

PROBITAS PHARMA, S.A.
AND SUBSIDIARIES

Consolidated Annual Accounts and
Consolidated Directors' Report

31 December 2004

(With Auditors' Report thereon)

(Free translation from the original in Spanish)



KPMG Auditores S.L.
Edificio La Porta de Barcelona
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08034 Barcelona

Auditors' Report on the Consolidated Annual Accounts

(Free translation from the original in Spanish)

To the Shareholders of
Probitas Pharma, S.A.

1. We have audited the consolidated annual accounts of Probitas Pharma, S.A. (the Company) and subsidiaries (the Group) which comprise the consolidated balance sheet at 31 December 2004, the related consolidated statement of profit and loss for the year then ended and the consolidated notes thereto, the preparation of which is the responsibility of the board of directors of Probitas Pharma, S.A. Our responsibility is to express an opinion on the consolidated 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 consolidated 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 consolidated annual accounts also include, for each individual caption in the consolidated balance sheet and consolidated statement of profit and loss comparative figures for the previous year. We express our opinion solely on the consolidated annual accounts for 2004. On 2 April 2004 we issued our unqualified audit report on the consolidated annual accounts for 2003.
3. As described in note 4(o) to the accompanying consolidated annual accounts for 2004, in 2004 the Group has modified the criteria of recognising delay interest receivable claimed from different Social Security dependent bodies. The effect of this change has given rise to an increase in consolidated profit before income tax for the year of approximately Euros 10,170 thousand.
4. As indicated in note 19 to the accompanying consolidated annual accounts, at 31 December 2004 the Group 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 Group 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 36(c) to the accompanying consolidated 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 consolidated balance sheet at 31 December 2004.

5. In our opinion, except for the matter described in the fourth paragraph, the consolidated annual accounts for 2004 present fairly, in all material respects, the consolidated shareholders' equity and consolidated financial position of Probitas Pharma, S.A. and subsidiaries at 31 December 2004, and the consolidated results of its operations 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 which, except for the change in criteria for recognising interest receivable described in the third paragraph, with which we concur, have been applied on a basis consistent with that of the preceding year.
6. The accompanying consolidated directors' report for 2004 contains such explanations as the directors consider relevant to the situation of Probitas Pharma, S.A. and subsidiaries, the evolution of their businesses and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2004. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Probitas Pharma, S.A. and subsidiaries.

KPMG AUDITORES, S.L.

Fernando Serrate Urrea (signed)

5 May 2005

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2004 and 2003

(Stated in euros)

(Free translation from the original in Spanish)

Assets	31/12/04	31/12/03
Fixed assets		
Start-up expenses (note 5)	661.570	1.538.629
Intangible assets (note 6)	63.638.819	63.663.960
Tangible fixed assets (note 7)	108.481.849	105.837.921
Long-term investments (note 8)	19.222.473	16.366.768
Treasury stock (note 9)	870.446	870.446
Total fixed assets	192.875.157	188.277.724
Goodwill on consolidation (note 10)	137.483.072	145.598.328
Deferred expenses (notes 4(g) and 20)	5.838.389	9.908.942
Current assets		
Inventories (note 11)	246.120.748	256.421.083
Debtors (note 12)	203.387.776	208.021.013
Short-term investments (note 13)	367.456	557.509
Cash and banks	22.995.767	24.247.049
Prepaid expenses	5.103.474	5.394.758
Total current assets	477.975.221	494.641.412
Total assets	814.171.839	838.426.406

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

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2004 and 2003

(Stated in euros)

(Free translation from the original in Spanish)

Liabilities	31/12/04	31/12/03
Stockholders' equity (note 14)		
Share capital	105.840.720	105.840.720
Share premium	45.118.682	45.118.682
Reserves of the parent company	45.249.538	33.164.652
Reserves in consolidated companies	57.051.856	50.918.212
Currency translation adjustment	(20.386.018)	(14.490.730)
Net profit for the year	19.405.599	21.433.567
Total Stockholders' equity	252.280.377	241.985.103
Minority interests (nota 15)	110.285	115.565
Deferred income (note 16)	12.028.642	11.169.136
Provisions for risks and charges (note 17)	691.525	628.646
Long-term liabilities		
Promissory notes (note 18)	--	5.319.000
Bank loans (note 19)	192.647.110	220.201.550
Other creditors (note 20)	46.509.327	65.797.615
Total long-term debts	239.156.437	291.318.165
Current liabilities		
Promissory notes (note 18)	5.241.000	--
Bank loans (note 21)	182.407.655	137.492.568
Due to related companies (note 22)	525.626	1.008.728
Accounts payable, trade (note 23)	59.205.841	106.040.581
Other payables, non-trade (note 24)	59.301.115	47.343.336
Trade provisions (note 25)	1.669.518	595.274
Accrued expenses	1.553.818	729.304
Total current liabilities	309.904.573	293.209.791
Total liabilities	814.171.839	838.426.406

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

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Consolidated Profit and Loss Accounts for the years ended December 31, 2004 and 2003

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

Expenses	31/12/04	31/12/03
Operating expenses		
Cost of materials consumed and other external expenses (notes 2 (b) and 11)	134.347.162	158.028.943
Personnel expenses (note 27)	147.285.074	126.702.601
Depreciation and amortisation of fixed assets (notes 5, 6 and 7)	28.007.649	22.301.375
Change in trade provisions (notes 11, 12 and 25)	1.331.371	(529.544)
Other operating expenses	118.712.175	105.282.304
Total operating expenses	429.683.431	411.785.679
Operating profit	46.294.931	51.124.060
Financial expenses		
Financial and similar expenses	29.198.539	20.489.962
Change in financial provisions (note 8)	(66.145)	(109.622)
Foreign exchange losses	6.069.003	13.144.946
Total financial expenses	35.201.397	33.525.286
Losses / (profit) of companies consolidated under equity method (note 8)	(103.508)	(156.502)
Goodwill amortisation (note 10)	8.115.256	9.083.218
Profit on ordinary activities	11.075.566	22.202.904
Extraordinary losses and expenses		
Losses on disposals of fixed assets	654.063	638.091
Variation in provisions for fixed assets and investments (note 7)	(272.590)	(150.725)
Extraordinary expenses and losses (note 28)	4.581.743	357.281
Total extraordinary expenses and losses	4.963.216	844.647
Extraordinary income	7.860.581	12.931
Consolidated profit before tax	18.936.147	22.215.835
Income tax (note 31)	(469.452)	695.987
Consolidated profit for the year	19.405.599	21.519.848
Profit attributable to minority interest (note 15)	--	86.281
Net profit for the year	19.405.599	21.433.567

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

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Consolidated Profit and Loss Accounts for the years ended December 31, 2004 and 2003

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

Income	31/12/04	31/12/03
Operating income		
Net sales (note 26)	455.375.186	425.791.035
Increase in inventories of finished products and work in progress (note 11)	5.395.435	21.527.751
Work carried out by the consolidated companies on fixed assets	14.091.747	15.264.414
Other operating income	1.115.994	326.539
Total operating income	475.978.362	462.909.739
Financial income		
Other interest and similar income	2.884.481	2.609.225
Foreign exchange gains	5.109.299	10.921.621
Total financial income	7.993.780	13.530.846
Financial losses	27.207.617	19.994.440
Extraordinary profit and income		
Profits on disposals of fixed assets	346.344	213.611
Capital grants transferred to income (note 16)	64.391	90.617
Extraordinary income	479.838	553.350
Profits from previous years (note 4 (o))	11.933.224	0
Total extraordinary income	12.823.797	857.578

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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

31 December 2004 and 2003

(Free translation from the original in Spanish)

(1) Nature, Principal Activities and Subsidiaries

(a) Probitas Pharma, S.A.

Probitas Pharma, S.A. (the Company) was incorporated in Spain as a limited liability company for an indefinite period of time on June 22, 1987. The Company's principal activity is to provide administrative and management services to its subsidiaries. Dated May 25, 2001 the Company changed its name from Grupo Grifols, S.A. into Probitas Pharma, S.A.

The Company is the parent company of the Grifols Group, which is composed of the Company and its subsidiaries that are detailed in note 1 (b) of these consolidated annual accounts and that operate in an integrated way and under a common management whose main activity is the manufacture, preparation and sale of therapeutic products, especially haemoderivatives.

The registered office of the Company is located in Barcelona and the main premises of the Spanish subsidiaries are located in the said town, in Parets del Vallés (Barcelona) and Torres de Cotilla (Murcia).

The Company's fiscal year coincides with the calendar year.

On March 2002, the Grifols Group, thorough Instituto Grifols, S.A., acquired the whole share capital of the North American company Biomat USA, Inc., one of the main raw material providers.

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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

(b) Information on subsidiaries

All subsidiaries have the same year end.

Details of subsidiaries, with their incorporation dates, activity and registered office, which, together with the Company, forms the Grifols Group (the Group), are as follows:

– **Laboratorios Grifols, S.A.**

Incorporated in Spain as a limited liability company on April 18, 1989, with its registered office 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.**

Incorporated in Spain as a limited liability company on September 21, 1987, with its registered office 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.

– **Movaco, S.A.**

Incorporated in Spain as a limited liability company on July 21, 1987, with its registered office situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the distribution and sale of reagents, chemical products and other pharmaceutical specialities, as well as medical-surgical supplies, machinery and instruments for hospital and laboratory use.

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

Incorporated in Portugal as a private limited liability company on August 10, 1988, with its registered office situated in Jorge Barradas, 30 -c R/C, 1500 Lisbon, (Portugal). Its activities are the import, export and distribution of pharmaceutical and clinical products and supplies and, in particular, Grifols products. Movaco, S.A. owns 99,975% of this company.

– **Diagnostic Grifols, S.A.**

Incorporated in Spain as a limited liability company on March 24, 1987, with its registered office situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activities are the manufacture,

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preparation, distribution and sale of reagents and chemical products for laboratories and hospitals, as well as supplies, machines and instruments for medical-surgical use.

– **Logister, S.A.**

Incorporated in Spain as a limited liability company on June 22, 1987, with its registered office situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activities are the manufacture, purchase, sale and distribution of computer hardware and software. Movaco, S.A. owns 99,985% of this company.

– **Grifols América, Inc.**

Incorporated in Florida (U.S.A.) on April 19, 1990, with its registered office situated in 8880 N.W. 18 Terrace, Miami, Florida. Its activity is to conduct any business permitted within the United States of America. Dated July, 2004 the company merged with Grifols Usa, Inc.

– **Grifols Chile, S.A.**

Incorporated in Chile as a limited liability company on July 2, 1990, with its registered office 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.**

Incorporated in Spain as a limited liability company on July 30, 1991, with its registered office 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.**

Incorporated in Argentina as a limited liability company on November 1, 1991, with its registered office 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 specialties.

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– **Grifols s.r.o.**

Incorporated in the Czech Republic as a private limited liability company on December 15, 1992, with its registered office situated in Zitná 2, 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.**

Incorporated in México as a limited liability company on January 9, 1970, with its registered office 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.**

Incorporated in Spain as a limited liability company on March 31, 1995, with its registered office situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés (Barcelona). Its activity is to carry out a travel agency business.

– **Grifols USA, Inc.**

Incorporated in Florida (U.S.A.) on April 19, 1990, with its registered office situated in 8880 N.W. 18 Terrace, Miami, Florida. Its activity is to conduct any business permitted within the United States of America. On July, 1 2004, Grifols Usa Inc has been merged with Grifols America Inc. and Grifols Quest, Inc.. Probitas Pharma, Inc. owns 100% of this Company as at December 31, 2004.

– **Grifols International, S. A.**

It was incorporated in Spain as a limited liability company on July 4, 1997. Its registered office is situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona, and its activity consists of the manufacture, import, export, preparation, distribution and the sale of reagents, chemical products for laboratory and hospital use, as well as supplies, devices and instruments for medical-surgical use or use in laboratories or 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

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Notes to the Consolidated Annual Accounts

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pharmaceutical products. 66,66% of this company was acquired on June 9, 1997 and 33,34% on June 16, 2000.

– **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. 66,66% of this company was acquired on June 9, 1997 and 33,34% on June 16, 2000.

– **Grifols Deutschland GmbH**

It was incorporated in Germany as a limited liability company on May 21, 1997. Its registered office is situated in Siemenstrasse 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.**

It was incorporated in Brazil as a limited liability company on May 4, 1998. 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 France, S.A.R.L.**

It was incorporated in France as a limited liability company on November 2, 1999. Its registered office is situated in Centre d'affaires auxiliares system, Bat. 10, Parc du Millenaire – 125, Rue Henri Becquerel, 34036, Montpellier (France) and its activity consists of selling chemical and pharmaceutical products.

– **Grifols –Quest, Inc.**

Its registered office is situated in 1980 N.E. 148th Street, North Miami Florida 33181 (EE.UU) and its activity consists of selling reagents and instruments for clinical analysis. At December 31, 2003 Diagnostic Grifols, S.A. holds in Grifols-Quest, Inc. a participation of 100 % directly. Dated July, 2004 the company merged with Grifols USA, Inc.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

- **Grifols Engineering, S.A.**

Incorporated in Spain as a limited liability company on December 14, 2000, with its registered office 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 centers, as well as the design, building, selling and maintenance of machinery, equipment and installations for pharmaceutical companies and health centers.

- **Biomat USA, Inc.**

Acquired on March 1, 2003, 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. Instituto Grifols, S.A. owns 100% of this company.

- **Squadron Reinsurance Ltd.**

Incorporated on April 25, 2003 its registered office is situated in 38/39 Fitwilliam Square, Dublin 2, (Ireland). Its activity consists on carrying reinsurance business of group companies.

- **Probitas Pharma, Inc.**

Incorporated on May 15, 2003 its registered office is situated in 15, East North Street, Dover, Delaware 19901 (United States of America). Its activity consists of security holdings.

- **Grifols Biologicals, Inc.**

Incorporated on May 15, 2003 its registered office is situated 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. Probitas Pharma, Inc. owns 100% of this company.

- **Alpha Therapeutic Europe, Ltd**

Incorporated on April 5, 2000 its registered office is situated in 100, New Bridge Street, London. Its activity consists of providing technical, financial and marketing support to other group companies.

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(Free translation from the original in Spanish)

– **Alpha Therapeutic UK, Ltd**

Incorporated on April 8, 2000 its registered office in 100, New Bridge Street, London. Its activity consists of distribution and sale of therapeutic products, especially haemoderivatives. Alpha Therapeutic Europe, Ltd. owns 100% of this company.

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

Incorporated on July 3, 2000 its registered office in Piazza Meda 3, 20121 Milano (Italia). Its activity consists of distribution and sale of therapeutic products, especially haemoderivatives. Alpha Therapeutic Europe, Ltd. owns 100% of this company.

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

Incorporated on September 10, 1986 its registered office in 501 Orchard Road #20-01 Wheelock Place, Singapur. Its activity consists of sales and medical and pharmaceutical product distribution.

– **Grifols (Thailand) Ltd (formerly Alpha Therapeutic (Thailand) Ltd)**

Incorporated on September 1, 1995 its registered office in 287 Liberty Square Level 8, Silom Road, Bangkok. Its activity consists of the import and export, and sale of chemical and pharmaceutical products. Grifols Asia Pacific Pte., Ltd. owns 48% directly of this company.

– **Grifols Polska Sp. z.o.o**

Incorporated on December 12, 2003 its registered office in UL. Nowogrodzka, 68, 00-116, Varsovia, Polonia. Its activity consists of the manufacture and sale pharmaceutical products, cosmetics and others.

(c) Information on related companies

Related companies are as follows:

– **Quest Internacional Inc.**

Diagnostic Grifols, S.A holds a participation of 35% .Its registered office is situated in Miami, Florida (EE.UU). Its activity relates to the manufacture and distribution of reagents. Quest Internacional, Inc is consolidated under the equity method (see note 8).

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(Free translation from the original in Spanish)

– Grifols Malaysia Sdn Bhd

Grifols Asia Pacific Pte, Ltd holds a participation of 30%. Its registered office is situated in Selangor, (Malaysia). Its activity relates to sale and distribution of pharmaceutical products.

(2) Basis of Presentation and Consolidation

(a) Basis of presentation

In accordance with current legislation, the Directors of Probitas Pharma, S.A. have prepared the accompanying consolidated 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 Group for the years 2003 and 2004.

The said consolidated annual accounts are based on the individual accounting records of Probitas Pharma, S.A. and on the records of each one of the subsidiaries. The said consolidated annual accounts have been prepared by the Directors of the Company according to the standards of the "Regulations governing the preparation of Consolidated Annual Accounts", prepared by the Instituto de Contabilidad y Auditoría de Cuentas (Institute of Accounting and Auditing of Accounts). Legal and accounting principles have been applied, as required.

Consolidated annual accounts of fiscal year 2004 are pending of the approval by the Shareholders' Meeting. As required by the accounting legislation, consolidated balance sheet and consolidated profit and losses account, show, for comparative purposes, the figures corresponding to the fiscal year ended December 31, 2003 which were approved during the Shareholders' Meetings held on May 11, 2004.

Only for filing purposes, these consolidated annual accounts have been rounded off, without showing decimals.

(b) Consolidation principles

The companies detailed below have been incorporated into the consolidation process and the direct and indirect percentage of ownership held by the parent company at December 31, 2004 and 2003, is shown as well as the method of consolidation used in the preparation of these consolidated annual accounts:

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(Free translation from the original in Spanish)

	31/12/2004		31/12/2003	
	Percentage of participation		Percentage of participation	
	Direct	Indirect	Direct	Indirect
Parent company				
Probitas Pharma, S.A.	--	--	--	--
Fully consolidated companies				
Laboratorios Grifols,S.A.	99,998	0,002	99,998	0,002
Instituto Grifols,S.A.	99,998	0,002	99,998	0,002
Movaco,S.A.	99,999	0,001	99,999	0,001
Grifols Portugal Productos				
Farmacéuticos e Hospitalares,Lda.	0,015	99,985	0,025	99,975
Diagnostic Grifols,S.A.	99,998	0,002	99,998	0,002
Logister,S.A.	--	100,000	--	100,000
Grifols América, Inc.	--	--	100,000	--
Grifols Chile,S.A.	99,000	--	99,000	--
Biomat,S.A.	99,900	0,100	99,900	0,100
Grifols Argentina,S.A.	100,000	--	100,000	--
Grifols,s.r.o.	100,000	--	100,000	--
Grifols México,S.A. de C.V.	100,000	--	100,000	--
Grifols Viajes,S.A.	99,900	0,100	99,900	0,100
Grifols USA, Inc.	--	100,000	100,000	--
Grifols International,S.A.	99,900	0,100	99,900	0,100
Grifols Italia,S.p.A.	100,000	--	100,000	--
Grifols UK,Ltd.	100,000	--	100,000	--
Grifols Deutschland,GmbH	100,000	--	100,000	--
Grifols Brasil,Ltda.	100,000	--	100,000	--
Grifols France,S.A.R.L.	99,000	1,000	99,000	1,000
Grifols Engineering, S.A.	99,950	0,050	99,950	0,050
Grifols - Quest, Inc.	--	--	--	100,000
Biomat USA, Inc.	--	100,000	--	100,000
Squadron Reinsurance Ltd.	100,000	--	100,000	--
Probitas Pharma, Inc.	100,000	--	100,000	--
Grifols Biologicals, Inc.	--	100,000	--	100,000
Alpha Therapeutic Europe, Ltd.	100,000	--	100,000	--
Alpha Therapeutic UK, Ltd.	--	100,000	--	100,000
Alpha Therapeutic Italia, S.p.A.	100,000	--	--	100,000
Grifols Asia Pacific Pte., Ltd.	100,000	--	100,000	--
Grifols (Thailand) Ltd.	--	48,000	--	48,000
Grifols Polska Sp.z.o.o.	100,000	--	--	--
Companies consolidated under the equity method:				
Quest International, Inc.	--	35,000	--	35,000

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(Free translation from the original in Spanish)

The subsidiaries in which the Company directly or indirectly, owns the majority of the share capital or the voting rights, have been fully consolidated. Associated companies in which the Company holds between 20% and 50% have been consolidated by the equity method, with the exception of Grifols Thailand Ltd, that has been fully consolidated as the Group has the majority of voting rights. Grifols Malaysia Sdn Bhd, which net equity as at December 31, 2004 amounts to euros 68 thousand, has been registered at cost because it is no significant in the consolidation process (see note 8 (a)).

All balances, transactions and the unrealized results between the companies have been eliminated in the consolidation process.

The financial statements of the foreign subsidiaries (not belonging to the EMU) are converted into euros at rates prevailing at the year-end date. In accordance with this method, all assets, rights and liabilities are converted into euros using the exchange rate prevailing as at the year-end date. The entries in the respective profit and loss accounts are expressed as per the average rate of exchange for the period. The difference between stockholders' equity, including the balance of the profit and loss account for the period, expressed as per the historical rate of exchange, and the net financial situation resulting from the conversion of the assets, rights and liabilities at the year-end exchange rate, is included as "Currency translation adjustment" in the consolidated stockholders' equity of the accompanying consolidated balance sheet.

The accounting criteria used by the subsidiaries have been homogenized with those used by the parent company to prepare the consolidated annual accounts.

The accompanying consolidated annual accounts include Biomat USA, Inc. assets and liabilities as at November 30, 2004 and the income and expenses corresponding to the period from December 1, 2003 to November 30, 2004 (last available closing date provided by the company).). Nevertheless, all the effects of December 2004 operations between this company and the rest of the Group have been taken into account, as last year was done.

First positive consolidation differences arising from the comparison between the historical price of the participations in group companies and the stockholders' equity at the acquisition time, once the difference was attributed to the assets, have been included in the caption "Consolidation Goodwill", which is amortized in a twenty year period, term during which the Directors of the Company plan the recovery of the investment (see note 10).

A summarized balance sheet of Grifols Biologicals, Inc. as at July 15, 2003 is as follows:

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Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

	Euros
Fixed assets	34.533.198
Current assets	71.156.881
	<hr/> 105.690.079
Stockholders' equity	10.601.643
Long-term debts	86.580.087
Short-term debts	8.508.349
	<hr/> 105.690.079

As mentioned in note 1(a), on 15 July 2003 Grifols Biologicals, Inc. acquired the plasma fractionation business line and certain assets from Alpha Therapeutic Corporation, Inc (ATC) for a total of US Dollars 104 million, US Dollars 70 million of which is payable at 31 December 2004, equivalent to Euros 51.391 million (see notes 20, 24 and 32(b)). A negative difference arose due to the variation between the acquisition price of the ATC assets and their fair value (acquisition price lower than the fair value) which, in accordance with generally accepted accounting principles, was recognised as a reduction in the value of the assets acquired based on their fair value. This led to operating profit in the sale of inventories of Euros 7.9 million and Euros 5.6 million in 2003 and 2004, respectively.

(3) Distribution of Results

The distribution of results of Probitas Pharma, S.A. and its subsidiaries will be agreed upon in the respective Shareholders' Meetings.

The distribution of results, corresponding to the year ended December 31, 2003 is shown in the detail of stockholders' movement in Annex III of the note 14.

(4) Significant Accounting Principles

The accompanying consolidated 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 Royal Decree 1851/91 dated December 20 governing the preparation of consolidated annual accounts and with other current accounting regulations, applied by the consolidated companies on a consistent basis.

The main principles applied are as follows:

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(Free translation from the original in Spanish)

(a) Start-up expenses

The start-up expenses are shown at cost, 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 amortization, in accordance with the following criteria:

- The costs incurred in research and development projects are capitalized when there is evidence of technical success or when it is expected that they will generate future income. Otherwise, they are charged to losses. The capitalized costs are amortized over a period not exceeding five years, using the straight-line method.
- 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 ten years, using the straight-line method.
- Goodwill, corresponding to the one proceeding from the acquisition of certain plasma centers in the United States of America, is amortized over a period not exceeding twenty years, using the straight-line method, in which is estimated their contribution to the profit of the Group.
- The software acquired and developed by the consolidated companies 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.

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* Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

(c) Tangible fixed assets

Tangible fixed assets are shown at acquisition cost revalued until 1983, as permitted by legislation prevailing at that time, 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>Yearly rates</u>
Buildings	3%
Technical installations and machinery	10% - 20%
Other installations, furniture and fittings	10% - 60%
Other assets	16% - 50%

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

(d) Investments

Variable income securities are valued at cost of acquisition, including expenses incurred therein. Cost does not include dividends or explicit accrued interest in the case of deferred payments.

The deposits and guarantees, as well as the granted credits, are valued at the disbursed amount.

Provision for a decline in value of investments is made as and when dictated by circumstances.

(e) Treasury stock

The treasury stock of the parent company is shown in the consolidated balance sheet at its acquisition price, provided that it does not exceed its market price or underlying book value. In this last case, it will be valued at the lower of the above-mentioned prices. Likewise, a non-distributable reserve required by Spanish legislation is settled accordingly.

(f) Goodwill on consolidation

On June 16, 2000, Probitas Pharma, S.A. acquired the 33,33% of Grifols UK, Ltd. and Grifols Italia, S.p.A. share capital -owned until that date by Scranton Enterprises, B.V.- for an amount of Euros 28.023.461. As a result of said

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acquisition and after considering the negative goodwill on consolidation resulting from the initial acquisition (66,67 % of share capital), a goodwill for an amount of Euros 20.900.928 has arisen.

On March 1, 2002, Instituto Grifols, S.A. had acquired the 100% of Biomat USA, Inc. share capital by an amount of euros 145.779.130. As a result of said acquisition a goodwill for an amount of euros 141.404.201 has arisen.

Goodwill on consolidation is amortized over a period not longer than 20 years, from the acquisition date.

Despite the above, the Company's directors are aware that the recovery of the goodwill of consolidation depends on achieving the Company's business objectives, which are based on forecasts and, therefore, differences can arise between the results projected in the business plans and the actual results obtained. In this regards, the Group adopts the criteria of annually evaluating the recovery of the goodwill on consolidation, when circumstances that could be indicative of a possible loss in the value of the goodwill arise.

(g) Deferred expenses

The deferred expenses 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 deferred interest relating to promissory notes issued by Probitas Pharma, S.A. which are amortized 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 consolidated financial statements.
- The formalization expenses relating to bank loans are expensed over the maturity period of said bank loans.
- The implicit interest related to debts deferred for more than one year is expensed over the maturity period of said debts, following a financial method.

(h) Inventories

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

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

The Group adjusts the value of those inventories with cost exceeding their market value or when circumstances indicate doubtful recovery of such costs.

(i) Capital grants

Non-refundable capital grants are recorded as “Deferred income” in the accompanying consolidated balance sheet for the amount granted. Income is recognized on a straight-line basis over the estimated useful life of the assets for which acquisition the grants have been received.

(j) Trade accounts and notes receivable

A substantial part of the sales made by the Group are made to hospitals dependent upon Public and Local Health Authorities. Such sales are documented by invoices and payment is made by bank transfer.

In certain cases sales made to foreign customers are billed through documentary credits granted by financial institutions.

In accordance with common business practice in Spain, sales to other domestic customers which are settled through notes receivable are discounted at banks with full recourse. In the accompanying consolidated balance sheet, the caption of “Debtors” includes notes receivable pending maturity at December 31, 2004 and 2003 and the corresponding liabilities are shown under the caption of “Short – term bank loans” (see notes 12 and 21).

Costs relating to the discounting of notes are expensed when incurred and are not deferred over the term of the notes due to the immateriality this would have on the consolidated results for the period.

A significant part of the credits generated from the Group’s sales have also been fully and unconditionally sold to financial institutions in the year 2004 and written off in the consolidated balance sheet on transfer (see note 12). The financial discount associated with this operation is booked as a financial and similar expenses on transfer.

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Part of the credits generated in favour of the Group from sales made are transferred without recourse to financial institutions, which assume the risks resulting from this credit. These credits are written off in the consolidated balance sheet and all the costs associated with their transfer are expensed when the transfer takes place.

The Group follows a policy of setting up provisions to cover certain overdue balances or those which, for various reasons, should be considered to be of doubtful collection.

(k) Foreign currency transactions and balances

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

The year-end balances of accounts receivable and payable expressed in foreign currencies are converted into local currency at rates in effect at December 31. 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 unrealized exchange profits are deferred until realization, except when exchange rate hedging contracts exist. In the latter case, the year-end balances of accounts in foreign currencies are stated according to the exchange rate stipulated in the contract.

Despite the above, the exchange differences resulting from the specific financing of investments in subsidiaries made in foreign currencies are included as conversion differences under the shareholders' equity caption of the consolidated balance sheet.

The year-end balances of cash accounts in foreign currencies are converted into local currency at the rates in effect at December 31. The gains or losses are recognized in the consolidated profit and loss account.

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

The assets and liabilities presented in the consolidated balance sheets are classified as short-term if maturing within twelve months from the consolidated balance sheet date and long-term if maturing after twelve months from the consolidated balance sheet date.

(m) Severance indemnities

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

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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.

(n) Income taxes

Consolidated 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 as well as the adjustments arising from the application of the consolidation methods for those companies included in the Spanish tax consolidation. The tax effect of timing differences is recorded, where necessary, in the consolidated balance sheet as a deferred tax asset or liability.

Probitas Pharma, S.A., as parent company, requested and obtained fiscal authorization for the purpose of presenting consolidated tax returns with its subsidiaries Diagnostic Grifols, S.A., Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Logister, S.A., Biomat, S.A., Grifols Viajes, S.A., Grifols International, S.A., and Grifols Engineering, S.A. Consequently, Probitas Pharma, S.A. 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.

Additionally, the US companies Probitas Pharma, Inc. and Grifols Biologicals, Inc. are authorized to file consolidated income tax returns in the United States.

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 has recognized the tax credits pending to be applied; mainly investments abroad and R&D activities, as their realization has been estimated to be during the term established by law (see notes 8, 12 and 31). 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 and R&D activities (see note 16).

(o) 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,

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following the prudence principle, at the year end close, the Group only books the realized profits. The foreseeable contingencies and losses, including possible ones, are booked as soon as they are known.

Until the year ended 31 December 2003, the Group recognised the interest receivable from the different Social Security bodies for which claims had been filed when a favourable outright sentence was passed. In 2004 and as a result of applying Law 3 dated 30 December 2004 governing bad debts, the Group has started recognizing this interest receivable on accrual and, following prudent criteria, only for those entities for which this interest was historically claimed and collected. In 2004 the effect of applying this Law has resulted in profit before income tax and debtors increasing by Euros 10.170 thousand.

On fiscal year 2004, the amount of Euros 11.933 thousand shown in the chapter of profits from previous years of the attached profit and loss account, corresponds to the interests from favourable outright sentences, as well as the interests resulting from the application of said Law, both accrued before January 1, 2004.

(p) Pension commitment

On May 24, 2002, the Spanish companies settle 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 the Bansabadell 18 Fondo de Pensiones pension fund and the agency which manages the fund is Bansabadell Pensiones.

The annual contribution of the Spanish Group of companies is registered under the personnel expenses caption in the consolidated statement of profit and loss in the year the contribution corresponds (see note 27).

(q) 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 recognised 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.

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(r) Financial futures and options

Differences in the value of unlisted financial futures and options are recognized 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 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, 2003 are as follows:

	Euros				
	Balances at			Currency	Balances at
	31/12/02	Additions	Amortisations	translation	31/12/03
				adjustment	
Start-up expenses	372.901	207.115	(58.002)	5.069	527.083
Capital increase expenses	1.317.089	633.992	(939.535)	--	1.011.546
	1.689.990	841.107	(997.537)	5.069	1.538.629

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

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(Free translation from the original in Spanish)

	Euros				
	Balances at			Currency	Balances at
	31/12/03	Additions	Amortisations	translation	31/12/04
				adjustment	
Start-up expenses	527.083	-	(122.162)	-	404.921
Capital increase expenses	1.011.546	28.000	(782.897)	-	256.649
	1.538.629	28.000	(905.059)	0	661.570

(6) Intangible Assets

Details and movement in intangible assets during the year ended December 31, 2003 and 2004 are shown in Annex I which forms an integral part of this note to the consolidated annual accounts.

2003 and 2004 Research and development expenses additions correspond mainly to the new products applications including intravenous gamma for the American market. Intravenous gamma selling license was obtained during December 2003, as well as some new applications of that product. Sales expectancy for said products amply covers the investments made by the Group.

As at December 31, 2004 concessions, patents, licenses, trademarks and similar mainly correspond to the licenses and patents used by the Group for the sale of its products in various markets.

The Group uses certain assets through lease contracts. At December 31, 2004 the principal terms and conditions of the contracts are as follows:

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Item	Date of the contract	N° of monthly instalments	Euros		
			Net book value	Monthly instalments (*)	Purchase option
Land and buildings	various	120	625.053	6.118	6.741
Machinery and installations	various	36	14.580.112	424.861	347.716
Internal transport	various	36	49.052	1.401	1.404
Measure and control instruments	various	36	5.261.735	174.540	76.291
Furniture	various	36	533.402	15.097	7.344
Computer equipment	various	36	763.721	22.045	16.782
Vehicles	various	36	13.260	362	-
Total cost			21.826.335		
Less, accumulated amortization			(5.563.628)		
			16.262.707		

(*) Variable depending on interest rate

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

	Euros	
	31/12/04	31/12/03
Total amount of operations	34.228.968	27.458.078
Payments made in previous years	(16.436.080)	(11.000.998)
Payments made during the year	(6.444.611)	(5.469.974)
Capital lease creditors	11.348.277	10.987.106

Capital lease creditors are divided as follows:

	Euros			
	31/12/04		31/12/03	
	Short Term	Long Term	Short Term	Long Term
Capital	5.939.092	4.984.792	5.060.144	5.470.005
Interest	286.173	138.220	288.518	168.439
	6.225.265	5.123.012	5.348.662	5.638.444
	(note 21)	(note 19)	(note 21)	(note 19)

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(7) Tangible Fixed Assets

Details and movements of this caption of the consolidated balance sheet at December 31, 2004 and 2003 are shown in Annex II which forms an integral part of this note to the consolidated annual accounts.

At December 31, 2004, certain land and buildings are mortgaged as a guarantee for a loan with an outstanding balance of euros 1.785 thousand (euros 1.946 thousand at December 31, 2003) (see note 19).

Fixed assets under construction at December 31, 2004 and 2003 correspond mainly to the investments made in expanding the installations of the Spanish subsidiaries and increasing their production capacity.

The Group's policy is to take out insurance to cover what it estimates as the possible risks which could affect the tangible assets. At December 31, 2004 the Group has taken out insurance along with all the group companies, which more than covers the net book value of all the Group's assets.

(8) Long-term Investments

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

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(Free translation from the original in Spanish)

	Euros					Balances at 31/12/03
	Balances at 31/12/02	Additions	Disposals	Incorporation consolidation perimeter	Currency translation adjustment	
Investments consolidated under the equity method	166.237	156.502	--	--	(60.589)	262.150
Other long-term investments	280.309	964.095	--	9.568	(10.858)	1.243.114
Long-term deposit and guarantees	1.165.258	90.993	(464.799)	--	(81.582)	709.870
Tax credit on deductions (note 31)	9.282.525	4.944.821	--	--	--	14.227.346
	10.894.329	6.156.411	(464.799)	9.568	(153.029)	16.442.480
Less, provisions for investments	(175.766)	--	109.622	(9.568)	--	(75.712)
Net Value	10.718.563	6.156.411	(355.177)	0	(153.029)	16.366.768

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(Free translation from the original in Spanish)

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

	Euros					Balances at 31/12/04
	Balances at 31/12/03	Additions	Disposals	Incorporation consolidation perimeter	Currency translation adjustment	
Investments consolidated under the equity method	262.150	103.508	-	-	(32.253)	333.405
Other long-term investments	1.243.114	14.742	-	-	1.580	1.259.436
Long-term deposit and guarantees	709.870	299.478	(248.627)	(20.265)	(23.242)	717.214
Tax credit on deductions (note 31)	14.227.346	4.892.350	(2.207.278)	-	-	16.912.418
	16.442.480	5.310.078	(2.455.905)	(20.265)	(53.915)	19.222.473
Less, provisions for investments	(75.712)	--	75.712	--	--	0
Net Value	16.366.768	5.310.078	(2.380.193)	(20.265)	(53.915)	19.222.473

(a) Investment in companies consolidated under the equity method

The balance at December 31, 2004 and 2003 refers to the investment that Diagnostic Grifols, S.A. holds in Quest International, Inc. (35%) with registered office in Miami, Florida (EE.UU). Its activity relates to the manufacture and distribution of reagents.

The equity of Quest International, Inc. according to its last unaudited financial statements at November 30, 2004 amounts to euros 1.129 thousand.

(b) Other long-term investments

This balance includes at December 31, 2004 and 2003 the participation below 1% that the Group has in Northfield Laboratories (USA), which cost amounts to euros 280.309. This investment was provisioned for an amount of euros 66.144 as at December 31, 2003, and has been reversed during fiscal year 2004.

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Likewise, includes at December 31, 2004 and 2003 an amount of approximately euros 1 million corresponding to a group company long-term deposit, with maturity date on June 30, 2013 and with an interest rate of 1,98%.

(9) Treasury stock

At 31 December 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.

(10) Goodwill on Consolidation

Details and movements in this caption of the consolidated balance sheet at December 31, 2003 are as follows:

	Euros			Balances at 31/12/03
	Balances at 31/12/02	Additions	Amortization	
Grifols UK,Ltd.	11.710.815	--	(672.391)	11.038.424
Grifols Italia,S.p.A.	6.490.409	--	(372.655)	6.117.754
Biomat USA, Inc.	135.512.360	--	(7.070.210)	128.442.150
Grifols USA, Inc. (formerly Grifols Quest, Inc.)	--	967.962	(967.962)	0
	153.713.584	967.962	(9.083.218)	145.598.328

Goodwill arising from the acquisition of the remaining shareholding part of Grifols Quest in the year 2003 was fully amortized in 2003 once the Directors of the Company had evaluated his difficult recoverability.

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

	Euros			Balances at 31/12/04
	Balances at 31/12/03	Additions	Amortization	
Grifols UK,Ltd.	11.038.424	-	(672.391)	10.366.033
Grifols Italia,S.p.A.	6.117.754	-	(372.655)	5.745.099
Biomat USA, Inc.	128.442.150	-	(7.070.210)	121.371.940
	145.598.328	0	(8.115.256)	137.483.072

The future expected profits for the abovementioned goodwill are higher than their net book value as at December 31, 2004.

(11) Inventories

A detail of inventories at December 31, are as follows:

	Euros	
	31/12/04	31/12/03
Inventories for resale	34.641.469	33.534.465
Raw materials and supplies	74.211.973	88.519.481
Work in progress and semi-finished products	106.800.075	98.358.854
Finished products	34.741.903	40.926.528
By-products	0	20.257
	250.395.420	261.359.585
Advances to suppliers	144.295	--
Less, provisions for depreciation of inventories	(4.418.967)	(4.938.503)
	246.120.748	256.421.082

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A detail of cost of materials consumed and other external expenses is as follows:

	Euros	
	31/12/04	31/12/03
Inventories for resale		
Net purchases	27.716.979	19.817.925
Change in inventories	(1.633.530)	863.649
	<u>26.083.449</u>	<u>20.681.574</u>
Raw materials and supplies		
Net purchases	84.566.706	121.563.583
Change in inventories	14.124.654	1.473.799
	<u>98.691.360</u>	<u>123.037.382</u>
Other expenses	9.572.352	14.309.987
	<u>134.347.161</u>	<u>158.028.943</u>

The changes in inventories for resale have been the following:

	Euros
Initial balance of inventories for resale	33.534.465
Change in inventories for resale	1.633.530
Currency translation adjustment	(526.526)
Final balance of inventories for resale	<u>34.641.469</u>

The changes in raw material and supplies inventories have been the following:

	Euros
Initial balance of raw materials and supplies inventories	88.519.481
Change in raw material and supplies inventories	(14.124.655)
Currency translation adjustment	(182.853)
Final balance of raw materials and supplies inventories	<u>74.211.973</u>

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(Free translation from the original in Spanish)

The changes in finished and work in progress inventories have been the following:

	<u>Euros</u>
Initial balance of finished and work in progress inventories	139.305.639
Change in finished and work in progress inventories	5.395.435
Currency translation adjustment	(3.159.096)
Final balance of finished and work in progress inventories	<u>141.541.978</u>

Net purchases include the following amounts in foreign currencies:

	<u>31/12/04</u>	<u>31/12/03</u>
Currency		
US dollar	62.540.070	87.985.772
Other currencies	3.157.306	4.054.506

The changes in the provision for depreciation of inventories have been the following:

	<u>Euros</u>	
	<u>31/12/04</u>	<u>31/12/03</u>
Opening balance	4.938.503	3.873.093
Net allowance for the year	(297.004)	(929.747)
Incorporation to the consolidation perimeter	--	2.010.372
Balances written off	--	--
Currency translation adjustment	(222.532)	(15.215)
Closing balance	<u>4.418.967</u>	<u>4.938.503</u>

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(Free translation from the original in Spanish)

(12) Debtors

Details of debtors at December 31, are as follows:

	Euros	
	31/12/04	31/12/03
Trade debtors for sales and services rendered	171.002.626	184.074.495
Trade debtors, related companies	487.482	15.005
Sundry debtors	15.155.830	4.333.874
Personnel	228.102	265.492
Public entities	19.812.711	22.759.168
	<u>206.686.751</u>	<u>211.448.034</u>
Less provisions for bad debts	(3.298.975)	(3.427.021)
	<u>203.387.776</u>	<u>208.021.013</u>

The balance of "Trade debtors for sales and services rendered" includes the notes discounted in banks and pending maturity at December 31, 2004 for an amount of euros 1.592.517 (euros 1.321.967 at December 31, 2003) (see note 21).

Sundry debtors as at December 31, 2004 mainly includes an amount of Euros 11.603 thousand corresponding to the recognizing of the interest receivable from the different Social Security bodies (see note 4(o)).

During 2004 certain companies in the Grifols Group, to which the Company belongs, have signed a payment agreement with a third party including a subrogation clause. Four sale and purchase agreements for credit rights from several public entities have also been signed with Deutsche Bank, S.A.E., which indirectly holds 40.83% of the shares of Probitas Pharma, S.A., parent company of the Grifols Group.

The total credit rights, the ownership of which has been transferred to Deutsche Bank, S.A.E. in accordance with the aforementioned contracts, amount to Euros 36.7 million.

The Company's directors consider that all of the credit and financial risks associated with the ownership of these credit rights will be transferred on signing the above mentioned contracts, and collection of the invoices generated from the aforementioned credits has been improved. Consequently, the nominal value of these credits of Euros 36,759,579 has been written off in the balance sheet.

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(Free translation from the original in Spanish)

The financial expense of this operation assumed by the Company has been approximately Euros 6,806 thousand, which is registered under financial and similar expenses in the statement of profit and loss for the year.

As stated in note 32 (a), the Group granted a guarantee in favor of certain banks, through the assignment of credits for all balances that they have or could have in the future with certain National Health Service institutions.

The following balances in foreign currencies are included in the "Trade debtors for sales and services rendered" caption of the consolidated balance sheet:

Currency	Euros	
	31/12/04	31/12/03
US dollar	18.070.223	15.438.647
Pound sterling	4.554.371	5.853.444
Czech crown	2.513.740	2.387.939
Argentinian peso	740.177	715.605
Chilean peso	3.435.440	3.253.988
Mexican peso	2.472.418	2.501.482
Other currencies	3.907.905	3.850.041

The balances with "Public entities" are as follows:

	Euros	
	31/12/04	31/12/03
Due from Tax authorities in respect of:		
VAT	2.973.391	3.251.274
Grants	512.773	631.538
Due from Social Security	98.725	295.609
Deferred tax asset (note 31)	6.702.053	5.565.142
Due from Tax authorities in respect of		
Income Tax:		
Current year (note 31)	4.535.350	4.139.026
Previous years	1.339.562	1.553.424
Tax credits on deductions (note 31)	3.041.414	1.996.474
Tax credits losses (note 31)	--	4.580.145
Other public entities	609.443	746.536
	19.812.711	22.759.168

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(Free translation from the original in Spanish)

The movement of the bad debts provision is as follows:

	Euros	
	31/12/04	31/12/03
Opening balance	3.427.021	2.726.473
Allowance for the year	545.118	727.575
Incorporation to the consolidation perimeter	-	121.191
Balances written off	(665.028)	(203.560)
Currency translation adjustment	(8.136)	55.342
Closing balance	3.298.975	3.427.021

(13) Short-Term Investments

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

	Euros				Balances at 31/12/03
	Balances at 31/12/02	Additions	Disposals	Currency translation adjustment	
Investment portfolio	32.148	2.000.000	(2.029.861)	(1.666)	621
Deposits and guarantees	310.077	346.634	(362.627)	(11.323)	282.761
Other loans	95.486	3.709.399	(3.509.838)	(20.920)	274.127
	437.711	6.056.033	(5.902.326)	(33.909)	557.509

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(Free translation from the original in Spanish)

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

	Euros				
	Balances at			Currency	Balances at
	31/12/03	Additions	Disposals	translation	31/12/04
				adjustment	
Investment portfolio	621	-	-	(8)	613
Deposits and guarantees	282.761	341.457	(392.692)	(10.070)	221.456
Other loans	274.127	126.714	(241.399)	(14.055)	145.387
	557.509	468.171	(634.091)	(24.133)	367.456

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(Free translation from the original in Spanish)

(14) Stockholders' Equity

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

(a) Share capital

At December 31, 2004 the share capital of Probitas Pharma, S.A., is represented by 211.681.440 registered shares of euros 0,50 par value each (211.681.440 registered shares of euros 0,50 par value each at December 31, 2003).

The details of Probitas Pharma, S.A. shareholders at December 31, 2004 and 2003 are as follows:

	Percentage of ownership	
	31/12/04	31/12/03
Scranton Enterprises,B.V.	10,91%	10,91%
Gabriella Holding Netherland, B.V.	10,07%	10,07%
Gabriella Luxembourg (non Erisa) Sarl	27,27%	27,27%
Capital Riesgo Global, S.C.R., S.A.	11,62%	11,62%
Others	40,13%	40,13%
	100,00%	100,00%

– Increase of the share capital charged to share premium

On May 21, 2003 the Company, using the authorization granted by 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.

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(Free translation from the original in Spanish)

(c) Reserves of the parent company

Details are as follows:

	Euros	
	31/12/04	31/12/03
Legal reserve	5.498.720	3.968.728
Treasury stock reserve (note 9)	870.446	870.446
Capital adjustment into euros	3.020	3.020
Voluntary reserves	38.877.352	28.322.458
	<u>45.249.538</u>	<u>33.164.652</u>

- Legal reserve

Spanish 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.

- Treasury stock reserve

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

- Voluntary reserves

The voluntary reserves may be freely distributed except for an amount of euros 218.147 corresponding to the net book value of the start-up expenses pending of amortization by the Company.

(d) Reserves in consolidated companies

The details of these reserves at December 31, 2004 and 2003, per consolidated company, are shown in Annex IV which forms an integral part of this note to the consolidated annual accounts.

The distribution of the balance of the legal reserves for Spanish companies is governed by the same legislation as that which is applicable to the parent

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company. The distribution of the balance of the other reserves is subject to the legal regulations governing each of the subsidiaries.

(15) Minority Interest

Details and movement of minority interest at December 31, 2003 are as follows:

	Euros			
	Balances at 31/12/02	Additions	Currency translation adjustment	Balances at 31/12/03
Grifols (Thailand) Pte Ltd	0	86.281	29.284	115.565
	0	86.281	29.284	115.565

Details and movement of minority interest at December 31, 2004 are as follows:

	Euros			
	Balances at 31/12/03	Additions	Currency translation adjustment	Balances at 31/12/04
Grifols (Thailand) Pte Ltd	115.565	-	(5.280)	110.285
	115.565	0	(5.280)	110.285

Grifols (Thailand) Pte Ltd 's negative results relating to fiscal year 2004 have been assumed 100% by the Group.

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(Free translation from the original in Spanish)

(16) Deferred Income

Details are as follows:

	Euros	
	31/12/04	31/12/03
Grants	1.024.470	1.092.299
Unrealised exchange rate gains	2.603.794	2.020.038
Tax credits deferred income (note 31)	5.751.473	6.760.388
Other deferred income	2.648.905	1.296.411
	<u>12.028.642</u>	<u>11.169.136</u>

The detail of the grants is as follows:

	Euros	
	31/12/04	31/12/03
Total amount of grant:		
1992	182.509	182.508
1993	43.712	43.712
1994	104.576	104.576
1995	626.696	626.693
1996	53.904	53.905
1997	425.959	425.955
1998	65.042	65.042
1999	42.071	42.071
2000	180.895	184.334
2001	213.979	213.979
2002	626.021	626.022
	<u>2.565.364</u>	<u>2.568.797</u>
Less, income recorded:		
in prior years	(1.476.502)	(1.385.881)
in the current year	(64.392)	(90.617)
	<u>(1.540.894)</u>	<u>(1.476.498)</u>
Net value	<u>1.024.470</u>	<u>1.092.299</u>

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(17) Provisions for Risks and Charges

The balance at December 31, 2004 and 2003, include a provision that a group company booked in connection with some pension commitments said company assumed regarding certain members of its staff.

(18) Promissory notes

During year ended December 31, 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 exists subscribed promissory notes for an amount of euros 5.241.000 (euros 5.319.000 as at December 31, 2003).

The interest rate is 5% and the maturity date is May 2, 2005. The said promissory notes are not listed on any stock exchange nor they are convertible into shares.

The official documentation for the above-mentioned issues is inscribed in the Official Register of the National Securities Market Commission as of March 31, 2003.

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(19) Long-term Bank Loans

Long-term bank loans are detailed as follows:

	Euros	
	31/12/04	31/12/03
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
Loan of US dollars 8.500 thousand, maturing September 25, 2004 at an interest rate of 6,58%	-	8.513.784
Loan of euros 1.024 thousand, maturing November 29, 2006 at an interest rate of 4,054%	878.043	951.214
Mortgage loan of euros 902 thousand, maturing May 16, 2012 at an interest rate 5,25%	610.381	682.459
Other loans of euros 1.801 thousand limit, maturing on 14/01/2004 and 25/06/2005 at an interest rate between 4,37% and 4,6%	400.000	800.000
Mortgage loan of euros 1,300 thousand, maturing on July 30, 2015 at an interest rate 3,55%	1.174.925	1.263.732
Loan of Euro 600 thousand, maturing March 12, 2006 at an interest rate of 3,125%	600.000	--
	<u>215.163.349</u>	<u>237.211.188</u>
Less, short-term (note 21)	(27.639.251)	(22.648.082)
Capital lease creditors (note 6)	5.123.012	5.638.444
	<u>192.647.110</u>	<u>220.201.550</u>

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(Free translation from the original in Spanish)

Details of maturities at December 31, 2004 and 2003 of the long-term bank loans are as follows:

	Euros	
	31/12/04	31/12/03
Maturity within;		
Two years	108.117.696	31.563.972
Three years	55.554.556	105.288.072
Four years	27.304.704	54.377.126
Five years	264.177	27.305.307
More than five years	1.405.977	1.667.073
	<u>192.647.110</u>	<u>220.201.550</u>

On April 2, 2003, the Company signed a syndicated loan by an amount of 225 million euros, the agent bank of which is BBVA. The main purpose of this syndicated loan is the debt refinancing and the Group's news investments. For its continuity, this syndicated loan maturing on April 2, 2008 is subject to compliance with certain obligations relating to financial ratios. In accordance to the agreed conditions, the degree of compliance with the financial ratios will be determined at the close of each financial year and the Group 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 (see note 32 (a)).

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 Group started negotiations to obtain a new syndicated loan which will be used to refinance the aforementioned syndicated loan (see note 36 (c)).

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Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

(20) Other Long-term Creditors

Details of other long-term creditors are as follows:

	Euros	
	31/12/04	31/12/03
Debts stated by payables	167.939	216.254
Other debts	46.341.388	65.581.361
	<u>46.509.327</u>	<u>65.797.615</u>

The balance of "Other debts" includes at December 31, 2004 an amount of euros 40.378.827 corresponding to the long term debt expressed in dollars as a result of the acquisition of certain assets of Alpha Therapeutic Corporation Inc, (euros 55.423.595 as at December 31, 2003) (see notes 1(a) and 32(b)). The debt recorded includes unaccrued future interest for an amount of euros 3.631.272 (euros 6.000.503 as at December 31, 2003) included in "Deferred expenses" (see note 4(g)).

The balance of "Other debts" also included at December 31, 2003 an amount of euros 3.958.828 corresponding to the debt with Scranton Enterprises B.V., as a result of the acquisition of the 33,33% of Grifols UK, Ltd. and Grifols Italia, S.p.A. share capital (see note 4(f)), with annual payments due each 30 of June until the last payment due on June 30, 2005 (see note 32b)). At December 31, 2004 this amount is registered in the short term balance "Other Debts" (see note 24). This operation has generated unaccrued future interest for an amount of euros 135.883, (euros 411.488 as at December 31, 2003) included in "Prepaid expenses".

Said balance also includes the amounts of several interest-free preferential loans granted by the Ministerio de Ciencia y Tecnología to group companies, no interest rate due, as follows:

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(Free translation from the original in Spanish)

	Euros				
	Amount	December, 31 2004		December, 31 2003	
		Long term	Short term	Long term	Short term
Instituto Grifols S.A	748.861	427.921	106.980	534.901	106.980
Instituto Grifols S.A	637.073	455.052	91.010	546.062	91.010
Instituto Grifols S.A	691.164	592.426	98.738	691.164	--
Instituto Grifols S.A	1.200.000	1.200.000	--	1.200.000	--
Instituto Grifols S.A	2.000.000	2.000.000	--	2.000.000	--
Laboratorios Grifols, S.A	219.245	156.604	31.321	206.061	34.344
Laboratorios Grifols, S.A	210.354	180.304	30.051	210.354	--
Laboratorios Grifols, S.A	220.000	220.000	--	220.000	--
Laboratorios Grifols, S.A	300.000	300.000	--	300.000	--
Laboratorios Grifols, S.A	200.000	200.000	--	--	--
Diagnostic Grifols, S.A	506.720	230.254	144.243	290.396	43.167
	6.933.417	5.962.561	502.343	6.198.938	275.501

Details of maturities are as follows:

	Euros	
	31/12/04	31/12/03
Maturity within;		
Two years	20.916.078	16.274.740
Three years	21.163.173	22.441.903
More than three years	4.430.076	27.080.972
	46.509.327	65.797.615

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(Free translation from the original in Spanish)

(21) Short-Term Bank Loans

Short-term bank loans at December 31 are as follows:

	Interest rate % (*) min - max	Euros			
		Used		Limit	
		31/12/04	31/12/03	31/12/04	31/12/03
Credits in:					
US dollar	2,35% - 3,22%	3.071.705	2.324.202	3.177.141	3.198.403
Euros	2,02% - 7,60%	134.070.959	96.713.387	182.034.635	182.645.329
Others	4,2% - 18%	7.452.766	6.728.528	8.086.433	7.851.645
		144.595.430	105.766.117	193.298.209	193.695.377
Discounted notes					
(note 12)	2,5% - 5,2%	1.592.517	1.321.967	--	--
Short-term interest on bank debt					
		2.355.192	2.407.740	--	--
Capital lease creditors					
(note 6)		6.225.265	5.348.662	--	--
Short-term maturity of long-term bank debt (note 19)					
		27.639.251	22.648.082	--	--
		182.407.655	137.492.568	193.298.209	193.695.377

(*) The credits accrue variable interest rates.

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(22) Due to Related Companies

Details at December 31, are as follows:

	Euros	
	31/12/04	31/12/03
Suppliers	525.626	1.008.728
	<u>525.626</u>	<u>1.008.728</u>

The balance of "due to related companies" at December 31, 2004 and 2003 mainly corresponds to the amount pending to be paid as a result of the acquisition of the Grifols Quest, Inc shareholding.

(23) Accounts Payable, Trade

Details are as follows:

	Euros	
	31/12/04	31/12/03
Suppliers	55.989.902	104.468.925
Notes payable to suppliers	1.639.863	31.661
Advanced payments	1.576.076	1.539.995
	<u>59.205.841</u>	<u>106.040.581</u>

On December 31, 2003 included the amount of euros 33 millions corresponding to a raw material supply contract within the Company and BBVA Trade, S.A.. As per this contract, the Group bound itself to acquire a certain number of liters of plasma at a fixed price while BBVA Trade, S.A. bound itself to supply said plasma. This contract has expired during fiscal year 2004.

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(Free translation from the original in Spanish)

The suppliers captions include the following foreign currency balances:

Currency	Euros	
	31/12/04	31/12/03
US dollar	16.766.303	29.795.203
Pound sterling	350.297	357.424
Czech crown	294.150	149.854
Argentinian peso	19.715	19.891
Mexican peso	364.758	203.776
Other currencies	177.265	488.979

(24) Other Payables, Non-Trade

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

	Euros	
	31/12/04	31/12/03
Public entities	28.764.607	24.119.217
Other debts	22.419.269	15.715.009
Accrued wages and salaries	8.099.294	7.470.986
Deposits and guarantees	17.945	38.124
	59.301.115	47.343.336

“Other debts” include 3.671 thousands of euros corresponding to the current portion of the debts with Scranton Enterprises B.V. (see notes 14 and 32 (b)), along with the equivalent value in Euros (11.102 thousands of euros) of the current portion of the debt payable for the acquisition of Alpha Therapeutic Corporation amounting to US Dollars 15 million, which falls due on March 15, 2005 (see notes 20 and 32(b)).

At 31 December 2004 this also includes approximately euros 6.306 thousand directly receivable from Social Security bodies, the credit rights of which have been transferred to deutsche Bank (see note 12). This amount is payable to Deutsche Bank.

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The credit balances with “Public entities” are as follows:

	Euros	
	31/12/04	31/12/03
Due to Tax Authorities for:		
VAT / General Canary Island Tax	5.368.966	3.746.307
Withholdings	3.422.288	1.706.019
Due to Social Security	2.077.314	2.083.369
Deferred tax liability (note 31)	12.124.146	14.634.286
Company income tax:		
Current year (note 31)	5.256.374	1.659.181
Previous years	13.820	112.341
Other public entities	501.699	177.714
	<u>28.764.607</u>	<u>24.119.217</u>

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(Free translation from the original in Spanish)

(25) Trade Provisions

The movement of this provision during the year ended December 31, 2003 is as follows:

	Euros				
	Balances at 31/12/02	Allowance	Reversals	Currency translation adjustment	Balances at 31/12/03
Trade provisions	922.646	398.310	(725.682)	0	595.274
	922.646	398.310	(725.682)	0	595.274

The movement of this provision during the year ended December 31, 2004 is as follows:

	Euros				
	Balances at 31/12/03	Allowance	Reversals	Currency translation adjustment	Balances at 31/12/04
Trade provisions	595.274	1.208.668	(125.411)	(9.013)	1.669.518
	595.274	1.208.668	(125.411)	(9.013)	1.669.518

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(Free translation from the original in Spanish)

(26) Net Sales

The distribution of consolidated net sales for the years ended December 31, 2004 and 2003 by divisions is as follows:

	%	
	31/12/04	31/12/03
Bioscience & Raw Material	73	74
Diagnostic	14	13
Hospital	12	12
Other	1	1
	100	100

The geographical distribution of the consolidated sales is as follows:

	31/12/04	31/12/03
	Sales Spain	33
Sales Rest of World	67	66
	100	100

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(Free translation from the original in Spanish)

The figures indicated include the net sales made in the following foreign currencies:

Currency	Euros	
	31/12/04	31/12/03
US dollar	103.801.339	81.149.509
Swiss franc	1.678.484	2.077.579
Czech crown	6.735.774	7.247.338
Pound sterling	35.271.283	37.729.352
Mexican peso	9.132.762	9.889.214
Chilean peso	7.103.903	6.003.129
Argentinian peso	2.414.448	2.417.494
Brasilian real	4.457.641	5.013.777
Singapore dollar	2.055.354	4.013.017
Thailand Bath	2.769.069	--

(27) Personnel Expenses

Details at December 31, are as follows:

	Euros	
	31/12/04	31/12/03
Wages and salaries	117.735.203	101.029.375
Pension plan contributions	908.565	869.361
Social Security and other charges	28.641.307	24.803.865
	147.285.075	126.702.601

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

The breakdown of the average of employees by professional category during the year 2004 is approximately as follows:

	Average	
	31/12/04	31/12/03
Management	122	116
Technicians and middle management	865	782
Administrative staff	368	439
Production staff	1.844	1.841
Sales staff	211	174
Others	100	45
	3.510	3.397

(28) Extraordinary Expenses and losses

On December 31, 2004 this item mainly includes all the expenses the parent company incurred in the initial public offer that had been finally postponed due to the situation of the stock market.

(29) Remunerations to 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 Group companies amounts to Euros 1.753.386 in 2004 (1.900.382 Euros in 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 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 consolidated 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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

July 1988 and the Revised Spanish Companies Act, approved by Royal Decree Law 1564 dated 22 December 1989.

(30) Contribution of the Consolidating Companies to the Consolidated Results

The consolidated results include the following after-tax contributions by the Company:

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

	Euros	
	31/12/04	31/12/03
Probitas Pharma, S.A.	5.881.233	15.299.921
Laboratorios Grifols,S.A.	1.702.955	(508.728)
Instituto Grifols,S.A.	(2.686.514)	2.911.020
Movaco,S.A.	6.384.347	4.333.525
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	(284.283)	(116.951)
Diagnostic Grifols,S.A.	5.116.655	2.606.661
Logister,S.A.	11.434	10.006
Grifols América,Inc. (4)	(73.329)	(263.372)
Grifols Chile,S.A.	728.759	469.061
Biomat,S.A.	1.953.692	1.370.195
Grifols Argentina,S.A.	312.610	335.378
Grifols,s.r.o.	413.244	242.648
Grifols México,S.A. de C.V.	7.665	(165.967)
Grifols Viajes,S.A.	(2.340)	73.534
Grifols USA, Inc. (4)	170.322	(1.157.638)
Grifols International,S.A.	(765.285)	(1.738.076)
Grifols Italia,S.p.A.	1.275.750	1.672.906
Grifols UK,Ltd.	2.556.534	2.390.417
Grifols Deutschland,GmbH	(2.573.467)	(30.968)
Grifols Brasil,Ltda.	(58.620)	132.258
Grifols France,S.A.R.L.	68.358	2.446
Grifols-Quest, Inc. (4)	(180.156)	(601.515)
Grifols Engineering, S.A.	672.164	367.556
Biomat USA, Inc. (1)	(2.331.070)	(1.996.953)
Squadron Reinsurance Ltd. (2)	1.399.493	492.167
Probitas Pharma Inc. (3)	(7.700.297)	(2.784.499)
Grifols Biologicals Inc. (3)	3.988.194	12.161.020
Grifols Asia Pacific Pte. Ltd. (3)	538.132	283.822
Grifols (Thailand) Pte. Ltd. (3)	(82.333)	165.925
Alpha Therapeutic Europe, Ltd. (3)	(2.182.982)	218.370
Alpha Therapeutic UK, Ltd. (3)	473.994	93.495
Alpha Therapeutic Italia, S.p.A. (3)	675.369	(577.215)
Grifols Polska Sp.z.o.o.	25.667	--
	<hr/>	<hr/>
	15.435.895	35.690.449
Consolidation adjustments	3.969.704	(14.256.882)
	<hr/>	<hr/>
	19.405.599	21.433.567

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

- (1) At 31/12/04 corresponds to the period between December 1, 2003 and November 30, 2004. (see note 2(b))
- (2) At 31/12/03 corresponds to the period between March 1, 2003 and December 31, 2003. (see note 2(b))
- (3) At 31/12/03 corresponds to the period between July 15, 2003 and December 31, 2003. (see note 2(b)).
- (4) The Grifols America and Grifols Quest amounts correspond to the period comprise between January 1, 2004 and June 30, 2004, due to the fact that these companies merged with Grifols USA at July 1, 2004.

(31) Tax Situation

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

Probitas Pharma, S.A. is allowed to file consolidated income tax returns together with Diagnostic Grifols, S.A., Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Logister, S.A., Biomat, S.A., Grifols Viajes, S. A., Grifols International, S. A., and Grifols Engineering. Owing to the fact that Probitas Pharma, S.A. is the parent company, it is responsible in front of the tax authorities for the filing and payment of consolidated income tax returns.

In addition, the US company Probitas Pharma, Inc is authorised to file consolidated company income tax returns in the US with Grifols Biologicals, Inc.

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 years ended December 31, 2004 and 2003 with the taxable income is as follows:

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Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

	Euros	
	31/12/04	31/12/03
Consolidated profit before taxes for the year	18.936.147	22.215.835
Permanent differences of individual companies	(3.956.670)	(17.607.714)
Permanent consolidation differences	(172.682)	22.036.212
Compensation of tax losses carryforwards	(1.977.099)	(2.446.041)
Tax accounting basis	12.829.696	24.198.292
Timing differences from individual companies	2.717.077	(4.813.347)
Temporary consolidation adjustments	862.636	(12.824.873)
Consolidated taxable income	16.409.409	6.560.072
Aggregated tax quota from individual companies	4.407.005	4.980.219
Deductions and tax credits	(1.646.295)	(72.703)
Withholdings and prepayments	(2.039.686)	(7.387.361)
Net tax payable (notes 12 and 24)	721.024	(2.479.845)

The Group income tax expense is calculated as follows:

	Euros	
	31/12/04	31/12/03
Accounting basis by tax rate	5.229.930	4.167.266
Deductions and tax credits	(465.522)	(72.703)
Income from periodification of tax credits	(5.849.578)	(5.430.988)
Prior period income tax	323.809	(2.926.851)
Others	291.909	4.959.263
Expense / (Income) for the year	(469.452)	695.987

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

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

	Euros			
	Timing difference		Tax effect	
	31/12/04	31/12/03	31/12/04	31/12/03
Deferred tax assets				
Tax losses	0	2.901.611	0	1.015.564
Other provisions	6.550.283	1.474.654	2.292.599	488.948
Amortisation	680.220	2.461.302	238.077	861.456
Pension fund	472.417	599.419	165.346	209.797
Unrealized margin	9.994.560	6.530.176	3.498.096	2.285.562
Provision for bad debts	456.486	100.383	159.770	26.026
Inventories	783.643	1.970.904	274.275	677.457
Others	211.114	949	73.890	332
	19.148.723	16.039.398	6.702.053	5.565.142
			(note 12)	
Deferred tax liabilities				
Accelerated depreciation	(8.025.306)	(1.812.730)	(2.808.857)	(623.638)
Lease contracts	(6.139.329)	(4.916.794)	(2.148.765)	(1.720.878)
Inventories	(8.916.091)	(13.629.762)	(3.120.632)	(4.770.417)
Foreing implementation	(505.494)	(758.240)	(176.923)	(265.384)
Provision for investments	(10.804.477)	(17.218.396)	(3.781.567)	(6.026.439)
Stock provisions	(249.720)	(3.507.232)	(87.402)	(1.227.530)
	(34.640.417)	(41.843.154)	(12.124.146)	(14.634.286)
			(note 24)	

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 Spanish subsidiaries have decided to apply accelerated depreciation to certain fixed assets for fiscal purposes. The corresponding deferred tax has been accounted for.

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 Spanish consolidated companies are open to inspection by the Tax Authorities for all the applicable taxes from January 1, 2001 (January 1, 2000

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

for the Corporate Income Tax). The Directors of the Company do not expect any significant liabilities to arise in the event of an inspection.

At December 31, 2004 the Spanish consolidated companies have available tax credits pending application, mainly corresponding to research and development, as follows:

Year of origin	Euros	Applicable until
2000	1.457.088	2015
2001	2.656.417	2016
2002	5.031.654	2017
2003	5.968.010	2018
2004 (estimated)	4.840.663	2019
	<u>19.953.832</u>	

As mentioned in note 4 (n), at December 31, 2004 the Group has in the balance an amount of euros 19.954 thousand (euros 16.224 thousand at December 31, 2003) corresponding to the tax credits on deductions pending to be applied, having been estimated its recovery in the future. Likewise, 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 and R & D expenses.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

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

	Euros	
	31/12/04	31/12/03
Deductions on tax credit pending to be applied	16.223.820	16.216.125
Other movements	--	7.695
Deductions generated in fiscal year	4.840.663	--
Deductions on tax credit applied in fiscal year (Spanish companies)	(1.110.651)	--
Tax credit on deductions (note 8 and 12)	<u>19.953.832</u>	<u>16.223.820</u>
Initial tax credit deferred income	6.760.388	12.191.376
Generated income in the year	4.840.663	--
Recognized income in the year	(5.849.578)	(5.430.988)
Final tax credit deferred income (note 16)	<u>5.751.473</u>	<u>6.760.388</u>

(32) Guarantees with Third Parties and Other Contingent Liabilities

(a) Guarantees

Instituto Grifols, S.A., Laboratorios Grifols, S.A., Movaco, S.A., Diagnostic Grifols, S.A. and Biomat USA, S.A. have provided joint bank guarantees to the syndicated loan for a total amount of euros 211.500 thousand, through the assignment of credits with full resources, for all credits that they have or could have in the future with certain National Health Service institutions (see note 19).

Likewise, Instituto Grifols, S.A., Laboratorios Grifols, S.A., Movaco, S.A., Diagnostic Grifols, S.A. and Grifols International, S.A have granted pledging rights on the balances held in certain current bank accounts. These companies have also granted bank guarantees by an amount of euros 1.024 thousand.

Likewise, Instituto Grifols, S.A., Laboratorios Grifols, S.A. and Movaco, S.A., have granted bank guarantees by an amount of euros 400 thousand.

(b) Guarantee commitments with third parties

In contracts signed on December 22, 1999, the Company assumed certain obligations regarding the guarantee of payments in relation to the purchase of

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

shares of Grifols UK, Ltd and Grifols Italia, S.p.A. by Scranton Enterprises, B.V. (see note 14), acquired in 2000 by the Company (see note 20).

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:

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

Likewise, as a consequence of the Alpha Therapeutic Corporation acquisition there are certain committed payments (see notes 20 and 24), as detailed below:

Thousand of US dollars	Maturity date
15.000	15/03/05
27.500	17/07/06
27.500	16/07/07
<u>70.000</u>	

Regarding the payment of US dollars 27.500 thousand, which it has been agreed will be settled on July 16, 2007, the Group has provided 350 thousand liters of plasma as a guarantee to Mitsubishi Pharma Corporation.

(c) Pension commitment

As described on note 4 (p), the Spanish Group companies are committed to contributing to a defined contribution pension plan. euros 351.788 at December, 31 2004 (euros 300.506 at December 31, 2003)

The total amount of the annual Group's contribution will be established through collective agreement.

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Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

(d) Swap contracts

The Group 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 and 2003, two swap contracts exist for a nominal amount of Euros 60,000 thousand, and 50,000 thousand, maturing on April 26, 2006 and April 28, 2008, respectively.

(e) Raw material supply contract with Mitsubishi Pharma Corporation

On 15 July 2003 one of the group companies in the United States signed a raw material supply contract with Mitsubishi Pharma Corporation, committing it to acquire 270,000 litres of plasma at a fixed price and within a period not exceeding 31 December 2007.

(f) Variable price for the acquisition of Grifols Quest, Inc.

In February 2003, the Group acquired the remaining 49% of the shares of Grifols Quest, Inc. it did not already hold. Based on the conditions of the contract, the cost of this acquisition would be equivalent to 49% of this company's sales during 2004, with a minimum limit of US Dollars 0.7 million and a maximum of US Dollars 1.6 million.

At 31 December 2004 a final price payable of Euros 629 thousand has been agreed for this acquisition.

(g) Service agreement with Baxter Healthcare Corporation

On 5 April 2004 the Group and Baxter Healthcare Corporation signed a new agreement resolving the discrepancies existing at 31 December 2003. As a consequence of this agreement, Baxter undertakes to pay the Group an amount in return for the Group producing and supplying a specific number of kilograms of a certain product.

On the same date, both parties also signed a raw material supply agreement for the period from 1 July 2004 and 30 June 2005.

(33) Environmental Information

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

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(Free translation from the original in Spanish)

Project	Cost	Euros	
		Accumulated depreciation	Net Value
Water treatment plant	156.181	(23.427)	132.754
TOC measurement tool for waste waters	124.694	(96.100)	28.594
Clean in process	77.002	(47.484)	29.518
Waste points union	74.667	(11.620)	63.047
PEG concentrator installation	72.456	(7.466)	64.990
Equalization pool	46.737	(10.905)	35.832
Water deposits	42.218	(35.903)	6.315
Wells' improvement	38.542	(10.599)	27.943
HCL deposit	30.550	(12.984)	17.566
20m3 deposit	30.402	(2.280)	28.122
Suitability of external workers' area	26.006	(622)	25.384
Alcohol transfer engineering	22.433	(2.779)	19.654
Concentration outflow recovery	20.033	(10.350)	9.683
Chemical products warehouse building	19.495	(325)	19.170
Water recovery	13.649	(2.275)	11.374
Neutralization tank automation	8.907	(8.616)	291
Collection of PEG 15% generated	8.056	(134)	7.922
Drainage adjustment	6.903	(4.575)	2.328
Others	16.827	(2.103)	14.724
	835.758	(290.547)	545.211

The expenses incurred by the Group in the protection and improvement of the environment during the year ended December 31, 2004 have amounted to approximately euros 1.285 thousand (euros 518 thousand at December 31, 2003).

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

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

(34) Other Information

(a) Auditors remuneration

KPMG Auditores, S.L. and those other companies with which this company is linked as stipulated in the fourteenth Additional Regulation of the Financial

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

System Reform Act have invoiced the following fees and expenses to the Group for professional services during the year ended December 31, 2004:

	Euros
For annual audit services	143.500
For other audit services and audit related	327.164
For other services	539.732
	<u>1.010.396</u>

The amount for annual audit services shown in the table above includes the full amount of fees relating to the audit for the year 2004, irrespective of their invoicing date.

In addition, other companies associated with KPMG International, during 2004, have invoiced the total amount corresponding to fees and expenses to the Company as follows:

	Euros
For annual audit services	470.056
For other audit services and audit related	201.752
For other services	176.924
	<u>848.732</u>

(b) Other information

In connection with payment to third party with subrogation agreement contracts and bargain and sale of credit rights contracts signed during fiscal year 2004 (see note 12) certain Group companies and Deutsche Bank signed a contract, according to which Deutsche Bank will offer an allowance structure to the Group depending on the collection final term of the collection rights transferred by the Group. At 31 December 2004, no amount has been accrued for this reason.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

(35) Transactions with related companies

As explained in note 12, during 2004 the Group sold credit rights to Deutsche Bank, S.A.E. for Euros 36.7 million. The total cost of this sale for the Group was Euros 6,807 thousand, which has been registered under financial and similar expenses in the accompanying consolidated statement of profit and loss. Interest of Euros 190 thousand has also been accrued with Deutsche Bank, S.A.E. and Banco Santander Central Hispano (which indirectly holds 11.62% of the shares in Probitas Pharma, S.A.) in relation to the credit facilities/loans subscribed.

Additionally, an amount of US dollars 5,000 thousand the Group is pending to be paid to Scranton Entreprises, B.V. (see note 32(b)),

(36) Subsequent Events

(a) Tax Inspection

On February 8, 2005, the Group was notified by the Spanish tax authorities of the beginning of an inspection for all the applicable taxes for the period 2001 to 2003 both inclusive (2000 to 2003 for Corporate Income Tax) and for all companies paying taxes in Spain. The management of the Company does not expect any significant liabilities to arise.

(b) Warrants

Dated 27 January 2005, the Company sold the warrant corresponding to shares belonging to an American company. The result of said sale involves a net profit of 3,7 million dollars.

(b) 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 19).

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

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 2005.

ANNEX I
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Movement in Intangible Assets
for the year ended
December 31, 2003

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

	Euros						
	Balances at 31/12/02	Additions	Transfers	Disposals	Incorporation into the consolidation perimeter	Currency translation adjustment	Balances at 31/12/03
Cost:							
Research and development expenses	15.487.852	6.213.473	--	(46.641)	3.002	--	21.657.686
Concessions, patents, licenses, trademarks and others	28.141.520	239.965	--	(27.868)	6.631.904	(3.883.727)	31.101.794
Goodwill	9.296.663	--	--	--	--	(1.577.415)	7.719.248
Software	7.036.507	2.253.818	807.792	(220.415)	--	(139.117)	9.738.585
Rights over leased assets	16.120.127	6.501.227	(2.175.811)	--	--	(23.061)	20.422.482
Advance payments	--	51.000	--	--	--	--	51.000
	76.082.669	15.259.483	(1.368.019)	(294.924)	6.634.906	(5.623.320)	90.690.795
Accumulated amortisation							
Research and development expenses	(5.119.944)	(1.300.753)	--	--	(1.472)	--	(6.422.169)
Concessions, patents, licenses, trademarks and others	(8.289.943)	(2.786.330)	--	20.163	(29.648)	1.115.994	(9.969.764)
Goodwill	(1.248.780)	(392.929)	--	--	--	256.172	(1.385.537)
Software	(3.902.560)	(1.431.085)	(34.843)	28.538	--	32.258	(5.307.692)
Rights over leased assets	(2.958.461)	(2.411.442)	1.422.585	--	--	5.645	(3.941.673)
	(21.519.688)	(8.322.539)	1.387.742	48.701	(31.120)	1.410.069	(27.026.835)
Net value	54.562.981	6.936.944	19.723	(246.223)	6.603.786	(4.213.251)	63.663.960
			(note 7)				

This annex forms an integral part of note 6 to the accompanying consolidated annual accounts.

ANNEX I
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Movement in Intangible Assets
for the year ended
December 31, 2004
(Stated in euros)

(Free translation from the original in Spanish)

	Euros				Currency translation adjustment	Balances at 31/12/04
	Balances at 31/12/03	Additions	Transfers	Disposals		
Cost:						
Research and development expenses	21,657,686	6,885,811	(3,002)	(91,324)	(26,287)	28,422,884
Concessions, patents, licenses, trademarks and others	31,101,794	394,681	2,064	(453,462)	(1,402,169)	29,642,908
Goodwill	7,719,248	-	-	(192,111)	(543,877)	6,983,260
Software	9,738,585	2,519,228	69,416	(708,497)	(109,950)	11,508,782
Rights over leased assets	20,422,482	6,356,037	(4,940,570)	-	(11,618)	21,826,331
Advance payments	51,000	-	-	-	-	51,000
	<u>90,690,795</u>	<u>16,155,757</u>	<u>(4,872,092)</u>	<u>(1,445,394)</u>	<u>(2,093,901)</u>	<u>98,435,165</u>
Accumulated amortisation						
Research and development expenses	(6,422,169)	(2,737,390)	2,161	-	-	(9,157,398)
Concessions, patents, licenses, trademarks and others	(9,969,764)	(3,353,078)	(1,787)	151,094	541,653	(12,631,882)
Goodwill	(1,385,537)	(356,167)	-	-	133,693	(1,608,011)
Software	(5,307,692)	(1,763,142)	509,339	691,356	34,712	(5,835,427)
Rights over leased assets	(3,941,673)	(2,936,196)	1,308,186	-	6,055	(5,563,628)
	<u>(27,026,835)</u>	<u>(11,145,973)</u>	<u>1,817,899</u>	<u>842,450</u>	<u>716,113</u>	<u>(34,796,346)</u>
Net value	<u>63,663,960</u>	<u>5,009,784</u>	<u>(3,054,193)</u>	<u>(602,944)</u>	<u>(1,377,788)</u>	<u>63,638,819</u>

(note 7)

This annex forms an integral part of note 6 to the accompanying consolidated annual accounts.

ANNEX II
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Movement in Tangible Fixed Assets
for the year ended
December 31, 2003

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

Cost:	Euros						
	Balances at 31/12/02	Additions	Transfers	Disposals	Incorporation into the consolidation perimeter	Currency translation adjustment	Balances at 31/12/03
Land and buildings	8.467.146	1.560.172	5.781.805	--	19.615.172	(2.182.662)	33.241.633
Technical installations and machinery	43.688.001	616.828	7.676.562	(1.974.136)	5.017.109	(784.744)	54.239.620
Other installations, furniture and fittings	52.341.885	6.046.881	3.888.683	(1.962.357)	1.554.142	(3.149.240)	58.719.994
Other assets	11.461.065	1.662.189	1.532.489	(917.424)	260.004	(613.241)	13.385.082
Fixed assets under construction	16.461.905	12.680.301	(17.498.616)	(74.750)	2.720.606	(326.402)	13.963.044
	132.420.002	22.566.371	1.380.923	(4.928.667)	29.167.033	(7.056.289)	173.549.373
Accumulated depreciation:							
Land and buildings	(2.628.239)	(1.437.245)	--	--	--	123.802	(3.941.682)
Technical installations and machinery	(21.304.991)	(4.362.446)	26.093	1.588.621	(10.650)	199.087	(23.864.286)
Other installations, furniture and fittings	(26.681.365)	(5.387.452)	160.515	1.215.144	(79.212)	1.117.589	(29.654.781)
Other assets	(7.573.573)	(1.794.156)	(1.587.254)	540.121	(180.479)	344.638	(10.250.703)
	(58.188.168)	(12.981.299)	(1.400.646)	3.343.886	(270.341)	1.785.116	(67.711.452)
Provisions:							
Provisions	(150.725)	0	0	150.725	0	0	0
Net value	74.231.834	9.585.072	(19.723)	(1.584.781)	28.896.692	(5.271.173)	105.837.921

(note 6)

This annex forms an integral part of note 7 to the accompanying consolidated annual accounts.

ANNEX II
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Movement in Tangible Fixed Assets
for the year ended
December 31, 2004
(Stated in euros)

(Free translation from the original in Spanish)

	Euros					
	Balances at 31/12/03	Additions	Transfers	Disposals	Currency translation adjustment	Balances at 31/12/04
Cost:						
Land and buildings	33.241.633	113.749	(10.676.195)	(460.079)	(50.492)	22.168.616
Technical installations and machinery	54.239.620	1.345.539	18.595.790	(121.381)	(1.774.852)	72.284.716
Other installations, furniture and fittings	58.719.994	4.114.522	84.957	(1.397.330)	(1.245.164)	60.276.979
Other assets	13.385.082	1.738.886	2.395.434	(777.797)	(161.192)	16.580.413
Fixed assets under construction	13.963.044	11.992.083	(5.527.733)	(8.999)	(619.394)	19.799.001
	<u>173.549.373</u>	<u>19.304.779</u>	<u>4.872.253</u>	<u>(2.765.586)</u>	<u>(3.851.094)</u>	<u>191.109.725</u>
Accumulated depreciation:						
Land and buildings	(3.941.682)	(687.982)	469.685	113.179	6.506	(4.040.294)
Technical installations and machinery	(23.864.286)	(7.876.465)	(1.029.788)	117.857	378.446	(32.274.236)
Other installations, furniture and fittings	(29.654.781)	(5.469.144)	576.656	978.334	490.202	(33.078.733)
Other assets	(10.250.703)	(1.923.026)	(1.834.454)	628.230	214.613	(13.165.340)
	<u>(67.711.452)</u>	<u>(15.956.617)</u>	<u>(1.817.901)</u>	<u>1.837.600</u>	<u>1.089.767</u>	<u>(82.558.603)</u>
Provisions:						
Provisions	0	(69.273)	-	-	-	(69.273)
Net value	<u>105.837.921</u>	<u>3.278.889</u>	<u>3.054.352</u>	<u>(927.986)</u>	<u>(2.761.327)</u>	<u>108.481.849</u>
			(note 6)			

This annex forms an integral part of note 7 to the accompanying consolidated annual accounts.

ANNEX III
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

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

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

	Reserves of the parent company				Reserves in consolidated companies	Currency translation adjustment	Profit and loss attributable to the parent	Total
	Share capital	Share premium	Non-distributable reserve	Distributable reserve				
Balances at December 31, 2002	19,843,640	91,115,741	4,145,837	17,118,026	46,052,949	(5,316,483)	18,866,194	191,825,904
Application of 2002 results	--	--	--	11,900,789	4,865,263	--	(16,766,052)	0
Reserves	--	--	--	--	--	--	(2,100,142)	(2,100,142)
Dividends	--	--	--	--	--	(9,174,247)	--	(9,174,247)
Net variation in currency translation	--	--	--	--	--	--	--	--
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
Consolidated result for the year	--	--	--	--	--	--	21,433,567	21,433,567
Balances at December 31, 2003	105,840,720	45,118,682	4,842,194	28,322,458	50,918,212	(14,490,730)	21,433,567	241,985,103
Application of 2003 results	--	--	--	12,084,886	6,133,644	--	(18,218,530)	0
Reserves	--	--	--	--	--	--	(3,215,037)	(3,215,037)
Dividends	--	--	--	--	--	(5,895,288)	--	(5,895,288)
Net variation in currency translation	--	--	--	--	--	--	--	--
Consolidated result for the year	--	--	--	--	--	--	19,405,599	19,405,599
Balances at December 31, 2004	105,840,720	45,118,682	4,842,194	40,407,344	57,051,856	(20,386,018)	19,405,599	252,280,377

This annex forms an integral part of note 14 to the accompanying consolidated annual accounts.

ANNEX IV
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Reserves in Consolidated Companies
for the years ended December 31, 2004 and 2003
(Stated in euros)
(Free translation from the original in Spanish)

	2004			2003		
	Legal reserve	Other reserves	Total reserves in consolidated companies	Legal reserve	Other reserves	Total reserves in consolidated companies
Biomat USA, Inc.	--	(14,918,669)	(14,918,669)	--	(12,921,717)	(12,921,717)
Biomat, S.A.	12,022	3,165,619	3,177,641	12,022	3,165,619	3,177,641
Diagnóstico Grifols, S.A.	67,313	4,716,174	4,783,487	67,313	3,245,801	3,313,114
Grifols Argentina, Inc.	--	--	--	--	(24,906)	(24,906)
Grifols Argentina, S.A.	--	354,037	354,037	--	18,659	18,659
Grifols Brasil, Ltda.	--	215,058	215,058	--	82,800	82,800
Grifols Chile, S.A.	--	(42,348)	(42,348)	--	(511,408)	(511,408)
Grifols Deutschland, GmbH	--	1,487,780	1,487,780	--	1,518,748	1,518,748
Grifols Engineering SA	12,024	640,257	652,281	12,024	272,701	284,725
Grifols France, S.A.R.L.	770	464,643	465,413	770	462,197	462,967
Grifols International, S.A.	16,976	(2,709,755)	(2,692,779)	16,976	(971,679)	(954,703)
Grifols Italia, S.p.A.	--	3,671,428	3,671,428	--	3,498,522	3,498,522
Grifols México, S.A. de C.V.	--	907,898	907,898	--	1,073,864	1,073,864
Grifols Quest, Inc.	--	--	--	--	(2,188,135)	(2,188,135)
Grifols s.r.o.	--	685,243	685,243	--	442,594	442,594
Grifols UK, Ltd.	--	6,076,665	6,076,665	--	5,863,527	5,863,527
Grifols USA, Inc.	--	(3,787,118)	(3,787,118)	--	448,448	448,448
Grifols Viajes, S.A.	12,022	168,998	181,020	10,749	96,736	107,485
Instituto Grifols, S.A.	307,604	23,830,623	24,138,227	307,604	22,419,603	22,727,207
Laboratorios Grifols, S.A.	359,670	5,121,019	5,480,689	359,670	5,629,747	5,989,416
Movaco, S.A. and subsidiaries	501,995	3,354,220	3,856,215	501,995	2,097,331	2,599,326
Squadron Reinsurance Ltd	--	492,167	492,167	--	--	--
Probitas Pharma, Inc	--	(2,784,499)	(2,784,499)	--	--	(858,660)
Grifols Biologicals, Inc	--	12,161,020	12,161,020	--	--	(2,348,704)
Grifols Asia Pacific Pte Ltd	--	103,478	103,478	--	(180,344)	(180,344)
Grifols (Thailand) Pte Ltd	--	(46,687)	(46,687)	--	(212,611)	(212,611)
Alpha Therapeutic Europe, Ltd	--	(2,821,876)	(2,821,876)	--	(3,040,246)	(3,040,246)
Alpha Therapeutic UK, Ltd	--	(122,273)	(122,273)	--	(219,131)	(219,131)
Alpha Therapeutic Italia, Spa	--	644,989	644,989	--	(253,807)	(253,807)
Grifols Polska Sp.z.o.o.	--	--	--	--	--	--
Consolidation adjustments	--	14,733,370	14,733,370	--	19,816,176	19,816,177
	1,290,396	55,761,461	57,051,857	1,289,123	49,629,089	50,918,212
			(20,386,018)			(14,490,730)

This annex forms an integral part of note 14(d) to the accompanying consolidated annual accounts.

DIRECTORS' REPORT

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

To the Shareholders:

Probitas Pharma S.A. is a holding company in the pharmaceutical-health care field, head parent of Grifols, and its activities are focused on research, development, manufacture and marketing of plasma derivatives, fluid therapy products, enteral nutrition, reagents, clinical analysis instruments and medical equipment.

The consolidated net profit for 2004 fiscal year amounts to € 19.4 MM, which represents 4% of the turnover. To this result has particularly contributed the good introduction of our products on the market, which has kept a global level and an outstanding increase in different business areas.

As a support to the consolidation process of international projection that has set Probitas Pharma trend -especially the fast penetration in the American market- its different divisions have performed along 2004 investments in order to increase the production capacity and improve its manufacturing process.

Within the Bioscience area, the constructions works of the new intravenous immunoglobulin plant has been finished together with its qualification and validation, after obtaining the approval from the Health Authorities for its use for the last quarter 2004.

Likewise, the works for the enlargement of the conditioning area has been continued and it is foreseen to end in 2005.

The Hospital area has made investments aimed to improve the production facilities in Barcelona and Murcia. Thereby, the second phase of Murcia new plant has been started with the construction of an automatic warehouse that entails € 2.2 MM of investment.

Within the investments of Diagnostic area, it is important to point out the new R+D reagents laboratory and the new Technical Service.

At the same time, some investments have been carried out at our branches offices and warehouses, particularly in our Centre branch office (Madrid)

Regarding Research and Development section, the specific projects approached from all Probitas Pharma areas, once again, have been stated the policy of commitment that the Company has maintained along its history.

The Bioscience area has obtained the required licenses to commercialize pure IX Factor double inactivate, Anti-D liquid immunoglobulin in preloaded syringe and the Antitrombina III double inactivate.

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Likewise, the approval for the change of conditions of preservation and validity for Factor VIII and Antitrombina III has been achieved, which will have great advantages not only for the patients but for the preservation and distribution of the products as well.

After finishing the intravenous new gamma clinical trial in EE UU, the procedures to obtain the approval from the Health Authorities have started, in order to get the authorization to commercialize the product.

For the new fiscal year, and from the same area, it is foreseen the conclusion of the antihepatitis-B intravenous immunoglobulin clinical trial for patients submitted to liver transplant.

With regard to Hospital area, within the Parenteral Nutrition line, the (AEMPS) registry has been obtained for the 8% amino acid solution and 10% Taumarin, together with the approval by the AEMPS for the new manufacturing process and the lipids emulsion (Soyacal) formula.

In Fluid therapy, the marketing authorisations for Fleboflex normal saline and Fleboflex 5% dextrose solution have been obtained, and the dossiers for Fleboflex Lactated Ringer solution and Fleboflex Glucosaline solution have been submitted. These solutions are contained in polyolefine bags which reduce the permeability and the interaction with drugs that may be dissolved in them.

In the Diagnostic area, special mention to the new variants for Transfer Leucored PL bag and the paediatrics in blood banc, along with the final design for the machine 3.0 version (Grifill system) sets for cytostatic preparations.

As for production, in the new Barcelona plant has been consolidated the manufacturing of solutions in glass containers and rigid plastic packages, while the new blood bags filling area in the factory of Murcia has insured the production increase and productivity improvement.

The Division area, with regard to the important levels reached in the immunology and blood tipaje selfanalyzers has continued in the same line as the previous year. In late 2004, modern production machinery for immune haematology reagents manufacturing was installed.

With regard to trading, the results reached by the different business lines have met the predicted growth rate in most of the products.

Within Bioscience area is important to highlight the introduction in the market of the new Trypsone (Alfa-1-Antitripsina) drug, together with Hospital Logistic line where the new distribution and storage system has significantly allowed the increasing of the business volume.

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Hospital area has performed the first trials 2.0 version (Grifill system) in US, with optimistic results regarding the possibilities of the system in the country.

Diagnostic area has consolidated the export of instruments to US and Japan and to Europe and China as well. Furthermore, the export of reagents to Russia, Malaysia and Thailand has started, and Mexico, Turkey, Czech Republic and China markets are consolidated.

The targets set for 2005 were aimed to the environment of our license range to other countries; the market share maintenance through boosting the lines currently commercialised and the introduction of new developments from our areas.

The Bioscience area will complete the marketing of Trypsone drug and will launch Factor IX Grifols for the Haemophilia B treatment, which will expand our therapeutic proteins portfolio already outstanding.

Within the Hospital area, it is foreseen the final launching of amino acid solutions together with the innovator 3.0 Grifill system that automate the intravenous mixture and the cytostatic drugs preparation system.

In the Diagnostic area, the marketing of the new generation of DG Gel cards will be performed. They will allow the increasing of our participation in the market within immune haematology of Blood Banc segment

According to the regular Group line, and considering the all above mentioned, it is foreseen optimum results for 2005. Without any doubt, in the said results, will be reflected the 3/2004 Law, with measures against the slowness in paying in commercial operations that will improve our receivable turnover or the substantial compensatory interests perception.

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

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 OH5233702 to OH5233780.

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.