GRIFOLS, S.A. and Subsidiaries

Consolidated Interim Financial Statements prepared in accordance with the International Financial Reporting Standards as adopted by the European Union for the nine-month period ended 30 September 2010

(With Auditors' Report Thereon)

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

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41
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Barcelona

Auditors' Report on the Consolidated Interim Financial Statements

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

To the Shareholders of
Grifols, S.A.

1. We have audited the consolidated interim financial statements of Grifols, S.A. (the Company) and subsidiaries (the Group), which comprise the consolidated balance sheet at 30 September 2010, the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the nine-month period then ended and the consolidated notes thereto, the preparation of which is the responsibility of the Company's Directors. Our responsibility is to express an opinion on the consolidated interim financial statements 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 and disclosures in the consolidated interim financial statements and evaluating their overall presentation, as well as the appropriateness of the accounting principles used and the reasonableness of accounting estimates made.

2. As described in note 2 to the consolidated interim financial statements, these consolidated interim financial statements have been prepared by the Company's Directors in accordance with article 308 of the Spanish Companies Act for exclusion of the preferential rights of existing shareholders in the context of a share capital increase of the Company through the issue of new non-voting shares.

3. In accordance with prevailing Spanish legislation, the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the nine-month period ended 30 September 2010 and the consolidated notes thereto include comparative figures for the prior year or for the same period of the prior year, respectively. We express our opinion solely on the consolidated interim financial statements for the nine-month period ended 30 September 2010. On 22 February 2010 we issued our unqualified audit opinion on the consolidated annual accounts for 2009.

4. In our opinion, these consolidated interim financial statements for the nine-month period ended 30 September 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 30 September 2010 and the consolidated results of their operations and changes in consolidated equity and consolidated cash flows for the nine-month period then ended, and contain sufficient information necessary for their adequate interpretation and understanding, in accordance with International Financial Reporting Standards as adopted by the European Union, which have been applied on a basis consistent with that of the year ended 31 December 2009.

KPMG Auditores, S.L.

(Signed on the original in Spanish)

David Ghosh Basu
Partner

10 December 2010

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GRIFOLS, S.A. AND SUBSIDIARIES

Interim Consolidated Financial Statements

for the nine-month period ended 30 September 2010

SUMMARY

GRIFOLS, S.A. AND SUBSIDIARIES

Interim Consolidated Financial Statements

for the nine-month period ended 30 September 2010

SUMMARY

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GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets
at 30 September 2010 and 31 December 2009
(Expressed in thousands of Euros)

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

Assets	30/09/10	31/12/09
Non-current assets		
Intangible assets		
Goodwill (note 7)	184.716	174.000
Other intangible assets (note 8)	77.662	69.385
Total intangible assets	262.378	243.385
Property, plant and equipment (note 9)	416.540	371.705
Investments in equity-accounted investees (note 10)	1.111	383
Non-current financial assets (note 11)	7.420	3.731
Deferred tax assets (note 29)	33.343	33.395
Total non-current assets	720.792	652.599
Current assets		
Inventories (note 12)	516.804	484.462
Trade and other receivables		
Trade receivables	231.228	207.840
Other receivables	43.074	39.540
Current tax assets	25.235	7.802
Total trade and other receivables (note 13)	299.537	255.182
Other current financial assets (note 14)	9.315	8.217
Other current assets (note 15)	44.856	7.345
Cash and cash equivalents (note 16)	254.495	249.372
Total current assets	1.125.007	1.004.578
Total assets	**1.845.799**	**1.657.177**

The accompanying notes form an integral part of the consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Balance Sheets
at 30 September 2010 and 31 December 2009
(Expressed in thousands of Euros)

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

Equity and liabilities	30/09/10	31/12/09
Equity		
Share capital	106.532	106.532
Share premium	121.802	121.802
Reserves		
Retained earnings	350.342	264.039
Other reserves	53.273	50.864
Total reserves	403.615	314.903
Own shares	(1.927)	(677)
Interim dividend	0	(31.960)
Profit for the year attributable to the Parent	97.021	147.972
Total equity	727.043	658.572
Available-for-sale financial assets	--	--
Cash flow hedges	(1.800)	(1.948)
Currency translation differences	(63.523)	(90.253)
Other comprehensive income	(65.323)	(92.201)
Equity attributable to the Parent (note 17)	**661.720**	**566.371**
Minority interest (note 19)	12.303	12.157
Total equity	**674.023**	**578.528**
Liabilities		
Non-current liabilities		
Grants (note 20)	2.118	2.311
Provisions (note 21)	1.305	1.232
Non-current financial liabilities		
Loans and borrowings, bonds and other marketable securities	693.730	703.186
Other financial liabilities	11.571	12.552
Total non-current financial liabilities (note 22)	705.301	715.738
Deferred tax liabilities (note 29)	68.481	60.325
Total non-current liabilities	777.205	779.606
Current liabilities		
Provisions (note 21)	4.419	4.702
Current financial liabilities		
Loans and borrowings, bonds and other marketable securities	187.626	113.991
Other financial liabilities	16.349	12.230
Total current financial liabilities (note 22)	203.975	126.221
Trade and other payables		
Suppliers	115.298	120.909
Other payables	11.456	17.832
Current tax liabilities	25.517	3.258
Total trade and other payables (note 23)	152.271	141.999
Other current liabilities (note 24)	33.906	26.121
Total current liabilities	394.571	299.043
Total liabilities	**1.171.776**	**1.078.649**
Total equity and liabilities	**1.845.799**	**1.657.177**

The accompanying notes form an integral part of the consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Income Statements
for the nine-month periods ended 30 September 2010 and 2009

(Expressed in thousands of Euros)

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

Profit and loss	30/09/10	30/09/09 (unaudited)
Revenues (note 25)	738.823	689.592
Changes in inventories of finished goods and work in progress (note 12)	34.441	52.658
Self-constructed non-current assets (notes 8 and 9)	23.812	27.937
Supplies (note 12)	(224.525)	(212.547)
Other operating income (note 27)	946	1.114
Personnel expenses (note 26)	(213.880)	(202.034)
Other operating expenses (note 27)	(158.052)	(150.223)
Amortisation and depreciation (notes 8 and 9)	(33.251)	(28.992)
Non-financial and other capital grants (note 20)	668	1.131
Impairment and gains/(losses) on disposal of fixed assets	105	(713)
Results from operating activities	**169.087**	**177.923**
Finance income	2.605	5.221
Finance expenses	(36.848)	(14.972)
Change in fair value of financial instruments (note 32)	(6.368)	(1.537)
Exchange gains/(losses)	897	(2.229)
Net finance expense (note 28)	**(39.714)**	**(13.517)**
Share of profit of equity-accounted investees (note 10)	**(787)**	**30**
Profit before income tax from continuing operations	**128.586**	**164.436**
Income tax expense (note 29)	(32.800)	(47.361)
Profit after income tax from continuing operations	**95.786**	**117.075**
Profit attributable to the Parent	97.021	117.055
Profit attributable to minority interest (note 19)	(1.235)	20
Consolidated profit for the year	**95.786**	**117.075**
Basic earnings per share (Euros) (note 18)	0,46	0,56
Diluted earnings per share (Euros) (note 18)	0,46	0,56

The accompanying notes form an integral part of the consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

for the nine-month periods ended 30 September 2010 and 2009

(Expressed in thousands of Euros)

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

	30/09/10	30/09/09 (unaudited)
Consolidated profit for the year	95.786	117.075
Income and expenses generated during the year		
Measurement of financial instruments	0	(13)
Available-for-sale financial assets	0	(17)
Tax effect	0	4
Currrency translation differences	28.330	(11.286)
Income and expenses generated during the year	**28.330**	**(11.299)**
Income and expense recognised in the income statement:		
Cash flow hedges (note 17 (g))	148	0
Cash flow hedges	247	0
Tax effect	(99)	0
Income and expense recognised in the income statement:	**148**	**0**
Total comprehensive income for the year	**124.264**	**105.776**
Total comprehensive income attributable to the Parent	123.899	103.614
Total comprehensive income attributable to minority interests	365	2.162
Total comprehensive income for the year	**124.264**	**105.776**

The accompanying notes form an integral part of the consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Statements of Cash Flows
for the nine-month periods ended 30 September 2010 and 2009

(Expressed in thousands of Euros)

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

	30/09/10	30/09/09 (unaudited)
Cash flows from operating activities		
Profit before tax	**128.586**	**164.436**
Adjustments for:	**68.223**	**46.678**
Amortisation and depreciation	33.251	28.992
Other adjustments:	34.972	17.686
(Profit) /losses on equity-accounted investees	787	(30)
Exchange gains/losses	(897)	2.229
Net provision charges	825	(291)
(Profit) / loss on disposal of fixed assets	(239)	713
Government grants taken to income	(668)	(1.131)
Finance expense / income	36.096	11.790
Other adjustments	(932)	4.406
Changes in operating assets and liabilities	**(84.508)**	**(141.256)**
Change in inventories	(14.496)	(83.998)
Change in trade and other receivables	(25.587)	(57.478)
Change in other current financial assets and other current assets	(37.321)	(1.392)
Change in current trade and other payables	(7.104)	1.612
Other cash flows from operating activities	**(40.454)**	**(46.184)**
Interest paid	(21.671)	(11.550)
Interest received	2.158	5.059
Income tax paid	(20.941)	(39.693)
Net cash from operating activities	**71.847**	**23.674**
Cash flows from investing activities		
Payments for investments	**(82.427)**	**(101.116)**
Group companies and business units (note 3)	(3.728)	(15.826)
Property, plant and equipment and intangible assets	(75.046)	(82.933)
Property, plant and equipment	(67.915)	(75.510)
Intangible assets	(7.131)	(7.423)
Other financial assets	(3.653)	(2.357)
Proceeds from the sale of investments	**2.551**	**803**
Property, plant and equipment	2.551	803
Net cash used in investing activities	**(79.876)**	**(100.313)**
Cash flows from financing activities		
Proceeds from and payments for equity instruments	(1.250)	(24.102)
Issue	0	(77)
Acquisition of own shares	(1.250)	(24.084)
Disposal of own shares	0	59
Proceeds from and payments for financial liability instruments	27.619	153.101
Issue	75.680	184.292
Redemption and repayment	(48.061)	(31.191)
Dividends and interest on other equity instruments paid	(27.282)	(48.746)
Other cash flows from financing activities	323	568
Other amounts received from financing activities	323	568
Net cash (used in)/from financing activities	**(590)**	**80.821**
Effect of exchange rate fluctuations on cash	**13.742**	**(194)**
Net increase in cash and cash equivalents	**5.123**	**3.988**
Cash and cash equivalents at beginning of the year	**249.372**	**6.368**
Cash and cash equivalents at end of year	**254.495**	**10.356**

The accompanying notes form an integral part of the consolidated interim financial statements.

Statements of Changes in Consolidated Equity for the nine-month periods ended 30 September 2010 and 2009

(Expressed in thousands of Euros)

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

	Attributable to equity holders of the Parent											
							Other comprehensive income					
	Share capital	Share premium	Reserves (*)	Profit attributable to Parent Company	Interim dividend	Own Shares	Translation differences	Cash flow hedges	Available-for sale financial assets	Equity attributable to Parent	Minority interests	Equity
Balances at 31 December 2008	106.532	121.802	247.669	121.728	0	(33.087)	(84.457)	0	(158)	480.029	1.250	481.279
Translation differences	–	–	–	–	–	–	(13.428)	–	–	(13.428)	2.142	(11.286)
Cash flow hedges										0		0
Available-for-sale financial assets Gains/(losses)	–	–	–	–	–	–	–		(13)	(13)	–	(13)
Other comprehensive income for the period	0	0	0	0	0	0	(13.428)	0	(13)	(13.441)	2.142	(11.299)
Profit/(loss) for the period	–	–	–	117.055	–	–	–	–	–	117.055	20	117.075
Total comprehensive income for the period	0	0	0	117.055	0	0	(13.428)	0	(13)	103.614	2.162	105.776
Operations with own shares	–	–	–	–	–	(23.918)	–		–	(23.918)	–	(23.918)
Other movements	–	–	(186)	–	–	–	–		–	(186)	(57)	(243)
Business combinations	–	–	–	–		–	–	–	–	0	9.876	9.876
Distribution of 2008 profit												
Reserves	–	–	73.037	(73.037)	–	–	–	–	–	0	–	0
Dividends	–	–	–	(48.691)	–	–	–	–	–	(48.691)	(55)	(48.746)
Operations with equity holders or owners	0	0	72.851	(121.728)	0	(23.918)	0	0	0	(72.795)	9.764	(63.031)
Balances at 30 September 2009 (unaudited)	106.532	121.802	320.520	117.055	0	(57.005)	(97.885)	0	(171)	510.848	13.176	524.024
Balances at 31 December 2009	106.532	121.802	314.903	147.972	(31.960)	(677)	(90.253)	(1.948)	0	566.371	12.157	578.528
Translation differences	–	–	–	–	–	–	26.730	–	–	26.730	1.600	28.330
Cash flow hedges	–	–	–	–	–	–	–	148	–	148	–	148
Available-for-sale financial assets Gains/(losses)	–	–	–	–	–	–	–	–		0	–	0
Other comprehensive income for the period	0	0	0	0	0	0	26.730	148	0	26.878	1.600	28.478
Profit/(loss) for the period	–	–	–	97.021	0	–	–	–	–	97.021	(1.235)	95.786
Total comprehensive income for the period	0	0	0	97.021	0	0	26.730	148	0	123.899	365	124.264
Operations with own shares	–	–	–	–	–	(1.250)	–	–	–	(1.250)	–	(1.250)
Other movements	–	–	(71)	–	–	–	–	–	–	(71)	(166)	(237)
Business combinations	–	–	–	–	–	–	–	–	–	0	–	0
Distribution of 2009 profit												
Reserves	–	–	88.783	(88.783)	–	–	–	–	–	0		0
Dividends	–	–	–	(27.229)	–	–	–	–	–	(27.229)	(53)	(27.282)
Interim dividend	–	–	–	(31.960)	31.960	–	–	–	–	0	–	0
Operations with equity holders or owners	0	0	88.712	(147.972)	31.960	(1.250)	0	0	0	(28.550)	(219)	(28.769)
Balances at 30 September 2010	106.532	121.802	403.615	97.021	0	(1.927)	(63.523)	(1.800)	0	661.720	12.303	674.023

(*) Reserves include accumulated earnings and other reserves

The accompanying notes form an integral part of the consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

(1) Nature, Principal Activities and Subsidiaries

(a) Grifols, S.A.

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

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

With effect as of 2 January 2008 the Company's shares were floated on the Spanish stock exchange's IBEX-35 index.

All of the Company's shares are listed on the Barcelona, Madrid, Valencia and Bilbao stock exchanges and on the electronic stock market.

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

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

The main factory locations of the Group's Spanish companies are in Barcelona, Parets del Vallés (Barcelona) and Torres de Cotilla (Murcia), while the American companies' installations are located in Los Angeles.

(b) Subsidiaries

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

- **Industrial area**

The following companies are included:

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

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

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

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

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

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

Biomat USA, Inc. with registered offices in 1209, Orange Street, Wilmington, New Castle (Delaware Corporation) (USA), was incorporated into the Group on 1 March 2002 and carries out its activities in the area of bioscience, procuring human plasma. Since 1 November 2007, this company's share capital is held by Instituto Grifols, S.A. and Grifols, Inc.

Grifols Biologicals, Inc., with registered offices in 15 East North Street, Dover, (Delaware) (USA), was incorporated into the Group on 15 May 2003 and is exclusively engaged in plasma fractioning and the production of haemoderivatives. Grifols, Inc. directly owns 100% of this company.

PlasmaCare, Inc. with registered offices in 1209, Orange Street, County of New Castle, Wilmington, Delaware 19801, was incorporated into the Group on 3 March 2006 and carries out its activities in the area of bioscience, procuring human plasma. Since 1 November 2007, this company's share capital is held by Instituto Grifols, S.A. and Grifols, Inc.

Plasma Collection Centers, Inc. with registered offices in 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801 (USA) and incorporated on 2 March 2007. Its activity, developed in the bioscience area, consists of procuring human plasma. 100% of this company's share capital is held directly by Biomat USA Inc. In January 2010 Plasma Collection Centers, Inc. merged with Biomat USA, Inc. and this has not had any impact on the Group.

Lateral Grifols Pty Ltd. (formerly Diamed Australia Pty Ltd.), with registered offices at 14 Palmer Court, Mount Waverley, Victoria 3149 (Australia), was incorporated into the Group on 3 March 2009. Its activity consists of the distribution of pharmaceutical products and the development and manufacture of reagents for diagnostics. This company is directly and fully owned by Woolloomooloo Holdings Pty Ltd.

Medion Grifols Diagnostic AG, with registered offices at Bonnstrasse, 9, 3186 Düdingen, Switzerland, was incorporated into the Group on 3 March 2009. The Company's statutory activity consists of development and production in the biotechnology and diagnostic sectors. 80% of this company is directly held by Saturn Investments AG.

- **Commercial area**

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

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

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

Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda., was incorporated with limited liability under Portuguese law on 10 August 1988. Its registered offices are at Jorge Barradas, 30 –c R/C, 1500 Lisbon (Portugal) and it imports, exports and markets pharmaceutical and hospital equipment and products, particularly Grifols products. 99.975% of this company is owned directly by Movaco, S.A.

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

Grifols Argentina, S.A. was incorporated with limited liability in Argentina on 1 November 1991 and its registered offices are at Bartolomé Mitre 1371, fifth floor office "P" (CP 1036), Buenos Aires (Argentina). Its statutory activity consists of clinical and biological research, the preparation of reagents and therapeutic and diet products, the manufacture of other pharmaceutical specialities and the marketing thereof.

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

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

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

Grifols USA, LLC. was incorporated in the State of Florida (USA) on 19 April 1990. Its registered offices are at 8880 N.W. 18 Terrace, Miami, Florida (USA) and its statutory activity is any activity permitted by US legislation. This company is 100% directly owned by Grifols Biologicals, Inc.

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

Grifols UK Ltd., the registered offices of which are at 72, St. Andrew's Road, Cambridge CB4 1G (United Kingdom), is engaged in the distribution and sale of therapeutic and other pharmaceutical products, especially haemoderivatives. 66.66% of this company was acquired on 9 June 1997 and the remaining 33.34% on 16 June 2000.

Grifols Deutschland GmbH was incorporated with limited liability under German law on 21 May 1997, with registered offices at Siemensstrasse 18, D-63225 Langen (Germany). Its statutory activity consists of the import, export, distribution and sale of reagents, chemical and pharmaceutical products, especially to laboratories and healthcare centres, and medical and surgical materials, equipment and instruments for laboratory use.

Grifols Brasil, Ltda. was incorporated with limited liability in Brazil on 4 May 1998. Its registered offices are at Rua Marechal Hermes 247, Centro Cívico, CEP 80530-230, Curitiba (Brazil). Its statutory activity consists of the import and export, preparation, distribution and sale of pharmaceutical and chemical products for laboratory and hospital use, and medical-surgical equipment and instrumentation.

Grifols France, S.A.R.L. was incorporated with limited liability under French law on 2 November 1999, with registered offices at Centre d'affaires auxiliares system, Bat. 10, Parc du Millenaire – 125, Rue Henri Becquerel, 34036, Montpellier (France). Its statutory activity is the marketing of chemical and healthcare products.

Alpha Therapeutic Italia, S.p.A. was incorporated on 3 July 2000, with registered offices at Piazza Meda 3, 20121 Milan (Italy), and engages in the distribution and sale of therapeutic products, especially haemoderivatives.

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

Grifols Malaysia Sdn Bhd is partly owned (30%) by Grifols Asia Pacific Pte, Ltd. The registered offices of this company are in Selangor (Malaysia) and it engages in the distribution and sale of pharmaceutical products.

Grifols (Thailand) Ltd was incorporated on 1 September 1995 and its registered offices are at 287 Liberty Square Level 8, Silom Road, Bangkok. Its activity comprises the import, export and distribution of pharmaceutical products. 48% of this company is directly owned by Grifols Asia Pacific Pte., Ltd.

Grifols Polska Sp.z.o.o. was incorporated on 12 December 2003, with registered offices at UL. Nowogrodzka, 68, 00-116, Warsaw, Poland, and engages in the distribution and sale of pharmaceutical, cosmetic and other products.

Australian Corporate Number 073 272 830 Pty Ltd. (formerly Lateral Grifols Diagnostics Pty Ltd.), with registered offices at 14 Palmer Court, Mount Waverley, Victoria 3149 (Australia) was incorporated into the Group on 3 March 2009. Its activity comprises the distribution of pharmaceutical products and reagents for diagnostics. This company is 100% directly held by Woolloomooloo Holdings Pty Ltd.

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

Xepol, AB with registered offices in Engelbrekts Kyrkogata 7B 114 26 Stockhom, Sweden was incorporated into the Group on 3 June 2010. Its activity consists of research and development, production and marketing, either directly or through subsidiaries, of pharmaceutical products, medical devices and any other asset deriving from the aforementioned activities. This company is 100% directly owned by Grifols, S.A.

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

- **Services area**

The following companies are included in this area:

Grifols, Inc. was incorporated on 15 May 2003 with registered offices at 15 East North Street, Dover (Delaware, USA). Its principal activity is the holding of investments in companies.

Grifols Viajes, S.A., with registered offices in Barcelona, Spain, was incorporated into the Group on 31 March 1995 and operates as a retail travel agency exclusively serving Group companies.

Squadron Reinsurance Ltd., with registered offices in Dublin, Ireland, was incorporated into the Group on 25 April 2003 and engages in the reinsurance of Group companies' insurance policies.

Arrahona Optimus, S.L., with registered offices at Gràcia 33, 08201 Sabadell, was incorporated into the Group on 28 August 2008. The Company's statutory activity is the development and construction of offices and business premises. Its only asset is the office complex located in the municipality of Sant Cugat del Vallés.

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

Saturn Australia Pty Ltd. with registered offices at 14 Palmer Court, Mount Waverley, Victoria 3149 (Australia), was incorporated to the Group on 3 March 2009. Its activity consists of holding shares and investments. This company is directly and fully owned by Woolloomooloo Holdings Pty Ltd.

Saturn Investments AG with registered offices at c/o Dr. Christoph Straub, Hanibuel 8, CH 6300 Zug (Switzerland) was incorporated into the Group on 3 March 2009. Its activity consists of the holding of shares. This company is directly and fully owned by Saturn Australia Pty Ltd.

Woolloomooloo Holdings Pty Ltd. with registered offices at 14 Palmer Court, Mount Waverley Victoria 3149 (Australia), was incorporated into the Group on 3 March 2009. Its activity consists of holding shares. 49% of this holding company is directly held by Grifols, S.A.

(c) Associates and others

Quest Internacional, Inc, 35% owned by Diagnostic Grifols, S.A., with registered offices in Miami, Florida (USA), engages in the manufacture and marketing of reagents and clinical analysis instruments.

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

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

(2) Basis of Presentation

The consolidated interim financial statements for the nine-month period ended 30 September 2010 have been prepared on the basis of the accounting records of Grifols, S.A. and of the Group companies. These consolidated interim financial statements are authorised for issue for the special purpose of that established in article 308 of the new Spanish Companies Act for exclusion of the preferential right in the context of a share capital increase of the Parent through the issue of new shares with no voting rights. These documents have been prepared under International Financial Reporting Standards as adopted by the European Union (EU-IFRS) to present fairly the consolidated equity and consolidated financial position of Grifols, S.A. and subsidiaries at 30 September 2010, as well as the consolidated results from their operations, consolidated comprehensive income, consolidated cash flows and changes in consolidated equity for the nine-month period ended 30 September 2010.

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

(a) Comparison of information

The consolidated financial statements for the nine-month period ended 30 September 2010 present for comparative purposes:

- For each individual caption in the consolidated balance sheet at 31 December 2009, comparative figures which have been obtained through consistent application of EU-IFRS.

- For each individual caption in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity, comparative figures from the consolidated financial statements for the nine-month period ended 30 September 2009, which have been obtained through consistent application of EU-IFRS.

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

The preparation of the consolidated interim financial statements for the nine-month period ended 30 September 2010 in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of Group accounting policies. A summary of the items requiring a greater degree of judgement or complexity, or where the assumptions and estimates made are significant to the preparation of the consolidated interim financial statements for the nine-month period ended 30 September 2010 are as follows:

- The assumptions used for calculation of the fair value of financial instruments (see note 4 (k)).
- Measurement of assets and goodwill to determine any related impairment losses (see note 4(i)).
- Useful lives of property, plant and equipment and intangible assets (see notes 4(g) and 4(h)).
- Evaluation of the capitalisation of development costs (see note 4(h)).
- Evaluation of provisions and contingencies (see note 4(r)).
- Evaluation of the effectiveness of hedging (see note 17 (g)).
- The application of the definition of a business (see note 4(b)).

(c) Consolidation

The percentages of direct or indirect ownership of subsidiaries by the Parent at 30 September 2010 and 31 December 2009, as well as the consolidation method used in each case for preparation of the accompanying consolidated interim financial statements, are detailed below:

	30/09/10		31/12/09	
	Percentage ownership		Percentage ownership	
	Direct	Indirect	Direct	Indirect
Parent				
Grifols, S.A.	--	--	--	--
Fully-consolidated companies				
Laboratorios Grifols, S.A.	99.998	0.002	99.998	0.002
Instituto Grifols, S.A.	99.998	0.002	99.998	0.002
Movaco, S.A.	99.999	0.001	99.999	0.001
Grifols Portugal Productos Farmacéuticos e Hospitalares, Lda.	0.015	99.985	0.015	99.985
Diagnostic Grifols, S.A.	99.998	0.002	99.998	0.002
Logister,S.A.	--	100.000	--	100.000
Grifols Chile,S.A.	99.000	--	99.000	--
Biomat,S.A.	99.900	0.100	99.900	0.100
Grifols Argentina,S.A.	99.260	0.740	100.000	--
Grifols,s.r.o.	100.000	--	100.000	--
Logistica Grifols S.A de C.V	99.990	0.010	100.000	--
Grifols México,S.A. de C.V.	99.990	0.010	100.000	--
Grifols Viajes,S.A.	99.900	0.100	99.900	0.100
Grifols USA, LLC.	--	100.000	--	100.000
Grifols International,S.A.	99.900	0.100	99.900	0.100
Grifols Italia,S.p.A.	100.000	--	100.000	--
Grifols UK,Ltd.	100.000	--	100.000	--
Grifols Deutschland,GmbH	100.000	--	100.000	--
Grifols Brasil,Ltda.	100.000	--	100.000	--
Grifols France,S.A.R.L.	99.000	1.000	99.000	1.000
Grifols Engineering, S.A.	99.950	0.050	99.950	0.050
Biomat USA, Inc.	--	100.000	--	100.000
Squadron Reinsurance Ltd.	100.000	--	100.000	--
Grifols Inc.	100.000	--	100.000	--
Grifols Biologicals Inc.	--	100.000	--	100.000
Alpha Therapeutic Italia, S.p.A.	100.000	--	100.000	--
Grifols Asia Pacific Pte., Ltd.	100.000	--	100.000	--
Grifols Malaysia Sdn Bhd	--	30.000	--	30.000
Grifols (Thailand) Ltd.	--	48.000	--	48.000
Grifols Polska Sp.z.o.o.	100.000	--	100.000	--
Plasmacare, Inc.	--	100.000	--	100.000
Plasma Collection Centers, Inc.	--	--	--	100.000
Arrahona Optimus S.L.	99.995	0.005	100.000	--

	30/09/10		31/12/09	
	Percentage ownership		Percentage ownership	
	Direct	Indirect	Direct	Indirect
Woolloomooloo Holdings Pty Ltd.	49.000		49.000	
Lateral Grifols Pty Ltd.	--	49.000	--	49.000
Australian Corporate Number 073 272830 Pty Ltd	--	49.000	--	49.000
Saturn Australia Pty Ltd.	--	49.000	--	49.000
Saturn Investments AG	--	49.000	--	49.000
Medion Grifols Diagnostic AG	--	39.200	--	39.200
Medion Diagnostics GmbH	--	39.200	--	39.200
Gri-Cel, S.A.	0.001	99.999	0.001	99.999
Grifols Colombia Ltda	99.000	1.000	--	--
Xepol AB	100.000	--	--	--
Companies accounted for using the equity method				
Quest International, Inc.	--	35.000	--	35.000
Nanotherapix, S.L.	--	51.000	--	--

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

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

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

The Group holds 99% of the voting rights in its Australian and Swiss subsidiaries.

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

On 3 June 2010 the Group acquired 100% of Xepol AB which holds the intellectual property rights for the treatment of the post-polio syndrome which includes patents for the USA, Europe and Japan for a specific method of treatment for this syndrome using intravenous immunoglobulin (haemoderivative). The sum paid for this acquisition amounted to Euros 2,255 thousand. The assets acquired and liabilities settled do not constitute a business pursuant to the definition provided in IFRS 3 and, therefore, the transaction has been recognised as the acquisition of an intangible asset.

(d) Changes to EU-IFRS during the nine-month period ended 30 September 2010

The following standards have entered into force during the nine-month period ended 30 September 2010 and have therefore been taken into consideration when preparing these interim financial statements.

Standards adopted by the EU, applicable in years beginning subsequent to 1 January 2009	Obligatory application in years beginning subsequent to:
IAS 27 (revised): Consolidated and separate financial statements	1 July 2009
Ammendment to IAS 39: Financial Instruments: recognition and measurement	1 July 2009
IFRS 3 (revised): Business combinations	1 July 2009
IFRIC 12: Service concession arrangements	27 March 2009
IFRIC 16: Hedges of a net investment in a foreign operation	30 June 2009
IFRIC 17: Distribution of non-cash assets to owners	1 November 2009
IFRIC 18: Transfers of assets from customers	1 November 2009

In accordance with IFRS 3, transaction costs, which differ from costs of issuing debt or equity instruments, are recognised as an expense as incurred. The application of this new standard has an impact on the financial statements of the Grifols Group (see note 15). The application of the other standards has not had a significant impact on the Group's financial statements.

The European Union has adopted the following standards which are obligatory for years beginning subsequent to 1 January 2010. Therefore, the application of these standards is not obligatory for the Group in 2010 and it has not opted to apply them in advance:

Standards adopted by the EU, applicable in years beginning subsequent to 1 January 2010	**Obligatory application in years beginning subsequent to:**
Amendment to IAS 32: Classification of rights issues	1 February 2010
IFRS 1 (revised): First-time adoption of international financial reporting standards	1 January 2010
Amendment to IFRS 2: Group cash-settled share based payment transactions	1 January 2010
Improvements to IFRSs	1 January 2010
IFRIC 15: Agreements for the construction of real estate	1 January 2010

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

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

(3) Business combinations

3.1 Acquisition of Australian-Swiss group

On 3 March 2009 the Group acquired 49% of the profit-sharing rights and 99% of the voting rights in a holding company of the Australian-Swiss group Woolloomooloo, thereby gaining control of this group, for Euros 25 million through a share capital increase which was fully paid by Grifols, S.A.

Details of the aggregate business combination cost, the fair value of the net assets acquired and goodwill at the acquisition date were follows:

	Thousands of Euros
Cost of business combination	
Cash paid	25,000
Directly attributable costs	497
Total cost of the business combination	25,497
Fair value of net assets acquired	9,307
Goodwill	16,190
	(see note 7)

At 3 March 2009 not all the information necessary to allocate the purchase price correctly between the different balance sheet captions used in the business combination was available to the Group. Further information was obtained at 31 December 2009 which made it possible to allocate assets and liabilities more accurately. Upon completion of the analysis, no changes have arisen to the estimate made at 31 December 2009.

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

The Australian-Swiss Group provides the commercial strength required by Grifols to consolidate and increase its presence in the diagnostic markets of Australia and New Zealand, which until then only consisted of the sale of instruments through distributors.

After obtaining the licence for Flebogamma DIF in Australia (next generation IVIG), Grifols haemoderivatives started to be commercialised in this country.

Grifols's investment also included the acquisition of Medion, located in Switzerland, which has developed new technology for determining blood groups, supplementary to that used by Grifols.

Had the acquisition taken place at 1 January 2009, the Group's revenue and consolidated profit for the period would not have varied significantly. Accumulated losses incurred by the Australian-Swiss group attributable to the Group results from the date of acquisition to 30 September 2009 amount to Euros 307 thousand.

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

	Thousands of Euros	
	Fair value	Carrying amount
Intangible assets (note 8)	6,525	476
Property, plant and equipment (note 9)	2,307	3,113
Deferred tax assets (note 29)	500	258
Inventories (note 12)	3,549	3,549
Trade and other receivables	2,096	2,096
Other current assets	293	293
Cash and cash equivalents	10,112	10,112
Total assets	25,382	19,897
Trade and other payables	3,165	3,165
Other current liabilities	1,273	1,272
Deferred tax liabilities (note 29)	1,761	551
Total liabilities and contingent liabilities	6,199	4,988
Total net assets	19,183	14,909
Minority interests (note 19)	(9,876)	
Total net assets acquired	9,307	
Goodwill (note 7)	16,190	
Cash paid	25,497	
Cash and cash equivalents of the acquired company	(10,112)	
Cash outflow for the acquisition	15,385	

Intangible assets were measured at fair value using the royalties method for certain patents acquired by the Group. An 8% royalty was considered, together with a discount rate after tax of 10%. Patents were measured using a 15 year period based on sales projected during that period.

(4) Significant Accounting Principles

(a) Subsidiaries

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

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

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

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

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

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

(b) Business combinations

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

The Group applies IFRS 3 "Business combinations" revised in 2008, in transactions made subsequent to 1 January 2010.

The Company applies the acquisition method for business combinations.

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

Business combinations made subsequent to 1 January 2010

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

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

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

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

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

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

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

Business combinations made prior to 1 January 2010

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

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

(c) Minority interests

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

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

The consolidated profit or loss (consolidated comprehensive income) and changes in equity of the subsidiaries attributable to the Group and minority interests after consolidation adjustments and eliminations, is determined in accordance with the percentage ownership at period end, without considering the possible exercise or conversion of potential voting rights. However, Group and minority interests are calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of subsidiaries.

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

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

(d) Associates and joint ventures

Associates

Associates are entities over which the Company has significant direct or indirect influence through subsidiaries. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The existence of potential voting rights that are currently exercisable or convertible, including potential voting rights held by the Group or other entities, are considered when assessing whether an entity has significant influence.

Investments in associates are accounted for using the equity method from the date that significant influence commences until the date that significant influence ceases.

Details of investments accounted for using the equity method are included in note 2 (c).

Purchases of shareholdings in associates are recognised applying the acquisition method, as described for subsidiaries. Any excess of cost of acquisition over the part of fair value of the identifiable net assets acquired is considered as goodwill, which is included in the fair value of the investment. If the cost of acquisition is less than the fair value of identifiable net assets acquired, the difference is recognised when determining the investor's share in the profit of the associate in the period of acquisition.

The Group's share in the profit or loss of the associates from the date of acquisition is recognised as an increase or decrease in the value of the investments, with a credit or debit to profit or loss of associates accounted for using the equity method of the consolidated income statement (consolidated statement of comprehensive income). The Group's share in other comprehensive income of the associate obtained from the date of acquisition is recognised as an increase or decrease in the investment in the associate with a balancing entry on a separate line in other comprehensive income. The distribution of dividends is recognised as a decrease in the value of the investment. The Group's share of profit and loss, including impairment losses recognised by the associates, is calculated based on income and expenses arising from application of the purchase method.

The Group's share in the profit or loss of an associate and changes in equity are calculated to the extent of the Group's interest in the associate at year end and does not reflect the possible exercise or conversion of potential voting rights. However, the Group's share is calculated taking into account the possible exercise of potential voting rights and other derivative financial instruments which, in substance, currently allow access to the economic benefits associated with the interests held, such as entitlement to a share in future dividends and changes in the value of associates.

Losses of an associate attributable to the Group are limited to the extent of its interest, except where the Group has legal or implicit obligations or when payments have been made on behalf of the associate. For the purpose of recognising losses in associates, net investments are considered as the carrying amount of the investment after application of the equity method plus any other item which in substance forms part of the investment in the associate. Subsequent profits attributable to those associates for which impairment losses are limited are recognised to the extent of the previously unrecognised losses.

Unrealised gains and losses on transactions between the Group and associates are only recognised when they relate to interests of other unrelated investors, except in the case of unrealised losses evidencing the impairment of the transferred asset.

The accounting policies of associates have been harmonised in terms of timing and measurement, applying the policies described for subsidiaries.

Joint ventures

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

Interests in joint ventures are recognised using the equity method.

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

(e) Foreign currency transactions

(i) *Functional currency and presentation currency*

The consolidated interim financial statements are presented in thousands of Euros, which is the functional and presentation currency of the Parent.

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

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

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

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

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

(iii) *Translation of foreign operations*

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

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

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

- All resulting exchange differences are recognised as translation differences in equity.

In the consolidated statement of cash flows, cash flows, including comparative balances, of the subsidiaries and foreign joint ventures are translated into thousands of Euros applying the exchange rates prevailing at the transaction date.

(f) Borrowing costs

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

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

(g) Property, plant and equipment

(i) *Initial recognition*

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

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

(ii) *Depreciation*

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

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

	Depreciation method	Rates
Buildings	Straight line	1% - 3%
Plant and machinery	Straight line	8%-10%
Other installations, equipment and furniture	Straight line	10% - 30%
Other property, plant and equipment	Straight line	16% - 25%

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

(iii) *Subsequent recognition*

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

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

(iv) *Impairment*

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

(h) Intangible assets

(i) *Goodwill*

Goodwill is generated on the business combinations. As permitted by IFRS 1: First-time Adoption of International Financial Reporting Standards, the Group has recognised only business combinations that occurred on or after 1 January 2004, the date of transition to EU-IFRS, using the acquisition method. Entities acquired prior to that date were recognised in accordance with accounting principles prevailing at that time, taking into account the necessary corrections and adjustments at the transition date.

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

(ii) *Internally generated intangible assets*

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

Costs related with development activities are capitalised when:

- The Group has technical studies justifying the feasibility of the production process;
- The Group has undertaken a commitment to complete production of the asset whereby it is in condition for sale or internal use;
- The asset will generate sufficient future economic benefits;
- The Group has sufficient financial and technical resources to complete development of the asset and has developed budget and cost accounting control systems which allow budgeted costs, introduced changes and costs actually assigned to different projects to be monitored.

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

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

(iii) *Other intangible assets*

Other intangible assets are carried at cost, less accumulated amortisation and impairment losses.

(iv) *Emission rights*

Emission rights, which are recognised when the Group becomes entitled to such rights, are carried at cost less accumulated impairment. Rights acquired free of charge or at a price substantially lower than fair value, are recognised at fair value, which is generally the market value of the rights at the start of the calendar year. The difference between fair value and, where appropriate, the amount received, is recognised under government grants. Government grants are recognised in profit or loss in line with the emission of gases in proportion to total emissions foreseen for the complete period for which the emission rights have been received, irrespective of whether the rights previously received have been sold or impaired.

Under the terms of Law 1 of 9 March 2005 governing greenhouse gas emission rights, emission rights deriving from a certified reduction in emissions or from a unit created to reduce emissions through clean development mechanisms or a pooling of rights, are carried at cost of production using the same criteria as for inventories.

Emission rights are not amortised. The Group derecognises emission rights on a weighted average cost basis.

(v) *Useful life and amortisation rates*

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

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

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

	Amortisation method	Estimated years of useful life
Development expenses	Straight line	3 - 5
Concessions, patents, licences, trademarks and similar	Straight line	5-15
Software	Straight line	3 - 6

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

The Group reviews the residual value, useful life and amortisation method for intangible assets at each financial year end. Changes to initially established criteria are accounted for as a change in accounting estimates.

(i) Impairment of non-financial assets subject to depreciation or amortisation

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

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

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

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

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

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

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

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

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

(j) Leases

(i) *Lessee accounting records*

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

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

- Finance leases

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

- Operating leases

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

(ii) *Leasehold investments*

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

(k) Financial Instruments

(i) *Classification of financial instruments*

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

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

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

a) Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

b) Loans and receivables

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

c) Available-for-sale financial assets

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

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

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

d) Financial assets and liabilities carried at cost

Investments in equity instruments whose fair value cannot be reliably measured and derivative instruments that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost.

The Group only recognises income from investments in equity instruments carried at cost to the extent that the retained earnings of the investee, generated after the acquisition, are distributed. Dividends received in excess of these earnings are considered as a recovery of the investment and are therefore recognised as a reduction in the investment's carrying amount.

e) Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss, which comprise derivatives, are initially recognised at fair value and after initial recognition are recognised at fair value through profit and loss.

(ii) *Offsetting principles*

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

(iii) *Fair value*

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

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

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

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

(iv) *Amortised cost*

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

(v) *Impairment of financial assets carried at cost*

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

(vi) *Impairment of available-for-sale financial assets*

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

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

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

(vii) *Financial liabilities*

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

(viii) *Derecognition of financial assets*

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

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

- Payment of the cash flows is conditional on their prior collection.

- The Group is unable to sell or pledge the financial asset.

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

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

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

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

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

(l) Hedge accounting

The Group has an interest rate cash flow hedge relating to the issue of bonds.

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

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

(i) *Cash flow hedges*

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

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

(m) Parent own shares

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

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

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

No gains or losses are recognised on transactions with own equity instruments. The consideration paid or received is recognised directly in equity and the difference with the amount paid upon acquisition is recognised as a balancing entry in reserves.

(n) Inventories

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

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

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

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

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

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

- Raw materials and other supplies: replacement cost. Nevertheless, raw materials are not written down below cost if the finished goods into which they will be incorporated are expected to be sold at or above cost of production.
- Goods for resale and finished goods: estimated selling cost, less costs to sell.
- Work in progress: the estimated selling price of related finished goods, less the estimated costs of completion and the estimated costs necessary to make the sale.

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

(o) Cash and cash equivalents

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

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

(p) Government grants

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

(i) *Capital grants*

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

(ii) Operating grants

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

(iii) Interest rate grants

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

(q) Employee benefits

(i) Defined contribution plans

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

(ii) *Termination benefits*

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

(iii) *Short-term employee benefits*

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

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

(r) Provisions

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

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

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed against the consolidated income statement item where the corresponding expense was recognised.

(s) Revenue recognition

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

(i) *Sale of goods*

The Group recognises revenue from the sale of goods when:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rendering of services

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

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

(iii) Revenue from dividends

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

(iv) Revenue from interest

The Group recognises interest receivable from the different social security affiliated bodies on an accruals basis, and only follows prudent criteria for those bodies to which historically claims have been made and from which interest has been collected.

(t) Income tax

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

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

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

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

(i) *Taxable temporary differences*

Taxable temporary differences are recognised in all cases except where:

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

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

(ii) *Deductible temporary differences*

Deductible temporary differences are recognised provided that:

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

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

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

(iii) *Measurement*

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

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

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

(iv) *Offset and recognition*

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

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

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

(u) Segment reporting

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

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

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

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

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

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

(w) Environmental issues

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

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

(5) Financial Risk Management Policy

(a) General

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

Credit risk

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

Trade receivables

The Group is not exposed to significant credit risk because no bad debt risk exists due to the type of customers with which it operates, most of which are public entities. The risk to which receivables from public bodies are exposed is a risk of delays in payment. Group companies mitigate this risk by exercising their right to receive legal interest.

Furthermore, no significant bad debt issues have been detected in the markets in which it sells to private entities.

The Group recognises valuation adjustments for impairment equivalent to its best estimate of the losses incurred in relation to trade and other receivables. The main valuation adjustments made are based on specific losses related with identified risks that are individually significant, while the bad debt risk in the Group is low because a significant proportion of receivables are due from public entities.

Financial instruments and deposits

The Group has invested part of the resources generated in 2009 by the issue of bonds in the United States in deposits with financial institutions of recognised solvency.

Liquidity risk

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

The Group prudently manages liquidity risk by the availability of financing through a sufficient amount of committed credit facilities, and the ability to liquidate market positions when required.

The Group issued bonds in the United States during 2009. The resources generated will enable the Group to extend the life of its debt from current to non-current and ensure that the necessary financial resources are available to implement its future plans. The resources generated have therefore been used to pay current and non-current liabilities, with the remaining amount, totalling Euros 225,444 thousand recognised as a current financial investment under "Cash and cash equivalents" at 30 September 2010 (Euros 237,777 thousand at 31 December 2009).

In the balance sheet at 31 December 2009 14% of the debt was current and 86% non-current, while at the September 2010 close, 21% is current and 79% non-current.

Market risk

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

(i) Currency risk

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

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

The Group's main exposure to currency risk is due to the US Dollar, which is used in a significant percentage of transactions in foreign currencies. Since revenues in US Dollars account for 98.5% of purchases and expenses in US Dollars during the nine-month period ended 30 September 2010, the Group has a natural hedge against US Dollar fluctuations and therefore the risks associated with such exchange-rate fluctuations are minimal.

Details of the Group's exposure to currency risk at 30 September 2010 and 31 December 2009 of the most significant financial instruments are shown in note 32.

(ii) Interest-rate risk

The Group's interest rate risks arise from current and non-current borrowings. Borrowings at variable interest rates expose the Group to cash flow interest rate risks. During the nine-month period ended 30 September 2010 and because of the issue of bonds in 2009, a significant portion of liabilities bear fixed interest rates, whereas the rest of the financial liabilities with banks bear variable interest rates. The Group has a variable to fixed interest-rate swap for loans of Euros 50,000 thousand maturing in 2013 (see note 32).

(iii) Market price risk

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

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

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

Given the positive performance of products, no important price fluctuations are expected in the Bioscience division.

(b) Capital management

The directors' policy is to maintain a solid capital base in order to ensure investor, creditor and market confidence and sustain future business development. The directors control capital performance using rates of returns on equity (ROE) and returns on invested capital (ROIC). The board of directors also controls the level of dividends paid to shareholders.

At September 2010, the ROE stood at 19.3% (26.1% in December 2009) and the ROIC at 12% (13.9 % in December 2009). The ROE is calculated by dividing profit attributable to the Parent by the equity attributable to the Parent. The ROIC is calculated by dividing operating profit after income tax by invested capital, which is equal to total assets less cash, less other current financial assets and less current and non-current financial liabilities excluding interest-bearing debt (current and non-current).

Compared with these rates, the weighted average finance expense for interest-bearing liabilities (excluding liabilities with implicit interest) has been 4.6% in September 2010 (3.9% in December 2009). Considering the issue of bonds in the USA, the weighted average finance expense for interest-bearing liabilities for the fourth quarter of 2009 has been 5.1%.

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

At 30 September 2010 the Group holds own shares equivalent to 0.07% of its share capital (0.03% at 31 December 2009). The Group does not have a formal plan for repurchasing shares.

(6) Segment Reporting

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

Since 1 January 2009 the Group applies IFRS 8 – Operating segments.

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

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

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

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

There have been no inter-segment sales.

(a) Operating segments

The operating segments defined by the Group are as follows:

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

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

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

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

Details of net sales by groups of products at 30 September 2010 and 2009 as a percentage of net sales is as follows:

	% of sales	
	30/09/2010	30/09/2009
		(unaudited)
Hemoderivatives	78.2%	75.9%
Other hemoderivatives	0.2%	0.1%
Transfusional medicine	7.8%	8.0%
In vitro diagnosis	3.1%	3.1%
Fluid therapy and nutrition	4.9%	5.1%
Hospital supplies	3.9%	4.1%
Raw materials	0.5%	3.1%
Other	1.4%	0.6%
Total	100%	100%

(b) Geographical information

Geographical information is grouped into three areas:

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

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

(c) Main customer

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

(7) Goodwill

Details of and movement in goodwill in the consolidated balance sheet for the nine-month period ended 30 September 2009 are as follows:

	Thousands of Euros			
	Balances at 31/12/08	Business combinations	Translation differences	**Balances at 30/09/09 (unaudited)**
Net value				
Grifols UK,Ltd.	7,213	-	343	7,556
Grifols Italia,S.p.A.	6,118	-	-	6,118
Biomat USA Inc.	93,018	-	(4,612)	88,406
Plasmacare, Inc.	36,929	-	(1,831)	35,098
Plasma Collection Centers, Inc.	15,289	-	(759)	14,530
Woolloomooloo Holdings Pty Ltd.	--	16,190	3,678	19,868
	158,567	16,190	(3,181)	171,576
		(note 3.1)		

Details of and movement in goodwill in the consolidated balance sheet for the nine-month period ended 30 September 2010 are as follows:

	Thousands of Euros			
	Balances at 31/12/09	Transfers	Translation differences	**Balances at 30/09/2010**
Net value				
Grifols UK,Ltd.	7,736	-	253	7,989
Grifols Italia,S.p.A.	6,118	-	-	6,118
Biomat USA, Inc.	90,089	14,770	5,824	110,683
Plasmacare, Inc.	35,676	-	1,982	37,658
Plasma Collection Centers, Inc.	14,770	(14,770)	-	-
Woolloomooloo Holdings Pty Ltd. (note 3.1)	19,611	-	2,657	22,268
	174,000	-	10,716	184,716

Impairment testing:

Goodwill has been allocated to each of the Group's cash-generating units (CGUs) in accordance with their respective business segments and on a geographical basis, this being the lowest level at which goodwill is controlled for management purpose and lower than the operating segments. Plasma Collection Centers Inc. and Plasmacare, Inc. are integrated into the management of Biomat USA, Inc. for the purpose of impairment testing.

Goodwill has been allocated to the cash generating units as follows:

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

The recoverable amount of a CGU is determined based on its value in use. These calculations use cash flow projections based on the financial budgets approved by management. Cash flows for the perpetual calculation are extrapolated using the estimated growth rates indicated below.

At 30 September 2010, on the basis of their profit and loss generated during the nine-month period ended 30 September 2010, there are no indications that the goodwill of the CGUs belonging to the Bioscience segment has been impaired.

At 30 September 2010, the goodwill generated on the Woolloomooloo Holdings Pty. Ltd CGU has been tested for impairment and no impairment provision has been required.

The key assumptions used in calculating its value in use are as follows:

Growth rate used to extrapolate perpetual projections: 2%
Discount rate before tax: 10.4%
Discount rate after tax: 8.3%

Management determined budgeted gross margins based on past experience and forecast market development. Average weighted growth rates are coherent with the forecasts included in industry reports. The discount rate used reflects specific risks related to the CGU.

(8) Other Intangible Assets

Details of other intangible assets and movement during the nine-month periods ended 30 September 2010 and 2009 are included in Appendix II, which forms an integral part of these notes to the consolidated interim financial statements.

The cost of fully-amortised intangible assets in use at 30 September 2010 and 31 December 2009 is Euros 51,120 thousand and Euros 38,183 thousand, respectively.

The Group has recognised Euros 7,109 thousand (Euros 8,990 thousand at 30 September 2009) as self-constructed assets.

At 30 September 2010 the Group has recognised licenses with indefinite useful lives under intangible assets for a carrying amount of Euros 24,311 thousand (Euros 23,379 thousand at 31 December 2009). The Group has also recognised Euros 10,167 thousand as costs of research and development in progress (Euros 21,943 thousand at 31 December 2009).

At 30 September 2010 the Group has recognised CO_2 emission rights for Euros 534 thousand (Euros 493 thousand at 31 December 2009) (see note 4(h (iv))).

During the nine-month period ended 30 September 2010 the Group signed a distribution agreement for a new blood genotype test developed by Progenika Biopharma, acquiring a customer portfolio of Euros 1,358 thousand and which is recognised under "Other intangible assets".

Impairment testing:

Indefinite-lived intangible assets have been allocated to Plasmacare, Inc. and Biomat USA, Inc.'s cash-generating units (CGUs), which belong to the Bioscience segment.

At 30 September 2010, on the basis of the profit and loss generated by each of the CGUs to which indefinite-lived intangible assets are allocated, there are no indications that these assets have been impaired.

(9) Property, Plant and Equipment

Details of property, plant and equipment and movement in the consolidated balance sheet at 30 September 2010 and 2009 are included in Appendix III, which forms an integral part of this note to the consolidated interim financial statements.

Property, plant and development under construction at 30 September 2010 and 31 December 2009 mainly comprises investments made to extend the companies' installations and to increase their productive capacity.

a) Mortgaged property, plant and equipment

At 30 September 2010 certain land and buildings have been mortgaged for Euros 50,417 thousand (Euros 45,382 thousand at 31 December 2009) to secure payment of certain loans (see note 22).

b) Official capital grants received

During the nine-month period ended 30 September 2010, the Group has received capital grants totalling Euros 323 thousand (Euros 742 thousand at 31 December 2009) (see note 20).

c) Insurance

Group policy is to contract sufficient insurance coverage for the risk of damage to property, plant and equipment. At 30 September 2010 the Group has a combined insurance policy for all Group companies, which adequately covers the carrying amount of all the Group's assets.

d) Revalued assets

At 1 January 2004 the Group opted to apply the exemption regarding fair value and revaluation as deemed cost as permitted by IFRS 1 First time Adoption of IFRS. In accordance with this exemption, the Group's land and buildings were revalued based on independent expert appraisals at 1 January 2004. Appraisals were performed based on market values at that date.

e) Assets under finance lease

The Group had contracted the following types of property, plant and equipment under finance leases at 31 December 2009:

	Thousands of Euros		
Asset	Cost	Accumulated depreciation	Net value
Property, plant and equipment	19,641	(5,507)	14,134

The Group has contracted the following types of property, plant and equipment under finance leases at 30 September 2010:

	Thousands of Euros		
Asset	Cost	Accumulated depreciation	Net value
Property, plant and equipment	17,258	(5,799)	11,459

Details of minimum lease payments and the present value of finance lease liabilities, disclosed by maturity date, are detailed in note 22 (a.1.3).

f) Fully-depreciated assets

The cost of fully-depreciated property, plant and equipment in use at 30 September 2010 and 31 December 2009 amounts to Euros 98,723 thousand and Euros 73,370 thousand, respectively.

g) Self-constructed property, plant and equipment

At 30 September 2010 the Group has recognised Euros 16,703 thousand as self-constructed property, plant and equipment (Euros 18,947 thousand at 30 September 2009).

(10) Equity Accounted Investments

At 31 December 2009 equity accounted investments comprise the investment held by Diagnostic Grifols, S.A. in Quest International, Inc. This company is located in Miami, Florida (USA) and its activity consists of the manufacture and commercialisation of reagents and clinical analysis instruments.

Because the Group has significant influence, the investment in this company has been accounted for using the equity method.

Details of and movement in this caption in the consolidated balance sheet at 30 September 2009 are as follows:

	Thousands of pesetas				
	Balances at 31/12/08	Additions	Inclusion in consolidation process	Translation differences	**Balances at 30/09/09**
					(unaudited)
Equity accounted investments	374	30	-	(39)	365

Equity accounted investments at 30 September 2010 comprise:

- The investment which Diagnostic Grifols, S.A. holds in Quest International, Inc.

- The investment which Gri-cel, S.A. holds in Nanotherapix, S.L. (see note 2 (c), a joint venture which has been accounted for using the equity method).

Details of and movement in this caption of the consolidated balance sheet at 30 September 2010 are as follows:

	Thousands of pesetas				
	Balances at 31/12/09	Additions	Inclusion in consolidation process	Translation differences	**Balances at 30/09/10**
Equity accounted investments	383	(787)	1,472	43	1,111

Summarised financial information on the equity accounted investments is as follows:

			Thousands of Euros			
31/12/2009	**Country**	**Percentage ownership**	**Assets**	**Liabilities**	**Equity**	**Result**
Quest International, Inc	USA	35%	1,664	580	1,084	145
30/09/2010						
Quest International, Inc	USA	35%	1,967	672	1,294	91
Nanotherapix, S.L.	Spain	51%	1,339	58	1,281	(194)
			3,306	730	2,575	(103)

(11) Non-Current Financial Assets

Details of this caption of the consolidated balance sheet are as follows:

	Thousands of Euros	
	30/09/10	**31/12/09**
Non-current guarantee deposits	1,207	1,142
Assets available for sale	501	501
Loans to third parties	5,712	2,088
Non-current financial assets	**7,420**	**3,731**

During the nine-month period ended 30 September 2010, the Group has extended two new mortgage loans totalling Euros 3,723 thousand to the owners of two plasma centres in the USA occupied by group companies. These loans have a term of 20 years, bear interest at a fixed rate of 4.5% and are secured by the property. In 2009 the Group extended a similar mortgage loan for an amount of Euros 2,174 thousand. This interest rate does not differ from a mortgage market interest rate.

Non-current guarantee deposits are measured at amortised cost (see note 4(k)).

At 30 September 2010 and 31 December 2009, available-for-sale assets relate to the following:

- The interest of less than 1% that the Group holds in Northfield Laboratories, Inc. (USA). At 31 December 2009 provision has been made for the full amount of this investment, which has been measured at fair value.

- The interest of less than 2% in the share capital of biotechnology company, Cardio 3 Bioscience (with registered offices in Belgium) acquired by Grifols, S.A. in December 2008 for Euros 500 thousand through a share capital increase. The activity of this company involves research into and the development of biological therapies using stem cells for the treatment of cardiovascular diseases. The Group has measured this asset at cost, as its fair value cannot be reliably determined.

(12) Inventories

Details of inventories at 31 December are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Goods for resale	69,970	65,718
Raw materials and other supplies	157,344	170,987
Work in progress and semi-finished goods	208,563	146,612
Finished goods	80,927	101,145
	516,804	484,462

Movement in inventories of finished goods, work in progress and supplies was as follows:

	Thousands of Euros	
	30/09/10	30/09/09 (unaudited)
Inventories of goods for resale		
Net purchases	41,975	36,946
Changes in inventories	(51)	(8,529)
	41,924	28,417
Raw materials and other supplies		
Net purchases	164,092	206,395
Changes in inventories	18,509	(22,265)
	182,601	184,130
Materials consumed	224,525	212,547
Changes in inventories of finished goods and work in progress	(34,441)	(52,658)
Changes in inventories of finished goods and work in progress and supplies	190,084	159,889

* Expenses/(Income)

Movement in goods for resale during the nine-month periods ended 30 September 2010 and 2009 is as follows:

	Thousands of Euros	
	2010	2009 (unaudited)
Inventories of goods for resale at 1 January	65,718	54,509
Business combinations	-	158
Net cancellations for the period	-	(568)
Increase/(Decrease) in inventories of goods for resale	51	8,529
Currency translation differences	4,201	2,353
Goods for resale at 30 September	69,970	64,981

Movement in inventories of raw materials and materials consumed during the nine-month periods ended 30 September 2010 and 2009 has been as follows:

	Thousands of Euros	
	2010	2009
		(unaudited)
Inventories of raw materials at 1 January	170,987	142,209
Business combinations	-	824
Increase/(Decrease) in raw materials	(18.509)	22,265
Currency translation differences	4,866	(4,111)
Inventories of raw materials at 30 September	157,344	161,187

Movement in inventories of finished goods and work in progress during the nine-month periods ended 30 September 2010 and 2009 has been as follows:

	Thousands of Euros	
	2010	2009
		(unaudited)
Inventories of finished goods and work in progress at 1 January	247,757	176,938
Business combinations	-	2,567
Increase/(Decrease) in inventories of finished goods and work in progress	34,441	52,658
Currency translation differences	7,292	(6,915)
Inventories of finished goods and work in progress at 30 September	289,490	225,248

Net purchases include purchases made in the following foreign currencies:

	Thousands of Euros	
	30/09/10	30/09/09
Currency		(unaudited)
US Dollar	108,546	147,863
Other currencies	4,375	9,797

Movement in the provision for obsolescence was as follows:

	Thousands of Euros	
	2010	2009
		(unaudited)
Balance at 1 January	-	559
Net cancellations during the period	-	(568)
Currency translation differences	-	9
Balance 30 September	-	-

(13) Trade and other receivables

Details at 30 September 2009 and 31 December 2010 are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Trade receivables	**231,228**	**207,840**
Other trade receivables	26,521	27,210
Trade receivables associated	1	812
Personnel	1,043	395
Advances for fixed assets	2,608	1,103
Other advances	3,716	1,844
Public entities, other receivables	9,185	8,176
Other receivables	**43,074**	**39,540**
Current income tax assets	**25,235**	**7,802**
	299,537	255,182

Trade receivables

Trade receivables, net of the provision for bad debts, include notes receivable discounted at banks and pending maturity at 30 September 2010, which amount to Euros 1,617 thousand (Euros 1,298 thousand at 31 December 2009) (see note 22).

Trade receivables include balances in the following foreign currencies:

	Thousands of Euros	
	30/09/10	31/12/09
Currency		
US Dollar	51,859	45,297
Chilean Peso	17,423	12,778
Mexican Peso	10,772	7,986
Argentinean Peso	3,813	3,404
Brazilian Real	4,080	3,225
Czech Crown	3,325	3,217
Pound Sterling	3,408	2,849
Thai Baht	1,752	1,366
Polish Zloty	1,852	1,292
Australian Dollar	2,204	1,101
Other currencies	2,550	1,644

Other receivables

Other receivables at 30 September 2010 include:

Euros 5,915 thousand (Euros 8,089 thousand at 31 December 2009) reflecting interest receivable from social security-affiliated bodies.

In 2005 the Group also made a Euros 5,000 thousand advance payment on account to the Spanish Haemophilia Federation relating to an agreement which provides an economic contribution to this entity, which is calculated on the basis of sales of a certain product of the Group between 2005 and 2009. During the nine-month period ended 30 September 2009 Euros 1,505 thousand has been accrued and recognised as an operating expense under other operating expenses. In 2009 the Group paid Euros 1,387 thousand, settling the balance of the advance included under other receivables.

During the nine-month period ended 30 September 2010 and the year 2009 certain Grifols Group companies have sold receivables without recourse from several public entities to Deutsche Bank, S.A.E. According to these contracts, the Group receives an initial payment which usually amounts to approximately 90% of the nominal amount of the receivables. Payment of the deferred price (rest of the nominal amount) will be collected by the Group once Deutsche Bank has collected the nominal amount of the receivables and this amount is recognised in the balance sheet as the amount of the outstanding loan. Because the receivables are with public entities the credit risk is low. At 30 September 2010 Euros 15,768 thousand is receivable for this deferred price (Euros 13,675 thousand at 31 December 2009). Initial payment is made when the sale is completed and therefore, the bad debt risk associated with this part of the nominal amount of the receivables is transferred. The Group has transferred control of the receivables to Deutsche Bank and therefore, the Group has derecognised the total initial payment on its balance sheet, since all risks and rewards have been transferred.

Certain foreign group companies have also entered into contracts to sell receivables without recourse to a financial institution.

Total balances receivable without recourse sold to financial institutions through the aforementioned contracts amount to Euros 96.9 million at 30 September 2010 (Euros 116.3 million at 31 December 2009).

The finance cost of these operations for the Group totals approximately Euros 4,210 thousand which has been recognised under finance costs in the consolidated income statement for the nine-month period ended 30 September 2010 (Euros 963 thousand during the nine-month period ended 30 September 2009) (see note 28).

Details of receivables from related parties are provided in note 33.

Receivables from public entities are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Taxation authorities, VAT	8,289	7,451
Taxation authorities, grants	-	-
Social Security	111	107
Other public entities	785	618
Public entities, other receivables	9,185	8,176

Current tax assets

Current tax assets are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Recoverable income tax:		
Current year	19,634	7,188
Prior years	5,601	614
Current tax assets	25,235	7,802

(14) Other Current Financial Assets

Details of this caption of the consolidated balance sheet at 30 September 2010 and 31 December 2009 are as follows:

	Thousands of Euros	
	30/09/10	**31/12/09**
Current investments	8,677	5,943
Guarantee deposits	31	209
Current loans to third parties	607	395
Financial derivatives (note 32)	-	1,670
Total other current financial assets	9,315	8,217

Current financial investments comprise current guarantee deposits held in financial institutions.

(15) Other Current Assets

Details of this caption of the consolidated balance sheet at 30 September 2010 and 31 December 2009 are as follows:

	Thousands of Euros	
	30/09/10	**31/12/09**
Prepaid expenses – professional services	38,190	1,703
Prepaid expenses – insurance	2,231	3,403
Royalties and rentals	2,806	611
Other prepaid costs	1,629	1,628
Total other current-assets	44,856	7,345

At 30 September 2010 professional services include an amount of Euros 35,539 thousand relating to costs incurred for professional services directly relating to the share capital increase and the debt issue expected to be made in relation to the acquisition of Talecris (see note 31 (f)).

Costs related to the capital increase will be taken to equity on recognition of the capital increase. Borrowing costs will be deducted from the financial liability when it is recognised.

Costs incurred in relation to the business combination, amounting to Euros 9,713 thousand, have been recognised as expenses for the nine-month period ended 30 September 2010.

(16) Cash and cash equivalents

Details of this caption of the consolidated balance sheet at 30 September 2010 and 31 December 2009 are as follows:

	Thousands of Euros	
	30/09/10	**31/12/09**
Current deposits (note 5(a))	225,469	237,801
Cash and banks	29,026	11,571
Total cash and cash equivalents	254,495	249,372

Current deposits mainly include the surplus of funds from the issue of bonds in the USA during 2009 (see note 5(a)).

Details of cash and cash equivalents at 30 September 2010 and 31 December 2009 by currency are as follows:

	Thousands of Euros	
	30/09/10	**31/12/09**
Currency		
Euro	1,999	2,153
US Dollar	219,123	208,800
Other currencies	33,373	38,419
	254,495	249,372

(17) Equity

Details of consolidated equity and changes are shown in the consolidated statement of changes in equity, which forms an integral part of the consolidated interim financial statements.

(a) Share capital

At 30 September 2010 and 31 December 2009 the Parents's share capital is represented by 213,064,899 ordinary shares of Euros 0.50 par value each, which are subscribed and fully paid and have the same voting and profit-sharing rights.

These shares are freely transferable.

The Parent only has information on the identity of its shareholders when this information is provided voluntarily or to comply with prevailing legislation. Based on the information available to the Company, its most significant shareholders at 30 September 2010 and 31 December 2009 are as follows:

	Percentage ownership	
	30/09/10	31/12/09
Scranton Enterprises,B.V.	7.58%	10.65%
Capital Research and Management Company	10.02%	-
Other	82.40%	89.35%
	100.00%	100.00%

There have been no movements in share capital during the nine-month periods ended 30 September 2010 and 2009.

(b) Share premium

There have been no movements in share premium during the nine-month periods ended 30 September 2010 and 2009.

(c) Accumulated earnings

The drawdown of accumulated earnings is subject to legislation applicable to each of the Group companies. At 30 September 2010, Euros 29,277 thousand equivalent to the carrying amount of development costs pending amortisation of certain Spanish companies (Euros 25,987 thousand at 31 December 2009) (see note 8) are, in accordance with applicable legislation, restricted reserves which cannot be distributed until these development costs have been amortised.

(d) Other reserves

At 30 September 2010 and 31 December 2009 other reserves include the IFRS first-time application revaluation reserves and legal reserve of certain Group companies.

Legal reserve

Companies in Spain are obliged to transfer 10% of each year's profits to a legal reserve until this reserve reaches an amount equal to 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses if no other reserves are available. Under certain conditions it may be used to increase share capital provided that the balance left on the reserve is at least equal to 10% of the nominal value of the total share capital after the increase.

At 30 September 2010 the legal reserve of the Parent has been fully appropriated and amounts to Euros 21,306 thousand (Euros 18,657 thousand at 31 December 2009).

Distribution of the legal reserves of Spanish companies is subject to the same restrictions as those of the Parent and at 30 September 2010 and 31 December 2009 the balance of the legal reserve of other Spanish companies amounts to Euros 2,106 thousand.

Other foreign Group companies have a legal reserve amounting to Euros 691 thousand (Euros 654 thousand at 31 December 2009).

(e) Own shares

The Parent has carried out the following operations with own shares:

	No. of shares	Thousands of Euros
Balance at 1 January 2009	2,411,622	33,087
Acquisitions	2,078,793	24,085
Disposals	(12,942)	(167)
Balance at 30 September 2009 (unaudited)	4,477,473	57,005
Acquisitions	98,136	1,101
Disposals	(4,522,283)	(57,429)
Balance at 1 January 2010	53,326	677
Acquisitions	105,000	1,250
Balance at 30 September 2010	158,326	1,927

The Parent holds own shares equivalent to 0.07% of its capital at 30 September 2010 (0.03% at 31 December 2009).

(f) Distribution of profits

The profits of Grifols, S.A. and subsidiaries will be distributed as agreed by respective shareholders at their general meetings.

The distribution of the profit for the year ended 31 December 2009 is presented in the consolidated statement of changes in equity.

The dividend per share distributed at 30 June 2009 is as follows:

	30/06/2009		
	Thousands of Euros		
	% of par value	Euro per share	Amount
Ordinary shares	46	0.23	48,691
Total dividends paid in June 2009	46	0.23	48,691
Dividends with a charge to profits	46	0.23	48,691
Total dividends paid in June 2009	46	0.23	48,691

The dividend per share (interim dividend) distributed in December 2009 is as follows:

	31/12/2009		
	Thousands of Euros		
	% of par value	Euro per share	Amount
Ordinary shares	30	0.15	31,960
Total dividends paid in December 2009	30	0.15	31,960
Interim dividends	30	0.15	31,960
Total dividends paid in December 2009	30	0.15	31,960

The dividend per share distributed in July 2010 is as follows:

	30/09/2010		
	Thousands of Euros		
	% of par value	Euro per share	Amount
Ordinary shares	26	0.13	27,229
Total dividends paid in July 2010	26	0.13	27,229

(g) Cash flow hedges

To cover the interest rate risk related to the issue of corporate bonds to be made by Grifols, Inc. a swap was contracted in July 2009 to hedge the interest rate of 10-year US government bonds, with a nominal amount of US Dollars 200 million and maturity on 21 September 2009, swapping a variable interest rate for a fixed one. The Group has recognised this derivative as hedging of cash flows from a highly probably transaction. At the date of redemption, the valuation resulted in a finance cost of Euros 3,275 thousand, which has been recognised in equity, net of the tax effect under "Cash flow hedges" and deferred over the term of the ten-year corporate bond (see notes 22 and 32).

(18) Earnings per Share

The calculation of basic earnings per share is based on the profit for the period attributable to the shareholders of the Parent divided by the weighted average number of ordinary shares in circulation throughout the year, excluding own shares.

Details of the calculation of basic earnings per share are as follows:

	30/09/2010	30/09/2009
		(unaudited)
Profit for the year attributable to equity holders of the Parent (thousands of Euros)	97,021	117,055
Weighted average number of ordinary shares in circulation	212,910,016	209,571,050
Basic earnings per share (Euros per share)	0.46	0.56

The weighted average number of ordinary shares issued is determined as follows:

	Number of shares	
	30/09/2010	30/09/2009
		(unaudited)
Issued ordinary shares at 1 January	213,011,573	210,653,277
Effect of own shares	(101,557)	(1,082,227)
Average weighted number of ordinary shares issued at 30 September	212,910,016	209,571,050

Diluted earnings per share are calculated by dividing profit attributable to shareholders of the Parent by the weighted average number of ordinary shares in circulation considering the diluting effects of potential ordinary shares. At 30 September 2010 and 2009 basic and diluted earnings per share are the same as no potential diluting effects exist.

(19) Minority Interests

Details of minority interests and movement during the period ended 30 September 2009 are as follows:

	Thousands of Euros					
	Balances at 31/12/08	Additions	Business combination	Disposals	Translation differences	Balances at 30/09/09
						(unaudited)
Grifols (Thailand) Pte Ltd	977	172	-	(112)	79	1,116
Grifols Malaysia Sdn Bhd	273	(11)	-	-	(9)	253
Woolloomooloo Holdings Pty Ltd.	-	(141)	9,876	-	2,072	11,807
	1,250	20	9,876	(112)	2,142	13,176

(note 3.1)

Details of minority interests and movement during the period ended 30 September 2010 are as follows:

	Thousands of Euros				
	Balances at 31/12/09	Additions	Disposals	Translation differences	Balances at 30/09/2010
Grifols (Thailand) Pte Ltd	1,203	260	(108)	203	1,558
Grifols Malaysia Sdn Bhd	303	200	-	62	565
Woolloomooloo Holdings Pty Ltd.	10,651	(1,695)	(111)	1,335	10,180
	12,157	(1,235)	(219)	1,600	12,303

(20) Grants

Details are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Capital grants	1,835	2,025
Interest-rate grants (preference loans)	283	286
Grants	2,118	2,311

Details of capital grants are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Total amount of capital grant:		
Prior to 1995	330	330
1995	627	627
1996	54	54
1997	426	426
1998	65	65
1999	42	42
2000	181	181
2001	214	214
2002	626	626
2004	1,940	1,940
2005	35	35
2006	35	35
2007	33	33
2008	124	124
2009	742	742
Current period	323	-
	5,797	5,474
Less, revenues recognised:		
Prior years	(3,140)	(2,444)
Nine-month period ended 30 September	(585)	(657)
Fourth quarter	-	(39)
	(3,725)	(3,140)
Translation differences	(237)	(309)
Net value of capital grants	1,835	2,025

At 30 September 2010 interest-rate grants (preference loans) include Euros 283 thousand (Euros 286 thousand at 31 December 2009) of implicit interest on loans extended by the Spanish Ministry of Science and Technology as these are interest free.

Movement during the nine-month period ended 30 September 2009 is as follows:

	Balances at 31/12/08	Additions	Transfers to profit or loss	Balances at 30/09/09
				(unaudited)
Interest-rate grants (preference loans)	338	455	(474)	319

Movement during the nine-month period ended 30 September 2010 is as follows:

	Balances at 31/12/09	Additions	Transfers to profit or loss	Balances at 30/09/10
Interest-rate grants (preference loans)	286	80	(83)	283

(21) Provisions

Details of provisions at 30 September 2010 and 31 December 2009 are as follows:

	Thousands of Euros	
Non-current provisions (a)	30/09/10	31/12/09
Provisions for pensions and similar obligations	638	595
Other provisions	667	637
Non-current provisions	1,305	1,232

	Thousands of Euros	
Current provisions (b)	30/09/10	31/12/09
Trade provisions	4,419	4,702
Current provisions	4,419	4,702

(a) Non-current provisions

At 30 September 2010 and 31 December 2009 provisions for pensions and similar obligations mainly comprise a provision made by certain foreign subsidiaries in respect of labour commitments with certain employees.

Movement in provisions during the nine-month period ended 30 September 2009 is as follows:

	Thousands of Euros					
	Balances at 31/12/08	Inclusion in consolidation process	Reversal	Cancellation	Translation differences	Balances at 30/09/09 (unaudited)
Non-current provisions	3,045	77	(928)	(518)	70	1,746

Movement in provisions during the nine-month period ended 30 September 2010 is as follows:

	Thousands of Euros				
	Balances at 31/12/09	Charge	Cancellation	Translation differences	Balances at 30/09/10
Non-current provisions	1,232	111	(52)	14	1,305

(b) Current provisions

Movement in trade provisions during the nine-month period ended 30 September 2009 is as follows:

	Thousands of Euros				
	Balances at 31/12/08	Charge	Cancellation	Translation differences	Balances at 30/09/09 (unaudited)
Trade provisions	3,830	655	(72)	-	4,413

Movement in trade provisions during the nine-month period ended 30 September 2010 is as follows:

	Thousands of Euros				
	Balances at 31/12/09	Charge	Cancellation	Translation differences	Balances at 30/09/10
Trade provisions	4,702	24	(326)	19	4,419

(22) Financial liabilities

This note provides information on the contractual conditions of the loans obtained by the Group, which are measured at amortised cost, except the financial derivative, which is measured at fair value. For further information on exposure to interest rate risk, currency risk and liquidity risk and the fair values of financial liabilities, please refer to note 32.

(a) Non-current financial liabilities

Details at 30 September 2010 and 31 December 2009 are as follows:

	Thousands of Euros	
Non-current financial liabilities	**30/09/10**	**31/12/09**
Issue of corporate bonds (a.1.1)	432,639	410,552
Bonds	432,639	410,552
Club Deal (a.1.2)	132,605	195,471
Other loans (a.1.2)	123,831	90,961
Finance lease liabilities (a.1.3)	4,655	6,202
Loans and borrowings	261,091	292,634
Loans and borrowings and bonds or other non-current marketable securities (a.1)	693,730	703,186
Preference loans extended by the Spanish Ministry of Science and Technology (a.2)	10,612	11,135
Debt on the acquisition of the plasma centre (a.2)	672	1,050
Other	287	367
Other non-current financial liabilities (a.2)	11,571	12,552
	705,301	**715,738**

Non-current loans and borrowings, net of loan arrangement expenses, are as follows:

	Thousands of Euros	
Loan arrangement expenses	**30/09/10**	**31/12/09**
Club Deal	728	1,195
Other	839	910
	1,567	**2,105**

(a.1) Loans and borrowings and bonds or other non-current marketable securities

(a.1.1) Bonds

On 21 September 2009 the Group, through Grifols Inc., issued corporate bonds in the USA totalling US Dollars 600 million. The issue was subscribed by 22 qualified investors, 90% in US Dollars and the remaining 10% in Pounds Sterling and Euros. The issue was structured in three tranches: US Dollars 200 million at 12 years, US Dollars 300 million at 10 years and US Dollars 100 million at 7 years, with spreads over the price of the US bond at 10 years of 370 basis points for 12 year bonds, 350 basis points for those issued at 10 years and 335 basis points for 7 year bonds.

A summary of corporate bonds at 30 September 2010 is as follows:

Amount		Duration (years)	Fixed interest rate
100,000	Thousands of USD	7	6.42%
245,000	Thousands of USD	10	6.94%
200,000	Thousands of USD	12	7.14%
10,000	Thousands of EUR	10	6.57%
25,000	Thousands of GBP	10	6.94%

Funds raised will enable the Group to extend the term of the debt from current to non-current, at the same time ensuring the availability of financial resources required to consolidate its plans for the future. Funds raised have therefore been used to settle current and non-current liabilities and the remaining amount has been used in current investments classified under “Cash and cash equivalents” for an equivalent amount of Euros 225,444 thousand at 30 September 2010 (Euros 237,777 thousand at 31 December 2009). This amount has been invested mainly in US Dollar deposits with financial institutions of recognised solvency.

With the issue of the bonds, an interest rate hedge was contracted for the interest on the 10-year loan from the US government (see notes 17 (g) and 32).

This issue of corporate bonds is subject to compliance with certain financial ratio covenants. At 30 September 2010 and 31 December 2009 the Group complies with these financial ratio covenants.

Details of and movement in the issue of corporate bonds are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Opening balance		
Issue of corporate bonds in the USA	416,465	409,411
Transaction costs	(5,913)	(5,967)
	410,552	403,444
Movements		
Transferred to profit and loss	497	150
Corporate bonds issued in the USA, exchange differences	(1,010)	338
Currency translation differences	22,600	6,620
Closing balance		
Corporate bonds issued in the USA	438,395	416,465
Transaction costs	(5,756)	(5,913)
	432,639	**410,552**

(a.1.2) Other non-current loans and borrowings

Details of the terms and conditions of non-current loans and borrowings at 30 September 2010 and 31 December 2009 are included in Appendix IV, which forms an integral part of this note to the consolidated interim financial statements.

At 26 May 2008 a Club Deal refinancing agreement was signed with 24 financial entities for Euros 350 million (including the option to draw down a tranche of the loan in US Dollars), in order to refinance the non-current syndicated loan existing at 31 December 2007. This loan provides the Group with a significant margin for leverage to carry out planned investment programmes.

This syndicated loan, which matures on 26 May 2013, is subject to compliance with certain financial ratio covenants. In accordance with the agreed-upon conditions, the level of compliance with financial ratios and levels is determined at year end. The Company is required to provide financial information to the lending banks within the six-month period subsequent to 31 December of each year of duration of the contract.

In 2009 the 24 financial entities and the Company unanimously agreed to the novation of the syndicated loan. The net financial debt/equity ratio was replaced by the minimum equity ratio. This replacement unifies all syndicated loan ratios with the bond issue carried out by the Group in the USA and reflects the true value of the Group.

At 30 September 2010 and 31 December 2009 the Group fulfils the ratios established in the syndicated loan contract.

(a.1.3) Finance lease liabilities

Details of minimum payments and the current finance lease liabilities, by maturity date, are as follows:

	Thousands of Euros			
	30/09/10		**31/12/09**	
	Current	Non-current	Current	Non-current
Minimum payments	3,667	4,990	5,088	6,675
Interest	(247)	(335)	(354)	(473)
Present value	3,420	4,655	4,734	6,202

	Thousands of Euros					
	30/09/10			**31/12/09**		
	Minimum payments	Interest	Present value	Minimum payments	Interest	Present value
Maturity at:						
Less than one year	3,667	247	3,420	5,088	354	4,734
Two years	2,483	141	2,342	3,364	200	3,164
Three years	1,108	87	1,021	1,382	114	1,268
Four years	699	51	648	831	72	759
Five years	320	25	295	577	41	536
More than five years	380	31	349	521	46	475
Total	8,657	582	8,075	11,763	827	10,936

(a.1.4) Maturity of non-current loans and borrowings and bonds

Details of maturity of non-current loans and borrowings and bonds at 30 September 2010 and 31 December 2009 are as follows:

	Thousands of Euros	
	30/09/10	**31/12/09**
Maturity at:		
Two years	84,631	81,388
Three years	83,439	79,696
Four years	16,335	75,905
Five years	16,014	12,506
More than five years	493,311	453,691
	693,730	703,186

(a.2) Other non-current financial liabilities

Details of the interest-free preference loans extended by the Spanish Ministry of Science and Technology, to various group companies are as follows:

		Thousands of Euros				
			30/09/10		31/12/09	
Company	Date awarded	Amount awarded	Non-current	Current	Non-current	Current
Instituto Grifols S.A	31/01/2001	637	-	90	-	86
Instituto Grifols S.A	13/02/2002	691	93	98	89	94
Instituto Grifols S.A	17/01/2003	1,200	318	171	307	165
Instituto Grifols S.A	13/11/2003	2,000	514	276	762	279
Instituto Grifols S.A	17/01/2005	2,680	1,019	371	1,345	375
Instituto Grifols S.A	29/12/2005	2,100	1,298	298	1,253	288
Instituto Grifols S.A	29/12/2006	1,700	1,003	231	1,190	234
Instituto Grifols S.A	27/12/2007	1,700	1,378	-	1,324	-
Instituto Grifols S.A	31/12/2008	1,419	1,163	-	1,131	-
Instituto Grifols S.A	16/01/2009	1,540	1,282	-	1,249	-
Laboratorios Grifols, S.A	20/03/2001	219	-	31	-	30
Laboratorios Grifols, S.A	29/01/2002	210	28	30	27	29
Laboratorios Grifols, S.A	15/01/2003	220	58	31	56	30
Laboratorios Grifols, S.A	26/09/2003	300	75	40	111	41
Laboratorios Grifols, S.A	22/10/2004	200	76	28	100	28
Laboratorios Grifols, S.A	20/12/2005	180	111	26	107	25
Laboratorios Grifols, S.A	29/12/2006	400	230	53	273	54
Laboratorios Grifols, S.A	27/12/2007	360	251	-	242	-
Laboratorios Grifols, S.A	31/12/2008	600	492	-	478	-
Diagnostic Grifols, S.A	27/11/2008	857	417	130	468	129
Diagnostic Grifols, S.A.	25/05/2010	203	130	31	-	-
Grifols Engineering, S.A.	21/04/2009	524	424	34	447	-
Grifols Engineering, S.A.	21/04/2009	203	164	13	176	-
Grifols Engineering, S.A.	28/01/2010	100	88	-	-	-
		20,243	10,612	1,982	11,135	1,887

During the nine-month period ended 30 September 2010 the implicit borrowing costs taken to profit and loss amount to Euros 432 thousand (Euros 465 thousand during the nine-month period ended 30 September 2009) (see note 28).

At 30 September 2010 this caption also includes Euros 709 thousand (Euros 1,333 thousand at 31 December 2009) comprising the Euros equivalent of the debt in US Dollars payable in the long term to Amerihealth Plasma, LLC for the plasma centre acquired in the USA. Deferred finance expenses resulting from this transaction amount to Euros 37 thousand (Euros 83 thousand at 31 December 2009) and were deducted from the aforementioned amount. Other current financial liabilities include the current portion of this short term debt and amount to Euros 609 thousand (Euros 442 thousand at 31 December 2009).

Details of the maturity of other non-current financial liabilities are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Maturity at:		
Two years	2,861	2,632
Three years	2,365	2,883
Four years	2,014	2,026
Five years	1,348	1,867
More than five years	2,983	3,144
	11,571	12,552

(b) Current financial liabilities

Details at 30 September 2010 and 31 December 2009 are as follows:

Current financial liabilities	Thousands of Euros 30/09/10	Thousands of Euros 31/12/09
Bearer promissory notes issued (b.1.1)	8,125	6,407
Interest of issue corporate bonds in the USA (b.1.1)	14,692	6,716
Bonds	22,817	13,123
Club Deal (b.1.2)	66,306	33,014
Other loans (b.1.2)	95,083	63,120
Finance lease liabilities (b.1.2)	3,420	4,734
Loans and borrowings	164,809	100,868
Loans and borrowings and bonds and other marketable securities (b.1)	187,626	113,991
Financial derivatives (nota 32)	7,279	3,333
Preference loans extended by the Spanish Ministry of Science and Technology (a.2)	1,982	1,887
Receivables from social security affiliated bodies transferred to a financial institution (b.2)	6,178	5,459
Debt on the acquisition of the plasma centre (a.2)	609	442
Debt with Novartis (b.2)	-	779
Guarantee deposits received	131	59
Other current financial payables	170	271
Other current financial liabilities (b.2)	16,349	12,230
	203,975	126,221

Current loans and borrowings, net of loan arrangement expenses and interest, are as follows:

Loan arrangement expenses	Thousands of Euros 30/09/10	Thousands of Euros 31/12/09
Club Deal	467	656
Other	386	169
	853	825

(b.1) Loans and borrowings and bonds or other current marketable securities

(b.1.1) Bonds

Details at 30 September 2010 and 31 December 2009 are as follows:

	Thousands of Euros	
	30/09/10	**31/12/09**
Promissory notes issued to bearer	8,364	6,510
Interest pending accrual on promissory notes issued to bearer	(239)	(103)
Interest accrued on corporate bonds	14,692	6,716
	22,817	13,123

Details of the issue of bearer promissory notes to group employees are as follows:

31/12/09

Issue date	Maturity date	Nominal amount	Interest rate	Promissory notes subscribed (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
05/05/09	05/05/10	3,000	4.75%	6,510	(103)

30/09/10

Issue date	Maturity date	Nominal amount	Interest rate	Promissory notes subscribed (Thousands of Euros)	Interest pending accrual (Thousands of Euros)
05/05/10	05/05/11	3,000	5.00%	8,364	(239)

(b.1.2) Other current loans and borrowings

Details of current loans and borrowings are as follows:

	Interest rate (*) Min - max	Thousands of Euros Drawn down 30/09/10	Thousands of Euros Drawn down 31/12/09
Loans in:			
US Dollars	1.35-1.88%	4,145	3,010
Euros	1.02-4.723%	133,261	73,664
Other currencies	TIIE+3%-15%	22,634	18,449
		160,040	95,123
Discounted trade notes (note 13)	1.25-4.69%	1,617	1,298
Current interest on loans and borrowings		585	538
Finance lease payables		3,667	5,088
		165,909	102,047
Less, current portion of deferred finance expenses for leasing		(247)	(354)
Less, current portion of loan arrangement expenses		(853)	(825)
		164,809	100,868

(*) Loans accrue variable interest rates.

At 30 September 2010 the Group has a drawable borrowing limit of Euros 731,965 thousand (Euros 703,231 thousand at 31 December 2009).

(b.2) Other current financial liabilities

At 30 September 2010 and 31 December 2009 other current financial liabilities also include approximately Euros 6,178 thousand and Euros 5,459 thousand, respectively, which have been collected directly from social security affiliated bodies and transferred to Deutsche Bank, S.A.E (see note 13).

At 31 December 2009 this caption included an outstanding receivable of Euros 779 thousand from Novartis Vaccines and Diagnostics, Inc. for the licence contract signed by a Group company during 2006. At 30 September 2010 this debt has been fully repaid.

(23) Trade and other payables

Details are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Suppliers and trade payables	115,258	120,887
Other	40	22
Suppliers	115,298	120,909
Public entities, other payables	11,456	17,832
Other trade payables	11,456	17,832
Current income tax liabilities	25,517	3,258
	152,271	141,999

Suppliers

Details of balances with related parties are shown in note 33.

Balances with suppliers include the following payables in foreign currencies:

	Thousands of Euros	
	30/09/10	**31/12/09**
Currency		
US Dollar	34,789	31,377
Pound Sterling	244	266
Japanese Yen	3	162
Czech Crown	751	380
Chilean Peso	611	894
Brazilian Real	646	621
Swiss Franc	1,026	686
Other currencies	739	1,254

The Group's exposure to currency risk and liquidity risk associated with trade and other payables is described in note 32.

Public entities, other payables

Details are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Taxation authorities, VAT/Canary Islands Tax	4,499	3,292
Taxation authorities, withholdings	1,937	8,184
Social Security	3,094	3,027
Other public entities	1,926	3,329
Public entities, other payables	11,456	17,832

At 30 September 2010 other public entities include a Euros 1,513 thousand provision (Euros 2,781 thousand at 31 December 2009) recognised as a result of different interpretation of certain tax situations which could be made from the current tax inspection (see note 29 (c)).

Current tax liabilities

Details are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Taxation authorities, income tax:		
Current year	25,118	3,185
Prior years	399	73
Current tax liabilities	25,517	3,258

(24) Other Current Liabilities

Details at 31 December are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Salaries payable	30,646	24,367
Other payables	3,260	1,754
Other current liabilities	33,906	26,121

(25) Revenues

Revenues are mainly generated by the sale of goods.

The distribution of net consolidated revenues for the nine-month periods ended 30 September 2010 and 2009 by segment is as follows:

	%	
	30/09/10	30/09/09
		(unaudited)
Bioscience	78%	76%
Diagnostics	11%	11%
Hospital	9%	9%
Raw materials	1%	3%
Others	1%	1%
	100 %	100 %

The geographical distribution of net consolidated revenues is as follows:

	%	
	30/09/10	30/09/09
		(unaudited)
Spain	23%	24%
European Union	21%	22%
United States	34%	34%
Rest of the world	22%	20%
	100%	100%

Net consolidated revenues include net sales made in the following foreign currencies:

	Thousands of Euros	
	30/09/10	**30/09/09**
Currency		(unaudited)
US Dollar	308,611	273,266
Pound Sterling	26,996	24,928
Mexican Peso	20,032	20,544
Chilean Peso	21,039	15,098
Czech Crown	10,015	9,212
Brazilian Real	15,823	16,084
Thai Baht	5,568	4,801
Argentinean Peso	9,779	8,562
Singapore Dollar	2,525	3,200
Malaysian Ringgit	2,674	2,147
Polish Zloty	9,406	11,674
Australian Dollar	5,609	4,295
Swiss Franc	2,720	2,786
New Zealand Dollar	320	675
Swedish Crown	36	-

(26) Personnel expenses

Details are as follows:

	Thousands of Euros	
	30/09/10	30/09/09
		(unaudited)
Wages and salaries	171,988	162,188
Contributions to pension plans (note 31)	1,196	1,041
Other social charges	5,415	5,614
Social Security	35,281	33,191
	213,880	202,034

The average headcount during the nine-month period ended 30 September 2010 and for the year ended 31 December 2009, by department, was approximately as follows:

	Average headcount	
	30/09/10	31/12/09
Production	4,422	4,586
Research & development – technical area	268	264
Administration and others	470	453
General management	97	95
Marketing	103	98
Sales and distribution	576	488
	5,936	5,984

The headcount of the Group and the Company's Board of directors at 31 December 2009, by gender, was as follows:

	Number at 31/12/09		
	Male	Female	Total number of employees
Directors	8	1	9
Production	2,098	2,403	4,501
Research & development – technical area	111	157	268
Administration and others	234	234	468
General management	49	49	98
Marketing	50	52	102
Sales and distribution	291	197	488
	2,841	3,093	5,934

The headcount of the Group and the Company's Board of directors at 30 September 2010, by gender, is as follows:

	Number at 30/09/10		
	Male	Female	Total number of employees
Directors	8	1	9
Production	2,105	2,475	4,580
Research & development – technical area	110	160	270
Administration and others	244	232	476
General management	52	46	98
Marketing	52	56	108
Sales and distribution	348	248	596
	2,919	3,218	6,137

(27) Other Operating Income and Expenses

Other operating expenses

Details are as follows:

	Thousands of Euros	
	30/09/10	30/09/09 (unaudited)
Changes in trade provisions (notes 21(b) and 32)	628	1,052
Professional services (note 15)	27,015	18,266
Commission	5,993	5,874
Supplies and other materials	22,787	21,759
Operating leases (note 30 a)	14,323	14,037
Freight	15,547	15,555
Repairs and maintenance costs	16,308	15,705
Advertising	10,897	11,376
Insurance	8,278	8,056
Royalties and service charges	(530)	2,966
Travel expenses	9,296	9,035
External services	11,657	12,367
Others	15,853	14,175
Other operating expenses	158,052	150,223

Research and development expenses incurred by Grifols amount to Euros 25.6 million during the nine-month period ended 30 September 2010 (Euros 26.3 million during the nine-month period ended 30 September 2009).

Other operating income

Details are as follows:

	Thousands of Euros	
	30/09/10	30/09/09 (unaudited)
Income from insurance claims	629	668
Grants	173	250
Other income	144	196
Other operating income	946	1,114

(28) Finance Income and Expense

Details are as follows:

	Thousands of Euros	
	30/09/10	30/09/09 (unaudited)
Interest from Social Security	1,508	5,058
Other finance income	1,097	163
Finance income	2,605	5,221
Club Deal (other finance expenses)	(882)	(544)
Club Deal (interest)	(2,521)	(5,206)
Finance expenses from sale of receivables (note 13)	(4,210)	(963)
Finance expenses from corporate bonds issued in the USA (note 22)	(24,038)	-
Implicit interest on preference loans (note 22 (a.2))	(432)	(465)
Capitalised interest	1,855	867
Other finance expenses	(6,620)	(8,661)
Finance expenses	(36,848)	(14,972)
Change in fair value of financial derivatives (note 32)	(6,368)	(1,537)
Exchange differences	897	(2,229)
Finance income and expense	(39,714)	(13,517)

During the nine-month period ended 30 September 2010 the Group has capitalised interest at a rate of between 2.7% and 7.1% based on the financing received (between 3% and 4% during 2009) (see note 4 (f)).

(29) Income Tax

Companies present annual income tax returns. The standard rate of tax is 30% for Spanish companies, which may be reduced by certain credits.

Grifols, S.A. is authorised to present a consolidated tax return with Diagnostic Grifols, S.A., Movaco, S.A., Laboratorios Grifols, S.A., Instituto Grifols, S.A., Logister, S.A., Biomat, S.A., Grifols Viajes, S.A., Grifols International, S.A., Grifols Engineering, S.A., Arrahona Optimus, S.L. and Gri-Cel, S.A. Grifols, S.A., in its capacity as Parent, is responsible for the presentation and payment of the consolidated tax return.

The North American company Grifols, Inc. is also authorised to present consolidated tax returns in the USA with Grifols Biologicals Inc., Grifols USA, LLC., Biomat USA, Inc. and Plasmacare, Inc.

a) Reconciliation of accounting and taxable income

Details of the income tax expense are as follows:

	Thousands of Euros	
	30/09/10	30/09/09 (unaudited)
Profit for the year before income tax	**128,586**	**164,436**
Tax at 30%	38,576	49,331
Permanent differences	974	748
Effect of different tax rates	2,681	4,076
Deductions for research and development	(6,746)	(4,913)
Other deductions	(2,676)	(2,703)
Expense for income tax in prior years	(49)	338
Other income tax expenses/(income)	40	484
Total income tax expense	32,800	47,361
Deferred tax liabilities	7,001	6,693
Current income tax	25,799	40,668
Total	32,800	47,361

b) Deferred tax assets and liabilities

Details of deferred tax assets and liabilities are as follows:

	Thousands of Euros	
	Tax effect	
	30/09/10	31/12/09
Assets		
Rights to tax deductions	5,104	5,992
Tax loss carryforwards	51	88
Fixed assets, amortisation and depreciation	686	728
Unrealised margins on inventories	18,806	19,814
Provision for bad debts	541	444
Inventories	218	225
Cash flow hedges	1,148	1,247
Other provisions	3,872	2,439
Others	2,917	2,418
	33,343	33,395
Liabilities		
Goodwill	17,257	15,186
Revaluations of assets	15,148	15,011
Fixed assets, amortisation and depreciation	29,336	23,873
Finance leases	3,412	3,634
Provision for investments	873	873
Others	2,455	1,748
	68,481	60,325

Movement in deferred tax assets and liabilities is as follows:

Deferred tax assets	Thousands of Euros 2010	2009 (unaudited)
Balance at 1 January	33,395	34,296
Movements during the year	(455)	(3,124)
Business combinations (note 3)	-	500
Currency translation differences	403	(186)
Balance at 30 September	33,343	31,486

Deferred tax liabilities	Thousands of Euros 2010	2009 (unaudited)
Balance at 1 January	60,325	51,969
Movements during the year	6,546	3,569
Business combinations (note 3)	-	1,761
Currency translation differences	1,610	(1,426)
Balance at 30 September	68,481	55,873

As permitted by Royal Decree – Law 3/1993 governing urgent tax and financial measures and Royal Decrees – Law 7/1994 and Law 2/1995 governing accelerated depreciation of property, plant and equipment for investments which generate employment, the Spanish companies have opted to apply accelerated depreciation to certain additions to property, plant and equipment, which has resulted in the corresponding deferred tax liability.

Details of deferred tax assets and liabilities on items directly debited and credited to equity during the year are as follows:

	Thousands of Euros Tax effect 30/09/10	31/12/09
Available-for-sale financial assets	-	(69)
Cash flow hedges (note 17 (g))	1,148	1,247
	1,148	1,178

The remaining assets and liabilities recognised during the nine-month period ended 30 September 2010 were recognised on the income statement.

No other significant temporary differences which have generated deferred tax liabilities have arisen from investments in subsidiaries or associates.

The Spanish consolidated companies have deductions pending application at 30 September 2010 mainly in respect of research and development, which are detailed below:

Year of origin	Thousands of Euros	Applicable through
Nine months period ended 30 September 2010	5,104	2025

At 30 September 2010 the Group recognised a tax credit of Euros 5,104 thousand (Euros 5,992 thousand at 31 December 2009) from the deductions pending application, as its future recovery was reasonably assured.

At 30 September 2010 the Group has future tax deductions of Euros 24,215 thousand (Euros 25,806 thousand at 31 December 2009) pending application as a result of goodwill generated on the acquisition of Biomat USA, Inc. This amount will be deducted annually from the taxable profits until 2022, without being limited by the amount of tax payable in any one year. The amount that has been deducted during the nine-month period ended 30 September 2010 at the rate of 30% has been Euros 1,591 thousand. The Group has recognised a deferred tax liability of Euros 14,318 thousand for the deductions applied for this item at 30 September 2010 (Euros 12,727 thousand at 31 December 2009).

At 30 September 2010 the Group has future tax deductions of Euros 9,887 thousand (Euros 10,368 thousand at 31 December 2009) pending application as a result of goodwill generated on the acquisition of Plasmacare, Inc. This amount will be deducted annually from the taxable profits until 2026, without being limited by the amount of tax payable in any one year. The amount deducted during the nine-month period ended 30 September 2010 at the rate of 30% has been Euros 480 thousand. The Group has recognised a deferred tax liability of Euros 2,939 thousand for the deductions applied for this item at 30 September 2010 (Euros 2,459 thousand at 31 December 2009).

At 30 September 2010 the Group has recognised loss carryforwards of Euros 51 thousand (Euros 88 thousand at 31 December 2009) corresponding to the North American company Biomat USA, LLC.

The Group has not recognised the tax effect of loss carryforwards of Euros 1,329 thousand (Euros 1,117 thousand at 31 December 2009) from Grifols Portugal as deferred tax assets. The remaining companies do not have significant loss carryforwards which have not been recognised.

c) Years open to inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the taxation authorities or before the prescribed inspection period has elapsed.

- On 30 June 2010, in relation to the inspection underway on Grifols, S.A., Instituto Grifols, S.A., Laboratorios Grifols, S.A. and Movaco, S.A., the Group has received assessments in conformity for income tax, value added tax and personal income tax and withholding tax on investment income. The total amount settled amounts to Euros 586 thousand and the income tax expense amounts to Euros 1,257 thousand.

- Grifols Italia, S.p.A.: Income tax, VAT and withholdings for 2006. Group management does not expect any significant liabilities to arise as a result of this inspection.

- Logística Grifols, S.A. de CV: Tax ruling on the financial statements, taxes, audit work papers, foreign trade and banking operations for 2006. Group management does not expect any significant liabilities to arise as a result of this inspection.

- At 30 June 2010 Grifols Inc and subsidiaries received notification of income tax inspection for the years closed at 31 December 2006, 2007 and 2008. Due to, among other reasons, differences in the interpretation of tax legislation and rulings affecting the tax treatment of certain transactions, the Group's directors have set up a provision of Euros 1,513 thousand, which is recognised under "public entities, other" in the balance sheet (see note 23).

(30) Operating Leases

(a) Operating leases (as lessee)

At 30 September 2010 and 31 December 2009 the Group leases buildings from third parties under operating leases.

The Group has warehouses and buildings contracted under operating lease. The duration of these lease contracts ranges from between 1 to 30 years. Contracts may be renewed on termination. Lease instalments are adjusted periodically in accordance with the price index established in each contract. One Group company has entered into lease contracts which include contingent rents. These contingent rents have been based on production capacity, surface area used and the real estate market and are expensed on a straight line basis.

Operating lease instalments of Euros 14,323 thousand have been recognised as an expense for the year at 30 September 2010 (Euros 14,037 thousand for the nine-month period ended 30 September 2009).

Future minimum payments on non-cancellable operating leases at 30 September 2010 and 31 December 2009 are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Maturity:		
Up to 1 year	12,080	10,098
Between 1 and 5 years	38,238	25,943
More than 5 years	6,602	8,084
Total future minimum payments	56,920	44,125

(b) Operating leases (as lessor)

The Group has a building leased to third parties under an operating lease at 30 September 2010 and 31 December 2009. Future minimum payments receivable under non-cancellable operating leases are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Maturity:		
Up to 1 year	79	91
Between 1 and 5 years	25	56
More than 5 years	-	10
Total future minimum payments	104	157

This contract does not include contingent rents or purchase options. Income of Euros 77 thousand has been recognised for the nine-month period ended 30 September 2010 (Euros 68 thousand for the nine-month period ended 30 September 2009).

(31) Other Commitments with Third Parties and Other Contingent Liabilities

(a) Guarantees

The Group has not extended any security or bank guarantees to third parties.

(b) Guarantees to third parties

The Group has no guarantees extended to third parties.

(c) Obligations with personnel

As described in note 4 (q) section (i), Spanish companies of the Group are obliged to contribute to a defined contribution pension plan. Contributions made by the Group amounted to Euros 340 thousand for the nine-month period ended 30 September 2010 (Euros 309 thousand at 30 September 2009).

In successive years this contribution will be defined through labour negotiations.

Some foreign subsidiaries of the Group have made contributions of Euros 856 thousand to complementary pension schemes (Euros 732 thousand at 30 September 2009).

(d) Judicial procedures and arbitration

Details of legal proceedings in which the Company or Group companies are involved are as follows:

Instituto Grifols, S.A.

- Litigation was initiated in February 2000. Proceedings have been brought jointly against the Company and another plasma fractioning company.

  The claimant (an individual) claimed Euros 542 thousand in damages due to having allegedly contracted HIV and Hepatitis C.

  The first instance court in Cadiz fully rejected the claim against Instituto Grifols, S.A. on 25 November 2005.

  An appeal was filed, which was rejected by the Cádiz Provincial Court in April 2007, thereby confirming the company's line of defence. The claimant has filed another appeal before the Supreme Court.

- A claim brought against the Health Board of Castilla y León in February 2005.

  The defendant (an individual) claimed Euros 180 thousand in damages due to having allegedly contracted Hepatitis C. The health authorities requested that this claim be extended to include the Company.

  A court ruling is pending since this company has contested the claim.

- The Company was notified in 2007 of a claim for maximum damages of Euros 12,960 thousand filed by a group of 100 Catalan haemophiliacs against all plasma fractionation companies. During 2008 this claim was rejected. This ruling has been appealed by the group of haemophiliacs and is currently awaiting court decision.

  The Group's legal advisors consider it unlikely that an unfavourable ruling will be given for the Group.

Grifols Biologicals Inc.

- Legal proceedings (consent decree) which were brought against the plasma fractioning centre in Los Angeles.

  The blood plasma fractioning centre in Los Angeles is managed through consent decree which was applied for in January 1998 to the Courts by the FDA and US Department of Justice as a result of an infringement of FDA regulations committed by the former owner of the centre (Alpha Therapeutic Corporation, hereinafter A.T.C.). As a result of this consent decree, the Los Angeles centre is subject to strict FDA audits and may only sell products manufactured in the centre subsequent to prior authorisation.

  The Company cannot guarantee if or when the consent decree will be lifted.

  In March 2004 as a result of improvements to the centre made by the Group, the FDA awarded several free sales certificates for the former ATC products manufactured in this centre.

  Based on the current level of compliance, there are no commercial activities that are prohibited or limited by the consent decree.

No provision has been made for these legal issues as the Group considers that these will not have a probable adverse impact.

(e) Long-term materials supply contract

The long-term supply contract for plasma signed by the Group in 2008 was terminated by the Group on the grounds of failure by the supplier to meet certain contractual terms. The supplier has not accepted the arguments of the Group and both are presently holding negotiations to settle the dispute in arbitration proceedings, the Directors of the Group being of the opinion that the eventual settlement will not involve any significant additional costs.

(f) Agreement for the acquisition of Talecris Biotherapeutics Holdings Corp (Talecris)

On 6 June 2010 the Company entered into an agreement to acquire the American company Talecris Biotherapeutics, which also specialises in the production of plasma-derived biological medication, for a total of US Dollars 3,400 millions.

This agreement will become effective subject to approval by the Defence of Competition authorities.

In the event that this approval is not obtained, the Company will be required to pay US Dollars 375 million as indemnity for the damages caused.

The operation will be performed through a combined offer of cash and Grifols shares without the right to vote on new share issues.

On 6 June 2010 and in relation to this potential acquisition, the Company obtained financing commitments from six financial institutions for a total of US Dollars 4,500 million. This financing would be used to cover the cash payment of the acquisition and to refinance the existing loan.

The offer is made in relation to all Talecris shares and the price offered per share amounts to US Dollars 19 in cash and 0.641 shares in Grifols without the right to vote on new share issues. As a result of the ruling on the claim filed by certain shareholders of Talecris in the State of Delaware against Talecris, Cerberus, Grifols and the Agreement and Plan of Merger, appraisal rights have been granted to those Talecris shareholders who have requested them and Grifols has undertaken to issue 500,000 shares without additional voting rights which will be distributed amongst all of the shareholders of Talecris, except for Talecris Holdings LLC and the directors of Talecris. As a result of this additional share issue, the share exchange equation stands at (a) 0.641 shares without voting rights of Grifols for each Talecris share issued, at the closing date of the transaction, held by Talecris LLC and the directors of Talecris and (b) 0.6485 shares without voting rights of Grifols for each Talecris share issued, at the transaction closing date, held by the remaining shareholders.

It is estimated that Grifols will issue a total of approximately 84 million shares without voting rights, which, once issued, will represent approximately 28% of total Grifols shares. Grifols shares without voting rights are expected to be listed on the NASDAQ Global Market (USA) and the organised stock market (Spain).

(32) Financial Instruments

Classification

Disclosure of financial instruments by nature and category is as follows:

	Thousands of Euros			
	31/12/09			
	Available-for-sale financial assets	Loans and receivables	Financial assets/liabilities held for trading	Debts and payables
Non-current financial assets	501	3,230	-	-
Other current financial assets	-	6,547	-	-
Interest-rate swap	-	-	(3,333)	-
Unquoted futures	-	-	1,670	-
Trade and other receivables	-	239,204	-	-
Bank loans	-	-	-	(382,566)
Other financial liabilities	-	-	-	(21,449)
Bonds and other securities	-	-	-	(423,675)
Finance lease liabilities	-	-	-	(10,936)
Trade and other payables	-	-	-	(120,909)
Other current liabilities	-	-	-	(1,754)
	501	248,981	(1,663)	(961,289)

	30/09/10			
	Available-for-sale financial assets	Loans and receivables	Financial assets/liabilities held for trading	Debts and payables
Non-current financial assets	501	6,919	-	-
Other current financial assets	--	9,315	-	-
Interest-rate swap	--	-	(1,871)	-
Unquoted futures	--	-	(5,408)	-
Trade and other receivables	--	265,117	-	-
Bank loans	--	-	-	(417,825)
Other financial liabilities	--	-	-	(20,641)
Bonds and other securities	--	-	-	(455,456)
Finance lease liabilities	--	-	-	(8,075)
Trade and other payables	--	-	-	(115,298)
Other current liabilities	--	-	-	(3,260)
	501	281,351	(7,279)	(1,020,555)

Net losses and gains by financial instrument category

Details of net losses and gains on financial assets and financial liabilities during the nine-month periods ended 30 September 2010 and 2009 are as follows:

Financial assets

	Thousands of Euros			
	Nine-month period ended 30/09/09			
	Assets at fair value through profit or loss	**Loans and receivables**	**Available for sale**	**Total**
		(unaudited)		
Finance income at amortised cost	-	5,221	-	5,221
Change in fair value	274	-	-	274
Net gains/(losses) in profit and loss	274	5,221	-	5,495
Change in fair value	-	-	(13)	(13)
Net gains/(losses) in equity	-	-	(13)	(13)
Total	274	5,221	(13)	5,482

	Thousands of Euros			
	Nine-month period ended 30/09/10			
	Assets at fair value through profit or loss	**Loans and receivables**	**Hedging derivatives**	**Total**
Finance income at amortised cost	-	2,605	-	2,605
Change in fair value	1,482	-	-	1,482
Net gains/(losses) in profit and loss	1,482	2,605	-	4,087
Change in fair value	-	-	148	148
Net gains/(losses) in equity	-	-	148	148
Total	1,482	2,605	148	4,235

Financial liabilities

	Thousands of Euros		
	Nine-month period ended 30/09/09		
	Liabilities at fair value through profit or loss	**Debts and payables**	**Total**
		(unaudited)	
Finance expenses at amortised cost	-	(14,972)	(14,972)
Change in fair value	(1,811)	-	(1,811)
Net gains/(losses) in profit and loss	(1,811)	(14,972)	(16,783)
Total	(1,811)	(14,972)	(16,783)

	Thousands of Euros		
	Nine-month period ended 30/09/10		
	Liabilities at fair value through profit or loss	**Debts and payables**	**Total**
Finance expenses at amortised cost	-	(36,848)	(36,848)
Change in fair value	(7,850)	-	(7,850)
Net gains/(losses) in profit and loss	(7,850)	(36,848)	(44,698)
Total	(7,850)	(36,848)	(44,698)

Fair value

The fair value of corporate bonds amounts to Euros 490 million at 30 September 2010. The valuation has been made based on observable market data.

The fair value of financial assets and the remaining financial liabilities does not differ significantly from their carrying amount.

The interest rate swap, unquoted futures contract and hedging derivative are measured at fair value using observable market data.

Financial Derivatives

a) Derivative financial instruments at fair value through profit or loss

Derivative financial instruments that do not meet the hedge accounting requirements are classified and measured as financial assets or financial liabilities at fair value through profit and loss.

The Group recognised the following swaps at 31 December 2009:

Financial derivatives	Thousands of Euros		Maturity
	Nominal amount	**Value at 31/12/09**	
Interest rate swap	50,000	(3,333)	26/07/2013
	50,000	(3,333)	
		(note 22)	
Unquoted future	23,221	1,189	30/12/2010
Unquoted future	26,370	481	30/12/2010
	49,591	1,670	
		(note 14)	

The Group has recognised the following derivatives at 30 September 2010:

Financial derivatives	Thousands of Euros		Maturity
	Nominal amount	**Value at 30/09/10**	
Interest rate swap	50,000	(1,871)	26,07/2013
	50,000	(1,871)	
		(note 22)	
Unquoted future	23,221	(2,182)	30/12/2010
Unquoted future	26,370	(3,226)	30/12/2010
	49,591	(5,408)	
		(note 22)	

During 2009 the Company contracted two unquoted futures contracts, the notional underlying of which consists of the Company's shares, with a solvent financial institution. The two contracts have 2 million and 2.2 million underlying with an exercise price of Euros 11.6107 and Euros 11.9864, respectively. The contracts expire on 30 December 2010, although the Company may terminate them prior to this date. The contracts are settled by differences between the market value of the notional underlying and the market price.

b) Bond issue hedging derivative financial instruments

See explanation in note 17 (g).

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum exposure to credit risk. At 30 September 2010 and 31 December 2009 the maximum level of exposure to credit risk is as follows:

		Thousands of Euros	
	Note	30/09/10	31/12/09
Non-current financial assets	11	7,420	3,731
Other current financial assets	14	9,315	6,547
Unquoted future	14	-	1,670
Trade receivables	13	231,228	207,840
Other receivables	13	33,889	31,364
Cash and cash equivalents	16	254,495	249,372
		536,347	500,524

The maximum level of exposure to risk associated with receivables at 30 September 2010 and 31 December 2009, by geographical area, is as follows.

	Thousands of Euros	
	30/09/10	31/12/09
Domestic	77,188	70,521
EU countries	49,708	47,755
United States of America	42,456	29,130
United Kingdom	3,514	3,054
Other European countries	3,816	5,454
Other regions	54,546	51,926
	231,228	207,840

Impairment losses

Details of the maturity of trade receivables, net of impairment provisions are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
Not matured	134,984	120,339
Less than 1 month	54,739	38,278
1 to 4 months	24,272	25,597
4 months to 1 year	10,638	17,357
More than a year	6,595	6,269
	231,228	207,840

Unimpaired default assets mainly relate to public entities.

Movement in the provision for bad debts was as follows:

	Thousands of Euros	
	30/09/10	30/09/09 (unaudited)
Opening balance	4,038	3,172
Net provisions for the period	604	397
Net cancellations for the period	(720)	(75)
Currency translation differences	121	(97)
Closing balance	4,043	3,397

An analysis of the concentration of credit risk is provided in note 5.

Liquidity risk

Details of the contracted maturity date of financial liabilities, including borrowing costs and excluding the effects of offsetting agreements, are as follows:

		Thousands of Euros						
	Note	Carrying amount at 31/12/09	Contractual flows	6 months or less	6 - 12 months	1-2 years	2- 5 years	More than 5 years
Non-derivative financial liabilities								
Bank loans	22	382,566	412,389	88,707	15,087	83,772	180,052	44,771
Other financial liabilities	22	21,449	27,420	6,927	2,582	4,417	10,076	3,418
Bonds and other securities	22	423,675	687,798	27,440	14,317	28,634	85,903	531,504
Finance lease liabilities	22	10,936	11,334	230	4,751	3,294	2,586	473
Suppliers	23	120,909	120,909	120,550	359	-	-	-
Other current liabilities	24	1,754	1,753	1,753	-	-	-	-
Derivative financial liabilities								
Interest rate swap	22	3,333	3,333	-	-	-	3,333	-
Unquoted future	14	(1,670)	(1,670)	-	(1,670)	-	-	-
Total		962,952	1,263,266	245,607	35,246	120,117	281,950	580,166

		Thousands of Euros						
	Note	Carrying amount at 30/09/10	Contractual flows	6 months or less	6 - 12 months	1-2 years	2- 5 years	More than 5 years
Non-derivative financial liabilities								
Bank loans	22	417,825	443,633	106,918	61,241	87,815	122,275	65,384
Other financial liabilities	22	20,641	22,563	7,537	2,097	3,315	6,462	3,152
Bonds and other securities	22	455,456	713,252	22,818	15,211	30,422	91,266	553,535
Finance lease liabilities	22	8,075	8,632	308	3,328	2,477	2,139	380
Suppliers	23	115,298	115,298	115,067	143	74	14	-
Other current liabilities	24	3,260	3,260	3,111	-	-	-	149
Derivative financial liabilities								
Interest rate swap	22	1,871	1,871	-	-	-	1,871	-
Unquoted future	22	5,408	5,408	5,408	-	-	-	-
Total		1,027,834	1,313,917	261,167	82,020	124,103	224,027	622,600

Currency risk

The Group's exposure to currency risk is as follows (expressed in thousands of Euros):

	Thousands of Euros	
	31/12/09	
	EUR (*)	USD (**)
Trade receivables	1,839	7,308
Loans to Group companies	16,854	-
Trade payables	(252)	(2,339)
Payables to Group companies	(10,365)	(17,946)
Loans with Group companies	-	(10,431)
Non-current bank loans	(6,854)	-
Non-current bonds	(10,000)	-
Balance sheet exposure	(8,778)	(23,408)

(*) Balances in Euros in subsidiaries with USD local currency
(**) Balances in USD in subsidiaries with Euro local currency

	Thousands of Euros	
	30/09/09	
	EUR (*)	USD (**)
Trade receivables	37	1,860
Receivables from Group companies	28	-
Loans with Group companies	17,258	2,930
Cash	282	3,146
Trade payables	(365)	(3,478)
Payables for Group companies	(9,115)	(7,415)
Current bank loans	(979)	(3,240)
Non-current bank loans	(5,875)	-
Non-current bonds	(10,000)	-
Balance sheet exposure	(8,729)	(6,197)

(*) Balances in Euros in subsidiaries with USD local currency
(**) Balances in USD in subsidiaries with Euro local currency

The most significant exchange rates applied during the nine-month period ended 30 September 2010 and during the year ended 2009 are as follows:

Euro	Average interest rate		Closing interest rate	
	Nine-month period ended 30/09/2010	**Year ended 31/12/2009**	**30/09/2010**	**31/12/2009**
USD	1.33	1.35	1.36	1.44

A sensitivity analysis for foreign exchange fluctuations is as follows:

Had the US Dollar strengthened by 10% against the Euro at 30 September 2010, equity would have increased by Euros 38,447 thousand (Euros 35,795 thousand at 31 December 2009) and profit would have increased by 253 thousand (at 31 December 2009 it would have decreased by Euros 1,626 thousand). This analysis assumes that all other variables are held constant, especially that interest rates remain constant. This analysis has been performed using the same criteria as in 2009.

A 10% weakening of the US Dollar against the Euro at 30 September 2010 and 31 December 2009 would have had the opposite effect for the amounts shown above, all other variables being held constant.

Interest-rate risk

Interest-rate profile

To date, the profile of interest on interest-bearing financial instruments is as follows:

	Thousands of Euros	
	30/09/2010	**31/12/2009**
Fixed-interest financial instruments		
Financial assets	14,567	9,674
Financial liabilities	(455,456)	(423,675)
	(440,889)	(414,001)
Variable-interest financial instruments		
Financial liabilities	(425,900)	(393,502)
	(425,900)	(393,502)
	(866,789)	(807,503)

Sensitivity analysis

A 100 basis point variation in interest rates at 30 September 2010 would have increased (decreased) equity and consolidated profit after income tax by Euros 3,784 thousand. This analysis assumes that all other variables are held constant, especially that exchange rates remain constant.

A 100 basis point variation in interest rates at the presentation date of 31 December 2009 would have increased (decreased) equity and consolidated profit after income tax by Euros 4,732 thousand.

(33) Balances and Transactions with Related Parties

Details are as follows:

	Thousands of Euros	
	30/09/10	**31/12/09**
Receivables from associates (nota 13)	1	812
Payables to associates	(40)	(22)
Payables to key management personnel	-	-
Payables to members of the board of directors	-	(121)
Payables to other related parties	(4,251)	(3,322)
	(4,290)	(2,653)

Payables are included in suppliers and trade payables (see note 23).

a) Group transactions with related parties

Transactions with related parties have been performed as part of the group's ordinary trade and have been performed at arm's length.

Group transactions with related parties during the nine-month period ended 30 September 2009 were as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
		(unaudited)		
Net purchases	358	-	-	-
Net sales	-	-	-	-
Other service expenses	-	-	4,558	180
Personnel expenses	-	4,384	-	1,611
	358	4,384	4,558	1,791
Dividends and other distributed profits	-	-	-	3,686
	-	-	-	3,686

Group transactions with related parties during the nine-month period ended 30 September 2010 are as follows:

	Thousands of Euros			
	Associates	Key management personnel	Other related parties	Board of directors of the Company
Net purchases	437	-	-	-
Net sales	(9)	-	-	-
Other service expenses	-	-	8,262	135
Personnel expenses	-	4,398	-	1,550
	428	4,398	8,262	1,685
Dividends and other distributed profits	-	-	-	2,061
	-	-	-	2,061

Other current assets include costs for professional services with related companies amounting to Euros 3,732 thousand. These costs correspond to those incurred in increasing share capital and the issue of debt which is expected to be carried out relating to the acquisition of Talecris (see note 15).

Directors representing shareholders interests have received no remuneration during the nine-month periods ended 30 September 2010 and 2009.

The Group has not extended any advances or loans to the members of the board of directors or key management personnel nor has it assumed any guarantee commitments on their behalf. It has also not assumed any pension or life insurance obligations on behalf of former or current members of the board of directors or key management personnel.

b) Investments and positions held by directors of the Parent in other companies

The directors do not hold any investments in companies with an identical, similar or complementary statutory activity to that of the Parent. Details of activities and duties carried out by directors of the Company in these companies are provided in Appendix V, which forms an integral part of these consolidated notes.

(34) Environment

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 31 December 2009 are as follows:

	Thousands of Euros		
Project	Cost	Accumulated amort. & deprec.	Carrying amount
Waste water treatment	1,087	(462)	625
Waste management	1,074	(356)	718
Reduction of electricity consumption	24	(12)	12
Reduction of water consumption	1,202	(384)	818
	3,387	(1,214)	2,173

The most significant systems, equipment and fixtures for the protection and improvement of the environment at 30 September 2010 are as follows:

	Thousands of Euros		
Project	Cost	Accumulated amort. & deprec.	Carrying amount
Waste water treatment	931	(427)	504
Waste management	1,015	(323)	692
Reduction of electricity consumption	21	(13)	8
Reduction of water consumption	1,393	(431)	962
	3,360	(1,194)	2,166

Expenses incurred by the Group for protection and improvement of the environment during the period ended 30 September 2010 totalled approximately Euros 893 thousand (Euros 1,673 thousand at 31 December 2009).

The Group considers that the environmental risks are adequately controlled by the procedures currently in place.

The Group has not received any environmental grants during the nine-month period ended 30 September 2010 and the period ended 31 December 2009.

(35) Other Information

(a) Audit fees:

KPMG Auditores, S.L. and other companies related to the auditors as defined in the fourteenth additional provision of legislation governing the reform of the financial system, have invoiced the Company and its subsidiaries fees and expenses for professional services during the nine-month period ended 30 September 2010 and the year ended 31 December 2009, as follows:

	Thousands of Euros	
	30/09/10	31/12/09
For annual audit services	320	327
For other audit services & related items	605	73
	925	400

Annual audit services detailed in the above table include the total fees for the audit of the year ended 31 December 2010, irrespective of the date of invoice.

Fees of other companies associated with KPMG International are as follows:

	Thousands of Euros	
	30/09/10	31/12/09
For annual audit services	667	468
For other audit services & related items	633	51
For other services	5	100
	1,305	619

Annual audit services detailed in the above table include the total fees for the audit of the year ended 31 December 2010, irrespective of the date of invoice.

Fees for audit services rendered by other audit firms for the year ended 31 December 2010 and the nine-month period ended 30 September 2010 have amounted to Euros 27 thousand.

(36) Subsequent Events

On 23 November 2010 the Company signed loan agreements amounting to US$ 3,400 million for the purchase of Talecris. This amount forms part of the US$ 4,500 million collateralised on 6 June 2010 (see note 31 (f)).

Details of this collateralised senior debt are as follows:

- Non-current syndicated financing with financial institutions: loan repayable in 5 years totalling US$ 1,500 million. Margin of 375 basis points (bp) linked to US Libor and 400 bp linked to Euribor. BB and Ba3 rating.

- Non-current syndicated financing with institutional investors: 6 year bullet loan (payment of whole principal at maturity) amounting to US$ 1,600 million. Margin of 425 bp linked to US Libor and 450 bp linked to Euribor. BB and Ba3 rating.

- Senior revolving credit facility amounting to US$ 300 million. BB and Ba3 rating.

The debt will be effective once the Talecris purchase transaction has been completed.

GRIFOLS,S.A. AND SUBSIDIARIES
Segment reporting .

OPERATING SEGMENTS
(expressed in thousands of Euros)

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

	Bioscience		Hospital		Diagnostics		Raw materials		Others/Unallocated		Consolidated	
	30/09/2010	30/09/2009 (1)	30/09/2010	30/09/2009 (1)	30/09/2010	30/09/2009 (1)	30/09/2010	30/09/2009 (1)	30/09/2010	30/09/2009 (1)	30/09/2010	30/09/2009 (1)
External revenues	578.756	524.323	65.285	63.470	81.001	76.221	3.402	21.475	10.379	4.103	738.823	689.592
Total revenue	**578.756**	**524.323**	**65.285**	**63.470**	**81.001**	**76.221**	**3.402**	**21.475**	**10.379**	**4.103**	**738.823**	**689.592**
Segment result	**236.978**	**228.397**	**5.070**	**6.175**	**5.812**	**10.529**	**1.480**	**3.478**	5.400	3.291	**254.740**	**251.870**
Unallocated expenses									(85.653)	(73.947)	(85.653)	(73.947)
Operating profit											**169.087**	**177.923**
Finance expense											**(39.714)**	**(13.517)**
Share of profit/(loss) of equity-accounted investees	**(819)**	**0**	**0**	**0**	**32**	**30**	**0**	**0**	**0**	**0**	**(787)**	**30**
Income tax expense											(32.800)	(47.361)
Profit for the year after tax											**95.786**	**117.075**
Other information:												
Amortisation and depreciation	15.701	16.443	3.456	2.775	5.800	3.898	0	0	8.294	5.876	**33.251**	**28.992**
Expenses that do not require cash payments	(471)	(2.059)	(57)	(14)	(82)	518	0	0	141	885	**(469)**	**(670)**
Additions for the year of property, plant & equipment and intangible assets	51.038	51.264	7.570	4.166	11.043	6.568	0	0	9.502	21.803	**79.153**	**83.801**

	Bioscience		Hospital		Diagnostics		Raw materials		Others/Unallocated		Consolidated	
	30/09/2010	31/12/2009	30/09/2010	31/12/2009	30/09/2010	31/12/2009	30/09/2010	31/12/2009	30/09/2010	31/12/2009	30/09/2010	31/12/2009
Segment assets	**1.070.685**	**994.245**	**79.850**	**68.214**	**94.655**	**82.202**	**914**	**1.312**	-	-	**1.246.104**	**1.145.973**
Investments in equity-accounted investees	653	-	-	-	458	383	-	-	-	-	1.111	383
Unallocated assets									598.584	510.821	598.584	510.821
Total assets											**1.845.799**	**1.657.177**
Segment liabilities	**71.525**	**79.988**	**12.455**	**12.579**	**12.196**	**10.763**	**0**	**0**	-	-	**96.176**	**103.330**
Unallocated liabilities									1.075.600	975.319	1.075.600	975.319
Total liabilities											**1.171.776**	**1.078.649**

(1) Unaudited figures

This Appendix forms an integral part of note 6 to the consolidated interim financial statements.

GRIFOLS,S.A. AND SUBSIDIARIES
Geographical information

(expressed in thousands of Euros)

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

	Spain		Rest of European Union		United States		Rest of world		Consolidated	
	30/09/2010	30/09/2009 (1)	30/09/2010	30/09/2009 (1)	30/09/2010	30/09/2009 (1)	30/09/2010	30/09/2009 (1)	30/09/2010	30/09/2009 (1)
Revenues	**171.494**	**168.690**	**151.673**	**151.992**	**252.528**	**231.511**	**163.128**	**137.399**	**738.823**	**689.592**
Other information:										
Additions for the year of property, plant & equipment and intangible assets	34.862	46.517	3.322	1.652	35.833	33.158	5.136	2.474	**79.153**	**83.801**

	Spain		Rest of European Union		United States		Rest of world		Consolidated	
	30/09/2010	31/12/2009	30/09/2010	31/12/2009	30/09/2010	31/12/2009	30/09/2010	31/12/2009	30/09/2010	31/12/2009
Assets by geographical segment	**668.481**	**632.537**	**120.824**	**82.245**	**908.483**	**821.641**	**148.011**	**120.754**	**1.845.799**	**1.657.177**

(1) Unaudited figures

This appendix forms an integral part of note 6 to the consolidated interim financial statements.

APPENDIX II
GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Other Intangible Assets
for the nine-month period ended
30 September 2010
(Expressed in thousands of Euros)

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

	Balances at 31/12/2009	Additions	Transfers	Disposals	Translation differences	**Balances at 30/09/10**
Intangible assets						
Development costs	55.414	5.316	0	(26)	60	60.764
Concessions, patents, licenses trademarks and similar	46.259	2.385	847	0	2.168	51.659
Software	28.597	3.933	318	(17)	203	33.034
Other intangible assets	513	1.682	0	(299)		1.896
Total cost of intangible assets	130.783	13.316	1.165	(342)	2.431	147.353
Accum. amort. of development costs	(29.427)	(2.011)	0	0	(49)	(31.487)
Accum. amort of concessions, patents, licenses, trademarks & similar	(15.526)	(1.193)	(845)	0	(379)	(17.943)
Accum. amort. of computer software	(16.430)	(3.667)	1	21	(107)	(20.182)
Accum. amort of other intangible assets	0	(75)	(4)	0	0	(79)
Total accum. amort intangible assets	(61.383)	(6.946)	(848)	21	(535)	(69.691)
Impairment of other intangible assets	(15)	0	0	15	0	0
Carrying amount of intangible assets	**69.385**	**6.370**	**317**	**(306)**	**1.896**	**77.662**

This appendix forms an integral part of note 8 to the consolidated interim financial statements.

APPENDIX II
GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Other Intangible Assets for the nine-month period ended 30 September 2009

(Expressed in thousands of Euros)

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

	Balances at 31/12/2008	Additions	Business combinations	Disposals	Translation differences	**Balances at 30/09/2009** (Unaudited figures)
Intangible assets						
Development costs	47.299	6.915	0	0	(45)	54.169
Concessions, patents, licenses trademarks and similar	40.461	0	0	0	(1.093)	39.368
Software	22.272	4.180	6.525	(240)	(140)	32.597
Other intangible assets	0	508	0	0	0	508
Total cost of intangible assets	110.032	11.603	6.525	(240)	(1.278)	126.642
Accum. amort. of development costs	(23.878)	(4.191)	0	0	47	(28.022)
Accum. amort of concessions, patents, licenses, trademarks & similar	(14.881)	(606)	0	0	232	(15.255)
Accum. amort. of computer software	(13.517)	(2.216)	0	134	93	(15.506)
Total accum. amort intangible assets	(52.276)	(7.013)	0	134	372	(58.783)
Impairment of other intangible assets	0		0	0	0	0
Carrying amount of intangible assets	**57.756**	**4.590**	**6.525**	**(106)**	**(906)**	**67.859**
			(nota 3.1)			

This appendix forms an integral part of note 8 to the consolidated interim financial statements.

APPENDIX III
GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Property, Plant and Equipment for the nine-month period ended 30 September 2010 (Expressed in thousands of Euros)

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

	Balances at 31/12/09	Additions	Transfers	Disposals	Translation differences	**Balances at 30/09/10**
Cost:						
Land and buildings	142.600	3.114	13.877	0	1.681	161.272
Plant and machinery	344.030	14.885	10.999	(4.530)	8.005	373.389
Under construction	70.781	47.838	(23.783)	0	1.791	96.627
	557.411	65.837	1.093	(4.530)	11.477	631.288
Accumulated depreciation:						
Buildings	(9.502)	(1.417)	(16)	0	(78)	(11.013)
Plant and machinery	(176.204)	(24.888)	(1.394)	2.538	(3.302)	(203.250)
	(185.706)	(26.305)	(1.410)	2.538	(3.380)	(214.263)
Impairment of other property, plant and equipment	0	(485)	0	0	0	(485)
Carrying amount	371.705	39.047	(317)	(1.992)	8.097	416.540

This appendix forms an integral part of note 9 to the consolidated interim financial statements.

APPENDIX III

GRIFOLS, S.A. AND SUBSIDIARIES

Movement in Property, Plant and Equipment for the nine-month period ended 30 September 2009 (Expressed in thousands of Euros)

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

	Balances at 31/12/08	Additions	Business Combinations	Transfers	Disposals	Translation differences	**Balances at 30/09/09** (Unaudited figures)
Cost:							
Land and buildings	111.067	1.738	0	30.737	0	(1.607)	141.935
Plant and machinery	287.761	18.276	2.307	27.920	(4.610)	(4.964)	326.690
Under construction	63.620	52.184	0	(58.850)	(756)	(1.431)	54.767
	462.448	72.198	2.307	(193)	(5.366)	(8.002)	523.392
Accumulated depreciation:							
Buildings	(8.049)	(1.086)	0	0	0	94	(9.041)
Plant and machinery	(153.390)	(20.893)	0	193	3.956	1.863	(168.271)
	(161.439)	(21.979)	0	193	3.956	1.957	(177.312)
Carrying amount	301.009	50.219	2.307	0	(1.410)	(6.045)	346.080
			(note 3.1)				

This appendix forms an integral part of note 9 to the consolidated interim financial statements.

APPENDIX IV
GRIFOLS, S.A. AND SUBSIDIARIES

Non-current Loans and Borrowings for the nine-month period ended 30 September 2010 (Expressed in thousands of Euros)

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

					Thousands of Euros		
Loan	Currency	Interest rate	Concession date	Maturity date	Amount awarded	Loan arrangement costs	Carrying amount
Syndicated loan -Club deal	EUR	Euribor + 0,8%	01/05/2008	26/05/2013	350.000	(2.427)	132.605
Instituto de crédito Oficial	EUR	Euribor + 1%	01/06/2006	26/05/2016	30.000	(210)	19.950
Caixa Catalunya - Mortgage loan	EUR	Euribor + 0,9%	01/02/2008	01/02/2018	14.000	(294)	10.519
Banco Santander	EUR	ICO + 1,8%	01/06/2009	01/06/2016	6.000	--	6.000
Caja de Madrid	EUR	Euribor + 1%	05/06/2009	05/06/2016	6.000	--	5.400
Banco Guipuzcoano	EUR	Euribor + 1%	25/03/2010	25/03/2020	8.500	--	8.500
Banco Sabadell	EUR	Euribor + 1%	11/06/2010	30/06/2012	1.465	--	1.413
Ibercaja	EUR	Euribor + 1,99%	30/07/2009	31/07/2016	1.800	--	1.740
Caja de Madrid	EUR	Euribor + 2%	09/03/2010	25/03/2020	10.000	--	10.000
BBVA - Mortgage loan	EUR	Euribor + 1,2%	21/10/2008	31/12/2024	45.000	(676)	39.898
Caixa Catalunya	EUR	ICO + 1,99%	30/07/2009	25/08/2016	1.440	--	1.418
Caixa Galicia	EUR	Euribor + 1%	11/06/2010	25/06/2020	1.180	--	1.121
Banca Toscana	EUR	Euribor 6 months+1%	08/05/2008	30/06/2013	3.000	--	1.251
Cofides	EUR	Euribor 6 months+0,45%	01/08/2008	20/08/2017	6.854	--	5.875
Cofides	EUR	Euribor +2 %	20/09/2011	20/03/2017	10.746	--	10.746
					495.985	(3.607)	256.436
Non-current finance lease creditors (see note 22)							4.655
					495.985	(3.607)	261.091

The amounts are shown net of loan arrangement costs pending amortisation, which amounted to Euros 1,567 thousand at 30 September 2010.

This appendix forms an integral part of note 22 to the consolidated interim financial statements.

APPENDIX IV
GRIFOLS, S.A. AND SUBSIDIARIES

Non-current Loans and Borrowings for the nine-month period ended 31 December 2009 (Expressed in thousands of Euros)

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

Loan	Currency	Interest rate	Concession date	Maturity date	Thousands of Euros		
					Amount awarded	Loan arrangement costs	Carrying amount
Syndicated loan -Club deal	EUR	Euribor + 0,8%	01/05/2008	26/05/2013	350.000	(2.427)	195.471
Instituto de crédito Oficial	EUR	Euribor + 1%	01/06/2006	26/05/2016	30.000	(210)	21.933
Caixa Catalunya - Mortgage loan	EUR	Euribor + 0,9%	01/02/2008	01/02/2018	14.000	(294)	11.733
Banco Santander	EUR	ICO + 1,8%	01/06/2009	01/06/2016	6.000	--	6.000
Caja de Madrid	EUR	Euribor + 1%	05/06/2009	05/06/2016	6.000	--	6.000
Ibercaja	EUR	Euribor + 1,9%	30/07/2009	31/07/2016	1.800	--	1.800
BBVA - Mortgage loan	EUR	Euribor + 1,2%	21/10/2008	31/12/2024	45.000	(676)	33.649
Caixa Catalunya	EUR	ICO + 1,99%	30/07/2009	25/08/2016	1.440	--	1.440
Banca Toscana	EUR	Euribor 6 months+1%	08/05/2008	30/06/2013	3.000	--	1.552
Cofides	EUR	Euribor 6 months+0,45%	01/08/2008	20/08/2017	6.854	--	6.854
					464.094	(3.607)	286.432
Non-current finance lease creditors (see note 22)							6.202
					464.094	(3.607)	292.634

The amounts are shown net of loan arrangement costs pending amortisation, which amounted to Euros 2,105 thousand at 31 December 2009.

This appendix forms an integral part of note 22 to the consolidated interim financial statements.

APPENDIX V
GRIFOLS, S.A. AND SUBSIDIARIES

Members of the Board of Directors with positions in companies with identical, similar or complementary statutory activities
30 September 2010

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

Director	Companies	Positions and duties
Dagà Gelabert , T.	Grifols,Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Arrahona Optimus, S.L. / Woolloomooloo Holdings Pty Ltd. / Lateral Grifols Pty Ltd. (formerly Diamed Australia Pty Ltd.) / A.C.N. 073 272 830 Pty Ltd. (formerly Lateral Grifols Diagnostic Pty Ltd.) / Saturn Australia Pty Ltd. / Saturn investments AG / Medion Grifols Diagnostics AG / Medion Diagnostics GmbH	Board member
Glanzmann, T.	Gambro AB	CEO and Chairman
	Instituto Grifols, S.A.	Board member
Janotta, E.D.	Instituto Grifols, S.A.	Board member
Grifols Gras, J.A.	Instituto Grifols, S.A.	Board member
Grifols Roura, V.	Instituto Grifols, S.A. / Arrahona Optimus, S.L.	Chairman
	Biomat,S.A. / Diagnostic Grifols, S.A. / Grifols Engineering, S.A. / Grifols International, S.A. / Grifols Viajes, S.A. / Laboratorios Grifols, S.A. / Logister, S.A. / Movaco, S.A. / Biomat USA, Inc. / PlasmaCare, Inc. / Grifols, Inc. / Gri-Cel, S.A.	Director
Riera Roca, R.	Grifols Argentina,S.A. / Grifols Polska Sp.z.o.o. / Alpha Therapeutic Italia, S.p.A. / Grifols Italia, S.p.A.	Chairman
	Instituto Grifols, S.A. / Grifols, Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Grifols Chile, S.A. / Grifols México, S.A. de CV / Logística Grifols, S.A. de CV / Grifols Asia Pacific Pte Ltd / Grifols Malaysia Sdn Bhd / Grifols (Thailand) Ltd. / Grifols Deutschland GmbH / Grifols UK Ltd. / Grifols, s.r.o. / Grifols Brasil, Ltda. / Grifols Portugal Productos Farmacéutiocs e Hospitalares,Lda. / Woolloomooloo Holdings Pty Ltd. / Lateral Grifols Pty Ltd. (formerly Diamed Australia Pty Ltd.) / A.C.N. 073 272 830 Pty Ltd. (formerly Lateral Grifols Diagnostic Pty Ltd.) / Saturn Australia Pty Ltd. / Saturn investments AG / Medion Grifols Diagnostics AG / Medion Diagnostics GmbH / Xepol AB	Board member
	Grifols France,S.A.R.L.	Co-manager
	Grifols International,S.A.	Director
Twose Roura, J.I.	Instituto Grifols, S.A. / Grifols, Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Arrahona Optimus, S.L.	Board member
	Grifols Engineering, S.A.	Director

This appendix forms an integral part of note 33 to the consolidated interim financial statements.

APPENDIX V
GRIFOLS, S.A. AND SUBSIDIARIES

Members of the Board of Directors with positions in companies with identical, similar or complementary statutory activities
31 December 2009

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

Director	Companies	Positions and duties
Dagà Gelabert , T.	Grifols,Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Plasma Collection Center, Inc./ Arrahona Optimus, S.L. / Woolloomooloo Holdings Pty Ltd. / Lateral Grifols Pty Ltd. (formerly Diamed Australia Pty Ltd.) / A.C.N. 073 272 830 Pty Ltd. (formerly Lateral Grifols Diagnostic Pty Ltd.) / Saturn Australia Pty Ltd. / Saturn investments AG / Medion Grifols Diagnostics AG / Medion Diagnostics GmbH	Board member
Glanzmann, T.	Gambro AB	CEO and Chairman
	Instituto Grifols, S.A.	Board member
Janotta, E.D.	Instituto Grifols, S.A.	Board member
Grifols Gras, J.A.	Instituto Grifols, S.A.	Board member
Grifols Roura, V.	Instituto Grifols, S.A. / Arrahona Optimus, S.L.	Chairman
	Biomat,S.A. / Diagnostic Grifols, S.A. / Grifols Engineering, S.A. / Grifols International, S.A. / Grifols Viajes, S.A. / Laboratorios Grifols, S.A. / Logister, S.A. / Movaco, S.A. / Biomat USA, Inc. / PlasmaCare, Inc. / Grifols, Inc. / Gri-Cel, S.A.	Director
Riera Roca, R.	Grifols Argentina,S.A. / Grifols Polska Sp.z.o.o. / Alpha Therapeutic Italia, S.p.A. / Grifols Italia, S.p.A.	Chairman
	Instituto Grifols, S.A. / Grifols, Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Grifols Chile, S.A. / Grifols México, S.A. de CV / Logística Grifols, S.A. de CV / Grifols Asia Pacific Pte Ltd / Grifols Malaysia Sdn Bhd / Grifols (Thailand) Ltd. / Grifols Deutschland GmbH / Grifols UK Ltd. / Grifols, s.r.o. / Grifols Brasil, Ltda. / Grifols Portugal Productos Farmacéutiocs e Hospitalares,Lda. / Woolloomooloo Holdings Pty Ltd. / Lateral Grifols Pty Ltd. (formerly Diamed Australia Pty Ltd.) / A.C.N. 073 272 830 Pty Ltd. (formerly Lateral Grifols Diagnostic Pty Ltd.) / Saturn Australia Pty Ltd. / Saturn investments AG / Medion Grifols Diagnostics AG / Medion Diagnostics GmbH	Board member
	Grifols France,S.A.R.L.	Co-manager
	Grifols International,S.A.	Director
Twose Roura, J.I.	Instituto Grifols, S.A. / Grifols, Inc. / Biomat USA, Inc. / PlasmaCare, Inc. / Arrahona Optimus, S.L.	Board member
	Grifols Engineering, S.A.	Director

This appendix forms an integral part of note 33 to the consolidated interim financial statements.

GRIFOLS, S.A. AND SUBSIDIARIES

At their meeting held on 9 December 2010, pursuant to legal requirements, the Directors of Grifols, S.A. authorised for issue the interim consolidated financial statements for the period from 1 January 2010 to 30 September 2010. The consolidated interim financial statements comprise the documents that precede this certification.

Grifols Roura, Víctor Chairman (signed)	Riera Roca, Ramón Director (signed)	Twose Roura, Juan Ignacio Director (signed)
Dagà Gelabert, Tomás Director (signed)	Thortol Holding B.V. (J.A. Grifols G.) Director (absence for trip)	Glanzmann, Thomas Director (signed)
Jannotta, Edgar Dalzell Director (signed)	Veiga Lluch, Anna Director (absence for trip)	Grifols Roura, Raimon Secretary to the board (signed)