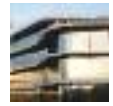
10

2010
ANNUAL
REPORT

GRIFOLS

Index

1. Introduction



1.1 2010 in figures

990.7
million euros
in sales revenue

8.5%
sales growth

773.4
million euros in sales
of plasma derivatives

11.3%
increase in Bioscience

77%
of income generated
outside Spain

22.5%
growth in United States

272.5
million euros
recurring EBITDA*

2.4%
growth
27.5% EBITDA to sales margin

127.1
million euros
net recurring profit*

12.9%
of sales

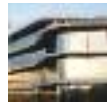
604.9
million euros
net financial debt

2.4
times EBITDA

5,968
average
workforce size

60%
approximately
employed in USA

* Excluding the costs associated with the agreement to purchase Talecris Biotherapeutics



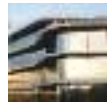
1.2 Main events of 2010

First quarter

- First anniversary of the Grifols Academy of Plasmapheresis.
- Grifols Engineering has won the contract for the construction and development of a new 4600 m^2 plant at the Zamudio Technology Park (Bilbao) for Portuguese company, Bial Farmacéutica.
- FDA grants marketing approval for "Set Multiple 6 to 1" which expands the range of accessories for the Gri-Fill 3.0 system, aimed at improving safety in the preparation of intravenous mixtures for hospital pharmacy.
- Incorporation of holographic seal for plasma product containers to improve safety and provide patients and medical staff with maximum guarantees that they are receiving an original Grifols product.
- Installation of Misterium® clean room for stem cell cultivation in the G. Gaslini Children's Hospital in Italy.

Second quarter

- Acquisition of intellectual property rights for the treatment of Post-Polio Syndrome (PPS) with intravenous immunoglobulin (IVIG) from Pharmalink.
- Creation of two new subsidiaries in Sweden and Colombia and opening of a representative office in China.
- Definitive agreement to purchase Talecris Biotherapeutics for 1,100 million dollars. The total value of the transaction, including net debt, is approximately 4,000 million dollars.
- Grifols International obtains ISO quality certificate 9001.
- Agreement with Progenika Biopharma to distribute a new blood genotyping test BLOODChip®.
- Start of new medical study of 300 patients exploring the possibility of treatment of Alzheimer's disease using plasma products.
- Presentation of new Erytra® high-capacity automatic analyzer for blood typing at the 31st Congress of the ISBT in Berlin.
- Extension of agreement with Health Robotics for distribution of CytoCare in Spain and Portugal.
- Expansion of DG Gel® card manufacturing capacity at Barcelona plant.



1.2 Main events of 2010

Third quarter

- Grifols obtains credit rating from the two leading rating agencies, Moody's and Standard & Poor's.
- Grifols obtains FDA license to market intravenous immunoglobulin (IVIG) Flebogamma® DIF at 10% concentration.
- Completion of construction of Flebogamma® DIF manufacturing plant at Los Angeles site, and start of validation process.
- New facilities in Switzerland to increase production of MDmulticard® blood group identification cards.
- Incorporation of Mix2Vial® device for clotting factors manufactured in the USA, enabling needle-free transfer of this plasma product.

Fourth quarter

- Installation of first BlisPack® system at Fernando da Fonseca Hospital, Sintra, Portugal.
- Completion of validation of new plasma emptying and clotting factor production facilities at the Los Angeles plant.
- Grifols agrees loan contracts for Talecris purchase: 1,500 million dollars with financial institutions, 1,600 million dollars with institutional investors, and a revolving credit line for 300 million dollars.
- Grifols obtains EMA license for European marketing of intravenous immunoglobulin IVIG, Flebogamma® DIF, at 10%.

Awards in 2010

- Doctor Víctor Grifols i Lucas, Honorary President and founder of Grifols, received the "Gold Medal for Achievement at Work", presented by Spain's Minister for Employment and Immigration, Celestino Corbacho.
- ESADE Alumni, the ESADE business school alumni association, with 38,000 members, awarded the group's current president, Víctor Grifols Roura, the prize for "Best business achievement".
- Spain's Ministry for Industry rated Grifols as excellent in Plan Profarma 2009, a project which assesses the activity and investment of Spanish companies in R&D+i.

1.3 Letter from the President

Dear shareholders,

As in previous years, I am writing to you with an analysis of the year's activity with two aims in mind: to set out the achievements of Grifols and to express my firm belief that we are laying the foundations for a new stage in our company's history.

In 2010 Grifols celebrated 70 years. Seven decades. Over 25,000 days, characterized by growth, learning and change. Achieving success and overcoming obstacles. Delivering technological and scientific progress. Contributing, in sum, to the progress of society with safe, high-quality products of proven efficacy in the medical-hospital sector.

During the 1990s we consolidated our group's activities and its manufacturing structure. Building on this platform, during the first decade of the new millennium the group has pursued a strategy of international expansion. We now have a presence in over 90 countries, 77% of our income is generated in international markets, and with the opening of a representative office in China and two new subsidiaries, in Colombia and Sweden, we have a direct presence in 23 countries. This market diversification strategy, which began in 1986, has been essential to our ability to adapt to the current economic crisis, reducing its impact as far as possible and preparing for growth in the future.

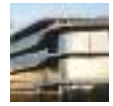
To this end, we have continued to invest in our business. Despite a difficult environment, at Grifols we have stuck to our investment program for 2010, allocating 95 million euros to improving and expanding our manufacturing capacity. By the end of the year, over 90% of the Strategic Plan for the period 2008-2011 had been implemented, representing total investment of 450 million euros. As a result, we are well placed to continue to grow.

We have raw material, we have innovative, new sample testing laboratories, and we are working to increase our protein fractionation and purification capacity in order to meet the needs of patients and health professionals beyond 2013. The intravenous immunoglobulin manufacturing plant in Los Angeles (United States) is at the validation stage, as is the fibrin glue manufacturing facility in Barcelona (Spain). In addition, our new sample testing laboratory in San Marcos (Texas) is at the validation stage, and there is also a range of new projects awaiting go-ahead, such as a new plasma fractionation plant in Barcelona.

Our investment strategy has also included a strong focus on research. Over 4% of our sales income is allocated to the promotion of scientific progress, including both the search for new applications of our plasma products and improving our production processes, among other areas. Some of the most ambitious research lines include investigating a potential treatment for Alzheimer's disease and cirrhosis of the liver using plasma proteins, both of which could benefit thousands of people across the globe.

During 2010, investment, research and international expansion have been confirmed as providing the basis for the growth of the group. And it is this growth, planned and managed responsibly, which has delivered sales of over 990 million euros in 2010, some 8.5% higher than in 2009.

1.3 Letter from the President



However, I would also like to highlight the fact that, if we look solely at recurring business, generated by the Bioscience, Diagnostic and Hospital divisions, overall sales revenue actually rose by 10.7%. This clearly demonstrates the level of organic growth achieved in each of the group's divisions.

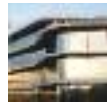
Among the main achievements this year, in the Bioscience division I would like to highlight the launch in the United States and Europe of our new Flebogamma® 10% DIF, a liquid intravenous immunoglobulin at 10% concentration, together with the presentation and commercial launch of the new Erytra® autoanalyzer, for blood typing, in the Diagnostic division. In the Hospital division, we remain leaders in Hospital Logistics, developing and implementing products and services which help improve the efficiency of hospital pharmacy services.

However, there is no question that one of the major decisions we have taken during 2010, and probably during the entire decade, has been the agreement to purchase Talecris Biotherapeutics. I am convinced that the acquisition will go ahead and, although we are still waiting for approval from the United States anti-trust commission, I am sure that by the time you read these lines it will have been confirmed. I would therefore like to express my sincere thanks and those of all our executives for the vital and unstinting support of all of you in such a large operation. The combination of Grifols and Talecris will allow us to speed up our growth plans, consolidating our diversification and generating major synergies at every phase of our business model. We are completely complementary and, united, we will be able to respond better and on a larger scale to the needs of millions of patients across the globe, with the safety, quality, professionalism and ethics which are our hallmark.

The values in which we believe and which have characterized our work throughout the seven decades of our history will ensure that we remain competitive and, statistics apart, Grifols' existing achievements and new projects bring clear benefits for patients, customers, shareholders and employees.

I would like to end by saying that I am sure we can carry on making history for another 70 years.

Víctor Grifols
President and CEO of Grifols



1.4 Corporate Government

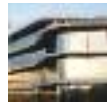
Board of Directors

Members of Grifols Board of Directors at 31 December 2010

Name	Position	Type
Víctor Grifols Roura	Chairman & CEO	Executive
Juan Ignacio Twose Roura	Director	Executive
Ramón Riera Roca	Director	Executive
Tomás Dagá Gelabert	Director	Other/External
Thorthol Holdings B.V.	Director	Proprietary
Thomas Glanzmann	Director	Independent
Edgar Dalzell Jannotta	Director	Independent
Dra. Anna Veiga Lluch	Director	Independent
Raimon Grifols Roura	Secretary non member	
Nuria Martín Barnés	Secretary non member	

Audit Committee

Name	Position	Type
Tomás Dagá Gelabert	Vocal	Other/External
Tomas Glanzmann	Vocal	Independent
Raimon Grifols Roura	Secretary (non member)	



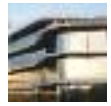
1.4 Corporate Government

Appointments and Remuneration Committee

Name	Position	Type
Tomas Glanzmann	Chairman	Independent
Víctor Grifols Roura	Vocal	Executive
Edgar D. Jannotta	Vocal	Independent
Nuria Martín Barnés	Secretary (non member)	

Executive Committee

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



1.5 The 5 key elements of the Grifols business model

Grifols was established as a group of companies in 1987, but its origins date back to 1940 with the establishment of Laboratorios Grifols, successor to the Instituto Central de Análisis Clínicos, which had operated since 1933 under the leadership of Dr. José Antonio Grifols i Roig, a pioneer of blood transfusion and clinical analysis. This was the first step along the road which led to the creation of today's international group, focusing on the hospital-pharmaceutical sector.

Grifols currently has 3 business areas, organized around its different products to create a portfolio of complementary products and services designed to meet the needs of patients, health professionals, and hospitals.

Bioscience division | **Diagnostic division** | **Hospital division**

Grifols has been listed on the Spanish Stock Exchange since 2006 and has been included in the IBEX-35 since 2008.

Key 1

Patients

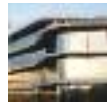
Grifols exists to help improve people's health

We provide innovative products and a high quality service, designed to help professionals working in the health sector to look after people's health and well-being.

The plasma products we manufacture using human plasma are biological medicines which are essential to save lives. Deficiencies in the proteins (albumin, globulin or clotting factors) contained in blood plasma are the cause of serious health problems.

Our in vitro diagnostic equipment for laboratory analysis, including products for hospital blood banks and transfusion centers, speed up the process of testing and obtaining information which is essential for the treatment of patients.

We supply a wide range of non-biological products for hospital pharmacy for surgery, clinical nutrition, fluid therapy and products for other health purposes.



1.5 The 5 key elements of the Grifols business model

Key 2

Plasma collection

Maximum safety and control in the collection of raw material

Plasma is the raw material from which plasma products are made. The plasma used by Grifols comes primarily from paid donations from the group's plasmapheresis centers in the United States. This payment means that Grifols benefits from using repeat donors for whom there is a medical record which is updated with information from a detailed examination before each donation. Each donation then undergoes exhaustive testing.

The technique used to obtain plasma is plasmapheresis, a method by which plasma is separated from the other blood components such as red blood cells, platelets and other cells which are injected back into the donor during the donation process. This enables the donor to make a fuller and more rapid recovery.

The extracted plasma is immediately stored and transported at temperatures below -25. This temperature is held constant until the plasma enters the production process.

Grifols has 80 plasma collection centers which are certified by the FDA and inspected regularly. The strict donor selection procedures and the controls applied to plasma units before manufacturing are reflected by the fact that Grifols holds "Quality Standards of Excellence, Assurance and Leadership" (QSEAL) certification from the PPTA (Plasma Protein Therapeutics Association).

Key 3

Plasma products manufacture

A vertically integrated model

From collection of the plasma unit until distribution of the final product takes between 9 and 11 months. This cycle is fully controlled and managed by Grifols, with the company's vertically integrated model enabling it to guarantee the entire process, maintaining the highest possible standards of quality and safety in its plasma products.

The manufacture of biological products from human plasma is a very complex process, involving fractionation, purification and filling. All the product manufacturing processes are performed in accordance with Good Manufacturing Practice for Drugs (GMP).

These guidelines regulate the manufacturing process for each line of health products or pharmaceutical preparations produced by Grifols.

1.5 The 5 key elements of the Grifols business model

The quality department ensures compliance with these standards, and implements additional product safety controls. The FDA and competent regulatory authorities in other countries regularly inspect Grifols' facilities.

Grifols has manufacturing facilities in Spain (Barcelona and Murcia), United States (Los Angeles), Switzerland and Mexico.

The production of plasma derivatives is concentrated in Spain (Barcelona) and the United States (Los Angeles). In total, this means that Grifols has production capacity for 4.3 million liters of plasma per year. However, the capital investments destined for the construction of new plasma product manufacturing plants and for the improvement of existing ones are essential if the company is to maintain the high levels of quality and safety of its products. Grifols designed an *Investment Plan* for the period 2008-2011 which will enable the group to ensure its growth beyond 2013.

Key 4

R&D

Society's future: Grifols' future

Grifols has a longstanding commitment to R&D, and this underpins the group's impressive project portfolio, backed by the resources necessary to ensure a long-term research effort across all three divisions. In addition, it has consolidated a global network of external collaborations between Grifols researchers and experts in different medical areas of Spanish and international hospitals, universities and research centers.

It is only through such public-private cooperation that it is possible to promote progress and research in any scientific field, and Grifols is an active participant in such joint efforts.

Aware of the new challenges faced by society, our research efforts focus both on the search for treatments and solutions for those suffering from illnesses caused by plasma protein deficits, and new therapeutic applications for plasma products. An important development in this regard was the start of a new medical study for the treatment of Alzheimer's disease with a combined therapy of therapeutic plasmapheresis with the administration of two plasma products (albumin and IVIG).

1.5 The 5 key elements of the Grifols business model

Key 5

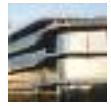
Team spirit

5,968 professionals serving people's health

Grifols is a multicultural company which brings together 5968 employees from a range of nationalities. A very high proportion of the workforce, whether in production, research, sales and administration, perform jobs which require high levels of qualification. For this reason, continuous professional development activities are essential.

The high level of specialization and the commitment to strengthening corporate culture led the group to establish the Grifols Academy of Plasmapheresis in the United States at the end of 2008, since when it has grown steadily. In addition to classroom training, in 2010 the Academy launched its first e-learning courses, and the group signed an agreement with the University of Phoenix to enable students who have studied at the Grifols Academy to obtain university credits.

The principles and philosophy of Grifols are reflected in the Code of Conduct, which establishes standards of individual behavior for our employees in any professional situation.



1.5 The 5 key elements of the Grifols business model

Grifols Organizational Structure

GRIFOLS

Industrial area

Manufacturing facilities in:

- Spain, United States, Switzerland

Consists of 10 companies:

- 6 Bioscience division
- 2 Diagnostic division
- 1 Hospital division
- Grifols Engineering

Commercial area

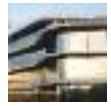
Through Grifols International

- Direct presence in 23 countries
- 20 commercial subsidiaries and 3 representative offices
- 7 in the Americas, 4 in Asia-Pacific and 12 in Europe
- Commercial presence in over 90 countries

Shared services

Travel agency

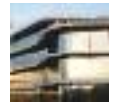
Insurance and reinsurance company



1.6 Objectives

Grifols' strategy for growth is based on three lines of action, with a clear set of objectives for each.

Strategic axis	Objectives	Actions
Investment Plan: 2008-2012	• Anticipate production requirements over a 5 to 6 year period. • Plan and optimize resources in accordance with forecasts of changes in demand. • Ensure growth from 2013.	95 million euros of investment in: • Completing the Flebogamma®DIF (IVIG) plant in the United States. • Completing the FibrinGlue® biological glue plant in Spain. • Expanding blood typing reagent production plants and lines in Switzerland and Spain. • Starting phase III of the production facilities in Murcia (Spain). • Startup of new production line for prediluted intravenous mixtures in Barcelona (Spain).
Geographical diversification	• Consolidating our presence in emerging markets: Asia and Latin America. • Opening new markets. • Balancing sales from Europe and the United States.	• Opening subsidiaries in Bogotá (Colombia) and Stockholm (Sweden). • Opening new commercial office in Shanghai (China). • First sales of reagents in Saudi Arabia, Egypt and Switzerland. • First sales of Flebogamma® DIF (IVIG) 10% in United States.



1.6 Objectives

Strategic axis	Objectives	Actions
Promoting R&D	• Developing new products, including other plasma-derived biological medicines. • Investigating new therapeutic applications for existing products. • Improving manufacturing processes to optimize yields, safety and efficacy. • Consolidating a global network of external collaborations between Grifols researchers and experts in different medical areas of Spanish and international hospitals, universities and research centers. • Promoting research in biomedicine and biotechnology. • Promoting research in the field of regenerative medicine.	• Over 40 million euros invested. • 14.9% growth on invested resources. • Expansion of project portfolio: possible treatment of Alzheimer's disease with plasma products, and of cirrhosis of the liver and ascites with albumin. • Start of studies with a range of proteins in fields including oncology, chronic obstructive pulmonary disease, regenerative medicine, and coagulation. • Agreements to promote research projects with the Hospital Clínic in Barcelona, the University Hospital of Salamanca, the Advanced Center for Scientific Research (CSIC) and the Barcelona Science Park, among others. • 5 new patents for original inventions in Spain. • 12 foreign patent extensions. • 673 patents in total at end of 2010. • Creation of Gri-Cel, S.A., the purpose of which is to coordinate and sponsor research projects which seek to develop advanced therapies based on regenerative medicine.

1.6 Objectives

During 2010 Grifols acquisitions have contributed to the company's growth strategy

The group's strategy also contemplates growth through acquisition, when this generates synergies and improves margins, reduces costs, expands the product portfolio or delivers competitive advantages. Significant corporate operations during 2010 were:

1. Agreement to purchase Talecris Biotherapeutics

On 7 June 2010, 2010 Grifols announced it had signed an agreement to purchase United States company Talecris Biotherapeutics for an approximate price of 3,400 million dollars (4,000 million dollars including debt), confirming its commitment to the long-term growth of the group via acquisitions.

2. Acquisition of 100% of Xepol AB (now Grifols Nordics AB)

Grifols purchased 100% of Xepol from Pharmalink; Xepol is a company which manages the intellectual property rights for the treatment of Post-Polio Syndrome (PPS) with intravenous immunoglobulin. The agreement includes patents for the United States, Europe and Japan, and also gives Grifols access to the results

obtained in different clinical trials and opens up new therapeutic areas for the company's clinical research projects.

3. Acquisition of 51% of Nanotherapix

Grifols purchased 51% of the Spanish-owned biomedicine and biotechnology company, Nanotherapix, with a commitment to promote its development through additional funding in line with the results of research studies currently under way.

1.7 Strategy for the future

During 2011 Grifols will continue to pursue these three lines of strategic growth:

1. Completion of the final phase of *Investment Plan 2008-2012*: Completion of the plan will represent total investment of approximately 450 million euros to ensure that Grifols has the manufacturing capacities it needs to continue producing plasma products to satisfy global demand for plasma-derived biological medicines.

2. Geographical diversification: Increased output of plasma products will enable Grifols to supply new markets, while also guaranteeing supplies to existing ones. To this end, over the last few years the group has opened new subsidiaries, commercial and representative offices to handle all the necessary procedures. China and India are potential new markets, although in the short term Europe, the United States, Australia and Latin America will remain the main focus of the group's efforts.

3. Our commitment to R&D: Between 2011 and 2014 we hope to see significant advances in some of the medical studies which Grifols has under way. These include clinical trials with fibrin glue for vascular surgery and soft tissues, with the hope of launching this product in 2014. In addition, Grifols is collaborating on a range of research projects being conducted by the various consortia of which it is a member under the umbrella of the *Human Proteome Project* (HPP), for an initial period of six years (2011-2016), as announced in September 2010 at the 9th Annual Congress of the *Human Proteome Organization* in Sydney. The HPP will take a similar approach to the *Human Genome Project* of the 1990s, and is designed to make a major contribution to science, both by generating new knowledge and by promoting the development of new technology. The mission of the HPP is to generate a complete map of the human proteins in their biological context, providing the scientific community with tools so that researchers can quantify the proteins and identify alterations associated with the progression of diseases, in a similar way to the manner in which the Human Genome Project inspired participants to tackle disease and improve public health across the world.

2. Activity areas

2.1 General performance of divisions in 2010

The different rates of economic recovery in the developed and emerging economies has had an impact on the plasma products sector.

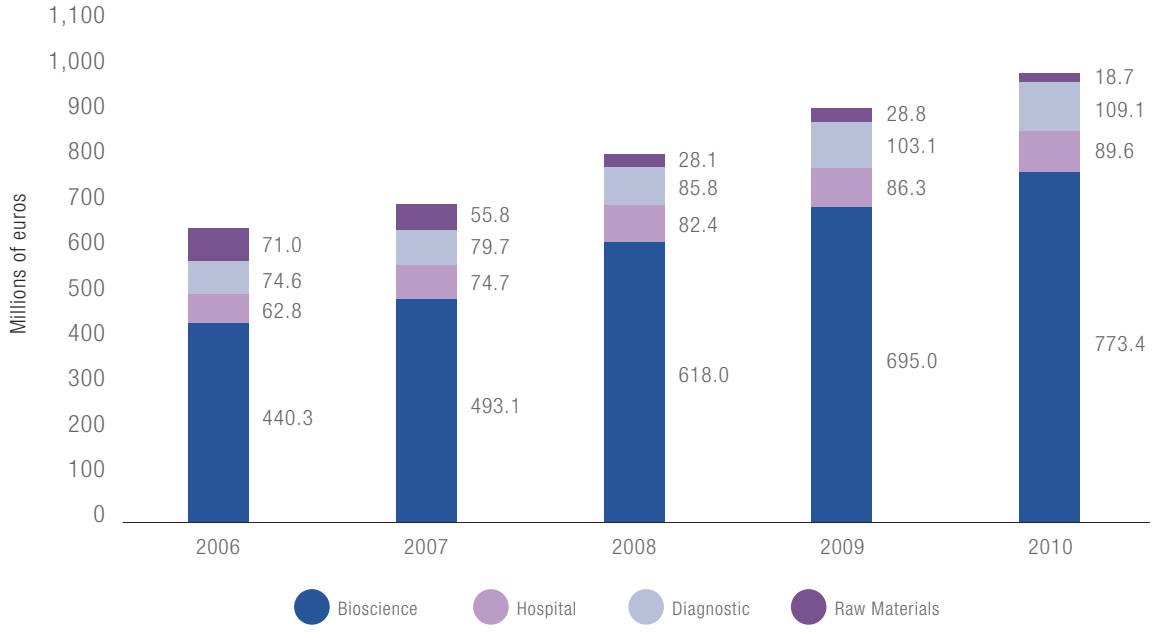
The slow improvement in Europe and the United States has created an unfavorable environment for sales prices, a trend which had already emerged at the end of 2009. However, the emerging countries have stimulated demand. More rapid GDP growth in these countries has enabled them to expand their health care, offering people greater access to plasma therapies. The search for new therapeutic applications for plasma products and geographical diversification are essential to guaranteeing organic growth.

Despite the difficult situation in some countries, Grifols has managed to sustain the target growth rates for its divisions:

Sales revenue and growth by division in 2010 (in Millions of euros)

	Sales revenue	% growth	% of sales revenue
Bioscience	773.4	11.3%	78.1%
Hospital	89.6	3.7%	9.0%
Diagnostic	109.1	5.8%	11.0%
Raw Materials & Others	18.7	-35.0%	1.9%
TOTAL	990.7	8.5%	100.0

Performance by Business Line



2.2 Bioscience division

The Bioscience division is our main activity area by business volume. This brings together all activities relating to plasma products for therapeutic use, including research, development, production and sales.

- Bioscience sales rose by 11.3%.
- 85% of sales came from international markets.
- Income from the United States rose by 23%.
- Sales of intravenous immunoglobulin (IVIG) in Australia and the United States were particularly impressive.
- The Asia-Pacific region continues to grow in importance, with an increase of sales of albumin in China.

2.2 Bioscience division

2.2.1 Results in 2010

The Bioscience division had sales revenue of 773.4 million euros in 2010, growth of 11.3% with respect to 2009, accounting for 78.1% of the group's total income.

The division's growth has been based on the general increase in the sales volume of plasma products in a difficult price environment. Internationalization of the division was another key factor. Over 85% of sales came from international markets, with strong growth in Australia and China. Grifols continued to grow in the United States, gradually gaining market share there throughout the year. In 2010 growth in sales of plasma products in the United States reached 23.0%.

Net sales growth was due primarily to the performance of the 3 main plasma products: intravenous immunoglobulin (IVIG), factor VIII (FVIII) and albumin. The most significant developments include increased sales of IVIG in markets such as Australia and the United States, and the strong overall performance of albumin and factor VIII with particular mention of albumin sales in China.

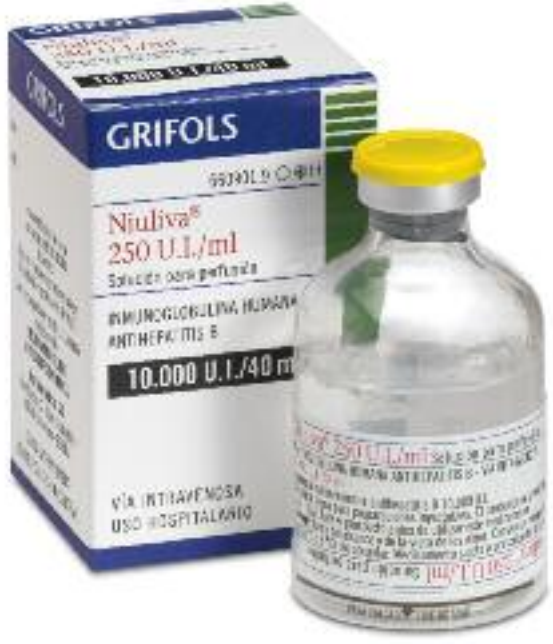
Analysis by product

- **Intravenous immunoglobulin (IVIG)** was the main plasma product by sales volume, growing by over 22%. During 2010 the gradual introduction of Flebogamma® 5% DIF into various European Union countries continued, together with a significant rise in sales in Australia and the granting of the first marketing licenses in Latin America. At the same time, sales of the new **Flebogamma® DIF 10%** began in the United States, following approval by the FDA. At the end of the year, the EMA granted marketing approval for the same product in the European Union. This authorization makes Grifols the first company to offer two concentrations of ready to use liquid IVIG (5% and 10%), enabling it to respond to the demands of patients and the needs of hospitals and health professionals.

- With 11.4% growth in sales volume during 2010, the sales trend of **albumin** has remained positive. All markets in which Grifols sells this product performed well, although the strongest performer of all was China.

- Sales volumes of **factor VIII** under the Fanhdi® and Alphanate® brands rose by 11.9%. The rise in sales benefited from growing demand in emerging countries, with particular emphasis on a strong sales performance in some Latin American countries, and significant growth in the United States.

- With respect to the other plasma products, the strong sales performance of **factor IX** and of **alpha-1-antitrypsin**, together with sales of the antihepatitis B intravenous immunoglobulin, **Niuliva®**, which began in the final quarter of 2009 in Spain and Italy and rose markedly during 2010.



2.2 Bioscience division

Portfolio of Grifols plasma products in 2010

Category	Products	Indications
IVIG	Flebogamma® Flebogamma® DIF	Replacement therapy in primary and secondary immunodeficiencies. Immunomodulatory treatment in idiopathic thrombocytopenic purpura (ITP), Guillain Barré syndrome and Kawasaki disease. Allogenic bone marrow transplant.
Factor VIII/VWF	Fanhdi® Alphanate®	Treatment and prevention of hemorrhage in patients with hemophilia A (congenital factor VIII deficiency) and acquired factor VIII deficiency. Prevention and treatment of hemorrhage or surgical bleeding in patients with von Willebrand's disease.
Albumin	Grifols® Human Albumin Albutein®	Reestablishing and maintaining blood volume in situations due to traumatic shock, hemorrhage or burns. Acute liver failure and ascites. Acute respiratory distress syndrome.
Anti-thrombin III	Anbinex®	Prevention and treatment of thromboembolic complications in congenital and acquired anti-thrombin deficiencies.
IMIG	Intramuscular Immunoglobulins	These are classified as hyperimmune: anti-D (Rh), anti-tetanus and anti-hepatitis B, and polyvalent. Polyvalent immunoglobulins are indicated in replacement therapy in primary and secondary immunodeficiencies.
Factor IX/PTC	AlphaNine® - Grifols® Factor IX Profilnine®	Treatment and prevention of hemorrhage in patients with hemophilia B (congenital factor IX deficiency).
Alpha 1-Antitrypsin	Trypsone®	Replacement therapy in patients with congenital deficiency of this protein and suffering from pulmonary emphysema.
Anti-HB IVIG	Niuliva®	Prevention of reinfection with HBV following liver transplant due to liver failure as a result of hepatitis B. Immunoprophylaxis from hepatitis B.

2.2 Bioscience division

Third party fractionation service as part of the AIPH program for the total utilization of hospital plasma, provided by the Bioscience division, at similar levels to 2009. In 2010 Grifols fractionated 78,224 units of surplus plasma from hospitals in Spain, the Czech Republic, and Slovakia. Under this program, which was established 25 years ago, Grifols transforms Spanish plasma into plasma products which are used by the Spanish health system. Similar agreements have been in place with the Czech Republic and Slovakia for 17 years.

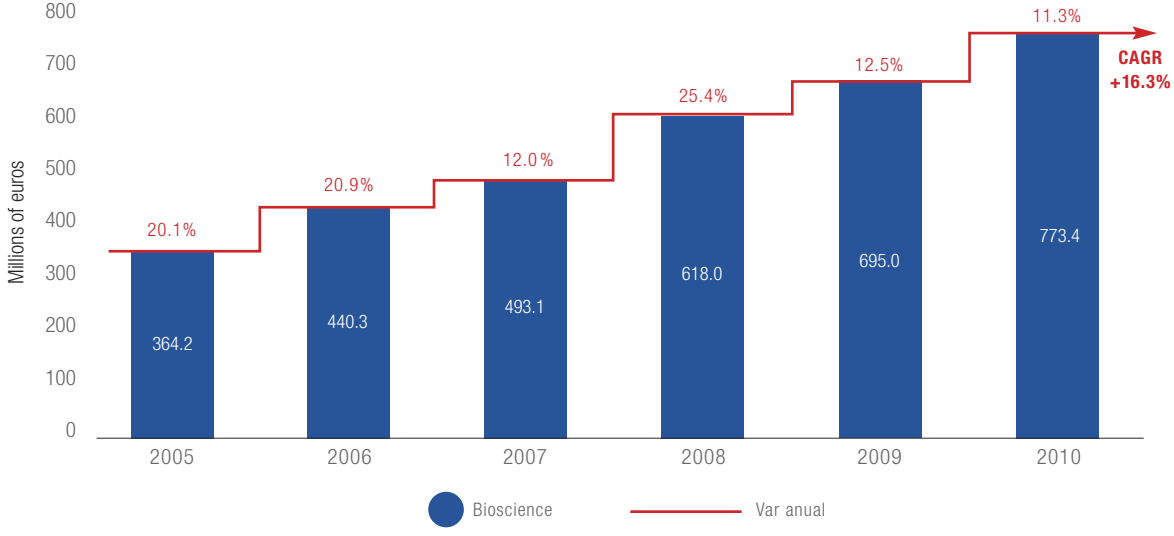
Sales by geographic region

The Bioscience division, with 85% of sales in international markets, continues to be one of the strongest exporters, helping to ensure the geographic diversification of the group, one of the key components of its growth strategy.

Grifols' sales are evenly distributed, thanks to the diversification strategy pursued since the mid-1990s. The group will continue to strengthen its presence in new markets as its production of plasma derivatives increases.

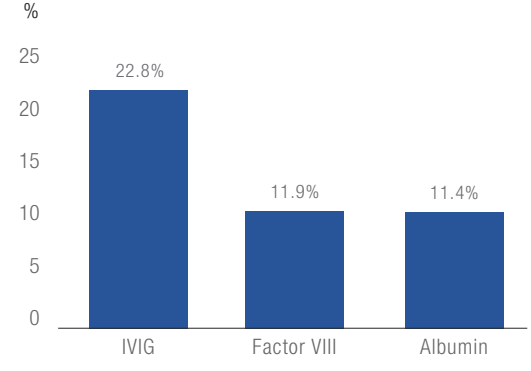
Grifols' strategy is for geographical distribution of sales of plasma products to reflect the global market

Sales performance of Bioscience division over the last 6 years



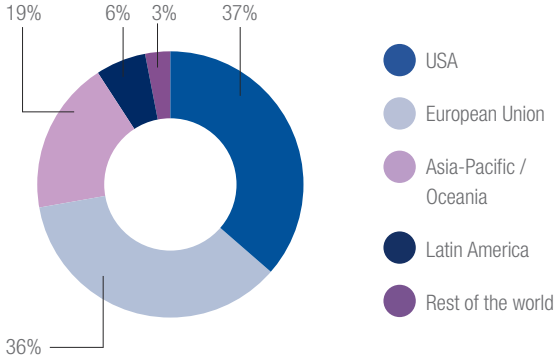
CAGR: compound annual growth rate for last 6 years

Growth in sales of main plasma products in 2010 (Volume)



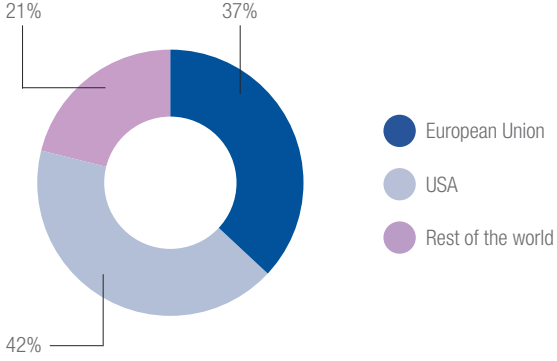
2.2 Bioscience division

Global market for plasma products by territory



Source: The Worldwide plasma Fractions Market, 2008-MRB

Plasma products' sales by geographic region



2.2.2 Key activity data

Planning is central to our management strategy, and enables us to maintain significant competitive advantages in the sector. The ability to optimize resources and investments depends on the ability to forecast more than 6 years in advance the level of future requirements for raw materials (plasma) and production capacity (fractionation and purification) on the basis of predicted demand.

Supply and control of plasma

With regard to raw materials, Grifols continued its resource optimization strategy. In 2010 the volume of plasma collected at the group's 80 plasmapheresis centers in the United States was 2.6 million liters, sufficient to cover the group's requirements and maintain stable levels of inventory.

The vertically integrated business model Grifols has been consolidating over recent years gives it access to the raw materials it needs to meet its production requirements, while retaining control over both costs and quality.

Control of plasma donors

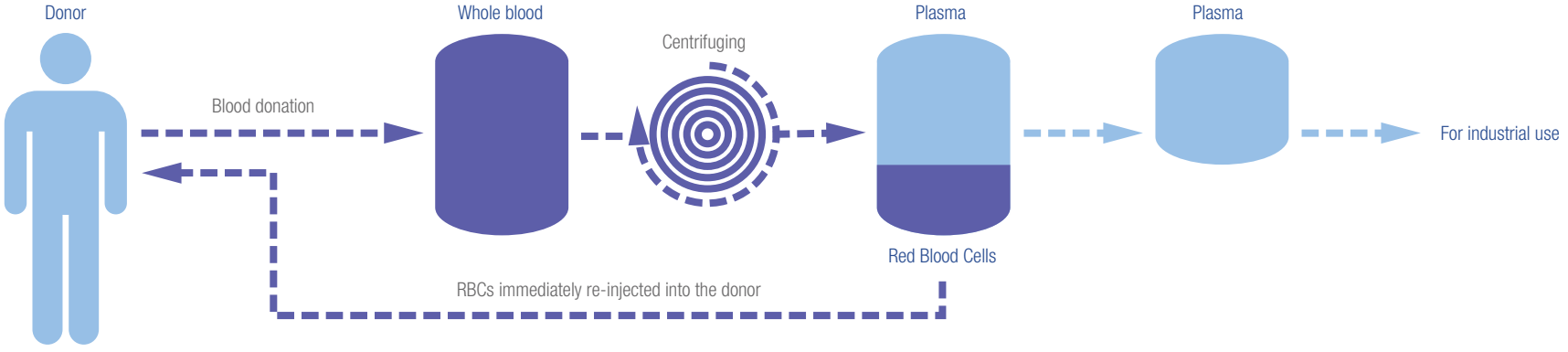
Grifols obtains over 85% of the plasma it fractionates each year from its FDA licensed donor centers in the United States. Grifols has more than 150,000 repeat donors.

Each potential donor must be healthy, and undergoes a thorough medical check-up to confirm this. The plasmapheresis center continuously monitors the donor's state of health each time a donation is made, and this is recorded in the donor's medical record.

The Plasma Protein Therapeutics Association (PPTA) defines a "Qualified Donor" as a donor who makes two consecutive donations with the correct analysis results in a period of less than six months. Repeat donations are seen as an additional safety measure because correct results at the most recent donation confirm the results of the previous donation. The plasma which Grifols obtains in the United States comes exclusively from repeat donors who meet this definition, and no plasma units from one-off or irregular donations are used.

2.2 Bioscience division

Obtaining Source Plasma



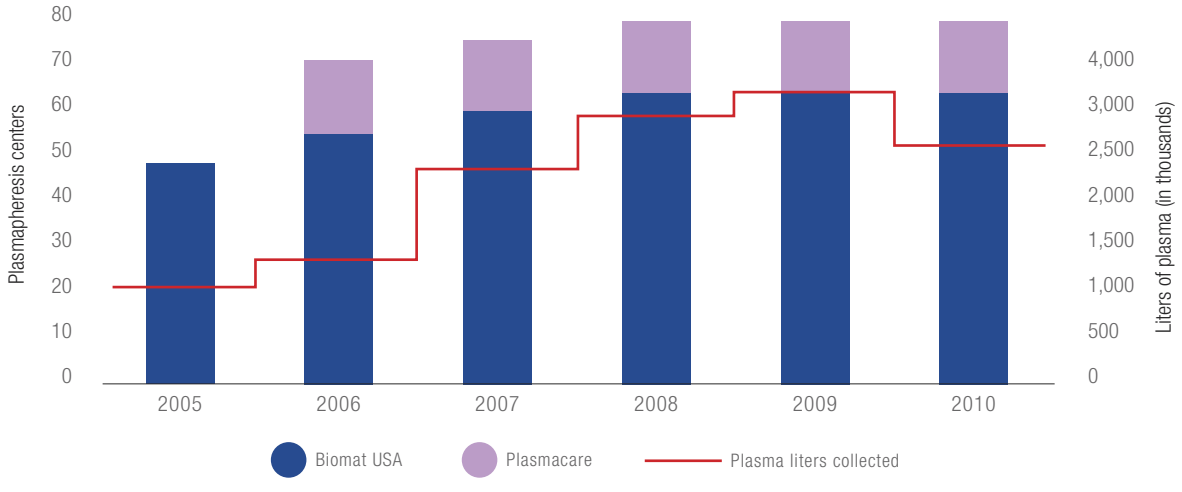
Donors can donate source plasma twice a week

Controlling plasma as a raw material

All plasma donations are analyzed by Grifols at its central laboratory in Austin (Texas). In 2010 over 15 million plasma samples were analyzed. Last year also saw completion of construction of a second laboratory in San Marcos (Texas) which will come on stream once validation and licensing are completed. This second laboratory will handle the increased volume of samples to analyze, and will prevent work from being concentrated in a single laboratory.

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

Number of plasmapheresis centers operated by Grifols



2.2 Bioscience division

Fractionation

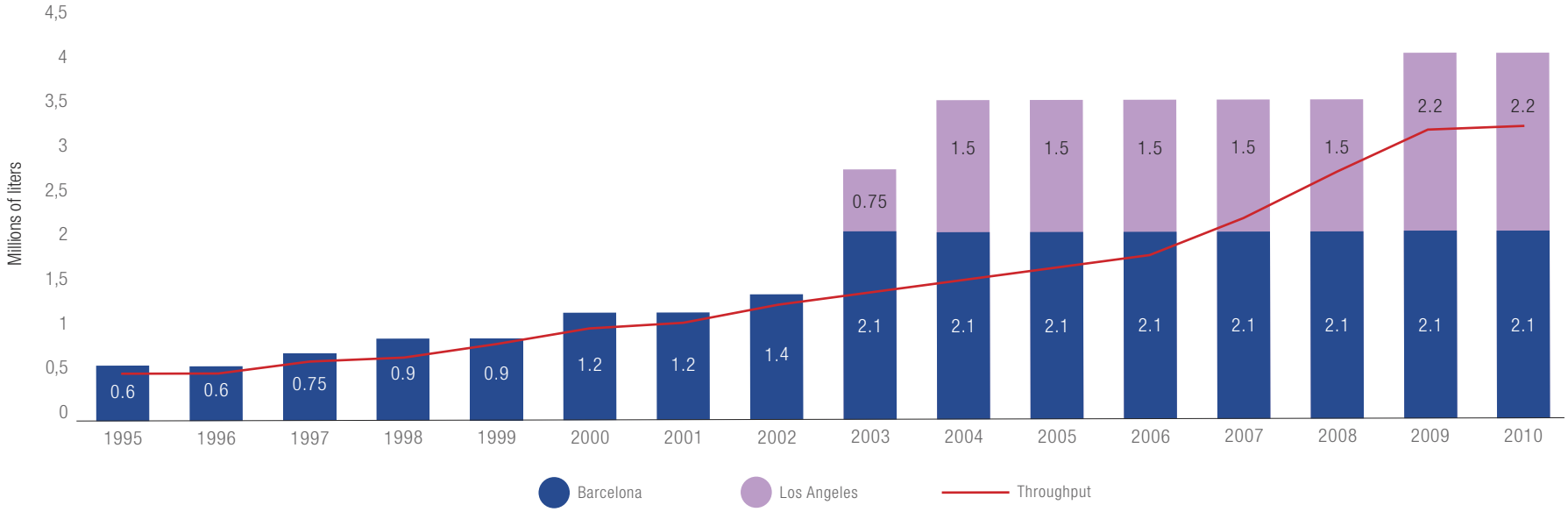
During the last 2 years, Grifols has increased its plasma fractionation capacity by almost 20%, and over the coming years capacity will continue to grow by a further 50% to meet the needs arising from the group's planned growth.

Total in-house fractionation capacity at the end of 2010 totaled 4.3 million liters per year. This is provided by the group's two plants, one in Spain (Parets del Vallès, Barcelona) and the other in the United States (Los Angeles, California). Both are approved by the FDA in the United States and by the health authorities of the European Union, and operate non-stop, 24 hours a day, 7 days a week.

- Fractionation capacity of the Barcelona plant in 2010: 2.2 million liters of plasma per year.
- Fractionation capacity of the Los Angeles plant in 2010: 2.1 million liters of plasma per year.

The intermediate products obtained at each fractionation plant can be purified at either of the two plants. This is why both facilities need to hold the necessary health authority licenses. This flexibility means that production at each plan can be adapted to meet the needs of each market.

Development of Grifols fractionation capacity



2.2 Bioscience division

2.2.3 Key events

The development of new products and the introduction of better techniques and improved safety have been some of the achievements of 2010. From a commercial perspective, we have continued to promote geographic diversification in the sale of our products. This year saw the first sales of IVIG in Australia and continuing penetration of the United States and Chilean markets.

Approvals

- **FDA and EMA license for the marketing of Flebogamma® DIF 10% in the United States and Europe**

During 2010 Grifols obtained FDA and EMA approval to market its intravenous immunoglobulin (IVIG) at 10% concentration (Flebogamma® DIF) in the United States and Europe, making it the only company to offer IVIG in two concentrations (5 and 10%), in liquid form, and ready to administer.

The new 10% immunoglobulin solution complies with the highest quality standards which Grifols applies to all its products. The manufacturing process patented by the company and applied at its Barcelona plant enables the production of high-purity IVIG and incorporates two pathogen inactivation processes, in addition to a nanofiltration stage which significantly increases the safety margin.

- **Redesigned PediGri® website**

Grifols gives its customers internet access to information about the origin of the plasma, analysis results, and the characteristics of each product batch. This service reflects the company's commitment to information transparency with respect to the traceability and quality of its plasma products.

During 2010 the website for this service has been redesigned, making it easier to navigate and incorporating new content.

- **FDA approves SGP plasma management program**

In 2010 the FDA approved the SGP plasma management program, used by the group's plasma supply companies, PlasmaCare, Biomat and Biomat USA, for the logistical organization and control of plasma storage.

2.2 Bioscience division

New facilities

- Completion of validation of new plasma emptying and clotting factor production facilities at the Los Angeles plant.
- Completion of second analysis laboratory at San Marcos, Texas.
- Completion of new microbiology laboratory at Parets del Vallès, Barcelona. A new, more spacious and modern laboratory to ensure microbiological quality in plasma product manufacture.

Product technical and safety improvements

- Mix2Vial® device in clotting factors manufactured in the United States. This device facilitates and safeguards the process of reconstituting these plasma products, enabling needle-free transfer.
- Introduction of holographic seal for plasma product containers to increase safety levels.
- Completion of phase 2 of the pilot study for the radiofrequency identification (RFID) label project, incorporating improvements to the radio aerial and labeling for use in the identification of plasma samples and units, in combination with the second prototype project for plasma sample equipment in centers.

2.3 Diagnostic division

The Diagnostic division concentrates on developing instrumentation and reagents designed for in vitro diagnostics, specializing in immunohematology, immunology and hemostasis. We also have a Blood Bank and transfusion safety product line. Our main customers are transfusion or blood donation centers, and clinical analysis laboratories.

- In 2010, sales of the Diagnostic division rose by 5.8%.
- Over 70% of the sales of Diagnostic were generated outside of Spain.
- We continue to be engaged in developing new immunohematology and hemostasis instrumentation to facilitate diagnosis.
- Our card output exceeded 13 million units.
- We have opened new production facilities in Switzerland.

2.3 Diagnostic division

The division's principal products and services are:

Diagnostic division

Categories	Description of products	Use
Immunohematology	**Erytra®/Wadiana®/Diana® systems.** Automatic analyzers. **Tarjetas DG Gel® cards.** Gel agglutination technology reagents for serological blood typing and transfusion compatibility tests.	Routine pretransfusion analysis and immunohematology testing in general, performed at transfusion centers and blood banks.
Immunology	**Triturus® system.** ELISA, open, automatic, multi-test and multi-series test analyzer. **Triturus® Reagents.** ELISA kits for infectious serology, autoimmune and hematology tests.	Automation of enzyme immunoanalysis tests in microplate format for clinical laboratories.
Hemostasis	**Q® hemostasis analyzer.** Fully automatic. Reagents, instrumentation and software for coagulation analysis.	Instrumentation and reagents for hemostasis laboratory.
Blood Bank	**Leucored® blood bags** with leukocyte filter and other bags for storage and conservation of whole blood or fractions.	Containers for units of blood donated for transfusion, used in transfusion centers or blood banks.
PIBC	**Pathogen inactivation in blood components.** Systems and services for the inactivation of potential pathogenic agents in plasma and platelet concentrates.	For transfusion therapy in transfusion centers and blood banks.

2.3.1 Results in 2010

Diagnostic closed 2010 with income of 109.1 million euros, an increase of 5.8% compared to 2009. It currently accounts for 11% of the company's total business.

In 2010 over 70% of the sales of Diagnostic were generated outside of Spain, and the division continues to be driven by internationalization. Particularly significant were exports of instrumentation to the United States, Europe and China and the opening of new markets for DG Gel® immunohematology cards, with increased production as a result of the new plant in Australia coming on stream. The contribution from DG Gel® has helped take total reagent production past the 13 million unit level, an increase of over 15% with respect to 2009.

By specialty, the Blood Bank, Hemostasis and New Technology areas recorded the highest levels of growth, with increases of 17.2%, 18.4% and 9.6% respectively.

2.3 Diagnostic division

Analysis by specialty

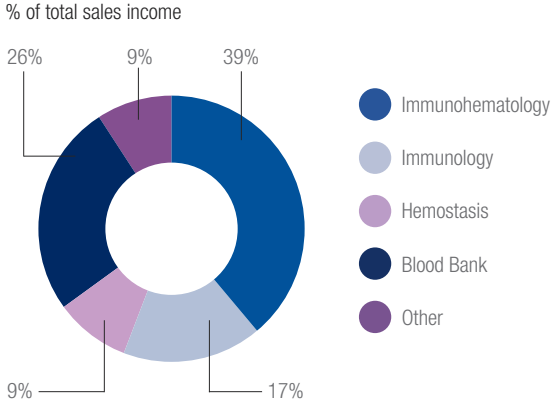
- The **Immunohematology** area increased its sales revenue by 2.4% to 51.1 million euros. The increase in sales of DG Gel® cards for blood and serum typing of donors and patients in pre-transfusion tests, reflecting international growth, was particularly significant. New markets included Saudi Arabia, Egypt and Switzerland, together with consolidation in others such as France, Brazil, Mexico, Turkey, the Czech Republic and China.

- In **Immunology** income grew by 3.5% to 18.3 million euros. This specialty includes sales of the Triturus® autoanalyzer, which enables clinical laboratories to perform large numbers of laboratory tests using ELISA techniques and ELISA reagents. Sales of this autoanalyzer have now passed 1000 units, and Grifols is working on development of a new generation of autoanalyzer for ELISA techniques as the basis for significant sales growth.

- Sales for the **Hemostasis** area grew by 18.4% in 2010 to 9.7 million euros. This was due to the strong performance of sales of the Q® hemostasis analyzer in Chile, Bulgaria and Turkey, together with the start of sales in new markets such as Brazil. Part of this growth derives from the Oral Anticoagulant Treatment business, for which we have developed management software and offer portable patient monitors. In 2010, over 150,000 patients were treated with our systems. In addition, the product range has been updated and expanded with the launch of 33 new commercial references. Development of a new hemostasis analyzer with increased loading and processing capacity has also continued (now at the industrial design phase), enabling the group to offer a full range of instrumentation in this specialty to meet the demands of larger laboratories.

- Sales revenue for the **Blood Bank** exceeded 20 million euros, 17.2% more than in 2009, including sales of the Intercept Blood System platelet inactivation system.

Breakdown of Diagnostic division sales in 2010 by specialty



2.3.2 Key activity data

Launch of new products

New Erytra® high-capacity automatic analyzer for blood typing

The instrumentation area saw the launch of the new generation of the automatic analyzer for processing Erytra® blood typing cards, presented at the 31st Congress of the ISBT in Berlin. In 2010 the first units were installed in Switzerland and the United Kingdom.

2.3 Diagnostic division

New reagents for specific immunohematology for Germany and the United Kingdom

2010 saw the launch of two new reagent cards for immunohematology, with specific profiles for the German market, and two more for the British market.

New reagent for hemostasis

2010 also saw the first sales of a reagent manufactured from human liquid thrombin for Clauss fibrinogen assays, a new version of thromboplastin and a reagent for AT assays in liquid version.

New presentations of Control Normal and chromogenic kit

In total, five new Control Normal references and the chromogenic kit for heparin assay were launched, both manufactured in-house.

New range of DRVV products supplied on an OEM basis for Lupus testing, adapted to our Q® automatic coagulometer

Agreements

Agreement with Progenika Biopharma to distribute a new blood genotyping test

This distribution agreement with Progenika Biopharma enables Grifols to carry out internal distribution of the new blood genotyping test BLOODchip®, strengthening the Diagnostic division. Estimated sales are between 50 and 100 million euros in the next five years.

Extension of agreement with US-based Cerus Corporation

In 2010 Cerus Corporation announced the success of the first phase of the clinical trial of its Intercept Blood System to inactivate pathogens in red blood cells, the first effective and safe method of preventing the transmission of viral diseases or infections by transfusion. Grifols is collaborating with Cerus on the project by developing blood bags for the new method, together with two other partners, the German Red Cross and the EFS (Établissement Français du Sang). The agreement guarantees that at least 75% of the Intercept Blood systems used in Europe will be supplied by Grifols.

The relationship between the two companies is not a new one. Grifols is the system's distributor for Spain, Portugal, Italy, the Czech Republic, Slovakia and Chile, and is working to expand this contribution to other Latin American countries.

Key manufacturing achievements

In the instruments area:

- 73 Elisa immunology autoanalyzers
- 256 blood typing analyzers
- 51 automatic coagulation meters
- 750 incubators
- 426 centrifuges

In the reagents area:

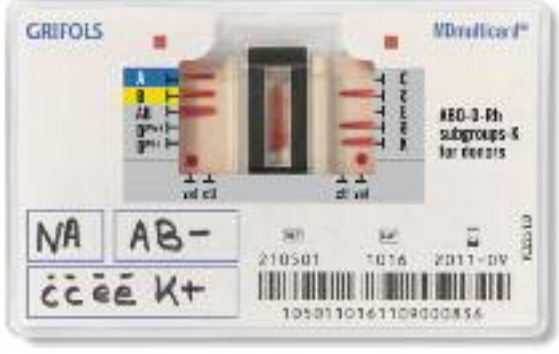
Over **13 million cards produced**, representing an increase of over 15% compared to 2009. The outlook for 2011 is for the production and sale of about 14 million cards.

2.3 Diagnostic division

2.3.3 New facilities and technical improvements in 2010

Opening of new plant in Switzerland

In 2010 Grifols opened a new plant for the production of MDmulticard® cards in Düdingen (Switzerland). These cards use the latest reagent technology to ensure rapid blood group identification. This new manufacturing investment is the latest step in the strategy of strengthening and expanding the Diagnostic Division.



The existing MDmulticard® production lines at the Düdingen plant have already been automated and expanded. The Swiss facilities have been approved by the FDA, although the new cards, which already hold CE marking, have yet to receive a marketing license from this body.

These investments complement the acquisition in 2009 of an Australian-Swiss diagnostic group whose Swiss subsidiary (Medion) was developing a new card-based technology for blood typing which complemented Grifols' DG Gel® range. The significant increase in output of both cards (MDmulticard® and DG Gel®) means that more product is available for those markets which require it, and also allow it to be gradually introduced in those countries where Grifols already has consolidated sales of other product ranges.

Other investments

The main investments in 2010 were the purchase of a second reactor with a capacity of 2,000 liters and automatic temperature regulation and agitation system, the installation of a second Kardex-type rotating cabinet, the purchase of an automatic machine for the manufacture of reagent red blood cells, which includes labeling and vial dispensation, and the installation of a double line for the manufacture of cards for immunohematology typing.

With regard to facilities, a new zone for the production of spare parts has been created in the Barcelona plant, together with new areas for the packing and preparation of instruments. The reception and warehouse area have also been updated, incorporating wireless terminals and mobile barcode readers for daily use.

2.3 Diagnostic division

2.3.4 Projects in progress

- Development of a whole series of alternative, complementary monoclonal reagents.
- New version of APTT reagent with synthetic phospholipids, with sales scheduled to start in the first half of 2011.
- Development of chromogenic kit for PC assay, with sales scheduled to begin in 2012 together with abnormal multiparameter control.
- Development of reagent to measure thrombin time, using liquid human thrombin, with marketing scheduled for 2012.
- Adaptation of the next generation reagent for performing D-dimer test, supplied on an OEM basis for the Q® coagulometer.
- Development of latex-based reagent to determine von Willebrand's disease.
- Development of a coagulometer with increased capacity to expand the Hemostasis instrumentation range.
- Development of a new autoanalyzer for ELISA microplate techniques to replace the current Triturus®.

2.4 Hospital division

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

- The division's turnover rose by 3.7% compared to 2009.
- Third-party manufacturing consolidated during 2010.
- The Hospital Logistics area continues to drive internationalization of the division.
- Grifols starts manufacture of pre-diluted paracetamol at Barcelona plant.

2.4 Hospital division

The division's principal products in 2010 were:

Hospital Division

Product group	Main products	Manufacturer	Customer
IV Therapy	Parenteral solutions	Laboratorios Grifols	Hospital Pharmacy
	Injectable solutions	Third parties	
	Intravenous mixtures	Laboratorios Grifols	
	Grifill®	Diagnostic Grifols	
	Misterium	Grifols Engineering	
Clinical Nutrition	Enteral nutrition	Third parties	Hospital Pharmacy
	Parenteral nutrition	Laboratorios Grifols	
	Bags, tubes, pumps	Third parties	
Hospital Logistics	Pyxis-Kardex products	Third parties	Hospital management
	Hospital software	Logister	Hospital Pharmacy
	Blispack®	Grifols Engineering	
Medical Devices	Radio/neuroradio disposables	Third parties	Radio/Neuroradiology Service
	Urology disposables	Third parties	Urology Service
	Cardio disposables	Third parties	Cardiology Service

2.4 Hospital division

2.4.1 Results in 2010

The sales of the Hospital division grew by 3.7% in 2010 to 89.6 million euros. This business line contributes approximately 9% of Grifols' total income.

Hospital has maintained its activity levels, and the main objectives established for 2010 have been achieved, despite government measures to reduce pharmaceutical expenditure. This division generates most of its sales in the Spanish market, and some of its products were therefore affected by the Spanish legislation of June 2010 on additional discounts for the social security system.

Performance was particularly strong during the second half of the year, due to increased sales of Medical Devices (8.4%), IV Therapy (5.5%) and the recovery of the Hospital Logistics area, which has increased the number of successful project tenders despite the restraints on hospital budgets during 2010.

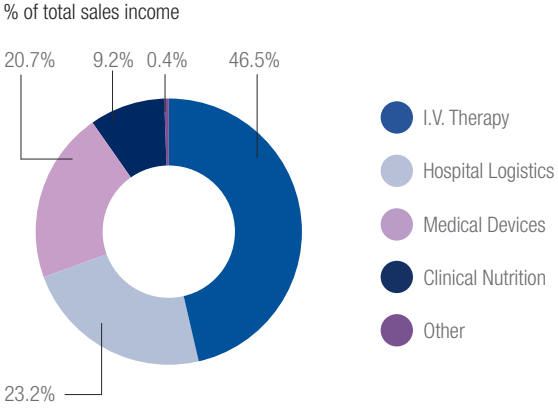
Analysis by activity area

- **Hospital Logistics** projects generated income of approximately 21 million euros, up almost 2.6% compared to 2009. This activity line, which focuses on providing solutions and services to improve the efficiency and quality of hospital pharmacy services, suffered from the decline in hospital investment, although Grifols maintained its position as a leading supplier in Spain, Portugal and Latin America.

- **IV Therapy** closed 2010 with sales of 42.1 million euros, 5.5% up on the preceding year. This included a significant increase in the manufacture of special pharmaceutical preparations for third parties, enabling Grifols to make optimal use of its manufacturing facilities and to deliver increased returns on its investments in fixed assets. One of the most significant developments in this area was the start of manufacturing of pre-diluted paracetamol. Through the Oncotools business, Grifols provides a range of solutions for the preparation of medicines, including Misterium clean rooms and more than a hundred Grifill® systems installed in various markets.

- **Medical Devices** and **Clinical Nutrition** also delivered income growth, of 8.4% and 2% respectively, to reach 18.7 and 8.3 million euro.

Breakdown of Hospital division sales in 2010 by activity area



2.4 Hospital division

2.4.2 Key activity data

Agreements in 2010

Extension of collaboration agreement with Health-Robotics

The five-year agreement with Health-Robotics grants Grifols exclusive distribution rights in Spain, Portugal and Latin America of the Robot i.v.STATION which provides safe automation of the preparation of intravenous mixtures for hospital pharmacy. In addition to this robot, Grifols will also market CytoCare in Spain and Portugal.

Renewal of agreement with Kardex Remstar

In 2010, Grifols renewed its agreement with Kardex Remstar, a leading company in the automated storage and handling solutions segment. Grifols will continue to be the exclusive distributor of Kardex systems for hospital use in Spain, Portugal, Italy and Latin America, enabling the company to strengthen its Hospital Logistics line.

Approvals and new products

- In the Clinical Nutrition area, the Spanish Agency for Medicines and Health Products (AEMPS) has granted approval for two different formulations of three-chamber bag, containing lipids, aminoacids and glucose, and lipid emulsion of soya oil with medium-chain triglycerides (LCT/MCT).

- Dietgrif Activ Protein, the enteral home care nutrition diet, has received AESAN marketing approval.

2.4.3 Key events

Start of manufacture of pre-diluted paracetamol

A major development in 2010 was the launch of a new production line for pre-diluted paracetamol at the Barcelona plant, part of Grifols' growing range of third-party manufacturing agreements. During 2011 pre-diluted paracetamol will be registered in new markets.

Consolidation of third-party manufacturing agreements through Grifols Partnership

2010 saw significant growth in third-party manufacturing agreements, an activity which the group will continue to promote in order to make the most efficient use possible of its existing facilities. The most significant events were the development of two formulations for the treatment of osteoporosis and loss of bone mass in cancer patients for the European and North American market, and the industrial transfer of an antibiotic scheduled to be launched shortly.

2.4 Hospital division

Installation of first BlisPack® hospital logistics system in Portugal

BlisPack® is a system for the automation of blister cutting and electronic identification of medications for hospital use. This unique system helps reduce medication errors, both by simplifying the unit dose packing process for medications and by guaranteeing identification through the use of barcodes. This new system is the product of research involving a multidisciplinary group of professionals from the Hospital division and engineers from Grifols Engineering. In 2010 Grifols installed the first BlisPack® system in Portugal, part of a wider move towards electronic unit dose identification in Europe.

Investments in Murcia continue

The group's investments in Murcia continued during 2010. In addition to automating production lines in order to meet growing market demand, work has begun on the construction of a new factory on the same site for the production of parenteral solutions in flexible polypropylene containers.

Installation of first Misterium® clean room in Italy for stem cell cultivation

In 2010, Grifols installed a 33 m^2 Misterium® clean room for stem cell cultivation in the G. Gaslini Children's Hospital. The facilities, which comply with European Directive (EC) No 1394/2007 on advanced therapy medicinal products, are equipped with particle monitoring systems (biological and particle control) and are one of the first rooms of this type to be installed in an Italian hospital.

Pyxis technology installed in 100 Spanish hospitals

With the activation of the first Pyxis unit at the Hospital do Meixoeiro in Vigo (Spain), Grifols has reached the milestone of 100 Spanish hospitals in which it has installed this technology since signing a distribution contract in 1999 with American firm Cardinal Health, today called Carefusion Inc. There are currently over 1000 units of this specific technology for the dispensing and control of drugs in 100 Spanish hospitals, confirming Grifols role as a leader in improving intra-hospital logistics. Around 400,000 drug dispensations are performed daily using Pyxis equipment installed in Argentina, Brazil, Chile, Spain, Mexico and Portugal, totaling over 150 hospitals, more than 1,500 units and 15,000 users.

2.5 Pharmaceutical engineering

2010 has been a year of consolidation for Grifols' Engineering area, a pharmaceutical engineering consultancy specializing in biotechnology and sterile processes. Although Grifols continues to be this division's main client, the volume of projects for third parties has continued to grow.

A significant achievement in this regard was winning the tender for the construction and development of a new plant for Portuguese pharmaceutical company, Bial, to be located in the Zamudio industrial estate in Bilbao, Spain. This turnkey project has a total budget of 10 million euros, and involves 5,000 square meters of buildings. Once construction work is completed, the facilities are expected to come on stream in the fourth quarter of 2011, in accordance with the initial performance and validation schedule. Grifols Engineering's experience in developing this sort of biopharmaceutical facility means that the new Bial plant will meet the highest quality and technology standards.

In addition to this, Grifols has been involved in constructing the new Blood and Tissues Bank (BST) of Catalonia, in the technological district 22@ of the Pueblonuevo area of Barcelona, which will supply blood components to all the public and private hospitals and clinics in Catalonia. The company's participation has focused in particular on assembling the finished product zones, zones for the storage and handling of umbilical cords and stem cells, and zones dedicated to the cultivation of cells for advanced therapies, as this building also houses the Umbilical Cord Blood Bank.

2.6 International dimension of activity

Our products and services are mainly used by health sector organizations to diagnose and treat patients with hemophilia, immunodeficiencies, infectious illnesses and other pathologies. Grifols' end customers are primarily the health services of over 90 countries, helping to ensure that 77% of our sales are generated outside of Spain.

Grifols group companies across the globe

2.6 International dimension of activity

Grifols currently operates in over 90 countries and has commercial subsidiaries in 23 countries across the globe, in addition to various distribution agreements. Geographic diversification is a key part of the group's strategy for growth. Major developments in 2010 included the opening of a representation office in China (Shanghai) and subsidiaries in Colombia (Bogotá) and Sweden (Stockholm).

Grifols is one of Spain's most international companies, with a commercial presence and experience in emerging markets such as China and Brazil, and operations in the Asia-Pacific region where it operates through its subsidiaries in Japan, Malaysia, Singapore and Thailand. In addition, we benefit from detailed knowledge of the United States market, the world's largest for plasma products, where the company has invested strongly since first creating a presence there in 1990, a platform on which we have built with a series of acquisitions since 2002.

In the United States, Grifols enters into distribution and supply contracts with group purchasing organizations, home care companies, hospital groups, etc. In some countries, Grifols operates through product distributors, while elsewhere it acts as an international distributor for third parties.

This geographical diversification requires significant financial and management resources to adapt the group's business culture to each country where we operate, and to keep abreast of the local regulatory environment. Grifols International is responsible for directing and coordinating the marketing, sales and logistics strategy of commercial subsidiaries. It also selects and serves the distributors of Grifols products in markets where the group does not have a subsidiary company.

In 2010 the group's international presence continued to expand:

- New commercial office opened in China.
- New subsidiaries opened in Colombia and Sweden.
- First sales of Flebogamma® DIF in Australia.
- Consolidation of sales of IVIG in Portugal.
- FDA and EMA marketing licenses for liquid IVIG 10% concentration (Flebogamma® DIF 10%) in the United States and Europe.
- First marketing approvals for IVIG 5% concentration (Flebogamma® DIF) in Chile and anti-thrombin (Ambinex®) in Argentina.
- Introduction of DG Gel® immunohematology cards in new markets: Saudi Arabia, Egypt and Switzerland; consolidation of sales in France, Brazil, Mexico, Turkey, Czech Republic and China.
- Installation of first BlisPack® system in Portugal, part of a wider move towards electronic unit dose identification in Europe.

2.6 International dimension of activity

Structure of commercial subsidiaries in 2010

		Company	Head Office	Start of Activity	Region
Europe	Germany	Grifols Deutschland	Frankfurt	1997	Germany
	Spain	Movaco S.A.	Barcelona	1987	Spain
	France	Grifols France SARL	Meyreuil	1999	France
	Italy	Grifols Italia S.p.A.	Pisa	1997	Italy
		Alpha Italia S.p.A.	Pisa	2003	
	Portugal	Grifols Portugal	Lisbon	1988	Portugal
	United Kingdom	Grifols UK Ltd	Cambridge	1997	United Kingdom/Ireland
	Slovakia	Grifols International	Bratislava	1999	Slovakia
	Czech Republic	Grifols s.r.o.	Prague	1992	Czech Republic
	Poland	Grifols Polska S.p.zo.o	Warsaw	2004	Poland
	Switzerland	Medion Grifols Diagnostics AG	Düdingen	2009	Switzerland
	Sweden	Grifols Nordic AB	Stockholm	2010	Scandinavia
The Americas	United States	Grifols USA Inc.	(Los Angeles)	1990	United States & Canada
	Argentina	Grifols Argentina S.A.	Buenos Aires	1991	Argentina/Uruguay/Paraguay
	Brazil	Grifols Brasil Ltda.	Curitiba	1998	Brazil
	Chile	Grifols Chile	Santiago	1991	Chile & Peru
	Colombia	Grifols Colombia Ltda.	Bogotá	2010	Colombia
	Mexico	Grifols México S.A. de C.V.	Guadalajara	1992	Mexico & Central America
Asia & Australia	Asia/Pacific	Grifols Asia & Pacific Pte	Singapore	2000	Asia (except Japan)
	Malaysia	Grifols Malaysia Sdn Bhd	Kuala Lumpur	2003	Malaysia
	Thailand	Grifols Thailand Ltd	Bangkok	2003	Thailand
	China*	Grifols International	Shanghai	2010	China
	Japan*	Grifols International	Osaka	2006	Japan
	Australia	Lateral Grifols PTY Ltd	Victoria	2009	Oceania

** Representative office*

2.6 International dimension of activity

On the industrial side, Grifols has manufacturing facilities in: Spain, United States and Switzerland.

Facilities in Spain

- Plasma derivatives plant at Parets del Vallès (Barcelona). Occupies an area of 32,717 m^2 and has capacity to fractionate 2.1 million liters of plasma per year. It is one of the largest plasma fractionation plants in Europe, and one of only four European plants to hand an FDA Establishment License.

- Production plant for intravenous solutions for enteral and parenteral nutrition in glass containers (Hospital division) at Parets del Vallès (Barcelona). Opened in September 2003 and occupies approximately 5,700 m^2.

- Production plant for intravenous solutions in flexible containers (Hospital division) at Las Torres de Cotillas (Murcia). Also produces blood extraction and storage bags, of which over 50% are exported. The plant came on stream in 2003 and forms part of a new industrial complex under construction in the Murcia region, designed to gradually increase the company's production capacity. Completion of the project will bring the total area of the complex to over 8,000 m^2.

- Manufacturing plant for reagents and instruments for in vitro diagnosis (Diagnostic) at Parets del Vallès (Barcelona). Occupies 4,125 m^2.

- Two logistics centers in Parets del Vallès (Barcelona) with technology for automated management of palletized goods and small items. Warehousing capacity for 7,000 and 8,000 pallets, respectively, and refrigerated areas for products requiring temperature control.

2.6 International dimension of activity

Facilities in the United States

- **Plasma products plant in Los Angeles**, occupying an area of 39,432 m^2 and with the capacity to fractionate 2.2 million liters of plasma/year.
- **80 plasma collection centers** or plasmapheresis centers, supplying over 2.6 million liters of plasma/year, making Grifols the world's second largest plasma supplier.
- **Central plasma samples testing laboratory at Austin (Texas)**, which performs more than 15 million tests per year.
- **Plasma samples testing laboratory at San Marcos (Texas)**, currently undergoing validation to diversify the activity of the Austin laboratory.
- **Plasma warehouses and Bioscience division product preparation and packing facilities at Temple (California).** The plasma warehouse has capacity for 1 million liters in cold rooms at temperatures below -25º C. The plasma and finished product warehouse zone has cold rooms which are temperature controlled between +2 ºC. a +8 ºC.

Facilities in Switzerland

- **MDmulticard® production plant in Düdingen.** These cards use the latest reagent technology to ensure rapid blood group identification (Diagnostic division). Occupies 5,000 m^2.

2.7 R&D as a growth strategy

In 2011 we invested 40.7 million euros in R&D, representing growth of 14.9% compared to 2009 and 4.1% of income. We currently have an important portfolio of R&D projects, backed by the resources necessary to ensure a long-term research effort.

2.7 R&D as a growth strategy

R&D is a major part of Grifols' business, vital not just to ensure the organic growth of the group over the medium and long term, but also because of our commitment to patients, medical and health professionals, and scientific progress.

Grifols' R&D policy focuses on:

1. Developing new products, including other plasma-derived biological medicines.
2. Investigating new applications for existing products.
3. Improving manufacturing processes to optimize yields, safety and efficacy.
4. Consolidating a global network of external collaborations between Grifols researchers and experts in different medical areas of Spanish and international hospitals, universities and research centers.
5. Promoting research in biomedicine and biotechnology.
6. Promoting research in the field of regenerative medicine.

In 2010, Spain's Ministry for Industry rated Grifols as excellent in Plan Profarma 2009, a project which assesses the activity and investment of Spanish companies in R&D+i with in-house research centers in the country.

2.7.1 Bioscience division R&D

A major development in 2010 was the start of a new medical study for the treatment of Alzheimer's disease with a combined therapy of albumin and intravenous immunoglobulin. The study, involving 300 patients, will start in 2011 and follows on from a study with 42 patients in collaboration with two hospitals in Spain and two in the United States, the preliminary results of which have already been published. FDA and EMA marketing licenses for Flebogamma® DIF 10% are also the fruit of the R&D effort.

2010 saw completion of a building which in 2011 will house all the departments involved in R&D in Spain.

2.7 R&D as a growth strategy

Main projects

Development of new products	
Fibrin glue for vascular and soft tissue surgery.	At clinical trial. Launch forecast for 2014.
Thrombin for topical use in surgery.	
Prothrombin complex to reverse warfarin overdose in patients taking anticoagulants, and for treatment of factor VIII inhibitors and hemophilia A.	
Intravenous fibrinogen indicated in congenital deficiency and, potentially, in massive bleeding.	
Supplement for cell cultures derived from human plasma, for research use.	
New applications for existing products	
Alternative uses of albumin.	Start of various studies.
Therapeutic plasmapheresis with albumin for the treatment of Alzheimer's disease.	Intermediate results already published.
Plasmapheresis and intravenous immunoglobulin (IVIG) for the treatment of Alzheimer's disease.	Medical study under development.
Anti-thrombin in coronary surgery with cardiopulmonary bypass.	At pilot randomized clinical trial phase.
Use of IVIG (Flebogamma® 10% DIF) in idiopathic thrombocytopenic purpura.	2 clinical trials under way.
Use of IVIG (Flebogamma® 5% DIF) in children with primary immunodeficiency.	1 clinical trial under way.
Use of IVIG anti hepatitis B (Niuliva®) in liver transplant.	1 clinical trial under way.
Improvement of production processes	
New concentrate of nanofiltrated factor VIII/VWF.	
New liquid formulations of alpha-1 antitrypsin.	
Alternative packaging for albumin and IVIG.	
Nanofiltrated albumin.	

2.7 R&D as a growth strategy

Grifols is conducting investigation with a range of proteins in fields including oncology, chronic obstructive pulmonary disease, regenerative medicine, and coagulation, extending life expectancy by using clotting factors, and treating drug overdoses.

2.7.2 Diagnostic division R&D

Activity focuses on developing reagents and kits for pretransfusion and hemostasis diagnosis tests. A major achievement in 2010 was completion of the new version of the APTT reagent with synthetic phospholipids, and ongoing work focuses, among other things, on the development of a chromogenic PC assay kit and a reagent for measuring thrombin time using liquid human thrombin.

Main projects

Reagents	• Development of gel technology for blood typing. • New formulation thromboplastin. • Human liquid thrombin. • Activated cephalin based on synthetic phospholipids.
New procedures	Project with frozen blood bags aiming to improve availability and quality of red corpuscles (vital to the process of identifying antibodies).
Development of instrumentation	• New version of software for Erytra®. • Development of a new autoanalyzer for ELISA microplate techniques. • Development of new hemostasis analyzer to complement Q hemostasis analyzer.
New instrumentation	Multicard results reader (rapid blood group classification tests).
Blood Bank	• Development of a specific set for red blood cell inactivation, in collaboration with a US company. • Development of an additive solution for platelets to improve preservation and storage. • Development of bag for plasma pool, designed to optimize inactivation process.

2.7 R&D as a growth strategy

2.7.3 Hospital division R&D

The Hospital division's R&D effort focuses on developing complementary products, and improving the safety and efficacy of existing ones.

Main projects

I.V Therapy	• Stability of various mixtures of medicines in polypropylene containers. • Development of pre-diluted medicines in bags for intravenous administration. Development of two formulations for the treatment of osteoporosis and bone marrow loss in cancer patients. • Development of new containers for electrolytic solutions and pre-diluted medicines. • Development of pre-diluted potassium solutions. • Development of industrial procedures for the conservation of oxygen-sensitive drugs in polypropylene bags.
Clinical Nutrition	• Industrial transfer process for bags of 12.5% aminoacid solution. • Development of new high-protein and high-calory diets for enteral nutrition in plastic bottle.
Hospital Logistics	Development of first units for sale of BlisPack® system.

2.7 R&D as a growth strategy

2.7.4 Pharmaceutical engineering

2010 has been a year of consolidation for Grifols Engineering, a pharmaceutical engineering consultancy firm specializing in biotechnology and sterile processes. Although group companies continue to be the main customers of this Grifols company, the volume of projects for third parties grew with respect to 2009. Research and development activities remained steady throughout the year. Significant developments included:

- Continuation of development project for plasma bottle sampling system (PBSS), with potential application in all Grifols plasma donor centers in the United States.
- Completion of development of new Blispack® hospital logistics system.

2.7.5 Promoting research

In 2010 a global network of external collaborations between Grifols researchers and experts in different medical areas was established, with the aim of identifying and validating new research objectives. This network includes collaborations with Spanish universities and research centers, such as the Hospital Clínic in Barcelona, the University Hospital of Salamanca, the Advanced Center for Scientific Research (CSIC) and the Barcelona Science Park, among others. It also includes research institutions and technology companies in Europe and the United States.

Among these agreements is the one signed with Fundació Clínic per a la Recerca Biomèdica, under which Grifols is funding two lines of research with albumin:

1. A multicenter trial with albumin in patients with cirrhosis of the liver and ascites to prevent the complications associated with this disease.
2. The trial consists of plasma replacement in patients with chronic acute liver failure, with the first patient being included in 2010.

This initiative reflects Grifols' interest in opening up new research lines, and complements the collaborations already under way with the European Consortium for the Study of Liver Failure (Consorcio Europeo para el estudio de la Insuficiencia Hepática), established and funded by the group. Finally, it is important to highlight Grifols' cooperation with public bodies in its R&D projects.

2.7 R&D as a growth strategy

2.7.6 Patents

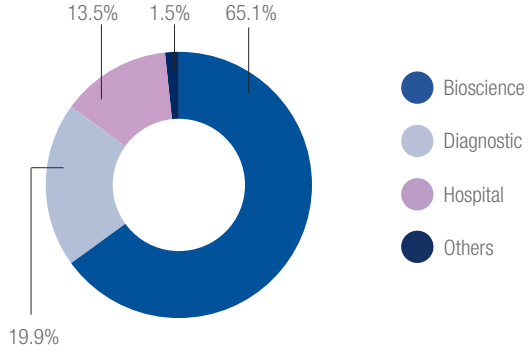
At the end of 2010, Grifols held 673 patents, all granted for a period of around 20 years. Only 30% of these expire in the next 10 years, representing the high level of protection enjoyed by the group's intellectual property.

In addition, none of Grifols' patents are licensed to third parties.

The group has a department dedicated to managing and maintaining patents and brands, and monitoring possible infringements.

Total Grifols patents by division

Bioscience	Diagnostic	Hospital	Others	Total
438	134	91	10	673



Main figures for 2010

- Patents granted in Spain to original inventions: 5 new patents.

Bioscience	3
Diagnostic	1
Hospital	1

- Extensions of patents granted abroad: 12 extensions.

Bioscience	6
Diagnostic	5
Hospital	1

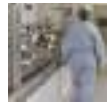
- Patent applications submitted: There were no submissions for patents for original inventions during 2010.

- Extension applications for foreign patents: 54 extension applications submitted.

3. Grifols Commitment

3.1 Grifols people

3.2 The Environment

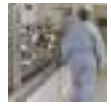


3.1 Grifols people

Grifols is backed by 70 years of history, something which has been made possible by the members of staff who form the basis of the solidity and prestige which the company enjoys today. This is why Grifols believes that people are the capital which generate value and wealth.

Since the outset, Grifols has shown a firm commitment to its employees, offering them a stable position of employment, an open workplace culture, opportunities for professional development, and remuneration which reflects their occupation.

Grifols has an international presence and employs almost 6,000 people from a wide range of cultural backgrounds, working in the group's subsidiary companies, production plants and offices in 23 countries across the globe.



3.1 Grifols people

3.1.1 HR policy

The group's human resources policy takes as its starting point a corporate culture which seeks to involve all employees in a shared project, developing their talent in a professional environment in which they are trusted and encouraged to give of their best.

The human resources policy reflects the company's mission, and encompasses the following commitments:

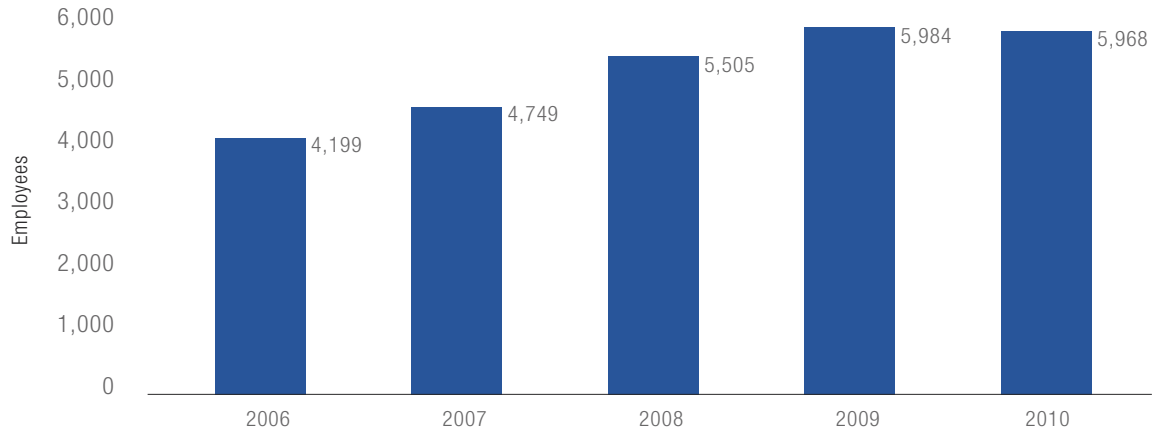
- Ensure compliance with regulations and the law.
- Promote the personal and professional development of Grifols staff by providing suitable working conditions and continuous professional development.
- Recruit, hire, train and promote the best staff, irrespective of race, religion, color, age, sex, civil status, sexual orientation or national origin.
- Ensure the existence of a risk prevention culture at Grifols, as part of the group's Occupational Health and Safety Management policy.

3.1.2 Attracting and retaining talent

The growth experienced by the company in recent years has been built on the performance of the individuals who constitute the Grifols workforce. This growth has only been possible as a result of Grifols' ability to attract, develop and retain talent as part of a stable professional team.

The Grifols workforce has grown by around 42% over the last 5 years.

Five-year evolution



Average No. of employees

3.1 Grifols people

3.1.3 Grifols workforce

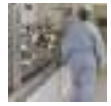
During 2010 Grifols employed an average of 5,968 members of staff, a reduction of 0.3% compared to 2009. This reduction was the result of optimizing the human resources required at Grifols' 80 plasma donor centers in the United States.

The table below sets out the average workforce by activity area, compared with 2009.

Activity areas	2010	%	2009	%
General Management	98	1.6	95	1.6
R&D/Technical	271	4.5	264	4.4
Marketing	102	1.7	98	1.6
Sales and Distribution	582	9.8	488	8.2
Administration and Others	472	7.9	453	7.6
Production	4,443	74.5	4,586	76.6
Total	**5,968**	**100**	**5,984**	**100**

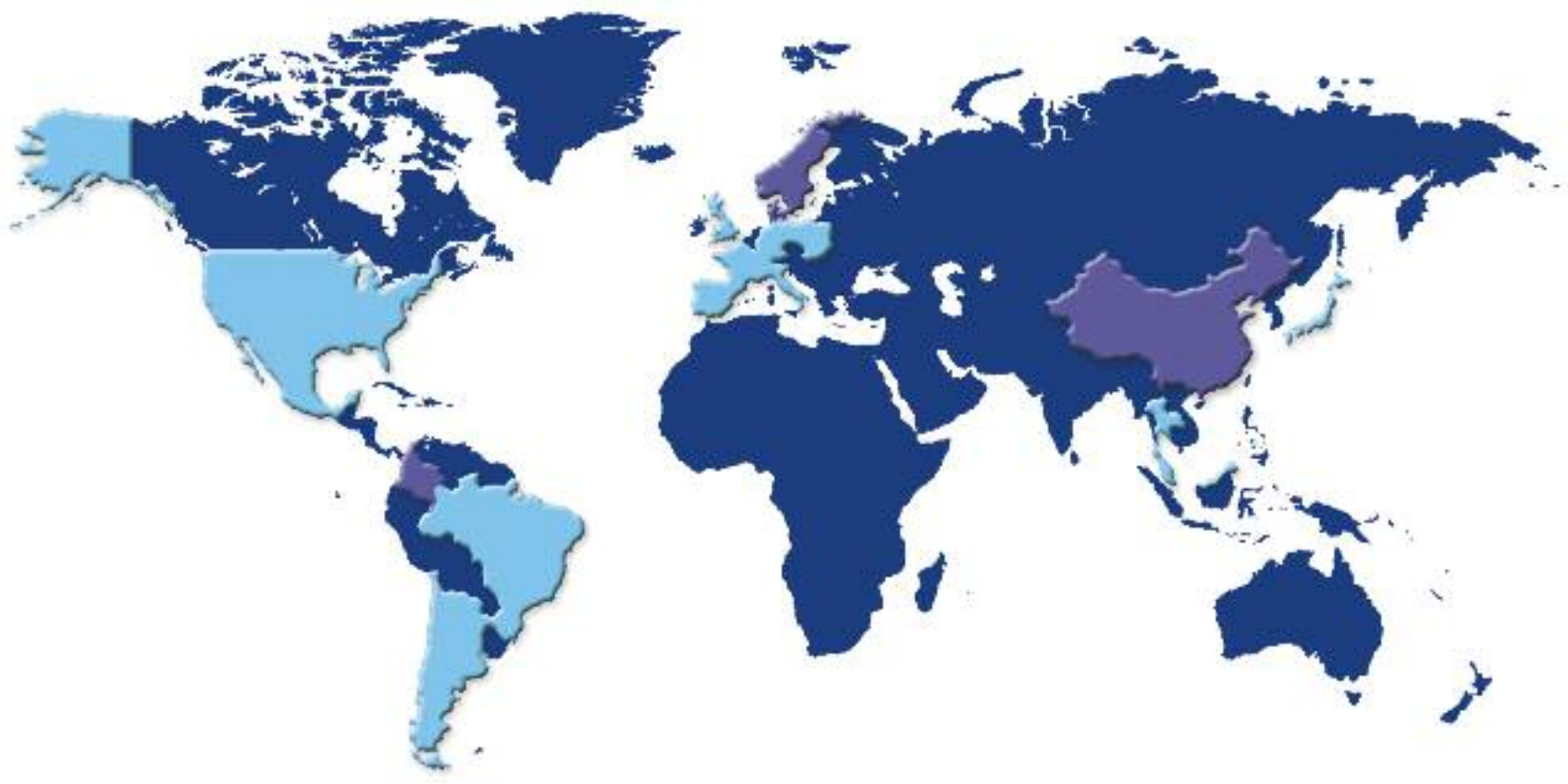
The percentage breakdown of staff by geographical region at 31 December 2010 is as follows:

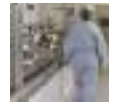
Geographical distribution	2010	%	2009	%	Var %
Europe (Spain)	2,375	39.8	2,344	39.2	1.35
Europe (rest)	211	3.5	169	2.8	24.71
USA	3,184	53.4	3,323	55.5	-4.19
Latin America	118	2.0	113	1.9	4.31
Asia/Pacific	80	1.3	35	0.6	128.5
Total	**5,968**	**100**	**5,984**	**100**	**-0.26**



3.1 Grifols people

Geographical distribution of workforce





3.1 Grifols people

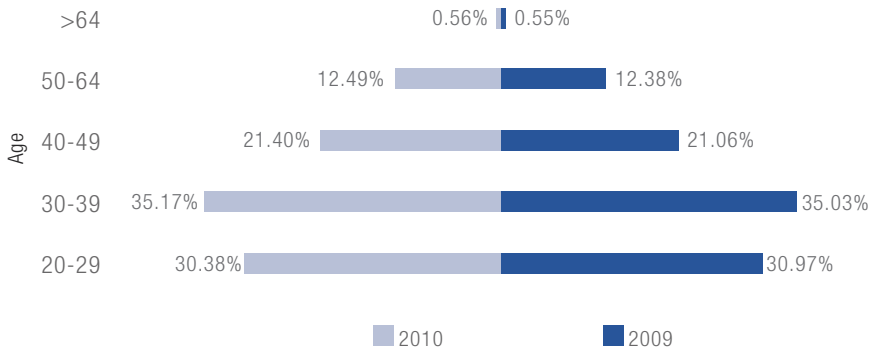
The overall proportion of staff on permanent contracts in 2010 was 97.2%. This figure is broken down below by activity area.

Employment status

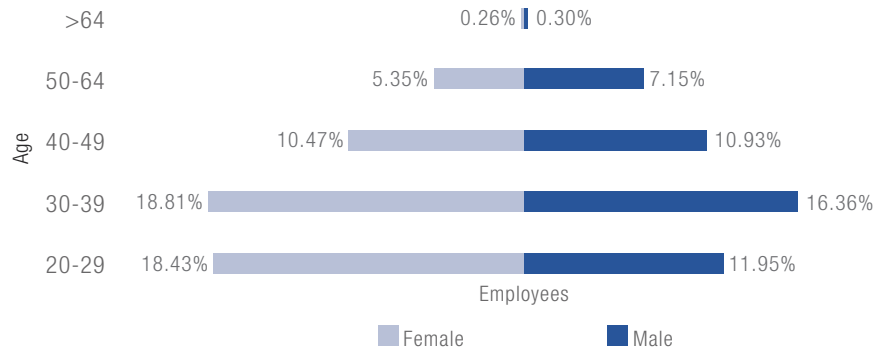
	2010		2009	
	% permanent	% temporary	% permanent	% temporary
Corporate	97	3	96	4
Commercial	96	4	96	4
Production	98	2	95	5

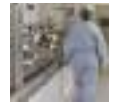
The table below shows the age pyramid of both male and female members of the workforce:

Age Pyramid (in comparative terms)



Age Pyramid by Gender (in percentages)





3.1 Grifols people

The distribution of the workforce by gender, broken down for the different geographic regions, is as follows:

	2010		2009	
Geographic Region	% Male	% Female	% Male	% Female
Europe (Spain)	55	45	56	44
Rest of Europe	58	42	56	44
United States	40	60	40	60
Latin America	63	37	62	38
Asia-Oceania	43	57	35	65
Total	**47**	**53**	**47**	**53**

In the two countries with the highest proportion of employees, the United States and Spain, staff turnover (voluntary) was 5.1% and 1.8% respectively. The analysis for the United States does not include staff leaving plasma donor centers. Due to the peculiarities of this sector, the plasma supply area has staff turnover of 22.1%.

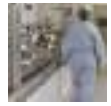
Average Age (years)	
	2010
Workforce average	36.32
Average: men	37.68
Average: women	35.12

The table below shows the average length of service by geographic region:

Geographic Region	Average Length of Service (years)
Europe - Spain	9.58
Europe - Rest	7.28
USA	8.17
Latin America	6.74
Asia	9.06
Oceania	3.30
Total	**9.05**

Pay

Staff costs grew by 5.8% to 289 million euros, of which 80.3% represents salaries, and the rest social security and similar payments.



3.1 Grifols people

3.1.5 Grifols Values

Promoted by General Management and led by the Human Resources department, during 2010 we completed the process of setting out and communicating the corporate values of Grifols throughout the organization. What we call the Grifols Spirit is a way of understanding our business, of doing things, and of relating to others, both inside the business and to those outside.

The Grifols Spirit is defined by:

- Pride at belonging to the company
- Effort to achieve results
- Commitment to our customers
- Striving to make the best use of available resources
- Competitiveness based on teamwork
- Improvement and innovation
- Quality and safety in all our activities

3.1.6 Training and development of human capital

The training and development of human capital remains a significant challenge for Grifols, because we understand that markets are increasingly demanding and the sector in which the company operates is ever more competitive.

Grifols' training strategy is designed to meet the training requirements arising from the company's manufacturing activity, and to develop technical knowledge and business skills. We have therefore designed training for the production areas which focuses on managing quality and safety processes, and preventing occupational hazards, and training which focuses on management and interpersonal skills. Languages are a key element of Grifols' international growth strategy. The future of the company requires professionals who are able to implement projects in any part of the world.

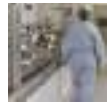
In 2010 the management and business skills development program was implemented in companies based in Spain and subsidiaries in Latin America, following on from the program first launched in US-based companies.

The training model includes the materials required to maintain a team of highly trained professionals who share the company's values.

In 2010 a further boost was given to the company's online training offering through the Campus Grifols platform. The offering has been expanded with the inclusion of technical programs, commercial product training, and skills training.

In quantitative terms, the number of hours per employee has risen to 28 (two more than in 2009) while the total number of hours delivered, the number of courses offered, and the number of participants have all increased.

Key training indicators	
No. of courses	23,969
Total hours	167,550
Average hours per employee	28



3.1 Grifols people

Total hours in 2010 by training type

	No. of hours
Quality/GMP	53,902
Product knowledge	28,634
Skills development	19,415
Languages	17,738
Occupational health and safety/environment	16,222
Logistics/purchasing	12,428
Finance	4,980
IT	4,958
Production	4,391
Engineering / Maintenance	3,140
Marketing / Management	1,012
Technicians	730
Total	**167,550**

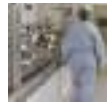
Another key element of the Grifols training model is the activity of the Grifols Academy of Plasmapheresis, responsible for training and updating staff involved with plasma supply: that is, those employees working at plasmapheresis centers in the United States, central analysis laboratories, and warehouses - some 2,600 people in total. The academy is based at Glendale, Arizona, and was designed to provide a platform for promoting best practice in plasma collection and to help disseminate the values and outlook of the organization. It is directed by an academic committee responsible for designing and approving the general outlines of its main training areas: Quality, Medical Sciences, Technology and Operations.

Major initiatives in 2010 include making the first e-learning courses accessible via the Campus Grifols platforms. Courses in this format are designed to complement the Academy's classroom training, and also provide access to training for staff who are unable to travel from locations spread across the United States.

Another major development during 2010 was the agreement between the Academy and the University of Phoenix under which students can obtain university credits for some of the courses delivered by the Academy. During 2010, the Academy also continued to provide continuous professional development courses for medical staff. Taken together, these activities make a major contribution to ensuring the quality of training for staff working in plasma supply.

Main Indicators - Academy of Plasmapheresis

	2010	2009	% Var.
No. of classes in courses/seminars	201	180	11.7
No. of hours of training delivered	10,724	10,146	5.7
No. of participants	644	641	0.4



3.1 Grifols people

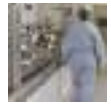
3.1.7 Workplace Health and Safety

Grifols' health and safety policy respects local safety regulations in the countries where it operates, while also integrating health and safety management in Grifols' overall strategy. As part of this strategy, in 2010 we set the target of implementing and recertifying our health and safety management models in accordance with OHSAS 18001 for all the companies in Spain. For subsidiaries in the rest of the world, the target was to establish a specific health and safety management system for each subsidiary which was consistent with the corporate system OHSAS 18001:2007.

3.1.8 Staff code of conduct

Grifols has a code of conduct for all its staff. The code establishes general guidelines for conduct, together with a frame of reference for the workplace behavior of all staff. The code establishes the principle of guaranteeing equality of opportunity and not discriminating between staff for reasons of gender, race, nationality, religion or beliefs, sexual orientation, disability or age.

The code also addresses the issues of corruption and confidentiality in detail.



3.1 Grifols people

3.1.9 Internal Communication

Good internal communication helps to achieve greater integration and cohesion within the workforce, both from a functional and a cultural perspective, by ensuring that staff share a common set of values and objectives. Grifols has three formal channels for internal communication:

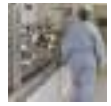
- **The staff portal** is the main channel for internal communication with employees, and is accessible to almost all staff across the globe. It was established in 2009, and has gradually been rolled out to staff at international subsidiaries and in the United States. The Grifols Portal provides content in both Spanish and English.

- **Information screens** located in almost all workplaces. There are currently 26 screens, of which 19 offer information in Spanish and 7 in English.

- **Cosmos is Grifols' in-house publication.** It is published quarterly, in both Spanish and English. It first appeared in Spanish 16 years ago, with the English version being added 3 years later. In addition to informing employees about the latest corporate developments, the magazine also addresses a range of issues which help promote understanding and appreciation of the work performed by individual members of staff and the departments in which they work. The printed publication is sent to the home address of every employee, with the aim of providing a bridge between the company and the family of staff members. The PlasmaCare subsidiary, which operates in the plasma supply sector, has its own internal publication focusing on the company's activities and drawing on contributions from staff.

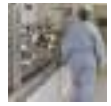
- **The Welcome Course** is designed to help integrate new members of staff into the company by providing them with an overview of its activities, the structure of the organization, and how it operates. The company handbook can also be consulted via the Grifols Portal.

- **Quarterly results meeting** at which the directors of each area provide an update of results, activities and corporate decisions to the middle management of each of the group companies.



3.2 The Environment

Grifols environmental management is based on its ISO 14.001-certified Management System and on the commitments established by the management in its environmental policy. Each company has an Environmental Committee which monitors the company's environmental system and performance, establishing targets and verifying that they have been achieved. The Environment Department coordinates the environmental activities of the group's companies and strives for continuous improvement in the different companies of the group.



3.2 The Environment

3.2.1. Environmental program 2008-2010

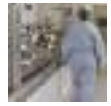
In 2010 the environmental program for the period 2008 to 2010 reached completion, and over 85% of the objectives contained in it were met. These objectives have involved significant improvements to management of residues, reduced water consumption, improved waste quality, and reductions in CO_2 emissions.

ENVIRONMENTAL PROGRAM 2008-2010

Level of achievement of objectives in Environmental Program 2008-2010

Division	CONSUMPTION OF RAW MATERIALS	Level of achievement
BSC / HOS	Replace storage of chemical products in 1 m^3 containers with fixed tanks.	100%
BSC	Reduce rejection of plasma from suppliers by 15%.	100%
BSC	Reduce acetone consumption at Los Angeles plant by 99%.	80%
BSC	Study installation of alcohol rectification tower at the Los Angeles plant.	80%
HOS	Eliminate cardboard separator between layers of boxes in pallets of finished product.	80%
DIA	Reduce packaging by 25% per card unit in the Diagnostic division.	80%
DIA	Increase the number of suppliers who use returnable packaging (12 suppliers).	100%

Division	RESIDUES	Level of achievement
BSC / HOS / DIA	Improve storage of residues at Parets del Vallès and Los Angeles.	50%
BSC	Ensure proper management of polyethylene glycol as a by-product, in response to rising production levels.	100%
BSC	Study management of residual polyethylene glycol in Los Angeles.	50%
HOS	Eliminate glue residue for labels.	100%
HOS	Replace 70% of PVC solution bag production with PP.	97%



3.2 The Environment

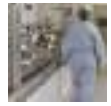
Division	WATER CONSUMPTION	Level of Achievement
BSC	Implement more effective cleaning methods for reactors (CIPs) in new production areas and optimize water consumption.	100%
HOS	Reuse water in autoclaves.	75%
BSC	Recover 70 m^3 of water per day from polyethylene glycol evaporators for use in refrigeration towers.	100%
HOS	Reduce annual water consumption by 5% at the Laboratorios Grifols plant at Parets del Vallès.	100%

Division	WASTE	Level of Achievement
BSC	Reduce organic load in waste water at Parets del Vallès.	100%
BSC	Improve separation of waste at the Los Angeles plant to reduce the COD of waste water.	25%
HOS	Prevent increase in COD of waste water at the Murcia plant with the expansion of the facilities. Correct separation, homogenization and treatment.	100%

Division	EMISSIONS	Level of Achievement
BSC	Reduce CO_2 emissions by 23% by harnessing useful calorific energy at the Parets del Vallès plant (new cogeneration facility).	100%
BSC	Minimize consumption of natural gas and reduce corresponding emissions of CO_2 at Los Angeles by installing high efficiency boilers.	50%
BSC	Reduce emissions of CO_2 at Parets del Vallès through construction of a photovoltaic plant.	100%
HOS	Minimize consumption of natural gas and reduce emissions of CO_2 at the new Murcia plant by installing two high efficiency boilers.	75%
HOS	Study viability of a solar energy plant at the Murcia complex to reduce CO_2 emissions.	100%
BSC / HOS / DIA	Reduce atmospheric emissions caused by commercial vehicles: Lease new commercial vehicles in categories A or B of the database for energy consumption of new cars, maintained by Spain's Institute for Diversification and Savings in Energy Use (IDAE).	100%
BSC / HOS / DIA	Increase number of users of Grifols shared transport at Parets del Vallès.	60%

Division	ENVIRONMENTAL MANAGEMENT	Level of Achievement
BSC	Standardize and implement the Environmental Management system at manufacturing plants in the United States.	50%

DIVISIONS: BSC: Bioscience, HOS: Hospital, DIA: Diagnostic.



3.2 The Environment

The new manufacturing plant for parenteral solutions in plastic containers currently under construction in Murcia (Spain) will herald big changes. This plant incorporates a range of equipment designed with energy-efficient criteria in mind, and polypropylene (PP) containers will replace PVC. The advantages associated with this change include reduced consumption of raw materials and energy, due to reducing the weight of bags by 25%; lower environmental impact over the life cycle of PP bags, because of the absence of chlorine molecules; reduction in residues generated after use, and of total CO_2 emissions.

3.2.2. Environmental management results

The results of Grifols' environmental management, as shown by the indicators below, show that the environmental issues where the greatest progress has been achieved are water consumption and residue management. Production indicators have remained fairly constant.

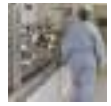
Division	Bioscience	Hospital	Diagnostic
Increase in production	0.47%	-4.3%	-0.06%

Energy consumption

During 2010, electricity consumption rose by 9% to 79.4 million kWh. The Bioscience division consumes 80% of this. Electricity consumption at Parets del Vallès has increased, and validation of the new Fibrinsealant manufacturing plant and the resulting increase in output will push this up further.

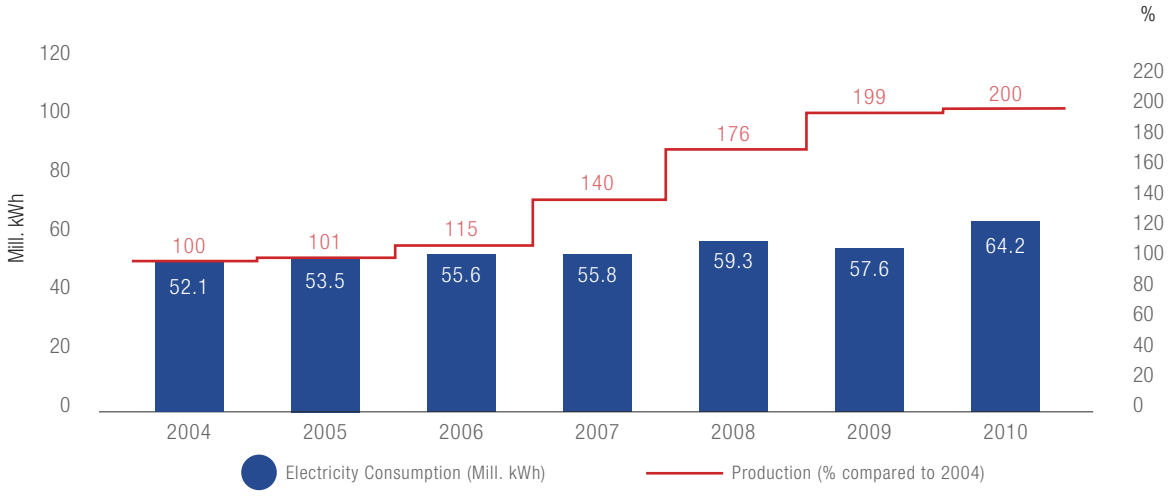
The cogeneration plant which supplies the production requirements of this division in Spain produced 33.9 million kWh of electricity, and recovered 22.4 million kWh in the form of steam and hot water. These figures are lower than for 2009 because the facility operated for 6 weeks fewer than the previous year due to technical stoppages.

Total natural gas consumption of all facilities, excluding the natural gas needed for cogeneration, was 68.5 million kWh, 16% higher than the previous year, due to lower heat production from the cogeneration plant. The Bioscience division consumes 74% of this natural gas.

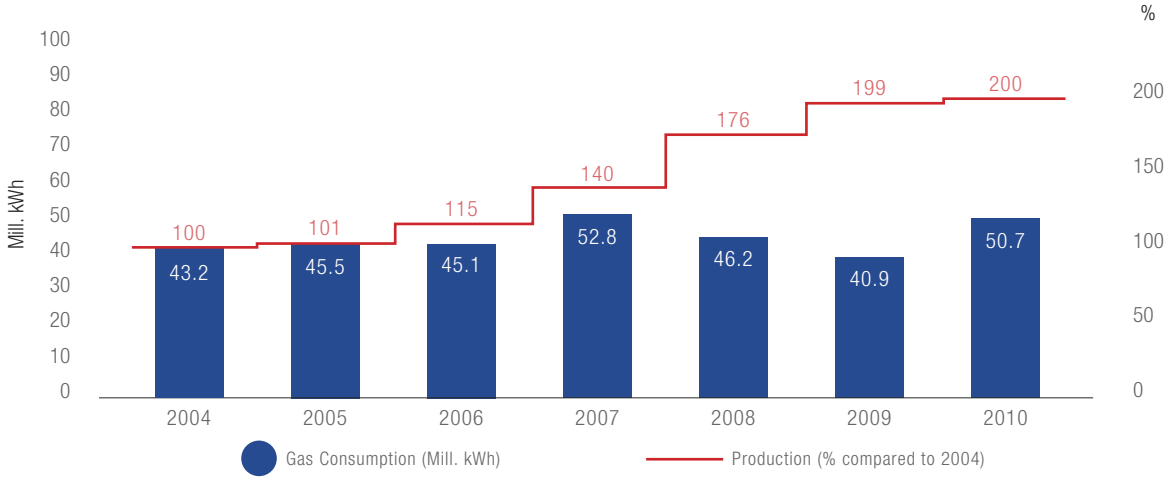


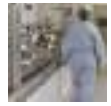
3.2 The Environment

Bioscience Electricity Consumption vs. Production



Bioscience Gas Consumption vs. Production





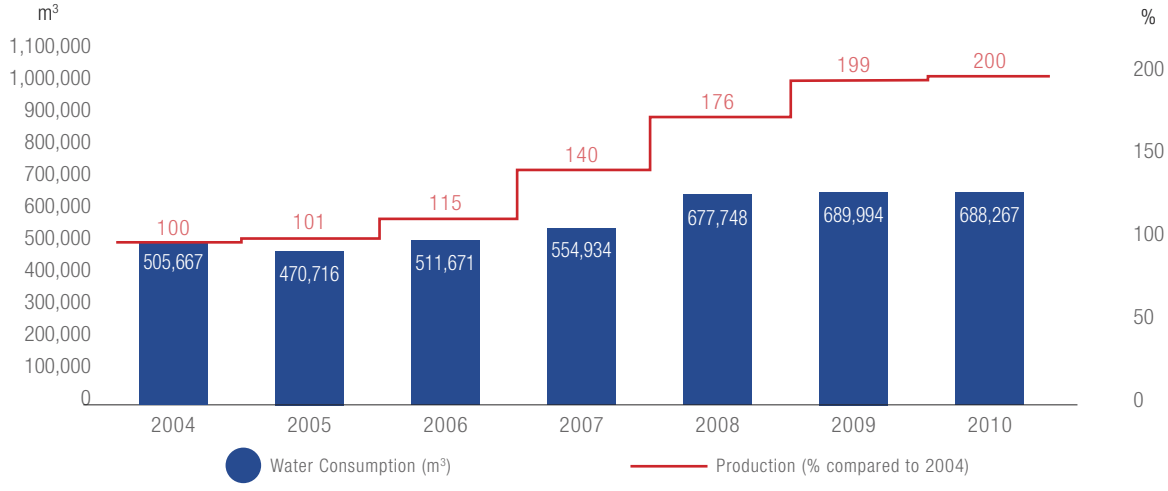
3.2 The Environment

Consumption and recycling of water

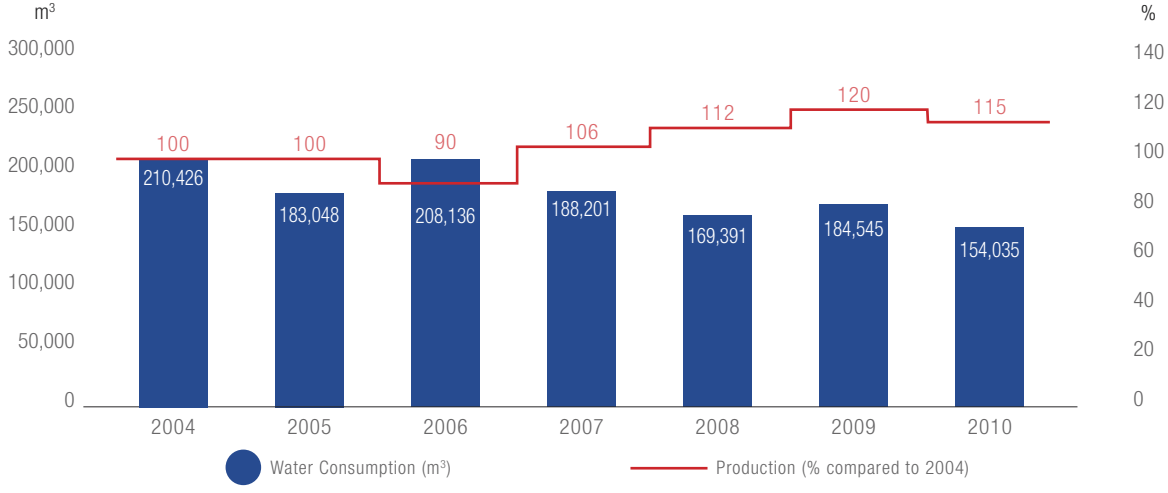
Water consumption was 861,618 m^3, a 4.45% reduction, despite production levels remaining constant.

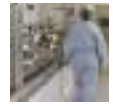
During 2010, more Clean-in-Place systems, which are more efficient in their consumption of water and detergents, have been installed in the production areas of the Bioscience and Hospital divisions. In addition, the Hospital division has worked to improve the recovery of clean water for reuse in the refrigeration towers, and this contributed to the reduced consumption.

Bioscience Water Consumption vs. Production



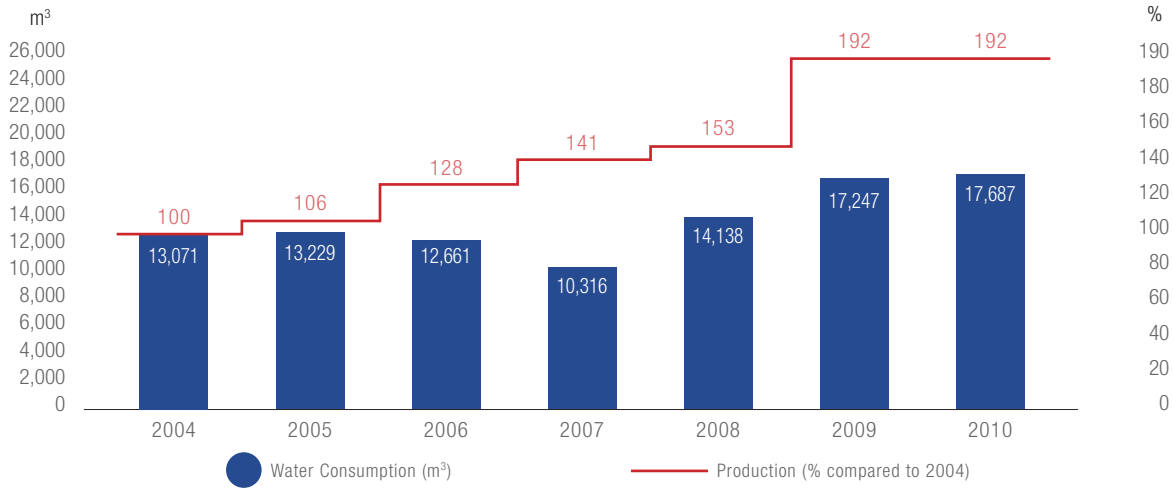
Hospital Water Consumption vs. Production





3.2 The Environment

Diagnostic Water Consumption vs. Production

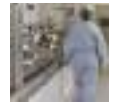


Residue generation and management

The management of residues improved significantly during 2010. Total production of residues amounted to approximately 14,525 t, a fall of 12% compared to the previous year. The proportion of residues which is recycled has risen by over 10%, with the result that 65% of all residues are either recycled are used as a by-product.

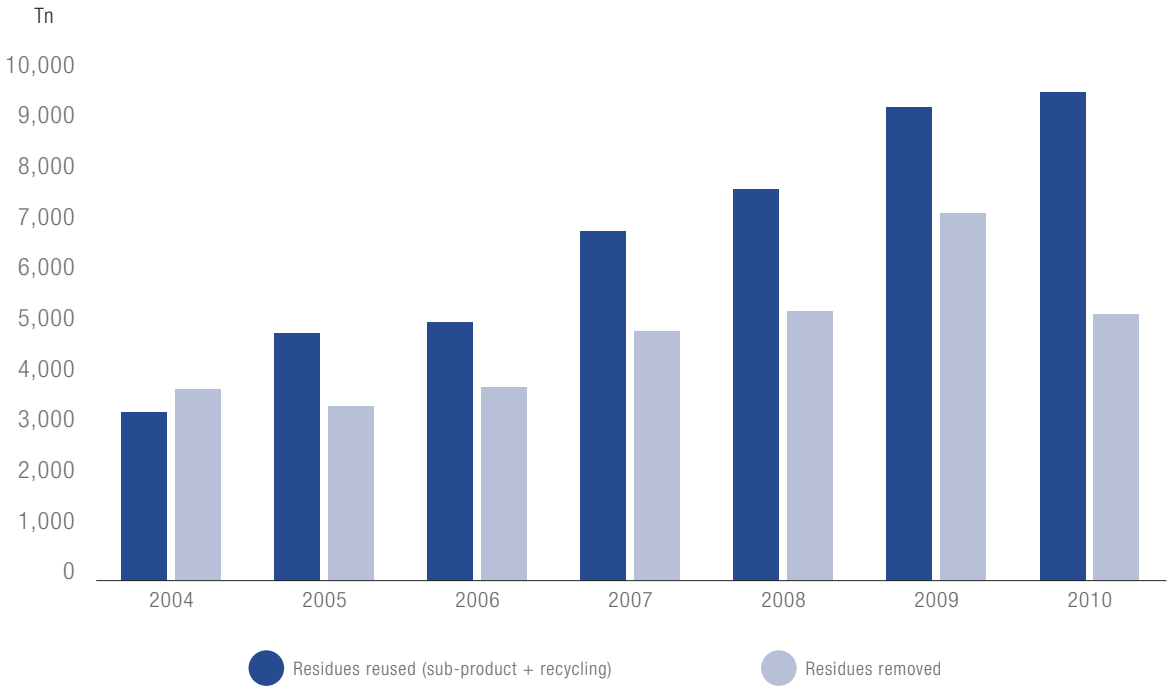
The most important residue by quantity is water-concentrated polyethylene glycol, which is produced in the manufacture of Flebogamma® DIF at the Parets del Vallès plant (Bioscience division). This year, almost 5000 t of this by-product were sold.

A new process to purify albumin using a diafiltration system, similar to the one in use at the Barcelona plant, has been installed at the Bioscience plant in Los Angeles. This process does not use acetone, meaning that this solvent will no longer be used. During 2010 the quantity of acetone residues fell by over 1000 t, and this will continue to fall until acetone is completely removed from the production process over the next two years.



3.2 The Environment

Destination of Residues

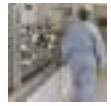


Waste Water

Waste water from all manufacturing facilities flows into the public sewer network and purification systems established by the local authorities. 70% of the water used ultimately ends up in the sewer system. The total organic load discharged, measured as Chemical Oxygen Demand (COD), has risen by 8%, and this is attributable to the Bioscience division.

CO_2 emissions

Total CO_2 emissions, both direct and indirect, due to the consumption of natural gas and electricity at all manufacturing facilities, were 54,119 t, 1% higher than the previous year. Emissions of CO_2 by the cogeneration plant totaled 19,764 t, 6.7% lower than the previous year.



3.2 The Environment

Environmental Management Report

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

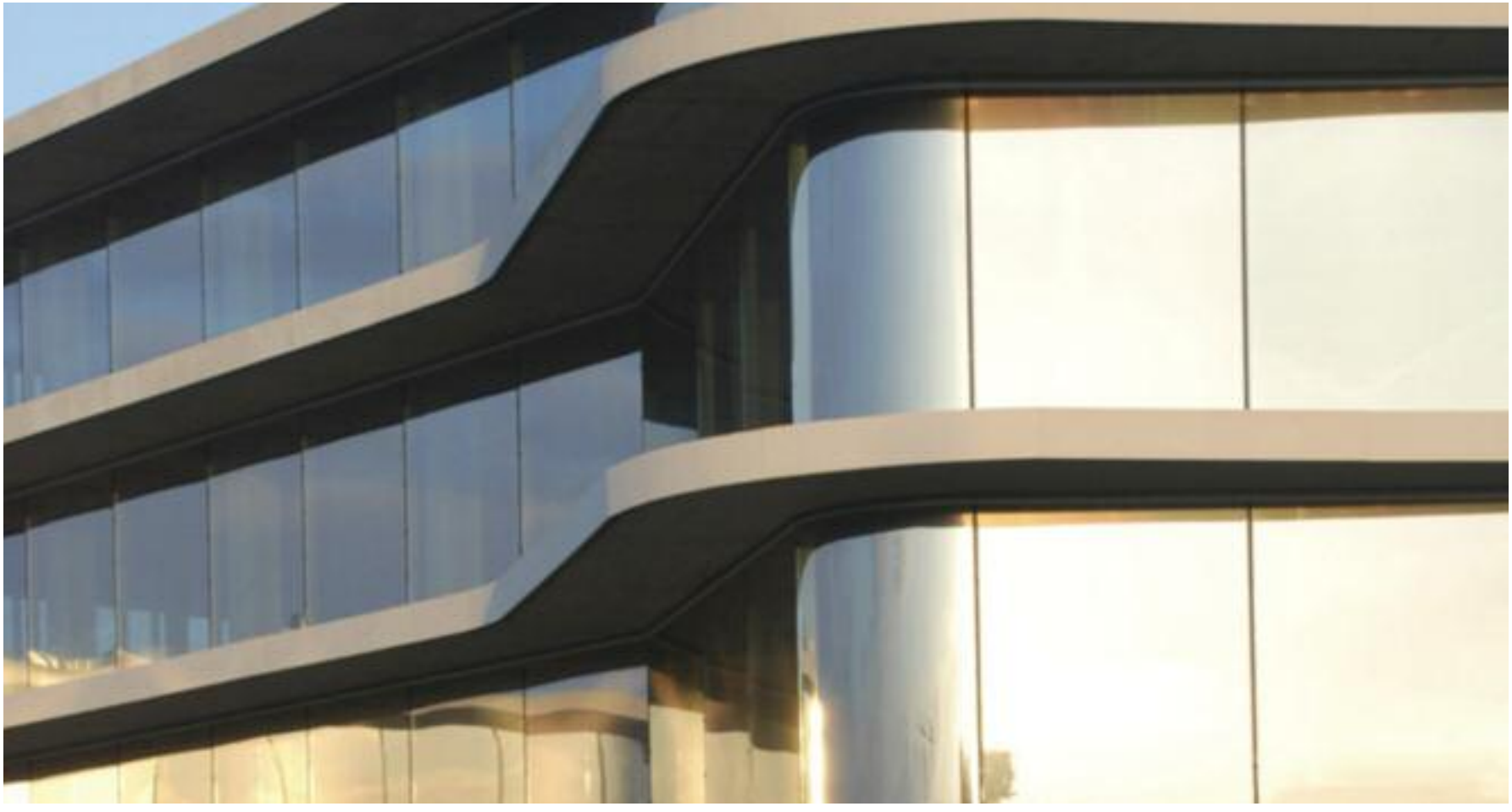
3.2.3 Environmental investment and expenditure

Environmental expenditure during 2010 totaled 2.2 million euros, representing savings of 700,000 euros with respect to the previous year when taking into account income from the recycling of residues. The main causes of this saving have been the significant increase in the recycling of residues, and the gradual elimination of acetone at the Los Angeles plant.

The main environmental investments have been allocated to energy efficiency projects at manufacturing facilities, and optimizing water use. Investments in environmental assets during 2010 exceeded 3.1 million euros.

Item (Thousands of Euros)	Expenditure	Investments
Water cycle	601,733	1,431,467
Residues	1,687,298	6,532
Emissions	18,550	1,740,361
Others	69,471	
TOTAL	**2,377,052**	**3,178,360**

4. Economic-financial performance



4.1 Macroeconomic environment

4.1.1 Global economic environment

The International Monetary Fund estimates that the world economy grew by 4.6% in 2010, indicating the start of economic recovery following the crisis which began in August 2007 and reached its height in 2009. However, recovery has been uneven and increases in GDP have varied widely between developed and emerging countries.

4.1 Macroeconomic environment

In global terms, during 2010 the economy was marked by five key events which have created an unprecedented scenario in which the hope is that the dynamism of the emerging countries will help pull the developed economies out of stagnation.

The Greek rescue, in response to that country's inability to service its sovereign debt and correct its budget deficit, placed a question mark against the euro. The single currency experienced the worst year of its history in the light of fears that the crisis would spread to other countries in the eurozone.

Pressure on the debt of some states reflected market skepticism about the real situation of their public finances. Ireland also had to be helped, while concerns about Belgium, Portugal, Spain and France increased.

The crisis of the euro in 2010 required significant fiscal adjustments to calm the financial markets, and most countries adopted austerity programs in an attempt to generate confidence in their solvency and their ability to repay their debts. At the same time, they adopted measures to promote growth and to avoid the possibility of a deflationary recession.

The different policies followed to revise national economies promoted a currency war. Keeping currencies low to strengthen exports and make imports more expensive was a strategy followed by both the United States and China, in particular, to maintain its trade surplus. At the height of tensions between the two states, China established itself as the world's leading exporter and its second largest economy, overtaking Japan to position itself after the United States.

This is evidenced by the growth figures. China's gross domestic product (GDP) reached almost 6 thousand billion dollars in 2010, with annual economic growth of 10.3%, while Japan, growing at 3.9%, had a GDP of 5.4 thousand billion dollars. The United States grew at 2.9% and Europe at 1.7%, driven once again by the German and French economies.

In this context of global and European economic growth, Spain was the only major economy in the world which shrank during 2010. Spain's GDP fell by 0.1% compared to 2009, a situation of economic stagnation which has gone hand in hand with high levels of unemployment.

However, the economic recession in the United States and Europe has not affected the growth of developing countries. In addition to China, Turkey, Argentina and Brazil were among the fastest growing areas in 2010, expanding at rhythms of between 8% and 12%. According to the IMF, emerging markets will grow by an average of 7.1% over the coming years, compared to the 2.7% forecast for the developed countries.

4.1 Macroeconomic environment

In the case of Brazil, during 2010 its economy grew at its fastest rate for the last 24 years, making it the seventh largest in the world and the largest in Latin America. The rate of 7.5% was close to those recorded by China and India. China is now Brazil's leading trade partner, and is ahead of the United States in bilateral trade with Argentina.

The price of raw materials has seen record increases, reversing what had appeared to be a firm law of the global economy: the fall in values of primary products compared to manufactured goods.
Oil prices fluctuated, and this instability is predicted to continue for the foreseeable future. This volatility was also the main feature of stock exchange indicators, reflecting the latent risk to real economies.

While the economic crisis has had an uneven impact on different countries, with the developed world bearing the brunt, it has also led to 44 million people living below the poverty threshold according to the World Bank. Food prices rose by an average of 30% between 2009 and 2010, while wheat prices doubled and the price of maize increased by 73%.

2010 was expected to be a difficult year, in which the majority of the world's economies sought to come to terms with the challenge of coming out of recession, and 2011 seems likely to be characterized by a two-speed recovery in the context of higher interest rates.

Ensuring that Grifols' international expansion fits geographic areas with the greatest potential for growth is an essential element of the group's strategy. In 2010 sales in Asia rose by 29%.

4.1 Macroeconomic environment

4.1.2 The plasma products sector

The global consolidation of the plasma products sector which occurred at the end of the 1990s involved a major transformation of the industry's productive structure. At the same time, demand has increased steadily thanks to the development of diagnostic systems and the growing importance of emerging countries as consumers of plasma products as a result of improved health coverage.

4.1 Macroeconomic environment

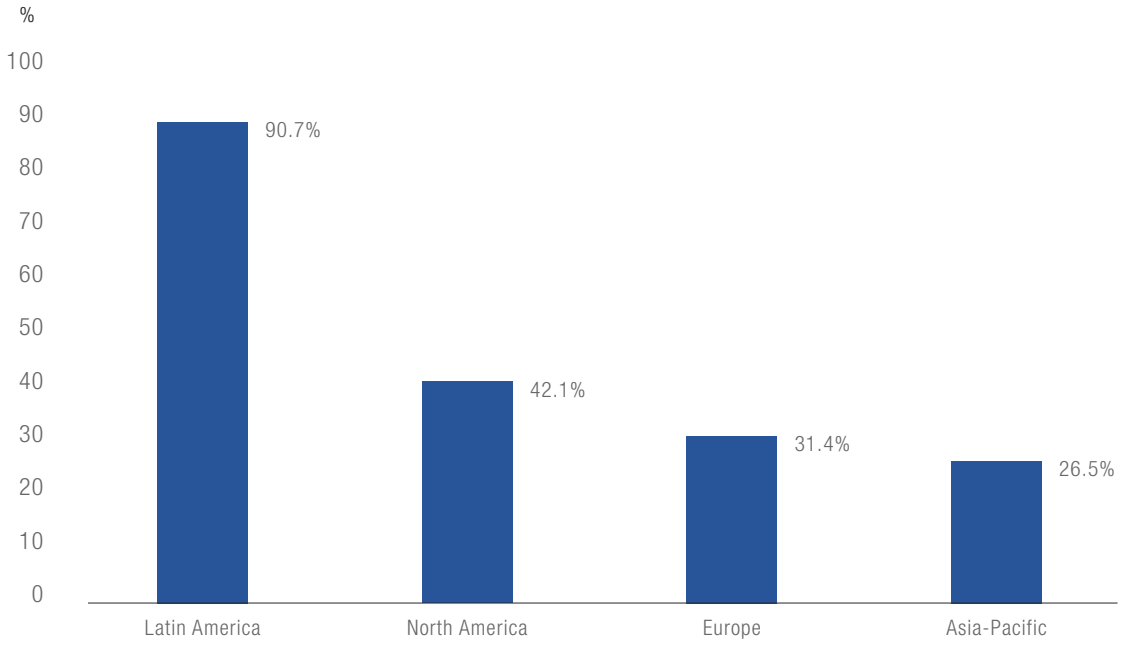
The world market in plasma products, according to the most recent independent report published in April 2010 (*The Worldwide Plasma Fractionation Market 2008*) grew from 5,278 million dollars in 2000, to 6,991 million dollars in 2005 and 11,781 million dollars in 2008, with regional growth between 2005 and 2008 of 90.7% in Latin America, 42.1% in North America, 26.5% in the Asia-Pacific region, and 31.4% in Europe and Oceania.

In 2010, the trend which began during the second half of 2009 was sustained. In many of the most developed areas of the world, the economic crisis has meant that the sustained growth in unit sale prices has been replaced by stagnation or decline.

However, demand continues to rise. This has been particularly true in the emerging economies, where rapid growth has enabled them to expand health care, offering people greater access to plasma therapies. As a result, volume is the principal engine of growth in the sector.

It is also important to note the efforts made by the industry with respect to R&D. There are now numerous studies and clinical trials underway exploring new therapeutic properties of plasma products. These include the use of intravenous immunoglobulin (IVIG) and albumin in the treatment of Alzheimer's disease, and the use of albumin for the treatment of cirrhosis of the liver.

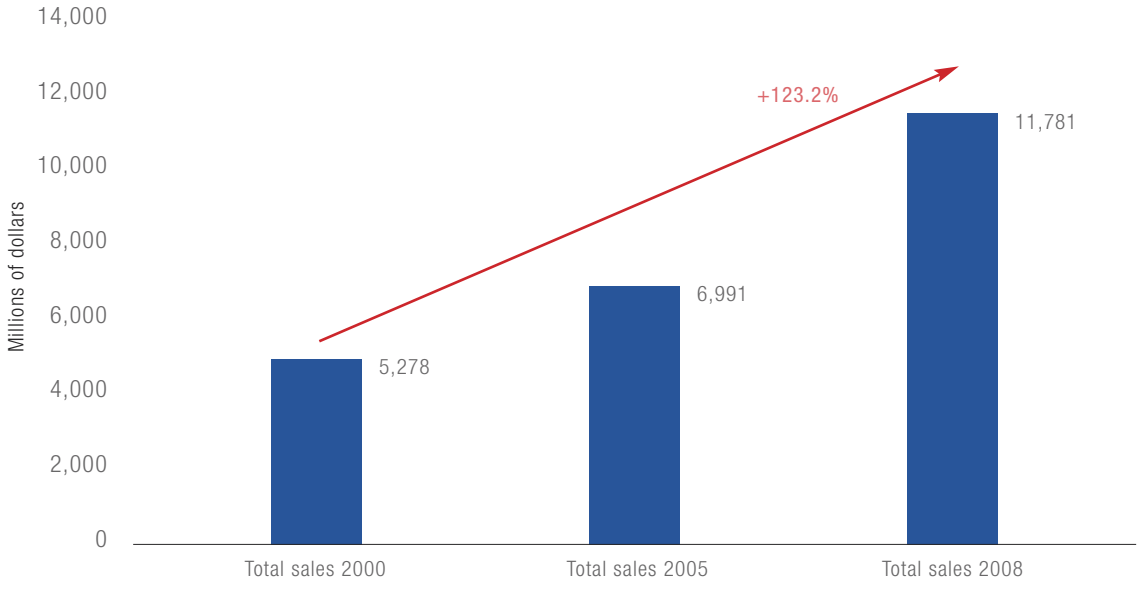
Sales performance of plasma products 2005-2008 by geographic region



Source: The Worldwide Plasma fractions Market, 2008, MRB

4.1 Macroeconomic environment

Global sales performance of plasma products



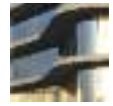
Source: The Worldwide Plasma Fractions Market, 2008, MRB

In terms of products, intravenous immunoglobulin (IVIG), albumin and factor VIII account for almost two thirds of the global market by sales revenue, although the proportions are far from uniform across different areas.

The purchase of Talecris Biotherapeutics by Grifols was one of the key corporate developments in the sector in 2010. This operation is still pending approval by the Federal Trade Commission (FTC), the United States anti-trust authority.

4.2 Analysis of results

In 2010, we met our targets for organic growth, international expansion and investment, and strengthened future development through acquisitions such as the proposed purchase of Talecris Biotherapeutics. Sales rose by 8.5%, while recurrent activity, which excludes Raw Materials, increased by 10.7%.



4.2 Analysis of results

4.2.1 Income statement

Grifols closed 2010 with **total sales revenue** of 990.7 million euros, growth of 8.5% in comparison to 2009. The group's recurring activity, which excludes Raw Materials, increased by +10.7% and overall sales were 985.9 million euros. This included sales growth in all four quarters, and double-digit, year-on-year growth in each of the last three quarters.

The impact of the dollar: euro exchange rate was mitigated during the year, thanks both to the natural hedge of the group's activities between the two currency areas, and geographical diversification of sales. Exchange effects led to a slight increase in sales income, compensating for the increased cost of plasma and reducing currency risk. International expansion was maintained throughout the year, benefiting sales and contributing to the positive performance of all divisions.

At the same time, the cost control policy continued, although the negative effects of increased raw material costs (plasma) and the slight impact of stagnant or falling prices on income had a direct impact on gross margin and the EBITDA margin.

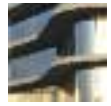
The gross margin was 46.6% of sales, a fall of 210 base points. In comparative terms* , the gross operating result increased by 2.4% to 272.5 million euros, representing a margin of 27.5% over sales, compared to 29.1% for the previous year. Taking into account the transaction costs associated with the proposed purchase of Talecris Biotherapeutics, **EBITDA** would be 255.5 million euros. This is a fall of 4.0% compared to the EBITDA for 2009 and is equivalent to a margin of 25.8% over sales.

The **financial result** increased to 51 million euros, affecting the group's net profit. This increase was a result of resources raised with the bond issue in 2009 and a loss which did not materialize, related to future contracts underpinned by Grifols shares. **Net recurring profit*** in 2010 fell by 13.7% to 127.7 million euros, representing 12.9% of sales. However, if we take into account the transaction costs associated with the proposed purchase of Talecris Biotherapeutics, net reported profit would be 11.7% of income, a fall of 21.9% to a total of 115.5 million euros.

Key figures for 2010 (millions of euros)

	2010	2009	
Total income	990.7	913.2	+8.5%
Adjusted EBITDA*	272.5%	266.1	+2.4%
% of sales	27.5%	29.1%	
EBITDA	255.5	266.1	-4.0%
% of sales	25.8%	29.1%	
Net Adjusted Profit*	127.7	148.0	-13.7%
% of sales	12.9%	16.2%	
Net profit	115.5	148.0	-21.9%
% of sales	11.7%	16.2%	

**Excluding the costs associated with the agreement to purchase Talecris Biotherapeutics.*



4.2 Analysis of results

Sales performance by business line

In 2010 divisional sales performed well, helped by the entrance into new markets and consolidation in areas where the company already operated.

Sales performed well in all four quarters of the year in all divisions. To March 2010 sales revenue rose by 1% compared to the previous year. From April to June the increase was 6.5%; from July to September it stood at 14.6%; and sales increased by 12.7% in the fourth quarter. The global economic recovery had a greater impact on the company's sales in the second half of the year, contributing to interannual growth in all divisions.

Bioscience's income rose by 11.3% to 773.4 million euros, representing 78.1% of the group's total sales revenue. The rising sales volume of plasma products was the main engine of growth in a difficult price environment. The most significant developments include increased sales of intravenous immunoglobulin (IVIG) in markets such as Australia and the United States, the strong overall performance of albumin and factor VIII, and the gradual penetration of the Chinese, Brazilian and Chilean markets, as forecast for the group in line with the expected growth in each geographical region.

The **Diagnostic** division grew by 5.8% with income of 109.1 million euros, of which 70% was generated in international markets. The Blood Bank, Hemostasis and New Technology areas recorded the highest levels of growth, with increases of 17.2%, 18.4% and 9.6% respectively. This division generated 11% of the group's total income.

The sales of the **Hospital** division grew by 89.6 million euros, an increase of 3.7% with respect to 2009. The positive performance during the second half of the year due to increased sales of medical supplies (8.4%), fluid therapy (5.5%) and the recovery of the hospital logistics area, which has increased the number of successful project tenders, despite the restraints on hospital budgets during 2010. In total, this contributed 9% of the group's business income.

The **Raw Materials & Others** division includes the sales of raw material (plasma) to third parties, and other services. This division has sustained its gradual fall in activity, as planned, with business revenue of 18.7 million euros.

Analysis of sales by division (thousand euros)

	2010	% of sales	2009	% of sales	% var.	% var.CC*
Bioscience	773,371	78.1	694,969	76.1	11.3	7.7
Hospital	89,552	9.0	86,328	9.4	3.7	2.9
Diagnostic	109,088	11.0	103,091	11.3	5.8	3.4
Raw Materials & Others	18,719	1.9	28,798	3.2	-35.0	-35.8
TOTAL	**990,730**	**100.0**	**913,186**	**100.0**	**8.5**	**5.4**

** Constant Currency (CC) excludes exchange rate variations.*

4.2 Analysis of results

Sales performance by geographic region

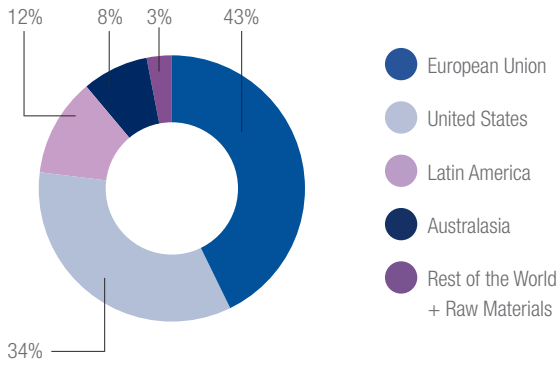
International diversification remains an essential element of the group's strategy for delivering organic growth. The Diagnostic division was the most international, with the start of sales of immunohematology cards in Saudi Arabia, Egypt and Switzerland. Bioscience strengthened its presence in the strategic United States and Europe regions, with new presentations of plasma products, adapted to meet the specific needs of these markets. Hospital confirmed the start of plans to expand in Portugal and Latin America.

International expansion continued to be fundamental, with 77% of Grifols' sales revenue in 2010 coming from overseas markets, compared to 75% in 2009. Grifols' growth continues to be driven by non-Spanish markets, reducing the group's dependency on the domestic economy, and helping to improve payment periods. International sales grew 11% to 762.8 million euros.

Throughout the year, Grifols continued to consolidate its international diversification by growing sales in regions such as Latin America and the Asia-Pacific, and these emerging regions are beginning to take their place alongside the United States and Europe in terms of sales revenue. Particularly impressive growth was recorded in Asia and Australia, which grew by more than 29% and 100%, respectively.

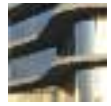
During 2010, Grifols continued to strengthen its presence in the United States. Recurring sales in this market grew by 22.5% to 338.0 million euros, representing over 34% of the group's total sales revenue. Progress in the European Union has been helped by the contribution of countries such as Italy and the United Kingdom. Sales totaled 432.2 million euros, accounting for 43.6% of income, and growth of 1.8% with respect to 2009. Income in Spain represented 23% of total sales revenue and remained stable at around 225 million euros with growth of 1%.

Distribution of sales 2010



Geographic distribution of ordinary income of Grifols (millions of euros)

	2010	% of sales	2009	% of sales	% var
European Union	432.2	43.6%	424.6	46.5%	1.8%
United States	338.0	34.1	276.0	30.2%	22.5%
Latin America	117.8	11.9%	114.1	12.5%	3.3%
Asia - Pacific	76.8	7.8%	56.0	6.1%	37.3%
Rest of the World + Raw Materials	25.9	2.6%	42.5	4.7%	-39.1%
Consolidated	990.7	100.0%	913.2	100.0%	8.5%



4.2 Analysis of results

4.2.2 Balance sheet

At the end of the year, Grifols had total consolidated assets of 1,889.0 million euros, compared to 1,657.2 million euros in 2009.

Fixed assets rose by 62.4 million euros to 434.1 million euros at the end of the year and intangible assets rose by 24.4 million euros to 267.7 million euros at the end of the year. The investment plan (CAPEX) for 2010 was worth 95 million euros. This increase corresponded primarily to capital investments to construct the new Flebogamma® DIF (IVIG) plant in the United States and the new fibrin glue plant in Spain, together with investments in Switzerland to expand production of blood typing cards. It also reflects the third phase of extension and improvement of the plant in Murcia (Spain).

Investments in 2010 reflect Grifols' strategy of increasing fractionation and production capacity to assure the group's sustainable growth, in accordance with the planned investment of approximately 450 million euros approved for the period 2008-2012.

With respect to current assets, it is important to note the improved inventory turnover levels. Inventory, which includes both finished product and work in process as well as the supply of raw materials, rose from 484.4 million euros in 2009 to 527.8 million euros in 2010.

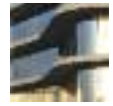
Outstanding customer balances for sales and provision of services totalled 224.4 million euros, slightly higher than the figure of 207.8 million euros for 2009, evidence that the increase in business revenue has not translated into a similar rise in outstanding balances for commercial customers. Likewise, throughout the financial year there has been a gradual improvement in debt recovery and this, together with the favorable impact of higher sales in markets with shorter and more stable payment periods allowed Grifols to maintain its payment period at levels similar to those of 2009.

The balance of cash and cash equivalents fell during the year. It stood at 239.6 million euros, compared to 249.3 million euros for 2009, a year during which the cash position was significantly increased as a result of various financial operations performed during that period.

Grifols maintains the solidity of its balance sheet in 2010, enabling it to secure the necessary funding for the purchase of Talecris Biotherapeutics when the United States anti-trust authority (FTC) approves the operation.

Net financial debt rose from 561.6 million euros in 2009 to 604.9 million euros in 2010, meaning that the ratio of the group's **net financial debt** to EBITDA remained stable at around 2.4. During 2010 the group continued to have a solid balance sheet and to enjoy a healthy financial situation, enabling it to meet future commitments. In particular, there was improved management of working capital, both in receivables and in inventory and suppliers.

4.2 Analysis of results



The main financial ratios in 2010 attest to the solidity of balance sheet

	December 2010	December 2009
Net financial debt	604.9	561.6
Net financial debt/EBITDA (<3.5)	2.37	2.11
Minimum equity (>449.7)	693.0	566.4
EBITDA/financial expenses (>5.00)	5.01	11.78

The key financial operations in 2010 were linked to the purchase of Talecris Biotherapeutics.

Grifols signs term loan contracts for a value of US 3,400 million dollars

During 2010, the main financial operations focused on speeding up and concluding the funding arrangements for the possible purchase of Talecris Biotherapeutics, an operation which is pending approval by the US anti-trust authority (FTC).

These include the closing of term loan contracts for a value of US 3,400 million dollars, signed during the final quarter of the year. With these agreements, Grifols concluded one of the phases of the timetable set out for completion of the transaction. Investors and financial institutions understood and endorsed the strategic logic of the operation and Grifols' long-term plans, enabling the group to obtain US 3,100 million dollars, together with a revolving credit line of US 300 million dollars (total US 3,400 million dollars), improving maturities and the cost of the debt when compared to the initial plan.

The US 4,500 million dollars previously guaranteed by the six financial institutions acting as book runners, Deutsche Bank, Nomura, BBVA, BNP Paribas, HSBC and Morgan Stanley, were distributed as follows:

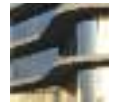
I.- Total secured senior debt:
US 3,400 million dollars
Structure:

- Long-term syndicated funding with financial institutions: loan repayable over 5 years for a total value of US 1,500 million dollars. Margin of 375 base points (bp) over US Libor and 400 bp over Euribor. Rating BB and Ba3.
- Long-term syndicated funding with institutional investors: bullet loan (full amount of principal repayable upon maturity) at 6 years for a total value of US 1,600 million dollars. Margin of 425 bp over US Libor and 450 bp over Euribor. Rating BB and Ba3.
- Senior secured revolving credit line: for US 300 million dollars. Rating BB and Ba3.

II.- Issue of unsecured senior debt:
US 1,100 million dollars

The issue (rating B and B3) was completed subsequent to the end of 2010. The bonds, with a 7 year maturity, have been fully subscribed by qualified investors in the United States and other countries.

Total maximum estimated funding:
US 4,500 million dollars



4.2 Analysis of results

Grifols obtains credit ratings by Standard & Poor's and Moody's

In 2010 Grifols obtained its first credit rating from two of the leading rating agencies: Standard & Poor's and Moody's. The group voluntarily applied for a rating to facilitate its access to financial capital markets, and the placement of some of the tranches of the financial structure required for the purchase of Talecris Biotherapeutics, subject to approval by the United States anti-trust authority (FTC).

Both agencies issued a rating for Grifols senior debt just below investment grade (BB and Ba3, respectively), although S&P included a positive outlook for the group.

This enabled the company to arrange the funding included in the planned financial structure for a maximum value of US 4,200 million dollars, plus a revolving credit line of US 300 million dollars. The preliminary long-term corporate credit rating stood at BB- and B1.

The group credit rating and the results of the senior and junior (unsecured) debt issue are as follows:

	Standard & Poor's	Moody's
Senior secured debt	BB	Ba3
Corporate rating	BB-	B1
Unsecured debt	B	B3
Outlook	Positive	Stable

Positive outlook for the group, according to Standard & Poor's if the purchase of Talecris Biotherapeutics goes ahead

S&P and Moody's have evaluated Grifols' situation once the purchase of Talecris Biotherapeutics is finalized. The ratings issued reflect the group's strong position in the sector; if the acquisition goes ahead it will become the third largest in the global plasma products market. Furthermore, although Grifols estimates that its net financial debt to EBITDA ratio will be about 5 times once the purchase has been completed, the significant operating synergies this will generate (approximately US 230 million dollars per year, to be achieved from the fourth year on) and the improved short-term cash flow following integration, will enable it to rapidly reduce this level of debt.

Grifols estimates that in the fourth year following the acquisition it will return to current levels of leveraging, at around 2 times EBITDA. In addition, it will maintain its investment programs (CAPEX) for both organizations.

International investors have confidence in Grifols' management and business strategy, enabling the group to obtain US 3,400 million dollars of secured funding to purchase Talecris Biotherapeutics, complemented by a US 1,100 million dollars bond issue.

4.2 Analysis of results

4.2.3 Equity

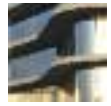
As of 31 December, 2010, Grifols' net equity was 707.4 million euros, a net increase of 128.9 million euros over the 578.5 million euros recorded in 2009.

During 2010 no changes have occurred in the company's share capital, which stands at 106.5 million euros and is represented by 213,064,899 ordinary shares with a nominal value of 0.50 euros each. All the shares bear equal voting and dividend rights.

Once again, the company's performance in 2010 contributed to the growth of its assets.

As agreed by the General Shareholders Meeting of, on 1 July 2010 a complementary dividend of 0.13 euros gross per share and a total of 27.2 million euros, relating to 2009 results, was distributed. In 2009 an interim dividend of 0.15 euros gross per share and a total of 32 million euros was distributed on account of 2009 results.

Currency movements (mainly in US dollars) in 2010 had a positive impact (39.5 million euros), recorded under the heading of translation differences.



4.3 Corporate and financial operations

4.3.1 Proposed purchase of Talecris Biotherapeutics

In June 2010 Grifols signed a definitive agreement to purchase the United States company Talecris Biotherapeutics (NASDAQ:TLCR), specializing in the production of plasma-derived biological products, to create a group which would be a global leader in the plasma products sector.

Once the approval of the United States anti-trust authority (FTC) has been granted, Grifols will purchase all of this company's shares for US 3,400 million dollars (approximately 2,800 million euros), paying US 19 dollars in cash for each Talecris Biotherapeutics share, and 0.641-0.6485 newly issued non-voting shares. The total value of the transaction, including the net debt of Talecris Biotherapeutics, amounts to approximately US 4,000 million dollars (3,300 million euros).

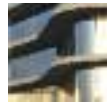
The combination of Grifols and Talecris Biotherapeutics will strengthen the diversification of the Spanish group and vertical integration of the business. In addition to achieving significant complementarity both in geographic and product terms, it will consolidate the group's industrial capacity. The production capacity already available at Grifols factories in the United States will allow it to increase the production of Talecris Biotherapeutics over the short term, to respond to the needs of a greater number of patients across the world. Grifols' international presence will benefit from this company's strong base in the United States and Canada.

Funding the transaction

In millions of dollars (USD)

Revolver	0[1]
Loan Tranche A (5 years)	1,500
Loan Tranche B (6 years)	1,600
Bonds (7 years)	1,100
Total Debt	4,200
Non voting Shares	952
Total	5,152

[1]$300 million revolving credit funding for 5 years, available upon completion of the transaction.



4.3 Corporate and financial operations

Strategic rationale of the operation

Strategic business outlook

- Fully complementary business models.
- Optimization of commercial and industrial operations, and R&D projects.
- Geographical complementarity.
- Significant increase of Grifols' presence in the United States.
- Creation of world's 3rd largest vertically integrated producer of plasma products.
- Expanded plasma collection and fractionation capabilities to satisfy sustained increase in global demand.

Financial outlook for shareholders

- The integration of both companies will create significant synergies: USD 230 million from the fourth year.
- Immediate growth of profit per share.
- The synergies obtained will exceed the premium paid, creating value for the shareholder.
- Rapid debt reduction through cash flow generation derived from the business and the synergies.

Benefits of the operation

Industrial outlook

- Increased fractionation capacity.
- Increased purification capacity.
- Optimization of investments.
- Improvements to the plasma collection process, and cost reductions.
- Higher yield per liter of plasma.
- Complementary analysis laboratories.
- Improved inventory management.

Commercial outlook

- Increase and diversification of product portfolio.
- Excellent geographical complementarity.
- Increased availability of products.
- Complementary R&D projects.
- New business opportunities in treatments using recombinant products.

4.3 Corporate and financial operations

4.3.2 Other operations in 2010

Over recent years, the generation of cash flow from Grifols' business activity and the availability of external funding have given the group to access to the resources needed for a range of corporate operations.

Major operations during 2010 included:

- **Acquisition of 51% of the capital of Nanotherapix, S.L.**

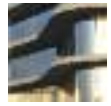
Technology company focused on the design and development of technologies, services, knowledge, molecules and products for application in biotechnology, biomedicine and pharmacy. The operation was funded by a share issue for the value of 1.47 million euros, fully subscribed by Grifols. In addition, Grifols plans to make further financial contributions for the value of 1.47 million euros from 2011 until 2014, as the company's research activities generate results.

Grifols' participation in this spin-off of the Autonomous University of Barcelona (UAB) demonstrates the group's commitment to promoting research in Spain and to fostering cooperation between the public and private sectors.

- **Acquisition of 100% of Xepol AB**

In June, 2010 Grifols purchased 100% of the company Xepol AB (now Grifols Nordic AB), a company which holds the intellectual property rights for the treatment of Post-Polio Syndrome (PPS). The purchase of these intangible assets, which include patents for the United States, Europe and Japan for a specific treatment method for this syndrome using IVIG, cost 2.3 million euros and will enable Grifols to explore new treatment areas in its clinical research projects.

Post-Polio Syndrome (PPS) is recognized as a rare disease, and the United States FDA has designated intravenous immunoglobulin (IVIG) an orphan drug for its treatment. This means that continuing with this research project offers new hope to the thousands of people who suffer from its debilitating symptoms, as there is currently no drug approved for its treatment.



4.4 Investment plan

In 2010 Grifols continued with its investment plan (CAPEX) for the 2008-2012 period, with a total value of approximately 350 million euros. During this financial year, almost 70% of the plan was implemented, and Grifols has allocated a total of 95 million euros to the expansion and improvement of its production facilities.

The capital investments planned for the next five years will be very significant, estimated at a cumulative total of between 500 and 550 million euros from 2010 to 2014. These forecasts do not include the purchase of Talecris Biotherapeutics, as the group remains committed to its policy of investing to ensure organic growth. However, the value and timing of capital investments will depend on a range of factors including market conditions, regulatory standards and the scope and duration of projects.

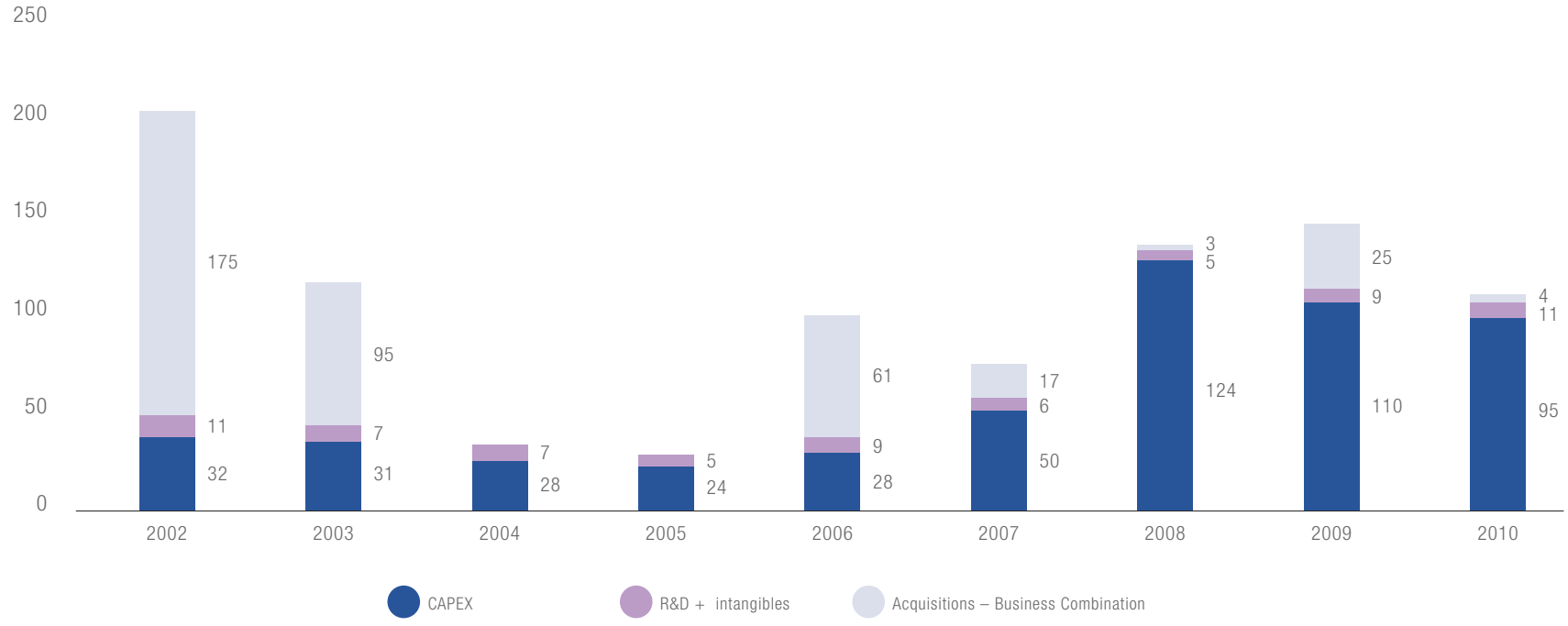
Major projects during 2010 included the following:

Bioscience division		
Completion of new Flebogamma® DIF (IVIG) plant	USA	Forecast to be approved in 2013
Share issue and improvement of plasma collection centers	USA	
Validation of new analysis laboratory	USA	
Construction of fibrin glue production plant	Spain	Forecast to be completed in 2012
Improvement and adaptation of equipment and facilities	Spain and USA	
Hospital division		
New equipment and facilities for the manufacture of parenteral solutions in propylene containers	Spain	Phase III of the Murcia expansion plan
Construction of a new office building, laboratories and warehouse	Spain	Parets del Vallès
New paracetamol production line	Spain	Parets del Vallès
Diagnostic division		
New plant and quality control laboratories for the manufacture of DG Gel® cards and red blood cell solutions	Spain-Switzerland	
Expansion of reagent production facilities	Switzerland	
Improvement and adaptation of equipment and facilities	Spain	

4.4 Investment plan

The 2008-2012 Investment Plan also provides for investment in shared infrastructure such as computer services, cogeneration facilities, buildings, facilities and equipment for commercial subsidiaries.

Summary of investment, 2002 to 2010



5. Shareholders and stock market performance

Grifols' shares have traded on the Barcelona, Madrid, Valencia and Bilbao stock markets and on the Spanish Continuous Market since 17 May 2006. In January 2008, Grifols joined the IBEX-35, the Spanish benchmark index. At the close of 2010, Grifols' share capital amounted to 106.5 million euros, represented by 213,064,899 ordinary shares, each with a nominal value of 0.50 euros.

5.1 Stock market performance in 2010

2010 has been characterized by a severe sovereign debt crisis in some European countries. This crisis has generated uncertainty, mistrust and volatility in European share indexes, with performance varying widely depending on the economic performance of each country and perception of its sovereign risks: France fell by 3.34% and the Euro Stoxx 50 lost 5.37%, while Germany closed the year up 16.06% and the United Kingdom rose by 9%.

In the United States, the Dow Jones was up 11.02%, the Standard&Poors 500 rose by 12.78%, and the NASDAQ by 16.91%.

The Spanish stock market recorded its third largest fall of the decade, exceeded only by 2008 with the Lehman Brothers collapse (-39%) and 2002 with the Latin American crisis (-28%). The IBEX-35 fell by 17.43%, a reversal of the trend for 2009, when it rose by almost 30%. The sovereign debt crisis scared off investors, and only 8 of the companies listed on the main Spanish share index closed the year with gains. However, viewed overall, over the last ten years the Spanish stock exchange has been one of the most profitable in the world, with annual accumulated gains of 4.39%, including dividends.

During June 2010 the Spanish stock exchange reached its lowest point, following the Greek rescue package in May and the euro crisis. The solvency of the Spanish economy was also questioned, as was that of the financial sector. Both factors dragged the index down and led to a loss of international investors in response to the increase in the risk premium on Spanish bonds (measured as the excess when compared to German bonds).

In November, Ireland had to be rescued and implemented harsh cuts, and both Portugal and Spain once again found themselves in the firing line.

Grifols shares performed better than the corresponding Spanish share index in 2010, but still dropped by 16.43% in 2010 due to the "contagion" effect throughout the year. On 7 June, the company announced the purchase of Talecris Biotherapeutics and, as often occurs during such operations, following the announcement the group's shares recorded their annual low (8.11 euros, 22 July). However, as the group met its targets for the various stages of the operation, its shares regained value, reflecting confidence in the strategic logic of the operation. Coinciding with the completion of the first tranche of the syndicated loan with financial institutions in September, the values of Grifols shares rose by 14.48%. The trend was confirmed in October, with an increase of 10.60%, ending the year at 10.20 euros.

Grifols shares continue to be among the most widely recommended by analysts, and the top performer since the IPO in May 2006. The group's shares have risen by almost 132% since that date.

5.2 Share performance

Grifols has been listed on the Madrid, Barcelona, Valencia and Bilbao stock exchanges, as well as on the Spanish Continuous Market since 17 May 2006. A year and a half later, on 2 January, Grifols joined the IBEX-35.

The high levels of volatility in the equity market during 2010 has meant that it has not been possible to consolidate the gradual growth in the volume of trade in shares in Grifols recorded since the company was included in the IBEX-35. In this context, in 2010 the trading volume fell by -3.42% to an average of 1.65 million shares traded daily.

Grifols closed 2010 with a share price of 10.20 euros, an interannual fall of 16.43%. Nonetheless, in relation to the reference price of 4.40 euros per share with which the shares started trading on 17 May 2006, Grifols' shares have risen by almost 132%.

The group's market capitalization at year-end 2010 was 2,173.26 million euros.

The highest closing price of the year was reached on 4 January 2010, at 12.45 euros, and the lowest closing price occurred on 22 July, at 8.11 euros per share.

The total cash volume in 2010 exceeded 4,302 million euros, a fall of 18.80% compared to the previous year.

From 4 January 2010, a total of 422.33 million shares were traded, representing an annual turnover of 5.87 times the total number of company shares, calculated using the average number of shares in the year.

Grifols stock market performance in 2010: Main Indicators

Year end (euros)	10.20
Intraday High (euros)	12.45
Intraday Low (euros)	8.11
Annual volume (number of shares)	422,331,389
Average daily volume (number of shares)	1,649,732
Annual cash volume (euros)	4,302,860,406.90
Daily annual volume (euros)	16,808,048.46
Trading days	256
Market capitalization (millions of euros)	2,173,261
Number of shares	213,064,899

5.2 Share performance

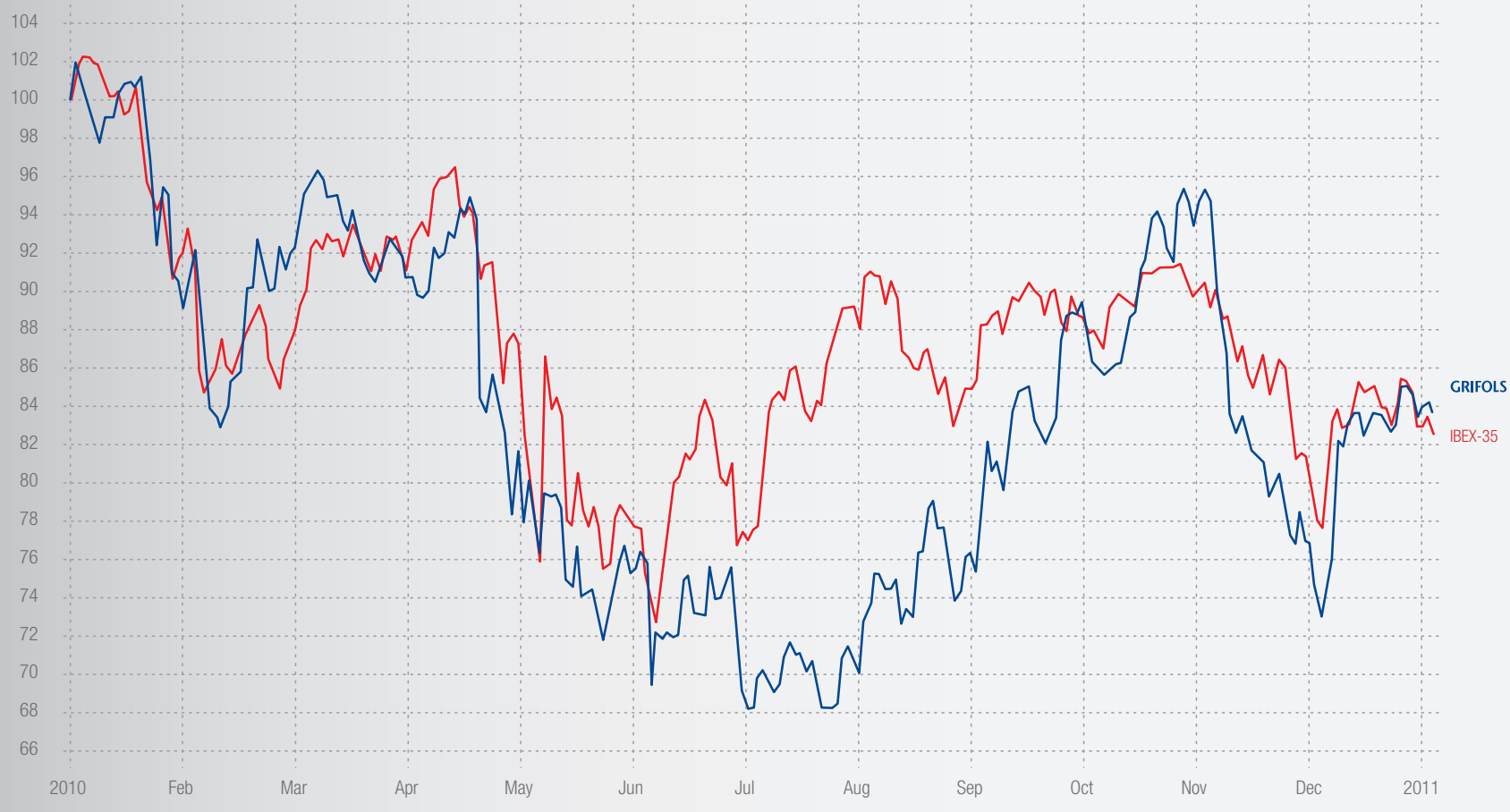
Share performance

Month	Days traded	Closing price	Monthly variation %	Maximum	Date	Minimum	Date	Average daily volume (shares)
January	20	11.05	-9.46%	12.45	04/01/2010	10.92	29/01/2010	1,958,206
February	20	11.10	0.45%	11.47	22/02/2010	10.02	10/02/2010	2,304,925
March	23	11.06	-0.36%	11.79	05/03/2010	10.94	31/03/2010	1,519,745
April	20	9.55	-13.65%	11.68	20/04/2010	9.41	30/04/2010	2,508,215
May	21	9.37	-1.84%	10.00	03/05/2010	8.59	25/05/2010	1,973,131
June	22	8.44	-10.00%	9.50	04/06/2010	8.32	07/06/2010	2,020,404
July	22	8.55	1.37%	8.83	14/07/2010	8.11	22/07/2010	1,386,959
August	22	9.19	7.44%	9.78	19/08/2010	8.52	02/08/2010	1,089,362
September	22	10.52	14.48%	10.94	28/09/2010	9.21	01/09/2010	1,369,139
October	21	11.64	10.60%	11.79	29/10/2010	10.34	07/10/2010	1,232,364
November	22	8.90	-23.53%	11.75	01/11/2010	8.88	30/11/2010	1,489,553
December	21	10.20	14.65%	10.60	21/12/2010	8.86	01/12/2010	1,086,467
Total 2010	**256**	**10.20**	**-16.43%**	**12.45**	**04/01/2010**	**8.11**	**22/07/2010**	**1,649,732**
IBEX-35	**256**	**9,859.10**	**-17.43**	**12,240.50**	**05/01/2010**	**8,563.60**	**08/06/2010**	

5.2 Share performance

Grifols' daily share price vs IBEX-35

(Based100 | From January 1 to December 31, 2010)



5.3 Dividends and yield

During 2010, as announced at the General Ordinary Meeting of Shareholders on 21 June 2010, Grifols continued to increase its dividend payments to shareholders.

In 2010, Grifols allocated 59.18 million euros to dividends, charged to the results for 2009, representing an increase of 21.5% compared to the previous year, when 48.69 million euros were disbursed. This means the company's payout was 40% of net profit.

Dividends charged to the results for the year were issued in two payments. A first, interim dividend charged to 2009 of 0.153 gross euros per share (31.96 million euros) was made in December 2009, with a complementary dividend of 0.129 gross euros per share (27.23 million euros) being issued in July 2010.

Interim dividend on account of 2009 results, distributed in December 2009

	31/12/2009		
	Thousands of Euros		
	% of nominal value	euro per share	Value
Ordinary Shares	30	0.15	31,960
Total dividends paid out in December 2009	**30**	**0.15**	**31,960**
Interim dividend	30	0.15	31,960
Total dividends paid out in December 2009	**30**	**0.15**	**31,960**

2009 complementary dividend distributed on 1 July 2010

	31/07/2010		
	Thousands of Euros		
	% of nominal value	euro per share	Value
Ordinary Shares	26	0.13	27,229
Total dividends paid out in July 2010	**26**	**0.13**	**27,229**

5.4 Share capital

Grifols' share capital at 31 December 2010 was 106.5 million euros, represented by 213,064,899 ordinary shares with a nominal value of 0.50 euros per share. The capital is fully subscribed and paid in and there are no preferential shares. All the shares bear equal voting and dividend rights. There have been no changes or movements in the company's share capital during the financial year.

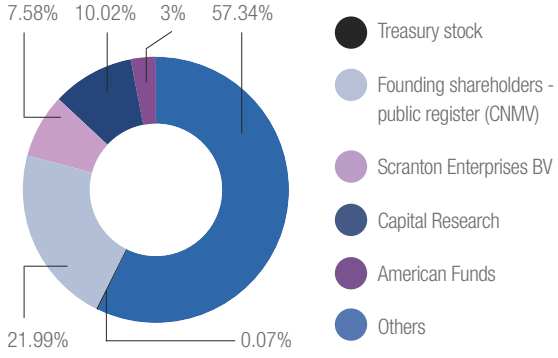
Number of shares in circulation as of December 2006	213,064,899
Number of shares in circulation as of December 2007	213,064,899
Number of shares in circulation as of December 2008	213,064,899
Number of shares in circulation as of December 2009	213,064,899
Number of shares in circulation as of December 2010	213,064,899

5.5 Share ownership and treasury stock

Since the company's shares are represented through book entries, their exact ownership structure cannot be known, except through the information that the shareholders provide voluntarily or in compliance with applicable regulations, and information provided by Iberclear and its participating entities.

According to the information available to the Company, as of 31 December 2010 the major shareholdings in Grifols were as follows:

Breakdown of main voting shareholders:



Shareholder Name	No. of direct voting rights	No. of indirect voting rights	% of total voting rights
Scranton Enterprises B.V.	16,149,937	0	7.580
Deria, S.A.	18,687,588	0	8.771
Víctor Grifols Lucas	0	13,112,187	6.154
Thortol Holdings, B.V.	15,042,766	0	7.060
American Funds Insurance Series Growth Fund	6,400,370	0	3.004
Capital Research and Management Company	0	21,353,346	10.022
Fidelity International Limited	0	2.418,000	1.135

Treasury stock

During 2010, Grifols performed several transactions involving treasury stock. At the close of the year it held the equivalent of 0.07% of its share capital in treasury stock, compared to the figure of 0.03% reported at the close of 2009.

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

The principal movements occurring in 2010 were as follows:

	No. of shares	Thousands euros
Balance at 1 January 2010	53,326	677
Acquisitions	105,000	1,250
Disposals	0	0
Balance as of 31 December 2010	158,326	1,927

6. Annual accounts

6.1 Auditors' report

KPMG

KPMG Auditores, S.L.
Torre Pacific
Plaza Pablo Ruiz Picasso, 1
08018 Barcelona

Auditors' Report on the Consolidated Annual Accounts
(Translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails.)

To the Shareholders of
Grifols, S.A.

We have audited the consolidated annual accounts of Grifols, S.A. (the "Company") and subsidiaries (the "Group"), which comprise the consolidated balance sheet at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As mentioned in note 2 to the accompanying consolidated notes, the Company's Directors are responsible for preparing the annual accounts of the Group in accordance with International Financial Reporting Standards as adopted by the European Union and other legislation governing financial information applicable to the Group . Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2010, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and other applicable legislation governing financial information.

The accompanying consolidated directors' report for 2010 contains such explanations as the Directors of Grifols, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2010. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Grifols, S.A. and subsidiaries.

KPMG Auditores, S.L.

(Signed on original in Spanish)
David Ghosh Bara
Partner

22 February 2011

6.2 Annual accounts

6.2.1 Balance Sheets

Consolidated Balance Sheets at 31 December 2010 and 2009 (Expressed in thousands of Euros)

Assets	31/12/10	31/12/09
Non-current assets		
Intangible assets		
Goodwill (note 7)	189,448	174,000
Other intangible assets (note 8)	78,299	69,385
Total intangible assets	267,747	243,385
Property, plant and equipment (note 9)	434,131	371,705
Investments in equity accounted investees (note 10)	598	383
Non-current financial assets (note 11)	7,535	3,731
Deferred tax assets (note 29)	34,889	33,395
Total non-current assets	744,900	652,599
Current assets		
Inventories (note 12)	527,865	484,462
Trade and other receivables		
Trade receivables	224,355	207,840
Other receivables	44,032	39,540
Current income tax assets	14,607	7,802
Trade and other receivables (note 13)	282,994	255,182
Other current financial assets (note 14)	12,946	8,217
Other current assets (note 15)	80,628	7,345
Cash and cash equivalents (note 16)	239,649	249,372
Total current assets	1,144,082	1,004,578
Total assets	1,888,982	1,657,177

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Consolidated Balance Sheets at 31 December 2010 and 2009 (Expressed in thousands of Euros)

Equity and liabilities	31/12/10	31/12/09
Equity		
Share capital	106,532	106,532
Share premium	121,802	121,802
Reserves		
Accumulated gains	350,543	264,039
Other reserves	53,061	50,864
Total reserves	**403,604**	**314,903**
Treasury shares	(1,927)	(677)
Interim dividend	0	(31,960)
Profit for the year attributable to the Parent	115,513	147,972
Total equity	**745,524**	**658,572**
Cash flow hedges	(1,751)	(1,948)
Translation differences	(50,733)	(90,253)
Other comprehensive income	(52,484)	(92,201)
Equity attributable to the Parent (note 17)	**693,040**	**566,371**
Minority interest (note 19)	14,350	12,157
Total equity	**707,390**	**578,528**

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6.2 Annual accounts

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Liabilities	31/12/10	31/12/09
Non-current liabilities		
Grants (note 20)	2,088	2,311
Provisions (note 21)	1,378	1,232
Non-current financial liabilities		
Loans and borrowings, bonds and other marketable securities	665,385	703,186
Other financial liabilities	10,474	12,552
Total non-current financial liabilities (note 22)	675,859	715,738
Deferred tax liabilities (note 29)	79,141	60,325
Total non-current liabilities	758,466	779,606
Current liabilities		
Provisions (note 21)	4,365	4,702
Current financial liabilities		
Loans and borrowings, bonds and other marketable securities	191,635	113,991
Other financial liabilities	18,236	12,230
Total current financial liabilities (note 22)	209,871	126,221
Debts with associates (note 33)	1,162	0
Trade and other payables		
Suppliers	160,678	120,909
Other payables	11,928	17,832
Current income tax liabilities	4,172	3,258
Total trade and other payables (note 23)	176,778	141,999
Other current liabilities (note 24)	30,950	26,121
Total current liabilities	423,126	299,043
Total liabilities	**1,181,592**	**1,078,649**
Total equity and liabilities	**1,888,982**	**1,657,177**

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

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6.2.2 Income Statements

Consolidated Income Statements for the years ended 31 December 2010 and 2009 (Expressed in thousands of Euros)

Profit and loss	31/12/10	31/12/09
Revenues (note 25)	990,730	913,186
Changes in inventories of finished goods and work in progress (note 12)	45,749	73,093
Self-constructed non-current assets (notes 8 and 9)	33,513	41,142
Supplies (note 12)	(306,859)	(286,274)
Other operating income (note 27)	1,196	1,443
Personnel expenses (note 26)	(289,008)	(273,168)
Other operating expenses (note 27)	(220,218)	(203,381)
Amortisation and depreciation (notes 8 and 9)	(45,776)	(39,554)
Non-financial and other capital grants (note 20)	728	1,188
Impairment and gains/(losses) on disposal of fixed assets	(372)	(1,147)
Results from operating activities	**209,683**	**226,528**
Finance income	4,526	7,067
Finance expenses	(49,660)	(27,087)
Change in fair value of financial instruments (note 32)	(7,593)	(587)
Impairment of gains/(losses) on disposal of financial instruments	91	(245)
Exchange gains/(losses)	1,616	(1,733)
Finance income and expense (note 28)	**(51,020)**	**(22,585)**
Share of profit of equity accounted investees (note 10)	(879)	51
Profit before income tax from continuing operations	**157,784**	**203,994**
Income tax expense (note 29)	(42,517)	(56,424)
Profit after income tax from continuing operations	**115,267**	**147,570**
Consolidated profit for the year	**115,267**	**147,570**
Profit attributable to equity holders of the Parent	115,513	147,972
Profit attributable to minority interest (note 19)	(246)	(402)

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6.2 Annual accounts

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Profit and loss	31/12/10	31/12/09
Basic earnings per share (Euros) (note 18)	0.54	0.71
Diluted earnings per share (Euros) (note 18)	0.54	0.71

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

6.2.3 Statements of Comprehensive Income

Consolidated Statements of Comprehensive Income for the years ended 31 December 2010 and 2009 (Expressed in thousands of Euros)

	31/12/10	31/12/09
Consolidated profit for the year	115,267	147,570
Income and expenses generated during the year		
Measurement of financial instruments (note 11)	0	(14)
Available-for-sale financial assets	0	(18)
Tax effect	0	4
Cash flow hedges (note 17 (g))	0	(1,998)
Cash flow hedges	0	(3,275)
Tax effect	0	1,277
Translation differences	42,225	(4,145)
Income and expenses generated during the year	42,225	(6,157)
Income and expense recognised in the income statement:		
Measurement of financial instruments (note 11)	0	172
Available-for-sale financial assets	0	245
Tax effect	0	(73)
Cash flow hedges (note 17 (g))	197	50
Cash flow hedges	324	80
Tax effect	(127)	(30)

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	31/12/10	31/12/09
Income and expense recognised in the income statement:	197	222
Total comprehensive income for the year	157,689	141,635
Total comprehensive income attributable to the Parent	155,230	140,386
Total comprehensive income attributable to minority interests	2,459	1,249
Total comprehensive income for the year	157,689	141,635

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

6.2.4 Statements of Cash Flows

Statements of Cash Flows for the years ended 31 December 2010 and 2009 (Expressed in thousands of Euros)

	31/12/10	31/12/09
Cash flows from/(used in) operating activities	157,784	203,994
Adjustments for:	92,351	61,800
Amortisation and depreciation (notes 8 and 9)	45,776	39,554
Other adjustments:	46,575	22,246
(Profit) /losses on equity accounted investments (note 10)	879	(51)
Exchange differences	(1,616)	1,733
Impairment of assets and net provision charges	913	53
(Profit) / losses on disposal of fixed assets	(276)	1,147
Government grants taken to income (note 20)	(728)	(1,188)
Finance expense / income	47,442	17,551
Other adjustments	(39)	3,001

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6.2 Annual accounts

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	31/12/10	31/12/09
Change in operating assets and liabilities	**(78,767)**	**(104,127)**
Change in inventories	(18,306)	(113,104)
Change in trade and other receivables	(23,546)	(12,549)
Change in current financial assets and other current assets	(73,022)	(1,287)
Change in current trade and other payables	36,107	22,813
Other cash flows used in operating activities	**(67,116)**	**(73,487)**
Interest paid	(40,129)	(14,719)
Interest recovered	5,436	2,509
Income tax paid	(32,423)	(61,277)
Net cash from operating activities	**104,252**	**88,180**
Cash flows from/(used in) investing activities		
Payments for investments	(108,588)	(136,626)
Group companies and business units	(1,474)	(15,385)
Property, plant and equipment and intangible assets	(103,402)	(118,770)
Property, plant and equipment	(86,800)	(103,415)
Intangible assets	(16,602)	(15,355)
Other financial assets	(3,712)	(2,471)
Proceeds from the sale of investments	4,532	673
Property, plant and equipment	3,911	673
Associates (note 2 (c))	621	0
Net cash used in investing activities	**(104,056)**	**(135,953)**

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	31/12/10	31/12/09
Cash flows from/(used in) financing activities		
Proceeds from and payments for equity instruments	(1,250)	26,655
Issue	0	(76)
Acquisition of treasury shares (note 17 (e))	(1,250)	(25,186)
Disposal of treasury shares	0	51,917
Proceeds from and payments for financial liability instruments	(1,066)	344,413
Issue	118,238	525,078
Redemption and repayment	(119,304)	(180,665)
Dividends and interest on other equity instruments paid	(27,282)	(80,913)
Other cash flows from financing activities	323	741
Other amounts received from financing activities	323	741
Net cash from/(used in) financing activities	**(29,275)**	**290,896**
Effect of exchange rate fluctuations on cash	**19,356**	**(119)**
Net increase in cash and cash equivalents	**(9,723)**	**243,004**
Cash and cash equivalents at beginning of the year	**249,372**	**6,368**
Cash and cash equivalents at end of year	**239,649**	**249,372**

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

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6.2.5 Statement of Changes in Equity

Statement of Changes in Consolidated Equity for the years ended 31 December 2010 and 2009 (Expressed in thousands of Euros)

Attributable to equity holders of the Parent

	Share capital	Share premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury Shares	Other comprehensive income: Translation differences	Other comprehensive income: Cash flow hedges	Other comprehensive income: Available-for sale financial assets	Equity attributable to Parent	Minority interests	Equity
Balances at 31 December 2008	106,532	121,802	247,669	121,728	0	(33,087)	(84,457)	0	(158)	480,029	1,250	481,279
Translation differences	--	--	--	--	--	--	(5,796)	--	--	(5,796)	1,651	(4,145)
Cash flow hedges	--	--	--	--	--	--	--	(1,948)	--	(1,948)	--	(1,948)
Gains/(Losses) on available-for-sale financial assets	--	--	--	--	--	--	--	--	158	158	--	158
Other comprehensive income for the year	0	0	0	0	0	0	(5,796)	(1,948)	158	(7,586)	1,651	(5,935)
Profit/(loss) for the year	--	--	--	147,972	--	--	--	--	--	147,972	(402)	147,570
Total comprehensive income for the year	**0**	**0**	**0**	**147,972**	**0**	**0**	**(5,796)**	**(1,948)**	**158**	**140,386**	**1,249**	**141,635**
Operations with treasury shares	--	--	(5,679)	--	--	32,410	--	--	--	26,731	--	26,731
Other changes	--	--	(124)	--	--	--	--		--	(124)	44	(80)
Business combinations	--	--	--	--		--	--	--	--	0	9,876	9,876
Distribution of 2008 profit												
Reserves	--	--	73,037	(73,037)	--	--	--	--	--	0	--	0
Dividends	--	--	--	(48,691)	--	--	--	--	--	(48,691)	(54)	(48,745)
Interim dividend	--	--	--	--	(31,960)	--	--	--	--	(31,960)	(208)	(32,168)
Operations with equity holders or owners	**0**	**0**	**67,235**	**(121,728)**	**(31,960)**	**32,410**	**0**	**0**	**0**	**(54,044)**	**9,658**	**(44,386)**
Balance at 31 December 2009	106,532	121,802	314,903	147,972	(31,960)	(677)	(90,253)	(1,948)	0	566,371	12,157	578,528

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Attributable to equity holders of the Parent

	Share capital	Share premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury Shares	Other comprehensive income: Translation differences	Other comprehensive income: Cash flow hedges	Other comprehensive income: Available-for sale financial assets	Equity attributable to Parent	Minority interests	Equity
Translation differences	--	--	--	--	--	--	39,520	--	--	39,520	2,705	42,225
Cash flow hedges	--	--	--	--	--	--	--	197	--	197	0	197
Other comprehensive income for the year	**0**	**0**	**0**	**0**	**0**	**0**	**39,520**	**197**	**0**	**39,717**	**2,705**	**42,422**
Profit/(loss) for the year				115,513	--	--	--	--	--	115,513	(246)	115,267
Total comprehensive income for the year	**0**	**0**	**0**	**115,513**	**0**	**0**	**39,520**	**197**	**0**	**155,230**	**2,459**	**157,689**
Operations with treasury shares	--	--	--	--	--	(1,250)	--	--	--	(1,250)		(1,250)
Other changes	--	--	(82)	--	--	--	--	--	--	(82)	(213)	(295)
Distribution of 2009 profit												
Reserves	--	--	88,783	(88,783)	--	--	--	--	--	0		0
Dividends	--	--	--	(27,229)	--	--	--	--	--	(27,229)	(53)	(27,282)
Interim dividend	--	--	--	(31,960)	31,960	--	--	--	--	0	--	0
Operations with equity holders or owners	**0**	**0**	**88,701**	**(147,972)**	**31,960**	**(1,250)**	**0**	**0**	**0**	**(28,561)**	**(266)**	**(28,827)**
Balance at 31 December 2010	**106,532**	**121,802**	**403,604**	**115,513**	**0**	**(1,927)**	**(50,733)**	**(1,751)**	**0**	**693,040**	**14,350**	**707,390**

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

6.2.6 Notes

(1) Nature, Principal Activities and Subsidiaries

(a) Grifols, S.A.

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

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

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

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

Grifols, S.A. is the parent company of the subsidiaries listed in section 1(b) of this note to the consolidated annual accounts.

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

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

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(b) Subsidiaries

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

- Industrial area

The following companies are included:

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

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

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

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

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

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

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

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

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

Plasma Collection Centers, Inc. with registered offices in 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801 (USA) and incorporated on 2 March 2007. Its activity, developed in the bioscience area, consists of procuring human plasma. 100% of this company's share capital is held directly by Biomat USA, Inc. In January 2010 Plasma Collection Centers, Inc. merged with Biomat USA, Inc. and this has not had any impact on the Group.

Lateral Grifols Pty Ltd. (formerly Diamed Australia Pty Ltd.), with registered offices at Unit 5/80 Fairbank, Clayton South, Victoria 3149 (Australia), was incorporated into the Group on 3 March 2009. Its activity consists of the distribution of pharmaceutical products and the development and manufacture of reagents for diagnostics. This company is directly and fully owned by Woolloomooloo Holdings Pty Ltd.

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

- Commercial area

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

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

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

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Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda., was incorporated with limited liability under Portuguese law on 10 August 1988. Its registered offices are at Jorge Barradas, 30 –c R/C, 1500 Lisbon (Portugal) and it imports, exports and markets pharmaceutical and hospital equipment and products particularly Grifols products. 99.99% of this company is owned directly by Movaco, S.A.

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

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

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

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

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

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

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

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

Grifols Deutschland GmbH was incorporated with limited liability under German law on 21 May 1997, with registered offices at Siemensstrasse 32, D-63225 Langen (Germany). Its statutory activity consists of the import, export, distribution and sale of reagents, chemical and pharmaceutical products, especially to laboratories and healthcare centres, and medical and surgical materials, equipment and instruments for laboratory use.

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

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

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

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

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

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

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

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Australian Corporate Number 073 272 830 Pty Ltd. (formerly Lateral Grifols Diagnostics Pty Ltd.), with registered offices at Unit 5/80 Fairbank, Clayton South, Victoria 3149 (Australia) was incorporated into the Group on 3 March 2009. Its activity comprises the distribution of pharmaceutical products and reagents for diagnostics. This company is 100% directly held by Woolloomooloo Holdings Pty Ltd.

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

Grifols Nordic, AB (formerly Xepol, AB) with registered offices in Engelbrekts Kyrkogata 7B 114 26 Stockhom, Sweden, was incorporated into the Group on 3 June 2010. Its activity consists of research and development, production and marketing, either directly or through subsidiaries, of pharmaceutical products, medical devices and any other asset deriving from the aforementioned activities. This company is 100% directly owned by Grifols, S.A.

Grifols Colombia, Ltda, with registered offices at Cra 7 71-52 TBP 9 Cundinamarca, Bogota, Colombia, was incorporated on 3 June 2010. Its activity consists of the sale, commercialisation and distribution of medicines, pharmaceutical (including but not limited to haemoderivatives) and hospital products, medical devices, biomedical equipment, laboratory instruments and reactives for diagnosis and/or sanitary software.

- Services area

The following companies are included in this area:

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

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

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

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

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

Saturn Australia Pty Ltd. with registered offices at Unit 5/80 Fairbank, Clayton South, Victoria 3149 (Australia), was incorporated to the Group on 3 March 2009. Its activity consists of holding shares and investments. This company is directly and fully owned by Woolloomooloo Holdings Pty Ltd.

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

Woolloomooloo Holdings Pty Ltd. with registered offices at Unit 5/80 Fairbank, Clayton South, Victoria 3149 (Australia), was incorporated into the Group on 3 March 2009. Its activity consists of holding shares. 49% of this holding company is directly held by Grifols, S.A.

(c) Associates and others

Quest Internacional, Inc, 35% owned by Diagnostic Grifols, S.A., with registered offices in Miami, Florida (USA), engages in the manufacture and marketing of reagents and clinical analysis instruments. On 9 November 2010 the Group sold the interest it held in this company.

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

Nanotherapix, S.L., was incorporated on 25 June 2009 and is 51% owned by Gri-Cel, S.A through a share capital increase carried out on 9 March 2010. This company is domiciled at Avenida Generalitat 152, San Cugat del Valles, Barcelona and its activity consists of the development, validation and production of the technology required to implement the use of genetic and cellular therapy for the treatment of human and animal pathologies.

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(2) Basis of Presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Grifols, S.A. and of the Group companies. The consolidated annual accounts for 2010 have been prepared under International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and other applicable legislative provisions in accordance with article 48 of the Spanish Commercial Code, to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2010, as well as the consolidated results from their operations, consolidated comprehensive income, consolidated cash flows and changes in consolidated equity for the year then ended.

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

(a) Comparison of information

The consolidated annual accounts for 2010 present for comparative purposes for each individual caption in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and consolidated notes, comparative figures for the previous year, which have been obtained through consistent application of EU-IFRS.

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

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

- The assumptions used for calculation of the fair value of financial instruments (see note 4 (k)).
- Measurement of assets and goodwill to determine any related impairment losses (see note 4(i)).
- Useful lives of property, plant and equipment and intangible assets (see notes 4(g) and 4(h)).
- Evaluation of the capitalisation of development costs (see note 4(h)).

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- Evaluation of provisions and contingencies (see note 4(r)).
- Evaluation of the effectiveness of hedging (see note 17 (g)).
- The application of the definition of a business (see note 4(b)).

(c) Consolidation

The percentages of direct or indirect ownership of subsidiaries by the Parent at 31 December 2010 aand 2009, as well as the consolidation method used in each case for preparation of the accompanying consolidated annual accounts, are detailed below:

Consolidation Method

	31/12/2010		31/12/2009	
	Percentage ownership		Percentage ownership	
	Direct	Indirect	Direct	Indirect
Parent				
Grifols, S.A.	--	--	--	--
Fully-consolidated companies				
Laboratorios Grifols,S.A.	99.998	0.002	99.998	0.002
Instituto Grifols,S.A.	99.998	0.002	99.998	0.002
Movaco,S.A.	99.999	0.001	99.999	0.001
Grifols Portugal Productos Farmacéuticos e Hospitalares,Lda.	0.010	99.990	0.015	99.985
Diagnostic Grifols,S.A.	99.998	0.002	99.998	0.002
Logister,S.A.	--	100.000	--	100.000
Grifols Chile,S.A.	99.000	--	99.000	--
Biomat,S.A.	99.900	0.100	99.900	0.100
Grifols Argentina,S.A.	99.260	0.740	100.000	--

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	31/12/2010		31/12/2009	
	Percentage ownership		Percentage ownership	
	Direct	Indirect	Direct	Indirect
Grifols,s.r.o.	100.000	--	100.000	--
Logistica Grifols S.A de C.V	99.990	0.010	100.000	--
Grifols México,S.A. de C.V.	99.990	0.010	100.000	--
Grifols Viajes,S.A.	99.900	0.100	99.900	0.100
Grifols USA, LLC.	--	100.000	--	100.000
Grifols International,S.A.	99.900	0.100	99.900	0.100
Grifols Italia,S.p.A.	100.000	--	100.000	--
Grifols UK,Ltd.	100.000	--	100.000	--
Grifols Deutschland,GmbH	100.000	--	100.000	--
Grifols Brasil,Ltda.	100.000	--	100.000	--
Grifols France,S.A.R.L.	99.000	1.000	99.000	1.000
Grifols Engineering, S.A.	99.950	0.050	99.950	0.050
Biomat USA, Inc.	--	100.000	--	100.000
Squadron Reinsurance Ltd.	100.000	--	100.000	--
Grifols Inc.	100.000	--	100.000	--
Grifols Biologicals Inc.	--	100.000	--	100.000
Alpha Therapeutic Italia, S.p.A.	100.000	--	100.000	--
Grifols Asia Pacific Pte., Ltd.	100.000	--	100.000	--
Grifols Malaysia Sdn Bhd	--	30.000	--	30.000
Grifols (Thailand) Ltd.	--	48.000	--	48.000
Grifols Polska Sp.z.o.o.	100.000	--	100.000	--
Plasmacare, Inc.	--	100.000	--	100.000
Plasma Collection Centers, Inc.	--	--	--	100.000
Arrahona Optimus S.L.	99.995	0.005	100.000	--

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	31/12/2010		31/12/2009	
	Percentage ownership		Percentage ownership	
	Direct	Indirect	Direct	Indirect
Woolloomooloo Holdings Pty Ltd.	49.000	--	49.000	
Lateral Grifols Pty Ltd.	--	49.000	--	49.000
Australian Corporate Number 073 272 830 Pty Ltd	--	49.000	--	49.000
Saturn Australia Pty Ltd.	--	49.000	--	49.000
Saturn Investments AG	--	49.000	--	49.000
Medion Grifols Diagnostic AG	--	39.200	--	39.200
Medion Diagnostics GmbH	--	39.200	--	39.200
Gri-Cel, S.A.	0.001	99.999	0.001	99.999
Grifols Colombia, Ltda.	99.000	1.000	--	--
Grifols Nordic AB	100.000	--	--	--
Companies accounted for using the equity method				
Quest International, Inc.	--	--	--	35.000
Nanotherapix, S.L	--	51.000	--	--

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

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

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

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

On 9 March 2010 one of the Group companies acquired 51% of Nanotherapix, S.L., a technologically based company which engages in advisory services, training of researchers, design and development of technologies, services, know-how, molecules and products applied to biotechnology, biomedicine and pharmaceutical fields. The investment has been made

through a share capital increase of Euros 1,474 thousand in 2010 and between 2011 and 2014 successive contributions will be made through additional yearly share capital increases amounting to Euros 1,472 thousand. Due to the losses incurred by Nanotherapix, S.L. provision has been made for part of the investment in 2010 (see note 10). These contributions are dependent on certain shareholders of Nanotherapix, S.L. performing research advisory and management tasks for this company. The acquisition of Nanotherapix, S.L. has been treated as an equity-accounted joint venture, as the company's strategic and operational decisions require shareholder approval and Grifols does not avail of the majority of the members of the board of directors.

On 3 June 2010 the Group acquired 100% of Xepol AB (now Grifols Nordic AB) which holds the intellectual property rights for the treatment of the post-polio syndrome which includes patents for the USA, Europe and Japan for a specific method of treatment for this syndrome using intravenous immunoglobulin (haemoderivative). The sum paid for this acquisition amounted to Euros 2,255 thousand. The assets acquired and liabilities settled do not constitute a business pursuant to the definition provided in IFRS 3 and, therefore, the transaction has been recognised as the acquisition of an intangible asset.

On 9 November 2010 the Group sold the 35% interest it held in the US company Quest International inc. for a sale price of Euros 621 thousand.

(d) Changes to EU-IFRS during 2010

The following standards have entered into force during 2010 and have therefore been taken into consideration when preparing these consolidated annual accounts.

Standards adopted by the EU, applicable in years beginning subsequent to 1 January 2010
IAS 27 (revised) Consolidated and separate financial statements
Amendment to IAS 39: Eligible hedged items
Amendment to IFRS 2 Group cash-settled share based payment transactions
IFRS 3 (revised) Business combinations
2009 improvements to IFRSs
IFRIC 12 Service concession arrangements
IFRIC 15 Agreements for the construction of real estate
IFRIC 16 Hedges of a net investment in a foreign operation
IFRIC 17 Distributions of non-cash assets to owners
IFRIC 18 Transfers of assets from customers

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In accordance with the new IFRS 3, transaction costs, which differ from costs of issuing debt or equity instruments, are recognised as an expense as incurred. The application of this new standard has an impact on the consolidated annual accounts of the Grifols Group (see note 15). The application of the other standards has not had a significant impact on the Group's consolidated annual accounts or have not been applicable.

The European Union has adopted the following standards which are obligatory for years beginning subsequent to 1 January 2010. Therefore, the application of these standards is not obligatory for the Group in 2010 and it has not opted to apply them in advance:

Standards adopted by the EU, applicable in years beginning subsequent to 1 January 2010
Amendment to IAS 32: Classification of rights issues
IFRIC 19 Extinguishing financial liabilities with equity instruments
IAS 24 (revised) Related party disclosures
Amendment to IFRIC 14: Prepayment of a minimum funding requirement

At the date of issue of these consolidated annual accounts it is not expected that the standards or interpretations published by the International Accounting Standards Board (IASB), pending adoption by the European Union, will have a significant effect on the Group's consolidated annual accounts.

The Group has not applied any of the standards or interpretations issued and adopted by the EU prior to their deadline. The Company's directors do not expect that the entry into force of these modifications will have a significant effect on the consolidated annual accounts.

(3) Business Combinations

3.1 Acquisition of Australian-Swiss group

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

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

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

Although at 3 March 2009 not all the information necessary to allocate the purchase price correctly between the different balance sheet captions used in the business combination was available to the Group, further information was obtained at 31 December 2009 which made it possible to allocate assets and liabilities more accurately in accordance with the amounts indicated in the table above. Upon completion of the analysis, no changes have arisen to the estimate made at 31 December 2009.

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

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

After obtaining the licence for Flebogamma DIF in Australia (next generation IVIG), Grifols haemoderivatives starts to be commercialised in this country.

Grifols's investment also included the acquisition of Medion, located in Switzerland, which has developed new technology for determining blood groups, supplementary to that used by Grifols. Had the acquisition taken place at 1 January 2009, the Group's revenue and consolidated profit for the year would not have varied significantly. Accumulated losses incurred by the Australian-Swiss group attributable to the Group's interest from the date of acquisition to 31 December 2009 amounted to Euros 652 thousand.

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

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	Thousands of Euros	
	Fair value	Book value
Intangible assets (note 8)	6,525	476
Property, plant and equipment (note 9)	2,307	3,113
Deferred tax assets (note 29)	500	258
Inventories (note 12)	3,549	3,549
Trade and other receivables	2,096	2,096
Other assets	293	293
Cash and cash equivalents	10,112	10,112
Total assets	**25,382**	**19,897**
Trade and other payables	3,165	3,165
Other liabilities	1,273	1,272
Deferred tax liabilities (note 29)	1,761	551
Total liabilities and contingent liabilities	**6,199**	**4,988**
Total net assets	**19,183**	**14,909**
Minority interests (note 19)	(9,876)	
Total net assets acquired	**9,307**	
Goodwill (note 7)	16,190	
Cash paid	25,497	
Cash and cash equivalents of the acquired company	(10,112)	
Cash outflow for the acquisition	15,385	

Intangible assets were measured using the royalties method for certain patents acquired by the Group. An 8% royalty was considered, together with a discount rate after tax of 10%. Patents were measured using a 15 year period based on sales projected during that period.

(4) Significant Accounting Principles

(a) Subsidiaries

Subsidiaries are entities, including special purpose entities (SPE), over which the Group exercises control, either directly or indirectly, through subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control potential voting rights held by the Group or other entities that are exercisable or convertible at the end of each reporting period are considered.

Information on subsidiaries forming the consolidated Group is included in note 2 (c).

The income, expenses and cash flows of subsidiaries are included in the consolidated financial statements from the date of acquisition, which is when the Group takes control, until the date that control ceases.

Intercompany balances and transactions and unrealised gains or losses are eliminated on consolidation.

The accounting policies of subsidiaries have been adapted to those of the Group for transactions and other events in similar circumstances.

The financial statements of consolidated subsidiaries have been prepared as of the same date and for the same reporting period as the financial statements of the Parent.

(b) Business combinations

The Group has applied the exception permitted under IFRS 1 "First-time adoption of International Financial Reporting Standards", whereby only those business combinations performed as from 1 January 2004, date of transition to EU-IFRS, have been recognised using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

The Group applies the revised IFRS 3 "Business combinations" in transactions made subsequent to 1 January 2010.

The Company applies the acquisition method for business combinations.

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

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Business combinations made subsequent to 1 January 2010

The consideration transferred in a business combination is determined at acquisition date and calculated as the sum of the fair values of the assets transferred, the liabilities incurred or assumed, the equity interests issued and any asset or liability contingent consideration depending on future events or the compliance of certain conditions in exchange for the control of the business acquired.

The consideration transferred excludes any payment that does not form part of the exchange for the acquired business. Acquisition-related costs are accounted for as expenses when incurred. Share increase costs are recognised as equity when the increase takes place and borrowing costs are deducted from the financial liability when it is recognised.

At the acquisition date the Group recognises at fair value the assets acquired and liabilities assumed. Liabilities assumed include contingent liabilities provided that they represent present obligations that arise from past events and their fair value can be measured reliably. The Group also recognises indemnification assets transferred by the seller at the same time and following the same measurement criteria as the item that is subject to indemnification from the acquired business taking into consideration, where applicable, the insolvency risk and any contractual limit on the indemnity amount.

This criteria does not include non-current assets or disposable groups of assets which are classified as held for sale, long-term defined benefit employee benefit liabilities, share-based payment transactions, deferred tax assets and liabilities and intangible assets arising from the acquisition of previously transferred rights.

Assets and liabilities assumed are classified and designated for subsequent measurement in accordance with the contractual terms, economic conditions, operating or accounting policies and other factors that exist at the acquisition date, except for leases and insurance contracts.

The excess between the consideration transferred and the value of net assets acquired and liabilities assumed, less the value assigned to minority interests, is recognised as goodwill. Where applicable, any shortfall, after evaluating the consideration transferred, the value assigned to minority interest and the identification and measurement of net assets acquired, is recognised in profit and loss.

The contingent consideration is classified in accordance with underlying contractual terms as a financial asset or financial liability, equity instrument or provision. Provided that subsequent changes to the fair value of a financial asset or financial liability do not relate to an adjustment of the measurement period, they are recognised in consolidated profit and loss or other comprehensive income. The contingent consideration classified, where applicable, as equity is not subject to subsequent change, with settlement being recognised in equity. The contingent consideration classified, where applicable, as a provision is recognised subsequently in accordance with the relevant measurement standard.

Business combinations made prior to 1 January 2010

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

Where the cost of the business combination exceeds the Group's interest in the fair value of the identifiable net assets of the entity acquired, the difference is recognised as goodwill, whilst the shortfall, once the costs of the business combination and the fair values of net assets acquired have been reconsidered, is recognised in profit and loss.

(c) Minority interests

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

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

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

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

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Nevertheless, as of 1 January 2010, profit and loss and each component of other comprehensive income are assigned to equity attributable to shareholders of the Parent company and to minority interest in proportion to their interest, although this implies a balance receivable from minority interests. Agreements signed between the Group and the minority interests are recognised as a separate transaction.

(d) Associates and joint ventures

Associates

Associates are entities over which the Company has significant direct or indirect influence through subsidiaries. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are currently exercisable or convertible, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases.

Details of investments accounted for using the equity method are included in note 2 (c).

Purchases of shareholdings in associates are recognised applying the acquisition method, as described for subsidiaries. Any excess of cost of acquisition over the part of fair value of the identifiable net assets acquired is considered as goodwill, which is included in the fair value of the investment. If the cost of acquisition is less than the fair value of identifiable net assets acquired, the difference is recognised when determining the investor's share in the profit of the associate in the period of acquisition.

The Group's share in the profit or loss of the associates from the date of acquisition is recognised as an increase or decrease in the value of the investments, with a credit or debit to profit or loss of associates accounted for using the equity method of the consolidated income statement (consolidated statement of comprehensive income). The Group's share in other comprehensive income of the associate obtained from the date of acquisition is recognised as an increase or decrease in the investment in the associate with a balancing entry on a separate line in other comprehensive income. The distribution of dividends is recognised as a decrease in the value of the investment. The Group's share of profit and loss, including impairment losses recognised by the associates, is calculated based on income and expenses arising from application of the purchase method.

The Group's share in the profit or loss of an associate and changes in equity are calculated to the extent of the Group's interest in the associate at year end and does not reflect the possible exercise or conversion of potential voting rights. However, the Group's share is calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of associates.

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Losses of an associate attributable to the Group are limited to the extent of its interest, except where the Group has legal or implicit obligations or when payments have been made on behalf of the associate. For the purpose of recognising losses in associates, net investments are considered as the carrying amount of the investment after application of the equity method plus any other item which in substance forms part of the investment in the associate. Subsequent profits attributable to those associates for which impairment losses are limited are recognised to the extent of the previously unrecognised losses.

Unrealised gains and losses on transactions between the Group and associates are only recognised when they relate to interests of other unrelated investors, except in the case of unrealised losses evidencing the impairment of the transferred asset.

The accounting policies of associates have been harmonised in terms of timing and measurement, applying the policies described for subsidiaries.

Joint ventures

Joint ventures are those in which there is a contractual agreement to share the control over an economic activity, in such a way that strategic financial and operating decisions relating to the activity require the unanimous consent of the Group and the remaining venturers.

Investments in joint ventures are accounted for using the equity method.

The acquisition cost of investments in joint ventures is determined consistently with that established for investments in associates.

(e) Foreign currency transactions

(I) Functional currency and presentation currency

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

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

Foreign currency transactions are translated into the functional currency using the previous month's exchange rate for all transactions performed during the current month. This method does not differ significantly from applying the exchange rate at the date of the transaction.

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Monetary assets and liabilities denominated in foreign currencies have been translated into thousands of Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rate prevailing at the transaction date. Non-monetary assets measured at fair value have been translated into thousands of Euros at the exchange rate at the date that the fair value was determined.

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

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

(III) Translation of foreign operations

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

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

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

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

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

(f) Borrowing costs

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

The Group begins capitalising borrowing costs as part of the cost of a qualifying asset when it incurs expenditures for the asset, interest is accrued, and it undertakes activities that are necessary to prepare the asset for its intended use or sale, and ceases capitalising borrowing costs when all or substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Nevertheless, capitalisation of borrowing costs is suspended when active development is interrupted for extended periods.

(g) Property, plant and equipment

(I) Initial recognition

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

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

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(II) Depreciation

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

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

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

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

(III) Subsequent recognition

Subsequent to initial recognition of the asset, only those costs incurred which will probably generate future profits and for which the amount may reliably be measured are capitalised. Costs of day-to-day servicing are recognised in profit and loss as incurred.

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

(IV) Impairment

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

(h) Intangible assets

(I) Goodwill

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

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

(II) Internally generated intangible assets

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

Costs related with development activities are capitalised when:

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

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

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

(III) Other intangible assets

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

(IV) Emission rights

Emission rights, which are recognised when the Group becomes entitled to such rights, are carried at cost less accumulated impairment. Rights acquired free of charge or at a price substantially lower than fair value, are recognised at fair value, which is generally the market value of the rights at the start of the calendar year. The difference between fair value and, where appropriate, the amount received, is recognised under "government grants". Government grants are recognised in profit or loss in line with the emission of gases in proportion to total emissions foreseen for the complete period for which the emission rights have been received, irrespective of whether the rights previously received have been sold or impaired.

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

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

(V) Useful life and amortisation rates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(j) Leases

(I) Lessee accounting records

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

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

• Finance leases

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

• Operating leases

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

(II) Leasehold investments

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

(k) Financial instruments

(I) Classification of financial instruments

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

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

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

a) Financial assets at fair value through profit or loss

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

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

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

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

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

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

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

d) Financial assets and liabilities carried at cost

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

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

e) Financial assets and liabilities at fair value through profit or loss

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

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(II) Offsetting principles

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

(III) Fair value

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

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

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

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

(IV) Amortised cost

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

(V) Impairment of financial assets carried at cost

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

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(VI) Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset at fair value through profit or loss has been accounted for in other comprehensive income, the accumulative loss is reclassified from equity to profit or loss when there is objective evidence that the asset is impaired, even though the financial asset has not been derecognised. The impairment loss recognised in profit and loss is calculated as the difference between the acquisition cost, net of any reimbursements or repayment of the principal, and the present fair value, less any impairment loss previously recognised in profit and loss for the year.

Impairment losses relating to investments in equity instruments are not reversible and are therefore recognised directly against the value of the asset and not as an allowance account.

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

(VII) Financial liabilities

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

(VIII) Derecognition of financial assets

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

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

- Payment of the cash flows is conditional on their prior collection.

- The Group is unable to sell or pledge the financial asset.

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

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

- If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

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

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

(l) Hedge accounting

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

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

(i) Cash flow hedges

The Group recognises the portion of the gain or loss on the measurement at fair value of a hedging instrument that is determined to be an effective hedge in other comprehensive income. The ineffective portion and the specific component of the gain or loss or cash flows on the hedging instrument, excluding the measurement of the hedge effectiveness, are recognised with a debit or credit to finance expenses or finance income.

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

(m) Parent treasury shares

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

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

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

No gains or losses are recognised on transactions with treasury equity instruments. The consideration paid or received is recognised directly in equity and the difference with the amount paid upon acquisition is recognised as a balancing entry in reserves.

(n) Inventories

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

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

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

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

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

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

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

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

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

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

(o) Cash and cash equivalents

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

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

(p) Government grants

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

(I) Capital grants

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

(II) Operating grants

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

(III) Interest rate grants

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

(q) Employee benefits

(I) Defined contribution plans

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

(II) Termination benefits

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

(III) Short-term employee benefits

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

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

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or implicit) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where the time value of money is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate does not reflect risks for which future cash flow estimates have been adjusted.

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

(s) Revenue recognition

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

6.2 Annual accounts

(I) Sale of goods

The Group recognises revenue from the sale of goods when:

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

(II) Rendering of services

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

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

(III) Revenue from dividends

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

(IV) Revenue from interest

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

(t) Income taxes

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

Current tax is the amount of income taxes payable or recoverable in respect of the consolidated taxable profit or consolidated tax loss for the year. Current tax assets or liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

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

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

(I) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where:

- They arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable income;

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

(II) Deductible temporary differences

Deductible temporary differences are recognised provided that:

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

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

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

(III) Measurement

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

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

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

(IV) Offset and recognition

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

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

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

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(u) Segment reporting

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

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

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

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

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

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

(w) Environmental issues

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

Property, plant and equipment acquired by the Group to minimise the environmental impact of its activity and protect and improve the environment, including the reduction or elimination of future pollution caused by the Group's operations, are recognised in the consolidated balance sheet using the measurement, presentation and disclosure criteria described in note 4(g).

(5) Financial Risk Management Policy

(a) General

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

- Credit risk
- Liquidity risk
- Market risk

This note provides information on the Group's exposure to each of these risks, the Group's objectives and procedures to measure and mitigate this risk, and the Group's capital management strategy. More exhaustive quantitative information is disclosed in note 32 to the consolidated annual accounts.

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

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

Credit risk

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

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Trade receivables

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

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

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

Financial instruments and deposits

The Group has invested part of the resources generated in 2009 by the issue of bonds in the United States in deposits with financial institutions of recognised solvency.

Liquidity risk

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

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

The Group issued bonds in the United States during 2009. The resources generated will enable the Group to extend the life of its debt from current to non-current and ensure that the necessary financial resources are available to implement its future plans. The resources generated have therefore been used to pay current and non-current liabilities, with the remaining amount, totalling Euros 211,539 thousand recognised as a current financial investment under "Cash and cash equivalents" at 31 December 2010 (Euros 237,777 thousand at 31 December 2009) (see note 22).

In the balance sheet at 31 December 2009 14% of the debt was current and 86% non-current, while at the December 2010 close, 22% is current and 78% non-current.

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Market risk

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

(I) Currency risk

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

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

The Group's main exposure to currency risk is due to the US Dollar, which is used in a significant percentage of transactions in foreign currencies. Since revenues in US Dollars account for 96.9% of purchases and expenses in US Dollars during 2010, the Group has a natural hedge against US Dollar fluctuations and therefore the risks associated with such exchange-rate fluctuations are minimal.

Details of the Group's exposure to currency risk at 31 December 2010 and 2009 of the most significant financial instruments are shown in note 32.

(II) Interest-rate risk

The Group's interest rate risks arise from current and non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. During 2010 and because of the issue of bonds in 2009 (see note 22 (a.1.1)), a significant portion of liabilities bear fixed interest rates, whereas the rest of the financial liabilities with banks bear variable interest rates. The Group has a variable to fixed interest-rate swap for loans of Euros 50,000 thousand maturing in 2013 (see note 32).

(III) Market price risk

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

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

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

(b) Capital management

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

In 2010, the ROE stood at 16.7% (26.1% in December 2009) and the ROIC at 11.2 % (13.9 % in December 2009). The ROE is calculated by dividing profit attributable to the Parent by the equity attributable to the Parent. The ROIC is calculated by dividing operating profit after income tax by invested capital, which is equal to total assets less cash, less other current financial assets and less current and non-current financial liabilities excluding interest-bearing debt (current and non-current).

Compared with these rates, the weighted average finance expense for interest-bearing liabilities (excluding liabilities with implicit interest) has been 4.8% in 2010 (3.9% in 2009). Considering the issue of bonds in the USA, the weighted average finance expense for interest-bearing liabilities for the fourth quarter of 2009 was 5.1%.

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

At 31 December 2010 the Group holds treasury shares equivalent to 0.07 % of its share capital (0.03% at 31 December 2009). The Group does not have a formal plan for repurchasing shares.

(6) Segment Reporting

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

Since 1 January 2009 the Group applies IFRS 8 – "Operating segments".

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

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

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

There have been no inter-segment sales

(a) Operating segments

The operating segments defined by the Group are as follows:

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

Details of net sales by groups of products for 2010 and 2009 as a percentage of net sales are as follows:

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	% of sales	
	2010	2009
Hemoderivatives	77.9%	76.0%
Other hemoderivatives	0.2%	0.2%
Transfusional medicine	7.9%	8.2%
In vitro diagnosis	3.1%	3.1%
Fluid therapy and nutrition	5.0%	5.2%
Hospital supplies	4.1%	4.2%
Raw materials	0.5%	2.5%
Other	1.3%	0.6%
Total	100%	100%

(b) Geographical information

Geographical information is grouped into three areas:

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

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

(c) Main customer

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

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(7) Goodwill

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

	Thousands of Euros			
Net value	Balances at 31/12/08	Business combinations	Translation differences	Balances at 31/12/09
Grifols UK,Ltd.	7,213	--	523	7,736
Grifols Italia,S.p.A.	6,118	--	0	6,118
Biomat USA, Inc.	93,018	225	(3,154)	90,089
Plasmacare, Inc.	36,929	--	(1,253)	35,676
Plasma Collection Centers, Inc.	15,289	--	(519)	14,770
Woolloomooloo Holdings Pty Ltd.	--	16,190	3,421	19,611
	158,567	**16,415**	**(982)**	**174,000**
		(note 3.1)		

Details of and movement in this caption of the consolidated balance sheet at 31 December 2010 are as follows:

	Thousands of Euros			
Net value	Balances at 31/12/09	Transfers	Translation differences	Balances at 31/12/10
Grifols UK,Ltd.	7,736	0	246	7,982
Grifols Italia,S.p.A.	6,118	0	0	6,118
Biomat USA, Inc.	90,089	14,770	8,193	113,052
Plasmacare, Inc.	35,676	0	2,788	38,464
Plasma Collection Centers, Inc.	14,770	(14,770)	0	0
Woolloomooloo Holdings Pty Ltd.	19,611	0	4,221	23,832
	174,000	**0**	**15,448**	**189,448**

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Impairment testing:

Goodwill has been allocated to each of the Group's cash-generating units (CGUs) in accordance with their respective business segments and on a geographical basis, this being the lowest level at which goodwill is controlled by management for management purposes and lower than the operating segments. Plasma Collection Centers Inc. and Plasmacare, Inc. are integrated into the management of Biomat USA, Inc. for the purpose of impairment testing.

Goodwill has been allocated to the cash generating units as follows:

- UK: bioscience segment
- Italy: bioscience segment
- USA: bioscience segment
- Australia: mainly to the Diagnostics segment.

The recoverable amount of a CGU is determined based on its value in use. These calculations use cash flow projections based on the financial budgets approved by management. Cash flows estimated as of the year in which stable growth in the CGU has been reached are extrapolated using the estimated growth rates indicated below.

The key assumptions used in calculating value in use of the CGUs have been as follows:

	Growth rate	Discount rate after tax
Bioscience	2% - 3%	8% - 8.5%
Diagnostic	2%	8.30%

Management determined budgeted gross margins based on past experience and forecast market development. Average weighted growth rates are coherent with the forecasts included in industry reports. The discount rate used reflects specific risks related to the CGU.

Paragraph A20 of IAS 36 requires the discount rate used to be a pre-tax rate and establishes that when the basis used to estimate the discount rate is post-tax, that basis is adjusted to reflect a pre-tax rate. The following pre-tax discount rates have been used:

	Discount rate before tax
Bioscience	10.5% - 10.9%
Diagnostic	10.40%

The use of post-tax discount rates adjusted to reflect pre-tax discount rates have not given rise to any values in use which differ significantly from those which would have arisen had the discount rates been pre-tax.

(8) Other Intangible Assets

Details of other intangible assets and movement during the years ended 31 December 2010 and 2009 are included in Appendix II, which forms an integral part of these notes to the consolidated annual accounts.

The cost of fully-amortised intangible assets in use at 31 December 2010 and 2009 is Euros 57,203 thousand and Euros 38,183 thousand, respectively.

The Group has recognised Euros 9,963 thousand (Euros 11,823 thousand at 31 December 2009) as self-constructed assets.

At 31 December 2010 the Group has recognised licenses with indefinite useful lives under intangible assets for a carrying amount of Euros 24,691 thousand (Euros 23,379 thousand at 31 December 2009). The Group has also recognised Euros 11,492 thousand as costs of development in progress (Euros 21,943 thousand at 31 December 2009).

At 31 December 2010 the Group has recognised CO_2 emission rights for Euros 534 thousand (Euros 493 thousand at 31 December 2009) (see note 4(h (iv))).

During 2010 the Group signed a distribution agreement for a new blood genotype test developed by Progenika Biopharma, acquiring a customer portfolio of Euros 1,358 thousand and which is recognised under "Other intangible assets".

Impairment testing:

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

The recoverable amount of a CGU is determined based on calculations of value in use. These calculations use cash flow projections based on financial budgets approved by management. Cash flows estimated as of the year in which stable growth in the CGU has been reached are extrapolated using the estimated growth rates indicated below.

The key assumptions used to calcúlate value in use are as follows:

- Growth rate: 3%
- Post-tax discount rate: 8.5%

Paragraph A20 of IAS 36 requires the discount rate used to be a pre-tax rate and establishes that when the basis used to estimate the discount rate is post-tax, that basis is adjusted to reflect a pre-tax rate. The pre-tax rate is 10.9%. The use of a post-tax discount rate adjusted to reflect the pre-tax discount rate has not given rise to any values in use which differ significantly from those which would have arisen had the discount rates been pre-tax.

(9) Property, Plant and Equipment

Details of property, plant and equipment and movement in the consolidated balance sheet at 31 December 2010 and 2009 are included in Appendix III, which forms an integral part of this note to the consolidated annual accounts.

Property, plant and development under construction at 31 December 2010 and 2009 mainly comprises investments made to extend the companies' installations and to increase their productive capacity.

a) Mortgaged property, plant and equipment

At 31 December 2010 certain land and buildings have been mortgaged for Euros 49,316 thousand (Euros 45,382 thousand at 31 December 2009) to secure payment of certain loans (see note 22).

b) Official capital grants received

During 2010, the Group has received capital grants totalling Euros 323 thousand (Euros 742 thousand at 31 December 2009) (see note 20).

c) Insurance

Group policy is to contract sufficient insurance coverage for the risk of damage to property, plant and equipment. At 31 December 2010 the Group has a combined insurance policy for all Group companies, which adequately covers the carrying amount of all the Group's assets.

d) Revalued assets

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

e) Assets under finance lease

The Group had contracted the following types of property, plant and equipment under finance leases at 31 December 2009:

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

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The Group has contracted the following types of property, plant and equipment under finance leases at 31 December 2010:

	Thousands of Euros		
Asset	Cost	Accumulated depreciation	Net value
Technical installations and other property, plant and equipment	15,264	(4,782)	10,482
	15,264	(4,782)	10,482

Details of minimum lease payments and the present value of finance lease liabilities, disclosed by maturity date, are detailed in note 22 (a.1.3).

f) Fully-depreciated assets

The cost of fully depreciated property, plant and equipment in use at 31 December 2010 and 2009 is Euros 98,978 thousand and Euros 73,370 thousand, respectively.

g) Self-constructed property, plant and equipment

At 31 December 2010 the Group has recognised Euros 23,550 thousand as self-constructed property, plant and equipment (Euros 29,319 thousand at 31 December 2009).

h) Purchase commitments

At 31 December 2010 the Group has property, plant and equipment purchase commitments amounting to Euros 6,148 thousand.

(10) Equity Accounted Investments

At 31 December 2009 equity accounted investments comprise the investment held by Diagnostic Grifols, S.A. in Quest International, Inc. This company is located in Miami, Florida (USA) and its activity consists of the manufacture and commercialisation of reagents and clinical analysis instruments. On 9 November 2010 the Group sold its interest for a sale price of Euros 621 thousand.

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Because the Group has significant influence, the investment in this company has been accounted for using the equity method.

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

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

The balance at 31 December 2010 relates to the investment which Gri-cel, S.A. holds in Nanotherapix, S.L. (see note 2 (c), a joint venture which has been accounted for using the equity method).

Details of and movement in this caption of the consolidated balance sheet at 31 December 2010 are as follows:

	Thousands of Euros					
	Balances at 31/12/09	Additions	Disposals	Inclusion in consolidation process	Translation differences	Balances at 31/12/10
Equity accounted investments	383	(879)	(463)	1,472	85	598

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

			Thousands of Euros			
31/12/2009	Country	Percentage ownership	Assets	Liabilities	Equity	Result
Quest International, Inc	USA	35%	1,664	580	1,084	145
			1,664	**580**	**1,084**	**145**
31/12/2010						
Nanotherapix, S.L	Spain	51%	2,375	1,212	1,163	(312)
			2,375	**1,212**	**1,163**	**(312)**

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(11) Non-Current Financial Assets

Details of this caption of the consolidated balance sheet at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Non-current guarantee deposits	1,217	1,142
Assets available for sale	535	501
Loans to third parties	5,783	2,088
Non-current financial assets	**7,535**	**3,731**

During 2010, the Group has extended two new mortgage loans totalling Euros 3,723 thousand to the owners of two plasma centres in the USA occupied by group companies. These loans have a term of 20 years, bear interest at a fixed rate of 4.5% and are secured by the property and by a personal security. In 2009 the Group extended a similar mortgage loan for an amount of Euros 2,174 thousand. This interest rate does not differ from a mortgage market interest rate.

At 31 December 2010, available-for-sale assets relate to the following:

- The interest of less than 1% that the Group holds in Northfield Laboratories, Inc. (USA). At 31 December 2010 and 2009 provision has been made for the full amount of this investment, based on its fair value.

- The interest of less than 2% in the share capital of biotechnology company, Cardio 3 Bioscience (with registered offices in Belgium) acquired by Grifols, S.A. in December 2008 for Euros 500 thousand through a share capital increase. The activity of this company involves research into and the development of biological therapies using stem cells for the treatment of cardiovascular diseases. The Group has measured this asset at cost, as its fair value cannot be reliably determined.

(12) Inventories

Details of inventories at 31 December are as follows:

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	Thousands of Euros	
	2010	2009
Goods for resale	63,050	65,718
Raw materials and other supplies	160,326	170,987
Work in progress and semi-finished goods	203,971	146,612
Finished goods	100,518	101,145
	527,865	484,462

Changes in inventories of finished goods, work in progress and supplies were as follows:

	Thousands of Euros	
	2010	2009
Inventories of goods for resale		
Net purchases	56,542	50,886
Changes in inventories	6,911	(9,201)
	63,453	41,685
Raw materials and supplies		
Net purchases	225,994	274,537
Changes in inventories	17,412	(29,948)
	243,406	244,589
Supplies	306,859	286,274
Changes in inventories of finished goods and work in progress	(45,749)	(73,093)
Changes in inventories of finished goods and work in progress and supplies	261,110	213,181

* Expenses/(Income)

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Changes in goods for resale during 2010 and 2009 are as follows:

	Thousands of Euros	
	2010	2009
Goods for resale at 1 January	65,718	54,509
Business combinations	-	158
Net cancellations for the year	-	(568)
Increase/(Decrease) in goods for resale	(6,911)	9,201
Translation differences	4,243	2,418
Goods for resale at 31 December	**63,050**	**65,718**

Changes in inventories of raw materials and supplies during 2010 and 2009 have been as follows:

	Thousands of Euros	
	2010	2009
Inventories of raw materials at 1 January	170,987	142,209
Business combinations	-	824
Increase/(Decrease) in raw materials	(17,412)	29,948
Translation differences	6,751	(1,994)
Inventories of raw materials at 31 December	**160,326**	**170,987**

Changes in inventories of finished goods and work in progress during 2010 and 2009 are as follows:

	Thousands of Euros	
	2010	2009
Inventories of finished goods and work in progress at 1 January	247,757	176,939
Business combinations	-	2,567
Increase/(Decrease) in inventories of finished goods and work in progress	45,749	73,093
Translation differences	10,983	(4,842)
Inventories of finished goods and work in progress at 31 December	**304,489**	**247,757**

Net purchases include purchases made in the following foreign currencies:

	Thousands of Euros	
Currency	2010	2009
US Dollar	145,584	196,936
Other currencies	6,569	4,498

(13) Trade and Other Receivables

Details at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Trade receivables	**224,355**	**207,840**
Other receivables	31,012	27,210
Associates	5	812
Personnel	366	395
Advances for fixed assets	494	1,103
Other advances	3,265	1,844
Public entities, other receivables	8,890	8,176
Other receivables	**44,032**	**39,540**
Current income tax assets	**14,607**	**7,802**
	282,994	255,182

Trade receivables

Trade receivables, net of the provision for bad debts, include notes receivable discounted at banks and pending maturity at 31 December 2010, which amount to Euros 1,396 thousand (Euros 1,298 thousand at 31 December 2009) (see note 22).

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Trade receivables include balances in the following foreign currencies:

	Thousands of Euros	
Currency	31/12/10	31/12/09
US Dollar	52,466	45,297
Chilean Peso	17,008	12,778
Mexican Peso	10,583	7,986
Argentinean Peso	4,075	3,404
Brazilian Real	4,616	3,225
Czech Crown	3,030	3,217
Pound Sterling	3,116	2,849
Thai Baht	1,842	1,366
Polish Zloty	2,379	1,292
Australian Dollar	3,769	1,101
Other currencies	2,412	1,644

Other receivables

Other receivables at 31 December 2010 and 2009 include:

Euros 6,639 thousand (Euros 8,089 thousand at 31 December 2009) reflecting interest receivable from social security-affiliated bodies.

In 2005 the Group also made a Euros 5,000 thousand advance payment on account to the Spanish Haemophilia Federation relating to an agreement which provides an economic contribution to this entity, which is calculated on the basis of sales of a certain product of the Group between 2005 and 2009. During 2009 the amount accrued totalled Euros 2,090 thousand and was reflected as an "operating expense" under "other operating expenses". In 2009 the Group paid Euros 1,387 thousand, settling the balance of the advance included under "other receivables".

6.2 Annual accounts

During 2010 and 2009 certain Grifols Group companies have sold receivables without recourse from several public entities to Deutsche Bank, S.A.E. According to these contracts, the Group receives an initial payment which usually amounts to approximately 90% of the nominal amount of the receivables. Payment of the deferred price (rest of the nominal amount) will be collected by the Group once Deutsche Bank has collected the nominal amount of the receivables and this amount is recognised in the balance sheet as the amount of the outstanding loan. Because the receivables are with public entities the credit risk is low. At 31 December 2010 Euros 19,504 thousand is receivable for this deferred price (Euros 13,675 thousand at 31 December 2009). Initial payment is made when the sale is completed and therefore, the bad debt risk associated with this part of the nominal amount of the receivables is transferred. The Group has transferred control of the receivables to Deutsche Bank and therefore, the Group has derecognised the total initial payment on its balance sheet, since all risks and rewards have been transferred.

Certain foreign group companies and one Spanish company have also entered into a contract to sell receivables without recourse to various financial institutions.

Total balances receivable without recourse sold to financial institutions through the aforementioned contracts amount to Euros 185.2 million at 31 December 2010 (Euros 116.3 million at 31 December 2009).

The finance cost of these operations for the Group totals approximately Euros 5,378 thousand which has been recognised under finance costs in the consolidated income statement for 2010 (Euros 2,531 thousand in 2009) (see note 28).

Details of balances with related parties are shown in note 33.

Receivables from public entities are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Taxation authorities, VAT	8,191	7,451
Social Security	85	107
Other public entities	614	618
Public entities, other receivables	8,890	8,176

Current tax assets

Current tax assets are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Recoverable income tax:		
Current year	9,352	7,188
Prior years	5,255	614
Current tax assets	14,607	7,802

(14) Other Current Financial Assets

Details of this caption of the consolidated balance sheet at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Current investments	12,387	5,943
Guarantee deposits	44	209
Current loans to third parties	515	395
Financial derivatives (note 32)	-	1,670
Total other current financial assets	12,946	8,217

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

(15) Other Current Assets

Details of this caption of the consolidated balance sheet at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Prepaid expenses – professional services	72,983	1,703
Prepaid expenses – insurance	3,508	3,403
Royalties and rentals	2,589	611
Other prepaid expenses	1,548	1,628
Total other current assets	**80,628**	**7,345**

At 31 December 2010 professional services include an amount of Euros 71,174 thousand relating to costs incurred for professional services directly relating to the share capital increase and the debt issue expected to be made in relation to the acquisition of Talecris (see note 31 (f)).

Costs related to the capital increase will be taken to equity when the capital increase is performed. Costs relating to the issue of debt will be deducted from the financial liability when it is recognised.

Costs incurred in relation to the business combination, amounting to Euros 16,999 thousand, have been recognised as expenses for 2010 (see note 27).

(16) Cash and Cash Equivalents

Details of this caption of the consolidated balance sheet at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Current deposits	211,564	237,801
Cash and banks	28,085	11,571
Total cash and cash equivalents	**239,649**	**249,372**

Current deposits mainly include the surplus of funds from the issue of bonds in the USA during 2009 (see note 5 (a)).

Details of cash and cash equivalents at 31 December 2010 and 2009 by currency are as follows:

	Thousands of Euross	
Currency	31/12/10	31/12/09
Euro	4,268	2,153
US Dollar	202,942	208,800
Other currency	32,439	38,419
	239,649	249,372

(17) Equity

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

(a) Share capital

At 31 December 2010 and 2009 the Company's share capital is represented by 213,064,899 ordinary shares of Euros 0.50 par value each, which are subscribed and fully paid and have the same voting and profit-sharing rights.

These shares are freely transferable.

The Parent only has information on the identity of its shareholders when this information is provided voluntarily or to comply with prevailing legislation. Based on the information available to the Company, its most significant shareholders at 31 December 2010 and 2009 are as follows:

	Percentage ownership	
	31/12/10	31/12/09
Scranton Enterprises,B.V.	7.58%	10.65%
Capital Research and Management Company	10.02%	--
Other	82.40%	89.35%
	100.00%	100.00%

There have been no movements in subscribed capital during 2010 and 2009.

(b) Share premium

There have been no movements in share premium during 2010 and 2009.

(c) Accumulated gains

The drawdown of accumulated gains is subject to legislation applicable to each of the Group companies. At 31 December 2010, Euros 28,876 thousand equivalent to the carrying amount of development costs pending amortisation of certain Spanish companies (Euros 25,987 thousand at 31 December 2009) (see note 8) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortised.

(d) Other reserves

At 31 December 2010 and 2009 other reserves include the IFRS first-time adoption revaluation reserves and legal reserve of certain Group companies.

Legal reserve

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

6.2 Annual accounts

At 31 December 2010 the legal reserve of the Parent has been fully appropriated and amounts to Euros 21,306 thousand (Euros 18,657 thousand at 31 December 2009).

Distribution of the legal reserves of Spanish companies is subject to the same restrictions as those of the Parent and at 31 December 2010 and 2009 the balance of the legal reserve of other Spanish companies amounts to Euros 2,106 thousand.

Other foreign Group companies have a legal reserve amounting to Euros 692 thousand (Euros 654 thousand at 31 December 2009).

(e) Treasury shares

During the year ended 31 December 2009 the Parent has carried out the following transactions with treasury shares:

	No. of shares	Thousands of Euros
Balance at 1 January 2009	2,411,622	33,087
Acquisitions	2,176,929	25,186
Disposals	(4,535,225)	(57,596)
Balance at 31 December 2009	**53,326**	**677**

During the year ended 31 December 2010 the Parent has carried out the following transactions with treasury shares:

	No. of shares	Thousands of Euros
Balance at 1 January 2010	53,326	677
Acquisitions	105,000	1,250
Balance at 31 December 2010	**158,326**	**1,927**

The Parent holds treasury shares equivalent to 0.07% of its capital at 31 December 2010 (0.03% at 31 December 2009).

(f) Distribution of profits

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

6.2 Annual accounts

The board of directors will propose to the shareholders at their annual general meeting that the profit of the Parent Grifols, S.A. for the year ended 31 December 2010, amounting to Euros 63,548 thousand, be transferred to reserves (accumulated gains).

The distribution of the profit for the year ended 31 December 2009 is presented in the consolidated statement of changes in equity.

The dividend per share distributed at 30 June 2009 is as follows:

	30/06/2009 (Thousands of Euros)		
	% of par value	Euro per share	Amount
Ordinary shares	46	0.23	48,691
Total dividends paid in June 2009	**46**	**0.23**	**48,691**
Dividends with a charge to profits	46	0.23	48,691
Total dividends paid in June 2009	**46**	**0.23**	**48,691**

The dividend per share (interim dividend) distributed in December 2009 is as follows:

	31/12/2009 (Thousands of Euros)		
	% of par value	Euro per share	Amount
Ordinary shares	30	0.15	31,960
Total dividends paid in December 2009	**30**	**0.15**	**31,960**
Interim dividend	30	0.15	31,960
Total dividends paid in December 2009	**30**	**0.15**	**31,960**

The dividend per share distributed in July 2010 is as follows:

	31/07/2010 (Thousands of Euros)		
	% of par value	Euro per share	Amount
Ordinary shares	26	0.13	27,229
Total dividends paid in July 2010	**26**	**0.13**	**27,229**

(g) Cash flow hedges

To cover the interest rate risk related to the planned issue of corporate bonds to be made by Grifols Inc. a swap was contracted in July 2009 to hedge the interest rate of 10-year US government bonds, with a nominal amount of US Dollars 200 million and maturity on 21 September 2009, the planned date of issue (see note 22), swapping a variable interest rate for a fixed one. The Group has recognised this derivative as hedging of cash flows from a highly probable transaction. At the date of redemption, the valuation resulted in a finance cost of Euros 3,275 thousand, which has been recognised in equity, net of the tax effect under "Cash flow hedges" and deferred over the term of the ten-year corporate bond (see notes 22 and 32).

(18) Earnings per Share

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

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

	2010	2009
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	115,513	147,972
Weighted average number of ordinary shares in circulation	212,909,162	209,451,806
Basic earnings per share (Euros per share)	0.54	0.71

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

	Number of shares	
	2010	2009
Issued ordinary shares at 1 January	213,011,573	210,653,277
Effect of treasury shares	(102,411)	(1,201,471)
Average weighted number of ordinary shares issued at 31 December	212,909,162	209,451,806

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Diluted earnings per share are calculated by dividing profit for the year attributable to shareholders of the Parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares. At 31 December 2010 and 2009 basic and diluted earnings per share are the same as no potential diluting effects exist.

(19) Minority Interests

Details of minority interests and movement at 31 December 2009 are as follows:

	Thousands of Euros					
	Balances at 31/12/08	Additions	Business combinations	Disposals	Translation differences	Balances at 31/12/09
Grifols (Thailand) Pte Ltd	977	308	0	(112)	30	1,203
Grifols Malaysia Sdn Bhd	273	35	0	0	(5)	303
Woolloomooloo Holdings Pty Ltd,	0	(745)	9,876	(106)	1,626	10,651
	1,250	(402)	9,876	(218)	1,651	12,157
			(note 3.1)			

Details of minority interests and movement at 31 December 2010 are as follows:

	Thousands of Euros				
	Balances at 31/12/09	Additions	Disposals	Translation differences	Balances at 31/12/10
Grifols (Thailand) Pte Ltd	1,203	367	(108)	255	1,717
Grifols Malaysia Sdn Bhd	303	302	0	76	681
Woolloomooloo Holdings Pty Ltd,	10,651	(915)	(158)	2,374	11,952
	12,157	(246)	(266)	2,705	14,350

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(20) Grants

Details of capital grants are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Capital grants	1,830	2,025
Interest-rate grants (preference loans)	258	286
Grants	**2,088**	**2,311**

Details of capital grants are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Total amount of capital grant:		
Prior to 1995	330	330
1995	627	627
1996	54	54
1997	426	426
1998	65	65
1999	42	42
2000	181	181
2001	214	214
2002	626	626
2004	1,940	1,940
2005	35	35
2006	35	35
2007	33	33
2008	124	124

continued >

6.2 Annual accounts

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Thousands of Euros

	31/12/10	31/12/09
2009	742	742
Current period	323	0
	5,797	5,474
Less, revenues recognised:		
Prior years	(3,140)	(2,444)
Current year	(612)	(696)
	(3,752)	(3,140)
Translation differences	(215)	(309)
Net value of capital grants	1,830	2,025

At 31 December 2010 interest-rate grants (preference loans) include Euros 258 thousand (Euros 286 thousand at 31 December 2009) of implicit interest on loans extended by the Spanish Ministry of Science and Technology as these are interest free.

Movement for 2009 is as follows:

	Balances at 31/12/08	Additions	Transfers to profit or loss	Balances at 31/12/09
Interest-rate grants (preference loans)	338	440	(492)	286

Movement for 2010 is as follows:

	Balances at 31/12/09	Additions	Transfers to profit or loss	Balances at 31/12/10
Interest-rate grants (preference loans)	286	88	(116)	258

(21) Provisions

Details of provisions at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	2010	2009
Non-current provisions (a)		
Provisions for pensions and similar obligations	787	595
Other provisions	591	637
Non-current provisions	1,378	1,232
Current provisions (b)		
Trade provisions	4,365	4,702
Current provisions	4,365	4,702

(a) Non-current provisions

At 31 December 2010 and 2009 provisions for pensions and similar obligations mainly comprise a provision made by certain foreign subsidiaries in respect of labour commitments with certain employees.

Movement in provisions during 2009 is as follows:

	Thousands of Euros					
	Balances at 31/12/08	Business combination	Reversal	Cancellation	Translation differences	Balances at 31/12/09
Non-current provisions	3,045	102	(1,411)	(457)	(47)	1,232
	3,045	102	(1,411)	(457)	(47)	1,232

Movement in provisions during 2010 is as follows:

	Thousands of Euros				
	Balances at 31/12/09	Charge	Cancellation	Translation differences	Balances at 31/12/10
Non-current provisions	1,232	140	(71)	77	1,378
	1,232	140	(71)	77	1,378

(b) Current provisions

Movement in trade provisions during 2009 is as follows:

	Thousands of Euros				
	Balances at 31/12/08	Business combination	Charge	Translation differences	Balances at 31/12/09
Trade provisions	3,830	198	636	38	4,702
	3,830	198	636	38	4,702

Movement in trade provisions during 2010 is as follows:

	Thousands of Euros				
	Balances at 31/12/09	Charge	Cancellation	Translation differences	Balances at 31/12/10
Trade provisions	4,702	41	(414)	36	4,365
	4,702	41	(414)	36	4,365

6.2 Annual accounts

(22) Financial Liabilities

This note provides information on the contractual conditions of the loans obtained by the Group, which are measured at amortised cost, except the financial derivative, which is measured at fair value. For further information on exposure to interest rate risk, currency risk and liquidity risk and the fair values of financial liabilities, please refer to note 32.

a) Non-current financial liabilities

Details at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
Non-current financial liabilities	**31/12/10**	**31/12/09**
Issue of corporate bonds (a.1.1)	441,203	410,552
Bonds	441,203	410,552
Club Deal (a.1.2)	99,408	195,471
Other loans (a.1.2)	120,040	90,961
Finance lease liabilities (a.1.3)	4,734	6,202
Loans and borrowings	224,182	292,634
Loans and borrowings and bonds or other non-current marketable securities (a.1)	**665,385**	**703,186**
Preference loans extended by the Spanish Ministry of Science and Technology (a.2)	9,744	11,135
Debt on the acquisition of the plasma centre (a.2)	530	1,050
Other	200	367
Other non-current financial liabilities (a.2)	**10,474**	**12,552**
	675,859	**715,738**

6.2 Annual accounts

Non-current loans and borrowings, net of loan arrangement expenses, are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Loan arrangement expenses	1,365	2,105

(a.1) Loans and borrowings and bonds or other non-current marketable securities

(a.1.1) Bonds

On 21 September 2009 the Group, through Grifols Inc., issued corporate bonds in the USA totalling US Dollars 600 million. The issue was subscribed by 22 qualified investors, 90% in US Dollars and the remaining 10% in Pounds Sterling and Euros. The issue was structured in three tranches: US Dollars 200 million at 12 years, US Dollars 300 million at 10 years and US Dollars 100 million at 7 years, with spreads over the price of the US bond at 10 years of 370 basis points for 12 year bonds, 350 basis points for those issued at 10 years and 335 basis points for 7 year bonds.

A summary of corporate bonds at 31 December 2010 is as follows:

Amount	Duration (years)	Fixed interest rate
100,000 Thousands of USD	7	6.42%
245,000 Thousands of USD	10	6.94%
200,000 Thousands of USD	12	7.14%
10,000 Thousands of EUR	10	6.94%
25,000 Thousands of GBP	10	6.94%

Funds raised have enabled the Group to extend the term of the debt from current to non-current, at the same time ensuring the availability of financial resources required to consolidate its plans for the future. Funds raised have therefore been used to settle current and non-current liabilities and the remaining amount has been used in current investments classified under "Cash and cash equivalents" for an equivalent amount of Euros 211,539 thousand at 31 December 2010 (Euros 237,777 thousand at 31 December 2009). This amount has been invested mainly in US Dollar deposits with financial institutions of recognised solvency.

6.2 Annual accounts

With the issue of the bonds, an interest rate hedge was contracted for the interest on the 10-year loan from the US government (see notes 17 (g) and 32).

This issue of corporate bonds is subject to compliance with certain financial ratio covenants. At 31 December 2010 and 2009 the Group complies with these financial ratio covenants.

Details of and movement in the issue of corporate bonds are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Opening balance		
Issue of corporate bonds in the USA	416,465	409,411
Transaction costs	(5,913)	(5,967)
	410,552	403,444
Movements		
Transferred to profit and loss	660	150
Corporate bonds issued in the USA, exchange differences	(1,772)	338
Translation differences	31,763	6,620
Closing balance		
Corporate bonds issued in the USA	446,918	416,465
Transaction costs	(5,715)	(5,913)
	441,203	410,552

(a.1.2) Other non-current loans and borrowings

Details of the terms and conditions of non-current loans and borrowings at 31 December 2010 and 2009 are included in Appendix IV, which forms an integral part of this note to the consolidated annual accounts.

At 26 May 2008 a Club Deal refinancing agreement was signed with 24 financial entities for Euros 350 million (including the option to draw down a tranche of the loan in US Dollars), in order to refinance the non-current syndicated loan existing at 31 December 2007. This loan provides the Group with a significant margin for leverage to carry out planned investment programmes.

This syndicated loan, which matures on 26 May 2013, is subject to compliance with certain financial ratio covenants. In accordance with the agreed-upon conditions, the level of compliance with financial ratios and levels is determined at year end. The Company is required to provide financial information to the lending banks within the six-month period subsequent to 31 December of each year of duration of the contract.

In 2009 the 24 financial entities and the Company unanimously agreed to the novation of the syndicated loan. The net financial debt/equity ratio was replaced by the minimum equity ratio. This replacement unifies all syndicated loan ratios with the bond issue carried out by the Group in the USA and reflects the true value of the Group.

At 31 December 2010 and 2009 the Group fulfils the ratios established in the syndicated loan contract.

(a.1.3) Finance lease liabilities

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

	Thousands of Euros			
	31/12/10		31/12/09	
	Current	Non-current	Current	Non-current
Minimum payments	3,552	5,089	5,088	6,675
Interest	(272)	(355)	(354)	(473)
Present value	3,280	4,734	4,734	6,202

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Thousands of Euros

	31/12/10			31/12/09		
	Minimum payments	Interest	Present value	Minimum payments	Interest	Present value
Maturity at:						
Less than one year	3,552	272	3,280	5,088	354	4,734
Two years	2,411	161	2,250	3,364	200	3,164
Three years	1,271	96	1,175	1,382	114	1,268
Four years	763	50	713	831	72	759
Five years	314	23	291	577	41	536
More than five years	330	25	305	521	46	475
Total	8,641	627	8,014	11,763	827	10,936

(a.1.4) Maturity of non-current loans and borrowings and bonds

Details of maturity of non-current loans and borrowings and bonds at 31 December 2010 and 2009 are as follows:

Thousands of Euros

	31/12/10	31/12/09
Maturity at:		
Two years	85,171	81,388
Three years	51,582	79,696
Four years	17,936	75,905
Five years	17,548	12,506
More than five years	493,148	453,691
	665,385	703,186

(a.2) Other non-current financial liabilities

Details of the interest-free preference loans extended by the Spanish Ministry of Science and Technology, to various group companies are as follows:

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Thousands of Euros

			31/12/2010		31/12/2009	
Company	Date awarded	Amount awarded	Non-current	Current	Non-current	Current
Instituto Grifols S.A	31/01/2001	637	--	--	--	86
Instituto Grifols S.A	13/02/2002	691	--	94	89	94
Instituto Grifols S.A	17/01/2003	1,200	157	165	307	165
Instituto Grifols S.A	13/11/2003	2,000	520	279	762	279
Instituto Grifols S.A	17/01/2005	2,680	1,031	375	1,345	375
Instituto Grifols S.A	29/12/2005	2,100	1,025	288	1,253	288
Instituto Grifols S.A	29/12/2006	1,700	1,015	234	1,190	234
Instituto Grifols S.A	27/12/2007	1,700	1,164	232	1,324	--
Instituto Grifols S.A	31/12/2008	1,419	1,175	--	1,131	--
Instituto Grifols S.A	16/01/2009	1,540	1,294	--	1,249	--
Laboratorios Grifols, S.A	20/03/2001	219	--	--	--	30
Laboratorios Grifols, S.A	29/01/2002	210	--	29	27	29
Laboratorios Grifols, S.A	15/01/2003	220	29	30	56	30
Laboratorios Grifols, S.A	26/09/2003	300	76	41	111	41
Laboratorios Grifols, S.A	22/10/2004	200	77	28	100	28
Laboratorios Grifols, S.A	20/12/2005	180	88	25	107	25
Laboratorios Grifols, S.A	29/12/2006	400	233	54	273	54
Laboratorios Grifols, S.A	27/12/2007	360	212	42	242	--
Laboratorios Grifols, S.A	31/12/2008	600	497	--	478	--
Diagnostic Grifols, S.A	27/11/2008	857	358	129	468	129
Diagnostic Grifols, S.A	25/05/2010	203	116	31	--	--
Grifols Engineering, S.A.	21/04/2009	524	427	34	447	--
Grifols Engineering, S.A.	21/04/2009	203	165	13	176	--
Grifols Engineering, S.A.	28/01/2010	100	85	--	--	--
		20,243	9,744	2,123	11,135	1,887

During 2010 the implicit borrowing costs taken to profit and loss amount to Euros 567 thousand (Euros 616 thousand in 2009) (see note 28).

At 31 December 2010, this caption also includes Euros 555 thousand (Euros 1,133 thousand at 31 December 2009) comprising the Euros equivalent of the debt in US Dollars payable in the long term to Amerihealth Plasma, LLC for the plasma centre acquired in the USA. Deferred finance expenses resulting from this transaction amount to Euros 25 thousand (Euros 83 thousand at 31 December 2009) and were deducted from the aforementioned amount. Other current financial liabilities include the current portion of this debt and amount to Euros 637 thousand (Euros 442 thousand at 31 December 2009).

Details of the maturity of other non-current financial liabilities are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Maturity at:		
Two years	2,964	2,632
Three years	2,159	2,883
Four years	1,989	2,026
Five years	1,266	1,867
More than five years	2,096	3,144
	10,474	12,552

b) Current financial liabilities

Details at 31 December 2010 and 2009 are as follows:

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	Thousands of Euros	
Current financial liabilities	**31/12/10**	**31/12/09**
Promissory notes issued to bearer (b.1.1)	8,235	6,407
Interest of issue corporate bonds in the USA (b.1.1)	7,207	6,716
Bonds	**15,442**	**13,123**
Club Deal (b.1.2)	66,250	33,014
Other loans (b.1.2)	106,663	63,120
Finance lease liabilities (a.1.3)	3,280	4,734
Loans and borrowings	**176,193**	**100,868**
Loans and borrowings and bonds and other marketable securities (b.1)	**191,635**	**113,991**
Financial derivatives (note 32)	8,560	3,333
Preference loans extended by the Spanish Ministry of Science and Technology (a.2)	2,123	1,887
Receivables from social security affiliated bodies transferred to a financial institution (b.2)	6,503	5,459
Debt on the acquisition of the plasma centre (a.2)	637	442
Debt with Novartis (b.2)	0	779
Guarantee deposits received	149	59
Other current financial liabilities	**264**	**271**
Other current financial liabilities (b.2)	**18,236**	**12,230**
	209,871	**126,221**

Current loans and borrowings, net of loan arrangement expenses, are as follows:

	Thousands of Euros	
	31/12/10	**31/12/09**
Loan arrangement expenses	707	825

Current loans and borrowings include accrued interest amounting to Euros 483 thousand (Euros 538 thousand at 31 December 2009).

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(b.1) Loans and borrowings and bonds or other current marketable securities

(b.1.1) Bonds

Details at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Promissory notes issued to bearer	8,373	6,510
Interest pending accrual on promissory notes issued to bearer	(138)	(103)
Interest accrued on corporate bonds	7,207	6,716
	15,442	13,123

Details of the issue of bearer promissory notes to group employees are as follows:

	31/12/09					
	Issue date	Maturity date	Nominal amount (Thousands of Euros)	Interest rate	Promissory notes subscribed (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
Issue of bearer promissory notes	05/05/09	05/05/10	3,000	4.75%	6,510	(103)

	31/12/10					
	Issue date	Maturity date	Nominal amount (Thousands of Euros)	Interest rate	Promissory notes subscribed (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
Issue of bearer promissory notes	05/05/10	05/05/11	3,000	5.00%	8,373	(138)

(b.1.2) Other current loans and borrowings

Details of current loans and borrowings are as follows:

		Thousands of Euros - Drawn down	
	Interest rate (*) Min - max	31/12/10	31/12/09
Loans in:			
US Dollars	5,00%	1,384	3,010
Euros	1.17 -6%	143,990	73,664
Other currencies	TIIE+2% -15%	26,368	18,449
		171,742	95,123
Discounted trade notes (note 13)	1.4% -4.69%	1,396	1,298
Current interest on loans and borrowings		483	538
Finance lease payables		3,552	5,088
		177,173	102,047
Less, current portion of deferred finance expenses for leasing		(272)	(354)
Less, current portion of loan arrangement expenses		(708)	(825)
		176,193	100,868

(*) Loans accrue variable interest rates.

At 31 December 2010 the Group has a drawable borrowing limit of Euros 704,315 thousand (Euros 703,231 thousand at 31 December 2009).

(b.2) Other current financial liabilities

At 31 December 2010 and 2009 other current financial liabilities also include approximately Euros 6,503 thousand and Euros 5,459 thousand, respectively, which have been collected directly from social security affiliated bodies and transferred to Deutsche Bank, S.A.E (see note 13).

At 31 December 2009 this caption included an outstanding receivable of Euros 779 thousand from Novartis Vaccines and Diagnostics, Inc. for the licence contract signed by a Group company during 2006. At 31 December 2010 this debt has been fully repaid.

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(23) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Suppliers and trade payables	160,678	120,887
Other	-	22
Suppliers	**160,678**	**120,909**
Public entities, other payables	11,928	17,832
Other trade payables	**11,928**	**17,832**
Current income tax liabilities	**4,172**	**3,258**
	176,778	141,999

Suppliers

Details of balances with related parties are shown in note 33.

Balances with suppliers include the following payables in foreign currencies:

	Thousands of Euros	
Currency	31/12/10	31/12/09
US Dollar	58,932	31,377
Pound Sterling	405	266
Czech Crown	568	380
Chilean Peso	1,490	894
Brazilian Real	428	621
Swiss Franc	897	686
Other currencies	665	1,419

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The Group's exposure to currency risk and liquidity risk associated with trade and other payables is described in note 32.

In accordance with the third additional provision of Law 15/2010 of 5 July 2010 entitled "Reporting obligation", the Group must inform on payment deferrals made to suppliers by Spanish Group companies. At 31 December 2010 the balance payable by Spanish Group companies, which exceeds the legal limits for deferrals, amounts to Euros 13,593 thousand.

Public entities, other payables

Details are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Taxation authorities, VAT/Canary Islands Tax	3,472	3,292
Taxation authorities, withholdings	3,119	8,184
Social Security	3,246	3,027
Other public entities	2,091	3,329
Public entities, other payables	11,928	17,832

At 31 December 2010 "other public entities" include a Euros 1,860 thousand provision (Euros 2,781 thousand at 31 December 2009) recognised as a result of different interpretation of certain tax situations which could be made from the current tax inspection (see note 29 (c)).

Current tax liabilities

Details at 31 December are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Taxation authorities, income tax:		
Current year	4,161	3,185
Prior years	11	73
Current tax liabilities	4,172	3,258

(24) Other Current Liabilities

Details at 31 December are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Salaries payable	28,321	24,367
Other payables	2,629	1,754
Other current liabilities	**30,950**	**26,121**

(25) Revenues

Revenues are mainly generated by the sale of goods.

The distribution of net consolidated revenues for 2010 and 2009 by segment is as follows:

	%	
	31/12/10	31/12/09
Bioscience	78%	76%
Diagnostics	11%	10%
Hospital	9%	10%
Raw materials	1%	3%
Others	1%	1%
	100%	100%

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The geographical distribution of net consolidated revenues is as follows:

	%	
	31/12/10	31/12/09
Spain	23%	25%
European Union	21%	22%
United States	34%	32%
Rest of the world	22%	21%
	100%	100%

Net consolidated revenues include net sales made in the following foreign currencies:

	Thousands of Euros	
Currency	31/12/10	31/12/09
US Dollar	405,439	349,064
Pound Sterling	36,199	33,668
Chilean Peso	28,760	21,083
Mexican Peso	25,652	36,472
Brazilian Real	21,949	21,262
Australian Dollar	13,950	6,387
Czech Crown	13,698	12,863
Argentinean Peso	13,122	11,323
Polish Zloty	11,668	13,525
Other currency	18,989	18,013

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(26) Personnel Expenses

Details are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Wages and salaries	232,174	219,803
Contributions to pension plans (note 31)	1,615	1,571
Other social charges	8,615	8,072
Social Security	46,604	43,722
	289,008	273,168

The average headcount during 2010 and 2009, by department, was approximately as follows:

	Average headcount	
	31/12/10	31/12/09
Production	4,443	4,586
Research & development – technical area	271	264
Administration and others	472	453
General management	98	95
Marketing	102	98
Sales and distribution	582	488
	5,968	5,984

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The headcount of the Group and the Company's Board of directors at 31 December 2009, by gender, is as follows:

	Number at 31/12/09		
	Male	Female	Total number of employees
Directors	8	1	9
Production	2,098	2,403	4,501
Research & development – technical area	111	157	268
Administration and others	234	234	468
General management	49	49	98
Marketing	50	52	102
Sales and distribution	291	197	488
	2,841	**3,093**	**5,934**

The headcount of the Group and the Company's Board of directors at 31 December 2010, by gender, is as follows:

	Number at 31/12/10		
	Male	Female	Total number of employees
Directors	7	1	8
Production	2,105	2,438	4,543
Research & development – technical area	116	173	289
Administration and others	251	234	485
General management	50	51	101
Marketing	46	52	98
Sales and distribution	342	242	584
	2,917	**3,191**	**6,108**

(27) Other Operating Income and Expenses

Other operating expenses

Details are as follows:

Thousands of Euros

	31/12/10	31/12/09
Changes in trade provisions (notes 21(b) and 32)	398	1,348
Professional services (note 15)	40,530	25,266
Commissions	8,038	7,711
Supplies and other materials	30,544	28,859
Operating leases (note 30 (a))	19,272	17,364
Freight	20,956	20,518
Repairs and maintenance costs	22,480	21,365
Advertising	14,708	15,580
Insurance	10,807	10,803
Royalties and service charges	884	4,954
Travel expenses	12,742	11,935
External services	24,603	25,024
Others	14,256	12,654
Other operating expenses	220,218	203,381

Research and development expenses incurred by the Group amount to Euros 36.6 million in 2010 (Euros 35.2 million in 2009).

Other operating income

Details are as follows:

6.2 Annual accounts

	Thousands of Euros	
	31/12/10	31/12/09
Income from insurance claims	771	807
Grants	307	378
Other income	118	258
Other operating income	**1,196**	**1,443**

(28) Finance Income and Expense

Details are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Interest from Social Security	2,876	6,510
Other finance income	1,650	557
Finance income	**4,526**	**7,067**
Club Deal (other finance expenses)	(1,172)	(747)
Club Deal (interest)	(3,303)	(6,289)
Finance expenses from sale of receivables (note 13)	(5,378)	(2,531)
Finance expenses from corporate bonds issued in the USA (note 22)	(31,923)	(6,766)
Implicit interest on preference loans (note 22 (a.2))	(567)	(616)
Capitalised interest	2,399	1,278
Other finance expenses	(9,716)	(11,416)
Finance expenses	**(49,660)**	**(27,087)**
Change in fair value of financial derivatives (note 32)	(7,593)	(587)
Impairment and profit/(losses) on disposal of financial instruments	91	(245)
Exchange differences	1,616	(1,733)
Finance income and expense	**(51,020)**	**(22,585)**

During 2010 the Group has capitalised interest at a rate of between 2.6% and 7.1% based on the financing received (between 3% and 4% during 2009) (see note 4 (f)).

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(29) Taxation

Companies present annual income tax returns. The standard rate of tax is 30% for Spanish companies, which may be reduced by certain credits.

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

The North American company Grifols Inc. is also authorised to present consolidated tax returns in the USA with Grifols Biologicals Inc., Grifols USA, LLC., Biomat USA, Inc. and Plasmacare, Inc.

a) Reconciliation of accounting and taxable income

Details of the income tax expense are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Profit for the year before income tax	157,784	203,994
Tax at 30%	47,335	61,198
Permanent differences	2,300	1,935
Effect of different tax rates	3,346	5,159
Deductions for research and development	(7,281)	(8,106)
Other deductions	(3,516)	(4,548)
Other income tax expenses/(income)	333	786
Total income tax expense	42,517	56,424
Deferred tax expenses	15,547	8,832
Current income tax	26,970	47,592
Total	42,517	56,424

b) Deferred tax assets and liabilities

Details of deferred tax assets and liabilities are as follows:

	Thousands of Euros	
	Tax effect	
	31/12/10	31/12/09
Assets		
Rights to tax deductions	4,830	5,992
Tax loss carryforwards	1,233	88
Fixed assets, amortisation and depreciation	998	728
Unrealised margins on inventories	19,256	19,814
Provision for bad debts	395	444
Inventories	235	225
Cash flow hedges	1,120	1,247
Other provisions	4,297	2,439
Others	2,525	2,418
	34,889	**33,395**
Liabilities		
Goodwill	17,948	15,186
Revaluations of assets	15,210	15,011
Fixed assets, amortisation and depreciation	40,520	23,873
Finance leases	3,396	3,634
Provision for investments	696	873
Others	1,371	1,748
	79,141	**60,325**

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Movement in deferred tax assets and liabilities is as follows:

	Thousands of Euros	
	2010	2009
Deferred tax assets		
Balance at 1 January	33,395	34,297
Movements during the year	865	(1,478)
Business combinations (note 3)	-	500
Adjustments for changes in tax rate through profit and loss	-	69
Translation differences	629	7
Balance at 31 December	**34,889**	**33,395**
Deferred tax liabilities		
Balance at 1 January	60,325	51,969
Movements during the year	16,537	7,423
Business combinations (note 3)	-	1,761
Translation differences	2,279	(828)
Balance at 31 December	**79,141**	**60,325**

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

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

	Thousands of Euros	
	Tax effect	
	31/12/10	31/12/09
Available-for-sale financial assets	0	(69)
Cash flow hedges (note 17 (g))	127	1,247
	127	**1,178**

6.2 Annual accounts

The remaining assets and liabilities recognised in 2010 were recognised on the income statement.

The Spanish consolidated companies have deductions pending application at 31 December 2010 mainly in respect of research and development, which are detailed below:

Year of origin	Thousands of Euros	Applicable through
2008	101	2023
2009	500	2024
2010	4,229	2025
	4,830	

At 31 December 2010 the Group recognised a tax credit of Euros 4,830 thousand (Euros 5,992 thousand at 31 December 2009) from the deductions pending application, as its future recovery was reasonably assured.

At 31 December 2010 the Group has future tax deductions of Euros 23,685 thousand (Euros 25,806 thousand at 31 December 2009) pending application as a result of goodwill generated on the acquisition of Biomat USA, Inc. This amount will be deducted annually from the taxable profits until 2022. The yearly amount that has been applied in 2010 at the tax rate of 30% has been Euros 2,121 thousand. The Group has recognised a deferred tax liability of Euros 14,848 thousand for the deductions applied for this item at 31 December 2010 (Euros 12,727 thousand at 31 December 2009).

At 31 December 2010 the Group has future tax deductions of Euros 9,727 thousand (Euros 10,368 thousand at 31 December 2009) pending application as a result of goodwill generated on the acquisition of Plasmacare, Inc. This amount will be deducted annually from the taxable profits until 2026. The yearly amount applied in 2010 at the tax rate of 30% has been Euros 641 thousand. The Group has recognised a deferred tax liability of Euros 3,100 thousand for the deductions applied for this item at 31 December 2010 (Euros 2,459 thousand at 31 December 2009).

At 31 December 2010 the Group has recognised loss carryforwards of Euros 1,233 thousand (Euros 88 thousand at 31 December 2009), Euros 1,187 thousand of which relate to the Australian company Woolloomooloo Holdings Pty. Ltd., whilst Euros 46 thousand of which relate to the US company Grifols USA, LLC.

The Group has not recognised the tax effect of loss carryforwards of Euros 1,231 thousand (Euros 1,117 thousand at 31 December 2009) from Grifols Portugal as deferred tax assets. The remaining companies do not have significant loss carryforwards which have not been recognised.

c) Years open to inspection

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

- On 30 June 2010, in relation to the inspection underway on Grifols, S.A., Instituto Grifols, S.A., Laboratorios Grifols, S.A. and Movaco, S.A., the Group has received assessments in conformity for income tax, value added tax and personal income tax and withholding tax on investment income. The total amount settled was Euros 586 thousand and the income tax expense amounts to Euros 1,257 thousand.

- During 2010 the tax inspection on the income tax, VAT and withholdings for 2006 of Grifols Italia, S.p.A. was concluded, implying no significant payment for the Group.

- Logística Grifols, S.A. de CV: Tax ruling on the financial statements for 2005 and 2006. Group management does not expect any significant liabilities to arise as a result of this inspection.

- At 30 June 2010 Grifols Inc. and subsidiaries received notification of income tax inspection for the years closed at 31 December 2006, 2007 and 2008. Due to, among other reasons, differences in the interpretation of prevailing tax legislation, the Group's directors set up a provision of Euros 1,860 thousand, which is recognised under "public entities, other " in the balance sheet (see note 23).

- Grifols Brasil, Lda.: Tax on circulation of goods and services (ICMS) for 2006 to 2010. Group management does not expect that any significant liability will arise from this inspection.

(30) Operating Leases

(a) Operating leases (as lessee)

At 31 December 2010 and 2009 the Group leases buildings from third parties under operating leases.

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

Operating lease instalments of Euros 19,272 thousand have been recognised as an expense for the year at 31 December 2010 (Euros 17,364 thousand at 31 December 2009) (see note 27).

Future minimum payments on non-cancellable operating leases at 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Maturity:		
Up to 1 year	13,769	10,098
Between 1 and 5 years	31,003	25,943
More than 5 years	7,856	8,084
Total future minimum payments	52,628	44,125

(b) Operating leases (as lessor)

The Group has a building leased to third parties under an operating lease at 31 December 2010 and 2009. Future minimum payments receivable under non-cancellable operating leases are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Maturity:		
Up to 1 year	64	91
Between 1 and 5 years	21	56
More than 5 years	0	10
Total future minimum payments	85	157

This contract does not include contingent rents or purchase options. Income of Euros 96 thousand has been recognised for 2010 (Euros 85 thousand for 2009).

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

(a) Guarantees

The Group has not extended any security or bank guarantees to third parties.

(b) Guarantees to third parties

The Group has no guarantees extended to third parties.

(c) Obligations with personnel

The Group's annual contribution to defined contribution pension plans of Spanish group companies for 2010 has amounted to Euros 460 thousand (Euros 416 thousand for 2009).

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

Some foreign subsidiaries of the Group have made contributions of Euros 1,155 thousand to complementary pension schemes (Euros 1,155 thousand at 31 December 2009).

(d) Judicial procedures and arbitration

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

Instituto Grifols, S.A.

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

The claimant (an individual) claimed Euros 542 thousand in damages due to having allegedly contracted HIV and Hepatitis C.

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

An appeal was filed, which was rejected by the Cádiz Provincial Court in April 2007, thereby confirming the company's line of defence. Notification was published on 3 February 2011 that on 19 January 2011 the Spanish High Court had fully rejected the appeal against the Cádiz Provincial Court's decision to reject the claim against Instituto Grifols, S.A.

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

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

Notification was published on 2 February 2011 that this appeal had been fully rejected on 30 December 2010. This ruling is pending confirmation, unless it is appealed in the Spanish High Court.

- The Company was notified in 2007 of a claim for maximum damages of Euros 12,960 thousand filed by a group of 100 Catalan haemophiliacs against all plasma fractionation companies. During 2008 this claim was rejected, and the ruling appealed. Notification was published on 21 January 2011 that on 18 January 2011 the Barcelona Provincial Court had rejected the haemophiliacs' claim. This ruling is pending confirmation, unless it is appealed in the Spanish High Court.

Grifols Biologicals Inc.

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

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

The Company cannot guarantee if or when the consent decree will be lifted.

In March 2004 as a result of improvements to the centre made by the Group, the FDA awarded several free sales certificates for the former ATC products manufactured in this centre.

Based on the current level of compliance, there are no commercial activities that are prohibited or limited by the consent decree.

No provision has been made for these legal issues as the Group considers that these will not have a probable adverse impact.

(e) Long-term materials supply contract

The long-term supply contract for plasma signed by the Group in 2008 was terminated by the Group on the grounds of failure by the supplier to meet certain contractual terms. The supplier has not accepted the arguments of the Group and both are presently holding negotiations to settle the dispute in arbitration proceedings, the Directors of the Group being of the opinion that the eventual settlement will not involve any significant additional costs.

(f) Agreement for the acquisition of Talecris Biotherapeutics Holdings Corp (Talecris)

On 6 June 2010 the Company entered into an agreement to acquire the American company Talecris Biotherapeutics, which also specialises in the production of plasma-derived biological medication, for a total of US Dollars 3,400 million.

This agreement will become effective subject to approval by the Defence of Competition authorities. In the event that this approval is not obtained, the Company will be required to pay US Dollars 375 million as indemnity for the damages caused.

The operation will be performed through a combined offer of cash and Grifols shares without the right to vote on new share issues.

The offer is made in relation to all Talecris shares and the price offered per share amounts to US Dollars 19 in cash and 0.641 shares in Grifols without the right to vote on new share issues. As a result of the ruling on the claim filed by certain shareholders of Talecris in the State of Delaware against Talecris, Cerburus, Grifols and the Agreement and Plan of Merger, appraisal rights have been granted to those Talecris shareholders who have requested them and Grifols has undertaken to issue 500,000 shares without additional voting rights which will be distributed amongst all of the shareholders of Talecris, except for Talecris Holdings LLC and the directors of Talecris. As a result of this additional share issue, the share exchange equation stands at (a) 0.641 shares without voting rights of Grifols for each Talecris share issued, at the closing date of the transaction, held by Talecris LLC and the directors of Talecris and (b) 0.6485 shares without voting rights of Grifols for each Talecris share issued, at the transaction closing date, held by the remaining shareholders.

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On 6 June 2010 and in relation to this potential acquisition, the Company obtained financing commitments from six financial institutions for a total of US Dollars 4,500 million. This financing would be used to cover the cash payment of the acquisition and to refinance the existing debt.

On 23 November 2010 the Company signed loan agreements amounting to US Dollars 3,400 million for the purchase of Talecris. This amount forms part of the US Dollars 4,500 million collateralised on 6 June 2010. Details of this collateralised senior debt are as follows:

- Non-current syndicated financing with financial institutions: Loan repayable in 5 years totalling US Dollars 1,500 million. Margin of 375 basis points (bp) linked to US Libor and 400 bp linked to Euribor. BB and Ba3 rating.

- Non-current syndicated financing with institutional investors: 6 year bullet loan (payment of whole principal upon maturity) amounting to US Dollars 1,600 million. Margin of 425 bp linked to US Libor and 450 bp linked to Euribor. BB and Ba3 rating.

- Senior revolving credit facility amounting to US Dollars 300 million. BB and Ba3 rating.

This debt will be effective once the Talecris purchase transaction has been completed.

(32) Financial Instruments

Classification

Disclosure of financial instruments by nature and category is as follows:

	Thousands of Euros			
	31/12/09			
	Available-for-sale financial assets	Loans and receivables	Financial assets held for trading	Debts and payables
Non-current financial assets	501	3,230	--	--
Other current financial assets	--	6,547	--	--
Interest-rate swap	--	--	(3,333)	--
Unquoted futures	--	--	1,670	--
Trade and other receivables	--	239,204	--	--
Bank loans	--	--	--	(382,566)
Other financial liabilities	--	--	--	(21,449)
Bonds and other securities	--	--	--	(423,675)
Finance lease liabilities	--	--	--	(10,936)
Trade and other payables	--	--	--	(120,909)
Other current liabilities	--	--	--	(1,754)
	501	248,981	(1,663)	(961,289)

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	Thousands of Euros			
	31/12/10			
	Available-for-sale financial assets	Loans and receivables	Financial assets held for trading	Debts and payables
Non-current financial assets	535	7,000	-	-
Other current financial assets	-	12,946	-	-
Interest-rate swap	-	-	(1,809)	-
Unquoted futures	-	-	(6,751)	-
Trade and other receivables	-	259,497	-	-
Bank loans	-	-	-	(392,361)
Other financial liabilities	-	-	-	(20,150)
Bonds and other securities	-	-	-	(456,645)
Finance lease liabilities	-	-	-	(8,014)
Trade and other payables	-	-	-	(160,678)
Payables for Group companies	-	-	-	(1,162)
Other current liabilities	-	-	-	(2,629)
	535	279,443	(8,560)	(1,041,639)

Net losses and gains by financial instrument category

Details are as follows:

6.2 Annual accounts

Financial assets

	Thousands of Euros			
	31/12/09			
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Finance income at amortised cost	--	7,067	--	7,067
Change in fair value	2,015	--	--	2,015
Reclassification of equity to profit or loss	--	--	(172)	(172)
Net gains/(losses) in profit and loss	2,015	7,067	(172)	8,910
Change in fair value	0	0	14	14
Net gains/(losses) in equity	0	0	14	14
Total	**2,015**	**7,067**	**(158)**	**8,924**

	Thousands of Euros			
	31/12/10			
	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
Finance income at amortised cost	--	4,526	--	4,526
Change in fair value	1,601	--	--	1,601
Reclassification of equity to profit or loss	--	--	--	0
Net gains/(losses) in profit and loss	1,601	4,526	0	6,127
Total	**1,601**	**4,526**	**0**	**6,127**

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Financial liabilities

	Thousands of Euros			
	31/12/09			
	Liabilities at fair value through profit or loss	Debts and payables	Hedging derivatives	Total
Finance expenses at amortised cost	--	(27,087)	--	(27,087)
Change in fair value	(2,602)	--	--	(2,602)
Reclassification of equity to profit or loss	--	--	(50)	(50)
Net gains/(losses) in profit and loss	(2,602)	(27,087)	(50)	(29,739)
Change in fair value	--	--	1,998	1,998
Net gains/(losses) in equity	0	0	1,998	1,998
Total	**(2,602)**	**(27,087)**	**1,948**	**(27,741)**

	Thousands of Euros			
	31/12/10			
	Liabilities at fair value through profit or loss	Debts and payables	Hedging derivatives	Total
Finance expenses at amortised cost	--	(49,660)	--	(49,660)
Change in fair value	(9,194)	--	--	(9,194)
Reclassification of equity to profit or loss	--	--	(197)	(197)
Net gains/(losses) in profit and loss	(9,194)	(49,660)	(197)	(59,051)
Total	**(9,194)**	**(49,660)**	**(197)**	**(59,051)**

Fair value

The fair value of corporate bonds amounts to Euros 496 million at 31 December 2010. The valuation has been made based on observable market data.

The fair value of financial assets and the remaining financial liabilities does not differ significantly from their carrying amount.

The interest rate swap, unquoted futures contract and hedging derivative are measured at fair value using observable market data.

Financial derivatives

a) Derivative financial instruments at fair value through profit or loss

Derivative financial instruments that do not meet the hedge accounting requirements are classified and measured as financial assets or financial liabilities at fair value through profit and loss.

The Group recognised the following swaps at 31 December 2009:

	Thousands of Euros		
Derivatives	Par	Value at 31/12/09	Maturity
Interest rate swap	50,000	(3,333)	26/07/2013
	50,000	**(3,333)**	
		(note 22)	
Unquoted future	23,221	1,189	30/12/2010
Unquoted future	26,370	481	30/12/2010
	49,591	**1,670**	
		(note 14)	

6.2 Annual accounts

The Group has recognised the following derivatives at 31 December 2010:

	Thousands of Euros		
Derivatives	Par	**Value at 31/12/10**	Maturity
Interest rate swap	50,000	(1,809)	26/07/2013
	50,000	**(1,809)**	
Unquoted future	23,221	(2,821)	31/03/2011
Unquoted future	26,370	(3,930)	31/03/2011
	49,591	**(6,751)**	
Total		(8,560)	
		(note 22)	

During 2009 the Company contracted two unquoted futures contracts, the notional underlying of which consists of the Company's shares, with a solvent financial institution. The two contracts have 2 million and 2.2 million underlying with an exercise price of Euros 11.6107 and Euros 11.9864, respectively. The contracts expire on 30 December 2010, although the Company may terminate them prior to this date. The contracts are settled by differences between the market value of the notional underlying and the exercise price. On 30 December 2010 it was agreed to extend the futures contract to 31 March 2011, through a novation without liquidation under the same terms and conditions.

b) Bond issue hedging derivative financial instruments

See explanation in note 17 (g).

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk. At 31 December 2010 and 2009 the maximum level of exposure to credit risk is as follows:

6.2 Annual accounts

		Thousands of Euros	
Carrying amount	Note	**31/12/10**	**31/12/09**
Non-current financial assets	11	7,535	3,731
Other current financial assets	14	12,946	6,547
Unquoted future	14	-	1,670
Trade receivables	13	224,355	207,840
Other receivables	13	35,142	31,364
Cash and cash equivalents	16	239,649	249,372
		519,627	**500,524**

The maximum level of exposure to risk associated with receivables at 31 December 2010 and 2009, by geographical area, is as follows.

	Thousands of Euros	
Carrying amount	**31/12/10**	**31/12/09**
Domestic	70,517	70,521
EU countries	46,787	47,755
United States of America	43,833	29,130
United Kingdom	3,423	3,054
Other European countries	3,162	5,454
Other regions	56,633	51,926
	224,355	**207,840**

6.2 Annual accounts

Impairment losses

Details of the maturity of trade receivables, net of impairment provisions are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Not matured	148,838	120,339
Less than 1 month	21,860	38,278
1 to 4 months	32,729	25,597
4 months to 1 year	14,812	17,357
More than a year	6,116	6,269
	224,355	207,840

Unimpaired default assets mainly relate to public entities.

Movement in the provision for bad debts was as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Opening balance	4,038	3,172
Net provisions for the year	357	712
Net cancellations for the year	(796)	(42)
Translation differences	178	196
Closing balance	3,777	4,038

An analysis of the concentration of credit risk is provided in note 5.

Liquidity risk

Details of the contracted maturity date of financial liabilities, including borrowing costs and excluding the effects of offsetting agreements, are as follows:

6.2 Annual accounts

Carrying amount	Note	Carrying amount at 31/12/09	Contractual flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Bank loans	22	382,566	412,390	88,707	15,087	83,772	177,413	47,411
Other financial liabilities	22	21,449	27,420	6,927	2,582	4,417	10,076	3,418
Bonds and other securities	22	423,675	687,798	27,440	14,317	28,634	85,903	531,504
Finance lease liabilities	22	10,936	11,334	230	4,751	3,294	2,586	473
Suppliers	23	120,909	120,909	120,550	359	0	0	0
Other current liabilities	24	1,754	1,754	1,754	0	0	0	0
Derivative financial liabilities								
Interest rate swap	22	3,333	3,333	0	0	0	3,333	0
Unquoted futures	14	(1,670)	(1,670)	0	(1,670)	0	0	0
Total		962,952	1,263,268	245,608	35,426	120,117	279,311	582,806

Carrying amount	Note	Carrying amount at 31/12/09	Contractual flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities								
Bank loans	22	392,361	420,168	117,256	66,428	87,986	92,561	55,937
Other financial liabilities	22	20,150	22,361	8,150	2,134	3,467	6,283	2,327
Bonds and other securities	22	456,645	728,893	23,771	15,537	31,073	93,220	565,292
Finance lease liabilities	22	8,014	8,629	2,034	1,505	2,412	2,348	330
Debts with associates	33	1,162	1,162	1,162	-	-	-	-
Suppliers	23	160,678	160,678	160,657	21	-	-	-
Other current liabilities	24	2,629	2,629	2,629	-	-	-	-
Derivative financial liabilities								
Interest rate swap	22	1,809	1,809	-	-	-	1,809	-
Unquoted futures	22	6,751	6,751	6,751	-	-	-	-
Total		1,050,199	1,353,080	322,410	85,625	124,938	196,221	623,886

6.2 Annual accounts

Currency risk

The Group's exposure to currency risk is as follows (expressed in thousands of Euros):

	Thousands of Euros	
	31/12/09	
	EUR (*)	USD (**)
Trade receivables	1,839	7,308
Loans to Group companies	16,854	-
Trade payables	(252)	(2,339)
Payables to Group companies	(10,365)	(17,946)
Loans with Group companies	-	(10,431)
Non-current bank loans	(6,854)	-
Non-current bonds	(10,000)	-
Balance sheet exposure	**(8,778)**	**(23,408)**

(*) balances in Euros in subsidiaries with USD local currency
(**) balances in USD in subsidiaries with Euro local currency

	Thousands of Euros	
	31/12/10	
	EUR (*)	USD (**)
Trade receivables	67	3,938
Receivables from Group companies	12	-
Loans to Group companies	16,852	-
Cash 415	45	
Trade payables	(533)	(6,200)
Payables for Group companies	(6,828)	(21,455)
Current bank loans	(5,875)	-
Non-current bank loans	(979)	(262)
Non-current bonds	(9,860)	-
Balance sheet exposure	**(6,729)**	**(23,934)**

(*) balances in Euros in subsidiaries with USD local currency
(**) balances in USD in subsidiaries with Euro local currency

6.2 Annual accounts

The most significant exchange rates applied during the years ended 31 December 2010 and 2009 are as follows:

	Average exchange rate		Closing exchange rate	
Euro	2010	2009	31/12/2010	31/12/2009
USD	1.34	1.38	1.34	1.44

A sensitivity analysis for foreign exchange fluctuations is as follows:

Had the US Dollar strengthened by 10% against the Euro at 31 December 2010, equity would have increased by Euros 34,973 thousand (Euros 35,795 thousand at 31 December 2009) and profit would have decreased by Euros 3,066 thousand (at 31 December 2009 it would have decreased by Euros 1,626 thousand). This analysis assumes that all other variables are held constant, especially that interest rates remain constant. This analysis has been performed using the same criteria as in 2009.

A 10% weakening of the US Dollar against the Euro at 31 December 2010 and 2009 would have had the opposite effect for the amounts shown above, all other variables being held constant.

Interest-rate risk

Interest-rate profile

To date, the profile of interest on interest-bearing financial instruments is as follows:

	Thousands of Euros	
	2010	2009
Fixed-interest financial instruments		
Financial assets	19,220	9,674
Financial liabilities	(457,521)	(423,675)
	(438,301)	(414,001)
Variable-interest financial instruments		
Financial liabilities	(399,499)	(393,502)
	(399,499)	(393,502)
	(837,800)	(807,503)

Sensitivity analysis

A 100 basis point variation in interest rates at 31 December 2010 would have varied equity and consolidated profit after income tax by Euros 3,794 thousand. This analysis assumes that all other variables are held constant, especially that exchange rates remain constant.

A 100 basis point variation in interest rates at the presentation date of 31 December 2009 would have varied equity and consolidated profit after income tax by Euros 4,732 thousand.

(33) Balances and Transactions with Related Parties

Details of balances with related parties are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Receivables from associates	5	812
Debts with associates	(1,162)	-
Trade payables to associates	-	(22)
Payables to key management personnel	-	-
Payables to members of the board of directors	(62)	(121)
Payables to other related parties	(4,641)	(3,322)
	(5,860)	(2,653)

Payables are included in suppliers and trade payables (see note 23).

6.2 Annual accounts

a) Group transactions with related parties

Transactions with related parties have been performed as part of the group's ordinary trade and have been performed at arm's length.

Group transactions with related parties during 2009 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net purchases	86	--	--	--
Net sales	(700)	--	--	--
Other service expenses	--	--	7,257	240
Personnel expenses	--	5,849	--	2,148
	(614)	**5,849**	**7,257**	**2,388**

Group transactions with related parties during 2010 are as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net purchases	505	--	--	--
Net sales	(14)	--	--	--
Professional fees	--	--	12,506	180
Personnel expenses	--	5,839	--	2,066
	491	**5,839**	**12,506**	**2,246**

"Professional fees" include costs for professional services with related companies amounting to Euros 7,590 thousand. These costs correspond to those incurred in increasing share capital and the issue of debt which is expected to be carried out relating to the acquisition of Talecris (see note 15).

Directors representing shareholders interests have received no remuneration during 2009 and 2010.

The Group has not extended any advances or loans to the members of the board of directors or key management personnel nor has it assumed any guarantee commitments on their behalf. It has also not assumed any pension or life insurance obligations on behalf of former or current members of the board of directors or key management personnel.

b) Investments and positions held by directors of the Parent in other companies and related parties

The directors and related parties do not hold any investments in companies with an identical, similar or complementary statutory activity to that of the Parent. Details of activities and duties carried out, where applicable, by directors of the Company and related parties in these companies are provided in Appendix V, which forms an integral part of these consolidated notes.

(34) Environment

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2009 are as follows:

	Thousands of Euros		
Project	Coste	Accumulated amort. & deprec.	Carrying amount
Waste water treatment	1,087	(462)	625
Waste management	1,074	(356)	718
Reduction of electricity consumption	24	(12)	12
Reduction of water consumption	1,202	(384)	818
	3,387	(1,214)	2,173

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2010 are as follows:

	Thousands of Euros		
Project	Coste	Accumulated amort. & deprec.	Carrying amount
Waste water treatment	1,087	(564)	523
Waste management	1,152	(458)	694
Reduction of electricity consumption	142	(19)	123
Reduction of water consumption	3,049	(552)	2,497
	5,430	**(1,593)**	**3,837**

Expenses incurred by the Group for protection and improvement of the environment during 2010 totalled approximately Euros 2,201 thousand (Euros 1,673 thousand at 31 December 2009).

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

The Group has not received any environmental grants during 2010 and 2009.

(35) Other Information

(a) Audit fees:

KPMG Auditores, S.L., the auditors of the annual accounts of the Group, has invoiced the Company the following fees and expenses for professional services during the years ended 31 December 2010 and 2009:

6.2 Annual accounts

	Thousands of Euros	
	31/12/10	31/12/09
Audit services	783	327
Other assurance services	566	6
Other services	154	67
	1,503	400

The services detailed in the above table include the total fees for the professional services rendered during 2010 and 2009, irrespective of the date of invoice.

Fees and expenses for professional services invoiced by other KPMG Europe, LLP group companies to the Group during the years ended 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Audit services	103	50
Other services	21	16
	124	66

Fees and expenses for professional services invoiced by other companies affiliated to KPMG International to the Group during the years ended 31 December 2010 and 2009 are as follows:

6.2 Annual accounts

	Thousands of Euros	
	31/12/10	31/12/09
Audit services	1,279	469
Other services	12	84
	1,291	553

Fees and expenses for professional services invoiced by other companies affiliated to KPMG International to the Group during the years ended 31 December 2010 and 2009 are as follows:

	Thousands of Euros	
	31/12/10	31/12/09
Audit services	20	18
Other services	82	48
	102	66

(36) Subsequent Events

On 13 January 2011, the Group closed its scheduled issue of High Yield Senior Unsecured Notes for an amount of US Dollars 1,100 million, with a 7 year maturity period and an annual coupon of 8.25%. This issue, together with the already completed syndicated loan for an amount of US Dollars 3,400 million, enabled the Company to obtain US Dollars 4,500 million, the estimated maximum financing requirement for the acquisition of Talecris.

At the extraordinary general shareholders' meeting held on 25 January 2011, the Parent Company agreed to increase share capital through the issue of 87 million new non-voting shares, which it will use in its acquisition of Talecris. These shares are scheduled to be listed on the NASDAQ Global Market (United States) and the Automated Quotation System ("mercado continuo") (Spain).

The Group has therefore completed all the tranches of the proposed financing structure to conclude the transaction, which is still pending approval by the U.S. Federal Trade Commission (FTC).

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6.2.7 Appendices

Appendix 1

Grifols, S.A. and subsidiaries

Geographical segments (Expressed in thousands of Euros)

	Spain		European Union		United States		Rest of the world		Consolidated	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Revenues	227,947	225,759	204,244	198,832	339,018	296,659	219,521	191,936	990,730	913,186
Assets by geographic areas	682,473	632,537	117,706	82,245	936,030	821,641	152,773	120,754	1,888,982	1,657,177
Other information:										
Additions for the year of property, plant &equipment and intangible assets	50,319	65,046	3,972	2,341	43,847	43,726	7,659	7,657	105,797	118,770

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

Business segments (Expressed in thousands of Euros)

	Bioscience		Hospital		Diagnostics		Raw materials		Others/Unallocated		Consolidated	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Revenues	773,372	694,969	89,552	86,328	109,088	103,091	4,815	22,665	13,903	6,133	990,730	913,186
Total revenues	773,372	694,969	89,552	86,328	109,088	103,091	4,815	22,665	13,903	6,133	990,730	913,186
Profit/(Loss) for the segment	306,091	297,584	7,401	8,374	6,793	12,136	2,110	3,850	7,785	6,133	330,180	328,077
Unallocated expense									(120,497)	(101,549)	(120,497)	(101,549)
Operating profit											209,683	226,528
Finance income/expenses											(51,020)	(22,585)
Share of profit/(loss) of equity accounted investees	(879)	-	-	-	-	51	-	-	-	-	(879)	51
Income tax expense											(42,517)	(56,424)
Profit for the year after tax											115,267	147,570

continued >

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	Bioscience		Hospital		Diagnostics		Raw materials		Others/Unallocated		Consolidated	
	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09	31/12/10	31/12/09
Segment assets	1,062,464	994,245	85,992	68,214	129,824	82,202	954	1,312		0	1,279,234	1,145,973
Equity accounted investments	516	-	-	-	-	383	-	-	-	-	516	383
Unallocated assets									609,232	510,821	609,232	510,821
Total assets											1,888,982	1,657,177
Segment liabilities	74,489	79,988	14,486	12,579	12,573	10,763	-	-	-	-	101,548	103,330
Unallocated liabilities									1,080,044	975,319	1,080,044	975,319
Total liabilities											1,181,592	1,078,649
Other information:												
Amortisation and depreciation	21,630	21,893	4,719	3,808	8,265	5,261	-	-	11,162	8,592	45,776	39,554
Expenses that do not require cash payments	(526)	(2,059)	(12)	(70)	0	(1)	-	-	0	(26)	(538)	(2,156)
Additions for the year of property, plant & equipment and intangible assets	65,344	70,702	13,132	7,524	15,897	14,067	-	-	11,424	26,477	105,797	118,770

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

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Appendix 2

Grifols, S.A. and subsidiaries

Changes in Other Intangible Assets for the year ended 31 December 2010 (Expressed in thousands of Euros)

	Balances at 31/12/2009	Additions	Transfers	Disposals	Translation differences	Balances at 31/12/2010
Development costs	55,414	6,614	0	(26)	69	62,071
Concessions, patents, licenses brands & similar	46,259	2,410	847	0	3,227	52,743
Software	28,597	5,455	318	(20)	352	34,702
Other intangible assets	513	2,121	0	(299)	10	2,345
Total cost of intangible assets	**130,783**	**16,600**	**1,165**	**(345)**	**3,658**	**151,861**
Accum. amort. of development costs	(29,427)	(3,699)	0	0	(69)	(33,195)
Accum. amort of concessions, patents,licenses, brands & similar	(15,526)	(1,603)	(845)	0	(654)	(18,628)
Accum. amort. of software	(16,430)	(4,965)	1	20	(172)	(21,546)
Accum. amort. of other intangible assets	0	(189)	(4)	0	0	(193)
Total accum. amort intangible assets	**(61,383)**	**(10,456)**	**(848)**	**20**	**(895)**	**(73,562)**
Impairment of other intangible assets	(15)	0		15	0	0
Carrying amount of intangible assets	**69,385**	**6,144**	**317**	**(310)**	**2,763**	**78,299**

This appendix forms an integral part of note 8 to the consolidated annual accounts.

Appendix 2

Grifols, S.A. and subsidiaries

Changes in Other Intangible Assets for the year ended 31 December 2009 (Expressed in thousands of Euros)

	Balances at 31/12/2008	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/2009
Development costs	47,299	8,146	0	0	0	(31)	55,414
Concessions, patents, licenses brands & similar	40,461	1	6,525	(5)	0	(723)	46,259
Software	22,272	6,700	0	1	(240)	(136)	28,597
Other intangible assets	0	508	0	5	0	0	513
Total cost of intangible assets	**110,032**	**15,355**	**6,525**	**1**	**(240)**	**(890)**	**130,783**
Accum. amort. of development costs	(23,878)	(5,580)	0	0	0	31	(29,427)
Accum. amort of concessions, patents, licenses, brands & similar	(14,881)	(806)	0	0	0	161	(15,526)
Accum. amort. of software	(13,517)	(3,097)	0	0	132	52	(16,430)
Total accum. amort intangible assets	**(52,276)**	**(9,483)**	**0**	**0**	**132**	**244**	**(61,383)**
Impairment of other intangible assets	0	(15)	0	0	0	0	(15)
Carrying amount of intangible assets	**57,756**	**5,857**	**6,525**	**1**	**(108)**	**(646)**	**69,385**
			(note 3)				

This appendix forms an integral part of note 8 to the consolidated annual accounts.

6.2 Annual accounts

Appendix 3

Grifols, S.A. y sociedades dependientes

Changes in Property, Plant and Equipment for the year ended 31 December 2010 (Expressed in thousands of Euros)

	Balances at 31/12/2009	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/2010
Cost:							
Land and buildings	142,600	10,594	28,930	(1,085)	3,703	184,742	
Plant and machinery	344,030	35,356	21,857	(8,242)	12,268	405,269	
Under construction	70,781	43,247	(49,694)	0	1,950	66,284	
	557,411	89,197	1,093	(9,327)	17,921	656,295	
Accumulated depreciation:							
Buildings	(9,502)	(1,890)	(16)	0	(139)	(11,547)	
Plant and machinery	(176,204)	(33,430)	(1,394)	6,016	(4,956)	(209,968)	
	(185,706)	(35,320)	(1,410)	6,016	(5,095)	(221,515)	
Impairment of other property, plant and equipment	0	(649)	0	0	0	(649)	
Carrying amount	371,705	53,228	(317)	(3,311)	12,826	434,131	

This appendix forms an integral part of note 9 to the consolidated annual accounts.

6.2 Annual accounts

Appendix 3

Grifols, S.A. and subsidiaries

Changes in Property, Plant and Equipment for the year ended 31 December 2009 (Expressed in thousands of Euros)

	Balances at 31/12/2008	Additions	Business combinations	Transfers	Disposals	Translation differences	Balances at 31/12/2009
Cost:							
Land and buildings	111,067	9,729	0	22,905	0	(1,101)	142,600
Plant and machinery	287,761	33,994	2,307	27,784	(5,881)	(1,935)	344,030
Under construction	63,620	59,692	0	(50,882)	(757)	(892)	70,781
	462,448	103,415	2,307	(193)	(6,638)	(3,928)	557,411
Accumulated depreciation:							
Buildings	(8,049)	(1,514)	0	0	0	61	(9,502)
Plant and machinery	(153,390)	(28,557)	0	192	4,942	609	(176,204)
	(161,439)	(30,071)	0	192	4,942	670	(185,706)
Carrying amount	301,009	73,344	2,307	(1)	(1,696)	(3,258)	371,705
			(note 3)				

This appendix forms an integral part of note 9 to the consolidated annual accounts.

6.2 Annual accounts

Appendix 4

Grifols, S.A. and subsidiaries

Non-current Loans and Borrowings for the year ended 31 December 2010 (Expressed in thousands of Euros)

					Thousands of Euros		
Loan	Currency	Interest rate	Concession date	Maturity date	Amount awarded	Initial loan arrangement expenses	Carrying amount
Syndicated loan - Club deal	EUR	Euribor + 0.8%	01/05/2008	26/05/2013	350,000	(2,427)	99,408
Instituto de crédito Oficial	EUR	Euribor + 1%	01/06/2006	26/05/2016	30,000	(210)	17,955
Caixa Catalunya - Mortgage loan	EUR	Euribor + 0.9%	01/02/2008	01/02/2018	14,000	(294)	10,115
Banco Santander	EUR	ICO + 1.8%	01/06/2009	01/06/2016	6,000	--	5,400
Caja de Madrid	EUR	Euribor + 1%	05/06/2009	05/06/2016	6,000	--	5,400
Banco Guipuzcoano	EUR	Euribor + 1%	25/03/2010	25/03/2020	8,500	--	8,500
Banco Sabadell	EUR	Euribor + 1%	11/06/2010	30/06/2012	1,465	--	1,413
SCH	EUR	1.75%	13/10/2010	13/10/2017	900	--	876
Ibercaja	EUR	Euribor + 1.99%	30/07/2009	31/07/2016	1,800	--	1,664
Caja de Madrid	EUR	Euribor + 2%	09/03/2010	25/03/2020	10,000	--	10,000
SCH	EUR	Euribor +1%	18/11/2010	31/01/2012	169	--	169
BBVA - Mortgage loan	EUR	Euribor + 1.2%	21/10/2008	31/12/2024	45,000	(676)	39,201
Caixa Catalunya	EUR	ICO + 1.99%	30/07/2009	25/08/2016	1,440	--	1,353
Caixa Galicia	EUR	Euribor + 1%	11/06/2010	25/06/2020	1,180	--	1,003
Banca Toscana	EUR	6 months Euribor + 1%	08/05/2008	30/06/2013	3,000	--	939
Cofides	EUR	6 months Euribor + 0.45%	01/08/2008	20/08/2017	6,854	--	5,875
Cofides	EUR	Euribor + 2 %	20/09/2011	20/03/2017	10,745	--	10,177
					497,053	(3,607)	219,448
Non-current finance lease creditors (see note 22)					--	--	4,734
					497,053	(3,607)	224,182

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

Appendix 4

Grifols, S.A. and subsidiaries

Non-current Loans and Borrowings for the year ended 31 December 2009 (Expressed in thousands of Euros)

					Thousands of Euros		
Loan	Currency	Interest rate	Concession date	Maturity date	Amount awarded	Initial loan arrangement expenses	Carrying amount
Syndicated loan - Club deal	EUR	Euribor + 0.8%	01/05/2008	26/05/2013	350,000	(2,427)	195,471
Instituto de crédito Oficial	EUR	Euribor + 1%	01/06/2006	26/05/2016	30,000	(210)	21,933
Caixa Catalunya - Mortgage loan	EUR	Euribor + 0.9%	01/02/2008	01/02/2018	14,000	(294)	11,733
Banco Santander	EUR	ICO + 1.8%	01/06/2009	01/06/2016	6,000	--	6,000
Caja de Madrid	EUR	Euribor + 1%	05/06/2009	05/06/2016	6,000	--	6,000
Ibercaja	EUR	Euribor + 1.9%	30/07/2009	31/07/2016	1,800	--	1,800
BBVA - Mortgage loan	EUR	Euribor + 1.2%	21/10/2008	31/12/2024	45,000	(676)	33,649
Caixa Catalunya	EUR	ICO + 1.99%	30/07/2009	25/08/2016	1,440	--	1,440
Banca Toscana	EUR	6 months Euribor + 1%	08/05/2008	30/06/2013	3,000	--	1,552
Cofides	EUR	6 months Euribor + 0.45%	01/08/2008	20/08/2017	6,854	--	6,854
					464,094	(3,607)	286,432
Non-current finance lease creditors (see note 22)							6,202
					464,094	(3,607)	292,634

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

Appendix 5

Grifols, S.A. and subsidiaries

Members of the Board of Directors and individuals related thereto with positions in companies with identical, similar or complementary statutory activities - 31 December 2010

Director	Companies	Positions and duties
Glanzmann, T.	Gambro AB	CEO and Chairman

Members of the Board of Directors and individuals related thereto with positions in companies with identical, similar or complementary statutory activities - 31 December 2009

Director	Companies	Positions and duties
Glanzmann, T.	Gambro AB	CEO and Chairman

This appendix forms an integral part of note 33 to the consolidated financial statements.

6.3 Directors' report

To the Shareholders,

Grifols, a Spanish business group operating in the pharmaceutical and healthcare sector and one of the leading producers of haemoderivatives in the world, closed the year ended 31 December 2010 with a turnover of Euros 990.7 million, up 8.5% on 2009.

Business performance and significant events

The recurrent activity of the Group, which excludes the Raw Materials division, increased 10.7% in 2010, with total turnover amounting to Euros 985.9 million. Sales performed well in all four quarters, and grew at double digit rates, in recurrent terms, in each of the last three quarters.

The impact of the US dollar against the Euro was mitigated by the geographical diversification of sales. The overall effect of foreign exchange rates moderately favoured total revenues, offsetting the increase in the cost of plasma (the main raw material used by Grifols) and minimising currency risk.

Despite the difficult international economic climate, Grifols has continued to meet its objectives regarding organic growth, international expansion and investment. The Company's strategic approach with respect to the future resulted in the bid to purchase Talecris, a strategic transaction that will enable the Group to advance its long-term growth plans. Grifols has also maintained its commitment to R&D, to its employees and to the environment.

All of Grifols' divisions performed positively in 2010, confirming the Group's potential for organic growth. The revenues of the Bioscience division grew 11.3% to Euros 773.4 million, primarily due to the rise in the volume of sales, as prices were unfavourable. The increase in sales of intravenous immunoglobulin (IVIG) in markets such as Australia and the United States was particularly notable, as was the strong performance of albumin and factor VIII sales. These developments confirm a balanced growth in the demand for haemoderivatives, with progressive penetration of markets such as China, Brazil and Chile, as forecast by the Group, falling in line with the expected market increases in each geographical area.

The Diagnostic division grew 5.8%, reporting revenues of Euros 109.1 million, 70% of which was generated in international markets. The blood bank, haemostasis and new technologies areas underwent the most significant growth, 17.2%, 18.4% and 9.6% respectively, thereby boosting the division as a whole.

The sales of the Hospital division amounted to Euros 89.6 million, up 3.7% on 2009. Sales were particularly strong in the last half of the year, due to the rise in sales of Medical Equipment (8.4%), Fluid Therapy (5.5%) and the recovery of the hospital logistics area which, despite the budget containment policies prevailing in hospitals in 2010, won a number of contracts for major projects during the year.

6.3 Directors' report

The cost containment policy was maintained throughout the year, although the higher cost of material (plasma) and the minimal contribution of prices towards revenue generation had a direct impact on the gross margin and on EBITDA. In recurrent terms, excluding transaction costs relating to the proposed purchase of Talecris, Grifols' gross operating margin grew 2.4% to Euros 272.5 million, representing 27.5% of sales compared with 29.1% the prior year. Taking into account the transaction costs inherent to the transaction, EBITDA amounts to Euros 255.5 million. This represents a 4% decrease compared with 2009 EBITDA and accounts for 25.8% of sales.

Negative finance result increased to Euros 51 million in 2010, reducing the Group's net profit. This higher increase was due to the funds raised through the issue of bonds in 2009 and an unrealised loss relating to futures contracts in which the underlying assets are Grifols shares. In 2010, excluding transaction costs relating to the proposed purchase of Talecris, net recurrent profit fell 13.7% to Euros 127.7 million, which represents 12.9% of sales. However, if we take into account the transaction costs, the net result reported would amount to 11.7% of revenues, reflecting a decrease of 21.9% at a total of Euros 115.5 million.

Grifols' net financial debt remained stable in 2010 at approximately 2.4 times EBITDA. At 31 December 2010 net financial debt amounted to Euros 604.9 million, confirming both the robustness of the balance sheet and the good financial position of the Group in terms of meeting its future commitments. The management of working capital improved during the year, both for receivables and inventories.

2010 was the first year in which Grifols obtained credit ratings from Standard & Poor's and Moody's, becoming one of the few Spanish companies to have received a rating, increasing its transparency and facilitating its access to financial and capital markets. The initial rating assigned to Grifols' senior debt by Standard & Poor's is BB, and Ba3 by Moody's.

International expansion continued to play a critical role, with 77% of Grifols' turnover for 2010 being generated in international markets. The Group continued to develop its international diversification during 2010, consolidating its sales in areas such as Latin America and the Asia-Pacific region so that, with the United States and Europe, these emergent areas will come to represent a higher percentage of turnover. The growth in Asia and Australia is of particular note, with sales increasing over 29% and 100%, respectively.

Grifols also continued to strengthen its presence in the United States in 2010. Recurrent sales in this market, excluding Raw materials, grew 22.5% to Euros 338 million, representing over 34% of Grifols' total turnover. Sales in the European Union grew due to the upturn in countries such as Italy and the United Kingdom. 43.6% of total revenues, amounting to Euros 432.2 million, were generated in this region.

The boost to the international business has been supported by the opening of a representation office in China (Shanghai) and subsidiaries in Colombia (Bogota) and Sweden (Stockholm). Grifols is currently present in over 90 countries and has its own sales subsidiaries in 23.

6.3 Directors' report

The forecast investment plan (CAPEX) was upheld during the year. In total, Grifols allocated Euros 95 million to the expansion and improvement of its production plants in 2010. The Bioscience division saw the completion of the new Flebogamma® DIF (IVIG) plant in the United States and the fibrin glue production factory in Spain. In the Diagnostic division investments were made in the Swiss and Australian plants to expand the production of blood-typing cards (MD multicard® and DG Gel® ranges). Finally, the main capital investments carried out in the Hospital division related to the start-up of stage III of the production plants in Murcia, and specifically to the construction of the new plant to manufacture parenteral solutions in plastic containers. At the Barcelona plant, resources were primarily allocated towards automating and expanding the capacity of the new paracetamol production line.

On 7 June 2010 Grifols announced it had entered into an agreement to acquire the U.S. company Talecris for approximately USD 3,400 million (USD 4,000 million including debt) and confirmed its firm commitment to the long-term growth of the Group through acquisitions.

The acquisition proposal considers that Grifols will pay USD 19 in cash for each Talecris share plus 0.641 or 0.6485 [1] newly issued non-voting (Class B) Grifols shares, for which it already has the necessary financing. Grifols has arranged a maximum financing of USD 4,500 million, including two non-current syndicated loans, a senior revolving credit facility and an issue of corporate bonds. Grifols is meeting all the necessary conditions to complete the transaction, within the initially planned schedule. The transaction is pending authorisation from the U.S. antitrust authorities (FTC), but has already been approved by the competent Spanish and German authorities, among others.

In 2010 Grifols also purchased a 100% interest in Xepol (now Grifols Nordic AB) from Pharmalink. Grifols Nordic the company through which the intellectual property rights for the treatment of post-polio syndrome (PPS) with intravenous immunoglobulin are managed and the agreement includes the patents for the United States, Europe and Japan, as well as granting Grifols access to the results obtained from the different clinical trials carried out and the opening of new therapeutic areas in its clinical research projects. The Group also acquired 51% of the Spanish biomedicine and biotechnology company Nanotherapix, to boost its development through additional financing provided as the company's research projects generate results.

Divisional performance and Research and Revelopment activities

The Bioscience division generated 78% of Grifols' turnover in 2010, and over 85% of its sales were generated in international markets, with sales increases particularly in Australia and China. Growth in the U.S. market remained strong and the Group progressively increased its market share over the course of the year. In 2010 haemoderivative sales in the United States rose by 23%.

[1] The share exchange ratio will differ depending on the identity of the owner of Talecris shares at the completion date of the Transaction, being 0.6485 for general purposes and 0.641, when the shareholder is Talecris Holdings, LLC or a director and/or board member of Talecris. The existence of this share exchange ratio corresponds to a settlement agreement signed on 29 October 2010 which terminated the class action brought by certain shareholders of Talecris in the State of Delaware against Talecris and Grifols, among others. As a result of the transaction contract appraisal rights have been granted to those shareholders of Talecris that request them and Grifols has agreed to raise the maximum number of shares to be issued by 500,000 shares, from 86,500,000 to 87,000,000.

6.3 Directors' report

By product, the increase in the sales volume of the main proteins, to double digit figures in the case of intravenous immunoglobulin and the VIII factor, was the main driver of the division.

This growth will be boosted in the medium term by the procurement of new licences. During 2010 the Group received authorisations from the FDA (Food & Drug Administration) and the EMA (European Medical Agency) to sell intravenous immunoglobulin (IVIG) at a concentration of 10% in the United States and Europe, respectively, making Grifols the first company to have two different concentrations of liquid IVIG (5% and 10%) on the market in order to better meet the needs of different hospitals and patients. The Group also obtained the first approvals required to sell Flebogamma® DIF (IVIG 5%) in Chile and Ambinex® (antithrombin) in Argentina. The inactivation service for transfusion plasma (IPTH) showed stable results, invoicing 78,224 units.

As regards to raw material, 2.6 million litres of plasma were obtained by the Grifols' centres in the United States in 2010, in line with its optimisation strategy.

Additionally, the FDA approved the Plasma Management System SGP used in Biomat S.A. and Biomat USA for the logistical organisation and monitoring of plasma storage.

Technical and safety improvements made to products during 2010 include the incorporation of Mix2Vial® devices for coagulation therapies in the United States, making the reconstitution process of these haemoderivatives easier and safer by enabling needle-free transfer and by adding a holographic seal to the containers holding the haemoderivatives. Stage 2 of the pilot study for the Radio Frequency Identification (RFID) labelling project was completed in 2010. The objective of this project is to use the RFID technique to identify plasma samples and units in combination with the project for the second prototype of plasma sampling equipment at Grifols' centres.

Investments include the completion of the microbiology laboratory. This new installation has enabled the Group to bring together all quality control activities at a single site, and to provide its technical personnel with equipment that will guarantee Grifols' capacity for growth in the coming years.

The Diagnostic division generated 11% of the Group's revenues for 2010. This business area is characterised by its significant level of internationalisation as well as by having different channels of potential growth. In fact, 70% of the division's sales were generated outside Spain. The division continued to export instruments to the United States, Europe and China, in addition to breaking into new markets for immunohaematology cards, such as Saudi Arabia, Egypt and Switzerland, and consolidating sales to France, Brazil, Mexico, Turkey, the Czech Republic and China.

The start-up of the new factory for the production of DG Gel® immunohaematology cards in Australia was significant in terms of organic growth, as was the launch of the Erytra®, a new, high capacity auto analyser for processing blood-typing cards presented at the ISTB congress in Berlin in June 2010. Erytra® units were installed in Switzerland and England in 2010 and are expected to be installed in Italy, Spain, Germany, France and Australia during the first quarter of 2011.

6.3 Directors' report

Sales of the Q coagulometer were consolidated in Chile, Bulgaria and Turkey, while the first sales were made in Brazil. The Group continues working to develop a new coagulometer with a greater processing capacity to complete the range of haemostatic instruments and a new auto analyser for ELISA microplate techniques, which would replace the current Triturus®.

In the reagents area, specifically immunohaematology, the Group launched in 2010 two new cards with specific profiles for the German market and two specific cards for the British market. Grifols also continues to develop alternative and complementary monoclonal reagents to comply with prevailing legislation in certain countries and to diversify its supplies. The Haemostasis area was completely renewed and extended in 2010 with the launch of 33 commercial references.

The milestones achieved by this division in 2010 included the production of 73 immunology auto analysers using Elisa technology and 256 blood-type analysers, as well as 51 automatic coagulometers, 750 incubators and 426 centrifuges, maintaining the high levels seen in recent years. In the reagents area, card production exceeded 13 million units, representing an increase of over 15% compared with 2009.

As regards to other growth formulas, the distribution agreement entered into with Progenika Biopharma will enable Grifols to distribute the new BLOODchip® blood-group genotyping test internationally. This agreement will also strengthen the Diagnostic division and generate sales estimated at between Euros 50-100 million in the next five years.

The Hospital division maintained its level of activity, generating approximately 9% of Grifols' total revenues. Most of the sales made by this division are concentrated in the Spanish market, and consequently certain products were affected by the Royal Decree issued in June 2010 regarding additional social security discounts. Additionally, the hospital logistics area was impacted by the decrease in investments in hospitals, a trend that will presumably continue in future years. However, the sales of this line of business have been growing and 2010 saw the first BlisPack® system installed in Portugal, representing Grifols' first step towards the electronic identification of medication in Europe.

The Fluid Therapy area developed two formulations for the treatment of osteoporosis and loss of bone mass in cancer patients for the European and American markets, as well as the industrial transfer of an antibiotic, the launch of which is expected to take place soon. The Clinical Nutrition area obtained approvals from the Spanish Agency for Medicines and Healthcare Products (AEMPS) for two different formulations of three-chamber bag and the blood bank area is developing a specific set for inactivating red blood cells in collaboration with an American company.

At a production level the Group began manufacturing paracetamol during 2010, while the most significant commercial development was the growth in manufacturing services rendered to third parties, an activity that the Group plans to increase to ensure the profitability of its installations.

6.3 Directors' report

The activity of the Raw Materials division has progressively declined, as forecast by the Group, while other areas of activity, such as that carried out by Grifols Engineering, continue to grow. On this note, Grifols Engineering was awarded the construction and integral development of the new installations of the Portuguese pharmaceutical company Bial in Spain, a project with a budget of Euros 10 million and a total built area of 5,000 m^2.

In 2010 R&D expenses excluding the technical area amounted to Euros 36.6 million, representing a 4% increase compared with the resources allocated in 2009 and 3.7% of revenues. Despite the adverse macroeconomic climate, Grifols has a significant portfolio of R&D projects and the resources necessary to guarantee its research activity in the long term.

Of particular note in this respect is the commencement of a new medical study into a treatment for Alzheimer's disease combining therapeutic plasmapheresis with the administration of albumin and IVIG. The study begun in 2011 and will include 300 patients. It is a continuation of the study carried out with another 42 patients in collaboration with two Spanish hospitals and two U.S. hospitals, the preliminary results of which have already been published. Additionally, the approvals obtained from the FDA and EMA to sell 10% Flebogamma® DIF were also the result of the work carried out in the R&D area.

In 2010 a global network of external collaborations was established between Grifols researchers and experts in different medical areas, to identify and approve new objectives. This network includes collaborations with Spanish universities and research centres, such as the Hospital Clínic, the Hospital Universitario de Salamanca, the Centro Superior de Investigaciones Científicas (CSIC) and the Parc Científic de Barcelona and with research institutes and technological companies elsewhere in Europe and in the United States. These agreements include one with the Fundaciò Clínic de Barcelona, which will enable Grifols to develop a device to preserve livers for transplant in conditions similar to physiological conditions, instead of at low temperatures, which will raise the number of livers viable for transplantation. This initiative reflects Grifols' interest in opening up new lines of investigation and complements the Group's current collaborations with the European Consortium on Chronic Liver Insufficiency, which it leads and finances.

Finally, in 2010 the Group finished adapting one of its owned buildings for the purpose of housing all the departments involved in R&D projects in a single location in 2011.

Environmental management

In 2010 the Group met over 85% of the targets established in the environmental programme for 2008-2010, significantly improving its waste management, reducing CO_2 emissions and water consumption and optimising the quality of the waste produced.

The total waste generated by Grifols' activities in 2010 was reduced by over 15%, amounting to 14,000 t. Additionally, the percentage of waste recovered compared with that eliminated has grown substantially, to over 65%. Most of the waste produced by the Company is still the polyethylene glycol waste, associated with the Bioscience division, although in 2010 the Group sold almost 5,000 t of this by-product.

6.3 Directors' report

All newly-built production plants have been designed following sustainability criteria. Additionally, the Murcia factory will include equipment designed using energy efficiency criteria and will replace all PVC solution bags with polypropylene (PP) bags, which require a lower consumption of raw materials and energy, have a lower environmental impact during their life cycle, generate lower volumes of waste after use and have lower associated CO2 emissions. The Bioscience plant in Los Angeles has implemented the same process used at the Barcelona plant to purify albumin using the diafiltration system. This will enable the Group to abandon its use of acetone as a solvent, which will be progressively reduced over the next two years until completely eliminated.

The environmental expenses incurred in 2010 amounted to Euros 2.2 million, while generating over Euros 700,000 savings, due to both the significant increase in the volume of waste recovered and the gradual elimination of acetone from the Los Angeles plant. Finally, the main investments in environmental protection in 2010 amounted to Euros 2.1 million and were focused on energy efficiency projects at production plants and offices and on reducing water consumption.

Human resources

Safeguarding jobs and cultivating the talents of the professionals who work for Grifols are two of the key lines of action in the human resources department. The average accumulated headcount of Grifols in 2010 was 5,968 employees, similar to that of the prior year. The number of training hours per employee were increased by 2 hours to a total of 28, with a concomitant rise in the number of courses and participants. These include programmes for developing management and business skills in the Spanish companies and Latin American subsidiaries, continuing the programmes already begun in countries such as the United States. Another significant milestone was the support provided by the training area to Grifols International, S.A. towards achieving the ISO certification.

During the first half of 2010 the Group continued working to define the organisation's values, with the objective to imbue them in all the initiatives carried out by HR and other areas of the Company. These shared values have been the cornerstone of Grifols throughout its 70-year history, creating a particular way of working.

Finally, a large part of the efforts undertaken by HR were focused on preserving the health and safety of the Group's employees. The implementation and certification of health and safety management models according to OHSAS was established as a strategic objective for all the Spanish companies, while the Group's subsidiaries were required to adapt and establish systems in line with the corporate system implemented under the OHSAS 18.001:2007 standard. Additionally, after completing the psycho-social risk evaluations in 2010, the Group has initiated specific action plans, which include training, development and communication actions as well as plans to monitor their progress and evaluate their effectiveness once implemented.

6.3 Directors' report

Evaluation of Risks

The effects of the financial crisis to affect the countries in which Grifols operates and it is difficult to predict whether there will be any further changes in the public health systems that could affect the Company's activity.

The Group's future results could be affected by events in its own activity, such as shortages of raw materials for the manufacture of its products, the appearance of competitive products or changes in legislation regulating the markets in which it operates. However, at the date of preparation of these annual accounts, Grifols has adopted the measures it considers necessary to offset the possible effects of these events.

Treasury shares

Operations with treasury shares 2010 are described in note 17 of the consolidated annual accounts attached.

Subsequent events

On 13 January 2011, the Group closed its scheduled issue of High Yield Senior Unsecured Notes for an amount of US Dollars 1,100 million, with a 7 year maturity period and an annual coupon of 8.25%. This issue, together with the already completed syndicated loan for an amount of US Dollars 3,400 million, enabled the Company to obtain US Dollars 4,500 million, the estimated maximum financing requirement for the acquisition of Talecris.

At the extraordinary general shareholders' meeting held on 25 January 2011, the Parent Company agreed to increase share capital through the issue of 87 million new non-voting shares, which it will use in its acquisition of Talecris. These shares are scheduled to be listed on the NASDAQ Global Market (United States) and the Automated Quotation System ("mercado continuo") (Spain).

The Group has therefore completed all the tranches of the proposed financing structure to conclude the transaction, which is still pending approval by the U.S. Federal Trade Commission (FTC).

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

6.3 Directors' report

Further disclosures to be included in the Directors' report pursuant to article 116.bis of the spanish securities market act

1. Capital structure, including securities not traded on a European regulated market, stating where applicable the different classes of shares and, for each class of shares, the rights and obligations conferred and percentage of share capital represented

The share capital of Grifols, S.A. (the Company) totals 106,532,449.50, represented by 213,064,899 ordinary shares of Euros 0.50 par value each, subscribed and fully paid, of the same class and series and represented by book entries.

2. Restrictions on the transferability of shares

The Company's shares are freely transferable by all legal means, in accordance with article 10 of its bylaws.

3. Significant direct or indirect interests in capital

At 31 December 2010 Company information on its significant shareholders is as follows:

Shareholder	% direct ownership	% indirect ownership	% total ownership
Directors			
Daga Gelabert, Tomás	0.021%	0.000%	0.021%
Glanzmann, Thomas	0.007%	* 0.022%	0.029%
Grifols Roura, Victor	0.204%	0.000%	0.204%
Jannotta, Edgard Dalzell	0.119%	0.000%	0.119%
Veiga Lluch, Anna	0.000%	0.000%	0.000%
Riera Roca, Ramón	0.079%	* 0.004%	0.083%
Thorthol Holdings, B.V.	7.060%	0.000%	7.060%
Twose Roura, Juan Ignacio	0.056%	0.000%	0.056%

continued >

6.3 Directors' report

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Shareholder	% direct ownership	% indirect ownership	% total ownership
Significant shareholders			
Deria, S.A.	8.771%	0.000%	8.771%
Grifols Lucas, Victor	0.000%	* 6.154%	6.154%
American Funds Insurance Series Growth Fund (VIG)	3.004%	0.000%	3.004%
Scranton Enterprises, B.V.	7.580%	0.000%	7.580%
Capital Research and Management Company	0.000%	*10.022%	10.022%
Fidelity International Limited	0.000%	*1.135%	1.135%

(*) Through:

- Mr. Thomas Glanzmann:

Direct shareholder	% of total voting rights
Kolholmen Investments AB	0.022%
TOTAL	0.022%

- Mr. Ramón Riera Roca:

Direct shareholder	% of total voting rights
Laura Riera Santos	0.004%
TOTAL	0.004%

- Mr. Víctor Grifols Lucas:

Direct shareholder	% of total voting rights
Rodellar Amsterdam B.V.	6.154%
TOTAL	6.154%

- Capital Research and Management Company:

Direct shareholder	% of total voting rights
American Funds Insurance Series Growth Fund	3.177%
Otras Instituciones de Inversión Colectiva Gestionadas	6.845%
TOTAL	10.022%

- Fidelity International Limited:

Direct shareholder	% of total voting rights
FIJ IT European STK Mother FD	
FID FDS – Iberia Pool	1.135%
FID FDS – Euro Aggressive Pool	
TOTAL	1.135%

4. Restrictions on voting rights

Voting rights are not restricted by the bylaws or general shareholders' meeting regulations.

5. Associative arrangements

As a result of the acquisition agreement signed on 6 June 2010 in New York between the Company and Talecris Biotherapeutics Holdings Corp. ("Talecris"), whereby the Company would acquire Talecris (the "Acquisition Agreement"), various Company shareholders would undertake with Talecris on the same date to vote in favour of the agreements that the shareholders would adopt in their general meeting in relation to the Acquisition Agreement and to hold their shares until completion of the accquisition of Talecris. These agreements, comprising nine separate agreements, were signed by the following shareholders who, as a whole, hold 35.35% of the Company's capital: Scranton Enterprises B.V. (7.46%), Rodellar Amsterdam B.V. (6.01%), Deria, S.A. (8.78%), Thorthol Holdings B.V. (7.06%), Mr. M. Josefa Grifols Lucas (1.40%), Ms. Magdalena Canivell Grifols (1.16%), Mr. Manuel Canivell Grifols (1.16%), Mr. M. José Canivell Grifols (1.16%) and Mr. Jordi Canivell Grifols (1.16%) (the "Company Shareholders"). As stipulated in the agreements, the covenants contained therein are temporary and do not aim to establish a common policy by any of the parties with regard to the Company. These agreements only regulate the voting rights in relation to bylaw modifications and the share capital increase required for the Acquisition Agreement and under no circumstances should they imply an agreed measure between the Company Shareholders.

The Company is not aware of any other associative arrangements apart from those included in the preceding paragraph.

6. Rules applicable to the appointment and replacement of members of the board of directors and change in Company bylaws

6.1. Appointment and replacement of members of the board of directors

Directors are appointed and replaced in accordance with the corporate bylaws and board regulations.

(a) Statutory regulations

Article 20.- Composition and remuneration of the board of directors.- Administration and legal representation of the Company is the responsibility of a board of directors, formed by a minimum of three (3) and a maximum of fifteen (15) directors.

The directors will be appointed and removed freely by the shareholders at their general meeting and hold the position for five (5) years, without prejudice to their indefinite re-election for those periods.

(b) Board of Director Regulations

Article 18. Appointment of directors

1. Directors will be appointed at the AGM or by the board of directors, in accordance with the legal provisions of the Spanish Companies Act.

2. Proposed appointments of directors submitted by the board of directors for consideration at the AGM and appointments approved at the AGM by the co-opting powers legally attributed to it are subject to prior proposal from the Appointments and Remuneration Committee.

When the board departs from the recommendations of the Appointments and Remuneration Committee, its reasons for doing so should be explained and documented.

6.3 Directors' report

Article 19. Appointment of independent directors

1. The board of directors and Appointments and Remuneration Committee, within their powers, will try to ensure that elected candidates are persons of known solvency, competence and experience, vetting with particular thoroughness those persons elected to the positions of independent directors foreseen by article 6 of this regulation.

2. The board of directors cannot propose or designate as independent directors any persons related with the management of the Company or linked for family, professional or commercial reasons with executive directors or senior management of the Company.

In particular, persons cannot be proposed or designated as independent directors:

(a) Who have had a significant, direct or indirect contractual, commercial or working relationship during the past year with the Group, its management, the directors representing shareholders or group companies whose interests they represent, credit institutions contributing major financing for the Company, or organisations that receive considerable funding from the Company.

(b) Who are directors of other listed companies which have directors representing shareholders in the Company.

(c) Who are connected to executive directors, directors representing shareholders or members of Company management; for the purposes of this regulation; persons are considered as connected to directors when meeting any of the criteria stipulated in article 127. Ter. 5 of the Spanish Companies Act.

(d) Who have other relationships with the Company which the Appointments and Remuneration Committee consider could compromise their independence.

Article 20. Re-appointment of directors

Proposed re-appointments of directors submitted by the board of directors to the AGM are subject to a formal preparation process, including a report issued by the Appointments and Remuneration Committee assessing the quality of the work and dedication to the position of the proposed directors during the preceding term of office.

Article 21. Duration of the position

1. The directors will hold their position for the period foreseen by the corporate bylaws and can be re-elected.

2. Co-opted directors will hold their position until the date of the first AGM.

3. When, subsequent to the report from the Appointments and Remuneration Committee , the board of directors understands that the interests of the Company are at risk, the director completing their term of office or standing down for any other reason cannot render services to another institution competing with the Company, for the period of no more than two (2) years established by the board of directors .

Notwithstanding the above, the board of directors, where considered appropriate, can exempt the outgoing director from this obligation.

Article 22. Departures of directors

1. Directors will relinquish their positions when the term for which they were appointed has elapsed and when decided at the AGM using the legal or statutory powers conferred to it.

2. The board of directors will abstain from proposing the departure of independent directors (those representing shareholders and independent directors) before they complete the statutory period for which they were appointed, except where justified by exceptional causes and subject to the report from the Appointments and Remuneration Committee.

3. Directors are required to place their position at the disposal of the board of directors and where the board considers appropriate, sign the corresponding letter of resignation in the following cases:

(a) When they leave the executive positions associated with their appointment as a director, except with express approval from the board of directors, subject to the non-binding report from the Appointments and Remuneration Committee.

(b) When they fulfil any of the legally foreseen criteria for incompatibility or prohibition;

(c) When charged for an alleged criminal offence or a hearing is opened against them for any of the offences identified in article 124 of the Spanish Companies Act or they are subject to a disciplinary procedure by supervisory authorities for a serious or very serious offence;

(d) When seriously reprimanded by the Audit Committee for infringing their duties as directors;

(e) When their continuation on the board could harm the interests of the Company or when the reasons for their appointment no longer exist, and;

(f) In the case of directors representing shareholders, when the shareholder whose shares are represented by that director on the board disposes of his/her interest in the Company or reduces that interest to below the level that reasonably justified his/her designation as a director representing shareholders.

4. When directors relinquish their position, whether resigning or for another reason, their reasons should be explained in a letter sent to all the members of the board via its chairman or secretary.

6.2. Changes to corporate bylaws

Changes to the corporate bylaws must comply with the general requirements established by articles 194 and 286 of the new Spanish Companies Act.

7. The powers of the members of the board of directors and, in particular, those with the possibility of issuing or repurchasing shares

7.1. Powers of the members of the board of directors

In accordance with article 20 of the corporate bylaws, the board of directors is responsible for the administration and representation of the Company.

7.2. Powers relating to the issue or repurchase of shares

As approved at the AGM on 21 June 2010, the Company's board of directors is also authorised, through sale and purchase agreements, swaps, foreclosure in payment or any other legally foreseen method, to acquire its treasury shares or subscription rights, directly or through its subsidiaries, up to the limits and in accordance with the requirements stated below:

(I) That the par value of the shares acquired, added to those already held by the Company or its subsidiaries, at no time exceeds 10% of the Company's share capital.

(II) That the acquisition, including the shares that the Company, or individual acting on his/her own behalf, but on account of the Company, had acquired previously or which are in its portfolio, does not cause the equity to be lower than share capital plus the legal reserves or other reserves unavailable according to bylaws.

(III) That the shares acquired are fully paid.

(IV) The maximum purchase price will be the listed price on the stock exchange on the date of the acquisition or, as applicable, that authorised by the Spanish Securities Market Commission. The minimum price is the full par value of each share.

(V) This authorisation is granted for a maximum of five years.

(VI) Shares acquired may be handed over to the Group's employees or directors either directly or as a result of them exercising share options they may hold.

8. Significant agreements in force in the Company are modified or terminated where control of the Company is changed as a result of a public share offering, and its consequences, except when disclosure thereof is seriously harmful for the Company. This exception will not be applicable when the Company is legally under the obligation to divulge this information

No significant agreements are in force which could be modified or terminated as a result of a change in control over the Company.

9. Company agreements to compensate its directors, management or employees when they resign or are unfairly dismissed or relations are terminated due to a public share offering

Three senior managers from the Group (who are not on the board) have indemnity clauses in their contracts for unfair dismissal or a change of management. This compensation comprises two years' salary, including fixed and variable remuneration.

The employment contracts of the other executive directors and senior management do not have indemnity clauses other than those foreseen in respective employment laws.

6.3 Directors' report

At a meeting held on 21 February 2011 and in compliance with legal requirements, the members of the board of directors of Grifols, S.A. have prepared the annual accounts and directors' report for the period from 1 January 2010 to 31 December 2010. The annual accounts comprise the attached documents preceding this statement, all of which are drawn up and identified on sheets of paper bearing the official State seal, 8th class, numbered from OK4093303 to OK4093459.

Grifols Roura, Víctor
Chairman

Riera Roca, Ramón
Board member

Twose Roura, Juan Ignacio
Board member

Dagà Gelabert, Tomás
Board member

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

Glanzmann, Thomas
Board member

Jannotta, Edgar Dalzell
Board member

Veiga Lluch, Anna
Board member

Grifols Roura, Raimon
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