

09



2009
ANNUAL
REPORT

SUMMARY

GRIFOLS

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This is a summarized version of the Annual Report. The full version is contained on the accompanying CD (see flap inside back cover).



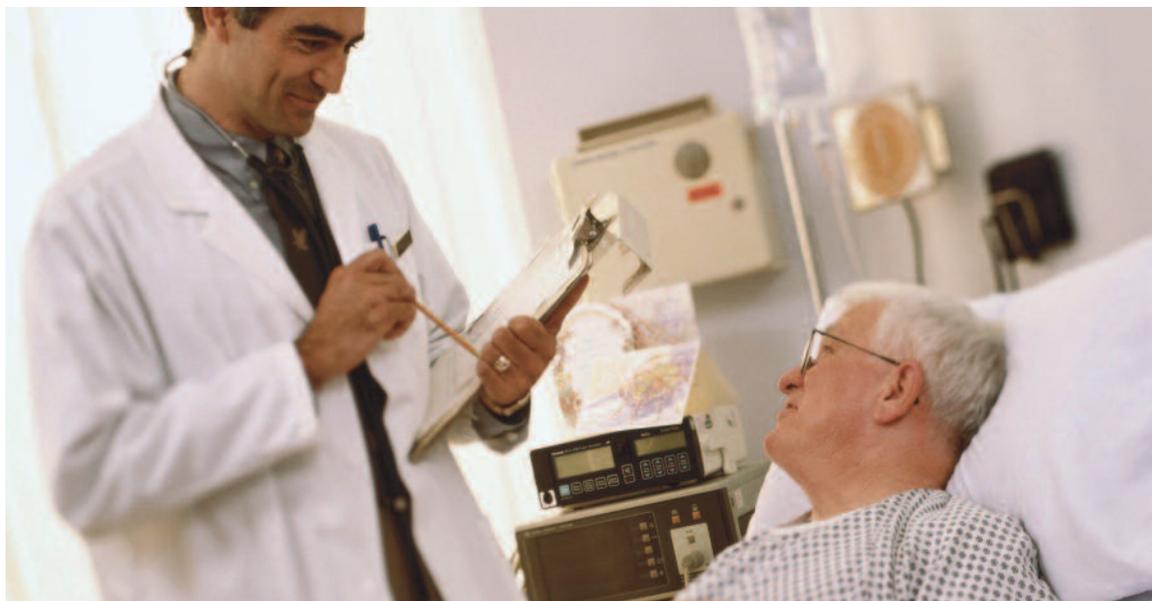
1. INTRODUCTION

1

GRIFOLS: SERVING PEOPLE'S HEALTH

We offer innovative products and responsible service, designed to help professionals working in the health sector to look after people's health. Our business is based on a set of ethical principles which form the basis of our reputation and ensure the continuity and success of the company.

Our commitment to health is reflected in every area of our activity: we research, develop, manufacture and market plasma products, products for intravenous therapy, enteral nutrition, diagnostic systems and medical supplies to help patients and health professionals in over 90 countries to get better every day with us.



1.1 LETTER FROM THE PRESIDENT



Dear shareholders,

It is time once again for our annual review Grifols' activity, and 2009 has certainly been anything but an easy year, given the fear that liquidity problems and the credit squeeze would put many companies out of business. I usually start these letters by highlighting our sales achievements, but this year I would like to focus on the fact that we are among the top companies in terms of the confidence we enjoy from banks and investors.

We have succeeded in mobilizing impressive volumes of new financial resources, and this not only enables us to grow but also demonstrates that the markets are convinced of our capacity to do so. In 2009 our first corporate bond issue in the United States, for 600 million dollars, was heavily oversubscribed by institutional investors, while all 24 financial institutions participating in the syndicated loan for 350 million euros issued in May 2008, unanimously agreed the novation of this facility. The purpose was to bring the covenants in line with the corporate bond issue, to standardize our financial ratios and provide a more accurate indication of the growth in the group's equity and the value of the company. This would not have been possible without our track record of delivering results which confirm our management strategy.

Income from each division grew in every quarter of the year. Sales of plasma products included in the Bioscience division rose by 12.5% to 695.0 million euros, the Diagnostic division's sales rose by 20.2% to 103.1 million euros, and the Hospital division's sales grew by 4.7% to 86.3 million euros.

Taken overall, we ended 2009 with a rise in turnover of 12.1% to 913.2 million euros, and growth in net profit of 21.6% to 148 million euros, achieving our twin objectives of improving margins and reducing costs, goals which applied to every area of the company's activities. In addition, our EBITDA to sales margin stood at 29.1%, 12.6% up on the figure for the previous year at 266.1 million euros.

The commitment to reducing expenses during 2009 did not affect either our investment policy or our R&D programme, both of which are essential to delivering growth. We continued to invest both in Spain and the United States, with a 104 million euro investment programme which has seen work get under way on the company's second plasma analysis laboratory in Texas, together with the start of construction at the new serum production facilities in Murcia.

At the same time, we have continued working to maintain our competitive advantage within the industry. The FDA approved our new sterile albumin filling facility and the Minifrac fractionation plant in Los Angeles. This will increase our fractionation capacity by 700,000 litres, giving a total capacity of 2.2 million litres. Construction of the new IVIG plant, as part of the same complex, is also making good progress and is scheduled for completion in the second half of 2010.

In addition to the planned organic growth, 2009 has seen significant acquisition activity, with the purchase of an Australian-Swiss group which not only offers significant synergies for our diagnostics area, but also provides us with an opportunity to start the sale of plasma products in Australia.

International expansion has been a key consideration during the year, and over 75% of income is now generated outside of Spain. At the same time, we have succeeded in expanding the overseas markets for the majority of our products and services in all three divisions, including Hospital. Outside of Spain, the United States continues to be a key region, and



we have also consolidated our presence in Europe. At the same time, our strategy of achieving geographical balance is currently focused on gradually consolidating sales in new emerging regions. We are therefore seeking to combine our presence in these two mature markets with growth in two areas which promise to be a source of economic dynamism: Latin America and the Asia-Pacific Region. As a result, we are planning to gradually increase our supplies to these emerging markets to meet existing demand in key areas. Indeed, during 2009 countries such as Brazil, Australia and China played a central role in our expansion, delivering growth of around 50%.

Beyond the figures, Grifols' existing achievements and new projects bring clear benefits for patients, customers, shareholders and employees. At Grifols, our strategy for the future is based on our commitment to maintaining our position as one of the world's leading manufacturers of plasma products, and this is why our R&D activity is so essential. It enables us to improve the efficacy of our biological products, and to explore new lines of research which offer the hope of specific benefits for patients and health systems. One example is provided by the intermediate results presented in mid-2009 with regard to our clinical trial into the treatment of Alzheimer's disease. This provides patients and their families with hope that it may be possible to stabilize Alzheimer's disease through systematic therapeutic plasmapheresis with human albumin.

Grifols' considerable investment in R&D+i, together with our clear commitment to the continuing professional development of our staff, are part of the very essence of the company. The Grifols Academy of Plasmapheresis, which opened in 2009, provides clear evidence of the group's commitment to ensuring that its employees are able to keep abreast of new developments, and it is also an essential tool for disseminating the company's corporate culture, the basis for Grifols three key objectives in 2009: efficacy, internationalization and planning.

I would like to end by thanking our shareholders for their ongoing support, and by reaffirming our commitment to the continuing growth of the company.

Víctor Grifols
President and CEO

1.2 COMPANY PROFILE

MAIN ACTIVITY	The research, development, manufacture and marketing of plasma derivatives, IV therapy, enteral nutrition, diagnostic systems and medical materials.
MISSION	To develop products and services which provide added value, operating on the basis of ethical criteria and responsible practice.
VALUES	<ul style="list-style-type: none"> • Dedicated to research. • Ethical commitment. • Financial solidity.
DIVISIONS	<ul style="list-style-type: none"> • Bioscience: research, development, manufacture and marketing of plasma products. • Diagnostic: development, manufacture and marketing of analysis systems for <i>in vitro</i> diagnostics, blood donation kits and procedures for the inactivation of blood components for transfusion. • Hospital: supply of a wide range of non-biological products used in hospital pharmacies, surgery, clinical nutrition, fluid therapy and other therapeutic purposes.
INTERNATIONAL PRESENCE	<ul style="list-style-type: none"> • Over 90 countries. • 20 subsidiaries.
BUSINESS TURNOVER	<ul style="list-style-type: none"> • 913.2 million euros. • 75.3% of income generated outside Spain.
AVERAGE WORKFORCE	<ul style="list-style-type: none"> • 5,984

TARGETS FOR 2009

- Improving the efficiency of production processes.
- Increasing the production volume of plasma derivatives while maintaining quality, safety and efficacy.
- Continued internationalization of the group.
- Consolidating the group's R&D policy.
- Creating value for shareholders.

1.3 2009 IN FIGURES



€913.2 million sales turnover	>>	12.1% sales growth
75.3% income outside Spain	>>	14.4% growth in international markets
€148.0 million net profit	>>	21.6% growth compared to 2008
€266.1 million EBITDA	>>	Growth of 12.6%, to reach 29.1% of sales
€561.6 million net financial debt	>>	2.1 times EBITDA
5,984 employees. Average workforce	>>	+55% employees in United States



2. ACTIVITY AREAS

2

2009 was characterized by the general restriction of access to funding and the impact of the financial crisis on the world's leading economies. Predictions of restricted economic growth were confirmed, and the majority of sectors suffered from the impact of the economic cycle.

The weaker influence of the economic cycle on the plasma products sector and the growing importance of countries such as China and other emerging nations as consumers of plasma proteins meant that the crisis had less impact on our key activity area: Bioscience. Cuts in pharmaceutical expenditure by governments has not had a major effect on the performance of our other two divisions: Diagnostic and Hospital.



2.1 PERFORMANCE OF DIVISIONS IN 2009

During this financial year we sustained the forecast growth rates for all divisions:

TURNOVER AND GROWTH BY DIVISION IN 2009 (FIGURES IN MILLIONS OF EUROS)			
	TURNOVER	% GROWTH	% OF TURNOVER
BIOSCIENCE	694.9	+12.5%	76.1%
HOSPITAL	86.3	+4.7%	9.4%
DIAGNOSTIC	103.1	+20.2%	11.3%
RAW MATERIALS	28.8	+2.4%	3.2%



2.2 BIOSCIENCE DIVISION



- Bioscience sales rose by 12.5% in 2009.
- Our plasma fractionation capacity increased by 20% to 4.3 million liters of plasma per year as a result of the “Minifrac” fractionation facility in Los Angeles coming on line.
- In 2009 we fractionated 3.2 million liters of plasma, representing 74.4% utilization of total capacity, giving us a clear competitive advantage as a result of our ability to respond to rising demand.
- Self-sufficiency in the supply of raw material. The 80 plasmapheresis centers in the United States collected 3.2 million liters of plasma in 2009.
- Consolidation of our presence in emerging markets: Latin America and Asia gain importance in the sales mix.
- Start of sales in Spain and Italy of Niuliva® 250 U.I./ml, the first IVIG anti-hepatitis B registered and marketed in Spain.
- Significant progress has been made in the construction of new production facilities in the United States, including a new analysis laboratory in San Marcos (Texas).
- The division’s investment has been maintained: from 2008 to 2012 Grifols will allocate 260 million euros to expanding and improving the fractionation and purification capacity for plasma proteins.
- The FDA has granted approval for the new albumin sterile filling plant in the USA.
- Grifols Academy of Plasmapheresis starts training activities.

€694.9 million
sales turnover

1 of only 3 vertically
integrated plasma derivative
companies in the world

2nd largest plasma collection
company in the world

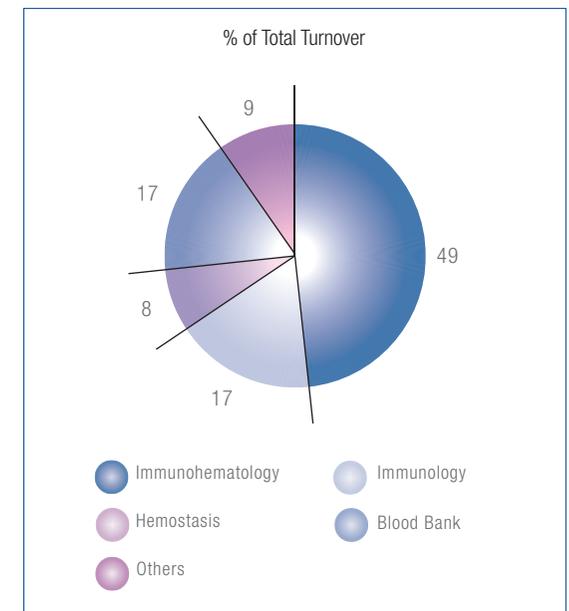
Europe's **leading** producer of
plasma derivatives

2.3 DIAGNOSTIC DIVISION

- In 2009, sales of the Diagnostic division rose by 20.2%.
- China and Latin America were two of the geographical regions which saw most growth, while the company's exports to the United States, Europe and Australia remained stable.
- We consolidated our position as one of the leading companies in the *in vitro* diagnostic segments in which we are active: the production of instrumentation and reagents for blood typing using gel agglutination technology, the development and production of analyzers for the automation of enzyme immunoanalysis, and the very latest hemostasis analyzers.
- DG Gel® output exceeded 10 million units.
- First sales of Q® Hemostasis analyzer in Turkey, and hematology reagents in Italy and France.
- Market launch of first latex-based proprietary reagent to determine von Willebrand's disease. Specially adapted for Grifols' Q® Hemostasis autoanalyzer.
- Grifols' commitment to the Asia-Pacific Region was behind the decision to purchase a building in Australia. This now houses the new factory for the production of DG Gel® immunohematology cards.

€103.1 million income

70% of sales in foreign markets



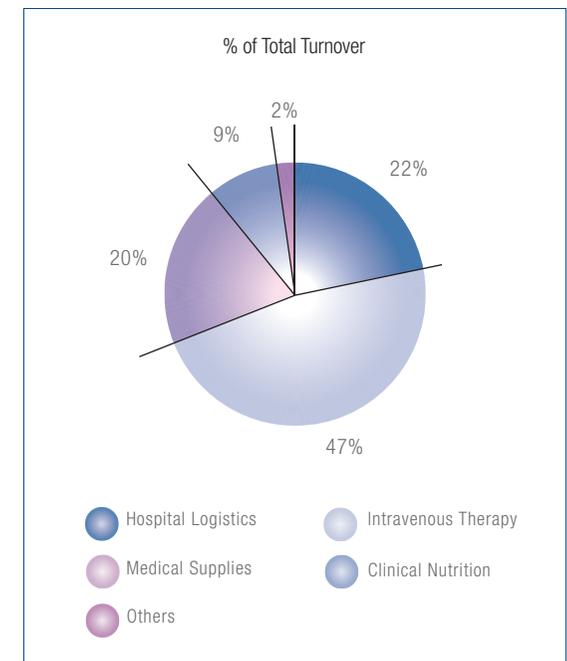
2.4 HOSPITAL DIVISION



- The division's turnover rose by 4.7% compared to 2008.
- The division achieved its key objectives for 2009 of greater internationalization and increased production for third parties to optimize the use of manufacturing facilities.
- The Hospital Logistics area, an activity in which we are industry leaders, has benefited from the renewal of contracts despite budgetary restrictions in Spanish hospitals.
- We began manufacture of a painkiller presented in polypropylene bags, drawing on the transfer of industrial know-how and technology from the fluid therapy area.
- We have begun construction of a new plant for the manufacture of parenteral solutions in Murcia (Spain) which would enable us to increase production by 30 million bags a year to a total of 44 million in order to meet rising market demand.
- Start of activity at new R&D and Control laboratories, together with the new raw materials warehouse at the Parets del Vallès plant (Barcelona, Spain).
- Grifols confirms its position as the leading Spanish company in the manufacture and distribution of enteral and parenteral solutions in flexible and glass containers.

€86.3 million
of sales

Leadership in the
Spanish enteral and parenteral
solutions market



2.5 R&D AS A GROWTH STRATEGY



€35.4 million
allocated to R&D

24.2% increase
compared to 2008

618 patents
in 2009



BIOSCIENCE DIVISION R&D

- 14 trials at the clinical phase and 5 at the development or research phases.
- Key developments include:
 - Improving the management and control of plasma.
 - Study into the treatment of Alzheimer's disease using plasmapheresis with albumin.

DIAGNOSTIC DIVISION R&D

- Net investment in intangible fixed assets of over 1.6 million euros.
- Over 28% of the division's staff are engaged in R&D activities.

HOSPITAL DIVISION R&D

- In the fluid therapy area, stability studies have continued to consider various “ready to use” drug mixtures in polypropylene containers.
- 2009 saw the start of a project to develop electrolytic solutions of 5% glucose saline solution and 5% glucose in polypropylene bag and semi-filled format in a range of volumes, with sterile connection which does not require needles.

PHARMACEUTICAL ENGINEERING: GRIFOLS ENGINEERING

Consolidation of **Grifols'** Engineering division, a pharmaceutical engineering consultancy specializing in biotechnology and sterile processes.





3. GRIFOLS COMMITMENT

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During 2009 **Grifols** employed an average of 5,984 members of staff, an increase of 8.7% compared to the previous year. This increase occurred both in Spain and in the United States, the two countries where our manufacturing base is located.

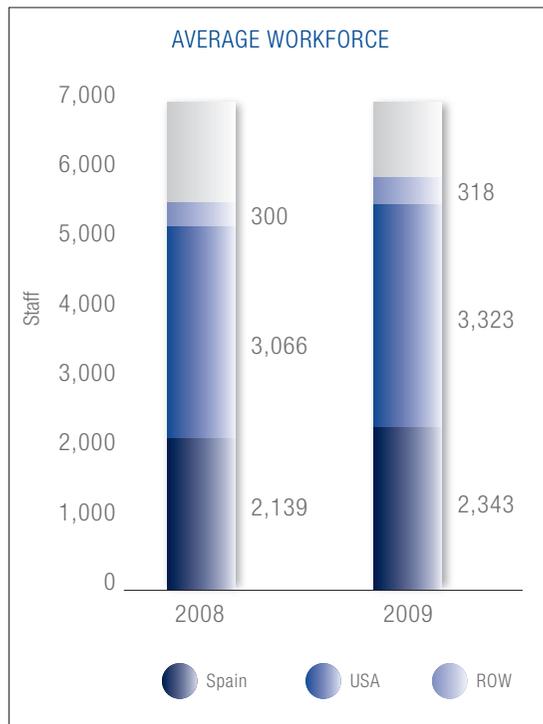
The Environment department coordinates the environmental activities of the group's companies. **Grifols** environmental management is based on its ISO 14001-certified Management System and on the commitments established in the company's environmental policy.



3.1 HUMAN RESOURCES

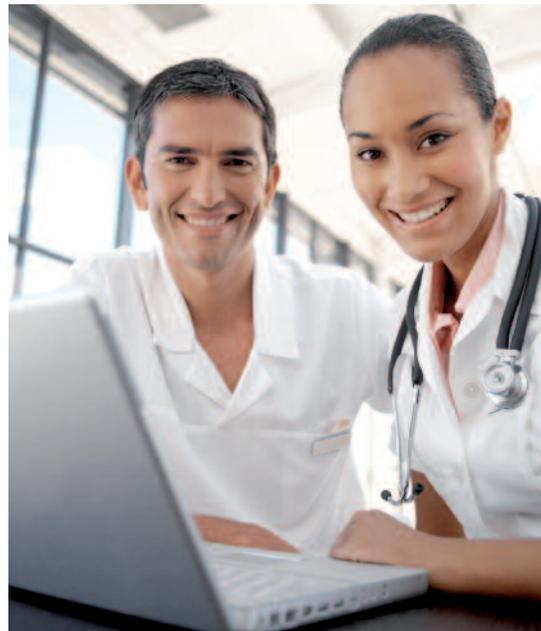
GRIFOLS' POSITIVE PERFORMANCE DURING 2009 HAS ENABLED US TO CONTINUE TO GENERATE EMPLOYMENT

8.7% increase compared to 2008



56% of employees are female

KEY TRAINING INDICATORS IN SPAIN	
NO. OF COURSES	15,369
TOTAL HOURS	155,584
AVERAGE HOURS PER EMPLOYEE	26



A significant proportion of training in the United States is now delivered by the Plasmapheresis Academy, which opened in 2009.

3.2 THE ENVIRONMENT



The company is on line to achieve its environmental targets for the period 2008-2010.

Consumption of electricity, gas and water has risen less slowly than production in all 3 divisions.

1% increase in electricity consumption

10.8% reduction in natural gas consumption Bioscience division

6% reduction in total CO₂ emissions





4. ECONOMIC-FINANCIAL PERFORMANCE

4

Despite the fact that the international economic crisis, which began in 2007, had its greatest impact to date in 2009, we have successfully maintained our position as one of the leading companies in the world in the production of plasma derivatives. We have maintained a clear competitive advantage, as a result of the fact that we are one of the few fractionators with a vertically integrated business model, giving us control over the entire production process.



4.1 ANALYSIS OF RESULTS

International expansion in emerging markets such as Asia and Latin America have driven sales, and investors have demonstrated their confidence in us by oversubscribing our first issue of corporate bonds in the United States. In addition, debt levels remained stable and the solidity of our balance sheet was confirmed.

- Sales performed well in all four quarters of the year.
- New markets such as Asia and Latin America are becoming increasingly important, with double-digit growth figures.
- Sales in the United States and Europe were stable.
- We enjoy natural exchange rate coverage, enabling us to minimize currency risk, although during the final quarter of 2009 the fluctuating dollar-euro exchange rate had a moderate impact on results.
- The cost of plasma, the main raw material, remained stable and the gross margin stood at levels similar to those for 2008, representing 48.7% of sales.
- We maintained our cost control policy throughout the year. Operating expenses totaled 218.0 million euros, an increase of 11.7%.
- Financial expenses fell considerably due to the continuing decline of interest rates.

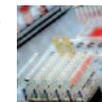
Despite the current situation, all activity indicators saw double-digit growth.

Income up **12.1%**

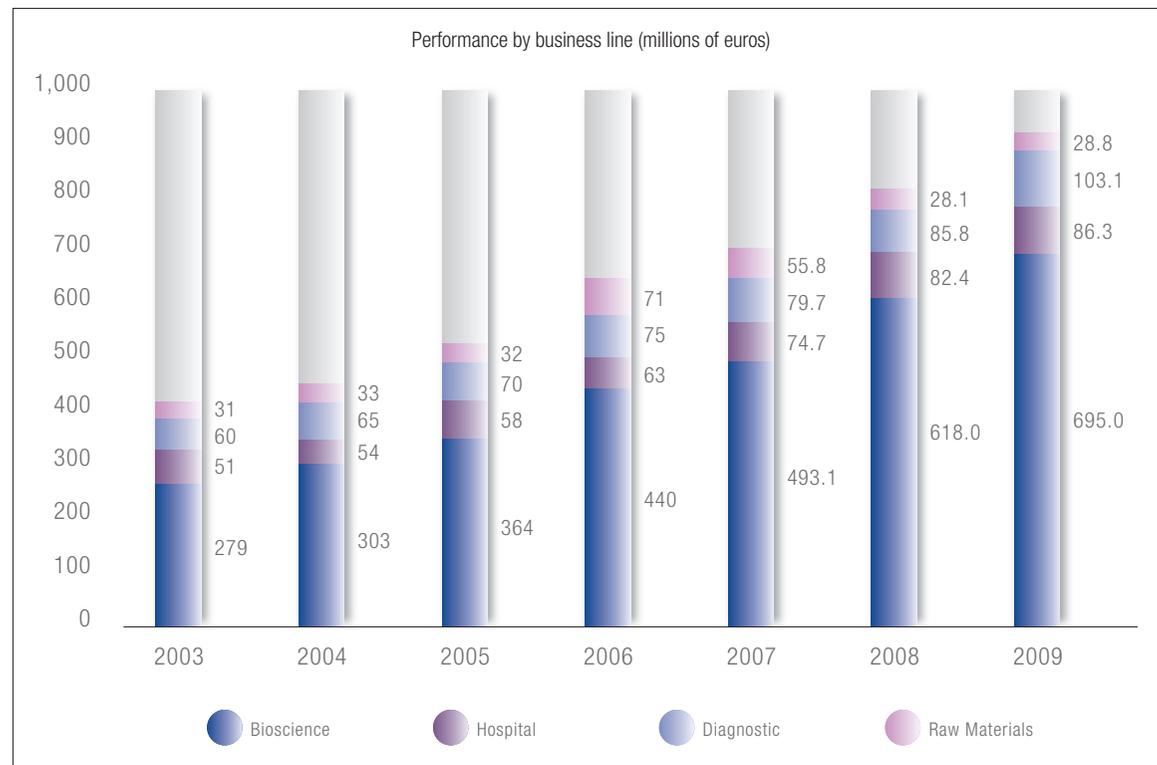
EBITDA up **12.6%**

Net profit up **21.6%**

Ebit up by **11.6%**

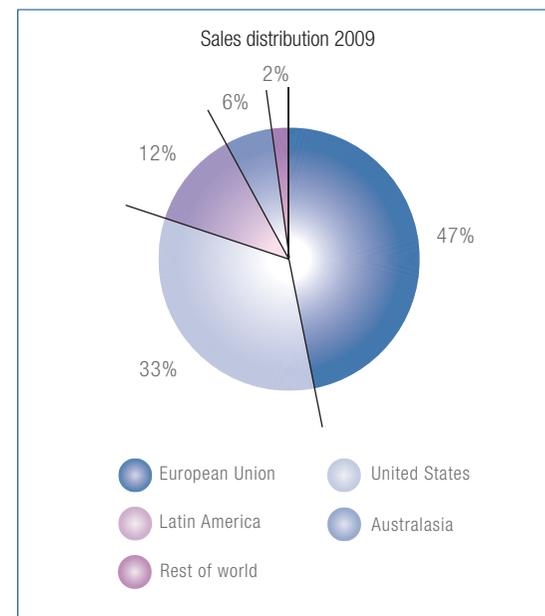


All business lines recorded a positive annual performance.



As part of our growth strategy, we have promoted sales in emerging areas such as Asia and Latin America, and have strengthened our presence in the diagnostics market in Australia and New Zealand.

CONTRIBUTION BY GEOGRAPHIC REGION TO GRIFOLS INCOME IN 2008



4.1 ANALYSIS OF RESULTS

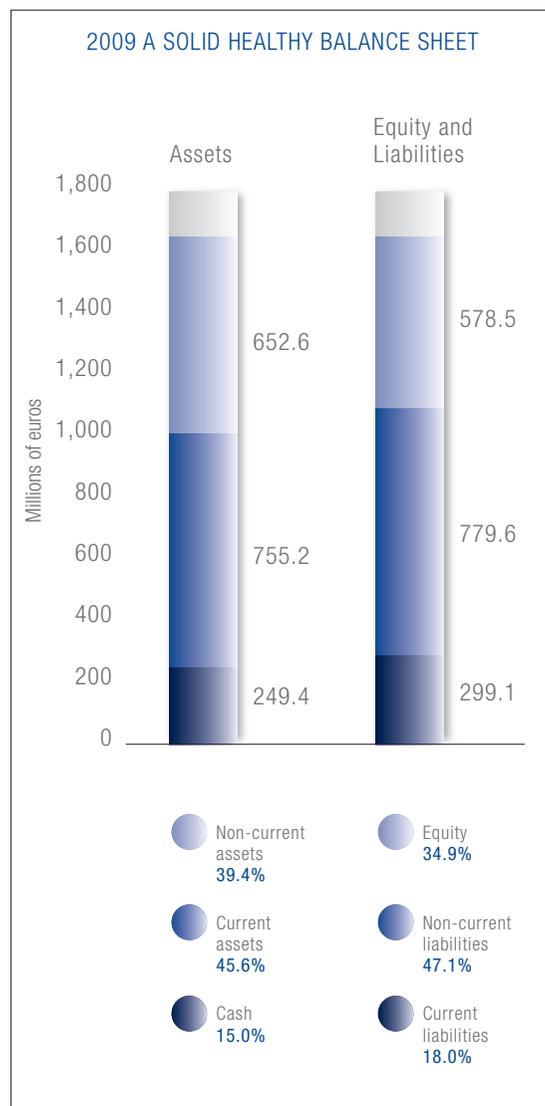
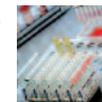
Grifols' main financial ratios in 2009 remain at similar levels to those for 2008 and attest to the solidity of the balance sheet.

Total consolidated assets reached 1,657.2 million euros, compared to 1,180.2 million euros in 2008.

At 31 December, 2009, **Grifols'** equity was 578.5 million euros, a net increase of 97.3 million euros compared to 2008.

- Reviewing the balance sheet, it is important to note the 70.7 million euro net increase in fixed assets, together with total investment of 103.4 million euros. This corresponds primarily to the investments made to expand the productive capacity of the facilities at Los Angeles (new IVIG plant and sterile albumin filling plant) and the expansion and upgrading of the Murcia plant.
- There has been a gradual improvement in payment periods and this, together with higher sales in markets with shorter and more stable periods, allowed us to maintain our payment periods at levels similar to those of 2008.
- Net financial borrowings increased to 561.6 million euros in 2009. The financial operations undertaken during the year have led to the restructuring of the debt, with over 68% of funding coming from long-term sources.

- Grifols' excellent performance in 2009 contributed to the growth of its assets, after deducting dividend payments to shareholders.
- At the close of 2009, the company held treasury stock equivalent to 0.03% of its share capital, compared to the figure of 1.13% reported at the close of 2008.
- The General Meeting of Shareholders agreed to distribute a dividend charged against the 2008 results of 0.23209 euros (gross) per share, which means allocating 40% of net profit to dividends, for a total of 48.69 million euros.
- In December 2009 the first gross dividend on account for the 2009 financial year of 0.15304 euros per share was paid out, for a total of 32.0 million euros, as agreed at the Ordinary General Meeting of Shareholders for 2008.



CORPORATE AND FINANCIAL OPERATIONS

Acquisition of Australian-Swiss group

In 2009 **Grifols** acquired a 49% stake of the economic rights and 99% of the voting rights of an Australian-Swiss holding group for 25 million euros. The purchase agreement contemplates the possibility of taking control of the company.

This investment offers important synergies for **Grifols** as a result of the similarity between the business areas of both groups, and confirms its strategy of strengthening the Diagnostic division.

First corporate bond issue in the United States

Grifols completed its first issue of corporate bonds in the United States for a value of 600 million dollars (410 million euros), while demand from institutional investors, primarily from the US, exceeded 1,000 million dollars.

The resources mobilized have enabled the group to restructure part of its debt (from short to long term) while also guaranteeing the financial resources needed to fund future plans, particularly for R&D.

Novation of Grifols syndicated facility

Net Financial Debt/Equity ratio replaced by Minimum Equity Level. The agreement has been signed by all 24 participating financial institutions.

Start of trading of Grifols shares in United States through ADRs

The use of the “American Depositary Receipt” formula means that securities are available to all US investors while also facilitating share ownership by the group’s North American staff.

Grifols ADRs are negotiated in dollars in the OTC market (over-the-counter) with a parity of 1 **Grifols** share for every 2 ADRs.



5. SHAREHOLDERS AND STOCK MARKET PERFORMANCE

5

Grifols' shares have traded on the Barcelona, Madrid, Valencia and Bilbao stock markets, as well as in the Spanish Continuous Market since 17 May 2006. In January 2008, Grifols joined the IBEX-35, the Spanish benchmark index. At the close of 2009, Grifols' share capital amounted to 106.5 million euros, represented by 213,064,899 ordinary shares, each with a nominal value of 0.50 euros.

The capital is fully subscribed and paid in and there are no preferential shares. All the shares bear equal voting and dividend rights. There have been no changes or movements in the company's share capital during the financial year.





Their value held over the course of a year in which they were one of the most widely recommended shares.

Grifols has continued to increase its dividend payments to shareholders.

The group's market capitalization at year-end 2009 was 2,600 million euros. By the end of 2009, the value of **Grifols** shares had risen by 177.5% since they were first listed in 2006.

DIVIDENDS DISTRIBUTED AT 30 JUNE 2009, CHARGED TO FINANCIAL YEAR 2008			
	30/06/2009		
	Thousands of euros		
	% of nominal value	Euro per share	Amount
ORDINARY SHARES	46	0.23	48,691
TOTAL DIVIDENDS PAID IN JUNE 2009	46	0.23	48,691
DIVIDENDS CHARGED TO RESULTS	46	0.23	48,691
TOTAL DIVIDENDS PAID IN JUNE 2009	46	0.23	48,691

DIVIDEND ON ACCOUNT OF 2009 RESULTS, DISTRIBUTED IN DECEMBER 2009			
	30/12/2009		
	Thousands of euros		
	% of nominal value	Euro per share	Amount
ORDINARY SHARES	30	0.15	31,960
TOTAL DIVIDENDS PAID IN DECEMBER 2009	30	0.15	31,960
DIVIDENDS CHARGED TO RESULTS	30	0.15	31,960
TOTAL DIVIDENDS PAID IN DECEMBER 2009	30	0.15	31,960