

PROBITAS PHARMA, S.A.

Annual Accounts and Directors' Report

31 December 2004

(With Auditors' Report thereon)

(Free translation from the original in Spanish)



KPMG Auditores S.L.
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Auditors' Report on the Annual Accounts

(Free translation from the original in Spanish)

To the Shareholders of
Probitas Pharma, S.A.

1. We have audited the annual accounts of Probitas Pharma, S.A. (the Company) which comprise the balance sheet at 31 December 2004, 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.
2. 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 2004. On 2 April 2004 we issued our unqualified audit report on the annual accounts for 2003.
3. As indicated in note 16 to the accompanying annual accounts for 2004, at 31 December 2004 the Company has included under long-term borrowings an amount of Euros 184,500 thousand from a syndicated loan originally amounting to Euros 225,000 thousand, which was extended in April 2003, matures in April 2008, and is subject to certain financial ratios, two of which have not been fulfilled at 31 December 2004. The Company has decided not to request authorisation from the creditors of this syndicated loan for non-compliance with these financial ratios. However, as explained in the subsequent events in note 32(c) to the accompanying annual accounts, it has negotiated a mandate letter for financing with four financial institutions. Consequently, these institutions, as lead managers and underwriters, have committed to underwrite long-term syndicated financing of Euros 200,000 thousand in favour of Probitas Pharma, S.A., which can be extended to Euros 225,000 thousand and matures in six years. The main purpose of this is to refinance the outstanding balance of the previous syndicated loan. The Euros 184,500 thousand of the syndicated loan registered under long-term borrowings should therefore be reclassified to short-term borrowings in the accompanying balance sheet at 31 December 2004.

4. In our opinion, except for the matter described in the third paragraph, these annual accounts present fairly, in all material respects, the shareholders' equity and financial position of Probitas Pharma, S.A. at 31 December 2004, 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.
5. The accompanying directors' report for 2004 contains such explanations as the directors consider relevant to the situation of Probitas Pharma, S.A., the evolution of its business and other matters, but is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2004. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the Company's accounting records.

KPMG AUDITORES, S.L.

Fernando Serrate Urrea (signed)

5 May 2005

PROBITAS PHARMA, S.A.

Balance Sheet December 31, 2004 and 2003 (Stated in euros)

Assets	2004	2003
Fixed assets		
Start-up expenses (note 5)	218.147	984.046
Intangible assets (note 6)	6.100.258	8.112.189
Tangible fixed assets (note 7)	22.750.905	21.826.047
Long-term investments (note 8)	103.476.541	97.830.993
Treasury stock (note 9)	870.446	870.446
Total fixed assets	133.416.297	129.623.721
Deferred expenses (note 4 (f))	648.983	1.591.058
Current assets		
Inventories	509.563	413.232
Debtors (note 10)	11.663.231	12.160.669
Short-term investments (note 11)	317.175.413	329.113.282
Cash and banks	1.947.532	1.276.335
Prepaid expenses	2.101.800	1.663.156
Total current assets	333.397.539	344.626.674
Total assets	467.462.819	475.841.453

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

PROBITAS PHARMA, S.A.

Balance Sheet December 31, 2004 and 2003 (Stated in euros)

Liabilities	2004	2003
Stockholders' equity (note 12)		
Share capital	105.840.720	105.840.720
Share premium	45.118.683	45.118.683
Reserves	45.249.538	33.164.652
Net profit for the year	5.881.233	15.299.921
Total stockholders' equity	202.090.174	199.423.976
Deferred income (note 13)	4.086.522	3.866.692
Provisions for risks and charges (note 14)	537.754	3.003.879
Long-term liabilities		
Promissory notes (note 15)	--	5.319.000
Bank loans (note 16)	188.061.768	215.380.647
Other creditors (note 17)	--	3.958.828
Total long-term debts	188.061.768	224.658.475
Current liabilities		
Promissory notes (note 15)	5.241.000	--
Bank loans (note 18)	42.441.214	23.663.247
Due to related companies (note 19)	12.440.345	9.165.102
Accounts payable, trade (note 20)	5.278.752	5.195.725
Other payables, non trade (note 21)	7.285.290	6.864.357
Total current liabilities	72.686.601	44.888.431
Total liabilities	467.462.819	475.841.453

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

PROBITAS PHARMA, S.A.

Profit and Loss Accounts for the years ended December 31, 2004 and 2003 (Stated in euros)

Expenses	2004	2003
Operating expenses		
Cost of material consumed and other external expenses	229.824	128.082
Personnel expenses (note 23)	13.393.188	13.096.795
Depreciation and amortisation of fixed assets (notes 5, 6 and 7)	4.726.230	4.432.469
Other operating expenses	17.075.535	13.761.009
Total operating expenses	35.424.777	31.418.355
Financial expenses		
Financial and similar expenses	10.328.056	7.817.748
Foreign exchange losses	550.869	97.802
Total financial expenses	10.878.925	7.915.550
Financial income	15.154.996	22.717.662
Profit on ordinary activities	7.280.404	14.873.720
Extraordinary losses and expenses		
Variation in fixed assets provision and investment portfolio (notes 8 and 14)	1.427.364	2.142.812
Losses on disposals of fixed assets and investment portfolio	59.053	8.237
Extraordinary expenses and losses (note 25)	4.294.681	2.592
Total extraordinary expenses and losses	5.781.098	2.153.641
Profit for the year before tax	1.545.725	12.749.402
Income tax (note 27)	(4.335.508)	(2.550.519)
Profit for the year	5.881.233	15.299.921

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

PROBITAS PHARMA, S.A.

Profit and Loss Accounts for the years ended December 31, 2004 and 2003 (Stated in euros)

Income	2004	2003
Operating income		
Net sales (notes 22 and 24)	27.213.168	23.128.350
Work carried out by the company on fixed assets	309.213	327.299
Other operating income	27.804	118.764
Total operating income	<u>27.550.185</u>	<u>23.574.413</u>
Operating losses	<u>7.874.592</u>	<u>7.843.942</u>
Financial income		
Dividends (notes 8 and 24)	11.732.299	16.815.311
Other interest and similar income (note 24)	13.944.607	12.696.337
Foreign exchange gains	357.015	1.121.564
Total financial income	<u>26.033.921</u>	<u>30.633.212</u>
Extraordinary profit and income		
Profits on disposals of fixed assets and investment portfolio	417	23.685
Extraordinary income	46.002	5.638
Total extraordinary income	<u>46.419</u>	<u>29.323</u>
Extraordinary losses	<u>5.734.679</u>	<u>2.124.318</u>

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

PROBITAS PHARMA, S.A.

December 31, 2004 and 2003

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(1) Nature and Principal Activities

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

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

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

The Company 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 years 2003 and 2004, as well as the proposal for the distribution of results for fiscal year 2004.

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, 2004, 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 2003 were approved at the shareholders' meeting held on May 11, 2004.

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

In accordance with Royal Decree 1815 dated 20 December 1991, the Company prepares consolidated annual accounts for its group of companies. On 4 May 2005 the consolidated annual accounts for the Grifols Group at 31 December 2004 have been prepared, showing net profit of Euros 19.406 thousand and shareholders' equity of Euros 252.280 thousand.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(3) Distribution of Results

The proposal for the distribution of results corresponding to the fiscal year ended December 31, 2004, prepared by the Directors and pending approval by the Shareholders' Meetings, details being:

	Euros
Legal reserves	588.123
Voluntary reserves	2.452.688
Dividends	2.840.422
	<hr/> 5.881.233 <hr/>

The distributions of results, corresponding to the year ended December 31, 2003 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.

(b) Intangible assets

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

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

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

The total lease 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, updated until 1983, as stated by law in force at that moment, less related accumulated depreciation.

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

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

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

(d) Investments

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

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

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

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

The deposits and guarantees are valued at the disbursed amount.

(e) Treasury Stock

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

(f) Deferred charges

The deferred charges basically include the following concepts:

- The deferred financial expenses related to capital lease operations which are expensed using the interest method over the term of the lease.
- The expenses for deferred interest relating to promissory notes issued by Probitas Pharma, S.A. are amortised following the straight-line method over the term of the notes. The effect of not having recorded the expenses, based on an interest method, is not material to the accompanying annual accounts.
- The formalisation expenses relating to bank loans are charged to results over the maturity period of said bank loans.
- The implicit interest related to debts deferred for more than one year is charged to results over the maturity period of said debts, 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 24).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(i) Income taxes

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

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

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

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

(j) Transactions and balances in currency different from euro

Transactions in currency different from euro are converted into euros using the rates of exchange in effect at the time of the transaction. The gains or losses arising from the payments or receipts of balances in 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.

PROBITAS PHARMA, S.A

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(Free translation from the original in Spanish)

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.

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 23).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(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 unlisted financial futures and options are recognised when the operations are settled or repaid, on the following basis:

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(5) Start-up Expenses

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

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

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

	Euros			Balances at 31/12/04
	Balances at 31/12/03	Amortizations		
Capital increase expenses	984.046	(765.899)		218.147
	984.046	(765.899)		218.147

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(6) Intangible Assets

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

	Euros				
	Balances at 31/12/02	Additions	Transfers	Disposals	Balances at 31/12/03
Cost:					
Concessions, patents, licenses trademarks and others	1.760.401	239.965	--	(27.868)	1.972.498
Software	4.495.072	981.593	--	--	5.476.665
Rights over leased assets	5.018.419	724.891	(262.342)	--	5.480.968
	11.273.892	1.946.449	(262.342)	(27.868)	12.930.131
Accumulated amortization:					
Concessions, patents, licenses trademarks and others	(541.418)	(126.322)	--	20.163	(647.577)
Software	(2.359.821)	(946.286)	--	--	(3.306.107)
Rights over leased assets	(724.289)	(289.234)	149.265	--	(864.258)
	(3.625.528)	(1.361.842)	149.265	20.163	(4.817.942)
Net value	7.648.364	584.607	(113.077)	(7.705)	8.112.189

(note 7)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details and movement in intangible assets during the year ended December 31, 2004 is 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)

Software additions as at December 31, 2004 correspond to different software licenses acquired or developed by the Company.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

The Company uses certain assets through lease contracts. At December 31, 2004 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	2002	36	323.830	9.209	8.781
Furniture	2002	36	63.772	1.801	1.835
Computer equipment	2002	36	166.779	4.756	3.542
Machinery and installations	2003	36	383.235	11.238	1
Weight and control machinery	2003	36	37.700	1.100	1.100
Furniture	2003	36	32.755	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
Total cost			2.216.683		
Less, accumulated amortization			(976.135)		
			1.240.548		

(*) Variable depending on interest rate

The summary of the liabilities resulting from these operations at December 31, 2004 and 2003 is as follows:

	Euros	
	2004	2003
Total amount of operations	7.932.483	7.602.893
Payments made in previous years	(6.143.453)	(5.294.394)
Payments made during the year	(683.194)	(849.059)
Capital lease creditors	1.105.836	1.459.440

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Capital lease creditors are divided as follows:

	Euros			
	2004		2003	
	Short-term	Long-term	Short-term	Long-term
Capital	537.968	515.031	601.622	776.545
Interest	30.198	22.639	40.278	40.995
	568.166	537.670	641.900	817.540
	(note 18)	(note 16)	(note 18)	(note 16)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(7) Tangible Fixed Assets

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

	Euros				
	Balances at 31/12/02	Additions	Transfers	Disposals	
Cost:					
Land and buildings	7.643.410	1.158.603	4.286.288	--	13.088.301
Technical installations and machinery	1.854.386	993	--	--	1.855.379
Other installations, furniture and fittings	18.228.577	92.524	2.599.172	--	20.920.273
Other assets	2.139.146	268.475	176.196	(205.447)	2.378.370
Fixed assets under construction	6.046.241	1.700.922	(6.799.314)	--	947.849
	<u>35.911.760</u>	<u>3.221.517</u>	<u>262.342</u>	<u>(205.447)</u>	<u>39.190.172</u>
Accumulated depreciation:					
Buildings	(2.437.044)	(244.313)	--	--	(2.681.357)
Technical installations and machinery	(792.495)	(149.087)	--	--	(941.582)
Other installations, furniture and fittings	(10.393.779)	(1.494.951)	(25.592)	--	(11.914.322)
Other assets	(1.626.490)	(245.241)	(123.673)	168.540	(1.826.864)
	<u>(15.249.808)</u>	<u>(2.133.592)</u>	<u>(149.265)</u>	<u>168.540</u>	<u>(17.364.125)</u>
Net value	<u>20.661.952</u>	<u>1.087.925</u>	<u>113.077</u>	<u>(36.907)</u>	<u>21.826.047</u>

(note 6)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

Details and movement of this caption of the balance sheet at December 31, 2004 is 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)

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 2004 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.

The cost of the assets fully depreciated at December 31, 2004 amounts to euros 6.840.886 (6.417.725 euros at December 31, 2003).

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At December 31, 2004, mortgaged land and buildings exist as a guarantee for certain loans with an outstanding balance of euros 1.785.306 (euros 1.946.190 at December 31, 2003) (see note 16).

Fixed assets under construction as at December 31, 2004 and 2003, 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, 2003 is as follows:

	Euros			
	Balances at			Balances at
	31/12/02	Additions	Disposals	31/12/03
Investments in related companies	53.636.300	17.586.487	--	71.222.787
Other long-term investments	99.238	--	--	99.238
Long-term deposits and guarantees	141.498	13.011	(5.664)	148.845
Tax credit on deductions (see note 27)	2.793.615	964.330	--	3.757.945
Loans to related companies	--	28.628.771	--	28.628.771
	56.670.651	47.192.599	(5.664)	103.857.586
Less, provision for financial investments	(5.990.018)	(36.575)	--	(6.026.593)
	50.680.633	47.156.024	(5.664)	97.830.993

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

	Euros				
	Balances at				Balances at
	31/12/03	Additions	Transfers	Disposals	31/12/04
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 27)	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

(note 14)

(a) Investments in related companies

On February 20, 2004, the Company has subscribed the capital increase carried out by Grifols International, S.A. through the investment of euros 2.800.044.

On 13 May 2004 Alpha Therapeutic Europe, Ltd transferred ownership of 99,000 shares of Euros 1 par value each in Alpha Therapeutic Italia S.p.A. to the Company for Euros 635.934.

On 4 July 2004 Grifols America, Inc. and Grifols USA, Inc., companies which are fully owned by the Company, and Grifols-Quest, Inc., which is indirectly fully owned by the Company, merged through a takeover by Grifols USA, Inc. As a result of the share exchange performed during this merger, the Company's interest in Grifols USA, Inc. is 81% directly.

Subsequently, on 15 July 2004 and in order to consolidate the restructuring of the group companies in the United States started in 2003, this investment has been sold for its net book value to the parent company of the Grifols Group in the United States, Probitas Pharma, Inc.

PROBITAS PHARMA, S.A

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(Free translation from the original in Spanish)

The detail of this section is as follows:

	Euros	
	Cost	
	2004	2003
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 America,Inc.	--	30.860
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 USA, Inc.	--	356.007
Grifols International, S.A.	2.860.085	60.041
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	764.094
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
Probitas Pharma, Inc.	10.369.126	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	--
Alpha Therapeutic Italia S.p.A.	635.934	--
	<u>74.282.613</u>	<u>71.222.787</u>

PROBITAS PHARMA, S.A

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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 reactivities, 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 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, therapeutic and dietetic products as well as the manufacture and distribution of other pharmaceutical specialities.

– **Grifols s.r.o.**

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

– **Grifols México, S.A. de C.V.**

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

– **Grifols Viajes, S. A.**

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

– **Grifols 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,

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chemical products for laboratory and hospital use, as well as supplies, devices and instruments for medical-surgical use or use in laboratories and warehouses.

– **Grifols Italia S.p.A.**

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

– **Grifols UK, Ltd.**

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

– **Grifols Deutschland GmbH**

Its registered office is situated in Siemestrass 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.

– **Probitas Pharma, Inc.**

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

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

On December 31, 2004, 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. This is the surviving company of the merger that has taken place during 2004 between Grifols USA, Inc., Grifols America, Inc. and Grifols-Quest, Inc..

– **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.

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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 have been 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, 2004 and 2003 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	
	2004	2003
Instituto Grifols,S.A.	1.499.971	7.999.844
Movaco,S.A.	3.499.956	2.499.969
Diagnòstic Grifols,S.A.	1.136.268	--
Biomat,S.A.	1.368.825	1.498.500
Grifols,s.r.o.	--	300.000
Grifols Italia,S.p.A.	1.500.000	2.500.000
Grifols UK,Ltd.	2.727.279	1.016.998
Grifols Deutschland,GmbH	--	1.000.000
	<u>11.732.299</u>	<u>16.815.311</u>

(note 24)

(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 2000 to 2004 which the Company estimates their maturity to be in more than one year (see note 4(i) and 27).

(c) Loans to related companies

Loans to related companies includes as at December 31, 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 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 includes 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, 2004 and 2003 are as follows:

	Euros	
	2004	2003
Grifols América, Inc.	--	30.860
Grifols Argentina, S.A.	5.114.205	5.313.802
Grifols USA, Inc.	--	356.006
Grifols International, S.A.	2.860.085	60.041
Grifols UK, Ltd.	130.566	--
Grifols Deutschland, GmbH	1.103.306	--
Grifols Brasil, Ltda.	325.013	265.836
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	41	48
	<u>9.533.216</u>	<u>6.026.593</u>

(9) Treasury Stock

As at December 31, 2004 this caption comprises 1.740.892 shares of euros 0,50 par value each. These shares were issued by the Company in the share capital increase carried out on May 25, 2001 as a result of the waiving of the preferential subscription right by the Company's shareholders, in order for the shares to be distributed to the employees of the group companies, based on certain conditions and terms previously established in the corresponding distribution criteria.

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(10) Debtors

Details of debtors at 31 December are as follows:

	Euros	
	2004	2003
Trade debtors for sales and services rendered	204.619	378.961
Trade debtors, related companies	7.708.166	5.546.636
Sundry debtors	67.772	138.492
Personnel	12.118	25.804
Public entities	3.872.726	6.272.946
	11.865.401	12.362.839
Less, provisions for bad debts	(202.170)	(202.170)
	11.663.231	12.160.669

The balances with "Public entities" are as follows:

	Euros	
	2004	2003
Due from Tax authorities in respect of:		
Grants	--	118.764
Due from Social Security	5.012	27.608
Deferred tax asset (note 27)	1.428.309	1.289.305
Due from Tax authorities in respect of Income Tax:		
Current year	--	1.352.333
Previous years	23.371	1.220.984
Tax credits on deductions (note 27)	2.416.034	598.793
Tax credits for losses carried forward	--	1.492.950
Tax credit for double international taxation	--	172.209
	3.872.726	6.272.946

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(11) Short-Term Investments

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

	Euros			
	Balances at 31/12/02	Additions	Disposals	Balances at 31/12/03
Short-term investments	222.336.295	223.360.424	(116.583.437)	329.113.282

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

	Euros			
	Balances at 31/12/03	Additions	Disposals	Balances at 31/12/04
Short-term credit with related companies due to tax effect:				
Corporate tax for the current year (note 27)	4.485.273	6.464.599	(4.485.273)	6.464.599
Advanced payments	(805.477)	--	805.477	0
Loans to related companies	325.433.486	60.093.480	(74.816.153)	310.710.813
	329.113.282	66.558.079	(78.495.949)	317.175.412

Loans to related companies includes at December 31, 2004 an amount of euros 285.174 thousand (euros 267.460 thousand at December 31, 2003) 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, 2004 and 2003 the share capital of the Company is represented by 211.681.440 registered shares of euros 0,50 par value each.

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

	Percentage of ownership	
	2004	2003
Gabriella Holding, N.V.	10,07	10,07
Gabriella Luxembourg (non Erisa) Sarl	27,27	27,27
Scranton Enterprises, B.V.	10,91	10,91
Capital Riesgo Global, S.C.R., S.A.	11,62	11,62
Others	40,13	40,13
	100	100

– Increase of share capital charged to share premium

On May 21, 2003 the Company, using the authorization granted at the shareholders' meeting, proceeded to increase the share capital against the share premium reserve by an amount of euros 84.672.576, through the increase of the par value of each share from euros 0,10 to euros 0,50.

(b) Share premium

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

(c) Legal reserve

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

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may also be used to increase the share capital by the portion of its balance which exceeds 10% of the capital already increased.

(d) Non-distributable reserve

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

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

(e) Voluntary reserves

The voluntary reserves may be freely distributed except for an amount of euros 218.147 corresponding to the net book value at December 31, 2004, of the start-up expenses pending amortization by the Company (see note 5).

(13) Deferred Income

Details are as follows:

	Euros	
	2004	2003
Unrealised exchange rate gains	1.829.601	1.421.931
Tax credits deferred income (note 27)	1.386.475	1.574.315
Other (note 9)	870.446	870.446
	<u>4.086.522</u>	<u>3.866.692</u>

“Unrealised exchange rate gains” as at December 31, 2004 and 2003 correspond to the debt due to Scranton Enterprises B.V. (see notes 12, 17 and 21).

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(14) Provisions for Risks and Charges

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

	Euros				
	Balances at 31/12/03	Additions	Transfers	Disposals	Balances at 31/12/04
Provisions for risks and charges	3.003.879	670.468	(2.800.044)	(336.549)	537.754
	3.003.879	670.468	(2.800.044)	(336.549)	537.754

(note 8)

At December 31, 2004, "Provisions for risks and charges" mainly includes an amount of euros 537.754 (euros 2.667.330 at December 31, 2003) corresponding to the provision booked by the Company in order to re-establish the net worth balance of Grifols International, S.A., a company 100% owned by Probitas Pharma, S.A. as detailed in note 8 (a), whose stockholders' equity at December 31, 2004 is negative of euros 597.911 (euros 2.632.670 at December 31, 2002).

(15) Promissory notes

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, 2003 existed subscribed promissory notes for an amount of euros 5.319.000. The interest rate is 5% and the maturity date is May 2, 2005. The said promissory notes are not listed on the stock exchange nor are they convertible into shares.

On December 31, 2004 exist subscribed promissory notes for an amount of euros 5.241.000 that are classified as short-term because their maturity date is May 2, 2005.

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

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(16) Long-term Bank Loans

Long-term bank loans are detailed as follows:

	Euros	
	2004	2003
Syndicated loan of Euros 225.000 thousand limit, maturing on April 2, 2008 at an interest rate based on EURIBOR plus a spread of between 0,85% and 1,60%, according to certain covenants, acting as agent bank Banco Bilbao Vizcaya Argentaria, S.A.	211.500.000	225.000.000
Institut Català de Finances, maturing on November 29, 2016 at an interest rate of 4,054%	878.043	951.214
Mortgage of euros 902 thousand limit, maturing on May 16, 2012 and at an interest rate of 5,25%	610.381	682.459
Other loans of Euros 1.801 thousand limit, maturing on January 14, 2004 and June 25, 2005 and at interest rates 4,37% and 4,6%	400.000	1.401.012
Mortgage of euros 1.300 thousand limit, maturing on July 30, 2015 and at an interest rate of 3,55%	1.174.925	1.263.732
Other loans of Euros 600 thousand limit, maturing on March 12, 2006 and at interest rates 3,12%	600.000	--
Capital lease creditors (note 6)	537.670	817.540
	<u>215.701.019</u>	<u>230.115.957</u>
Less, short-term (note 18)	(27.639.251)	(14.735.310)
	<u>188.061.768</u>	<u>215.380.647</u>

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Details of maturities at December 31, 2004 and 2003 are as follows:

	Euros	
	2004	2003
Maturity within:		
Two years	104.682.494	28.101.201
Three years	54.404.417	103.974.219
Four years	27.304.703	54.332.846
Five years	264.177	27.305.307
Thereafter	1.405.977	1.667.074
	<u>188.061.768</u>	<u>215.380.647</u>

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

As at December 31, 2004, two of the financial ratios established in the aforementioned syndicated loan agreement was not complied with. In such circumstance, the said syndicated loan may be declared as overdue by the creditors bank.

During the last quarter of 2004, the Company started negotiations to obtain a new syndicated loan which will be used to refinance the aforementioned syndicated loan (see note 32 (c)).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(17) Other Long-term Creditors

Details of other long-term creditors are as follows:

	Euros	
	2004	2003
Other debts	--	3.958.828
	0	3.958.828

The balance of "Other debts" at December 31, 2003 corresponded to the debt with 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 (see note 28 (b)). The debt recorded includes unaccrued future interest for an amount of euros 135.883 included in "Prepaid expenses".

Details of maturities are as follows:

	Euros	
	2004	2003
Maturity within:		
Two years	--	3.958.828
	0	3.958.828

The current portion of this debt amounts to euros 3.670.802 pending at December 31, 2004 is included in others debts under the "Other payables, non-trade caption" (euros 4.443.600 on December 31, 2003) (see note 21).

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(18) Short-Term Bank Loans

Short-term bank loans are as follows:

	Interest rate % mín - max	Euros			
		Used		Limit	
		2004	2003	2004	2003
Credits in:					
Euros	2,65% - 3,82%	12.712.103	6.795.076	16.904.050	26.440.370
		12.712.103	6.795.076	16.904.050	26.440.370
Short-term interest on bank debt		1.521.694	1.490.961		
Capital lease creditors (note 6)		568.166	641.900		
Short-term maturity of long-term bank credits (note 16)		27.639.251	14.735.310		
		42.441.214	23.663.247		

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(19) Due to Related Companies

Details are as follows:

	Euros	
	2004	2003
Suppliers	39.560	124.526
Loans	7.796.495	1.555.870
Other short-term debts	3.912.389	2.872.585
Debts for tax effect:		
Income Tax (note 27)	691.901	4.020.288
Advance payments	--	591.833
	<u>12.440.345</u>	<u>9.165.102</u>

Group company loans accrue annual interest between 3% and 5,75% (see note 24).

(20) Accounts Payable, Trade

Details are as follows:

	Euros	
	2004	2003
Suppliers	4.745.191	5.172.067
Notes payable to suppliers	533.561	23.658
	<u>5.278.752</u>	<u>5.195.725</u>

Nearly all of the outstanding balances are expressed in euros.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(21) Other Payables, Non-Trade

Details are as follows:

	Euros	
	2004	2003
Public entities	3.215.207	1.643.560
Other debts	3.671.051	4.443.600
Accrued wages and salaries	399.032	777.197
	<u>7.285.290</u>	<u>6.864.357</u>

The caption "Other debts" mainly includes the short-term debt pending to be paid to Scranton Enterprises, B.V. (see notes 17 and 28(b)).

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

	Euros	
	2004	2003
Due to Tax Authorities for:		
VAT / General Canary Island Tax	323.081	61.104
Withholdings	289.766	316.329
Due to Social Security	203.405	197.666
Deferred Tax liability (note 27)	1.048.695	1.068.461
Due from Tax authorities in respect of		
Income Tax:		
Current year (note 27)	1.221.478	--
Other public entities	128.782	--
	<u>3.215.207</u>	<u>1.643.560</u>

(22) Net Sales

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(23) Personnel Expenses

Details are as follows:

	Euros	
	2004	2003
Wages and salaries	10.645.731	10.384.083
Pension plan contributions	35.771	32.102
Social Security and other charges	2.711.686	2.680.610
	<u>13.393.188</u>	<u>13.096.795</u>

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

	Average number of employees	
	2004	2003
Management	17	17
Technicians and middle management	122	115
Administrative staff	62	56
Auxiliary staff	33	35
	<u>234</u>	<u>223</u>

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(24) Transactions with Related Companies

The main transactions with related companies are as follows:

	Euros	
	2004	2003
Income		
Net sales and services	27.201.122	23.120.028
Interest income	13.935.597	12.695.879
Dividends (note 8)	11.732.299	16.815.311
Expenses		
Other operating expenses	241.037	378.947
Interest expense	114.761	1.625

In addition to the above transactions, the Company has acquired, during year 2004, some tangible fixed assets from related companies for an amount of euros 24.441 (euros 84.790 at December 31, 2003).

(25) Extraordinary expenses and losses

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

(26) Remunerations of Members of the Board of Directors

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

The overall remuneration of the members of the Board of Directors who have a working relationship with the Company amounts to euros 1.689.028 in 2004 (euros 1.847.774 at December 31, 2003).

At December 31, 2004 and 2003, no debtor or creditor balances are held with the members of the Board of Directors.

The directors of Probitas Pharma, S.A. do not hold any investments or posts as directors or conduct any activities in companies with a statutory activity which is

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

identical, similar or complementary to that of the Company except for the following. Nonetheless, some of the members of the board of directors do hold management posts or conduct similar management-related duties in other group companies, which have not been included in this note to the annual accounts as they do not lead to any impairment to their duties for diligence and loyalty and do not cause any potential conflicts in interest in accordance with Law 26 dated 17 July 2003, which modified the Securities Market Law 24 dated 28 July 1988 and the Revised Spanish Companies Act, approved by Royal Decree Law 1564 dated 22 December 1989.

(27) Tax Situation

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

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

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

	Euros	
	2004	2003
Profit before taxes for the year	1.545.725	12.749.402
Permanent differences:		
From current year	(3.917.751)	(4.638.469)
Intragroup transactions	(7.505.019)	(11.998.313)
	(11.422.770)	(16.636.782)
Taxable accounting income	(9.877.045)	(3.887.380)
Timing differences		
From current year	870.468	2.642.866
Previous years	(416.839)	(85.327)
	453.629	2.557.539
Reversal of Taxable profit (loss)	(9.423.416)	(1.329.841)
Tax at 35%	(3.298.196)	(465.444)
Deductions and tax credits	(1.252.946)	--
Fiscal quota	(4.551.142)	(465.444)
Withholdings and prepayments	(78)	(1.351.874)
Net tax credit	(4.551.220)	(1.817.318)

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

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

	Euros	
	2004	2003
Corporate tax:		
Individual, refundable	(4.551.220)	(1.817.318)
Related companies, credit (note 19)	(691.901)	(4.020.288)
Related companies, payable (note 11)	6.464.599	4.485.273
Consolidated corporate tax (credit) / payable	1.221.478	(1.352.333)
	(nota 21)	(nota 10)

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

	Euros	
	2004	2003
Taxable loss	(9.877.045)	(3.887.380)
Tax at 35%	(3.456.966)	(1.360.583)
Deductions and tax credits	(305.715)	(172.209)
Economic deductions	(572.827)	(1.026.676)
Prior year income tax	--	8.949
Income for the year	(4.335.508)	(2.550.519)

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

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

	Euros			
	Timing difference		Tax effect	
	2004	2003	2004	2003
Deferred tax assets				
Amortization	10.626	20.391	3.719	7.137
Pension fund	472.417	599.420	165.346	209.797
Provisions for investments	3.397.840	3.063.917	1.189.244	1.072.371
Provisions for expenses pending of valuation	200.000	--	70.000	--
	4.080.883	3.683.728	1.428.309	1.289.305
			(note 10)	
Deferred tax liabilities				
Accelerated depreciation	(12.349)	(50.677)	(4.322)	(17.737)
Lease contracts	(2.983.923)	(3.002.069)	(1.044.373)	(1.050.724)
	(2.996.272)	(3.052.746)	(1.048.695)	(1.068.461)
			(note 21)	

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

Under current tax legislation, tax returns filed may not be considered definitive until approved by an inspection of the tax authorities or until their right to inspect has expired. The Company is open to inspection by the Tax Authorities for all the applicable taxes from fiscal year ending December 31, 2001 (December 31, 2000 for the Corporate Income Tax). The management of the Company does not expect any significant liabilities to arise in the event of an inspection.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

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

Year of origin	Euros	Applicable until
2000	1.201.819	2015
2001	19.224	2016
2002	1.539.733	2017
2003	829.887	2018
2004 (estimated)	376.038	2019
	<u>3.966.701</u>	

As mentioned in note 4 (i), on December 31, 2004 the Company's Directors have recognized an amount of euros 3.967 thousand corresponding to the tax credit on deductions pending to be applied, having been estimated its recovery in the future. Otherwise, the income related to this recognition has been deferred depending on the useful life of the assets which have generated said tax credits, mainly investments abroad.

Details, of said recognition and of the amounts pending to be applied, as at December 31, 2004 and 2003 are as follows:

	Euros	
	2004	2003
Tax credit on deductions pending to be applied	4.732.776	4.350.841
Other movements	--	5.897
Deductions applied in the year	(766.075)	--
Tax credit on deductions (notes 8 and 10)	<u>3.966.701</u>	<u>4.356.738</u>
Initial tax credit deferred income	1.950.353	2.600.991
Recognized income in the year	(572.827)	(1.026.676)
Other movements	8.949	--
Final tax credit deferred income (note 13)	<u>1.386.475</u>	<u>1.574.315</u>

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(28) Guarantees with Third Parties and Other Contingent Liabilities

On February 8, 2005, the Company has been notified by the tax authorities of the beginning of an inspection for all the applicable taxes from for the period 2001 to 2003, inclusive (2000 to 2003 for Corporate Income Tax). The management of the Company does not expect any significant liabilities to arise.

The company has provided bank guarantees to subsidiaries for a sum of euros 126.897 thousand.

(a) Guarantee commitments with third parties

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

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

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

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

(b) Pension commitments

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

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(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, 2004 the Company has two swap contracts for a nominal amount of euros 60.000 thousand and 50.000 thousand, maturing on April 26, 2006 and April 28, 2008.

(29) Environmental Information

The most significant systems, equipments and installations for the environment protection and improvement as at December 31, 2004 are as follows:

Project	Euros		
	Cost	Accumulated depreciation	Net value
Equalization pool	4.571	(1.943)	2.628
Waste points union	46.737	(10.905)	35.832
Wells' improvement	38.542	(10.599)	27.943
Water recovery	42.218	(35.903)	6.315
Chemical products warehouse building	20.033	(10.350)	9.683
Neutralization tank automation	6.053	(4.490)	1.563
Drainage adjustment	8.907	(8.616)	291
Suitability of external workers' area	19.495	(325)	19.170
HCl deposit for water area	16.201	(1.215)	14.986
NaOH deposit for water area	14.201	(1.065)	13.136
TOC measurement tool for waste waters	72.456	(7.467)	64.989
	289.414	(92.878)	196.536

The expenses incurred by the Company in the protection and improvement of the environment during the fiscal year ended December 31, 2004 have amounted to approximately euros 576 thousand.

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

The Company has not received any environmental grants during the fiscal year ended December 31, 2004.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(30) Other information

KPMG Auditores, S.L. and those other companies with which this company is linked, as stipulated in the fourteenth Additional Regulation of the Financial System Reform Act have invoiced the following fees and expenses to the Company for professional services during the year ended December 31, 2004:

	Euros
For annual audit services	43.050
For other audit services and audit related	327.164
For other services	539.732
	<hr/>
	909.946
	<hr/>

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 2004, irrespective of their invoicing date.

(31) Statement of Source and Application of Funds

The statement of source and application of funds corresponding to the years ended December 31, 2004 and 2003 are detailed in Annex III, which forms an integral part of this note of the annual accounts.

(32) Subsequent Events

(a) Tax inspection

On February 8, 2005, the Company has been notified by the tax authorities of the beginning of an inspection for all the applicable taxes for the period 2001 to 2003, inclusive (2000 to 2003 for Corporate Income Tax). The management of the Company does not expect any significant liabilities to arise.

(b) Option to purchase shares

On 27 January 2005 the Company sold the stock option it held on shares in an American company. This sale generated net profit of US Dollars 3.7 million.

PROBITAS PHARMA, S.A

Notes to the Annual Accounts

(Free translation from the original in Spanish)

(c) Syndicated loan

On April 25, 2005, the Company has signed an underwriting commitment with Banco Bilbao Vizcaya Argentaria, S.A. (acting as agent bank), Banco Español de Crédito, S.A. and Deutsche Bank, S.A.E. by which, these banks, as directors of the commitment, have committed to assure a long-term syndicated financing in favour of Probitas Pharma, S.A. by an amount of Euros 200 million (to be increased up to Euros 225 million depending on the demand), and maturity date of 6 years from the signature date.

The main objective of the syndicated loan consists of the refinancing of the pending amount of the previous syndicated loan for an amount of Euros 225 million granted to the Company in April 2003 (see note 16).

The Directors of the Company expects that the syndicated financing will be entirely subscribed and formalised, according to the terms of the underwriting commitment during the second quarter of 2005.

ANNEX I
PROBITAS PHARMA, 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 Hosiaterias, 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	--	685.242	32.055	413.244	--	1.848.580
Grifols s.r.o.	100,000	--	51.597	--	907.898	399.028	7.665	--	1.868.267
Grifols México,S.A. de C.V.	100,000	--	60.110	--	181.020	--	(2.340)	--	238.790
Grifols Viajes,S.A.	99,900	0,100	561.686	198.985,00	(3.787.118)	1.067.825	(83.163)	--	(2.041.785)
Grifols USA, Inc.	--	100,000	2.860.154	--	(2.692.779)	--	(765.285)	--	(597.910)
Grifols International,S.A.	99,900	0,100	2.924.813	--	1.487.780	8.913	(2.573.467)	--	1.848.039
Grifols Deutschland, GmbH	100,000	--	308.662	2.829.415	3.671.428	17.111	1.275.750	--	8.102.366
Grifols Italia,S.p.A.	100,000	--	4.285	4.385.892	6.076.665	(244.287)	2.556.534	(550.000)	12.229.089
Grifols UK,Ltd.	100,000	--	764.095	--	215.058	(479.640)	(58.620)	--	440.893
Grifols Brasil,Ltda.	100,000	1,000	7.700	--	465.413	--	68.358	--	541.471
Grifols France,S.A.R.L.	99,950	0,050	60.120	--	652.281	--	672.164	--	1.384.565
Grifols Engineering, S.A.	--	100,000	--	54.608.570	(14.918.669)	(14.117.154)	(2.331.070)	--	23.241.677
Biomat USA, Inc.	99,999	0,001	1.000.000	--	492.167	(1)	1.399.496	--	2.891.662
Squadron Reinsurance Ltd.	100,000	--	10.601.643	--	(2.784.499)	(691.472)	(7.700.297)	--	(574.625)
Probitas Pharma, Inc.	100,000	--	362.387	883.464	103.478	(179.189)	538.132	--	1.708.272
Grifols Asia Pacific Pte. Ltd.	100,000	--	9.277.682	--	(2.821.876)	79.680	(2.182.982)	--	4.352.504
Alpha Therapeutic Europe, Ltd.	--	100,000	10.601.643	--	12.161.020	(4.353.837)	3.988.194	--	22.397.020
Grifols Biologicals, Inc.	--	48,000	61.198	234.646	(46.687)	(87.376)	(82.333)	--	79.448
Grifols (Thailand), Ltd.	--	100,000	1	--	(122.273)	(21.127)	473.994	--	330.595
Alpha Therapeutic UK, Ltd.	100,000	--	100.000	--	644.989	(47.522)	675.369	--	1.372.836
Alpha Therapeutic Italia, S.p.A	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 I
PROBITAS PHARMA, S.A.

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

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

Name	Participation %		Share capital	Share premium	Reserves	Currency translation differences	Result of the year	Total
	Direct	Indirect						
Laboratorios Grifols, S.A.	99,998	0,002	4,798,324	-	5,989,416	-	(508,728)	10,279,012
Instituto Grifols, S.A.	99,998	0,002	1,537,989	-	22,727,207	-	2,911,020	27,176,216
Movaco, S.A.	99,999	0,001	2,404,601	-	2,783,174	-	4,333,525	9,521,300
Grifols Portugal Produtos Farmacéuticos e Hóspitales, Lda.	0,025	99,975	705,649	-	(400,186)	20,379	(116,951)	208,891
Diagnostico Grifols, S.A.	99,998	0,002	336,560	-	3,313,114	-	2,606,661	6,256,335
Logister, S.A.	-	100,000	105,325	-	216,338	-	10,006	331,669
Grifols América, Inc.	100,000	-	30,862	-	(24,906)	177,929	(263,372)	(79,487)
Grifols Chile, S.A.	100,000	-	385,453	-	(511,408)	219,813	469,061	562,919
Biomat, S.A.	99,900	0,100	60,110	-	3,177,641	-	1,370,195	4,607,946
Grifols Argentina, S.A.	100,000	-	955,675	-	18,659	406,168	335,378	1,715,880
Grifols s.r.o.	100,000	-	51,597	-	442,594	(28,507)	242,648	708,332
Grifols México, S.A. de C.V.	100,000	-	553,676	-	1,073,865	460,717	(165,967)	1,922,291
Grifols Viajes, S.A.	99,900	0,100	60,110	-	107,485	-	73,534	241,129
Grifols USA, Inc.	100,000	-	356,009	-	448,449	24,989	(1,157,638)	(328,191)
Grifols International, S.A.	99,900	0,100	60,110	-	(954,703)	-	(1,738,076)	(2,632,669)
Grifols Deutschland, GmbH	100,000	-	2,924,813	-	1,518,748	8,913	(30,968)	4,421,506
Grifols Italia, S.p.A.	100,000	-	308,662	2,829,415	3,498,523	17,111	1,672,906	8,326,617
Grifols UK, Ltd.	100,000	-	4,285	4,385,892	5,863,527	(218,906)	2,390,417	12,425,215
Grifols Brasil, Ltda.	100,000	-	764,095	-	82,800	(490,322)	132,258	488,831
Grifols-Quest, Inc.	-	100,000	467	373,333	(2,188,135)	569,577	(601,515)	(1,846,273)
Grifols France, S.A.R.L.	99,000	1,00	7,700	-	462,967	-	2,446	473,113
Grifols Engineering, S.A.	99,950	0,050	60,120	-	284,725	-	367,556	712,401
Biomat USA, Inc.	-	100,000	-	54,608,570	(12,921,716)	(12,480,211)	(1,996,953)	27,209,690
Squadron Reinsurance Ltd.	100,000	-	1,000,000	-	-	(1)	492,167	1,492,166
Probitas Pharma, Inc.	100,000	-	10,601,643	-	-	(858,660)	(2,784,499)	6,958,484
Grifols Asia Pacific Pte. Ltd.	-	-	-	-	-	-	-	-
(formerly Alpha Therapeutic Asia Pte. Ltd.)	100,000	-	362,387	883,464	-	(97,380)	283,822	1,432,293
Alpha Therapeutic Europe, Ltd.	100,000	-	9,277,682	-	-	(31,064)	218,370	9,464,988
Grifols Biologicals, Inc.	-	100,000	10,601,643	-	-	(2,348,704)	12,161,020	20,413,959
Grifols (Thailand) Ltd.	-	-	-	-	-	-	-	-
(formerly Alpha Therapeutic (Thailand), Ltd.)	-	48,000	61,198	234,646	-	(80,144)	165,925	381,625
Alpha Therapeutic UK, Ltd.	-	100,000	1	-	-	(4,132)	96,858	92,727
Alpha Therapeutic Italia, S.p.A.	-	100,000	1,465,628	-	(253,807)	(57,522)	(580,579)	573,720

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

ANNEX II
PROBITAS PHARMA, S.A.

Movement in Stockholders' equity for the years ended
December 31, 2004 and 2003

(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 2002	19.843.640	91.115.742	3.968.728	177.109	17.118.026	14.000.928	146.224.173
Distribution 2002 result							
Reserves	--	--	--	--	11.900.789	(11.900.789)	0
Dividends	--	--	--	--	--	(2.100.139)	(2.100.139)
Increase of share capital with monetary contribution	1.324.504	38.675.517	--	--	--	--	40.000.021
Increase of share capital against the share premium reserve	84.672.576	(84.672.576)	--	--	--	--	0
Increase of treasury stock reserve	--	--	--	696.357	(696.357)	--	0
Profit for the year	--	--	--	--	--	15.299.921	15.299.921
Balances at 31 December 2003	105.840.720	45.118.683	3.968.728	873.466	28.322.458	15.299.921	199.423.976
Distribution 2003 result							
Reserves	--	--	--	--	12.084.886	(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	3.968.728	873.466	40.407.344	5.881.233	202.090.174

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

ANNEX III
PROBITAS PHARMA, S.A.

Statement of source and application of funds for the years ended
December 31, 2004 and 2003

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

Applications	2004	2003	Sources	2004	2003
Funds applied to operations			Funds generated from operations		
Start-up expenses and loan formalisation expenses	--	603.993	Profit for the year	5.881.233	15.299.921
Acquisition of assets :			Depreciation of fixed assets	4.726.231	4.432.470
Intangible fixed assets	2.512.620	1.946.450	Provisions for investments	1.093.445	36.575
Tangible fixed assets	424.275	3.221.517	Provisions for risks and charges	670.468	2.106.238
Investments	17.843.976	47.192.600	Surplus of provisions for risks and charges	(336.549)	(61.049)
Dividends	3.215.035	2.100.139	Formalisation expenses of bank loans	549.402	399.652
Cancelation or transfer of long term debt to short term	38.631.943	95.198.663	Amortisation of deferred expenses	101.015	216.699
			Profit from disposals of fixed assets	58.637	(15.448)
			Adjustments for foreign exchange losses	1.417.516	(200.445)
			Other deferred income transferred to result	(196.789)	(1.026.677)
			Total funds generated from operations	13.964.609	21.187.936
			Capital increase with share premium	--	7.650.662
			Long-term debts	909.379	228.542.145
			Other deferred income	8.949	829.887
			Disposal of assets :		
			Tangible fixed assets	4.999	60.060
			Investments	--	5.664
			Cancelation or transfer to short-term of investments	8.304.938	--
Total applications	62.627.849	150.263.361	Total sources	23.192.874	258.276.354
Increase in working capital	--	108.012.993	Decrease in working capital	39.434.975	--
	62.627.849	258.276.354		62.627.849	258.276.354

ANNEX III
PROBITAS PHARMA, S.A.

Statement of source and application of funds for the years ended
December 31, 2004 and 2003

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

The variations in the working capital are the following :

	Increase (Decrease)	
	2004	2003
Inventories	96.331	273.571
Debtors	(497.438)	3.949.929
Short-term investments	(11.937.870)	106.776.988
Cash and banks	671.197	(1.053.368)
Deferred expenses	438.644	826.065
Promissory notes	(5.241.000)	4.401.000
Bank loans	(18.851.701)	(1.794.054)
Capital lease creditors	73.734	110.682
Due to related companies	(3.275.243)	(7.721.185)
Account payable, trade	(83.026)	1.376.634
Other payable, non trade	(420.933)	1.072.979
Foreign exchange gains	(407.670)	(206.248)
Variation of working capital	(39.434.975)	108.012.993

This annex forms an integral part of note 31 to the accompanying annual accounts.

DIRECTORS' REPORT

PROBITAS PHARMA, S.A.

To the Shareholders:

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

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

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

Operations with the treasury stock:

On May 25, 2001 Probitas Pharma, S.A. increased its share capital debited to the share premium reserve. The shareholders of the Company have waived their preferential subscription right on 1.740.892 new shares of euros 0,10 per share on account of the Company and they have expressly authorised the treasury stock generated in the Company as a result of this agreement. Likewise, they have authorised that the said treasury stock be distributed to the employees of the group companies based on compliance with certain conditions and terms and following a distribution policy already established. This treasury stock represents 0,82% of the share capital of Probitas Pharma, S.A. at 31 December 2004.

PROBITAS PHARMA, S.A.

In accordance with the provisions of article 171, section 1, of the Spanish Limited Company Act currently in force, the Directors of Probitas Pharma, S.A. have prepared the annual accounts and Directors' Report of Probitas Pharma, S.A. corresponding to the years 2004 and 2003, all of which are drawn up and identified on sheets of paper bearing the official state seal, 8th class, numbered from OH5233643 to OH5233701.

Parets del Vallés, 4 May 2005

Signed:

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