

GRIFOLS

GRF 10.86

0,01	DIF.%	0,09
VOLIMEN		
TÍTULOS:	EFFECTIVO	
1.039.859	11.295.936	
FECHA DE CONTRATACIÓN: 18/03/08 14:17		
APERTURA:	10,86 €	
MÁXIMO:	11,22 €	
MÍNIMO:	10,79 €	
CIERRE ANT.:	10,85 €	



2008 ANNUAL REPORT

08

2008
ANNUAL
REPORT

GRIFOLS
Working for health.

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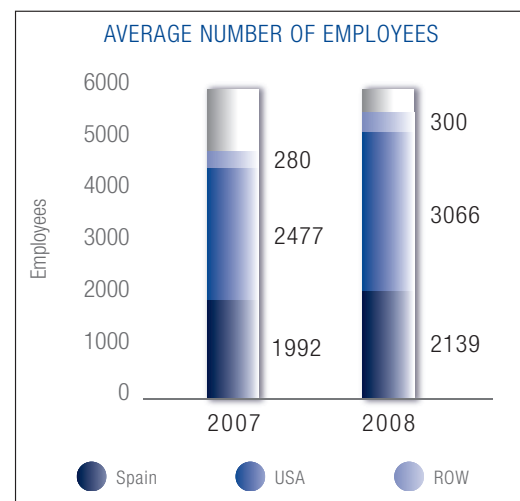
1.5 COMPANY PROFILE

1.1 KEY FIGURES

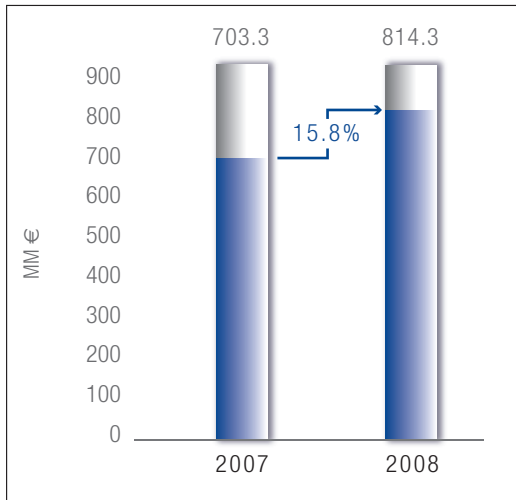
MAIN INDICATORS			
	2007	2008	% VAR.
INCOME	703.3	814.3	15.8
EBITDA	177.9	236.2	32.8
EBIT	146.4	203.0	38.7
NET PROFIT	87.8	121.7	38.7

OTHER INDICATORS			
	2007	2008	% VAR.
SHAREHOLDER'S EQUITY	384.2	481.3	25.3
TOTAL ASSETS/LIABILITIES	939.6	1.180.2	25.6
FIXED ASSETS	201.3	301.0	49.5

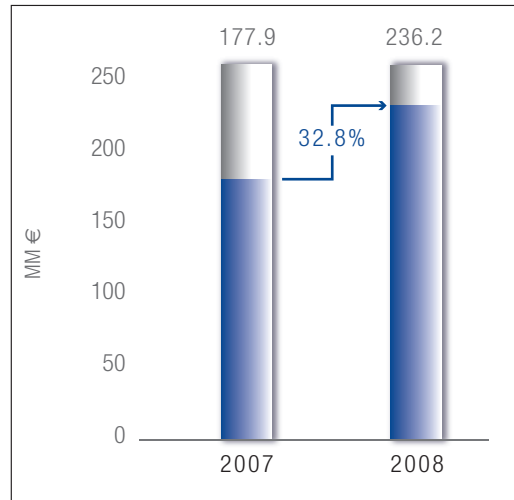
AVERAGE NUMBER OF EMPLOYEES			
	2007	2008	% VAR.
SPAIN	1,992	2,139	7.38
USA	2,477	3,066	23.78
ROW	280	300	7.14
	4,749	5.505	15.92



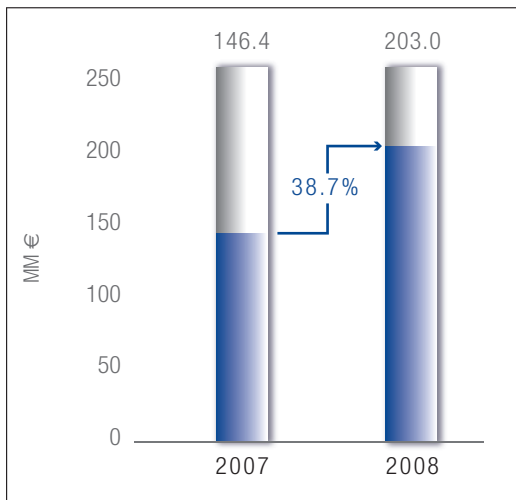
INCOME



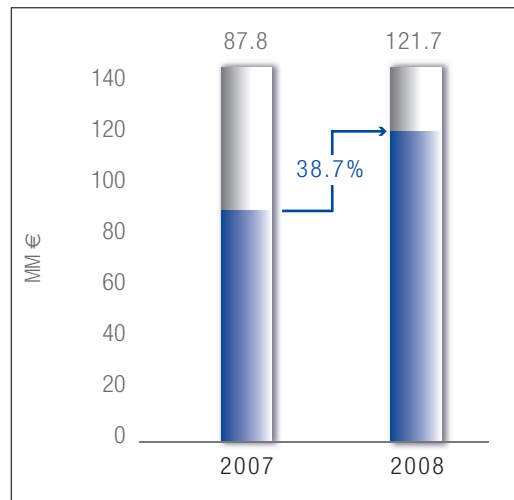
EBITDA



EBIT



NET PROFIT



1.2 SIGNIFICANT EVENTS IN THE YEAR

1st Quarter 2008

- **Grifols** joins the IBEX-35 on 2 January.
- **Grifols** acquires a 31,000m² industrial complex in Parets del Vallès (Barcelona) to house the group's logistics centre.
- **Grifols** reaches an agreement with US company Stough Development to open 10 new plasma collection centres in the United States.
- Inauguration of the remodelled **Museu Grifols** in Barcelona, coinciding with the 10th Anniversary of the **Víctor Grifols i Lucas** Bioethics Foundation.

2nd Quarter 2008

- **Grifols** and Cardinal Health renew a commercial agreement for a period of 6 years, allowing the group to continue distributing the Pyxis automated medication dispensing system to hospitals in Spain, Portugal and Latin America.
- The new 6.1 MW cogeneration power plant begins operations in the Parets del Vallès industrial park. The facility ensures the supply of electric power to the plasma-derivatives production plant while reducing CO₂ emissions by 23%.
- **Grifols** signs a five-year syndicated loan for 350 MM euros with 24 financial entities.
- The FDA approves the new coagulation factor sterile filling area of the plasma derivatives plant in Los Angeles, California, USA.
- **Grifols** will be the logistics operator for the new Denia hospital, thanks to the agreement reached with Marina Salud.
- **Grifols** is included in the Morgan Stanley MSCI World Index.
- At **Grifols'** General Shareholders Meeting the company increases its pay-out to 39.5% of net profit and agrees to allocate 0.7% of net profit to welfare and humanitarian projects.
- Payment of a gross dividend of 0.165 euros per share, against 2007 earnings, triple the dividend paid in 2007.
- **Grifols** share price hits a historic high: 20.53 euros.
- **Grifols** celebrates the fifth anniversary of its operations in the United States.



3rd Quarter 2008

- **Grifols** obtains a loan from Compañía Española de Financiación del Desarrollo (COFIDES – Spanish Development Finance Corporation) for 10.7 MM euros to finance the purchase in 2007 of 4 plasmapheresis centres in the United States.
- **Grifols** reaches a distribution agreement with Gambro Renal Products (GRP) to expand the marketing of the MARS® hepatic support system in Spain and Portugal.
- Barclays announces it holds a 3% share in **Grifols**.
- FRM (Fidelity Risk Managers), the US investment fund manager of Fidelity International, exceeds 5% of Grifols.
- **Grifols** launches PediGri® On Line in the United States, a system that allows healthcare professionals to access specific information on the traceability of the plasma used in all **Grifols** plasma derivatives.
- **Grifols** Engineering will develop the project for the plant to be constructed by Genhelix in the technology park in León, Spain.

The screenshot shows the 'PediGri On Line' website interface. It features a navigation menu on the left with options like '¿Qué es PediGri?', 'Alta On Line', 'Licencia registrada', 'Demo PediGri', 'Contactenos', 'English Version', and 'Cerrar sesión'. The main content area is titled 'Países disponibles ESPAÑA' and includes instructions for users to enter a unit ID and lot number to check traceability. Below this, a table displays data for various plasma units.

Código	Año	Envío	Unidades	L. Inv.	Tercera	Tercera
AD01	2003	57	55	43	—	—
AD01	2003	81	317	259	—	—
AD01	2003	82	297	244	—	545
AD01	2003	87	76	62	—	—
AD01	2003	81	488	400	564	482
AD08	2003	34	29	25	—	—
AD08	2003	36	919	747	—	—
AD08	2003	38	828	878	1759	1447
AD09	2003	18	41	33	—	—
AD09	2003	22	631	512	672	545
AD01	2003	28	731	806	731	806
AD07	2003	35	81	60	81	80
			Total	4456	3656	

4th Quarter 2008

- Construction begins on the manufacturing plant of the latest-generation IVIG, Flebogamma® DIF, in the United States. The planned investment is valued at 50 MM U.S. dollars.
- **Grifols** acquires an office complex in Sant Cugat, the company's future corporate headquarters.
- At the 53rd National Congress of the Spanish Society of Hospital Pharmacy (SEFH), **Grifols** presents BlisPack®, a unique system in Europe for the automatization of blister cuts and electronic identification of medications for hospital use.
- **Grifols** obtains a licence to market the intravenous immunoglobulin, Flebogamma® DIF, in Australia.
- The Martín Villar research prizes on haemostasis are awarded as part of **Grifols'** commitment to the development and promotion of research.
- **Grifols** joins the ECO10, an index created by El Economista newspaper and Dow Jones Stoxx with the collaboration of 52 investment firms.
- **Grifols'** Board of Directors welcomes the biologist Dr. Anna Veiga as an independent member of the board.

1.3 LETTER FROM THE PRESIDENT



Dear shareholders,

In 2008, that will go down in history as one of the most complex financial years of recent decades, in which the deep international economic and financial crisis affected all sectors of activity and notably weakened the world's leading stock market indices, we maintained our growth strategy.

This sustained growth was reflected both in our results and our production and extended to our human capital, our investment plan and our shareholders. Sustained growth that allows us to spare neither resources nor efforts in our commitment to the safety and quality of each and every one of our products and services, with positive commitment to improving people's health. Growth that secures our future through the promotion of R&D policies to which we allocate 3.5% of our income, and which will translate into new licences and patents that will help increase our competitiveness and create added value.

In regard to results, **Grifols** reported an increase of c.16% in revenues to 814.3 MM euros, and net profit was 121.7 MM euros: 38.7% higher than in 2007. The

performance of the plasma derivatives sector, which accounts for close to 75% of our activity, was positive. In fact, the economic cycle is exerting little effect and the demand for plasma-derived biological pharmaceutical products continues to rise. Even so, the challenges we faced in 2008 were considerable.

From a financial standpoint, and foreseeing the expectations that were later confirmed from August onwards, we needed to ensure the availability of financial resources: In May 2008 we signed a 350 MM euro 5-year syndicated loan with 24 entities. Thus, today, two-thirds of our total debt is long-term and we are able to confirm the strength of our balance sheet.

Reducing operating costs to enhance the EBITDA margin was another of our objectives. In 2008, EBITDA represented 29% of revenues, advancing by 32.8% to 236.2 MM euros.

We were also able to raise production in 2008. The increased availability of raw material for fractionation, obtained through our 80 plasmapheresis centres operating in the United States, coupled with guaranteed capacity until 2010 that will be significantly expanded from then on, means an increase in the finished product (plasma derivatives) available to meet market demand. And now our business in the United States (which already accounted for 35.6% of earnings in 2008) is consolidated, we will be ready to do so. From now on, geographical diversification will be one of our keystones of growth, and areas where we are already present, such as Asia and Latin America, will gain greater prominence. This will also be true in Australia, where in October 2008 we obtained a licence to market intravenous immunoglobulin (IVIG), demonstrating our know-how and reputation in institutional healthcare beyond our borders.

This satisfactory economic and financial performance also had an impact on other areas: benefitting our 5,300-strong team of professionals. From the standpoint of learning, in 2008 we began laying down the foundations of the **Grifols** Academy of Plasmapheresis, which was inaugurated in early 2009. This initiative is our response to the training needs of each group, and

enables us to transfer knowledge and extend **Grifols'** corporate culture. Moreover, the Academy is yet another means for promoting innovation and the transmission of the values of ethics and quality linked to obtaining the plasma used in the manufacturing products for therapeutic purposes.

The implementation of the 2008-2012 investment plan is on schedule. I would highlight the start of construction of the new plant in the United States, which is identical to the Barcelona plant, for the production of Flebogamma® DIF (IVIG); the acquisition of an industrial complex in Parets del Vallès (Barcelona) to house the group's logistics centre, and the completion of a new preparation area to increase the production of DG Gel® cards (Diagnostic Division). Finally, although you will find these investments described in greater detail in the following pages of this annual report, I would also like to mention the acquisition of an office complex in Sant Cugat del Vallès (Barcelona), which will shortly house the group's new corporate headquarters.

Grifols' shares have risen by 179.77% since they were first listed in May 2006, and the company was the fifth best performing stock on the IBEX-35 in 2008. With regard to shareholder remuneration, in 2008, we improved our dividend policy with a pay-out at close to 40% of net profit (against 2007 earnings), compared with the 28.2% approved by the Board for 2006. We expect this trend to be maintained in the future, as contemplated in the proposed distribution of results for 2008.

In this brief overview of 2008, I would also like to list some of the achievements made by our three divisions: Bioscience, Diagnostic and Hospital. All have grown and have actively contributed to the company's future prospects

In the Bioscience division, where turnover rose 22.9% on 2007, highlights include obtaining licences from the Spanish and Italian health authorities to market our new product, Niuliva® perfusion solution. In the Hospital division (sales +10.6% in 2008), the development of the Hospital Logistics projects, which are positioning us as leader in specific solutions to improve the efficiency and quality of hospital pharmacy services in Spain, Portugal and Latin America, as well as the presentation in the fourth quarter of BlisPack®, a unique system in Spain that automates blister cuts and the electronic identification of medication for hospital use. In the Diagnostic division income rose 10.5%, on the back of the marketing of the DGGel® cards for immunohaematology in France, and by the gradual market penetration in China and Mexico, among others.

The achievements made in 2008 were also due to a sound ethical, practical and legal philosophy that ensures growth and the search for opportunities within a highly concentrated sector.

Finally, I would like to thank all of you, our shareholders, for placing your trust in our management, and to convey our full commitment and responsibility as we look forward to achieving further success.



Victor Grifols
President and CEO

1.4 CORPORATE GOVERNMENT

BOARD OF DIRECTORS		
Members of Grifols Board of Directors at 31 December 2008:		
Name	Position	Type
Víctor Grifols Roura	President	Executive
Juan Ignacio Twose Roura	Member	Executive
Ramón Riera Roca	Member	Executive
Tomás Dagá Gelabert	Member	Other/external
Thorthol Holdings B.V.	Member	Dominical
Christian M. C. Purslow	Member	Independent
Thomas Glanzmann	Member	Independent
Edgar Dalzell Jannotta	Member	Independent
Anna Veiga Lluch	Member	Independent
Raimon Grifols Roura	Secretary (non-member)	
Nuria Martín Barnés	Vice-Secretary (non-member)	

AUDIT COMMITTEE		
Name	Position	Type
Christian M.C. Purslow	President	Independent
Tomás Dagá Gelabert	Member	Other/external
Thomas Glanzmann	Member	Independent
Raimon Grifols Roura	Secretary (non-member)	

APPOINTMENTS AND REMUNERATIONS COMMITTEE		
Name	Position	Type
Thomas Glanzmann	President	Independent
Víctor Grifols Roura	Member	Executive
Edgar Dalzell Jannotta	Member	Independent
Nuria Martín Barnés	Secretary (non-member)	

1.5 COMPANY PROFILE

PRESENTATION

Grifols is a world reference in the health sector due to its vocation for research, commitment to ethics, and economic performance.

Grifols' mission is to offer therapeutic products and products for hospital application of the highest quality and safety that improve people's health and quality of life.

The founding pillars of this mission are:

- The manufacture of products using the latest technological advances
- The optimisation of economic return to maximise shareholders' investment
- Respect for the environment while carrying out the group's activities
- Professional development and promotion of our employees

Grifols is present in the health field through its three divisions, organised according to the nature of their products and services: Bioscience, Diagnostic and Hospital.

Grifols main offices are located in the city of Barcelona and it has 17 international subsidiaries, spanning the major geographical zones and coordinating their activities in the different markets where their products are sold. Grifols employs over 5,300 people in 18 countries.

Grifols assigns a priority role to its Research and Development activities aimed at obtaining new products and services, health registrations and patented procedures. It has an extensive portfolio of projects that are underway in its three divisions, and has strengthened the staff dedicated to R&D.

The objectives that **Grifols** set itself for 2008 focused on boosting its principal business activity: the production of plasma derivatives in the Bioscience division. To maintain its competitive positioning, **Grifols** undertook some years ago the strategy of vertically integrating its business. This had a two-fold objective: to control the cost of raw material and to avail itself of plasma that would meet the highest standards of safety and quality. The Spanish group's objective were preserved throughout the

year: to look for state of art and innovation in its production processes and to promote its international presence, whether in the markets where it already operates, such as the United States, Latin America and Europe, or by initiating activities in new areas, such as Australia.

The satisfactory economic performance achieved by **Grifols** in 2008 is the result of the company's investment drive and a management model centred on three spheres: increased availability of raw materials, an expanded fractionation process in the Los Angeles and Barcelona plants, and international expansion.

GROWTH STRATEGY

Grifols is working to ensure the company's sustained growth in the long term. In late 2007, the company's Board of Directors approved a **400 MM euro investment plan** aimed at increasing the capacity for plasma fractionation and collection of plasma derivatives, as well as increasing the supply of plasma. In 2008 the investments forecast for the different projects defined were

maintained, and in 2009 the group will move forward with its expansion strategy, enabling it to increase its market share in its various areas of activity. Likewise, **Grifols**' future strategy still lies in internationalisation.

STAKEHOLDERS

In its day-to-day operations, **Grifols** interacts with various stakeholders, such as: health professionals, customers, employees, government agencies, and other entities linked to its activities. The main stakeholders are identified here along with the main communication channels maintained with each one.



HEALTH PROFESSIONALS
<ul style="list-style-type: none"> • Visits to plant facilities. • Contact with our sales representatives. • Ongoing training and scientific information disclosed at specialised seminars and medical symposia.
CUSTOMERS
<ul style="list-style-type: none"> • Verification audits of good manufacturing practices. • Visits to plant facilities.
PATIENTS
<ul style="list-style-type: none"> • Through the health professionals to whom we provide information and support to provide patients with the optimum treatment.
SUPPLIERS
<ul style="list-style-type: none"> • Protocolised control to offer product traceability.
INVESTORS
<ul style="list-style-type: none"> • Regular communications channelled through the Investor Relations department. • Annual meetings with analysts.
SHAREHOLDERS
<ul style="list-style-type: none"> • General Shareholders Meeting. • A specific section containing information of interest updated for shareholders and investors on the corporate website www.grifols.com.
GOVERNMENT AGENCIES AND HEALTH AUTHORITIES
<ul style="list-style-type: none"> • Interaction with the representative bodies of the central administration and the various autonomous communities. • Regular communication with the regulatory authorities (EMA and FDA), as well as with the authorities of each country where our products are registered. • Visits to our facilities for verification audits of good manufacturing practices.
STRATEGIC PARTNERS
<ul style="list-style-type: none"> • Visits to facilities and regular communication.
EMPLOYEES
<ul style="list-style-type: none"> • Through their supervisors and the Human Resources department. • Through their legal representatives: Company committees, Safety and Occupational Health committees, Environmental committees. • Grifols website (Intranet). • Cosmos (In-house magazine). • Notice boards.

HONOURS AND AWARDS RECEIVED IN 2008

In 2008, **Grifols** received various prizes and honours in recognition of its performance.

- Catalonian prize for the “best entrepreneurial initiative of the year” awarded by *El Periódico de Catalunya*.
- Rating of ‘Excellent’ under the 2007 Profarma plan of the Ministry of Industry, Commerce and Tourism for work in R&D and innovation.
- ASSET Prize (Spanish Association of Business Financiers and Treasures) for Financial Excellence throughout the company’s business history in the conduct of its financial affairs, and for the efficiency demonstrated in management through the integration of a variety of financial instruments.
- Award from the Professional Association of Chemists for the practice of an industrial activity that is sustainable and respectful of the environment.
- Recognition from the Spanish Society of Hospital Pharmacy for **Grifols**’ contribution throughout its history to hospital pharmacy management.





2. A C T I V I T Y A R E A S

2.1 BIOSCIENCE DIVISION

2.2 DIAGNOSTIC DIVISION

2.3 HOSPITAL DIVISION

2.4 R&D AS A GROWTH STRATEGY

PERFORMANCE OF DIVISIONS IN 2008

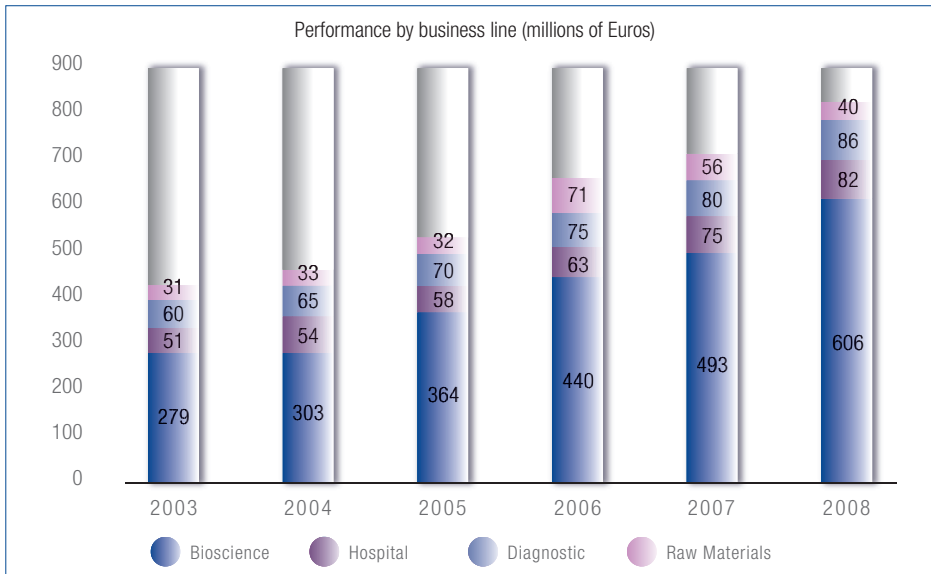
2008 was filled with financial turmoil, which had a major negative impact on world economic growth. Furthermore, increased globalisation accelerated the end of the economic cycle, affecting almost all sectors. Nevertheless, **Grifols**' business activity did not feel the full impact of the economic downturn, since the plasma derivatives industry is not closely linked to the general economic cycle.

All the Company's divisions met their targets and registered increased growth in 2008:

TURNOVER AND GROWTH BY DIVISION IN 2008 (MILLIONS OF EUROS)

	TURNOVER	% GROWTH	% OF TURNOVER
BIOSCIENCE	606.2	+22.9	74.4
HOSPITAL	82.6	+10.6	10.1
DIAGNOSTIC	85.7	+7.5	10.5
RAW MATERIALS	39.8	-28.7	5.0

Performance by business line (millions of Euros)



2.1 BIOSCIENCE DIVISION

Grifols is one of the leading companies in the global plasma derivatives market. This is not cyclical sector and demand for its products has continued to grow. Furthermore, **Grifols** enjoys competitive advantages in this sector due to its dedicated supply of source plasma and its fractionation capacity.



The Bioscience Division encompasses the activities related to plasma and plasma derivatives and is responsible for the research, development, production and marketing of these biological products which save lives and improve the life expectancy and quality of life for millions

of people. These include people affected by highly complex illnesses such as hemophilia or immune system disorders.

Grifols obtains human plasma through its network of donation centres in the United States, all of which are FDA approved and

rigorously comply with the procedures established to guarantee safety and the quality of plasma for fractionation. Plasma derivatives are obtained through fractionation and purification. These processes require exhaustive controls aimed at ensuring the maximum safety of the products.

GRIFOLS' LEADING PLASMA DERIVATIVES		
Plasma derivative	Trade Name	Indications/customers
Factor VIII	Fanhdi®	Hemophiliac units
Factor X	Alphanate® Novix® Alphanine®	Hemophiliac units Hemophiliac units Hemophiliac units
Prothrombin Complex	Profilnine®	Hemophiliac units
Intravenous Immunoglobulin – IVIG	Flebogamma® Flebogamma® DIF	Immunology – Hematology – Neurology Immunology – Hematology – Neurology
Antihepatitis B IVIG	Niuliva®	
Albumin	Albúmina Humana Grifols® Albutein®	Hospital pharmacy Hospital pharmacy
Intramuscular immunoglobins		Pharmacy
Anti-thrombin	ANBIN®	Hemostasis unit
Alpha-1 antitrypsin	Trypsone®	Pneumology service
Raw and other materials		Indications
Albumin for non-therapeutic use	Intermediate products and rendering of production services	Pharmaceutical industry
Plasma fractions		Pharmaceutical industry

2.1 BIOSCIENCE DIVISION

2.1.1 2008 RESULTS

The Bioscience Division had turnover of 606.2 million euros, up 22.9% on 2007 and accounting for 74.4% of the Group's total revenues.

Growth during 2008 was driven by an increase in the production volume of the main plasma derivatives which, combined with strong demand, gave rise to higher sales prices, despite the weakness of the dollar (USD) against the euro.

Accordingly, volume sold and the prices of the leading plasma derivatives (IVIG, albumin and Factor VIII), which account for approximately 86% of turnover, increased in the year.

- The leading plasma derivative in terms of turnover, **intravenous immunoglobulin (IVIG)**, made a major contribution to the division's growth, representing 72% of sales. The rise in volume of plasma fractionation and the gradual improvement in efficiency due to the progressive conversion to the new production technique led to considerably higher

quantities of IVIG being available than in the previous year. The US market benefited most from this improved product supply, enabling **Grifols** to increase market share in this country for yet another year.

- **Albumin** sales are up in all markets. The sharp growth in volume sold in Latin America and the rise in prices of this product in the US market are most noteworthy; with **Grifols** playing a leading role in the rebound in sales of this product.
- Sales of Factor VIII under the two trademarks, **Fanhdi®** and **Alphanate®**, have primarily been concentrated in Western European countries and the United States, where this plasma derivative is widely used as a treatment for inhibitors, one of the most serious complications arising during the treatment of hemophilia. Sales of **Factor VIII** rose by over 30% in the US market. 2008 was also the first year that Factor VIII, **Alphanate®**, has been sold to treat von Willebrand disease receiving FDA approval in 2007.

The increased volume of fractionated plasma will make Factor VIII more readily available. In 2009, **Grifols** expects that it will be in a position to satisfy rising demand in other markets, which it was previously unable to meet due to product shortages.

Among the remaining plasma derivatives, the 20% jump in sales of Alpha-1 antitrypsin was the most notable, along with the significant increase in sales of the intramuscular anti-hepatitis B immunoglobulin.

The number of fractionation agreements with third parties also increased. Turnover from these services, which are channelled through this division, is up 14% to 28 million euros.

Grifols has participated in a programme to fractionate excess plasma from Spanish hospitals (**Aprovechamiento Integral Plasma Hospitalario AIPH**) for over 20 years. Through this programme, Spanish plasma is transformed into a plasma-derived product, which is subsequently used in the Spanish health network. **Grifols** has similar agreements

In the last 4 years, **Grifols** has doubled its turnover to 606.2 MM euros in 2008.

with hospitals in the Czech Republic and Slovakia.

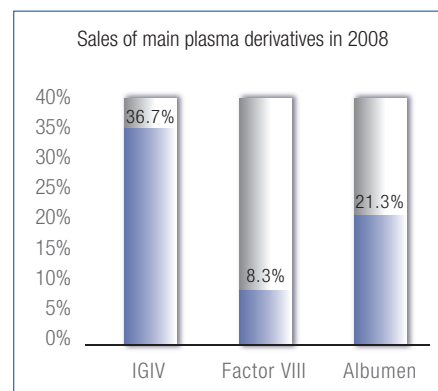
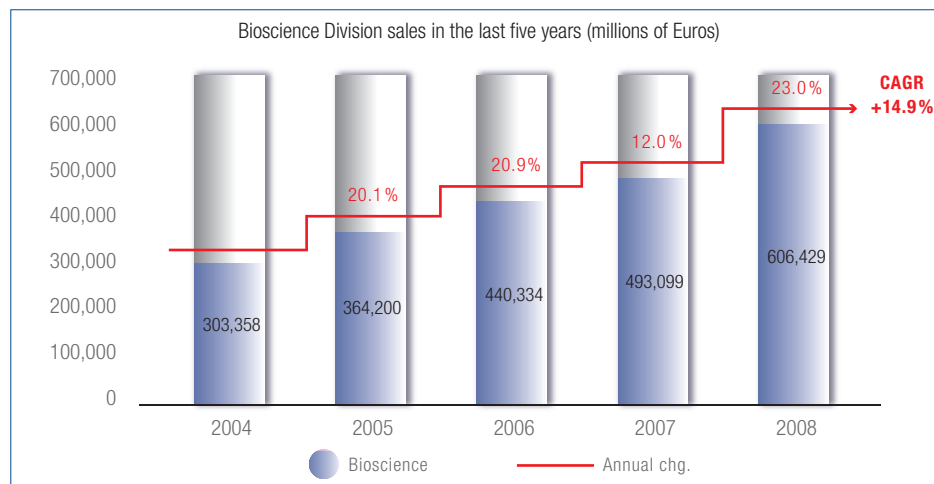
PERFORMANCE OVER THE LAST FOUR YEARS

The Bioscience Division has doubled turnover in the last four years and 2008 sales have been fundamental to this

remarkable achievement. However, exchange-rate fluctuations, especially the euro-dollar (USD) exchange rate affected this division's performance. Nonetheless, this impact on sales was offset by purchases of plasma – the Group's main raw material – in dollars (USD). In this regard, **Grifols** has a natural hedge against exchange rate risk.

SALES BY REGION

Grifols' objective has been to gradually reduce the differences in turnover between the United States and Europe in order to achieve a geographical balance, and to strengthen its presence in other markets. In this context, sales of plasma derivatives in the United States accounted for 35.7% of the division's turnover at year end, while Europe contributed 49.6%. Latin America and Asia posted the strongest growth, although sales in the United States also continued to rise.



2.1 BIOSCIENCE DIVISION

2.1.2 KEY OPERATING FIGURES

In 2008, **Grifols** met its targets for the year. Regarding raw material, the expansion of several existing centres and the opening of new ones (bringing the total number of centres in operation to 80) enabled **Grifols** to increase its plasma supply. This increase in raw material supplies, combined with sufficient fractionation capacity, which will be ramped up in coming years, has increased the amount of product available to meet market demand.

Growth during 2008 was driven by an increase in the production volume of the main plasma derivatives which, combined with strong demand, gave rise to higher sales prices, despite the weakness of the dollar (USD) against the euro.

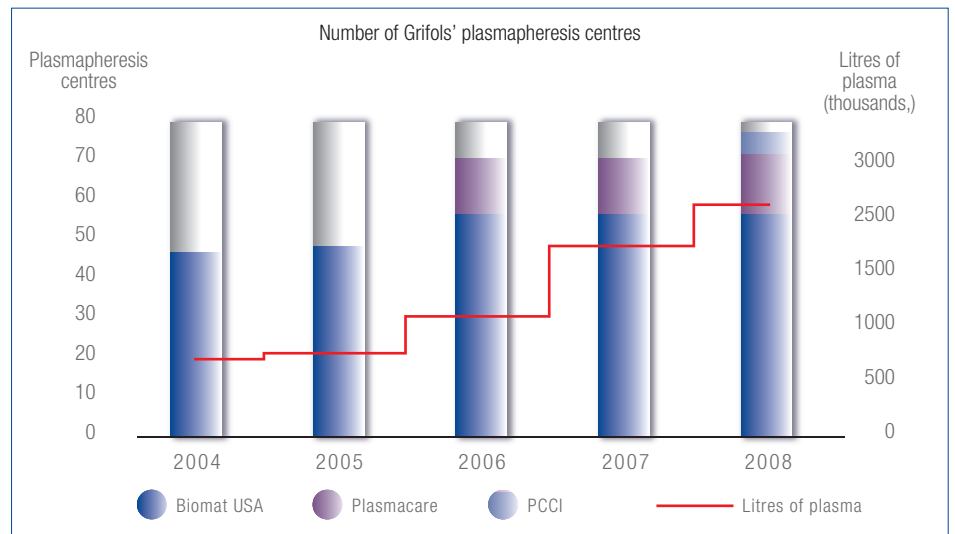
PLASMA SUPPLY

In 2008, **Grifols** obtained 2.7 million litres of plasma from its 80 plasmapheresis centres operating throughout the United States. This is 12.5% more than in 2007 and consolidates the Group's position as the second largest plasma collection company in the world.

The expansion of existing plasmapheresis centres and the opening of new centres this year (bringing the total from 77 in 2007 to 80 in 2008) led to a rise in litres of plasma collected. This is one of **Grifols'** primary objectives in the medium to long term, in order to guarantee its own supply and meet the requirements of patients and hospitals.

In March 2008, **Grifols** also signed an agreement with Stough Development Corporation, former owner of PlasmaCare Inc. (acquired by **Grifols** two years ago), whereby the North American company will build 10 plasmapheresis centres and lease them to **Grifols** within 18 months. As a result of this deal, **Grifols** plans to increase plasma collection by approximately 400,000 litres, without any internal outlay, since the deal will be financed by Stough Development Corp. as the owner and lessor of these centres, which will then be operated under a leasing agreement by **Grifols**.

Grifols long-standing business strategy has been to collect sufficient raw material from its own donation centres



In 2008, Grifols collected 2.6 million litres of plasma in the US and 0.4 million litres in Europe, amounting to 3.0 million litres in total.

Grifols obtained 2.7 million litres of plasma from its centres in 2008 – an increase of 12.5%.

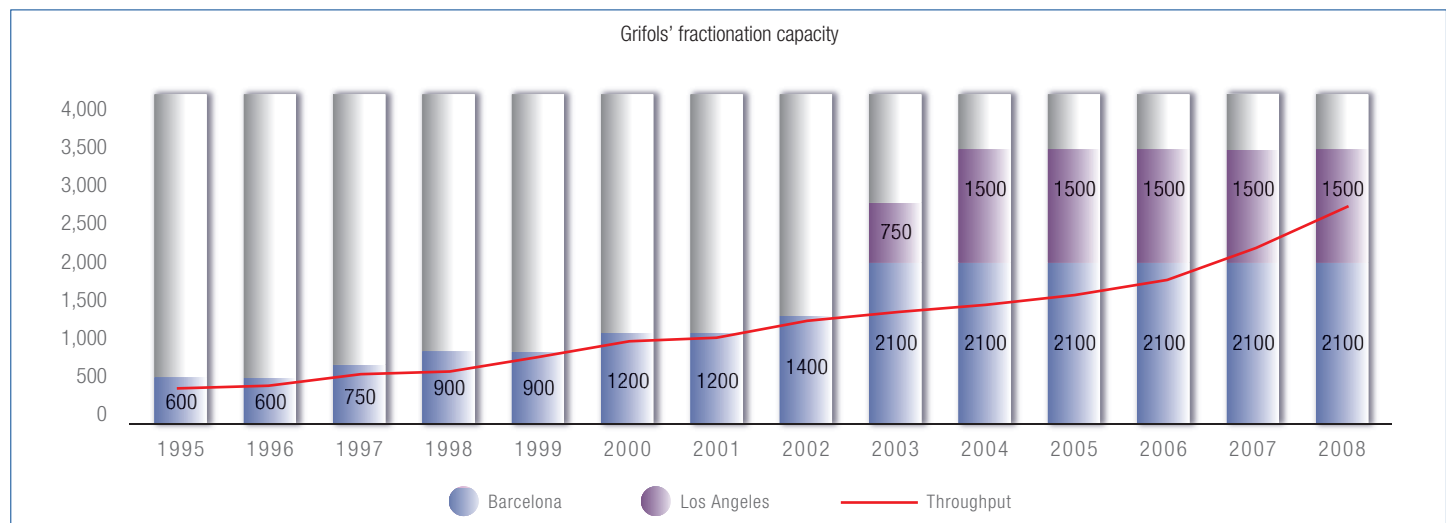
to be able to control costs and ensure a supply of plasma with maximum levels of safety and quality. In fact, the volume of plasma obtained in 2008 practically covered all fractionation requirements and approximately 98% of the plasma used by Group companies. Specific types of plasma are also collected and sold to third parties. In recent years, the plasma collection industry has become increasingly consolidated, while the total volume of plasma has continued to rise.

FRACTIONATION

Grifols had an annual plasma fractionation capacity of 3.6 million litres at the end of 2008, distributed between the factories in Parets del Vallès (Barcelona) and Los Angeles (USA). However, in 2008 **Grifols** fractionated 2.7 million litres of plasma, meaning that it only used 75% of its total capacity. This 25% of installed but unused capacity, the equivalent of 0.9 million litres of plasma, gives the Company a competitive advantage in its industry.

1.7 million litres of the fractionated plasma were processed in the factory in Spain and the remainder in the United States. **Grifols** fractionated 21.8% more litres of plasma than in the previous year.

The Group's production capacity is guaranteed until 2012, and the investment plan which aims to assure long-term growth will result in an increase in fractionation capacity of approximately 20% as from 2010 to 4.3 million litres of plasma per annum.



2.1 BIOSCIENCE DIVISION

APPROVALS AND NEW PRODUCTS

Licence to market Flebogamma® DIF in Australia

In 2008, a licence to market the latest-generation intravenous immunoglobulin (IVIG) (Flebogamma® DIF) in Australia was obtained, which enables **Grifols** to strengthen its international expansion plans and establish a presence in the plasma derivatives market in Australia, which has among the highest levels of IVIG consumption per capita. The Company will commence sales in this market in 2009, although **Grifols** already has a major presence in the Australian in vitro diagnosis market through its range of clinical analysis instruments for immunology and immunohematology laboratories.



Licence to market Niuliva® in Spain and Italy

The Spanish and Italian health authorities granted licences to market the Niuliva® perfusion solution in 2008. This product is an anti-hepatitis B IVIG used to treat hepatitis B patients who have had liver transplants. **Grifols** plans that production of this plasma derivative will commence next year for distribution in Spain and Italy.

Licence to market Flebogamma® DIF 10% in the United States expected to be obtained for 2009

It is expected that in 2009, the FDA will grant approval to market Flebogamma® DIF (IGIV) at a concentration of 10% (double the current concentration) in the United States. This new format will increase **Grifols**' portfolio by offering two product concentrations depending on a patient's needs.



Launch of PediGri® On Line in the United States

The PediGri® On Line system allows healthcare professionals to track the plasma used in all of **Grifols**' plasma derivatives, from the time of donation to the manufacture of the final product, including a certificate of analysis for each batch of product and its technical profile. Work to expand this system was completed during 2008 to cover all the division's plasma derivatives, including Albutein®, Alphanate®, AlphaNine® and Profilnine®.

CHAVE	ANU	STOCK	CONCENTRACION	LITROS	TUBOS	TUBOS/BOX
AD01 2003	57	55	43	—	—	—
AD01 2003	61	317	259	—	—	—
AD01 2003	62	237	244	063	540	—
AD11 2003	57	78	62	—	—	—
AD11 2003	61	488	490	564	482	—
AD18 2003	34	29	23	—	—	—
AD18 2003	36	810	747	—	—	—
AD1K 2003	39	830	878	1793	1447	—
AD30 2003	18	41	33	—	—	—
AD30 2003	22	631	512	872	545	—
AD01 2003	26	731	806	751	806	—
AD70 2003	35	61	50	61	50	—
Total				4456	3656	

AGREEMENTS IN 2008

Agreement with Gambro Renal Products (GRP) to expand marketing of its MARS® liver support system to Spain and Portugal

Grifols extended its multinational agreement with Gambro Renal Products (GRP) to expand marketing of its MARS® liver support system to hepatology and intensive care units in Spain and Portugal; having already obtained the right to distribute this system in certain Latin American countries.

The MARS® (Molecular Adsorbent Recirculating System) liver support system involves dialysis using albumin. The WHO calculates that approximately 12 million people worldwide suffer from serious liver problems and at least 70,000 people per annum could benefit from this treatment. MARS® is used in over 30 countries. Previously, no system existed for treating liver failure complications which could also be used in routine clinical practice such as hemodialysis, required when an artificial kidney is unable to eliminate protein-like toxins which are normally metabolised by the liver.

2.1.3 INVESTMENTS IN 2008

Grifols continues to follow its expansion plans aimed at increasing market share in different business areas. The five-year investment plan amounting to 400 million euros will help assure long-term growth and has two main objectives: to increase plasma fractionation and protein purification capacity, and to boost plasma supply.

Investments in the Bioscience Division during 2008 focused on projects to increase production capacity in order to guarantee and meet growing market demand, the most noteworthy of which have been as follows:

- **Start of construction of the fibrin glue plant**, a product which combines two plasma proteins: fibrinogen and thrombin, which act as a biological glue when combined.
- Start of **construction of the new Flebogamma® DIF plant in the United States**, which will be similar to the Barcelona plant and which could be operational in 2012-2013. Upon completion of this plant, Grifols will have two latest-generation intravenous immunoglobulin (IVIg) production plants at its disposal.

- **Start up of the new coagulation factor sterile filling activity in the plasma derivatives plant in Los Angeles.** The FDA licence was obtained in only four months. This activity is located in a new facility which has been designed to guarantee maximum safety in the dosage, sterile filling and freeze drying of coagulation factors: Factors VIII and IX, and Profilnine. This facility will also house a sterile filling line for albumin; a project which is currently in its second phase.
- Acquisition of an **industrial estate in Parets del Vallès** with a surface area of 31,000 m², including an automated warehouse-silo for 8,000 pallets. The Group's logistical structure will be relocated to these facilities.

2.1 BIOSCIENCE DIVISION

2.1.4 FUTURE STRATEGY

New product launches over the next two years

- **Niuliva®**, an anti-hepatitis B intravenous immunoglobulin. Marketing of this product in Spain and Italy is scheduled to start in the last quarter of 2009, and in Latin America in 2010. **Grifols** expects to obtain a 10% share within three years in a potential market of 50 million euros.
- **Flebogamma® DIF 5%**: Launch in several markets. Phase one will involve marketing and subsequent sales in Australia, Portugal, Germany, the United Kingdom, Ireland and Holland, while the second phase will include Spain and Italy. Latin America and Asia will be targeted in a third phase.
- **Flebogamma® DIF 10%**: Launch in the North American market planned for the first quarter of 2010. Marketing will commence in Europe during the first three months of 2011.

Continuous improvements to production processes

Between 2008 and 2012, **Grifols** will allocate 260.6 million euros to expanding and improving plasma protein purification and fractionation capacity

both in the United States and Spain. These investments will enable the Group to stay ahead of its production requirements in order to meet market demand. They will also involve improvements to production processes.



PediGri® On Line: Grifols commitment to providing transparent information on its plasma derivatives

PediGri® provides full traceability of all **Grifols**' plasma derivatives, from plasma donation through to the plasma derivative treatments. By simply entering the lot number found on the product vial, healthcare professionals can view specific information on each plasma donation used in the production of that vial, the certificate of analysis for the lot, and its technical profile. This commitment to providing transparent information began in 1996, and the PediGri® tool has been available to healthcare professionals in many countries for over a decade. During the initial phase, PediGri® was applied to products manufactured in Spain, and in 2008, those manufactured in the United States were also added: Albutein®, Alphanate®, AlphaNine® and Profilnine® SD.

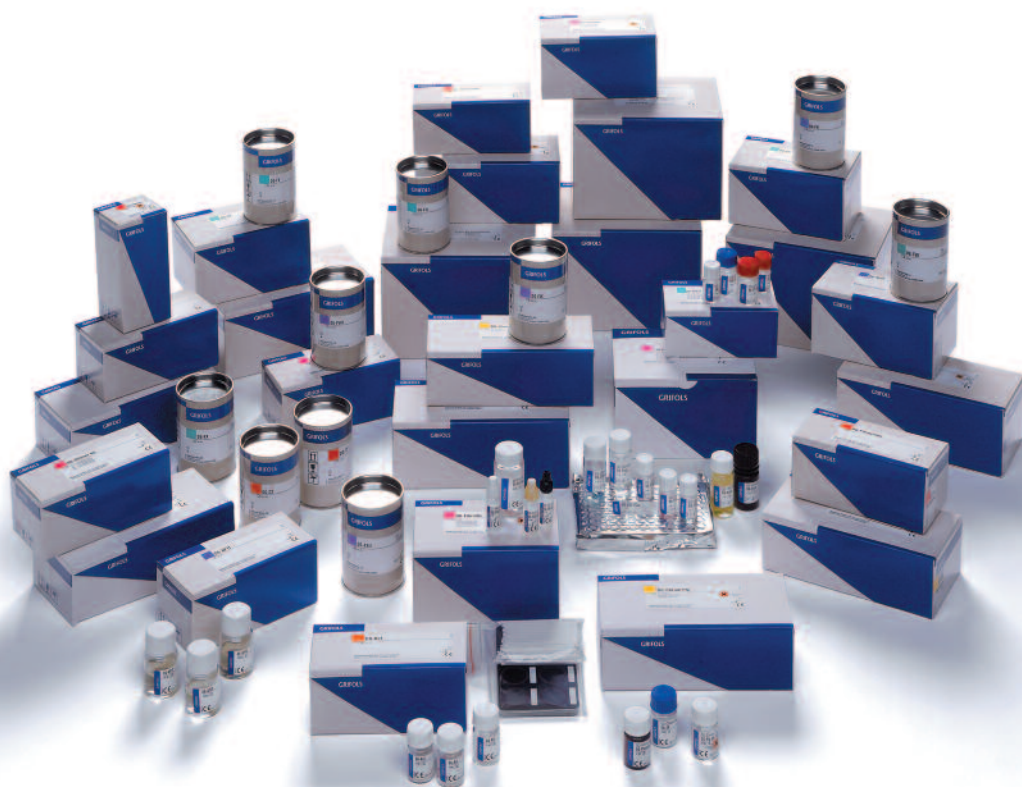
Maximum safety of plasma

Guaranteeing the maximum safety of the plasma raw material is of critical importance for **Grifols** and in 2008 it started several projects to ensure that this objective is achieved.

- Tests are currently underway to use radio-frequency identification labels (RFID). This type of label allows sample tubes to be read, and improves the traceability of the plasma.
- Another noteworthy project involves systems for storing and managing sample tubes at -30°C using bar codes (DIVA system), which optimise the serum store and reduce the volume of samples generated each year.
- A study is also being conducted into the feasibility of transporting plasma by air at temperatures of below -25°C using Silverpod containers, as an alternative to maritime transport in emergencies. To this end, the transport systems and logistics between Los Angeles and Barcelona are currently being validated.

2.2 DIAGNOSTIC DIVISION

Growth of the Diagnostic Division remained stable during 2008. The Group is one of the leading companies in the in vitro diagnosis segment, manufacturing reagents in gel agglutination technique. The high level of exports of instrumentation to the United States, Japan, Australia, Europe and China stand out from a marketing perspective.



The Diagnostic Division focuses its activity in the field of clinical diagnosis; developing instruments and reagents for in vitro analysis in three segments of this

market: immunoematology, hemostasis and immunology. This division also includes a line of products for blood collection and safety during transfusions.

Key customers are blood donation centres, clinical analysis laboratories and hospital laboratory services.

LEADING PRODUCTS OF THIS DIVISION:	
Products - description	Indications and uses
Wadiana® / Diana® systems. Automated gel card immunoematology analysers	Routine pre-transfusion analysis and immunoematology testing in general
Manual instrumentation: <ul style="list-style-type: none"> • DG Therm digital incubator • DG Spin digital centrifuge • DG Rack work rack 	Manual gel card processing.
Triturus® system. Open and automated analyser for any ELISA microplate testing. Permits multi-testing/multi-batches.	Automates immunochemical analysis
DG Gel® reagent	Gel card reagents and instrumentation for blood group testing
Bags for standard blood collection and Leucored bags with filter.	Blood bags for transfusions.
“Q”® coagulometer. Automated analyser with hemostatic testing detection system and full range of hemostasis reagents.	Automates hemostasis analysis in clinical analysis laboratories.

2.2 DIAGNOSTIC DIVISION

2.2.1 2008 RESULTS

The Diagnostic Division posted 85.7 million euros in sales revenues in 2008, up 7.5% on 2007. In revenue terms, this division currently represents 10.5% of the business.

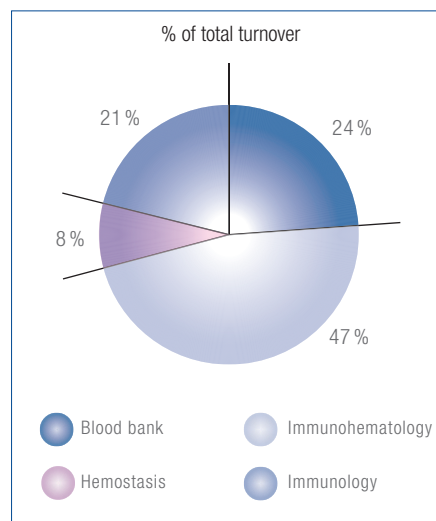
This division's growth has been boosted by its entry into the French market to market the WaDiana® automated analyser, and gradual penetration into China and Mexico. It is also projected that sales of reagents (DG Gel®) will rise, especially in markets that have, until now, been protected by patents. During 2008, sales started in France and activity will gradually pick up in other European union markets.

Results by area were as follows:

- **Immunoematology** turnover rose 17% to 39.8 million euros, boosted by sales of the WaDiana® automated analyser and sustained growth in sales of DG Gel® gel cards for analysing the blood groups and serum types of donors and patients in pre-transfusion testing.
- Revenues in **Immunology** have remained stable, rising by 0.7% to 17.5 million euros. This area sells the

Triturus® automated analyser, which enables clinical laboratories to perform a high number of laboratory tests using ELISA techniques and ELISA reagents.

- Turnover in **Hemostasis** is up 17% to 6.6 million euros. The contribution of sales of OAT (Oral Anticoagulant Therapy) products, especially for the decentralisation of this therapy such as Sintromac Web software, is of particular note.
- Finally, turnover of the **Blood Bank** area amounted to 20.3 million euros. This turnover includes revenues from the inactivation service for transfusion plasma (Servicio de Inactivación del



Plasma Transfusional Hospitalario, IPTH) and sales of the Intercept platelet inactivation system, which has met with considerable success the first year after launch.

2.2.2 KEY OPERATING FIGURES

ATTENDANCE AT INTERNATIONAL EVENTS

The division stepped up its promotional activity by attending various international events. A presence at such events year after year helps raise awareness of diagnosis products and develop **Grifols** as an international brand in specific laboratory diagnosis sectors. These events have included the following:

- *Intercept Day* held in Barcelona to present this platelet inactivation product to transfusion specialists in Spain and Portugal.
- Attendance at the *Immunoematology Quality Control Conference* in China in April.
- Launch of the new Erytra® automated analyser at the *XXX Congress of the International Society of Blood Transfusion* in Macao (China) in June.

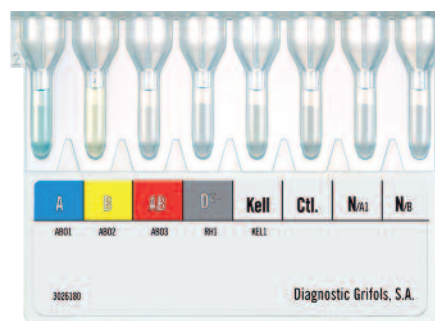
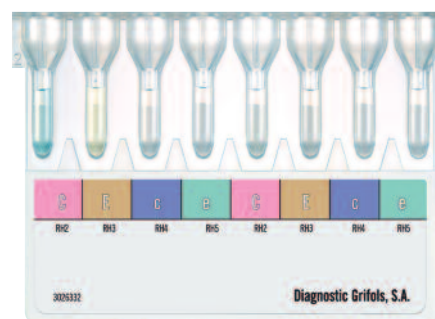
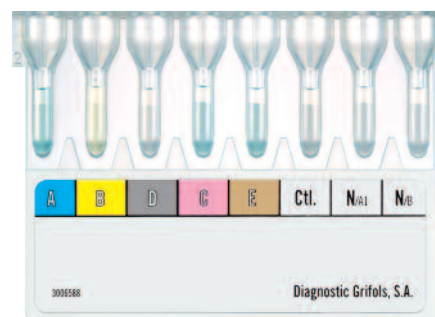
- Attendance at the *XX Latin American Hemostasis and Thrombosis Congress* in Buenos Aires (Argentina).
- Attendance at the *41st Nordic Coagulation Meeting* in Goteborg (Sweden).
- Organisation of the first Grifols Scientific Session on Hemostasis in Sitges.
- Launch of the Q coagulometer at the *World Federation of Hemophilia Congress* in Istanbul (Turkey).
- Attendance at the *American Association of Clinical Chemistry* congress in Washington DC (USA).
- A stand (for the first time) at the *American Association of Blood Banks Congress* in Montreal (Canada).
- A stand at the *Japanese Society of Clinical Laboratory Automation Congress* in Yokohama (Japan).
- *XXXI Brazilian Hematology and Hemotherapy Congress* in Sao Paulo (Brazil).
- *6th Autoimmunity Meeting* in Porto (Portugal).

- Attendance at the *Düsseldorf Medical Fair* (Germany) in November.

Grifols also attended all national congresses organised by the various professional societies.

KEY ACHIEVEMENTS

- During 2008, 70 automated analysers were manufactured for immunology and 386 for blood typing; 19 automated coagulometer; approximately 1,000 incubators, and 475 centrifuges have also been manufactured, continuing the high levels of production of previous years.
- In the area of reagents, over 8.5 million cards were manufactured, up by over 20% on the previous year.
- The high level of exports of instrumentation to the United States, Japan, Australia, Europe and China stand out from a marketing perspective. Exports of the new immunohematology card to India, Pakistan, Malaysia and Thailand have remained stable, while exports to Brazil, Egypt, Russia, Mexico, Turkey, the Czech Republic and China are up.



2.2 DIAGNOSTIC DIVISION

2.2.3 APPROVALS AND NEW PRODUCTS

- Launch of several coagulation reagents such as Normal Plasma Control, Reference Plasma, and a kit for testing for heparin using chromogenic substrates which complements the Antithrombin III kit.
- The CE mark was also awarded for a series of cards for determining blood groups prepared using different anti-serums to those used to date.

2.2.4 INVESTMENTS IN 2008

- During 2008, the majority of the investments made by the Diagnostic Division involved the construction of a new gel card manufacturing facility using new production machinery supplied by **Grifols** Engineering. The investment will permit a further 5.5 million cards to be manufactured. In the future, more space will be allocated and further card production machinery installed to meet demand.

- Completion of work to increase capacity to manufacture liquid solutions (such as tampons, dilutors, etc.) by installing a 2,000 litre tank and other areas and rooms dedicated to reagent production.
- Start of refurbishment of the former production area to prepare it for the specific haematic reagent manufacturing requirements, with a machine for automatically dispensing, sealing and labelling vials having already been installed.
- Completion of studies into the viral inactivation efficiency of the new fluorescents that will be used in the IPTH plasma inactivation process. A multi-tube agitator was also installed which simultaneously agitates tubes on a rack rather than individually, thereby optimising the process and ergonomics of the work station.

2.2.5 FUTURE STRATEGY

Gradual internationalisation and expansion in the marketing of:

- DG Gel® cards: France, the United Kingdom, Italy and Germany are among the countries in which **Grifols** plans to increase reagent sales subsequent to patents expiring in 2008.
- Immunohematology instrumentation and products.
- Q® coagulometer and hemostasis reagents.

Launch of new products in coming years:

- The Erytra® analyser for immunohematology testing, the launch of which is planned for 2010.
- Next generation of software for the WaDiana® analyser in 2009.
- Next generations of Triturus® analyser and Q® coagulometer, planned for 2013.

Synergies generated by the acquisition of an Australian- Swiss group

This acquisition in the first quarter of 2009, will give **Grifols** the commercial strength it needs to reaffirm and expand its presence in the diagnostics market in Australia and New Zealand, which until

now involved selling instruments through distributors. It will also involve innovation, since one of the companies of this group is currently developing new technology for determining blood groups which complements that developed by **Grifols**.



2.3 HOSPITAL DIVISION

Through its Hospital Division, **Grifols** is helping to improve the efficiency and quality of pharmacy services in hospitals in Spain, Portugal and certain Latin American countries. This division is also expanding internationally. Manufacturing for third parties was also bolstered, in order to maximise returns on capital investments made.

The Hospital Division specialises in pharmaceutical products and medical devices used in hospital pharmacies, surgery, clinical nutrition and fluid therapy. This division also sells drug dispensing systems, which are designed to enhance the safety and effectiveness of hospital pharmacy services. This division's products are split into four specialities: Intravenous Therapy, Clinical Nutrition, Hospital Logistics and Medical Materials.



LEADING PRODUCTS OF THIS DIVISION:	
Products and description	Indications and uses
Fluid therapy	
Glucose and electrolyte solutions	Nutritional contribution of carbohydrates and electrolytes.
Washing solutions	Washing of wounds, operated areas, urological irrigation.
Intravenous mixtures Ready for use in different applications	Increases safety and efficiency by avoiding the need to mix solutions in the hospital pharmacy.
Solutions for administering medicines: Fluxisol®, Sercuflux®, light protection bags	Increases safety and efficiency by avoiding the need to mix solutions in the hospital pharmacy.
Intravenous mixture formulae	
Grifill®	System for preparing intravenous mixtures in hospital pharmacies based on the sterile filtration principle.
Misterium®	Modular cleanroom system for hospitals.
Solutions for ready-to-use intravenous mixtures	Mixtures in hospital pharmacy.
Enteral and parenteral nutrition	
Soyacal®. Intravenous liquid emulsion at 10% and 20%	Lipid emulsion providing calories and fatty acids.
Dietgrif® liquid enteral diets	For patients who find it difficult to ingest food. Administered using infusion tubes or orally.
Tauramin: amino acid solution	Amino acid dietary supplement
Bags, tubes and pumps	Hospital pharmacy
Hospital Logistics	
Pyxis	Hospital management
Kardex	Hospital management
Hospital software	Hospital pharmacy
Medical Material	
Urology	Urology service
ICU / Cardiology	ICU service
Anaesthesiology	Anaesthesiology

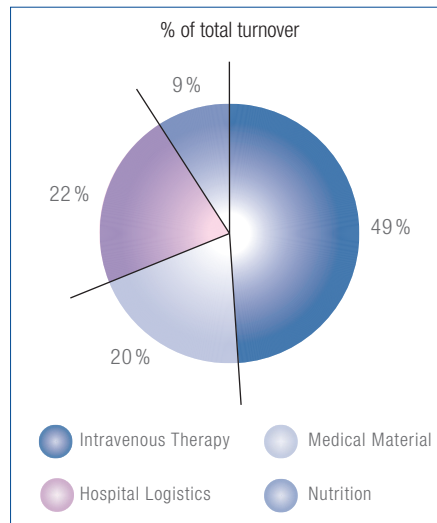
2.3 HOSPITAL DIVISION

2.3.1 2008 RESULTS

Sales in the Hospital Division in 2008 rose 10.6% year on year to 82.6 million euros. The division currently contributes 10.1% of total revenue.

All areas of this division registered increases:

- The **Hospital Logistics** projects had an excellent year, generating revenue of 18.1 million euros, up 12.3%. Implementing these logistics and control systems has helped the Group become a leader in specific solutions to improve the efficiency and quality of private and public hospital pharmacy services in Spain, Portugal and Latin America.
- Turnover of the **Intravenous Therapy** area amounted to 39.2 million euros, having risen by 9.9%. There was also a significant increase in manufacturing for third parties, where pharmaceutical specialities were made according to the specifications of each contracting company. One of this area's objectives is



to optimise returns on the capital investments made in the division. Sales of the Oncotools line have also contributed significantly to the growth in this area, especially sales of Misterium cleanrooms in Spain and Italy, elastomeric pumps, and the oncology software, Oncofarm.

- **Medical Material** and **Nutrition** also saw revenues rise, by 14.7% and 8.6% to 16.2 million euros and 7.5 million euros, respectively.

2.3.2 KEY OPERATING FIGURES

AGREEMENTS IN 2008

Renewal of agreement with Cardinal Health

The renewal of the agreement with Cardinal Health permits **Grifols** to retain exclusive distribution rights for the Pyxis® system in Spain, Portugal and Latin America for a further six years. In addition, including Pyxis® in **Grifols'** product portfolio strengthens the Hospital Logistics area, one of the most active in the Hospital Division.

Distribution agreement with the North American company, CDEX

This agreement enables **Grifols** to distribute the Valimed intravenous medication identification system in Spain, Italy and Portugal. This system uses UV spectroscopy to identify substances and the concentration thereof through comparison with a signature. Valimed is an innovative system which complements the **Grifols** Oncotools

line offering hospital pharmacists a series of tools to facilitate their daily work and increase safety in the medication cycle of a hospital.

Agreement with Marina Salud

This agreement establishes that **Grifols** will act as logistics operator of the new Denia hospital. The **Grifols'** logistics operator platform is based on its hospital logistics technological model interfacing a number of automation devices and software with other hospital information systems. This model is highly innovative in its approach to managing pharmacy services and hospital supplies; guaranteeing efficiency and safety in the storage and distribution of medication and healthcare materials, as well as optimising the use of available human and economic resources.

KEY ACHIEVEMENTS

- The start-up of the Parenteral Nutrition and Cubitainers line in the Parets del Vallès factory (Barcelona).

- The opening of the new laboratories and raw materials warehouse in the Barcelona plant.
- Completion of the process to adapt the Fleboflex production lines in the Flebobag production lines in the Murcia plant.

- Development and implementation of nine cleanroom projects for hospitals, six of which are in Spain, one in Portugal and one in Mexico.
- Consolidation of the hospital software through installation agreements and applications for hospital pharmacies and blood banks. This activity is complementary and although it is conducted within the Hospital Division, it affects several areas of activity in **Grifols**.



2.3 HOSPITAL DIVISION

2.3.3 APPROVALS AND NEW PRODUCTS

BlisPack®: an automated blister identification and opening tool for medications.

During the 53rd Congress of the Spanish Hospital Pharmacy Society, **Grifols** presented an automated system which cuts and electronically identifies medication blisters for hospital use. BlisPack® is unique in Spain and helps reduce dosage errors by not only simplifying the process of packaging medication in single doses, but also by guaranteeing identification using bar codes. This new system is a result of research carried out by a multidisciplinary team of professionals from the Hospital Division and engineers from **Grifols** Engineering.

2.3.4 INVESTMENTS IN 2008

- Investments to expand the Parets del Vallès factory (Barcelona), in which two new production lines have been installed. A production line for parenteral nutrition products: lipid emulsions and amino acids and packaging thereof in polypropylene bags or glass bottles. A second production line for Cubitainers for water-based solutions in large-volume formats of 10 and 20 litres.
- Modernisation of the raw material warehouse and new quality control and R&D laboratories in a new building.

2.3.5 FUTURE STRATEGY OF THE DIVISION

- Launch of new products in coming years:
 - Extension of the range of enteral and parenteral nutrition products.
 - New products in the Medical Material area.

- Increase in production for third parties through **Grifols** Partnership.
- New projects involving the development of technology by **Grifols** Engineering for application in the Hospital Logistics area.
- R&D to advance development of new technologies that provide added value:
 - Through optimisation and streamlining of production costs.
 - New applications and services, primarily in the Hospital Logistics area.
- Diversification and internationalisation of the division. The majority of the Hospital Division's revenues are generated in the domestic market. However, the possibility of conducting hospital logistics projects and manufacturing products for third parties in other European markets will lead to the internationalisation and diversification of the division.



2.4 R&D AS A STRATEGY FOR GROWTH

Grifols continues to make research and development a priority. In 2008, R&D expenditure amounted to 28.5 million euros, equivalent to 3.5% of sales. In addition, the company increased the workforce dedicated to R&D, especially in the Diagnostic Division.



Grifols is currently holds 22nd place in the rankings of Spanish companies which invest the most in R&D and is 875th in the European Commission's annual ranking of the 1,000 European companies with the highest R&D expenditures. Once again, Grifols R&D efforts have been given the score of "Excellent" in the latest round of the Plan Profarma, a joint programme of the Ministry of Industry, Tourism and Trade and the Ministry of Health aimed at promoting scientific research, development and technological innovation (R&D&I) in the pharmaceutical industry.

Part of **Grifols'** R&D results in patents. In 2007, according to the OECD and the CIBAEB, six of the 25 health patents which Spain companies applied for in Europe pertain to **Grifols**. These patents within the area of medicine include products for the treatment of fibromyalgia and haematological disorders.



2.4 R&D AS A STRATEGY FOR GROWTH

R&D IN THE BIOSCIENCE DIVISION

R&D activities in the Bioscience Division led to satisfactory results in 2008. Several projects to obtain approval to market new formulae such as Niuliva® were successfully completed. Furthermore, applications were filed for new registrations and patents with competent authorities in each country.

Grifols also channelled part of its resources into projects that are at the clinical trial stage. To this end, new agreements have been entered into with national and international research centres to enable the different phases of strategic R&D projects to be completed. As well as human resources, the division will have new offices and research laboratories in 2009, which will facilitate work to coordinate the different phases of projects.

R&D IN THE DIAGNOSTIC DIVISION

Regarding research and development in the Diagnostic Division, the number of people dedicated to the area of instrumentation increased in 2008 and a new department was created to validate and test software.

Other significant projects include ongoing R&D to design the next generation of automated analysers for processing blood type cards (Erytra®), the prototype of which was presented during the International Society of Blood Transfusion Congress in China. The launch of the Q® automated coagulometer on the Chilean market was also a milestone.

In addition, work commenced to develop the next generation of coagulometers which will have a superior processing capacity in order to complete the range of hemostasis instrumentation. In 2008, work got underway to develop a successor to the automated Elisa Triturus® analyser, which is planned for launch in 2013.



R&D IN THE HOSPITAL DIVISION

The Hospital Division made significant advances. In particular, in the area of fluid therapy, studies have continued into the stabilisation of various ready-to-use pharmaceutical mixtures in polypropylene containers such as dobutamine, ranitidine, gentamycine and metronidazole. These products will increase the range of mixtures available for use in hospitals. In general, this area is currently in the design phase of new products to improve safety and functionality during the preparation and administration of intravenous mixtures.

The area of clinical nutrition registered two different formulations of tricameral bags containing lipids, amino acids and glucose. These products complete the current line of parenteral nutrition products comprising bottles of amino acids and lipids.

The project to develop a plasma bottle sampling system recently got underway, which could be used in all of **Grifols'** plasma donation centres in the United States. In 2008, the new BlisPack® system was also launched. Production and

marketing of the first units of this system are planned for the first quarter of 2009.

Regarding blood bank products, two clinical trials in the Murcia blood donation centre were initiated to test the use of a breakable part in the donation tube.

PHARMACEUTICAL ENGINEERING

Lastly, pharmaceutical engineering activities, which give rise to a significant level of innovation, have focused on

projects for both group companies and external companies in the biopharmaceutical sector. The projects being conducted for Lonza and 3P through **Grifols Engineering** are also worthy of note. Meanwhile, other projects involve reviewing and improving the GSF (Grifols Sterile Filling) system to be able to use it in existing and future dosage equipment and processes. Some of these projects have been financed through grants from the Spanish Centre for the Development of Industrial Technology (CDTI).



GRUPO CONTINUO

 **GRF 10.86**

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VOLUMEN

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EFFECTIVO:

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APERTURA:

10,81 €

MÁXIMO

11,22 €

MÍNIMO

10,75 €

CIERRE ANT.

10,85 €

3 . E C O N O M I C - F I N A N C I A L P E R F O R M A N C E

3.1 ANALYSIS OF RESULTS

3.2 SHAREHOLDERS AND STOCK MARKET

3.1 ANALYSIS OF RESULTS

Throughout 2008 **Grifols'** business activity was not affected by the slowdown of the economic cycle. Main indicators and margins have maintained a positive trend, recording significant rises and consolidating **Grifols'** position as one of the leading companies of the sector.



3.1.1 INCOME STATEMENT

Grifols reported turnover of 814.3 MM euros in 2008, a year-on-year increase of 15.8%. Excluding the exchange rate effect, the increase would have been 19.9%. Grifols' natural hedge against exchange rate risk allowed it to offset the negative impact of dollar-denominated sales with purchases of plasma, its main raw material, which are also in dollars.

The gross margin grew sharply from 44.9% of sales in 2007 to 48.9% in 2008. Operating expenses totalled 195.5 MM euros, 23.9% of sales. EBITDA stood at

236.2 MM euros, or 29% of sales with a year-on-year increase of 32.8%. Net profit was 121.7 MM euros, 38.7% more than in 2007.

Financial expenses performed well despite the rise in interest rates recorded in the first nine months of the year, though admittedly, the progressive reduction in interest rates towards the year's end will have a positive impact starting in 2009. In fact, net financial debt at the close of 2008 amounted to 446 MM euros, implying a ratio of 1.9 times EBITDA, equal to the figure recorded in 2007.

GRIFOLS 2008 KEY FIGURES (IN MM EUROS)		
	2008 Results	2007 % chg
INCOME	814.3	+15.8%
EBITDA	236.2	+32.8%
NET PROFIT	121.7	+38.7%

3.1 ANALYSIS OF RESULTS

TURNOVER BY DIVISION

Sales performed well in all four quarters of the year. Turnover rose 10.9% year-on-year at March 2008; from April to June the increase was 16.8%; from July to September it stood at 16.1%; and sales increased by 19.5% in the fourth quarter alone. Therefore, the global economic slowdown seen in the final months of the year had no impact on the company's sales and annual

turnover was boosted by growth in all divisions. The **Diagnostic** division reported sales of 85.7 MM euros, an increase of 7.5%, and the **Hospital** division reported a rise of 10.6% compared to 2007, totalling 82.5 MM euros.

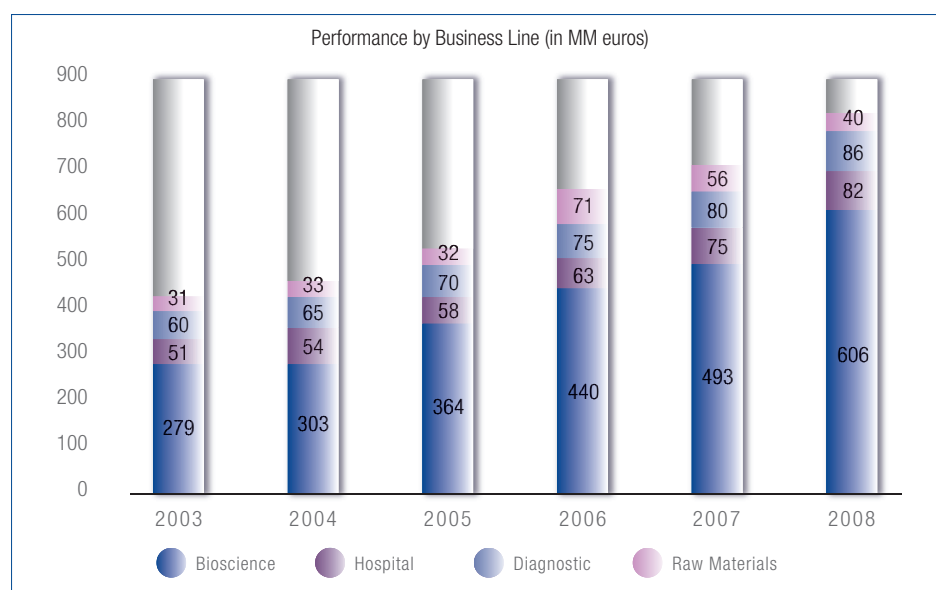
Sales in the **Bioscience** division, representing 74.4% of **Grifols'** total turnover, increased by almost 23% to 606.2 MM euros, with a positive trend in terms

of volume as well as price, seen in the principal plasma derivatives marketed by the group: albumin, intravenous immunoglobulin and factor VIII.

The **Raw Materials & Others** division saw turnover fall to 39.7 MM euros, in line with **Grifols'** estimates. This division encompasses the sales of intermediate products and raw material (plasma) to third parties.

TURNOVER AND GROWTH BY DIVISION IN 2008 (IN MM EUROS)

	Turnover in MM euros	% Growth	% Turnover
BIOSCIENCE	606.2	+22.9%	74.4%
HOSPITAL	82.6	+10.6%	10.1%
DIAGNOSTIC	85.7	+7.5%	10.5%
RAW MATERIALS	39.8	-28.7%	5.0%



Sales in external markets (excluding Spain and Portugal) represented 72.8% of turnover. International sales grew 18.2% to 593.2 MM euros

TURNOVER BY GEOGRAPHIC AREA

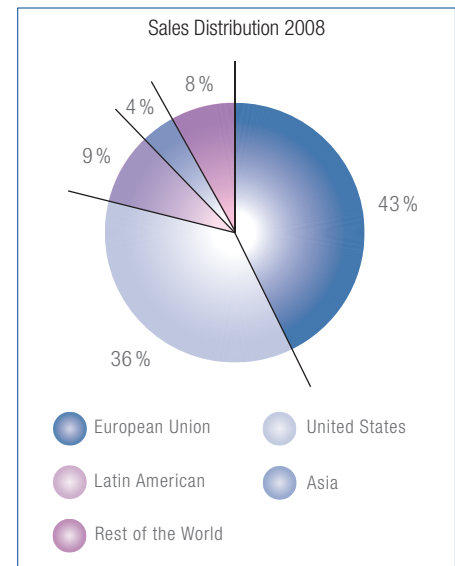
At year-end 2008, **Grifols'** turnover in external markets (excluding Spain and Portugal) accounted for 72.8% of its total turnover. International sales grew 18.2%, totalling 593.2 MM euros.

By geographic area, the group generated 290.7 MM euros in the United States, where turnover increased by 23.2% with respect to 2007. Spain and Portugal contributed 221.1 MM euros to **Grifols'** total revenues (+9.7%) and Asia 33.9 MM euros (+20.9%). Latin America contributed 75.8 MM euros (+49.5%) thanks to the strong sales reported by the Hospital Logistics business (Hospital

division) and the combination of higher prices and business volume achieved for Bioscience products in this region.

Thus, in 2008 the United States generated 35.6% of group income while Europe contributed 49.6%. Latin America now accounts for 9.2% and Asia, 4.1%. In line with the company's strategic plan, geographic diversification is becoming increasingly significant and setting the foundations for future growth in new markets.

CONTRIBUTION BY GEOGRAPHIC AREA TO **GRIFOLS'** OPERATING INCOME IN 2007



GEOGRAPHIC BREAKDOWN OF ORDINARY INCOME				
	31/12/08		31/12/07	
	MM euros	% Total Sales	MM euros	% Total Sales
EUROPEAN UNION	350.7	43%	330	47%
UNITED STATES	290.7	36%	235.9	34%
LATIN AMERICA	75.8	9%	50.7	7%
ASIA	33.9	4%	28	4%
REST OF THE WORLD	63.2	8%	58.7	8%
CONSOLIDATED	814.3	100%	703.3	100%

3.1 ANALYSIS OF RESULTS

Grifols currently operates in more than 90 countries through 17 subsidiaries and distributors, carefully selected by corporate headquarters. In 2008, the company worked to increase its international recognition, which has been significantly enhanced by its entry into the IBEX-35 and the licences obtained to market plasma derivatives in new markets such as Australia.

Geographic diversification is a priority objective for **Grifols** following the

consolidation of its business in the United States. Moreover, 2008 was an important step forward in regard to increasing plasma derivatives production, with more product obtained to supply the demand in other markets. This increase in biological pharmaceuticals derived from plasma is the result of the business strategy undertaken by the company some years ago, which focused on augmenting its in-house supply with the raw material for fractionation and expanding its manufacturing capacity.

Therefore, although **Grifols** is currently one of the most international Spanish companies, with commercial presence and experience in emerging markets such as China, Brazil and India, and operations in the Asia-Pacific region through its subsidiaries in Malaysia, Thailand, Singapore and Japan, in 2009 it will strengthen its penetration in other countries in response to the demand that, until today, it had been unable to meet.



The net debt/equity ratio fell in 2008 to 0.86x, compared to 0.89x recorded in 2007, attesting to the strength of **Grifols'** balance sheet.

3.1.2 BALANCE SHEET

At the end of 2008, **Grifols** had total consolidated assets of 1,180.2 MM euros, compared to 939.6 MM euros in 2007.

Under non-current assets, the 99.6 MM euro net increase in fixed assets was noteworthy, although total investment for the year was 120 MM euros. This increase corresponds mainly to the purchase of land and buildings in Parets del Vallès (Barcelona) and Sant Cugat del Vallès (Barcelona) for a total of 53 MM euros, with the acquisition and relocation of new centres for plasma collection in the United States, and the installation of new

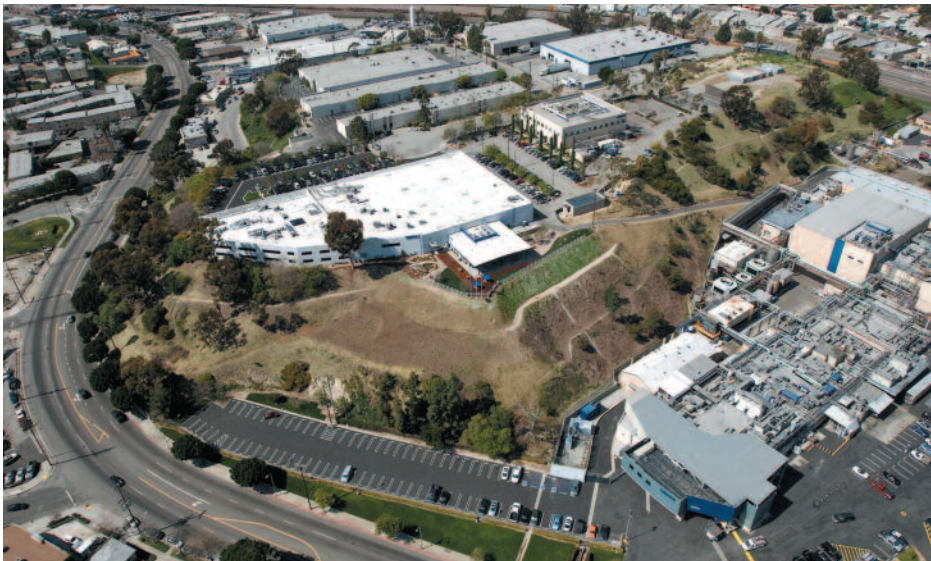
technical facilities and specialised machinery. The investments undertaken in 2008 correspond to **Grifols'** strategy of increasing fractionating and productive capacity to assure the group's sustainable growth, in accordance with the planned investment of 400 MM approved for 2008-2012.

Under current assets, the increase in inventories from 270.7 MM euros in 2007 to 373.0 MM euros in 2008 is worth highlighting. This includes inventories of work in process, as well as the supply of raw materials. The higher level of inventories will ensure future sales growth and allow us to comply with one of the objectives set for the financial year, that is

increasing production to meet the demand for plasma derivatives in new markets.

The outstanding accounts receivable balance stood at 212.6 MM euros, compared to 205.2 MM euros in 2007. The group's higher turnover did not translate into a notable increase in trade receivables, despite the rise the default rate registered in 2008 in other activity sectors. The improvement in debt recovery and the favourable impact of higher sales in markets with shorter and more stable payment periods allowed **Grifols** to transition from a collection period of 90 days in December 2007 to 83 days in December 2008.

The balance of cash and cash equivalents remained at similar levels to the previous year: 5.7 MM euros in 2007 and 6.3 MM euros in 2008, the result of an efficient financial policy to optimise the group's cash funds.



3.1 ANALYSIS OF RESULTS

Bank borrowings increased from 356 MM euros in 2007 to 459 MM in 2008. Two-thirds of **Grifols'** total debt is long-term debt, of which up to 350 MM euros corresponds to the 5-year syndicated loan signed in May 2008. This operation allowed the group to repay the outstanding balance of the syndicated loan signed in 2005 for 225 MM euros, as well as refinance its short-term credit line in dollars, and partially finance its investment plan.

Financing highlights also include the commercial loan signed with Compañía Española de Financiación del Desarrollo (COFIDES) for 6.8 MM euros with repayment over 9 years and a two-year grace period. The loan will be used to partially finance the expansion of the plasma business in the United States. Later in the year, **Grifols** acquired an office complex in Sant Cugat del Vallès (Barcelona), which will enable it to centralise its main business units and make this the new corporate headquarters.

The operation has been financed through a long-term mortgage loan (15 years) for 45 MM euros signed in the last quarter of 2008.

The utilisation of these financial resources has enabled **Grifols** to finance the investment and operating activities

contemplated in its growth plan. In 2009 and thereafter, a significant part of the investment plan is expected to be successfully undertaken by group companies through to 2012, with emphasis on expansions and new buildings, and specialised machinery for new facilities.



The main financial ratios in 2008 attest to the soundness of **Grifols'** balance sheet:

FINANCIAL RATIOS		
	December 07	December 08
Net Debt	343.2	446.0
Net Debt / EBITDA (<3.5)	1.9	1.9
Net Debt / Equity (<1.00)	0.89	0.86
EBITDA / Financial expenses (>5.00)	7.8	7.7

Grifols' Management in 2008 is awarded first prize in the fourth Edition of the "Awards to Financial Excellence" of Spanish Association of Business Financiers and Treasurers.

3.1.3 EQUITY

As of 31 December, 2008, **Grifols'** equity was 481.3 MM euros, a net increase of 97 MM euros over the 384.2 MM euros recorded in 2007.

Following the IPO in May 2006, as at December 2008 no changes had occurred in the company's share capital, which stood at 106.5 MM euros and is represented by 213,064,899 ordinary shares with a nominal value of 0.50 euros each. All the shares bear equal voting and dividend rights.

The company's excellent performance in 2008 contributed to the growth of its assets, after deducting dividend payments to shareholders.

The increase in treasury shares effected by Grifols in 2008 and 2007 reduced equity by 33.0 MM euros. At the close of 2008, the company held treasury shares equivalent to 1.13% of its share capital. Likewise, the agreement signed at the General Shareholders Meeting to

distribute a dividend against 2007 results and a share premium of 0.165 euros (gross) per share, for a total of 34.8 MM euros, led to a decrease of 10 MM euros.

Finally, currency movements (mainly in US dollars) in 2008 had a lesser impact on group equity than in 2007, producing a total decrease of 84.4 MM euros, compared to 98.6 MM euros less in 2007, under the heading of exchange rate conversion differences.

3.1.4 CORPORATE OPERATIONS

Investment in Cardio 3 BioScience

The acquisition of 1.5% of the biotech company Cardio 3 BioScience for 0.5 MM euros, partially subscribing the capital increase implemented by this company, will allow **Grifols** to continue to promote its R+D+i programme, while generating synergies and boosting some of its lines of activity.

Cardio 3 BioScience was founded in 2007 by a group of scientists at the Aalst Cardiovascular Centre (Belgium), with technology developed by the Mayo Clinic in Rochester, New York (USA), one of its main shareholders. The company's core activity is the research and development of biological therapies using stem cells to treat cardiovascular disease, particularly related to heart failure, through the regeneration of heart tissue.

Acquisition of an Office Complex in Sant Cugat del Vallès (Barcelona)

The purchase of this office complex with a surface area of 17,500 square meters will enable **Grifols** to centralise the group's main business units and make the venue its new corporate headquarters. The operation has been financed through a long-term mortgage loan (15 years) signed in the last quarter of 2008, for 45 MM euros. Likewise, the new headquarters will allow the optimisation of available space in various existing facilities, to guarantee the progressive and orderly growth of the company's production areas.

3.2 SHAREHOLDERS AND STOCK MARKET

In one of the worst years for equities, both Spanish and international, **Grifols'** shares were the fifth best performers on the IBEX-35. The stock lost 19%, compared to the 40% drop marked by the index. However, shareholders have been favoured by an improvement in the company's dividend distribution policy, which puts **Grifols'** pay-out at close to 40% of net profit.



3.2.1 STOCK MARKET PERFORMANCE IN 2008

2008 was not a good year for the stock markets. In January, fears of economic recession and the poor results of some financial institutions due to the mortgage crisis caused the IBEX-35 to slump to below 13,000 points. The Spanish benchmark index saw its worst trading day on 21 January, when it dropped 7.54%. In that session, **Grifols**' stock fell 6.7%. In February and March, despite the scale back in valuations of companies making up the index and fresh falls by the latter, **Grifols**' shares rose in value and analysts' target prices held steady. In March, **Grifols** was leading IBEX-35 gains, rising 7.72% from January.

By June the IBEX-35 had accumulated a fall of over 20%, closing the worst half of its history. **Grifols**' share price hit a historic high at 20.53 euros on 24 June. From July, the decoupling between listed companies' fundamentals and their trading prices became evident, and volatility skyrocketed. Towards end-October the Spanish stock market index retraced and reached lows last seen in

October 2004, hitting 7,737 points. **Grifols**' shares were trading at 14.25 euros at the end of October. The Spanish bourse ended 2008 with record losses, as did the majority of the European exchanges and Wall Street, which faced its worst result since 1931.

Grifols is confirmed as one of the 5 best IBEX-35 stocks

Grifols' shares marked the fifth best performance in an index that lost almost 39.4%, falling to 9,195 points, and in which only Unión Fenosa managed to close the year in positive ground. The Dow Jones EURO STOXX® Health Care, the benchmark European pharmaceutical index, dropped 29.98% in 2008, while the **Grifols** had a decline of 19.07%.

The confidence of analysts and investors in the company remained constant throughout the year. In May, the stock was listed in the Morgan Stanley MSCI index, and in June **Grifols** gained entry for the first time into Goldman Sachs' "favourite stocks" list. Finally, in December 2008 **Grifols** became part of ECO10, the index created by the Spanish

newspaper "El Economista" and Dow Jones Stoxx with the collaboration of 52 investment firms.

3.2 SHAREHOLDERS AND STOCK MARKET

3.2.2 GRIFOLS IN THE STOCK MARKET

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 2008, **Grifols**' share capital amounted to 106.5 MM euros, represented by 213,064,899 ordinary shares, each having a nominal value of 0.50 euros.



SHARE PRICE PERFORMANCE

Grifols began trading on the stock exchanges in Madrid, Barcelona, Valencia and Bilbao and on Spain's Continuous Market on 17 May 2006, following an initial public offering (IPO) involving a share issue and an increase in the number of **Grifols** shares.

On 2 January 2008, **Grifols** joined the IBEX-35. On this date the stock was listed at 15.21 euros and closed the year at 12.31 euros, a drop of 19.07%. Nonetheless, in relation to the reference price with which the shares started trading on 17 May 2006 (4.40 euros per share) **Grifols**' shares had risen by 179.77% at the close of 2008.

The group's market capitalisation at year-end 2008 was 2,622.8 MM euros.

The highest closing price of the year was reached on 24 June and 26 August, at 20.53 euros, and the lowest closing price on 25 November, at 11.76 euros per share.

Grifols' trading volume in 2008 has risen with respect to 2007, with an average of 1.4 million shares traded daily or an average daily cash volume of 23.6 MM euros. This steady increase is due **Grifols**' entry into the IBEX-35, as investors with index-tracking portfolios have bought the shares.

The total cash volume in 2008 amounted to 5,985.0 MM euros. Thus, from 2 January 2008, a total of 355.24 million shares were traded, representing an annual rotation of 6.80 times the total number of company shares outstanding, calculated using the average number of shares in the year.

The highest trading volume was produced on 30 May, with 5.93 million shares traded, and the lowest volume -- 208,781 shares -- on 25 August.

Since 2 January, 2008, **Grifols** has formed part of IBEX-35, the Spanish stock market's benchmark index.

STOCK MARKET PERFORMANCE								
Month	Days listed	Closing price	Monthly Variation %	High	Date	Low	Date	Avg daily volume (shares)
JANUARY	22	16.24	5.4%	16.65	29/01/2008	12.50	07/01/2008	2,028,008
FEBRUARY	21	15.20	-6.4%	16.74	04/02/2008	14.85	29/02/2008	1,076,819
MARCH	19	16.67	9.7%	16.72	28/03/2008	15.08	03/03/2008	1,155,179
APRIL	22	17.95	7.7%	17.96	28/04/2008	15.70	14/04/2008	941,409
MAY	21	18.46	2.8%	19.88	19/05/2008	17.74	02/05/2008	1,465,687
JUNE	21	20.29	9.9%	21.35	25/06/2008	18.08	02/06/2008	1,501,804
JULY	23	19.28	-5.0%	20.67	11/07/2008	18.12	21/07/2008	1,369,802
AUGUST	21	20.30	5.3%	20.90	26/08/2008	18.70	06/08/2008	1,007,106
SEPTEMBER	22	18.00	-11.3%	20.40	01/09/2008	17.10	30/09/2008	1,306,506
OCTOBER	23	15.50	-13.9%	18.20	01/10/2008	13.10	10/10/2008	1,781,284
NOVEMBER	20	13.49	-13.0%	15.85	03/11/2008	11.55	26/11/2008	1,874,056
DECEMBER	19	12.31	-8.7%	13.81	08/12/2008	11.56	23/12/2008	1,559,156
TOTAL 2008	254	12.31	-20.1%	21.35	25/06/2008	11.55	26/11/2008	1,422,235
IBEX-35	254	9,195.80	-39.4%	15,186.00	02/01/2008	7737.20	27/10/2008	



3.2 SHAREHOLDERS AND STOCK MARKET

DIVIDENDS AND YIELD

In 2008 **Grifols** paid a gross dividend against 2007 earnings of 0.165 euros per share, divided in two cash payments on 23 June, 2008. The total dividend paid amounted to 34.8 MM euros, with a pay-out of close to 40% of net profit, compared to the 28.2% approved by the Board for 2006. Thus, the company is increasing shareholder remuneration through dividends and expects this policy to be maintained in the future.

The proposed distribution of **Grifols'** results in 2008, submitted by the

management and pending approval by the General Shareholders' Meeting, contemplates the allocation to dividends of 48.6 MM euros, maintaining the pay-out at 40% of net profit.

This dividend distribution policy is

consistent with the profile of a high-growth company.

Grifols' share price dropped 19.07% in the year. However, between 17 May 2006, when it was floated, until the end of the year it revalued 179.77%.

GRIFOLS STOCK MARKET PERFORMANCE IN 2008: MAIN INDICATORS

YEAR END (EUROS)	12.31
INTRADAY HIGH (EUROS)	21.35
INTRADAY LOW (EUROS)	11.55
ANNUAL VOLUME (NUMBER OF SHARES)	361,678,517
AVERAGE DAILY VOLUME (NUMBER OF SHARES)	1,423,931
ANNUAL CASH VOLUME (MM EUROS)	5,985
DAILY ANNUAL VOLUME (MM EUROS)	23.6
TRADING DAYS	254
MARKET CAPITALISATION (MM EUROS)	2,622,828
NUMBER OF SHARES	213,064,899

Grifols' shares have risen by nearly 180% since they were first traded in May 2006.

3.2.3 SHARE CAPITAL

Grifols’ share capital at 31 December 2008 was 106.6 MM euros, represented by 213,064,899 ordinary shares with a nominal value of 0.50 euros per share. The capital is fully subscribed and paid in and were no variations or movements in the company’s share capital during the year.

NUMBER OF SHARES OUTSTANDING	
DECEMBER 2006	213,064,899
DECEMBER 2007	213,064,899
DECEMBER 2008	213,064,899

SHAREHOLDERS

Since the company’s shares are represented through book entries, their exact ownership structure cannot be known, except through the information that the shareholders provide voluntarily

or in compliance with applicable regulations, and information provided by Iberclear and its participating entities. According to the information available to the Company, as of 31 December 2008 the major shareholdings in **Grifols** were as follows:

SHAREHOLDER NAME	No. of Direct voting rights	No. of indirect voting rights	% of total voting rights
SCRANTON ENTERPRISES B.V.	22,697,437	0	10.653
DERIA S.A.	18,687,588	0	8.771
NOVOSTI S.L.	16,540,827	0	7.763
FIDELITY INTERNATIONAL LTD.	0	8,164,867	3.832
FMR LLC.	0	10,656,968	5.002
VÍCTOR GRIFOLS LUCAS	11,861,686	1,250,501	6.154
THORTOL HOLDINGS B.V.	14,701,206	0	6.952



3.2 SHAREHOLDERS AND STOCK MARKET

TREASURY STOCK

During 2008 **Grifols** performed several transaction involving treasury stock. At the close of the year it held the equivalent of 1.13% of its share capital in treasury shares. The group currently has no official share buy-back program in place.

At the Ordinary General Shareholders' Meeting held on 20 June 2007, the company was authorised to acquire treasury shares equivalent to a maximum of 5% of its share capital. Authorization was granted for a period of 18 months effective from the date of the agreement. The following movement occurred in 2008:

	No. of shares	Thousand euros
Balance as of 1 January 1, 2008	2,100,463	28,893
Acquisitions	361,159	4,880
Disposals	-50,000	-686
Balance as of 31 December 31, 2008	2,411,622	33,087

As of 31 December 2007, **Grifols** held treasury shares equivalent to 0.99% of its share capital. Furthermore, the group has no employee remuneration policy involving share plans or share options.

SEE CD ATTACHED:

4. Grifols' Commitment

4.1 Committed to our people

4.2 Committed to the environment



5. Annual accounts and Director's report



EXECUTIVE COMMITTEE

Chief Executive Officer

Victor Grifols Roura

Vice President Administration
and Financial

Alfredo Arroyo

Vice President Marketing and Sales

Ramón Riera

Vice President Industrial Division

Juan Ignacio Twose

Administration Director and Contoller

Montserrat Lloveras

Financial Director

Javier Roura

Planning and Control Director

Antonio Viñes

Scientific Director

Eva Bastida

Technical Director

Vicente Blanquer

Human Resources Director

Mateo Borrás

Deputy Vice President Industrial Division

Carlos Roura

Managing Director of Instituto Grifols, S.A.

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GRIFOLS