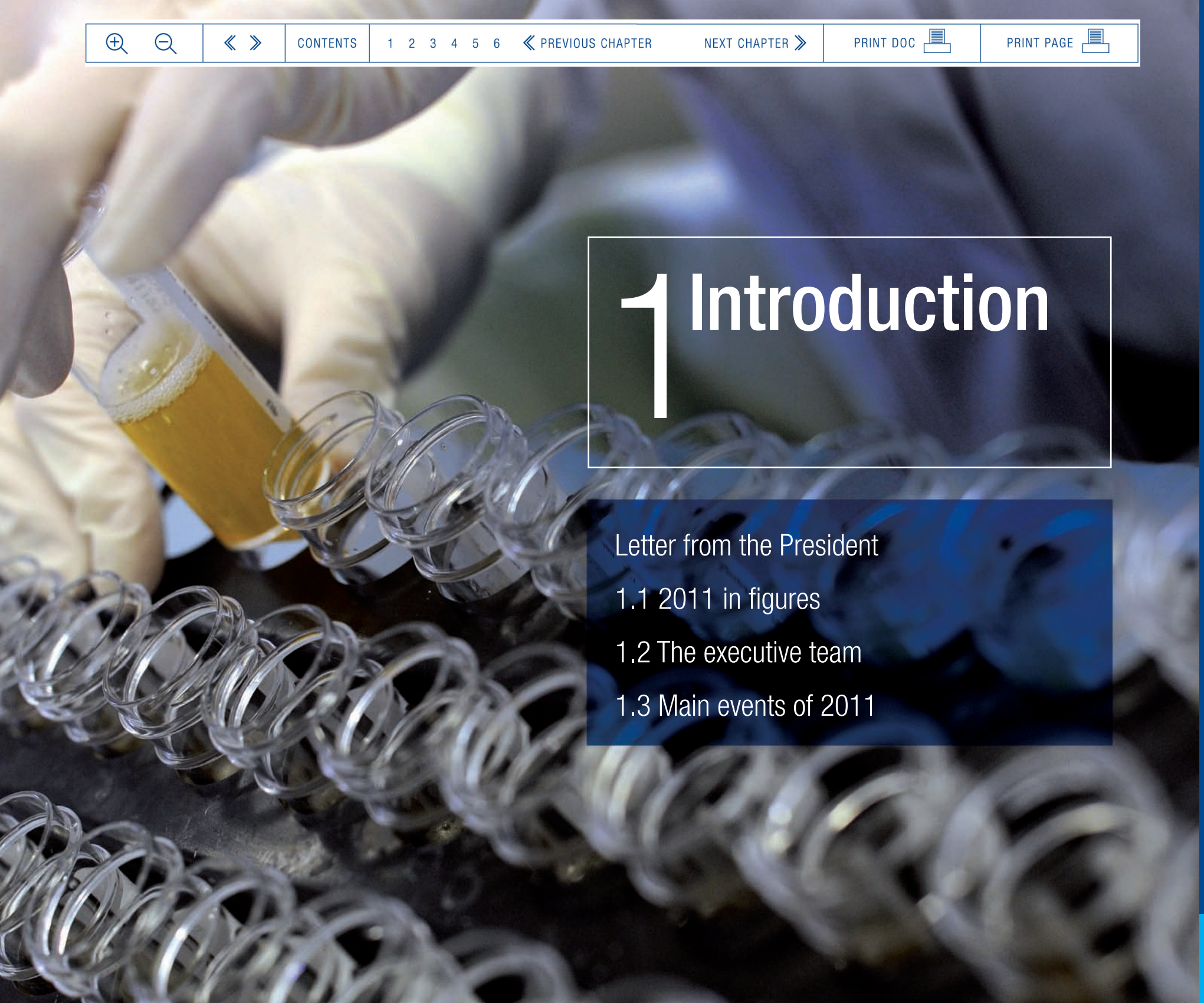
ANNUAL REPORT 2011

CLOSE

GRIFOLS

Contents

1. Unaudited pro-forma financial statements, provided for guidance purposes only, prepared from the consolidated statements of both companies.
2. Includes results for Talecris as of June 2011 (seven months), the first month in which it consolidated.
3. Excludes costs relating to the acquisition of Talecris and non-recurring.
4. Different share exchange ratios were used depending on the identity of the owner of Talecris shares at the Transaction completion date; 0.6485 for general purposes and 0.641 when the shareholder was Talecris Holdings, LLC, a director and/or a board member of Talecris.



1 Introduction

Letter from the President

Dear Shareholders,

As in previous years, I am writing to you with an analysis of the fiscal year that just ended, although this year I do so in reference to the announcement and commitment assumed in 2010 to continue making history. And we did it.

One year ago I told you of my certainty and confidence regarding the fact that the acquisition of Talecris would take place. And that was the case. In June 2011 we obtained all the necessary authorization to consolidate the acquisition and the transaction was completed satisfactorily, giving rise to a *New Era* at Grifols. We have become the third largest producer of hemoderivatives in the world and we are the world leaders in the sale of gamma globulins and alpha1-antitrypsin, a hemoderivative primarily used to treat pulmonary emphysema. It is a leadership that we responsibly assumed and, while the goal has not yet been reached, it is a new starting point from which we can continue to build.

We now have more sick persons, patients, and family members to whom direct our efforts in order to improve their health and quality of life. More health professionals with whom we work hand in hand in order to obtain more effective solutions. More employees to motivate so that they continue working as they have done until now. More donors to thank for their invaluable contributions to the production of plasma derived products. More investors and financial partners to be shown the value that we generate. Definitely, we now have more commitments that we will continue to fulfill with the same hopes and dreams as always and with the same *Spirit* that has always marked our past and business character: work well done, effort, perseverance, and a drive for improvement and innovation.

We therefore start on this path, grounded on a proven business model, strong commitments, and solid values as the main pillars of our business management, whose main lines of action and results I will briefly describe, as you will be able to find detailed information in the annual report that I introduce here.

As I had anticipated, 2011 was marked by the acquisition of Talecris. As regards our financial results, the completion of the transaction in June 2011, the start of the integration process, and the materialization of some of the projected synergies have impacted a large part of the group's main figures. Both the pro-forma financial statements that we provide for informational purposes, which have been obtained from the consolidated financial statements for Grifols and Talecris, as well as those which were audited and reported, including the results from Talecris starting in June 2011 (seven months), reflect these effects, although the full impact has not yet materialized.

Sales have increased to more than 2.3 billion euros in pro-forma terms or to close to 1.8 billion euros if accounted for in reporting terms. Nevertheless, our growth has also taken place in a year marked by global economic difficulties.

In fact, in a greatly volatile environment such as this one, we have been able to reconcile our organic growth with the implementation of new corporate and commercial structures, mainly in the United States, as part of the integration process that started in June 2011. This has allowed the group to rapidly adapt to the healthcare needs of the main agents that operate in the U.S. market (patient associations, purchasing centers, physicians, etc.) and to create value in the short-term thanks to the attainment of some of the projected production synergies.

All of this has occurred while continuing with the capital investment plan designed to expand and improve production facilities, to which we have earmarked 222 million euros, together with an ambitious R&D policy to which we have dedicated around 5% of our sales.

I first want to note that in 2011 we have begun the construction of a plasma fractionation plant in Parets del Vallès (Barcelona-Spain), with capacity to fractionate 1 million liters per year and expandable to 2 million liters per year in a second phase. In the United States we continue to build the new fractionation plant started by Talecris in Clayton (North Carolina-United States), whose capacity will be 6 million liters per year and which we expect to be completed in 2015, while in Los Angeles the investments made involved the facilities for producing albumin and for the purification of intravenous immunoglobulin. In addition, important investments were made in facilities in Texas, including the laboratories in San Marcos and Austin which, once operational, will allow us to centralize all analyses of plasma donated at our 147 centers in the United States.

Furthermore, the acquisition of Talecris has allowed the group to supplement the important portfolio of R&D projects and to ensure excellent research activity in the long term. The new Grifols has a large number of patent and research projects under way, more than a dozen of which have moved on to the pre-clinical development phase. In 2011 we have also continued with several projects to treat Alzheimer's disease by combining therapeutical plasmapheresis with plasma derived products which will undoubtedly continue to be strengthened in 2012.

Regarding the evolution of our divisions, the recent acquisition also provided the Bioscience Division with added protagonism and weight within the group, as it already represents more than 85% of the business in pro-forma terms. The acquisition also allowed us to continue with our international development and to drive the international activities of all divisions, including the Hospital Division, which was the least diversified until now. In fact, at the close of the year less than 10% of our business was generated in Spain.

In terms of human resources, the acquisition of Talecris has nearly doubled the number of Grifols employees. The average number of employees at December 2011 was 11,250. The adoption of common best practices, the consolidation of policies of training, compensation, and professional outlook, together with talent management, are some of the areas on which we are currently focusing to bring the new Grifols together cohesively. We have also been proactive with respect to the environment, an area in which we are working to unify and expand indicators, implement and homogenize eco-efficient measures and environmental best practices in an uniform manner at all production facilities.

Therefore, in conclusion to such an intense year, I would like to issue a single message: we are on the correct path and we can consider the integration process completed.

We hope to continue deserving your trust to undertake 2012 with new challenges.

Sincerely,

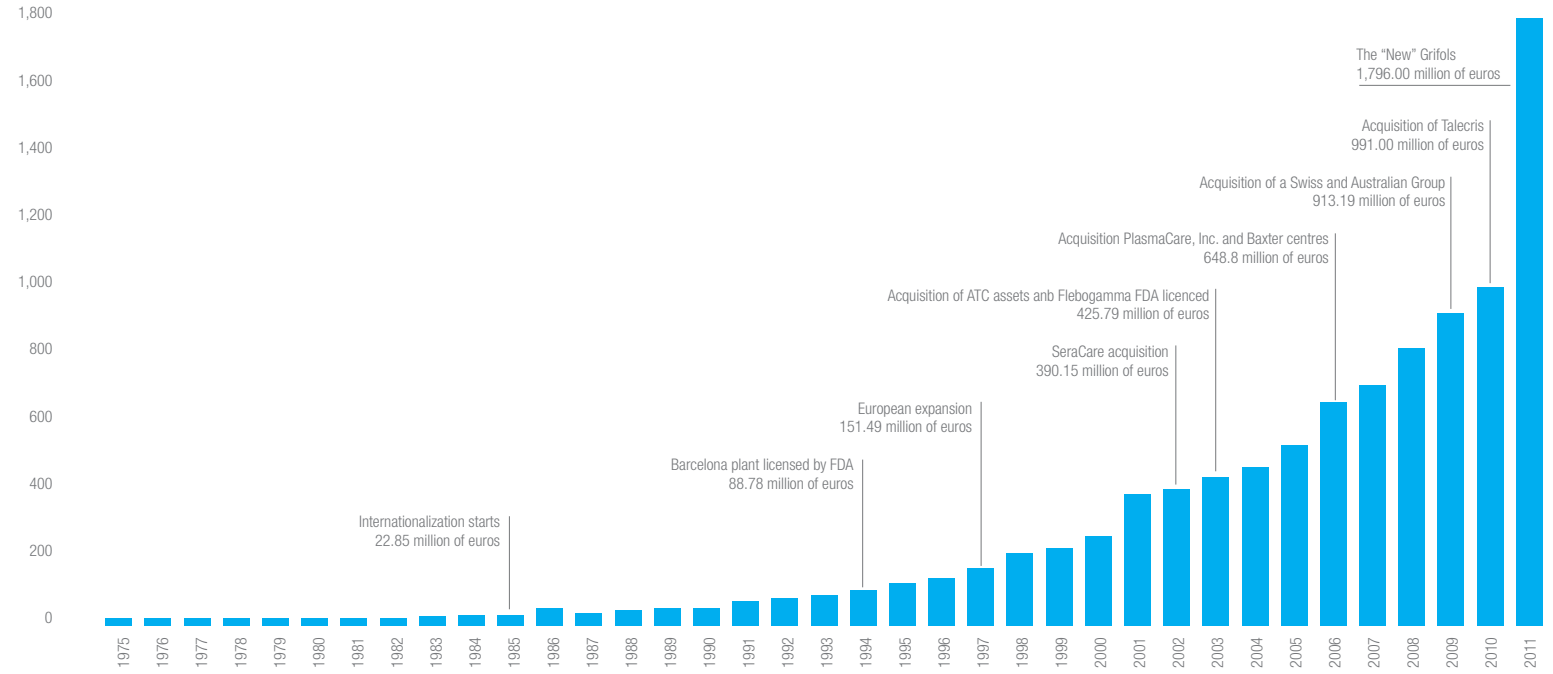
Víctor Grífols
President and CEO of Grifols

1.1 2011 in figures

Sales revenue 2,302.7 million euros[1]	7.7% sales[1] growth *(constant exchange rate)*
2,031.4 million euros in sales[1] of hemoderivatives	88.3% weight of the Bioscience Division[1]. 3.1% growth[1]
90% of revenues generated outside Spain[1]	Nearly 60% of revenues generated in the United States and Canada[1]
630.8 million euros in adjusted[3] Ebitda[1]	6.4%[1] increase and 27.4% margin over pro-forma
233.6 million euros in adjusted[3] net profit[1]	10.1% over pro-forma sales
2,738.2 million in net financial debt	4.3x adjusted Ebitda[3]. Ratio below 5.2x initially estimated
11,230 employees on average	Close to 80% of employees outside of Spain
Sales in 100 countries	Subsidiaries in 24 countries
Industrial facilities in North America, Spain, Australia, and Switzerland	147 plasma centers in the United States

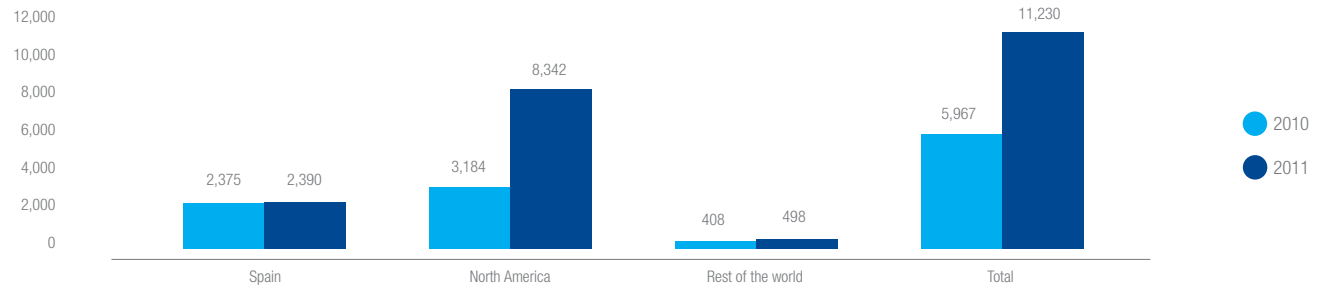
1.1 2011 in figures

SALES PERFORMANCE *(in million of euros)*



** 2011 revenues in pro-forma terms.*

CHANGES IN THE NUMBER OF EMPLOYEES



1.2 The executive team

Víctor Grífols	President and Chief Executive Officer
Juan Ignacio Twose	Exec. VP & President of Global Industrial Division
Ramon Riera	Exec. VP & President of Global Commercial Division
Alfredo Arroyo	Corp. VP & Chief Financial Officer
Montserrat Lloveras	Corp. VP Corporate Accounting and Reporting
Antonio Viñes	Corp. VP Corporate Planning and Control
Eva Bastida	Corp. VP Scientific Affairs
Mateo Borrás	Corp. VP & President Global Human Resources
Carlos Roura	Corp. VP & Co-President of Global Industrial Division
Javier Jorba	Corp. VP & President of Biological Industrial Group
Vicente Blanquer	Corp. VP Biological Industrial Group
Alberto Grífols	Corp. VP & Co-President Instituto Grifols, S.A.
Nuria Pascual	Corp. VP Corporate Investor Relations Officer
Gregory Rich	President and Chief Executive Officer Grifols Inc.
David Bell	Exec. VP Grifols Inc & General Council
Shinji Wada	Exec. VP Grifols Inc & President Plasma Operations
Mary Khun	Exec. VP Grifols Inc. & President NA Manufacturing
Joel Abelson	Corp. VP & President NA Commercial Division
Glanzmann Thomas	Special Advisor Grifols, S.A. Bioscience Exec. Com

1.3 Main events of 2011

First quarter

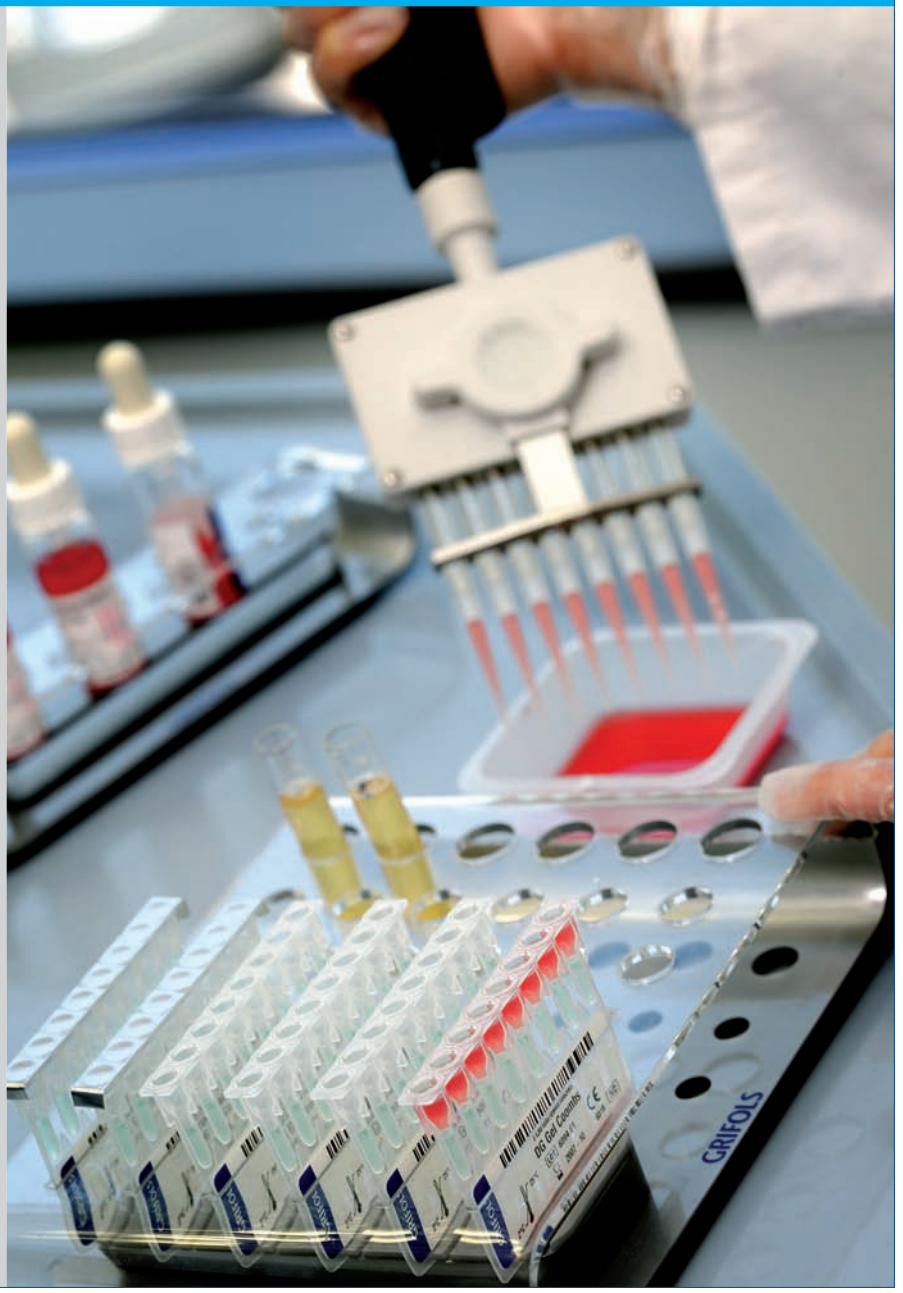
- Completion of the 1,100 million dollar bond issuance for the acquisition of Talecris.
- Start of the project and construction of the new fractionation plant in Parets del Vallès (Barcelona-Spain).
- Agreement with Novartis, which will market Grifols diagnostic products in the United States.
- Grifols created an international advisory body of experts in Transfusion Medicine.
- Presentation of StocKey®, a new automated system designed to optimize the management of health care supply restocking in hospitals.

Second quarter

- Inauguration of corporate headquarters in Sant Cugat (Barcelona-Spain).
- The acquisition of Talecris was successfully completed.
- The non-voting shares in Grifols (Class B) began trading on the NASDAQ and the Spanish Continuous Market.
- Grifols started the integration process.
- First operating synergy: the FDA approved the use of an intermediate product in the production of Gamunex® (IVIG).
- Inauguration of the Grifols Academy in Barcelona.
- Agreement with CareFusion for the distribution of the Grifols BlisPack® system.

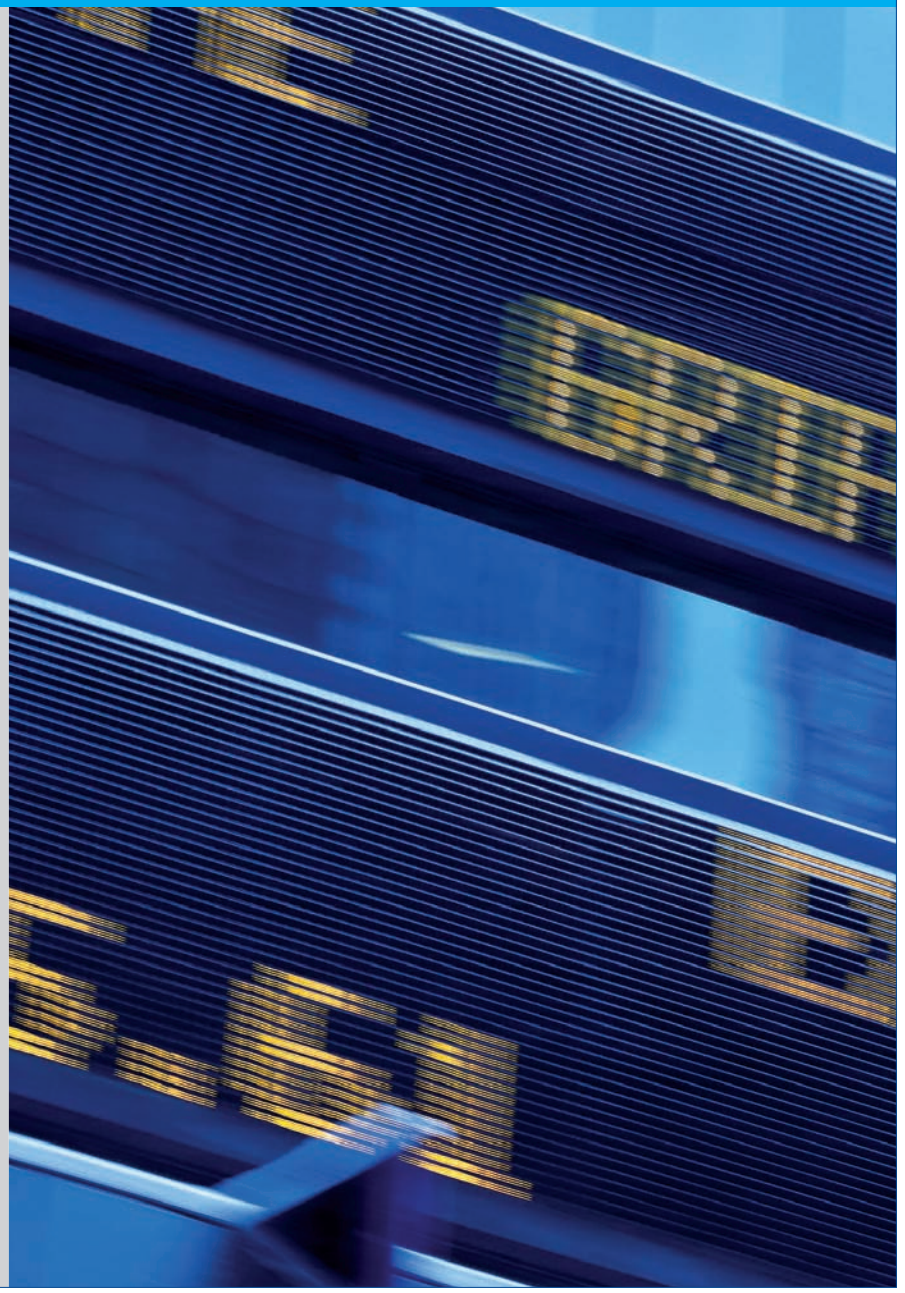
Third quarter

- Moody's and Standard & Poor's confirm the credit quality of the group's corporate debt.
- Reorganization of the Audit Committee and the Appointment and Compensation Committee.
- The annual meeting with investors and analysts was held in Barcelona.
- Universitat Autònoma de Barcelona and Institut Germans Tries i Pujol licensed a patent to Grifols in the gene therapy area.
- The company joined the Alliance for Research and Innovation in Healthcare (ALINNSA) led by the Ministry of Science and Innovation through the Carlos III Health Institute.
- Agreement with Kainos for the distribution of Grifols diagnostic transfusion systems in Japan.
- Acquisition of the remaining 51% stake in Lateral-Medion (Grifols already held 49% and 100% of the voting rights).



Fourth quarter

- Issue of released shares (Class B) as a means for compensating shareholders.
- The Talecris integration process was completed.
- Grifols received the Quality Management Certificate for its medical devices in the United States (Certification ISO 13485:2003 + AC: 2009).
- Grifols was included in the Nasdaq-Biotech index.
- Completion of the new plant built by Grifols Engineering for Bial Industria Farmacéutica at the Zamudio Technology Park in Bilbao.



2 Areas of activity

2.1 General performance of divisions

All divisions have recorded organic growth, although the acquisition of Talecris in June 2011 contributed considerably to the Bioscience Division.

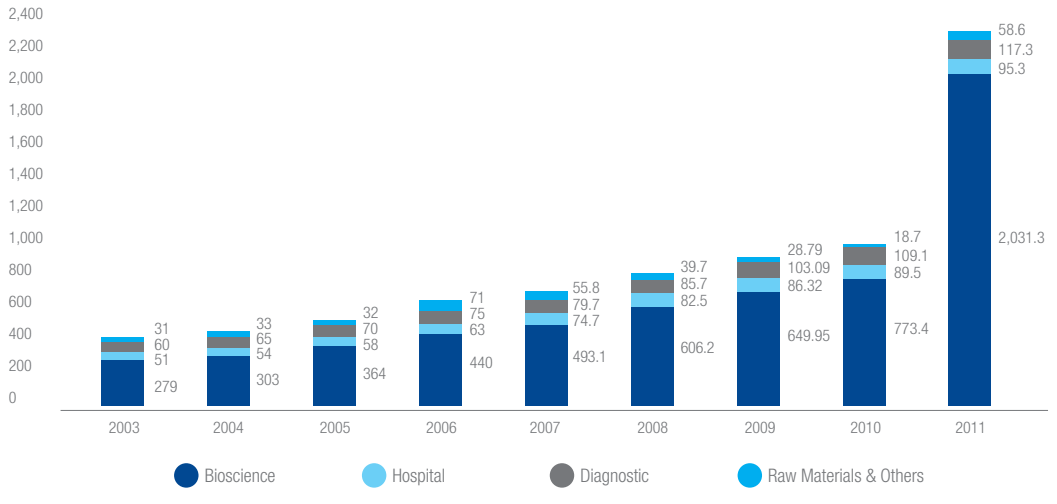
The increase in sales volumes in all areas of the group's business is notable in an environment of negative prices, high volatility of currency exchange rates, and the general implementation of austerity measures to control costs. However, this adverse economic reality that started four years ago has been offset by the geographic diversification of sales, which has allowed the possible negative effects of some measures taken in countries such as Spain to be neutralized while maintaining sustained growth in other emerging areas.

On the international front, in 2011 Grifols started to actively strengthen the expansion of its Hospital Division in the United States, with the aim of becoming a leading supplier in this market in the medium and long-term with respect to logistics management and the automation of hospital pharmacy services.

2011 REVENUE AND GROWTH BY DIVISION *(Pro-forma data[1] in millions of euros)*

	Sales revenue	% growth	% of sales revenue
Bioscience	2,031.3	3.1%	88.3%
Hospital	95.3	6.5%	4.1%
Diagnostic	117.3	7.6%	5.1%
Raw Materials & Others	58.6	79.8%	2.5%
TOTAL	**2,302.6**	**4.6%**	

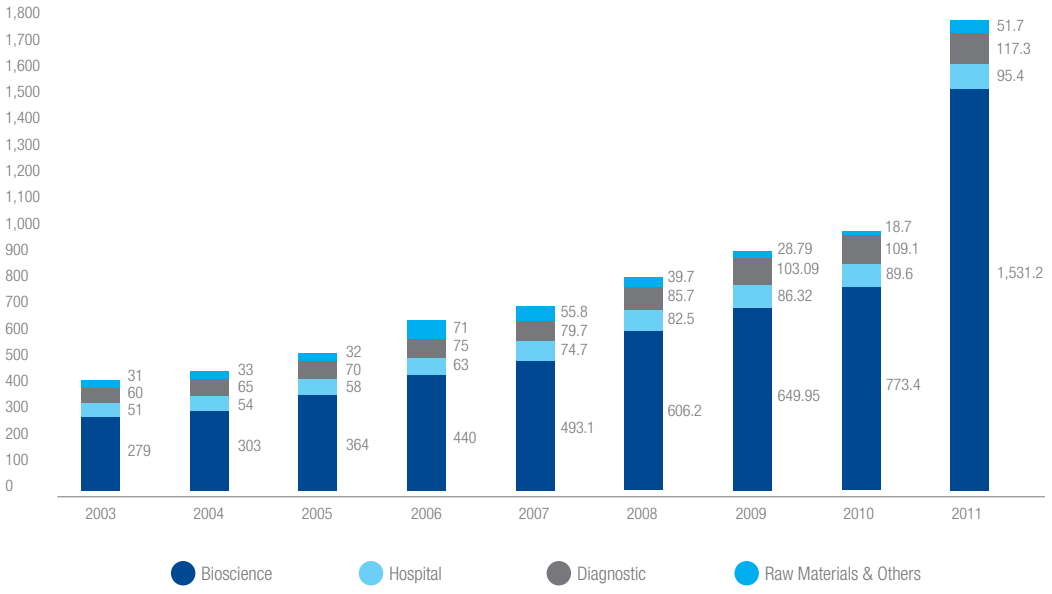
2011 REVENUE AND GROWTH BY DIVISION *(Pro-forma data[1] in millions of euros)*



2011 REVENUE AND GROWTH BY DIVISION *(Reported results[2] in millions of euros)*

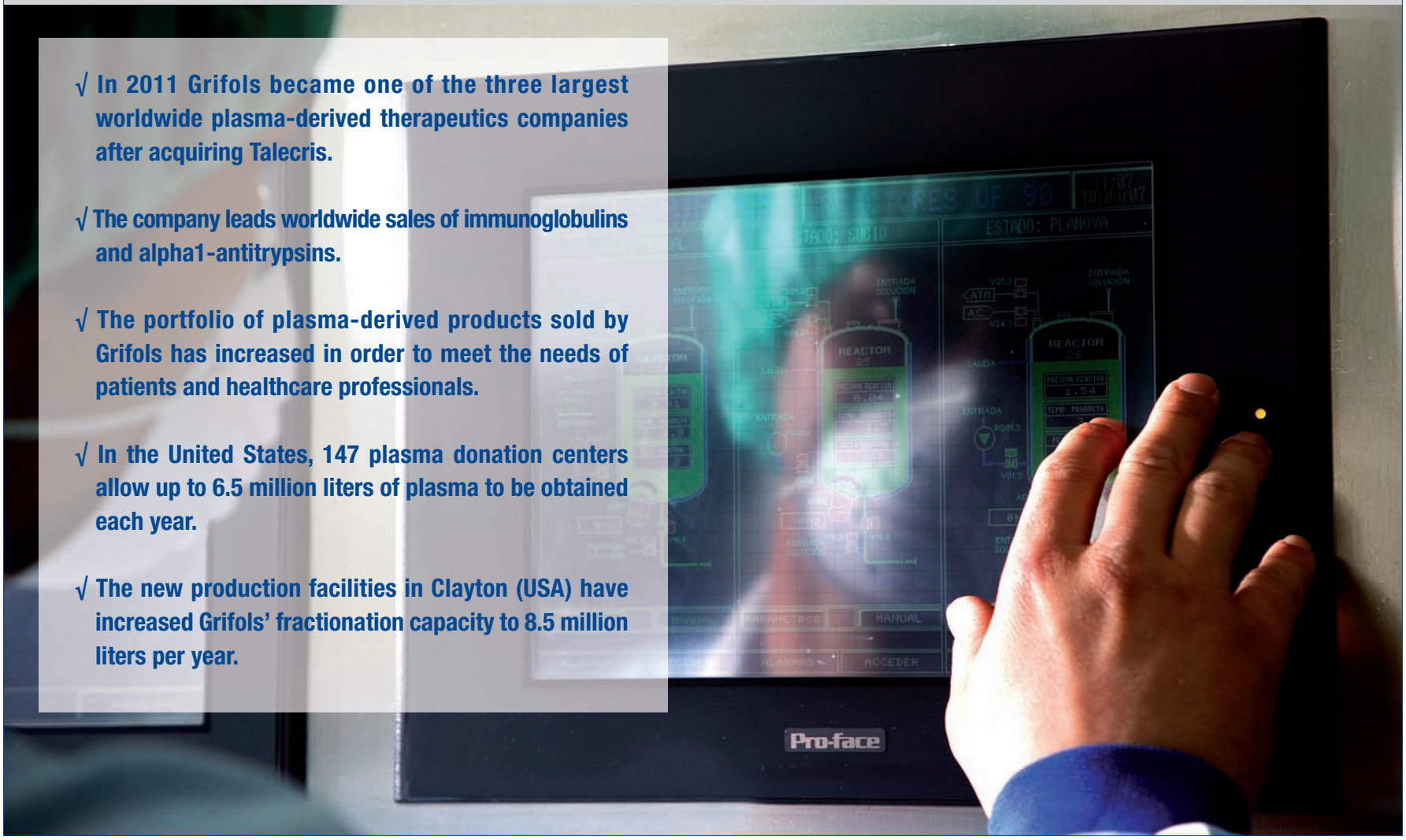
	Revenue	% growth	% of revenue
Bioscience	1,531.2	98%	85.3%
Hospital	95.3	6.5%	5.3%
Diagnostic	117.3	7.6%	6.5%
Raw Materials & Others	51.6	176.2%	2.9%
TOTAL	**1,795.6**	**81.2%**	

PERFORMANCE BY BUSINESS LINE *(Reported sales[2] in millions of euros)*



2.2 Bioscience Division

Drugs related to the therapeutic properties of plasma proteins. Grifols is a point of reference for research, development, production, and marketing of plasma-derived products.



√ In 2011 Grifols became one of the three largest worldwide plasma-derived therapeutics companies after acquiring Talecris.

√ The company leads worldwide sales of immunoglobulins and alpha1-antitrypsins.

√ The portfolio of plasma-derived products sold by Grifols has increased in order to meet the needs of patients and healthcare professionals.

√ In the United States, 147 plasma donation centers allow up to 6.5 million liters of plasma to be obtained each year.

√ The new production facilities in Clayton (USA) have increased Grifols' fractionation capacity to 8.5 million liters per year.

What makes us different

We contribute to the improvement of human health

We manufacture biological drugs from human plasma that are essential for those patients who have a deficit of any of the proteins contained in plasma: albumin, immunoglobulins, or coagulation factors.

We achieve maximum safety during production processes to guarantee the maximum safety of the plasma-derived products

Plasma collection, manufacturing, and analysis and control activities are carried out in accordance with Good Manufacturing Practice (GMP) guidelines. All donation centers, analysis laboratories, plasma warehouses, and production plants are regularly inspected by the US FDA and the competent European authorities (EMA). Similarly, we have been accredited with the Quality Standards of Excellence, Assurance and Leadership (QSEAL) certification from the Plasma Protein Therapeutics Association (PPTA) and the plasma donation centers have obtained the International Quality Plasma Program (iQPP) certification from the PPTA due to the strict quality policies and controls to which we subject plasma units before being processed.

We take part in the development of society: R&D is focused on satisfying unfulfilled needs

The definition and launch of an ambitious R&D policy allows us to ensure excellent long-term research activity. We focus our efforts principally on the improvement of production processes and new therapeutic uses for plasma-derived products, such as their possible use for the treatment of Alzheimer's disease, among others.

Transparency and commitment to healthcare professionals

On our own initiative, we include additional information regarding quality and safety with all of our plasma-derived products. Information regarding the source of the plasma, analysis of viral markers, and biochemical characteristics are included in the PediGri® system, which is our commitment to information transparency for healthcare professionals that use these products.

Companies that make up the Bioscience Division

PRODUCTION
Instituto Grifols S.A.
Biomat S.A.
Grifols Therapeutic Inc.
Grifols Biologicals Inc.

MARKETING AND SALES
Grifols International, S.A.
Grifols Inc.

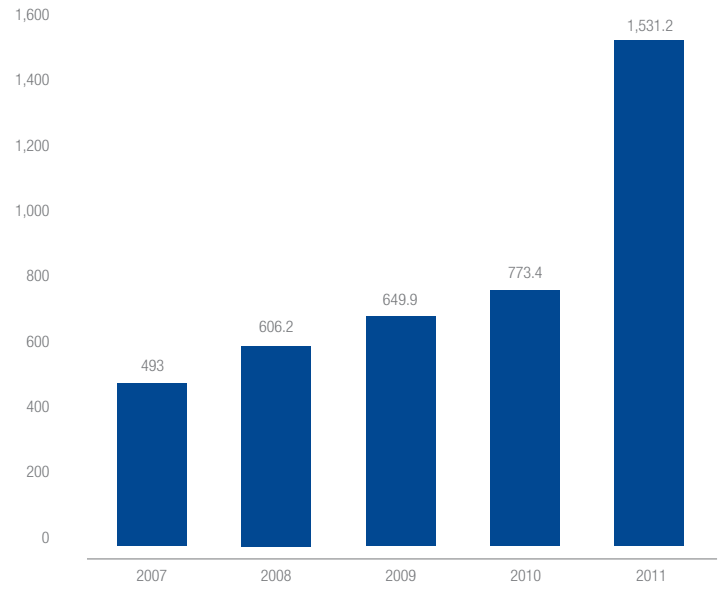
2011 results

√ In pro-forma terms[1], Bioscience Division sales grew by 3.1% to 2,031.3 million euros: more than 88% of total revenue.

√ According to reported data[2], which include seven months of joint operations, revenue increased by 98% to 1,531.2 million euros, representing 85% of Grifols' revenues in 2011.

√ Division growth sustained by the general increase in sales volume of plasma-derived products and international activities. Without any contribution from the price factor.

SALES DEVELOPMENT IN THE BIOSCIENCE DIVISION, PRO-FORMA DATA[1] *(In millions of euros)*



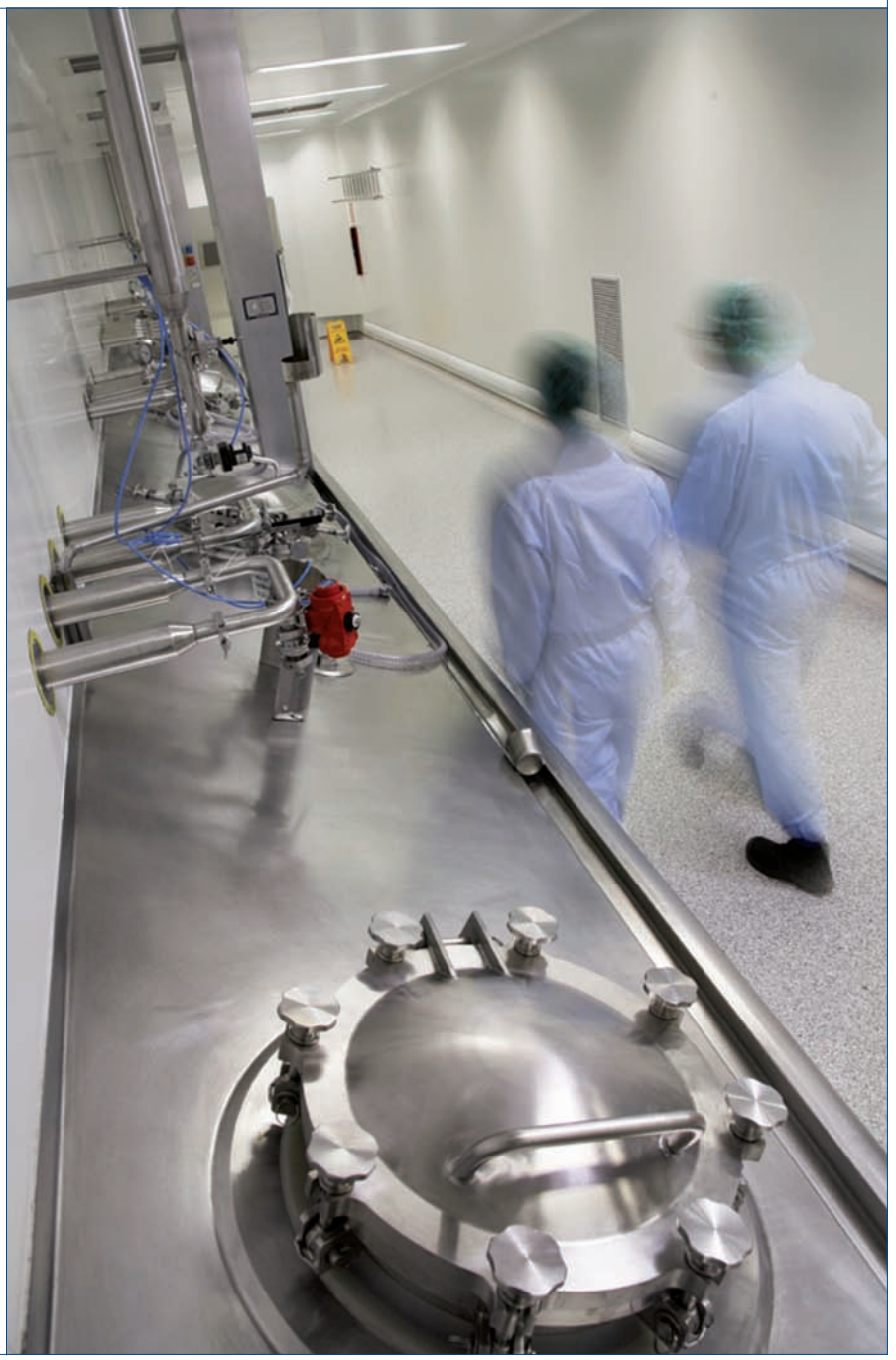
International expansion of sales: Grifols gains market share in the United States

The majority of the sales of plasma-derived products took place in international markets, mainly in North America where, after the recent acquisition, the group has gained market share and plasma-derived products sales growth exceeded 8.1% at a constant exchange rate (nominal rate of 3.5%) in pro-forma terms[1].

The sales force has been quickly reorganized in this market through mixed sales units (Marketing and Sales) according to various types of products: IVIG, albumin, and hyperimmune globulins, hematology (factor VIII, factor IX, and antithrombin) and pneumology (alpha1-antitrypsin). This measure allows for a rapid repositioning in the United States and Canada as a leading company in the sector, both among health professionals, patient associations and group purchasing organizations (GPO).

There were also important increases in areas such as Latin America due to the initiation of the direct marketing of plasma-derived products in countries such as Columbia, China, and Southeast Asia.

Geographic diversification has allowed Grifols to minimize the possible effects of austerity measures and healthcare cuts put into place in some countries such as Spain. Even within the current reality, the plasma-derived product sector maintains its growth profile and Grifols continues on an upward trend thanks to the increase in sales volume in a negative price environment and the dollar-euro exchange rate.



Increase in plasma-derived products sales volume: Alpha1-antitrypsin becomes a protagonist

By product, the positive development of sales volume for all plasma-derived products marketed by the group has been the constant.

Intravenous immunoglobulin (IVIG) increased in volume (pro-forma data[1]) by 11% during the year and the launch of the IVIG Flebogamma® DIF 10% in Europe, which will be completed with its introduction in Spain, is important. Once that is completed, Grifols will consider the process of introducing this new generation of intravenous immunoglobulin to have ended. It is available in two concentrations to better attend to patient needs (5% and 10%).

Sales of alpha1-antitrypsin, a plasma-derived product that is gaining importance within Grifols' sales mix after the recent acquisition, grew in terms of pro-forma volume[1] by close to 6%, and advances were made in a progressive transfer, from external distributors to Grifols companies, of the leading brand of this plasma-derived product (Prolastina®) in markets such as Spain, where it will be available in 2012.

Sales of other plasmatic proteins continue to be stable, although the recovery of albumin sales during the second half of the year was notable.

GROWTH IN SALES OF THE MAIN PLASMA-DERIVED PRODUCTS IN 2011

	Growth in 2011
IVIG	+11%
Albumin	+7.9%
Factor VIII	+1.2%
Alpha1-antitrypsin	+5.9%

**Pro-forma data[1]*

Indicators of activity

√ Grifols has 147 plasma donation centers in the United States.

√ Grifols has integrated a new plasma-derived production plant in the United States: located in Clayton (North Carolina, United States).

√ Grifols has 2,607 trademarks after acquiring Talecris.

SUMMARY OF THE MAIN INDICATORS	2011	2010	% GROWTH
No. of plasmapheresis centers	147	80	84%
No. of plasma donations	7,150,000	3,000,000	138%
No. of repeat donors	More than 275,000	More than 150,000	83%
No. of sample analyses performed	More than 15.5 million analyses	More than 6.3 million analyses	146%
Capacity for plasma collection	6.5 million liters per year	3 million liters per year	117%
Liters of plasma obtained	5.8 million liters per year	2.6 million liters per year	123%
No. of fractionation plants	3 plants	2 plants	
Fractionation capacity	8.5 million liters per year	4.5 million liters per year	89%

Plasma supply and control: the leading company in the world in plasma collection capacity

In 2011 Grifols became the leading company in the world in terms of plasma collection capacity with 147 plasma donation centers in the United States, which allowed it to obtain more than 6.5 million liters of plasma each year, maximizing and assuring the self-supply of the raw materials necessary to produce biological drugs deriving from plasma. In 2011 the group obtained a total of 5.8 million liters of plasma from its centers.

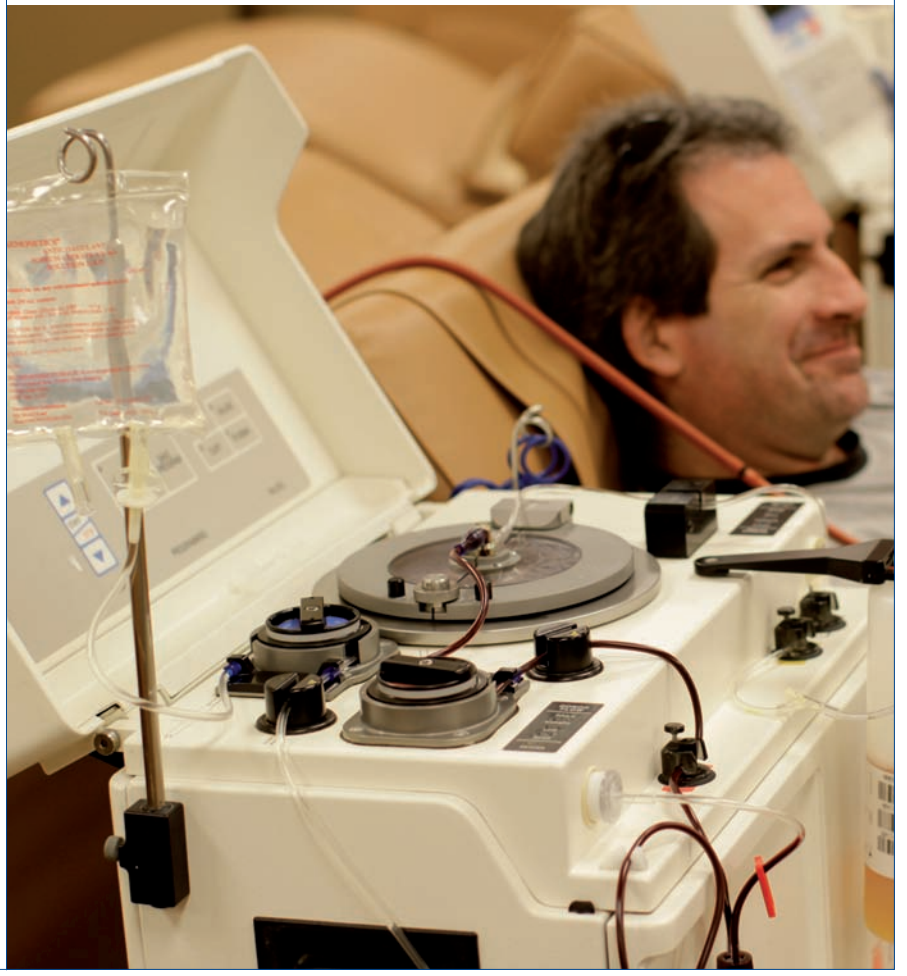
After the acquisition of Talecris in June 2011, the group started a process to reorganize the plasma collection centers by implementing a new operating structure that will improve costs in the medium-term.

The 147 plasmapheresis centers operated by Grifols, segmented geographically into eight divisions (18 centers per division) already function as independent business areas from an operational point of view and there is a single corporate structure for overall support and management. The objective is to minimize structural costs, diversify risks in order to guarantee plasma supply in the face of possible circumstances of force majeure, optimize raw material and logistics costs, homogenize high efficiency levels in plasma collection, reduce the contracting of third party services (such as those relating to analyses), and control inventory levels. The plasma centers, laboratories, and warehouses are regularly audited by the FDA and the EMA.

Furthermore, there are several immunization programs for the collection of hyperimmune plasma bearing Anti-T, Anti-Hepatitis B or Anti-D, among others.

Relationships with plasma donors

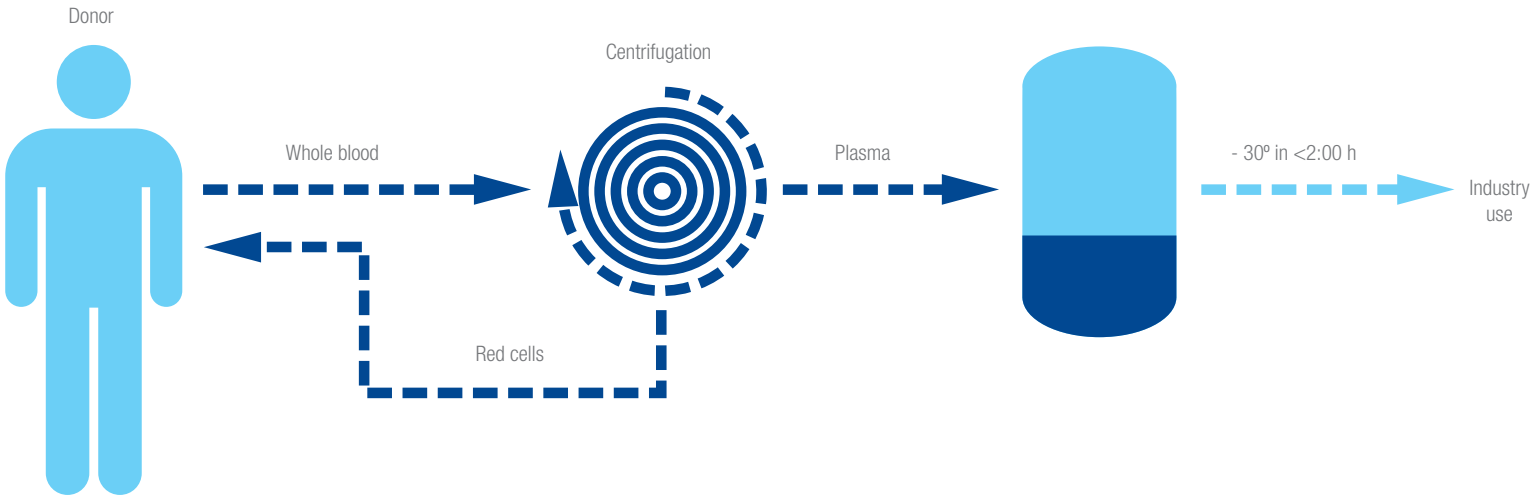
At the end of 2011, Grifols had more than 275,000 repeat plasma donors in the United States. Grifols' plasmapheresis centers received more than 7 million plasma donations during the year, which is notably higher than those obtained in 2010 (3 million donations) as a result of the integration of the centers operated by Talecris.



Since June 2011 Grifols has unified and standardized the qualification systems at all the acquired centers. All of the centers meet the iQPP standard, a complex center qualification process that requires, among other things, the use of Qualified Donors, NAT analysis, maintenance of inventories, etc. All of the criteria are defined by the Plasma Protein Therapeutics Association (PPTA). The PPTA also performs regular independent audits of the plasma centers.

In order to be considered a qualified donor, an individual must make two donations within six months and the plasma obtained must pass rigorous analytical tests. Requiring two donations within six months allows the laboratory to confirm the results of the previous test and confirm the safety of the donor's plasma. The protocol followed by the plasma donation centers is also regulated. The staff at the centers received additional training at the Grifols Plasmapheresis Academy (Glendale, AZ and Indianapolis, IN).

PLASMA COLLECTION BY PLASMAPHERESIS



**Donors may donate up twice per week, since the red blood cells are immediately returned to the donor.*

The capacity for analysis of plasma samples increased in 2011, due to the integration of three additional markers

The samples of donated plasma are again analyzed after they have been obtained. Specifically, they are subjected to serological tests and PCR analysis at the Grifols laboratories in Austin, Texas (United States), which in 2011 validated and started to use, on a small scale, NAT tests with three markers (HVC/HIV/HVB) using a new analysis platform. A new platform for Parvo/HVA also began validation. The aim is to be able to carry out NAT tests for five markers and expand the laboratory's analytical capacity using high yield platforms. In addition, alternative serology techniques have been validated in order to have different options if necessary. The second company laboratory located in San Marcos (Texas) is expected to start operating in mid-2012, which will minimize possible operating risks deriving from force majeure.

In 2011 more than 15.5 million plasma sample tests were performed, which means that nearly 55 million parameters and results were obtained.

REPRESENTATIVE DATA REGARDING THE COLLECTION OF PLASMA IN 2011	
Plasmapheresis/day performed	23,700
Collection/day (liters)	19,700
Viral detection measures/day	190,000

Higher capacity for fractionation and purification of proteins

Grifols' production capacity increased after the recent acquisition of Talecris. At the close of 2011, the Company has three plants, located in the United States (Los Angeles and Clayton) and in Spain (Parets del Vallès), and it also has an operation leased for a period of four years at facilities located in Melville (New York, United States). In total, the installed plasma fractionation capacity represents a maximum of 8.5 million liters of plasma per year, although projected capital expenditures call for this capacity to exceed 12 million liters per year in 2016.

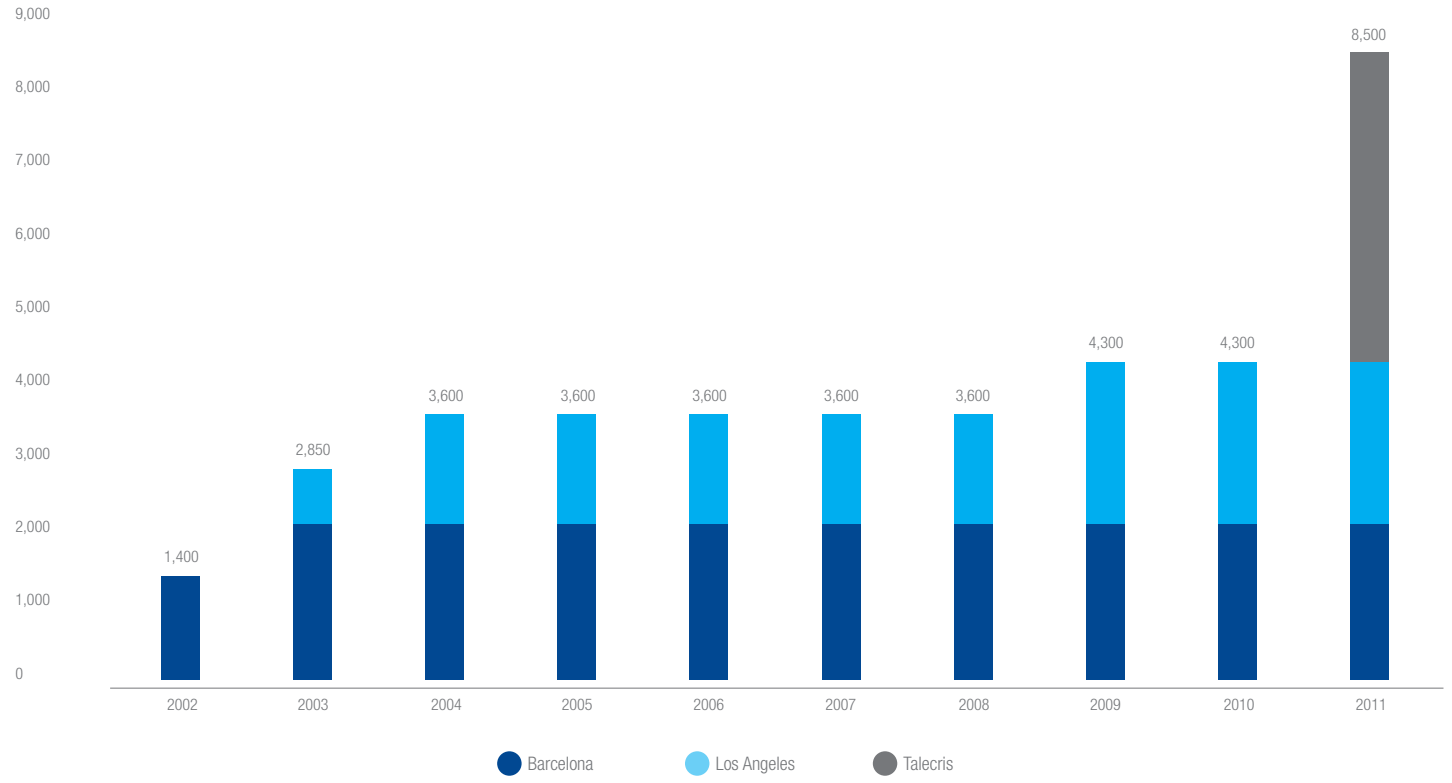
The fractionation plants are approved by the US FDA and by the European Union health authorities and they operate 24 hours every day of the week.

FRACTIONATION CAPACITY OF THE PLANTS IN 2011	
Barcelona:	2.1 million of liters of plasma per year
Los Angeles:	2.2 million of liters of plasma per year
Clayton:	2.6 million of liters of plasma per year
Melville (leased):	1.6 million of liters of plasma per year

The facilities in Los Angeles mainly produce the Alphanate® coagulation factors (factor VIII/Von Willebrand factor), AlphaNine® (factor IX) and Profilnine® (protrombin complex), and Albutein® (albumin), while Gamunex® (IVIG), Prolastin® (alpha1-antitrypsin), Plasbumin® (albumin), Thrombate® III (antithrombin) and some hyperimmune gammaglobulins are currently produced in Clayton (North Carolina). The Barcelona plant manufactures: Flebogamma® (IVIG), Grifols Albumin and Albutein®, Anbinex® (antithrombin), Trypsone® (alpha1-antitrypsin), Fandhi® (factor VIII/Von Willebrand Factor), Factor IX Grifols® and some hyperimmune gammaglobulins.

The use of intermediate products obtained at each of the fractionation plants may follow their purification process at any other group plant, although this requires specific authorization from the health authorities. In 2011, and after the acquisition of Talecris, Grifols obtained the approval of the FDA to use the Fraction II+III from the Los Angeles plant (intermediate product) during the purification of IVIG to obtain the final product Gamunex®. This approval represents an important step to materializing the operating synergies pursued by the Group.

INCREASES IN GRIFOLS' PLASMA FRACTIONATION CAPACITY *(in millions of liters)*



Expansion of products for sale: more than 2,600 in 2011

In 2011 the expansion of Grifols' trademark portfolio was notable after the acquisition of Talecris' trademarks. This diversification, together with geographical diversification, allows the group to adapt to the demand of patients and health professionals with diverse needs and preferences, thereby providing added value. In 2011 the group's presence in the plasma-derived product sector is represented by 2,607 commercial trademarks for use in therapies principally relating to coagulation problems, acute hepatic insufficiency, genetic emphysema, immunodeficiencies, autoimmune neuropathies, exposure to certain infectious diseases such as hepatitis A and B, tetanus, rabies and measles (rubella), and the loss of blood due to shock or trauma, among others.

PORTFOLIO OF PLASMA-DERIVED PRODUCTS SOLD BY GRIFOLS AS OF JUNE 2011

Category	Products	Indications
IVIG	Flebogamma® Flebogamma® DIF (5% and 10%) Flegogamma IV 5% Gamunex® - Gamunex®-C	Replacement therapy in primary and secondary immunodeficiencies. Immunomodulatory treatment in idiopathic thrombocytopenic purpura (ITP), Guillain Barré syndrome and Kawasaki disease. Allogenic bone marrow transplant. Chronic Inflammatory Demyelinating Polyneuropathy (CIDP).
Factor VIII/FVW	Fanhdi® Alphanate® Koate DVI®	Treatment and prevention of hemorrhage in patients with hemophilia A (congenital factor VIII deficiency) and acquired factor VIII deficiency. Prevention and treatment of hemorrhage or surgical bleeding in patients with von Willebrand's disease.
Albumin	Albúmina Humana Grifols® Albutein® Plasbumin® 5 and 25%	Reestablishing and maintaining blood volume in situations due to traumatic shock, hemorrhage or burns. Acute liver failure and ascites. Acute respiratory distress syndrome.
Antitrombina	Anbinex® Thrombate® III	Prevention and treatment of thromboembolic complications in congenital and acquired anti-thrombin deficiencies.
Normal human immunoglobulins for intramuscular use	Igamplia® 160mg/ml Pasteurised Human Immunoglobulin Grifols® 16% Gammaglobulina Humana Pasteurizada Grifols® Gammaglobulina i.m. Grifols® Gamastan® S/D	Replacement therapy for adults and children with primary immunodeficiency. Replacement therapy for chronic lymphatic myeloma or leukemia with severe secondary hypogammaglobulinaemia and recurring infections.

PORTFOLIO OF PLASMA-DERIVED PRODUCTS SOLD BY GRIFOLS AS OF JUNE 2011

Category	Products	Indications
Factor IX/PTC	AlphaNine® Factor IX Grifols® Profilnine® SD	Treatment and prevention of hemorrhage in patients with hemophilia B (congenital factor IX deficiency).
Alpha1-antitrypsin	Trypsone® / Trypsan® Prolastin® / Prolastin® C	Replacement therapy in patients with congenital deficiency of this protein and suffering from pulmonary emphysema.
Anti-HB IVIG	Niuliva®	Prevention of reinfection with HBV following liver transplant due to liver failure as a result of hepatitis B. Immunoprophylaxis from hepatitis B.
Anti-tetanus immunoglobulins	Gamma Anti-Tetanus Grifols® Igantet® Pasteurized Human Anti-Tetanus Immunoglobulin Grifols® HyperTET® S/D	Post-exposure prophylaxis and treatment of tetanus.
Anti-D human immunoglobulins	Igamad®/ Igantid® / Grifols® Gamma Anti-D / Pasteurized Anti-D Immune Globulin Grifols HiperRHO® S/D	Rh(D) Immunization prophylaxis for Rh negative women, associated with pregnancy, birth, or gynecological interventions. Treatment of Rh negative persons after an incompatible blood transfer or other components that contain positive Rh(D) red blood cells.

PORTFOLIO OF PLASMA-DERIVED PRODUCTS SOLD BY GRIFOLS AS OF JUNE 2011

Category	Products	Indications
Anti-hepatitis B immunoglobulin for intramuscular use	Igantibe® Gamma Anti-Hepatitis B Grifols® Pasteurized Human Antihepatitis B Immunoglobulin Grifols® HyperHEP B® S/D	Prevention of reinfection by the Hepatitis B virus, during the post-liver transplant maintenance stage (except for HyperHEP B® S/D). Hepatitis B Immunoprophylaxis.
Immunoglobulin Antirabies	HyperRAB® S/D	

In 2011, after the acquisition of Talecris, there was an important expansion of the portfolio of Grifols plasma-derived products that are specifically indicated for the treatment and prevention of potentially deadly infections such as rabies, hepatitis and tetanus, as well as Rh (Anti-D) incompatibility.

Anti-D	Antitetanus	Antihepatitis B	Antirabies
Igamad® HyperRHO®SD	Igantet® HyperTET®SD	Igantibe® Niuliva® HyperHEP® B	HyperRAB®SD

Grifols' distribution of plasma-derived products includes the direct sale of Bioscience Division products in the United States as well as wholesale through distributors. This division's customers consist of hospitals, medical specialty clinics, medical offices, and retail pharmacies. Sales through distributors include purchases by large distributors associated with hospital group purchasing organizations belonging to the organization (GPO). Sales in Spain are also made directly to hospitals and public institutions without any intermediaries, as is the case in the United States. In the rest of the countries in which Grifols sells plasma-derived products, sales compositions are mixed and include both options.

Plasma-derived products manufactured for third parties

The Bioscience Division also includes the third party fractionating service, a key business formula for the group in certain markets whose trends have been rising over the past few years. In 2011 Grifols fractionated more than 415,000 liters of surplus plasma from hospitals in Spain, the Czech Republic, and Slovakia, in accordance with its Integral Hospital Plasma Utilization program (IHPU). For 25 years, Grifols has transformed plasma from Spanish origins into plasma-derived products, which are then used by the Spanish health system and for 17 years has had similar agreements with the Czech Republic and Slovakia. Since 2011 this is done in Canada, since the former Bayer-Talecris was the main supplier of this service in that country since 1988.

Spain:

- Grifols has fractionated plasma for Spanish hospitals since 1978.
- Nearly 360,000 liters processed in 2011.
- Complete range of products: albumin, antithrombin, FVII/FVW, FIX, IVIG and A1PI.

Czech Republic and Slovakia:

- Grifols has fractionated plasma for Czech and Slovak hospitals since 1992.
- More than 55,000 liters of plasma fractionated in 2011.
- Manufacture of the Main Products.

Canada:

- Since 1988 Grifols (Bayer-Talecris) is the main supplier of the two Canadian agencies: CBS and Hema-Québec.
- Manufacture of the Main Products.

Division milestones in 2011

- Important expansion of the plasma-derived product portfolio and presence in segments such as the treatment and prevention of potentially deadly infections (tetanus, rabies, etc.).
- Consolidation of the market launch of the new generation IVIG Flebogamma® DIF 10% with the launch in Europe.
- Creation of a new sales structure in the United States.
- Increase in the open lines of research for the development of new products, which include projects relating to recombinant therapies.
- Registration of Biomat, S.A. as a Pharmaceutical Laboratory with the Spanish Drug and Health Care Agency.
- Strengthening of new control technologies: completion of the pilot study of the radiofrequency identification tag (RFID) labels, start of the feasibility study regarding the implementation of this technology for plasma bottles, and the design of the plasma sampling equipment.
- Authorization from the FDA and the EMA of the NAT techniques at the Austin laboratory and from the FDA for the serology laboratory in San Marcos, Texas.
- Research activity rated excellent in the 2010 Profarma Program.
- The factor VIII/Von Willebrand Factor (Fanhdi®) was approved in Spain to treat Von Willebrand disease.
- The FDA approved the Parets del Vallès (Barcelona-Spain) plant as an alternative facility for the production of Grifols' albumin Albutein®.
- Began construction of the new plasma fractionation plant in Parets del Vallès (Barcelona-Spain).
- The FDA approved the use of Fraction II+III, an intermediate product obtained at the Los Angeles plant, to produce the intravenous immunoglobulin Gamunex® manufactured at the Clayton plant.
- Formal assistance from the CDTI (Center for the Development of Industrial Technology) for the R&D/Clinical trials, relating to the Emphysema (IG) project and the Genecell project (Nanotherapix).

2.3 Hospital Division

Parenteral solutions for intravenous therapy and clinical nutrition, in addition to sterile products and medical devices for hospitals. A complete line of tools for the preparation of drugs at hospital pharmacies. We supply logistics and product storage systems for hospital products.

- √ **Grifols strengthens the penetration of the division in the United States and drives geographic diversification of sales through trade agreements with third parties.**
- √ **In 2011 the group reinforced its leadership position with respect to intravenous therapies and as a provider of hospital logistics services in Spain.**
- √ **Manufacturing for third parties through the Grifols Partnership has been consolidated.**
- √ **The organic growth of the Hospital Division has been maintained, despite being the division most affected by budget cuts in Spain.**

What makes us different

Hand in hand with hospitals. For the good of patients

Hospitalized patients normally require some kind of intravenous solution to restore or maintain their hydroelectrolytic balance, or nutritional products if they cannot ingest or tolerate traditional foods. This Division's products may have a direct impact on patient welfare during the recovery process and we research and work to offer the best solutions.

We are focused on improving the quality of patient healthcare and on closely monitoring pharmacy budgets

We are a leading supplier of technological systems and platforms for the automation of the dispensing and storage of drugs at hospital pharmacies, which contributes to improving the safety and efficiency of drug handling, reduces medication errors, and optimizes human and financial resources.

Commitment to healthcare professionals

We have the latest generation instruments, medical devices for surgical treatments, and disposable items for various hospital units and areas, including cardiovascular surgery, urology, anesthesiology and hemodynamics.

Companies that make up the Hospital Division

PRODUCTION
Laboratorios Grifols
Grifols Engineering

MARKETING
Grifols International

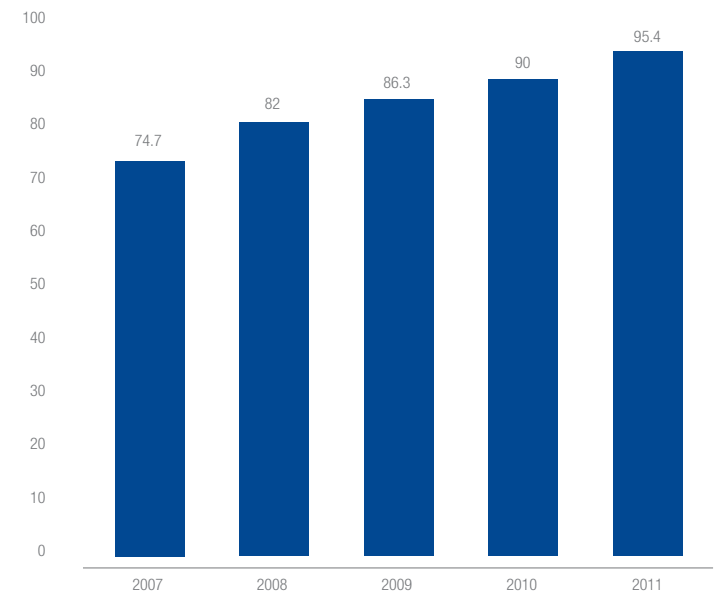
2011 results

√ **Hospital Division sales totaled 95.4 million euros in 2011, showing a 6.5% increase over 2010.**

√ **In pro-forma terms[1] they represent 4.1% of Grifols' revenue and 5.3% of total reported income[2].**

√ **Revenue from manufacturing for third parties through Grifols Partnership increased by more than 50% during the year.**

SALES TRENDS IN THE HOSPITAL DIVISION (*in millions of euros*)



Hospital strengthened its internationalization strategy in 2011 and increased its penetration into the United States market

Most of the Hospital Division's sales are made in the Spanish market, although in recent years Grifols has started to implement an internationalization strategy with the objective of also diversifying sales in this business area.

In the U.S. market it has started to develop some projects in the hospital logistics business line relating to Misterium® Clean Rooms and the Gri-fill® sterile dosage systems.

The strategy for this division also involves the gradual introduction and marketing of the complete range of Oncotools® products in the United States. This name covers a series of tools used for the preparation and administration of drugs for the treatment of cancer which, due to the chemical substances they contain, must be safely handled. Among them are Gri-fill®, Misterium®, and the Oncofarm® software.

Manufacturing for third parties is currently being consolidated as the primary engine driving the division's internationalization process, with export activity increasing by more than 20%. Over the course of the year several agreements have been signed with new customers for whom manufacturing started in January 2012.

As is the case with other divisions, the group's strategy is to minimize the possible impact of healthcare budget cuts, especially in Spain, where the greatest impact has been in this division. The Hospital Logistics line noted a decline in investments by hospitals in 2011, although in general terms sales in this area have grown due to the continuity of negotiations regarding previous projects.

Trends in sales volume by line of business

Sales in the Hospital Logistics area increased in 2011 by 5% to 22 million euros in an environment of sharp budget and investment restrictions imposed on Spanish hospitals.

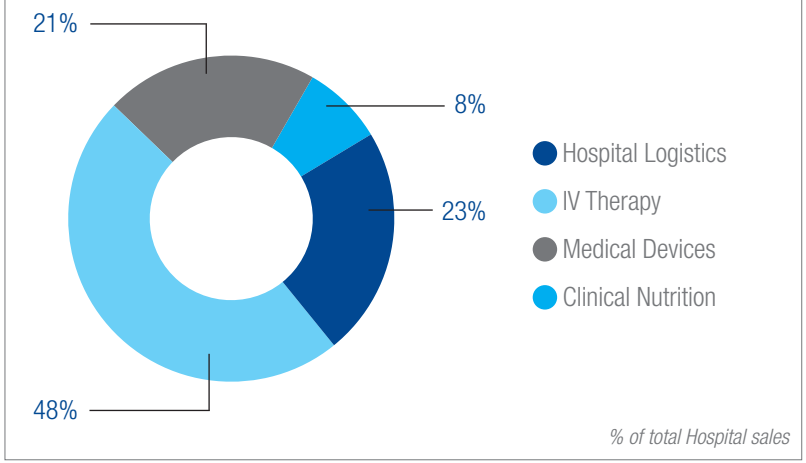
The rest of the division's business lines have seen growth, including Fluid Therapy which, although particularly affected by the cuts established by the Royal Decree Law enacted in September 2011, increased revenues by 8% to more than 45 million euros. Medical

Materials, which grew by nearly 8%, accrued more than 20 million euros in revenues.

Revenues from the Nutrition business line declined to 7.5 million euros, compared with 8.3 million euros in 2010 as a result of the closing of the parenteral nutrition sales activity in Asia.

Revenue from manufacturing for third parties through Grifols Partnership increased by more than 50% during the year. Grifols' focus on production for other companies allows it to profit from the investments made in production plants, as well as to expand the international sale of some Grifols products that until now had only been sold in the domestic market.

BREAKDOWN OF HOSPITAL DIVISION SALES IN 2011 BY ACTIVITY AREA



% of total Hospital sales

Indicators of activity

- √ **Grifols developed the automated Stockey® system, designed to optimize the management of healthcare supply restocking in hospitals.**
- √ **The BlisPack® system is available in countries on four continents.**
- √ **The process of automating the Pharmacy Service at the Hospital Vall d'Hebron in Barcelona, one of the most important in Spain, is completed.**
- √ **The formulation of new drugs was finalized for the treatment of bone diseases and the development of new clinical nutrition diets.**

Launch of new products

In accordance with the exclusive distribution agreement for Spain concluded with Health Robotics, the Intravenous Therapy line has completed the automation of the pharmacy service at the University Hospital Vall d'Hebron in Barcelona, with the launch of an I.V. Station® robot. With this project Grifols reinforces its leadership position as a supplier of automation services, among the main advantages of which is the minimization of the risk of medication errors, any possible cross-contamination of the various types of drugs, as well as possible intrahospital infections.

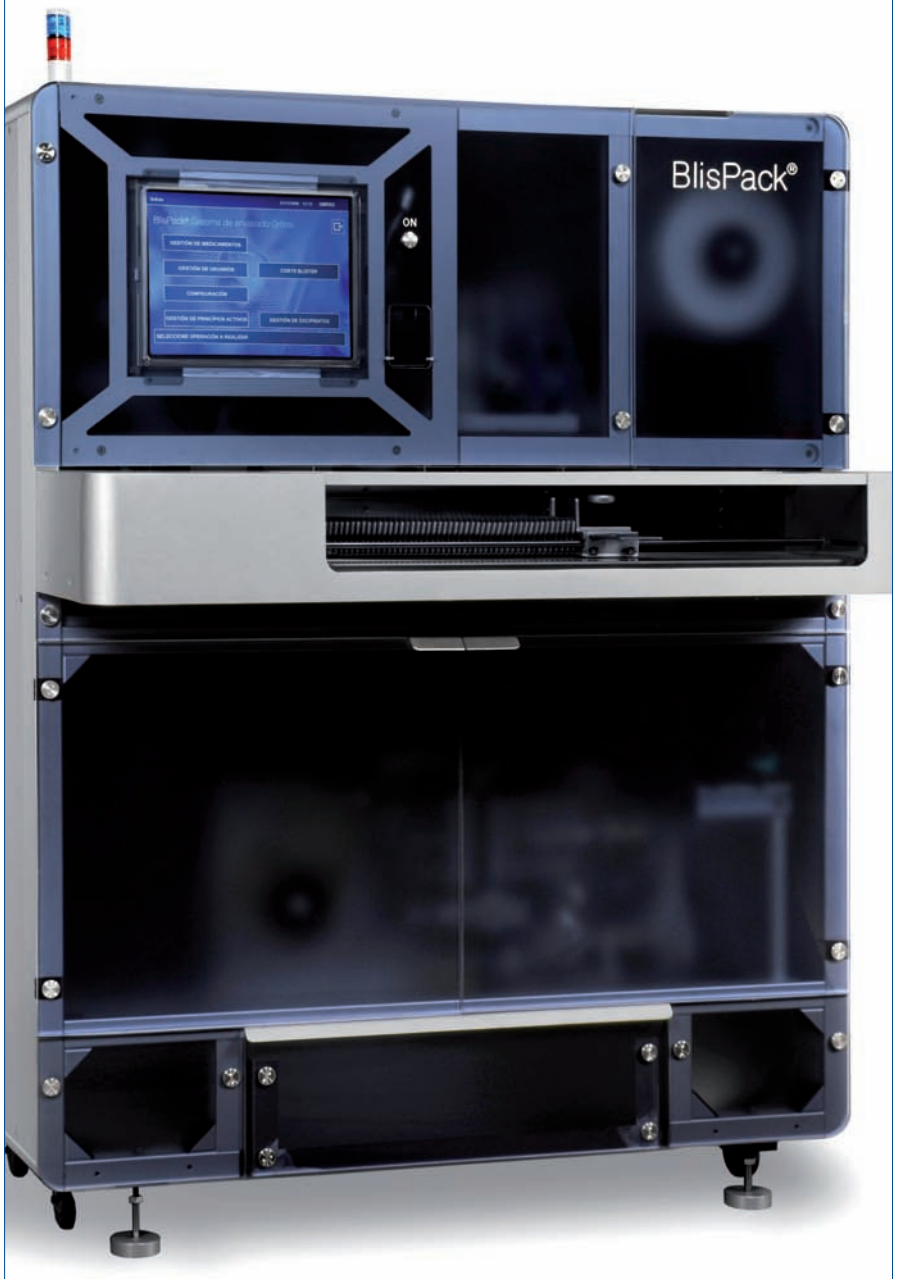
The Fluidtherapy line has obtained approval for three devices for the preparation of sterile hospital mixes and has continued its research aimed at manufacturing pre-diluted, ready-to-use potassium solutions in polypropylene packages. These solutions are in addition to those already existing for levofloxacin and paracetamol.

The development of two formulations of a drug for the treatment of bone diseases was finalized, including the presentation of the relevant registration reports to the EMA, the FDA in the United States, Australia and Canada.

In Clinical Nutrition, a parenteral solution of hypernitrogenated (12.6% concentration) amino acids was launched and two new enteral diets, a hyperproteic diet and a diabetic diet, were developed. In addition, the division is working to increase the range of clinical nutrition products with new diets for the home care segment, and to be introduced into the probiotic market.

HOSPITAL DIVISION'S PRODUCT PORTFOLIO IN 2011

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



Agreement signed with CareFusion

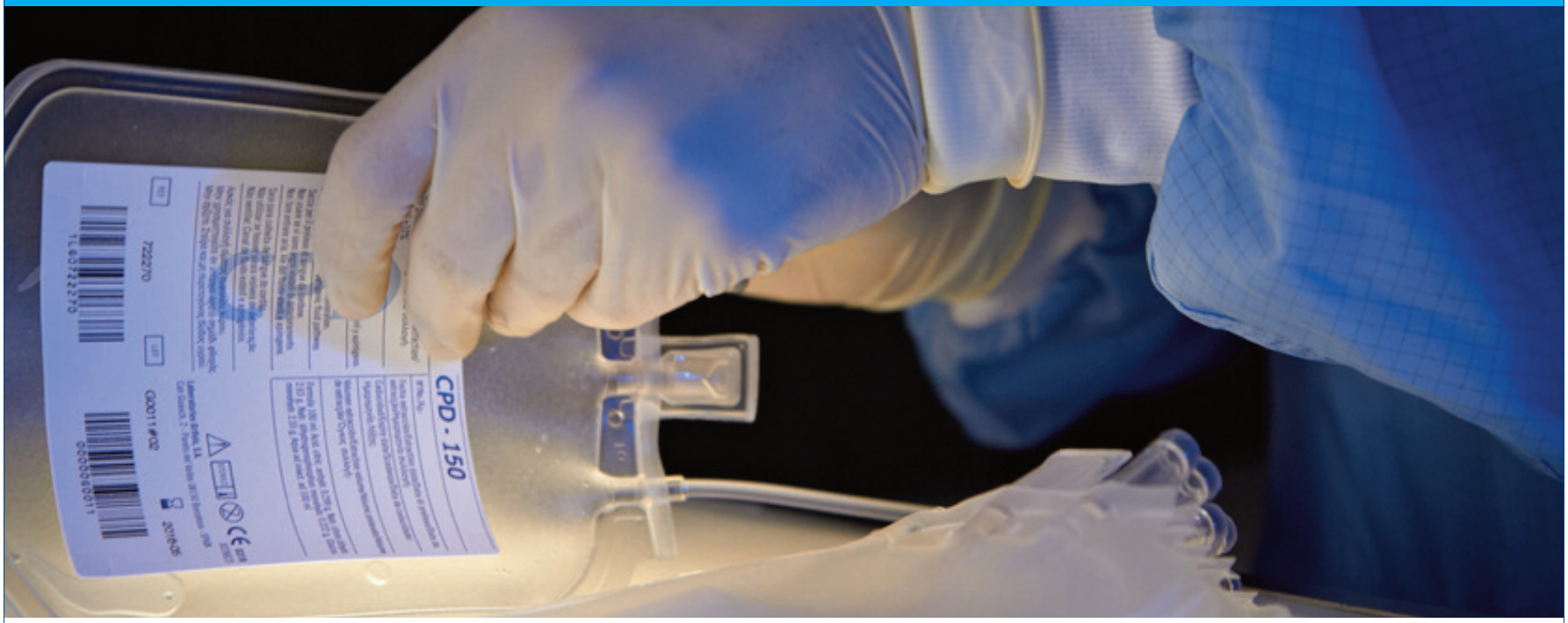
The Hospital Division's international and geographic diversification push is also strengthened by agreements.

Among them is the agreement concluded in 2011 with CareFusion, a leading global hospital technology company, covering the distribution of the BlisPack® system, designed by Grifols to automate the cutting of blisters and the electronic identification of hospital drugs in various countries in Europe, Middle East, Africa and Asia. CareFusion will distribute BlisPack® for an initial renewable period of five years.

Grifols developed the automated Stockey® system, designed to optimize the management of healthcare supply restocking in hospitals

The division, in collaboration with Cruces Hospital in Vizcaya, has developed a new system that uses radio frequency devices to provide real-time control over requests for healthcare materials at hospitals. StocKey® contributes to improving the efficiency and management of resources at hospitals, giving rise to savings in cost and time and placing Grifols in a leading R&D position in hospital logistics. The project has involved the participation of the innovation center La Salle Technova Barcelona at La Salle University, which was responsible for the electronic engineering of the system. StocKey® was implemented in the storage area of a highly complex surgical area at Cruces Hospital (Vizcaya), an experience which has demonstrated that it can reduce the level of inventory in stock by 50% and 90% of the nursing time dedicated to inventory management.

Improvement of production facilities



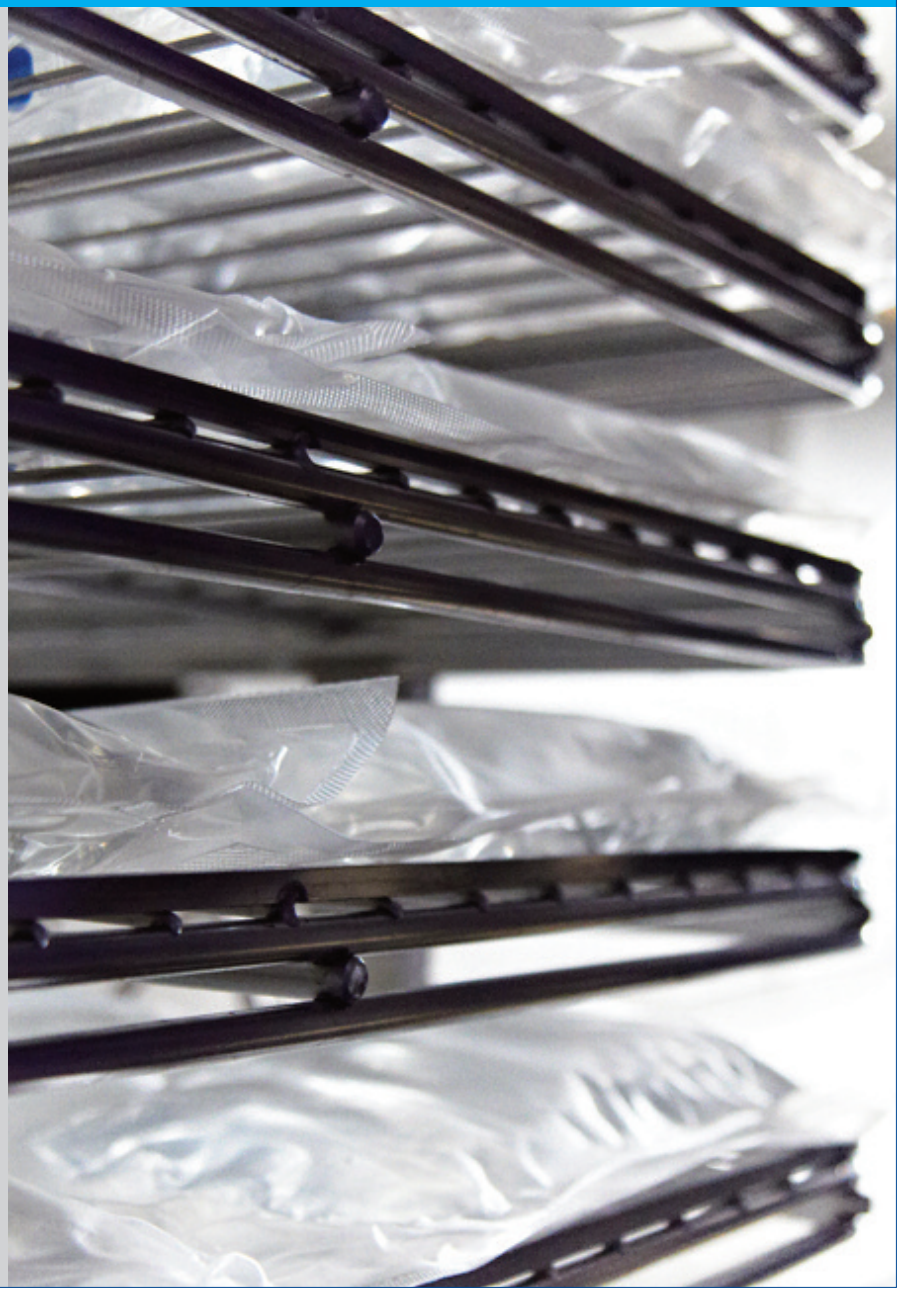
During 2011, the improvements implemented at the plant in Parets del Vallès (Barcelona) allowed productivity to increase and the cost of producing parenteral solutions to decrease. Furthermore, in 2011 the first lots of levofloxacin were manufactured and the capacity to produce pre-diluted bagged paracetamol increased.

In addition, reviews of the quality systems were completed in order to adapt these to specific FDA regulations. The company expects to be granted a license at the beginning of 2012 for the Parets del Vallès plant so that it can start the production of new products that are currently being developed by the R&D Department for third parties, in addition to the introduction of pre-diluted bagged paracetamol in new markets.

The Murcia plant has replaced the flexible PVC packaging of parenteral solutions with flexible polypropylene packages. For 2012 approximately 6 million euros has been earmarked for the construction of Phase IV at the production facilities located in this region of Spain, and the investment will conclude the process of integrating all of this new plant's production. Once completed, it will allow for the increase of the capacity and degree of automation in the production of bags for the extraction and conservation of blood components and solutions.

The division's production milestones

- Launch of 22 new Misterium® clean room projects: 9 in Spain, 1 in Portugal, 7 in the United States, 2 in Italy, and 3 in Chile.
- Grifols developed the automated Stockey® system, designed to optimize the management of healthcare supply restocking in hospitals.
- Launch of a parenteral solution of hypernitrogenated amino acids and the development of two new enteral diets, a hyperproteic diet and a diabetic diet.
- Progressive introduction of Oncotools® in the US market.
- Export activity carried out by Grifols Partnership increased by 20%.



2.4 Diagnostic Division

In vitro diagnostic instruments and reagents for laboratory analysis in relation to transfusion medicine, hemostasis, and immunology.

- √ **The division's organic growth has been maintained and the geographic diversification of sales has minimized the impact of budgetary austerity policies.**
- √ **Grifols reinforced the penetration of its diagnostic products in the United States and Japan through distribution agreements.**
- √ **A pioneer in transfusion medicine, the group leads development in this specialty.**
- √ **The launch of new instruments and reagents are key to the sustainability of the division in the medium and long term.**

What makes us different

We are pioneers in diagnostic technology at the service of health

We have been leaders in the development of diagnostic instruments since we began operations in the 1940s. We research and develop new cutting edge technologies that facilitate clinical diagnosis in three specialties: transfusion medicine, hemostasis, and immunology. Notable among these technologies are the WADiana® and Erytra® analyzers, the Triturus® system, and the automatic hemostasis analyzer Q®.

We innovate in order to improve the diagnosis

The development of diagnostic products and systems has taken place in parallel to the development of new technologies in fields such as biology, electronics, and information technology. As a result, the modern analytical and diagnostic tests allow the clinical state of the patient to be progressively more effectively determined. These diagnostic tests are essential in order to provide patients with the highest quality medical attention.

We are committed to healthcare professionals

Hospital blood banks, transfusion centers, and clinical laboratories are the main users of our diagnostic technology. Part of the Diagnostic Division's commitment is to optimize time and resources while guaranteeing the reliability of results.

Companies that make up the Diagnostic Division

PRODUCTION
Diagnostic Grifols
Grifols Medion
Grifols Australia

MARKETING
Grifols International
Grifols Inc.

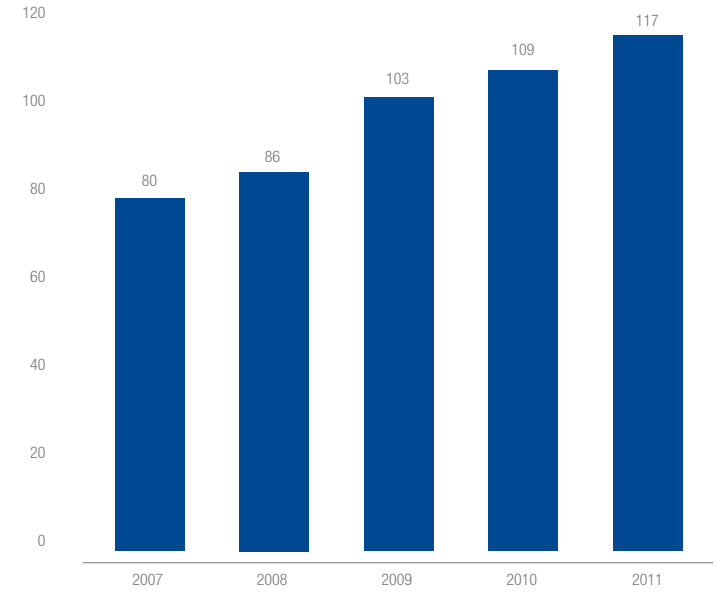
2011 Results

√ The Diagnostic Division's sales totaled 117.4 million euros in 2011, which represents an increase of 7.6% compared to 2010.

√ In pro-forma terms[1], sales by the Diagnostic Division represent 5.1% of Grifols' revenue, and 6.5% according to reported financial statements[2].

√ The division's strong international presence has driven the increase in sales volume, mainly with respect to reagents, as a growth engine.

SALES TRENDS
IN THE DIAGNOSTIC DIVISION *(in million of euros)*



In 2011 Diagnostic continues to be the most international division at Grifols

The international market in this business area has guaranteed its organic growth since currently more than 70% of sales are made outside of Spain. Accordingly, in terms of internal reorganization and management optimization, Grifols brought together its Immunohematology and Blood Bank lines into what is now known as the Transfusion Medicine line.

Notably, exports of instruments to the United States, Europe, and China have been maintained in terms of sales and new markets for the immunohematology cards DG Gel®, such as Saudi Arabia, Egypt and Switzerland, have been opened. The distribution of a new-generation automatic device for the processing of blood typing cards (Erytra®) is an important step for the company in Europe, Mexico, Brazil, Japan, and Australia. The consolidation of sales of the automatic hemostasis analyzer Q® in emerging markets such as Brazil and Turkey is also important.

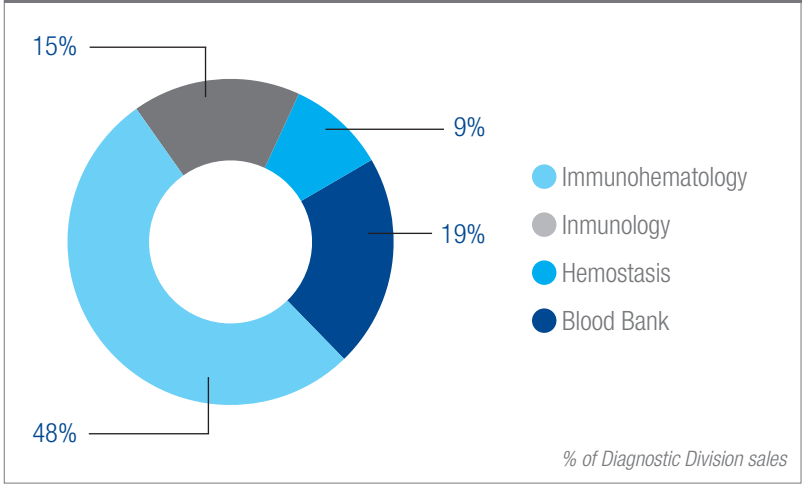
Trends in sales volume by business line

The Immunohematology line increased its revenue by 10% to 56.3 million euros and sales of the DG Gel® card for blood typing and donor and patient serology in pre-transfusion tests have continued to rise. The Diagnostic Division has continued to promote the international expansion of this business line and its consolidation in markets such as Saudi Arabia, Egypt, and Switzerland, where the cards were first marketed in 2010.

Revenues in Immunology were at levels similar to those seen last year at 17 million euros, while they increased by 4% to 10 million euros in Hemostasis, which is due, among other factors, to the launches of new versions of software for the Q® automatic hemostasis analyzer.

Revenues for Blood Bank business exceeded 22.4 million euros, which is 12% more than in 2010 and includes sales of the Intercept Blood System (platelet deactivation system) and sales of the company's own blood collection bags.

SEGMENTATION OF THE DIAGNOSTIC DIVISION'S SALES IN 2011, BY BUSINESS LINE



Growth through acquisitions

Growth through acquisitions materialized with the acquisition of 51% of the Australian company Wooloomooloo, in which Grifols already held a 49% stake. This company has contributed to the strengthening of Grifols' sales force in the diagnostic market in Australia and New Zealand and, furthermore, is a vehicle through which other possibilities may be explored. Industrial investments may also possibly be made using Grifols Engineering technology.

These investments also included a majority stake in the Swiss company Medion, whose research activity continues to be supported by Grifols. The significant development of a new technology for the determination of blood type, complementary to Grifols' gel technology, will allow the company to continue having the most complete and advanced range of products for blood typing and pre-transfusion diagnostics.

Indicators of activity

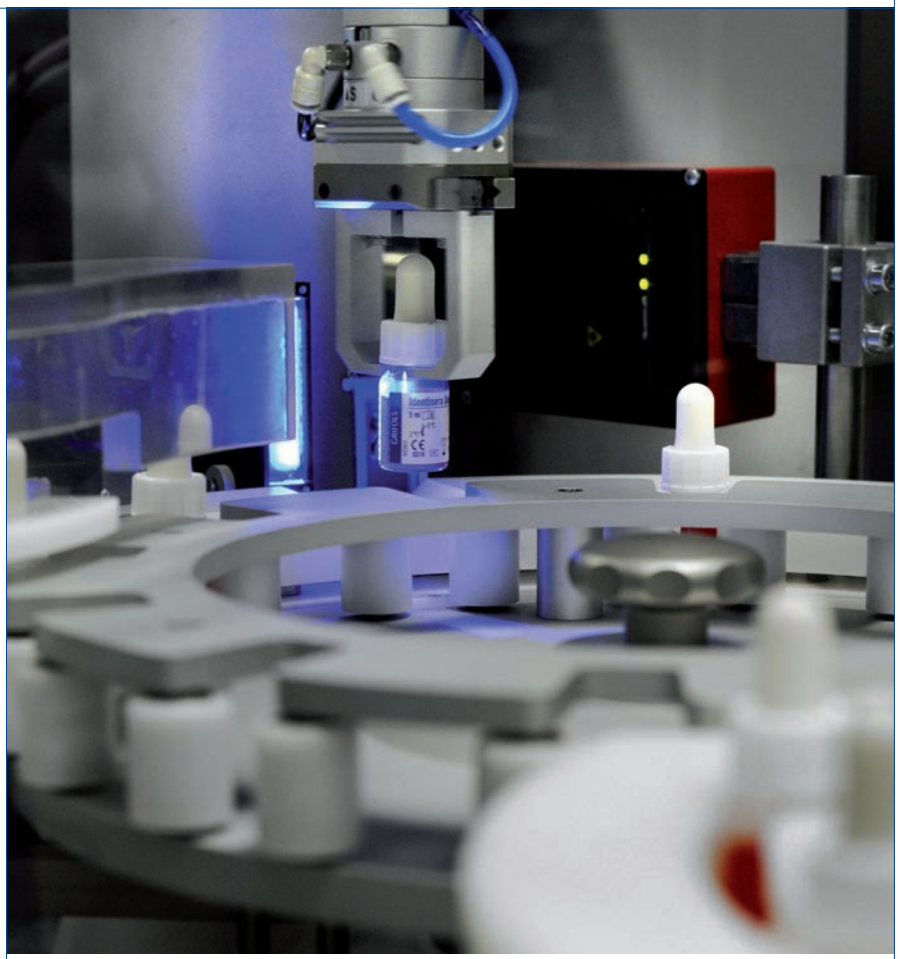
- **√ The number of cards sold in 2011 increased by 23%.**
- **√ The division has consolidated its position in Japan through a distribution agreement with the Japanese company Kainos.**
- **√ Novartis has started to market some of Grifols' main immunohematology diagnostic products in the United States.**

Launch of new products

New versions of software have been developed for the Q® hemostasis analyzer. In addition to new 3.0 software and refinements in hardware, which have provided new functionality and fundamental improvements relating to the robustness of the instrument, as well as version 3.01, the company is currently working on version 3.02, which will include new reading algorithms that optimize the function of the current reagents and those that will be marketed in the future. In 2011, development of version 4.0 was also initiated.

In addition, the development of a new hemostasis analyzer of higher processing capacity was continued, in order to offer a complete range of hemostasis instruments. In 2011 the company continued to develop a new auto-analyzer for ELISA microplate techniques, which will replace the current Triturus® system, of which more than 1,000 units have been sold throughout the world.

In the reagent area, specifically for Immunohematology, in 2011 new reagents and antibodies were launched, specifically developed for the US market, a geographic area in which the division expects to progressively increase its presence through the presentation of new products. For its part, Hemostasis continued to renew the reagent line as it has been doing since 2010. The main products are: the new generation reagent DG-Latex DDimer and its controls DG-Latex DDimer Control High and Low (3 references) and the start of the marketing of the new line of APTTs with synthetic phospholipids DG-APTT Synth (4 references). The process of adapting a kit to determine coagulative protein S to the Q® hemostasis analyzer has been completed and it is expected to be marketed in 2012, and the design of the newly designed



chromogenic kit for protein C has been completed and it is expected to be validated and distributed next year.

Other reagent developments currently being worked on include Liquid Human Thrombin for Thrombin Time, and an extension of its indicated use, to offer the reagent as a method of measuring the new anti-coagulants and a latex reagent to determine Free PS, of which the first samples are expected in the first quarter of 2012.

DIAGNOSTIC DIVISION'S PRODUCT PORTFOLIO IN 2011

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

Agreements

With Novartis

An agreement was concluded with Novartis' diagnostic division to market some of Grifols' main immunohematology diagnostic products in the United States. They include reagents and automatic serological blood typing instruments developed by Grifols. The BLOODchip® test developed by the Spanish biotechnology company Progenika Biopharma, which Grifols distributes, is also included.

With the Japanese company Kainos

An agreement has been concluded with the Japanese company Kainos, which will distribute Grifols' transfusion diagnostic systems in Japan, including reagents and automatic instruments for blood typing, and for studies of compatibility between donors and patients. Specifically, Kainos will market the WADiana® and Erytra® instruments for the automatic processing of DG Gel® blood type cards using gel agglutination technology, in addition to other associated reagents that will reinforce Kainos' activity in the transfusion medicine field. This agreement will allow the Diagnostic Division to strengthen its position in the Japanese market, in which the procedure for blood typing has recently been standardized.

Other agreements in progress

In 2012 Grifols will maintain its strategy of marketing products to third parties and it expects that growth will be supported by the exclusive distribution of several products such as Phanter® and Verigene®.

Grifols has an exclusive worldwide distribution agreement for the BLOODchip® molecular biology test for blood genotyping, made by Progenica Biopharma. The test facilitates the availability of units of blood that are compatible between donors and patients. This agreement was concluded in 2010 and it reinforces our portfolio of cutting-edge immunohematology products. The international presence of Grifols guarantees worldwide distribution of the test, which is the result of Spanish R&D.

Improvement of production facilities

The main manufacturing and development facilities for in vitro diagnostic products are located in Parets del Vallès (Barcelona, Spain). The plant is ISO 9001- and ISO 13485-certified, and all manufactured products comply with European CE Directives regarding in vitro diagnostic products. ISO 9001, ISO 13485.

Throughout 2011, Grifols has made several improvements to its production facilities, among which the following are notable:

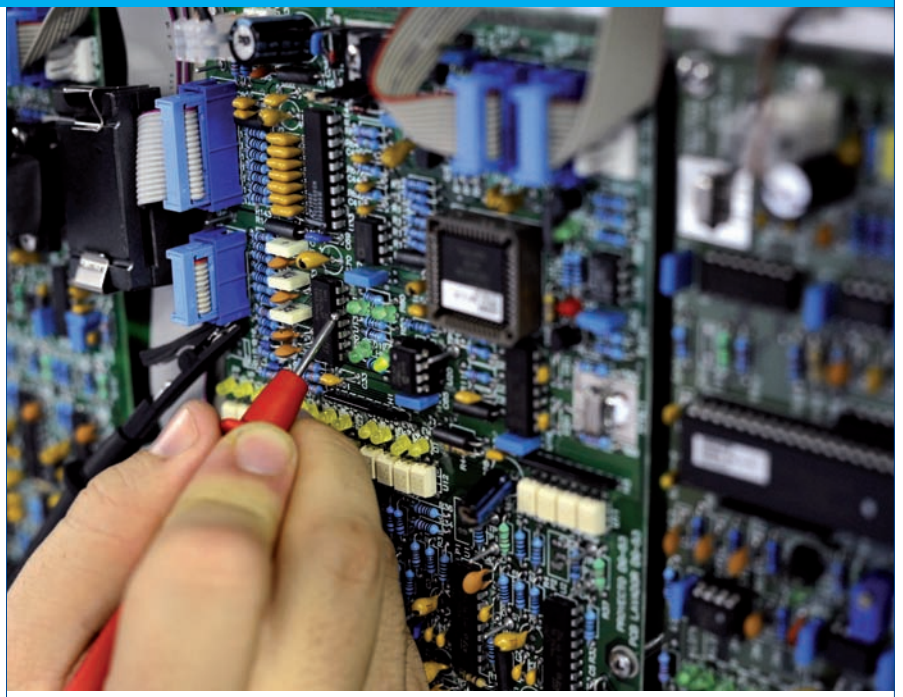
In technical areas

A new microbiological control room, a room-temperature environmental chamber for sample storage, and a cold room for the analysis and storage of samples. Expansion of the device quality control areas and the preparation of an area for liquid nitrogen to be used for freezing red blood cells.

Equipment improvements include a new laminar flow cabinet for the microbiology control room, as well as a stove, a colony counter, a conductivity meter, refrigerators and freezers, in addition to two BioRacks for liquid nitrogen and a refrigerator with control over the expiration of reagents.

In production plants

The creation of a new room for reagent doses and a new refrigerated room for raw materials, which has increased the available refrigeration space by 50%. Notable is the completion of the process of implementing



a new dual machine for the production of cards, which has allowed production capacity to increase.

In terms of production methods, the implementation of artificial vision for the review of cards has allowed for a better use of existing resources and a decrease in associated costs.

There have also been improvements in storage. The use of SAP has been optimized, with the application of a bar code system to codify and identify items using standalone manual readers. All of these elements have increased the reliability and productivity of the warehouses, with a consequent increase in the turnover of raw materials.

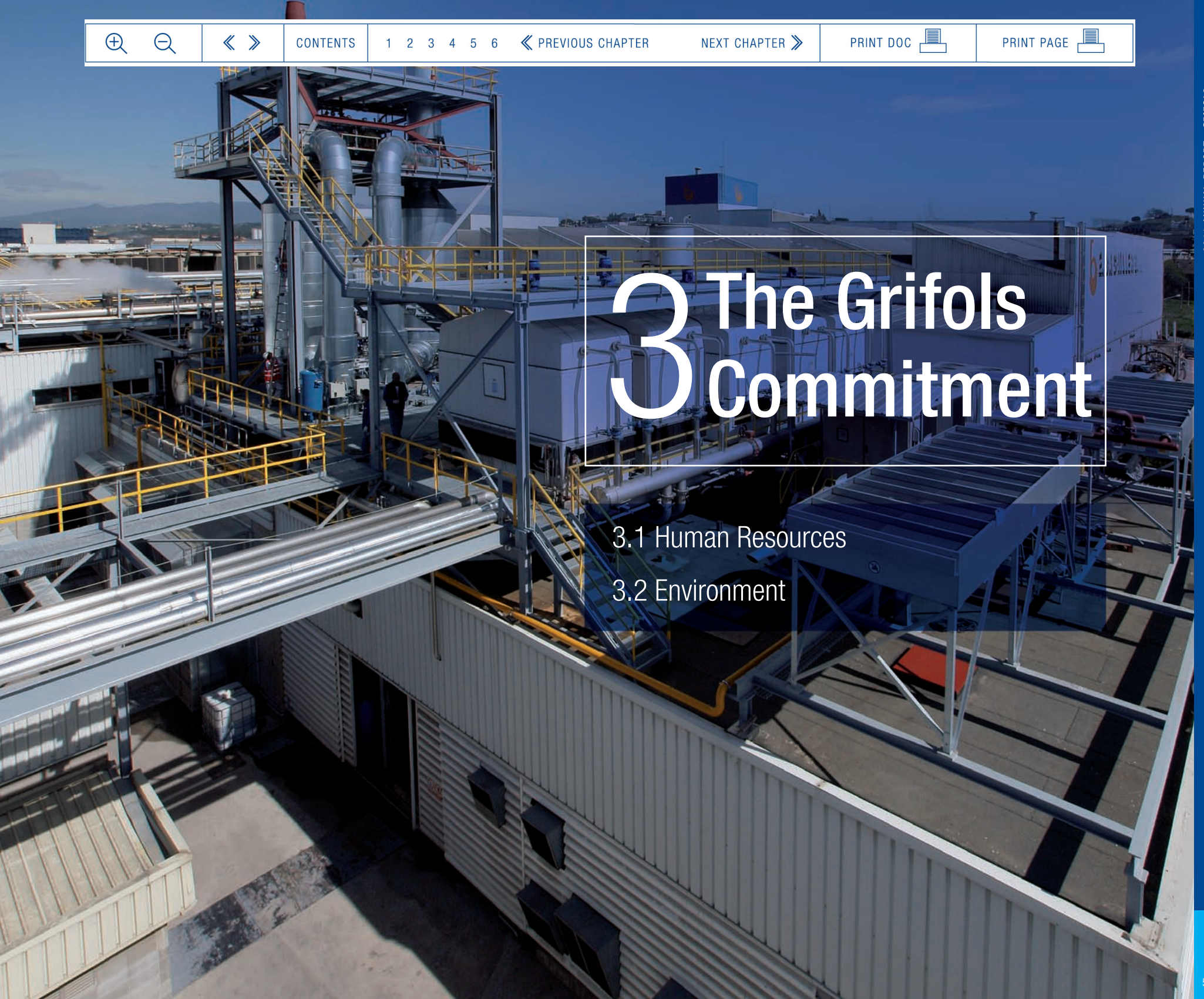
The division's production milestones

- Production of 350 automatic analyzers, and more than 1,000 semi-automatic and manual instruments.
- The rising trend in the production of reagents has been confirmed.

The creation of a Committee of Experts in Transfusion Medicine

Grifols' commitment to the promotion of development in Transfusion Medicine and the strengthening of its Diagnostic Division, based on its extensive experience and knowledge in the areas of immunohematology and blood bank, has been consolidated in 2011 with the creation of an advisory board of experts in Transfusion Medicine. A widely-renowned panel initially made up of nine professionals will provide technical advisory services and will cooperate with Grifols to identify needs relating to the development of new diagnostic and therapeutic tools to improve transfusion safety.

From this perspective, Grifols once again finds itself on the cutting edge of transfusion medicine, a clinical specialty that concerns itself with the treatment of various pathologies through the use of blood or its components (cellular and plasmatic), with special emphasis on the efficient and safe management and administration of those treatments.



3 The Grifols Commitment

3.1 Human Resources

3.2 Environment

3.1 Human Resources

In 2011 Grifols doubled the number of its employees to an average staff of 11,230 professionals. The harmonization of training and compensation policies has been especially designed to attain cohesion within the new organization.

The human team at Grifols

Since the beginning, Grifols has been faithful to its commitment to its employees, offering stable employment, an open working culture, professional development possibilities, and adequate compensation for their profession. Grifols is an international company made up of people with broad cultural diversity who carry out their activity at subsidiaries, facilities, offices, and production plants in 24 countries around the world.

Human Resource Policy

One of the pillars of the human resource policy is to ensure a corporate culture that involves all employees in a common future project, based on the development of their talents in a trusting professional environment that inspires them to give their best.

The human resource policy is aligned with the company's mission and its commitments are:

- To guarantee compliance with applicable legislation.
- To strengthen and promote the personal and professional development of the employees who are part of Grifols, through the provision of ideal working conditions and continuous training.
- To recruit, hire, train, and promote the most qualified applicants regardless of race, religion, color, age, gender, civil status, sexual orientation, or national origin.
- To ensure an adequate preventive culture at Grifols, in accordance with the Occupational Risk Prevention policy.

Information regarding Grifols employees

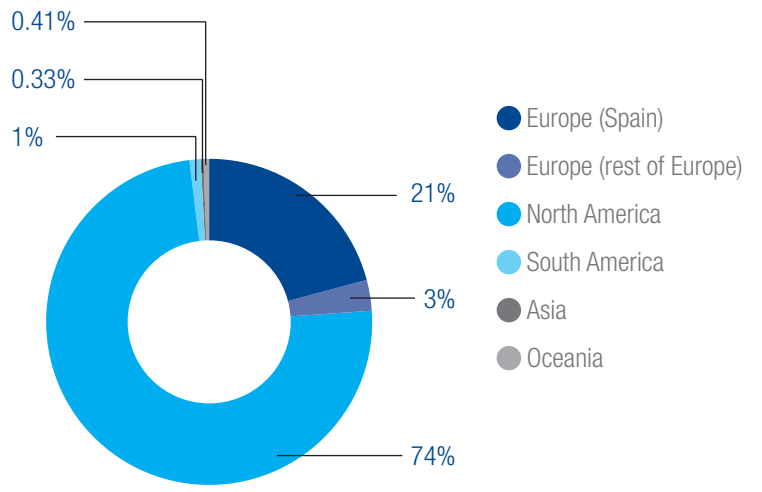
In 2011 the average number of employees was 11,230, which is an 88% increase compared with 2010. This increase was the result of the integration of Talecris employees, including the employees at its 67 plasma donation centers.

The following table shows the average number of employees by area of activity compared with last year.

AVERAGE NUMBER OF EMPLOYEES BY AREA OF ACTIVITY

	2010	2011	% Change
Production	4,443	8,668	95.09%
R&D - Technical Area	271	695	156.46%
Administration and others	472	778	64.83%
General Management	98	139	41.84%
Marketing	102	142	39.22%
Sales and distribution	582	808	38.83%
TOTAL	**5,968**	**11,230**	**88.17%**

GEOGRAPHICAL DISTRIBUTION OF EMPLOYEES



Based on the nature of their employment relationship and broken down by geographic area, 99% of employees in 2011 were under indefinite contracts.

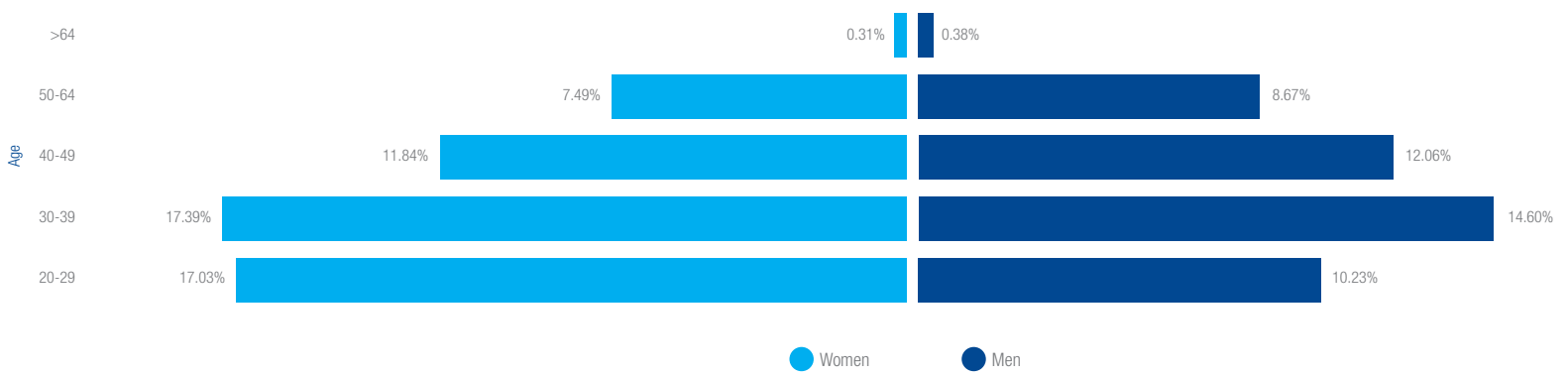
EMPLOYMENT STATUS

	Permanent	%	Temporary	%
Europe (Spain)	2,315	94%	138	6%
Europe (rest)	278	94%	17	6%
North America	8,717	100%	0	0%
South America	116	94%	8	6%
Asia	36	97%	1	3%
Oceania	35	97%	1	3%
	11,497	**99%**	**165**	**1%**

Grifols has become a model employer. The average length of service at the company is more than six years, always with a focus on the equality of opportunities for men and women. The composition of employees by gender is 46% men and 54% women, and the average age is nearly 38.

The age pyramid by gender (percentages) is as follows:

AGE PYRAMID BY GENDER *(percentage)*



Compensation

As a result of the acquisition of Talecris in June 2011, personnel expenses increased by 69% compared with 2010 to 488.6 million euros, of which 80.8% relate to the payment of salaries and the rest to employee welfare charges.

Occupational safety and health

One of the commitments of Grifols' business culture is the preservation of the safety and health of persons working at the company. To this end, a series of initiatives has been applied to attain excellence and to become a leader within the chemical sector in order to review, control, and improve safety and health conditions for the centers, sections, job posts, teams, and tasks carried out by Grifols employees and by outside consultants who perform work at its facilities.

Normalization of the occupational safety and health system at the international level

The objectives of this project are: identification of the status of occupational safety and health management at our international subsidiaries, updating of documentation and the implementation of a system adapted to the characteristics and activities of each subsidiary that follows the principles of the corporate system certified in Spain.

The general management of the group and of each subsidiary support the roll out of an occupational safety and health system with the resources and means for the adequate maintenance thereof. Thanks to the system's indicators, management may establish all necessary corrective measures.

The project started in 2010 and it is currently implemented at the subsidiaries in Chile, Brazil, Mexico, Argentina, United Kingdom, the Czech Republic, and France. It is scheduled to be rolled out at the subsidiaries in Italy and Germany in 2012.

Psychosocial studies and action plans at group companies

In 2010 and 2011, action plans deriving from psychosocial studies carried out at most group companies were implemented. The objectives of the evaluation are to detect how employees perceive their working conditions and the effect that the conditions have on their personal and emotional welfare and their health. Among the risk factors studied are working time, temporal autonomy, which refers to the time management of work activities, decision autonomy, referring to decision-making in various aspects of work activities, workloads, psychological demands, the variety and content of the work, the level of supervision and participation, the degree to which the employee feels that the company is concerned for him or her, the clarity of a job function, relationships, and social support.

Most of the actions have been included in the development plans programmed by Human Resources in two aspects: education/training with respect to technical skills (use of machines, instruments, equipment) or personal skills (management of stress and time, communication, motivation, management of people) and the creation of Continuous Improvement Groups that encourage employee participation and their contribution of ideas for improvement.

Training

True to our belief that people are the true generators of value and wealth, Grifols has continued to work with aspects of developing and training its human team.

In 2011 the Grifols Academy was launched. Its mission is to be a catalyst for professional development and excellence of our employees throughout the world. The Academy is an active instrument for the transmission of the company's corporate culture and the *Grifols Spirit* as a way of understanding and behaving in our business.

A notable element within the framework of training and development activities in 2011 was the reinforcement of two key areas of our business: continuous training in all areas of product quality and safety, and the leadership program which is designed to strengthen the cohesiveness of teams.

Some key programs in 2011:

1. An online GMP training program for all production areas, the objective of which is to provide continuous training adapted to the organizational dynamics of our production processes.
2. Intensification of training in technological aspects that facilitate the implementation of new technological solutions in the industrial area or internal management.
3. The Proximity of Leadership program has been consolidated this year with the participation of more than 125 managers in our organization both in Spain and Latin America.
4. Language learning programs have been reinforced, especially English, to continue supporting the company's international expansion process. To this end, classroom learning has been supplemented with online seminars that facilitate the scheduling flexibility necessary for many people within the organization.
5. Finally, we note the reinforcement of internal consulting projects that support the development of managers, teams, and organizational areas within the group by taking action such as holding strategy workshops and using tools for individual and team assessment.

From a quantitative point of view, all of the basic indicators have increased. The number of training hours per employee based on the average number of employees increased to 30 hours/employee, two hours more than in 2010. In addition, the number of total hours increased compared with last year, as well as the number of courses and the number of participants.

KEY TRAINING INDICATORS*	
No. of courses	26,611
Total hours	260,791
Hours/employee - Average No. of Employees	30

We have continued to focus on the specific training areas fundamental to Grifols' business: quality courses and GMP's, product knowledge, prevention, the environment, and skill development programs.

Of the training hours given, the following should be noted:

TRAINING HOURS*	
Quality / GMP	71,810
Production / Industrialization	15,781
Skill development	17,841
Languages	25,485
Environment / Prevention	20,432

** This information includes the new organization acquired in June 2011 (excluding TPR). We are currently in the process of gathering and consolidating this information.*

3.2 Environment

The acquisition of Talecris on June 2, 2011 is also reflected in environmental results. Environmental aspects of the facilities acquired in 2011 are included in full. All of the data regarding production activity and those relating to warehouses, group offices, and plasma donation centers in the United States are also included.

The inclusion of these facilities in the environmental records by Grifols, in addition to a significant increase in production of waste, disposal, emissions, and consumption, has led to a significant increase in production.

DIVISION	BIOSCIENCE	HOSPITAL	DIAGNOSTIC
Increase in production	113%	7.4%	16.7%

2011-2013 Environmental Program

The main actions have focused on the design and implementation of eco-efficient production processes and the optimization of auxiliary installations that are being carried out in the expansion of the Hospital Division in Murcia, the new fractionation plant under construction and the new fibrin glue production plant, both pertaining to the Bioscience Division in Parets del Vallès.

Hospital Division: substitution of the manufacture of PVC bags for polypropylene (PP) bags, and the installation of a high efficiency distiller, with two sterilization autoclaves using a mix of steam and air instead of superheated air, "Clean In Place" cleaning systems (CIP), and a high efficiency boiler with heat recovery system. The implementation of these environmental goals will produce a savings with respect to the annual electricity consumption of 1.7 million kWh/year and natural gas consumption totaling 5 million kWh/year.

The objectives program was expanded to include those of the facilities in North Carolina (Grifols Therapeutics), notable among which are the decrease in the annual consumption of water by nearly 100,000 m^3, the reduction of electricity consumption by 2.8 million kWh/year, and the implementation of ecoefficiency measures at the new fractionation building.

Main environmental indicators

The cogeneration plant at the Bioscience Division in Spain produced 39.6 million kWh of electricity and recovered 32.1 million kWh in the form of steam and hot water. Its overall performance was 72.06% and the savings of primary energy was 17.18%, which has kept 4,100 tons of CO_2 from being emitted, if compared with the production of electricity and steam separately.

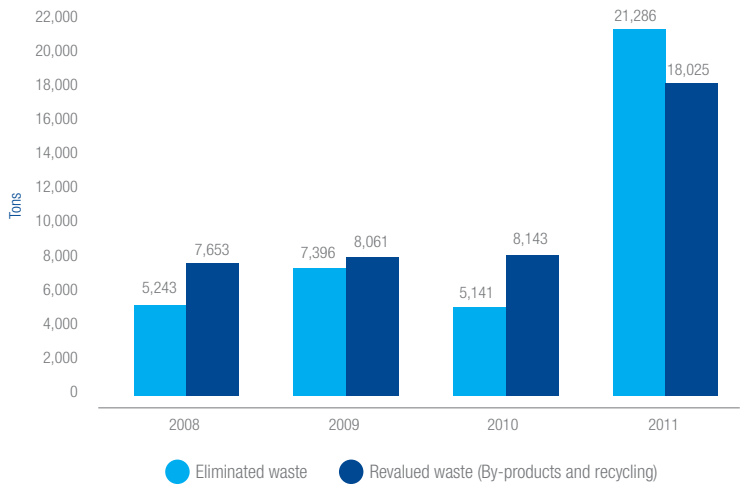
The 23% decrease in water consumption by Laboratorios Grifols in Parets del Vallès is notable. In 2011 a plan was initiated in order to take advantage of clean water in the refrigeration towers and there are plans to launch a system to recover water from autoclaves.

MAIN ENVIRONMENTAL INDICATORS	
Electricity consumption	265.1 million kWh
Natural gas consumption	206.7 million kWh
Consumption of natural gas through cogeneration	110.5 million kWh
Water consumption	1,939,083 m^3
Generation of waste	39,311 t
Revalued waste (recycling and by products)	46%
Waste water	1,357,358 m^3
Organic material in waste water (DQO)	842 t
Carbon footprint (equivalent tons of CO_2)	226,779 t

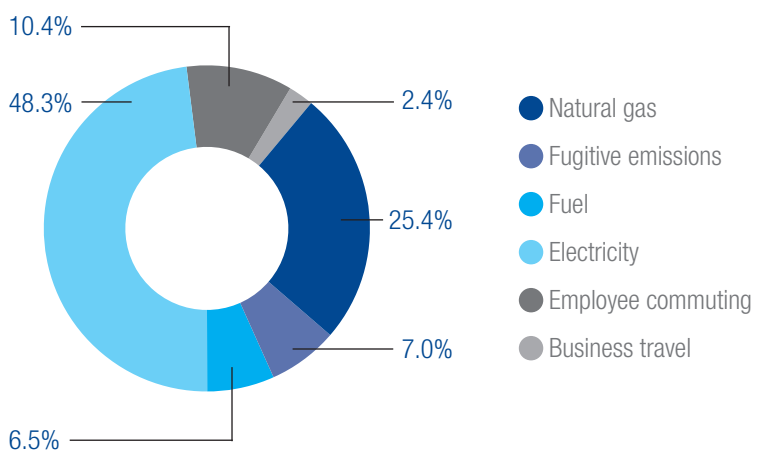
Includes data from Grifols Therapeutics and from the donation centers for all of 2011.

Grifols generated a total of 39,311 tons in waste, of which 46% can be revalued. All of the waste generated by the 147 plasma donation centers totaled 12,891 tons this year.

DESTINATION OF WASTE



CARBON FOOTPRINT FACILITIES



Carbon footprint

The carbon footprint is the sum of all emissions of direct and indirect greenhouse gases produced by an organization, service, or product. This calculation has taken into account all of Grifols' facilities and the main factors that give rise to the emission of greenhouse gases, such as the consumption of electricity, natural gas, and other fuels, as well as business travel, employee transportation, and the emission of refrigerant gases.

The total number of equivalent tons of CO_2 in 2011 increased to 226,779.

The largest contribution of Grifols to global warming derives from electricity consumption and second from the consumption of natural gas. The emissions generated by employee transportation to work are not inconsiderable.

Investments and environmental expenses

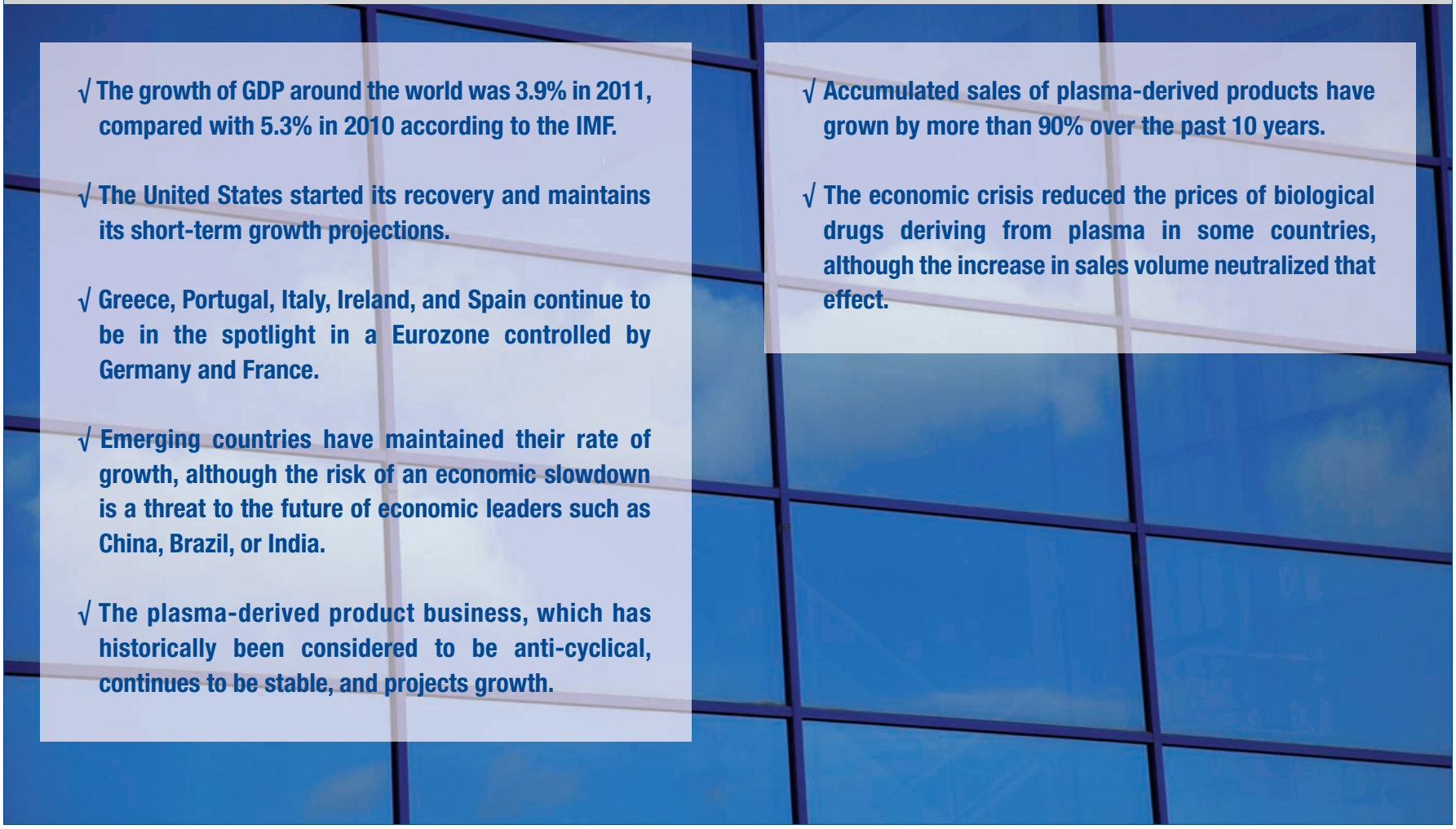
Environmental expenses incurred in 2011 exceed 9 million euros. The largest increase was produced in the management of waste due to the rise in the number of production centers and in the cost of treating waste water.

The main environmental investments were dedicated to the optimization of water use and to energy efficiency projects at new production plants. Investments in environmental assets in 2011 exceeded 8.2 million euros.

4 Economic and financial performance

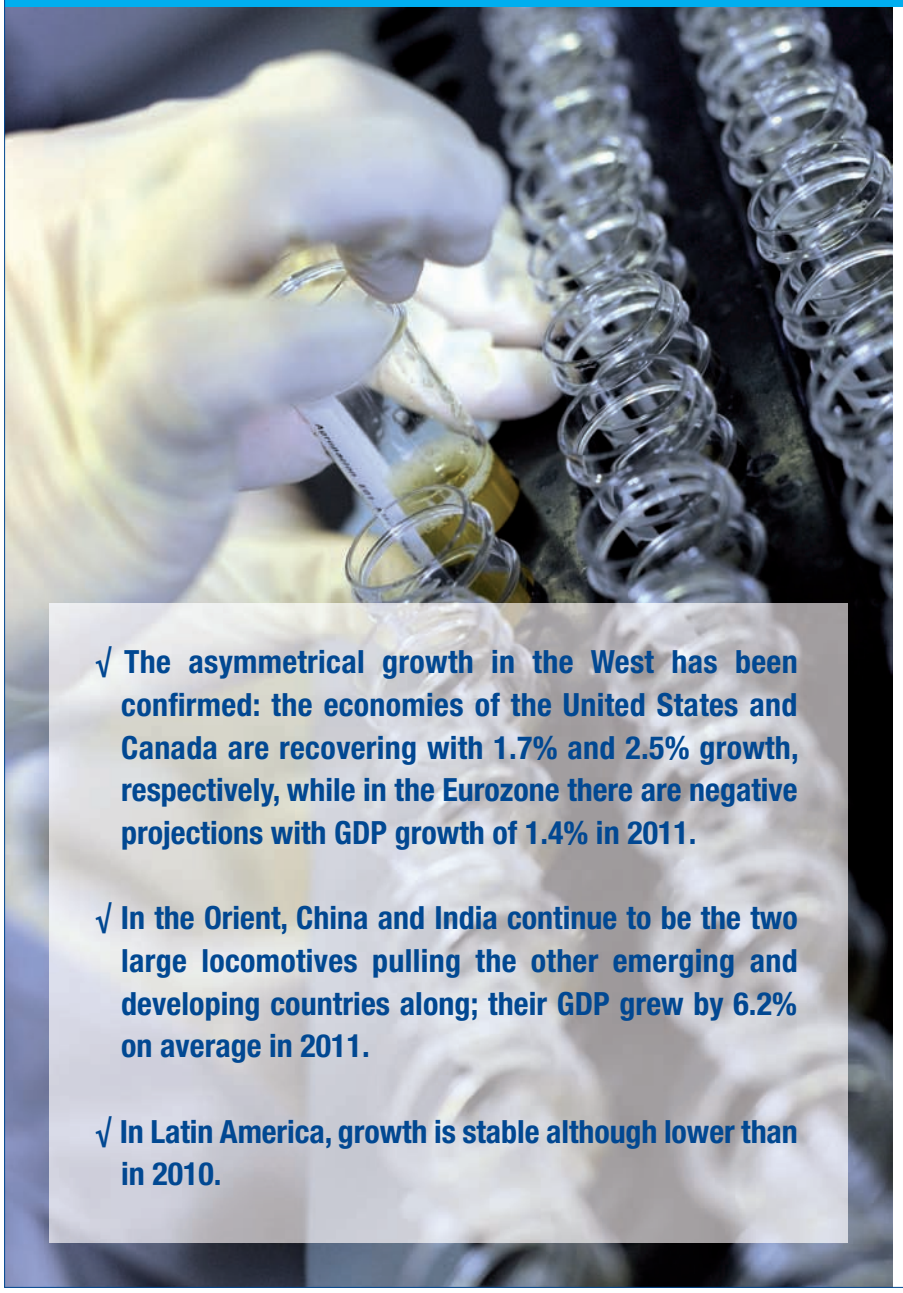
4.1 Macroeconomic environment

In 2011 the problems deriving from the crisis that started in 2007 became more acute. Volatility, absence of confidence, recession, and stagnation are the constant elements affecting the most developed economies, within an environment of continuous pressure on sovereign debt and speculation in the financial, monetary, and capital markets.



- √ **The growth of GDP around the world was 3.9% in 2011, compared with 5.3% in 2010 according to the IMF.**
- √ **The United States started its recovery and maintains its short-term growth projections.**
- √ **Greece, Portugal, Italy, Ireland, and Spain continue to be in the spotlight in a Eurozone controlled by Germany and France.**
- √ **Emerging countries have maintained their rate of growth, although the risk of an economic slowdown is a threat to the future of economic leaders such as China, Brazil, or India.**
- √ **The plasma-derived product business, which has historically been considered to be anti-cyclical, continues to be stable, and projects growth.**
- √ **Accumulated sales of plasma-derived products have grown by more than 90% over the past 10 years.**
- √ **The economic crisis reduced the prices of biological drugs deriving from plasma in some countries, although the increase in sales volume neutralized that effect.**

Global external framework



- √ **The asymmetrical growth in the West has been confirmed: the economies of the United States and Canada are recovering with 1.7% and 2.5% growth, respectively, while in the Eurozone there are negative projections with GDP growth of 1.4% in 2011.**
- √ **In the Orient, China and India continue to be the two large locomotives pulling the other emerging and developing countries along; their GDP grew by 6.2% on average in 2011.**
- √ **In Latin America, growth is stable although lower than in 2010.**

The main economies around the world recorded a general slowdown in projected growth in 2011, which intensified after the summer due to the tension regarding European sovereign debt. The lack of confidence and the speculative pressure increased the uncertainty and stimulated monetary interventionism: injections of liquidity in the case of the European Central Bank, a successive expansion of the low interest rate period in the United States, and a reduction of official rates in Latin America.

The United States increased GDP by 1.7% year-on-year, mainly supported by investments in capital goods and exports. This growth has gradually translated into a moderate increase in consumption and in non-residential construction that is expected to be maintained in 2012 and to bring the country's growth near to its true potential.

Meanwhile, initial growth expectations for all of the Eurozone were not met, ending with year-on-year GDP growth of 1.4%. The unforeseen higher impact of the earthquake in Japan, together with the management of the sovereign debt crisis that did not convince markets and significant structural deficits in the economies of countries such as Greece, Ireland, Portugal, Italy, and Spain, gave rise to a 0.3% contraction in GDP during the last quarter of the year and this is expected to continue into 2012. However, the economic situation and perspectives are different in countries such as France or Germany, which have not faced any loss of confidence or high financing costs.

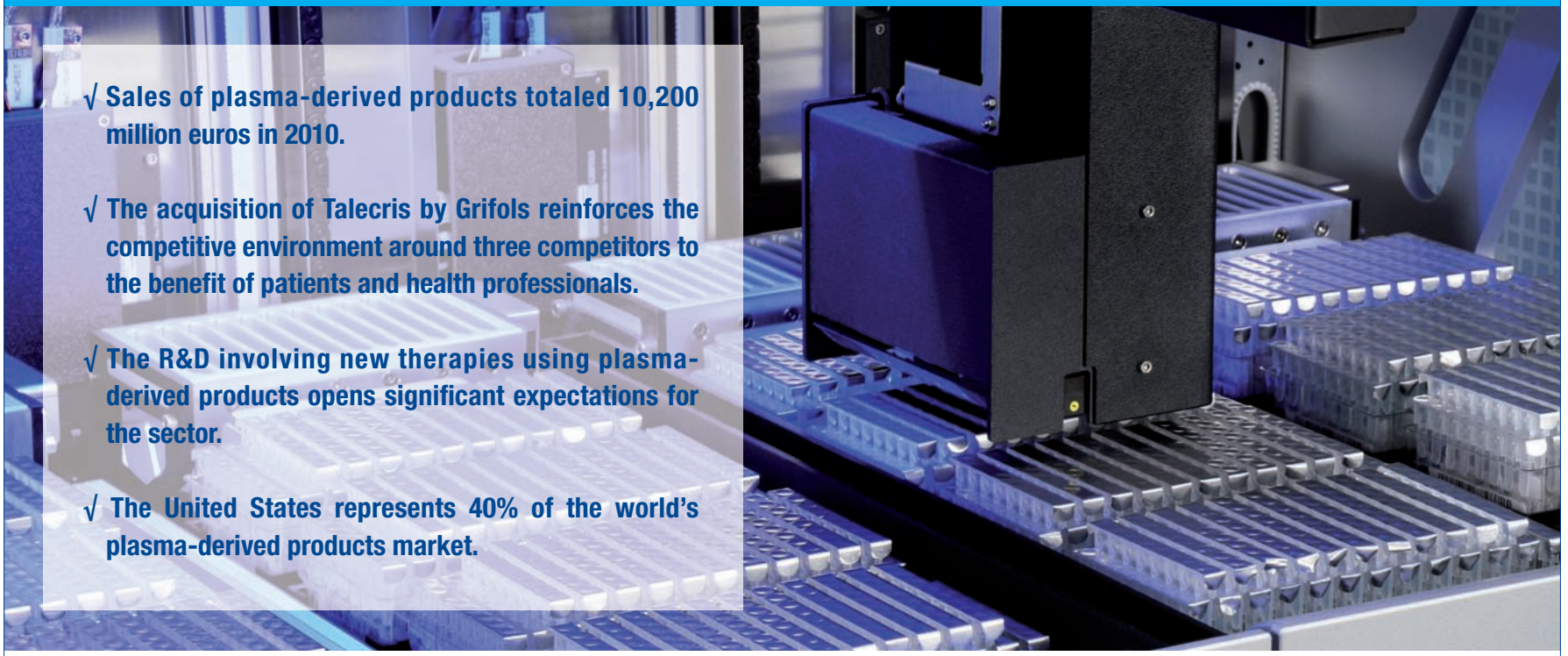
Finally, we note that Spain closes 2011 with 0.7% GDP growth, supported via a solid export sector that has offset the weak domestic demand. However, the GDP has shown a clear downward trend that ended with a slight increase of only 0.3% during the fourth quarter due to the decline in household spending. The continuance of these trends, together with the impact of high budget consolidation efforts, point to a return to recession for the Spanish economy according to all published projections.

The economies of Latin American countries maintained a good growth rate over the course of the year, although it was lower than that seen in 2010. However, during the second half of the year the effects of the global economic slowdown became visible and prices of commodities declined. Countries such as Brazil, Chile, or Mexico demonstrated great resistance to the international financial turbulence and maintained, in general terms, stable domestic demand and solid export sectors.

China and India stand out as the main drivers of economic activity in the region, with growth rates exceeding 7%. Specifically, China's GDP increased by 9.6% and India's rose by 6.2%.

As for the exchange rate, the intensification of the tensions in the Euro zone and the deterioration of activities led to a progressive decline in the European currency against the dollar, which closed December at 1 euro = US$ 1.29 (compared to one euro = US$ 1.34 in December 2010).

Plasma-derived products sector



- √ **Sales of plasma-derived products totaled 10,200 million euros in 2010.**
- √ **The acquisition of Talecris by Grifols reinforces the competitive environment around three competitors to the benefit of patients and health professionals.**
- √ **The R&D involving new therapies using plasma-derived products opens significant expectations for the sector.**
- √ **The United States represents 40% of the world's plasma-derived products market.**

Total sales of plasma-derived products reached 10,200 million euros in 2010 according to the latest independent report published in 2011 by MRB (Market Research Bureau). From this perspective, they have maintained a constant growth rate over the past 10 years, which is higher than 122% since 2000, when global revenues totaled USD 5,278 million.

For products, immunoglobulins continue to be the primary product in the plasma fractionation industry. Intravenous administration immunoglobulins (more than 40%) take the lead, followed by intramuscular and subcutaneous immunoglobulins.

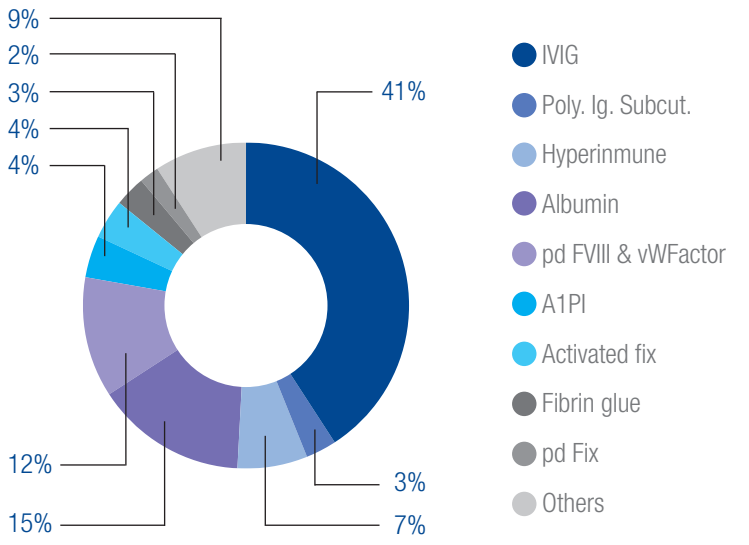
Albumin and Factor VIII represent nearly two-thirds of the global market by revenue, whereas alpha1-antitrypsin (A1PI), for pulmonary emphysema, represents 4% of sales.

From this perspective, Grifols has a strong position with respect to the main plasma-derived products, although the acquisition of Talecris has allowed it to reinforce its presence in the A1PI segment and to diversify its range of immunoglobulins available in order to respond to the specific needs of health professionals and patients in the various markets.

By region, the relative weights have been maintained. The United States, with 40% of the market, and Europe with 26%, make up more than 65% of sales. However, the increase in the consumption of plasma-derived products by emerging countries as a result of the expansion of their healthcare policies and greater access of their populations to plasma-derived therapies, has driven the increase in sales volume and has neutralized, in general terms, the lower prices recorded due to the economic crisis in some countries.

GLOBAL SALES OF PLASMA-DERIVED PRODUCTS IN 2010 BY PRODUCT

Total sales: 10.2 billion €



Source: Company information and MRB publications

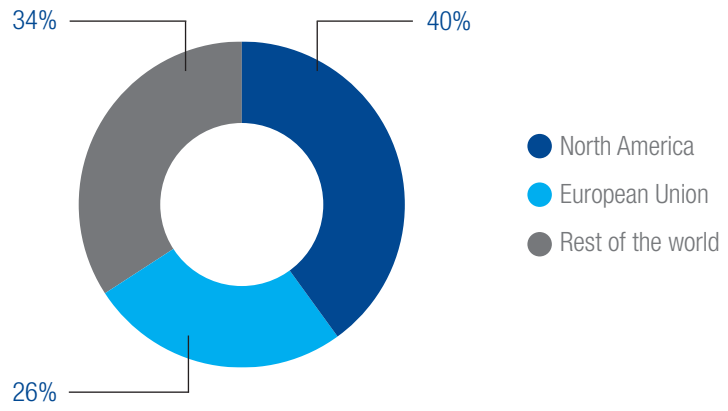
In general terms, demand for plasma-derived products increased in 2011. In addition, the efforts made by the industry in the R&D area are notable. There are numerous studies and clinical trials that are currently being carried out to test new therapeutic properties of plasma-derived products. Intravenous immunoglobulin (IVIG) for the treatment of Alzheimer's disease or albumin for the treatment of hepatic cirrhosis are just two examples.

Among the most notable corporate events in the industry in 2011 was the acquisition of Talecris by Grifols, after obtaining approval from the anti-trust authorities in the United States (FTC) was obtained.

This corporate transaction, key to the consolidation of the sector, has allowed for the reinforcement and expansion of competition between three companies instead of two as was the case up until 2010, to the benefit of patients and healthcare professionals.

In addition, the conditions imposed by the FTC on Grifols for the approval of the transaction have driven the entry of a new competitor (Kedrion) into the United States.

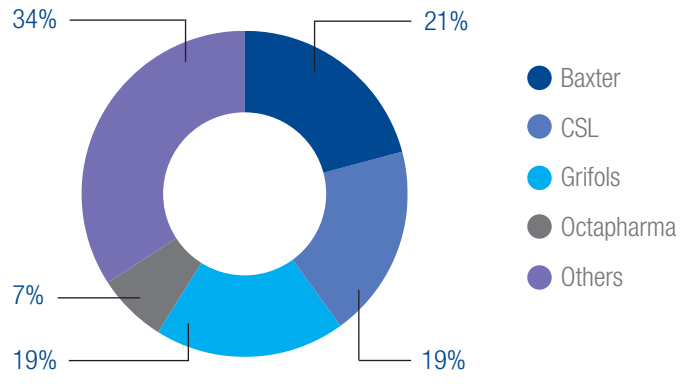
DISTRIBUTION OF GLOBAL SALES OF PLASMA-DERIVED PRODUCTS IN 2010 BY GEOGRAPHIC REGION



Source: Company information and MRB publications.

DISTRIBUTION OF GLOBAL SALES OF PLASMA-DERIVED PRODUCTS IN 2010 BY COMPANY

Combined sales Grifols & Talecris



Source: Company information and MRB publications

4.2 Analysis of results

Organic growth and expansion through acquisitions was consolidated in 2011, a year marked by market volatility. 90% of revenue was generated abroad, which minimizes risk for the group.

- √ **Growth expectations for the sector remained stable.**
- √ **The acquisition of Talecris makes Grifols a world leader in immunoglobulin (IVIG) and A1PI sale for the treatment of pulmonary emphysema.**
- √ **60% of pro-forma revenues[1] were generated in the United States and Canada, 26% in Europe, and the remaining 14% was distributed between South America and Asia.**
- √ **Geographic diversification allows the company to reduce exposure to the Spanish market.**
- √ **The identification of production synergies, the optimization of corporate and commercial structures, and the integration of teams ended in December 2011, and are the main areas of action of the new Grifols.**

Profit and loss statement

- √ **Pro-forma sales[1] exceed 2,300 million euros. Increase of 7.7% at a constant exchange rate.**
- √ **Growth of reported sales was 88.6%[2] with 1,795.6 million euros.**
- √ **The adjusted Ebitda[3] increased by 6.4% to 630.8 million euros, a 27.4% margin over pro-forma sales[1].**
- √ **Net adjusted profit[3] totaled 233.6 million euros and the pro-forma margin was 10.1%[1].**

Sales performance. Pro-forma results[1]

Grifols closed 2011 with pro-forma[1] revenues of 2,302.7 million euros, an increase of 7.7% at constant currency rate (cc), and 4.6% considering the foreign exchange impact. Currency volatility, a result of the uncertainty surrounding growth in the main global economies, had a negative impact on Grifols' results, although the geographical diversification of the Group's sales has mitigated and neutralised the majority of this impact.

It is worth noting the favourable sales performance of each of the individual divisions, although the purchase of Talecris has changed the weight of each division's contribution to total Group revenues, generating a new sales structure based on the source of the sales. Grifols' organic growth has therefore continued over the year, and the increase in sales volumes have been maintained across the board for all divisions, with a positive trend.

In 2011, in pro-forma[1] terms, sales in the Bioscience Division rose by 3.1% to 2,031.3 million euros, accounting for over 88% of total turnover. Diagnostic Division turnover increased by 7.6% to 117.4 million euros, while Hospital Division grew by 6.5% to 95.4 million euros. As anticipated, the contribution from both divisions to global sales fell to 5.1% and 4.1%, respectively, stating the changes in each division's relevant weight compared to total Group sales. Raw Materials & Others Division, which accounts for approximately 3%, increased its sales to 58.6 million euros, due to the reclassification of royalties previously included in Bioscience and the allocation to this division of revenues

resulting from the agreements with Kedrion consequence of the acquisition.

The acquisition also gave rise to a change in the geographical distribution of the Group's revenues. During 2011 90% of Grifols activity was undertaken in foreign markets, where turnover totalled 2,069.4 million euros and growth was over 5.1%. Spain's relative weight fell to 10% on pro-forma[1] basis, generating turnover of 233.2 million euros. In terms of country mix, recurrent revenues (excluding Raw Materials) in the United States and Canada, rose by 3.5%% to 1,364 million euros and accounted for almost 60% of turnover during the year. Europe generated 25.6% of recurrent revenues (excluding Raw Materials), totalling 588.6 million euros up almost 1.5% despite the current economic situation, mainly due to increased market shares in countries such as Germany and Portugal, among others. Sales continued to grow in other geographical areas which generated approximately 14% of pro-forma[1] sales. The positive outlook in countries such as Brazil and China is also of note.

Finally, international business was boosted by the incorporation of Canada as a significant market and, in commercial terms, the consolidation of the representative office in Shanghai (China) and the subsidiaries in Colombia and Sweden, operating from the end of 2010. Grifols is currently present in 100 countries, and has its own commercial subsidiaries in 24 countries.

SUMMARY OF PRO-FORMA[1] SALES BY REGION *(in thousands of euros)*						
	2011	% on sales	2010	% on sales	% Var.	% Var. CC*
Europe	588,610	25.6%	580,031	26.3%	1.5%	1.5%
US + Canada	1,363,961	59.2%	1,317,338	59.9%	3.5%	8.1%
R.O.W.	319,557	13.9%	298,620	13.6%	7.0%	9.0%
SUBTOTAL	2,272,128	98.7%	2,195,989	99.8%	3.5%	6.5%
Raw Materials	30,526	1.3%	4,815	0.2%	533.9%	575.9%
TOTAL	**2,302,654**	**100.0%**	**2,200,804**	**100.0%**	**4.6%**	**7.7%**

** (CC) Constant currency excludes the impact of exchange rate movements.*

Sales performance. Reported results[2]

Grifols sales reported in its audited financial statements, including the results of the acquired company from June 2011 (seven months), the first month of consolidation, reached 1,795.6 million euros, an increase of 88.6% at constant exchange rate (cc). Considering the exchange rate impact, growth was 81.2%.

From a divisional perspective, and with seven months of joint activity, sales in the Bioscience Division for 2011 rose by 98% to 1,531.2 million euros, accounting for over 85% of total turnover. Diagnostic Division turnover increased by 7.6% to 117.4 million euros, while Hospital Division grew by 6.5% to 95.4 million euros. As anticipated, the contribution from both divisions to global sales fell to 6.5% and 5.3%, respectively. Raw Materials & Others Division, reported sales of 51.7 million euros.

In terms of country mix, recurrent revenues in the United States and Canada, rose by 180.7% to 948.7 million euros and accounted for almost 53% of reported2 revenues including seven months of join activity. Europe generated 30% of recurrent reported[2] revenues, totaling 526.6 million euros up 22%, and sales in other geographical areas kept its upward trend with 34% increase, totaling approximately 290 million euros.

The reported[2] figures also state the reduction of the relative weight of Spanish sales to 13% within the Group revenues compared to 23% in 2010. 87% of Grifols recurrent reported[2] activity occurred in the international markets where revenues reached 1,565 million euros with a growth rate over 105%.

SUMMARY OF REPORTED[2] SALES BY REGION *(in thousands of euros)*						
	2011	% on sales	2010	% on sales	% Var.	% Var. CC
Europe	526,625	29.3%	432,191	43.6%	21.9%	22.0%
US + Canada	948,730	52.9%	338,016	34.1%	180.7%	199.7%
R.O.W.	289,732	16.1%	215,708	21.8%	34.3%	37.1%
SUBTOTAL	1,765,087	98.3%	985,915	99.5%	79.0%	86.2%
Raw Materials	30,526	1.7%	4,815	0.5%	533.9%	575.9%
TOTAL	**1,795,613**	**100.0%**	**990,730**	**100.0%**	**81.2%**	**88.6%**

Profit and margins

Policies to contain costs remained a constant throughout the year, although the increase in raw material (plasma) prices, the negative contribution of the price factor over revenue trends and the impact of healthcare reforms on comparable values, with limited impact in 2010 have had a direct effect on gross margin and EBITDA.

Grifols pro-forma[1] adjusted[3] EBITDA rose by 6.4% to 630.8 million euros, a 27.4% margin over sales. Grifols posted pro-forma[1] adjusted[3] net profit of 233.6 million euros, representing a 10.1% over pro-forma[1] sales and decreasing by 19.8%.

2011 PRO-FORMA[1] RESULTS *(in millions of euros)*			
	2011	2010	% Var.
Revenues	2,302.7	2.200.8	4.6%
Adjusted Ebitda[3]	630.8	592.7	6.4%
% on sales	27.4%	26.9%	
Adjusted net profit[3]	233.6	291.4	-19.8%
% on sales	10.1%	13.2%	

Adjusted[3] reported[2] EBITDA, including seven months of joint activity rose by 73.5% to 472.8 million euros, standing at 26.3% of sales. Considering the transaction costs inherent to the acquisition of Talecris and other no recurring costs, reported[2] EBITDA would total 369.5 million euros, a 44.6% increase compared to 2010 EBITDA and representing a margin of 20.6% over sales.

Grifols is naturally hedge against the fluctuations of the U.S. Dollar, the currency where the group has its largest level of exposure.

Adjusted[3] net profit reported[2] by Grifols rose by 13.6% to 144.7 million euros, accounting for 8.1% of revenues. Considering the transaction costs incurred on the acquisition and other non-recurring expenses, the net profit generated during the year totals 50.3 million euros, accounting for 2.8% of sales and down 56.4% compared to 2010.

The foreseeable improvement in operating margins, due to the achievement of some of the synergies considered in the integration plan, has not been fully reflected in 2011 financial statements, although there will be an impact in the medium term. The initiatives implemented in this respect include the integration under one management of all the plasma procurement centres in the United States, as well as other production-related operating improvements, such as the FDA approval granted for the use of an intermediate product (Fraction II+III) from the Los Angeles Plant in the purification of IVIG at the Clayton plant (Gamunex®). Both initiatives will contribute to enhanced efficiency, as well as to the positive trend in margins.

The purchase of Talecris has given rise to a new financing structure and an increase in reported[2] net finance result which, as forecast, totalled 197.8 million euros at the end of 2011. This rise is due to the resources captured through the senior financing agreements and the bond issued to cover part of the acquisition payment for Talecris, and also include the amortization of capitalised costs relating to the Group's debt.

REPORTED[2] RESULTS GRIFOLS 2011 *(in million of euros)*

	2011	2010	% Var.
EBITDA	369.5	255.5	44.6%
% on sales	20.6%	25.8%	
Adjusted EBITDA	472.8	272.5	73.5%
% on sales	26.3%	27.5%	
Net profit	50.3	115.5	-56.4%
% on sales	2.8%	11.7%	
Adjusted net profit[3]	144.7	127.4	13.6%
% on sales	8.1%	12.9%	

Year-end results

- √ **The completion of the Talecris acquisition changes Grifols' balance sheet.**
- √ **Total consolidated assets rose to 5,807.7 million euros.**
- √ **Net financial debt was lower than projections for 2011.**
- √ **The financial debt ratio is expected to fall to levels seen before the acquisition, once all of the projected synergies are realized.**

On 2 June 2011 Grifols completed the acquisition of Talecris announced a year earlier, having obtained approval for the transaction from all relevant institutions and bodies, including the Federal Trade Commission, the US agency responsible for the civil enforcement of anti-trust laws. The Group purchased 100% of the US company's shares, which totaled approximately US Dollars 3,700 million (Euros 2,600 million), although the total value of the transaction, including Talecris' net debt, amounted to approximately US Dollars 4,000 million (Euros 3,300 million). This acquisition, one of the most successful and significant corporate transactions of the year, demonstrated Grifols' firm commitment to the longterm growth of the Group also through acquisitions.

Grifols paid 0.641/0.64854 newly issued non-voting (Class B) shares and US Dollars 19 in cash for each Talecris share. This payment, completed in 2011, has had a substantial impact on liabilities (including equity), although it has enabled the Company to substantially increase its assets.

Assets

At 31 December 2011 total consolidated assets amount to 5,807.7 million euros, compared to 1,889.0 million euros reported at 31 December 2010.

The net increase in property, plant and equipment, totalling over 341 million euros, reflects the assets acquired from Talecris and includes the plasma fractionation plant located in Clayton (North Carolina) and various plasmapheresis centres.

The estimated fair values of the assets acquired have been adjusted progressively since June 2011. Taking into account the latest adjustments and fluctuations in the exchange rate, which have translated in progressive increases over the seven months of consolidation, intangible assets stand at 2,903.4 million euros, with goodwill of 1,895.1 million euros at 31 December 2011, which includes the allocation of the purchase price between the different types of assets and liabilities. The valuation of intangible assets stands at 1,008.3 million euros. These estimates are in line with the latest reported quarterly results and should be fairly accurate given the various reviews that have already been made but still remain provisional.

At 31 December 2011 working capital has improved, both with respect to receivables and inventories, the latter of which totals 1,030.3 million euros, with a turnover of approximately 300 days. This trend began in the first quarter and has continued throughout the year as planned, although it will be progressively consolidated in the medium and long term as a result of the acquisition of Talecris.

During 2011 Grifols continued with its practice of selling receivables without recourse to third parties and sold 157 million euros of receivables. The Company also sold certain assets previously owned by Talecris to comply with the terms required by the Federal Trade Commission to approve the transaction.

Grifols has continued with its policy of selling invoices without recourse to third parties, in the amount of 157 million euros, and it divested some assets owned by Talecris, as required by the FTC in the United States for the approval of the transaction.

Liabilities

At 31 December 2011 Grifols' net financial debt stood at 2,738.2 million euros, with a cash position of 340.6 million euros. Consequently, the ratio of net financial debt with respect to adjusted[3] EBITDA was 4.3 times falling to 3.9 times adjusted[3] EBITDA if the Euro-Dollar exchange rate prevailing at the date on which the acquisition was completed is applied. Both ratios are below the 5.2 times initially estimated at the completion date. The Company estimates that the financial debt ratio will return to the debt levels preceding the acquisition of Talecris once the expected synergies are obtained.

Cash flows increased on the short term over the seven months of reported consolidated results, enabling the Group to quickly reduce its leverage. The geographical redistribution of sales following the acquisition of Talecris will increase the Group's exposure to countries with lower collection periods, helping to optimise short-term financing needs and improve working capital. Grifols' Spanish sales fell to 13% in 2011 (10% of pro-forma[1] sales), compared with 23% in 2010.

Before completing the acquisition of Talecris, and throughout the year Grifols also carried out a number of sale & lease-back (SLB) transactions, which enabled the group to optimise equity and increase liquidity to partially cover the payment for Talecris. The properties subject to these transactions included part of the installations located in Los Angeles and Clayton (United States), the head office in Sant Cugat (Barcelona-Spain) and certain installations in Las Torres de Cotillas (Murcia-Spain), and have enabled the group to obtain approximately 160 million euros net.

During the first quarter of 2011, Grifols successfully completed all of the financial structuring tranches that were projected for the acquisition of Talecris, and the bond issue for USD $1,100 million was the latest operation carried out. This issue of corporate bonds, together with the long-term syndicated financing for USD $3,400 million that was obtained in the last quarter of 2010, allowed the group to obtain an estimated maximum of USD $4,500 million for the acquisition of Talecris.

The bonds, which mature in 7 years, were fully subscribed by qualified investors in the United States and in other countries. The issue was greatly oversubscribed and the excellent acceptance of the operation allow the financing process to be completed on schedule, improving maturity dates and the cost of the debt.

After the close of 2011, Grifols successfully negotiated a modification of the senior secured debt.

FINANCING STRUCTURE AS AT DECEMBER 31, 2011 *(in US$ million)*			
Senior Secured Debt	**Amount**	**Maturity**	**Conditions**
Tranche A	1,500	5 years	3.75% / 4%
Tranche B	1,600	6 years	4.25% / 4.5%
Revolving Line of Credit	300	-	3.75% / 4%
TOTAL	**3,400**		
Senior Unsecured Debt	**Amount**	**Maturity**	**Conditions**
Issue of Corporate Bonds	1,100	7 years	8.25%

The increase in deferred tax liabilities in 2011 to 538.4 million euros is notable and it is the result of the tax effect of assigning the acquisition price to the various assets and liabilities.

THE MAIN FINANCIAL RATIOS IN 2011 SHOW THE SOLIDITY OF GRIFOLS' BALANCE SHEET AND THE PROJECTED RAPID DELEVERAGING *(in million of euros)*		
	2011	**2010**
Net Financial Debt	2,738.2	446.0
Net Financial Debt / EBITDA (<3.5)	4.3	2.4
EBITDA / Financial Expenses (>5.00)	3.7	5.0

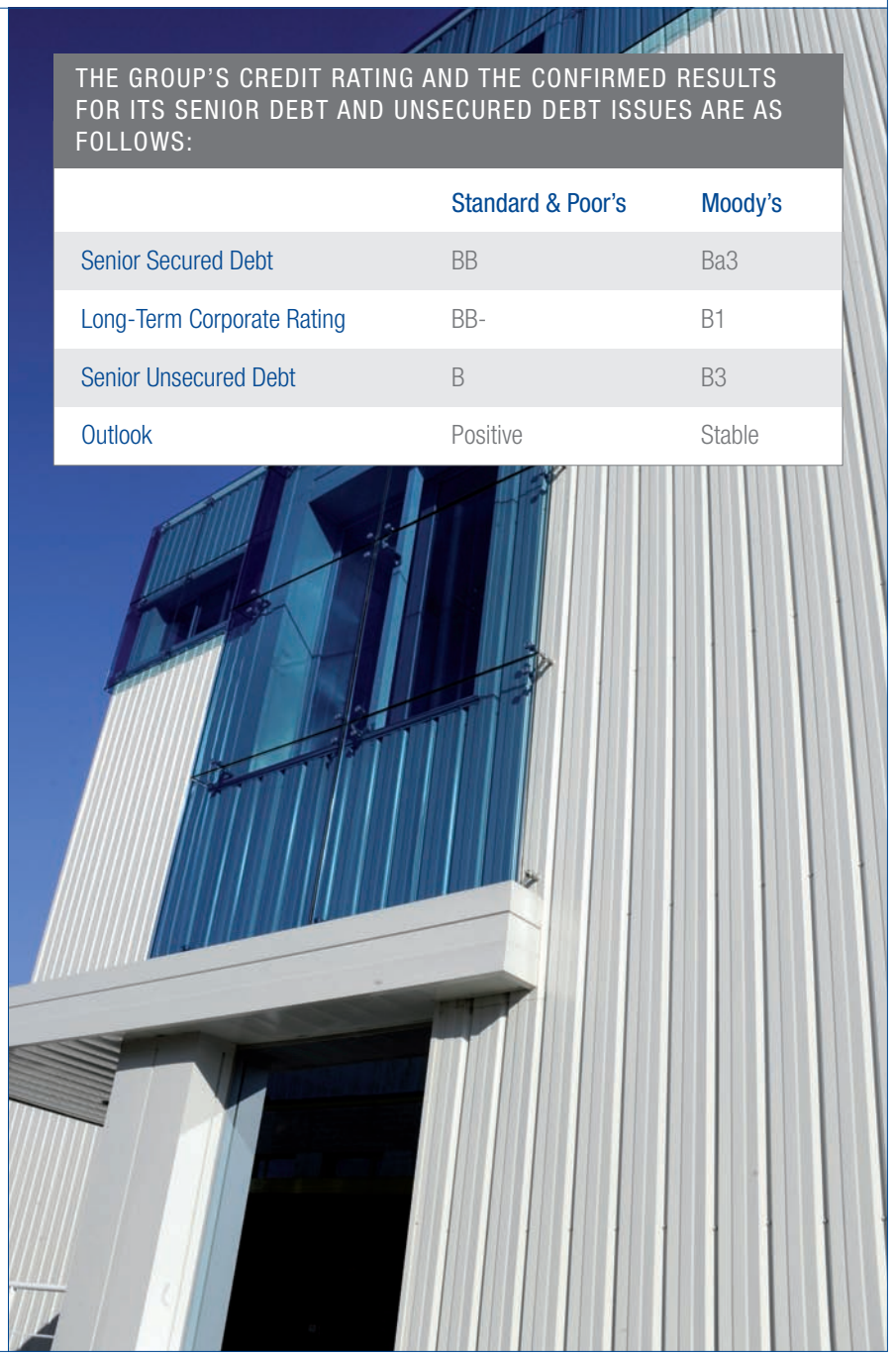
Standard & Poor's and Moody's maintain Grifols' credit ratings

During the second half of 2011, the credit agencies Moody's and Standard & Poor's confirmed the ratings that were initially assigned for Grifols' senior secured debt, which were Ba3 and BB, respectively. Moody's maintains a B3 rating for the senior unsecured debt and from an overall corporate point of view, the long-term credit rating for Grifols is B1. Standard & Poor's also confirmed a B rating for the senior unsecured debt and a corporate rating of BB-, with a positive outlook.

The maintenance of these ratings contributes to the continued confidence of the main agents that operate in the financial and capital markets, and the financial transparency of the group. It is notable that both rating agencies took into account the high degree of integration and the projected synergies, the solid position held in the plasma-derived market after the acquisition of Talecris, together with the numerous barriers to entry for new competitors in the sector, including the fact that it is a very capital-intensive business model which is governed by an exhaustive and strict regulatory framework. They also took into consideration the positive growth perspectives that the sector continues to offer, despite the global economic uncertainties, among other uncertainties.

THE GROUP'S CREDIT RATING AND THE CONFIRMED RESULTS FOR ITS SENIOR DEBT AND UNSECURED DEBT ISSUES ARE AS FOLLOWS:

	Standard & Poor's	Moody's
Senior Secured Debt	BB	Ba3
Long-Term Corporate Rating	BB-	B1
Senior Unsecured Debt	B	B3
Outlook	Positive	Stable



Changes in equity

√ Grifols' equity totals 1,665 million euros in December 2011.

√ Grifols has carried out two capital increases through two issues of new non-voting shares (Class B) to cover part of the payment for Talecris and as a way to compensate shareholders.

√ The Class B shares have been listed on the Spanish Continuous Market (GRF.P) and on the US NASDAQ (GRFS) through ADS (American Depositary Shares) since 2011.

The acquisition of Talecris has notably increased the Group's equity, due to the issue of a new class of non-voting (Class B) Grifols share to cover the nonmonetary portion of the payment. At 31 December 2011, Grifols had equity of 1,665.0 million euros, representing an increase of over 900 million euros compared with 707.4 million euros reported at 31 December 2010.

The new share issue, approved by the shareholders in 2010, not only increased the Company's share capital but also the share premium reserve, which stands at 890.4 million euros. At the ordinary general meeting held in 2011 Grifols' shareholders approved the allocation to reserves of the entire 2010 net profit, but the Company continued to seek alternative means to the distribution of cash dividends to remunerating shareholders. Along this line, a bonus issue of Class B shares was proposed by the Group and ratified by the shareholders at an extraordinary general meeting held on 2 December 2011. These shares have been issued to remunerate shareholders through a new share capital increase with a nominal amount of 2.97 million euros.

Prior to year end the Company issued 29,687,658 new non-voting (Class B) shares with a par value of Euros 0.10 each, without a share premium and charged against voluntary reserves. Each Grifols shareholder received one new Class B share for every 10 old shares held, irrespective of whether these were Class A or Class B shares. This initiative enabled Grifols to honour its commitment to its shareholders and increase the liquidity of non-voting (Class B) shares.

Following the two share capital increases during the period, at 31 December 2011 the share capital of Grifols totals 117.9 million euros and is represented by 213,064,899 ordinary shares (Class A) and 113,499,346 non-voting shares (Class B).

In 2011 Grifols' non-voting (Class B) shares were listed and started trading on the Spanish stock exchange electronic trading system (GRF.P) and on the U.S NASDAQ stock exchange (GRFS) through ADSs (American Depositary Shares). Grifols' ordinary (Class A) shares have been listed on the Spanish stock exchange electronic trading system since 2006, and have been a component of the Ibex-35 (GRF) since 2008.

4.3 Corporate operations

The completion of the acquisition of Talecris in June 2011 and the acquisition of 51% of Lateral-Medion in September, complete Grifols' growth through acquisitions in 2011.

The acquisition of Talecris

Grifols completed the acquisition of Talecris in June 2011

In June 2010, Grifols concluded a final agreement to acquire the US company Talecris Biotherapeutics (NASDAQ:TLCR), which specializes in the production of biological drugs deriving from plasma, which allows for the creation of a leading group in the global plasma-derived product sector. One year later, in June 2011, approval for the operation was obtained from the US anti-trust authorities (FTC) and Grifols bought all of the Talecris shares for USD $3,700 million (approximately 2,600 million euros), and paid USD $19 in cash and 0.641-0.6485[4] newly issued non-voting shares for each share in Talecris. The total value of the transaction was approximately $4,000 million U.S. dollars, (3,300 million euros) including net debt.

SUMMARY OF THE CONCLUSION OF THE OPERATION	
June 1, 2011	Grifols and Talecris announced that on May 31, 2011, the U.S. Federal Trade Commission ("FTC") approved the Consent Agreement, under which the conditions for the approval of the acquisition of Talecris by Grifols were established. This agreement required that Grifols carry out a series of divestments to the Italian company Kedrion within 10 days after the purchase of Talecris.
June 1, 2011	Grifols reported that the Securities Note relating to the authorization of the listing of the non-voting Class B shares had been entered into the Official Registry at the "CNMV (*Comisión Nacional del Mercado de Valores* [National Stock Market Commission])".
June 2, 2011	The merger between Grifols and Talecris takes place, and as a result Grifols became the sole owner of Talecris.
June 3, 2011	Grifols reported that the shareholders of Talecris had received the relevant non-voting shares in Grifols (Class B) as partial compensation for their shares in Talecris, as well as the start of trading of the shares on the Spanish Continuous Market (GRF.P) and on the US NASDAQ market (GRFS) through ADSs (American Depositary Shares).
June 3, 2011	Grifols reported the fulfillment of the conditions established by the Federal Trade Commission (FTC) in the Consent Agreement and that the agreements concluded with Kedrion had been executed.
June 3, 2011	The integration process commenced. A "New Era" Begins.

Summary of the conditions established in the "Consent Agreement" regarding the entire operation

In order to comply with the conditions of the Consent Agreement, Grifols signed several agreements with the Italian company Kedrion, which specializes in the production of plasma-derived products and vaccines. These agreements have a limited impact on operations and mainly relate to four areas:

1. The sale of the plasma fractionation plant located in Melville (New York) to Kedrion. Grifols will manage this plant for a maximum period of 4 years under a lease agreement concluded with Kedrion.

By virtue of this agreement, starting in approximately 2015, Grifols will no longer have access to the fractionation capacity of the Melville plant (1.2 million liters/year). However, Grifols has started the construction of 2 new plasma fractionation plants which are expected to be operational in 2013-2015.

2. Manufacturing agreement under which Grifols will fractionate and purify plasma for the production of plasma-derived medicines for Kedrion, which will sell intravenous immunoglobulin (IVIG) and albumin under its own brand and Factor VIII under the Koate brand. These plasma-derived products will only be marketed in the United States.

This means that for seven years Grifols will fractionate and purify a maximum of 300,000 liters of plasma/year to produce plasma-derived medicines for Kedrion. Bearing in mind the total fractionation capacity at all of the plants owned by Grifols and Talecris, which is 8.5 million liters of plasma/year after the completion of the merger transaction, this represents a maximum use devoted to Kedrion of 3.5%.

3. The sale of two plasma collection centers located in Alabama and North Carolina (United States) to Kedrion.

Grifols is the leading plasma collection company in the world, following the completion of the transaction and the sale of the two plasmapheresis centers to Kedrion. It has 147 plasma donation centers in the United States.

4. The sale of the exclusive right to market Talecris' Factor VIII (Koate®) in the United States.

The sale of Koate® DVI® to Kedrion only affects the United States, since Grifols continues to market the product in all other countries. Kedrion has a five-year purchase option for a non-exclusive license to the trademark Koate for use in the United States.

KEY ASPECTS OF THE OPERATION	
Implicit price of the offer	• USD $26.16 (21.70 euros) for each share of Talecris. This represents a 35% premium over the average price of Talecris shares.
Cash/share offer mix	• USD $19 in cash. • 0.641/0.6485[4] in non-voting shares in Grifols for each share in Talecris.
Purchase price for Talecris: financing completed successfully	• Syndication of senior debt for a total of USD $3,400 million in 2010. • Issue of bonds totaling USD $1,100 million in January 2011.
New structure of ownership	• Grifols' reference shareholders maintained 35% of the voting rights and diluted their financial stake to 25%. • The non-voting shares issued represent 29% of the financial rights.
Rapid deleveraging	• Profile of rapid deleveraging through the important cash generation already seen in 2011.

Financing of the transaction

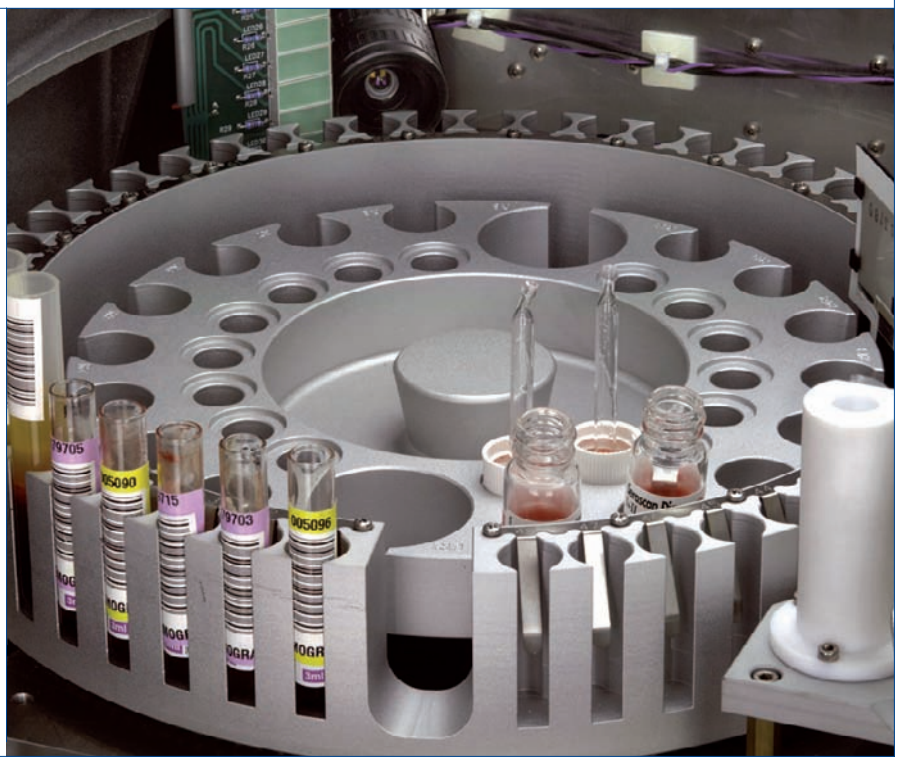
SOURCES	*(in millions of dollars (USD))*
Revolver	0*
Loan Tranche A (5 years)	1,500
Loan Tranche B (6 years)	1,600
Bonds (7 years)	1,100
TOTAL DEBT	**4,200**
Non-voting shares	952
TOTAL	**5,152**

APPLICATIONS	*(in millions of dollars (USD))*
Non-voting shares	952
Cash acquisition price	2,508
Existing net debt Grifols and Talecris	1,323
Net transaction costs	248
Excess funds	121
TOTAL	**5,152**

** $300 Million in 5-year financing, available after the transaction completed.*

Integration process in 2011 and the materialization of synergies

Grifols continues with the integration process that started in June 2011 in accordance with the planned schedule. The achievement of several important milestones that serve as a foundation for the new Grifols is notable. Furthermore, in only seven months, the group has generated some of the synergies that will progressively materialize until they reach USD $230 million per year in 2015 which will be sustained.



The most notable milestones of the integration project

Establishment of the U.S. headquarters for Grifols in Los Angeles

Implementation of a single global organizational structure

- Impact on operations, sales, and corporate areas in order to join efforts, experience, and talent.
- Definition of a new Operating Management Committee for the United States to drive the integration process.
- Integration of Talecris' international business units into the Grifols' structure.

Detection and application of best practices

- Detection and application of best practices at each company to consolidate a more efficient Grifols.

Advances in human resources

- Homogenization of training, professional careers, and talent management policies, including those that affect compensation and incentive systems.

Common and uniform environmental policy

- Unification and expansion of indicators.
- Implementation and unification of eco-efficient measures and environmental best practices at all production facilities.

Materialization of some operating synergies projected to have a medium-term impact on margins

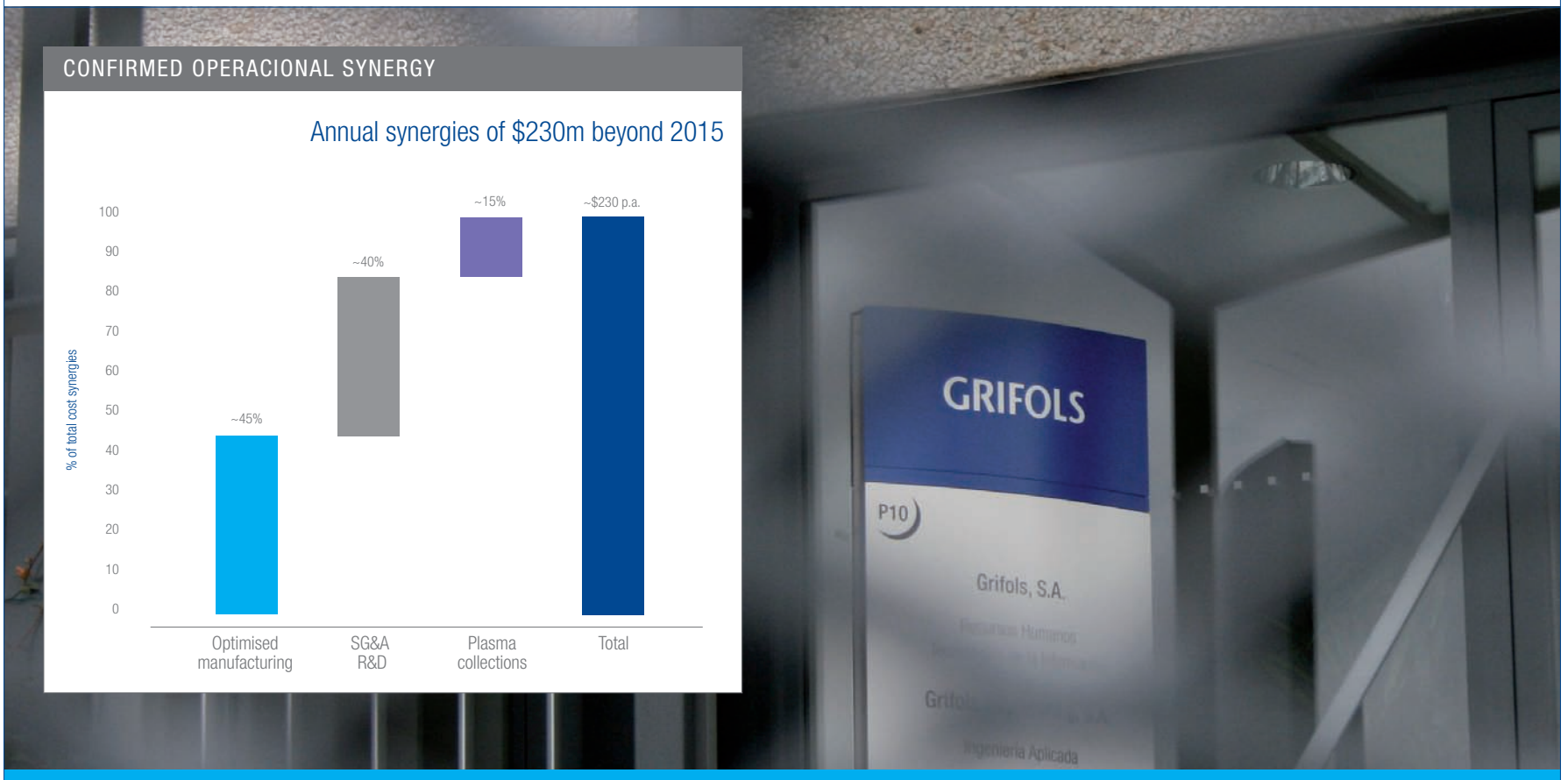
- Unification of the plasma donation centers in the United States.
- FDA approval to transfer an intermediate product fractionated at the Los Angeles plant (Fraction II+III) to the Clayton plant, where the product will be purified to obtain the finished product IVIG Gamunex®.

Commercial integration, maintaining leadership in the sector among healthcare professionals, patients and Group Purchasing Organizations (GPO)

- Establishment of mixed sales units in the United States (Marketing and Sales) specific to each of the primary plasma-derived products marketed by Grifols.
- Establishment of a single product portfolio, segmentation, and adaptation of those products to the various markets according to the opportunities detected.
- Creation of an integrated product and service portfolio that allows for the international expansion of business lines such as Hospital Logistics (Hospital Division) or Transfusion Medicine (Diagnostic Division) in the markets that are a priority for Grifols after the acquisition, such as the United States and Canada.

Integration of investment policies and plans

- Compliance with the divestments required by the FTC with respect to Kedrion.
- Definition, modernization, and announcement of a new capital expenditure plan (CAPEX) for the period 2012-2015.
- Redefinition and prioritization of the R&D project portfolio, in accordance with criteria that guarantee sustained growth.



CONFIRMED OPERACIONAL SYNERGY

Annual synergies of $230m beyond 2015

The purchase of 51% of Lateral-Medion

The acquisition of 51% of the Australian-Swiss company Lateral-Medion in 2011 for 9.5 million euros is also notable. In 2009 Grifols acquired 49% of Lateral-Medion for 25 million euros, although it controlled 100% of the voting rights.

In recent years, Lateral-Medion has contributed to strengthening the sales force that is necessary to reaffirm and increase Grifols' presence in the diagnostic market in Australia and New Zealand.

Given that the acquisition included the purchase, under the same conditions, of the Swiss-based company, Medion, Grifols has continued to drive the development of new technologies to determine blood groups in addition to that which is currently used, allowing it to offer a more complete and advanced product to the blood typing and pre-transfusion diagnostic markets.

4.4 Investment plan as a growth strategy

Research activity in 2011, to which Grifols applied 5% of sales, was rated as Excellent by the Profarma Plan. In addition, capital expenditures were maintained and a new plan was announced for the period 2012-2015 involving an amount exceeding 700 million euros.

Compliance with capital investment (CAPEX)

During the year, work has continued as part of the Company's investment plan (CAPEX) to extend and improve its manufacturing facilities as planned. The total amount earmarked for these investments was 160 million euros.

Two of the main investments have been the start of a new plasma fractionation plant at Parets del Vallès (Barcelona, Spain), with fractionation capacity of 1 million litres/year (potential to expand up to 2 million litres/year), and the beginning of the validation process of the installations to produce Fibrin Glue in Spain (Fibrinsealant). In the United States, specifically in Los Angeles, major investments have been made at the new Albumin production plant, the IVIG purification plant as well as in the thawing area of the new purification plant of coagulation factors. Work has also continued on the new plasma fractionation plant acquired in Clayton, where improvements for better plant maintenance have been introduced and several areas have been expanded.

Grifols' testing centre in Texas (US), that includes the laboratories in San Marcos and Austin, have also benefitted from the investment plan. Following FDA approval of the last phase in January 2012, the facilities can analyze up to 25,000 samples per day.

In 2011 phase III of the production facility in Murcia was completed, whereby Grifols gained a new plant for manufacturing plastic-packaged parenteral solutions.

The Grifols Academy was inaugurated in Barcelona (Spain), providing a centre for advanced training in all processes related to the production of plasma derived proteins. The institution follows the standars of the Grifols Academy of Plasmapheresis opened in USA in 2009.

New plan for the 2012-2015 period

In terms of the Company's future outlook, at the annual meeting with investors and analysts held in Barcelona (Spain) in the last quarter of 2011, details were announced of a new investment plan to 2015, involving expenditure of approximately US Dollars 964 million (Euros 700 million). 84% of these funds will be absorbed by the Bioscience Division whilst around 5% will be earmarked for the Diagnostic and Hospital Divisions, and the balance invested in the corporate facilities.

The aim of this new investment plan is to continue progressively expanding Grifols' production capacity in Spain and the United States, as well as to maintain the Company's policy for the early detection and management of the Group's future production requirements, so that expected market growth can be met. Accordingly, plans are in place to extend in a coordinated manner both the Company's plasma fractionation facilities and its installations for purifying the different intermediates used to produce plasma derived proteins. Part of the investment will also be used to expand and relocate plasma donation centres and to enhance the logistics centres.

Grifols expects its plasma fractionation capacity to exceed 12 million litres/year by 2016. Furthermore, it expects to practically double its current capacity for the purification of intravenous immunoglobulin (IVIG), the plasma protein sold by Grifols under the brand names Flebogamma®, Flebogamma DIF® and Gamunex®. The investment plan also includes extension of the installations used to purify Albumin, FVIII, plasmin and other plasma derived proteins.

The implementation of this joint investment plan will generate savings of more than US Dollars 280 million by 2015 when compared to the plans originally held by both companies on a stand-alone basis.

Increase of resources earmarked for R&D

In 2011, which included seven months of joint activity, Grifols invested 89.4 million euros in R&D, up 119% compared to 40.7 million euros spent in 2010. R&D represented 5% of sales. On a pro-forma[1] basis, over 118 million euros were invested in R&D, with a similar ratio over sales of 5%.

The acquisition of Talecris has complemented the Group's substantial R&D project portfolio, ensuring a research activity in the long term of outstanding quality.

The new Grifols organisation has a large number of patents and projects underway, more than ten of which are already past the preclinical development phase. Among the most important of these projects are the clinical trial for the use of plasmin (new plasma derived protein) in treating acute peripheral arterial occlusion, clinical trials that could endorse new uses for Antithrombin in coronary surgery (cardiopulmonary bypasses) and severe burns, and the studies in progress to determine the use of Fibrin Glue in different types of surgery. This plasma derived product accounted for 3% of world wide haemoderivative sales in 2010.

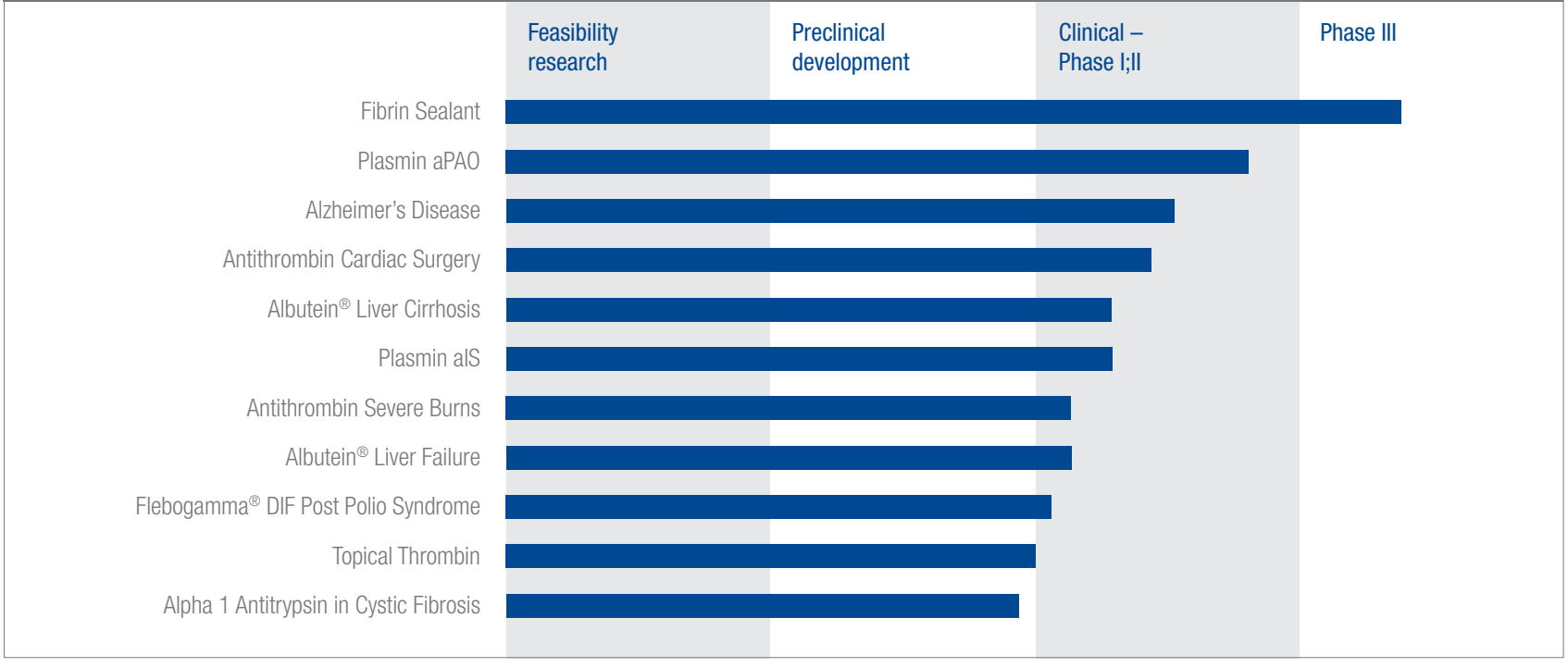
A new medical study commenced in 2011 to find a possible treatment for Alzheimer's disease by combining therapeutic plasmapheresis with Albumin and IVIG. Tests are being carried out on more than 300 patients in a continuation of the trial previously performed on another 42 patients, in collaboration with two hospitals in Spain and two in the USA, the preliminary results of which have already been published.

Another significant development in 2011 was Grifols' membership of the Spanish Alliance for Health Research and Innovation (ALINNSA), spearheaded by the former Ministry for Science and Innovation through the Instituto de Salud Carlos III. The aim of this alliance is to promote R&D&I in Spain by defining a nationwide strategy for biomedical research and innovation. In addition, Grifols researchers continue to collaborate with external experts in different medical fields to assist in identifying and validating new objectives.

Lastly, in 2011 Grifols announced that it will step up its activity in other fields with future projection, such as regenerative medicine, with the creation of joint ventures participated by Gri-Cel, a company group focused on these activities. Also through agreements to use patents owned by third parties. One example of this kind of agreement is the one signed with the Universitat Autònoma of Barcelona and the Institut Germans Tries i Pujol in the field of gene therapy (a therapy consisting of the introduction of a functional gene in cells of patients lacking the gene or in whom the gene is faulty). This agreement will enable Grifols to develop a new specific gene therapy method that is both versatile and safe. Also within this line of activity it is worth highlighting the labs designed and build by Grifols Engineering for Nanotherapix, an associated company owned 51% by the group dedicated to the research of genetic therapies based on the use of autologous cells.

Research activity carried out by Grifols in 2011 was rated as excellent by the Committee for the Promotion of Scientific Research, Development, and Innovation in the Pharmaceutical Industry (Profarma).

SUMMARY OF THE MAIN R&D PROJECTS IN PROGRESS



In addition, Grifols continued with its patenting activity in 2011. At the close of the year the group had 857 patents and applications, of which 247 are currently in final approval. All of them have protection periods of 20 years, although approximately 259 of these patents will expire in 10 years. Grifols has nearly 2,600 trademarks, of which 159 are in the final approval process.

BY DIVISION, THE BREAKDOWN OF PATENTS IS AS FOLLOWS:

Division	Number of patents	Region	Main contents
Bioscience	621 patents	Europe 258, United States 114, rest of the world 249.	• Process for the viral deactivation of gammaglobulins. • Therapeutic use of human albumin for the treatment of neurodegenerative diseases. • Process for eliminating pathogens in fibrinogen solutions.
Diagnostic and Hospital	132 patents 97 patents	European Union, United States, Latin America, Asia, and the rest of the world.	• Process for sterile doses in flexible bags (Gri-fill® System): There are currently 16 underway in 11 countries. • WADiana® analyzer for clinical analysis: 17 patents in 10 countries. • Triturus® Immunology System: 9 patents in 5 countries. • BlisPack® system for cutting and repackaging blisters: 23 patents in 16 countries.
Others	7 patents		
TOTAL	**857**		

5 Shareholders and the Stock Market

5.1 Stock Market performance in 2011

Stock market volatility reflects economic uncertainties and the main indexes ended the year in negative territory. Only the U.S. Dow Jones and the NASDAQ ended the year with positive results. The IBEX 35 fell by 13%.

2011 was marked by the worsening of the sovereign debt crisis in the Eurozone which has fundamentally affected peripheral countries: Italy and Spain, in addition to Portugal, Greece, and Ireland. Progressively, it has had impacts of varying intensity on other countries such as France and Belgium. Of the 17 countries that form the monetary union, 12 had risk premiums that reached maximum levels in 2011.

In the case of Spain and Italy, the European Central Bank had to intervene repeatedly by buying debt to relieve the pressure which, in the case of Spain, drove the risk premium to nearly 500 basis points in November.

The uncertainties regarding the definitive default of Greece and the expectations relating to the future of the euro and a second recession in the Eurozone deepened to the crisis of confidence, which immediately affected equities markets. The German Dax ended the year with a 15% decline, the French CAC-40 fell by 17% and the IBEX 35 declined by 13%. The main indexes in the United States have performed unequally. The Dow Jones rose by 6% while the NASDAQ showed a 3% increase, although the Standard & Poor's 500 remained flat. In contrast, the price of an ounce of gold rose by up to 35%, ending 2011 with a 12% gain.

The bad performance of the IBEX 35 during the year was particularly evident during the third quarter, the worst for the Spanish index since the technology bubble burst in 2002. Between July and September 2011 the IBEX 35 shed 17.50%, although the period was also awful for the other European stock markets. The German Dax fell by 25.41%, the French CAC-40 dropped 25.12%, the Italian FTSE Mibtel declined by 26.51%, and the UK FTSE decreased by 13.74%. This negative performance also affected US indexes. The Dow Jones fell by 12.09%, the Standard & Poor's 500 shed 14.33%, and the NASDAQ declined by 8%, demonstrating that the economic and confidence crisis was global in nature.

Grifols, for its part, was the only stock in the IBEX 35, together with Inditex, that ended the quarter in positive territory, up by 1.45%. Finally, the Company's shares (Class A) were the best performers in the Spanish index, with a 27.45% gain.

5.2 Stock performance

Ordinary shares of Grifols (Class A) showed the best performance in 2011 within the IBEX 35. With an appreciation of 27.45%, they closed at 13 euros per share.

√ Since May 17, 2006, all shares representing the capital of Grifols are listed on the Barcelona, Madrid, Valencia, and Bilbao stock markets, as well as on the Spanish continuous market.

√ In January of 2008 Grifols entered the IBEX 35, which is the Spanish index of reference.

√ In June of 2011 the first issue of non-voting shares in Grifols (Class B) took place and started to be traded on the Spanish Continuous Market and on the NASDAQ (through ADS).

Since 2011, Grifols has two types of shares: ordinary (Class A) and non-voting (Class B)

On 17 May 2006 Grifols started being traded on the Madrid, Barcelona, Valencia, Bilbao stock markets, and on the Continuous Market. A year and a half later, on January 2, 2008, it joined the IBEX 35.

In 2011, Grifols carried out two share capital increases with a total nominal value of 11,349,934.60 euros. Taking into account both increases, share capital totaled 117,882,384.10 million euros as of December 31, 2011, represented by 213,064,899 ordinary shares with a par value of 0.50 euros each and 113,499,346 class B shares with a par value of 0.10 euros each.

The first capital increase was carried out in 2011 to make partial payment for the acquisition of Talecris Biotherapeutics. To this end, 83,811,688 non-voting shares (Class B) were issued and put into circulation. They have a par value of 0.10 euros each.

The second, which took place at the end of 2011, as a strategy for shareholder compensation alternative to the payment of cash dividends, consisted of the issue and circulation of 29,687,658 Class B shares with the same par value as the previous Class B shares (0.10 euros per share). This increase allowed the Class B shares to have greater liquidity.

In both cases, in 2011, the shares were admitted for trading on the Spanish Continuous Market and the Nasdaq, through ADS (American Depositary Shares).

Type of Share	Market	Ticker
Ordinary - Class A	Spain: IBEX 35 and Continuous Market	MCE:GRF
Ordinary - Class A ADR	United States: Over-the-Counter	OTC:GIKLY
Non-voting - Class B	Spain: Continuous Market	MCE:GRF.P
Non-voting - Class B ADR	United States: Nasdaq	NASDAQ:GRFS

Since November 21, 2011, Grifols (NASDAQ:GRFS) has been listed on the NASDAQ Biotechnology Index®, designed to include the main NASDAQ securities that are listed as biotechnological or pharmaceutical according to the Industry Classification Benchmark (ICB). Grifols has also been part of the MSCI World Index created by Morgan Stanley, since May 2008.

Capitalization, volumes, and prices

Closing prices

Grifols (MCE:GRF) ended 2011 at 13 euros per share, which represents a 27.45% gain year-on-year and a 195.45% appreciation of the price at which the shares started to be traded on May 17, 2006.

Non-voting shares (MCE:GRF.P) ended 2011 with a price of 8.40 euros per share, which is a 20% decline from when they started to be traded on June 3 2011.

The group's capitalization at the end of the year was 3,723 million euros.

The maximum closing price for the Class A shares during the year was 15.25 euros on July 29, while the minimum of 10.12 euros per share was seen on January 10.

The Class B, or non-voting shares, reflected a maximum price of 11.70 euros per share in August, while the minimum of 7.40 euros was reached on February 16.

Trading volumes

Total trading volume during the year exceeded 5,300 million euros, which is a 24.31% increase over last year.

Since January 4, 2011, in the case of the ordinary shares (Class A), a total of 407.1 million shares were traded, which represents an annual turnover of 6.11 times the total number of the Company's shares, calculated based on the average number of shares traded during the year. In the case of the Class B shares, the total volume in 2011 since they were listed was 5 million euros and a total of 573,567 shares were traded.

CLASS A SHARE PERFORMANCE IN THE STOCK MARKET

Month	Days listed	Closing price	% Monthly variation	Maximum	Date	Minimum	Date	Average daily volume (shares)
January	21	€11.13	9.12	€11.35	26/1/2011	€9.85	14/1/2011	1,086,807.57
February	20	€11.80	6.02	€12.34	4/2/2011	€11.07	1/2/2011	1,748,488.50
March	23	€12.30	4.24	€12.49	31/3/2011	€11.27	3/3/2011	1,150,540.87
April	19	€13.37	8.70	€13.48	28/4/2011	€12.12	6/4/2011	1,307,523.53
May	22	€14.19	6.10	€14.44	2/5/2011	€13.18	17/5/2011	1,877,584.86
June	22	€13.84	-2.43	€14.49	1/6/2011	€12.89	27/6/2011	1,779,587.50
July	21	€15.25	10.15	€15.30	29/7/2011	€13.81	1/7/2011	1,959,818.05
August	23	€14.33	-6.00	€15.80	1/8/2011	€12.70	9/8/2011	2,293,495.04
September	22	€14.04	-2.02	€14.62	8/9/2011	€13.25	26/9/2011	1,422,071.09
October	21	€13.49	-3.95	€14.50	17/10/2011	€13.31	26/10/2011	1,472,899.95
November	22	€12.01	-10.98	€13.29	1/11/2011	€10.95	25/11/2011	1,545,495.23
December	21	€13.00	8.29	€13.42	5/12/2011	€11.86	1/12/2011	1,303,903.43
2011 TOTAL	**257**	**€13.00**	**27.45**	**€15.80**	**1/8/2011**	**€9.85**	**10/1/2011**	**1,581,376.61**
IBEX 35	257	8,566.30	-13.11	€11,113.00	17/2/2011	7,640.70	12/9/2011	232,887.74

CLASS B SHARE PERFORMANCE ON THE STOCK MARKET

Month	Days listed	Closing price	% Monthly variation	Maximum	Date	Minimum	Date	Average daily volume (shares)
June	21	€10.02	-4.66	€11.42	3/6/2011	€10.00	8/6/2011	11,736.45
July	21	€11.45	14.27	€11.50	22/7/2011	€10.25	1/7/2011	9,457.40
August	23	€9.05	-20.96	€11.70	1/8/2011	€8.90	26/08/211	3,541.33
September	22	€9.38	3.65	€10.50	12/9/2011	€8.00	3/9/2011	1,009.50
October	21	€9.40	0.21	€9.89	11/10/2011	€9.00	6/10/2011	1,411.50
November	22	€8.21	-12.66	€10.00	21/11/2011	€8.10	15/11/2011	4,541.94
December	21	€8.40	2.31	€9.29	5/12/2011	€7.40	16/12/2011	9,727.33
2011 TOTAL	**151**	**€8.40**	**-20.08**	**€11.70**	**1/8/2011**	**€7.40**	**16/12/2011**	**6,302.93**

Annual change, maximums and minimums from June 3, 2011.

5.3 Dividends and yields

Shares released free of charge as a formula for compensating shareholders instead of a cash dividend payment.

In 2011, as a result of the limitations included in the syndicate loan obtained from several financial institutions to acquire Talecris Biotherapeutics, Grifols has not distributed a cash dividend to its shareholders.

However, the company has maintained its commitment to compensation formulas that are alternatives to the cash payment of dividends. Shareholders at an Extraordinary Meeting held on December 2, 2011 approved the issue and distribution of non-voting shares (Class B) as a formula for compensating shareholders. Each Grifols shareholder received, free-of-charge, a new Class B share for each 10 old shares held, whether they were Class A or Class B. This capital increase and issue of shares was charged against voluntary reserves.

Grifols stock performance in 2011: main indicators

CLASS A SHARES (MCE: GRF)	
Year End (euros)	€13.00
Intraday Maximum (euros)	€15.80
Intraday Minimum (euros)	€9.85
Annual Volume (number of shares)	407,061,803.00
Daily Average Volume (number of shares)	1,583,898.07
Annual Cash Volume (euros)	5,348,857,831.19
Daily Annual Volume (euros)	20,812,676.39
Days Listed	257.00
Number of Shares	213,064,899.00

CLASS B SHARES (MCE:GRF.P)	
Year End (euros)	€8.40
Intraday Maximum (euros)	€11.70
Intraday Minimum (euros)	€7.40
Annual Volume (number of shares)	573,567.00
Daily Average Volume (number of shares)	6,302.93
Annual Cash Volume (euros)	5,511,117.01
Daily Annual Volume (euros)	60,567.73
Days Listed	91
Number of Shares	113,499,346

5.4 Share capital

In 2011 Grifols' share capital totaled 117,882,384.10 million euros. This is represented by 213,064,899 ordinary Class A shares and 113,499,346 non-voting Class B shares.

Grifols' share capital as at December 31, 2011 totals 117,882,384.10 euros, represented by 213,064,899 ordinary shares with a par value of 0.50 euros per share and 113,499,346 non-voting shares with a par value of 0.10 euros per share. Share capital is fully subscribed and paid in.

In this regard, the ordinary shares represent approximately 65.24% of the group's share capital, while non-voting shares (Class B) represent the remaining 34.76%.

	Class A	Class B	TOTAL
Number of outstanding shares as at December 2010	213,064,899	-	**213,064,899**
Number of outstanding shares as at December 2011	213,064,899	113,499,346	**326,564,245**

5.5 Shareholders and treasury shares

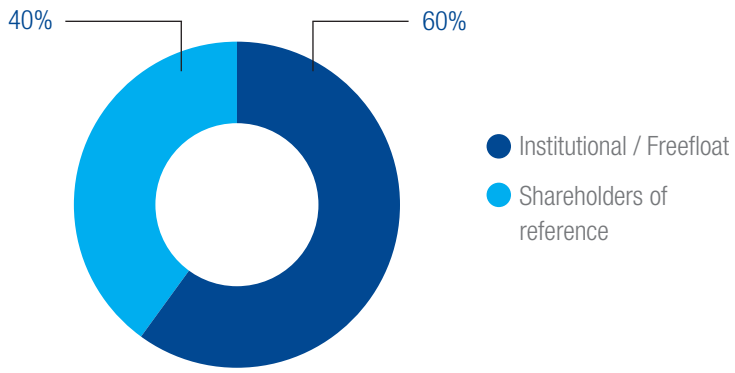
Shareholders

Given that the Company's shares are represented by book entries, the ownership structure cannot be exactly known, except through the information that shareholders voluntarily report or as a result of applicable legislation, as well as through the information provided by Iberclear and its investee companies as a result of General Meetings.

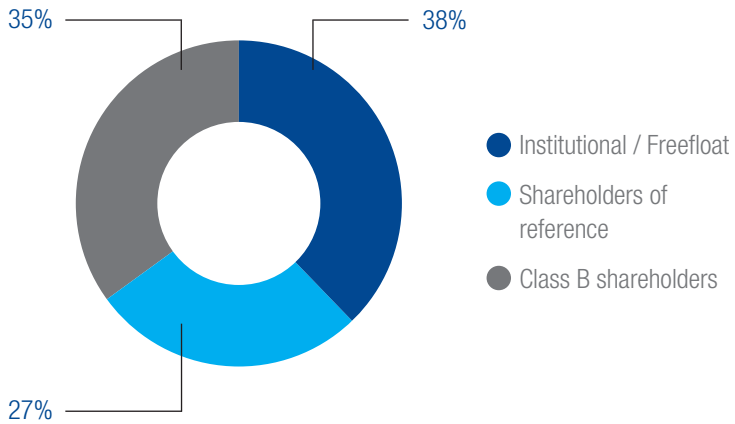
In accordance with the information available to the Company on December 31, 2011, the significant shareholdings in Grifols are as follows:

Name of shareholder	No. of direct voting rights	No. of indirect voting rights	% of total voting rights
SCRANTON ENTERPRISES B.V.	16,149,937	0	7.580
DERIA, S.A.	18,687,588	0	8.771
VÍCTOR GRIFOLS LUCAS	0	13,112,187	6.154
THORTOL HOLDINGS, B.V.	15,032,766	0	7.060
AMERICAN FUNDS INSURANCE SERIES GROWTH FUND	6,400,370		3.004
CAPITAL RESEARCH AND MANAGEMENT COMPANY		31,995,474	15.017

BREAKDOWN OF MAIN SHAREHOLDERS WITH VOTING RIGHTS



BREAKDOWN OF MAIN SHAREHOLDERS BY FINANCIAL STRUCTURE



Treasury shares

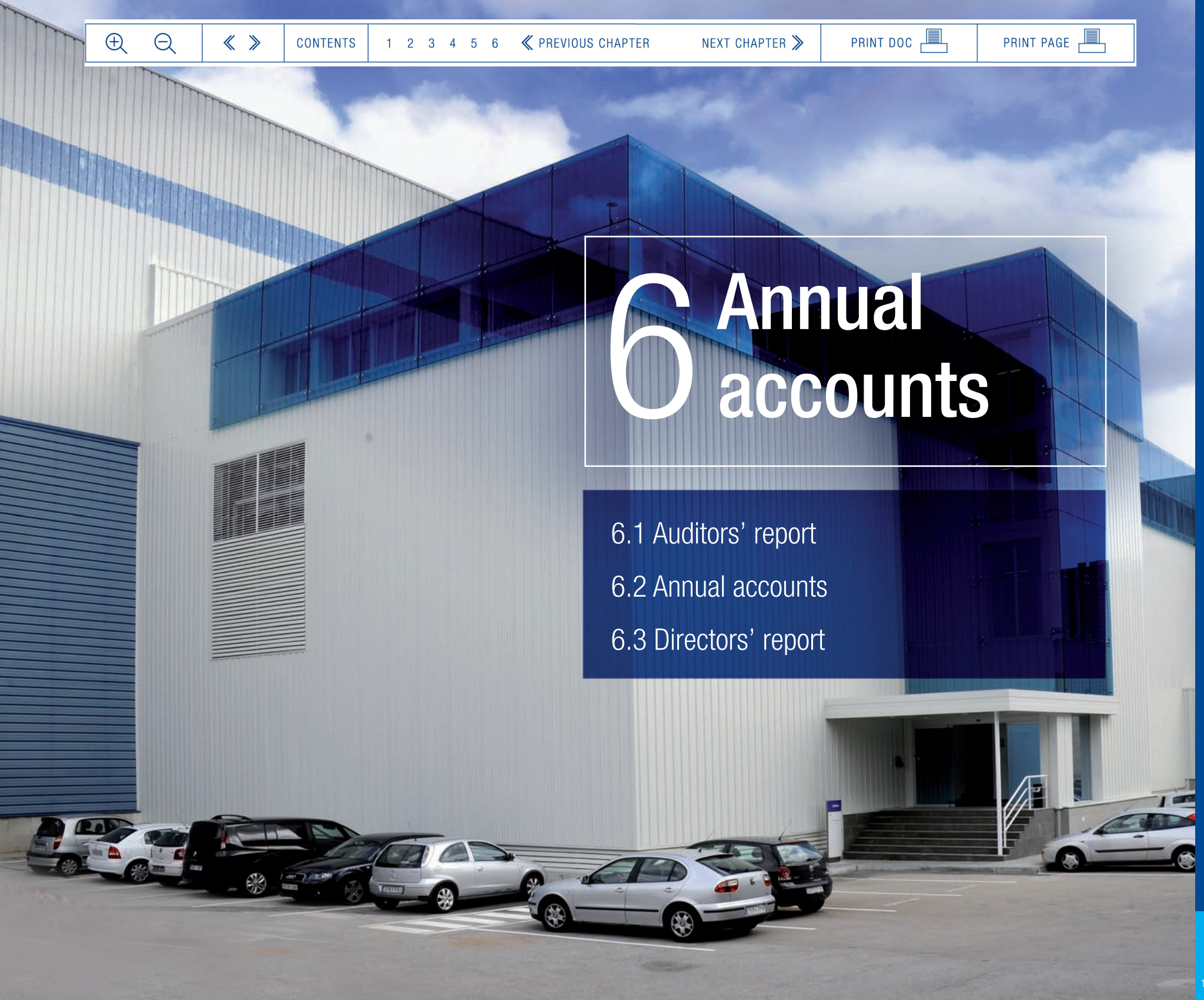
During 2011 Grifols did not carry out any transactions involving treasury shares. At the end of the year it held treasury shares representing the equivalent of 0.05% of share capital, compared with the 0.07% reported at the end of 2010.

The company has received 15,832 non-voting Class B shares as a result of the share capital increase approved by shareholders at the Extraordinary Meeting held on December 2, 2011.

The group currently does not have any plan to repurchase shares and it has not implemented any share- or option-based employee compensation plan.

MAIN MOVEMENTS IN 2011

Ordinary - Class A	No. of shares	Thousand euros
Balance as at January 1, 2011	158,326	1,927
Acquisitions	0	0
Transfer of Shares	0	0
Balance as at December 31, 2011	158,326	1,927



6 Annual accounts

Grifols, S.A.

Consolidated Annual Accounts
31 December 2011

Consolidated Directors' Report
2011

(With Consolidated Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41
08908 L'Hospitalet de Llobregat
Barcelona

Auditors' Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of
Grifols, S.A.

We have audited the consolidated annual accounts of Grifols, S.A. (the "Company") and subsidiaries ("the Group"), which comprise the consolidated balance sheet at 31 December 2011, the consolidated statements of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes thereto. As specified in note 2 to the accompanying consolidated annual accounts, the Company's directors are responsible for the preparation of the consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the financial information reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying consolidated annual accounts for 2011 present fairly, in all material respects, the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2011 and the consolidated results of their operations and consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and other provisions of the applicable financial information reporting framework.

The accompanying consolidated directors' report for 2011 contains such explanations as the Directors of Grifols, S.A. consider relevant to the situation of the Group, the evolution of its business and other matters, and is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2011. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Grifols, S.A. and subsidiaries.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

Bernardo Rücker-Embden

23 February 2012

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts

31 December 2011 and 2010

CONTENTS

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts

31 December 2011 and 2010

CONTENTS

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets
at 31 December 2011 and 2010

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Assets	31/12/11	31/12/10
Non-current assets		
Intangible assets		
Goodwill (note 7)	1,895,101	189,448
Other intangible assets (note 8)	1,008,307	78,299
Total intangible assets	2,903,408	267,747
Property, plant and equipment (note 9)	775,869	434,131
Investments in equity accounted investees (note 10)	1,001	598
Non-current financial assets (note 11)	12,401	7,535
Deferred tax assets (note 29)	185,824	34,889
Total non-current assets	3,878,503	744,900
Current assets		
Inventories (note 12)	1,030,341	527,865
Trade and other receivables		
Trade receivables	408,263	224,355
Other receivables	108,616	44,032
Current income tax assets	15,110	14,607
Trade and other receivables (note 13)	531,989	282,994
Other current financial assets (note 14)	16,904	12,946
Other current assets (note 15)	9,395	80,628
Cash and cash equivalents (note 16)	340,586	239,649
Total current assets	1,929,215	1,144,082
Total assets	**5,807,718**	**1,888,982**

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

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets
at 31 December 2011 and 2010

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Equity and liabilities	31/12/11	31/12/10
Equity		
Share capital	117,882	106,532
Share premium	890,355	121,802
Reserves		
Accumulated gains	518,775	350,543
Other reserves	49,499	53,061
Total reserves	568,274	403,604
Treasury shares	(1,927)	(1,927)
Profit for the year attributable to the Parent	50,307	115,513
Total equity	1,624,891	745,524
Cash flow hedges	(21,184)	(1,751)
Translation differences	58,800	(50,733)
Other comprehensive income	37,616	(52,484)
Equity attributable to the Parent (note 17)	**1,662,507**	**693,040**
Minority interest (note 19)	2,487	14,350
Total equity	**1,664,994**	**707,390**
Liabilities		
Non-current liabilities		
Grants (note 20)	1,366	2,088
Provisions (note 21)	11,052	1,378
Non-current financial liabilities		
Loans and borrowings, bonds and other marketable securities	2,809,225	665,385
Other financial liabilities	136,563	10,474
Total non-current financial liabilities (note 22)	2,945,788	675,859
Deferred tax liabilities (note 29)	538,441	79,141
Total non-current liabilities	3,496,647	758,466
Current liabilities		
Provisions (note 21)	81,112	4,365
Current financial liabilities		
Loans and borrowings, bonds and other marketable securities	147,789	191,635
Other financial liabilities	14,507	18,236
Total current financial liabilities (note 22)	162,296	209,871
Debts with associates (note 33)	2,435	1,162
Trade and other payables		
Suppliers	280,722	160,678
Other payables	27,335	11,928
Current income tax liabilities	4,691	4,172
Total trade and other payables (note 23)	312,748	176,778
Other current liabilities (note 24)	87,486	30,950
Total current liabilities	646,077	423,126
Total liabilities	**4,142,724**	**1,181,592**
Total equity and liabilities	**5,807,718**	**1,888,982**

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

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Income Statements
for the years ended 31 December 2011 and 2010

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Profit and loss	31/12/11	31/12/10
Revenues (note 25)	1,795,613	990,730
Changes in inventories of finished goods and work in progress (note 12)	(35,150)	45,749
Self-constructed non-current assets (notes 8 and 9)	34,548	33,513
Supplies (note 12)	(431,552)	(304,818)
Other operating income (note 27)	2,193	1,196
Personnel expenses (note 26)	(488,641)	(289,008)
Other operating expenses (note 27)	(428,510)	(205,260)
Amortisation and depreciation (notes 8 and 9)	(90,639)	(45,776)
Transaction costs of Talecris business combination (note 3(a))	(44,352)	(16,999)
Non-financial and other capital grants (note 20)	1,304	728
Impairment and gains/(losses) on disposal of fixed assets (notes 7, 8 and 9)	(35,953)	(372)
Results from operating activities	**278,861**	**209,683**
Finance income	5,761	4,526
Finance expenses	(200,562)	(49,660)
Change in fair value of financial instruments (note 32)	1,279	(7,593)
Impairment of gains/(losses) on disposal of financial instruments	(805)	91
Exchange gains/(losses)	(3,447)	1,616
Finance income and expense (note 28)	**(197,774)**	**(51,020)**
Share of profit of equity accounted investees (note 10)	**(1,064)**	**(879)**
Profit before income tax from continuing operations	**80,023**	**157,784**
Income tax expense (note 29)	(29,795)	(42,517)
Profit after income tax from continuing operations	**50,228**	**115,267**
Consolidated profit for the year	**50,228**	**115,267**
Profit attributable to equity holders of the Parent	50,307	115,513
Profit attributable to minority interest (note 19)	(79)	(246)
Basic earnings per share (Euros) (note 18)	0.19	0.54
Diluted earnings per share (Euros) (note 18)	0.19	0.54

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

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income for the years ended 31 December 2011 and 2010

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	31/12/11	31/12/10
Consolidated profit for the year	50,228	115,267
Income and expenses generated during the year		
Cash flow hedges (note 17 (g))	(21,184)	0
Cash flow hedges	(33,871)	0
Tax effect	12,687	0
Translation differences	109,607	42,225
Income and expenses generated during the year	**88,423**	**42,225**
Income and expense recognised in the income statement:		
Cash flow hedges (note 22 (a.1.2))	1,751	197
Cash flow hedges	2,870	324
Tax effect	(1,119)	(127)
Income and expense recognised in the income statement:	**1,751**	**197**
Total comprehensive income for the year	**140,402**	**157,689**
Total comprehensive income attributable to the Parent	140,407	155,230
Total comprehensive income attributable to minority interests	(5)	2,459
Total comprehensive income for the year	**140,402**	**157,689**

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

GRIFOLS, S.A. AND SUBSIDIARIES

Statements of Cash Flows
for the years ended 31 December 2011 and 2010

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	31/12/11	31/12/10
Cash flows from/(used in) operating activities		
Profit before tax	**80,023**	**157,784**
Adjustments for:	**313,915**	**92,351**
Amortisation and depreciation (notes 8 and 9)	90,639	45,776
Other adjustments:	223,276	46,575
(Profit) /losses on equity accounted investments (note 10)	1,064	879
Exchange differences	3,447	(1,616)
Impairment of assets and net provision charges	23,806	913
(Profit) / losses on disposal of fixed assets	19,366	(276)
Government grants taken to income (note 20)	(1,304)	(728)
Finance expense / income	180,567	47,442
Other adjustments	(3,670)	(39)
Change in operating assets and liabilities	**(51,279)**	**(78,767)**
Change in inventories	6,909	(18,306)
Change in trade and other receivables	(54,142)	(23,546)
Change in current financial assets and other current assets	9,321	(73,022)
Change in current trade and other payables	(13,367)	36,107
Other cash flows used in operating activities	**(122,431)**	**(67,116)**
Interest paid	(139,883)	(40,129)
Interest recovered	3,582	5,436
Income tax paid	13,870	(32,423)
Net cash from operating activities	**220,228**	**104,252**
Cash flows from/(used in) investing activities		
Payments for investments	**(1,784,464)**	**(108,588)**
Group companies and business units (note 3)	(1,624,869)	(1,474)
Property, plant and equipment and intangible assets	(159,899)	(103,402)
Property, plant and equipment	(137,200)	(86,800)
Intangible assets	(22,699)	(16,602)
Other financial assets	304	(3,712)
Proceeds from the sale of investments	**165,738**	**4,532**
Property, plant and equipment	160,266	3,911
Associates (note 2 (c))	5,472	621
Net cash used in investing activities	**(1,618,726)**	**(104,056)**
Cash flows from/(used in) financing activities		
Proceeds from and payments for equity instruments	(2,830)	(1,250)
Issue	(2,830)	0
Payments for treasury shares (note 17 (e))	0	(1,250)
Proceeds from and payments for financial liability instruments	1,762,550	(1,066)
Issue	2,994,741	118,238
Redemption and repayment	(1,232,191)	(119,304)
Dividends and interest on other equity instruments paid	0	(27,282)
Other cash flows from financing activities	(284,748)	323
Transaction costs of financial instruments issued in the acquisition of Talecris	(285,088)	0
Other amounts received from financing activities	340	323
Net cash from/(used in) financing activities	**1,474,972**	**(29,275)**
Effect of exchange rate fluctuations on cash	**24,463**	**19,356**
Net increase in cash and cash equivalents	**100,937**	**(9,723)**
Cash and cash equivalents at beginning of the year	**239,649**	**249,372**
Cash and cash equivalents at end of year	**340,586**	**239,649**

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

GRIFOLS, S.A. AND SUBSIDIARIES

Statement of Changes in Consolidated Equity
for the years ended 31 December 2011 and 2010

(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Attributable to equity holders of the Parent										
							Other comprehensive income				
	Share capital	Share premium	Reserves	Profit attributable to Parent	Interim dividend	Treasury Shares	Translation differences	Cash flow hedges	Equity attributable to Parent	Minority interests	Equity
Balances at 31 December 2009	106,532	121,802	314,903	147,972	(31,960)	(677)	(90,253)	(1,948)	566,371	12,157	578,528
Translation differences	--	--	--	--	--	--	39,520	--	39,520	2,705	42,225
Cash flow hedges	--	--	--	--	--	--	--	197	197	--	197
Other comprehensive income for the year	0	0	0	0	0	0	39,520	197	39,717	2,705	42,422
Profit/(loss) for the year	--	--	--	115,513	--	--	--	--	115,513	(246)	115,267
Total comprehensive income for the year	0	0	0	115,513	0	0	39,520	197	155,230	2,459	157,689
Operations with treasury shares	--	--	--	--	--	(1,250)	--	--	(1,250)	--	(1,250)
Other changes	--	--	(82)	--	--	--	--	--	(82)	(213)	(295)
Distribution of 2009 profit											
Reserves	--	--	88,783	(88,783)	--	--	--	--	0	--	0
Dividends	--	--	--	(27,229)	--	--	--	--	(27,229)	(53)	(27,282)
Interim dividend	--	--	--	(31,960)	31,960	--	--	--	0	--	0
Operations with equity holders or owners	0	0	88,701	(147,972)	31,960	(1,250)	0	0	(28,561)	(266)	(28,827)
Balance at 31 December 2010	106,532	121,802	403,604	115,513	0	(1,927)	(50,733)	(1,751)	693,040	14,350	707,390
Translation differences	--	--	--	--	--	--	109,533	--	109,533	74	109,607
Cash flow hedges	--	--	--	--	--	--	--	(19,433)	(19,433)	--	(19,433)
Other comprehensive income for the year	0	0	0	0	0	0	109,533	(19,433)	90,100	74	90,174
Profit/(loss) for the year	--	--	--	50,307	--	--	--	--	50,307	(79)	50,228
Total comprehensive income for the year	0	0	0	50,307	0	0	109,533	(19,433)	140,407	(5)	140,402
Capital increase June 2011 (note 17 (a))	8,382	768,553	(2,514)	--	--	--	--	--	774,421	--	774,421
Capital increase December 2011 (note 17 (a))	2,968		(3,325)	--	--	--	--	--	(357)	--	(357)
Other movements (note 17)	--	--	52,828	--	--	--	--	--	52,828	(213)	52,615
Acquisition of Non-controlling interest (note 3)	--	--	2,168	--	--	--	--	--	2,168	(11,645)	(9,477)
Distribution of 2010 profit											
Reserves	--	--	115,513	(115,513)	--	--	--	--	0	--	0
Operations with equity holders or owners	11,350	768,553	164,670	(115,513)	0	0	0	0	829,060	(11,858)	817,202
Balance at 31 December 2011	117,882	890,355	568,274	50,307	0	(1,927)	58,800	(21,184)	1,662,507	2,487	1,664,994

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

GRIFOLS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

(1) Nature, Principal Activities and Subsidiaries

(a) Grifols, S.A.

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

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

The Company's shares were floated on the Spanish stock exchange IBEX-35 index on 2 January 2008.

At the extraordinary general shareholders' meetings held on 25 January 2011 and 2 December 2011, the shareholders of Grifols agreed to increase share capital by issuing 83,811,688 new shares without voting rights (Class B shares) to complete the acquisition of Talecris Biotherapeutics Holdings Corp. (see note 3) and 29,687,658 new shares without voting rights to remunerate the shareholders (see note 17).

All of the Company's shares are listed on the Barcelona, Madrid, Valencia and Bilbao stock exchanges and on the electronic stock market. On 2 June 2011, Class B shares with no voting rights were listed on the NASDAQ (USA) and on the Spanish Automated Quotation System (SIBE/Continuous Market) (see note 17).

In November 2011 the Company registered its High Yield Senior Unsecured Notes at the Securities Exchange Commission (SEC) (see note 22).

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

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

The main factory locations of the Group's Spanish companies are in Barcelona, Parets del Vallès (Barcelona) and Torres de Cotilla (Murcia), while the US companies are located in Los Angeles, (California, USA), Clayton (North Carolina, USA) and Melville (New York, USA).

(b) Subsidiaries

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

- Industrial area

The following companies are included:

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

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

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

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

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

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

Biomat USA, Inc., with registered offices at 2410 Lillyvale Avenue, Los Angeles, California, USA, was incorporated into the Group on 1 March 2002 and carries out its activities in the area of bioscience, procuring human plasma.

Grifols Biologicals, Inc., with registered offices in 5555 Valley Boulevard, Los Ángeles, California USA, was incorporated into the Group on 15 May 2003 and is exclusively engaged in plasma fractioning and the production of haemoderivatives.

PlasmaCare, Inc. with registered offices in Suite 300, 1128 Main Street, Cincinnati, Ohio USA, was incorporated into the Group on 3 February 2006 and carries out its activities in the area of bioscience, procuring human plasma.

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

Medion Grifols Diagnostic AG, with registered offices at Bonnstrasse, 9, 3186 Düdingen, Switzerland, was incorporated into the Group on 3 March 2009. The Company's statutory activity consists of development and production in the biotechnology and diagnostic sectors.

Grifols Therapeutics, Inc. (**formerly Talecris Biotherapeutics Inc.)** with registered offices at 4101 Research Commons (Principal Address), 79 T.W. Alexander Drive, Research Triangle Park, NC 27709 USA, was incorporated into the Group on 2 June 2011. The Company's statutory activity consists of plasma fractioning and the production of haemoderivatives.

Talecris Plasma Resources, Inc. with registered offices at 4101 Research Commons (Principal Address), 79 T.W. Alexander Drive, Research Triangle Park, NC 27709 USA, was incorporated into the Group on 2 June 2011. The Company's statutory activity consists of human plasma collection.

- Commercial area

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

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

Grifols International, S.A., with registered offices in Polígono Levante, calle Can Guasch, s/n, 08150 Parets del Vallès, Barcelona, Spain, was incorporated into the Group on 4 June 1997. This company directs and coordinates the marketing, sales and logistics for all the Group's commercial subsidiaries. Products are marketed through subsidiaries operating in different countries. These subsidiaries, their registered offices and date of incorporation into the Group, are listed below.

Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda., was incorporated with limited liability under Portuguese law on 10 August 1988. Its registered offices are at Rua de Sao Sebastiao, 2, Zona Industrial Cabra Figa, 2635-448 – Rio de Mouro Portugal, and it imports, exports and markets pharmaceutical and hospital equipment and products particularly Grifols products.

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

Grifols Argentina, S.A. was incorporated with limited liability in Argentina on 1 November 1991 and its registered offices are at Bartolomé Mitre 3690/3790, 1605 Munro - Partido de Vicente Lopez, Buenos Aires (Argentina). Its statutory activity consists of clinical and biological research, the preparation of reagents and therapeutic and diet products, the manufacture of other pharmaceutical specialities and the marketing thereof.

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

Logistica Grifols, S.A. de C.V was incorporated with limited liability under Mexican law on 9 January 1970, with registered offices at calle Eugenio Cuzin nº 909-913, Parque Industrial Belenes Norte, 45150 Zapopán, Jalisco (Mexico). Its statutory activity comprises the manufacture and marketing of pharmaceutical products for human and veterinary use. On 6 May 2008 Grifols Mexico S.A. de C.V. was spun off into two companies and its name was changed to Logística Grifols S.A. de C.V.

Grifols México, S.A. de C.V. was incorporated with limited liability under Mexican law on 6 May 2008, as a result of the spin-off of the former company Grifols Mexico S.A. de C.V. Its registered offices are at calle Eugenio Cuzin nº 909-913, Parque Industrial Belenes Norte, 45150 Zapopán, Jalisco (Mexico). Its statutory activity comprises the production, manufacture, adaptation, conditioning, sale and purchase, commissioning, representation and consignment of all kinds of pharmaceutical products and the acquisition of machinery, equipment, raw materials, tools, assets and property for the aforementioned purposes.

Grifols USA, LLC was incorporated in the State of Florida (USA) on 19 April 1990. Its registered offices are at 2410 Lillyvale Avenue, Los Ángeles, California (USA) and its statutory activity is the distribution and marketing of company products.

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

Grifols UK Ltd., the registered offices of which are at Byron House Cambridge Business Park, Cowley Road, Cambridge CB4 0WZ (United Kingdom), is engaged in the distribution and sale of therapeutic and other pharmaceutical products, especially haemoderivatives. 66.66% of this company was acquired on 9 June 1997 and the remaining 33.34% on 16 June 2000.

Grifols Deutschland GmbH (formerly Talecris Biotherapeutics GmbH) with registered offices at Lyoner Strasse 15, 60528 Frankfurt am was incorporated into the Group on 2 June 2011. The Company's statutory activity consists of obtaining the official permits and necessary approval for the production, marketing and distribution of products deriving from blood plasma. It also engages in the import, export, distribution and sale of reagents and chemical and pharmaceutical products, especially for laboratories and health centres and surgical medical material, apparatus and instruments. On 15 September 2011 this Company acquired Grifols Deutschland GmbH through a merger, with registered offices at Siemensstrasse 32, D-63225 Langen (Germany).

Grifols Brasil, Ltda. was incorporated with limited liability in Brazil on 4 May 1998. Its registered offices are at Rúa Umuarama, 263 - Vila Perneta, Pinhais-Paramá CEP 83325-000, Condominio Portal Da Serra (Brazil). Its statutory activity consists of the import and export, preparation, distribution and sale of pharmaceutical and chemical products for laboratory and hospital use, and medical-surgical equipment and instrumentation.

Grifols France, S.A.R.L. was incorporated with limited liability under French law on 4 November 1999, with registered offices at Arteparc, Bât. D, Route de la Côte d'Azur, 13590 – Meyreuil (France). Its statutory activity is the marketing of chemical and healthcare products.

Alpha Therapeutic Italia, S.p.A. was incorporated on 3 July 2000, with registered offices at Corso Di Porta Vittoria, 9, 20122, Milan (Italy), and engages in the distribution and sale of therapeutic products, especially haemoderivatives.

Grifols Asia Pacific Pte, Ltd was incorporated on 10 September 1986, with registered offices at 501 Orchard Road # nr.20-01, 238880 Wheelock Place, Singapore, and its activity consists of the distribution and sale of medical and pharmaceutical products.

Grifols Malaysia Sdn Bhd is partly owned (30%) by Grifols Asia Pacific Pte, Ltd. The registered offices of this company are in Suite 1107, Menara Amcorp, Amcorp Trade Center, No.18, Jalan Persiaran Barat, 46050-Petaling Jaya, Selangor Darul Ehsan, Selangor (Malaysia) and it engages in the distribution and sale of pharmaceutical products.

Grifols (Thailand) Ltd was incorporated on 1 September 1995 and its registered offices are at 191 Silom Complex Building, 21st Floor, Silom Road, Silom, Bangrak, Bangkok-10500 (Bangkok). Its activity comprises the import, export and distribution of pharmaceutical products. 48% of this company is directly owned by Grifols Asia Pacific Pte., Ltd.

Grifols Polska Sp.z.o.o. was incorporated on 12 December 2003, with registered offices at UL. Nowogrodzka, 68, apt. 02-014, Warsaw, Poland, and engages in the distribution and sale of pharmaceutical, cosmetic and other products.

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

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

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

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

Grifols Canada, Ltd. (formerly Talecris Biotherapeutics, Ltd.) with registered offices at 5800 Explorer Drive, Suite 300, Mississauga, Ontario L4W 5K9, (Canada) was incorporated into the Group on 2 June 2011. The Company's statutory activity consists of providing various services (marketing) to Grifols Therapeutics Inc.

- Services area

The following companies are included in this area:

Grifols Inc. (formerly Talecris Biotherapeutics Holdings Corp) with registered offices at 2410 Lillyvale Avenue, Los Ángeles, California. (USA). Talecris Biotherapeutics Holdings Corp. was the holding company of the Talecris Group that was acquired in June 2011 (see note 3). This company acquired Grifols Inc. through a reverse merger and changed its name to the current one. Its principal activity is the acquisition, manufacture and sale of therapeutic products, especially haemoderivatives extracted by plasma fractioning through a network of donation centres owned by the Group in the USA.

Grifols Viajes, S.A., with registered offices in Avenida de la Generalitat 152, Sant Cugat del Vallès, Barcelona (Spain) was incorporated into the Group on 31 March 1995 and operates as a retail travel agency exclusively serving Group companies.

Squadron Reinsurance Ltd., with registered offices in The Third Floor, The Metropolitan Building, James Joyce Street, Dublin (Ireland) was incorporated into the Group on 25 April 2003 and engages in the reinsurance of Group companies' insurance policies.

Arrahona Optimus, S.L., with registered offices in Avenida de la Generalitat 152, Sant Cugat del Vallès, Barcelona, Spain, was incorporated into the Group on 28 August 2008. The Company's statutory activity is the development and construction of offices and business premises. During 2011 the Company sold its office complex located in the municipality of Sant Cugat del Vallès.

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

Saturn Australia Pty Ltd. with registered offices at Unit 5/80 Fairbank, Clayton South, Victoria 3169 (Australia), was incorporated to the Group on 3 March 2009. Its activity consists of holding shares and real estate investments.

Saturn Investments AG with registered offices at c/o Dr. Christoph Straub, Hanibuel 8, CH 6300 Zug (Switzerland) was incorporated into the Group on 3 March 2009. Its activity consists of the holding of shares.

Woolloomooloo Holdings Pty Ltd. with registered offices at Unit 5/80 Fairbank, Clayton South, Victoria 3169 (Australia), was incorporated into the Group on 3 March 2009. Its activity consists of holding shares.

Talecris Biotherapeutics Overseas Services, Corp. with registered offices at 4101 Research Commons, 79 T. W. Alexander Drive. Research Triangle Park, NC 27709 was incorporated into the Group on 2 June 2011. The Company's statutory activity consists of providing support services for the sale of biotherapeutic products outside the USA and participating in any other activity for which the companies may be organised in accordance with the General Corporation Law of Delware.

(c) Associates and others

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

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

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

(2) Basis of Presentation

The consolidated annual accounts have been prepared on the basis of the accounting records of Grifols, S.A. and of the Group companies. The consolidated annual accounts for 2011 have been prepared under International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and other legislative provisions contained in the applicable legislation governing financial information to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 31 December 2011, as well as the consolidated results from their operations and consolidated cash flows for the year then ended.

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

The directors of the Company consider that the consolidated annual accounts for 2011 prepared on 22 February 2012 will be approved with no changes.

(a) Comparison of information

As explained in note 3, the Grifols Group acquired the Talecris Group, effective as from 2 June 2011. The information for the year ended 31 December 2011 therefore includes twelve months' activity of the Grifols companies and seven months' activity of the Talecris companies whilst the information for the year ended 31 December 2010 includes only twelve months' activity of the Grifols companies.

Consequently, for presentation purposes, the Group has disclosed transaction costs relating to the acquisition of Talecris in the consolidated income statement for 2011 and 2010. Of the Euros 16,999 thousand classified as transaction costs for the acquisition of Talecris, at 31 December 2010 Euros 2,041 thousand was recognised under supplies and Euros 14,958 thousand under other operating expenses.

The consolidated annual accounts for 2011 present for comparative purposes for each individual caption in the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and consolidated notes, comparative figures for the previous year, which have been obtained through consistent application of EU-IFRS.

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

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

- The assumptions used for calculation of the fair value of financial instruments (see note 4 (k)).

- The assumptions used to test non-current assets and goodwill for impairment (see notes 4(i) and 7).

- Useful lives of property, plant and equipment and intangible assets (see notes 4(g) and 4(h)).

- Evaluation of the capitalisation of development costs (see note 4(h)).

- Evaluation of provisions and contingencies (see note 4(r)).

- Evaluation of the recoverability of receivables from public entities (see note 5 and 32).

- Evaluation of the effectiveness of hedging derivatives (see note 17 (g)).

- Evaluation of the nature of leases (operating or finance) (see note 4(j) and note 9).

- Assumptions used to determine the fair value of assets, liabilities and contingent liabilities related to the Talecris business combination (see note 3).

- Evaluation of the recoverability of tax credits (note 29)

(c) Consolidation

The percentages of direct or indirect ownership of subsidiaries by the Company at 31 December 2011 and 2010, as well as the consolidation method used in each case for preparation of the accompanying consolidated annual accounts, are detailed below:

	31/12/11		31/12/10	
	Percentage ownership		Percentage ownership	
	Indirect	Direct	Indirect	Direct
Fully-consolidated companies				
Laboratorios Grifols, S.A.	99.998	0.002	99.998	0.002
Instituto Grifols, S.A.	99.998	0.002	99.998	0.002
Movaco, S.A.	99.999	0.001	99.999	0.001
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	0.010	99.990	0.010	99.990
Diagnostic Grifols, S.A.	99.998	0.002	99.998	0.002
Logister,S.A.	--	100.000	--	100.000
Grifols Chile,S.A.	99.000	--	99.000	--
Biomat,S.A.	99.900	0.100	99.900	0.100
Grifols Argentina,S.A.	99.260	0.740	99.260	0.740
Grifols,s.r.o.	100.000	--	100.000	--
Logistica Grifols S.A de C.V	99.990	0.010	99.990	0.010
Grifols México,S.A. de C.V.	99.990	0.010	99.990	0.010
Grifols Viajes,S.A.	99.900	0.100	99.900	0.100
Grifols USA, LLC.	--	100.000	--	100.000
Grifols International,S.A.	99.900	0.100	99.900	0.100
Grifols Italia,S.p.A.	100.000	--	100.000	--
Grifols UK,Ltd.	100.000	--	100.000	--
Grifols Deutschland,GmbH (merged with Talecris Biotherapeutics GmbH)	100.000	--	100.000	--
Grifols Brasil,Ltda.	100.000	--	100.000	--
Grifols France,S.A.R.L.	99.000	1.000	99.000	1.000
Grifols Engineering, S.A.	99.950	0.050	99.950	0.050
Biomat USA, Inc.	--	100.000	--	100.000
Squadron Reinsurance Ltd.	100.000	--	100.000	--
Grifols Inc. (merged with Talecris Biotherapeutics Holdings Corp.)	100.000	--	100.000	--
Grifols Biologicals Inc.	--	100.000	--	100.000
Alpha Therapeutic Italia, S.p.A.	100.000	--	100.000	--
Grifols Asia Pacific Pte., Ltd.	100.000	--	100.000	--
Grifols Malaysia Sdn Bhd	--	30.000	--	30.000
Grifols (Thailand) Ltd.	--	48.000	--	48.000
Grifols Polska Sp.z.o.o.	100.000	--	100.000	--
Plasmacare, Inc.	--	100.000	--	100.000
Arrahona Optimus S.L.	99.995	0.005	99.995	0.005
Woolloomooloo Holdings Pty Ltd.	100.000	--	49.000	--
Grifols Australia Pty Ltd.	--	100.000	--	49.000
Australian Corporate Number 073 272 830 Pty Ltd	--	100.000	--	49.000

	31/12/11		31/12/10	
	Percentage ownership		Percentage ownership	
	Indirect	Direct	Indirect	Direct
Saturn Australia Pty Ltd.	--	100.000	--	49.000
Saturn Investments AG	--	100.000	--	49.000
Medion Grifols Diagnostic AG	--	80.000	--	39.200
Medion Diagnostics GmbH	--	80.000	--	39.200
Gri-Cel, S.A.	0.001	99.999	0.001	99.999
Grifols Colombia, Ltda.	99.000	1.000	99.000	1.000
Grifols Nordic AB	100.000	--	100.000	--
Grifols Therapeutics, Inc	--	100.000	--	--
Talecris Plasma Resources, Inc	--	100.000	--	--
Grifols Canada, Ltd.	--	100.000	--	--
Talecris Biotherapeutics Overseas Services Corp.	--	100.000	--	--

	31/12/11		31/12/10	
	Percentage ownership		Percentage ownership	
	Direct	Indirect	Direct	Indirect
Companies accounted for using the equity method				
Nanotherapix, S.L.	--	51.000	--	51.000

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

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

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

On 9 March 2010 one of the Group companies acquired 51% of Nanotherapix, S.L., a technologically based company which engages in advisory services, training of researchers, design and development of technologies, services, know-how, molecules and products applied to biotechnology, biomedicine and pharmaceutical fields. The investment has been made through a share capital increase of Euros 1,474 thousand in 2010 and a financial contribution of Euros 1,472 thousand in 2011. Successive contributions will be made up to 2014. Due to the losses incurred by Nanotherapix, S.L., provision for part of the investment was recognised in 2010 and 2011. These contributions are dependent on certain shareholders of Nanotherapix, S.L. performing research advisory and management tasks for this company. The acquisition of Nanotherapix, S.L. has been treated as an equity-accounted joint venture, as the company's strategic and operational decisions require shareholder approval and Grifols does not avail of the majority of the members of the board of directors.

On 2 June 2011, the Group acquired 100% of the share capital of the US company Talecris Biotherapeutics Holdings Corp. (hereinafter Talecris), which also specialises in the production of plasma-derived biological medicines, for a total of Euros 2,593 million (US Dollars 3,737 million) (see note 3(a)).

In August 2011, the Group acquired the remaining 51% of the share capital of the holding company of the Australian-Swiss group Lateral-Medion, of which it had acquired 49% of the share capital and 100% of the voting rights on 3 March 2009 (see note 3(b)).

(d) Amendments to EU-IFRS in 2011

The following standards came into effect in 2011 and have therefore been taken into account when drawing up the consolidated annual accounts:

- Amendment to IAS 32 Classification of Rights Issues. Effective for annual periods beginning on or after 1 February 2010.

- IAS 24 Related Party Disclosures. Effective for annual periods beginning on or after 1 January 2011.

- IFRIC 14 Prepayments of a Minimum Funding Requirement. Effective for annual periods beginning on or after 1 January 2011.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. Effective for annual periods beginning on or after 1 July 2010.

- IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters. Effective for annual periods beginning on or after 1 July 2010. (EU: annual periods beginning on or after 30 June 2010).

- Improvements to IFRSs issued in May 2010.

Standards that have been issued and are pending adoption by the European Union are as follows:

- IAS 19 Employee Benefits. Effective for annual periods beginning on or after 1 January 2013.

- Amendments to IAS 1 – Presentation of components of other comprehensive income. Effective for annual periods beginning on or after 1 July 2012.

- IFRS 10 Consolidated Financial Statements. Effective for annual periods beginning on or after 1 January 2013.

- IFRS 11 Joint Arrangements. Effective for annual periods beginning on or after 1 January 2013.

- IFRS 12 Disclosure of Interests in Other Entities. Effective for annual periods beginning on or after 1 January 2013.

- IFRS 13 Fair Value Measurement. Effective for annual periods beginning on or after 1 January 2013.

- IAS 27 Consolidated and Separate Financial Statements. Effective for annual periods beginning on or after 1 January 2013.

- IAS 28 Investments in Associates and Joint Ventures. Effective for annual periods beginning on or after 1 January 2013.

- Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities. Effective for annual periods beginning on or after 1 July 2011.

- Amendments to IAS 12 – Recovery of Underlying Assets. Effective for annual periods beginning on or after 1 January 2012.

- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters. Effective for annual periods beginning on or after 1 July 2011. Pending adoption by the EU.

- IFRS 9 Financial Instruments. Effective for annual periods beginning on or after 1 January 2015.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine. Effective for annual periods beginning on or after 1 January 2013.

- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities. Effective for annual periods beginning on or after 1 January 2013.

- IAS 32 Financial Instruments: Presentation: Amendments to Offsetting Financial Assets and Financial Liabilities. Effective for annual periods beginning on or after 1 January 2014.

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

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

(3) Business Combinations

(a) Talecris Biotherapeutics Holdings Corp. and subsidiaries

On 2 June 2011 the Group acquired 100% of the share capital of the US company Talecris Biotherapeutics Holdings Corp. (hereinafter Talecris), which also specialises in the production of plasma-derived biological medicines, for a total of Euros 2,593 million (US Dollars 3,737 million).

The operation was performed through a combined offer of cash and new Grifols shares with no voting rights (hereinafter Class B shares) (see note 17).

The offer was made in relation to all Talecris shares and the price offered per share amounts to US Dollars 19 in cash (total of US Dollars 2,541 million) and 0.641 Class B shares in Grifols for each share in circulation of Talecris LLC. and the directors of Talecris and 0.6485 Grifols shares with no voting rights for each share in circulation of Talecris (total of US Dollars 1,196 million).

On 2 May 2011, the Group signed a Consent Agreement with the staff of the Bureau of Competition of the US Federal Trade Commission (FTC) to establish the terms of the agreement for the merger between the two companies.

In order to fulfil the terms of the Consent Agreement, the Group has signed agreements for the sale of assets and has entered into certain trade agreements for rentals and manufacture with the Italian company Kedrion for periods of up to seven years.

The agreements refer to the following areas:

- Kedrion and Grifols enter into a manufacturing agreement to fractionate and purify Kedrion's plasma to deliver IVIG and Albumin under Kedrion's own brand name and Factor VIII under the trade name Koate, all of them for sale only in the US.

- Grifols undertakes to sell its Melville fractionation facility to Kedrion. Grifols will manage the facility during a three-year period under a long-term lease agreement with Kedrion, renewable for an additional year on Grifol's request.

- Grifols transfers the technology and sales agreements for Koate (Factor VIII) in the USA to Kedrion. Grifols will produce this product for Kedrion during a seven-year period.

- Grifols undertakes to sell to Kedrion two plasma collection centres; these sales were completed prior to 31 December 2011. In addition, Grifols undertakes to sell to Kedrion 200,000 litres of plasma at a fixed price.

- Grifols authorises Kedrion to sell IVIG and Albumin produced by Grifols for Kedrion on the US market.

As required by the Consent Agreement, Grifols has implemented the terms contained therein within a ten-day period following the acquisition date.

At the date of preparation of these consolidated annual accounts, for the reasons mentioned later in this note, the Group does not have all the necessary information to determine the definitive fair value of intangible assets, liabilities and contingent liabilities acquired in the business combination.

Details of the aggregate business combination cost, the provisional fair value of the net assets acquired and provisional goodwill at the acquisition date (or the amount by which the business combination cost exceeds the fair value of the net assets acquired) are provided below. The values shown in the following table should be considered provisional.

	Thousands of Euros	Thousands of Dollars
Cost of the business combination (measurement of Class B shares)	829,799	1,195,574
Cash paid (US Dollars 19 per share)	1,763,601	2,540,997
Total cost of the business combination	2,593,400	3,736,571
Fair value of net assets acquired (provisional)	1,054,677	1,519,579
Goodwill (excess of cost of business combination over fair value of net assets acquired)	1,538,723 (see note 7)	2,216,992
Cash paid	1,763,601	2,540,996
Cash and cash equivalents of the acquired company	(149,693)	(215,678)
Cash flow paid for the acquisition	1,613,908	2,325,318

The fair value of Class B shares has been determined by the average price of the first weeks of issue of the shares, as this period is considered to provide a reference for determining the fair value of the shares as they were first listed on 2 June 2011.

Total expenses incurred in the transaction amount to Euros 61.3 million and expenses for the current year amount to Euros 44.3 million (Euros 17 million in 2010).

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

The acquisition of Talecris will consolidate the Group's position as the third largest producer of plasma products in the world, significantly increasing its presence in the USA. The acquisition will be the greater availability of products on the market due to increased plasma collection and fractionation capacity.

Had the acquisition taken place at 1 January 2011, the Group's revenue would have increased by Euros 507,039 thousand and consolidated profit for the year, excluding non-recurring expenses such as those related to the transaction and stock option cancellation costs derived from the change of control, would have increased by Euros 74,705 thousand. The revenue and profit of Talecris between the acquisition date and 31 December 2011 amounted to Euros 750,484 thousand and Euros 133,075, respectively.

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

	Fair value		Book value	
	Thousands of Euros	Thousands of Dollars	Thousands of Euros	Thousands of Dollars
Intangible assets (note 8)	846,504	1,219,643	21,122	30,432
Property, plant and equipment (note 9)	466,674	672,384	306,401	441,462
Non-current financial assets	1,466	2,112	1,466	2,112
Deferred tax assets	55,985	80,663	55,985	80,663
Assets held for sale	8,200	11,814	2,254	3,247
Inventories (note 12)	452,311	651,689	490,976	707,398
Trade and other receivables	188,067	270,969	188,068	270,968
Other assets	2,364	3,406	2,364	3,406
Cash and cash equivalents	149,693	215,678	149,693	215,678
Total assets	2,171,264	3,128,358	1,218,329	1,755,366
Non-current provisions (note 21)	9,250	13,327	9,250	13,327
Non-current financial liabilities	6,289	9,061	6,289	9,061
Current financial liabilities	473,085	681,621	473,085	681,621
Current provisions (note 21)	67,965	97,924	31,180	44,924
Trade and other payables	152,844	220,218	152,844	220,218
Other current liabilities	48,533	69,927	43,510	62,689
Deferred tax liabilities	358,621	516,701	15,125	21,792
Total liabilities and contingent liabilities	1,116,587	1,608,779	731,283	1,053,632
Total net assets acquired	1,054,677	1,519,579	487,046	701,734

Fair values have been determined provisionally as follows:

- Intangible assets (currently marketed products, research and development) have been determined provisionally pending completion of an independent valuation.
- The fair value of contingent liabilities has also been determined provisionally.

Fair values have been determined using the following methods:

- Intangible assets: the fair value of intangible assets (primarily the acquired product portfolio) has been calculated based on "excess earnings" (income approach), whereby the asset is measured after deducting charges or rentals that must be settled to enable use of the remaining assets required to operate the intangible asset being measured.

- Property, plant and equipment: the fair value of property, plant and equipment has been determined using the "cost approach", whereby the value of an asset is measured at the cost of rebuilding or replacing that asset with other similar assets.

- Inventories: the fair value of inventories has been determined using the "market approach", by analysing similar transactions.

- Contingent liabilities: the fair value of contingent liabilities has been determined using the "income approach" based on forecast payments and a probability scenario.

(b) Australian-Swiss Group

In August 2011, the Group acquired the remaining 51% of the share capital of Woolloomooloo Holdings Pty Ltd, the holding company of the Australian-Swiss group Lateral-Medion , of which it had acquired 49% of the share capital and 100% of the voting rights on 3 March 2009 and over which it had exercised control since that date. The acquisition of the remaining 51% of the share capital amounts to AUS Dollars 12.5 million (Euros 9.5 million). The difference between the amount paid and the non-controlling interest has been recorded as a Euros 2.2 million increase in reserves.

(4) Significant Accounting Principles

(a) Subsidiaries

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

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

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

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

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

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

(b) Business combinations

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

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

The Group applies the acquisition method for business combinations.

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

Business combinations made subsequent to 1 January 2010

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

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

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

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

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

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

It has only been possible to measure the Talecris business combination provisionally. Therefore, the net identifiable assets have initially been recognised at their provisional value, and any adjustments made during the measurement period have been recorded as if they had been known at that date. Where applicable, comparative figures for the prior year have been restated. Adjustments to the provisional values only reflect information relating to events and circumstances existing at the acquisition date and which, had they been known, would have affected the amounts recognised at that date. Once this period has elapsed, adjustments are only made to initial values when errors must be corrected. Any potential benefits arising from tax losses and other deferred tax assets of the acquiree that have not been recorded as they did not qualify for recognition at the acquisition date, are accounted for as income tax income, provided the adjustments were not made during the measurement period.

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

Business combinations made prior to 1 January 2010

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

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

(c) Non-controlling interests

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

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

The consolidated profit or loss for the year (consolidated comprehensive income) and changes in equity of the subsidiaries attributable to the Group and non-controlling interests after consolidation adjustments and eliminations, is determined in accordance with the percentage ownership at year end, without considering the possible exercise or conversion of potential voting rights. However, whether or not control exists is determined taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries.

The excess of losses attributable to non-controlling interests generated before 1 January 2010, which cannot be attributed to the latter as such losses exceed their interest in the equity of the Parent, is recognised as a decrease in the equity of the Parent, except when the non-controlling interests are obliged to assume part or all of the losses and are in a position to make the necessary additional investment. Subsequent profits obtained by the Group are attributed to the Parent until the minority interest's share in prior years' losses is recovered.

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

The increase and reduction of non-controlling interests in a subsidiary in which control is retained is recognised as an equity instrument transaction. Consequently, no new acquisition cost arises in increases nor is a gain recorded on reductions, rather, the difference between the consideration transferred or received and the carrying amount of the non-controlling interests is recognised in the reserves of the investor, without prejudice to reclassifying consolidation reserves and reallocating other comprehensive income between the Group and the non-controlling interests. When a Group's interest in a subsidiary diminishes, non-controlling interests are recognised at their share of the net consolidated assets, including goodwill.

(d) Joint ventures

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

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

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

(e) Foreign currency transactions

(i) *Functional currency and presentation currency*

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

(ii) *Transactions, balances and cash flows in foreign currency*

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

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

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

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

(iii) *Translation of foreign operations*

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

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

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

- Translation differences resulting from application of the above criteria are recognised in other comprehensive income.

(f) Borrowing costs

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

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

(g) Property, plant and equipment

(i) *Initial recognition*

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

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

(ii) *Depreciation*

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

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

	Depreciation method	Rates
Buildings	Straight line	1%-10%
Technical equipment and machinery	Straight line	7%-20%
Equipment and furniture	Straight line	10% - 30%
Other property, plant and equipment	Straight line	10% -33%

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

(iii) *Subsequent recognition*

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

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

(iv) *Impairment*

The Group tests for impairment and reversals of impairment losses on property, plant and equipment based on the criteria set out in note 4(i) below.

(h) Intangible assets

(i) Goodwill

Goodwill is generated on the business combinations. Goodwill is calculated using the criteria described in the section on business combinations.

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

(ii) Internally generated intangible assets

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

Costs related with development activities are capitalised when:

- The Group has technical studies justifying the feasibility of the production process.

- The Group has undertaken a commitment to complete production of the asset whereby it is in condition for sale or internal use.

- The asset will generate sufficient future economic benefits.

- The Group has sufficient financial and technical resources to complete development of the asset and has developed budget and cost accounting control systems which allow budgeted costs, introduced changes and costs actually assigned to different projects to be monitored.

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

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

(iii) Other intangible assets

Other intangible assets are carried at cost, or at fair value if they arise on business combinations, less accumulated amortisation and impairment losses.

(iv) Intangible assets acquired in business combinations

The cost of identifiable intangible assets acquired in the business combination of Talecris includes the fair value of the currently marketed products sold and which are classified under "Other intangible assets".

(v) *Useful life and amortisation rates*

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

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

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

	Amortisation method	Estimated years of useful life
Development expenses	Straight line	3 - 5
Concessions, patents, licences, trademarks and similar	Straight line	5 - 15
Computer software	Straight line	3 - 6
Other intangible assets	Straight line	30

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

The Group does not consider the residual value of its intangible assets material. The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(i) Impairment of goodwill, other intangible assets and other non-financial assets subject to depreciation or amortisation

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

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

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

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

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

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

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

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

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

(j) Leases

(i) *Lessee accounting records*

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

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

- Finance leases

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

- Operating leases

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

(ii) *Leasehold investments*

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

(iii) Sale and leaseback transactions

Any profit on sale and leaseback transactions that meet the conditions of a finance lease is deferred over the term of the lease.

When the leaseback is classed as an operating lease:

- If the transaction is established at fair value, any profit or loss on the sale is recognised immediately in consolidated profit or loss for the year.

- If the sale price is below fair value, any profit or loss is recognised immediately. However, if the loss is compensated for by future lease payments at below market price, it is deferred in proportion to the lease payments over the period for which the asset is to be used.

(k) Financial instruments

(i) Classification of financial instruments

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

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

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

a) Financial assets at fair value through profit or loss

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

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

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term

- it forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking, or

- it is a derivative, except for a derivative which has been designated as a hedging instrument and complies with conditions for effectiveness or a derivative that is a financial guarantee contract.

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

After initial recognition, they are recognised at fair value through profit or loss.

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

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

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

d) Financial assets and liabilities carried at cost

Investments in equity instruments whose fair value cannot be reliably measured and derivative instruments that are linked to these instruments and that must be settled by delivery of such unquoted equity instruments, are measured at cost. Nonetheless, if the financial assets or liabilities can subsequently be reliably measured on an ongoing basis, they are accounted for at fair value and any gain or loss is recognised in accordance with their classification.

(ii) Offsetting principles

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

(iii) Fair value

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

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

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

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

(iv) Amortised cost

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

(v) Impairment of financial assets carried at cost

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

(vi) Impairment of financial assets carried at amortised cost

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used.

The Group recognises impairment losses and unrecoverable loans and receivables and debt instruments by recognising an allowance account for financial assets. When impairment and uncollectibility are considered irreversible, their carrying amount is eliminated against the allowance account.

The impairment loss is recognised in profit or loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised. The impairment loss is reversed against the allowance account.

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

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

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

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

(viii) Financial liabilities

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

(ix) Derecognition of financial assets

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

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

- Payment of the cash flows is conditional on their prior collection.
- The Group is unable to sell or pledge the financial asset.

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

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

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

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

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

(l) Hedge accounting

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

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

(i) Cash flow hedges

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

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

(m) Equity instruments

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

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

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

(n) Inventories

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

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

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

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

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

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

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

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

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

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

(o) Cash and cash equivalents

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

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

(p) Government grants

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

(i) Capital grants

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

(ii) Operating grants

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

(iii) Interest rate grants

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

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

(r) Provisions

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

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

If it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated income statement item where the corresponding expense was recognised.

(s) Revenue recognition

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

(i) Sale of goods

The Group recognises revenue from the sale of goods when:

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

The Group participates in the government-managed Medicaid programmes in the United States, accounting for Medicaid rebates by recognising an accrual at the time a sale is recorded for an amount equal to the estimated claims for Medicaid rebates attributable to the sale. Medicaid rebates are estimated based on historical experience, legal interpretations of the applicable laws relating to the Medicaid programme and any new information regarding changes in the programme regulations and guidelines that would affect rebate amounts. Outstanding Medicaid claims, Medicaid payments and inventory levels are analysed for each distribution channel and the accrual is adjusted periodically to reflect actual experience. While rebate payments are generally made in the following or subsequent quarter, any adjustments for actual experience have not been material.

Group Purchasing Organisations or other customers in the United States that have entered into contracts with the Group for purchases of Flebogamma are eligible for a pricing discount based on a minimum quantity of Flebogamma each month. These rebates are recognised as a reduction in sales and accounts receivable in the same month the sales are invoiced based on a combination of actual customer purchase data and on historical experience when the actual customer purchase data is reported later in time.

(ii) Rendering of services

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

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

(iii) Revenue from dividends

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

(iv) Revenue from interest

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

(t) Income taxes

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

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

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

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

(i) Taxable temporary differences

Taxable temporary differences are recognised in all cases except where:

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

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

(ii) Deductible temporary differences

Deductible temporary differences are recognised provided that:

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

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

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

(iii) Measurement

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

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

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

(iv) Offset and recognition

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

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

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

(u) Segment reporting

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

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

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

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

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

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

(w) Environmental issues

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

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

(5) Financial Risk Management Policy

(a) General

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

Credit risk

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

Trade receivables

The Group does not predict any bad debt risk as a result of delays in receiving payment from some European countries due to their current economic situation. The only risk in these countries is that of delayed payments, which is mitigated through the possibility of claiming interest as foreseen by prevailing legislation.No significant bad debt issues have been detected for sales to private entities.

The Group recognises impairment based on its best estimate of the losses incurred on trade and other receivables. The main impairment losses recognised are due to specific losses relating to individual risks identified as significant. At year end, these impairment losses are immaterial.

Details of exposure to credit risk are disclosed in note 32.

Liquidity risk

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

The Group manages liquidity risk on a prudent basis, using cash and sufficient committed credit facilities, enabling the Group to implement its business plans and carry out operations using stable and secure sources of financing.

During 2011 the Group obtained non-current financing of US Dollars 4,500 million. This financing comprises a non-current revolving credit line totalling US Dollars 300 million (unused at year end), a non-current loan consisting of two tranches amounting to US Dollars 3,100 million and an issue of corporate bonds of US Dollars 1,100 million. The resources generated through this financing have enabled the Group to acquire the Talecris group in the USA. The average maturity period of these loans is 5.3 years.

At 31 December 2011 the Group has total cash and cash equivalents of Euros 340.6 million. The Group also has more than Euros 400 million in unused credit facilities, including US Dollars 300 million on the revolving credit facility.

Market risk

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

(i) Currency risk

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

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

The Group's main exposure to currency risk is due to the US Dollar, which is used in a significant percentage of transactions in foreign currencies. Since revenues in US Dollars account for 93% of purchases and expenses in US Dollars since the acquisition of the Talecris Group (June to December 2011) (96% in 2010) the Group has a high natural hedge against US Dollar fluctuations and therefore the risks associated with such exchange-rate fluctuations are minimal.

Details of the Group's exposure to currency risk at 31 December 2011 and 2010 of the most significant financial instruments are shown in note 32.

(ii) Interest-rate risk

The Group's interest rate risks arise from current and non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks.

The purpose of managing interest-rate risk is to balance the debt structure, maintaining part of borrowings at fixed rates and hedging part of variable rate debt.

The Group manages cash flow interest rate risks through variable to fixed interest rate swaps.

A significant part of the financing obtained during 2011 accrues interest at fixed rates. This fixed interest debt (corporate bond) amounts to USD 1,100 million, which represents approximately 30% of the Group's total debt in US dollars.

For the remaining senior debt in USD, which totals USD 2,493.5 million, the Group has contracted a variable to fixed interest rate swap. At 31 December the nominal part of this hedging instrument amounts to USD 1,522 million. This nominal part will decrease over the term of the debt, based on the scheduled repayments of the principal. The purpose of these swaps is to convert borrowings at variable interest rates into fixed interest rate debt. Through these swaps the Group undertakes to exchange the difference between fixed interest and variable interest with other parties periodically. The difference is calculated based on the contracted notional amount (see notes 17 (g) and 32). The notional amount of the swap contracted by the Group hedges 61% of the senior variable interest rate debt denominated in USD at 31 December 2011.

Debt in Euros represents approximately 15% of the Group's total debt at 31 December 2011. 98% of these liabilities are at variable rates. The Group manages cash flow interest rate risks through variable to fixed interest rate swaps. The nominal part of this hedging instrument amounts to Euros 100 million, representing hedging of 23% of the senior variable interest rate debt denominated in Euros at 31 December 2011 (see notes 17 (g) and 32).

The fair value of interest rate swaps contracted to reduce the impact of rises in variable interest rates (Libor and Euribor) is accounted for on a monthly basis. These derivative financial instruments comply with hedge accounting requirements.

(iii) Market price risk

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

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

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

(b) Capital management

The directors' policy is to maintain a solid capital base in order to ensure investor, creditor and market confidence and sustain future business development. The board of directors defines and proposes the level of dividends paid to shareholders.

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

At 31 December 2011 the Group holds treasury shares equivalent to 0.05% of its share capital (0.07% at 31 December 2010). The Group does not have a formal plan for repurchasing shares.

(6) Segment Reporting

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

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

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

- Balance sheet: cash and cash equivalents, receivables, public entities, deferred tax assets and liabilities, loans and borrowings and certain payables.

- Income statement: general administration expenses, other operating income / expenses, finance income / expense and income tax.

There have been no significant inter-segment sales.

(a) Operating segments

The operating segments defined by the steering committee are as follows:

- Bioscience: including all activities related with products deriving from human plasma for therapeutic use.

- Hospital: comprising all non-biological pharmaceutical products and medical supplies manufactured by Group companies earmarked for hospital pharmacy. Products related with this business which the Group does not manufacture but markets as supplementary to its own products are also included.

- Diagnostic: including the marketing of diagnostic testing equipment, reagents and other equipment, manufactured by Group or other companies.

- Raw materials: including sales of intermediate biological products and the rendering of manufacturing services to third party companies.

Details of net sales by groups of products for 2011 and 2010 as a percentage of net sales are as follows:

	% of sales	
	2011	2010
Bioscience		
Haemoderivatives	85.2%	77.9%
Other haemoderivatives	0.1%	0.2%
Diagnostic		
Transfusional medicine	4.8%	7.9%
In vitro diagnosis	1.7%	3.1%
Hospital		
Fluid therapy and nutrition	2.9%	5.0%
Hospital supplies	2.4%	4.1%
Raw materials	1.7%	0.5%
Other	1.2%	1.3%
Total	100%	100%

(b) Geographical information

Geographical information is grouped into three areas:

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

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

(c) Main customer

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

(7) Goodwill

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

	Thousands of Euros			
	Balances at 31/12/09	Transfers	Translation differences	**Balances at 31/12/10**
Net value				
Grifols UK, Ltd. (UK)	7,736	0	246	7,982
Grifols Italia, S.p.A. (Italy)	6,118	0	0	6,118
Biomat USA, Inc. (USA)	90,089	14,770	8,193	113,052
Plasmacare, Inc. (USA)	35,676	0	2,788	38,464
Plasma Collection Centers, Inc. (USA)	14,770	(14.770)	0	0
Woolloomooloo Holdings Pty Ltd. (Australia)	19,611	0	4,221	23,832
	174,000	0	15,448	189,448

Details of and movement in this caption of the consolidated balance sheet at 31 December 2011 are as follows:

	Thousands of Euros				
	Balances at 31/12/10	Business Combinations	Impairment	Translation differences	**Balances at 31/12/11**
Net value					
Grifols UK, Ltd.(UK)	7,982	0	0	243	8,225
Grifols Italia,S.p.A.(Italy)	6,118	0	0	0	6,118
Biomat USA, Inc.(USA)	113,052	0	0	3,696	116,748
Plasmacare, Inc.(USA)	38,464	0	0	1,258	39,722
Woolloomooloo Holdings Pty Ltd.(Australia)	23,832	0	(13,000)	38	10,870
Talecris Biotherapeutics (USA)	0	1,538,723	0	174,695	1,713,418
	189,448	1,538,723 (note 3.(a))	(13,000)	179,930	1,895,101

Impairment testing:

Until 2010 goodwill was allocated to each of the Group's cash-generating units (CGUs) in accordance with their respective business segments and on a geographical basis, this being the lowest level at which goodwill was controlled by management for management purposes and lower than the operating segments. In 2010 Plasmacare, Inc. was integrated into the management of Biomat USA, Inc. for the purpose of impairment testing.

Goodwill was allocated to the cash generating units as follows:

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

As a result of the acquisition of Talecris in 2011, and for impairment testing purposes, the Group combines the CGUs allocated to the bioscience segment, grouping them together at segment level, because substantial synergies are expected to arise on the acquisition of Talecris, and in light of the vertical integration of the business and the lack of an independent organised market for the products.

Goodwill generated on the acquisition of Talecris is still provisional as estimation of the fair value of the acquired Company's assets, liabilities and contingencies has not yet been completed (see note 3(a)).

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

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

	Growth rate	Discount rate pre tax
Bioscience	2%	11.7%
Diagnostic	2%	11.40%

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

As the recoverable amount of the CGUs is much higher than the carrying amount of the assets, specific information from the impairment test sensitivity analysis is not included.

Based on the results of the impairment test performed on the CGU in Australia, the Group recognised impairment of Euros 13 million for goodwill in 2011.

At 31 December 2011 Grifols' stock market capitalisation totals Euros 3,723 million.

(8) Other Intangible Assets

Details of other intangible assets and movement during the years ended 31 December 2011 and 2010 are included in Appendix II, which forms an integral part of these notes to the consolidated annual accounts.

At 31 December 2011 other intangible assets include a provisional amount of Euros 909 million (US Dollars 1,177 million) reflecting the carrying amount of the products purchased from Talecris and currently commercialised by the Group. These products were allocated to the business combination at a fair value of US Dollars 1,200 million (see note 3(a)).

The cost of fully-amortised intangible assets in use at 31 December 2011 and 2010 is Euros 63,899 thousand and Euros 57,203 thousand, respectively.

The Group has recognised Euros 11,290 thousand (Euros 9,963 thousand at 31 December 2010) as self-constructed assets.

At 31 December 2011 the Group has licenses with indefinite useful lives under intangible assets for a carrying amount of Euros 25,283 thousand (Euros 24,691 thousand at 31 December 2010). The Group has also an amount of Euros 17,372 thousand as costs of development in progress (Euros 11,492 thousand at 31 December 2010).

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

At 31 December 2011, the Group has commitments to purchase intangible assets amounting to Euros 452 thousand.

Impairment testing:

Indefinite-lived intangible assets have been allocated to the cash-generating unit (CGU) of the bioscience segment. These assets have been tested for impairment together with goodwill.

(9) Property, Plant and Equipment

Details of property, plant and equipment and movement in the consolidated balance sheet at 31 December 2011 and 2010 are included in Appendix III, which forms an integral part of this note to the consolidated annual accounts.

Property, plant and development under construction at 31 December 2011 and 2010 mainly comprise investments made to extend the companies' equipments and to increase their productive capacity.

a) Mortgaged property, plant and equipment

At 31 December 2010 certain land and buildings had been mortgaged for Euros 49,316 thousand to secure payment of certain loans, which were repaid during 2011 (see note 22).

b) Insurance

Group policy is to contract sufficient insurance coverage for the risk of damage to property, plant and equipment. At 31 December 2011 the Group has a combined insurance policy for all Group companies, which adequately covers the carrying amount of all the Group's assets.

c) Revalued assets

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

At 31 December 2011 revalued assets total Euros 58,914 thousand.

d) Assets under finance lease

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

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

The Group has contracted the following types of property, plant and equipment under finance leases at 31 December 2011:

	Thousands of Euros		
Asset	Cost	Accumulated depreciation	Net value
Land and buildings	3,687	(1,175)	2,512
Technical installations and other property, plant and equipment	33,398	(5,744)	27,654
	37,085	**(6,919)**	**30,166**

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

During 2011 the Group signed a number of contracts for the sale and leaseback of a production plant and the corresponding machinery and other equipments to third party companies California Biogrif 330, LP and LA 300 Biological Financing, LP, respectively. The Group also entered into a 99-year lease contract with the same lessor for the land on which the plant sold is built. The lease for the plant has been considered as an operating lease while the lease for the machinery and other equipments has been considered a finance lease, taking into account the terms of the related purchase option (see note 9h (ii)).

e) Fully-depreciated assets

The cost of fully depreciated property, plant and equipment in use at 31 December 2011 and 2010 is Euros 113,567 thousand and Euros 98,978 thousand, respectively.

f) Self – constructed non-current assets

At 31 December 2011 the Group has recognised Euros 23,258 thousand as work carried out for property, plant and equipment (Euros 23,550 thousand at 31 December 2010).

g) Purchase commitments

At 31 December 2011 the Group has property, plant and equipment purchase commitments amounting to Euros 26,950 thousand (Euros 6,148 thousand at 31 December 2010).

h) Sale and leaseback operations

(i) Sale and leaseback of Spanish properties

On 10 May 2011 the Group sold five properties located in Spain to Gridpan Invest, S.L., a wholly owned subsidiary of Scranton Enterprises, B.V., a shareholder of Grifols, S.A., for Euros 80.4 million (see notes 17 and 33). These properties related to non-strategic assets such as offices, warehouses and factory premises. Two of the properties were sold in conjunction with their related mortgage loans, which amounted to Euros 53.5 million.

As a result of this operation, the Group incurred a net loss of Euros 7.4 million, which includes Euros 2 million in brokerage fees paid to a related company (see note 33). The prices paid for the properties were established based on the appraisals performed by independent appraisers.

At the same time, operating lease agreements for the aforementioned properties were entered into with Gridpan Invest, S.L., the main terms of which were as follows:

- Compulsory initial term of five years
- Initial rent established at market prices and subject to annual review, based on the percentage variation in the Spanish Consumer Price Index (CPI)
- Automatic extensions for five-year periods that can be avoided by both parties by a six month anticipated notice.
- Upon vacating the premises, Grifols will be compensated by the lessor for any on-site assets in which it has invested, insofar as these have a residual value and are not recoverable by Grifols.

Grifols also signed a purchase option on the shares of Gripdan Invest, S.L., which is exercisable between 10 May 2016 and 10 May 2017 and for which no consideration was required. The exercise price will be calculated as the exercise date market value, as determined by independent appraisers.

The lease expense incurred by the Group in 2011 for these contracts amounted to Euros 4,909 thousand, coinciding fully with the minimum contractually-agreed payments.

(ii) Sale and leaseback of properties, machinery and other equipment in the USA

Los Angeles, CA, USA

On 9 June 2011 the Group signed various contracts for the sale and leaseback of a production plant located in Los Angeles, CA, USA with its machinery and other equipment to institutional investors California Biogrif 330, LP and LA 300 Biological Financing, LP, respectively. The Group also signed a 99 year lease contract with the same lessor for the land on which the sold plant is built. An amount of US Dollars 35.4 million (Euros 24.6 million) was received for the sale of the plant, whilst an amount of US Dollars 23.8 million (Euros 16.5 million) was received for the sale of the machinery and other equipment.

The plant lease has been considered an operating lease whilst the lease on the machinery and other equipment is considered a finance lease in accordance with the terms of the purchase option. As a result of the sale of the plant, the Group has incurred a net loss of US Dollars 2.4 million (Euros 1.3 million), mainly due to the expenses incurred by the Group during the operation.

The main terms of the plant operating lease contract are as follows:

- Compulsory initial term of 20 years
- Initial rent established at market prices and subject to an annual 3% increase. On the first day of the sixth year, the rent remaining up until the 20th year will be paid in advance.
- Option to extend the lease by a ten-year period at the discretion of the Grifols Group.
- Awarding of purchase options in the sixth and 20th years at a market price to be determined by independent appraisers.

The main terms of the finance lease contract for the machinery and other equipment are: a compulsory term of five years and sixty (60) monthly payments of US Dollars 529 thousand (Euros 369 thousand). The lease contract is non-extendable and anticipates the repurchase of the machinery and other equipment for the amount of US Dollars 1 on expiry of the lease term.

The rental expense incurred by the Group in 2011 for the operating contracts amounted to US Dollars 1,496 thousand (Euros 1,076 thousand), coinciding fully with the minimum contractually-agreed payments.

North Carolina, NC, USA

On 29 December 2011, the Group signed a number of contracts for the sale and leaseback of certain buildings and equipment under construction (jointly denominated "New Fractionation Facility" or "NFF"), located in Clayton, North Carolina (USA), with the related company Scranton Enterprises USA, Inc, (hereinafter "Scranton") (see note 33).

The sale price was USD 199 million (Euros 152 million), which has been collected as follows:

- In December 2011 the Group received USD 115 million (Euros 88 million).
- The Group is pending receipt of USD 84 million (Euros 65 million), before 30 June 2012 (see note 13). This balance is not subject to interest.

As a result of the transaction, the Group has incurred a net loss of US Dollars 12.1 million (Euros 8,9 million), primarily due to the brokerage fees paid to a related company, which amounted to US Dollars 10 million (see note 33).

The main terms of the operating lease contract for the building are as follows:

- Initial mandatory lease period: eight years.
- The annual rent has been established at a minimum of USD 20.5 million, subject to annual increases in line with inflation.
- Option enabling Grifols to renew and extend the contract for a further five years.
- Automatic renewal for additional five-year periods unless one of the parties gives six months' notice to the contrary.
- Upon vacating the premises, Grifols will be compensated by the lessor for any on-site assets in which it has invested, insofar as these have a residual value and are not recoverable by Grifols.
- Scranton Enterprises USA Inc. has required Grifols to lodge a cash or bank guarantee of US Dollars 25 million.

The main terms of the lease contract for the land on which the NFF building is located are as follows:

- Initial lease period: 99 years
- The annual rent has been established at a minimum of USD 1 per year.

Grifols also contracted a purchase option on the shares of Scranton Investments, B.V., a shareholder of Scranton Enterprises USA, Inc. This option, which has a cost of US Dollars 4 million (see note 32), can be exercised on the date on which the license is granted by the Food and Drug Administration (FDA), at five and ten years from that date, and on the expiry date of the lease contract. The purchase price will vary depending on the market value determined on the date the option is exercised.

(10) Equity-Accounted Investments

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

	Thousands of Euros					
	Balances at 31/12/09	Attributable profit/loss	Disposals	Acquisition	Translation differences	**Balances at 31/12/10**
Equity-accounted Investments	383	(879)	(463)	1,472	85	598

On 9 November 2010, the Group sold the interest that Diagnostic Grifols, S.A. had in Quest International, Inc. at a sale price of Euros 621 thousand.

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

Details of and movement in this caption of the consolidated balance sheet at 31 December 2011 are as follows:

	Thousands of Euros			
	Balances at 31/12/10	Attributable profit/loss	Acquisitions	**Balances at 31/12/11**
Equity accounted investments	598	(1,064)	1,467	1,001

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

			Thousands of Euros			
	Country	**Percentage ownership**	**Assets**	**Liabilities**	**Equity**	**Result**
31/12/2010						
Nanotherapix, S.L.	Spain	51%	2,375	1,212	1,163	(312)
			2,375	1,212	1,163	(312)
31/12/2011						
Nanotherapix, S.L.	Spain	51%	3,364	1,401	1,963	(672)
			3,364	1,401	1,963	(672)

(11) Non-Current Financial Assets

Details of this caption of the consolidated balance sheet at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	**31/12/10**
Non-current guarantee deposits	3,555	1,217
Assets available for sale	0	535
Non-current derivatives (note 32)	3,091	0
Loans to third parties	5,755	5,783
Total non-current financial assets	**12,401**	**7,535**

At 31 December 2010 loans to third parties primarily comprise three mortgage loans extended to the owners of several plasma centres. These loans have a term of 20 years, bear interest at fixed rates and have been secured with mortgage collateral and personal guarantees.

(12) Inventories

Details of inventories at 31 December are as follows:

	Thousands of Euros	
	2011	2010
Goods for resale	89,562	64,724
Raw materials and other supplies	360,977	161,902
Work in progress and semi-finished goods	390,813	204,776
Finished goods	224,531	101,047
	1,065,883	532,449
Less, obsolescence provision	(35,542)	(4,584)
	1,030,341	527,865

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

	Thousands of Euros	
	2011	2010
Inventories of goods for resale		
Net purchases	240,421	56,542
Changes in inventories	(37,769)	5,237
	202,652	61,779
Raw materials and supplies		
Net purchases	235,119	225,994
Changes in inventories	(7,013)	13,864
	228,106	239,858
Inventories provision	794	3,181
Supplies	431,552	304,818
Changes in inventories of finished goods and work in progress	28,611	(47,082)
Inventories provision	6,539	1,333
Changes in inventories of finished goods and work in progress	35,150	(45,749)
Changes in inventories of finished goods and work in progress and supplies	466,702	259,069

* Expenses/(Income)

Changes in goods for resale during 2011 and 2010 are as follows:

	Thousands of Euros	
	2011	2010
Goods for resale at 1 January	64,724	65,718
Increase/(Decrease) in goods for resale	37,769	(5,237)
Translation differences	(12,931)	4,243
Goods for resale at 31 December	89,562	64,724

Changes in inventories of raw materials and supplies during 2011 and 2010 have been as follows:

	Thousands of Euros	
	2011	2010
Inventories of raw materials at 1 January	161,902	170,987
Business combinations	172,942	0
Net cancellations for the year	(1,564)	0
Increase/(Decrease) in raw materials	7,013	(13,864)
Transaction costs on the acquisition of Talecris	0	(2,041)
Translation differences	20,684	6,820
Inventories of raw materials at 31 December	360,977	161,902

Changes in inventories of finished goods and work in progress during 2011 and 2010 are as follows:

	Thousands of Euros	
	2011	2010
Inventories of finished goods and work in progress at 1 January	305,823	247,757
Business combinations	317,037	0
Net cancellations for the year	(16,038)	0
Increase/(Decrease) in inventories of finished goods and work in progress	(28,611)	47,082
Translation differences	37,133	10,984
Inventories of finished goods and work in progress at 31 December	615,344	305,823

Net purchases include purchases made in the following foreign currencies:

	Thousands of Euros	
	2011	2010
Currency		
US Dollar	320,535	145,584
Other currencies	8,273	6,569

Movement in the inventory provision was as follows:

	Thousands of Euros	
	2011	2010
Balance at 1 January	4,584	0
Net charge for the year	7,333	4,514
Business combinations	37,668	0
Net cancellations for the year	(17,315)	0
Translation differences	3,272	70
Balance at 31 December	35,542	4,584

(13) Trade and Other Receivables

Details at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Trade receivables	**408,263**	**224,355**
Debtors, sundry	91,976	31,012
Associates	17	5
Personnel	294	366
Advances for fixed assets	228	494
Other advances	5,843	3,265
Public entities, other receivables	10,258	8,890
Other receivables	**108,616**	**44,032**
Current income tax assets	**15,110**	**14,607**
	531,989	282,994

Trade receivables

Trade receivables, net of the provision for bad debts, include notes receivable discounted at banks and pending maturity at 31 December 2011, which amount to Euros 1,153 thousand (Euros 1,396 thousand at 31 December 2010) (see note 22).

Trade receivables include balances in the following foreign currencies:

	Thousands of Euros	
	31/12/11	31/12/10
Currency		
US Dollar	149,059	52,466
Chilean Peso	12,574	17,008
Mexican Peso	11,982	10,583
Argentinean Peso	4,919	4,075
Brazilian Real	3,339	4,616
Czech Crown	2,658	3,030
Pound Sterling	3,017	3,116
Thai Baht	1,514	1,842
Polish Zloty	2,668	2,379
Australian Dollar	2,648	3,769
Other currencies	2,071	2,412

Other receivables

Other receivables at 31 December 2011 and 2010 include:

Euros 7,988 thousand (Euros 6,639 thousand at 31 December 2010) reflecting delay interest receivable from social security-affiliated bodies.

USD 84 million (Euros 65 million) receivable from Scranton Enterprises USA, Inc in respect of the sale of the property included in the NFF transaction (see note 9). This amount has been restated at 31 December 2011 as it does not accrue interest and consequently the balance receivable totals Euros 63 million.

During 2011 and 2010 certain Spanish companies of the Grifols Group have sold receivables from several public entities, without recourse, to Deutsche Bank, S.A.E. Under these contracts, the Group receives an initial payment which usually amounts to approximately 90% of the nominal amount of the receivables sold less the associated transaction costs. The deferred collection (equivalent to the rest of the nominal amount) will be made by the Group once Deutsche Bank has collected the nominal amount of the receivables (or the interest, if the balances are received after more than 36 months, depending on the terms of each particular contract) and this amount is recognised in the balance sheet as a balance receivable from Deutsche Bank. At 31 December 2011 Euros 19,286 thousand is receivable in this respect (Euros 19,504 thousand at 31 December 2010). Deutsche Bank makes the initial payment when the sale is completed and therefore, the bad debt risk associated with this part of the nominal amount of the receivables is transferred. The Group has transferred the credit risk and control of the receivables to Deutsche Bank and has therefore derecognised the asset transferred, as the risks and rewards inherent to ownership have not been substantially retained.

Certain foreign group companies and one Spanish company have also entered into a contract to sell receivables without recourse to various financial institutions.

Total balances receivable without recourse sold to financial institutions through the aforementioned contracts in 2011 amount to Euros 157 million at 31 December 2011 (Euros 185.2 million in 2010).

The finance cost of these operations for the Group totals approximately Euros 6,185 thousand which has been recognised under finance costs in the consolidated income statement for 2011 (Euros 5,378 thousand in 2010) (see note 28).

Details of balances with related parties are shown in note 33.

Receivables from public entities are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Taxation authorities, VAT	9,258	8,191
Social Security	82	85
Other public entities	918	614
Public entities, other receivables	10,258	8,890

Current tax assets

Current tax assets are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Recoverable income tax:		
Current year	9,528	9,352
Prior years	5,582	5,255
Current tax assets	15,110	14,607

(14) Other Current Financial Assets

Details of this caption of the consolidated balance sheet at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	**31/12/10**
Current investments	10,608	12,387
Guarantee deposits	-	44
Current loans to third parties	2,677	515
Financial derivatives (note 32)	3,619	-
Total other current financial assets	16,904	12,946

"Current financial investments" comprise current guarantee deposits held in financial institutions.

(15) Other Current Assets

Details of this caption of the consolidated balance sheet at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	**31/12/10**
Prepaid expenses – professional services	2,188	72,983
Prepaid expenses – insurance	1,276	3,508
Royalties and rentals	1,759	2,589
Other prepaid expenses	4,172	1,548
Total other current assets	9,395	80,628

At 31 December 2010 prepaid expenses for professional services primarily comprised costs relating to the share capital increase, which were taken to equity when the capital increase was performed. Additionally, this item also includes costs relating to the issue of senior debt and corporate bonds were deducted from the financial liability when recognised (2 June 2011) (see note 22).

(16) Cash and Cash Equivalents

Details of this caption of the consolidated balance sheet at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	**31/12/10**
Current deposits	52,908	211,564
Cash and Banks	287,678	28,085
Total cash and cash equivalents	340,586	239,649

The Group has performed certain financing and/or investment operations that have not required the use of cash or cash equivalents:

- The Group sold properties in Spain and the US for an amount of Euros 214 million (excluding the outstanding balance of Euros 63 million). These properties had mortgages of Euros 53.5 million and the net cash inflow for these transactions amounts to Euros 160 million (see note 9).
- Part of the payment for the acquisition of Talecris was made through the distribution of Class B shares (see note 3). The issue of Class B shares has had no impact on cash.

Details of cash and cash equivalents at 31 December 2011 and 2010 by currency are as follows:

	Thousands of Euros	
	31/12/11	**31/12/10**
Currency		
Euro	105,308	4,268
US Dollar	225,053	202,942
Other currency	10,225	32,439
	340,586	239,649

(17) Equity

Details of consolidated equity and changes are shown in the consolidated statement of changes in equity, which forms an integral part of this note to the consolidated annual accounts.

(a) Share capital

At the extraordinary general shareholders' meeting held on 25 January 2011, the shareholders of Grifols agreed to increase share capital by issuing 83,811,688 new shares without voting (Class B shares) rights to complete the acquisition of Talecris. The Class B non-voting shares were listed on the NASDAQ (USA) and the Spanish Automated Quotation System (SIBE/Continuous Market).

At the extraordinary general shareholders' meeting held on 2 December 2011, the shareholders of Grifols agreed to increase share capital with a charge to voluntary reserves by issuing 29,687,658 new shares without voting rights to remunerate the shareholders.

On 1 June 2011 the Company announced that the "Nota sobre Acciones" (Securities Note) requested for the flotation of Class B Shares was registered. Grifols requested the flotation of the Class B Shares on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia, as well as on the Spanish Automated Quotation System ("mercado continuo") and, through the American Depositary Shares (ADSs), on the National Association of Securities Dealers Automated Quotation (NASDAQ). The trading of Class B Shares on the Spanish Automated Quotation System and the ADSs on the NASDAQ started on 2 June 2011.

At 31 December 2011, the Company's share capital amounts to Euros 117,882,384 and comprises:

- Class A shares: 213,064,899 ordinary shares of Euros 0.50 par value each, subscribed and fully paid and of the same class and series.
- Class B shares: 113,499,346 non-voting preference shares of 0.10 Euros par value each, of the same class and series, and with the preferential rights set forth in the Company's by-laws.

The fair value of the Class B shares issued in June 2011 has been estimated based on their market value during the first few weeks of listing as they were first listed on 2 June 2011. The positive difference, totalling Euros 52,864 thousand, arises from the difference between their fair value assigned by deed (Euros 776,935 thousand) and their fair value (Euros 829,799 thousand), and has been recognised in reserves.

The main characteristics of the Class B shares are as follows:

• Each Class B share entitles its holder to receive a minimum annual preferred dividend out of the distributable profits at the end of each year equal to Euros 0.01 per Class B share if the aggregate preferred dividend does not exceed the distributable profits for that year and provided that the distribution of dividends has been approved by the Company's shareholders. This preferred dividend is not cumulative if no sufficient distributable profits are obtained in the year.

• Each Class B share is entitled to receive, in addition to the preferred dividend referred to above, the same dividends and other distributions as one Grifols ordinary share.

• Each Class B share entitles the holder to its redemption under certain circumstances, if a tender offer for all or part of the shares in the Company has been made, except if holders of Class B shares have been entitled to participate in such an offer on the same terms as holders of Class A shares. The redemption terms and conditions reflected in the Company's by-laws limit the amount that may be redeemed, requiring that sufficient distributable reserves be available, and limit the percentage of shares to be redeemed in line with the ordinary shares to which the offer is addressed.

• In the event the Company were to be wound up and liquidated, each Class B share entitles the holder to receive, before any amounts are paid to holders of ordinary shares, an amount equal to the sum of (i) the par value of each Class B share, and (ii) the share premium paid for the Class B share when it was subscribed. Each holder is entitled to receive, in addition to the Class B liquidation preference amount, the same liquidation amount that is paid for each ordinary share.

These shares are freely transferable.

The Company only has information on the identity of its shareholders when this information is provided voluntarily or to comply with prevailing legislation. Based on the information available to the Company, its most significant shareholders with voting shares at 31 December 2011 and 2010 are as follows:

	Percentage ownership	
	31/12/11	31/12/10
Capital Research and Management Company	15.02%	10.02%
Other	84.98%	89.98%
	100.00%	100.00%

(b) Share premium

Movement in the share premium is described in the consolidated statement of changes in equity, which forms an integral part of this note to the consolidated annual accounts.

(c) Accumulated gains

The drawdown of accumulated gains is subject to legislation applicable to each of the Group companies. At 31 December 2011, Euros 29,705 thousand equivalent to the carrying amount of development costs pending amortisation of certain Spanish companies (Euros 28,876 thousand at 31 December 2010) (see note 8) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortised.

(d) Other reserves

At 31 December 2011 and 2010 other reserves include the EU-IFRS first-time adoption revaluation reserves and legal reserve of certain Group companies.

Legal reserve

Companies in Spain are obliged to transfer 10% of each year‘s profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase.

At 31 December 2011 the legal reserve of the Company has been fully appropriated and amounts to Euros 21,306 thousand (Euros 21,306 thousand at 31 December 2010).

Distribution of the legal reserves of Spanish companies is subject to the same restrictions as those of the Company and at 31 December 2011 and 2010 the balance of the legal reserve of other Spanish companies amounts to Euros 2,106 thousand.

Other foreign Group companies have a legal reserve amounting to Euros 687 thousand (Euros 692 thousand at 31 December 2010).

(e) Treasury shares

Details of Class A treasury shares at 31 December 2011 and 2010 are as follows:

	No. of shares	Thousands of Euros
Balance at 1 January 2010	53,326	677
Acquisitions during 2010	105,000	1,250
Balance at 31 December 2010 and 2011	158,326	1,927

The Parent holds Class A treasury shares equivalent to 0.05% of its capital at 31 December 2011 (0.07% at 31 December 2010).

The Company has received 15,832 Class B shares from the share capital increase approved by the shareholders at the extraordinary general shareholders' meeting held on 2 December 2011 (see section (a) of this note).

(f) Distribution of profits

The profits of Grifols, S.A. and subsidiaries will be distributed as agreed by respective shareholders at their general meetings.

The board of directors will propose to the shareholders at their annual general meeting that the profit of Grifols, S.A. for the year ended 31 December 2011, amounting to Euros 167 thousand, be transferred to reserves (accumulated gains).

The distribution of the profit for the year ended 31 December 2010 is presented in the consolidated statement of changes in equity.

The dividend per share distributed in July 2010 is as follows:

	31/07/2010		
	Thousands of Euros		
	% of par value	Euro per share	Amount
Ordinary shares	26	0,13	27,229
Total dividends paid in July 2010	26	0,13	27,229

(g) Cash flow hedges

In June and October 2011 Grifols contracted variable to fixed interest-rate swaps for initial nominal amounts of US Dollars 1,550 million and Euros 100 million, respectively, to hedge interest-rate risk on its senior debt. The Group has recognised these financial derivatives as cash flow hedges (see notes 5 (a) and 32).

(18) Earnings per Share

The calculation of basic earnings per share is based on the profit for the year attributable to the shareholders of the Parent divided by the weighted average number of ordinary shares in circulation throughout the year, excluding treasury shares.

Details of the calculation of basic earnings per share are as follows:

	2011	2010
Profit for the year attributable to equity instrument holders of the Parent (thousands of Euros)	50,307	115,513
Weighted average number of ordinary shares in circulation	264,566,898	212,909,162
Basic earnings per share (Euros per share)	0.19	0.54

The weighted average number of ordinary shares issued is determined as follows:

	Number of shares	
	2011	**2010**
Issued ordinary shares at 1 January	212,906,573	213,011,573
Effect of shares issued	51,660,325	-
Effect of treasury shares	-	(102,411)
Average weighted number of ordinary shares issued at 31 December	264,566,898	212,909,162

Diluted earnings per share are calculated by dividing profit for the year attributable to shareholders of the Parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares. At 31 December 2011 and 2010 basic and diluted earnings per share are the same as no potential diluting effects exist.

(19) Non-controlling Interests

Details of non-controlling interests and movement at 31 December 2010 are as follows:

	Thousands of Euros				
	Balances at 31/12/09	Additions	Disposals	Translation differences	**Balances at 31/12/10**
Grifols (Thailand) Pte Ltd	1,203	367	(108)	255	1,717
Grifols Malaysia Sdn Bhd	303	302	-	76	681
Woolloomooloo Holdings Pty Ltd.	10,651	(915)	(158)	2,374	11,952
	12,157	(246)	(266)	2,705	14,350

Details of non-controlling interests and movement at 31 December 2011 are as follows:

	Thousands of Euros					
	Balances at 31/12/10	Additions	Disposals	Acquisition of non-controlling interest	Translation differences	**Balances at 31/12/11**
Grifols (Thailand) Pte Ltd	1,717	197	(108)	0	(36)	1,770
Grifols Malaysia Sdn Bhd	681	38	0	0	(2)	717
Woolloomooloo Holdings Pty Ltd. (note 3)	11,952	(314)	(105)	(11,645)	112	0
	14,350	(79)	(213)	(11,645)	74	2,487

(20) Grants

Details are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Capital grants	1,158	1,830
Interest-rate grants (preference loans)	208	258
Grants	1,366	2,088

Details of capital grants are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Total amount of capital grant:		
Prior years	5,797	5,474
Current period	347	323
	6,144	5,797
Less, revenues recognised:		
Prior years	(3,752)	(3,140)
Current year	(1,029)	(612)
	(4,781)	(3,752)
Translation differences	(205)	(215)
Net value of capital grants	1,158	1,830

At 31 December 2011 interest-rate grants (preference loans) include Euros 208 thousand (Euros 258 thousand at 31 December 2010) of implicit interest on loans extended by the Spanish Ministry of Science and Technology as these are interest free.

Movement for 2010 is as follows:

	Balances at 31/12/09	Additions	Transfers to profit or loss	**Balances at 31/12/10**
Interest-rate grants (preference loans)	286	88	(116)	258

Movement for 2011 is as follows:

	Balances at 31/12/10	Additions	Transfers to profit or loss	**Balances at 31/12/11**
Interest-rate grants (preference loans)	258	225	(275)	208

(21) Provisions

Details of provisions at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
Non-current provisions (a)	31/12/11	31/12/10
Provisions for pensions and similar obligations	8,554	787
Other provisions	2,498	591
Non-current provisions	11,052	1,378

	Thousands of Euros	
Current provisions (b)	31/12/11	31/12/10
Trade provisions	81,112	4,365
Current provisions	81,112	4,365

(a) Non-current provisions

At 31 December 2011 and 2010 provisions for pensions and similar obligations mainly comprise a provision made by certain foreign subsidiaries in respect of labour commitments with certain employees.

Movement in provisions during 2010 is as follows:

	Thousands of Euros				
	Balances at 31/12/09	Charge	Write – off	Translation differences	**Balances at 31/12/10**
Non-current provisions	1,232	140	(71)	77	1,378
	1,232	140	(71)	77	1,378

Movement in provisions during 2011 is as follows:

	Thousands of Euros					
	Balances at 31/12/10	Business Combination	Charge	Cancellations	Translation differences	**Balances at 31/12/11**
Non-current provisions	1,378	9,250	1,848	(2,254)	830	11,052
	1,378	9,250	1,848	(2,254)	830	11,052
		(note 3 (a))				

Business combinations primarily comprise provisions for pensions and other similar items.

(b) Current provisions

Movement in trade provisions during 2010 is as follows:

	Thousands of Euros				
	Balances at 31/12/09	Charge	Cancellations	Translation differences	**Balances at 31/12/10**
Trade provisions	4,702	41	(414)	36	4,365
	4,702	41	(414)	36	4,365

Movement in trade provisions during 2011 is as follows:

	Thousands of Euros					
	Balances at 31/12/10	Business Combination	Charge	Cancellations	Translation differences	**Balances at 31/12/11**
Trade provisions	4,365	67,965	2,045	(1,117)	7,854	81,112
	4,365	67,965	2,045	(1,117)	7,854	81,112
		(note 3 (a))				

Trade provisions primarily reflect the amount estimated to cover the risk relating to certain lawsuits in progress.

(22) Financial Liabilities

This note provides information on the contractual conditions of the loans obtained by the Group, which are measured at amortised cost, except the financial derivatives, which are measured at fair value. For further information on exposure to interest rate risk, currency risk and liquidity risk and the fair values of financial liabilities, please refer to note 32.

(a) Non-current financial liabilities

Details at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
Non-current financial liabilities	**31/12/11**	**31/12/10**
Issue of corporate bonds	0	446,918
Issue of Senior Unsecured Notes	850,143	0
Transaction costs of bond issue	(113,620)	(5,715)
Non-current bonds (a.1.1)	736,523	441,203
Senior Debt - Tranche A (US Dollars)	840,482	0
Senior Debt -Tranche B (US Dollars)	989,644	0
Senior Debt -Tranche A (Euros)	199,375	0
Senior Debt - Tranche B (Euros)	216,700	0
Embedded floor	(52,139)	0
Transaction costs on loan	(172,638)	(1,365)
Club Deal	0	100,000
Other loans	26,661	120,813
Finance lease liabilities (a.1.3)	24,617	4,734
Debt with financial institutions (a.1.2)	2,072,702	224,182
Loans and borrowings, bonds and other marketable securities (a.1)	**2,809,225**	**665,385**
Financial derivatives (note 32)	127,875	0
Other financial liabilities	8,688	10,474
Other non-current financial liabilities (a.2)	**136,563**	**10,474**
	2,945,788	**675,859**

(a.1) Loans and borrowings, bonds and other marketable securities

(a.1.1) Non-current bonds

On 13 January 2011, the Group closed its scheduled issue of High Yield Senior Unsecured Notes for an amount of US Dollars 1,100 million, with a seven-year maturity period (2018) and an annual coupon of 8.25%. This issue, in conjunction with the already completed syndicated loan described in paragraphs below enabled the Group to obtain the necessary funds to finance the acquisition of Talecris (see note 3) on 2 June 2011.

On 2 June 2011 and in accordance with the requirements of the new credit agreement, the Group cancelled corporate bonds amounting to US Dollars 600 million and recognised all the transaction-related costs in profit and loss. The costs of cancelling the corporate bonds amount to Euros 112 million. These costs have been included as transaction costs as this was one of the necessary requirements for obtaining additional financing. These costs, in conjunction with other expenses incurred on the debt issue (underwriting fees, ticking fees, closing fees, etc.), amounting to Euros 240 million, have been deferred as transaction costs and will be recognised in profit and loss based on the effective interest rate. The finance expense corresponding to transaction costs taken to profit and loss in 2011 amounted to Euros 36.5 million.

Details of the high yield senior unsecured notes issued are as follows:

	Outstanding opening balance at 01/01/11	Issues	Repurchases or returns	Exchange rate adjustments and others	Outstanding closing balance at 31/12/11
Corporate bonds issued in 2010	446,918		(415,270)	(31,648)	
High Yield Senior Unsecured(par value)		761,088		89,055	850,143
Total	446,918	761,088	(415,270)	57,407	850,143

(a.1.2) Debt with financial institutions

On 23 November 2010 the Company signed senior debt contracts of US Dollars 3,400 million for the acquisition of Talecris. Details of this collateralised senior debt are as follows:

- **Non-current senior debt Tranche A:** loan repayable in five years and divided into two tranches: US Tranche A and Tranche A in a foreign currency.

  - US Tranche A:
    - Principal totalling US Dollars 1,200 million
    - Margin of 375 basis points (bp) linked to US Libor
    - US Libor floor of 1.75%

  - Tranche A in foreign currency:
    - Principal totalling Euros 220 million.
    - Margin of 400 basis points (bp) linked to Euribor
    - Euribor floor of 1.75%

Details of the Tranche A principal by maturity are as follows:

	Tranche A in US Dollars			Tranche A in Euros	
Maturity	Currency	Amortization in thousands of US Dollars	Amortization in thousands Euros	Currency	Amortization in thousands Euros
2012	US Dollars	112,500	86,946	Euros	20,625
2013	US Dollars	127,500	98,539	Euros	23,375
2014	US Dollars	180,000	139,114	Euros	33,000
2015	US Dollars	585,000	452,121	Euros	107,250
2016	US Dollars	195,000	150,708	Euros	35,750
Total	US Dollars	1,200,000	927,428	Euros	220,000

- **Non-current senior debt Tranche B:** Six-year loan (payment of total principal on maturity) divided into two tranches: US Tranche B and Tranche B in a foreign currency.

  – **US Tranche B:**
    - Principal of US Dollars 1,300 million
    - Margin of 425 basis points (bp) linked to US Libor
    - US Libor floor of 1.75%

  – **Tranche B in foreign currency:**
    - Principal of Euros 220 million.
    - Margin of 450 basis points (bp) linked to Euribor
    - Euribor floor of 1.75%

Details of the Tranche B principal by maturity are as follows:

	Tranche B in US Dollars			Tranche B in Euros	
Maturity	Currency	Amortization in thousands of US Dollars	Amortization in thousands Euros	Currency	Amortization in thousands Euros
2012	US Dollars	13,000	10,047	Euros	2,200
2013	US Dollars	13,000	10,047	Euros	2,200
2014	US Dollars	13,000	10,047	Euros	2,200
2015	US Dollars	13,000	10,047	Euros	2,200
2016	US Dollars	9,750	7,535	Euros	1,650
2017	US Dollars	1,231,750	951,968	Euros	208,450
Total	US Dollars	1,293,500	999,691	Euros	218,900

- **Senior revolving credit facility**: Amount of US Dollars 300 million maturing on 1 June 2016. At 31 December 2011 no amount has been drawn down on this facility. This facility has a floor of 1.75% of the reference lending rate.

  – **US revolving credit facility**
    - Amount committed: US Dollars 50 million
    - Margin of 375 basis points

  – **US multicurrency revolving credit facility:**
    - Amount committed: US Dollars 200 million
    - Margin of 375 basis points

  – **Foreign currency revolving credit facility:**
    - Amount committed: US Dollars 50 million
    - Margin of 400 basis points

The issue of Senior Unsecured Notes and senior debt is subject to compliance with certain financial covenants. At 31 December 2011 the Group complies with these financial covenants.

Grifols will not be able to distribute dividends while the leverage ratio (net financial debt/adjusted EBITDA) is higher 3.75, with a limit of US Dollars 10 million each year (see note 36).

Grifols, S.A., Grifols Inc. and other significant group companies, act as guarantor for the corporate bonds (HYB). Significant group companies are those companies that contribute 85% of earnings before interest, tax, depreciation and amortisation (EBITDA), 85% of the Group's consolidated assets and 85% of total revenues, and those companies that represent more than 3% of the above mentioned indicators.

The Company and Grifols Inc. have pledged their assets as collateral, and the shares of certain group companies have been pledged, to guarantee repayment of the senior debt.

The Club Deal and other loans amounting to Euros 297 million were cancelled on 2 June 2011. All deferred costs associated with this cancelled debt were recognised as finance expenses in conjunction with the hedge derivative related to the issue of corporate bonds in September 2009. Total expenses incurred for these items amount to Euros 9.4 million.

(a.1.3) Finance lease liabilities

Details of minimum payments and the current finance lease liabilities, by maturity date, are as follows:

	Thousands of Euros			
	31/12/11		**31/12/10**	
	Current	Non-current	Current	Non-current
Minimum payments	9,886	29,925	3,552	5,089
Interest	(2,784)	(5,308)	(272)	(355)
Present value	7,102	24,617	3,280	4,734

	Thousands of Euros					
	31/12/11			**31/12/10**		
	Minimum payments	Interest	Present value	Minimum payments	Interest	Present value
Maturity at:						
Less than one year	9,886	2,784	7,102	3,552	272	3,280
Two years	8,921	2,251	6,670	2,411	161	2,250
Three years	8,185	1,573	6,612	1,271	96	1,175
Four years	6,780	929	5,851	763	50	713
Five years	3,614	341	3,273	314	23	291
More than five years	2,425	214	2,211	330	25	305
Total	39,811	8,092	31,719	8,641	627	8,014

(a.2) Other non-current financial liabilities

Details of the interest-free preference loans extended by the Spanish Ministry of Science and Technology, to various group companies are as follows:

		Thousands of Euros				
			31/12/11		31/12/10	
Company	Date awarded	Amount awarded	Non-current	Current	Non-current	Current
Instituto Grifols S.A	13/02/2002	691	--	--	--	94
Instituto Grifols S.A	17/01/2003	1,200	--	165	157	165
Instituto Grifols S.A	13/11/2003	2,000	266	279	520	279
Instituto Grifols S.A	17/01/2005	2,680	702	375	1,031	375
Instituto Grifols S.A	29/12/2005	2,100	787	287	1,025	288
Instituto Grifols S.A	29/12/2006	1,700	831	234	1,015	234
Instituto Grifols S.A	27/12/2007	1,700	994	232	1,164	232
Instituto Grifols S.A	31/12/2008	1,419	1,026	195	1,175	--
Instituto Grifols S.A	16/01/2009	1,540	1,217	212	1,294	--
Instituto Grifols S.A	17/01/2001	700	529	--	--	--
Laboratorios Grifols, S.A	29/01/2002	210	--	--	--	29
Laboratorios Grifols, S.A	15/01/2003	220	--	30	29	30
Laboratorios Grifols, S.A	26/09/2003	300	39	41	76	41
Laboratorios Grifols, S.A	22/10/2004	200	52	28	77	28
Laboratorios Grifols, S.A	20/12/2005	180	67	25	88	25
Laboratorios Grifols, S.A	29/12/2006	400	191	54	233	54
Laboratorios Grifols, S.A	27/12/2007	360	181	42	212	42
Laboratorios Grifols, S.A	31/12/2008	600	409	78	497	--
Diagnostic Grifols, S.A	27/11/2008	857	243	129	358	129
Diagnostic Grifols, S.A	25/05/2010	203	88	31	116	31
Diagnostic Grifols, S.A	13/06/2011	278	119	42	--	--
Grifols Engineering, S.A.	21/04/2009	524	372	69	427	34
Grifols Engineering, S.A.	21/04/2009	203	144	27	165	13
Grifols Engineering, S.A.	28/01/2010	100	81	7	85	--
		20,365	8,338	2,582	9,744	2,123

During 2011 the implicit borrowing costs taken to profit and loss amount to Euros 517 thousand (Euros 567 thousand in 2010) (see note 28).

Details of the maturity of other non-current financial liabilities are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Maturity at:		
Two years	2,522	2,964
Three years	5,050	2,159
Four years	1,398	1,989
Five years	36,815	1,266
More than five years	90,778	2,096
	136,563	10,474

(b) Current financial liabilities

Details at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
Current financial liabilities	**31/12/11**	**31/12/10**
Interest accrued on corporate bonds	29,224	7,207
Transaction costs of bond issue (a.1.1)	(20,496)	--
Promissory notes issued to bearer	9,795	8,235
Current Bonds	18,523	15,442
Senior Debt - Tranche A (US Dollars)	86,946	--
Senior Debt - Tranche B (US Dollars)	10,047	--
Senior Debt -Tranche A (Euros)	20,625	--
Senior Debt - Tranche B (Euros)	2,200	--
Embedded floor	(13,807)	--
Transaction costs on loan	(42,314)	(708)
Club Deal	--	66,667
Other loans	58,467	106,954
Finance lease liabilities	7,102	3,280
Debt with financial institutions (b.1.2)	129,266	176,193
Loans and borrowings, bonds and other marketable securities (b.1)	**147,789**	**191,635**
Financial derivatives (note 32)	--	8,560
Other current financial liabilities (b.2)	14,507	9,676
Other current financial liabilities	**14,507**	**18,236**
	162,296	209,871

Current loans and borrowings include accrued interest amounting to Euros 424 thousand (Euros 483 thousand at 31 December 2010).

(b.1) Loans and borrowings, bonds and other marketable securities

(b.1.1) Current Bonds

Details of bonds at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Promissory notes issued to bearer	9,960	8,373
Interest pending accrual on promissory notes issued to bearer	(165)	(138)
Interest accrued on corporate bonds	29,224	7,207
Transaction costs of bonds issued (a.1.1)	(20,496)	--
	18,523	15,442

Details of the issue of bearer promissory notes to group employees are as follows:

	31/12/10					
	Issue date	Maturity date	Nominal amount per note (Euros)	Interest rate	Promissory notes subscribed (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
Issue of bearer Promissory notes	05/05/10	05/05/11	3,000	5.00%	8,373	(138)

	31/12/11						
	Issue date	Maturity date	Nominal amount per note (Euros)	Interest rate	Promissory notes subscribed (Thousands of Euros)	Buyback (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
Issue of bearer promissory notes	05/05/11	04/05/12	3,000	5.00%	9,990	(30)	(165)

(b.1.2) Current debt with financial institutions

Details of current loans and borrowings are as follows:

	Interest rate (*)	Thousands of Euros Drawn down	
	Min – max	**31/12/11**	**31/12/10**
Loans in:			
US Dollars (tranche A)	Libor + 3.75%	86,946	--
US Dollars (tranche B)	Libor + 4.25%	10,047	--
US Dollars	1.21-2.30%	1,100	1,384
Euros (tranche A)	Euribor + 4%	20,625	--
Euros (tranche B)	Euribor + 4.5%	2,200	--
Euros	1.17% - 12%	27,248	143,990
Other currencies	TIIE+2% -15.84%	28,543	26,368
		176,709	171,742
Discounted trade notes (note 13)	1.25-5.63%	1,153	1,396
Current interest on debt with financial institutions		424	483
Finance lease payables		9,284	3,552
		187,570	177,173
Less, current portion of deferred finance expenses for leasing		(2,182)	(272)
Less, current portion of loan arrangement expenses		(42,315)	(708)
Embedded floor		(13,807)	--
		129,266	176,193

(*) Loans accrue variable interest rates.

At 31 December 2011 the Group has a current unused credit lines of Euros 426,426 thousand (Euros 319,016 thousand at 31 December 2010).

(b.2) Other current financial liabilities

At 31 December 2011 and 2010 other current financial liabilities also include approximately Euros 11,146 thousand and Euros 6,503 thousand, respectively, which have been collected directly from social security affiliated bodies and transferred to Deutsche Bank, S.A.E (see note 13).

(23) Trade and Other Payables

Details are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Suppliers	280,722	160,678
Other payables	27,335	11,928
Current income tax liabilities	4,691	4,172
	312,748	176,778

Suppliers

Details of balances with related parties are shown in note 33.

Balances with suppliers include the following payables in foreign currencies:

	Thousands of Euros	
	31/12/11	**31/12/10**
Currency		
US Dollar	167,519	58,932
Pound Sterling	715	405
Czech Crown	815	568
Chilean Peso	957	1,490
Brazilian Real	673	428
Swiss Franc	908	897
Other currencies	1,961	665

The Group's exposure to currency risk and liquidity risk associated with trade and other payables is described in note 32.

Late payments to suppliers. "Reporting Requirement" Third Additional Provision of Law 15/2010 of 5 July 2010.

	Payments made and payable at the balance sheet date			
	2011		2010	
	Thousands of Euros	%	Thousands of Euros	%
Within maximum legal term	136,790	47	92,339	39
Other	153,027	53	146,412	61
Total payments for the year	289,817	100	238,751	100
Average weighted payment period exceeded (days)	27	--	30	--
Late payments exceeding maximum legal term at balance sheet date (thousands of Euros)	12,135		13,593	

Other payables

Details are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Taxation authorities, VAT/Canary Islands Tax	4,981	3,472
Taxation authorities, withholdings	3,216	3,119
Social Security	3,356	3,246
Other public entities	15,782	2,091
Other payables	27,335	11,928

Current tax liabilities

Details are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Taxation authorities, income tax:		
Current year	3,521	4,161
Prior years	1,170	11
Current tax liabilities	4,691	4,172

(24) Other Current Liabilities

	Thousands of Euros	
	31/12/11	31/12/10
Salaries payable	72,037	28,321
Other payables	15,449	2,629
Other current liabilities	87,486	30,950

(25) Revenues

Revenues are mainly generated by the sale of goods.

The distribution of net consolidated revenues for 2011 and 2010 by segment is as follows:

	%	
	31/12/11	**31/12/10**
Bioscience	85%	78%
Diagnostics	7%	11%
Hospital	5%	9%
Raw materials	2%	1%
Others	1%	1%
	100%	100%

The geographical distribution of net consolidated revenues is as follows:

	%	
	31/12/11	**31/12/10**
Spain	13%	23%
European Union	17%	21%
United States	54%	34%
Rest of the world	16%	22%
	100%	100%

Net consolidated revenues include net sales made in the following foreign currencies:

	Thousands of Euros	
	31/12/11	**31/12/10**
Currency		
US Dollar	1,097,667	405,439
Pound Sterling	35,653	36,199
Chilean Peso	26,328	28,760
Mexican Peso	24,992	25,652
Brazilian Real	21,241	21,949
Australian Dollar	28,654	13,950
Czech Crown	13,191	13,698
Argentinean Peso	13,981	13,122
Polish Zloty	13,099	11,668
Other currency	21,273	18,989

(26) Personnel Expenses

Details are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Wages and salaries	394,714	232,174
Contributions to pension plans (note 31)	8,785	1,615
Other social charges	10,202	8,615
Social Security	74,940	46,604
	488,641	289,008

The average headcount during 2011 and 2010, by department, was approximately as follows:

	Average headcount	
	31/12/11	31/12/10
Manufacturing	8,668	4,443
Research & development – technical area	695	271
Administration and others	778	472
General management	139	98
Marketing	142	102
Sales and distribution	808	582
	11,230	5,968

The headcount of the Group and the Company's Board of directors at 31 December 2010, by gender, is as follows:

	Number at 31/12/10		
	Male	Female	Total number of employees
Directors	7	1	8
Manufacturing	2,105	2,438	4,543
Research & development – technical area	116	173	289
Administration and others	251	234	485
General management	50	51	101
Marketing	46	52	98
Sales and distribution	342	242	584
	2,917	3,191	6,108

The headcount of the Group and the Company's Board of directors at 31 December 2011, by gender, is as follows:

	Number at 31/12/11		
	Male	Female	Total number of employees
Directors	10	1	11
Manufacturing	3,966	4,772	8,738
Research & development – technical area	310	379	689
Administration and others	373	396	769
General management	81	67	148
Marketing	56	82	138
Sales and distribution	440	326	766
	5,236	6,023	11,259

(27) Other Operating Income and Expenses

Other operating expenses

Details are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Changes in trade provisions (notes 21(b) and 32)	3,809	398
Professional services (note 15)	88,374	26,043
Commissions	14,035	8,038
Supplies and other materials	70,280	30,542
Operating leases (note 30 (a))	36,095	19,272
Freight	35,283	20,950
Repairs and maintenance costs	33,128	22,480
Advertising	40,236	14,636
Insurance	15,424	10,807
Royalties	6,163	884
Travel expenses	21,598	12,390
External services	20,487	15,776
Others	43,598	23,044
Other operating expenses	428,510	205,260

Research and development expenses incurred by the Group amount to Euros 76.7 million in 2011 (Euros 36.6 million in 2010).

Other operating income

	Thousands of Euros	
	31/12/11	31/12/10
Income from insurance claims	2,090	771
Grants	2	307
Other income	101	118
Other operating income	2,193	1,196

(28) Finance Income and Expense

Details are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Interest from Social Security	4,671	2,876
Other finance income	1,090	1,650
Finance income	5,761	4,526
Club Deal	(1,473)	(4,475)
Finance expenses from sale of receivables (note 13)	(6,185)	(5,378)
Finance expenses from High Yield Unsecured Notes (note 22)	(20,847)	(31,923)
Implicit interest on preference loans (note 22 (a.2))	(517)	(567)
Finance expenses from unsecured senior corporate bonds (note 22)	(48,759)	--
Finance expenses from senior debt - tranche A (note 22)	(50,561)	--
Finance expenses from senior debt - tranche B (note 22)	(57,692)	--
Capitalised interest	7,612	2,399
Debt cancellation cost	(9,395)	0
Other finance expenses	(12,745)	(9,716)
Finance expenses	(200,562)	(49,660)
Change in fair value of financial derivatives (note 32)	1,279	(7,593)
Impairment and profit/(losses) on disposal of financial instruments	(805)	91
Exchange differences	(3,447)	1,616
Finance income and expense	(197,774)	(51,020)

During 2011 the Group has capitalised interest at a rate of between 2.9% and 7.1% based on the financing received (between 2.6% and 7.1% during 2010) (see note 4 (f)).

(29) Taxation

Grifols, S.A. is authorised to present a consolidated tax return with Diagnostic Grifols, S.A., Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Logister, S.A., Biomat, S.A., Grifols Viajes, S.A., Grifols International, S.A., Grifols Engineering, S.A., Arrahona Optimus, S.L. and Gri-Cel, S.A. Grifols, S.A., in its capacity as Parent, is responsible for the presentation and payment of the consolidated tax return. Under prevailing tax law, the Spanish companies pay 30% tax, which may be reduced by certain deductions.

The North American company Grifols Inc. is also authorised to present consolidated tax returns in the USA with Grifols Biologicals Inc., Grifols USA, LLC., Biomat USA, Inc., Plasmacare, Inc, Grifols Therapeutics Inc, Talecris Plasma Resources, Inc. and Talecris Biotherapeutics Overseas Services. The profits of the companies domiciled in the USA, determined in accordance with prevailing tax legislation, are subject to tax of approximately 38% of taxable income, which may be reduced by certain credits.

a) Reconciliation of accounting and taxable income

Details of the income tax expense are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Profit for the year before income tax	80,023	157,784
Tax at 30%	24,007	47,335
Permanent differences	11,111	2,300
Effect of different tax rates	6,027	3,346
Deductions for research and development	(13,679)	(7,281)
Other deductions	(2,016)	(3,516)
Other income tax expenses/(income)	4,345	333
Total income tax expense	29,795	42,517
Deferred tax expenses	(13,509)	15,547
Current income tax	43,304	26,970
Total	29,795	42,517

b) Deferred tax assets and liabilities

Details of deferred tax assets and liabilities are as follows:

	Thousands of Euros	
	Tax effect	
	31/12/11	31/12/10
Assets		
Tax credits (deductions) in Spain	11,940	4,830
Tax credits (deductions) in USA	22,775	--
Tax loss carryforwards	18,797	1,233
Fixed assets, amortisation and depreciation	6,267	998
Unrealised margins on inventories	25,783	19,256
Provision for bad debts	1,801	395
Inventories	27,312	235
Cash flow hedges	13,658	1,120
Other provisions	20,424	4,297
Litigation provisions	14,679	--
Interest	15,712	--
Others	6,676	2,525
	185,824	34,889
Liabilities		
Goodwill	35,611	17,948
Revaluations of assets	11,501	15,210
Fixed assets, amortisation and depreciation	59,843	40,520
Finance leases	2,140	3,396
Provision for investments	1,650	696
Fair value of fixed assets	63,860	--
Fair value of intangible assets	342,842	--
Fair value of provisions	(15,442)	--
Fair value of inventories	(12,320)	--
Debt cancellation costs	43,538	--
Others	5,218	1,371
	538,441	79,141

Movement in deferred tax assets and liabilities is as follows:

	Thousands of Euros	
Deferred tax assets	2011	2010
Balance at 1 January	34,889	33,395
Movements during the year	69,238	990
Movements in equity during the year	12,687	(127)
Business combinations (note 3)	55,985	--
Translation differences	13,025	631
Balance at 31 December	185,824	34,889

	Thousands of Euros	
Deferred tax liabilities	2011	2010
Balance at 1 January	79,141	60,325
Movements during the year	55,729	16,537
Business combinations (note 3)	358,621	--
Translation differences	44,950	2,279
Balance at 31 December	538,441	79,141

The Spanish companies have opted to apply accelerated depreciation to certain additions to property, plant and equipment, which has resulted in the corresponding deferred tax liability.

Details of deferred tax assets and liabilities on items directly debited and credited to equity during the year are as follows:

	Thousands of Euros	
	Tax effect	
	31/12/11	31/12/10
Cash flow hedges (note 17 (g))	(12,687)	127
	(12,687)	127

The remaining assets and liabilities recognised in 2011 were recognised on the income statement.

The Spanish consolidated companies have deductions pending application at 31 December 2011 mainly in respect of research and development, which are detailed below:

Year of origin	Thousands of Euros	Applicable through
2009	465	2024
2010	3,801	2025
2011	7,674	2026
	11,940	

Most of the US tax deductions pending application are available for 20 years from their date of origin.

At 31 December 2011 the Group has recognised an amount of Euros 11,940 thousand from Spanish companies and Euros 22,775 thousand from US companies (Euros 4,830 thousand at 31 December 2010) in respect of tax credits derived from deductions pending application, on considering their future recovery to be reasonably certain.

At 31 December 2011 the Group has future tax deductions of Euros 23,261 thousand (Euros 23,685 thousand at 31 December 2010) pending application as a result of goodwill generated on the acquisition of Biomat USA, Inc. This amount will be deducted annually from the taxable profits until 2022. The yearly amount that has been applied in 2011 at the tax rate of 30% has been Euros 424 thousand (Euros 2,121 thousand in 2010). The Group has recognised a deferred tax liability of Euros 15,272 thousand for the deductions applied for this item at 31 December 2011 (Euros 14,848 thousand at 31 December 2010).

At 31 December 2011 the Group has future tax deductions of Euros 9,599 thousand (Euros 9,727 thousand at 31 December 2010) pending application as a result of goodwill generated on the acquisition of Plasmacare, Inc. This amount will be deducted annually from the taxable profits until 2026. The yearly amount applied in 2011 at the tax rate of 30% has been Euros 128 thousand (Euros 641 thousand in 2010). The Group has recognised a deferred tax liability of Euros 3,228 thousand for the deductions applied for this item at 31 December 2011 (Euros 3,100 thousand at 31 December 2010).

At 31 December 2011 the Group has recognised tax loss carryforwards of Euros 18,797 thousand (Euros 1,233 thousand at 31 December 2010). These tax credits derive from the US companies and are available for 20 years from their date of origin.

The Group has tax loss carryforwards of Euros 2,670 thousand from Grifols Portugal which have not been recognised as deferred tax assets (Euros 1,231 thousand at 31 December 2010). Additionally, the Group has not recognised the tax effect of the tax loss carryforwards of Grifols Brasil, which amount to Euros 464 thousand in 2011. The remaining companies do not have significant tax loss carryforwards that have not been recognised.

c) Years open to inspection

Under prevailing legislation, taxes cannot be considered to be definitively settled until the returns filed have been inspected by the taxation authorities, or the prescription period has elapsed.

The Group has the following tax inspections underway:

- Logística Grifols, S.A. de CV: Tax report on the financial statements for 2005 and 2006. Group management does not expect any significant liability to derive from this inspection.

- Grifols Brasil, Lda.: Value-added tax on sales and services for 2006 to 2010. Group management does not expect any significant liability to derive from this inspection.

- Grifols Therapeutics, Inc.: Notification of inspection of "North Carolina Income and Franchise Tax" for 2006 to 2008 and "Personal Property Tax (Johnston County)" from 2006 to 2010. The Group does not expect any significant liability to derive from this inspection.

- Talecris Plasma Resources, Inc.: Notification of inspection of "North Carolina Income and Franchise Tax" for 2006 to 2008. The Group does not expect any significant liability to derive from this inspection.

No significant liabilities have arisen as a result of the inspection of income tax for 2006, 2007 and 2008 in Grifols Inc. and subsidiaries, which was concluded in 2011.

(30) Operating Leases

(a) Operating leases (as lessee)

At 31 December 2011 and 2010 the Group leases buildings from third parties under operating leases.

In addition to the lease contracts described in note 9 (h) (i), the Group has warehouses and buildings contracted under operating lease. The duration of these lease contracts ranges from between 1 to 30 years. Contracts may be renewed on termination. Lease instalments are adjusted periodically in accordance with the price index established in each contract. One Group company has entered into lease contracts which include contingent rents. These contingent rents have been based on production capacity, surface area used and the real estate market and are expensed on a straight line basis.

Operating lease instalments of Euros 36,095 thousand have been recognised as an expense for the year at 31 December 2011 (Euros 19,272 thousand at 31 December 2010) (see note 27) and comprise minimum lease payments.

Future minimum payments on non-cancellable operating leases at 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Maturity:		
Up to 1 year	53,054	13,769
Between 1 and 5 years	180,802	31,003
More than 5 years	72,744	7,856
Total future minimum payments	306,600	52,628

(b) Operating leases (as lessor)

The contract under which the Group leased a building to third parties expired on 31 March 2011, and consequently the Group has no minimum lease payments receivable at 31 December 2011.

Income of Euros 24 thousand has been recognised for 2011 (Euros 96 thousand for 2010).

	Thousands of Euros	
	31/12/11	31/12/10
Maturity:		
Up to 1 year	--	64
Between 1 and 5 years	--	21
More than 5 years	--	-
Total future minimum payments	--	85

(31) Other Commitments with Third Parties and Other Contingent Liabilities

(a) Guarantees

The Group has not extended any security or bank guarantees to third parties.

(b) Guarantees to third parties

The Group has no guarantees extended to third parties.

(c) Obligations with personnel

The Group's annual contribution to defined contribution pension plans of Spanish group companies for 2011 has amounted to Euros 522 thousand (Euros 460 thousand for 2010).

In successive years this contribution will be defined through labour negotiations.

Savings plan and profit-sharing plan

The Group has a defined contribution plan (savings plan), which qualifies as a deferred salary arrangement under Section 401 (k) of the Internal Revenue Code (IRC). Once eligible, employees may elect to contribute a portion of their salaries to the savings plan, subject to certain limitations. Grifols matches 100% of the first 3% of employee contributions and 50% of the next 2%. Group and employee contributions are fully vested when contributed. The plan assets are held in trust and invested as directed by the plan participants. The total cost of matching contributions to the savings plan was US Dollars 8.1 million for the year ended 31 December 2011 for legacy Grifols and for the seven month period ended 31 December 2011 for newly acquired companies. The recognition of this amount is consistent with each participant's salary.

As a result of the acquisition, the savings plan now includes a profit sharing portion. Under this plan, the Group may elect to contribute up to 3% of eligible employees' earnings to their savings plan accounts, as defined. For 2011, Grifols has approved a payout of 1.5% of eligible earnings, as defined. The cost of the profit-sharing portion of the savings plan was US Dollars 2.4 million for the seven-month period ended 31 December 2011. The recognition of this amount is consistent with each participant's salary. This plan has been terminated at 31 December 2011 and the final payout will take place in March 2012.

Supplemental savings plan

As a result of the acquisition, the Group has a supplemental savings plan, which is an unfunded non-qualified deferred compensation plan in which employees at certain executive levels are eligible to defer pre-tax earnings and make additional contributions subject to certain limitations. The contributions matched by the Group are similar to those made in the savings plan and are fully vested when contributed. The contributions matched for the periods presented are not material to the consolidated financial statements. At 31 December 2011 US Dollars 3.9 million has been recognised under non-current provisions in the consolidated balance sheet. As from 31 December 2011, no further contributions to this plan will be permitted.

Other plans

An unfunded defined benefit pension plan is provided to certain Talecris Biotherapeutics, GmbH employees in Germany as required by statutory law. The pension cost relating to this plan was not material for the periods presented.

(d) Purchase commitments

Details of the Group's commitments to purchase plasma at 31 December 2011 are as follows:

2012: US Dollars 101,203 thousand
2013: US Dollars 76,773 thousand
2014: US Dollars 92,140 thousand
2015: US Dollars 94,443 thousand
2016: US Dollars 89,740 thousand

(e) Judicial procedures and arbitration

Details of legal proceedings in which the Company or Group companies are involved are as follows:

Instituto Grifols, S.A.

- A claim brought against the Health Board of Castilla y León in February 2005.

  The plaintiff (an individual) claimed Euros 180 thousand in damages due to having allegedly contracted Hepatitis C. The health authorities requested that this claim be extended to include the Company.

  This claim was rejected by the Spanish High Court on 30 December 2010, but the ruling was subsequently appealed by the claimant. The Group is pending the final ruling on this litigation.

- The Company was notified in 2007 of a claim for maximum damages of Euros 12,960 thousand filed by a group of 100 Catalan haemophiliacs against all plasma fractionation companies. During 2008 this claim was rejected, and the ruling appealed. Notification was published on 21 January 2011 that on 18 January 2011 the Barcelona Provincial Court had rejected the haemophiliacs' claim. The Group is currently awaiting the ruling on the appeal filed by the counterparties with the Catalan High Court.

Grifols Biologicals Inc.

- Legal proceedings (consent decree) which were brought against the plasma fractioning centre in Los Angeles.

  The blood plasma fractioning centre in Los Angeles is managed through consent decree which was applied for in January 1998 to the Courts by the Food and Drug Administration (FDA) and US Department of Justice as a result of an infringement of FDA regulations committed by the former owner of the centre (Alpha Therapeutic Corporation, hereinafter A.T.C.). As a result of this consent decree, the Los Angeles centre is subject to strict FDA audits and may only sell products manufactured in the centre subsequent to prior authorisation.

  In March 2004 as a result of improvements to the centre made by the Group, the FDA awarded several free sales certificates for the former ATC products manufactured in this centre.

  Based on the current level of compliance, there are no commercial activities that are prohibited or limited by the consent decree. The Company cannot guarantee if or when the consent decree will be lifted.

No provision has been made for these legal issues as the Group considers that these will not have a probable adverse impact for the Group.

(f) Plasma Centers of America, LLC and G&M Crandall Limited Family Partnership

On 13 December 2010, a jury in the state court case rendered a verdict in the amount of US Dollar 37 million in favour of Plasma Centers of America, LLC (PCA) against Talecris Plasma Resources Inc. (TPR) in a breach of contract claim, which was confirmed by the court in post trial motions. The Talecris management filed an appeal to the North Carolina Court of Appeals to review the judgement entered in this case. In the event that the jury's verdict is confirmed, a simple interest rate of 8% will be imposed by law from the date of the breach, amounting to approximately US Dollars 9.8 million at 31 December 2011, US Dollars 1.7 million of which have been accrued since the date on which Talecris was acquired. The current provisions in the consolidated balance sheet related to the PCA judgment amounts to US Dollars 46,6 million (Euros 36 million).

During the first quarter of 2011, the Talecris Group secured an appeal bond from a surety company in the amount of US Dollars 25 million in regard to this litigation.

(g) Foreign Corrupt Practices Act (FCPA)

The Group is carrying out an internal investigation, which was underway before the acquisition, into potential violations of the Foreign Corrupt Practices Act (FCPA) of which the Talecris Group became aware while conducting an unrelated review. The FCPA investigation is being conducted by outside counsel. The investigation initially focused on sales to certain Eastern European and Middle Eastern countries, primarily Belarus, Russia, and Iran, but the Group is also reviewing sales practices in Brazil, China, Georgia, Turkey and other countries as deemed appropriate.

In July 2009, the Talecris Group voluntarily contacted the U.S. Department of Justice (DOJ) to advise them of the investigation and to offer cooperation in any investigation that the DOJ might want to conduct or that it wants Talecris to conduct. The DOJ has not indicated what action it may take, if any, against the Group or any individual, or the extent to which it may conduct its own investigation. Even though Talecris self-disclosed this matter to the DOJ, this or other federal agencies may seek to impose sanctions that may include, among other things, debarment, injunctive relief, disgorgement, fines, penalties, appointment of a monitor, appointment of new control staff, or enhancement of existing compliance and training programs. Other countries in which Talecris has done business may initiate their own investigations and impose similar penalties. As a result of this investigation, shipments to some of these countries have been suspended until the Group has additional safeguards in place. In some cases, safeguards involved terminating consultants and suspending relations with or terminating distributors in countries under investigation as circumstances warranted. The Group made an initial presentation of some of its findings to the DOJ in July 2011 and will continue to present its findings from the investigation to the DOJ. Given the preliminary nature of the findings, our continuing investigation and the uncertainties regarding this matter, we are unable to estimate the final outcome. The Group’s directors consider that the final ruling on this litigation could have a significant impact on the financial statements of the Group. As this litigation is currently underway, the Group’s legal advisors recommend disclosing no more than the above information in these consolidated annual accounts, as disclosing additional information could seriously harm the Group’s interests.

(h) Compliance with the Pharmaceutical Pricing Agreement

In November 2009, the Talecris Group received a letter from the United States Attorney's Office for the Eastern District of Pennsylvania (USAO). The USAO requested a meeting to review the compliance with the terms of the Pharmaceutical Pricing Agreement (PPA) under the Public Health Service program. Specifically, the USAO asked for information related to the sale of the IGIV product, Gamunex, under that program. In order to have federal financial participation apply to their products under the Medicaid program and to obtain Medicare Part B coverage, manufacturers are required to enter into a PPA. The PPA obligates manufacturers to charge covered entities the Public Health Service price for drugs intended for outpatient use. The Public Health Service price is based on the Medicaid rebate amount. The Group believes that they have complied with the terms of the PPA and federal law. If the USAO determines that the Talecris practices are inconsistent with the terms of the PPA, the USAO has stated that it may file a civil action against us under the Anti-fraud Injunction Act and seek a court order directing the company to comply with the PPA or, potentially, proceed under some other legal theory.

The Group could also be subject to fines, damages, penalties, appointment of a monitor, or enhancement of existing compliance and training programs as a result of government action. The Group is cooperating with the investigation and intend to respond to information requests from the USAO. Based on the information obtained to date, the Group have not determined that any potential liability that may result is probable or can be reasonably estimated.

(32) Financial Instruments

Classification

Disclosure of financial instruments by nature and category is as follows:

	Thousands of Euros			
	31/12/10			
	Available-for-sale financial assets	**Loans and receivables**	**Financial assets held for trading**	**Debts and payables**
Non-current financial assets	535	7,000	-	-
Other current financial assets	-	12,946	-	-
Financial derivatives	-	-	(8,560)	-
Trade and other receivables	-	259,497	-	-
Bank loans	-	-	-	(392,361)
Other financial liabilities	-	-	-	(20,150)
Bonds and other securities	-	-	-	(456,645)
Finance lease liabilities	-	-	-	(8,014)
Trade and other payables	-	-	-	(160,678)
Debts with associates	-	-	-	(1,162)
Other current liabilities	-	-	-	(2,629)
	535	279,443	(8,560)	(1,041,639)

	Thousands of Euros		
	31/12/11		
	Loans and receivables	**Financial assets held for trading**	**Debts and payables**
Non-current financial assets	9,310	--	--
Other current financial assets	13,285	--	--
Financial derivatives	--	(121,165)	--
Trade and other receivables	506,621	--	--
Bank loans	--	--	(2,170,249)
Other financial liabilities	--	--	(23,195)
Bonds and other securities	--	--	(755,046)
Finance lease liabilities	--	--	(31,719)
Trade and other payables	--	--	(280,722)
Debts with associates	--	--	(2,435)
Other current liabilities	--	--	(15,449)
	529,216	(121,165)	(3,278,815)

Net losses and gains by financial instrument category

Details are as follows:

Financial assets

	Thousands of Euros		
	31/12/10		
	Assets at fair value through profit or loss	**Loans and receivables**	**Total**
Finance income at amortised cost	--	4,526	4,526
Change in fair value	1,601	--	1,601
Reclassification of equity to profit or loss	--	--	--
Net gains/(losses) in profit and loss	1,601	4,526	6,127
Total	1,601	4,526	6,127

	Thousands of Euros			
	31/12/11			
	Assets at fair value through profit or loss	**Loans and receivables**	**Hedging derivatives**	**Total**
Finance income at amortised cost	--	5,761	--	5,761
Change in fair value	13,211	--	--	13,211
Net gains/(losses) in profit and loss	13,211	5,761	0	18,972
Change in fair value	--	--	33,871	33,871
Net gains/(losses) in equity	0	0	33,871	33,871
Total	13,211	5,761	33,871	52,843

Financial liabilities

	Thousands of Euros			
	31/12/10			
	Liabilities at fair value through profit or loss	**Debts and payables**	**Hedging derivatives**	**Total**
Finance expenses at amortised cost	-	(49,660)	-	(49,660)
Change in fair value	(9,194)	-	-	(9,194)
Reclassification of equity to profit or loss	-	-	(324)	(324)
Net gains/(losses) in profit and loss	(9,194)	(49,660)	(324)	(59,178)
Total	(9,194)	(49,660)	(324)	(59,178)

	Thousands of Euros			
	31/12/11			
	Liabilities at fair value through profit or loss	**Debts and payables**	**Hedging derivatives**	**Total**
Finance expenses at amortised cost	--	(200,562)	--	(200,562)
Change in fair value	(11,932)	--	--	(11,932)
Reclassification of equity to profit or loss	--	--	(2,870)	(2,870)
Net gains/(losses) in profit and loss	(11,932)	(200,562)	(2,870)	(215,364)
Total	(11,932)	(200,562)	(2,870)	(215,364)

Fair value

The fair value of High-Yield Bonds unsecured notes and tranche A and B senior debt amounts to Euros 3,266 million at 31 December 2011 (Euros 496 million corresponding to the corporate bonds at 31 December 2010). The valuation was based on observable market data.

Financial derivatives have been valued based on observable market data (level 2 of fair value hierarchy).

The fair value of financial assets and the remaining financial liabilities does not differ significantly from their carrying amount.

Financial derivatives

a) Derivative financial instruments at fair value through profit or loss

Derivative financial instruments that do not meet the hedge accounting requirements are classified and measured as financial assets or financial liabilities at fair value through profit and loss.

At 31 December 2011 and 2010 the Group has recognised the following derivatives:

			Thousands of Euros		
Derivatives	Currency	Notional amount	**Value at 31/12/11**	**Value at 31/12/10**	**Maturity**
Interest rate swap	EUR	50,000,000	0	(1,809)	31/12/2011
Interest rate swap (cash flow hedges)	USD	1,522,685,000	(34,999)	0	30/06/2016
Interest rate swap (cash flow hedges)	EUR	100,000,000	(2,762)	0	30/09/2014
Flip-flop swap (Option)	EUR	100,000,000	(135)	0	30/09/2014
Swap floor	USD	1,522,685,000	(801)	0	30/06/2016
Embedded floor of senior debt	EUR	438,900,000	(13,365)	0	01/06/2017
Embedded floor of senior debt	USD	2,493,500,000	(75,813)	0	01/06/2017
Total Liabilities			(127,875)	(1,809)	
			(note 22)	(note 22)	
Unquoted future	N/A	1,000,000	1,389	(2,821)	29/06/2012
Unquoted future	N/A	2,200,000	2,230	(3,930)	29/06/2012
Call option (note 9 (h)(ii))	N/A	N/A	3,091	0	miscellaneous
Total Assets			6,710	(6,751)	
			(notes 11 & 14)	(note 22)	

As the floor related to Tranches A and B of the senior financing is in the money, an embedded derivative exists on these contracts, which has been measured at fair value and recognised separately from the loans.

In June 2011, the Group contracted two derivatives in order to comply with the compulsory hedging requirements stipulated in the credit agreement. These derivatives comprise a step-up interest rate swap and a floor swap, which have an initial nominal amount of US Dollars 1,550 each. The interest rate swap complies with hedge accounting criteria (see note 17 (g)).

In October 2011, the Group contracted a variable to fixed interest-rate swap, which has a nominal of Euros 100 million and expires in September 2014. This interest-rate swap also complies with hedge accounting criteria (see note 17 (g)).

During 2009 the Company contracted two unquoted futures contracts, the notional underlying of which consists of the Company's shares, with a solvent financial institution. The two contracts have 2 million and 2.2 million underlying with an exercise price of Euros 11.6107 and Euros 11.9864, respectively. The initial expiry of the contracts was 30 December 2010, although the Company had the option of terminating them prior to that date. The contracts are settled by differences between the market value of the notional underlying and the exercise price. In March, June and December 2011 the Group agreed to extend the futures contract to 29 June 2012, through a novation without liquidation under the same terms and conditions.

b) Bond issue hedging derivative financial instruments

See explanation in note 17 (g).

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk. At 31 December 2011 and 2010 the maximum level of exposure to credit risk is as follows:

		Thousands of Euros	
Carrying amount	Note	31/12/11	31/12/10
Non-current financial assets	11	9,310	7,535
Non-current financial derivatives	11	3,091	0
Other current financial assets	14	13,285	12,946
Current financial derivatives	14	3,619	0
Trade receivables	13	408,263	224,355
Other receivables	13	98,358	35,142
Cash and cash equivalents	16	340,586	239,649
		876,512	519,627

The maximum level of exposure to risk associated with receivables at 31 December 2011 and 2010, by geographical area, is as follows.

	Thousands of Euros	
Carrying amount	31/12/11	31/12/10
Domestic	129,917	70,517
EU countries	53,408	50,210
United States of America	122,204	43,833
Other European countries	28,270	3,162
Other regions	74,464	56,633
	408,263	224,355

Impairment losses

Details of the maturity of trade receivables, net of impairment provisions are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Not matured	246,556	148,838
Less than 1 month	43,517	21,860
1 to 4 months	50,919	32,729
4 months to 1 year	51,248	14,812
More than a year	16,023	6,116
	408,263	224,355

Unimpaired receivables that are past due mainly relate to public entities.

Movement in the provision for bad debts was as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Opening balance	3,777	4,038
Business combination	2,251	0
Net provisions for the year	2,974	357
Net cancellations for the year	(323)	(796)
Translation differences	192	178
Closing balance	8,871	3,777

An analysis of the concentration of credit risk is provided in note 5.

Liquidity risk

Details of the contracted maturity date of financial liabilities, including borrowing costs and excluding the effects of offsetting agreements, are as follows:

		Thousands of Euros						
Carrying amount	Note	Carrying amount at 31/12/10	Contractual flows	6 months or less	6 - 12 months	1-2 years	2- 5 years	More than 5 years
Financial liabilities								
Bank loans	22	392,361	420,168	117,256	66,428	87,986	92,561	55,937
Other financial liabilities	22	20,150	22,361	8,150	2,134	3,467	6,283	2,327
Bonds and other securities	22	456,645	728,893	23,771	15,537	31,073	93,220	565,292
Finance lease liabilities	22	8,014	8,629	2,034	1,505	2,412	2,348	330
Debts with associates	33	1,162	1,162	1,162	-	-	-	-
Suppliers	23	160,678	160,678	160,657	21	-	-	-
Other current liabilities	24	2,629	2,629	2,629	-	-	-	-
Derivative financial liabilities								
Interest rate swap	22	1,809	1,809	-	-	-	1,809	-
Unquoted futures	22	6,751	6,751	6,751	-	-	-	-
Total		1,050,199	1,353,080	322,410	85,625	124,938	196,221	623,886

		Thousands of Euros						
Carrying amount	Note	Carrying amount at 31/12/11	Contractual flows	6 months or less	6 - 12 months	1-2 years	2- 5 years	More than 5 years
Financial liabilities								
Bank loans	22	2,170,249	2,766,715	118,896	141,979	453,291	1,809,874	242,675
Other financial liabilities	22	23,195	27,459	13,904	2,725	5,720	2,983	2,127
Bonds and other securities	22	755,046	1,211,539	64,419	24,756	97,537	95,054	929,773
Finance lease liabilities	22	31,719	35,837	3,918	3,937	15,989	9,774	2,219
Debts with associates		2,435	2,435	2,435	0	0	0	0
Suppliers	24	280,722	280,722	280,712	10	0	0	0
Other current liabilities		15,449	15,449	5,026	10,423	0	0	0
Derivative financial liabilities	22	127,875	127,875	0	0	2,897	35,800	89,178
Total		3,406,690	4,468,031	489,310	183,830	575,434	1,953,485	1,265,972

Currency risk

The Group's exposure to currency risk is as follows (expressed in thousands of Euros):

	Thousands of Euros	
	31/12/10	
	EUR (*)	USD (**)
Trade receivables	67	3,938
Receivables from Group companies	12	0
Loans to Group companies	16,852	0
Cash and cash equivalents	415	45
Trade payables	(533)	(6,200)
Payables to Group companies	(6,828)	(21,455)
Non-current bank loans	(5,875)	0
Current bank loans	(979)	(262)
Non-current bonds	(9,860)	0
Balance sheet exposure	(6,729)	(23,934)

(*) balances in Euros in subsidiaries with USD local currency
(**) Balances in USD in subsidiaries with Euro local currency

	Thousands of Euros	
	31/12/11	
	EUR (*)	USD (**)
Trade receivables	4,226	4,700
Receivables from Group companies	63,449	77
Loans to Group companies	0	0
Cash and cash equivalents	9,544	3,069
Trade payables	(3,277)	(15,653)
Payables to Group companies	(18,564)	(8,708)
Loans to Group companies	(29,644)	0
Balance sheet exposure	25,734	(16,515)

(*) balances in Euros in subsidiaries with USD local currency
(**) Balances in USD in subsidiaries with Euro local currency

The most significant exchange rates applied during the years ended 31 December 2011 and 2010 are as follows:

	Average exchange rate		Closing exchange rate	
Euro	**2011**	**2010**	**31/12/11**	**31/12/10**
USD	1.39	1.34	1.29	1.34

A sensitivity analysis for foreign exchange fluctuations is as follows:

Had the US Dollar strengthened by 10% against the Euro at 31 December 2011, equity would have increased by Euros 137,773 thousand (Euros 34,973 thousand at 31 December 2010) and profit would have increased by Euros 922 thousand (at 31 December 2010 it would have decreased by Euros 3,066 thousand). This analysis assumes that all other variables are held constant, especially that interest rates remain constant. This analysis has been performed using the same criteria as in 2010.

A 10% weakening of the US Dollar against the Euro at 31 December 2011 and 2010 would have had the opposite effect for the amounts shown above, all other variables being held constant.

Interest-rate risk

Interest-rate profile

To date, the profile of interest on interest-bearing financial instruments is as follows:

	Thousands of Euros	
	2011	**2010**
Fixed-interest financial instruments		
Financial assets	19,040	19,220
Financial liabilities	(755,046)	(457,521)
	(736,006)	(438,301)
Variable-interest financial instruments		
Financial liabilities	(2,201,968)	(399,499)
	(2,201,968)	(399,499)
	(2,937,974)	(837,800)

Sensitivity analysis

Had the interest rate at 31 December 2011 been 100 basis points higher, the interest expense would have increased by Euros 4.5 million, the finance expense due to changes in the value of derivatives would have been Euros 28 million lower and equity would have increased as a result of changes in derivatives to which hedge accounting is applied.

A 100 basis point variation in interest rates at the presentation date of 31 December 2010 would have varied equity and consolidated profit after income tax by Euros 3,794 thousand.

(33) Balances and Transactions with Related Parties

Details of balances with related parties are as follows:

	Thousands of Euros	
	31/12/11	**31/12/10**
Receivables from associates	0	5
Receivables from other related parties	63,305	0
Debts with associates	(2,435)	(1,162)
Payables to members of the board of directors	(97)	(62)
Payables to other related parties	(10,482)	(4,641)
	50,291	(5,860)

Payables are included in suppliers and trade payables (see note 23).

(a) Group transactions with related parties

Group transactions with related parties during 2010 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net purchases	(505)	--	--	--
Net sales	14	--	--	--
Other service expenses	--	--	(12,506)	(180)
Personnel expenses	--	(5,839)	--	(2,066)
	(491)	(5,839)	(12,506)	(2,246)

Group transactions with related parties during 2011 are as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net sales	102	--	--	--
Net purchases	(1,690)	--	--	--
Operating lease expenses (note 9 h (i))	--	--	(4,909)	--
Other service expenses	--	--	(30,671)	(180)
Sale of fixed assets (note 9)	--	--	233,629	--
Personnel expenses	--	(5,718)	--	(2,338)
	(1,588)	(5,718)	198,049	(2,518)

Other service expenses include contributions to non-profit organisations totalling Euros 653 thousand in 2011 (Euros 2,609 thousand in 2010).

Other expenses for services also include costs for professional services with related companies amounting to Euros 10,388 thousand. These costs correspond to those incurred in increasing share capital and the issue of debt carried out relating to the acquisition of Talecris (Euros 7,590 thousand in 2010). This item also includes brokerage fees relating to sale and leaseback transactions in Spain and North Carolina amounting to Euros 9,309 thousand.

One of the Company's directors has signed a three-year consulting services contract. The director will receive annual fees of US Dollars 1 million for these services and an additional bonus of US Dollars 2 million for complying with certain conditions.

The Group contributes 0.7% of profits for each year to a non-profit organisation.

Directors representing shareholders interests have received no remuneration during 2010 and 2011.

The Group has not extended any advances or loans to the members of the board of directors or key management personnel nor has it assumed any guarantee commitments on their behalf. It has also not assumed any pension or life insurance obligations on behalf of former or current members of the board of directors or key management personnel.

(b) Investments and positions held by directors of the Parent in other companies and related parties

The directors and related parties do not hold any investments in companies with an identical, similar or complementary statutory activity to that of the Company. Details of activities and duties carried out, where applicable, by directors of the Company and related parties in these companies are provided in Appendix V, which forms an integral part of these notes.

(34) Environment

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2010 are as follows:

	Thousands of Euros		
Project	Cost	Accumulated depreciation	Carrying amount
Waste water treatment	1,087	(564)	523
Waste management	1,152	(458)	694
Reduction of electricity consumption	142	(19)	123
Reduction of water consumption	3,049	(552)	2,497
	5,430	(1,593)	3,837

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2011 are as follows:

	Thousands of Euros		
Project	Cost	Accumulated Depreciation	Carrying amount
Waste water treatment	3,758	(657)	3,101
Waste management	1,165	(558)	607
Reduction of electricity consumption	4,491	(61)	4,430
Reduction of water consumption	5,356	(812)	4,544
	14,770	(2,088)	12,682

Expenses incurred by the Group for protection and improvement of the environment during 2011 totalled approximately Euros 1,181 thousand (Euros 2,201 thousand at 31 December 2010).

The Group considers that the environmental risks are adequately controlled by the procedures currently in place.

The Group has not received any environmental grants during 2011 and 2010.

(35) Other Information

(a) Audit fees:

KPMG Auditores, S.L. has invoiced the Company the following fees and expenses for professional services during the years ended 31 December 2011 and 2010:

	Thousands of Euros	
	31/12/11	31/12/10
Audit services	1,156	783
Other assurance services	744	566
Other services	0	154
	1,900	1,503

The services detailed in the above table include the total fees for the professional services rendered during 2011 and 2010, irrespective of the date of invoice.

Fees and expenses for professional services invoiced by other KPMG Europe, LLP group companies to the Group during the years ended 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Audit services	139	103
Other assurance services	53	0
Other services	10	21
	202	124

Fees and expenses for professional services invoiced by other companies affiliated to KPMG International to the Group during the years ended 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Audit services	1,721	1,279
Other assurance services	348	0
Other services	53	12
	2,122	1,291

Fees and expenses for professional services rendered by other audit firms for the years ended 31 December 2011 and 2010 are as follows:

	Thousands of Euros	
	31/12/11	31/12/10
Audit services	22	20
Other assurance services	2	0
Other services	37	82
	61	102

(36) Subsequent Events

On 14 February 2012 Grifols successfully closed the negotiations to amend and improve the terms and conditions of the Credit Agreement previously signed to finance the acquisition of Talecris Biotherapeutics Holding Corp. The modifications are basically the following:

(i) reduction of interest rates, and retranching;

(ii) only two financial covenants in place relating to the leverage ratio and interest coverage, and removal of covenants relating to limitations in fixed assets investments and the debt service coverage ratio;

(iii) amendment to the leverage ratio limiting the distribution of dividends, improving from the current 3.75 to the new ratio of 4.5 times, as well as relaxing certain conditions relative to certain contracts;

(iv) voluntary debt repayment through early amortization of 240 million dollars.

All of these improvements will lead not only to a reduction in controls, but also to significant savings in finance expenses for the Group.

APPENDIX I

GRIFOLS,S.A. AND SUBSIDIARIES

OPERATING SEGMENTS

(expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Bioscience		Hospital		Diagnostics		Raw materials		Others/Unallocated		Consolidated	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Revenues	1,531,199	773,372	95,365	89,552	117,358	109,088	30,526	4,815	21,165	13,903	1,795,613	990,730
Total revenues	**1,531,199**	**773,372**	**95,365**	**89,552**	**117,358**	**109,088**	**30,526**	**4,815**	**21,165**	**13,903**	**1,795,613**	**990,730**
Profit/(Loss) for the segment	**515,214**	**306,091**	**7,610**	**7,401**	**(14,551)**	**6,793**	**6,749**	**2,110**	17,355	7,785	**532,377**	**330,180**
Unallocated expense									(253,516)	(120,497)	(253,516)	(120,497)
Operating profit											**278,861**	**209,683**
Finance income/expenses											**(197,774)**	**(51,020)**
Share of profit/(loss) of equity accounted investees	**(1,064)**	**(879)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(1,064)**	**(879)**
Income tax expense											(29,795)	(42,517)
Profit for the year after tax											**50,228**	**115,267**
Segment assets	**4,722,315**	**1,062,464**	**120,458**	**85,992**	**107,689**	**129,824**	**1,305**	**954**		**0**	**4,951,767**	**1,279,234**
Equity accounted investments	1,001	516	0	0	0	0	0	0	0	0	1,001	516
Unallocated assets									854,950	609,232	854,950	609,232
Total assets											**5,807,718**	**1,888,982**
Segment liabilities	**337,960**	**64,274**	**12,932**	**12,907**	**12,511**	**11,939**	**0**	**0**	**0**	**0**	**363,403**	**89,120**
Unallocated liabilities									3,779,321	1,092,472	3,779,321	1,092,472
Total liabilities											**4,142,724**	**1,181,592**
Other information:												
Amortization and depreciation	62,062	21,630	5,382	4,719	10,102	8,265	0	0	13,093	11,162	**90,639**	**45,776**
Expenses that do not require cash payments	4,497	3,388	(33)	599	4,826	671	0	0	907	1,034	**10,197**	**5,692**
Additions for the year of property, plant & equipment and intangible assets	127,789	65,344	15,097	13,132	12,218	15,897	0	0	12,395	11,424	**167,499**	**105,797**

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

APPENDIX I

GRIFOLS, S.A. AND SUBSIDIARIES
GEOGRAPHICAL INFORMATION

(expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

	Spain		European Union		United States		Rest of the world		Consolidated	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Revenues	**230,871**	**227,947**	**295,822**	**204,244**	**974,390**	**339,018**	**294,530**	**219,521**	**1,795,613**	**990,730**
Assets by geographic area	**740,275**	**682,473**	**130,658**	**117,706**	**4,801,239**	**936,030**	**135,546**	**152,773**	**5,807,718**	**1,888,982**
Other information:										
Additions of the year of property, plant & equipment and intangible assets	47,622	50,319	2,759	3,972	113,041	43,847	4,077	7,659	**167,499**	**105,797**

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

APPENDIX II

GRIFOLS, S.A. AND SUBSIDIARIES

Changes in Other Intangible Assets
for the year ended
31 December 2011
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Balances at 31/12/2010	Additions	Business combinations	Transfers	Disposals	Translation differences	**Balances at 31/12/2011**
Development costs	62,071	7,775	0	0	(97)	34	69,783
Concessions, patents, licenses brands & similar	52,743	102	0	(905)	0	989	52,929
Software	34,702	14,374	13,633	643	(548)	5,163	67,967
Current marketed products	0	0	832,871	0	0	94,558	927,429
Other intangible assets	2,345	448	0	145	(501)	39	2,476
Total cost of intangible assets	151,861	22,699	846,504	(117)	(1,146)	100,783	1,120,584
Accum. amort. of development costs	(33,195)	(6,785)	0	0	0	(98)	(40,078)
Accum. amort of concessions, patents, licenses, brands & similar	(18,628)	(906)	0	844	0	(176)	(18,866)
Accum. amort. of software	(21,546)	(9,462)	0	(164)	52	(3,002)	(34,122)
Accum. amort. of current marketed products	0	(16,648)	0	0	0	(1,385)	(18,033)
Accum. amort. of other intangible assets	(193)	(622)	0	(84)	0	(15)	(914)
Total accum. amort intangible assets	(73,562)	(34,423)	0	596	52	(4,676)	(112,013)
Impairment of other intangible assets	0	(264)	0	0	0	0	(264)
Carrying amount of intangible assets	**78,299**	**(11,988)**	**846,504**	**479**	**(1,094)**	**96,107**	**1,008,307**

(note 3)

This appendix forms an integral part of note 8 to the consolidated annual accounts

APPENDIX II
GRIFOLS, S.A. AND SUBSIDIARIES

Changes in Other Intangible Assets
for the year ended
31 December 2010
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

	Balances at 31/12/2009	Additions	Transfers	Disposals	Translation differences	**Balances at 31/12/2010**
Development costs	55,414	6,614	0	(26)	69	62,071
Concessions, patents, licenses brands & similar	46,259	2,410	847	0	3,227	52,743
Software	28,597	5,455	318	(20)	352	34,702
Other intangible assets	513	2,121	0	(299)	10	2,345
Total cost of intangible assets	130,783	16,600	1,165	(345)	3,658	151,861
Accum. amort. of development costs	(29,427)	(3,699)	0	0	(69)	(33,195)
Accum. amort of concessions, patents, licenses, brands & similar	(15,526)	(1,603)	(845)	0	(654)	(18,628)
Accum. amort. of software	(16,430)	(4,965)	1	20	(172)	(21,546)
Accum. amort. Other intangible assets	0	(189)	(4)	0	0	(193)
Total accum. amort intangible assets	(61,383)	(10,456)	(848)	20	(895)	(73,562)
Impairment of other intangible assets	(15)	0	0	15	0	0
Carrying amount of intangible assets	**69,385**	**6,144**	**317**	**(310)**	**2,763**	**78,299**

This appendix forms an integral part of note 8 to the consolidated annual accounts

APPENDIX III

GRIFOLS, S.A. AND SUBSIDIARIES

Changes in Property, Plant and Equipment
for the year ended
31 December 2011
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish language version prevails.)

	Balances at 31/12/10	Additions	Business combination	Transfers	Disposals	Translation differences	**Balances at 31/12/11**
Cost:							
Land and buildings	184,742	7,452	52,342	12,932	(109,028)	8,428	156,868
Plant and machinery	405,269	42,471	280,823	30,898	(24,250)	38,004	773,215
Under construction	66,284	94,876	133,509	(44,725)	(146,707)	17,982	121,219
	656,295	144,799	466,674	(895)	(279,985)	64,414	1,051,302
Accumulated depreciation:							
Buildings	(11,547)	(6,946)	0	(48)	5,265	(2,158)	(15,434)
Plant and machinery	(209,968)	(49,270)	0	464	13,897	(7,910)	(252,787)
	(221,515)	(56,216)	0	416	19,162	(10,068)	(268,221)
Impairment of other property, plant and equipment	(649)	(6,116)	0	0	17	(464)	(7,212)
Carrying amount	434,131	82,467	466,674	(479)	(260,806)	53,882	775,869

(Note 3)

This appendix forms an integral part of note 9 to the consolidated annual accounts.

APPENDIX III

GRIFOLS, S.A. AND SUBSIDIARIES

Changes in Property, Plant and Equipment
for the year ended
31 December 2010
(Expressed in thousands of Euros)

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish language version prevails.)

	Balances at 31/12/09	Additions	Transfers	Disposals	Translation differences	**Balances at 31/12/10**
Cost:						
Land and buildings	142,600	10,594	28,930	(1,085)	3,703	184,742
Plant and machinery	344,030	35,356	21,857	(8,242)	12,268	405,269
Under construction	70,781	43,247	(49,694)	0	1,950	66,284
	557,411	89,197	1,093	(9,327)	17,921	656,295
Accumulated depreciation:						
Buildings	(9,502)	(1,890)	(16)	0	(139)	(11,547)
Plant and machinery	(176,204)	(33,430)	(1,394)	6,016	(4,956)	(209,968)
	(185,706)	(35,320)	(1,410)	6,016	(5,095)	(221,515)
Impairment property, plant and equipment	0	(649)	0	0	0	(649)
Carrying amount	371,705	53,228	(317)	(3,311)	12,826	434,131

This appendix forms an integral part of note 9 to the consolidated annual accounts.

APPENDIX IV

GRIFOLS, S.A. AND SUBSIDIARIES

Non-current Loans and Borrowings
for the year ended
31 December 2011
(Expressed in thousands of Euros)

(Free translation from the original in Spanish, in the event of discrepancy, the Spanish-language version prevails)

					Thousands of Euros	
Loan	Currency	Interest rate	Concession date	Maturity date	Amount awarded	Carrying amount
Senior Debt - Tranch A	EUR	Euribor + 4%	23/11/2010	30/06/2016	220,000	199,375
Senior Debt - Tranch B	EUR	Euribor + 4.5%	23/11/2010	30/06/2016	220,000	216,700
Senior Debt - Tranch A	USD	Libor + 3.75%	23/11/2010	30/06/2016	927,428	840,482
Senior Debt - Tranch B	USD	Libor + 4.25%	23/11/2010	30/06/2016	1,004,714	989,644
Total Senior Debt					2,372,142	2,246,201
Revolving Credit	EUR	Euribor + 4%	23/11/2010	30/06/2016	38,643	0
Revolving Credit	USD	Libor + 3.75%	23/11/2010	30/06/2016	38,643	0
Revolving Credit	Multicurrency	Libor + 3.75%	23/11/2010	30/06/2016	154,571	0
Total Revolving Credit					231,857	0
Banco Santander	EUR	ICO + 1.89%	01/06/2009	30/06/2016	6,000	4,200
B. Guipuzcoano	EUR	Euribor + 1%	25/03/2010	25/03/2020	8,500	8,500
B.Sabadell	EUR	Euribor + 1%	08/06/2011	30/06/2013	843	813
SCH	EUR	1.75%	13/10/2010	13/10/2017	900	732
Caixa Catalunya	EUR	ICO + 1.99%	30/07/2009	25/08/2016	1,440	1,081
Caixa Galicia	EUR	Euribor + 1.5%	11/06/2010	25/06/2020	1,180	885
Ibercaja	EUR	Euribor + 1.99%	30/07/2009	31/07/2016	1,800	1,324
Banco Popular	EUR	ICO + 1.5%	28/11/2011	25/12/2018	2,000	2,000
Banco Popular	EUR	ICO + 1.5%	28/11/2011	25/12/2018	6,800	6,800
Banca Toscana	EUR	6 months Euribor + 1%	08/05/2008	30/06/2013	3,000	326
Loan arrangement expenses						(172,638)
Implicit Floor						(52,139)
					2,636,463	2,048,085
Non-current finance lease creditors (see note 22)					--	24,617
					2,636,463	2,072,702

This appendix forms an integral part of note 22 to the consolidated annual accounts.

APPENDIX IV

GRIFOLS, S.A. AND SUBSIDIARIES

Non-current Loans and Borrowings
for the year ended
31 December 2010
(Expressed in thousands of Euros)

(Free translation from the original in Spanish, in the event of discrepancy, the Spanish-language version prevails)

					Thousands of Euros		
Loan	Currency	Interest rate	Concession date	Maturity date	Amount awarded	Initial loan arrangement expenses	Carrying amount
Syndicated loan -Club deal	EUR	Euribor + 0.8%	01/05/2008	26/05/2013	350,000	(2,427)	99,408
Instituto de crédito Oficial	EUR	Euribor + 1%	01/06/2006	26/05/2016	30,000	(210)	17,955
Caixa Catalunya - Mortgage loan	EUR	Euribor + 0.9%	01/02/2008	01/02/2018	14,000	(294)	10,115
Banco Santander	EUR	ICO + 1.8%	01/06/2009	01/06/2016	6,000	--	5,400
Caja de Madrid	EUR	Euribor + 1%	05/06/2009	05/06/2016	6,000	--	5,400
B. Guipuzcoano	EUR	Euribor + 1%	25/03/2010	25/03/2020	8,500	--	8,500
B.Sabadell	EUR	Euribor + 1%	11/06/2010	30/06/2012	1,465	--	1,413
SCH	EUR	1.75%	13/10/2010	13/10/2017	900	--	876
Ibercaja	EUR	Euribor + 1.99%	30/07/2009	31/07/2016	1,800	--	1,664
Caja de Madrid	EUR	Euribor + 2%	09/03/2010	25/03/2020	10,000	--	10,000
SCH	EUR	Euribor +1%	18/11/2010	31/01/2012	169	--	169
BBVA - Mortgage loan	EUR	Euribor + 1,2%	21/10/2008	31/12/2024	45,000	(676)	39,201
Caixa Catalunya	EUR	ICO + 1.99%	30/07/2009	25/08/2016	1,440	--	1,353
Caixa Galicia	EUR	Euribor + 1%	11/06/2010	25/06/2020	1,180	--	1,003
Banca Toscana	EUR	6 months Euribor + 1%	08/05/2008	30/06/2013	3,000	--	939
Cofides	EUR	6 months Euribor + 0.45%	01/08/2008	20/08/2017	6,854	--	5,875
Cofides	EUR	Euribor +2 %	20/09/2011	20/03/2017	10,745	--	10,177
					497,053	(3,607)	219,448
Non-current finance lease creditors (see note 22)					--	--	4,734
					497,053	(3,607)	224,182

This appendix forms an integral part of note 22 to the consolidated annual accounts.

APPENDIX V

GRIFOLS, S.A. AND SUBSIDIARIES

Members of the Board of Directors and individuals related thereto with positions in companies with identical, similar or complementary statutory activities 31 December 2011

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Director	Companies	Positions and duties
–	–	–

This appendix forms an integral part of note 33 to the consolidated financial statements.

APPENDIX V

GRIFOLS, S.A. AND SUBSIDIARIES

Members of the Board of Directors and individuals related thereto with positions in companies with identical, similar or complementary statutory activities 31 December 2010

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Director	Companies	Positions and duties
Glanzmann, T.	Gambro AB	CEO and Chairman

This appendix forms an integral part of note 33 to the consolidated financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Directors' Report

(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

To the Shareholders:

Grifols, a leading international group operating in the healthcare sector, has become the third-largest company in the world in the production of plasma-based biological pharmaceuticals, following the purchase of US company Talecris. This acquisition, which totalled approximately Euros 3,300 million including debt, was the most relevant event to take place during the year.

The completion of this transaction in June 2011, the start of the integration process and the materialisation of some of the estimated synergies have had an impact on the majority of the Group's figures. The audited and reported financial statements include the results of the acquired company as of June 2011 (seven months), which was the first month of consolidation.

Grifols closed 2011 with revenues of Euros 1,795.6 million, an increase of 88.6% at a constant exchange rate. Considering the exchange rate impact, recognised growth stands at 81.2%. Currency volatility, a result of uncertainty surrounding growth in the main global economies, had a negative impact on Grifols' results, although the geographical diversification of the Group's sales has mitigated and neutralised the majority of this impact.

The Group has also prepared pro forma financial statements based on the consolidated statements for both companies. Although these documents have not been audited, they have been provided for information purposes. Based on these pro forma results Grifols turnover is up 7.7% (constant exchange rate) in 2011 compared to the prior year, totalling Euros 2,302.7 million. Considering the exchange rate impact, this growth totals 4.6%.

Of note is the favourable sales performance of each of the individual divisions, although the purchase of Talecris has changed the weight of each division's contribution to total Group revenues, generating a new sales structure based on the source of the sales (as detailed below). Grifols' organic growth has therefore remained stable over the year, and the increase in sales volumes has been maintained across the board for all divisions.

In 2011, and with seven months of joint activity, sales in the Bioscience Division rose by 98% to Euros 1,531.2 million, accounting for just over 85% of total turnover. Diagnostic Division turnover increased by 7.6% to Euros 117.4 million, while the Hospital Division grew by 6.5% to Euros 95.4 million. As forecast, the contribution from both divisions to global sales fell to 6.5% and 5.3%, respectively, and there were also changes in each division's relevant weight compared to total Group sales. Finally, the Raw Materials & Others Division, which accounts for approximately 3%, increased its sales to Euros 51.7 million. This was because the revenues from the agreements with Kedrion and from the royalties which were formerly included in the Bioscience area have been allocated to this division.

The acquisition also gave rise to a change in the geographical distribution of the Group's revenues. During 2011 87% of Grifols activity was undertaken in foreign markets, where turnover totalled Euros 1,565 million and growth was over 105%. Spain's relative weight fell to 13% (10% pro forma) from 23% in 2010, generating turnover of Euros 230.9 million (up 1.3%).

Revenues in the United States and Canada, which rose by 180.7% to Euros 948.7 million (considering seven months of joint activity), accounted for almost 53% of turnover during the year. Europe generated 30% of revenues, totalling Euros 526.6 million (up almost 22%) due to increased market shares in countries such as Germany and Portugal. Sales continued to grow in other geographical areas, such as Asia-Pacific and Latin America, which currently generate approximately 16% of sales. Furthermore, the positive outlook in countries such as Brazil and China is also of note.

Finally, international business was boosted with the incorporation of Canada as a significant market and, in commercial terms, consolidation of the representative office in Shanghai (China) and the subsidiaries in Colombia and Norway, in service since 2010. Grifols is currently present in over 100 countries, and has its own commercial subsidiaries in 24 countries.

Policies to contain costs remained a constant throughout the year, although the increase in raw material (plasma) prices, the negative contribution of the price factor to revenues and the impact of healthcare reform on comparable values (with limited impact in 2010) have had a direct effect on the gross margin (46.1% of sales) and EBITDA.

Adjusted[1] reported[2] EBITDA rose by 73.5% to Euros 472.8 million, standing at 26.3% of sales. Considering the transaction costs inherent to the acquisition of Talecris and other non recurring costs, reported[2] EBITDA would total Euros 369.5 million, a rise of 44.6% compared to 2010 and representing a margin of 20.6% over sales.

The foreseeable improvement in operating margins, due to the culmination of some of the synergies considered in the integration plan, has yet to yield results in the 2011 financial statements, although there will be an impact in the medium term. The initiatives implemented in this respect include unified management of the plasma procurement centres in the United States, as well as other production-related operating improvements, such as the FDA approval granted for the use of an intermediate product (Fraction II+III) in the Los Angeles Plant and for production of IVIG in the Clayton plant (Gamunex®). Both plants will contribute to enhanced efficiency, as well as the positive trend in margins.

The purchase of Talecris has given rise to a new financing structure and an across-the-board increase in reported[2] finance expenses which, as expected, totalled Euros 197.8 million in 2011 year end. This rise is due to the resources captured through syndicated financing and the issue of bonds carried out to cover part of the payment for the Talecris acquisition, which also include capitalised costs relating to the Group's debt.

Adjusted[1] net profit reported[2] by Grifols rose by 13.6% to Euros 144.7 million, accounting for 8.1% of revenues. Considering the expenses incurred on the acquisition and other non recurring expenses, the net profit generated during the year totals Euros 50.3 million, accounting for 2.8% of sales and down 56.4% on the prior year.

Implementation of capital investment (CAPEX) plans and announcement of a new plan for the 2012-2015 period

During the year, work has continued as part of the Company's investment plan (CAPEX) to extend and improve its production installations, since the investments proposed for 2011 and 2012 are independent from the acquisition of Talecris. The total amount earmarked for these investments has exceeded Euros 160 million in cash.

Two of the main investments have been the start of work to build a new plasma fractioning plant at Parets del Vallès (Barcelona, Spain), with a capacity to fraction 1 million litres/year (extendible to up to 2 million litres/year), and the start-up of the installations to produce fibrin glue in Spain (Fibrinsealant), following completion of the qualification and validation processes. In the United States, specifically in Los Angeles, major investments have been made at the new Albumin production plant, the IVIG purification plant as well as in the new purification plant of coagulation factors. Work has also begun on the building of a new plasma fractioning plant at the installations acquired in Clayton, where improvements have also been introduced for better maintenance of the plant and the extension of several areas. Grifols' sample analysis laboratories in San Marcos and Austin (Texas, USA) have also benefitted from the investment plan. Lastly, in 2011 phase III of the production installations in Murcia was completed, whereby Grifols gained a new plant for manufacturing plastic-packaged parenteral solutions, and the Grifols Academy was inaugurated in Barcelona (Spain), providing a centre for advanced training in all processes related to the production of haemoderivatives.

In terms of the Company's future outlook, at the annual meeting with investors and analysts held in Barcelona (Spain) in the last quarter of 2011, details were announced of a new investment plan up to 2015, involving expenditure of approximately US Dollars 964 million (Euros 700 million). 84% of these funds will be absorbed by the Bioscience Division whilst around 5% will be earmarked for the Diagnostic and Hospital Divisions.

The aim of this new investment plan is to continue progressively expanding Grifols' production capacity Spain and the United States, as well as to maintain the Company's policy for the early detection and management of the Group's future production requirements, so that expected market growth can be met. Accordingly, plans are in place to extend both the Company's plasma fractioning facilities and its installations for purifying the different proteins used to produce haemoderivatives. Part of the investment will also be used to extend and relocate the plasma donation centres and improve the analysis laboratories and logistics centres.

Grifols expects its plasma fractioning capacity to exceed 12 million litres/year by 2016. Furthermore, it expects to practically double its current capacity for the purification of intravenous immunoglobulin (IVIG), the haemoderivative sold by Grifols under the brand names Flebogamma®, Flebogamma DIF® and Gamunex®. The investment plan also includes extension of the installations used to purify Albumin, FVII, plasmin and other haemoderivatives.

The implementation of this investment plan will generate savings of more than US Dollars 280 million by 2015 in comparison with the plans originally proposed by both companies individually.

Grifols increases the resources earmarked for R&D to consolidate growth

In 2011, which included seven months of joint activity, Grifols invested Euros 89.4 million in R&D, up 119% on the prior year when an amount of Euros 40.7 million was spent. R&D represented 5% of sales, and the Group's acquisition of Talecris has added to its substantial R&D project portfolio, ensuring the outstanding quality of its research activity in the long term.

The new Grifols organisation has a large number of patents and projects underway, more than ten of which are already past the preclinical development phase. Among the most important of these projects are the clinical trial for the use of plasmin (new haemoderivative) in treating acute peripheral arterial occlusion, the trials to find new uses for Antithrombin in coronary surgery (cardiopulmonary bypasses) and severe burns, and the studies in progress to determine the use of fibrin glue in different types of surgery. This plasma-derived product accounted for 3% of total global haemoderivative sales in 2010.

Work also continued on the new medical study commenced in 2011 to find a possible treatment for Alzheimer's by combining therapeutic plasmapheresis with the administering of Albumin and IVIG. Tests are being carried out on more than 300 patients in a continuation of the trials performed on another 42 patients, in collaboration with two hospitals in Spain and two in the USA, the preliminary results of which have already been published.

Another significant development in 2011 was Grifols's membership of the Spanish Alliance for Health Research and Innovation (ALINNSA), spearheaded by the former Ministry for Science and Innovation through the Instituto de Salud Carlos III. The aim of this alliance is to promote R&D&I in Spain by defining a nationwide strategy for biomedical research and innovation. In addition, Grifols researchers continue to collaborate with external experts in different medical fields to assist in identifying and validating new objectives.

Lastly, in 2011 Grifols announced that it will step up its activity in other fields with future projection, such as regenerative medicine, with the creation of subsidiaries such as Gri-Cel or through agreements to use patents owned by third parties. One example of this kind of agreement is the one signed with the Universitat Autònoma of Barcelona and the Institut Germans Tries i Pujol in the field of gene therapy (a therapy consisting of the introduction of a functional gene in cells of patients lacking the gene or in whom the gene is faulty). This agreement will enable Grifols to develop a new specific gene therapy method that is both versatile and safe.

Impact of the acquisition of Talecris on Grifols' balance sheet

On 2 June 2011 Grifols completed the acquisition of Talecris announced a year earlier, having obtained approval for the transaction from all relevant institutions and bodies, including the Federal Trade Commission, the US agency responsible for the civil enforcement of anti-trust laws. The Group purchased 100% of the US company's shares, which totalled approximately US Dollars 3,700 million (Euros 2,600 million), although the total value of the transaction, including Talecris's net debt, amounted to approximately US Dollars 4,000 million (Euros 3,300 million). This acquisition, one of the most successful and significant corporate transactions of the year, demonstrated Grifols' firm commitment to the long-term growth of the Group.

Grifols paid 0.641/0.6485[3] newly issued non-voting (Class B) shares and cash of US Dollars 19 for each Talecris share. This payment, completed in 2011, has had a substantial impact on liabilities (including equity), although it has enabled the Company to substantially increase its assets.

Assets:

At 31 December 2011 total consolidated assets amount to Euros 5,807.7 million, compared with the Euros 1,889.0 million reported at 31 December 2010.

Of particular note is the net increase in property, plant and equipment, totalling over Euros 341 million, which reflects the assets acquired from Talecris and includes the plasma fractioning plant located in Clayton (North Carolina) and various plasmapheresis centres.

The estimated fair values of the assets acquired have been adjusted progressively since June 2011. Taking into account the latest adjustments and fluctuations in the exchange rate, which have resulted in progressive increases over the seven months of consolidation calculated, intangible assets stand at Euros 2,903.4 million, with goodwill of Euros 1,895.1 million at 31 December 2011, which includes the allocation of the purchase price between the different types of assets and liabilities. The valuation of other intangible assets stands at Euros 1,008.3 million. These estimates remain provisional, although they are in line with the latest reported quarterly results and should be fairly accurate given the various adjustments that have been made.

At 31 December 2011 working capital has clearly improved, both with respect to receivables and inventories, the latter of which totals Euros 1,030.3 million, with a turnover of approximately 300 days. This trend began in the first quarter of the year and, as forecast, has continued throughout the year, although it will be progressively consolidated in the medium and long term as a result of the acquisition of Talecris.

Liabilities: net financial debt stands below estimates for 2011

At 31 December 2011 Grifols' net financial debt stands at Euros 2,738.2 million, with a cash position of Euros 340.6 million. Consequently, the ratio of net financial debt with respect to adjusted EBITDA[1] stands at 4.3 times, although it falls to 3.9 times adjusted EBITDA[1] if we apply the Euro-Dollar exchange rate prevailing at the date on which the acquisition was completed. Both ratios are lower than the 5.2 times initially estimated for the completion date. The Company estimates that the financial debt ratio will return to the debt levels preceding the acquisition of Talecris once the expected synergies are obtained.

Current cash increased over the seven months of reported consolidated results, enabling the Group to quickly reduce its leverage.

The geographical redistribution of sales following the acquisition of Talecris will enable the Group to increase revenues from countries with lower collection periods, helping to optimise short-term financing needs and improve working capital. Grifols' Spain sales fell to 13% in 2011, compared with 23% in 2010.

Before completing the acquisition of Talecris, Grifols also carried out a number of sale & lease-back (SLB) transactions, which enabled it to optimise equity and increase liquidity to cover part of the payment for Talecris, generating a net amount of Euros 160 million. The properties subject to these transactions included part of the installations located in Los Angeles and Clayton (United States), the head offices in Sant Cugat (Barcelona-Spain) and certain installations in Las Torres de Cotilla (Murcia-Spain).

During 2011 Grifols sold receivables of Euros 157 million to third parties without recourse. The Company also sold certain assets previously owned by Talecris to comply with the terms agreed with the Federal Trade Commission for approval of the transaction.

Finally, in the second half of 2011 the credit rating agencies Moody's and Standard & Poor's confirmed the respective Ba3 and BB ratings initially assigned to Grifols' secured senior debt. Moody's maintained its B3 rating for the Company's unsecured senior debt, giving the global corporate group a long-term credit rating of B1. Standard & Poor's has again awarded a B rating to the Company's unsecured senior debt, while its corporate rating is BB- with a positive outlook.

The maintenance of these ratings, in addition to increasing the Group's financial transparency, helps to sustain the confidence of the main agents operating in the financial and capital markets. Both credit rating agencies have taken into account the Group's high degree of integration, the projected synergies and strengthened position in the haemoderivatives market deriving from the acquisition of Talecris, and the numerous obstacles impeding the entry of new competitors into the sector, including the highly capital-intensive nature of the business model and the rigorous regulatory framework. Other factors taken into consideration by the credit rating agencies include the positive growth outlook maintained by the sector, despite the global economic uncertainty.

In 2011 deferred tax liabilities increased to Euros 538.4 million, due to the tax effect of the allocation of the purchase price between the different assets and liabilities.

Equity

The acquisition of Talecris has notably increased the Group's equity, due to the issue of a new class of non-voting (Class B) Grifols share to cover the non-monetary portion of the payment. At 31 December 2011, Grifols has equity of Euros 1,665.0 million, representing an increase of over Euros 900 million compared with the Euros 707.4 million reported at 31 December 2010.

The new share issue, approved by the shareholders in 2010, not only increased the Company's share capital but also the share premium, which stands at Euros 890.4 million. At the ordinary general meeting held in 2011 Grifols' shareholders approved the transfer of the total net profit for 2010 to reserves, but the Company continues to seek alternative means of remunerating shareholders to the distribution of cash dividends. An issue of Class B shares proposed by the Group was ratified by the shareholders at an extraordinary general meeting held on 2 December 2011. These shares have been released to remunerate shareholders through a new share capital increase with a nominal amount of Euros 2.97 million.

Prior to year end the Company issued 29,687,658 new non-voting (Class B) shares with a par value of Euros 0.10 each, without a share premium and with a charge to voluntary reserves. Each Grifols shareholder has been given one new Class B share for every 10 old shares held, irrespective of whether these were Class A or Class B shares. This initiative enabled Grifols to honour its commitment to its shareholders and increase the liquidity of non-voting (Class B) shares.

Following the two share capital increases, at 31 December 2011 the share capital of Grifols totals Euros 117.88 million and is represented by 213,064,899 ordinary shares (Class A) and 113,499,346 non-voting shares (Class B).

In 2011 Grifols' non-voting (Class B) shares were listed for the first time on the Spanish stock exchange electronic trading system (GRF.P) and on the US NASDAQ stock exchange (GRFS) through ADSs (American Depositary Shares). Grifols' ordinary (Class A) shares have been listed on the Spanish stock exchange electronic trading system since 2006, and have formed part of the Ibex-35 (GRF) since 2008.

Performance by business area: division analysis

As mentioned at the beginning of this report, the acquisition of Talecris in 2011 has led to substantial changes in the weight of Grifols' total revenues represented by each business area.

Based on reported figures[2], Bioscience division revenues grew 98% to Euros 1,531.2 million, representing 85.3% of Grifols' total turnover in 2011 compared to 78.1% in 2010. The majority of sales took place on international markets, mainly in the United States, where the Group has gained market share since this recent acquisition, with haemoderivative sales shooting up 184.8%. A particularly flexible reorganisation of the sales force in this market, incorporating mixed sales units (comprising both marketing and sales) and product-specific units for IVIG (intravenous immunoglobulin), albumin, coagulation factors (factor VIII, factor IX, antithrombin) and alpha-1 antitrypsin, has enabled Grifols to position itself as a leading company in the sector in the United States and Canada, not only among healthcare professionals, but also among patients' associations and group purchasing organisations (GPOs).

The Group has also achieved significant growth in Latin America, where haemoderivatives have been introduced in countries including Colombia. Progress has also been made in Asia Pacific and China. This geographical diversification strategy has enabled Grifols to minimise the possible effects of austerity measures and healthcare spending cuts introduced in some countries, including Spain. Even in the present circumstances, the plasma derivative sector has continued to grow and Grifols, the world's third-largest company in this sector in terms of production capacity, has continued to report rising sales volumes despite a negative price environment and an unfavourable Euro-Dollar exchange rate.

In 2011, Grifols' product range was extended to include the Talecris portfolio. This portfolio diversification, coupled with geographical expansion, has enabled the Group to adapt to the demands of patients and healthcare professionals with different requirements and preferences, bringing added value to its services.

Volume sales of, all the haemoderivative products marketed by the Group have performed well this year, with an 11% rise in intravenous immunoglobulin (IVIG) sales (pro forma data). Flebogamma Dif® 10% IVIG was launched in Europe and the introduction of this new generation of intravenous immunoglobulin will be completed when sales commence in Spain in 2012. This product is available in two concentrations (5% and 10%) to meet patients' needs more effectively. Although alpha-1 antitrypsin, which has represented an increasingly larger proportion of Grifols' product mix since the recent acquisition, experienced pro forma sales growth of around 6%, the Group has continued with the gradual launch of the commercial brand of this haemoderivative (Prolastina®) on markets such as Spain, where it will be available in 2012. Sales of other plasma proteins have remained stable, with notable recovery in albumin sales in the second half of the year.

Moving on to raw materials, in 2011 Grifols became the world2. Sales of other plasma proteins have remained stable, with notable recovery in albumin and factor VIII sales in the second half of the year.VIG was launched in Europe aes of plasma each year, ensuring maximum self-supply of this raw material for the production of plasma derivative biotherapeutic products. In 2011 5.8 million litres of plasma were collected in these centres.

Furthermore, since the purchase of Talecris in June 2011, raw material collection centres have been reorganised and a new operating structure introduced which is expected to lead to cost savings in the medium term.

Finally, Grifols' production capacity has also been extended by the recent acquisition. At the 2011 year end, the Group has two plants in the United States (Los Angeles and Clayton) and one in Spain (Parets del Vallès), with a maximum annual plasma fractionation capacity of 8.5 million litres.

Based on the reported financial statements2, the Diagnostic division generated revenues of Euros 117.4 million, representing 6.5% of the Groupts2, the Diagnostic division generated revenues of Euros 117.p has two plants in the United States (Los Angeles and Clayton) and one in Spain (Parets del Vallin, has ensured organic growth. In 2011 a process of internal reorganisation and management optimisation was undertaken regrouping the Immunohaematology and Blood Bank branches into an area called Transfusion Medicine.

Exports of instruments to the United States, Europe and China have remained stable, and new markets have been opened up such as Saudi Arabia, Egypt and Switzerland, for sales of immunohaematology cards. A noteworthy achievement in this field is the distribution of a next-generation automatic blood group card processer (Erytra®), of which 50 units were manufactured in 2011, in Europe, Mexico, Brazil, Japan and Australia. Sales of the Q® haemostasis analyser were also consolidated in emerging markets such as Brazil and Turkey, while sales of this instrument in Bulgaria, Chile and Australia have remained stable.

New versions of the software for the Q® haemostasis analyser were launched and development work continued on a new analyser with greater processing capacity, which will allow the Group to offer a full range of haemostasis instruments. In 2011 progress was made in the development of a new automated analyser for ELISA micro-well testing systems to replace the current Triturus® analyser, which has sold over 1,000 units worldwide.

In the reagents area of the Immunohaematology division, in 2011 new reagent cards and antibodies were launched which were developed specifically for the American market, where, since the recent acquisition, this division plans to increase its presence gradually by introducing new products. In the Haemostasis area, the process of renewing the reagent line that commenced in 2010 has continued. Adaptation of a protein S assay kit for the Q® haemostasis analyser was completed with sales expected to commence in 2012, and development of Grifols' own chromogenic assay kit for protein C was finalised. Validation and distribution of this product is expected to commence in the coming year.

Another major growth opportunity is presented by the co-operation agreement signed with Novartis' diagnostics division for the sale of some of Grifols' main immunohaematology diagnostics products in the United States. These include reagents, automatic blood group typing instruments developed by Grifols and the BLOODchip® tests manufactured by Spanish biotechnology company Progenika Biopharma, which the Grifols already distributes.

An agreement was also signed with the Japanese company Kainos, which will distribute Grifols' transfusion diagnostics systems in Japan, including reagents, automatic blood typing instruments and donor-patient compatibility studies. Specifically, this company will sell the WaDiana® and Erytra® instruments, which enable automatic processing of DG Gel® blood determination cards using gel agglutination technology, and other associated reagents, complementing Kainos' activities in the transfusion medicine field. This agreement allows the Diagnostic division to strengthen its position in Japan, where the blood typing procedure has recently been standardised.

In 2012 the Group intends to maintain its strategy for third-party product sales and expects to boost growth through exclusive distribution agreements for various products.

Acquisitions present yet another growth front. Grifols has acquired 51% of the Australian-Swiss company Lateral-Medion for Euros 9.5 million, adding sole ownership of this company to the 100% share of voting rights it already held.

The activity level in the Hospital division has remained stable, although, due to the acquisition of Talecris, the proportion of total Grifols revenues generated by this division has fallen to around 5.3% in relative terms. Reported sales[2] in this division rose 6.5% to Euros 95.4 million.

Although the majority of this division's sales are to the Spanish market, in recent years Grifols has begun to implement an internationalisation strategy to extend sales diversification to this business area. The recent acquisition will allow the gradual introduction of products and services onto the North American market, where Misterium® clean-room Gri-fill® system projects have already commenced in the Hospital Logistics area. A contract signed with a new blood extraction and fractionation distributor in Brazil is expected to bring a considerable rise in sales in this country from 2012 onwards, even though manufacturing for third parties is still the main driver of the internationalisation process in this division, with growth of over 20% in the export activity. During the year a number of contracts have been signed with new customers, with manufacturing under these agreements commencing in January 2012.

As with the other divisions, the Group's strategy is to minimise the possible effects of healthcare spending cuts, particularly in Spain, which have hit this division hardest. Once again in 2011 the Hospital Logistics area has been affected by a decline in investment in hospitals, even though sales in this line present growth in general terms. Notable achievements include the launch of ten new Misterium® clean-room projects (nine in Spain and one in Portugal) and the development of StocKey®, a new automated system to optimise hospitals' healthcare material restocking processes.

As part of the exclusive agreement to distribute Health Robotics products in Spain, automation of the pharmacy service at Vall d'Hebron University Hospital in Barcelona has been completed with the assembly and start-up of an I.V. Station® robot. This project has reinforced Grifols' leading position in the provision of automation services, the main advantages of which include minimising risk of measurement error and removing any possibility of cross-contamination between different drug types or hospital-acquired infections.

Growth can also be observed in the other areas in this division, including intravenous therapy, which increased turnover by over 6% despite being particularly affected by cuts introduced by Royal Decree-Law of September 2011, and healthcare materials, which grew around 8%.

In the fluid therapy solutions area, approval has been granted for three devices for preparing solutions under sterile conditions. Research work has continued on "ready-made" pre-diluted potassium solutions in polypropylene packaging, the development of two formulations of a drug for treating bone diseases has been completed and the corresponding registration reports submitted to the EMA, FDA and Australian and Canadian authorities.

Successes in Clinical Nutrition include the launch of a high-nitrogen (12.6%) amino acid parenteral solution and the development of two new enteral diets, one high-protein and the other diabetic.

Finally, the international expansion and geographical diversification strategy implemented in the Hospital division has also been boosted by agreements, including the contract signed in 2011 with CareFusion, a world-leading company in medical technology, which will distribute the BlisPack® system designed by Grifols to automate blister pack cutting and the electronic identification of drugs for hospital use in various European, Middle Eastern, African and Asian countries – specifically Algeria, Australia, the Bahamas, Belgium, Canada, Egypt, France, Greece, Israel, Korea, Kuwait, Malaysia, Morocco, New Zealand, Oman, Puerto Rico, Qatar, Saudi Arabia, Singapore, South Africa, Switzerland, Tunisia, Turkey and the United Arab Emirates – for five years.

Finally, the Raw Materials and Others division has generated turnover of Euros 51.7 million, up on 2010 figures as a result of the allocation of revenues from the agreements with Kedrion and royalty income, previously included in Bioscience. Other areas of activity continue to gain strength, including Grifols Engineering, which will also achieve major cost savings through various internal projects to update and improve the facilities acquired from Talecris.

Other management indicators

Corporate highlights

In 2011, Grifols made several changes to its corporate structure with a view to modifying and improving its management performance, including a reorganisation of the Audit Committee and the Appointments and Remuneration Committee. Luis Isasi, Steven F. Mayer and W. Brett Ingersoll are directors and members of the Audit Committee, with Tomás Dagá acting as Secretary, while the Appointments and Remuneration Committee now comprises Edgar D. Jannotta, Víctor Grifols and Anna Veiga acting as directors, and Raimon Grifols as Secretary.

In June, Grifols opened its new head office in Sant Cugat del Vallès (Barcelona-Spain), in an act chaired by Miguel Sebastián, Minister for Industry, Tourism and Trade. The inauguration of the new headquarters, which conform to environmental criteria regarding lighting, temperature control and water usage, coincided with the Group's 70th anniversary.

Grifols received numerous awards and accolades last year, the most notable being:

The 2011 Global Business Leader Award from the American Chamber of Commerce in Spain (AmCham), which was awarded to Víctor Grifols in recognition of the company's international growth drive; the 2011 "Business Leader of the Year" award given by the Spain–U.S. Chamber of Commerce to Víctor Grifols for his professional career; the Carles Ferrer Salat Prize for Internationalization (sponsored by Fomento del Trabajo Nacional, an independent business organisation that represents the Spanish Confederation of Entrepreneurial Organisations (CEOE) in Catalonia); the Best Corporate Transaction of the Year prize, awarded by financial daily El Economista for the Talecris acquisition; the Institute for Financial Studies award for Financial Excellence in Corporate Communications; and the awards presented by the Círculo de Empresarios (Association of Entrepreneurs) and the Wharton School of the University of Pennsylvania, in recognition of Grifols' international projection in recent years.

Environmental management

In the first half of 2011 Grifols concluded its "2008-2010 Environmental Targets Programme", meeting over 85% of the global targets and embarking on a new initiative: the "2011-2013 Environmental Programme" which has been updated to incorporate Talecris's activities with those of Grifols following last June's acquisition. In absolute terms, the inclusion of Talecris will double the number of environmental indicators to be reported, although Grifols believes that manufacturing synergies will translate into optimisation of waste management, reductions in certain waste products or generation of greater value from these products than initially forecast. Unifying production processes will also allow environmental efficiency measures on new projects to be standardised, as well as fostering good environmental practices within the facilities.

Some of the year's most significant achievements in terms of the design and implementation of environmentally efficient production processes and optimisation of auxiliary installations include:

- The Hospital Division at the Murcia plant, where PVC solution bags were replaced by polypropylene bags, and a high-efficiency distiller and two sterilisation autoclaves that use a mixture of steam and air rather than superheated water were installed. Clean-In-Place (CIP) cleaning systems were also implemented, and a high-efficiency boiler with a heat-recovery system was built, among other initiatives.

- The Bioscience Division at the new fibrin glue production plant and expansion of the fractionation facilities, both located in Parets del Vallés (Barcelona, Spain). The main changes here included installing high-efficiency machinery (new freeze-dryers and heaters) and CIP cleaning systems for the reagents and hoses, thus reducing water and power consumption.

Emissions in 2010 amounted to 19,764 tonnes, a 14.5% reduction on the previous year. By implementing the initiatives described above, we hope to reduce electricity consumption by 1,700 MWh/year and natural gas consumption by 5,000 MWh/year.

Environmental savings are potentially higher if we consider the specific environmental targets established for the North Carolina (US) facility, foremost among which is the annual reduction in water consumption by almost 100,000 m^3, the 2,800 MWh cut in annual electricity consumption, and the implementation of environmental efficiency measures at the new fractionation building.

Finally, construction began on a new fractionation plant in Parets del Vallès (Barcelona) during the second half of the year. The design and process implementation of this plant is aimed at minimising its environmental impact.

Firm commitment to human resources

At December 2011, Grifols' average accumulated headcount stood at 11,230 employees, an increase of 88% on 2010 as a result of the Talecris acquisition. Outside Spain the workforce grew by almost 150%, while 79% of Grifols employees were located abroad.

Today Grifols has become a benchmark for equal opportunity employment. With average seniority standing at over six years and a workforce whose average age is under 38, the gender split is even (46% men vs. 54% women).

One of Grifols' foremost corporate commitments regarding health and safety in the workplace is to push through various initiatives aimed at achieving excellence and continuing to be a reference in the chemical sector. Consequently, the health and safety conditions for the various centres, departments, positions, teams and tasks performed by Grifols employees and by external collaborators working on Group premises have been reviewed, monitored and improved. Among these, the following projects are of particular note:

- Standardisation of the health and safety in the workplace management system worldwide: its aim is to determine the health and safety management measures in place at international subsidiaries, updating, where necessary, existing documentation for each of them, and setting up a standard system adapted to each subsidiary that meets with the safety certification standards in force in Spain. The project, which began in 2010, has been introduced in the subsidiaries located Chile, Brazil, Mexico, Argentina, the UK, Czech Republic and France, and will be rolled out in Italy and Germany in 2012.

- Psycho-social risk assessments and action plans for Group companies: the aim of this risk assessment, which was performed during 2010 and 2011, is to determine employee perceptions of working conditions and their effect on personal and emotional health and welfare.

From the point of view of training, Grifols continues to make considerable progress in personnel development and training. In 2011 the "Grifols Academy" was created, whose mission is to foster professional development and excellence among Grifols employees worldwide. The Academy also serves as a tool to actively spread and consolidate the "Grifols spirit", which helps to guide employee actions and their understanding of the business. It also acts as a centre of technical, scientific and management excellence for the Group's personnel.

Training and development activities carried out in 2011 included reinforcing two key areas: continuing professional development in all aspects of quality and safety of haemoderivatives and their related processes, and leadership and personal development programmes to reinforce cohesion within the teams.

Considerable effort has been made to support integration and consolidation within the organisation in 2011 following the Talecris acquisition. From a quantitative point of view, there has been growth in all basic indicators: training hours per employee, based on average headcount (now 30 hours/employee, two more than in 2010), total training hours, number of courses on offer, and number of course participants.

Key training indicators:*

Number of training courses offered	26,611
Total hours	260,791
Hours / Employee – *Average headcount*	30

* These figures include the new group from the acquisition date onwards. Certain subsidiaries for which no consolidated data were available have been excluded.

Risk evolution

The financial crisis, whose effects were already touched upon in the 2008 annual report, is still affecting the countries in which Grifols operates. It remains difficult to predict whether there will be any further changes in the public health systems that could affect the Company's activity.

The Group's future results could be influenced by events relating to its own activity, such as shortages of raw materials for the manufacture of its products, the introduction of competing products or changes in legislation regulating the markets in which it operates. However, at the date of preparation of these annual accounts, Grifols has adopted the measures it considers necessary to mitigate the possible effects of these events.

Own shares

The Company has not carried out any transactions with Class A own shares in 2011.

Subsequent events

On 14 February 2012 Grifols successfully closed the negotiations to amend and improve the terms and conditions of the Credit Agreement previously signed to finance the acquisition of Talecris Biotherapeutics Holding Corp. The modifications are basically the following:

(i) reduction of interest rates, and retranching;

(ii) only two financial covenants in place relating to the leverage ratio and interest coverage, and removal of covenants relating to limitations in fixed assets investments and the debt service coverage ratio;

(iii) amendment to the leverage ratio limiting the distribution of dividends, improving from the current 3.75 to the new ratio of 4.5 times, as well as relaxing certain conditions relative to certain contracts;

(iv) voluntary debt repayment through early amortization of 240 million dollars.

All of these improvements will lead not only to a reduction in controls, but also to significant savings in finance expenses for the Group.

The Annual Corporate Governance Report, which is required from listed companies, is included as an appendix to this Directors' Report, of which it forms part.

1 Does not include costs related to the Talecris acquisition and non-recurrent costs.
2 Includes results for Talecris as of June 2011 (seven months), the first month in which it consolidated.
3 Different share exchange ratios were used depending on the identity of the owner of Talecris shares at the Transaction completion date; 0.6485 for general purposes and 0.641 when the shareholder was Talecris Holdings, LLC, a director and/or a board member of Talecris.

At a meeting held on 22 February 2012 and in compliance with legal requirements, the members of the board of directors of Grifols, S.A. have prepared the annual accounts and directors' report for the period from 1 January 2011 to 31 December 2011. The annual accounts comprise the attached documents preceding this statement, all of which are drawn up and identified on sheets of paper bearing the official State seal, 8th class, numbered from OK7757483 to OK7757490, OK7757328 to OK7757411, OK7757491, and from OK7757413 to OK7757481 and OK7757492.

Grifols Roura, Víctor Chairman (signed)	Riera Roca, Ramón Board member (signed)	Twose Roura, Juan Ignacio Board member (signed)
Dagà Gelabert, Tomás Board member (signed)	Thortol Holding B.V. (J.A. Grifols G.) Board member (signed)	Glanzmann, Thomas Board member (signed)
Jannotta, Edgar Dalzell Board member (signed)	Veiga Lluch, Anna Board member (signed)	Isasi Fernández de Bobadilla, Luis Board member (signed)
(*)	(*)	
Mayer, Stephen F. Board member	Ingersoll, W.Brett Board member	Grifols Roura, Raimon Secretary to the board (signed)

(*) Not signed as this director attended the meeting to authorize the accounts by conference call