty Ltd.

6.2 ANNUAL ACCOUNTS

Saturn Investments AG with registered offices at c/o Dr. Chirstoph Straub, Hanibuel 8, CH-6300 Zug (Switzerland), was incorporated to the Group on 3 March 2009. Its activity consists of the holding of shares. This company is directly and fully owned by Saturn Australia Pty Ltd.

Woolloomooloo Holdings Pty Ltd. with registered offices at 14 Palmer Court, Mount Waverley Victoria 3149, was incorporated to the Group on 3 March 2009. Its activity consists of holding shares. 49% of this holding company is directly held by Grifols, S.A.

(c) Associates and other participations

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

UTE Salas Blancas, 50% owned by Grifols Engineering, S.A. was constituted in 2009 and is domiciled at calle Mas Casanovas 46, Barcelona. Its statutory activity consists of the drafting of the project, execution of works and installation of clean rooms and other facilities in the Banc de Sang i Teixits (blood and tissue bank) building.

(2) Business combinations

2.1 Acquisition of plasma centre

On 1 April 2008 the Group acquired through Biomat USA, Inc. one plasma centre in the USA from AmeriHealth Plasma LLC.

The business combination cost includes a contingent price of Euros 1,328 thousand which depends on the number of litres of certain products obtained during the following three years. The contingent price has been determined based on the present value of the estimated payments during the aforementioned period. In 2009 the estimated contingent price has increased by Euros 225 thousand.

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

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	Thousands of Euros	
	31/12/2009	31/12/2008
Cost of the business combination		
Cash paid	632	632
Fair value of deferred payment	1,968	1,743
Total cost of the business combination	2,600	2,375
Fair value of net assets acquired	3	3
Goodwill	2,597	2,372
	(see note 7)	(see note 7)

Goodwill generated in the acquisition is attributed to the blood donors list of the plasma centre, an intangible which is not a contracteral or separable asset and other expected benefits from the business combination with the assets and activities of the Group.

Had the acquisition taken place at 1 January 2008, the Group's revenue and consolidated profit for the year would not have varied significantly.
The profit generated between the acquisition date and 31 December 2008 is immaterial.

2.2 Acquisition of Australian-Swiss group

On 3 March 2009 the Group acquired 49% of the economic rights and 99% of the voting rights in a holding company of the Australian-Swiss group, thereby gaining control of this group, for Euros 25 million through a share capital increase fully subscribed by Grifols, S.A.

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

	Thousands of Euros
Cost of the business combination	
Cash paid	25,000
Directly attributable costs	497
Total cost of the business combination	25,497
Fair value of net assets acquired	9,307
Goodwill	16,190
	(see note 7)

6.2 ANNUAL ACCOUNTS

At the date of publication of these consolidated annual accounts, not all the information necessary to allocate the purchase price correctly between the different balance sheet captions used in the combination is available. The values shown in the above table should therefore be considered as provisional amounts.

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

The Australian company provides the commercial strength required by Grifols to consolidate and increase its presence in the diagnostic markets of Australia and New Zealand, which until then only consisted of the sale of instruments through distributors.

After obtaining the licence for Flebogamma DIF in Australia (next generation IVIG), this biological product will commence sale, paving the way for the commercialisation of Grifols haemoderivatives in this country.
Grifols's investment also includes the acquisition, under the same terms, of Medion, located in Switzerland, which has developed new technology for determining blood groups, supplementary to that used by Grifols.

Had the acquisition taken place at 1 January 2009, the Group's revenue and consolidated profit for the period would not have varied significantly. Accumulated losses incurred by the Australian-Swiss group attributable to the Group results from the date of acquisition to 31 December 2009 amount to Euros 652 thousand.

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

	Thousands of Euros	
	Fair value	Book value
Intangible assets (note 8)	6,525	476
Property, plant and equipment (note 9)	2,307	3,113
Deferred tax assets (note 27)	500	258
Inventories (note 12)	3,549	3,549
Trade and other receivables	2,096	2,096
Other assets	293	293
Cash and cash equivalents	10,112	10,112
Total assets	**25,382**	**19,897**

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6.2 ANNUAL ACCOUNTS

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Thousands of Euros

	Fair value	Book value
Trade and other payables	3,165	3,165
Other liabilities	1,273	1,272
Deferred tax liabilities (note 27)	1,761	551
Total liabilities and contingent liabilities	**6,199**	**4,988**
Total net assets	**19,183**	**14,909**
Minority interests (note 17)	(9,876)	
Total net assets acquired	**9,307**	
Goodwill	16,190	
Cash paid	25,497	
Cash and cash equivalents of the acquired company	(10,112)	
Cash outflow for the acquisition	15,385	

Intangible assets are measured at fair value. The royalty relief method has been used to measure certain patents acquired by the Group, considering a royalty of 8% and a discount rate after tax of 10%. Patents have been measured on the basis of projected sales for a fifteen-year period.

(3) Basis of preparation

The accompanying consolidated annual accounts have been prepared on the basis of the accounting records of Grifols, S.A. and of the Group companies. The accompanying consolidated annual accounts for 2009 have been prepared under International Financial Reporting Standards as adopted by the European Union (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2009, as well as the consolidated results from their operations, consolidated comprehensive income, consolidated cash flows and changes in consolidated equity for the year then ended.

The directors of the Parent consider that the consolidated annual accounts for 2009, which were prepared on 19 February 2010, will be approved by the shareholders without significant changes.

6.2 ANNUAL ACCOUNTS

The Group adopted EU-IFRS for the first time on 1 January 2004.

(a) Comparison of information

The consolidated annual accounts comprise the consolidated balance sheet and consolidated statements of income, comprehensive income, cash flows and changes in equity and the consolidated notes thereto for 2009 and include comparative data for 2008, which was obtained through consistent application of EU-IFRS.

As a consequence of the application of the new standard IAS 1(revised in 2007), the Group has made the following changes in presentation:

- "Adjustments for changes in value" to "Other comprehensive income".
- The consolidated statement of comprehensive income has been included in the consolidated financial statements. The direct effects of available-for-sale financial assets, hedge transactions and translation differences are separated in the total comprehensive income for the year.

In addition, the balance sheet and income statement figures for 2008 have been reclassified to adapt their presentation to the format prescribed by the Spanish National Securities Market Commission (CNMV). The main changes introduced into the model financial statements used to prepare the Grifols consolidated annual accounts for 2008 are:

In the consolidated balance sheet:

- "Goodwill" has been included under "Intangible assets".
- "Current income tax assets" have been included under "Trade and other receivables".
- "Current income tax liabilities" have been included under "Trade and other payables".
- "Public entities, other receivables" have been included under "Other receivables".
- "Public entities, other payables" have been included under "Other payables".

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• The "Prepayments" caption has been reclassified from "Trade and other receivables" to "Other current assets".

• The equity attributable to the Parent has been disclosed in two new items under reserves: "Accumulated earnings" and "Other reserves".

• The names of certain captions have been changed:

- "Other non-current liabilities" to "Grants"

In the consolidated income statement:

• The sub-totals "Purchases and changes in inventories" and "Other operating income/expenses" have been eliminated.

• Reclassification of energy income amounting to Euros 2,394 thousand from "Other operating income" to net off against energy expenses under "Other operating expenses".

• The names of certain captions have been changed:

- "Net sales and services rendered" to "Revenue"

- "Share in the profit/loss of associates accounted for using the equity method" to "Profit/(loss) of equity-accounted entities"

- "*Resultado atribuible a intereses minoritarios*" to "*Resultado atribuible a socios minoritarios*", (although this does not affect the translation into English which continues to be "Profit/(loss) attributable to minority interests"

In the statements of cash flows:

• The following sub-totals have been included in the disclosure of cash flows from operating activities: "Adjustments to profit/(loss)", "Changes in working capital" and "other flows from operating activities".

• "Interest paid" and "interest recovered" has been disclosed.

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• The following sub-totals have been included in the disclosure of cash flows from investing activities: “Payments for investments” and “Proceeds from investments”.

• The following sub-totals have been included in the disclosure of cash flows from financing activities: “Proceeds from and payments for equity instruments”, “Proceeds from and payments for financial liability instruments” and “Dividends and interest on other equity instruments paid”.

• “Acquisition and sale of equity instruments” has been disclosed.

• “Proceeds from and payments for financial liability instruments” has been disclosed.

• The inclusion of the “Effect of exchange rate fluctuations” caption in “Other adjustments.

In the statement of changes in equity:

• No significant changes.

Changes have been made to comparative information for the prior year presented in segment reporting (see note 6).

The Group's accounting policies detailed in note 4 have been consistently applied to the years ended 31 December 2009 and 2008.

(b) Relevant accounting estimates, assumptions and judgements used when applying accounting principles

The preparation of consolidated annual accounts in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of Group accounting policies. A summary of the items requiring a greater degree of judgement or complexity, or where the assumptions and estimates made are significant to the preparation of the consolidated annual accounts, are as follows.

• The assumptions used for calculation of the fair value of financial instruments (see note 4 (i)).

• Measurement of assets and goodwill to determine any related impairment losses (see note 4(g)).

• Useful lives of property, plant and equipment and intangible assets (see notes 4(e) and 4(f)).

6.2 ANNUAL ACCOUNTS

• Evaluation of the capitalisation of development costs (see note 4(f)).

• Evaluation of provisions and contingencies (see note 4(p)).

• Evaluation of the effectiveness of hegding instruments (see note 15 g).

(c) Consolidation

The percentages of direct or indirect ownership of subsidiaries by the Parent at 31 December 2009 and 2008, as well as the consolidation method used in each case for preparation of the accompanying consolidated annual accounts, are detailed below:

	31/12/2009		31/12/2008	
	Percentage ownership		Percentage ownership	
	Direct	Indirect	Direct	Indirect
Parent				
Grifols, S.A.	--	--	--	--
Fully-consolidated companies				
Laboratorios Grifols,S.A.	99.998	0.002	99.998	0.002
Instituto Grifols,S.A.	99.998	0.002	99.998	0.002
Movaco,S.A.	99.999	0.001	99.999	0.001
Grifols Portugal Productos Farmacéuticos e Hospitalares,Lda.	0.015	99.985	0.015	99.985
Diagnostic Grifols,S.A.	99.998	0.002	99.998	0.002
Logister,S.A.	--	100.000	--	100.000
Grifols Chile,S.A.	99.000	--	99.000	--
Biomat,S.A.	99.900	0.100	99.900	0.100
Grifols Argentina,S.A.	100.000	--	100.000	--
Grifols,s.r.o.	100.000	--	100.000	--
Logistica Grifols S.A de C.V	100.000	--	100.000	--

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6.2 ANNUAL ACCOUNTS

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	31/12/2009		31/12/2008	
	Percentage ownership		Percentage ownership	
	Direct	Indirect	Direct	Indirect
Grifols México,S.A. de C.V.	100.000	--	100.000	--
Grifols Viajes,S.A.	99.900	0.100	99.900	0.100
Grifols USA, LLC.	--	100.000	--	100.000
Grifols International,S.A.	99.900	0.100	99.900	0.100
Grifols Italia,S.p.A.	100.000	--	100.000	--
Grifols UK,Ltd.	100.000	--	100.000	-
Grifols Deutschland,GmbH	100.000	--	100.000	--
Grifols Brasil,Ltda.	100.000	--	100.000	--
Grifols France,S.A.R.L.	99.000	1.000	99.000	1.000
Grifols Engineering, S.A.	99.950	0.050	99.950	0.050
Biomat USA, Inc.	--	100.000	--	100.000
Squadron Reinsurance Ltd.	100.000	--	100.000	--
Grifols Inc.	100.000	--	100.000	--
Grifols Biologicals Inc.	--	100.000	--	100.000
Alpha Therapeutic Italia, S.p.A.	100.000	--	100.000	--
Grifols Asia Pacific Pte., Ltd.	100.000	--	100.000	--
Grifols Malaysia Sdn Bhd	--	30.000	--	30.000
Grifols (Thailand) Ltd.	--	48.000	--	48.000
Grifols Polska Sp.z.o.o.	100.000	--	100.000	--
Plasmacare, Inc.	--	100.000	--	100.000
Plasma Collection Centers, Inc.	--	100.000	--	100.000
Arrahona Optimus S.L.	100.000	--	100.000	--
Woolloomooloo Holdings Pty Ltd.	49.000		--	--
Diamed Australia Pty Ltd.	--	49.000	--	--

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6.2 ANNUAL ACCOUNTS

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	31/12/2009		31/12/2008	
	Percentage ownership		Percentage ownership	
	Direct	Indirect	Direct	Indirect
Lateral Grifols Diagnostics Pty Ltd.	--	49.000	--	--
Saturn Australia Pty Ltd.	--	49.000	--	--
Saturn Investments AG	--	49.000	--	--
Medion Grifols Diagnostic AG	--	39.200	--	--
Medion GmbH	--	39.200	--	--
Gri-Cel, S.A.	0.001	99.999	--	--
Companies accounted for using the equity method				
Quest International, Inc.	--	35.000	--	35.000
UTE Salas Blancas	--	50.000	--	--

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

Although the Group holds 30% of the shares with voting rights of Grifols Malaysia Sdn Bhd, it controls the majority of the profit-sharing and voting rights of Grifols Malaysia Sdn Bhd through a contract with the other shareholder and a pledge on its shares.

Grifols (Thailand) Ltd. has two classes of shares and it grants the majority of voting rights to the class of shares held by the Group.

The Group holds 99% of the voting rights in its Australian and Swiss subsidiaries.

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

6.2 ANNUAL ACCOUNTS

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

The financial statements of subsidiaries refer to the same period as those of Grifols, S.A. and have been prepared using the same accounting principles.

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

(d) Changes to EU-IFRS in 2009

a) Standards effective as of 1 January 2009 that have required changes to accounting policies and presentation

- IAS 1 Presentation of Financial Statements (revised 2007) (annual periods beginning on or after 1 January 2009) This standard modifies the requirements for presentation of the financial statements, introducing the statement of comprehensive income, which comprises income and other comprehensive income. Entities may also present two separate statements, an income statement showing profit or loss for the year and a statement of other comprehensive income presenting profit or loss for the year and other comprehensive income. When an entity changes an accounting policy retrospectively or makes a retrospective reclassification of items in its financial statements, it must also present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period.

- IFRS 8 Operating Segments (annual periods beginning on or after 1 January 2009). The impact of this standard mainly relates to the disclosure of financial information by segment. See note 6.

- IAS 23 Borrowing Costs (revised 2007) (annual periods beginning on or after 1 January 2009) This is a change in accounting policy. The Group applies this standard to borrowing costs related to qualifying assets capitalised on or subsequent to the date this standard became effective. The standard eliminates the possibility of recognising these borrowing costs as an expense, stipulating that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Since 1 January 2009 the Group has capitalised interest amounting to Euros 1,278 thousand (see note 26).

6.2 ANNUAL ACCOUNTS

b) Standards effective as of 1 January 2009 that have not affected the Group

- IFRIC 13 Customer Loyalty Programmes (annual periods beginning after 31 December 2008).
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (annual periods beginning after 31 December 2008).
- IFRS 2 Share-Based Payment: Modifications to vesting conditions and cancellations (applied retrospectively to annual periods beginning on or after 1 January 2009).
- IAS 32 Financial Instruments: Presentation and IAS 1: Presentation of Financial Statements: Changes to puttable financial instruments and obligations arising on liquidation (effective as of 1 January 2009).
- Improvements to IFRSs. This document modifies various standards and is effective for years beginning on or after 1 July 2009. The Group does not consider that it will have any significant effects for its annual accounts.
- IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: These changes relate to the measurement of investments in separate financial statements. This standard is applied prospectively for years started on or after 1 January 2009.
- Amendments to IFRS 7: "Improving Disclosures about Financial Instruments" (applicable for years beginning on or after 1 January 2009).
- Embedded derivatives: Amendments to IFRIC 9 and IAS 39 (applicable for years started after 31 December 2008).
- IFRS 1 First-time Adoption of International Financial Reporting Standards (applicable to annual periods beginning after 31 December 2009). This change does not affect the Group.

c) Standards not early adopted

- IFRIC 12 Service Concession Agreements (applicable to annual periods beginning on or after 27 March 2009).
- IFRIC 15 Agreements for the Construction of Real Estate. Applicable to annual periods beginning after 31 December 2009.

6.2 ANNUAL ACCOUNTS

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. This interpretation takes effect for annual periods beginning on or after 30 June 2009.

- IFRIC 17 Distribution of Non-Cash Assets to Owners (effective for annual periods beginning after 1 November 2009).

- IFRIC 18 Transfers of Assets from Customers (applicable to annual periods beginning after 31 October 2009).

d) Standards issued but not effective on 1 January 2009, which the Group expects to adopt as of 1 January 2010 and could have a future impact.

- IFRS 3 Business Combinations (reviewed 2008) and modifications to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, IAS 31 Interests in Joint Ventures and IAS 21 The Effects of Changes in Foreign Exchange Rates. This standard takes effect for business combinations acquired on or after 1 July 2009. These standards include the following changes that apply to the Group:

  - The definition of business has been broadened, allowing more transactions to be classified as business combinations.

  - Any contingent considerations subject to future events are recognised at fair value, recognising any subsequent changes in consolidated profit or loss (consolidated statement of comprehensive income).

  - Acquisition-related costs, other than costs incurred to issue debt or equity securities, are recognised as an expense when incurred.

  - Any pre-existing interest in the business acquired is recognised at fair value at the acquisition date, taking any gain or loss to the consolidated income statement (consolidated statement of comprehensive income).

  - This pre-existing minority interest is measured, on a transaction-by-transaction basis, at fair value or at the minority' interest's share in the fair value of the net identifiable assets acquired.

  - The minority interest also has a share in any losses incurred by the business that exceed the value of the investment.

  - Once control is achieved, any subsequent acquisitions and partial sales (without loss of control) of interests in the business are recognised as transactions among equity holders.

6.2 ANNUAL ACCOUNTS

- Any retained interest in the business after control is lost is recognised at fair value, recognising the change in the consolidated income statement (consolidated statement of comprehensive income).

This standard could affect future business combinations or other transactions by the Group.

- IAS 39 Financial Instruments: Recognition and Measurement. Changes to the items that can be classified as hedged. The amendment clarifies the types of risks that can be classified as hedged when applying hedge accounting. The modifications should be applied retrospectively to annual periods beginning on or after 1 July 2009.

- Improvements to IFRSs issued in April 2009. These changes affect different standards with varying effective dates. Pending adoption by the EU.

- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards: Additional exemptions for first-time adopters. Effective for years beginning on or after 1 January 2010. Pending adoption by the EU.

- Amendment to IAS 32 Classification of Rights Issues. Effective for annual periods beginning on or after 1 February 2010.

- IAS 24 Related Party Disclosures. Effective for annual periods beginning on or after 1 January 2011. Pending adoption by the EU.

- IFRS 9 Financial Instruments. Effective for annual periods beginning on or after 1 January 2013. Pending adoption by the EU.

- IFRIC 14 Prepayments of a Minimum Funding Requirement. Effective for annual periods beginning on or after 1 January 2011. Pending adoption by the EU.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. Effective for annual periods beginning on or after 1 July 2010. Pending adoption by the EU.

- IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. Effective for annual periods beginning on or after 1 July 2010. Pending adoption by the EU.

The Group has not applied any standard or interpretation issued and adopted by the EU before its effective date. The Company's directors do not expect these amendments to have a significant effect on the annual accounts when they come into effect.

6.2 ANNUAL ACCOUNTS

(4) Accounting and Valuation Principles Applied

(a) Business combinations

As permitted by IFRS 1: First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to EU-IFRS, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Company applies the purchase method for business combinations.

The acquisition date is the date on which the Company obtains control of the acquiree.

The cost of the business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Any additional consideration contingent on future events or the fulfilment of certain conditions is included in the cost of the combination provided that it is probable that an outflow of resources embodying economic benefits will be required and the amount of the obligation can be reliably estimated.

Where the cost of the business combination exceeds the Group's interest in the fair value of the identifiable net assets of the entity acquired, the difference is recognised as goodwill. If the acquirer's interest in the fair value of net assets exceeds the cost of the business combination, the difference remaining after reassessment is recognised by the acquirer in profit or loss.

(b) Minority interests

Minority interests in subsidiaries acquired after 1 January 2004 are recognised at the acquisition date at the proportional part of the fair value of the identifiable net assets. Minority interests in subsidiaries acquired prior to the transition date were recognised at the proportional part of the equity of the subsidiaries at the date of first consolidation.

Minority interests are disclosed in the consolidated balance sheet under equity separately from equity attributable to the Parent. Minority interests' share in consolidated profit or loss for the year (and in consolidated comprehensive income for the year) is disclosed separately in the consolidated income statement (consolidated statement of comprehensive income).

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The consolidated profit or loss (consolidated comprehensive income) and changes in equity of the subsidiaries attributable to the Group and minority interests after consolidation adjustments and eliminations, is determined in accordance with the percentage ownership at year end, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or otherwise, on preference shares with cumulative rights classified in equity accounts. However, Group and minority interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries.

The excess of losses attributable to minority interests, which cannot be attributed to the latter as such losses exceed their interest in the equity of the Company, is recognised as a decrease in the equity of the Company, except when the minority interests are obliged to assume part or all of the losses and are in a position to make the necessary additional investment. Subsequent profits obtained by the Group are attributed to the Company until the minority interest's share in prior years' losses is recovered.

(c) Foreign currency transactions

(I) Functional currency and presentation currency

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

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

Foreign currency transactions are translated into the functional currency using the previous month's exchange rate for all transactions performed during the current 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 thousands of 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. Non-monetary assets measured at fair value have been translated into thousands of Euros at the exchange rate at the date that the fair value was determined.

In the consolidated statement of cash flows, cash flows from foreign currency transactions have been translated into thousands of Euros at the exchange rates prevailing at the dates the cash flows occur. The effect of exchange rate fluctuations on cash and cash equivalents denominated in foreign currencies is recognised separately in the statement of cash flows as "Effect of exchange rate fluctuations on cashand cash equivalents".

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

Exchange gains or losses on monetary financial assets or liabilities denominated in foreign currencies are also recognised in profit and loss.

(III) Translation of foreign operations

The translation into thousands of Euros of foreign operations for which the functional currency is not the currency of a hyperinflationary economy is based on the following criteria:

- Assets and liabilities, including goodwill and net asset adjustments derived from the acquisition of the operations, including comparative amounts, are translated at the closing rate at each balance sheet date.

- Income and expenses, including comparative amounts, are translated into thousands of Euros using the previous month's exchange rate for all transactions performed during the current month. This method does not differ significantly from using the exchange rate at the date of the transaction;

- All resulting exchange differences are recognised as translation differences in equity.

In the consolidated statement of cash flows, cash flows, including comparative balances, of the subsidiaries and foreign joint ventures are translated into thousands of Euros applying the exchange rates prevailing at the transaction date.

(d) Borrowing costs

In accordance with IAS 23 Borrowing Costs, since 1 January 2009 the Group has opted to recognise interest cost directly attributable to the purchase, construction or production of qualifying assets as an increase in the value of these assets. Qualifying assets are those which require a substantial period of time before they can be used or sold. 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, less any investment income on the temporary investment of those funds. Capitalised interest borrowing costs corresponding to general borrowing are calculated as the weighted average of the qualifying assets without considering specific funds. The amount of borrowing costs capitalised cannot exceed the amount of borrowing costs incurred during that period. The capitalised interest cost includes adjustments to the carrying amount of financial liabilities arising from the effective portion of hedges entered into by the Group.

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The Group 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 or sale, and ceases capitalising borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Nevertheless, capitalisation of borrowing costs is suspended when active development is interrupted for extended periods.

(e) Property, plant and equipment

(I) Initial recognition

Property, plant and equipment are recognised at cost or deemed cost, less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets is determined using the same principles as for an acquired asset, while also considering the criteria applicable to production costs of inventories. Capitalised production costs are recognised by allocating the costs attributable to the asset to self-constructed non-current assets in the consolidated income statement.

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

(II) Depreciation

Property, plant and equipment are depreciated by allocating the depreciable amount of an asset on a systematic basis over its useful life. The depreciable amount is the cost or deemed cost less its residual value. The Group determines the depreciation charge separately for each component of property, plant and equipment with a cost that is significant in relation to the total cost of the asset.

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

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

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The Group reviews residual values, 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 recognition

Subsequent to initial recognition of the asset, only those costs incurred which will probably generate future profits and for which the amount may reliably be measured are capitalised. 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 the respective carrying amount, the replacement cost is used as indicative of the cost of items at the time of acquisition or construction.

(IV) Impairment

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

(f) Intangible assets

(I) Goodwill

Goodwill is generated on the business combinations. As permitted by IFRS 1: First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to EU-IFRS, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

Goodwill is not amortised, but tested for impairment annually or more frequently if events indicate a potential impairment loss. Goodwill acquired in business combinations is allocated to the cash-generating units (CGUs) or groups of CGUs which are expected to benefit from the synergies of the business combination and the criteria described in note 7 are applied. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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(II) Internally generated intangible assets

Any research and development expenditure incurred during the research phase of projects is recognised as an expense when incurred.

Costs related with development activities are capitalised when:

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

The cost of internally generated assets is calculated using the same criteria established for determining production costs of inventories. The production cost is capitalised by allocating the costs attributable to the asset to self-constructed assets in the consolidated income statement.

Costs incurred in the course of activities which contribute to increasing the value of the different businesses in which the Group as a whole operates are expensed as they are incurred. Replacements or subsequent costs incurred on intangible assets are generally recognised as an expense, except where they increase the future economic benefits expected to be generated by the assets.

(III) Other intangible assets

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

(IV) Emission rights

Emission rights, which are recognised when the Group becomes entitled to such rights, are carried at cost less accumulated impairment. Rights acquired free of charge or at a price substantially lower than fair value, are recognised at fair value, which is generally the market value of the rights at the start of the calendar year. The difference

6.2 ANNUAL ACCOUNTS

between fair value and, where appropriate, the amount received, is recognised under government grants. Government grants are recognised in profit or loss in line with the emission of gases in proportion to total emissions foreseen for the complete period for which the emission rights have been received, irrespective of whether the rights previously received have been sold or impaired.

Under the terms of Law 1 of 9 March 2005 governing greenhouse gas emission rights, emission rights deriving from a certified reduction in emissions or from a unit created to reduce emissions through clean development mechanisms or a pooling of rights, are carried at cost of production using the same criteria as for inventories.

Emission rights are not amortised. The Group recognises emission rights on a weighted average cost basis.

(V) Useful life and amortisation rates

The Group assesses whether the useful life of each intangible asset acquired is finite or indefinite. An intangible asset is regarded by the Group as having an indefinite useful life when there is no foreseeable limit to the period over which the asset will generate net cash inflows.

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

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:

	Amortisation method	Estimated years of useful life
Development expenses	Straight line	3 - 5
Concessions, patents, licences, trademarks and similar	Straight line	5-15
Software	Straight line	3 - 6

The depreciable amount is the cost or deemed cost of an asset less its residual value.

The Group reviews the residual value, 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.

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

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

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

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

Negative differences arising from comparison of the carrying amounts of the assets with their recoverable amounts are recognised in the consolidated income statement.

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

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

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

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A reversal of an impairment loss is recognised in consolidated profit or loss. The increase in the 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.

The reversal of an impairment loss for a CGU is allocated to its assets, except for goodwill, pro rata with the carrying amounts of those assets, with the limit per asset of the lower of its recoverable value and the carrying amount which would have been obtained, net of depreciation, had no impairment loss been recognised.

(h) Leases

(I) Lessee accounting records

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

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

- Finance leases
  At the commencement of the lease term, the Group 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. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are recognised as an expense in the years in which they are incurred.

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

(II) Lease hold investments

Non-current investments in properties leased from third parties are classified using the same criteria as for property, plant and equipment. Investments are amortised over the lower of their useful lives and the term of the lease contract. The lease term is consistent with that established for recognition of the lease.

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(i) Financial Instruments

(I) Classification 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 substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument set out in IAS 32, Financial Instruments - Presentation.

Financial instruments are classified into the following categories: financial assets and financial liabilities at fair value through profit and loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial liabilities. The Group classifies financial instruments into different categories based on the nature of the instruments and management's intentions on initial recognition.

Regular way purchases and sales of financial assets are recognised at trade date, when the Group undertakes to purchase or sell the asset.

a) Financial assets at fair value through profit or loss

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

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

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term
- it forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking, or
- it is a derivative, except for a derivative which has been designated as a hedging instrument and complies with conditions for effectiveness or a derivative that is a financial guarantee contract.

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Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense.

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

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

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

d) Financial assets and liabilities carried at cost

Investments in equity instruments whose fair value cannot be reliably measured and derivative instruments that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

The Group only recognises income from investments in equity instruments carried at cost to the extent that the retained earnings of the investee, generated after the acquisition, are distributed. Dividends received in excess of these earnings are considered as a recovery of the investment and are therefore recognised as a reduction in the investment's carrying amount.

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e) Financial assets and 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 and loss.

(II) Offsetting principles

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

(III) Fair value

The fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group generally applies the following systematic hierarchy to determine the fair value of financial assets and financial liabilities:

- Firstly, the Group applies the quoted prices of the most advantageous active market to which the entity has immediate access, adjusted where appropriate to reflect any differences in counterparty credit risk between instruments traded in that market and the one being valued. The quoted market price for an asset held or liability to be issued is the current bid price and, for an asset to be acquired or liability held, the asking price. If the Group has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or asking price to the net open position as appropriate.

- When current bid and asking prices are unavailable, the price of the most recent transactions is used, adjusted to reflect changes in economic circumstances.

- Otherwise, the Group applies generally accepted measurement techniques using, insofar as is possible, market data and, to a lesser extent, specific Group data.

(IV) Amortised cost

The amortised cost of a financial asset or liability is the amount at which the asset or liability was measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and maturity amount and minus any reduction for impairment or uncollectibility.

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(V) Impairment of financial assets carried at cost

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

(VI) 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 other comprehenisve income, the accumulative loss is reclassified from equity to profit or loss when there is objective evidence that the asset is impaired, even though the financial asset has not been derecognised. The impairment loss recognised in profit and loss is calculated as the difference between the acquisition cost, net of any reimbursements or repayment of the principal, and the present fair value, less any impairment loss previously recognised in profit and loss for the year.

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

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 for in other comprehensive income recognised in equity.

(VII) Financial liabilities

Financial liabilities, including trade and other payables, which are not classified at fair value through profit or loss, are initially recognised at fair value less any transaction costs that are 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.

(VIII) Derecognition of financial assets

The Group applies the criteria for derecognition of financial assets to part of a financial asset or part of a group of similar financial assets or to a financial asset or group of similar financial assets.

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Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Where the Group retains the contractual rights to receive cash flows, it only derecognises financial assets when it has assumed a contractual obligation to pay the cash flows to one or more recipients and if the following requirements are met:

- Payment of the cash flows is conditional on their prior collection.
- The Group is unable to sell or pledge the financial asset.
- The cash flows collected on behalf of the eventual recipients are remitted without material delay and the Group is not entitled to reinvest the cash flows. This criterion is not applicable to investments in cash or cash equivalents made by the Group during the settlement period from the collection date to the date of required remittance to the eventual recipients, provided that interest earned on such investments is passed on to the eventual recipients.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. In this case:

- If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.
- If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. The associated liability is measured in such a way that the carrying amount of the transferred asset and the associated liability is equal to the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost, or to the fair value of the rights and obligations retained by the Group, if the transferred asset is measured at fair value. The Group continues to recognise any income arising on the transferred asset to the extent of its continuing involvement and recognises any expense incurred on the associated liability. Recognised changes in the fair value of the transferred asset and the associated liability are accounted for consistently with each other in profit and loss or equity, following the general recognition criteria described previously, and are not offset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognised in equity. Transaction costs are recognised in profit and loss using the effective interest method.

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(j) Hedge accounting

The Group has an interest rate cash flow hedge relating to the issue of bonds.

Hedging financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Hedging financial instruments that do not meet the hedge accounting requirements are classified and measured as financial assets and financial liabilities at fair value through profit and loss. 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.

At the inception of the hedge the Group 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 in achieving offsetting 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).

(l) Cash flow hedges

The Group 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 other comprehensive income. 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 with a debit or credit to finance expenses or finance income.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive income are reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss and under the same caption of the consolidated income statement (consolidated statement of comprehensive income).

(k) Parent own shares

The Group's acquisition of equity instruments of the Parent is recognised separately at cost of acquisition in the consolidated balance sheet as a reduction in equity, regardless of the motive of the purchase. Any gains or losses on transactions with own equity instruments are not recognised in consolidated profit or loss.

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The subsequent redemption of Parent shares, where applicable, leads to a reduction in share capital in an amount equivalent to the par value of such shares. Any positive or negative difference between the cost of acquisition and the par value of the shares is debited or credited to accumulated gains.

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

Transactions realized in instruments of the Company's own equity are shown under equity and any gains or losses are also credited or debited against reserves.

(l) Inventories

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

The costs of conversion of inventories include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting. Fixed production overheads are allocated based on the higher of normal production capacity or actual level of production.

The cost of raw materials and other supplies, the cost of merchandise and costs of conversion are allocated to each inventory unit on a first-in, first-out (FIFO) basis.

The Group uses the same cost model for all inventories of the same nature and with a similar use within the Group.

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

The cost of inventories is adjusted against profit and loss when cost exceeds the net realisable value. Net realisable value is considered as follows:

- Raw materials and other supplies: replacement cost. Nevertheless, raw materials are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.

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- Goods for resale and finished goods: estimated selling cost, less costs to sell.

- Work in progress: the estimated selling price of related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale.

The previously recognised reduction in value is reversed against profit and loss when the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances. The reversal of the reduction in value is limited to the lower of the cost and revised net realisable value of the inventories. Write-downs may be reversed with a credit to inventories of finished goods and work in progress and supplies.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits in financial institutions. 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.

The Group classifies cash flows relating to interest received and paid as operating activities, and dividends received and distributed by the Company are classified under investing and financing activities, respectively.

(n) Government grants

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

(I) Capital grants

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

(II) Operating grants

Operating grants received to offset expenses or losses already incurred, or to provide immediate financial support not related to future disbursements, are recognised as other income in the consolidated income statement.

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(III) Interest rate grants

Financial liabilities comprising implicit assistance in the form of below market interest rates are initially recognised at fair value. The difference between this value, adjusted where necessary for the emission costs of the financial liability and the amount received, is recognised as an official grant based on the nature of the grant awarded.

(o) Employee benefits

(I) Defined contribution plans

The Group recognises the contributions payable to a defined contribution plan in exchange for a service in the period in which contributions are accrued. Accrued contributions are recognised as an employee benefit expense in the corresponding consolidated income statement in the year that the contribution was made.

(II) Termination benefits

Termination benefits payable that do not relate to restructuring processes in progress are recognised when the Group is demonstrably committed to terminating the employment of current employees prior to retirement date. The Group is demonstrably committed to terminating the employment of current employees when a detailed formal plan has been prepared and there is no possibility of withdrawing or changing the decisions made.

(III) Short-term employee benefits

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

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

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or implicit) 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.

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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 current market assessments of the time value of money and the risks specific to the liability. The discount rate does not reflect risks for which future cash flow estimates have been adjusted.

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

(q) Revenue recognition

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

(I) Sale of goods

The Group recognises revenue from the sale of goods when:

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

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(II) Rendering of services

Revenues associated with the rendering of service transactions are recognised by reference to the stage of completion at the consolidated balance sheet date when the outcome of the transaction can be estimated reliably; i.e., when revenues, the stage of completion, the costs incurred and the costs to complete the transaction can be estimated reliably and it is probable that the economic benefits derived from the transaction will flow to the Group.

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

(III) Revenue from dividends

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

(IV) Revenue from interest

The Group recognises interest receivable from the different social security affiliated bodies on an accruals basis, and only follows prudent criteria for those bodies to which historically claims have been made and from which interest has been collected.

(r) Income tax

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

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or consolidated tax loss for the year. 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 balance sheet date.

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

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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 a business combination.

(I) Taxable temporary differences

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 which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable income;

- They are associated with investments in subsidiaries over which the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will reverse in the foreseeable future.

(II) Deductible temporary differences

Deductible temporary differences are recognised provided that:

- It is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the differences arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

- The temporary differences are associated with investments in subsidiaries to the extent that the difference will reverse in the foreseeable future and sufficient taxable income is expected to be generated against which the temporary difference can be offset.

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

(III) Measurement

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

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At year end the Group reviews the fair value of deferred tax assets to write down the balance if it is not probable that sufficient taxable income will be available to apply the tax asset.

Deferred tax assets which do not meet the above conditions are not recognised in the consolidated balance sheet. At year end the Group assesses whether deferred tax assets which were previously not recognised already meet the conditions for recognition.

(IV) Offset and recognition

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

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

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

(s) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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

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- Assets are classified as current when they are expected to be realised, or are intended for sale or consumption in the Group's normal operating cycle within twelve months after the balance sheet date and they are held primarily for the purpose of trading. Cash and cash equivalents are also classified as current, except where they may not be exchanged or used to settle a liability, at least within twelve months after the balance sheet date.

- Liabilities are classified as current when they are expected to be settled in the Group's normal operating cycle within 12 months after the balance sheet date and they are held primarily for the purpose of trading, or where the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

- Financial liabilities are classified as current when they are due to be settled within twelve months after the reporting period, even if the original term was for a period longer than twelve months, and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorised for issue.

(u) Environmental issues

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

Property, plant and equipment acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognised in the consolidated balance sheet using the measurement, presentation and disclosure criteria described in note 32.

(5) Financial Risk Management Policy

(a) General

The Group is exposed to the following risks associated with the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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This note provides information on the Group's exposure to each of these risks, the Group's objectives and procedures to measure and mitigate this risk, and the Group's capital management strategy. More exhaustive quantitative information is disclosed in note 30 to the consolidated annual accounts.

The Group's risk management policies are established in order to identify and analyse the risks to which the Group 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 Group's activities. The Group'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.

Credit risk

Credit risk is the risk to which the Group is exposed in the event that a customer or a counterparty to a financial instrument fails to discharge a contractual obligation, and mainly results from trade receivables and the Group's investments in financial assets.

Trade receivables

The Group is not exposed to significant credit risk because no bad debt risk exists due to the type of customers with which it operates, most of which are public entities. The only risk to which receivables from public bodies are exposed is a risk of delays in payment. Group companies mitigate this risk by exercising their right to receive legal interest.

Furthermore, no significant bad debt issues have been detected in the markets in which it sells to private entities.

The Group recognises valuation adjustments for impairment equivalent to its best estimate of the losses incurred in relation to trade and other receivables. The main valuation adjustments made are based on specific losses related with identified risks that are individually significant, while the bad debt risk in the Group is low because a significant proportion of receivables are due from public entities.

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Financial instruments and deposits

The Group has invested part of the resources generated by the issue of bonds in the United States in deposits with financial institutions of recognised solvency.

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure where possible, that it always has sufficient liquidity to settle its obligations at the maturity date, both in normal conditions and in times of tension, to avoid incurring unacceptable losses or tarnishing the Group's reputation.

The Group prudently manages liquidity risk by the availability of financing through a sufficient amount of committed credit facilities, and the ability to liquidate market positions when required.

The Group issued bonds in the United States during 2009. The resources generated will enable the Group to extend the life of its debt from current to non-current and ensure that the necessary financial resources are available to implement its future plans. The resources generated have therefore been used to pay current and non-current liabilities, with the remaining amount, totalling Euros 237,777 thousand, recognised as a current investment under "Cash and cash equivalents" at 31 December 2009.

In the balance sheet at 31 December 2008 32% of the debt was current and 68% non-current, while at the December 2009 close, 14% is current and 86% non-current.

Market risk

Market risk comprises the risk of changes in market prices, for example, exchange rates, interest rates, or the prices of equity instruments affecting the Group's revenues or the value of financial instruments it holds. The objective of managing market risk is to manage and control the Group's exposure to this risk within reasonable parameters at the same time as optimising returns.

(I) Currency risk

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

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

The Group's main exposure to currency risk is due to the US Dollar, which is used in a significant percentage of transactions in foreign currencies. Since purchases and expenses in US Dollars account for 82% of revenues in US Dollars in 2009, the Group has a natural hedge against US Dollar fluctuations and therefore the risks associated with such exchange-rate fluctuations are minimal.

Details of exposure to currency risk at 31 December 2009 and 2008 of principal financial instruments are shown in note 30.

(II) Interest-rate risk

The Group's interest rate risks arise from current and non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. Because of the issue of bonds, in 2009 a significant portion of liabilities bear fixed interest rates, whereas the rest of the financial liabilities with banks bear variable interest rates. Nevertheless, the Group has a variable to fixed interest-rate swap for loans of Euros 50,000 thousand (see note 30).

(III) Market price risk

The Group is exposed to price risk affecting equity instruments designated as available-for-sale.

The Group has signed two unquoted future contracts, the underlying asset of which is shares in Grifols, S.A. It is therefore exposed to risk of value fluctuations.

Price risk affecting raw materials is mitigated by the vertical integration of the haemoderivatives business in a sector which is highly concentrated.

Given the positive performance of products, no important price fluctuations are expected in the Bioscience division.

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(b) Capital management

The directors' policy is to maintain a solid capital base in order to ensure investor, creditor and market confidence and sustain future business development. The directors control capital performance using rates of returns on equity (ROE) and returns on invested capital (ROIC). The board of directors also controls the level of dividends paid to shareholders.

In 2009, the ROE stood at 26.1% (25.3% in 2008) and the ROIC at 13.9% (15.3 % in 2008). The ROE is calculated by dividing profit attributable to the Parent between the equity attributable to the Parent. The ROIC is calculated by dividing operating profit after income tax by invested capital, which is equal to total assets less cash, less other current financial assets and less current and non-current financial liabilities excluding (current and non-current) borrowings.

Compared with these rates, the weighted average finance expense for interest-bearing liabilities (excluding liabilities with implicit interest) has been 3.9% (5.2% in 2008). Considering the issue of bonds in the USA, the weighted average finance expense for interest-bearing liabilities for the fourth quarter of 2009 has been 5.1%.

The Group has no share-based payment schemes for employees.

At 31 December 2009 the Group holds own shares equivalent to 0.03% of its share capital, The Group does not have a formal plan for repurchasing shares.

(6) Segment Reporting

In accordance with IAS 8 Operaiting Segment, financial information for operating segments is reported in the accompanying Appendix I, which forms an integral part of this note to the consolidated annual accounts.

Since 1 January 2009 the Group applies IFRS 8 – Operating segments. As a result of applying this standard, the Group has adjusted the distribution of profit by segment and segment balance sheet for 2008 adapting this to the criteria used by the Group internally for decision-making. Consequently, the 2008 figures have been changed to make them comparable with those of 2009. Changes during 2008 mainly reflect improvements in the recognition of costs by segment. This is mainly due to the fact that in 2008 certain costs were allocated based on sales of each of the segments, whilst in 2009 the Group avails of more specific data on costs by segment. In addition, during 2009 the contents of the Raw materials segment have been streamlined and income and costs from sales of albumin for non-therapeutic use and intermediate products have been transferred to the Bioscience segment for amounts of Euros 11,669 thousand and Euros 5,652 thousand, respectively.

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

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

- Balance sheet: cash and cash equivalents, receivables, public entities, deferred tax assets and liabilities, loans and borrowings and certain payables.
- Income statement: general administration expenses, other operating income / expenses, finance income / expense and income tax.

There have been no inter-segment sales.

(a) Operating segments

The operating segments defined by the Group are as follows:

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

Detail of net sales by group of products for years 2009 and 2008 as a percentage of net sales is as follows:

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	% of sales	
	2008	2009
Hemoderivatives	75.6%	76.0%
Other hemoderivatives	0.3%	0.2%
Transfusional medicine	7.3%	8.2%
In vitro diagnosis	3.2%	3.1%
Fluid therapy and nutrition	5.7%	5.2%
Hospital supplies	4.4%	4.2%
Raw materials	2.8%	2.5%
Other	0.7%	0.6%
Total	100%	100%

(b) Geographical information

Geographical information is grouped into three areas:

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

The financial information reported for geographical areas is based on sales to third parties in these markets as well as the location of assets. Net Sales in Spain amounted to Euros 225,759 thousand and Euros 190,809 thousand Euros for 2009 and 2008, respectively, and the assets assignable to the Spanish operations were Euros 632,537 thousand and Euros 532,392 thousand at 31st December 2009 and 2008, respectively.

(c) Major customer

No entity represents 10% or more of the Group's sales.

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(7) Goodwill

Details of intangible assets and movement during the years ended 31 December 2009 and 2008 are included in Appendix II, which forms an integral part of these notes to the consolidated annual accounts.

Details of and movement in goodwill in the consolidated balance sheet at 31 December 2008 are as follows:

	Thousands of Euros			
Net value	Balances at 31/12/07	Business combinations	Translation differences	Balances at 31/12/08
Grifols UK,Ltd.	9,369	--	(2,156)	7,213
Grifols Italia,S.p.A.	6,118	--	--	6,118
Biomat USA, Inc.	85,390	2,372	5,256	93,018
Plasmacare, Inc.	34,912	--	2,017	36,929
Plasma Collection Centers, Inc.	14,454	--	835	15,289
	150,243	2,372	5,952	158,567
		(note 2.1)		

Details of and movement in goodwill in the consolidated balance sheet at 31 December 2009 are as follows:

	Thousands of Euros			
Net value	Balances at 31/12/08	Business combinations	Translation differences	Balances at 31/12/09
Grifols UK,Ltd.	7,213	--	523	7,736
Grifols Italia,S.p.A.	6,118	--	0	6,118
Biomat USA, Inc.	93,018	225	(3,154)	90,089
Plasmacare, Inc.	36,929	--	(1,253)	35,676
Plasma Collection Centers, Inc.	15,289	--	(519)	14,770
Woolloomooloo Holdings Pty Ltd.	--	16,190	3,421	19,611
	158,567	16,415	(982)	174,000
		(notes 2.1 and 2.2.)		

6.2 ANNUAL ACCOUNTS

Impairment testing:

Goodwill has been allocated to each of the Group's cash-generating units (CGUs) in accordance with their respective business segment. Plasma Collection Centers Inc. and Plasmacare, Inc. are integrated into the management of Biomat USA, Inc. for the purpose of impairment analysis.

With the exception of the Woolloomooloo Holdings Pty. Ltd CGU, which mainly operates in the Diagnostic segment, all CGUs with goodwill belong to the Bioscience segment.

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

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

Growth rate used to extrapolate projections: 3%
Discount rate after tax: 8%

These assumptions have been used in analysing all CGUs with goodwill, as there are no significant differences between them.

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

Growth rate used to extrapolate projections: 2%
Discount rate after tax: 8,7%

Management determines budgeted gross margins based on past experience and forecast market development. Average weighted growth rates are coherent with the forecasts included in industry reports. The discount rates used are after tax and reflect specific risks related to the relevant CGUs.

(8) Other Intangible Assets

Details of other intangible assets and movement during the years ended 31 December 2009 and 2008 are included in Appendix II, which forms an integral part of these notes to the consolidated annual accounts.

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The cost of fully-amortised intangible assets in use at 31 December 2009 and 2008 is Euros 38,183 thousand and Euros 37,463 thousand, respectively.

The Group has recognised Euros 11,823 thousand (Euros 7,644 thousand at 31 December 2008) as self-constructed assets.

At 31 December 2009 the Group has recognised licenses with indefinite useful lives under intangible assets for a carrying amount of Euros 23,379 thousand (Euros 23,938 thousand at 31 December 2008). The Group has also recognised Euros 21,943 thousand as costs of research and development in progress (Euros 13,797 thousand at 31 December 2008).

At 31 December 2009 the Group has recognised CO_2 emission rights for Euros 493 thousand (see note 4(f (IV)).

Impairment testing:

Indefinite-lived intangible assets have been allocated to the Group's Plasmacare, Inc. and Biomat USA, Inc. cash-generating units (CGUs), which belong to the Bioscience segment.

The recoverable amount of a CGU is determined based on its value in use. These calculations are based on cash flow projections from the financial budgets approved by management over a period of five years. Cash flows beyond this five-year period are extrapolated using the estimated growth rates indicated below.
The key assumptions used in calculating value in use are as follows:

Growth rate used to extrapolate projections: 3%
Discount rate after tax: 8%

These assumptions have been used in analysing each CGU.

Management determines budgeted gross margins based on past experience and forecast market development. Average weighted growth rates are coherent with the forecasts included in industry reports. The discount rates used are after tax and reflect specific risks related to the relevant segments.

6.2 ANNUAL ACCOUNTS

(9) Property, Plant and Equipment

Details of property, plant and equipment and movement in the consolidated balance sheet at 31 December 2009 and 2008 are included in Appendix III, which forms an integral part of these notes to these consolidated annual accounts.

Property, plant and development under construction at 31 December 2009 and 2008 mainly comprises investments made to extend the companies' installations and to increase their productive capacity.

a) Mortgaged property, plant and equipment

At 31 December 2009 certain land and buildings have been mortgaged for Euros 45,382 thousand (Euros 43,813 thousand at 31 December 2008) to secure payment of certain loans (see note 20).

b) Official capital grants received

During 2009, the Group has received capital grants totalling Euros 742 thousand (Euros 124 thousand at 31 December 2008) (see note 18).

c) Insurance

Group policy is to contract sufficient insurance coverage for the risk of damage to property, plant and equipment. At 31 December 2009 the Group has a combined insurance policy for all Group companies, which adequately covers the carrying amount of all the Group's assets.

d) Revalued assets

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

e) Assets under finance lease

The Group had contracted the following types of property, plant and equipment under finance leases at 31 December 2008:

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	Thousands of Euros		
Asset	Cost	Accumulated depreciation	Valor Neto
Technical installations and other property, plant and equipment	18,766	(4,245)	14,521
	18,766	**(4,245)**	**14,521**

El Grupo tiene las siguientes clases de activos materiales contratados en régimen de arrendamiento financiero a 31 de diciembre de 2009:

	Thousands of Euros		
Asset	Cost	Accumulated depreciation	Valor Neto
Technical installations and other property, plant and equipment	19,641	(5,507)	14,134
	19,641	**(5,507)**	**14,134**

Details of minimum lease payments and the present value of finance lease liabilities, disclosed by maturity date, are detailed in note 20 (a.3).

f) Fully-depreciated assets

The cost of fully-depreciated property, plant and equipment in use at 31 December 2009 and 2008 amounts to Euros 73,370 thousand and Euros 69,500 thousand, respectively.

g) Self-constructed property, plant and equipment

The Group has recognised Euros 29,319 thousand as self-constructed property, plant and equipment (Euros 18,150 thousand at 31 December 2008).

(10) Investments Accounted for Using the Equity Method

At 31 December 2009 and 2008 equity accounted investments comprise the investment held by Diagnostic Grifols, S.A. in the company Quest International, Inc. This company is located in Miami, Florida (USA) and its activity consists of the manufacture and commercialisation of reagents and clinical analysis instruments.

6.2 ANNUAL ACCOUNTS

Because the Group has significant influence over these companies, the consolidation method used has been the equity method.

Details of and movement in this caption in the consolidated balance sheet at 31 December 2008 are as follows:

	Thousands of Euros			
	Balances at 31/12/07	Additions	Translation differences	Balances at 31/12/08
Equity accounted investments	243	24	107	374

Details of and movement in this caption in the consolidated balance sheet at 31 December 2009 are as follows:

	Thousands of Euros			
	Balances at 31/12/08	Additions	Translation differences	Balances at 31/12/09
Equity accounted investments	374	51	(42)	383

Summarised financial information on the equity accounted investments is as follows:

			Thousands of Euros			
31/12/08	Country	Percentage ownership	Assets	Liabilities	Equity	Result
Quest International, Inc	USA	35%	1,736	667	1,069	69
			1,736	**667**	**1,069**	**69**
31/12/09						
Quest International, Inc	USA	35%	1,664	580	1,084	119
			1,664	**580**	**1,084**	**119**

6.2 ANNUAL ACCOUNTS

(11) Non-Current Financial Assets

Details of this caption of the consolidated balance sheet at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Non-current guarantee deposits	1,142	1,113
Assets available for sale	501	523
Loans to third parties	2,088	0
Non-current financial assets	3,731	1,636

In 2009 the Group has extended loans to the owners of three plasma centres in the USA occupied by group companies totalling Euros 2,174 thousand. These loans have a term of 20 years and yield interest at a fixed rate.

In 2009 and 2008 non-current guarantee deposits are measured at amortised cost (see note 4(I).

At 31 December 2009 available-for-sale assets relate to the following:

- The interest of less than 1% that the Group holds in Northfield Laboratories, Inc. (USA). At 31 December 2009 provision has been made for the full amount of this investment. In 2009 and 2008 this investment is measured at fair value.

- The interest of less than 2% in the share capital of biotechnology company, Cardio 3 Bioscience (Belgium) acquired by Grifols, S.A. in December 2008. The activity of this company involves research into and the development of biological therapies using stem cells for the treatment of cardiovascular diseases. The Group has measured this asset at cost, as its fair value cannot be reliably determined.

(12) Inventories

Details of inventories at 31 December are as follows:

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	Thousands of Euros	
	31/12/09	31/12/08
Goods for resale	65,718	54,509
Raw materials and other supplies	170,987	142,209
Work in progress and semi-finished goods	146,612	112,345
Finished goods	101,145	64,594
	484,462	373,657
Less, provision for obsolescence	0	(559)
	484,462	373,098

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

	Thousands of Euros	
	31/12/09	31/12/08
Inventories of goods for resale		
Net purchases	50,886	79,902
Changes in inventories	(9,201)	(22,700)
	41,685	57,202
Raw materials and other supplies		
Net purchases	274,537	190,667
Changes in inventories	(29,948)	(41,131)
	244,589	149,536
Materials consumed	286,274	206,738
Changes in inventories of finished goods and work in progress	(73,093)	(31,058)
Changes in inventories of finished goods and work in progress and materials consumed	213,181	175,680

* Expenses/(Income)

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Movement in goods for resale during 2009 and 2008 has been as follows:

	Thousands of Euros	
	2009	2008
Inventories of goods for resale at 1 January	54,509	37,138
Business combinations	158	0
Net cancellations for the year	(568)	0
Increase/(Decrease) in inventories of goods for resale	9,201	22,700
Translation differences	2,418	(5,329)
Goods for resale at 31 December	**65,718**	**54,509**

Movement in inventories of raw materials and materials consumed during 2009 and 2008 has been as follows:

	Thousands of Euros	
	2009	2008
Inventories of raw materials at 1 January	142,209	96,044
Business combinations	824	0
Increase/(Decrease) in raw materials	29,948	41,131
Translation differences	(1,994)	5,034
Inventories of raw materials at 31 December	**170,987**	**142,209**

Movement in inventories of finished goods and work in progress during 2009 and 2008 has been as follows:

	Thousands of Euros	
	2009	2008
Inventories of finished goods and work in progress	176,939	138,226
Business combinations	2,567	0
Increase/(Decrease) in inventories of finished goods and work in progress	73,093	31,058
Translation differences	(4,842)	7,655
Inventories of finished goods and work in progress at 31 December	**247,757**	**176,939**

6.2 ANNUAL ACCOUNTS

Net purchases include purchases made in the following foreign currencies:

	Thousands of Euros	
Currency	31/12/09	31/12/08
US Dollar	196,936	168,037
Other currencies	4,498	7,315

Movement in the provision for obsolescence was as follows:

	Thousands of Euros	
	2009	2008
Balance at 1 January	559	749
Net charges for the year	0	341
Net cancellations during the year	(568)	(515)
Translation differences	9	(16)
Balance at 31 December	0	559

6.2 ANNUAL ACCOUNTS

(13) Trade and other receivables

Details at 31 December are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Trade receivables	**207,840**	**186,324**
Other trade receivables	27,210	17,322
Associates	812	0
Personnel	395	298
Advances for fixed assets	1,103	1,429
Other advances	1,844	1,960
Public entities, other receivables	8,176	22,434
Other receivables	**39,540**	**43,443**
Current income tax assets	**7,802**	**5,428**
	255,182	235,195

Trade receivables

Trade receivables, net of the provision for bad debts, include notes receivable discounted at banks at 31 December 2009, which amount to Euros 1,298 thousand (Euros 2,117 thousand at 31 December 2008) (see note 20).

Trade receivables include balances in the following foreign currencies:

6.2 ANNUAL ACCOUNTS

	Thousands of Euros	
Currency	31/12/09	31/12/08
US Dollar	45,297	38,171
Chilean Peso	12,778	6,968
Mexican Peso	7,986	5,335
Argentinean Peso	3,404	2,412
Brazilian Real	3,225	1,596
Czech Crown	3,217	3,214
Pound Sterling	2,849	2,543
Thai Baht	1,366	1,569
Polish Zloty	1,292	0
Australian Dollar	1,101	0
Other currencies	1,644	1,050

Other receivables

Other receivables at 31 December 2009 mainly comprises Euros 8,089 thousand (Euros 6,990 thousand at 31 December 2008) reflecting interest receivable from social security-affiliated bodies.

In 2005 the Group also made a Euros 5,000 thousand advance payment on account to the Spanish Haemophilia Federation relating to an agreement which provides an economic contribution to this entity, which is calculated on the basis of sales of a certain product of the Group between 2005 and 2009. During 2009 Euros 2,090 thousand (Euros 2,325 thousand in 2008) has been accrued and recognised as an expense under other operating expenses. In 2009 the Group paid Euros 1,387 thousand, settling the balance of the advance included under other receivables (Euros 703 thousand at 31 December 2008).

In 2009 and 2008 certain Grifols Group companies have sold receivables without recourse from several public entities to Deutsche Bank, S.A.E. According to these contacts, the Group receives an initial payment which usually amounts to approximately 90% of the nominal amount of the receivables. Payment of the deferred price (rest of the nominal amount) will be collected by the Group once Deutsche Bank has collected the nominal amount of the receivables and this amount is recognised in the balance sheet as the amount of the outstanding loan. Because the receivables are with public entities there is no credit risk. At 31 December 2009 Euros 13,675 thousand is receivable for this deferred price (Euros 9,434 thousand at 31 December 2008). Initial payment is made when the sale is completed and therefore, the bad debt risk associated with this part of the nominal amount of the receivables is transferred. The Group has transferred control of the receivables to Deutsche Bank and therefore, the Group has derecognised the total initial payment on its balance sheet, since all risks and rewards have been transferred.

6.2 ANNUAL ACCOUNTS

Certain foreign group companies have also entered into a contract to sell receivables without recourse to a financial institution.

Total balances receivable without recourse sold to financial institutions through the aforementioned contracts amount to Euros 116.3 million (Euros 82.9 million in 2008).

The finance cost of these operations for the Group totals approximately Euros 2,531 thousand which has been recognised under finance costs in the 2009 consolidated income statement (Euros 2,128 thousand in 2008) (see note 26).

Receivables from public entities are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Taxation authorities, VAT	7,451	21,062
Taxation authorities, grants	0	173
Social Security	107	118
Other public entities	618	1,081
Public entities, other receivables	8,176	22,434

Current tax assets

Current tax assets are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Recoverable income tax:		
Current year	7,188	3,746
Prior years	614	1.682
Current tax assets	7,802	5,428

6.2 ANNUAL ACCOUNTS

(14) Other Current Financial Assets

Details of this caption of the consolidated balance sheet at 31 December 2009 and 2008 are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Current investments	5,943	6,657
Guarantee deposits	209	23
Current loans to third parties	395	0
Financial derivatives (note 30)	1,670	0
Total other current financial assets	8,217	6,680

Current financial investments comprise current guarantee deposits held in financial institutions.

(15) Equity

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

(a) Share capital

At 31 December 2009 and 2008 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.

These shares are freely transferable.

The Company only has information on the identity of its shareholders when this information is provided voluntarily or to comply with prevailing legislation. Based on the information available to the Company, its most significant shareholders at 31 December 2009 and 2008 are as follows:

6.2 ANNUAL ACCOUNTS

	Percentage ownership	
	31/12/09	31/12/08
Scranton Enterprises,B.V.	10.65%	10.65%
Other	89.35%	89.35%
	100.00%	100.00%

There have been no movements in share capital during 2009 and 2008.

(b) Share premium

There have been no movements in share capital during 2009 and 2008.

In June 2008, the Company agreed to distribute a dividend with a charge to results for 2007 and a share premium of Euros 0.165 per share, which resulted in a total gross dividend of Euros 34.8 million. The share premium fell by Euros 10,030 thousand in 2008 as a result of this distribution (see consolidated statement of changes in equity).

(c) Accumulated earnings

The drawdown of accumulated earnings is subject to legislation applicable to each of the Group companies. At 31 December 2009, Euros 25,987 thousand of research and development costs (Euros 23,421 thousand at 31 December 2008) are not freely available.

(d) Other reserves

At 31 December 2009 and 2008 other reserves include the IFRS first-time application revaluation reserves and legal reserve of certain Group companies.

6.2 ANNUAL ACCOUNTS

Legal reserve

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

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

(e) Own shares

During the year ended 31 December 2008 the Company carried out the following operations with own shares:

	No. of shares	Thousands of Euros
Balance at 1 January 2008	2,100,463	28,893
Acquisitions	361,159	4,880
Disposals	(50,000)	(686)
Balance at 31 December 2008	**2,411,622**	**33,087**

During the year ended 31 December 2009 the Company carried out the following operations with own shares:

	No. of shares	Thousands of Euros
Balance at 1 January 2009	2,411,622	33,087
Acquisitions	2,176,929	25,186
Disposals	(4,535,225)	(57,596)
Balance at 31 December 2009	**53,326**	**677**

6.2 ANNUAL ACCOUNTS

As a result, the Company holds own shares equivalent to 0.03% of its capital at 31 December 2009 (1.13% at 31 December 2008).

(f) Distribution of profits

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

The board of directors will propose to the shareholders at their annual general meeting that the Parent's profit for the year ended 31 December 2009 be distributed as follows.

	Thousands of Euros
Legal reserves	2,649
Other reserves	11,561
Dividends	27,229
Interim dividends	31,960
	73,399

The distribution of the profit for the year ended 31 December 2008 is presented in the consolidated statement of changes in equity.

The dividend per share distributed in 2008 is as follows:

	2008 (Thousands of Euros)		
	% of par value	Euro per share	Amount
Ordinary shares	34	0.17	34,767
Total dividends paid in 2008	**34**	**0.17**	**34,767**
Dividends with a charge to profits	24	0.12	24,737
Dividends with a charge to reserves or share premium	10	0.05	10,030
Total dividends paid in 2008	**34**	**0.17**	**34,767**

6.2 ANNUAL ACCOUNTS

The dividend per share distributed at 30 June 2009 is as follows:

	30/06/2009 (Thousands of Euros)		
	% of par value	Euro per share	Amount
Ordinary shares	46	0.23	48,691
Total dividends paid in June 2009	**46**	**0.23**	**48,691**
Dividends with a charge to profits	46	0.23	48,691
Total dividends paid in June 2009	**46**	**0.23**	**48,691**

The dividend per share (interim dividend) distributed in December 2009 is as follows:

	31/12/2009 (Thousands of Euros)		
	% of par value	Euro per share	Amount
Ordinary shares	30	0.15	31,960
Total dividends paid in December 2009	**30**	**0.15**	**31,960**
Interim dividend	30	0.15	31,960
Total dividends paid in December 2009	**30**	**0.15**	**31,960**

The provisional accounting statement prepared in accordance with statutory requirements demonstrated that sufficient cash was available for distribution of the interim dividend in December 2009.

(g) Cash flow hedges

To cover the interest rate risk related to the issue of corporate bonds by Grifols, Inc. a swap was contracted in July 2009 to hedge the interest rate of 10-year US government bonds, with a nominal amount of US Dollars 200 million and maturity on 21 September 2009, swapping a variable interest rate for a fixed one. At the date of redemption, the valuation resulted in a financial cost of Euros 3,275 thousand, which has been recognised in equity, net of the tax effect under "Cash flow hedges" and deferred over the term of the ten-year corporate bond (see notes 20 and 30).

6.2 ANNUAL ACCOUNTS

(16) Earnings per Share

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

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

	2009	2008
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	147,972	121,728
Weighted average number of ordinary shares in circulation	209,506,126	210,707,597
Basic earnings per share (Euros per share)	0.70629	0.57771

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

	Number of shares	
	2009	2008
Issued ordinary shares at 1 January	210,707,597	210,964,436
Effect of own shares	(1,201,471)	(256,839)
	209,506,126	210,707,597

Diluted earnings per share are calculated by dividing profit attributable to shareholders of the Parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares. At 31 December 2009 and 2008 basic and diluted earnings per share are the same as no potential diluting effects exist.

(17) Minority Interests

Details of minority interests and movement during the year 31 December 2008 are as follows:

6.2 ANNUAL ACCOUNTS

	Thousands of Euros				
	Balances at 31/12/07	Additions	Disposals	Translation differences	Balances at 31/12/08
Grifols (Thailand) Pte Ltd	764	334	(15)	(106)	977
Grifols Malaysia Sdn Bhd	217	54	0	2	273
	981	388	(15)	(104)	1,250

Details of minority interests and movement during the year 31 December 2009 are as follows:

	Thousands of Euros					
	Balances at 31/12/08	Additions	Business combinations	Disposals	Translation differences	Balances at 31/12/09
Grifols (Thailand) Pte Ltd	977	308	0	(112)	30	1,203
Grifols Malaysia Sdn Bhd	273	35	0	0	(5)	303
Woolloomooloo Holdings Pty Ltd.	0	(745)	9,876	(106)	1,626	10,651
	1,250	(402)	9,876	(218)	1,651	12,157
			(note 2)			

(18) Grants

Details are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Capital grants	2,025	2,015
Interest-rate grants (preference loans)	286	338
Grants	**2,311**	**2,353**

6.2 ANNUAL ACCOUNTS

Details of capital grants are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Total amount of capital grant:		
Prior to 1995	330	330
1995	627	627
1996	54	54
1997	426	426
1998	65	65
1999	42	42
2000	181	181
2001	214	214
2002	626	626
2004	1,940	1,940
2005	35	35
2006	35	35
2007	33	33
2008	124	124
Current period	742	0
	5,474	4,732
Less, revenues recognised:		
Prior years	(2,444)	(2,189)
Current year	(696)	(255)
	(3,140)	(2,444)
Translation differences	(309)	(273)
Net value of capital grants	2,025	2,015

6.2 ANNUAL ACCOUNTS

At 31 December 2009 interest-rate grants (preference loans) include Euros 286 thousand (Euros 338 thousand at 31 December 2008) of implicit interest on loans extended by the Spanish Ministry of Science and Technology as these are interest free.

Movement during 2008 is as follows:

	Balances at 31/12/07	Additions	Transfers to profit or loss	Balances at 31/12/08
Interest-rate grants (preference loans)	2,463	561	(2,686)	338

Movement during 2009 is as follows:

	Balances at 31/12/08	Additions	Transfers to profit or loss	Balances at 31/12/09
Interest-rate grants (preference loans)	338	440	(492)	286

(19) Provisions

Details of provisions at 31 December are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Non-current provisions (a)		
Provisions for pensions and similar obligations	595	951
Other provisions	637	2,094
Non-current provisions	**1,232**	**3,045**
Current provisions (b)		
Trade provisions	4,702	3,830
Current provisions	**4,702**	**3,830**

6.2 ANNUAL ACCOUNTS

(a) Non-current provisions

At 31 December 2009 and 2008 provisions for pensions and similar obligations mainly comprise a provision made by certain foreign subsidiaries in respect of labour commitments with certain employees.

Movement in non-current provisions in 2008 was as follows:

	Thousands of Euros			
	Balances at 31/12/07	Charges	Translation differences	Balances at 31/12/08
Non-current provisions	999	2,051	(5)	3,045
	999	2,051	(5)	3,045

Movement in non-current provisions in 2009 was as follows:

	Thousands of Euros					
	Balances at 31/12/08	Business combination	Reversal	Cancellation	Translation differences	Balances at 31/12/09
Non-current provisions	3,045	102	(1,411)	(457)	(47)	1,232
	3,045	102	(1,411)	(457)	(47)	1,232

(b) Current provisions

Movement in trade provisions in 2008 was as follows:

	Thousands of Euros				
	Balances at 31/12/07	Reversal	Cancellation	Translation differences	Balances at 31/12/08
Trade provisions	3,957	(97)	(30)	0	3,830
	3,957	(97)	(30)	0	3,830

6.2 ANNUAL ACCOUNTS

Movement in trade provisions in 2009 is as follows:

	Thousands of Euros				
	Balances at 31/12/08	Business combination	Charges	Translation differences	Balances at 31/12/09
Trade provisions	3,830	198	636	38	4,702
	3,830	198	636	38	4,702

(20) Financial liabilities

This note provides information on the contractual conditions of the loans obtained by the Group, which are measured at amortised cost, except the financial derivative, which is measured at fair value. For further information on exposure to interest rate risk, currency risk and liquidity risk and the fair values of financial liabilities, please refer to note 30.

Non-current financial liabilities

Details at 31 December are as follows:

	Thousands of Euros	
Non-current financial liabilities	31/12/09	31/12/08
Issue of corporate bonds (a.1)	410,552	--
Bonds	410,552	--
Club Deal (a.2)	195,471	225,320
Other loans (a.2)	90,961	79,069
Finance lease liabilities (a.3)	6,202	7,124
Loans and borrowings	292,634	311,513
Loans and borrowings and bonds or other non-current marketable securities (a)	703,186	311,513
Preference loans extended by the Spanish Ministry of Science and Technology (b)	11,135	10,685
Debt on the acquisition of the plasma centre (b)	1,050	1,098

continued >

6.2 ANNUAL ACCOUNTS

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	Thousands of Euros	
Non-current financial liabilities	**31/12/09**	**31/12/08**
Debt with Novartis (b)	--	759
Other	367	--
Other non-current financial liabilities (b)	12,552	1,542
	715,738	324,055

Non-current loans and borrowings, net of loan arrangement expenses, are as follows:

	Thousands of Euros	
Loan arrangement expenses	**31/12/09**	**31/12/08**
Club Deal / Syndicated loan	1,195	1,237
Other	910	1,008
	2,105	2,245

(a) Loans and borrowings and bonds or other non-current marketable securities

(a.1) Bonds

On 21 September 2009 the Group, through Grifols Inc., concluded the first private placement of corporate bonds in the USA totalling US Dollars 600 million. The issue was subscribed by 22 qualified investors, 90% in US Dollars and the remaining 10% in Pounds Sterling and Euros. The issue was structured in three tranches: US Dollars 200 million at 12 years, US Dollars 300 million at 10 years and US Dollars 100 million at 7 years, with spreads over the price of the US bond at 10 years of 370 basis points for 12 year bonds, 350 basis points for those issued at 10 years and 335 basis points for 7 year bonds.

Expenses directly chargeable to the operation amount to Euros 5,967 thousand, Euros 150 thousand of which have been recognised as expenses during the year.

6.2 ANNUAL ACCOUNTS

Funds raised will enable the Group to extend the term of the debt from current to non-current, at the same time ensuring the availability of financial resources required to consolidate its plans for the future. Funds raised have therefore been used to settle current and non-current liabilities and the remaining amount has been used in current investments classified under "Cash and cash equivalents" for an equivalent amount of Euros 237,777 thousand.This amount has been invested in deposits in US Dollar with financial institutions of recognised solvency.

With the issue of the bonds, an interest rate hedge was contracted for the interest on the 10-year loan from the US government (see notes 15 (g) and 30).

This issue of corporate bonds is subject to compliance with certain financial ratio covenants. At 31 December 2009 the Group complies with these financial ratio covenants.

Details of the issue of corporate bonds are as follows:

	Thousands of Euros
	31/12/09
Opening balance	
Issue of corporate bonds in the USA	409,411
Transaction costs	(5,967)
	403,444
Movements	
Transferred to profit and loss	150
Corporate bonds issued in the USA, exchange differences	338
Translation differences	6,620
Closing balance	
Corporate bonds issued in the USA	416,465
Transaction costs	(5,913)
	410,552

6.2 ANNUAL ACCOUNTS

(a.2) Other non-current loans and borrowings

Details of the terms and conditions of non-current loans and borrowings at 31 December 2009 and 2008 are included in Appendix IV, which forms an integral part of these notes to these consolidated annual accounts.

At 26 May 2008 a Club Deal refinancing agreement was signed with 24 financial entities for Euros 350 million (including the option to draw down a tranche of the loan in US Dollars), in order to refinance the non-current syndicated loan existing at 31 December 2007. This loan provides the Group with a significant margin for leverage to carry out planned investment programmes.

This syndicated loan, which matures on 26 May 2013, is subject to compliance with certain financial ratio covenants. In accordance with the agreed-upon conditions, the level of compliance with financial ratios and levels is determined at year end. The Company is required to provide financial information to the lending banks within the six-month period subsequent to 31 December of each year of duration of the contract.

At 31 December 2008 Euros 30 million of the Club Deal loan has been drawn down in US Dollars.

In 2009 the 24 financial entities and the Company unanimously agreed to the novation of the syndicated loan. The net financial debt/equity ratio was replaced by the minimum equity ratio. This replacement unifies all syndicated loan ratios with the bond issue carried out by the Group in the USA and reflects the true value of the Group.

At 31 December 2009 and 2008 the Group fulfils the ratios established in the syndicated loan contract.

(a.3) Finance lease liabilities

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

	Thousands of Euros			
	31/12/2009		31/12/2008	
	Current	Non-current	Current	Non-current
Minimum payments	5,088	6,675	5,491	7,667
Interest	(354)	(473)	(551)	(543)
Present value	4,734	6,202	4,940	7,124

6.2 ANNUAL ACCOUNTS

Thousands of Euros

	31/12/2009			31/12/2008		
	Minimum payments	Interest	Present value	Minimum payments	Interest	Present value
Maturity at:						
Less than one year	5,088	354	4,734	5,491	551	4,940
Two years	3,364	200	3,164	4,050	302	3,748
Three years	1,382	114	1,268	2,099	129	1,970
Four years	831	72	759	580	63	517
Five years	577	41	536	536	34	502
More than five years	521	46	475	402	15	387
Total	11,763	827	10,936	13,158	1,094	12,064

(a.4) Maturity of non-current loans and borrowings and bonds

Details of maturity of non-current loans and borrowings and bonds at 31 December 2009 and 2008 are as follows:

Thousands of Euros

	31/12/09	31/12/08
Maturity at:		
Two years	81,388	46,231
Three years	79,696	77,586
Four years	75,905	76,261
Five years	12,506	69,382
More than five years	453,691	42,053
	703,186	311,513

(b) Other non-current financial liabilities

Details of the interest-free preference loans extended by the Spanish Ministry of Science and Technology, to various group companies are as follows:

6.2 ANNUAL ACCOUNTS

Thousands of Euros

			31/12/2009		31/12/2008	
Company	Date awarded	Amount awarded	Non-current	Current	Non-current	Current
Instituto Grifols S.A	22/02/2002	749	--	--	--	106
Instituto Grifols S.A	31/01/2001	637	--	86	81	86
Instituto Grifols S.A	13/02/2002	691	89	94	173	94
Instituto Grifols S.A	17/01/2003	1,200	307	165	451	165
Instituto Grifols S.A	13/11/2003	2,000	762	279	993	279
Instituto Grifols S.A	17/01/2005	2,680	1,345	375	1,646	375
Instituto Grifols S.A	29/12/2005	2,100	1,253	288	1,471	287
Instituto Grifols S.A	29/12/2006	1,700	1,190	234	1,357	--
Instituto Grifols S.A	27/12/2007	1,700	1,324	--	1,256	--
Instituto Grifols S.A	31/12/2008	1,419	1,131	--	1,089	--
Instituto Grifols S.A	16/01/2009	1,540	1,249	--	--	--
Laboratorios Grifols, S.A	20/03/2001	219	--	30	28	30
Laboratorios Grifols, S.A	29/01/2002	210	27	29	53	29
Laboratorios Grifols, S.A	15/01/2003	220	56	30	83	30
Laboratorios Grifols, S.A	26/09/2003	300	111	41	144	41
Laboratorios Grifols, S.A	22/10/2004	200	100	28	123	28
Laboratorios Grifols, S.A	20/12/2005	180	107	25	126	25
Laboratorios Grifols, S.A	29/12/2006	400	273	54	312	--
Laboratorios Grifols, S.A	27/12/2007	360	242	--	266	--
Laboratorios Grifols, S.A	31/12/2008	600	478	--	460	--
Diagnostic Grifols, S.A	27/11/2008	857	468	129	573	129
Grifols Engineering, S.A.	21/04/2009	524	447	--	--	--
Grifols Engineering, S.A.	21/04/2009	203	176	--	--	--
		20,689	11,135	1,887	10,685	1,704

6.2 ANNUAL ACCOUNTS

In 2009 the implicit borrowing costs taken to profit and loss amount to Euros 616 thousand (Euros 516 thousand in 2008) (see note 26).

At 31 December 2009 this caption also includes Euros 1,133 thousand (Euros 1,330 thousand at 31 December 2008) comprising the Euros equivalent of the debt in US Dollars payable in the long term to Amerihealth Plasma, LLC for the plasma centre acquired in the USA. Deferred finance expenses resulting from this transaction amount to Euros 83 thousand (Euros 232 thousand at 31 December 2008) and are deducted from the aforementioned amount. Other current financial liabilities include the current portion of this debt which amounts to Euros 442 thousand (Euros 883 thousand at 31 December 2008).

At 31 December 2008 this caption included Euros 759 thousand comprising the non-current debt with Novartis Vaccines and Diagnostics, Inc. for the licence contract signed by a Group company during 2006. Deferred finance expenses resulting from this transaction amounted to Euros 67 thousand and were deducted from the aforementioned amount. Other current financial liabilities include the current portion of this debt which amounts to Euros 779 thousand (Euros 806 thousand at 31 December 2008).

Details of the maturity of other non-current financial liabilities are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Maturity at:		
Two years	2,632	3,393
Three years	2,883	2,127
Four years	2,026	1,923
Five years	1,867	1,676
More than five years	3,144	3,423
	12,552	12,542

6.2 ANNUAL ACCOUNTS

Current financial liabilities

Details at 31 December are as follows:

Thousands of Euros

Current financial liabilities	31/12/09	31/12/08
Bonds (c.1)	6,407	5,580
Interest of issue corporate bonds in the USA (c.1)	6,716	--
Bonds	**13,123**	**5,580**
Club Deal (c.2)	33,014	(200)
Other loans (c.2)	63,120	137,227
Finance lease liabilities (c.2)	4,734	4,940
Loans and borrowings	**100,868**	**141,967**
Loans and borrowings and bonds and other marketable securities (c)	**113,991**	**147,547**
Financial derivatives (nota 30)	3,333	796
Preference loans extended by the Spanish Ministry of Science and Technology (b)	1,887	1,704
Receivables from social security affiliated bodies transferred to a financial institution (d)	5,459	5,274
Debt on the acquisition of the plasma centre (b)	442	883
Debt with Novartis (b)	779	806
Guarantee deposits received	59	56
Other current financial payables	**271**	**166**
Other current financial liabilities (d)	**12,230**	**9,685**
	126,221	**157,232**

6.2 ANNUAL ACCOUNTS

Current loans and borrowings, net of loan arrangement expenses and interest, are as follows:

	Thousands of Euros	
Loan arrangement expenses	31/12/09	31/12/08
Syndicated loan	656	440
Other loans	169	141
	825	581

(c) Loans and borrowings and bonds or other current marketable securities

(c.1) Bonds

During 2009 and 2008 a Group company has issued bearer promissory notes at one year of Euros 3,000 nominal amount each and an interest rate of 4.75% and 5.25%, respectively, which were earmarked for Group employees. At 31 December 2009 promissory notes at a nominal amount of Euros 6,510 thousand (Euros 5,679 thousand at 31 December 2008) have been subscribed. At 31 December 2009 unaccrued interest payable on these promissory notes amounts to Euros 103 thousand, which has been deducted from the previous amount (Euros 99 thousand at 31 December 2008).

At 31 December 2009 this caption also includes accrued interest payable on the issue of corporate bonds in the USA totalling Euros 6,716 thousand.

(c.2) Other current loans and borrowings

Details of current loans and borrowings are as follows:

6.2 ANNUAL ACCOUNTS

		Thousands of Euros - Drawn down	
	Interest rate (*) Min - max	31/12/2009	31/12/2008
Loans in:			
US Dollars	1.034% - 6.093%	3,010	64,207
Euros	1.042% - 6.25%	73,664	58,870
Other currencies	TIIE+2% -14%	18,449	11,170
		95,123	**134,247**
Discounted trade notes (note 13)	1.42-7.85%	1,298	2,117
Current interest on loans and borrowings		538	1,244
Finance lease payables		5,088	5,491
		102,047	**143,099**
Less, current portion of deferred finance expenses for leasing		(354)	(551)
Less, current portion of loan arrangement expenses		(825)	(581)
		100,868	**141,967**

(*) Loans accrue variable interest rates.

At 31 December 2009 the Group has a drawable borrowing limit of Euros 703,231 thousand (Euros 741,245 thousand at 31 December 2008).

(d) Other current financial liabilities

At 31 December 2009 and 2008 other current financial liabilities also include approximately Euros 5,459 thousand and Euros 5,274 thousand, respectively, which has been collected directly from social security affiliated bodies, as the receivables had been transferred to Deutsche Bank, S.A.E. (see note 13).

(21) Trade and other payables

Details are as follows:

6.2 ANNUAL ACCOUNTS

	Thousands of Euros	
	31/12/09	31/12/08
Suppliers		
Suppliers and trade payables	115,337	99,985
Advances received	5,550	7,599
Other	22	29
	120,909	107,613
Public entities, other payables	17,832	9,068
Current income tax liabilities	3,258	16,362
	141,999	133,043

Suppliers

Details of related parties are shown in note 31.

Balances with suppliers include the following payables in foreign currencies:

	Thousands of Euros	
Currency	31/12/09	31/12/08
US Dollar	31,377	30,010
Pound Sterling	266	359
Japanese Yen	162	1,300
Czech Crown	380	403
Chilean Peso	894	285
Brazilian Real	621	536
Australian Dollar	785	0
Swiss Franc	686	0
Other currencies	469	211

6.2 ANNUAL ACCOUNTS

The Group's exposure to currency risk and liquidity risk associated with trade and other payables is described in note 30.

Public entities, other payables

Details are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Taxation authorities, VAT/Canary Islands Tax	3,292	3,718
Taxation authorities, withholdings	8,184	2,537
Social Security	3,027	2,742
Other public entities	3,329	71
Public entities, other payables	17,832	9,068

At 31 December 2009 other public entities includes a Euros 2,781 thousand provision recognised as a result of different interpretation of certain tax situation which could be made by the current tax inspection (see note 27 (c)).

Current tax liabilities

Details are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Taxation authorities, income tax:		
Current year	3,185	16,073
Prior years	73	289
Current tax liabilities	3,258	16,362

6.2 ANNUAL ACCOUNTS

(22) Other Current Liabilities

Details at 31 December are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Salaries payable	24,367	21,987
Other payables	1,754	1,446
Other current liabilities	26,121	23,433

(23) Revenues

Revenues are mainly generated by the sale of goods.

The distribution of net consolidated revenues for 2009 and 2008, by segment, was as follows:

	%	
	31/12/09	31/12/08
Bioscience	76	76
Diagnostics	10	10
Hospital	10	10
Raw materials	3	3
Others	1	1
	100	100

6.2 ANNUAL ACCOUNTS

The geographical distribution of net consolidated revenues is as follows:

	%	
	31/12/09	31/12/08
European Union	47%	50%
United States	32%	36%
Rest of the world	21%	14%
	100%	100%

Net consolidated revenues include net sales made in the following foreign currencies:

	Thousands of Euros	
Currency	31/12/09	31/12/08
US Dollar	349,064	304,445
Pound Sterling	33,668	36,668
Mexican Peso	36,472	29,182
Chilean Peso	21,083	16,047
Czech Crown	12,863	12,568
Brazilian Real	21,262	15,916
Thai Baht	6,483	6,302
Argentinean Peso	11,323	9,145
Singapore Dollar	3,940	4,272
Malaysian Ringgit	21,812	2,488
Polish Zloty	13,525	0
Australian Dollar	6,387	0
Swiss Franc	3,849	0
New Zealand Dollar	929	0

6.2 ANNUAL ACCOUNTS

(24) Personnel Expenses

Details are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Wages and salaries	219,803	191,644
Contributions to pension plans (note 29)	1,571	1,365
Other social charges	8,072	6,310
Social Security	43,722	38,840
	273,168	238,159

The average headcount in 2009 and 2008, by department, was approximately as follows:

	Average headcount	
	2009	2008
Production	4,586	4,201
Research & development – technical area	264	239
Administration and others	453	431
General management	95	86
Marketing	98	83
Sales and distribution	488	465
	5,984	5,505

6.2 ANNUAL ACCOUNTS

The headcount of the Group and the Company's Board of directors at 31 December 2008, by gender, was as follows:

	Number at 31/12/08		
	Male	Female	Total number of employees
Directors	8	1	9
Production	2,160	2,350	4,510
Research & development – technical area	109	149	258
Administration and others	228	225	453
General management	42	42	84
Marketing	42	45	87
Sales and distribution	291	192	483
	2,880	3,004	5,884

The headcount of the Group and the Company's Board of directors at 31 December 2009, by gender, is as follows:

	Number at 31/12/09		
	Male	Female	Total number of employees
Directors	8	1	9
Production	2,098	2,403	4,501
Research & development – technical area	111	157	268
Administration and others	234	234	468
General management	49	49	98
Marketing	50	52	102
Sales and distribution	291	197	488
	2,841	3,093	5,934

6.2 ANNUAL ACCOUNTS

(25) Other Operating Income and Expenses

Other operating expenses

Details are as follows:

Thousands of Euros

	31/12/09	31/12/08
Changes in trade provisions (notes 12, 30 and 19(b))	1,348	561
Professional services	32,977	29,949
Supplies and other materials	28,859	26,874
Operating leases (note 28 a)	17,364	16,583
Freight	20,518	19,485
Repairs and maintenance costs	21,365	17,642
Advertising	15,580	16,872
Insurance	10,803	10,367
Royalties and service charges	4,954	8,760
Travel expenses	11,935	14,210
External services	25,024	21,891
Others	12,654	9,094
Other operating expenses	**203,381**	**192,288**

Other operating income

Details are as follows:

Thousands of Euros

	31/12/09	31/12/08
Income from insurance claims	807	584
Grants	378	497
Other income	258	208
Other operating income	**1,443**	**1,289**

6.2 ANNUAL ACCOUNTS

(26) Finance Income and Expense

Details are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Interest from Social Security	6,510	2,212
Other finance income	557	470
Finance income	**7,067**	**2,682**
Syndicated loan (other finance expenses)	(747)	(1,849)
Syndicated loan (interest)	(6,289)	(12,152)
Finance expenses from sale of receivables (note 13)	(2,531)	(2,128)
Finance expenses from corporate bonds issued in the USA (note 20)	(6,766)	--
Implicit interest on preference loans (note 20 (b))	(616)	(516)
Capitalised interest	1,278	0
Other finance expenses	(11,416)	(12,660)
Finance expenses	**(27,087)**	**(29,305)**
Change in fair value of financial derivatives (note 30)	(587)	(1,268)
Impairment and profit/(losses) on disposal of financial instruments	(245)	0
Exchange differences	(1,733)	(2,825)
Finance income and expense	**(22,585)**	**(30,716)**

Since 1 January 2009 the Group has capitalised interest at a rate of between 3% and 4% (see note 3 (e)).

(27) Income Tax

Companies present annual income tax returns. The standard rate of tax is 30% for Spanish companies, which may be reduced by certain credits.

6.2 ANNUAL ACCOUNTS

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

The North-American company Grifols, Inc. is also authorised to present consolidated tax returns in the USA with Grifols Biologicals Inc., Grifols USA, LLC, Biomat USA, Inc., Plasmacare, Inc. and Plasma Collection Centers, Inc.

a) Reconciliation of accounting and taxable income

Details of the income tax expense are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Profit for the year before income tax	203,994	172,269
Tax at 30%	61,198	51,680
Permanent differences	1,935	2,678
Effect of different tax rates	5,159	4,366
Deductions for research and development	(8,106)	(5,403)
Other deductions	(4,548)	(4,199)
Expense for income tax in prior years	445	(3)
Other income tax expenses/(income)	341	1,034
Total income tax expense	56,424	50,153
Deferred tax expenses	8,832	6,987
Current income tax	47,592	43,166
Total	56,424	50,153

6.2 ANNUAL ACCOUNTS

b) Deferred tax assets and liabilities

Details of deferred tax assets and liabilities are as follows:

	Thousands of Euros	
	Tax effect	
	31/12/09	31/12/08
Assets		
Rights to tax deductions	5,992	13,215
Tax loss carryforwards	88	163
Fixed assets, amortisation and depreciation	728	299
Unrealised margins on inventories	19,814	17,222
Provision for bad debts	444	281
Inventories	225	1,004
Cash flow hedges	1,247	0
Others	4,857	2,113
	33,395	34,297
Liabilities		
Goodwill	15,186	12,423
Revaluations of assets	15,011	15,345
Fixed assets, amortisation and depreciation	23,873	14,028
Finance leases	3,634	3,647
Inventories	0	2,041
Provision for investments	873	2,322
Others	1,748	2,163
	60,325	51,969

6.2 ANNUAL ACCOUNTS

Movement in deferred tax assets and liabilities is as follows:

Thousands of Euros

	2009	2008
Deferred tax assets		
Balance at 1 January	34,297	34,110
Movements during the year	(1,478)	687
Business combinations (note 2)	500	0
Adjustments for changes in tax rate through profit and loss	69	(514)
Translation differences	7	14
Balance at 31 December	**33,395**	**34,297**
Deferred tax liabilities		
Balance at 1 January	51,969	43,794
Movements during the year	7,423	6,721
Business combinations (note 2)	1,761	0
Adjustments for changes in tax rate through profit and loss	0	439
Translation differences	(828)	1,015
Balance at 31 December	**60,325**	**51,969**

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

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

6.2 ANNUAL ACCOUNTS

	Thousands of Euros	
	Tax effect	
	31/12/09	31/12/08
Available-for-sale financial assets	(69)	3
Cash flow hedges (note 15 (g))	1,247	0
	1,178	3

The remaining assets and liabilities recognised in 2009 were recognised on the income statement.

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

The Spanish consolidated companies have deductions pending application at 31 December 2009 mainly in respect of research and development, which are detailed below:

Year of origin	Thousands of Euros	Applicable through
2008	417	2023
2009 (estimated)	5,575	2024
	5,992	

At 31 December 2009 the Group recognised a tax credit of Euros 5,992 thousand (Euros 13,215 thousand at 31 December 2008) from the deductions pending application, as its future recovery was reasonably assured.

At 31 December 2009 the Group has future tax deductions of Euros 25,806 thousand (Euros 27,927 thousand at 31 December 2008) pending application as a result of goodwill generated on the acquisition of Biomat USA, Inc. This amount will be deducted annually from the taxable profits until 2022, without being limited by the amount of tax payable in any one year. The amount that will be deducted in 2009 at the rate of 30% will be Euros 2,121 thousand. The Group has recognised a deferred tax liability of Euros 12,727 thousand in respect of this item at 31 December 2009 (Euros 10,606 thousand at 31 December 2008).

6.2 ANNUAL ACCOUNTS

At 31 December 2009 the Group has future tax deductions of Euros 10,368 thousand (Euros 11,010 thousand at 31 December 2008) pending application as a result of goodwill generated on the acquisition of Plasmacare, Inc. This amount will be deducted annually from the taxable profits until 2026, without being limited by the amount of tax payable in any one year. The amount deducted in 2009 at the rate of 30% has been Euros 641 thousand. The Group has recognised a deferred tax liability of Euros 2,459 thousand in respect of this item at 31 December 2009 (Euros 1,817 thousand at 31 December 2008).

At 31 December 2009 the Group has recognised loss carryforwards of Euros 88 thousand (Euros 163 thousand at 31 December 2008) corresponding to the North-American companies Biomat USA, Inc and Grifols USA, LLC.

The Group has not recognised the tax effect of loss carryforwards of Euros 1,117 thousand (Euros 635 thousand at 31 December 2008) from Grifols Portugal as deferred tax assets. The remaining companies do not have significant loss carryforwards which have not been recognised.

c) Years open to inspection

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

At 31 December 2009 the following events have arisen in relation to the tax inspections performed in Group companies:

- Notification of the completion of the inspection of Biomat USA, Inc., resulting in a favourable conclusion.

The following Group companies are being inspected at 31 December 2009:

- Grifols, S.A., Instituto Grifols, S.A., Laboratorios Grifols, S.A. and Movaco, S.A.: income tax for 2004 to 2007, Value Added Tax , personal income tax and capital gains tax for 2005 to 2007.

Inspection is still underway at 31 December 2009. The Company expects the inspection to be concluded in mid-2010.

Due to, among other reasons, differences in interpretation of tax legislation and rulings affecting the tax treatment of certain transactions, the Group's directors have set up a provision of Euros 2,781 thousand, which is recognised under "income tax" in the income statement and under "public entities, other", in the balance sheet (see note 21).

6.2 ANNUAL ACCOUNTS

- Grifols Italia, S.p.A.: income tax, VAT and withholdings for 2006. Group management does not expect any significant liabilities to arise as a result of inspection.

- Logística Grifols, S.A. de CV: Tax ruling on the financial statements, taxes, audit work papers, foreign trade and banking operations for 2006. Group management does not expect any significant liabilities to arise as a result of inspection.

(28) Operating Leases

(a) Operating leases (as lessee)

At 31 December 2009 and 2008 the Group leases buildings from third parties under operating leases.

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

Operating lease instalments of Euros 17,364 thousand have been recognised as an expense for the year at 31 December 2009 (Euros 16,583 thousand at 31 December 2008). Of this amount Euros 17,358 thousand (Euros 16,578 thousand at 31 December 2008) corresponds to minimum lease payments and Euros 6 thousand (Euros 5 thousand at 31 December 2008) to contingent rent instalments.

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

	Thousands of Euros	
	31/12/09	31/12/08
Maturity:		
Up to 1 year	10,098	9,575
Between 1 and 5 years	25,943	24,919
More than 5 years	8,084	7,192
Total future minimum payments	44,125	41,686

6.2 ANNUAL ACCOUNTS

(b) Operating leases (as lessor)

The Group has a building leased to third parties under an operating lease at 31 December 2009 and 2008. Future minimum payments receivable under non-cancellable operating leases are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Maturity:		
Up to 1 year	91	69
Between 1 and 5 years	56	50
More than 5 years	10	--
Total future minimum payments	157	119

This contract does not include contingent rents or purchase options. Income of Euros 85 thousand has been recognised in 2009 (Euros 70 thousand in 2008).

(29) Other Commitments with Third Parties and Other Contingent Liabilities

(a) Guarantees

The Group has not extended any security or bank guarantees to third parties.

(b) Guarantees to third parties

The Group has no guarantees extended to third parties.

(c) Obligations with personnel

As described in note 4 (o) section (i), Spanish companies of the Group are obliged to contribute to a defined contribution pension plan. Contributions made by the Group amounted to Euros 416 thousand in 2009 (Euros 377 thousand at 31 December 2008).

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

6.2 ANNUAL ACCOUNTS

Some foreign subsidiaries of the Group have made contributions of Euros 1,155 thousand to complementary pension schemes (Euros 988 thousand at 31 December 2008).

(d) Judicial procedures and arbitration

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

Instituto Grifols, S.A.

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

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

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

  An appeal was filed, which was rejected by the Cádiz Provincial Court in April 2007, thereby confirming the company's line of defence. The claimant has filed another appeal before the Supreme Court.

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

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

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

- The Company was notified in 2007 of a claim for maximum damages of Euros 12,960 thousand filed by a group of 100 Catalan haemophiliacs against all plasma fractionation companies. During 2008 this claim was rejected. This ruling has been appealed by the group of haemophiliacs and is currently awaiting court decision.

  The Group's legal advisors consider it unlikely that this ruling will be upheld.

6.2 ANNUAL ACCOUNTS

Grifols Biologicals Inc.

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

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

The Company cannot guarantee if or when the consent decree will be lifted.

In March 2004 as a result of improvements to the centre made by the Group, the FDA awarded several free sales certificates for the former ATC products manufactured in this centre.

Based on the current level of compliance, there are no commercial activities that are prohibited or limited by the consent decree.

No provision has been made for these legal issues as the Group considers that these will not have a probable adverse impact.

(e) Long-term materials supply contract

The long-term supply contract for plasma signed by the Group in 2008 has been terminated by the Group in 2009 on the grounds of failure by the supplier to meet certain contractual terms. The supplier has not accepted the arguments of the Group and both are presently holding negotiations to settle the dispute in arbitration proceedings, the Directors of the Group being of the opinion that the eventual settlement will not involve any significant additional costs.

(f) Services contract with Baxter Healthcare Corporation

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

6.2 ANNUAL ACCOUNTS

(30) Financial Instruments

Classification

Disclosure of financial instruments by nature and category is as follows:

	Thousands of Euros			
	31/12/2008			
	Available-for-sale financial assets	Loans and receivables	Financial assets held for trading	Debts and payables
Non-current financial assets	523	1,113	--	--
Other current financial assets	--	6,680	--	--
Interest-rate swap	--	--	(796)	--
Trade and other receivables	--	207,333	--	--
Bank loans	--	--	--	(441,416)
Other financial liabilities	--	--	--	(21,431)
Bonds and other securities	--	--	--	(5,580)
Finance lease liabilities	--	--	--	(12,064)
Trade and other payables	--	--	--	(107,613)
Other current liabilities	--	--	--	(1,446)
	523	215,126	(796)	(589,550)

6.2 ANNUAL ACCOUNTS

	Thousands of Euros			
	31/12/2009			
	Available-for-sale financial assets	Loans and receivables	Financial assets held for trading	Debts and payables
Non-current financial assets	501	3,230	--	--
Other current financial assets	--	6,547	--	--
Interest-rate swap	--	--	(3,333)	--
Unquoted futures	--	--	1,670	--
Trade and other receivables	--	239,204	--	--
Bank loans	--	--	--	(382,566)
Other financial liabilities	--	--	--	(21,449)
Bonds and other securities	--	--	--	(423,675)
Finance lease liabilities	--	--	--	(10,936)
Trade and other payables	--	--	--	(120,909)
Other current liabilities	--	--	--	(1,754)
	501	248,981	(1,663)	(961,289)

Net losses and gains by financial instrument category

Details are as follows:

6.2 ANNUAL ACCOUNTS

Financial assets

	Thousands of Euros			
	31/12/2008			
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Finance income at amortised cost	--	2,682	--	2,682
Net gains/(losses) in profit and loss	0	2,682	0	2,682
Change in fair value	--	--	(6)	(6)
Net gains/(losses) in equity	0	0	(6)	(6)
Total	0	2,682	(6)	2,676

	Thousands of Euros			
	31/12/2009			
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Finance income at amortised cost	--	7,067	--	7,067
Change in fair value	2,015	--	--	2,015
Reclassification of equity to profit or loss	--	--	(172)	(172)
Net gains/(losses) in profit and loss	2,015	7,067	(172)	8,910
Change in fair value	0	0	14	14
Net gains/(losses) in equity	0	0	14	14
Total	2,015	7,067	(158)	8,924

6.2 ANNUAL ACCOUNTS

Financial liabilities

	Thousands of Euros		
	31/12/2008		
	Liabilities at fair value through profit or loss	Debts and payables	Total
Finance expenses at amortised cost	--	(29,305)	(29,305)
Change in fair value	(1,268)	--	(1,268)
Net gains/(losses) in profit and loss	(1,268)	(29,305)	(30,573)
Total	**(1,268)**	**(29,305)**	**(30,573)**

	Thousands of Euros			
	31/12/2009			
	Liabilities at fair value through profit or loss	Debts and payables	Hedging derivatives	Total
Finance expenses at amortised cost	--	(27,087)	--	(27,087)
Change in fair value	(2,602)	--	--	(2,602)
Reclassification of equity to profit or loss	--	--	(50)	(50)
Net gains/(losses) in profit and loss	(2,602)	(27,087)	(50)	(29,739)
Change in fair value	--	--	1,998	1,998
Net gains/(losses) in equity	0	0	1,998	1,998
Total	**(2,602)**	**(27,087)**	**1,948**	**(27,741)**

6.2 ANNUAL ACCOUNTS

Fair value

The fair value of financial assets and financial liabilities does not differ significantly from their carrying amount.

The interest rate swap, unquoted futures contract and hedging derivative are measured at fair value using observable market data.

Financial Derivatives

a) Derivative financial instruments at fair value through profit or loss

Derivative financial instruments that do not meet the hedge accounting requirements are classified and measured as financial assets or financial liabilities at fair value through profit and loss.

The Group recognised the following swaps at 31 December 2008:

	Thousands of Euros		
Financial swap	Par	Negative value at 31/12/08	Maturity
Interest rate swap	50,000	(796)	26/07/11
	50,000	(796)	
		(note 20 (b))	

6.2 ANNUAL ACCOUNTS

The Group has recognised the following financial derivatives at 31 December 2009:

	Thousands of Euros		
Derivatives	Par	**Value at 31/12/09**	Maturity
Interest rate swap	50,000	(3,333)	26/07/2013
	50,000	**(3,333)**	
		(note 20)	
Unquoted future	23,221,400	1,189	30/12/2010
Unquoted future	26,370,080	481	30/12/2010
	49,591,480	**1,670**	
		(note 14)	

During 2009 the Company contracted two unquoted futures contracts, the underlying asset of which relates to the Company's shares, with a solvent financial institution. The two contracts have underlying assets of Euros 2 million and Euros 2.2 million with an exercise price of Euros 11,6107 and Euros 11,9864, respectively. The contracts expire on 30 December 2010, although the Company may terminate them prior to this date. The contracts are settled by differences between the market value of the underlying assets and the market price.

b) Bond issue hedging derivative financial instruments

To cover the interest rate risk related to the issue of corporate bonds by Grifols, Inc. a swap was contracted in July 2009 to hedge the interest rate of 10-year US government bonds, with a nominal amount of US Dollars 200 million and maturity on 21 September 2009, swapping a variable interest rate for a fixed one. At the date of redemption, the valuation resulted in a financial cost of Euros 3,275 thousand, which has been recognised in equity, net of the tax effect, under "Cash flow hedges" and deferred over the term of the ten-year corporate bond (see notes 15 and 20).

6.2 ANNUAL ACCOUNTS

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk. At 31 December 2009 and 2008 the maximum level of exposure to credit risk is as follows:

		Thousands of Euros	
Carrying amount	Note	31/12/09	31/12/08
Non-current financial assets	11	3,731	1,636
Other current financial assets	14	6,547	6,680
Unquoted future	14	1,670	0
Trade receivables	13	207,840	186,324
Other receivables	13	31,364	21,009
Cash and cash equivalents		249,375	6,368
		500,527	222,017

The maximum level of exposure to risk associated with receivables at 31 December 2009 and 2008, by geographical area, is as follows.

	Thousands of Euros	
Carrying amount	31/12/09	31/12/08
Domestic	70,521	72,203
EU countries	47,755	49,144
United States of America	29,130	31,016
United Kingdom	3,054	2,615
Other European countries	5,454	2,348
Other regions	51,926	28,998
	207,840	186,324

Impairment losses

Details of the maturity of trade receivables, net of impairment provisions are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Not matured	120,339	118,449
Less than 1 month	38,278	23,047
1 to 4 months	25,597	22,824
4 months to 1 year	17,357	17,539
More than a year	6,269	4,465
	207,840	186,324

Movement in the provision for bad debts was as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Opening balance	3,172	3,285
Net provisions for the year	712	317
Net cancellations for the year	(42)	(249)
Translation differences	196	(181)
Closing balance	4,038	3,172

An analysis of the concentration of credit risk is provided in note 5.

Liquidity risk

Details of the contracted maturity date of financial liabilities, including borrowing costs and excluding the effects of offsetting agreements, are as follows:

6.2 ANNUAL ACCOUNTS

Carrying amount	Note	Carrying amount at 31/12/08	Contractual flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Bank loans	20	441,416	490,446	7,945	144,973	51,615	237,001	48,912
Other financial liabilities	20	21,431	23,830	6,781	2,909	3,392	6,925	3,823
Bonds and other securities	20	5,580	5,702	5,702	0	0	0	0
Finance lease liabilities	20	12,064	13,452	532	5,071	4,140	3,301	408
Suppliers	21	107,613	107,613	105,531	2,082	0	0	0
Other current liabilities	22	1,446	1,446	328	1,118	0	0	0
Derivative financial liabilities								
Interest rate swap	20	796	796	796	0	0	0	0
Total		590,346	643,285	127,615	156,153	59,147	247,227	53,143

Carrying amount	Note	Carrying amount at 31/12/09	Contractual flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Bank loans	20	382,566	412,390	88,707	15,691	88,180	175,041	44,771
Other financial liabilities	20	21,449	27,420	6,927	2,582	4,417	10,076	3,418
Bonds and other securities	20	423,675	687,798	27,440	14,317	57,269	134,317	454,455
Finance lease liabilities	20	10,936	11,334	230	4,751	3,315	2,565	473
Suppliers	21	120,909	120,909	120,550	359	0	0	0
Other current liabilities	22	1,754	1,753	1,753	0	0	0	0
Derivative financial liabilities								
Interest rate swap	20	3,333	3,333	0	0	0	3,333	0
Unquoted futures	14	(1,670)	(1,670)	0	(1,670)	0	0	0
Total		962,952	1,263,267	245,607	36,030	153,181	325,332	503,117

6.2 ANNUAL ACCOUNTS

Currency risk

The Group's exposure to currency risk is as follows:

Carrying amount	Note	2008	EUR	USD	Other
Trade receivables	13	186,324	124,516	38,171	23,637
Cash and cash equivalents		6,368	2,347	2,639	1,382
Bank loans	20	(441,416)	(345,719)	(84,527)	(11,170)
Bonds and other marketable securities	20	(5,580)	(5,580)	0	0
Trade and other payables	21	(107,613)	(74,509)	(30,010)	(3,094)
Gross balance sheet exposure		**(361,917)**	**(298,945)**	**(73,727)**	**10,755**

Carrying amount	Note	2009	EUR	USD	Other
Trade receivables	13	207,840	123,681	45,297	38,862
Cash and cash equivalent		249,372	2,153	208,800	38,419
Bank loans	20	(382,566)	(361,107)	(3,010)	(18,449)
Bonds and other marketable securities	20	(423,675)	(16,407)	(379,118)	(28,150)
Trade and other payables	21	(120,909)	(85,269)	(31,377)	(4,263)
Gross balance sheet exposure		**(469,938)**	**(336,949)**	**(159,408)**	**26,419**

The most significant exchange rates applied during the period are as follows:

	Average interest rate		Closing interest rate	
Euro	2009	2008	31/12/2009	31/12/2008
USD	1.38	1.49	1.44	1.39

6.2 ANNUAL ACCOUNTS

A sensitivity analysis for foreign exchange fluctuations is as follows:

Had the US Dollar strengthened by 10% against the Euro at 31 December 2009, equity would have increased by Euros 35,795 thousand (Euros 33,055 thousand at 31 December 2008) and profit down by 1,626 thousand (Euros 7,637 thousand at 31 December 2008). This analysis assumes that all other variables are held constant, especially that interest rates remain constant. This analysis has been performed using the same criteria as in 2008.

A 10% weakening of the US Dollar against the Euro at 31 December would have had the opposite effect for the amounts shown above, all other variables being held constant.

Interest-rate risk

Interest-rate profile

To date, the profile of interest on interest-bearing financial instruments is as follows:

	Thousands of Euros	
	2009	2008
Fixed-interest financial instruments		
Financial assets	9,674	8,293
Financial liabilities	(423,675)	(5,580)
	(414,001)	2,713
Variable-interest financial instruments		
Financial liabilities	(393,502)	(453,480)
	(393,502)	(453,480)
	(807,503)	(450,767)

Sensitivity analysis

A 100 basis point variation in interest rates at the presentation date of 31 December 2009 would have increased (decreased) equity and consolidated profit after income tax by Euros 4,732 thousand. This analysis assumes that all other variables are held constant, especially that exchange rates remain constant.

A 100 basis point variation in interest rates at 31 December 2008 would have increased (decreased) equity and profit by Euros 3,704 thousand.

(31) Balances and Transactions with Related Parties

Details are as follows:

	Thousands of Euros	
	31/12/09	31/12/08
Receivables from associates	812	0
Payables to associates	(22)	(52)
Payables to key management personnel	0	0
Payables to members of the board of directors	(121)	(90)
Payables to other related parties	(3,322)	(2,226)
	(2,653)	(2,368)

Payables are included in suppliers and trade payables (see note 21).

a) Group transactions with related parties

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

Group transactions with related parties during 2008 were as follows:

6.2 ANNUAL ACCOUNTS

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net purchases	125	--	--	--
Net sales	--	--	--	--
Other service expenses	--	--	4,981	180
Personnel expenses	--	4,253	--	1,995
	125	4,253	4,981	2,175
Interest	--	--	--	--
Dividends and other allocated benefits	--	--	--	2,600
Dividends and other profits received	--	--	--	--
	0	0	0	2,600

Group transactions with related parties during 2009 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net purchases	86	--	--	--
Net sales	(700)	--	--	--
Other service expenses	--	--	7,257	240
Personnel expenses	--	5,849	--	2,148
	(614)	5,849	7,257	2,388
Interest --	--	--	--	
Dividends and other allocated benefits	--	--	--	6,152
Dividends and other profits received	--	--	--	--
	0	0	0	6,152

6.2 ANNUAL ACCOUNTS

Directors representing shareholders interests have received no remuneration during 2008 and 2009.

The Group has not extended any advances or loans to the members of the board of directors or key management personnel nor has it assumed any guarantee commitments on their behalf. It has also not assumed any pension or life insurance obligations on behalf of former or current members of the board of directors or key management personnel.

b) Investments and positions held by directors of the Parent in other companies

The directors do not hold any investments in companies with an identical, similar or complementary statutory activity to that of the Parent. Details of activities and duties carried out by directors of the Company in these companies are provided in Appendix V, which forms an integral part of these consolidated notes.

(32) Environment

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2008 are as follows:

	Thousands of Euros		
Project	Cost	Accumulated amort. & deprec.	Carrying amount
Waste water treatment	891	(274)	617
Waste management	420	(280)	140
Reduction of electricity consumption	24	(9)	15
Reduction of water consumption	961	(274)	687
	2,296	(837)	1,459

6.2 ANNUAL ACCOUNTS

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2009 are as follows:

	Thousands of Euros		
Project	Coste	Accumulated amort. & deprec.	Carrying amount
Waste water treatment	1,087	(462)	625
Waste management	1,074	(356)	718
Reduction of electricity consumption	24	(12)	12
Reduction of water consumption	1,202	(384)	818
	3,387	(1,214)	2,173

Expenses incurred by the Group for protection and improvement of the environment in the year ended 31 December 2009 totalled approximately Euros 1,673 thousand (Euros 1,302 thousand at 31 December 2008).
The Group considers that the environmental risks are adequately controlled by the procedures currently in place.

The Group has not received any environmental grants during the years ended 31 December 2009 and 2008.

(33) Other Information

(a) Audit fees:

KPMG Auditores, S.L. and other companies related to the auditors as defined in the fourteenth additional provision of legislation governing the reform of the financial system, have invoiced the Company and its subsidiaries fees and expenses for professional services during the years ended 31 December 2009 and 2008, as follows:

6.2 ANNUAL ACCOUNTS

	Thousands of Euros	
	31/12/09	31/12/08
For annual audit services	327	273
For other audit services & related items	73	26
	400	299

Audit services detailed in the above table include the total fees for the 2009 and 2008 audit, irrespective of the invoice date.

Other companies associated with KPMG International have also invoiced the Company and its subsidiaries fees in 2009 and 2008, as follows:

	Thousands of Euros	
	31/12/09	31/12/08
For annual audit services	468	485
For other audit services & related items	51	52
For other services	100	113
	619	650

(34) Subsequent Events

There are no reportable events ocurring subsequent to the date of these financial statements.

6.2 ANNUAL ACCOUNTS

6.2.7 APPENDICES

APPENDIX I: Operating segments

BUSINESS SEGMENTS (Expressed in thousands of Euros)

	Bioscience		Hospital		Diagnostics		Raw materials		Others/Unallocated		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Operating income	694,969	617,918	86,328	82,566	103,091	85,705	22,665	22,794	6,133	5,328	913,186	814,311
Total operating income	**694,969**	**617,918**	**86,328**	**82,566**	**103,091**	**85,705**	**22,665**	**22,794**	**6,133**	**5,328**	**913,186**	**814,311**
Profit/(Loss) for the segment	**297,584**	**262,229**	**8,374**	**8,534**	**12,136**	**13,603**	**3,850**	**7,369**	**6,133**	**5,328**	**328,077**	**297,063**
Unallocated expense									(101,549)	(94,102)	(101,549)	(94,102)
Operating profit											**226,528**	**202,961**
Finance income/expenses											**(22,585)**	**(30,716)**
Share of profit/(loss) of equity accounted investees	**0**	**0**	**0**	**0**	**51**	**24**	**0**	**0**	**0**	**0**	**51**	**24**
Income tax expense											(56,424)	(50,153)
Profit for the year after tax											**147,570**	**122,116**
Segment assets	**994,245**	**798,843**	**68,214**	**63,660**	**82,202**	**67,087**	**1,312**	**4,379**	**-**	**-**	**1,145,973**	**933,969**
Equity accounted investments	-	-	-	-	383	374	-	-	-	-	383	374
Unallocated assets									510,821	245,896	510,821	245,896
Total assets											**1,657,177**	**1,180,239**
Segment liabilities	**79,988**	**75,120**	**12,579**	**11,909**	**10,763**	**9,066**	**0**	**0**	**-**	**-**	**103,330**	**96,095**
Unallocated liabilities									975,319	602,865	975,319	602,865
Total liabilities											**1,078,649**	**698,960**

continued >

6.2 ANNUAL ACCOUNTS

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	Bioscience		Hospital		Diagnostics		Raw materials		Others/Unallocated		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Other information:												
Amortisation and depreciation	21,893	21,644	3,808	3,725	5,261	5,000	0	67	8,592	2,820	39,554	33,256
Expenses that do not require cash payments	(2,059)	(1,744)	(70)	32	(1)	15	0	(7)	(26)	(275)	(2,156)	(1,979)
Additions for the year of property, plant & equipment and intangible assets	70,702	65,954	7,524	9,266	14,067	14,078	0	516	26,477	39,879	118,770	129,693

GEOGRAPHICAL SEGMENTS (Expressed in thousands of Euros)

	European Union		United States		Rest of the world		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenues	424,591	404,099	296,659	290,666	191,936	119,546	913,186	814,311
Assets by geographic areas	714,782	629,237	821,641	502,797	120,754	48,205	1,657,177	1,180,239
Other information:								
Additions for the year of property, plant &equipment and intangible assets	67,387	94,004	43,726	33,475	7,657	2,214	118,770	129,693

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

6.2 ANNUAL ACCOUNTS

APPENDIX II: Changes in Goodwill and Other Intangible Assets

CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS FOR THE YEAR ENDED 31 DECEMBER 2009 (Expressed in thousands of Euros)

	Balances at 31/12/2008	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/2009
Goodwill	**158,567**	**0**	**16,415**	**0**	**0**	**(982)**	**174,000**
Intangible assets							
Development costs	47,299	8,146	0	0	0	(31)	55,414
Concessions, patents, licenses brands and similar	40,461	1	6,525	(5)	0	(723)	46,259
Software	22,272	6,700	0	1	(240)	(136)	28,597
Other intangible assets	0	508	0	5	0	0	513
Total cost of intangible assets	**110,032**	**15,355**	**6,525**	**1**	**(240)**	**(890)**	**130,783**
Accum. amort. of development costs	(23,878)	(5,580)	0	0	0	31	(29,427)
Accum. amort. of concessions, patents, licenses, brands & similar	(14,881)	(806)	0	0	0	161	(15,526)
Accum. amort. of software	(13,517)	(3,097)	0	0	132	52	(16,430)
Total accum. amort intangible assets	**(52,276)**	**(9,483)**	**0**	**0**	**132**	**244**	**(61,383)**
Impairment of other intangible assets	0	(15)	0	0	0	0	(15)
Carrying amount of intangible assets	**57,756**	**5,857**	**6,525**	**1**	**(108)**	**(646)**	**69,385**
			(note 2)				

6.2 ANNUAL ACCOUNTS

CHANGES IN GOODWILL AND OTHER INTANGIBLE ASSETS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in thousands of Euros)

	Balances at 31/12/2007	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/2008
Goodwill	150,243	0	2,372	0	0	5,952	158,567
Intangible assets							
Development costs	43,141	5,255	0	0	(1,146)	49	47,299
Concessions, patents, licenses brands and similar	40,790	0	0	0	(1,618)	1,289	40,461
Software	17,704	4,489	0	(59)	(8)	146	22,272
Total cost of intangible assets	101,635	9,744	0	(59)	(2,772)	1,484	110,032
Accum. amort. of development costs	(18,916)	(4,634)	0	(287)	0	(41)	(23,878)
Accum. amort. of concessions, patents, licenses, brands & similar	(14,110)	(2,322)	0	287	1,616	(352)	(14,881)
Accum. amort. of software	(11,386)	(2,124)	0	59	10	(76)	(13,517)
Total Accum. amort intangible assets	(44,412)	(9,080)	0	59	1,626	(469)	(52,276)
Carrying amount of intangible assets	57,223	664	0	0	(1,146)	1,015	57,756

6.2 ANNUAL ACCOUNTS

APPENDIX III: Changes in Property, Plant and Equipment

CHANGES IN PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (Expressed in thousands of Euros)

	Balances at 31/12/2008	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/2009
Cost:							
Land and buildings	111,067	9,729	0	22,905	0	(1,101)	142,600
Plant and machinery	287,761	33,994	2,307	27,784	(5,881)	(1,935)	344,030
Under construction	63,620	59,692	0	(50,882)	(757)	(892)	70,781
	462,448	103,415	2,307	(193)	(6,638)	(3,928)	557,411
Accumulated depreciation:							
Buildings	(8,049)	(1,514)	0	0	0	61	(9,502)
Plant and machinery	(153,390)	(28,557)	0	192	4,942	609	(176,204)
	(161,439)	(30,071)	0	192	4,942	670	(185,706)
Carrying amount	301,009	73,344	2,307	(1)	(1,696)	(3,258)	371,705
		(note 2)					

6.2 ANNUAL ACCOUNTS

CHANGES IN PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in thousands of Euros)

	Balances at 31/12/2007	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/2008
Cost:							
Land and buildings	79,845	29,142	0	641	0	1,439	111,067
Plant and machinery	233,812	35,408	3	22,423	(5,939)	2,054	287,761
Under construction	30,079	55,399	0	(23,948)	(128)	2,218	63,620
	343,736	119,949	3	(884)	(6,067)	5,711	462,448
Accumulated depreciation:							
Buildings	(6,735)	(1,234)	0	(39)	29	(70)	(8,049)
Plant and machinery	(135,669)	(22,942)	0	923	5,027	(729)	(153,390)
	(142,404)	(24,176)	0	884	5,056	(799)	(161,439)
Carrying amount	201,332	95,773	3	0	(1,011)	4,912	301,009

This appendix forms an integral part of note 9 to the consolidated annual accounts.

6.2 ANNUAL ACCOUNTS

APPENDIX IV: Non-current Loans and Borrowings

NON-CURRENT LOANS AND BORROWINGS FOR THE YEAR ENDED 31 DECEMBER 2009 (Expressed in thousands of Euros)

					Thousands of Euros		
Loan	Currency	Interest rate	Concession date	Maturity date	Amount awarded	Loan arrangement costs	Carrying amount
Syndicated loan -Club deal	EUR	Euribor + 0.8%	01/05/2008	26/05/2013	350,000	(2,427)	195,471
Instituto de crédito Oficial	EUR	4.94%	01/06/2006	26/05/2016	30,000	(210)	21,933
Caixa Catalunya - Mortgage loan	EUR	5.25%	01/02/2008	01/02/2018	14,000	(294)	11,733
Banco Santander	EUR	ICO + 1.8%	01/06/2009	01/06/2016	6,000	--	6,000
Caja de Madrid	EUR	Euribor + 1%	05/06/2009	05/06/2016	6,000	--	6,000
Ibercaja	EUR	Euribor + 1.99%	30/07/2009	31/07/2016	1,800	--	1,800
BBVA - Mortgage loan	EUR	6.50%	21/10/2008	31/12/2024	45,000	(676)	33,649
Caixa Catalunya	EUR	4.05%	30/07/2009	25/08/2016	1,440	--	1,440
Banca Toscana	EUR	5.33%	08/05/2008	30/06/2013	3,000	--	1,552
Cofides	EUR	5.61%	01/08/2008	20/08/2017	6,854	--	6,854
					464,094	(3,607)	286,432
Non-current finance lease creditors (see note 20)							6,202
					464,094	(3,607)	292,634

The amounts are shown net of loan arrangement costs, which amount to Euros 2,105 thousand in 2009.

6.2 ANNUAL ACCOUNTS

NON-CURRENT LOANS AND BORROWINGS FOR THE YEAR ENDED 31 DECEMBER 2008 (Expressed in thousands of Euros)

					Thousands of Euros		
Loan	Currency	Interest rate	Concession date	Maturity date	Amount awarded	Loan arrangement costs	Carrying amount
Syndicated loan -Club deal	EUR / USD	Euribor + 0.8%	01/05/2008	26/05/2013	350,000	(1,984)	225,320
Institut Català de Finances	EUR	5.70%	27/01/2005	28/02/2010	6,247	(62)	312
Instituto de Crédito Oficial	EUR	4.94%	01/06/2006	26/05/2016	30,000	(210)	25,907
Caixa Catalunya - Mortgage loan	EUR	5.25%	01/02/2008	01/02/2018	14,000	(294)	13,350
BBVA - Mortgage loan	EUR	6.50%	21/10/2008	31/12/2024	45,000	(676)	30,463
Banca Toscana	EUR	5.33%	08/05/2008	30/06/2013	3,000	--	2,183
Cofides	EUR	5.61%	01/08/2008	20/08/2017	6,854	--	6,854
					448,247	(3,226)	304,389
Non-current finance lease creditors (see note 20)							7,124
					448,247	(3,226)	311,513

The amounts are shown net of loan arrangement costs, which amounted to Euros 2,245 thousand in 2008.

This appendix forms an integral part of note 20 to the consolidated annual accounts.

6.2 ANNUAL ACCOUNTS

APPENDIX V: Members of the Board of Directors with positions in companies with identical, similar or complementary statutory activities

MEMBERS OF THE BOARD OF DIRECTORS WITH POSITIONS IN COMPANIES WITH IDENTICAL, SIMILAR OR COMPLEMENTARY STATUTORY ACTIVITIES ' 31 DECEMBER 2009

Director	Companies	Positions and duties
Dagà Gelabert , T.	Grifols,Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Plasma Collection Center, Inc./ Arrahona Optimus, S.L. / Woolloomooloo Pty Ltd. / Diamed Australia Pty Ltd. / Lateral Diagnostic Pty Ltd. / Saturn Australia Pty Ltd. / Saturn investments AG / Medion Grifols AG / Medion GmbH	Board member
Glanzmann, T.	Gambro AB	CEO and Chairman
	Instituto Grifols, S.A.	Board member
Janotta, E.D.	Instituto Grifols, S.A.	Board member
Grifols Gras, J.A.	Instituto Grifols, S.A.	Board member
Grifols Roura, V.	Instituto Grifols, S.A. / Arrahona Optimus, S.L.	Chairman
	Biomat,S.A. / Diagnostic Grifols, S.A. / Grifols Engineering, S.A. / Grifols International, S.A. / Grifols Viajes, S.A. / Laboratorios Grifols, S.A. / Logister, S.A. / Movaco, S.A. / Biomat USA, Inc. / PlasmaCare, Inc. / Grifols, Inc. / Gri-Cel, S.A.	Director
Riera Roca, R.	Grifols Argentina,S.A. / Grifols Polska Sp.z.o.o. / Alpha Therapeutic Italia, S.p.A. / Grifols Italia, S.p.A.	Chairman
	Instituto Grifols, S.A. / Grifols, Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Grifols Chile, S.A. / Grifols México, S.A. de CV / Logística Grifols, S.A. de CV / Grifols Asia Pacific Pte Ltd / Grifols Malaysia Sdn Bhd / Grifols (Thailand) Ltd. / Grifols Deutschland GmbH / Grifols UK Ltd. / Grifols, s.r.o. / Grifols Brasil, Ltda. / Grifols Portugal Productos Farmacéutiocs e Hospitalares,Lda. / Woolloomooloo Pty Ltd. / Diamed Australia Pty Ltd. / Lateral Diagnostic Pty Ltd. / Saturn Australia Pty Ltd. / Saturn investments AG / Medion Grifols AG / Medion GmbH	Board member
	Grifols France,S.A.R.L.	Co-manager
	Grifols International,S.A.	Director
Twose Roura, J.I.	Instituto Grifols, S.A. / Grifols, Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Arrahona Optimus, S.L.	Board member
	Grifols Engineering, S.A.	Director

6.2 ANNUAL ACCOUNTS

MEMBERS OF THE BOARD OF DIRECTORS WITH POSITIONS IN COMPANIES WITH IDENTICAL, SIMILAR OR COMPLEMENTARY STATUTORY ACTIVITIES ' 31 DECEMBER 2008

Director	Companies in which position is held	Positions
Dagà Gelabert , T.	Grifols,Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Plasma Collection Center, Inc./ Arrahona Optimus, S.L.	Board member
Glanzmann, T.	Gambro AB	
	Instituto Grifols, S.A.	Board member
Janotta, E.D.	Instituto Grifols, S.A.	Board member
Grifols Gras, J.A.	Instituto Grifols, S.A.	Board member
Grifols Roura, V.	Instituto Grifols, S.A. / Arrahona Optimus, s.L. / Logística Grifols, S.A. de CV / Grifols México, S.A. de CV / Plasmacare, Inc. / Grifols Italia, S.p.A.	Chairman
	Biomat,S.A. / Diagnostic Grifols, S.A. / Grifols Engineering, S.A. / Grifols International, S.A. / Grifols Viajes, S.A. / Laboratorios Grifols, S.A. / Logister, S.A. / Movaco, S.A. / Grifols Deutschland, GmbH / Grifols, s.r.o. / Grifols UK, Ltd. / Grifols Portugal Productos Farmacéutiocs e Hospitalares,Lda. / Grifols, Inc. / Biomat USA, Inc. / PlasmaCare, Inc.	Director
	Grifols France,S.A.R.L.	
	Grifols Chile, S.A.	Board member
Purslow, C.M.C.	Instituto Grifols, S.A.	Board member
Riera Roca, R.	Grifols Argentina,S.A. / Grifols Polska Sp.z.o.o. / Alpha Therapeutic Italia, S.p.A.	Chairman
	Instituto Grifols, S.A. / Grifols Italia, S.p.A. / Grifols, Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Grifols Chile, S.A. / Grifols México, S.A. de CV / Logística Grifols, S.A. de CV / Grifols Asia Pacific Pte Ltd / Grifols Malaysia Sdn Bhd / Grifols (Thailand) Ltd.	Board member
	Grifols France,S.A.R.L.	Co-manager
	Grifols International,S.A.	Director
Twose Roura, J.I.	Instituto Grifols, S.A. / Grifols, Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Arrahona Optimus, S.L.	Board member
	Grifols Engineering, S.A.	Director

This appendix forms an integral part of note 31 to the consolidated financial statements.

6.3 DIRECTOR'S REPORT

To the Shareholders:

Grifols, a Spanish holding company operating in the pharmaceutical and healthcare sector and one of the leading producers of haemoderivatives in the world, closed 2009 with turnover of Euros 913.2 million, up 12.1% on 2008.

EVOLUTION OF THE BUSINESS AND SIGNIFICANT EVENTS

Sales performed well in each of the four quarters, with record turnover during the first three months of the year. The fluctuation of the United States Dollar against the Euro in the last quarter of 2009, however, had a slight negative impact on the Group's turnover. Nevertheless, Grifols has an innate hedge against currency risk, as the possible negative effect of sales in dollars is offset by purchasing plasma, the main raw material, in the same currency.

Despite the difficult economic climate, Grifols has continued to meet its overall targets for expansion, investment and internationalisation.

International expansion continued throughout the year, with Grifols strengthening its presence in geographical areas such as Latin America and Asia, where it recorded growth of 50.5% and 45.9% (excluding Australia), respectively. Diversification is one of the pillars of the Group's growth strategy and it will continue to diversify in the coming years, due to the potential offered by countries such as Australia, Brazil and China, where the Group is already present.

All of the Company's business areas have performed positively. The Bioscience division, which accounts for 76.0% of Group turnover, generated Euros 695.0 million in 2009, a rise of 12.5% on the prior year. With prices stable, this division's growth was driven by the higher sales of the main haemoderivatives. The Diagnostic division was also boosted by higher sales of products such as the DG Gel card, totalling Euros 103.1 million, an increase of 20.3%. The prolonged global economic downturn, which began in the last quarter of 2008, has restricted public and private investment in automated hospital systems in Spain. Although this has also had a moderate impact on the Hospital division, turnover still rose by 4.6% compared to 2008, standing at Euros 86.3 million.

The gross margin remained at similar levels to 2008, representing 48.7% of sales. Operating expenses amounted to Euros 218.0 million, an increase of 11.7%. The Group policy to curb and control costs throughout the year, combined with sales growth, increased margin EBITDA to 29.1% of sales. The gross operating margin (EBITDA) stood at Euros 266.1 million, up 12.6% on the prior year.

6.3 DIRECTOR'S REPORT

The Group's net profit attributable to equity holders of the Parent totalled Euros 148.0 million, an increase of 21.6% compared to 2008.

During 2009 the trading of Grifols shares in the United States through American Depositary Receipts (ADR) got off to a successful start, with a parity of 1 Grifols share for two ADRs. This will give Grifols more international investors and North American employees the opportunity to acquire shares in the Group.

The first placement of corporate bonds in the United States was also completed, totalling USD 600 million. The issue, which was significantly over-subscribed, has strengthened the balance sheet and shown the trust placed by investors in Grifols' long-term project.

In March 2009 Grifols acquired 49% of the profit-sharing rights and 99% of the voting rights in a holding company of the Australian-Swiss group for Euros 25 million, thereby continuing with its project focusing on international expansion and acquisitions that generate synergies. The acquired group has already generated sales of over Euros 11 million. Approval was also granted for Flebogamma® DIF in Australia, which has allowed Grifols to enter a new market.

At their annual general meeting held in May 2009, the shareholders approved the distribution of gross dividends of Euros 0.23 per share with a charge to profit for 2008, which places Grifols' payout at 40% of net profits for the year. At the same meeting the possibility of distributing dividends with a charge to the current year was approved and, on 19 December, Grifols paid an initial dividend of Euros 0.15 per share on 2009 profits.

EVOLUTION OF THE DIVISIONS AND RESEARCH AND DEVELOPMENT ACTIVITIES

The Bioscience division is engaged in the manufacture of pharmaceutical specialties deriving from human plasma. This activity is carried out at the plants in Parets del Valles (Barcelona) and Los Angeles, both Food and Drug Administration (FDA) certified. The Barcelona plant also has European Medicine Agency (EMEA) certification.

Sales grew throughout 2009, mainly due to a rise in production volumes. A new anti-human hepatitis B immunoglobulin, Niuliva®, was also launched in Spain and Italy during the year.

The volume of plasma obtained by the Grifols centres in the United States totalled 3.2 million litres, a 12% increase on the prior year.

A notable achievement in Spain has been the 35.4% rise in sales through the *Aprovechamiento Integral del Plasma Hospitalario* (AIPH) programme (Full Use of Hospital Plasma). The Group has received more litres of plasma from Spanish hospitals, enabling us to increase our distribution of haemoderivatives and, consequently, making the Spanish health service more self-sufficient.

6.3 DIRECTOR'S REPORT

The Group's five-year plan, which aims to boost market share and ensure long-term growth, includes starting construction of a new laboratory in San Marcos (Texas, United States) which will increase the number of samples that can be analysed globally. This laboratory is part of a wider project that includes building a new warehouse and a new fractionation plant in Texas.

FDA approval has also been granted for the new fractionation zone in Los Angeles, which will increase Grifols capacity by 700,000 litres per year. The plant began production at the start of 2010, and will enable the Group to meet growing international demand.

In 2010 we expect to begin validation work relating to the new fibrin glue manufacturing plant. This is a new product combining plasma proteins, fibrinogen and thrombin which, when combined, act as a biological glue.

In the Diagnostic division the acquisition of the Australian-Swiss group consolidated the expansion of Grifols in the Asia-Pacific region and extended the Group's product range with a new technology for determining blood groups that complements that already used by Grifols.

The export of instruments to the United States, Australia, Europe and China continued with the opening of new markets for immunohaematology cards, consolidating Brazil, Mexico, Turkey, the Czech Republic and China. The first public tenders awarded for immunohaematology reagents in France and the start-up of sales in Italy were also significant during the year.

Sales of the Q® coagulation timer were consolidated on the Spanish market, as well as on the Chilean market (where sales began in 2008). The Group also began to sell Q® in Turkey during the year.

The process to increase the flexibility of the Q® coagulation timer has also continued, focusing on adapting it to a number of OEM reagents supplied by third parties, with Grifols aiming to eventually produce these reagents itself (deficient plasma, abnormal control, DDimero and DRVV, APC resistance, etc.).

Investment in expanding the capacity for reagent red blood cell production, which came to an end during the period, has allowed Grifols to triple its production capacity for this product compared to 2008.

In the reagents area a number of immunohaematology reagents have been launched onto the market, including a new range of alternative and complementary monoclonal antibodies to comply with legislation in certain countries and to diversify supplies.

Of particular note in the haemostasis line is the launch of a latex reagent to detect von Willebrand disease, which is especially adapted to the Q® haemostasis analyser. This is the first own latex-based reagent launched by the Group.

6.3 DIRECTOR'S REPORT

The Hospital division is engaged in the manufacture and sale of pharmaceutical specialities, single-use sanitary products and diets for enteral nutrition. The manufacturing activity is carried out at the Spanish centres in Parets del Valles (Barcelona) and Las Torres de Cotillas (Murcia).

This division's sales have been affected by hospital spending cuts in Spain. Nevertheless, positive results have been seen in manufacturing for third parties, including the launch of a pain relief medication in a 100ml polypropylene bag. Development has also begun on polypropylene bags for an antibiotic which will be sold under two different presentations on the European market, as well as a product for the treatment of osteoporosis and bone mass loss among cancer patients. This last product has been earmarked for the European and American markets, and the Group has already applied for FDA certification.

The investment which began in 2008 for a new building within the Parets del Valles plant was completed in 2009. This project involved construction of a raw materials warehouse and the new R&D and control laboratories.

Investment has also been made in the Parets plant to start up the new paracetamol line, which was presented and registered with the French Agency in 2008. Investment in this line will continue throughout 2010 to increase production capacity.

Investment in the Murcia plant has been earmarked for automation of the production lines. Construction work also began on a new plant which will increase the production capacity of parenteral solutions by 30 million units per year.

The Diagnostic division's blood bank projects included the initial development of a specific set for inactivating red blood cells in collaboration with the American company Cerus, the development of an additive solution to help preserve and store platelets, a set to create plasma pools to optimise plasma use before inactivation, and the development of a bag for harvesting bone marrow for subsequent use in regenerative medicine.

The Raw Materials & Others division supplies raw materials to third parties and other services. In 2009 this division was streamlined, with the profit from sales of albumin for non-therapeutic use and intermediate products transferred to the Bioscience division. For comparable accounting information, the turnover for these two divisions in 2008 has been restated.

In 2009 the Engineering department was consolidated as a pharmaceutical engineering consultancy specialising in biotechnology and sterile products. Although the majority of this department's activity is still related to Grifols Group investment, the volume of projects for third parties has risen.

6.3 DIRECTOR'S REPORT

Research and Development activities are essential for the Group's future, and the human and financial resources for this area have been boosted its in all the divisions.

The interim results obtained from the clinical study into Alzheimer's disease are particularly noteworthy. The research line, which began in 2005 with the participation of the ACE Foundation and hospitals in Vall d'Hebron (Barcelona), Gregorio Marañón (Madrid), Howard University (DC Washington) and the Mid Atlantic Geriatric Association (New Jersey), focuses on the systematic practice of therapeutic plasmapheresis with albumin.

Grifols has also signed a collaboration agreement with the Fundació Clínic per a la Recerca Biomèdica (FCRB) to finance two lines of albumin research. The first trial uses albumin on patients with liver cirrhosis and ascites to prevent the complications inherent to this illness. The second trial entails plasma replacements in patients with severe liver cirrhosis complications.

Research is ongoing to improve plasma management and monitoring worldwide. Of note in this area is the completion of the plasma bottle sampling system for use in all Grifols blood donor centres in the United States, and of the trials with radio frequency identification (RFID) in the Los Angeles laboratory and the collection centres. During the year pilot tests have been carried out to study the possible thermodynamic effect of RFID on plasma temperature.

Development continues of a new-generation auto analyser to process blood-group cards (Erytra). In 2008 a prototype was presented at the world transfusion congress held in China, and in 2009 it was presented at the congress held in Nagoya (Japan), at the JIB seminars in Paris and at the French transfusion congress held in Strasbourg.

In 2009 work commenced to develop a new coagulometer with greater processing capacity than the Q®, with a view to offering a full range of hemostasis instruments.

Development work has also continued in 2009 on a new auto analyser to perform ELISA techniques in microplates. This analyser is set to replace the current Triturus®, of which over one thousand units have been sold worldwide.

Development of a newly formulated partial thromboplastin time (PTT) reagent is ongoing, as is development of an activated partial thromboplastin time (APTT) reagent based on synthetic phospholipids, a fibrinogen reagent and a chromogenic substrate.

Development of the first commercial units of the new BlisPack® hospital logistics system is now complete, and this product is expected to be launched onto the market in 2010.

6.3 DIRECTOR'S REPORT

In the Fluid Therapy division, work continues on the study of stabilities of various ready-to-use mixtures in polypropylene packaging, to increase the range of mixtures available for hospital use. In 2009 the Company also began developing physiological saline and 5% glucose electrolyte solutions packaged in polypropylene bags. These bags are partially-filled at different volumes for the purposes of adding medication.

In the Clinical Nutrition area, the industrial transfer process for the 12.5% nitrogen amino acid solution in polypropylene bags has been completed.

HUMAN RESOURCES

In 2009 the average headcount of Grifols totalled 5,984 employees, representing an 8.7% increase compared with average personnel figures for 2008.

Almost half of personnel are between 25 and 40 years old, with a slightly higher percentage of female than male employees. Over 50% of personnel have a length of service of less than 5 years, reflecting the considerable growth of the Group during this period.

Grifols' employees are one of its key assets and its investment in human resources is among its most substantial. This investment has manifested itself in a number of different initiatives focused on the pursuit of excellence and on establishing Grifols as a leader within the pharmaceutical sector.

To promote good practice in occupational health and safety, the Grifols Group has implemented a procedure to ensure that all activities and services carried out by Group companies and their contractors and collaborators are in compliance with the safety regulations, standards and provisions established by prevailing legislation and the internal regulations of the Group.

Grifols has its own occupational health department formed by personnel qualified in the different health specialties and a medical service that works in healthcare monitoring and risk prevention. These two teams render services to all Group companies.

Grifols received OHSAS 18.001:2007 certification in 2009.

Throughout 2009 the Company has implemented the preventive measures that arose from evaluations of psychosocial risks carried out in 80% of Group companies, encompassing a total of 2,000 employees. In some Group companies an agreement has already been reached with workers' representatives and in others negotiations will continue into 2010.

6.3 DIRECTOR'S REPORT

During 2009 Grifols has monitored the main indicators of impact (incident rate, average duration and absenteeism), analysing its findings to identify the underlying causes. At the end of 2009 the incident rate of the Group remained slightly below the average for the sector.

Various training sessions have been held for new personnel during 2009, in addition to regular training initiatives to ensure that Group employees work with levels of safety required by law and Group standards. Training has been reinforced in areas such as quality, occupational health and safety and with respect to issues relating to technological development, the improvement of processes and systems and the environment.

The Grifols Group in Spain has trade union representation consisting of 70 workers' representatives for a total headcount of 2,448 employees.

As a step towards compliance in Spain with Organic Law 3 of 22 March 2007 for equality between men and women, an appraisal was carried out at the beginning of 2009 for an Equality Plan to be subsequently defined with the workers' committee.

ENVIRONMENTAL PROTECTION MANAGEMENT

The Company has complied with the environmental objectives approved for the period 2008-2010 within the foreseen deadlines. These achievements include continuous improvement in waste management, such as the recycling of alcohol and the recovery of polyethylene glycol, the internal recycling of water and the reduction in CO2 emissions. More than Euros 3 million has been spent on expenses and investment to improve environmental protection processes, 90% of the spend being concentrated in the reduction of water consumption and waste water treatment.

2009 was the first year in which the Bioscience division's cogeneration plant operated on a regular basis, producing 44.5 millions of electrical kWh and recovering 33.5 million kWh in the form of steam and hot water. Emissions from this plant amounted to 21,200 tonnes of CO2. Using more of the useful heat generated by the plant has enabled the Company to reduce its total consumption of natural gas for production purposes by 5%.

Consumption of both electricity and water has increased below the growth in production, at less than 5%. Total direct and indirect emissions of CO2, deriving from the consumption of natural gas and electricity at all the Group's production plants are down 6% compared with the prior year. These positive results are partly due to the greater use made of the useful heat generated by the aforementioned cogeneration plant.

6.3 DIRECTOR'S REPORT

EVALUATION OF RISKS

The ultimate consequences of the international financial crisis, which has affected all of the countries in which Grifols is present, are difficult to foresee, but the potential impact of the crisis on distributors, particularly in emerging countries, should be taken into account, as mentioned in the notes to the annual accounts for 2008.

The Group's future results could be affected by events relating to its own activity, such as the appearance of competitive products or changes in the legislation regulating the markets in which it operates. However, at the date of preparation of these annual accounts, Grifols has adopted the measures it considers necessary to offset the possible effects deriving from these events.

No reportable events have occurred after the balance sheet date.

Operations with own shares during 2009 are described in notes 15(e) of the accompanying consolidated annual accounts.

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

6.3 DIRECTOR'S REPORT

FURTHER DISCLOSURES TO BE INCLUDED IN THE DIRECTORS' REPORT PURSUANT TO ARTICLE 116.BIS OF THE SPANISH SECURITIES MARKET ACT

1. Capital structure, including securities not traded on a European regulated market, stating where applicable the different classes of shares and, for each class of shares, the rights and obligations conferred and percentage of share capital represented

The share capital of Grifols, S.A. (the Company) totals 106,532,449.50, represented by 213,064,899 ordinary shares of Euros 0.50 par value each, subscribed and fully paid, of the same class and series and represented by book entries.

2. Restrictions on the transferability of shares

The Company's shares are freely transferable by all legal means, in accordance with article 10 of its bylaws.

3. Significant direct or indirect interests in capital

At 31 December 2009 Company information on its significant shareholders is as follows:

Shareholder	% direct ownership	% indirect ownership	% total ownership
Directors			
Dagà Gelabert, Tomás	0.021%	0.000%	0.021%
Glanzmann, Thomas	0.004%	* 0.015%	0.019%
Grifols Roura, Víctor	0.204%	0.000%	0.204%
Jannotta, Edgard Dalzell	0.119%	0.000%	0.119%
Purslow, Christian M.C.	0.000%	0.000%	0.000%
Riera Roca, Ramón	0.079%	* 0.004%	0.083%
Thortol Holdings B.V.	7.060%	0.000%	7.060%
Twose Roura, Juan Ignacio	0.056%	0.000%	0.056%
Significant shareholders			
Deria, S.A.	8.771%	0.000%	8.771%
Grifols Lucas, Victor	0.000%	* 6.154%	6.154%
Novosti, S.L.	7.763%	0.000%	7.763%
Scranton Enterprises, B.V.	10.653%	0.000%	10.653%

6.3 DIRECTOR'S REPORT

(*) Through:

- Thomas Glanzmann:

Direct shareholder	% of total voting rights
Kolholmen Investments AB	0.015%
TOTAL	0.015%

- Ramón Riera Roca:

Direct shareholder	% of total voting rights
Laura Riera Santos	0.004%
TOTAL	0.004%

- D. Víctor Grifols Lucas:

Direct shareholder	% of total voting rights
Rodellar Amsterdam B.V.	6.154%
TOTAL	6.154%

4. Restrictions on voting rights

Voting rights are not restricted by the bylaws or general shareholders' meeting regulations.

5. Associative arrangements

The Company is not aware of any associative arrangements.

6. Rules applicable to the appointment and replacement of members of the board of directors and change in Company bylaws

6.1. Appointment and replacement of members of the board of directors

Directors are appointed and replaced in accordance with the corporate bylaws and board regulations.

(a) Statutory regulations

Article 20.- Composition and remuneration of the board of directors

Administration and legal representation of the Company is the responsibility of a board of directors, formed by a minimum of three (3) and a maximum of fifteen (15) directors.

The directors will be appointed and removed freely by the shareholders at their general meeting and hold the position for five (5) years, without prejudice to their indefinite re-election for those periods.

(b) Board of Director Regulations

Article 18. Appointment of directors

1. Directors will be appointed at the AGM or by the board of directors, in accordance with the legal provisions of the Spanish Companies Act.

2. Proposed appointments of directors submitted by the board of directors for consideration at the AGM and appointments approved at the AGM by the co-opting powers legally attributed to it are subject to prior proposal from the Appointments and Remuneration Committee.

When the board departs from the recommendations of the Appointments and Remuneration Committee, its reasons for doing so should be explained and documented.

6.3 DIRECTOR'S REPORT

Article 19. Appointment of independent directors

1. The board of directors and Appointments and Remuneration Committee, within their powers, will try to ensure that elected candidates are persons of known solvency, competence and experience, vetting with particular thoroughness those persons elected to the positions of independent directors foreseen by article 6 of this regulation.

2. The board of directors cannot propose or designate as independent directors any persons related with the management of the Company or linked for family, professional or commercial reasons with executive directors or senior management of the Company.

In particular, persons cannot be proposed or designated as independent directors:

(a) Who have had a significant, direct or indirect contractual, commercial or working relationship with the Group, its management, the directors representing shareholders or group companies whose interests they represent, credit institutions contributing major financing for the Company, or organisations that receive considerable funding from the Company.

(b) Who are directors of other listed companies which have directors representing shareholders in the Company.

(c) Who are connected to executive directors, directors representing shareholders or members of Company management; for the purposes of this regulation; persons are considered as connected to directors when meeting any of the criteria stipulated in article 127. Ter. 5 of the Spanish Companies Act.

(d) Who have other relationships with the Company which the Appointments and Remuneration Committee consider could compromise their independence.

Article 20. Re-appointment of directors

Proposed re-appointments of directors submitted by the board of directors to the AGM are subject to a formal preparation process, including a report issued by the Appointments and Remuneration Committee assessing the quality of the work and dedication to the position of the proposed directors during the preceding term of office.

6.3 DIRECTOR'S REPORT

Article 21. Duration of the position

1. The directors will hold their position for the period foreseen by the corporate bylaws and can be re-elected.

2. Co-opted directors will hold their position until the date of the first AGM.

3. When, subsequent to the report from the Appointments and Remuneration Committee , the board of directors understands that the interests of the Company are at risk, the director completing their term of office or standing down for any other reason cannot render services to another institution competing with the Company, for the period of no more than two (2) years established by the board of directors .

Notwithstanding the above, the board of directors, where considered appropriate, can exempt the outgoing director from this obligation.

Article 22. Departures of directors

1. Directors will relinquish their positions when the term for which they were appointed has elapsed and when decided at the AGM using the legal or statutory powers conferred to it.

2. The board of directors will abstain from proposing the departure of independent directors (those representing shareholders and independent directors) before they complete the statutory period for which they were appointed, except where justified by exceptional causes and subject to the report from the Appointments and Remuneration Committee.

3. Directors are required to place their position at the disposal of the board of directors and where the board considers appropriate, sign the corresponding letter of resignation in the following cases:

(a) When they leave the executive positions associated with their appointment as a director, except with express approval from the board of directors, subject to the non-binding report from the Appointments and Remuneration Committee.

(b) When they fulfil any of the legally foreseen criteria for incompatibility or prohibition;

(c) When charged for an alleged criminal offence or a hearing is opened against them for any of the offences identified in article 124 of the Spanish Companies Act or they are subject to a disciplinary procedure by supervisory authorities for a serious or very serious offence;

(d) When seriously reprimanded by the Audit Committee for infringing their duties as directors;

(e) When their continuation on the board could harm the interests of the Company or when the reasons for their appointment no longer exist, and;

(f) In the case of directors representing shareholders, when the shareholder whose shares are represented by that director on the board disposes of his/her interest in the Company or reduces that interest to below the level that reasonably justified his/her designation as a director representing shareholders.

4. When directors relinquish their position, whether resigning or for another reason, their reasons should be explained in a letter sent to all the members of the board via its chairman or secretary.

6.2. Modification of corporate bylaws

Changes to the corporate bylaws must comply with the general requirements established by articles 103 and 144 of the Spanish Companies Act.

7. The powers of the members of the board of directors and, in particular, those with the possibility of issuing or repurchasing shares

7.1. Powers of the members of the board of directors

In accordance with article 20 of the corporate bylaws, the board of directors is responsible for the administration and representation of the Company.

7.2. Powers relating to the issue or repurchase of shares

As approved at the AGM on 15 May 2009, the Company's board of directors is also authorised, through sale and purchase agreements, swaps, foreclosure in payment or any other legally foreseen method, to acquire its own shares or subscription rights, directly or through its subsidiaries, up to the limits and in accordance with the requirements stated below:

(I) That the par value of the shares acquired, added to those already held by the Company or its subsidiaries, at no time exceeds 5% of the Company's share capital.

(II) That the acquisition enables the Company to set up the reserve prescribed by rule three of article 79 of the Spanish Companies Act, without reducing the share capital or the legal reserve or other reserves unavailable according to bylaws.

6.3 DIRECTOR'S REPORT

(III) That the shares acquired are fully paid.

(IV) The maximum purchase price will be the listed price on the stock exchange on the date of the acquisition or, as applicable, that authorised by the Spanish Securities Market Commission. The minimum price is the full par value of each share.

(V) This authorisation is granted for a maximum of eighteen months.

(VI) 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.

8. Significant agreements in force in the Company are modified or terminated where control of the Company is changed as a result of a public share offering, and its consequences, except when disclosure thereof is seriously harmful for the Company.

No significant agreements are in force which could be modified or terminated as a result of a change in control over the Company.

9. Company agreements to compensate its directors, management or employees when they resign or are unfairly dismissed or relations are terminated due to a public share offering.

Three senior managers from the Group (who are not on the board) have indemnity clauses in their contracts for unfair dismissal or a change of management. This compensation comprises two years' salary, including fixed and variable remuneration.

The employment contracts of the other executive directors and senior management do not have indemnity clauses other than those foreseen in respective employment laws.

6.3 DIRECTOR'S REPORT

At a meeting held on 19 February 2010 and in compliance with the requirements established in article 171, section 1, of the Spanish Limited Companies Act and article 37 of the Spanish Commercial Code, the members of the board of directors of Grifols, S.A. have approved the consolidated annual accounts and consolidated directors' report for the period from 1 January 2009 to 31 December 2009. The annual accounts comprise the attached documents preceding this statement, all of which are drawn up and identified on sheets of paper bearing the official State seal, XX class, numbered from _____ to _____.

Grifols Roura, Víctor
Chairman

Riera Roca, Ramón
Board member

Twose Roura, Juan Ignacio
Board member

Dagà Gelabert, Tomás
Board member

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

Glanzmann, Thomas
Board member

Jannotta, Edgar Dalzell
Board member

Veiga Lluch, Anna
Board member

Grifols Roura, Raimon
Secretary

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