2008 SECOND HALF REPORT

GRIFOLS

- **Net Profit** totalled **121.7 MM euros**, up **38.7 %** on the previous year

- **Revenue** rose **15.8%** to **814.3 MM euros**

- **EBITDA** advanced **32.8%** to **236.2 MM euros**, with an EBITDA margin of **29.0%**

Grifols is one of the world's leading healthcare companies, thanks to its research efforts, its ethical commitment and its financial performance.

The satisfactory financial results obtained in 2008 are a result of the company's investment programme and management model which focuses on three key areas: greater availability of raw materials, increased fractionation at the Los Angeles and Barcelona plants and international expansion. All of these initiatives are backed by the group's firm commitment to R&D which focuses on safety and improved efficiency through the ongoing development of its team's knowledge and skills.

Since May 2006 Grifols has been listed on the Spanish Continuous Market and since 2 January 2008 it has formed part of the IBEX-35 index which comprises the top 35 listed Spanish companies by liquidity and market capitalisation.

Earnings performance in 2008

Total revenue amounted to 814.3 MM euros, up 15.8% on the year ago figure. Stripping out the exchange rate effect this increase would have been 19.9%. Grifols' natural hedge against exchange rate risk allows it to offset negative exchange rate effects from dollar-denominated sales with purchases of plasma, the company's main raw material, which are also in dollars.

Sales were strong throughout the year. To March 2008 turnover increased 10.9% compared with the previous year, while in the second quarter this increase was 16.8%. The third and fourth quarters saw turnover increase 16.1% and 19.5%, respectively. The global economic slowdown has failed to impact the company's sales, with annual turnover boosted by growth in all divisions. Turnover in the Diagnostic division advanced 7.5% to 85.7 MM euros, while the Hospital division recorded a 10.6% rise over the previous year to 82.6 MM euros.

Sales at the Bioscience division, which represent 74.4% of Grifols' total turnover, soared nearly 23% to 606.2 MM euros with the group's main plasma derivatives performing well on price as well as volume: Albumin, intravenous immunoglobulin (IVIG) and factor VIII.

This year the company fulfilled its investment plan for 2008-2012. It opened new plasmapheresis centers in the US, bringing the total to 80 and enabling Grifols to obtain 2.7 MM litres of plasma. This is approximately 21.8% more than in 2007.

SUMMARY OF SALES BY DIVISION

In thousands of Euros	2008	2007	% var.
BIOSCIENCE Division	606,249	493,099	*22.9*
HOSPITAL Division	82,566	74,683	*10.6*
DIAGNOSTIC Division	85,705	79,709	*7.5*
RAW MATERIALS+Others Division	39,791	55,800	*-28.7*
TOTAL	**814,311**	**703,291**	*15.8*

The reason for Grifols' long-standing vertical integration strategy in its business is twofold: it enables the company to control costs and ensures that its plasma meets the highest quality and safety standards. At present, the volume of plasma which Grifols obtains from its own centers meets practically all the fractionating requirements of the group (98%). These needs, which are rising in line with the amount of plasma obtained, mean greater availability of the finished product to meet the market's demands.

Glendale Plasmapheresis Center (Arizona, USA) began operations in December 2008

The gross margin improved notably, up from 44.9% of sales in 2007 to 48.9% in 2008. Operating expenses totalled 195.2 MM euros, 23.9% of sales.

EBITDA rose 32.8% year on year to 236.2 MM euros, representing 29% of sales, whilenet profit climbed 38.7% to 121.7 MM euros.

Despite rising interest rates in the first nine months of the year, financial expenses performed well. Interest rate cuts at the end of the year should have a positive effect from 2009 onwards. In fact, net financial debt closed 2008 at 446 MM euros, giving an EBITDA ratio of 1.9x, the same as in 2007. As an indication of the strong balance sheet, the net debt/equity ratio fell to 0.86x in 2008, compared with 0.89x in 2007.

Two-thirds of Grifols' total debt is long-term, of which 350 MM euros correspond to the five-year syndicated loan signed in May 2008. The resources obtained from this loan have been used to pay off the outstanding balance of the 225 MM euro syndicated loan signed in 2005 as well as to refinance the short-term dollar lines of credit and partially finance the group’s investment plan.

Grifols also received a 10.7 MM dollar loan from COFIDES (a public-private lender for Spanish investments in developing and emerging markets), with repayment over nine years and a two-year grace period. This loan will be used to partially finance the acquisition of plasma centers in the US.

Grifols has since also acquired an office block in Sant Cugat del Vallés (Barcelona) to house its new corporate headquarters, enabling it to centralise the group's common business units. This deal was financed via a long-term (15-year) mortgage loan worth 45 MM euros signed in the fourth quarter of 2008.

Breakdown by division

In 2008, the **Bioscience** division, which manufactures specialist pharmaceuticals using human plasma derivatives, reported a turnover of 606.2 MM euros, up 22.9% from 2007 and 74.4% of the group's total turnover. During the year both volume and prices of the main plasma derivatives it sells, IVIG, albumin and factor VIII, increased. These results reflect the performance of a non-cyclical industry where demand is constantly increasing and in which Grifols has significant competitive advantages thanks to its plasma collection and fractionation capacity.

Nevertheless, in 2008 Grifols continued to pursue its long-term growth strategy for the division. In addition to the licence obtained to market Flebogamma® DIF, the latest-generation IVIG, in Australia, of particular note was the start of construction work on the new plant for this plasma derivative in the US. These facilities, identical to those in Barcelona, are due to come on stream in 2012-13. Grifols will then have two plants manufacturing Flebogamma® DIF to meet the demands of a market which has risen steadily in the US, Europe and elsewhere over the past 10 years. Demand for this product will also be boosted by Grifols' presence in Australia, a market with one of the highest per capita consumption levels of IVIG. This type of IVIG is only manufactured at the Barcelona plant at present.

Laying the foundations of the Flebogamma® DIF manufacturing plant in Los Angeles, California, USA

The company's new coagulation factor purification and sterile dosage plant was brought on line in Los Angeles in 2008 after being granted the FDA licence in just four months. This plant has been designed to guarantee maximum safety in the dosage, sterile filling and freeze drying of coagulation factors VIII and IX and Profilnine. In addition, the building will also house a dedicated sterile dosage line for albumin. This project is in the second phase with FDA approval due at the beginning of 2009. In 2008 work also began on construction of the Barcelona fibrin glue plant.

And finally, both the Spanish and Italian health authorities granted licences to market the Niuliva® perfusion solution, an anti-hepatitis B IVIG used to treat hepatitis B sufferers who have had liver-transplants; production is scheduled for next year for distribution in Spain and Italy.

Sales in the **Hospital**,division which specialises in non-biological pharmaceutical products for the hospital pharmacy sector, such as parenteral and enteral nutrition solutions, totalled 82.6 MM euros in 2008, up 10.6% compared to the previous year. The division currently contributes 10.1% of total revenue. It enjoyed across-the-board increases although the Hospital Logistics projects performed outstandingly, generating revenue of 18.1 MM euros (+12.3%). Implementing these logistics and control systems has helped the company become a leader in specific solutions to improve the efficiency and quality of private and public hospital pharmacy services in Spain, Portugal and Latin America.

The company also supports new projects that enable it to bolster this activity. A result of the research carried out by a multidisciplinary team, including professionals from the Hospital division and engineers from Grifols Engineering, was the presentation of BlisPack® in the last quarter of the year. This is an automated system which cuts, repackages and identifies medication blisters for hospital use helping reduce dosage errors; it is unique in Spain.

The **Diagnostic** division posted 85.7MM euros in sales revenues in 2008, up 7.5% on 2007. In revenue terms, this division currently represents 10.5% of the business. It encompasses the manufacturing and development of equipment, instrumentation and reagents designed for clinical analysis laboratories.

In 2008 the division entered the French market to sell its WaDiana® automated analyser and made further inroads into China and Mexico, all of which helped drive growth. It will also benefit in the near future from the expected growth in sales of reagents for diagnostics (DG Gel®) to be used with the instruments from the immunohaematology line. Reagents sales in 2008 expanded steadily throughout the year. This year also saw the first cards sold in France following the expiry of the European patent preventing their sale in certain European markets.

Turnover at the **Raw Materials & Others** business dropped to 39.7 MM euros, in line with company forecasts. This division includes sales of intermediate products and raw material (plasma) to third parties.

Performance by region

At the end of 2008, Grifols' revenue in international markets (excluding Spain and Portugal) accounted for 72.8% of total turnover. International sales totalled 593.2 MM euros, up 18.2% on the previous year.

Turning to the rate of growth in different regions: the US generated revenue of 290.7 MM euros, where there was 23.2% growth in the first half of 2007; Spain and Portugal contributed 221.1 MM euros (+9.7%) and Asia 33.9 MM euros (+20.9%). Latin America contributed 75.8 MM euros (+49.5%), thanks to the growth in Hospital Logistics (Hospital division) sales and the combination of increases in price and turnover recorded by Bioscience products in this region.

By region, the US generated 35.6% of group revenue, Europe 49.6%, Latin America 9.2% and Asia 4.1% in 2008. In line with the company's strategic plan, international diversification is becoming increasingly more important as it lays the foundation for future growth in new markets.

SUMMARY OF SALES BY REGION

In thousands of Euros	**2008**	*% s/ ventas*	**2007**	*% var.*
European Union	404,099	*49.6*	376,905	*7.2*
US	290,666	*35.7*	235,929	*23.2*
ROW	119,546	*14.7*	90,456	*32.2*
TOTAL	**814,311**	*100.0*	**703,291**	*15.8*

A company committed to responsible long-term investment

The company continued to pursue growth in 2008. The main initiatives carried out show that Grifols is correctly rolling out its 400 MM euro investment plan which was announced In December 2007. Targets focus both on raising plasma collection capacity and continually increasing plasma derivative production capacity at the company's manufacturing plants. In this regard, we would highlight:

the acquisition of Novartis's former 31,000m^2 industrial facilities in Parets del Vallés (Barcelona) which will house the group's logistics organisation, among others;

the opening and expansion of plasmapheresis centers in the US, bringing the total to 80;

the opening of a new building in Barcelona to house the raw material storage unit; the new R&D quality control laboratories for the Hospital division; and the installation of new manufacturing lines for enteral nutrition products for the same division;

a new preparation area to increase production of DG Gel® cards was also finished;

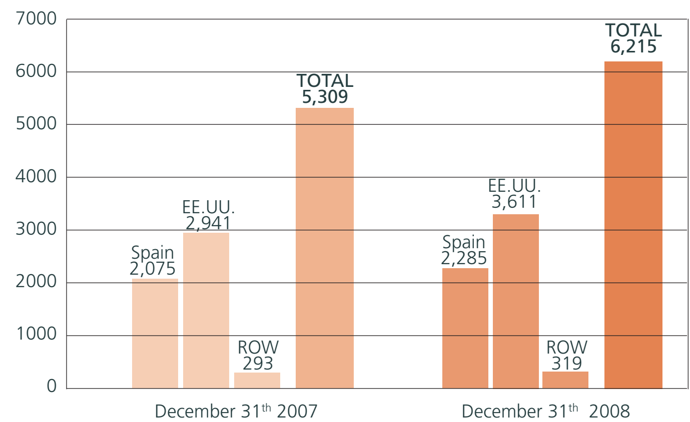
investment at the Los Angeles plant to fund its expansion, improvements and specialised machinery.

New HQ of the Technical Area and R+D of the Hospital division. Parets del Vallès, Barcelona.

Human Resources

The company's commitment to staff training saw the opening of the Grifols Plasmapheresis Academy which, although inaugurated at the beginning of 2009, began operating in 2008. This initiative guarantees that the company can meet the training requirements of its staff through various programmes which will enable Grifols to transfer its knowledge and spread its corporate culture. The academy is also a means of promoting innovation and transmitting the firm's ethical and quality values in connection with obtaining plasma that is then used for products for therapeutic use.

Workforce: Total contracts.



In 2008, Grifols employed a total of 5,505 people, 16% more than at the end of 2007. All departments grew as a consequence of the group's strong business performance. Growth in particular was seen in the R&D department's workforce, in line with Grifols' strategy of bolstering its research and development area, and in the production department's workforce.

Environment

With regard to investing in the environment, 2008 saw the start-up of the new 6.1 MW cogeneration facility at the plasma derivatives plant in Barcelona which was fully operational in June. Quadrupling energy capacity and thereby guaranteeing electricity supply for this plant, the facility will also reduce CO_2 emissions by 23% as it uses residual useful heat.

At the same site, the new biological purification plant, in operation since the end of 2007, has reached full capacity and is reducing wastewater by 24%.

In 2008, the various environmental indicators increased at a lower rate than production growth.

New 6.1 MW cogeneration facility. Parets del Vallès, Barcelona.

Production at the Bioscience division grew 25%, whereas electricity and water consumption rose only 4% and 13%, respectively.

Environmental investment and costs totalled 2.7 MM euros in 2008. Of this amount, 60% corresponds to waste management while 37% was spent on managing the water cycle.

Corporate Decisions

We would highlight the following corporate decisions taken in 2008 regarding earnings payouts:

approval of a gross dividend of 0.165 euros per share, which amounts to a total dividend of 34.8 MM euros and a pay-out of close to 40% of net profit compared to 28% the previous year.

Grifols agreed to give 0.7% of pre-tax profit to social and humanitarian projects. The objective is to contribute to the improvement of healthcare in regions lacking sufficient health resources and expertise..

Commercial Agreements

Finally, various agreements were reached during the year, including the following:

Agreement with Marina Salud whereby Grifols will act as logistics operator of the new Denia hospital.

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

Distribution agreement with US-based CDEX, the maker of the Valimed identification system for intravenous medicines, for Spain, Portugal and Italy.

Renewal of the agreement with Cardinal Health whereby Grifols will retain exclusive distribution rights for the Pyxis® system in Spain, Portugal and Latin America for a further six years.

In early 2009, Grifols acquired part of biotech company Cardio 3 Bioscience which specialises in the research and development of biological therapies using stem cells to treat cardiovascular diseases. Cardio3 BioScience was created in 2007 by a group of scientists from the Aalst Cardiovascular Clinic in Belgium using technology developed by the Mayo Clinic (Rochester, USA) which is also one of its biggest shareholders.

Performance in the fourth quarter of 2008

Revenue in the fourth quarter totalled 214.1 MM euros, 19.5% higher than the same period the year before.

Turnover at the Bioscience division totalled 161.0 MM euros, an increase of 27.0%, while the Hospital and Diagnostic divisions saw turnover rise 8.6% and 7.3% to 20.5 MM and 22.1 MM euros, respectively. EBITDA for the quarter amounted to 62.1 MM euros, 34.9% more than the same quarter the previous year.

Net profit totalled 28.8 MM euros or 13.5% of sales, an improvement of 26.2% over the rate achieved a year previously.

SUMMARY OF SALES BY DIVISION

In thousands of Euros	4th. Q 2008	4th. Q 2007	% var.
BIOSCIENCE Division	160,971	126,787	*27.0*
HOSPITAL Division	20,460	18,834	*8.6*
DIAGNOSTIC Division	22,096	20,589	*7.3*
RAW MATERIALS+Others Division	10,592	13,034	*-18.7*
TOTAL	**214,119**	**179,244**	*19.5*

SUMMARY OF SALES BY REGION

In thousands of Euros	4th. Q 2008	*% on sales*	4th. Q 2007	*% var.*
European Union	95,169	*44.5*	96,264	*-1.1*
US	83,994	*39.2*	57,984	*44.9*
ROW	34,956	*16.3*	24,996	*39.8*
TOTAL	**214,119**	*100.0*	**179.244**	*19.5*

PROFIT AND LOSS ACCOUNT

In thousands of Euros	2008	2007	% var.
TOTAL OPERATING INCOME	**814,311**	**703,291**	***15.8***
Cost of Sales	416,127	387,632	*7.4*
GROSS PROFIT	398,184	315,659	*26.1*
% on Sales	*48.9*	*44.9*	
R&D	28,494	28,725	*-0.8*
SGA	166,729	140,580	*18.6*
OPERATING EXPENSES	195,223	169,305	*15.3*
OPERATING PROFIT	**202,961**	**146,354**	***38.7***
% on Sales	*24.9*	*20.8*	
FINANCIAL RESULT	30,716	22,786	*34.8*
Puesta en equivalencia	-24	-19	*26.3*
PROFIT BEFORE TAXES	**172,269**	**123,587**	***39.4***
% on Sales	*21.2*	*17.6*	
Tax Provision	50,153	35,239	*42.3*
NET PROFIT BEFORE MIN. INTERESTS	**122,116**	**88,348**	***38.2***
Minority interests	388	574	*-32.4*
GROUP NET PROFIT	**121,728**	**87,774**	***38.7***
% on Sales	*14.9*	*12.5*	
E B I T D A	**236,217**	**177,882**	***32.8***
% on Sales	*29.0*	*25.3*	

CASH FLOW

In thousands of Euros	2008	2007
NET INCOME	121,728	87,774
Depreciation/Amortitzation	33,256	31,528
Net provisions for risks & expenses	1,994	156
Other Adjustments-Net	13,029	5,239
Changes in inventories	(98,520)	(45,516)
Changes in Accounts Receivable	(13,678)	(4,562)
Changes in Accounts Payable	15,600	14,025
Change in working capital	*(96,598)*	*(36,053)*
Net Cash Flow from Operating	**73,409**	**88,644**
Capex (Property.Plant & Equip)	(124,313)	(49,931)
R&D/Other Intangible Assets	(5,887)	(5,532)
Other cash Inflow (Outflow)	(566)	(15,251)
Net Cash from Investing	**(130,766)**	**(70,714)**
Free Cash Flow	*(69,167)*	*27,786*
Issue (Purchase) of Equity	(4,211)	(28,893)
Issue (Repayment) of Debt	96,348	(552)
Dividends	(34,792)	(12,805)
Conversions differences	1,034	4,122
Net cash from Financing	**58,379**	**(38,128)**
Total Cash Flow	**1,022**	**(20,198)**
Cash or Equivalents at Year Start	**5,690**	**26,883**
Effect of Exchange Rate on Cash	**(344)**	**(995)**
CASH OR EQUIVALENTS AT YEAR END	**6,368**	**5,690**

BALANCE

In thousands of Euros	2008	2007
ASSETS		
Non-current assets	553,639	444,042
Fixed assets	301,009	201,332
Goodwill and other intangible	216,323	207,466
Other non-current assets	36,307	35,244
Current assets	626,600	495,527
Inventories	373,098	270,659
Trade and other receivables	212,592	205,256
Other current assets	34,542	13,922
Cash and cash equivalents	6,368	5,690
TOTAL ASSETS	**1,180,239**	**939,569**
LIALIBILITIES		
Equity	481,279	384,166
Capital	106,532	106,532
Reserves	369,471	316,440
Treasury stocks	(33,087)	(28,893)
Earnings	121,728	87,774
Minority interests	1,250	981
Adjustments by value changes	(84,615)	(98,668)
Non-current liabilities	381,422	238,827
Financial Liabilities	324,055	189,489
Other non-current liabilities	57,367	49,338
Current liabilities	317,538	316,576
Financial Liabilities	157,232	187,095
Other current liabilities	160,306	129,481
TOTAL LIALIBILITIES	**1,180,239**	**939,569**

Grifols' daily share price vs IBEX 35
(Base 100, from January 1 2008 to December 31 2008)

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