

PROBITAS PHARMA, S.A.

Annual Accounts and Directors' Report

31 December 2003

(With Auditors' Report thereon)

(Free translation from the original in Spanish)



KPMG Auditores, S.L.

Edifici La Porta de Barcelona
Av. Diagonal, 682
08034 Barcelona

Auditors' Report on the Annual Accounts

(Free translation from the original in Spanish)

To the Shareholders of
Probitas Pharma, S.A.

We have audited the annual accounts of Probitas Pharma, S.A. (the Company) which comprise the balance sheet at 31 December 2003, the related statements of profit and loss for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's board of directors. Our responsibility is to express an opinion on the annual accounts taken as a whole based on our examination which was carried out in accordance with generally accepted auditing standards, which require examining, on a test basis, evidence supporting the amounts in the annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these annual accounts also include, for each individual caption in the balance sheet, statement of profit and loss and disclosure of source and application of funds, comparative figures for the previous year. We express our opinion solely on the annual accounts for 2003. On 3 April 2003 we issued our audit report on the annual accounts for 2002 which, with regard to investments in certain foreign subsidiaries, was based solely on the reports of other auditors. In this report we referred to the change in criteria, with which we agree, for recognising deductions pending application regulated by the new accounting principles established by the Spanish Institute of Accountants and Auditors resolution dated 15 March 2002.

In our opinion, these annual accounts present fairly, in all material respects, the shareholders' equity and financial position of Probitas Pharma, S.A. at 31 December 2003, and the results of its operations and source and application of funds for the year then ended and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain applied on a basis consistent with that of the preceding year.

The accompanying directors' report for 2003 contains such explanations as the directors consider relevant to the situation of Probitas Pharma, S.A., the evolution of its business and other matters, but is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2003. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the Company's accounting records.

KPMG AUDITORES, S.L.

Fernando Serrate Urrea (signed)

2 April 2004



KPMG Auditores S.L. es miembro de
KPMG International, Sociedad Suiza.

Reg. Mer. Madrid, T. 11.961, F. 84, Sec. 8, H. M-188.007, Inscryp. 1.ª
N.I.F. B-78510153



PROBITAS PHARMA, S.A.

Balance Sheet December 31, 2003 and 2002 (Stated in euros)

Assets	2003	2002
Fixed assets		
Start-up expenses (note 5)	984.046	1.317.089
Intangible assets (note 6)	8.112.189	7.648.362
Tangible fixed assets (note 7)	21.826.047	20.661.953
Long-term investments (note 8)	97.830.993	50.680.631
Treasury stock (note 9)	870.446	174.089
Total fixed assets	129.623.721	80.482.124
Deferred expenses (note 4 (f))	1.591.058	713.719
Current assets		
Inventories	413.232	139.661
Debtors (note 10)	12.160.669	8.210.740
Short-term investments (note 11)	329.113.282	222.336.295
Cash and banks	1.276.335	2.329.703
Prepaid expenses	1.663.156	837.091
Total current assets	344.626.674	233.853.489
Total assets	475.841.453	315.049.332

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

PROBITAS PHARMA, S.A.

Balance Sheet December 31, 2003 and 2002 (Stated in euros)

Liabilities	2003	2002
Stockholders' equity (note 12)		
Share capital	105.840.720	19.843.640
Share premium	45.118.683	91.115.742
Reserves	33.164.652	21.263.863
Net profit for the year	15.299.921	14.000.928
Total stockholders' equity	199.423.976	146.224.173
Deferred income (note 13)	3.866.692	3.160.877
Provisions for risks and charges (note 14)	3.003.879	958.690
Long-term liabilities		
Promissory notes (note 15)	5.319.000	--
Bank loans (note 16)	215.380.647	80.486.130
Other creditors (note 17)	3.958.828	41.884.975
Total long-term debts	224.658.475	122.371.105
Current liabilities		
Promissory notes (note 15)	--	4.401.000
Bank loans (note 18)	23.663.247	21.979.875
Due to related companies (note 19)	9.165.102	1.443.917
Accounts payable, trade (note 20)	5.195.726	6.572.360
Other payables, non trade (note 21)	6.864.357	7.937.336
Total current liabilities	44.888.432	42.334.488
Total liabilities	475.841.453	315.049.332

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

PROBITAS PHARMA, S.A.

Profit and Loss Accounts for the years ended December 31, 2003 and 2002 (Stated in euros)

Expenses	2003	2002
Operating expenses		
Cost of material consumed and other external expenses	128.082	177.632
Personnel expenses (note 23)	13.096.795	11.011.801
Depreciation and amortisation of fixed assets (notes 5, 6 and 7)	4.432.469	3.739.105
Other operating expenses	13.761.008	10.685.809
Total operating expenses	31.418.355	25.614.347
Financial expenses		
Financial and similar expenses	7.817.748	6.976.847
Change in financial provisions	--	36.224
Foreign exchange losses	97.802	265.425
Total financial expenses	7.915.550	7.278.496
Financial income	22.717.662	19.671.338
Profit on ordinary activities	14.873.720	13.087.035
Extraordinary losses and expenses		
Variation in fixed assets provision and investment portfolio (notes 8 and 14)	2.142.812	1.615.987
Losses on disposals of fixed assets and investment portfolio	8.237	1.247
Extraordinary expenses and losses (note 25)	2.592	2.755.864
Total extraordinary expenses and losses	2.153.642	4.373.098
Profit for the year before tax	12.749.402	8.732.407
Income tax (note 27)	(2.550.519)	(5.268.521)
Profit for the year	15.299.921	14.000.928

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

PROBITAS PHARMA, S.A.

Profit and Loss Accounts for the years ended December 31, 2003 and 2002 (Stated in euros)

Income	2003	2002
Operating income		
Net sales (notes 22 and 24)	23.128.350	18.691.157
Work carried out by the company on fixed assets	327.299	331.562
Other operating income	118.764	7.325
Total operating income	23.574.413	19.030.044
Operating losses	7.843.942	6.584.303
Financial income		
Dividends (notes 8 and 24)	16.815.311	15.145.961
Other interest and similar income	12.696.337	10.041.087
Foreign exchange gains	1.121.564	1.762.787
Total financial income	30.633.211	26.949.835
Extraordinary profit and income		
Profits on disposals of fixed assets and investment portfolio	23.685	4.544
Extraordinary income	5.638	13.925
Total extraordinary income	29.324	18.470
Extraordinary losses	2.124.318	4.354.628

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

PROBITAS PHARMA, S.A.

December 31, 2003 and 2002

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(1) Nature and Principal Activities

Probitas Pharma, S.A. (hereinafter the Company) was incorporated in Spain as a limited liability company for an indefinite period of time on June 22, 1987. Dated May 25, 2001, the Company changed its company name from Grupo Grifols S.A. to Probitas Pharma, S.A.

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

The registered office of the Company is situated in Barcelona and its main premises are situated in the said town and in Parets del Vallés (Barcelona).

The Company and its subsidiaries form a single operative group named Grifols Group.

(2) Basis of Presentation

In accordance with current legislation, the Directors of the Company have prepared the accompanying annual accounts with the aim of giving a true and fair view of the net worth, financial position and the results of the operations of the Company for the years 2002 and 2003, as well as the proposal for the distribution of results for fiscal year 2003.

The said annual accounts are based on the accounting records of the Company.

The annual accounts of the Company corresponding to the year ended December 31, 2003, are pending approval at the Shareholders' Meeting, although the Directors consider that the accounts will be approved without any significant variations. The annual accounts corresponding to fiscal year 2002 were approved at the shareholders' meeting held on May 21, 2003.

Likewise, the figures included in the annual accounts have been rounded off, without showing decimals.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(3) Distribution of Results

The proposal for the distribution of results corresponding to the fiscal year ended December 31, 2003, prepared by the Directors and pending approval, will be agreed in the Shareholders' Meetings, details being:

	<u>Euros</u>
Legal reserves	1.529.992
Voluntary reserves	10.554.894
Dividends	3.215.035
	<u>15.299.921</u>

The distributions of results, corresponding to the year ended December 31, 2002 are shown in the detail of stockholders' equity in note 12.

(4) Significant Accounting Principles and Valuation Criteria Applied

The accompanying annual accounts have been prepared in accordance with the accounting principles and valuation and classification criteria established in the Spanish General Chart of Accounts. The main principles applied are as follows:

(a) Start-up expenses

The start-up expenses are shown at acquisition value, less the related accumulated amortization, calculated on a straight-line basis over a period not exceeding five years.

(b) Intangible assets

The intangible assets are stated at cost of acquisition or direct cost applied, net of accumulated amortisation, in accordance with the following criteria:

- The amounts paid in respect of the acquisition of patent rights, distribution rights and the capitalized expenses incurred as a result of the registration of patents, are amortized over a period not exceeding five years, using the straight-line method.
- The software acquired and developed by the Company is stated at cost and is amortized over a period between three and six years, using the straight-line method. Maintenance costs are charged to expenses as and when they arise.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

- The rights to use and the option to purchase tangible assets contracted through capital lease financing are recorded at the cash value of the asset at the time of acquisition. These rights are generally amortized on a straight line basis over the useful lives of the leased assets.

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

When the purchase option is exercised, the cost and accumulated amortization of the assets are transferred to the corresponding tangible fixed asset accounts.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost, updated until 1983, as stated by law in force at that moment, less related accumulated depreciation.

Depreciation of tangible fixed assets is calculated using the straight-line method and the following rates are applied based on estimated useful lives:

	<u>Rates</u>
Buildings	3%
Technical installations and machinery	8%-10%
Other installations, furniture and fittings	10% - 30%
Other assets	16% - 25%

Maintenance and repair expenses which neither improve the utilization nor extend the useful lives of the assets are expensed when incurred.

(d) Investments

Investments in variable revenue securities are stated at acquisition cost, including the inherent expenses.

Only for the presentation of the individual annual accounts of the company, the investments in group companies are not consolidated and are stated at their cost of acquisition.

Provision for a decline in value of investments is made as and when dictated by circumstances. Under these circumstances, the excess of the cost of acquisition

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

compared with the book value of the investment is accrued, corrected by the unrealised capital gain that exists at the closing year.

The deposits and guarantees are valued at the disbursed amount.

(e) Treasury Stock

The treasury stock is shown in the balance sheet at its acquisition price or at its market price when this is lower than the acquisition one. The company makes an allowance to the reserve as required by Spanish legislation.

(f) Deferred charges

The deferred charges basically include the following concepts:

- The deferred financial expenses related to capital lease operations which are expensed using the interest method over the term of the lease.
- The expenses for deferred interest relating to promissory notes issued by Probitas Pharma, S.A. are amortised following the straight-line method over the term of the notes. The effect of not having recorded the expenses, based on an interest method, is not material to the accompanying annual accounts.
- The formalisation expenses relating to bank loans are charged to results over the maturity period of said bank loans.
- The implicit interest related to debts deferred for more than one year is charged to results over the maturity period of said debts.

(g) Inventories

Inventories are stated at acquisition or production cost and determined as follows:

- Raw materials and supplies: at acquisition cost calculated in accordance with the weighted average price of the purchases for the year on a FIFO basis for outgoing orders.
- Finished goods and work in progress: at weighted average cost of the raw materials and supplies consumed plus the applicable portion of direct and indirect labor and manufacturing overheads.

The company adjusts the value of those inventories whose cost exceeds their market value or when circumstances indicate doubtful recovery of such costs.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(h) Trade accounts and notes receivable

Nearly all of the income is obtained from the different subsidiaries (see notes 10 and 24).

(i) Income taxes

Income tax for each period is calculated on the basis of profits before taxes adjusted, if necessary, by the permanent differences, taking into consideration the tax credits and discounts applicable. The tax effect of timing differences is recorded, where necessary, in the balance sheet as a deferred tax asset or liability.

The company, jointly with other Spanish related companies, obtained fiscal authorisation for the purpose of presenting consolidated tax returns. Consequently, Probitas Pharma, S.A., as parent company, is responsible for the presentation and payment of the company income tax and, as such, receives as a provision of funds those payments which the subsidiaries would have to pay if their tax returns were presented on an individual basis.

Except in those cases where their future realization is reasonably assured, the tax credits in respect of losses carried forward are deducted from income tax in the year in which such losses are compensated.

Taking into account the likelihood of generating future profit, the Company has recognized a tax credit, amounting to euros 1.493 thousand, having estimated its recovery as likely; which represents a reduction in income tax payable in the future (see notes 10 and 27).

Following an Instituto de Contabilidad y Auditoria de Cuentas resolution as at March 15, 2002, since the fiscal year starting on January 1, 2002, the Company recognizes the tax credits pending to be applied, mainly investments abroad, as their realization has been estimated to be during the term established by law (see notes 8, 10 and 27). Likewise, and accordingly with said law, the income from such tax credits application has been deferred depending on the useful life of the fixed assets which have generated said tax credits, mainly investment abroad (see note 13).

(j) Foreign currency transactions and balances

Transactions in foreign currency are converted into euros using the rates of exchange in effect at the time of the transaction. The gains or losses arising from the payments or receipts of balances in foreign currency are charged to the profit and loss account when realized.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

The year-end balances of accounts receivable and payable expressed in foreign currencies are converted into euros at rates in effect at the year-end date. Unrealized net losses, calculated on the basis of grouping together currencies which are similar in characteristics and by maturity dates, are charged to expenses and unrealised exchange profits are deferred until realisation, except when exchange rate hedging contracts exist. In the latter case, the year-end balances of accounts in foreign currencies are stated according to the exchange rate stipulated in the contract.

The year-end balances of cash accounts in foreign currencies are converted into euros at the rates in effect at the year-end date. The gains or losses are charged to the profit and loss account.

(k) Severance indemnities

Except in the case of justifiable cause, companies are liable to pay indemnities to employees when they are dismissed.

In the absence of any foreseeable need for abnormal termination of employees' services and because the indemnities are not payable to those employees who retire or voluntarily leave the companies' service, indemnity payments, when they arise, are expensed at the time the decision for staff redundancy is taken.

(l) Classification of short-term/long-term

The accounts payable and accounts receivable presented in the balance sheets are classified as follows:

- Short-term - maturing within twelve months from the balance sheet date.
- Long-term - maturing after twelve months from the balance sheet date.

(m) Income and expenses

The net sales figure is presented net of taxes on sales and discounts and shows the sale value of the goods or services rendered during the regular course of business.

Revenues and expenses are recognized on an accrual method (when the real flow of goods and services corresponding to said income and expenses arise) regardless of when the resulting monetary financial flow arises. Nevertheless, following the prudence principle, at the period end close, the Company only books the realized profits. The foreseeable contingencies and losses, including possible ones, are booked as soon as they are known.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(n) Pension commitment

On May 24, 2002, the Company set up a defined contribution pension plan for their employees who had more than two years of service at the said date. This plan is integrated into Bansabadell 18 Fondo de Pensiones pension fund and the agency which manages the fund is Bansabadell Pensiones.

The annual contribution of the Company is registered as personnel expenses in the statement of profit and loss on an accrual basis (see note 23).

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

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

Expenses incurred on environmental activities other than those involving the acquisition of fixed assets are charged to expenses for the year.

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

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

(5) Start-up Expenses

Details and movement in start-up expenses during the year ended December 31, 2002 is as follows:

	Euros			Balances at 31/12/02
	Balances at 31/12/01	Additions	Amortizations	
Capital increase expenses	1.439.153	687.758	(809.822)	1.317.089
	1.439.153	687.758	(809.822)	1.317.089

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details and movement in start-up expenses during the year ended December 31, 2003 is as follows:

	Euros			
	Balances at 31/12/02	Additions	Amortizations	Balances at 31/12/03
Capital increase expenses	1.317.089	603.993	(937.036)	984.046
	1.317.089	603.993	(937.036)	984.046

The capital increase expenses for the year 2003 corresponds to the expenses the Company incurred in connection with the capital increase carried out during fiscal year 2003 (see note 12).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(6) Intangible Assets

Details and movement in intangible assets during the year ended December 31, 2002 is as follows:

	Euros				
	Balances at 31/12/01	Additions	Transfers	Disposals	Balances at 31/12/02
Cost:					
Concessions, patents, licenses trademarks and others	1.527.021	233.380	--	--	1.760.401
Software	4.050.829	985.527	--	(541.285)	4.495.072
Rights over leased assets	4.638.709	554.381	(174.672)	--	5.018.418
	10.216.559	1.773.288	(174.672)	(541.285)	11.273.891
Accumulated amortization:					
Concessions, patents, licenses trademarks and others	(433.340)	(108.079)	--	--	(541.419)
Software	(1.889.554)	(829.113)	--	358.846	(2.359.821)
Rights over leased assets	(570.819)	(230.862)	77.391	--	(724.290)
	(2.893.712)	(1.168.054)	77.391	358.846	(3.625.529)
Net value	7.322.847	605.234	(97.281)	(182.439)	7.648.362

(note 7)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details and movement in intangible assets during the year ended December 31, 2003 is as follows:

	Euros				
	Balances at 31/12/02	Additions	Transfers	Disposals	Balances at 31/12/03
Cost:					
Concessions, patents, licenses trademarks and others	1.760.401	239.965	--	(27.868)	1.972.498
Software	4.495.072	981.593	--	--	5.476.665
Rights over leased assets	5.018.418	724.891	(262.342)	--	5.480.968
	11.273.891	1.946.450	(262.342)	(27.868)	12.930.131
Accumulated amortization:					
Concessions, patents, licenses trademarks and others	(541.419)	(126.322)	--	20.163	(647.577)
Software	(2.359.821)	(946.286)	--	--	(3.306.107)
Rights over leased assets	(724.290)	(289.234)	149.265	--	(864.259)
	(3.625.529)	(1.361.842)	149.265	20.163	(4.817.942)
Net value	7.648.362	584.608	(113.076)	(7.705)	8.112.189

(note 7)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

The company uses certain assets through lease contracts. At December 31, 2003 the principal terms and conditions of the contracts are as follows:

Item	Date of contract	N° of monthly instalments	Euros		
			Net book value	Monthly instalments (*)	Purchase option
Land and buildings	1994	120	3.365.668	29.084	29.531
Land and buildings	1998	120	625.053	6.118	6.741
Computer equipment	2001	36	210.976	6.220	1
Machinery and installations	2002	36	323.830	9.209	8.781
Furniture	2002	36	63.772	1.801	1.835
Computer equipment	2002	36	166.779	4.756	3.542
Machinery and installations	2003	36	383.235	11.238	1
Weight and control machinery	2003	36	37.700	1.100	1.100
Furniture	2003	36	32.755	647	328
Computer equipment	2003	36	271.201	7.723	7.723
Total cost			5.480.968		
Less, accumulated amortization			(864.259)		
			4.616.709		

(*) Variable depending on interest rate

The summary of the liabilities resulting from these operations at December 31, 2003 and 2002 is as follows:

	Euros	
	2003	2002
Total amount of operations	7.602.893	6.861.030
Payments made in previous years	(5.294.393)	(4.567.471)
Payments made during the year	(849.059)	(726.922)
Capital lease creditors	1.459.440	1.566.637

PROBITAS PHARMA, S.A
Notes to the Annual Accounts
(Free translation from the original in Spanish)

Capital lease creditors are divided as follows:

	Euros			
	2003		2002	
	Short-term	Long-term	Short-term	Long-term
Capital	601.622	776.545	691.418	756.244
Interest	40.278	40.995	61.164	57.811
	641.900	817.540	752.582	814.055
	(note 18)	(note 16)	(note 18)	(note 16)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(7) Tangible Fixed Assets

Details and movement of this caption of the balance sheet at December 31, 2002 is as follows:

	Euros				Balances at 31/12/02
	Balances at 31/12/01	Additions	Transfers	Disposals	
Cost:					
Land and buildings	7.643.410	--	--	--	7.643.410
Technical installations and machinery	1.794.270	--	60.116	--	1.854.386
Other installations, furniture and fittings	15.990.991	91.443	2.149.628	(3.485)	18.228.577
Other assets	1.766.390	317.414	58.780	(3.438)	2.139.146
Fixed assets under construction	2.618.722	6.847.668	(2.093.853)	(1.326.297)	6.046.241
	<u>29.813.783</u>	<u>7.256.526</u>	<u>174.672</u>	<u>(1.333.220)</u>	<u>35.911.760</u>
Accumulated depreciation:					
Buildings	(2.258.074)	(178.971)	--	--	(2.437.044)
Technical installations and machinery	(645.691)	(146.804)	--	--	(792.495)
Other installations, furniture and fittings	(9.140.614)	(1.220.873)	(34.530)	2.238	(10.393.779)
Other assets	(1.371.807)	(214.582)	(42.861)	2.760	(1.626.489)
	<u>(13.416.185)</u>	<u>(1.761.229)</u>	<u>(77.391)</u>	<u>4.998</u>	<u>(15.249.807)</u>
Net value	<u>16.397.598</u>	<u>5.495.296</u>	<u>97.281</u>	<u>(1.328.222)</u>	<u>20.661.953</u>

(note 6)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details and movement of this caption of the balance sheet at December 31, 2003 is as follows:

	Euros				
	Balances at 31/12/02	Additions	Transfers	Disposals	Balances at 31/12/03
Cost:					
Land and buildings	7.643.410	1.158.603	4.286.288	--	13.088.301
Technical installations and machinery	1.854.386	993	--	--	1.855.380
Other installations, furniture and fittings	18.228.577	92.524	2.599.172	--	20.920.273
Other assets	2.139.146	268.475	176.195	(205.447)	2.378.369
Fixed assets under construction	6.046.241	1.700.922	(6.799.314)	--	947.849
	<u>35.911.760</u>	<u>3.221.517</u>	<u>262.342</u>	<u>(205.447)</u>	<u>39.190.172</u>
Accumulated depreciation:					
Buildings	(2.437.044)	(244.313)	--	--	(2.681.357)
Technical installations and machinery	(792.495)	(149.087)	--	--	(941.582)
Other installations, furniture and fittings	(10.393.779)	(1.494.951)	(25.592)	--	(11.914.322)
Other assets	(1.626.489)	(245.241)	(123.673)	168.540	(1.826.863)
	<u>(15.249.807)</u>	<u>(2.133.592)</u>	<u>(149.265)</u>	<u>168.540</u>	<u>(17.364.124)</u>
Net value	<u>20.661.953</u>	<u>1.087.925</u>	<u>113.076</u>	<u>(36.906)</u>	<u>21.826.047</u>

(note 6)

The Company policy tends to take out the necessities insurances to cover the whole risks that tangible fixed assets can suffer. At December 31, 2003, the Company's fixed assets are insured for an amount of euros 44.797.894 (34.112.228 euros at December 31, 2002).

The amount of the assets fully depreciated at December 31, 2003 is euros 6.417.725 (5.704.857 euros at December 31, 2002).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

At December 31, 2003, certain land and buildings are mortgaged as a guarantee for certain loans with an outstanding balance of euros 2.201.518 (euros 901.518 at December 31, 2002) (see note 16).

Fixed assets under construction as at December 31, 2003 and 2002, correspond to the investments made in expanding the installations of the Company.

(8) Long- term investments

Details and movement of this caption of the balance sheet at December 31, 2002 is as follows:

	Euros				
	Balances at 31/12/01	Additions	Transfers	Disposals	Balances at 31/12/02
Investments in related companies	47.729.594	2.626.685	3.999.678	(719.657)	53.636.300
Long-term investments	99.238	--	--	--	99.238
Long-term deposits and guarantees	141.497	--	--	--	141.497
Tax credit on deductions (see note 27)	--	2.793.615	--	--	2.793.615
	47.970.329	5.420.300	3.999.678	(719.657)	56.670.650
Less, provision for financial investments	(1.733.672)	(754.570)	(3.666.242)	164.465	(5.990.018)
	46.236.656	4.665.731	333.436	(555.192)	50.680.631

(notes 11 and 14)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details and movement of this caption of the balance sheet at December 31, 2003 is as follows:

	Euros			Balances at 31/12/03
	Balances at 31/12/02	Additions	Disposals	
Investments in related companies	53.636.300	17.586.487	--	71.222.787
Other long-term investments	99.238	--	--	99.238
Long-term deposits and guarantees	141.497	13.011	(5.664)	148.844
Tax credit on deductions (see note 27)	2.793.615	964.330	--	3.757.946
Loans to related companies	--	28.628.771	--	28.628.771
	56.670.650	47.192.600	(5.664)	103.857.586
Less, provision for financial investments	(5.990.018)	(36.575)	--	(6.026.593)
	50.680.631	47.156.025	(5.664)	97.830.993

(a) Investments in related companies

On March 1, 2003, the Company has acquired the 99,999% of Squadron Reinsurance, Ltd. through the investment of euros 999.999.

On March 14, 2003, the Company subscribed the capital increase carried out by Laboratorios Grifols, S.A., the amount of said investment has been of euros 3.000.012.

On May 15, 2003, the Company incorporated the north American company Probitas Pharma, Inc. for an amount of euros 10.369 thousand, said company owns 100% of the north American company Grifols Biologicals, Inc., a newly incorporated company. With effective date July 15, 2003, Grifols Biologicals, Inc., in the process of expanding the Group activities in the United States of America, acquired the plasma fractionation division and certain assets of the company Alpha Therapeutic Corporation, Inc..

Likewise, on July 15, 2003 the Company acquired 100% of the company Alpha Therapeutic Europe, Ltd., said company at the same time owns 100% of the share capital of Alpha Therapeutic UK, Ltd. and Alpha Therapeutic Italia, S.p.A. and, 100% of the company Grifols Asia Pacific Pte. Ltd. (formerly Alpha Therapeutic Asia Pte., Ltd.) which owns 48% of Grifols (Thailand) Ltd. (formerly Alpha Therapeutic (Thailand) Ltd.).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

The detail of this section is as follows:

	Euros			
	Cost		Book value	
	2003	2002	2003	2002
Laboratorios Grifols,S.A.	4.798.330	1.798.318	10.278.807	7.787.573
Instituto Grifols,S.A.	1.537.990	1.537.990	27.175.673	32.264.551
Movaco,S.A.	2.404.619	2.404.619	9.521.205	7.687.699
Diagnostic Grifols,S.A.	336.561	336.561	6.256.210	3.649.601
Grifols America,Inc.	30.860	30.860	(79.486)	148.905
Grifols Chile,S.A.	385.454	385.454	562.919	78.143
Biomat,S.A.	60.041	60.041	4.603.338	4.733.013
Grifols Argentina,S.A.	7.027.854	7.027.854	1.715.880	1.476.159
Grifols,s.r.o.	51.600	51.600	708.333	779.342
Grifols México,S.A. de C.V.	696.544	696.544	1.922.291	2.599.921
Grifols Viajes,S.A.	60.041	60.041	240.888	167.428
Grifols USA, Inc.	356.007	356.007	(328.190)	902.783
Grifols International, S.A.	60.041	60.041	(2.630.037)	(893.699)
Grifols Italia,S.p.A.	12.226.606	12.226.606	8.326.616	9.153.710
Grifols UK,Ltd.	22.847.046	22.847.046	12.425.216	12.012.228
Grifols Deutschland,GmbH	2.924.811	2.924.811	4.421.506	5.452.474
Grifols Brasil,Ltda.	764.095	764.095	488.830	300.525
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	100	100	52	6
Grifols France,S.A.R.L.	7.623	7.623	468.382	465.961
Grifols Engineering, S.A.	60.090	60.090	712.045	344.672
Squadron Reinsurance Ltd.	999.999	--	1.492.164	--
Probitas Pharma, Inc.	10.369.126	--	6.958.484	--
Grifols Asia Pacific Pte. Ltd. (formerly Alpha Therapeutic Asia Pte. Ltd)	714.769	--	1.251.950	--
Alpha Therapeutic Europe, Ltd.	2.502.581	--	6.424.742	--
	<u>71.222.787</u>	<u>53.636.300</u>	<u>102.917.816</u>	<u>89.110.995</u>

Due to expected future income, the Company has considered unnecessary to carry out the adjustments in value corresponding to the investments in Grifols UK, Ltd. and Grifols Italia, S.p.A. at December 31, 2003 and 2002.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Certain additional information relating to these companies is as follows:

– **Laboratorios Grifols, S.A.**

Its registered office is situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the manufacture, preparation and sale of therapeutic and other pharmaceutical products, especially parenteral solutions.

– **Instituto Grifols, S.A.**

Its registered office is situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the manufacture, preparation and sale of therapeutic products and other pharmaceutical specialities, especially haemoderivatives.

Instituto Grifols, S.A. owns 100% of Biomat USA, Inc.. Acquired on March 1, 2002, with registered office in 1209 Orange Street, Wilmington, New Castle (Delaware Corporation). Its activity, developed in the bioscience area, consists of the obtaining of human plasma.

– **Movaco, S.A.**

Its registered office is situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the distribution and sale of reactives, chemical products and other pharmaceutical specialities, as well as medical-surgical supplies, machinery and instruments for hospital and laboratory use.

Movaco, S.A. owns 99,975% of Grifols Portugal Produtos Farmacéuticos e Hospitalares, Lda. and Logister, S.A. The registered offices of the former are situated in c/ Jorge Barradas, 30 –c R/C, 1500 Lisbon (Portugal) and its activities are the import, export and distribution of pharmaceutical and clinical products, in particular Grifols products. The registered offices of the latter company are situated in Polígono Levante, calle Can Guasch, s/n 08150 Parets del Vallés, Barcelona, and its activities are the manufacture, purchase, sale and distribution of computer hardware and software.

– **Diagnostic Grifols, S.A.**

Its registered office is situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activities are the manufacture, preparation, distribution and sale of reagents and chemical products for laboratories and hospitals, as well as supplies, machines and instruments for medical-surgical use.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Diagnostic Grifols, S.A. as at December 31, 2003, holds in Grifols-Quest, Inc. a participation of 100% directly. The registered office of Grifols-Quest, Inc. is situated in Florida (USA) and its activities consist of selling reagents and instruments for clinical analysis.

– **Grifols America, Inc.**

Its registered office is situated in 8880 N.W. 18 Terrace, Miami, Florida (USA). Its activity is to conduct any business permitted within the United States of America.

– **Grifols Chile, S.A.**

Its registered office is situated in Avda. Americo Vespuccio 2242, Comuna de Conchali, Santiago de Chile (Chile). Its activity is to carry out a pharmaceutical business consisting of the import, production, distribution and export of pharmaceutical products.

– **Biomat, S.A.**

Its registered office is situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the collection and distribution of biological products.

– **Grifols Argentina, S.A.**

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

– **Grifols s.r.o.**

Its registered office is situated in Zitná 2, 120 00 Praha (Czech Republic). Its activity is to carry out a pharmaceutical business consisting of the import, sale and distribution of pharmaceutical products including human plasma.

– **Grifols México, S.A. de C.V.**

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

– **Grifols Viajes, S. A.**

Its registered office is situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés (Barcelona). Its activity is to carry out a travel agency business.

– **Grifols USA, Inc.**

Its registered office is situated in 8880 N.W. 18 Terrace, Miami, Florida (USA). Its activity is to conduct any business permitted within the United States of America.

– **Grifols International, S. A.**

Its registered office is situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona, and its activity consists of the manufacture, import, export, preparation, distribution and the sale of reagents, chemical products for laboratory and hospital use, as well as supplies, devices and instruments for medical-surgical use or use in laboratories and warehouses.

– **Grifols Italia S.p.A.**

Its registered office is situated in Vía Carducci 62 d, 56010 Ghezzano, Pisa (Italy), and its activity consists of sale and distribution of chemical and pharmaceutical products.

– **Grifols UK, Ltd.**

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

– **Grifols Deutschland GmbH**

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

– **Grifols Brasil, Ltda.**

Its registered office is situated in Rua Marechal Hermes 247, Centro Cívico, CEP 80530-230, Curitiba (Brazil) and its activity consists of the import and

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

export, preparation and sale of chemical and pharmaceutical products for laboratories, hospitals and medical-surgical supplies.

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

Its registered offices are situated in c/ Jorge Barradas, 30 –c R/C, 1500 Lisbon (Portugal) and its activities are the import, export and distribution of pharmaceutical and clinical products, in particular Grifols products. Movaco, S.A. owns 99,975% of this company.

– **Grifols France, S.A.R.L.**

Its registered office is situated in Centre d'affaires auxiliares system, Bat. 10, Parc du Millenaire – 125, Rue Henri Becquerel, 34036, Montpellier (Francia) and its activity consists of selling chemical and pharmaceutical products.

– **Grifols Engineering, S.A.**

Its registered office is situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona, and its activity consists of the design and performance of industrial engineering projects for pharmaceutical companies and health centres, as well as the design, building, selling and maintenance of machinery, equipment and installations for pharmaceutical companies and health centres.

– **Squadron Reinsurance, Ltd.**

Its registered office is situated in 38/39 Fitwilliam Square, Dublin 2, (Ireland). Its activity consists on carrying reinsurance business with related companies.

– **Probitas Pharma, Inc.**

Its registered office is situated in 15, East North Street, Dover, Delaware 19901 (United States of America). Its activity consist of security holdings.

This company owns 100% of Grifols Biologicals, Inc. with registered office in 15, East North Street, Dover, Delaware 199901 (United States of America). Its activity consists of the manufacture, preparation and sale of therapeutic products and other pharmaceutical specialities, especially haemoderivatives.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

– **Grifols Asia Pacific Pte., Ltd. (formerly Alpha Therapeutic Asia Pte., Ltd.)**

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

This company owns 48% of Grifols (Thailand) Ltd. (formerly Alpha Therapeutic (Thailand) Ltd.), with registered office in No. 287 Liberty Square, Level 8, Silom Road, Bangrak, Bangkok (Thailand). Its activity consists of trading and marketing of pharmaceutical products.

– **Alpha Therapeutic Europe, Ltd.**

Its registered office is situated in 100, New Bridge Street, London, EC4V6JA (United Kingdom). Its activity consists of providing technical, financial and marketing support to European subsidiaries.

This company owns 100% of Alpha Therapeutic UK, Ltd. with registered office in 100, New Bridge Street, London, EC4V6JA (United Kingdom). Its activity consists of distribution and sale of therapeutic products, especially haemoderivatives.

Also this company owns 100% of Alpha Therapeutic Italia, S.p.A. with registered office in 3, Piazza Meda, Milano 20121 (Italy). Its activity consists of distribution and sale of therapeutic products, especially haemoderivatives.

A detail of the stockholders' equity of the related companies at December 31, 2003 and 2002 according to its financial statements is included in Annex I, which forms an integral part of this note of the annual accounts. All related companies have the same closing date, with the exception of Grifols Asia Pacific Pte., Ltd. (formerly Alpha Therapeutic Asia Pte., Ltd.) which closing date is November 30 and, have been audited or reviewed in most cases (see Annex IV).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

The Company has received dividends from the following companies:

	Euros	
	2003	2002
Instituto Grifols,S.A.	7.999.844	3.848.397
Movaco,S.A.	2.499.969	2.899.964
Biomat,S.A.	1.498.500	999.000
Grifols,s.r.o.	300.000	--
Grifols International,S.A.	--	1.398.600
Grifols Italia,S.p.A.	2.500.000	3.000.000
Grifols UK,Ltd.	1.016.998	--
Grifols Deutschland,GmbH	1.000.000	3.000.000
	16.815.311	15.145.961

(note 24)

(b) Long-term tax credits pending to be applied

Long-term tax credits pending to be applied correspond to the fiscal year 2003 and 2002 tax credits which the Company estimates their maturity to be in more than one year (see note 4(i) and 27).

(c) Loans to related companies

Loans to related companies includes as at December 31, 2003 the amount of euros 28.629 related to a loan granted to Grifols Biologicals, Inc. a company owned 100% by Probitas Pharma, Inc. which at the same time is 100% owned by the Company (see note 8(a)).

(9) Treasury Stock

On December 31, 2003 this caption comprises 1.740.892 shares of euros 0,50 par value each. These shares were issued by the Company in the share capital increase carried out on May 25, 2001 as a result of the waiving of the preferential subscription right by the Company's shareholders, in order for the shares to be distributed to the employees of the group companies, based on certain conditions and terms previously established in the corresponding distribution criteria.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(10) Debtors

Details of debtors at 31 December are as follows:

	Euros	
	2003	2002
Trade debtors for sales and services rendered	378.961	201.559
Trade debtors, related companies	5.546.636	4.866.242
Sundry debtors	138.492	61.071
Personnel	25.804	13.188
Public entities	6.272.946	3.270.848
	<u>12.362.838</u>	<u>8.412.910</u>
Less, provisions for bad debts	(202.170)	(202.170)
	<u>12.160.669</u>	<u>8.210.740</u>

The balances with "Public entities" are as follows:

	Euros	
	2003	2002
Due from Tax authorities in respect of:		
VAT	--	138.805
Subvenciones	118.764	--
Due from Social Security	27.610	4.767
Deferred tax asset (note 27)	1.289.305	601.665
Due from Tax authorities in respect of Income Tax:		
Current year (note 27)	1.352.333	1.211.580
Previous years	1.220.984	586.693
Tax credits on deductions (see note 27)	598.793	727.339
Tax credits for losses carried forward (note 27)	1.492.950	--
Tax credit for double international taxation (note 27)	172.209	--
	<u>6.272.946</u>	<u>3.270.848</u>

During the fiscal years 2003 and 2002 the provision for bad debts has not had any movement.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(11) Short-Term Investments

Details and movement of short-term investments at December 31, 2002 is as follows:

	Euros				Balances at 31/12/02
	Balances at 31/12/01	Additions	Transfers	Disposals	
Short-term investments	204.803.287	40.810.015	(3.999.678)	(19.277.329)	222.336.295

(note 8)

Details and movement of short-term investments at December 31, 2003 is as follows:

	Euros				Balances at 31/12/03
	Balances at 31/12/02	Additions	Disposals		
Short-term credit with related companies due to tax effect:					
Corporate tax for the current year (note 27)	3.280.359	4.485.273	(3.280.359)		4.485.273
Advanced payments	(1.540.340)	(805.477)	1.540.340		(805.477)
Loans to related companies	220.596.276	219.680.628	(114.843.418)		325.433.486
	222.336.295	223.360.424	(116.583.437)		329.113.282

Loans to related companies includes at December 31, 2003 the amount of euros 267.460 thousand (euros 192.468 thousand at December 31, 2002) corresponding to a loan granted to Instituto Grifols, S.A. at a market interest rate.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(12) Stockholders' Equity

Details and movement of the various items included in the stockholders' equity are detailed in Annex II which forms an integral part of this note to the annual accounts.

(a) Share capital

At December 31, 2003 the share capital of the Company is represented by 211.681.440 registered shares of euros 0,50 par value each (198.436.400 registered shares at December 31, 2002 of euros 0,10 par value each).

The details of Probitas Pharma, S.A.'s shareholders at December 31 are as follows:

	Percentage of ownership	
	2003	2002
Gabriella Holding, N.V.	40,84%	39,39%
Scranton Enterprises, B.V.	11,62%	11,63%
Capital Riesgo Global, S.C.R., S.A. (formerly Secuoya Capital privado, S.C.R., S.A.)	10,91%	11,39%
Others	36,64%	37,59%
	100,00%	100,00%

– Increase of share capital with monetary contribution

On November 25, 2002 the Company, using the authorization granted at the shareholders' meeting, proceeded to increase the share capital by issuing 13.245.040 new shares of euros 0,10 par value plus a total share premium of euros 38.675.517. The total amount of said increase was euros 40 million. The subscription period ended on January 10, 2003, being the said capital increase fully subscribed and disbursed. On December 31, 2002 the shareholders had subscribed and disbursed an amount of euros 32.349.360, that were booked as "Other long-term creditors" (see note 17) until the end of the period of subscription and inscription in the Mercantile Register of said increase of share capital, done on 2003.

– Increase of share capital charged to share premium

On May 21, 2003 the Company, using the authorization granted at the shareholders' meeting, proceeded to increase the share capital against the

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

share premium reserve by an amount of euros 84.672.576, through the increase of the par value of each share from euros 0,10 to euros 0,50.

(b) Share premium

The share premium is governed by the same restrictions as those applicable to the voluntary reserves and can be used for the same purposes, including its conversion to share capital.

(c) Legal reserve

Companies are obliged to transfer a minimum of 10% of the profit for the year to a legal reserve, until such time as the reserve represents 20% of the share capital. This reserve is non-distributable and can only be used if there is no other reserve available to offset losses. Under certain circumstances, it may also be used to increase the share capital by the portion of its balance which exceeds 10% of the capital already increased.

(d) Non-distributable reserve

The Company has made the appropriate reserve for the treasury stock for the amount of euros 870.446 (see note 9). The treasury stock reserve may not be freely distributed, provided that the said stocks have not been disposed of or redeemed.

Otherwise, this reserve includes an amount of euros 3.020 resulting from the conversion and round off of the share capital into euros.

(e) Voluntary reserves

The voluntary reserves may be freely distributed except for an amount of euros 984.046 corresponding to the net book value of the start-up expenses pending amortization by the Company (see note 5).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(13) Deferred Income

Details are as follows:

	Euros	
	2003	2002
Unrealised exchange rate gains	1.421.931	1.215.683
Tax credits deferred income (note 27)	1.574.315	1.771.105
Other (note 9)	870.446	174.089
	<u>3.866.692</u>	<u>3.160.877</u>

“Unrealised exchange rate gains” as at December 31, 2003 and 2002 correspond to the debt due to Scranton Enterprises B.V. (see note 17).

(14) Provisions for Risks and Charges

At December 31, 2003, “Provisions for risks and charges” mainly includes the amount of euros 2.667.330 (897.641 euros at December 31, 2002) corresponding to the provision booked by the Company in order to re-establish the net worth balance of Grifols International, S.A., a company 100% owned by Probitas Pharma, S.A. as detailed in note 8 (a), whose stockholders' equity at December 31, 2003 is negative of euros 2.632.670 (894.593 euros at December 31, 2002).

(15) Promissory notes

During fiscal year 2003, the company has issued long term bearer promissory notes of euros 3.000 par value each for a maximum amount of euros 5.400.000. On December 31, 2003 exists subscribed promissory notes for an amount of euros 5.319.000. The interest rate is 5% and the maturity date is May 2, 2005. The said promissory notes are not listed on the stock exchange nor are they convertible into shares.

The official documentation for the above-mentioned issues is inscribed in the Official Register of the National Securities Market Commission as of March 30, 2003.

During fiscal year 2001, the company issued long term bearer promissory notes of euros 3.000 par value each for a maximum amount of euros 4.500.000. On

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

December 31, 2002 existed subscribed promissory notes for an amount of euros 4.401.000 that were classified as short-term because their maturity date was April 30, 2003. The said promissory notes were not listed on the stock exchange nor were they convertible into shares.

The official documentation for the above-mentioned issues was inscribed in the Official Register of the National Securities Market Commission as of March 23, 2001.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(16) Long-term Bank Loans

Long-term bank loans are detailed as follows:

	Euros	
	2003	2002
Syndicated loan of Euros 225.000 thousand limit, maturing on April 2, 2008 at an interest rate based on EURIBOR plus a spread of between 0,85% and 1,60%, according to certain covenants, acting as agent bank Banco Bilbao Vizcaya Argentaria, S.A.	225.000.000	--
Syndicated loan of Euros 90.000 thousand limit, maturing on April 26, 2006 at an interest rate based on EURIBOR plus a spread of between 0,65% and 1,35%, according to certain covenants, acting as agent bank Banco Bilbao Vizcaya Argentaria, S.A.	--	90.000.000
Instituto de Crédito Oficial (ICO) Euros 8.174 thousand limit, maturing on July 22, 2004 at a interest rate based on MIBOR plus 0,8%	--	4.904.259
Other loans of Euros 2.377 thousand limit, maturing on January 12, 2003 at an interest of between 4,38% and 6,18%.	--	333.380
Institut Català de Finances, maturing on November 29, 2016 at an interest rate of 4,054%	1.024.384	1.024.384
Mortgage of euros 902 thousand limit, maturing on May 16, 2012 and at an interest rate of 5,25%	901.518	901.518
Other loans of Euros 1.801 thousand limit, maturing on January 14, 2004 and June 25, 2005 and at interest rates 4,37% and 4,6%	1.200.000	1.801.012
Mortgage of euros 1.300 thousand limit, maturing on July 30, 2015 and at an interest rate of 3,55%	1.300.000	--
Capital lease creditors (note 6)	817.540	814.055
	230.243.443	99.778.608
Less, short-term (note 18)	(14.862.796)	(19.292.478)
	215.380.647	80.486.130

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details of maturities at December 31, 2003 and 2002 are as follows:

	Euros	
	2003	2002
Maturity within:		
Two years	28.101.201	33.172.808
Three years	103.974.219	30.962.307
Four years	54.332.846	15.147.747
Five years	27.305.307	151.368
Thereafter	1.667.073	1.051.900
	<u>215.380.647</u>	<u>80.486.130</u>

On April 2, 2003, the Company signed a syndicated loan for an amount of euros 225 millions, the agent bank of which is BBVA. The main purpose of this syndicated loan is the debt refinancing, including the payment of the syndicated loan granted on 2001 for an amount of euros 90.000 thousand and the Company's new investments. For its continuity, this syndicated loan maturing on April 2, 2008 is subject to compliance with certain obligations relating to financial ratios. In accordance to the agreed conditions, the degree of compliance with the financial ratios will be determined at the close of each financial year and the Company must provide certain financial information to the granting banks no later than May 15 in the following year. Certain Group companies have set up a guarantee in favour of the financial institutions granting the syndicated loan, through the assignment of accounts receivable with full recourse, for all accounts receivable that they have or could have in the future with certain National Health Service institutions. Likewise, certain Group companies have granted pledges on the balances held in certain current bank accounts to the financial institutions granting the syndicated loan.

At December 31, 2003 four of the financial ratios stipulated in relation to the new syndicated loan of euros 225 million have not been met. The Company's directors are therefore carrying out the necessary procedures to obtain the banks granting for breach of the said ratios (see note 32(a)).

On July 22, 2003 the Company cancelled in advance the loan granted by Instituto de Crédito Oficial (ICO) for an original amount of euros 4.901 thousand.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(17) Other Long-term Creditors

Details of other long-term creditors are as follows:

	Euros	
	2003	2002
Other debts	3.958.828	9.535.616
Increase of share capital in progress (note 12)	--	32.349.360
	<u>3.958.828</u>	<u>41.884.975</u>

The balance of "Other debts" corresponds to the debt with Scranton Enterprises B. V., as a result of the acquisition of the remaining 33,33% of Grifols UK, Ltd. and Grifols Italia, S.p.A. share capital, with annual payments due each 30 of June until June 30, 2005 (see note 28 (b)). The debt recorded includes unaccrued future interest for an amount of euros 135.883 (euros 547.369 at December 31, 2002) (see note 4 (f)), included in "Deferred expenses" and an amount of euros 411.488 (694.920 euros at 31 December 2002) included in "Prepaid expenses".

Details of maturities are as follows:

	Euros	
	2003	2002
Maturity within:		
Two years	3.958.828	4.767.808
Three years	--	4.767.808
	<u>3.958.828</u>	<u>9.535.616</u>

The current portion of this debt amounts to euros 4.443.600 pending at December 31, 2003 is included in others debts under the "Other payables, non-trade caption" (euros 5.050.592 on December 31, 2002) (see note 21).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(18) Short-Term Bank Loans

Short-term bank loans are as follows:

	Interest rate % mín - max	Euros			
		Used		Limit	
		2003	2002	2003	2002
Credits in:					
Euros	2,77%-3,821%	6.667.591	577.180	26.440.370	30.672.483
US dollars	4,03%-8,08%	--	1.233.676	--	1.233.676
		6.667.591	1.810.856	26.440.370	31.906.160
Short-term interest on bank debt		1.490.960	123.959		
Capital lease creditors (note 6)		641.900	752.582		
Short-term maturity of long-term bank credits (note 16)		14.862.796	19.292.478		
		23.663.247	21.979.875		

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(19) Due to Related Companies

Details are as follows:

	Euros	
	2003	2002
Suppliers	124.525	48.239
Loans	1.555.870	83.421
Other short-term debts	2.872.585	10.824
Debts for tax effect:		
Income Tax (note 27)	4.020.288	(5.325)
Advance payments	591.833	1.306.757
	<u>9.165.102</u>	<u>1.443.917</u>

Group company loans accrue annual interest of 3% (see note 24).

(20) Accounts Payable, Trade

Details are as follows:

	Euros	
	2003	2002
Suppliers	5.172.068	6.561.084
Notes payable to suppliers	23.658	11.276
	<u>5.195.726</u>	<u>6.572.360</u>

Nearly all of the outstanding balances are expressed in euros.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(21) Other Payables, Non-Trade

Details are as follows:

	Euros	
	2003	2002
Public entities	1.643.560	1.895.954
Other debts	4.443.600	5.050.592
Accrued wages and salaries	777.197	990.790
	<u>6.864.357</u>	<u>7.937.336</u>

The caption "Other debts" includes the short-term debt pending to be paid to Scranton Enterprises, B.V. (see note 17).

The credit balances with "Public entities" are as follows:

	Euros	
	2003	2002
Due to Tax Authorities for:		
VAT / General Canary Island Tax	61.104	--
Withholdings	316.329	277.830
Due to Social Security	197.666	171.839
Deferred Tax liability (note 27)	1.068.461	1.029.837
Company income tax:		
Delayed payments on account	--	416.448
	<u>1.643.560</u>	<u>1.895.954</u>

(22) Net Sales

As detailed in note 1, nearly all the income arises from operations with related companies (see note 24).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(23) Personnel Expenses

Details are as follows:

	Euros	
	2003	2002
Wages and salaries	10.384.083	8.761.177
Pension plan contributions	32.102	30.513
Social Security and other charges	2.680.611	2.220.111
	13.096.795	11.011.801

The breakdown of the average number of employees, by professional category, is approximately as follows:

	Average number of employees	
	2003	2002
Management	17	14
Technicians and middle management	115	100
Administrative staff	56	48
Auxiliary staff	35	34
	222	196

PROBITAS PHARMA, S.A
Notes to the Annual Accounts
(Free translation from the original in Spanish)

(24) Transactions with Related Companies

The main transactions with related companies are as follows:

	<u>Euros</u>	
	<u>2003</u>	<u>2002</u>
Income		
Net sales and services	23.120.028	18.683.152
Interest income	12.695.879	10.039.551
Dividends	16.815.311	15.145.961
	<u>52.631.218</u>	<u>43.868.664</u>
Expenses		
Other operating expenses	378.947	134.906
Interest expense	1.625	53.020
	<u>380.572</u>	<u>187.926</u>

In addition to the above transactions, the Company has acquired, during year 2003, some tangible fixed assets from related companies for an amount of euros 84.790 (euros 67.051 at December 31, 2002).

(25) Extraordinary expenses and losses

Includes on December 31, 2002 all the expenses the Company has incurred in the initial public offer that has been postponed until the year 2003 due to the situation of the stock market.

(26) Remunerations of Members of the Board of Directors

The members of the Board of Directors of Probitas Pharma, S.A. have not received any amounts by way of remuneration for their duties.

The overall remuneration of the members of the Board of Directors who have a working relationship with the Company amounts to euros 1.847.774 in 2003 (950.847 euros at December 31, 2002).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

At December 31, 2003 and 2002, no debtor or creditor balances are held with the members of the Board of Directors.

The directors of the Company do not hold any investments or posts as directors or conduct any activities in companies with a statutory activity which is identical, similar or complementary to that of the Company. Nonetheless, some of the members of the board of directors do hold management posts or conduct similar management-related duties in other group companies, which have not been included in this note to the annual accounts.

(27) Tax Situation

The Company is obliged to file annual corporate income tax returns. The profits determined under tax legislation, are subject to a tax rate of 35%. Certain allowances can be deducted from the basic tax liability.

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Due to the different treatment of certain operations, the results for tax purposes differ from those reported for accounting purposes. The reconciliation of the consolidated results for the year with the aggregated taxable income is as follows:

	Euros	
	2003	2002
Profit before taxes for the year	12.749.402	8.732.407
Permanent differences:		
From current year	(4.638.469)	(9.597.377)
Intragroup transactions	(11.998.312)	(9.145.961)
	(16.636.781)	(18.743.338)
Taxable accounting income	(3.887.380)	(10.010.931)
Timing differences		
From current year	2.642.866	830.670
Previous years	(85.327)	(140.817)
	2.557.539	689.853
Reversal of Taxable profit (loss)	(1.329.841)	(9.321.078)
Tax at 35%	(465.444)	(3.262.377)
Deductions and tax credits	--	(14.846)
Fiscal quota	(465.444)	(3.277.223)
Withholdings and prepayments	(1.351.873)	(1.220.040)
Net tax credit	(1.817.318)	(4.497.263)

Owing to the fact that Probitas Pharma, S.A. is the parent company, it is responsible before the tax authorities for the filing and payment of consolidated income tax returns.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

The detail of the consolidated quota resulting from the individual quota of the Company plus the quotas of the other related companies filing consolidated income tax returns is as follows:

	Euros	
	2003	2002
Corporate tax:		
Individual, refundable	(1.817.318)	(4.497.263)
Related companies, payable / (credit) (note 19)	(4.020.288)	5.325
Related companies, payable (note 11)	4.485.273	3.280.359
Consolidated corporate tax credit	(1.352.333)	(1.211.580)
	(note 10)	

The Corporate income tax expense for the year is calculated as follows:

	Euros	
	2003	2002
Taxable loss	(3.887.380)	(10.010.931)
Tax at 35%	(1.360.583)	(3.503.826)
Deductions and tax credits	(172.209)	(14.846)
Economic deductions	(1.026.676)	(1.749.850)
Prior period income tax	8.948	--
Expense (income) for the year	(2.550.519)	(5.268.521)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details of the timing differences in respect of the recording of expenses and income for accounting and tax purposes, together with the corresponding accumulated deferred tax effect, is as follows:

	Euros			
	Timing difference		Tax effect	
	2003	2002	2003	2002
Deferred tax assets				
Amortization	20.390	34.942	7.137	12.230
Pension fund	599.419	726.420	209.797	254.247
Provisions for investments	3.063.920	957.682	1.072.372	335.189
	<u>3.683.729</u>	<u>1.719.043</u>	<u>1.289.305</u>	<u>601.665</u>
			(note 10)	
Deferred tax liabilities				
Accelerated depreciation	(50.677)	(106.902)	(17.737)	(37.416)
Lease contracts	(3.002.070)	(2.835.488)	(1.050.724)	(992.421)
	<u>(3.052.747)</u>	<u>(2.942.390)</u>	<u>(1.068.461)</u>	<u>(1.029.837)</u>
			(note 21)	

On December 31, 2003 the Company has recognized a tax credit for an amount of euros 1.492.950 related to the tax-losses carried forward, that at December 31, 2003 amount to euros 4.265.571, as the Company estimates its future recovery (see notes 4(i) and 10). Otherwise, on December 31, 2003 the Company has recognized the deduction for double taxation pending to be applied for an amount of euros 172.309 (see note 10).

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

Under current tax legislation, tax returns filed may not be considered definitive until approved by an inspection of the tax authorities or until their right to inspect has expired. The Company is open to inspection by the Tax Authorities for all the applicable taxes from fiscal year ending December 31, 2000 (December 31, 1999 for the Corporate Income Tax). The management of the Company does not expect any significant liabilities to arise in the event of an inspection.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

In accordance with the consolidated income tax returns filed and to the estimated consolidated tax return of the year 2003, the Company has the following tax losses carry forward to offset against estimated future tax benefits:

Year of origin	Euros	Applicable until
2002	3.562.361	2017
2003	703.210	2018
	<u>4.265.571</u>	

On December 31, 2003 the Company has recognized a tax credit asset for an amount of euros 1.492.950 corresponding to tax-losses carried forward, that at December 31, 2003 amount to euros 4.265.571, as the Company estimates reasonable its future recoverability (see notes 4(i) and 10). Likewise, on December 31, 2003 the Company has recognized the deduction for double taxation pending to be applied for an amount of euros 172.309 (see note 10).

The Company has available deductions related to investments pending application as follows:

Year of origin	Euros	Applicable until
2000	1.967.894	2015
2001	19.225	2016
2002	1.539.733	2017
2003 (estimated)	829.887	2018
	<u>4.356.738</u>	

As mentioned in note 4 (i), on December 31, 2003 the Company's Directors have recognized an amount of euros 4.357 thousand corresponding to the tax credit on deductions pending to be applied, having been estimated its recovery in the future. Otherwise, the income related to this recognition has been deferred depending on the useful life of the assets which have generated said tax credits, mainly investments abroad.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details, of said recognition and of the amounts pending to be applied, as at December 31, 2003 and 2002 are as follows:

	Euros	
	2003	2002
Tax credit on deductions pending to be applied	4.350.841	3.526.852
Other movements	5.897	--
Deductions applied in the year	--	(5.897)
Tax credit on deductions (notes 8 and 10)	4.356.738	3.520.954
Initial tax credit deferred income	2.600.991	3.520.954
Recognized income in the year	(1.026.676)	(1.749.850)
Final tax credit deferred income (note 13)	1.574.315	1.771.105

(28) Guarantees with Third Parties and Other Contingent Liabilities

(a) Guarantees

The company has provided bank guarantees to subsidiaries for a sum of euros 122.500 thousand.

(b) Guarantee commitments with third parties

In contracts signed on December 22, 1999, the Company assumed certain obligations regarding the guarantee of payments in relation to the purchase of shares of Grifols UK, Ltd. and Grifols Italia, S.p.A. by Scranton Enterprises, B.V. Regarding the said agreements, the Company on the one hand pledges the outstanding shares of Grifols UK, Ltd. and Grifols Italia, S.p.A. that it owns, on the other guarantees certain payments that Scranton Enterprises, B.V. has to make, as detailed below:

Thousands of US dollars	Maturity date
5.000	30/06/04
5.000	30/06/05
<u>10.000</u>	

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

During fiscal year 2000, the Company acquired the shares of Grifols UK, Ltd. and Grifols Italia, S.p.A. that Scranton Enterprises, B.V. owned, for the same amount in dollars and the same maturity dates that Scranton Enterprises, B.V. has to meet (see notes 8 and 17).

As per the agreement between the companies, Probitas Pharma, S.A. will cancel its debt by the payment, on behalf of Scranton Enterprises, B.V., to the creditor of the latter company.

(c) Pension commitments

As mentioned in note 4(n), the Company jointly with its Spanish subsidiaries are obliged to set up a defined contribution pension plan.

The annual contribution of the Spanish Group companies would not exceed the amount of euros 300.506 for each of the years 2002 and 2003.

In the following years said contribution will be established through collective negotiation.

(d) Swap contracts

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

At December 31, 2003 the Company has two swap contracts for a nominal amount of euros 60.000 thousand and 50.000 thousand, maturing on April 26, 2006 and April 28, 2008.

(e) Guarantee commitments with Mitsubishi Pharma Corporation

The Company, as a consequence for the acquisition by Grifols Biologicals, Inc. of the plasma fractionation division of Alpha Therapeutic Corporation and regarding the payment of US dollars 27.500 thousand which will be settled on July 16, 2007, is committed to extend a guarantee to Mitsubishi Pharma Corporation prior to January 31, 2004 which, if not provided, could lead to the aforementioned payment being payable on demand in the short term (see note 32(b)).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(29) Environmental Information

The most significant systems, equipments and installations for the environment protection and improvement as at December 31, 2003 are as follows:

Project	Euros		
	Cost	Accumulated depreciation	Net value
Equalization pool	4.571	(1.486)	3.086
Waste points union	46.737	(6.232)	40.506
Wells' improvement	38.542	(6.745)	31.797
Water recovery	42.218	(31.681)	10.537
Chemical products warehouse building	20.033	(8.347)	11.686
HCL deposit replacement	12.999	(6.066)	6.933
Neutralization tank automation	6.053	(3.885)	2.167
Drainage adjustment	8.907	(7.726)	1.181
	180.060	(72.167)	107.893

The expenses incurred by the Company in the protection and improvement of the environment during the fiscal year ended December 31, 2003 have amounted to approximately euros 106 thousand.

With the processes currently implemented, the Company considers that the environmental risks are adequately controlled.

The Company has not received any environmental grants during the fiscal year ended December 31, 2003.

(30) Other information

KPMG Auditores, S.L. and those other companies with which this company is linked, as stipulated in the fourteenth Additional Regulation of the Financial System Reform Act have invoiced the following fees and expenses to the Company for professional services during the year ended December 31, 2003:

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

	Euros
For annual audit services	41.623
For other services	27.697
	<u>69.320</u>

The amount for annual audit services shown in the table above includes the full amount of fees relating to the audit for the year 2003, irrespective of their invoicing date.

(31) Statement of Source and Application of Funds

The statement of source and application of funds corresponding to the years ended December 31, 2003 and 2002 are detailed in Annex III, which forms an integral part of this note of the annual accounts.

(32) Subsequent events

(a) Syndicated loan banks grant for breach of financial ratios

Dated March 31, 2004, the Company obtained the confirmation from BBVA, agent bank of the syndicated loan dated April 2, 2003, that the group of the participant banks have accepted by majority the request of granting for breach of the financial ratios included in the contract and that, at December 31, 2003, the Company did not meet (see note 16).

(b) Agreement with Mitsubishi Pharma Corporation

On January 31, 2004 the Company signed an agreement with Mitsubishi Pharma Corporation, committing both parties to defer the extension of the guarantee described in note 28 (e) and covering the final payment for the acquisition of the fractionation business line of Alpha Therapeutic Corporation until a month after the potential stock market flotation of the Company or, in the event that the Company is not floated, renegotiate how this guarantee is to be extended.

ANNEX I
PROBITAS PHARMA, S.A.

Details of related companies' stockholders' equity
December 31, 2003

(Stated in euros)
(Free translation from the original in Spanish)

Name	Participation %		Share capital	Share premium	Reserves	Currency translation differences	Result from previous years	Result of the year	Total
	Direct	Indirect							
Laboratorios Grifols,S.A.	99,998	0,002	4.798.324	-	5.989.416	-	-	(508.728)	10.279.012
Instituto Grifols,S.A.	99,998	0,002	1.537.989	-	22.727.207	-	-	2.911.020	27.176.216
Movaco,S.A.	99,999	0,001	2.404.601	-	2.783.174	-	-	4.333.525	9.521.300
Grifols Portugal Produtos Farmacéuticos e Hospitalares.Lda.	0,025	99,975	705.649	-	488.000	20.379	(868.186)	(116.951)	208.890
Diagnostic Grifols,S.A.	99,998	0,002	336.560	-	3.313.114	-	-	2.606.661	6.256.336
Logister,S.A.	-	100,000	105.325	-	216.338	-	-	10.006	331.669
Grifols América,Inc.	100,000	-	30.862	-	813.108	177.929	(838.014)	(263.372)	(79.486)
Grifols Chile,S.A.	100,000	-	385.453	-	(347.588)	219.813	(163.820)	469.061	562.919
Biomat,S.A.	99,900	0,100	60.110	-	3.177.641	-	-	1.370.195	4.607.946
Grifols Argentina,S.A.	100,000	-	955.675	-	5.291.980	406.168	(5.273.321)	335.378	1.715.880
Grifols s.r.o.	100,000	-	51.597	-	184.092	(28.507)	258.502	242.648	708.333
Grifols México,S.A. de C.V.	100,000	-	553.676	-	1.177.085	460.717	(103.220)	(165.967)	1.922.291
Grifols Viajes,S.A.	99,900	0,100	60.110	-	107.485	-	-	73.534	241.130
Grifols USA, Inc.	100,000	-	356.009	-	(2.777)	24.989	451.226	(1.157.638)	(328.191)
Grifols International,S.A.	99,900	0,100	60.110	-	(1.017.080)	-	(1.971.783)	(1.738.076)	(2.632.670)
Grifols Deutschland, GmbH	100,000	-	2.924.813	-	1.293.343	8.913	225.404,98	(30.968)	4.421.506
Grifols Italia,S.p.A.	100,000	-	308.662	2.829.415	1.696.498	17.111	1.802.024,56	1.672.906	8.326.616
Grifols UK,Ltd.	100,000	-	4.285	4.385.892	4.446.976	(218.906)	1.416.551	2.390.417	12.425.216
Grifols Brasil,Ltda.	100,000	-	764.095	-	(1.954.720)	(490.322)	2.037.520	132.258	488.830
Grifols-Quest,Inc.	-	100,000	467	373.333	(1.109.052)	569.577	(1.079.083)	(601.515)	(1.846.273)
Grifols France,S.A.R.L.	99,000	1,00	7.700	-	770	-	462.197	2.446	473.113
Grifols Engineering, S.A.	99,950	0,050	60.120	-	284.725	-	-	367.556	712.401
Biomat USA, Inc.	-	100,000	-	54.608.570	593.303	(12.480.211)	(13.515.019)	(1.996.953)	27.209.689
Squadron Reinsurance Ltd.	100,000	-	1.000.000	-	-	(1)	-	492.167	1.492.166
Probitas Pharma, Inc.	100,000	-	10.601.643	-	-	(877.631)	-	(2.765.528)	6.958.484
Grifols Asia Pacific Pte. Ltd.									
(formerly Alpha Therapeutic Asia Pte. Ltd.)	100,000	-	362.387	883.464	-	(97.380)	(180.344)	283.822	1.251.950
Alpha Therapeutic Europe, Ltd.	100,000	-	9.277.682	-	-	(31.064)	(3.040.246)	218.370	6.424.742
Grifols Biologicals, Inc.	-	100,000	10.601.643	-	-	(2.348.704)	-	12.161.020	20.413.960
Grifols (Thailand) Ltd.									
(formerly Alpha Therapeutic (Thailand), Ltd.)	-	48,000	61.198	234.646	-	(80.144)	(212.611)	165.925	169.014
Alpha Therapeutic UK, Ltd.	-	100,000	1	-	-	(769)	(219.131)	93.495	(126.403)
Alpha Therapeutic Italia, S.p.A	-	100,000	1.465.628	-	1.693.968	(50.885)	(1.947.775)	(577.216)	583.721

This annex forms an integral part of note 8 to the accompanying annual accounts.

ANNEX I
PROBITAS PHARMA, S.A.

Details of related companies' stockholders' equity
December 31, 2002
(Stated in euros)
(Free translation from the original in Spanish)

Name	Participation %		Share capital	Share premium	Reserves	Currency translation differences	Result from previous years	Result of the year	Interim dividend	Total
	Direct	Indirect								
Laboratorios Grifols,S.A.	99,998	0,002	1.798.312	--	5.808.974	--	--	180.442	--	7.787.729
Instituto Grifols,S.A.	99,998	0,002	1.537.989	--	20.097.684	--	--	10.629.523	--	32.265.196
Movaco,S.A.	99,999	0,001	2.404.601	--	2.291.559	--	--	2.991.616	--	7.687.775
Grifols Portugal Productos Farmacéuticos e Hospitalares.Lda.	0,025	99,975	405.491	--	468.000	20.379	(440.152)	(428.034)	--	25.683
Diagnostic Grifols,S.A.	99,998	0,002	336.560	--	2.238.129	--	--	1.074.985	--	3.649.674
Logister,S.A.	--	100,000	105.325	--	209.572	--	--	6.765	--	321.663
Grifols América,Inc.	100,000	--	30.862	--	813.108	142.949	(572.635)	(265.379)	--	148.905
Grifols Chile,S.A.	100,000	--	385.453	--	(347.588)	204.099	29.964	(193.784)	--	78.143
Biomat,S.A.	99,900	0,100	60.110	--	2.743.084	--	--	1.934.557	--	4.737.751
Grifols Argentina,S.A.	100,000	--	955.675	--	5.291.980	501.825	(4.222.724)	(1.050.597)	--	1.476.159
Grifols s.r.o.	100,000	--	51.597	--	184.092	(14.849)	63.539	494.963	--	779.342
Grifols México,S.A. de C.V.	100,000	--	553.676	--	1.177.085	972.380	41.175	(144.395)	--	2.599.921
Grifols Viajes,S.A.	99,900	0,100	60.110	--	90.978	--	--	16.508	--	167.595
Grifols USA, Inc.	100,000	--	356.009	--	(2.777)	98.325	5.523	445.703	--	902.783
Grifols International,S.A.	99,900	0,100	60.110	--	1.017.080	--	--	(1.971.783)	--	(894.593)
Grifols Deutschland, GmbH	100,000	--	2.924.813	--	1.293.343	8.913	--	1.225.405	--	5.452.474
Grifols Italia,S.p.A.	100,000	--	308.662	2.829.415	1.696.498	17.111	454.412	3.847.613	--	9.153.710
Grifols UK,Ltd.	100,000	--	4.285	4.385.892	4.446.976	736.323	(210.739)	2.649.490	--	12.012.228
Grifols Brasil,Ltda.	100,000	--	764.095	--	(1.954.720)	(546.370)	--	2.037.520	--	300.525
Grifols-Quest,Inc.	--	68,150	467	373.333	(1.109.052)	246.696	(503.249)	(575.835)	--	(1.567.639)
Grifols France,S.A.R.L.	100,000	--	7.700	--	770	--	327.615	134.583	--	470.668
Grifols Engineering, S.A.	100,000	--	60.120	--	96.137	--	--	188.588	--	344.845
Biomat USA, Inc. (formerly Seracare, Inc.)	--	100,000	--	54.608.570	593.303	(6.706.486)	(21.509.643)	7.994.623	--	34.980.367

ANNEX II
PROBITAS PHARMA, S.A.

**Movement in Stockholders' equity for the years ended
December 31, 2003 and 2002**

(Stated in euros)
(Free translation from the original in Spanish)

	Share capital	Share premium	Legal reserve	Non-distributable reserve	Voluntary reserve	Result for the year	Total
Balances at 31 December 2001	19.843.640	91.115.742	2.930.466	177.109	7.790.509	11.576.241	133.433.706
Application 2001 result							
Reserves	--	--	1.038.262	--	9.327.517	(10.365.779)	0
Dividends	--	--	--	--	--	(1.210.462)	(1.210.462)
Profit for the year	--	--	--	--	--	14.000.928	14.000.928
Balances at 31 December 2002	19.843.640	91.115.742	3.968.728	177.109	17.118.026	14.000.928	146.224.173
Application 2002 result							
Reserves	--	--	--	--	11.900.789	(11.900.789)	0
Dividends	--	--	--	--	--	(2.100.139)	(2.100.139)
Increase of share capital with monetary contribution	1.324.504	38.675.517	--	--	--	--	40.000.021
Increase of share capital against the share premium reserve	84.672.576	(84.672.576)	--	--	--	--	0
Increase of treasury stock reserve	--	--	--	696.357	(696.357)	--	0
Profit for the year	--	--	--	--	--	15.299.921	15.299.921
Balances at 31 December 2003	105.840.720	45.118.683	3.968.728	873.466	28.322.459	15.299.921	199.423.976

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

ANNEX III
PROBITAS PHARMA, S.A.

**Statement of source and application of funds for the years ended
December 31, 2003 and 2002**

(Stated in euros)
(Free translation from the original in Spanish)

Applications	2003	2002	Sources	2003	2002
Funds applied to operations					
Start-up expenses and loan formalisation expenses	603.993	687.758	Funds generated from operations	15.299.921	14.000.928
Acquisition of assets :			Profit for the year	4.432.470	3.739.105
Intangible assets	1.946.450	1.773.288	Depreciation of fixed assets	36.575	754.569
Tangible fixed assets	3.221.517	7.256.525	Provisions for investments	2.106.238	958.690
Investments	47.192.600	5.420.300	Provisions for risks and charges	(61.049)	(54.100)
Dividends	2.100.139	1.210.462	Surplus of provisions for risks and charges	399.652	224.256
Cancelation or transfer of long term debt to short term	95.198.663	27.490.062	Formalisation expenses of bank loans	216.699	177.568
			Amortisation of deferred expenses	(15.448)	(3.297)
			Profit from disposals of fixed assets	(200.445)	(2.108.351)
			Adjustments for foreign exchange losses	(1.026.677)	(1.749.850)
			Other deferred income transferred to result		
			Total funds generated from operations	21.187.936	15.939.518
Total applications					
Increase in working capital		150.263.361	Capital increase with share premium		--
		43.838.395	Long-term debts		7.650.662
		108.012.993	Other deferred income		228.542.145
		258.276.354	Disposal of assets :		829.887
		57.184.958	Intangible assets		--
		57.184.958	Tangible fixed assets		60.060
		57.184.958	Investments		5.664
		57.184.958	Total sources		258.276.354
		57.184.958	Decrease in working capital		--
		57.184.958			57.184.958

ANNEX III
PROBITAS PHARMA, S.A.

**Statement of source and application of funds for the years ended
December 31, 2003 and 2002**

(Stated in euros)
(free translation from the original in Spanish)

The variations in the working capital are the following :

	Increase (Decrease)	
	2003	2002
Inventories	273.571	(50.024)
Debtors	3.949.929	(740.347)
Short-term investments	106.776.988	21.532.687
Cash and banks	(1.053.368)	2.155.453
Deferred expenses	826.065	(1.185.952)
Promissory notes	4.401.000	(4.401.000)
Bank loans	(1.794.054)	(4.713.230)
Capital lease creditors	110.682	(80.445)
Due to related companies	(7.721.185)	1.139.884
Account payable, trade	1.376.634	(1.453.836)
Other payable, non trade	1.072.979	2.359.056
Foreign exchange gains	(206.248)	(1.215.683)
Variation of working capital	108.012.993	13.346.563

This annex forms an integral part of note 32 to the accompanying annual accounts.

ANNEX IV
PROBITAS PHARMA, S.A.

Details of work performed at December 31, 2003 in related companies

(Stated in euros)
(Free translation from the original in Spanish)

Company	Work performed	December 31, 2003		
		Assets	Net equity	Profit / (Losses)
Laboratorios Grifols, S.A.	Full audit	54.006.619	10.279.012	(508.728)
Instituto Grifols, S.A.	Full audit	432.898.531	27.176.216	2.911.020
Movaco, S.A.	Full audit	44.429.543	9.521.300	4.333.525
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	Full audit	7.629.048	208.890	(116.951)
Diagnostic Grifols, S.A.	Full audit	24.466.484	6.256.336	2.606.661
Grifols America, Inc.	Full audit	604.845	(79.486)	(263.372)
Grifols Chile, S.A.	Full audit	5.714.797	562.919	469.061
Biomat, S.A.	Full audit	8.843.279	4.607.946	1.370.195
Grifols Argentina, S.A.	Full audit	1.916.850	1.715.880	335.378
Grifols s.r.o.	Full audit	8.827.634	708.333	242.648
Grifols México, S.A. de C.V.	Full audit	6.527.852	1.922.291	(165.967)
Grifols International, S.A.	Full audit	4.996.890	(2.632.670)	(1.738.076)
Grifols Deutschland, GmbH	Full audit	14.422.102	4.421.506	(30.968)
Grifols UK, Ltd.	Full audit	18.048.033	12.425.216	2.390.417
Logister, S.A.	Limited review	860.455	331.669	10.006
Grifols Viajes, S.A.	Limited review	368.830	241.130	73.534
Grifols Italia, S.p.A.	Full audit	37.965.544	8.326.616	1.672.906
Grifols USA, Inc	Limited review	2.845.542	(328.190)	(1.157.638)
Grifols Brasil, Ltda.	Limited review	3.415.670	488.830	132.258
Quest International, Inc.	Not applicable	985.337	595.446	47.143
Grifols-Quest, Inc.	Not applicable	801.363	(1.846.273)	(601.515)
Grifols France, S.A.R.L.	Not applicable	1.221.048	473.113	2.446
Grifols Engineering, S.A.	Limited review	4.811.873	712.401	367.556
Biomat USA, Inc.	Full audit	50.118.843	27.209.689	(1.996.953)
Squadron Reinsurance Ltd.	Not applicable	2.493.787	1.492.166	492.167
Probitas Pharma, Inc.	Full audit	11.521.420	6.958.484	(2.765.528)
Grifols Asia Pacific Pte. Ltd.	Limited review	6.426.276	1.251.950	283.822
(formerly Alpha Therapeutic Asia Pte. Ltd.)	Not applicable	11.783.839	6.424.742	218.370
Alpha Therapeutic Europe, Ltd.	Full audit	126.433.101	20.413.960	12.161.020
Grifols Biologicals, Inc.				
Grifols (Thailand) Ltd.				
(formerly Alpha Therapeutic (Thailand) Ltd.)	Limited review	1.027.047	169.014	165.925
Alpha Therapeutic UK, Ltd.	Not applicable	1.184.139	(126.403)	93.495
Alpha Therapeutic Italia, S.p.A	Limited review	6.439.105	583.721	(577.216)

This annex forms an integral part of note 8 to the accompanying annual accounts.

ANNEX IV
PROBITAS PHARMA, S.A.

Details of work performed at December 31, 2002 in related companies

(Stated in euros)
(Free translation from the original in Spanish)

Company	Work performed	December 31, 2002		
		Assets	Net equity	Profit / (Losses)
Laboratorios Grifols, S.A.	Full audit	48.584.176	7.787.729	180.442
Instituto Grifols, S.A.	Full audit	409.367.950	32.265.196	10.629.523
Movaco, S.A.	Full audit	40.354.049	7.687.775	2.991.616
Grifols Portugal Produtos Farmacéuticos e Hospitalares, Lda.	Full audit	6.884.176	25.683	(428.034)
Diagnòstic Grifols, S.A.	Full audit	20.084.738	3.649.674	1.074.985
Grifols América, Inc.	Full audit	783.786	148.905	(265.379)
Grifols Chile, S.A.	Full audit	5.198.010	78.143	(193.784)
Biomat, S.A.	Full audit	9.300.162	4.737.751	1.934.557
Grifols Argentina, S.A.	Full audit	1.636.738	1.476.159	(1.050.597)
Grifols s.r.o.	Full audit	6.818.539	779.342	494.963
Grifols México, S.A. de C.V.	Full audit	8.047.147	2.599.921	(144.395)
Grifols International, S.A.	Full audit	2.779.249	(894.593)	(1.971.783)
Grifols Deutschland, GmbH	Full audit	12.801.373	5.452.474	1.225.405
Grifols UK, Ltd.	Full audit	17.075.751	12.012.228	2.649.490
Logister, S.A.	Limited review	609.076	321.663	6.765
Grifols Viajes, S.A.	Limited review	499.166	167.595	16.508
Grifols Italia, S.p.A.	Full audit	46.391.200	9.153.710	3.847.613
Grifols USA, Inc	Limited review	2.739.507	902.783	445.703
Grifols Brasil, Ltda.	Limited review	3.241.091	300.525	2.037.520
Quest International, Inc.	Not applicable	718.912	651.836	76.919
Grifols-Quest, Inc.	Not applicable	1.027.935	(1.567.639)	(575.835)
Grifols France, S.A.R.L.	Not applicable	1.718.065	470.668	134.583
Grifols Engineering, S.A.	Limited review	1.734.714	344.845	188.588
Biomat USA, Inc. (formerly Seracare, Inc.)	Full audit	58.569.061	34.980.367	7.994.623

This annex forms an integral part of note 8 to the accompanying annual accounts.

DIRECTORS' REPORT

PROBITAS PHARMA, S.A.

To the Shareholders:

Probitas Pharma, S.A. is the parent company of the Grifols Group. The Company's principal activities consist of:

- To establish general policies and procedures to be followed by the whole group.
- To plan future investments through the opening of new markets or the diversification of the products.
- To give support to the different areas that form each of the group companies (product area, technical area, marketing area, scientific area, financial area control and planning area).
- To rent the buildings owned by the group.
- To provide its subsidiaries with a range of services they are in need of, such as personnel management, corporate communication, information systems and maintenance.

The income of the Company results from the rental of its buildings, the services rendered and the dividends received from its subsidiaries.

Within the international projection line followed by the Company, we underline the purchase of certain Alpha Therapeutic Corp. assets, including the fractioning plant in Los Angeles. With this acquisition, the commercial companies in Singapore, Thailand and Malaysia were also incorporated into the Company.

Operations with the treasury stock:

On May 25, 2001 Probitas Pharma, S.A. increased its share capital debited to the share premium reserve. The shareholders of the Company have waived their preferential subscription right on 1.740.892 new shares of euros 0,10 per share on account of the Company and they have expressly authorised the treasury stock generated in the Company as a result of this agreement. Likewise, they have authorised that the said treasury stock be distributed to the employees of the group companies based on compliance with certain conditions and terms and following a distribution policy already established. This treasury stock represents 0,82% of the share capital of Probitas Pharma, S.A. at 31 December 2003.

PROBITAS PHARMA, S.A.

Increase in share capital with monetary contribution:

On November 25, 2002, the Company, making use of the authorization granted at the shareholders' meeting, agreed an increase in share capital for the total amount of euros 40 million. The subscription period finished on January 10, 2003, being this increase in share capital fully subscribed and disbursed.

Increase in share capital against share premium reserve:

On May 21, 2003, the Company, making use of the authorization granted at the shareholders' meeting, agreed an increase in share capital against share premium reserve for the total amount of euros 84.672.576, by rising the par value of all the shares up to euros 0,50.

PROBITAS PHARMA, S.A.

In accordance with the provisions of article 171, section 1, of the Spanish Limited Company Act currently in force, the Directors of Probitas Pharma, S.A. have prepared the annual accounts and Directors' Report of Probitas Pharma, S.A. corresponding to the years 2003 and 2002, all of which are drawn up and identified on sheets of paper bearing the official state seal, 8th class, numbered from OG6336579 to OG6336642.

Parets del Vallés, 31 March 2004

Signed:

V. Grifols R., Capital Riesgo Global, S.C.R., S.A. (Iñigo Sánchez-Asiain), R. Riera R., T. Daga G., B. Plost, J.I. Twose R., Gabriella Holding Netherlands, N.V. (C.M.C. Purslow), Thortol Holdings B.V. (J.A. Grifols G.), A.C. Fairley Smith, C.M.C. Purslow, F. González-Robatto F., R. Grifols R.