

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

**Consolidated Annual Accounts and
Consolidated Directors' Report**

31 December 2003

(With Auditors' Report thereon)

(Free translation from the original in Spanish)



KPMG Auditores, S.L.

Edificio La Porta de Barcelona
Av. Diagonal, 682
08034 Barcelona

Auditors' Report on the Consolidated Annual Accounts

(Free translation from the original in Spanish)

To the Shareholders of
Probitas Pharma, S.A.

We have audited the consolidated annual accounts of Probitas Pharma, S.A. (the Company) and subsidiaries (the Group) which comprise the consolidated balance sheet at 31 December 2003, the related consolidated statement of profit and loss for the year then ended and the consolidated notes thereto, the preparation of which is the responsibility of the board of directors of Probitas Pharma, S.A. Our responsibility is to express an opinion on the consolidated annual accounts, taken as a whole, based on our examination which was conducted in accordance with generally accepted auditing standards in Spain, which require examining, on a test basis, evidence supporting the amounts in the consolidated annual accounts and assessing the appropriateness of their presentation, of the accounting principles applied and of the estimates employed.

In accordance with prevailing Spanish legislation, these consolidated annual accounts also include, for each individual caption in the consolidated balance sheet and consolidated statement of profit and loss, comparative figures for the previous year. We express our opinion solely on the consolidated annual accounts for 2003. On 3 April 2003 we issued our audit report on the consolidated annual accounts for 2002 which, with regard to investments in certain foreign subsidiaries, was based solely on the reports of other auditors. In this report we referred to the change in criteria, with which we agree, for recognising deductions pending application regulated by the new accounting principles established by the Spanish Institute of Accountants and Auditors resolution dated 15 March 2002.

In our opinion, these consolidated annual accounts present fairly, in all material respects, the consolidated shareholders' equity and consolidated financial position of Probitas Pharma, S.A. and subsidiaries at 31 December 2003, and the consolidated results of their operations and source and application of funds for the year then ended and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with generally accepted accounting principles in Spain applied on a basis consistent with that of the preceding year.

The accompanying consolidated directors' report for 2003 contains such explanations as the directors of Probitas Pharma, S.A. consider relevant to the situation of Probitas Pharma, S.A. and its subsidiaries, the evolution of their business and other matters, but is not an integral part of the consolidated annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the consolidated annual accounts for 2003. Our work as auditors is limited to the verification of the consolidated directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Probitas Pharma, S.A. and its subsidiaries.

KPMG AUDITORES, S.L.

Fernando Serrate Urrea (signed)

2 April 2004



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N.I.F. B-78510153



PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2003 and 2002

(Stated in euros)

(Free translation from the original in Spanish)

Assets	31/12/03	31/12/02
Fixed assets		
Start-up expenses (note 5)	1.538.629	1.689.990
Intangible assets (note 6)	63.663.960	54.562.982
Tangible fixed assets (note 7)	105.837.921	74.081.110
Long-term investments (note 8)	16.366.768	10.718.562
Treasury stock (note 9)	870.446	174.089
Total fixed assets	188.277.724	141.226.733
Goodwill on consolidation (note 10)	145.598.328	153.713.584
Deferred expenses (notes 4(g) and 20)	9.908.942	1.568.111
Current assets		
Inventories (note 11)	256.421.083	185.181.021
Debtors (note 12)	208.021.013	172.754.060
Short-term investments (note 13)	557.509	437.711
Cash and banks	24.247.049	7.763.468
Prepaid expenses	5.394.758	2.979.253
Total current assets	494.641.412	369.115.513
Total assets	838.426.406	665.623.941

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

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2003 and 2002

(Stated in euros)

(Free translation from the original in Spanish)

Liabilities	31/12/03	31/12/02
Stockholders' equity (note 14)		
Share capital	105.840.720	19.843.640
Share premium	45.118.682	91.115.741
Reserves of the parent company	33.164.652	21.263.863
Reserves in consolidated companies	50.918.212	46.052.949
Currency translation adjustment	(14.490.729)	(5.316.482)
Net profit for the year	21.433.567	18.866.193
Total Stockholders' equity	241.985.103	191.825.904
Minority interests (nota 15)	115.565	--
Deferred income (note 16)	11.169.136	9.558.674
Provisions for risks and charges (note 17)	628.646	453.901
Long-term liabilities		
Promissory notes (note 18)	5.319.000	--
Bank loans (note 19)	220.201.550	88.520.290
Other creditors (note 20)	65.797.615	44.879.292
Total long-term debts	291.318.165	133.399.582
Current liabilities		
Promissory notes (note 18)	--	4.401.000
Bank loans (note 21)	137.492.568	166.906.890
Due to related companies (note 22)	1.008.728	26.796
Accounts payable, trade (note 23)	106.040.581	127.319.777
Other payables, non-trade (note 24)	47.343.336	30.441.865
Trade provisions (note 25)	595.274	922.646
Accrued expenses	729.304	366.907
Total current liabilities	293.209.791	330.385.880
Total liabilities	838.426.406	665.623.941

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

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Consolidated Profit and Loss Accounts for the years ended December 31, 2003 and 2002

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

Expenses	31/12/03	31/12/02
Operating expenses		
Cost of materials consumed and other external expenses (note 11)	158.028.943	159.152.695
Personnel expenses (note 27)	126.702.601	98.546.890
Depreciation and amortisation of fixed assets (notes 5, 6 and 7)	22.301.375	17.470.613
Change in trade provisions (notes 11, 12 and 25)	(529.544)	3.091.353
Other operating expenses	105.282.305	81.883.133
Total operating expenses	411.785.679	360.144.685
Operating profit	51.124.060	42.155.310
Financial expenses		
Financial and similar expenses	20.489.963	22.352.489
Change in financial provisions (note 8)	(109.622)	82.331
Foreign exchange losses	13.144.946	9.433.094
Total financial expenses	33.525.286	31.867.914
Financial income	--	--
Losses / (profit) of companies consolidated under equity method (note 8)	(156.502)	(26.923)
Goodwill amortisation (note 10)	9.083.218	6.936.888
Profit on ordinary activities	22.202.903	29.216.488
Extraordinary losses and expenses		
Losses on disposals of fixed assets	638.091	151.975
Variation in provisions for fixed assets and investments (note 7)	(150.725)	150.725
Extraordinary expenses and losses (note 28)	357.281	3.243.874
Total extraordinary expenses and losses	844.647	3.546.573
Extraordinary income	12.932	--
Consolidated profit before tax	22.215.835	26.597.076
Income tax (note 31)	695.987	7.730.884
Consolidated profit for the year	21.519.848	18.866.192
Profit attributable to minority interest (note 15)	86.281	--
Net profit for the year	21.433.567	18.866.192

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

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Consolidated Profit and Loss Accounts for the years ended December 31, 2003 and 2002

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

Income	31/12/03	31/12/02
Operating income		
Net sales (note 26)	425.791.035	390.151.964
Increase in inventories of finished products and work in progress (note 11)	21.527.751	528.979
Work carried out by the consolidated companies on fixed assets	15.264.414	11.392.413
Other operating income	326.539	226.638
Total operating income	<u>462.909.739</u>	<u>402.299.995</u>
Financial income		
Other interest and similar income	2.609.225	2.086.057
Foreign exchange gains	10.921.621	23.753.001
Total financial income	<u>13.530.846</u>	<u>25.839.058</u>
Financial losses	<u>19.994.440</u>	<u>6.028.856</u>
Extraordinary profit and income		
Profits on disposals of fixed assets	213.611	37.363
Capital grants transferred to income (note 16)	90.617	114.340
Extraordinary income	553.350	775.458
Total extraordinary income	<u>857.578</u>	<u>927.161</u>
Extraordinary losses	<u>--</u>	<u>2.619.412</u>

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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

December 31, 2003 and 2002

(Free translation from the original in Spanish)

(1) Nature, Principal Activities and Subsidiaries

(a) Probitas Pharma, S.A.

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

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

On March 1, 2002, the Company, through its subsidiary Instituto Grifols, S.A., acquired the US company Biomat USA, Inc. share capital, one of the main raw material suppliers (see note 8).

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

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

(b) Information on subsidiaries

All subsidiaries have the same year end, with the exception of Grifols Asia Pacific Pte., Ltd and Grifols (Thailand) Ltd, with closing date November, 30.

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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

– **Laboratorios Grifols, S.A.**

Incorporated in Spain as a limited liability company on April 18, 1989, with its registered office situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the manufacture, preparation and sale of therapeutic and other pharmaceutical products, especially parenteral solutions.

– **Instituto Grifols, S.A.**

Incorporated in Spain as a limited liability company on September 21, 1987, with its registered office situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the manufacture, preparation and sale of therapeutic products and other pharmaceutical specialities, especially haemoderivatives.

– **Movaco, S.A.**

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

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

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

– **Diagnostic Grifols, S.A.**

Incorporated in Spain as a limited liability company on March 24, 1987, with its registered office situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activities are the manufacture, preparation, distribution and sale of reagents and chemical products for laboratories and hospitals, as well as supplies, machines and instruments for medical-surgical use.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

– **Logister, S.A.**

Incorporated in Spain as a limited liability company on June 22, 1987, with its registered office situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activities are the manufacture, purchase, sale and distribution of computer hardware and software. Movaco, S.A. owns 99,97% of this company.

– **Grifols América, Inc.**

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

– **Grifols Chile, S.A.**

Incorporated in Chile as a limited liability company on July 2, 1990, with its registered office situated in Avda. Americo Vespuccio 2242, Comuna de Conchali, Santiago de Chile (Chile). Its activity is to carry out a pharmaceutical business consisting of the import, production, distribution and export of pharmaceutical products.

– **Biomat, S.A.**

Incorporated in Spain as a limited liability company on July 30, 1991, with its registered office situated in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona. Its activity consists of the collection and distribution of biological products.

– **Grifols Argentina, S.A.**

Incorporated in Argentina as a limited liability company on November 1, 1991, with its registered office situated in Bartolomé Mitre 1371, 5th floor, room P, 1036 Buenos Aires (Argentina). Its activity consists of biological and clinical investigation, the preparation and sale of reagents, therapeutical and dietetic products as well as the manufacture and distribution of other pharmaceutical specialities.

– **Grifols s.r.o.**

Incorporated in the Czech Republic as a private limited liability company on December 15, 1992, with its registered office situated in Zitná 2, Praha (Czech Republic). Its activity is to carry out a pharmaceutical business consisting of the import, sale and distribution of pharmaceutical products including human plasma.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

– **Grifols México, S.A. de C.V.**

Incorporated in México as a limited liability company on January 9, 1970, with its registered office situated in calle Eugenio Cuzin 909, Parque Industrial Belenes Norte, 45150 Zapopan, Jalisco, (Mexico). Its activity consists of the manufacture and sale of pharmaceutical products for both human and veterinary use.

– **Grifols Viajes, S. A.**

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

– **Grifols USA, Inc.**

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

– **Grifols International, S. A.**

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

– **Grifols Italia S.p.A.**

Its registered office is situated in Vía Carducci 62 d, 56010 Ghezzano, Pisa (Italy), and its activity consists of sale and distribution of chemical and pharmaceutical products. 66,66% of this company was acquired on June 9, 1997 and 33,34% on June 16, 2000.

– **Grifols UK, Ltd.**

Its registered office is situated in 72, St. Andrew's Road, Cambridge CB41G (United Kingdom). Its activity consists of the distribution and sale of pharmaceutical products, and in particular haemoderivatives. 66,66% of this company was acquired on June 9, 1997 and 33,34% on June 16, 2000.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

– **Grifols Deutschland GmbH**

It was incorporated in Germany as a limited liability company on May 21, 1997. Its registered office is situated in Siemenstrasse 18, D-63225 Langen (Germany) and its activity consists of the import, export, distribution and sale of reagents, chemical and pharmaceutical products for laboratory and hospital use, as well as medical-surgical supplies, devices and instruments for laboratory use.

– **Grifols Brasil, Ltda.**

It was incorporated in Brazil as a limited liability company on May 4, 1998. Its registered office is situated in Rua Marechal Hermes 247, Centro Cívico, CEP 80530-230, Curitiba (Brazil) and its activity consists of the import and export, preparation and sale of chemical and pharmaceutical products for laboratories, hospitals and medical-surgical supplies.

– **Grifols France, S.A.R.L.**

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

– **Grifols –Quest, Inc.**

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

– **Grifols Engineering, S.A.**

Incorporated in Spain as a limited liability company on December 14, 2000, with its registered office in Polígono Levante, calle Can Guasch s/n, 08150 Parets del Vallés, Barcelona, and its activity consists of the design and performance of industrial engineering projects for pharmaceutical companies and health centers, as well as the design, building, selling and maintenance of machinery, equipment and installations for pharmaceutical companies and health centers.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

- **Biomat USA, Inc.**

Acquired on March 1, 2002, with registered office in 1209 Orange Street, Wilmington, New Castle (Delaware Corporation). Its activity, developed in the bioscience area, consists of the obtaining of human plasma. Instituto Grifols, S.A. owns 100% of this company.

- **Squadron Reinsurance Ltd.**

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

- **Probitas Pharma, Inc.**

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

- **Grifols Biologicals, Inc.**

Incorporated on May 15, 2003 its registered office is situated in 15, East North Street, Dover, Delaware 19901 (United States of America). Its activity consists of the manufacture, preparation and sale of therapeutic products and other pharmaceutical specialities, especially haemoderivatives. Probitas Pharma, Inc. owns 100% of this company.

- **Alpha Therapeutic Europe, Ltd**

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

- **Alpha Therapeutic UK, Ltd**

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

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

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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

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

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

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

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

(2) Basis of Presentation and Consolidation

(a) Basis of presentation

In accordance with current legislation, the Directors of Probitas Pharma, S.A. have prepared the accompanying consolidated annual accounts with the aim of giving a true and fair view of the net worth, financial position and the results of the operations of the Group for the years 2002 and 2003.

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

Consolidated annual accounts of fiscal year 2003 are pending of the approval by the Shareholders' Meeting. As required by the accounting legislation, consolidated balance sheet and consolidated profit and losses account, show, for comparative purposes, the figures corresponding to the fiscal year ended December 31, 2002 which were approved during the Shareholders' Meetings held on May 21, 2003.

When comparing the 2003 consolidated annual accounts with the 2002 consolidated annual accounts, the effects of the variation in the consolidation perimeter described in note 1(a), should be taken into consideration.

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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

(b) Consolidation principles

The companies detailed below have been incorporated into the consolidation process and the direct and indirect percentage of ownership held by the parent company at December 31, 2003 and 2002, is shown as well as the method of consolidation used in the preparation of these consolidated annual accounts:

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

	31/12/2003		31/12/2002	
	Percentage of participation		Percentage of participation	
	Direct	Indirect	Direct	Indirect
Parent company				
Probitas Pharma, S.A.	--	--	--	--
Fully consolidated companies				
Laboratorios Grifols,S.A.	99,998	0,002	99,998	0,002
Instituto Grifols,S.A.	99,998	0,002	99,998	0,002
Movaco,S.A.	99,999	0,001	99,999	0,001
Grifols Portugal Productos				
Farmacéuticos e Hospitalares,Lda.	0,025	99,975	0,025	99,975
Diagnostic Grifols,S.A.	99,998	0,002	99,998	0,002
Logister,S.A.	--	100,000	--	100,000
Grifols América,Inc.	100,000	--	100,000	--
Grifols Chile,S.A.	99,000	--	99,000	--
Biomat,S.A.	99,900	0,100	99,900	0,100
Grifols Argentina,S.A.	100,000	--	100,000	--
Grifols,s.r.o.	100,000	--	100,000	--
Grifols México,S.A. de C.V.	100,000	--	100,000	--
Grifols Viajes,S.A.	99,900	0,100	99,900	0,100
Grifols USA, Inc.	100,000	--	100,000	--
Grifols International,S.A.	99,900	0,100	99,900	0,100
Grifols Italia,S.p.A.	100,000	--	100,000	--
Grifols UK,Ltd.	100,000	--	100,000	--
Grifols Deutschland,GmbH	100,000	--	100,000	--
Grifols Brasil,Ltda.	100,000	--	100,000	--
Grifols France,S.A.R.L.	99,000	1,000	99,000	1,000
Grifols Engineering, S.A.	99,950	0,050	99,950	0,050
Grifols - Quest,Inc.	--	100,000	--	68,150
Biomat USA, Inc.	--	100,000	--	100,000
Squadron Reinsurance Ltd.	100,000	--	--	--
Probitas Pharma, Inc.	100,000	--	--	--
Grifols Biologicals, Inc.	--	100,000	--	--
Alpha Therapeutic Europe, Ltd.	100,000	--	--	--
Alpha Therapeutic UK, Ltd.	--	100,000	--	--
Alpha Therapeutic Italia, S.p.A.	--	100,000	--	--
Grifols Asia Pacific Pte., Ltd.	100,000	--	--	--
Grifols (Thailand) Ltd.	--	48,000	--	--
Companies consolidated under the equity method:				
Quest International, Inc.	--	35,000	--	35,000

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

Certain additional information relating to these companies is shown in Annex V, which forms an integral part of this note to the consolidated annual accounts.

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

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

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

The accompanying consolidated annual accounts include Biomat USA, Inc. assets and liabilities as at November 30, 2003 and the income and expenses corresponding to the period from December 1, 2002 to November 30, 2003 (last available closing date provided by the company). Nevertheless, all the effects of December 2003 operations between this company and the rest of the Group have been taken into account, as last year was done. The 2002 homogenization postings have been reversed.

Details of Biomat USA, Inc. summarized balance sheet as at March 1, 2002, effective date of the company's acquisition, is as follows:

	<u>Euros</u>
Fixed assets	36.454.797
Current assets	35.638.131
	<u>72.092.928</u>
Stockholders' equity	4.374.928
Long-term debts	32.295.438
Short-term debts	35.422.561
	<u>72.092.927</u>

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

On July 15, 2003, (see note 1(a)), Grifols Biologicals, Inc., in the process of expanding the Group activities in the United States of America, acquired the plasma fractionation division and certain assets of Alpha Therapeutic Corporation, Inc. for an amount of USD 104 million. At December 31, 2003 an amount of Euros 55.423 thousand is pending to be paid (see note 20).

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

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

Likewise, on July 15, 2003 the Company acquired 100% of the company Alpha Therapeutic Europe, Ltd., said company at the same time owns 100% of the share capital of Alpha Therapeutic UK, Ltd. and Alpha Therapeutic Italia, S.p.A. and, 100% of the company Grifols Asia Pacific Pte. Ltd. (formerly Alpha Therapeutic Asia Pte., Ltd.) which owns 48% of Grifols (Thailand) Ltd. (formerly Alpha Therapeutic (Thailand) Ltd.).

(3) Distribution of Results

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

The distribution of results, corresponding to the year ended December 31, 2002 is shown in the detail of stockholders' movement in Annex III of the note 14.

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(4) Significant Accounting Principles

The accompanying consolidated annual accounts have been prepared in accordance with the accounting principles and valuation and classification criteria established in the Spanish General Chart of Accounts, the Royal Decree 1851/91 dated December 20 governing the preparation of consolidated annual accounts and with other current accounting regulations, applied by the consolidated companies on a consistent basis.

The main principles applied are as follows:

(a) Start-up expenses

The start-up expenses are shown at cost, less the related accumulated amortization, calculated on a straight-line basis over a period not exceeding five years.

(b) Intangible assets

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

- The costs incurred in research and development projects are capitalized when there is evidence of technical success or when it is expected that they will generate future income. Otherwise, they are charged to losses. The capitalized costs are amortized over a period not exceeding five years, using the straight-line method.
- The amounts paid in respect of the acquisition of patent rights, distribution rights and the capitalized expenses incurred as a result of the registration of patents, are amortized over a period not exceeding ten years, using the straight-line method.
- Goodwill, corresponding to the one proceeding from the acquisition of certain plasma centers in the United States of America, is amortized over a period not exceeding ten years, using the straight-line method, in which is estimated their contribution to the profit of the Group.
- The software acquired and developed by the consolidated companies is stated at cost and is amortized over a period between three and six years, using the straight-line method. Maintenance costs are charged to expenses as and when they arise.
- The rights to use and the option to purchase tangible assets contracted through capital lease financing are recorded at the cash value of the asset at the time of acquisition. These rights are generally amortized on a straight line basis over the useful lives of the leased assets.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

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The total lease installments and the amount of the purchase option are recorded as a liability. The initial difference between the cash value of the asset and the total debt, equivalent to the financial cost of the operation, is recorded under the caption of "Deferred expenses" and expensed over the term of the contract following the interest method.

When the purchase option is exercised, the cost and accumulated amortization of the assets are transferred to the corresponding tangible fixed asset accounts.

(c) Tangible fixed assets

Tangible fixed assets are shown at acquisition cost revalued until 1983, as permitted by legislation prevailing at that time, less related accumulated depreciation.

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

	<u>Yearly rates</u>
Buildings	3%
Technical installations and machinery	10% - 20%
Other installations, furniture and fittings	10% - 60%
Other assets	16% - 50%

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

(d) Investments

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

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

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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

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(e) Treasury stock

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

(f) Goodwill on consolidation

On June 16, 2000, Probitas Pharma, S.A. acquired the 33,33% of Grifols UK, Ltd. and Grifols Italia, S.p.A. share capital -owned until that date by Scranton Enterprises, B.V.- for an amount of Euros 28.023.461. As a result of said acquisition and after considering the negative goodwill on consolidation resulting from the initial acquisition (66,67 % of share capital), a goodwill for an amount of Euros 20.900.928 has arisen.

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

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

(g) Deferred expenses

The deferred expenses basically include the following concepts:

- The deferred financial expenses related to capital lease operations which are expensed using the interest method over the term of the lease.
- The deferred interest relating to promissory notes issued by Probitas Pharma, S.A. which are amortized following the straight-line method over the term of the notes. The effect of not having recorded the expenses, based on an interest method, is not material to the accompanying consolidated financial statements.
- The formalization expenses relating to bank loans are expensed over the maturity period of said bank loans.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

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(Free translation from the original in Spanish)

- The implicit interest related to debts deferred for more than one year is expensed over the maturity period of said debts.

(h) Inventories

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

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

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

(i) Capital grants

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

(j) Trade accounts and notes receivable

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

In accordance with common business practice in Spain, sales to other domestic customers which are settled through notes receivable are discounted at banks with full recourse. In the accompanying consolidated balance sheet, the caption of “Debtors” includes notes receivable pending maturity at December 31, 2003 and 2002 and the corresponding liabilities are shown under the caption of “Short – term bank loans” (see notes 12 and 21).

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

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

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

(k) Foreign currency transactions and balances

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

The year-end balances of accounts receivable and payable expressed in foreign currencies are converted into local currency at rates in effect at December 31. Unrealized net losses, calculated on the basis of grouping together currencies which are similar in characteristics and by maturity dates, are charged to expenses and unrealized exchange profits are deferred until realization, except when exchange rate hedging contracts exist. In the latter case, the year-end balances of accounts in foreign currencies are stated according to the exchange rate stipulated in the contract.

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

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

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

(m) Severance indemnities

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

In the absence of any foreseeable need for abnormal termination of employees' services and because the indemnities are not payable to those employees who retire or voluntarily leave the companies' service, indemnity payments, when they arise, are expensed at the time the decision for staff redundancy is taken.

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(n) Income taxes

Consolidated income tax for each period is calculated on the basis of profits before taxes, adjusted, if necessary, by the permanent differences, taking into consideration the tax credits and discounts applicable as well as the adjustments arising from the application of the consolidation methods for those companies included in the Spanish tax consolidation. The tax effect of timing differences is recorded, where necessary, in the consolidated balance sheet as a deferred tax asset or liability.

Probitas Pharma, S.A., as parent company, requested and obtained fiscal authorization for the purpose of presenting consolidated tax returns with its subsidiaries Diagnostic Grifols, S.A., Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Logister, S.A., Biomat, S.A., Grifols Viajes, S.A., Grifols International, S.A., and Grifols Engineering, S.A. and. Consequently, Probitas Pharma, S.A. is responsible for the presentation and payment of the company income tax and, as such, receives as a provision of funds those payments which the subsidiaries would have to pay if their tax returns were presented on an individual basis.

Taking into account the likelihood of generating future Profit, the Group has recognised a tax credit amounting to Euros 4.580 thousand, having estimated its recovery as likely, which represents a reduction in income tax payable in the future by the Spanish companies filing consolidated tax returns (see notes 12 and 31).

Following an Instituto de Contabilidad y Auditoria de Cuentas resolution as at March 15, 2002, since the fiscal year starting on January 1, 2002, the Company has recognized the tax credits pending to be applied; mainly investments abroad and R&D activities, as their realization has been estimated to be during the term established by law (see notes 8, 12 and 31). Likewise, and accordingly with said law, the income from such tax credits application has been deferred depending on the useful life of the fixed assets which have generated said tax credits, mainly investment abroad and R&D activities (see note 16).

(o) Income and expenses

The net sales figure is presented net of taxes on sales and discounts and shows the sale value of the goods or services rendered during the regular course of business.

Revenues and expenses are recognized on an accrual method (when the real flow of goods and services corresponding to said income and expenses arise) regardless of when the resulting monetary financial flow arises. Nevertheless, following the prudence principle, at the year end close, the Group only books the

PROBITAS PHARMA S.A. AND SUBSIDIARIES

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realized profits. The foreseeable contingencies and losses, including possible ones, are booked as soon as they are known.

Since January, 1, 2001, the Company is recognizing the receivable interest claimed from several public administrations when a favourable definitive ruling has been given.

(p) Pension commitment

On May 24, 2002, the Spanish companies settle up a defined contribution pension plan for their employees who had more than two years of service at the said date. This plan is integrated into the Bansabadell 18 Fondo de Pensiones pension fund and the agency which manages the fund is Bansabadell Pensiones.

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

(q) Business activities affecting the environment, energy-saving and efficiency projects

Expenses incurred acquiring systems, equipment and installations for preventing, reducing or controlling the possible environmental impacts of the Company's normal activities are registered as fixed asset investments.

Expenses incurred on environmental activities other than those involving the acquisition of fixed assets are charged to expenses for the year.

The acquisition of assets destined for energy saving and efficiency which increase the productivity, capacity or extend the useful lives of the assets are recognised as an increase in the value of the fixed asset installations.

The directors of the Company consider that any possible environmentally related contingencies that may arise would not be significant.

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(Free translation from the original in Spanish)

(5) Start-up Expenses

Details and movement in start-up expenses during the year ended December 31, 2002 are as follows:

	Euros				
	Balances at			Currency	Balances at
	31/12/01	Additions	Amortisations	translation	31/12/02
				adjustment	
Start-up expenses	58	372.901	(47)	(11)	372.901
Capital increase expenses	1.439.153	687.758	(809.822)	--	1.317.089
	1.439.211	1.060.659	(809.869)	(11)	1.689.990

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

	Euros				
	Balances at			Currency	Balances at
	31/12/02	Additions	Amortisations	translation	31/12/03
				adjustment	
Start-up expenses	372.901	207.115	(58.002)	5.069	527.083
Capital increase expenses	1.317.089	633.993	(939.535)	--	1.011.546
	1.689.990	841.108	(997.537)	5.069	1.538.629

(6) Intangible Assets

Details and movement in intangible assets during the year ended December 31, 2002 and 2003 are shown in Annex I which forms an integral part of this note to the consolidated annual accounts.

2002 concessions, patents, licenses, trademarks and others additions correspond mainly to the licenses' use right given by Mitsubishi Pharma Corp. on April 1, 2002 for a period no longer than 10 years.

2002 and 2003 Research and development expenses additions correspond mainly to the new products applications including intravenous gamma for the American market. Intravenous gamma selling license was obtained during December 2003.

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The Group uses certain assets through lease contracts. At December 31, 2003 the principal terms and conditions of the contracts are as follows:

Item	Date of the contract	N° of monthly instalments	Euros		
			Net book value	Monthly instalments (*)	Purchase option
Land and buildings	various	120	3.990.720	35.203	36.272
Machinery and installations	various	36	10.528.297	305.417	239.532
Internal transport	various	36	49.052	1.401	1.404
Measure and control instruments	various	36	4.332.597	146.616	65.505
Furniture	various	36	493.546	13.924	7.335
Computer equipment	various	36	1.003.764	29.116	17.535
Vehicles	various	36	24.506	654	0
Total cost			20.422.481		
Less, accumulated amortization			(3.941.673)		
			16.480.808		

(*) Variable depending on interest rate

The summary of the liabilities resulting from these operations at December 31, 2003 and 2002 is as follows:

	Euros	
	31/12/03	31/12/02
Total amount of operations	27.458.078	21.269.070
Payments made in previous years	(11.000.998)	(7.888.187)
Payments made during the year	(5.469.974)	(3.644.276)
Capital lease creditors	10.987.106	9.736.607

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Capital lease creditors are divided as follows:

	Euros			
	31/12/03		31/12/02	
	Short Term	Long Term	Short Term	Long Term
Capital	5.060.144	5.470.005	4.396.365	4.786.018
Interest	288.518	168.439	342.094	212.130
	5.348.662	5.638.444	4.738.458	4.998.148
	(note 21)	(note 19)	(note 21)	(note 19)

(7) Tangible Fixed Assets

Details and movements of this caption of the consolidated balance sheet at December 31, 2003 and 2002 are shown in Annex II which forms an integral part of this note to the consolidated annual accounts.

At December 31, 2003, certain land and buildings are mortgaged as a guarantee for a loan with an outstanding balance of euros 2.201.518 (euros 809.812 at December 31, 2002) (see note 19).

Fixed assets under construction at December 31, 2003 and 2002 correspond mainly to the investments made in expanding the installations of the Spanish subsidiaries and increasing their production capacity.

The Group policy tends to take out the necessary insurances to cover the whole risks that tangible fixed assets can suffer. At December 31, 2003, the Group tangible fixed assets are insured for euros 333.428 thousand (euros 104.096 thousand at December 31, 2002).

Cost value of fully amortised assets at December, 31, 2003 is euros 22.779 thousand (euros 19.822 thousand at December 31, 2002).

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(8) Long-term Investments

Details and movement of this caption of the consolidated balance sheet at December 31, 2002 are as follows:

Euros						
Balances at			Incorporation	Currency		Balances at
31/12/01	Additions	Disposals	consolidation	translation	adjustment	31/12/02
			perimeter			
Investments						
consolidated under						
the equity method	174.375	26.923	--	--	(35.061)	166.237
Other long-term						
investments	4.712.084	46.107	(4.466.701)	--	(11.181)	280.309
Long-term deposit						
and guarantees	644.471	632.186	(154.316)	146.344	(103.428)	1.165.258
Other loans	150.084.856	--	(150.084.856)	--	--	--
Tax credit on						
deductions (note 31)	--	9.282.525	--	--	--	9.282.525
	155.615.786	9.987.740	(154.705.873)	146.344	(149.669)	10.894.328
Less, provisions						
for investments	(93.435)	(82.331)	--	--	--	(175.766)
Net Value	155.522.350	9.905.410	(154.705.873)	146.344	(149.669)	10.718.562

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

	Euros					
	Balances at 31/12/02	Additions	Disposals	Incorporation consolidation perimeter	Currency translation adjustment	Balances at 31/12/03
Investments consolidated under the equity method	166.237	156.502	--	--	(60.589)	262.150
Other long-term investments	280.309	964.095	--	9.568	(10.857)	1.243.114
Long-term deposit and guarantees	1.165.258	90.993	(464.799)	--	(81.582)	709.869
Tax credit on deductions (note 31)	9.282.525	4.944.821	--	--	--	14.227.346
	10.894.328	6.156.411	(464.799)	9.568	(153.028)	16.442.480
Less, provisions for investments	(175.766)	--	109.622	(9.568)	--	(75.712)
Net Value	10.718.562	6.156.411	(355.177)	0	(153.028)	16.366.768

(a) Investment in companies consolidated under the equity method

The balance at December 31, 2003 and 2002 refers to the investment that Diagnostic Grifols, S. A. holds in Quest International, Inc. (35%) with registered office in Miami, Florida (EE.UU). Its activity relates to the manufacture and distribution of reagents.

The equity of Quest International, Inc. according to its last unaudited financial statements at October 31, 2003 amounts to euros 925.873 (see Annex V).

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(b) Other long-term investments

This balance includes at December 31, 2003 and 2002 the participation below 1% that Grifols America, Inc. and Probitas Pharma, S.A. have in Northfield Laboratories (USA), which cost amounts to euros 280.309 (euros 280.309 at December 31, 2002), provisioned for an amount of euros 66.144 as at December 31, 2003 (euros 175.766 as at December 31, 2002).

Likewise, includes at December 31, 2003 an amount of approximately euros 1.000 thousand corresponding to a group company long-term deposit.

(9) Treasury stock

At 31 December 2003 this caption comprises 1,740,892 shares of Euros 0.50 par value each. These shares were issued by the Company in the share capital increase carried out on May 25, 2001 as a result of the waiving of the preferential subscription right by the Company's shareholders, in order for the shares to be distributed to the employees of the group companies, based on certain conditions and terms previously established in the corresponding distribution criteria.

(10) Goodwill on Consolidation

Details and movements in this caption of the consolidated balance sheet at December 31, 2002 are as follows:

	Euros			Balances at 31/12/02
	Balances at 31/12/01	Additions	Amortization	
Grifols UK,Ltd.	12.383.206	--	(672.391)	11.710.815
Grifols Italia,S.p.A.	6.863.065	--	(372.655)	6.490.409
Biomat USA, Inc.	--	141.404.201	(5.891.842)	135.512.360
	19.246.271	141.404.201	(6.936.888)	153.713.584

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(Free translation from the original in Spanish)

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

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

The future expected profits for the abovementioned goodwill are higher than their net book value as at December 31, 2003.

Otherwise, goodwill arising from the acquisition of the remaining shareholding part of Grifols Quest in the year 2003 has been fully amortized in 2003, once the Directors of the Company have evaluated his difficult recoverability.

(11) Inventories

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

	Euros	
	31/12/03	31/12/02
Inventories for resale	33.350.170	32.793.664
Raw materials and supplies	87.471.863	55.361.261
Work in progress and semi-finished products	97.329.683	71.683.065
Finished products	41.952.718	29.155.787
By-products	20.257	60.206
	260.124.691	189.053.984
Advances to suppliers	--	130
Less, provisions for depreciation of inventories	(3.703.608)	(3.873.093)
	256.421.083	185.181.021

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

	Euros	
	31/12/03	31/12/02
Inventories for resale		
Net purchases	19.817.925	20.094.473
Change in inventories	863.649	(885.381)
	<hr/>	<hr/>
	20.681.574	19.209.092
Raw materials and supplies		
Net purchases	121.563.584	135.934.253
Change in inventories	1.473.799	831.273
	<hr/>	<hr/>
	123.037.382	136.765.526
Other expenses	14.309.986	3.178.077
	<hr/>	<hr/>
	158.028.943	159.152.695

The changes in inventories for resale have been the following:

	Euros
Initial balance of inventories for resale	32.793.664
Incorporation to the consolidation perimeter	3.002.073
Change in inventories for resale	(863.649)
Currency translation adjustment	(1.581.918)
Final balance of inventories for resale	<hr/>
	33.350.170

PROBITAS PHARMA S.A. AND SUBSIDIARIES

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

	<u>Euros</u>
Initial balance of raw materials and supplies inventories	55.361.261
Incorporation to the consolidation perimeter	37.942.370
Change in raw material and supplies inventories	(1.473.799)
Currency translation adjustment	(4.357.969)
Final balance of raw materials and supplies inventories	<u>87.471.863</u>

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

	<u>Euros</u>
Initial balance of finished and work in progress inventories	100.899.059
Incorporation to the consolidation perimeter	22.221.166
Change in finished and work in progress inventories	21.527.751
Currency translation adjustment	(5.345.318)
Final balance of finished and work in progress inventories	<u>139.302.658</u>

Net purchases include the following amounts in foreign currencies:

	<u>31/12/03</u>	<u>31/12/02</u>
Currency		
US dollar	87.985.772	73.305.974
Other currencies	4.054.506	6.012.555

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

	31/12/03	31/12/02
Opening balance	3.873.093	1.674.544
Net allowance for the year	(929.747)	2.261.022
Incorporation to the consolidation perimeter	775.477	--
Balances written off	--	(50.136)
Currency translation adjustment	(15.214)	(12.337)
Closing balance	3.703.608	3.873.093

(12) Debtors

Details of debtors at December 31, are as follows:

	Euros	
	31/12/03	31/12/02
Trade debtors for sales and services rendered	184.074.495	162.926.069
Trade debtors, related companies	15.005	--
Sundry debtors	4.333.874	2.081.918
Personnel	265.492	213.812
Public entities	22.759.168	10.258.735
	211.448.034	175.480.533
Less provisions for bad debts	(3.427.021)	(2.726.473)
	208.021.013	172.754.060

The balance of "Trade debtors for sales and services rendered" includes the notes discounted in banks and pending maturity at December 31, 2003 for an amount of euros 1.321.967 euros (euros 1.051.314 at December 31, 2002) (see note 21).

Certain group companies have granted a guarantee in favour of the banks, through the assignment of credits with full resources, for all credits that they have or could have in the future with certain National Health Service institutions (see note 32 (a)).

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

	Euros	
	31/12/03	31/12/02
Currency		
US dollar	15.438.647	4.140.793
Pound sterling	5.853.444	5.450.383
Czech crown	2.387.939	1.622.844
Argentinian peso	715.605	866.500
Chilean peso	3.253.988	2.684.348
Mexican peso	2.501.482	3.472.735
Other currencies	3.850.041	1.753.739

The balances with “Public entities” are as follows:

	Euros	
	31/12/03	31/12/02
Due from Tax authorities in respect of:		
VAT	3.251.274	3.107.767
Grants	631.538	512.773
Due from Social Security	295.609	48.977
Deferred tax asset (note 31)	5.565.142	2.873.489
Due from Tax authorities in respect of		
Income Tax:		
Current year (note 31)	4.139.026	1.538.431
Previous years	1.553.424	748.628
Tax credits on deductions (note 31)	1.996.474	965.590
Tax credits losses (note 31)	4.580.145	--
Other public entities	746.536	463.079
	<u>22.759.168</u>	<u>10.258.735</u>

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

The movement of the bad debts provision is as follows:

	Euros	
	31/12/03	31/12/02
Opening balance	2.726.473	2.635.376
Allowance for the year	727.576	811.520
Incorporation to the consolidation perimeter	121.191	--
Balances written off	(203.560)	(311.840)
Currency translation adjustment	55.341	(408.584)
Closing balance	3.427.021	2.726.473

(13) Short-Term Investments

Details and movement of short-term investments at December 31, 2002 are as follows:

	Euros				Balances at 31/12/02
	Balances at 31/12/01	Additions	Disposals	Currency translation adjustment	
Investment portfolio	36.488	2.816	0	(7.156)	32.148
Deposits and guarantees	1.107.157	294.924	(1.045.484)	(46.521)	310.077
Other loans	1.713.761	95.486	(1.713.761)	0	95.486
	2.857.406	393.226	(2.759.245)	(53.677)	437.711

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

	Euros				Balances at 31/12/03
	Balances at 31/12/02	Additions	Disposals	Currency translation adjustment	
Investment portfolio	32.148	2.000.000	(2.029.861)	(1.666)	621
Deposits and guarantees	310.077	346.634	(362.627)	(11.323)	282.760
Other loans	95.486	3.709.399	(3.509.838)	(20.920)	274.127
	437.711	6.056.033	(5.902.326)	(33.909)	557.509

(14) Stockholders' Equity

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

(a) Share capital

At December 31, 2003 the share capital of Probitas Pharma, S.A., is represented by 211.681.440 registered shares of euros 0,5 par value each (198.436.400 registered shares of euros 0,10 par value each at December 31, 2002).

The details of Probitas Pharma, S. A.'s shareholders at December 31, 2003 and 2002 are as follows:

	Percentage of ownership	
	31/12/03	31/12/02
Scranton Enterprises, B.V.	11,62%	11,63%
Gabriella Holding, N.V.	40,83%	39,39%
Capital Riesgo Global, S.C.R., S.A. (formerly Secuoya Capital Privado, S.C.R., S.A.)	10,91%	11,39%
Others	36,64%	37,59%
	100,00%	100,00%

PROBITAS PHARMA S.A. AND SUBSIDIARIES

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(Free translation from the original in Spanish)

– **Increase of share capital with monetary contribution.**

On November 25, 2002 the Company, using the authorization granted at the shareholders' meeting, proceeded to increase the share capital by issuing 13.245.040 new shares of euros 0,10 par value plus a total share premium of euros 38.675.517. The total amount of said increase was euros 40 million. The subscription period ended on January 10, 2003, being the said capital increase fully subscribed and disbursed. On December 31, 2002 the shareholders had subscribed and disbursed an amount of euros 32.349.360, that were booked as "Other long-term creditors" (see note 20) until the end of the period of subscription and inscription in the Mercantile Register of said increase of share capital, done on 2003.

– **Increase of the share capital charged to share premium**

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

(b) Share premium

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

(c) Reserves of the parent company

Details are as follows:

	Euros	
	31/12/03	31/12/02
Legal reserve	3.968.728	3.968.728
Treasury stock reserve (note 9)	870.446	174.089
Capital adjustment into euros	3.020	3.020
Voluntary reserves	28.322.458	17.118.026
	<u>33.164.652</u>	<u>21.263.863</u>

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- Legal reserve

Spanish companies are obliged to transfer a minimum of 10% of the profit for the year to a legal reserve, until such time as the reserve represents 20% of the share capital. This reserve is non-distributable and can only be used if there is no other reserve available to offset losses. Under certain circumstances, it may also be used to increase the share capital by the portion of its balance which exceeds 10% of the capital already increased.

- Treasury stock reserve

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

- Voluntary reserves

The voluntary reserves may be freely distributed except for an amount of euros 984.046 corresponding to the net book value of the start-up expenses pending of amortization by the Company.

(d) Reserves in consolidated companies

The details of these reserves at December 31, 2003 and 2002, per consolidated company, are shown in Annex IV which forms an integral part of this note to the consolidated annual accounts.

The distribution of the balance of the legal reserves is governed by the same legislation as that which is applicable to the parent company. The distribution of the balance of the other reserves is subject to the same legal regulations governing each of the subsidiaries.

(15) Minority Interest

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

	Euros			
	Balances at 31/12/02	Additions	Currency translation adjustment	Balances at 31/12/03
Minority interest	0	86.281	29.284	115.565
	0	86.281	29.284	115.565

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(Free translation from the original in Spanish)

(16) Deferred Income

Details are as follows:

	Euros	
	31/12/03	31/12/02
Grants	1.092.299	1.182.917
Unrealised exchange rate gains	2.020.038	1.978.301
Tax credits deferred income (note 31)	6.760.388	6.223.366
Other deferred income	1.296.411	174.091
	<u>11.169.136</u>	<u>9.558.674</u>

The detail of the grants is as follows:

	Euros	
	31/12/03	31/12/02
Total amount of grant:		
1992	182.509	182.509
1993	43.712	43.712
1994	104.576	104.576
1995	626.693	626.693
1996	53.905	53.905
1997	425.955	425.955
1998	65.042	65.042
1999	42.071	42.071
2000	184.334	184.334
2001	213.979	213.979
2002	626.022	626.022
	<u>2.568.797</u>	<u>2.568.797</u>
Less, income recorded:		
in prior years	(1.385.881)	(1.271.541)
in the current year	(90.617)	(114.340)
	<u>(1.476.498)</u>	<u>(1.385.881)</u>
Net value	<u>1.092.299</u>	<u>1.182.917</u>

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

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(17) Provisions for Risks and Charges

The balance at December 31, 2003 and 2002, include a provision that a group company booked in connection with some pension commitments said company assumed regarding certain members of its staff.

(18) Promissory notes

During year ended December 31, 2003, the Company has issued long term bearer promissory notes of euros 3.000 par value each for a maximum amount of euros 5.400.000. On December 31, 2003 exists subscribed promissory notes for an amount of euros 5.319.000. The interest rate is 5% and the maturity date is May 2, 2005. The said promissory notes are not listed on any stock exchange nor they are convertible into shares.

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

Likewise, during year ended December 31, 2001, the Company issued long term bearer promissory notes of euros 3.000 par value each for a maximum amount of euros 4.500.000. On December 31, 2002 existed subscribed promissory notes for an amount of euros 4.401.000 that were classified as short-term because their maturity date was April 30, 2003.

The official documentation for the above-mentioned issues is inscribed in the Official Register of the National Securities Market Commission as of March 23, 2001.

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(Free translation from the original in Spanish)

(19) Long-term Bank Loans

Long-term bank loans are detailed as follows:

	Euros	
	31/12/03	31/12/02
Syndicated loan of Euros 225,000 thousand limit, maturing on April 2, 2008 at an interest rate based on EURIBOR plus a spread of between 0,85% and 1,60%, according to certain covenants, acting as agent bank Banco Bilbao Vizcaya Argentaria, S.A.	225.000.000	--
Syndicated loan of Euros 90.000 thousand limit, maturing on April 26, 2006 at an interest rate based on EURIBOR plus a spread of between 0,65% and 1,35%, according to certain covenants, acting as agent bank Banco Bilbao Vizcaya Argentaria, S.A.	--	90.000.000
Instituto de Crédito Oficial (ICO) Euros 8.174 thousand limit, maturing on July 22, 2004 at a interest rate of MIBOR plus 0,8%	--	4.904.259
Other loans of euros 7.440 thousand limit, maturing 2003 and at an interest rate between 4,38% and 6,18% (limit euros 3.712 thousands at December 31, 2001, maturing at 2003 at an interest rate between 5,11% and 6,75%)	5.156.939	5.156.939
Loan of US dollars 8.500 thousand, maturing September 25, 2004 at an interest rate of 6,58%	8.513.784	8.513.784
Loan of euros 1.024 thousand, maturing November 29, 2006 at an interest rate of 4,054%	1.024.384	1.024.384
Mortgage loan of euros 902 thousand, maturing May 16, 2012 at an interes rate 5,25%	901.518	809.812
Other loans of euros 1.801 thousand limit, maturing on 14/01/2004 and 25/06/2005 at an interest rate between 4,37% and 4,6%	1.200.000	1.801.011
Mortgage loan of euros 1,300 thousand, maturing on July 30, 2015 at an interest rate 3,55%	1.300.000	--
	243.096.625	112.210.189
Less, short-term (note 21)	(28.533.519)	(28.688.047)
Capital lease creditors (note 6)	5.638.444	4.998.148
	220.201.550	88.520.290

PROBITAS PHARMA S.A. AND SUBSIDIARIES

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Details of maturities at December 31, 2003 and 2002 of the long-term bank loans are as follows:

	Euros	
	31/12/03	31/12/02
Maturity within;		
Two years	31.563.972	39.781.223
Three years	105.288.072	32.306.959
Four years	54.377.126	15.201.809
Five years	27.305.307	178.399
More than five years	1.667.073	1.051.900
	<u>220.201.550</u>	<u>88.520.290</u>

On April 2, 2003, the Company signed a syndicated loan by an amount of 225 million euros, the agent bank of which is BBVA. The main purpose of this syndicated loan is the debt refinancing, including the payment of the syndicated loan granted on 2001 for an amount of euros 90.000 thousand and the Company's new investments. For its continuity, this syndicated loan maturing on April 2, 2008 is subject to compliance with certain obligations relating to financial ratios. In accordance to the agreed conditions, the degree of compliance with the financial ratios will be determined at the close of each financial year and the Company must provide certain financial information to the granting banks no later than May 15 in the following year. Certain Group companies have set up a guarantee in favour of the financial institutions granting the syndicated loan, through the assignment of accounts receivable with full recourse, for all accounts receivable that they have or could have in the future with certain National Health Service institutions. Likewise, certain Group companies have granted pledges on the balances held in certain current bank accounts to the financial institutions granting the syndicated loan (see note 32 (a)).

At December 31, 2003 four of the financial ratios stipulated in relation to the new syndicated loan of euros 225 million have not been met. The Company's directors are therefore carrying out the necessary procedures to obtain the banks granting for breach of the said ratios (see note 35 (a)).

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(20) Other Long-term Creditors

Details of other long-term creditors are as follows:

	Euros	
	31/12/03	31/12/02
Debs stated by payables	216.254	239.878
Share capital increase in progress (note 14)	--	32.349.360
Other debts	65.581.361	12.290.054
	<u>65.797.615</u>	<u>44.879.292</u>

The balance of "Other debts" includes at December 31, 2003 an amount of euros 55.423.595 corresponding to the debt with Alpha Therapeutic Corporation, Inc as a result of the acquisition of certain assets (see note 2(b)). The debt recorded includes unaccrued future interest for an amount of euros 6.000.503 included in "Deferred expenses" (see note 4(g)).

Regarding the payment of UD dollars 27.500 thousand which it has been agreed will be settled on July 16, 2007, the Company is committed to extend a guarantee to Mitsubishi Pharma Corporation prior to January 31, 2004 which, if not provided, could lead to the aforementioned payment being payable on demand in the short term (see note 35).

The balance of "Other debts" also includes at December 31, 2003 an amount of euros 3.958.828 (euros 9.535.616 at December 31, 2002) corresponding to the debt with Scranton Enterprises B.V., as a result of the acquisition of the 33,33% of Grifols UK, Ltd. and Grifols Italia, S.p.A. share capital (see note 4(f)), with annual payments due each 30 of June until the last payment due on June 30, 2005 (see note 32b)). The debt recorded includes unaccrued future interest for an amount of euros 135.883 (euros 547.369 at December 31, 2002), included in "Deferred expenses"(see note 4(g)), and an amount of euros 411.488 (euros 694.920 at December 31, 2002) included in "Prepaid expenses".

The balance of "Other debts" also includes the used amount of an interest-free preferential loan granted by CDTI to Instituto Grifols, S. A. for an initial amount of euros 641.881(euros 748.861 at December 31, 2002), no interest rate due.

Said balance also includes the used amount of two interest-free preferential loans granted by the Ministry of Science and Technology to Instituto Grifols, S.A. and Laboratorios Grifols, S.A. during fiscal year 2001 for an amount of euros 637.073

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and 206.061 (euros 637.073 and 240.405 at December 31, 2002) respectively, no interest rate due.

Likewise, "Other debts" also includes the used amount of three interest-free preferential loans granted by the Ministry of Science and Technology to Instituto Grifols, S.A., Laboratorios Grifols, S.A. and Diagnostic Grifols, S.A. during fiscal year 2002 for amounts of euros 691.164, 210.354 and 333.562 respectively, no interest rate due.

Said balance also includes the used amount of two interest-free preferential loans granted by the Ministry of Science and Technology to Instituto Grifols, S.A. during fiscal year 2003 for an amount of euros 1.200 thousand and euros 2.000 thousand respectively, no interest rate due. Also includes the used amount of two interest-free preferential loans granted by the Ministry of Science and Technology to Laboratorios Grifols, S.A. during fiscal year 2003 for an amount of euros 220.000 and 300.000 respectively, no interest rate due.

Details of maturities are as follows:

	Euros	
	31/12/03	31/12/02
Maturity within;		
Two years	16.274.740	5.096.912
Three years	22.441.903	5.234.427
More than three years	27.080.972	2.198.593
	<u>65.797.615</u>	<u>12.529.932</u>

The current portion of this debt amounts to euros 4.719.101 pending at December 31, 2003 (euros 5.157.572 at December 31, 2002) is included in others debts in the "Other payables, non-trade caption" (see note 24).

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(21) Short-Term Bank Loans

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

	Interest rate % (*) min - max	Euros	
		31/12/03	31/12/02
Credits in:			
US dollar	1,61%-3%	2.324.202	20.082.033
Euros	2,024%-7,64%	90.827.950	105.400.890
Others	5,24%-31%	6.728.528	5.857.321
		<u>99.880.679</u>	<u>131.340.244</u>
Discounted notes (note 12)	2,5%-5,5%	1.321.967	1.051.314
Short-term interest on bank debt		2.407.740	1.088.827
Capital lease creditors (note 6)		5.348.662	4.738.458
Short-term maturity of long-term bank debt (note 19)		28.533.519	28.688.047
		<u>137.492.568</u>	<u>166.906.890</u>

(*) The credits accrue variable interest rates.

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(22) Due to Related Companies

Details at December 31, are as follows:

	Euros	
	31/12/03	31/12/02
Suppliers	1.008.728	26.796
	<u>1.008.728</u>	<u>26.796</u>

The balance of "due to related companies" at December 31, 2003 mainly corresponds to the amount pending to be paid as a result of the acquisition of the Grifols Quest, Inc shareholding (see note 2(b)).

(23) Accounts Payable, Trade

Details are as follows:

	Euros	
	31/12/03	31/12/02
Suppliers	104.468.925	124.590.608
Notes payable to suppliers	31.661	294.802
Advanced payments	1.539.994	2.434.368
	<u>106.040.581</u>	<u>127.319.777</u>

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The suppliers captions include the following foreign currency balances:

Currency	Euros	
	31/12/03	31/12/02
US dollar	29.795.203	21.297.334
Pound sterling	357.424	382.067
Czech crown	149.854	20.976
Argentinian peso	19.891	7.720
Mexican peso	203.776	577.103
Other currencies	488.979	421.046

(24) Other Payables, Non-Trade

Details at December 31, 2003 and 2002 are as follows:

	Euros	
	31/12/03	31/12/02
Public entities	24.119.217	16.568.209
Other debts	15.715.009	5.926.114
Accrued wages and salaries	7.470.985	7.909.544
Debts stated by payables	--	9.626
Deposits and guarantees	38.124	28.372
	47.343.336	30.441.865

The caption "Other debts" includes the short-term debt pending to be paid to Scranton Enterprises, B.V. (see notes 20 and 32(b)). Likewise, the balance at December 31, 2003 also includes an amount of euros 7.600 thousand pending to be paid to Mitsubishi Pharma Corporation.

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

	Euros	
	31/12/03	31/12/02
Due to Tax Authorities for:		
VAT / General Canary Island Tax	3.746.307	3.016.639
Withholdings	1.706.019	2.197.475
Due to Social Security	2.083.369	1.922.730
Deferred tax liability (note 31)	14.634.286	6.583.492
Company income tax:		
Current year (note 31)	1.659.181	2.299.185
Previous years	112.340	6.860
Delayed payments on account	--	416.448
Other public entities	177.714	125.379
	<u>24.119.217</u>	<u>16.568.209</u>

(25) Trade Provisions

The movement of this provision during the year ended December 31, 2002 is as follows:

	Euros			Balances at 31/12/02
	Balances at 31/12/01	Allowance	Transfers	
Trade provisions	860.104	18.811	43.731	922.646
	<u>860.104</u>	<u>18.811</u>	<u>43.731</u>	<u>922.646</u>

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

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

The allowance at December 31, 2003, includes a provision that a group company booked in connection with a risk insurance estimation.

The balance of this caption at December 31, 2002 mainly corresponded to possible future losses arising from the clauses of a purchase and sale contract for semi-manufactured products signed by Instituto Grifols, S.A. and a third party. During the year 2003 this contract has been cancelled and the accrual has been reversed.

(26) Net Sales

The distribution of consolidated net sales for the years ended December 31, 2003 and 2002 by divisions is as follows:

	%	
	2003	2002
Bioscience	70	69
Diagnostic	13	12
Hospital	12	12
Raw Material	5	7
	100	100

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The geographical distribution of the consolidated sales is as follows:

	2003	2002
Domestic sales	34	33
Exports	66	67
	100	100

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

	Euros	
	2003	2002
Currency		
US dollar	81.149.509	67.453.222
Swiss franc	2.077.579	2.198.046
Czech crown	7.247.338	6.202.091
Pound sterling	37.729.352	37.045.602
Mexican peso	9.889.214	13.171.920
Chilean peso	6.003.129	5.866.701
Argentinian peso	2.417.494	1.934.898
Brasilian real	5.013.777	5.333.615
Singapore dollar	4.013.017	--

(27) Personnel Expenses

Details at December 31, are as follows:

	Euros	
	2003	2002
Wages and salaries	101.029.375	78.093.169
Pension plan contributions	869.361	691.652
Social Security and other charges	24.803.864	19.762.070
	126.702.601	98.546.890

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The breakdown of the number of employees, as of the date of the consolidated financial statements by professional category, is approximately as follows:

	Number	
	31/12/03	31/12/02
Management	116	99
Technicians and middle management	782	606
Administrative staff	439	280
Production staff	1.841	1.681
Sales staff	174	160
Others	45	86
	<u>3.397</u>	<u>2.912</u>

The increase in number of employees for the year 2003 is basically due to the acquisition of the plasma fractionation division of Alpha Therapeutic Corporation (see note 1(a)).

(28) Extraordinary Expenses and losses

On December 31, 2002 mainly included all the expenses the Company incurred in the initial public offer that had been finally postponed due to the situation of the stock market.

(29) Remunerations of Members of the Board of Directors

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

The overall remuneration of the members of the Board of Directors who have a working relationship with the Group companies amounts to Euros 1.900.382 in 2003 (978.841 Euros in 2002).

At December 31, 2003 and 2002, no debtor or creditor balances are held with the members of the Board of Directors.

The directors of Probitas Pharma, S.A. do not hold any investments or posts as directors or conduct any activities in companies with a statutory activity which is identical, similar or complementary to that of the Group. Nonetheless, some of the

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members of the board of directors do hold management posts or conduct similar management-related duties in other group companies, which have not been included in this note to the consolidated annual accounts.

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

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

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	Euros	
	2003	2002
Probitas Pharma, S.A.	15.299.921	14.000.928
Laboratorios Grifols,S.A.	(508.728)	180.442
Instituto Grifols,S.A.	2.911.020	10.629.523
Movaco,S.A.	4.333.525	2.991.616
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	(116.951)	(428.034)
Diagnostic Grifols,S.A.	2.606.661	1.074.985
Logister,S.A.	10.006	6.765
Grifols América,Inc.	(263.372)	(265.379)
Grifols Chile,S.A.	469.061	(193.784)
Biomat,S.A.	1.370.195	1.934.557
Grifols Argentina,S.A.	335.378	(1.050.597)
Grifols,s.r.o.	242.648	494.963
Grifols México,S.A. de C.V.	(165.967)	(144.395)
Grifols Viajes,S.A.	73.534	16.508
Grifols USA, Inc.	(1.157.638)	445.703
Grifols International,S.A.	(1.738.076)	(1.971.783)
Grifols Italia,S.p.A.	1.672.906	3.847.613
Grifols UK,Ltd.	2.390.417	2.649.490
Grifols Deutschland,GmbH	(30.968)	1.225.405
Grifols Brasil,Ltda.	132.258	2.037.520
Grifols France,S.A.R.L.	2.446	134.583
Grifols-Quest, Inc.	(601.515)	(575.835)
Grifols Engineering, S.A.	367.556	188.588
Biomat USA, Inc. (1)	(1.996.953)	7.994.623
Squadron Reinsurance Ltd. (2)	492.167	--
Probitas Pharma Inc. (3)	(2.784.499)	--
Grifols Biologicals Inc. (3)	12.161.020	--
Grifols Asia Pacific Pte. Ltd. (3)	283.822	--
Grifols (Thailand) Pte. Ltd. (3)	165.925	--
Alpha Therapeutic Europe, Ltd. (3)	218.370	--
Alpha Therapeutic UK, Ltd. (3)	93.495	--
Alpha Therapeutic Italia, S.p.A. (3)	(577.216)	--
	35.690.449	45.224.006
Less, consolidation adjustments	(14.256.882)	(26.357.813)
	21.433.567	18.866.193

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

(1) Corresponding to the period between December 31, 2002 and November 30, 2003. (see note 2(b)).

(2) Corresponding to the period between March 31, 2003 and December 31, 2003. (see note 2(b)).

(3) Corresponding to the period between July 15, 2003 and December 31, 2003. (see note 2(b)).

(31) Tax Situation

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

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

Due to the different treatment of certain operations, the results for tax purposes differ from those reported for accounting purposes. The reconciliation of the consolidated results for the years ended December 31, 2003 and 2002 with the aggregated taxable income is as follows:

	Euros	
	2003	2002
Consolidated profit before taxes for the year	22.215.835	26.597.076
Permanent differences of individual companies	(17.607.714)	(20.897.357)
Permanent consolidation differences	22.036.212	31.795.718
Compensation of tax losses carryforwards	(2.446.041)	(8.010.495)
Tax accounting basis	24.198.292	29.484.942
Timing differences from individual companies	(4.813.347)	(4.600.601)
Temporary consolidation adjustments	(12.824.873)	(8.243.767)
Consolidated taxable income	6.560.072	16.640.575
Aggregated tax quota from individual companies	4.980.219	6.400.789
Deductions and tax credits	(72.703)	(71.831)
Withholdings and prepayments	(7.387.361)	(5.568.204)
Net tax payable (notes 12 and 24)	(2.479.844)	760.754

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

The Company income tax expense is calculated as follows:

	Euros	
	2003	2.002
Accounting basis by tax rate	4.167.266	9.021.601
Deductions and tax credits	(72.703)	(71.831)
Income from periodification of tax credits	(5.430.988)	(4.024.748)
Prior period income tax	(2.926.851)	--
Adjustments from consolidation	4.959.263	2.805.862
Expense for the year	695.987	7.730.884

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

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

	Euros			
	Timing difference		Tax effect	
	31/12/03	31/12/02	31/12/03	31/12/02
Deferred tax assets				
Tax losses	2.901.611	--	1.015.564	--
Other provisions	1.474.654	259.295	488.948	68.505
Amortisation	2.461.302	1.218.915	861.456	404.401
Pension fund	599.419	726.420	209.797	254.247
Unrealized margin	6.530.176	5.783.259	2.285.562	2.024.141
Provision for bad debts	100.383	40.551	26.026	7.758
Inventories	1.970.904	347.888	677.457	114.438
Others	949	--	332	--
	16.039.398	8.376.328	5.565.142	2.873.489
			(note 12)	
Deferred tax liabilities				
Accelerated depreciation	(1.812.730)	(3.554.382)	(623.638)	(1.215.223)
Lease contracts	(4.916.794)	(3.938.195)	(1.720.878)	(1.378.368)
Inventories	(13.629.762)	(2.167.109)	(4.770.417)	(758.488)
Foreign implementation	(758.240)	(1.010.986)	(265.384)	(353.845)
Provision for investments	(17.218.396)	(5.063.611)	(6.026.439)	(1.772.264)
Stock provisions	(3.507.231)	(3.158.010)	(1.227.531)	(1.105.304)
	(41.843.154)	(18.892.294)	(14.634.286)	(6.583.492)
			(note 24)	

At December 31, 2003, one of the group companies has recognized a deferred tax assets coming from previous years by an amount of 823 thousands euros.

At December 31, 2003 Spanish companies have recognized a tax credit asset for an amount of euros 4.580.145 corresponding to tax losses carryforwards and deductions for international double taxation, as they have estimated reasonable their future recoverability (see notes 4(n) and 12).

Under the provisions of Royal Decree-Law 3/1993 concerning urgent measures for budgetary, tax and financial items and of Royal Decree-Law 7/1994 and 2/1995 concerning accelerated depreciation on investments that generate

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

employment, Probitas Pharma, S.A. and its subsidiaries have decided to apply accelerated depreciation to certain fixed assets for fiscal purposes. The corresponding deferred tax has been accounted for.

Under current tax legislation, tax returns filed may not be considered definitive until approved by an inspection of the tax authorities or until their right to inspect has expired. The Spanish consolidated companies are open to inspection by the Tax Authorities for all the applicable taxes from January 1, 2000 (January 1, 1999 for the Corporate Income Tax). The Directors of the Company do not expect any significant liabilities to arise in the event of an inspection.

In accordance with the consolidated income tax returns filed and to the estimated consolidated tax return of the year 2003, the companies of the Spanish tax Group have the following negative tax losses carryforward to offset against estimated future tax benefits:

Year of origin	Euros	Applicable until
2002	2.036.097	2017
2003 (estimated)	2.371.839	2018
	<u>4.407.936</u>	

At December 31, 2003 the Spanish consolidated companies have available tax credits pending application, mainly corresponding to research and development, as follows:

Year of origin	Euros	Applicable until
2000	2.567.739	2015
2001	2.656.417	2016
2002	5.031.653	2017
2003 (estimated)	5.968.010	2018
	<u>16.223.819</u>	

As mentioned in note 4 (n), on December 31, 2003 the Directors of the Company have recognized an amount of euros 16.224 thousand (euros 10.248 thousand at December 31, 2002) corresponding to the tax credits on deductions pending to be applied, having been estimated its recovery in the future. Likewise, the income related to this recognition has been deferred depending on the useful life of the assets which have generated said tax credits, mainly investments abroad and R & D expenses.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts (Free translation from the original in Spanish)

Details, of said recognition and of the amounts pending to be applied, as at December 31, 2003 and 2002 are as follows:

	Euros	
	2003	2002
Deductions credit tax pending to be applied	16.216.125	10.255.809
Other movements	7.695	--
Deductions credit tax applied to fiscal year 2003 (Spanish companies)	--	(7.695)
Deductions CreditTax (note 8 and 12)	16.223.819	10.248.115
Income to be deferred to several fiscal years	12.191.376	10.248.115
Recognized income in the year	(5.430.988)	(4.024.748)
Tax credit deferred income (note 16)	6.760.388	6.223.366

(32) Guarantees with Third Parties and Other Contingent Liabilities

(a) Guarantees

Probitas Pharma S.A and Instituto Grifols, S.A have granted bank guarantees by an amount of euros 2.000 thousand.

Likewise, Instituto Grifols, S.A., Laboratorios Grifols, S.A., Movaco, S.A., Diagnostic Grifols, S.A. and Biomat USA, S.A. have provided joint bank guarantees to the syndicated loan for a total amount of euros 225.000 thousand through the assignment of credits with full resources, for all credits that they have or could have in the future with certain National Health Service institutions (see note 19).

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

Likewise, Instituto Grifols, S.A., Laboratorios Grifols, S.A. and Movaco, S.A. have granted bank guarantees by an amount of euros 800 thousand.

(b) Guarantee commitments with third parties

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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

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

Regarding the said agreements, the Company on the one hand pledges the outstanding shares of Grifols UK, Ltd. and Grifols Italia, S.p.A. that it owns, on the other guarantees certain payments that Scranton Enterprises, B.V. has to make, as detailed below:

Thousand of US dollars	Maturity date
5.000	30/06/04
5.000	30/06/05
<u>10.000</u>	

(c) Plasma supply contract

On December 28, 2001 and with retroactive effect January 1, 2001, Instituto Grifols, S.A. signed a plasma supply contract with Alpha Therapeutic Corp. for a four-year period, where both the quantity to be supplied during the period 2002 and 2004 (both inclusive) and the method to determine the price to be applied are fixed.

(d) Raw material and semi-finished products supply contract

On September 12, 2001, Instituto Grifols, S.A. and BBVA Trade, S.A. signed a raw material supply contract. The duration of said contract will be of one year and it will be tacitly renewed for one-year periods. As per this contract, Instituto Grifols, S.A. binds itself to acquire a certain number of liters of plasma at a fixed price while BBVA Trade, S.A. binds itself to supply said plasma. The above contract includes certain assumptions, on account of which Instituto Grifols, S.A. would be forced to acquire the plasma held by BBVA Trade when the contract is terminated. Based on its contractual terms, the amount of said plasma would not exceed Euros 70.000 thousand.

(e) Bonded Goods

During fiscal year 2001, Biomat, S.A. signed a warehousing agreement with BBVA Trade, S.A., on account of which Biomat, S.A. stores raw material and semi-finished products legally owned by BBVA Trade, S.A. for the amount of approximately euros 34 million at December 31, 2003 (euros 68 million at December 31, 2002), assuming the loss or damage risk of said goods. For this purpose, Biomat, S.A. has taken out an insurance policy that covers the whole risk.

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

(f) Pension commitment

As described on note 4 (p), the Spanish Group companies are committed to contributing to a defined contribution pension plan. The total amount of the Group's contribution will not exceed the amount of euros 300.506 for the fiscal years 2003 and 2002.

In subsequent fiscal years the contribution will be established through collective agreement.

(g) Swap contracts

The Group carries out interest-rate swap operations. The results of these operations are registered on an accrual basis and, where applicable, at the moment early repayment is made.

At December 31, 2003, two swap contracts exist for a nominal amount of Euros 60,000 thousand, and 50,000 thousand, maturing on April 26, 2006 and April 28, 2008, respectively.

(h) Raw material supply contract with Mitsubishi Pharma Corporation

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

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

(33) Environmental Information

The most significant systems, equipments and installations for the environment protection and improvement as at December 31, 2003 are as follows:

Project	Euros		
	Cost	Accumulated depreciation	Net Value
Drainage adjustment	8.907	(7.726)	1.181
By-products quay adaptation	1.843	(154)	1.689
Neutralization tank automation	6.053	(3.885)	2.167
Equalization pool	124.695	(83.630)	41.064
Chemical products warehouse building	20.033	(8.347)	11.686
PEG concentrator installation	77.002	(39.784)	37.218
Alcohol transfer engineering	30.550	(9.929)	20.621
Wells' improvement	38.542	(6.745)	31.797
Water treatment plant	156.181	(7.809)	148.372
Water recovery	42.218	(31.681)	10.537
Concentration outflow recovery	13.649	(910)	12.739
HCL deposit replacement	12.999	(6.066)	6.933
Waste points union	46.737	(6.232)	40.506
	579.409	(212.898)	366.511

The expenses incurred by the Group in the protection and improvement of the environment during the year ended December 31, 2003 have amounted to approximately euros 518 thousand (euros 566 thousand at December 31, 2002).

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

The Group has not received any environmental grants during the year ended December 31, 2003.

(34) Other Information

KPMG Auditores, S.L. and those other companies with which this company is linked as stipulated in the fourteenth Additional Regulation of the Financial System Reform Act have invoiced the following fees and expenses to the Group for professional services during the year ended December 31, 2003:

PROBITAS PHARMA S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts

(Free translation from the original in Spanish)

	Euros
For annual audit services	126.930
For other audit services and audit related	--
For other services	32.639
	<hr/>
	159.569
	<hr/>

The amount for annual audit services shown in the table above includes the full amount of fees relating to the audit for the year 2003, irrespective of their invoicing date.

In addition, other companies associated with KPMG International have invoiced the following amounts to the Company during 2003:

	Euros
For annual audit services	121.021
For other audit services and audit related	0
For other services	48.494
	<hr/>
	169.515
	<hr/>

(35) Subsequent events

(a) Syndicated loan banks grant for breach of financial ratios

Dated March 31, 2004, the company obtained the confirmation from BBVA, agent bank of the syndicated loan dated April 2, 2003, that the group of the participant banks have accepted by majority the request of granting for breach of the financial ratios included in the contract and that, at December 31, 2003, the Company did not meet (see note 19).

(b) Agreement with Mitsubishi Pharma Corporation

At January 31, 2004, the Company signed an agreement with Mitsubishi Pharma Corporation, committing both parties to defer the extension of the guarantee described in note 20 and covering the final payment for the acquisition of the fractionation business line of Alpha Therapeutic Corporation until a month after the potential stock market flotation of the Company or, in the event that the Company is not floated, renegotiate how this guarantee is to be extended.

ANNEX I (1 of 2)
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Movement in Intangible Assets

for the year ended

December 31, 2002

(Stated in euros)

(Free translation from the original in Spanish)

	Euros					
Balances at 31/12/01	Additions	Transfers	Disposals	Incorporation into the consolidation perimeter	Currency translation adjustment	Balances at 31/12/02
Cost:						
Research and development expenses	9.996.126	5.516.648	--	(24.923)	--	15.487.852
Concessions, patents, licenses, trademarks and others	6.436.046	5.392.210	--	(797)	(3.801.677)	28.141.520
Goodwill	--	--	--	11.062.534	(1.765.870)	9.296.663
Software	5.859.666	1.744.745	2.089	(551.451)	(18.542)	7.036.507
Rights over leased assets	10.865.358	7.727.396	(2.458.168)	--	(14.459)	16.120.127
	33.157.196	20.380.999	(2.456.080)	(577.171)	(5.600.548)	76.082.669
Accumulated amortisation						
Research and development expenses	(3.704.244)	(1.415.700)	--	--	--	(5.119.944)
Concessions, patents, licenses, trademarks and others	(5.020.799)	(2.208.191)	--	(1.962.786)	901.833	(8.289.943)
Goodwill	--	(388.127)	--	(1.069.610)	208.957	(1.248.780)
Software	(3.258.528)	(1.030.513)	(491)	369.012	17.961	(3.902.560)
Rights over leased assets	(2.850.351)	(1.905.215)	1.789.565	--	7.541	(2.958.461)
	(14.833.922)	(6.947.747)	1.789.074	369.012	(3.032.395)	(21.519.687)
Net value	18.323.274	13.433.252	(667.006)	(208.159)	(4.464.255)	54.562.982

(note 7)

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

ANNEX I (2 of 2)
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

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

(Stated in euros)

(Free translation from the original in Spanish)

	Euros					Balances at 31/12/03	
	Balances at 31/12/02	Additions	Transfers	Disposals	Incorporation into the consolidation perimeter		Currency translation adjustment
Cost:							
Research and development expenses	15.487.852	6.213.473	--	(46.641)	3.002	--	21.657.685
Concessions, patents, licenses, trademarks and others	28.141.520	239.965	--	(27.868)	6.631.904	(3.883.727)	31.101.794
Goodwill	9.296.663	--	--	--	--	(1.577.415)	7.719.249
Software	7.036.507	2.253.818	807.792	(220.415)	--	(139.117)	9.738.585
Rights over leased assets	16.120.127	6.501.227	(2.175.811)	--	--	(23.063)	20.422.481
Advance payments	--	51.000	--	--	--	--	51.000
	<u>76.082.669</u>	<u>15.259.483</u>	<u>(1.368.019)</u>	<u>(294.924)</u>	<u>6.634.906</u>	<u>(5.623.321)</u>	<u>90.690.795</u>
Accumulated amortisation							
Research and development expenses	(5.119.944)	(1.300.753)	--	--	(1.472)	--	(6.422.169)
Concessions, patents, licenses, trademarks and others	(8.289.943)	(2.786.329)	--	20.163	(29.649)	1.115.994	(9.969.763)
Goodwill	(1.248.780)	(392.929)	--	--	--	256.172	(1.385.537)
Software	(3.902.560)	(1.431.085)	(34.843)	28.538	--	32.258	(5.307.692)
Rights over leased assets	(2.958.461)	(2.411.442)	1.422.585	--	--	5.645	(3.941.673)
	<u>(21.519.687)</u>	<u>(8.322.539)</u>	<u>1.387.742</u>	<u>48.701</u>	<u>(31.120)</u>	<u>1.410.068</u>	<u>(27.026.835)</u>
Net value	<u>54.562.982</u>	<u>6.936.944</u>	<u>19.724</u>	<u>(246.223)</u>	<u>6.603.786</u>	<u>(4.213.252)</u>	<u>63.663.960</u>

(note 7)

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

ANNEX II (1 of 2)
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

**Movement in Tangible Fixed Assets
for the year ended
December 31, 2002**
(Stated in euros)
(Free translation from the original in Spanish)

	Euros					Balances at 31/12/02
	Balances at 31/12/01	Additions	Transfers	Disposals	Incorporation into the consolidation perimeter	
Cost:						
Land and buildings	8.596.309	--	--	--	--	(129.163) 8.467.146
Technical installations and machinery	38.820.954	664.523	4.817.240	(212.870)	--	(401.846) 43.688.001
Other installations, furniture and fittings	33.758.553	5.425.123	3.058.572	(210.752)	13.577.644	(3.267.256) 52.341.885
Other assets	9.215.771	2.054.374	2.227.952	(771.115)	--	(1.265.917) 11.461.065
Fixed assets under construction	9.390.993	14.759.457	(7.647.685)	(9.076)	--	(31.783) 16.461.905
	99.782.580	22.903.478	2.456.080	(1.203.813)	13.577.644	(5.095.966) 132.420.003
Accumulated depreciation:						
Land and buildings	(2.455.913)	(194.103)	--	--	--	21.777 (2.628.239)
Technical installations and machinery	(17.908.629)	(3.630.517)	(101.708)	127.406	--	208.456 (21.304.991)
Other installations, furniture and fittings	(18.198.430)	(4.428.889)	(148.816)	181.658	(5.415.068)	1.328.179 (26.681.365)
Other assets	(5.893.504)	(1.459.488)	(1.538.549)	692.872	--	625.095 (7.573.573)
	(44.456.475)	(9.712.997)	(1.789.074)	1.001.937	(5.415.068)	2.183.508 (58.188.168)
Provisions:						
Provisions	0	(150.725)	--	--	--	(150.725)
Net value	55.326.105	13.039.756	667.006	(201.876)	8.162.577	(2.912.458) 74.081.110

(note 6)

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

ANNEX II (2 of 2)
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

**Movement in Tangible Fixed Assets
for the year ended
December 31, 2003**
(Stated in euros)
(Free translation from the original in Spanish)

	Euros					Balances at 31/12/03	
	Balances at 31/12/02	Additions	Transfers	Disposals	Incorporation into the consolidation perimeter		Currency translation adjustment
Cost:							
Land and buildings	8.467.146	1.560.172	5.781.805	--	19.615.172	(2.182.662)	33.241.634
Technical installations and machinery	43.688.001	616.828	7.676.562	(1.974.136)	5.017.109	(784.744)	54.239.619
Other installations, furniture and fittings	52.341.885	6.046.881	3.888.683	(1.962.357)	1.554.142	(3.149.240)	58.719.995
Other assets	11.461.065	1.662.189	1.532.489	(917.424)	260.004	(613.241)	13.385.082
Fixed assets under construction	16.461.905	12.680.301	(17.498.616)	(74.750)	2.720.606	(326.402)	13.963.045
	<u>132.420.003</u>	<u>22.566.371</u>	<u>1.380.922</u>	<u>(4.928.666)</u>	<u>29.167.034</u>	<u>(7.056.289)</u>	<u>173.549.374</u>
Accumulated depreciation:							
Land and buildings	(2.628.239)	(1.437.245)	--	--	--	123.802	(3.941.682)
Technical installations and machinery	(21.304.991)	(4.362.446)	26.093	1.588.621	(10.650)	199.087	(23.864.286)
Other installations, furniture and fittings	(26.681.365)	(5.387.452)	160.515	1.215.144	(79.212)	1.117.589	(29.654.783)
Other assets	(7.573.573)	(1.794.155)	(1.587.254)	540.121	(180.479)	344.638	(10.250.703)
	<u>(58.188.168)</u>	<u>(12.981.299)</u>	<u>(1.400.646)</u>	<u>3.343.885</u>	<u>(270.342)</u>	<u>1.785.115</u>	<u>(67.711.454)</u>
Provisions:							
Provisions	(150.725)	150.725	--	--	--	--	0
Net value	<u>74.231.835</u>	<u>9.735.798</u>	<u>(19.724)</u>	<u>(1.584.781)</u>	<u>28.896.692</u>	<u>(5.271.174)</u>	<u>105.837.921</u>

(note 6)

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

ANNEX III
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Movement in Stockholders' Equity
for the years ended December 31, 2003 and 2002

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

	Share capital	Share premium	Reserves of the parent company			Reserves in consolidated companies	Currency translation adjustment	Profit and loss attributable to the parent	Total
			Non-distributable reserve	Distributable reserve					
Balances at December 31, 2001	19.843.640	91.115.741	3.107.575	7.790.509	47.627.258	4.424.769	10.008.298	183.917.790	
Application of 2001 results	--	--	1.038.262	9.327.517	(1.567.943)	--	(8.797.836)	0	
Reserves	--	--	--	--	--	--	(1.210.462)	(1.210.462)	
Dividends	--	--	--	--	--	(9.741.251)	--	(9.741.251)	
Net variation in currency translation	--	--	--	--	--	--	--	--	
Out of consolidation perimeter	--	--	--	--	(6.366)	--	--	(6.366)	
Consolidated result for the year	--	--	--	--	--	--	18.866.193	18.866.193	
Balances at December 31, 2002	19.843.640	91.115.741	4.145.837	17.118.026	46.052.949	(5.316.482)	18.866.193	191.825.904	
Application of 2002 results	--	--	--	11.900.789	4.865.263	--	(16.766.052)	0	
Reserves	--	--	--	--	--	--	(2.100.142)	(2.100.142)	
Dividends	--	--	--	--	--	(9.174.247)	--	(9.174.247)	
Net variation in currency translation	--	--	--	--	--	--	--	--	
Increase of share capital with monetary contribution	1.324.504	38.675.517	--	--	--	--	--	40.000.021	
Increase of share capital against the share premium reserve	84.672.576	(84.672.576)	--	--	--	--	--	0	
Increase of treasury stock reserve	--	--	696.357	(696.357)	--	--	--	0	
Consolidated result for the year	--	--	--	--	--	--	21.433.567	21.433.567	
Balances at December 31, 2003	105.840.720	45.118.682	4.842.194	28.322.458	50.918.212	(14.490.729)	21.433.566	241.985.103	

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

ANNEX IV
PROBITAS PHARMA, S.A. AND SUBSIDIARIES
Reserves in Consolidated Companies
for the years ended December 31, 2003 and 2002
(Stated in euros)
(Free translation from the original in Spanish)

	2003				2002			
	Legal reserve	Other reserves	Total reserves in consolidated companies	Currency translation adjustment	Legal reserve	Other reserves	Total reserves in consolidated companies	Currency translation adjustment
Biomat USA, Inc.	--	(12.921.717)	(12.921.717)	(12.480.211)	--	(20.916.340)	(20.916.340)	(6.706.486)
Biomat,S.A.	12.022	3.165.619	3.177.641	--	12.022	2.731.062	2.743.084	--
Diagnòstic Grifols,S.A.	67.313	3.245.801	3.313.114	--	67.313	2.170.816	2.238.129	--
Grifols Amèrica, Inc.	--	(24.906)	(24.906)	177.929	--	240.473	240.473	142.949
Grifols Argentina,S.A.	--	18.659	18.659	406.168	--	1.069.255	1.069.255	501.825
Grifols Brasil,Ltda.	--	82.800	82.800	(490.322)	--	(1.954.720)	(1.954.720)	(546.370)
Grifols Chile,S.A.	--	(511.408)	(511.408)	219.813	--	(317.624)	(317.624)	204.099
Grifols Deutschland, GmbH	--	1.518.748	1.518.748	8.913	--	1.293.343	1.293.343	8.913
Grifols Engineering SA	12.024	272.701	284.725	--	9.614	86.523	96.137	--
Grifols France,S.A.R.L.	770	462.197	462.967	--	770	327.615	328.385	--
Grifols International,S.A.	16.976	(971.679)	(954.703)	--	16.976	1.000.104	1.017.080	--
Grifols Italia,S.p.A.	--	3.498.522	3.498.522	17.111	--	2.150.910	2.150.910	17.111
Grifols Mèxico,S.A. de C.V.	--	1.073.864	1.073.864	460.717	--	1.218.260	1.218.260	972.380
Grifols Quest, Inc.	--	(2.188.135)	(2.188.135)	569.577	--	(1.612.301)	(1.612.301)	246.696
Grifols s.r.o.	--	442.594	442.594	(28.507)	--	247.631	247.631	(14.849)
Grifols UK,Ltd.	--	5.863.527	5.863.527	(218.906)	--	4.236.238	4.236.238	736.323
Grifols USA, Inc.	--	448.448	448.448	24.989	--	2.746	2.746	98.325
Grifols Viajes,S.A.	10.749	96.736	107.485	--	9.099	81.879	90.978	--
Instituto Grifols,S.A.	307.604	22.419.603	22.727.207	--	307.604	19.790.080	20.097.684	--
Laboratorios Grifols,S.A.	359.670	5.629.747	5.989.416	--	359.670	5.449.305	5.808.974	--
Movaco,S.A. and subsidiaries	501.995	2.097.331	2.599.326	20.379	501.995	2.026.984	2.528.979	20.379
Squadron Reinsurance Ltd	--	--	0	--	--	--	0	--
Probitas Pharma, Inc	--	--	0	(858.660)	--	--	0	--
Grifols Biologicals, Inc	--	--	0	(2.348.704)	--	--	0	--
Grifols Asia Pacific Pte Ltd	--	(180.344)	(180.344)	(97.380)	--	--	0	--
Grifols (Thailand) Pte Ltd	--	(212.611)	(212.611)	(80.144)	--	--	0	--
Alpha Therapeutic Europe, Ltd	--	(3.040.246)	(3.040.246)	(31.064)	--	--	0	--
Alpha Therapeutic UK, Ltd	--	(219.131)	(219.131)	(4.132)	--	--	0	--
Alpha Therapeutic Italia, Spa.	--	(253.807)	(253.807)	(47.522)	--	--	0	--
Consolidation adjustments	--	19.816.176	19.816.176	289.225	--	--	0	--
	1.289.123	49.629.089	50.918.212	(14.619.141)	1.285.062	44.767.887	25.445.650	(997.776)
							46.052.949	(5.316.482)

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

ANNEX V
PROBITAS PHARMA, S.A. AND SUBSIDIARIES

Additional Information at December 31, 2003 and 2002
(Stated in euros)

(Free translation from the original in Spanish)

Company	December 31, 2003			December 31, 2002		
	Assets	Net equity	Profit / (Losses)	Assets	Net equity	Profit / (Losses)
Biomat S.A.	8.843.279	4.607.946	1.370.195	9.300.162	4.737.751	1.934.557
Diagnóstico Grifols, S.A.	24.466.484	6.256.336	2.606.661	20.084.738	3.649.674	1.074.985
Grifols International, S.A.	4.996.890	(2.632.670)	(1.738.076)	2.779.249	(894.593)	(1.971.783)
Instituto Grifols, S.A.	432.898.531	27.176.216	2.911.020	409.367.950	32.265.196	10.629.523
Laboratorios Grifols, S.A.	54.006.619	10.279.012	(608.728)	48.584.176	7.787.729	180.442
Movaco, S.A.	44.429.543	9.521.300	4.333.525	40.354.049	7.687.775	2.991.616
Grifols Engineering, S.A.	4.811.873	712.401	367.556	1.734.714	344.845	188.588
Grifols Viajes, S.A.	368.830	241.130	73.534	499.166	167.595	16.508
Logister, S.A.	860.455	331.669	10.006	609.076	321.663	6.765
Grifols Brasil, Ltda.	3.415.670	488.830	132.258	3.241.091	300.525	2.037.520
Grifols México, S.A. de C.V.	6.527.852	1.922.291	(165.967)	8.047.147	2.599.921	(144.395)
Grifols s.r.o.	8.827.634	708.333	242.648	6.818.539	779.342	494.963
Grifols Deutschland, GmbH	14.422.102	4.421.506	(30.968)	12.801.373	5.452.474	1.225.405
Biomat USA, Inc.	50.118.843	27.209.689	(1.996.953)	58.569.061	34.980.367	7.994.623
Grifols UK, Ltd.	18.048.033	12.425.216	2.390.417	17.075.751	12.012.228	2.649.490
Grifols Portugal Produtos Farmacéuticos e Hospitalares, Lda.	7.629.048	208.890	(116.951)	6.884.176	25.683	(428.034)
Grifols Italia, S.p.A.	37.965.544	8.326.616	1.672.906	46.391.200	9.153.710	3.847.613
Alpha Therapeutic Italia, Spa.	6.439.105	583.721	(577.216)	--	--	--
Grifols América, Inc.	604.845	(79.486)	(263.372)	783.786	148.905	(265.379)
Grifols USA, Inc.	2.845.542	(328.190)	(1.157.638)	2.739.507	902.783	445.703
Grifols Argentina, S.A.	1.916.850	1.715.880	335.378	1.636.738	1.476.159	(1.050.597)
Grifols Chile, S.A.	5.714.797	562.919	469.061	5.198.010	78.143	(193.784)
Grifols Biologicals Inc	126.433.101	20.413.960	12.161.020	--	--	--
Probitas Pharma Inc	11.521.420	6.958.484	(2.784.499)	--	--	--
Grifols Asia Pacific Pte Ltd	6.426.276	1.251.950	283.822	--	--	--
Grifols (Thailand) Pte Ltd	1.027.047	169.014	165.925	--	--	--
Grifols France, S.A.R.L.	1.221.048	473.113	2.446	1.718.065	470.668	134.583
Grifols-Quest, Inc.	801.363	(1.846.273)	(601.515)	1.027.935	(1.567.639)	(575.835)
Quest International, Inc.	985.337	925.873	434.882	718.912	651.835	76.919
Squadron Reinsurance	2.493.787	1.492.166	492.167	--	--	--
Alpha Therapeutic Europe, Ltd	11.783.839	6.424.742	218.370	--	--	--
Alpha Therapeutic UK, Ltd	1.184.139	(126.403)	93.495	--	--	--
	904.035.728	150.796.178	20.825.410	706.964.572	123.532.738	31.299.997

This annex forms an integral part of note 2(b) to the accompanying consolidated

DIRECTORS' REPORT

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

To the Shareholders:

During fiscal year 2003, Probitas Pharma maintained its international expansion strategy in order to foster future growth of the Group; consequently 66% of the turnover corresponds to international sales. The consolidated net profit for fiscal year 2003 amounts to euros 21.434, which represents 5% of the turnover.

With the purpose of developing the above international expansion along with the participation of Grifols products in a gradually more extensive market, during fiscal year 2003, the industrial companies of the Group made investments designed to improve their production procedures and enlarge their its production capacity.

Within the international projection line followed by the Company, we underline the purchase of certain Alpha Therapeutic Corp. assets, including the fractioning plant in Los Angeles. With this acquisition, the commercial companies in Singapore and Thailand were also incorporated into the Company.

In the Bioscience area, the enlargement of the conditioning area started, which included the creation of new warehouses for finished product and isolation rooms, while the construction of the new intravenous gammaglobulina plant continued, which, after obtaining the approval from the Health Authorities, will become one of the most modern a with largest capacity in the sector.

Likewise, the new management software SGP (Plasma Management System) has been implemented, which has greatly contributed to the reaching the production goals set for said area.

The Hospital area also has an investments plan aimed at the improvement of its production facilities, among which we underline the completion of the Parets factory for parenteral solutions with glass container.

Within the Diagnostic area, we refer to the investments in the Murcia plant that have allowed the increase of the production capacity of Flebobag and Blood Bank, along with the investment in a new reagents dosing machine.

At the same time, some investments have been made at our branches warehouses in order to speed up location management and the distribution procedure of the various products.

With regard to Research & Development, Probitas Pharma maintained its characteristic policy of commitment, which, during fiscal year 2003, was shown in the projects approached from all its areas.

Likewise, the Bioscience area obtained the licenses required to commercialize Flebogama and Albumin 25% in the USA and Trypsone (Alpha 1 antitripsina) in Spain, the authorization for Factor IX being expected for the first quarter of 2004.

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Likewise, approval from the Italian Health Ministry for the dossier to register IPTH inactivation method (Plasma Inactivation for Hospital Transfusions) was obtained and the installation of a second robot for the automatic formation of "Hamilton Star" sample pools was completed, which will speed up the management of the Pool Department.

For next fiscal year and also in this area, several clinical trials in the USA are planned, including the new intravenous gammaglobulin 10%, antitrombina III, fibrina glue and Anti-D intravenous gamma, in the USA as well as Europe.

Regarding the Hospital area, within the Parenteral Nutrition line, a new manufacturing process for lipids emulsion (Soyacal) was developed, improving the quality of the product and the development of a new hipernitrogenous solution was finished. In Fluid therapy, the sanitary registers for physiological and glucose 5% solutions in propylene containers (Fleboflex) were obtained.

Within the Diagnostic area, we mention the new variants of umbilical cord and Transfer Leucored PL in Blood Bank, the obtaining of FDA approval for Gribag and Grifill bags (Grifill System) and a variant of the Grifill dosing machine for the citostatic preparations.

As for production, the incorporation of technical equipment together with the human team required for the elaboration of the different specialties, made it possible to meet the demand coming from the new markets.

Within the Diagnostic area, we underline the increase of production capacity of Flebobag and Blood Bank, which stems from the investment in the new plant in Murcia and ensures its international expansion.

At the same time, this division has had installed modern production machinery for manufacturing "tipaje immunohematological reagents while the production of immunology and blood tipaje self-analyzers increased 3% with reference to the previous year.

In the Bioscience area, once the authorization to commercialize Trypsone was obtained, the efforts were aimed at the adaptation of new areas to the manufacturing of this product.

As for trading, domestic sales maintained the previous years' rate of growth while international sales reached an acceptable result, taking into account the unfavorable effects occurred during 2003, which include the dollar-euro exchange rate.

Regarding products, we mention the excellent results of the introduction of blood bags with leucocyte filtration in the Diagnostic area, as well as in the majority of products from the rest of the areas.

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

The Diagnostic area obtained the CE labeling from the Health Ministry, which is compulsory for the products manufactured in this area, as well as the FDA approval for the immuno-hematologia self-analyzer, which allowed the start of sales in the USA.

At the same time and with the purpose of increasing Grifols products international market share, the Bioscience area worked on the extension of licenses in several countries.

The objectives set for 2004 are aimed at the consolidation and growth of the market share of the Group, especially in Asia and the USA.

The Bioscience area, once the authorization for the new drug Trypsone (Alpha 1 – Antitripsina) is obtained at the end of 2003, introduction of this drug is planned. It is expected to be a success due to the excellent quality of the product and the high demand existing in the market.

A large range of products in intravenous therapy and clinical nutrition from the Hospital area will be made possible by the manufacturing of intravenous mixtures, the launching of amino acid solutions and the commercialization of new cytostatic drugs preparation systems.

In the Diagnostic area, the launching of new instruments and reagents within the hematology sector will mean the opening of a new scope for the activity of the Group.

PROBITAS PHARMA, S.A. AND SUBSIDIARIES

In accordance with the provisions of article 171, section 1, of the Spanish Limited Company Act currently in force, the Directors of Probitas Pharma, S.A. have prepared the annual accounts and Directors' Report of Probitas Pharma, S.A. corresponding to the years 2003 and 2002, all of which are drawn up and identified on sheets of paper bearing the official state seal, 8th class, numbered from OG6336501 to OG6336578.

Parets del Vallés, 31 March 2004

Signed:

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