

GRIFOLS, S.A.
(formerly Probitas Pharma, S.A.)

Annual Accounts and Directors' Report

31 December 2005

(With Auditors' Report thereon)

(Free translation from the original in Spanish)

(In case of discrepancy, the original Spanish version prevails)



KPMG Auditores S.L.
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08034 Barcelona

Auditors' Report on the Annual Accounts

(Free translation from the original in Spanish)

(In case of discrepancy, the original Spanish version prevails)

To the Shareholders of
Grifols, S.A. (formerly Probitas Pharma, S.A.)

We have audited the annual accounts of Grifols, S.A. (the Company) which comprise the balance sheet at 31 December 2005, the related statement of profit and loss for the year then ended and the notes thereto, the preparation of which is the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the annual accounts, taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these annual accounts also include, for each individual caption in the balance sheet, statement of profit and loss and disclosure of source and application of funds, comparative figures for the previous year. We express our opinion solely on the annual accounts for 2005. On 5 May 2005 we issued our qualified audit report on the annual accounts for 2004.

In our opinion, these annual accounts present fairly, in all material respects, the shareholders' equity and financial position of Grifols, S.A. at 31 December 2005, the results of operations, and the source and application of funds for the year then ended and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain applied on a basis consistent with that of the preceding year.

The accompanying directors' report for 2005 contains such explanations as the Directors consider relevant to the situation of Grifols, S.A., the evolution of its business and other matters, but is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2005. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the Company's accounting records.

KPMG AUDITORES, S.L.

David Ghosh Basu (signed)

15 February 2006

GRIFOLS, S.A.

Balance Sheet

December 31, 2005 and 2004

(Stated in euros)

(Free translation from the original in Spanish)

Assets	2005	2004
Fixed assets		
Start-up expenses (note 5)	16.447.851	218.147
Intangible assets (note 6)	5.165.473	6.100.258
Tangible fixed assets (note 7)	21.302.698	22.750.905
Long-term investments (note 8)	87.236.070	103.476.541
Treasury stock (note 9)	--	870.446
Total fixed assets	130.152.092	133.416.297
Deferred expenses (note 4 (f))	1.201.155	648.983
Current assets		
Inventories	528.557	509.563
Debtors (note 10)	9.110.153	11.663.231
Short-term investments (note 11)	316.973.695	317.175.413
Cash and banks	369.699	1.947.532
Prepaid expenses	1.570.395	2.101.800
Total current assets	328.552.499	333.397.539
Total assets	459.905.746	467.462.819

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

GRIFOLS, S.A.

Balance Sheet

December 31, 2005 and 2004

(Stated in euros)

(Free translation from the original in Spanish)

Liabilities	2005	2004
Stockholders' equity (note 12)		
Share capital	70.299.149	105.840.720
Share premium	115.665.110	45.118.683
Reserves	22.534.694	45.249.538
Net profit for the year	12.960.959	5.881.233
Total stockholders' equity	221.459.912	202.090.174
Deferred income (note 13)	1.189.685	4.086.522
Provisions for risks and charges (note 14)	--	537.754
Long-term liabilities		
Bank loans (note 16)	179.592.455	188.061.768
Total long-term debts	179.592.455	188.061.768
Current liabilities		
Bond and other trading securities (note 15)	--	5.241.000
Bank loans (note 17)	20.561.704	42.441.214
Due to group and associated companies (note 18)	15.351.814	12.440.345
Accounts payable, trade (note 19)	10.103.875	5.278.752
Other payables, non trade (note 20)	11.646.301	7.285.290
Total current liabilities	57.663.694	72.686.601
Total liabilities	459.905.746	467.462.819

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

GRIFOLS, S.A.

Profit and Loss Accounts for the years ended December 31, 2005 and 2004 (Stated in euros) (Free translation from the original in Spanish)

Expenses	2005	2004
Operating expenses		
Cost of material consumed and other external expenses	178.094	229.824
Personnel expenses (note 22)	14.550.517	13.393.188
Depreciation and amortisation of fixed assets (notes 5, 6 and 7)	5.919.553	4.726.230
Other operating expenses	19.369.480	17.075.535
Total operating expenses	40.017.644	35.424.777
Financial expenses		
Financial and similar expenses	10.720.640	10.328.056
Foreign exchange losses	151.154	550.869
Total financial expenses	10.871.794	10.878.925
Financial income	20.618.423	15.154.996
Profit on ordinary activities	8.211.884	7.280.404
Extraordinary losses and expenses		
Variation in provision for tangible and intangible assets and investment portfolio (notes 8 and 14)	829.790	1.427.364
Losses on disposals of tangible and intangible assets and investment portfolio	228.282	59.053
Extraordinary expenses and losses (note 24)	2.185	4.294.681
Expenses from previous years	17.031	--
Total extraordinary expenses and losses	1.077.288	5.781.098
Extraordinary income	5.864.177	--
Profit for the year before tax	14.076.061	1.545.725
Income tax (note 26)	1.115.102	(4.335.508)
Profit for the year	12.960.959	5.881.233

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

GRIFOLS, S.A.

Profit and Loss Accounts for the years ended December 31, 2005 and 2004 (Stated in euros) (Free translation from the original in Spanish)

Income	2005	2004
Operating income		
Net sales (notes 21 and 23)	27.344.911	27.213.168
Work carried out by the company on fixed assets	243.831	309.213
Other operating income	22.363	27.804
Total operating income	27.611.105	27.550.185
Operating losses	12.406.539	7.874.592
Financial income		
Dividends (notes 8 and 23)	14.340.230	11.732.299
Other interest and similar income (note 23)	15.449.890	13.944.607
Foreign exchange gains	1.700.097	357.015
Total financial income	31.490.217	26.033.921
Extraordinary profit and income		
Profits on disposals of tangible and intangible assets and investment portfolio	--	417
Profits on transactions involving Treasury Stock (note 9)	6.940.593	--
Extraordinary income	872	46.002
Total extraordinary income	6.941.465	46.419
Extraordinary losses	--	5.734.679

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

GRIFOLS, S.A.

December 31, 2005

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(1) Nature and Principal Activities

Grifols, S.A. (formerly Probitas Pharma, S.A.) (hereinafter the Company) was incorporated in Spain as a limited liability company for an indefinite period of time on June 22, 1987. Dated June 27, 2005, the Company changed its company name from Probitas Pharma, S.A. to Grifols, S.A. Previously, on May 25, 2001, the Company changed its company name from Grupo Grifols, S.A. to Probitas Pharma, S.A.

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

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

The Company is the parent company of the Grifols Group, which is composed of the Company and its subsidiaries, as mentioned in the note 8 of these annual accounts, and it operates in an integrated way and under a common management which principal activity is the manufacture, preparation and sale of therapeutic products, especially haemoderivatives.

(2) Basis of Presentation

In accordance with current legislation, the Directors of the Company have prepared these annual accounts with the aim of giving a true and fair view of the net worth, financial position and the results of the operations of the Company for the year 2005, as well as the proposal for the distribution of results for fiscal year 2005.

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

The annual accounts of the Company corresponding to the year ended December 31, 2005, are pending approval at the Shareholders' Meeting, although the Directors consider that the accounts will be approved without any significant variations. The annual accounts corresponding to fiscal year 2004 were approved at the shareholders' meeting held on June 27, 2005.

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

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

In accordance with Royal Decree 1815 dated 20 December 1991, the Company prepares consolidated annual accounts for its group of companies. On February 15, 2006 the consolidated annual accounts for the Grifols Group at 31 December 2005 have been prepared, showing net profit of euros 38,553 thousand and shareholders' equity of euros 310,863 thousand.

(3) Distribution of Results

The proposal for the distribution of results corresponding to the fiscal year ended December 31, 2005, prepared by the Directors and pending approval by the Shareholders' Meetings, details being:

	<u>Euros</u>
Legal reserves	1,296,096
Voluntary reserves	4,664,863
Dividends	7,000,000
	<u>12,960,959</u>

The distribution of results of the fiscal year does not include the amount of euros 10,257 thousand corresponding to the dividends to be received by the preference shares (see note 12(a)).

The distributions of results, corresponding to the year ended December 31, 2004 are shown in the detail of the movement of stockholders' equity in note 12.

(4) Significant Accounting Principles and Valuation Criteria Applied

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

(a) Start-up expenses

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

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(b) Intangible assets

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

- The amounts paid in respect of the acquisition of patent rights, distribution rights and the capitalized expenses incurred as a result of the registration of patents, are amortized over a period not exceeding five years, using the straight-line method.
- The software acquired and developed by the Company is stated at cost and is amortized over a period between three and six years, using the straight-line method. Maintenance costs are charged to expenses as and when they arise.
- The rights to use and the option to purchase tangible assets contracted through capital lease financing are recorded at the cash value of the asset at the time of acquisition. These rights are generally amortized on a straight line basis over the useful lives of the leased assets.

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

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

(c) Tangible fixed assets

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

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

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

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

The Company, according to an analysis performed by an independent third party, has reestimated the useful life of buildings which from January 1, 2005, are now being depreciated now between 33 or 100 years. The depreciation for the fiscal year 2005, has been calculated, for the affected fixed assets, according to their net book value as at December 31, 2004 and the reestimated remaining useful life.

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

(d) Investments

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

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

Provision for a decline in value of investments is made as and when dictated by circumstances. Under these circumstances, provision is made for the excess of the cost of acquisition compared with the book value of the investment, corrected by the unrealised capital gain that exists at year-end.

The deposits and guarantees are valued at the disbursed amount.

(e) Treasury Stock

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

(f) Deferred charges

The deferred charges basically include the following concepts:

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

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

- The implicit interest related to debts deferred for more than one year is charged to results over the maturity period of said debts, following a financial method.

(g) Inventories

Inventories are stated at acquisition cost and correspond mainly to raw materials and supplies.

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

(h) Trade accounts and notes receivable

Nearly all of the income is obtained from the different subsidiaries (see notes 10 and 23).

(i) Income taxes

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

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

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

Following an Instituto de Contabilidad y Auditoria de Cuentas resolution as at March 15, 2002, since the fiscal year starting on January 1, 2002, the Company recognizes the tax credits pending to be applied, mainly investments abroad, as their realization has been estimated to be during the term established by law (see notes 8, 10 and 26). Likewise, and accordingly with said law, the income from such tax credits application has been deferred depending on the useful life of the fixed assets which have generated said tax credits, mainly investment abroad (see note 13).

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(j) Transactions and balances in currency different from euro

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

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

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

(k) Severance indemnities

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

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

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

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

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

(m) Income and expenses

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

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

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

(n) Pension commitment

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

The annual contribution of the Company is registered as personnel expenses in the statement of profit and loss on an accrual basis (see note 22).

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

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

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

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

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

(p) Financial futures and options

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

- For hedging operations, the differences in value are registered according to the nature of the hedged risk. Gains and losses on interest rate hedging operations are taken to income or expensed in line with the accrual of interest hedged.

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

- For operations that do not fulfill the criteria to be classified as hedges, differences in value are taken directly to income on settlement or repayment. Nevertheless, if accumulated and unpaid losses are expected at year end, the necessary provision for liabilities and charges is made.

(5) Start-up Expenses

Details and movement in start-up expenses during the year ended December 31, 2004 are as follows:

	Euros		
	Balances at 31/12/03	Amortizations	Balances at 31/12/04
Capital increase expenses	984,046	(765,899)	218,147
	984,046	(765,899)	218,147

Details and movement in start-up expenses during the year ended December 31, 2005 are as follows:

	Euros			
	Balances at 31/12/04	Additions	Amortizations	Balances at 31/12/05
Capital increase expenses	218,147	18,484,661	(2,254,957)	16,447,851
	218,147	18,484,661	(2,254,957)	16,447,851

Capital increase expenses additions for the year 2005 corresponded to the expenses the Company incurred in connection with the capital increase carried out during fiscal year 2005 (see note 12(a)).

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(6) Intangible Assets

Details and movement in intangible assets during the year ended December 31, 2004 are as follows:

	Euros				Balances at 31/12/04
	Balances at 31/12/03	Additions	Transfers	Disposals	
Cost:					
Concessions, patents, licenses trademarks and others	1,972,498	372,438	--	(78,965)	2,265,971
Software	5,476,665	1,827,823	6,979	(10,681)	7,300,786
Rights over leased assets	5,480,968	312,359	(3,576,644)	--	2,216,683
	12,930,131	2,512,620	(3,569,665)	(89,646)	11,783,440
Accumulated amortization:					
Concessions, patents, licenses trademarks and others	(647,577)	(158,959)	--	28,723	(777,813)
Software	(3,306,107)	(1,141,738)	509,339	9,272	(3,929,234)
Rights over leased assets	(864,258)	(265,713)	153,836	--	(976,135)
	(4,817,942)	(1,566,410)	663,175	37,995	(5,683,182)
Net value	8,112,189	946,210	(2,906,490)	(51,651)	6,100,258

(note 7)

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details and movement in intangible assets during the year ended December 31, 2005 are as follows:

	Euros				Balances at 31/12/05
	Balances at 31/12/04	Additions	Transfers	Disposals	
Cost:					
Concessions, patents, licenses trademarks and others	2,265,971	--	--	(214,146)	2,051,825
Software	7,300,786	677,537	5,247	--	7,983,570
Rights over leased assets	2,216,683	307,271	(554,381)	--	1,969,573
	11,783,440	984,808	(549,134)	(214,146)	12,004,968
Accumulated amortization:					
Concessions, patents, licenses trademarks and others	(777,813)	(183,078)	--	--	(960,891)
Software	(3,929,234)	(1,003,801)	(509,339)	--	(5,442,374)
Rights over leased assets	(976,135)	(204,496)	744,401	--	(436,230)
	(5,683,182)	(1,391,375)	235,062	0	(6,839,495)
Net value	6,100,258	(406,567)	(314,072)	(214,146)	5,165,473

(note 7)

Software additions as at December 31, 2005 correspond to different software licenses acquired or developed by the Company.

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

The Company uses certain assets through lease contracts. At December 31, 2005 the principal terms and conditions of the contracts are as follows:

Item	Date of contract	N° of monthly instalments	Euros		
			Net book value	Monthly instalments (*)	Purchase option
Land and buildings	1998	120	625,053	6,118	6,741
Machinery and installations	2003	36	383,235	11,238	1
Weight and control equipment	2003	36	37,700	1,100	1,100
Furniture	2003	36	32,755	947	328
Computer equipment	2003	36	271,201	7,723	7,723
Machinery and installations	2004	36	276,358	8,063	3,102
Furniture	2004	36	36,000	1,021	1,021
Machinery and installations	2005	36	307,271	8,917	2,902
Total cost			1,969,573		
Less, accumulated amortization			(436,230)		
			1,533,343		

(*) Variable depending on interest rate

The summary of the liabilities resulting from these operations at December 31, 2005 and 2004 is as follows:

	Euros	
	2005	2004
Total amount of operations	8,252,007	7,932,483
Payments made in previous years	(6,826,647)	(6,143,453)
Payments made during the year	(600,851)	(683,194)
Capital lease creditors	824,509	1,105,836

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Capital lease creditors are divided as follows:

	Euros			
	2005		2004	
	Short-term	Long-term	Short-term	Long-term
Capital	420,325	370,242	537,968	515,031
Interest	21,517	12,425	30,198	22,639
	441,842	382,667	568,166	537,670
	(nota 17)	(nota 16)	(nota 17)	(nota 16)

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(7) Tangible Fixed Assets

Details and movement of this caption of the balance sheet at December 31, 2004 are as follows:

	Euros				Balances at 31/12/04
	Balances at 31/12/03	Additions	Transfers	Disposals	
Cost:					
Land and buildings	13,088,301	105,077	3,365,668	--	16,559,046
Technical installations and machinery	1,855,379	90,169	247,997	--	2,193,545
Other installations, furniture and fittings	20,920,273	106,659	533,517	(17,999)	21,542,450
Other assets	2,378,370	71,054	210,975	(21,379)	2,639,020
Fixed assets under construction	947,849	51,316	(788,492)	--	210,673
	<u>39,190,172</u>	<u>424,275</u>	<u>3,569,665</u>	<u>(39,378)</u>	<u>43,144,734</u>
Accumulated depreciation:					
Buildings	(2,681,357)	(372,244)	(509,339)	--	(3,562,940)
Technical installations and machinery	(941,582)	(154,637)	--	--	(1,096,219)
Other installations, furniture and fittings	(11,914,322)	(1,622,578)	--	6,699	(13,530,201)
Other assets	(1,826,864)	(244,462)	(153,836)	20,693	(2,204,469)
	<u>(17,364,125)</u>	<u>(2,393,921)</u>	<u>(663,175)</u>	<u>27,392</u>	<u>(20,393,829)</u>
Net value	<u>21,826,047</u>	<u>(1,969,646)</u>	<u>2,906,490</u>	<u>(11,986)</u>	<u>22,750,905</u>

(note 6)

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details and movement of this caption of the balance sheet at December 31, 2005 are as follows:

	Euros				Balances at 31/12/05
	Balances at 31/12/04	Additions	Transfers	Disposals	
Cost:					
Land and buildings	16,559,046	--	--	--	16,559,046
Technical installations and machinery	2,193,545	--	46,446	--	2,239,991
Other installations, furniture and fittings	21,542,450	10,128	588,708	--	22,141,286
Other assets	2,639,020	7,629	166,779	(17,368)	2,796,060
Fixed assets under construction	210,673	493,877	(252,799)	--	451,751
	<u>43,144,734</u>	<u>511,634</u>	<u>549,134</u>	<u>(17,368)</u>	<u>44,188,134</u>
Accumulated depreciation:					
Buildings	(3,562,940)	(182,713)	--	--	(3,745,653)
Technical installations and machinery	(1,096,219)	(183,457)	--	--	(1,279,676)
Other installations, furniture and fittings	(13,530,201)	(1,644,815)	(110,649)	--	(15,285,665)
Other assets	(2,204,469)	(262,236)	(124,413)	16,676	(2,574,442)
	<u>(20,393,829)</u>	<u>(2,273,221)</u>	<u>(235,062)</u>	<u>16,676</u>	<u>(22,885,436)</u>
Net value	<u>22,750,905</u>	<u>(1,761,587)</u>	<u>314,072</u>	<u>(692)</u>	<u>21,302,698</u>

(note 6)

The application of the use of the new depreciation coefficients according to the new useful life (see note 4(c)) has supposed a less depreciation for the fiscal year 2005 of approximately euros 205 thousand.

The Company's policy is to take out insurance to cover what it estimates as the possible risks which could affect the tangible assets. At 31 December 2005 the Group has taken out insurance along with all the group companies, which more than covers the net book value of all the Company's assets.

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The cost of the assets fully depreciated at December 31, 2005 amounts to euros 7,637,862 (6,840,886 euros at December 31, 2004).

At December 31, 2005, mortgaged land and buildings exist as a guarantee for certain loans with an outstanding balance of euros 1,619,182 (euros 1,785,306 at December 31, 2004) (see note 16).

Fixed assets under construction as at December 31, 2005 and 2004, correspond to the investments made in expanding the installations of the Company.

(8) Long- term investments

Details and movement of this caption of the balance sheet at December 31, 2004 are as follows:

	Euros				Balances at 31/12/04
	Balances at 31/12/03	Additions	Transfers	Disposals	
Investments in related companies	71,222,787	3,446,692	--	(386,866)	74,282,613
Other long-term investments	99,238	146,060	--	--	245,298
Long-term deposits and guarantees	148,845	76,400	--	--	225,245
Tax credit on deductions (see note 26)	3,757,945	--	--	(2,207,278)	1,550,667
Loans to related companies	28,628,771	14,174,823	--	(6,097,660)	36,705,934
	103,857,586	17,843,975	0	(8,691,804)	113,009,757
Less, provision for financial investments	(6,026,593)	(1,093,445)	(2,800,044)	386,866	(9,533,216)
	97,830,993	16,750,530	(2,800,044)	(8,304,938)	103,476,541

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Details and movement of this caption of the balance sheet at December 31, 2005 are as follows:

	Euros				Balances at 31/12/05
	Balances at 31/12/04	Additions	Transfers	Disposals	
Investments in related companies	74,282,613	22,771,130	--	--	97,053,743
Other long-term investments	245,298	--	--	--	245,298
Long-term deposits and guarantees	225,245	3,248	--	--	228,493
Tax credit on deductions (see note 26)	1,550,667	17,622	(958,993)	--	609,296
Loans to related companies	36,705,934	389,477	(14,324,281)	(22,771,130)	0
	113,009,757	23,181,477	(15,283,274)	(22,771,130)	98,136,830
Less, provision for financial investments	(9,533,216)	(3,377,498)	--	2,009,954	(10,900,760)
	103,476,541	19,803,979	(15,283,274)	(20,761,176)	87,236,070

(notes 10 and 11)

(a) Investments in related companies

On March 1, 2005, the debt held with Grifols Biologicals, Inc., for an amount of euros 22,771 thousand, has been cancelled.

On the same date, the Company has subscribed the capital increase carried out by Grifols, Inc. (formerly Probitas Pharma, Inc.). The amount of said investment is of euros 22,771 thousand. On addition, Grifols, Inc. (formerly Probitas Pharma, Inc.) has subscribed the capital increase carried out by Grifols Biologicals, Inc., the amount of said investment is of euros 22,771 thousand.

On March 1, 2005, the Company has transferred the debt held with Biomat USA, Inc., for an amount of euros 14,324 thousand, to Instituto Grifols, S.A. (see note 11), a company owned 100% by the Company which owns 100% of the capital of Biomat USA, Inc.. Additionally, Instituto Grifols has subscribed the capital increase carried out by Biomat USA, Inc.. The amount of said investment is of euros 14,324 thousand.

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The detail of this section is as follows:

	Euros	
	Cost	
	2005	2004
Laboratorios Grifols,S.A.	4,798,330	4,798,330
Instituto Grifols,S.A.	1,537,990	1,537,990
Movaco,S.A.	2,404,619	2,404,619
Diagnostic Grifols,S.A.	336,561	336,561
Grifols Chile,S.A.	385,454	385,454
Biomat,S.A.	60,041	60,041
Grifols Argentina,S.A.	7,027,854	7,027,854
Grifols, s.r.o.	51,600	51,600
Grifols México,S.A. de C.V.	696,544	696,544
Grifols Viajes,S.A.	60,041	60,041
Grifols International, S.A.	2,860,085	2,860,085
Grifols Italia,S.p.A.	12,226,606	12,226,606
Grifols UK,Ltd.	22,847,046	22,847,046
Grifols Deutschland,GmbH	2,924,811	2,924,811
Grifols Brasil,Ltda.	764,095	764,095
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	100	100
Grifols France,S.A.R.L.	7,623	7,623
Grifols Engineering	60,090	60,090
Squadron Reinsurance Ltd.	999,999	999,999
Grifols, Inc. (formerly Probitas Pharma, Inc.)	33,140,256	10,369,126
Grifols Asia Pacific Pte. Ltd.	714,769	714,769
Alpha Therapeutic Europe, Ltd.	2,502,581	2,502,581
Grifols Polska, Sp.z.o.o.	10,714	10,714
Alpha Therapeutic Italia S.p.A.	635,934	635,934
	<u>97,053,743</u>	<u>74,282,613</u>

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Certain additional information relating to these companies is as follows:

– **Laboratorios Grifols, S.A.**

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

– **Instituto Grifols, S.A.**

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

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

– **Movaco, S.A.**

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

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

– **Diagnostic Grifols, S.A.**

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

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– **Grifols Chile, S.A.**

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

– **Biomat, S.A.**

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

– **Grifols Argentina, S.A.**

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

– **Grifols s.r.o.**

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

– **Grifols México, S.A. de C.V.**

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

– **Grifols Viajes, S. A.**

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

– **Grifols International, S. A.**

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

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and instruments for medical-surgical use or use in laboratories and warehouses.

– **Grifols Italia S.p.A.**

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

– **Grifols UK, Ltd.**

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

– **Grifols Deutschland GmbH**

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

– **Grifols Brasil, Ltda.**

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

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

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

– **Grifols France, S.A.R.L.**

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

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– **Grifols Engineering, S.A.**

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

– **Squadron Reinsurance, Ltd.**

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

– **Grifols, Inc. (formerly Probitas Pharma, Inc.)**

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

This company owns 100% of Grifols Biologicals, Inc. with registered office in 15, East North Street, Dover, Delaware 19901 (United States of America). Its activity consists of the manufacture, preparation and sale of therapeutic products and other pharmaceutical specialities, especially haemoderivatives.

This company owns 100% of Grifols USA, Inc. with registered office in 8880 N.W. 18 Terrace, Miami, Florida (USA). Its activity is to conduct any business permitted within the United States of America.

– **Grifols Asia Pacific Pte., Ltd.**

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

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

This company owns 30% of Grifols Malaysia Sdn Bhd, with registered office in Selangor, (Malaysia). Its activity relates to sale and distribution of pharmaceutical products.

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– **Alpha Therapeutic Europe, Ltd.**

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

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

– **Alpha Therapeutic Italia, S.p.A.**

With registered office in 3, Piazza Meda, Milano 20121 (Italy). Its activity consists of distribution and sale of therapeutic products, especially haemoderivatives.

On December 31, 2003 this company was 100% owned by Alpha Therapeutic Europe, Ltd. On May 13, 2004 the shares were transferred to the Company, as has been mentioned above.

– **Grifols Polska, Sp.z.o.o.**

With registered office in UL. Nowogrodzka, 68, 00-116, Varsovia, Polonia. Its activity consists of the preparation and sale of therapeutic products, cosmetics and others.

A detail of the stockholders' equity of the related companies at December 31, 2005 and 2004 according to its financial statements is included in Annex I, which forms an integral part of this note of the annual accounts. All related companies have the same closing date.

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The Company has received dividends from the following companies:

	Euros	
	2005	2004
Instituto Grifols, S.A.	--	1,499,971
Movaco, S.A.	3,499,956	3,499,956
Diagnostic Grifols, S.A.	2,499,956	1,136,268
Biomat, S.A.	1,498,500	1,368,825
Grifols Italia, S.p.A.	1,100,000	1,500,000
Grifols UK, Ltd.	5,141,818	2,727,279
Alpha Therapeutic Italia S.p.A.	600,000	--
	14,340,230	11,732,299

(note 23)

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

Long-term tax credits pending to be applied correspond to the tax credits of the fiscal year 2002 to 2005 which the Company estimates their maturity to be in more than one year (see note 4(i) and 26).

(c) Loans to related companies

Loans to related companies included as at December 31, 2004 an amount of euros 22,531 thousand related to a loan granted to Grifols Biologicals, Inc., a company owned 100% indirectly by the Company through Grifols, Inc. (formerly Probitas Pharma, Inc.) (see note 8(a)), with an interest rate of 6.5% and maturity date July 31, 2008.

Likewise, as at December 31, 2004 included an amount of euros 14,175 thousand related to a loan granted to Biomat USA, Inc., a company owned 100% indirectly by the Company through Instituto Grifols, S.A. (see note 8(a)), with an interest rate of 6.5% and maturity dates July 14, 2005 and October 8, 2007.

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(d) Provision for financial investments

Details of the provision for financial investments at December 31, 2005 and 2004 are as follows:

	Euros	
	2005	2004
Grifols Argentina,S.A.	4,671,842	5,114,205
Grifols International,S.A.	2,560,177	2,860,085
Grifols UK,Ltd.	3,508,054	130,566
Grifols Deutschland,GmbH	--	1,103,306
Grifols Brasil,Ltda.	160,634	325,013
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	53	41
	<u>10,900,760</u>	<u>9,533,216</u>

(9) Treasury Stock

As at December 31, 2004 this caption comprised 1,740,892 shares of euros 0.50 par value each. These shares were issued by the Company in the share capital increase carried out on May 25, 2001 as a result of the waiving of the preferential subscription right by the Company's shareholders, in order for the shares to be distributed to the employees of the group companies, based on certain conditions and terms previously established in the corresponding distribution criteria.

During fiscal year ended December 31, 2005 the Company has realized the following transactions with treasury stock:

- On July 25, 2005 the Company acquired 1,048,509 shares for an amount of euros 3 each share, the transaction has amount to euros 3,145,527.
- On August 10, 2005 the Company acquired 111,039,045 shares for an amount euros 320 million.
- On August 10, 2005 the Company has amortized 107,828,446 own shares for an amount of euros 310,750,799 (see note 12(a)).
- On November 30, 2005 the Company has proceeded to the sale of the treasury stock, the amount of said transaction was euros 19,996,821, an income of euros 6,940,593 was generated with said operation.

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(10) Debtors

Details of debtors at 31 December are as follows:

	Euros	
	2005	2004
Trade debtors for sales and services rendered	210,630	204,619
Trade debtors, related companies	4,133,490	7,708,166
Sundry debtors	69,171	67,772
Personnel	10,388	12,118
Public entities	4,888,644	3,872,726
	9,312,323	11,865,401
Less, provisions for bad debts	(202,170)	(202,170)
	9,110,153	11,663,231

The balances with “Public Entities” are as follows:

	Euros	
	2005	2004
Due from Tax authorities in respect of:		
VAT	174,038	--
Due from Social Security	11,811	5,012
Deferred tax asset (note 26)	1,264,047	1,428,309
Due from Tax authorities in respect of		
Income Tax:		
Current year	2,817,133	--
Previous years	--	23,371
Tax credits on deductions (note 26)	621,615	2,416,034
	4,888,644	3,872,726

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(11) Short-Term Investments

Details and movement of short-term investments at December 31, 2004 are as follows:

	Euros			Balances at 31/12/04
	Balances at 31/12/03	Additions	Disposals	
Short-term investments	329,113,282	66,558,079	(78,495,949)	317,175,412

Details and movement of short-term investments at December 31, 2005 are as follows:

	Euros				Balances at 31/12/05
	Balances at 31/12/04	Additions	Transfers	Disposals	
Short-term credit with related companies due to tax effect:					
Corporate tax for the current year (note 26)	6,464,599	8,990,790	--	(6,464,599)	8,990,790
Previous years	--	1,176,235	--	--	1,176,235
Payments on account	--	(2,734,111)	--	--	(2,734,111)
Loans to group companies	310,710,813	69,603,853	14,324,281	(85,098,166)	309,540,781
	317,175,412	77,036,767	14,324,281	(91,562,765)	316,973,695

Loans to related companies includes at December 31, 2005 an amount of euros 290,283 thousand (euros 285,174 thousand at December 31, 2004) corresponding to a yearly renewable loan granted to Instituto Grifols, S.A. at a variable market interest rate.

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(12) Stockholders' Equity

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

(a) Share capital

At December 31, 2005 the share capital of the Company is represented by 140,598,299 registered shares of euros 0.50 par value each (211,681,440 registered shares of euros 0.50 par value each at December 31, 2004).

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

	Percentage of ownership	
	2005	2004
Gabriella Holding Netherland, B.V.	--	10.07
Gabriella Luxembourg (non Erisa) Sarl	--	27.27
Scranton Enterprises,B.V.	16.45	10.91
Capital Riesgo Global, S.C.R., S.A.	--	11.62
Thorthol Holdings, B.V.	10.59	7.02
Novosti, S.L.	11.79	7.81
Deria,S.A.	13.32	8.79
Morgan Stanley & Co. Inc.	20.99	--
Others	26.86	16.51
	100	100

– Increase of share capital charged to share premium

On June 30, 2005, the Company, using the authorization granted at the shareholders' meeting, proceeded to increase the share capital against the share premium reserve by an amount of euros 7,016,916, by issuing 14,033,831 shares of euros 0.50 par value.

The shareholders agreed to freely grant their free assignment rights to Morgan Stanley & Co, Inc.

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– **Increase of share capital with monetary contribution and reduction of the share capital**

On August 10, 2005 the Company, making use of the authorization granted at the shareholders' meeting, proceeded to:

- Increase the share capital by issuing 260,000 new shares of euros 0.50 par value, plus a total share premium of euros 259,870,000. The total amount of said increase is euros 260 million.

The shareholders waived their preferential subscription right, the said increase being fully subscribed and paid up by the new shareholder Morgan Stanley & Co., Inc.

The General Shareholders' Meeting that took place on 10 August 2005 decided to issue 260,000 non-voting shares, with a face value of euro 0.50, which formed a new Class B of privileged non-voting shares. Below is a transcription of the pre-emptive rights of the non-voting shares as they appear in the resolutions taken by above-mentioned General Meeting.

1. Non-voting shares shall be entitled to receive a minimum annual dividend of:
 - 10% during the First Period.
 - 12.5% during the Second Period.
 - 13.125%, increased by 0.625 annually every three (3) months up to a maximum of 17.5% annually, during the Third Period, and
 - 0.5% during the Fourth Period..

For these purposes, the First Period shall extend until 10 August 2007. The Second Period will begin the next day after the expiry of the First Period and will have a duration of three (3) months. The Third Period shall begin the day after the expiry of the Second Period and will continue until 1 October 2012, unless the General Shareholders' Meetings previously agrees to (a) redeem the non-voting shares, in which case the period shall extend up to the date the resolution is adopted, or (ii) the Company starts quoting in the Stock Exchange, in which case the period shall continue until all or part of the ordinary shares are admitted to trade in any organised market, national or foreign. The Fourth Period will be of indefinite duration and shall start the day after the expiry of the Third Period.

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The minimum dividend shall be allocated pro rata temporis, taking into account the moment the shares were issued. Thus, if the non-voting shares are issued on 1 July, the minimum dividend that will correspond to the non-voting shares in respect to the year of their issuance would be fixed taking into account the days that must elapse until the end of the fiscal year, the minimum dividend being 5%.

2. The amount of the minimum annual dividend shall be calculated taking into account the value attributed to the non-voting shares (hereinafter "Attributed Value), which is fixed in one thousand (1,000) euros per share. Once the minimum dividend is decided, the holders of the non-voting shares shall be entitled to the same dividend as that corresponding to ordinary shares.

The Attributed Value of non-voting shares represents the value of the consideration, i.e.; the sum of the face value and the issue premium disbursed or, as the case may be and according to section 3 below, the amount of the minimum dividend it substitutes.

3. The Company, through the corresponding resolution of the General Meeting and without the need of having the approval by majority of the non-voting shares, may opt between paying the minimum dividend in cash or delivering new non-voting shares with the same characteristics as those object of the present agreement. If this were the case, the number of non-voting shares to be delivered will be the number resulting from dividing the dividend corresponding to each holder of non-voting shares by the Attributed Value of the non-voting shares.

4. Even though the right to receive the minimum dividend depends on the accrual of distributable profits in the fiscal year, the Company will pay the dividend as it may be possible from the share premium reserve, whether it is paid in cash or by delivering new non-voting shares.

5. If there are distributable profits, the Company is obliged to agree to allocate the minimum dividend indicated in the preceding paragraphs. If there are no distributable profits, or the profits are insufficient to pay the minimum dividend established, the unpaid portion of the dividend must be paid within the seven (7) fiscal years following the fiscal year in which the minimum dividend was not paid, increased by 10% per annum. While the minimum dividend remains unpaid, non-voting shares shall be entitled to vote in equal condition as the ordinary shares, retaining, as the case may be, their economic benefits.

In the case of minimum dividends accrued from preceding fiscal years, the accrued minimum dividend will be paid before the minimum dividend of the fiscal year.

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6. In the case of dissolution and liquidation of the Company, non-voting shares shall confer to their holder the right to obtain a repayment of their Attributed Value plus, as the case may be, the dividends accrued and still unpaid at the time of the liquidation, before the distribution of any amount to the other shares. In any case, the repayment cannot be lower than the Attributed Value plus the additional amount required for the non-voting shareholder to have a dividend yield per share of, at least, 10% annually of the Attributed Value, as from the date of issuance up to the date of the refund.

7. Exceptionally, non-voting shares shall have the right to vote in the case of issues defined as “Extraordinary Agreements” in Article 12 bis of the Company By-Laws.

8. Non-voting shares will be freely transferable by the holders.

9. Additionally, non-voting rights shall have all the other rights established in articles 91 y 92 of the Business Corporations Law.

10. The holders of non-voting rights will have the right to convert their non-voting shares to ordinary shares at a rate of one (1) ordinary share for each non-voting share, in the following cases:

i. Merger of the Company, except in the case of improper merger as foreseen in Article 250 of the Business Corporations Law.

ii. Change of control of the Company. For these purposes, it will be understood that a change of control exists when one shareholder or a group of shareholders acting jointly attain, directly or indirectly, for the first time, more than 24% of the Company’s share capital.

iii. In the case the General Shareholders’ Meeting does not agree to the redemption of the non-voting shares before 1 October 2012.

iv. If 30 days elapse after all or part of the ordinary shares are admitted to trade in any organised market, national or foreign, and the General Shareholders’ Meeting has not resolved to redeem the non-voting shares.

11. The right to conversion must be exercised in writing within two (2) months after the Date of Reference.

• Increase the share capital by issuing 22,451,474 shares of euros 0.50 par value, plus a total share premium of euros 48,774,263. The total amount of said increase is euros 60 million.

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The shareholders waived their preferential subscription right, the said increase being fully subscribed and paid up by the new shareholder Morgan Stanley & Co., Inc.

- Reduce the share capital by amortizing 107,828,446 own shares (see note 9) of euros 0.50 par value. The total amount of the share capital reduction, including the par value amount of euros 53,914,223, amounted to euros 310,750,799 of which the amount of euros 231,081 thousand was reduced against share premium and the amount of euros 25,456 thousand against voluntary reserves.

(b) Share premium

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

(c) Legal reserve

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

(d) Non-distributable reserve

This reserve includes an amount of euros 3,020 resulting from the conversion and round off of the share capital into euros.

(e) Voluntary reserves

The voluntary reserves may be freely distributed except for an amount of euros 16,447,851 corresponding to the net book value at December 31, 2005, of the start-up expenses pending amortization by the Company (see note 5).

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(Free translation from the original in Spanish)

(13) Deferred Income

Details are as follows:

	Euros	
	2005	2004
Unrealised exchange rate gains	--	1,829,601
Tax credits deferred income (note 26)	1,189,685	1,386,475
Other (note 9)	--	870,446
	<u>1,189,685</u>	<u>4,086,522</u>

“Unrealised exchange rate gains” as at December 31, 2004 corresponded to the debt due to Scranton Enterprises B.V. (see note 20).

(14) Provisions for Risks and Charges

Details and movement of provisions for risks and charges at December 31, 2005 are as follows:

	Euros		
	Balances at 31/12/04	Disposals	Balances at 31/12/05
Provisions for risks and charges	537,754	(537,754)	0
	<u>537,754</u>	<u>(537,754)</u>	<u>0</u>

At December 31, 2004, “Provisions for risks and charges” mainly included an amount of euros 537,754 corresponding to the provision booked by the Company in order to redress the net equity balance of Grifols International, S.A., a company 100% owned by the Company as detailed in note 8 (a), whose stockholders' equity at December 31, 2004 was negative of euros 597,911.

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(Free translation from the original in Spanish)

(15) Bonds and Other Trading Securities

During fiscal year 2003, the company issued long term bearer promissory notes of euros 3,000 par value each for a maximum amount of euros 5,400,000. On December 31, 2004 existed subscribed promissory notes for an amount of euros 5,241,000 classified as short term because their maturity date was May 2, 2005. The said promissory notes were not listed on the stock exchange nor were they convertible into shares. Said promissory notes have been totally cancelled at their maturity date.

GRIFOLS, S.A

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(16) Long-term Bank Loans

Long-term bank loans are detailed as follows:

	Euros	
	2005	2004
Syndicated loan of Euros 225 millions limit, maturing on April 2, 2008 at an interest rate based on EURIBOR plus a spread of between 0.85% and 1.60%, according to certain covenants, acting as agent bank Banco Bilbao Vizcaya Argentaria, S.A.	--	211,500,000
Syndicated loan of Euros 225 millions limit, maturing on June 21, 2011 at an interest rate based on EURIBOR plus a spread of between 0.7% and 1.5%, according to certain covenants, acting as agent bank Banco Bilbao Vizcaya Argentaria, S.A.	192,500,000	--
Institut Català de Finances, maturing on November 29, 2016 at an interest rate of 4.054%	804,873	878,043
Mortgage of euros 902 thousand limit, maturing on May 16, 2012 and at an interest rate of 5.25% (note 7)	536,138	610,381
Other loans of Euros 1,801 thousand limit, maturing on June 25, 2005 and at interest rates 4.37% and 4.6%	--	400,000
Mortgage of euros 1,300 thousand limit, maturing on July 30, 2015 and at an interest rate of 3.55% (note 7)	1,083,044	1,174,925
Other loans of Euros 600 thousand limit, maturing on March 12, 2006 and at interest rates 3.12%	600,000	600,000
Capital lease creditors (note 6)	382,667	537,670
	<hr/>	<hr/>
	195,906,722	215,701,019
Less, short-term (note 17)	(16,314,267)	(27,639,251)
	<hr/>	<hr/>
	179,592,455	188,061,768

GRIFOLS, S.A
Notes to the Annual Accounts
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Details of maturities at December 31, 2005 and 2004 are as follows:

	Euros	
	2005	2004
Maturity within:		
Two years	31,449,294	104,682,494
Three years	31,317,425	54,404,417
Four years	31,201,774	27,304,703
Five years	31,208,800	264,177
Thereafter	54,415,162	1,405,977
	<u>179,592,455</u>	<u>188,061,768</u>

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

On December 31, 2005 the Company complies with all the financial ratios established in said agreement.

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Notes to the Annual Accounts

(Free translation from the original in Spanish)

(17) Short-Term Bank Loans

Short-term bank loans are as follows:

	Interest rate % mín - max	Euros			
		Drawn down		Limit	
		2005	2004	2005	2004
Credits in:					
Euros	2.54% - 3.81%	2,454,582	12,712,103	21,245,517	16,904,050
		2,454,582	12,712,103	21,245,517	16,904,050
Short-term interest on bank debt		1,351,013	1,521,694		
Capital lease creditors (note 6)		441,842	568,166		
Short-term maturity of long-term bank credits (note 16)		16,314,267	27,639,251		
		20,561,704	42,441,214		

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(18) Due to Group and Associated Companies

Details are as follows:

	Euros	
	2005	2004
Suppliers	35,602	39,560
Loans	9,512,516	7,796,495
Other short-term debts	5,391,674	3,912,389
Debts for tax effect:		
Income Tax (note 26)	492,105	691,901
Previous years	6,901	--
Advance payments	(86,984)	--
	<u>15,351,814</u>	<u>12,440,345</u>

Group company loans accrue annual interest between 3% and 5.25% (see note 23).

(19) Accounts Payable, Trade

Details are as follows:

	Euros	
	2005	2004
Suppliers	6,032,836	4,745,191
Notes payable to suppliers	4,071,039	533,561
	<u>10,103,875</u>	<u>5,278,752</u>

Nearly all of the outstanding balances are expressed in euros.

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Notes to the Annual Accounts

(Free translation from the original in Spanish)

(20) Other Payables, Non-Trade

Details are as follows:

	Euros	
	2005	2004
Public entities	9,940,831	3,215,207
Other debts	66,645	3,671,051
Accrued wages and salaries	1,638,825	399,032
	<u>11,646,301</u>	<u>7,285,290</u>

On December 31, 2004 the caption "Other debts" mainly included the short-term debt pending to be paid to Scranton Enterprises, B.V., shareholder of the Company, as a result of the acquisition of the remaining 33.33% of Grifols UK, Ltd. And Grifols Italia, S.p.A. share capital, with annual payments due each 30 of June until June 30, 2005. Said debt has been cancelled during the fiscal year ended December 31, 2005.

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

	Euros	
	2005	2004
Due to Tax Authorities for:		
VAT / General Canary Island Tax	--	323,081
Withholdings	296,734	289,766
Due to Social Security	202,489	203,405
Deferred Tax liability (note 26)	1,059,057	1,048,695
Due from Tax authorities in respect of		
Income Tax:		
Current year (note 26)	--	1,221,478
Previous years	1,215,789	--
Delayed payments on account	7,166,762	--
Other public entities	--	128,782
	<u>9,940,831</u>	<u>3,215,207</u>

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On December 31, 2005 are pending of payment the second and third prepayments of the fiscal year 2005 income tax. During February 2006 the second prepayment of the fiscal year 2005 income tax has been paid.

(21) Net Sales

As detailed in note 1, nearly all the income arises from operations with related companies (see note 23).

(22) Personnel Expenses

Details are as follows:

	Euros	
	2005	2004
Wages and salaries	11,978,980	10,645,731
Pension plan contributions	40,619	35,771
Social Security and other charges	2,530,918	2,711,686
	<u>14,550,517</u>	<u>13,393,188</u>

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

	Average number of employees	
	2005	2004
Management	18	17
Technicians and middle management	114	122
Administrative staff	60	62
Auxiliary staff	31	33
	<u>223</u>	<u>234</u>

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Notes to the Annual Accounts

(Free translation from the original in Spanish)

(23) Transactions with Group Companies

The main transactions with group companies are as follows:

	Euros	
	2005	2004
Income		
Net sales and services	27,320,783	27,201,122
Interest income	12,552,600	13,935,597
Dividends (note 8)	14,340,230	11,732,299
Expenses		
Other operating expenses	145,542	241,037
Interest expense	379,292	114,761

In addition to the above transactions, the Company has acquired, during year 2005, some tangible fixed assets from group companies for an amount of euros 2,707 (euros 24,441 at December 31, 2004).

(24) Extraordinary expenses and losses

At December 31, 2004 included principally the expenses that the Company incurred in the initial public offer that was postponed due to the situation of the stock market.

(25) Remunerations of Members of the Board of Directors

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

The overall remuneration of the members of the Board of Directors who have a working relationship with the Company amounts to euros 1,505,463 in 2005 (euros 1,592,973 at December 31, 2004).

At December 31, 2005 and 2004, no debtor or creditor balances are held with the members of the Board of Directors.

The directors of Grifols, S.A. do not hold any investments or posts as directors or conduct any activities in companies with a statutory activity which is identical, similar or complementary to that of the Company. The positions, functions and

GRIFOLS, S.A

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activities developed and/or performed by the members of the Board of Directors of Grifols S.A., in the group's companies and/or companies which social object is identical, similar or complementary to those developed by the company, are detailed in the attached Annex III which forms an integral part of this note to the annual accounts.

(26) Tax Situation

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

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

GRIFOLS, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

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

	Euros	
	2005	2004
Profit before taxes for the year	14,076,061	1,545,725
Permanent differences:		
From current year	(3,383,851)	(3,917,751)
Intragroup transactions	(7,498,412)	(7,505,019)
	(10,882,263)	(11,422,770)
Taxable accounting income	3,193,798	(9,877,045)
Timing differences		
From current year	19,151	870,468
Previous years	(518,077)	(416,839)
	(498,926)	453,629
Other adjustments to taxable profit	(167,855)	--
Tax profit / (loss)	2,527,017	(9,423,416)
Tax at 35%	884,456	(3,298,196)
Deductions and tax credits	(2,354,514)	(1,252,946)
Tax payable	(1,470,058)	(4,551,142)
Withholdings and prepayments	(9,845,760)	(78)
Recoverable income tax	(11,315,818)	(4,551,220)

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

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

	Euros	
	2005	2004
Income tax:		
Individual, recoverable	(11,315,818)	(4,551,220)
Group companies, credit (note 18)	(492,105)	(691,901)
Group companies, payable (note 11)	8,990,790	6,464,599
Consolidated corporate tax payable / (recoverable)	(2,817,133)	1,221,478
	(nota 10)	(nota 20)

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

	Euros	
	2005	2004
Accounting loss	3,193,798	(9,877,045)
Tax at 35%	1,117,829	(3,456,966)
Deductions and tax credits	(61,262)	(305,715)
Deductions	(217,936)	(572,827)
Prior year income tax	276,471	--
Expense / (benefit) for the year	1,115,102	(4,335,508)

GRIFOLS, S.A

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(Free translation from the original in Spanish)

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

	Euros			
	Timing difference		Tax effect	
	2005	2004	2005	2004
Deferred tax assets				
Amortization	360	10,626	126	3,719
Pension fund	345,417	472,417	120,896	165,346
Provisions for investments	3,097,931	3,397,840	1,084,276	1,189,244
Provisions for expenses pending qualification	--	200,000	--	70,000
Capitalised expenses	167,854	--	58,749	--
	3,611,562	4,080,883	1,264,047	1,428,309
			(note 10)	
Deferred tax liabilities				
Accelerated depreciation	--	(12,349)	--	(4,322)
Lease contracts	(2,877,174)	(2,983,923)	(1,007,011)	(1,044,373)
Buildings useful life increase	(148,703)	--	(52,046)	--
	(3,025,877)	(2,996,272)	(1,059,057)	(1,048,695)
			(note 20)	

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

Under current tax legislation, tax returns filed may not be considered definitive until approved by an inspection of the tax authorities or until their right to inspect has expired. The Company is open to inspection by the Tax Authorities for all the applicable taxes from fiscal year ended December 31, 2004. The management of the Company does not expect any significant liabilities to arise in the event of an inspection.

At February 8, 2005, an inspection by the Tax Authorities has been notified to the Company for all the applicable taxes for 2001 to 2003.(from 2000 to 2003 for

GRIFOLS, S.A

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(Free translation from the original in Spanish)

Income Taxes). On January 30, 2006, the Company accepted additional assessments raised by the tax authorities. The total tax, delay interest and sanctions amount to euros 294 thousand and the total amount that has impacted payments is euros 54 thousand.

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

Year of origin	Euros	Applicable until
2002	64,962	2017
2003	804,337	2018
2004	340,466	2019
2005 (estimated)	21,146	2020
	<hr/>	
	1,230,911	
	<hr/>	

As mentioned in note 4 (i), on December 31, 2005 the Company's Directors have recognized an amount of euros 1,231 thousand (see notes 8 and 10) corresponding to the tax credit on deductions pending to be applied, having been estimated its recovery in the future. Otherwise, the income related to this recognition has been deferred depending on the useful life of the assets which have generated said tax credits, mainly investments abroad.

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Details, of said recognition and of the amounts pending to be applied, as at December 31, 2005 and 2004 are as follows:

	Euros	
	2005	2004
Tax credit on deductions pending to be applied	3,966,701	4,356,738
Other movements	(463,684)	--
Deductions generated in fiscal year	21,146	376,038
Deductions applied in the year	(2,293,252)	(766,075)
Tax credit on deductions (notes 8 and 10)	1,230,911	3,966,701
Deferred income	1,386,475	1,574,315
Income generated in the year	21,146	376,038
Income recognized in the year	(217,936)	(572,827)
Other movements	--	8,949
Deferred income (note 13)	1,189,685	1,386,475

(27) Guarantees with Third Parties and Other Contingent Liabilities

(a) Guarantees

The company has provided bank guarantees to subsidiaries for a sum of euros 148,326 thousand.

Instituto Grifols, S.A., Laboratorios Grifols, S.A., Movaco, S.A., Diagnostic Grifols, S.A. Biomat, S.A., Grifols Biologicals, Inc and Biomat USA, Inc. have provided joint bank guarantees to the syndicated loan for a total amount of euros 225,000 thousand (euros 211,500 thousand at December 31, 2004).

(b) Employee commitments

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

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On May 25, 2001, in the Shareholders General Meeting it was agreed that the Board of Directors would distribute free of charge 1,740,892 shares among the group's employees (the members of the board and the executive managers being excluded) with a minimum seniority of a year from the date when the agreement was taken, and following a criteria based on the length of service. The Board of Directors will determine the moment of the assignment that will be always later than the date of admission on the stock market. The total number of employees will be 1,438 and the maximum number that any employee will receive is 5,850 shares, being the minimum 100 shares.

This commitment will materialize only if the Company goes public, and because of the contingent character of this commitment no financial cover has been reflected in the balance sheet.

(c) Swap contracts

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

At December 31, 2005, two swap contracts exist for a nominal amount of euros 10,000 thousand, and 50,000 thousand, maturing on April 26, 2006 and July 26, 2011, respectively. Fair value of said contracts is negative in approximately euros 38 thousand and euros 3,010 thousand respectively.

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(28) Environmental Information

The most significant systems, equipments and installations for the environment protection and improvement as at December 31, 2005 are as follows:

Project	Cost	Euros	
		Accumulated depreciation	Net value
Equalization pool	20,872	(2,808)	18,064
Waste points union	57,243	(15,667)	41,576
Wells' improvement	38,542	(14,453)	24,089
Water recovery	42,218	(40,125)	2,093
Chemical products warehouse building	20,033	(12,354)	7,679
Neutralization tank automation	6,053	(5,096)	957
Drainage adjustment	8,907	(8,907)	0
Suitability of external workers' area	19,495	(2,274)	17,221
HCl deposit for water area	16,201	(2,835)	13,366
NaOH deposit for water area	14,201	(2,485)	11,716
TOC measurement tool for waste waters	72,456	(16,597)	55,859
	316,221	(123,601)	192,620

The expenses incurred by the Company in the protection and improvement of the environment during the fiscal year ended December 31, 2005 have amounted to approximately euros 227 thousand.

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

The Company has received environmental grants during the fiscal year ended December 31, 2005 for an amount of euros 1,075.

GRIFOLS, S.A

Notes to the Annual Accounts

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(29) Other information

KPMG Auditores, S.L. and other companies, as stipulated in the fourteenth Additional Regulation of the Financial System Reform Act have invoiced the following fees and expenses to the Company for professional services during the year ended December 31, 2005:

	Euros
For annual audit services	55,440
For other audit services and audit related	40,000
	<u>95,440</u>

The amount for annual audit services shown in the table above includes the full amount of fees and expenses relating to the audit for the year 2005, irrespective of their invoicing date.

(30) Statement of Source and Application of Funds

The statement of source and application of funds corresponding to the years ended December 31, 2005 and 2004 are detailed in Annex IV, which forms an integral part of this note of the annual accounts.

**ANNEX I
GRIFOLS, S.A.**

**Details of related companies' stockholders' equity
December 31, 2005**

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

Name	Participation %		Share capital	Share premium	Reserves	Currency translation differences	Prior years' result	Result of the year	Interim dividend	Total
	Direct	Indirect								
Laboratorios Grifols,S.A.	99.998	0.002	4,798,324	--	7,183,643	--	--	20,980	--	12,002,947
Instituto Grifols,S.A.	99.998	0.002	1,537,989	--	21,451,713	--	--	8,612,662	--	31,602,364
Movaco,S.A.	99.999	0.001	2,404,601	--	6,501,047	--	--	5,384,396	--	14,290,044
Grifols Portugal Productos Farmacéuticos e Hospitalares.Lda.	0.015	99.985	652,203	--	22,047	20,379.00	(293,158)	17,841	--	419,312
Diagnostic Grifols,S.A.	99.998	0.002	336,560	--	7,400,142	--	--	5,655,760	--	13,392,462
Logister,S.A.	--	100.000	105,325	--	237,777	--	--	10,349	--	353,451
Grifols Chile,S.A.	99.000	1.000	385,453	--	(347,588)	687,108	1,033,999	869,106	--	2,628,078
Biomat,S.A.	99.900	0.100	60,110	--	3,631,333	--	--	1,441,684	--	5,133,127
Grifols Argentina,S.A.	100.000	--	955,675	--	6,074,406	(298,794)	(4,625,332)	244,131	--	2,350,086
Grifols s.r.o.	100.000	--	51,597	--	184,092	109,196	914,395	602,904	--	1,862,184
Grifols México,S.A. de C.V.	100.000	--	553,676	--	1,177,085	826,909	(261,522)	179,511	--	2,475,659
Grifols Viajes,S.A.	99.900	0.100	60,110	--	178,680	--	--	(34,469)	--	204,321
Grifols USA, Inc.	--	100.000	561,686	198,985	--	1,070,296	(3,870,281)	4,932,853	--	2,893,539
Grifols International,S.A.	99.900	0.100	2,860,154	--	1,017,080	--	(4,475,145)	898,120	--	300,209
Grifols Deutschland, GmbH	100.000	--	2,924,813	--	1,293,343	8,913	(2,379,030)	4,052,558	--	5,900,597
Grifols Italia,S.p.A.	100.000	--	308,662	2,829,415	3,847,178	17,111	--	1,126,640	--	8,129,006
Grifols UK,Ltd.	100.000	--	4,285	4,385,892	6,038,720	134,619	--	2,429,547	(3,090,390)	9,902,673
Grifols Brasil,Ltda.	100.000	--	764,095	--	(1,954,720)	(308,730)	2,111,157	(232,688)	--	379,114
Grifols France,S.A.R.L.	99.000	1.000	7,700	--	770	2	533,001	367,722	--	909,195
Grifols Engineering, S.A.	99.950	0.050	60,120	--	1,324,445	--	--	227,286	--	1,611,851
Biomat USA, Inc.	--	100.000	--	68,932,851	593,303	(9,596,216)	(17,843,042)	(1,297,883)	--	40,789,013
Squadron Reinsurance Ltd.	99.999	0.001	1,000,000	--	--	(2)	1,891,663	2,222,627	--	5,114,288
Grifols, Inc. (formerly Probitas Pharma, Inc.)	100.000	--	33,372,773	1,213,145	--	428,578	(10,484,796)	1,716,879	--	26,246,579
Grifols Asia Pacific Pte. Ltd.	100.000	--	362,387	883,464	--	82,787	641,610	670,099	--	2,640,347
Alpha Therapeutic Europe, Ltd.	100.000	--	9,277,682	--	--	204,882	(5,004,859)	674,541	--	5,152,246
Grifols Biologicals, Inc.	--	100.000	33,372,773	--	8,143,927	1,478,676	--	7,102,350	--	50,097,726
Grifols (Thailand), Ltd.	--	48.000	61,198	234,646	--	(80,633)	(129,019)	5,870	--	92,062
Alpha Therapeutic UK, Ltd.	--	100.000	1	--	--	(12,850)	351,721	724,166	--	1,063,038
Alpha Therapeutic Italia, S.p.A	100.000	--	100,000	--	720,358	(47,522)	--	1,111,271	--	1,884,107
Grifols Polska, Sp.z.o.o.	100.000	--	10,714	--	--	12,760	25,667	137,918	--	187,059
Grifols Malaysia Sdn Bhd	30.000	--	30,283	--	--	7,817	41,713	25,127	--	104,940

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

ANNEX I
GRIFOLS, S.A.

Details of related companies' stockholders' equity
December 31, 2004
(Stated in euros)
(Free translation from the original in Spanish)

Name	Participation %		Share capital	Share premium	Reserves	Currency translation differences	Result of the year	Interim dividend	Total
	Direct	Indirect							
Laboratorios Grifols,S.A.	99.998	0.002	4,798,324	--	5,480,688	--	1,702,955	--	11,981,967
Instituto Grifols,S.A.	99.998	0.002	1,537,989	--	24,138,227	--	(2,686,514)	--	22,989,702
Movaco,S.A.	99.999	0.001	2,404,601	--	3,616,699	--	6,384,347	--	12,405,647
Grifols Portugal Productos Farmacéuticos e Hospitalares.Lda.	0.015	99.985	652,203	--	13,172	20,379	(284,283)	--	401,471
Diagnostic Grifols,S.A.	99.998	0.002	336,560	--	4,783,488	--	5,116,655	--	10,236,703
Logister,S.A.	--	100.000	105,325	--	226,344	--	11,434	--	343,103
Grifols Chile,S.A.	99.000	1.000	385,453	--	(42,348)	234,986	728,759	--	1,306,850
Biomat,S.A.	99.900	0.100	60,110	--	3,177,641	--	1,953,692	--	5,191,443
Grifols Argentina,S.A.	100.000	--	955,675	--	354,037	226,258	312,610	--	1,848,580
Grifols s.r.o.	100.000	--	51,597	--	685,242	32,055	413,244	--	1,182,138
Grifols México,S.A. de C.V.	100.000	--	553,676	--	907,898	399,028	7,665	--	1,868,267
Grifols Viajes,S.A.	99.900	0.100	60,110	--	181,020	--	(2,340)	--	238,790
Grifols USA, Inc.	--	100.000	561,686	198,985.00	(3,787,118)	1,067,825	(83,163)	--	(2,041,785)
Grifols International,S.A.	99.900	0.100	2,860,154	--	(2,692,779)	--	(765,285)	--	(597,910)
Grifols Deutschland, GmbH	100.000	--	2,924,813	--	1,487,780	8,913	(2,573,467)	--	1,848,039
Grifols Italia,S.p.A.	100.000	--	308,662	2,829,415	3,671,428	17,111	1,275,750	--	8,102,366
Grifols UK,Ltd.	100.000	--	4,285	4,385,892	6,076,665	(244,287)	2,556,534	(550,000)	12,229,089
Grifols Brasil,Ltda.	100.000	--	764,095	--	215,058	(479,640)	(58,620)	--	440,893
Grifols France,S.A.R.L.	99.000	1.000	7,700	--	465,413	--	68,358	--	541,471
Grifols Engineering, S.A.	99.950	0.050	60,120	--	652,281	--	672,164	--	1,384,565
Biomat USA, Inc.	--	100.000	--	54,608,570	(14,918,669)	(14,117,154)	(2,331,070)	--	23,241,677
Squadron Reinsurance Ltd.	99.999	0.001	1,000,000	--	492,167	(1)	1,399,496	--	2,891,662
Probitas Pharma, Inc.	100.000	--	10,601,643	--	(2,784,499)	(691,472)	(7,700,297)	--	(574,625)
Grifols Asia Pacific Pte. Ltd.	100.000	--	362,387	883,464	103,478	(179,189)	538,132	--	1,708,272
Alpha Therapeutic Europe, Ltd.	100.000	--	9,277,682	--	(2,821,876)	79,680	(2,182,982)	--	4,352,504
Grifols Biologicals, Inc.	--	100.000	10,601,643	--	12,161,020	(4,353,837)	3,988,194	--	22,397,020
Grifols (Thailand), Ltd.	--	48.000	61,198	234,646	(46,687)	(87,376)	(82,333)	--	79,448
Alpha Therapeutic UK, Ltd.	--	100.000	1	--	(122,273)	(21,127)	473,994	--	330,595
Alpha Therapeutic Italia, S.p.A	100.000	--	100,000	--	644,989	(47,522)	675,369	--	1,372,836
Grifols Polska, Sp.z.o.o.	100.000	--	10,714	--	--	6,956	25,667	--	43,337

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

ANNEX II
GRIFOLS, S.A.

Movement in Stockholders' equity for the years ended
December 31, 2005 and 2004

(Stated in euros)

(Free translation from the original in Spanish)

	Share capital	Share premium	Legal reserve	Non-distributable reserve	Voluntary reserve	Result for the year	Total
Balances at 31 December 2003	105,840,720	45,118,683	3,968,728	873,466	28,322,458	15,299,921	199,423,976
Distribution 2003 result							
Reserves	--	--	1,529,992	--	10,554,894	(12,084,886)	0
Dividends	--	--	--	--	--	(3,215,035)	(3,215,035)
Profit for the year	--	--	--	--	--	5,881,233	5,881,233
Balances at 31 December 2004	105,840,720	45,118,683	5,498,720	873,466	38,877,352	5,881,233	202,090,174
Distribution 2004 result							
Reserves	--	--	588,123	--	2,452,688	(3,040,811)	0
Dividends	--	--	--	--	--	(2,840,422)	(2,840,422)
Increase of share capital with monetary contribution	11,355,737	308,644,263	--	--	--	--	320,000,000
Increase of share capital against the share premium reserve	7,016,915	(7,016,915)	--	--	--	--	0
Capital reduction	(53,914,223)	(231,080,921)	--	--	(25,755,655)	--	(310,750,799)
Elimination of treasury stock reserve	--	--	--	(870,446)	870,446	--	0
Profit for the year	--	--	--	--	--	12,960,959	12,960,959
Balances at 31 December 2005	70,299,149	115,665,110	6,086,843	3,020	16,444,831	12,960,959	221,459,912

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

**ANEXO III
GRIFOLS, S.A.**

**Members of the Board of Directors with functions in companies with identical, similar or complementary statutory activities
December 31, 2005**

(Free translation from the original in Spanish)

Member	Company	Function
Bolin, J.	Instituto Grifols, S.A.	Member of the Board
Dagà Gelabert, T.	Grifols, Inc.	Member of the Board
Dagà Gelabert, T.	Biomat USA, Inc.	Member of the Board
Doster, T. E.	Instituto Grifols, S.A.	Member of the Board
Grifols Gras, J.A.	Instituto Grifols, S.A.	Member of the Board
Grifols Roura, V.	Biomat. S.A.	Director
Grifols Roura, V.	Diagnostic Grifols, S.A.	Director
Grifols Roura, V.	Grifols Engineering, S.A.	Director
Grifols Roura, V.	Grifols International, S.A.	Director
Grifols Roura, V.	Grifols Viajes, S.A.	Director
Grifols Roura, V.	Instituto Grifols, S.A.	Chairman / Director / Chief Executive Officer
Grifols Roura, V.	Laboratorios Grifols, S.A.	Director
Grifols Roura, V.	Logister, S.A.	Director
Grifols Roura, V.	Movaco, S.A.	Director
Grifols Roura, V.	Grifols Deutschland, GmbH	Director
Grifols Roura, V.	Grifols, Inc.	Member of the Board
Grifols Roura, V.	Biomat USA, Inc.	Member of the Board
Grifols Roura, V.	Grifols, s.r.o.	Director
Grifols Roura, V.	Grifols UK, Ltd.	Director
Grifols Roura, V.	Alpha Therapeutic UK, Ltd.	Director
Grifols Roura, V.	Alpha Therapeutic Europe, Ltd.	Director
Grifols Roura, V.	Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	Director
Grifols Roura, V.	Grifols France S.A.R.L.	Director
Grifols Roura, V.	Grifols Chile, S.A.	Director
Grifols Roura, V.	Grifols Italia S.p.A.	Chairman
Land, A.	Instituto Grifols, S.A.	Member of the Board
Plost, B.	Instituto Grifols, S.A.	Member of the Board
Purslow, C.M.C.	Instituto Grifols, S.A.	Member of the Board
Riera Roca, R.	Grifols International, S.A.	Director
Riera Roca, R.	Instituto Grifols, S.A.	Member of the Board
Riera Roca, R.	Grifols, Inc.	Member of the Board
Riera Roca, R.	Biomat USA, Inc.	Member of the Board
Riera Roca, R.	Grifols Argentina, S.A.	Chairman
Riera Roca, R.	Grifols Polska Sp.z.o.o.	Chairman
Riera Roca, R.	Grifols France S.A.R.L.	Director
Riera Roca, R.	Grifols Chile, S.A.	Director
Riera Roca, R.	Alpha Therapeutic Italia, S.p.A.	Chairman
Twose Roura, J.I.	Grifols Engineering, S.A.	Director
Twose Roura, J.I.	Instituto Grifols, S.A.	Member of the Board
Twose Roura, J.I.	Grifols, Inc.	Member of the Board
Twose Roura, J.I.	Biomat USA, Inc.	Member of the Board

This annex forms an integral part of note 25 to the accompanying annual accounts.

ANNEX III
GRIFOLS, S.A.

Statement of source and application of funds for the years ended
December 31, 2005 and 2004
(Stated in euros)
(Free translation from the original in Spanish)

Applications	2005	2004	Sources	2005	2004
Funds applied to operations			Funds generated from operations		
Start-up expenses and loan formalisation expenses	18,484,661	--	Profit for the year	12,960,959	5,881,233
Acquisition of assets :			Depreciation of fixed assets	5,919,553	4,726,231
Intangible assets	984,808	2,512,620	Provisions for investments	3,377,499	1,093,445
Tangible fixed assets	511,634	424,275	Excess in provision for investments	(2,009,954)	--
Investments	23,181,478	17,843,976	Provisions for risks and charges	--	670,468
Dividends	2,840,422	3,215,035	Surplus of provisions for risks and charges	(537,754)	(336,549)
Acquisition of treasury stock	323,145,527	--	Formalisation expenses of bank loans	769,171	549,402
Cancelation or transfer of long term debt to short term	224,651,491	38,631,943	Amortisation of deferred expenses	30,494	101,015
			Profit / (loss) from disposals of fixed assets and treasury stock	(7,387,255)	58,637
			Adjustments for foreign exchange losses	--	1,417,516
			Other deferred income transferred to result	(217,936)	(196,789)
			Total funds generated from operations	12,904,777	13,964,609
			Capital increase with monetary contribution	320,000,000	--
			Long-term debts	214,830,341	909,379
			Other deferred income	21,146	8,949
			Disposal of assets :		
			Tangible fixed assets	--	4,999
			Investments	22,771,130	--
			Disposal of treasury stock	19,996,821	--
			Cancelation or transfer to short-term of investments	15,283,274	8,304,938
			Total sources	605,807,489	23,192,874
Total applications	593,800,021	62,627,849	Decrease in working capital	--	39,434,975
Increase in working capital	12,007,468	--		605,807,489	62,627,849
	605,807,489	62,627,849			

ANNEX III
GRIFOLS, S.A.

Statement of source and application of funds for the years ended
December 31, 2005 and 2004

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

The variations in the working capital are the following :

	Increase (Decrease)	
	2005	2004
Inventories	18,994	96,331
Debtors	(2,553,078)	(497,438)
Short-term investments	(201,718)	(11,937,870)
Cash and banks	(1,577,833)	671,197
Deferred expenses	(531,405)	438,644
Promissory notes	5,241,000	(5,241,000)
Bank loans	21,753,186	(18,851,701)
Capital lease creditors	126,324	73,734
Due to group and associated companies	(2,911,469)	(3,275,243)
Account payable, trade	(4,825,123)	(83,026)
Other payable, non trade	(4,361,011)	(420,933)
Foreign exchange gains	1,829,601	(407,670)
Variation of working capital	12,007,468	(39,434,975)

This annex forms an integral part of note 30 to the accompanying annual accounts.

DIRECTORS' REPORT

GRIFOLS, S.A.

To the Shareholders:

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

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

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

The group could have its future results affected because of the course of events related to its own activity, such as the raw material supply for manufacturing products, new competitive products in the market or changes in the market regulations.

The group, with the effective date of these Annual Accounts, has adopted measures aimed to palliate the possible effects derived from the said events.

The transactions with the treasury stock during 2005 are described in note 9 of the accompanying annual accounts.

The company is not performing any activity related to research and development.

GRIFOLS, S.A.

In accordance with the provisions of article 171, section 1, of the Spanish Limited Company Act currently in force, the Directors of Grifols, S.A. have prepared the annual accounts and Directors' Report of Grifols, S.A. corresponding to the year 2005, all of which are drawn up and identified on sheets of paper bearing the official state seal, 8th class, numbered from OI0378741 to OI0378804.

Parets del Vallés, 15 February 2006

Signed:

V. Grifols R., R. Riera R., T. Daga G., B. Plost, J.I. Twose R., C.M.C. Purslow, Thortol Holdings B.V. (J.A. Grifols G.), Dalzell Janotta, T. E. Doster, J. Bolin, A. Land, R. Grifols R.