

Investors' & Analysts' Meeting Barcelona 2014

Investors' & Analysts' Meeting in Barcelona

Thursday 5th and Friday 6th
June 2014

Friday, June 6th 2014 – Parets del Vallés & Sant Cugat del Vallés – Group A

<u>Time</u>	<u>Topic</u>
8:30 - 9:00	Coffee + Welcome & Introduction to the tour
9:00 - 10:00	Visit to the new Bioscience “Frac 4” facility
10:00 - 10:30	Transfer to Diagnostic facility
10:30 - 11:00	Coffee + Welcome & Introduction to the tour
11:00 - 12:00	Visit to Diagnostic Grifols facility
12:00 - 12:30	Transfer to Sant Cugat
12:30 - 13:30	Lunch in Sant Cugat
13:30 - 14:30	Financials
14:30 - 15:15	Q & A and closing
15:15	Transfer to Barcelona / airport

Friday, June 6th 2014 – Parets del Vallés & Sant Cugat del Vallés – Group B

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Although GRIFOLS believes that the expectations reflected in such forward-looking statements are reasonable, various known and unknown risks, uncertainties and other factors could lead to material differences between the actual future results, financial situation, development or performance of the Company and the estimates given here. These factors include those discussed in our public reports filed with the Comisión Nacional del Mercado de Valores and the Securities and Exchange Commission, which are accessible to the public. The Company assumes no liability whatsoever to update these forward-looking statements or conform them to future events or developments. Forward-looking statements are not guarantees of future performance. They have not been reviewed by the auditors of GRIFOLS.

Analysts and Investors meeting. Barcelona, June 5–6, 2014

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Visit to the new Bioscience “Frac 4” facility

- Alberto Grifols -

Description of the plant

- Design of the plant: Grifols Engineering
- Building: 4,500 m² distributed in 3 floors
- Budget: 23,177,000€
- Cost: 21,200,000€
- Beginning of the works: July 2011
- End of the works: April 2013
- Start manufacturing: March 2014



Main features of the plant

- Cold rooms at -30°C
- 1 robot for automatic bottles opening (ABO)
- 19 reactors (11 of 14m^3 , 3 of 9m^3 and 5 of 3.5m^3)
- 3 units of filter press
- 3 centrifuges BK 45
- $2,000\text{ m}^2$ of classified rooms



Production capacity

- Fractionation capacity: 2,100,000 liters of plasma
- Continuous production: 7 days / 24 hours
- Direct jobs: 76



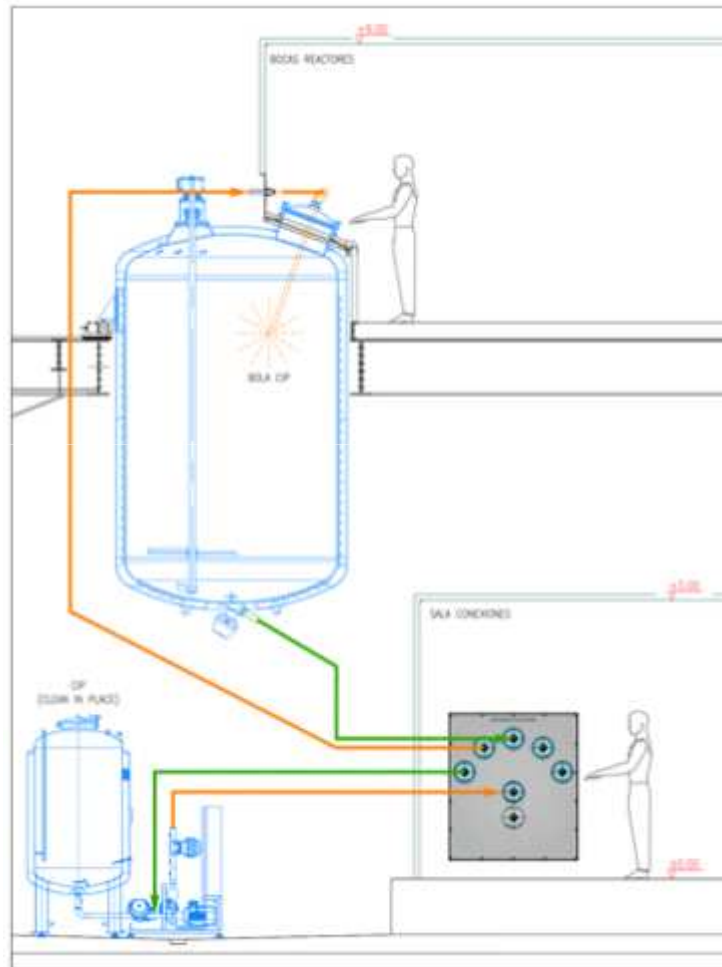
Environmental impact



- Distillation of alcoholic supernatants: 2,000,000 liters of ethanol from fractionation rectified at the distillation towers
- Recovery of clean waters:
 - Use of the water from last rinses for the refrigeration towers. Annual savings: **30,000 m³ per year**
- Collection and treatment of waste waters with high organic load in the biological purifying plant
 - Average purification degree: **86%**

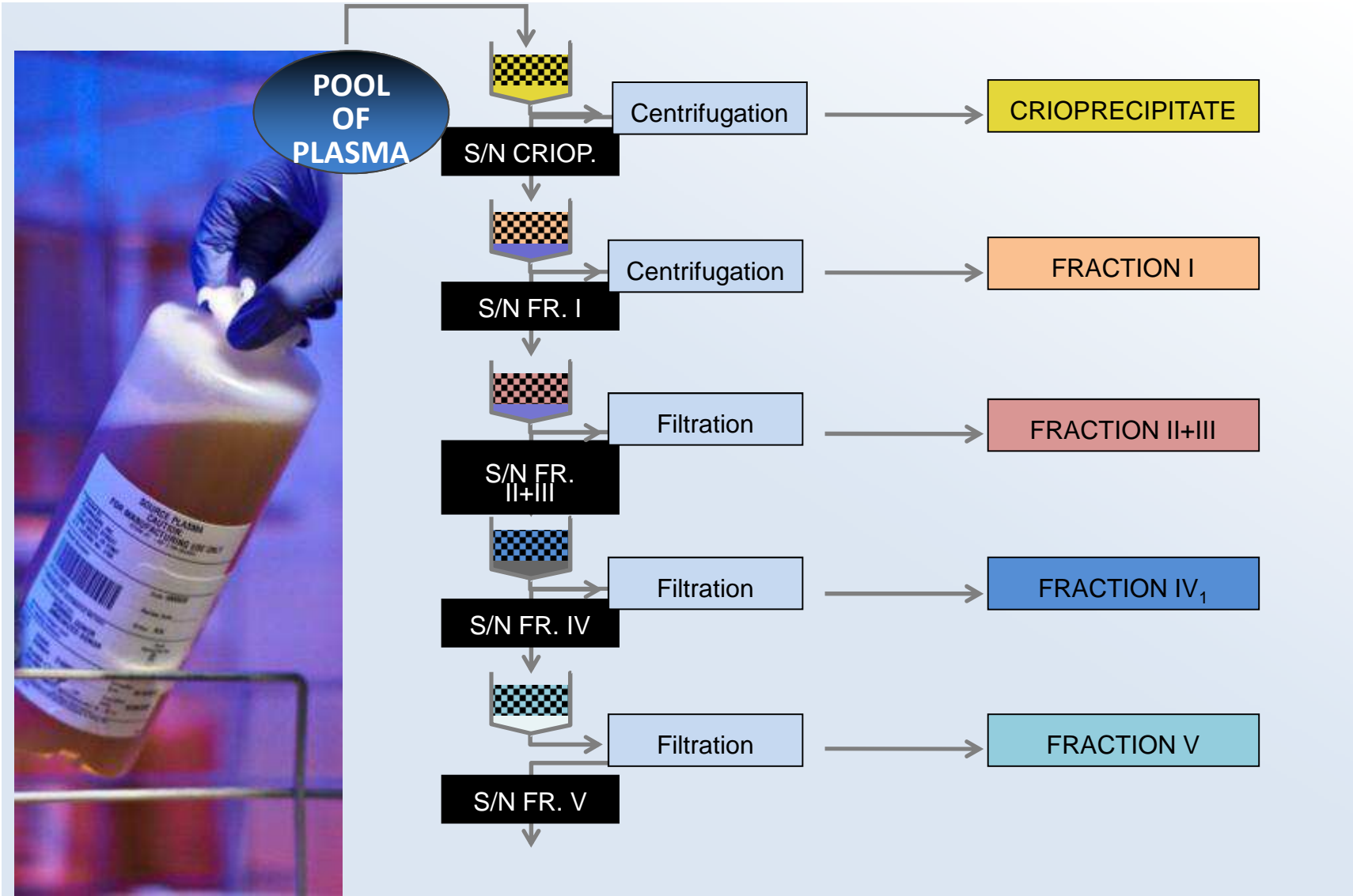


Environmental impact

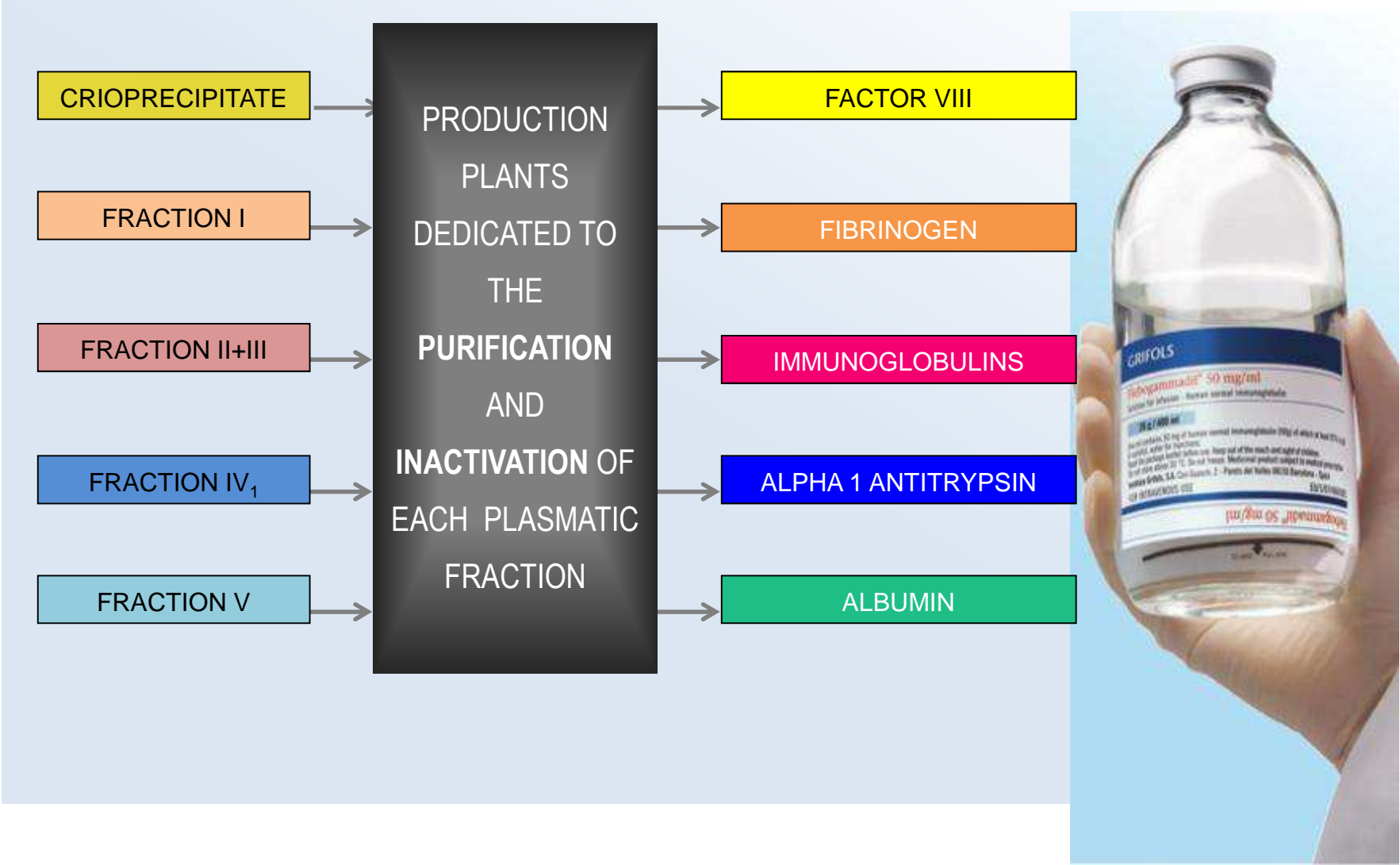


- Water saving:
10 CIP equipment (Clean In Place) that save 60,000 l of water per lot / year: 20,000 m³/year
- Coefficient of energy consumption:
 - Highly efficient equipment for industrial cooling, frequency converters for pumps, heat recovery equipment to heat water for sanitary use. All these will allow an annual saving of:
1.5 millions / KWh of gas and
600,000 KWh of electricity

Production of plasma derived products



Production of plasma derived products



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Visit to Diagnostic Grifols Facility

- Oriol Duñach -

Diagnostic industrial group

- In charge of manufacturing and R&D
- Currently manufacturing facilities in Spain, Switzerland, Australia and USA



Düdingen (Switzerland)

- Headcount: 23 people in operations + 4 R&D

- We manufacture:

- Red cells (FDA approved)



- Multicards



- Liquid antisera



- Gel cards (planned July 2014)



Barcelona (Spain)

▪ Headcount: 175 people in operations + 89 R&D

▪ We manufacture:

• Red cells



• Gel cards (FDA approved)



• IH instruments (FDA approved)



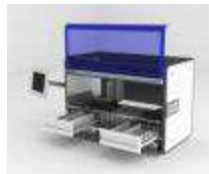
• Coagulation reagents



• Coagulation instruments



• ELISA instruments



Melbourne (Australia)

- Headcount: 17 people in operations

- We manufacture:

- Red cells



- Gel cards



Emeryville (United States)

- Headcount: 400 people in operations + R&D
- We manufacture:
 - Recombinant Antigens for immunological testing of infectious diseases in Blood screening

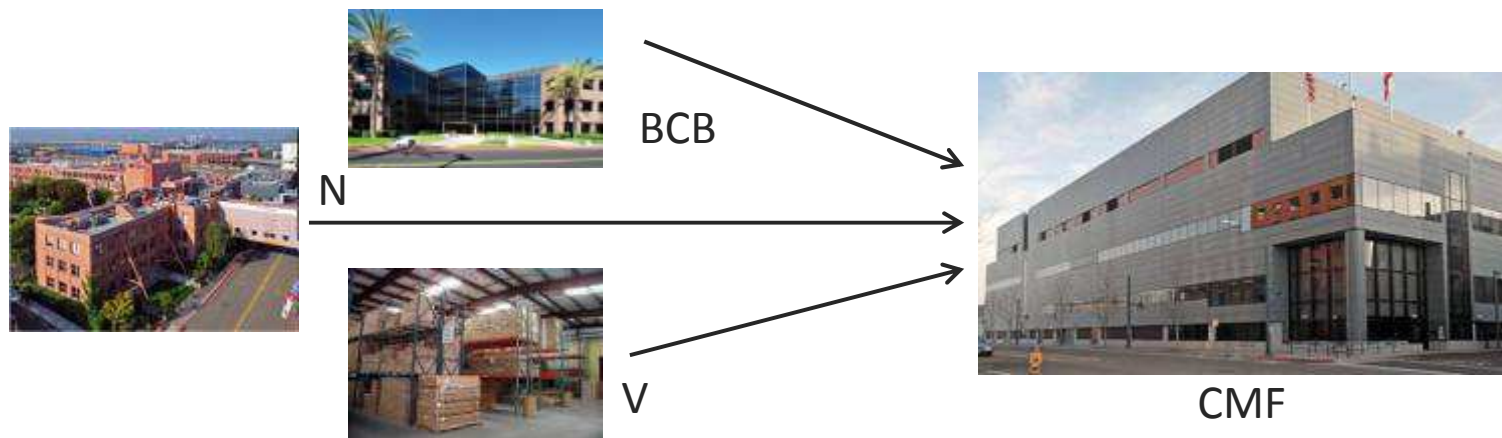


Emeryville (United States)

Project Horizon

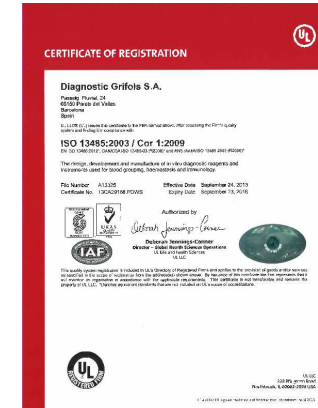
CMF facility retrofit and consolidation of operations from four buildings into one

- Retrofit to consolidate manufacturing/support functions into a compliant GMP manufacturing facility:
 - Transfer Upstream processes from Building N to CMF
 - Transfer Downstream and other support operations from Building BCB to CMF
 - Transfer MS&T lab operations from ESN to CMF (not pictured)
 - Transfer Warehouse from Build V to CMF
 - Phase I: demolition and seismic upgrade complete
 - Bids for phase II build out in process



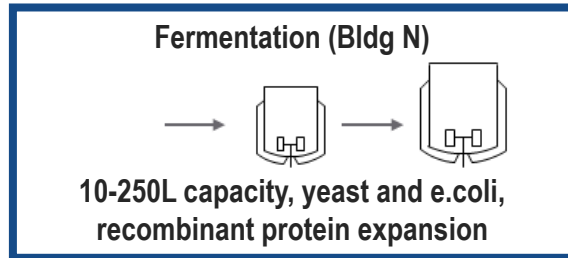
Certification

- ISO 13485
- ISO 14001
- CE
- UL
- FDA (for instruments & gel cards, Barcelona plant)
- FDA (for red cells, Switzerland plant)
- FDA (San Francisco plant)
- TGA (Therapeutic Goods Administration, Australia plant)

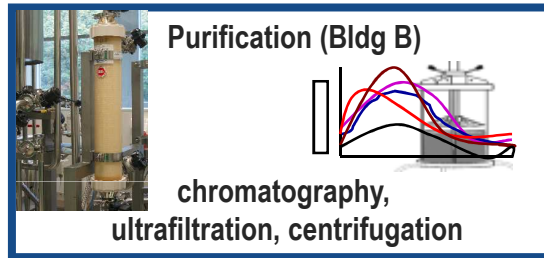


Immuno manufacturing process

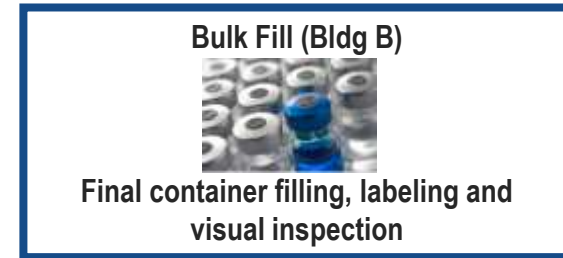
24 different products manufactured: 13 antigens, 4 conjugated antigens, 3 peptides, 4 ancillary products



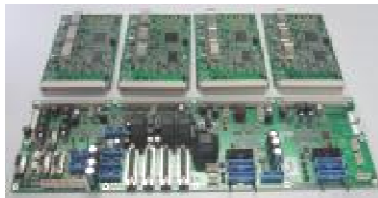
3-7 day cycle time



7-14 day cycle time



Instruments manufacturing process



Electronic Cards



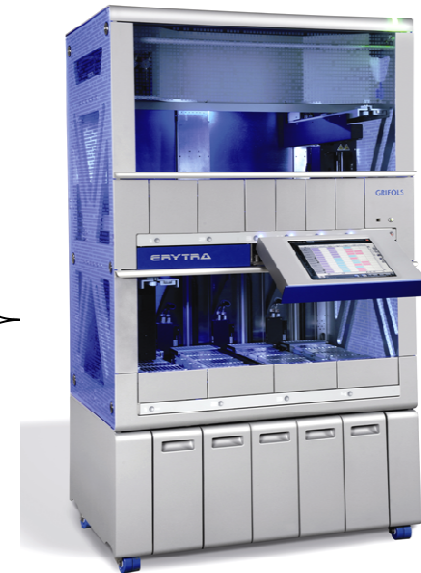
Lineal guide



Cavro Pump



Cover



Erytra

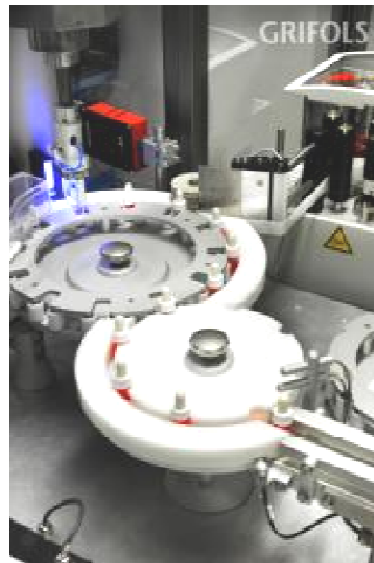
Red cells manufacturing process



Red cell concentrate



Preserving solution

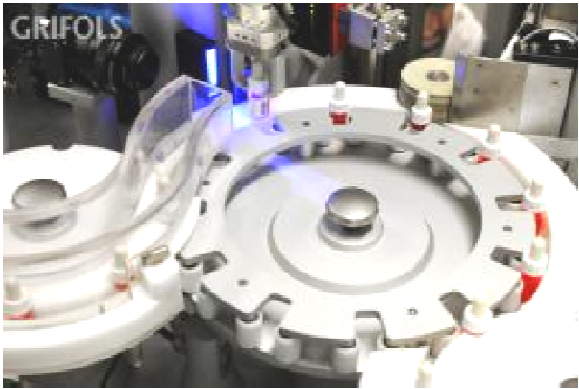


Finished product

Gel cards manufacturing process



Automation & process improvement

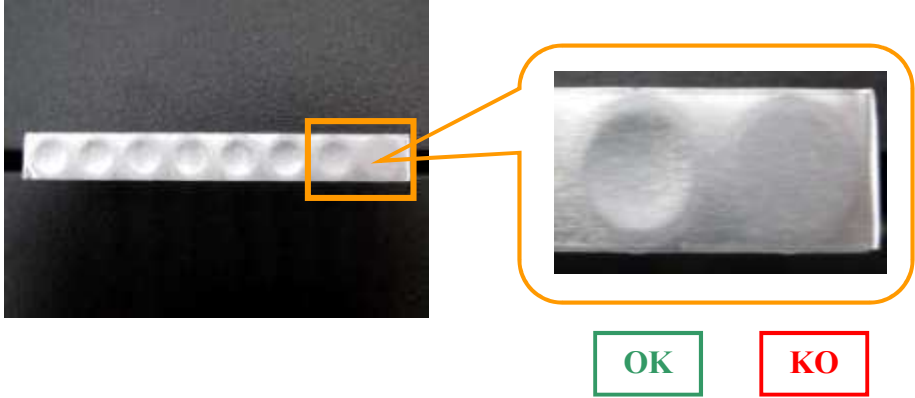


Automation



- Safety ↑
- Quality ↑
- Production capacity ↑
- Costs ↓

Automation & process improvement: Sealing test



Automation & process improvement: Disposable reactor



- Safety ↑
- Quality ↑
- Yields ↑
- Costs ↓

Automation & process improvement: CCD readings



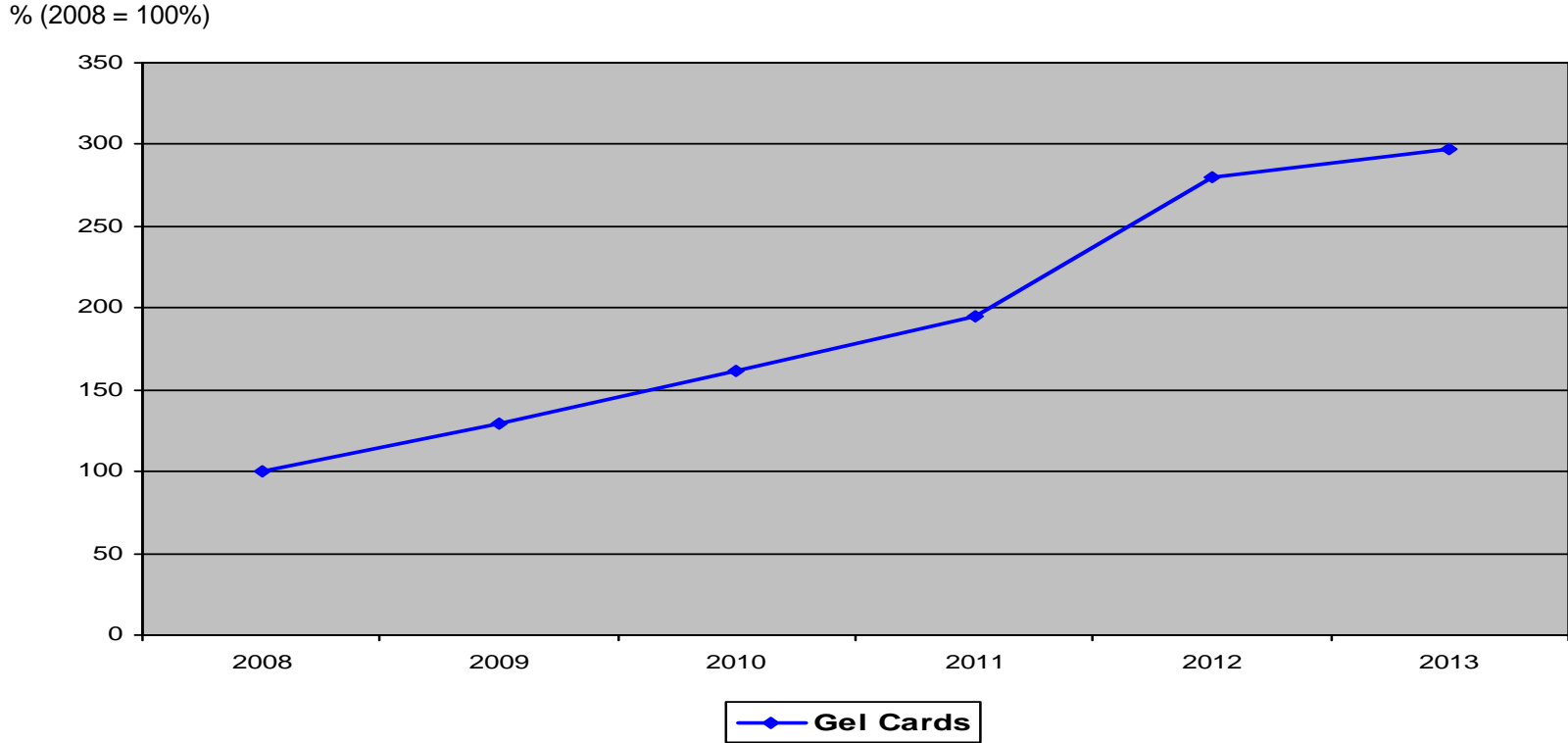
- Front label check
- Back label check
- Supernatant level check
- Gel level check
- Total level check
- Particle absence check
- Bubbles check

Automation & process improvement: Wireless automatic warehouse procedures



- Safe goods handling
- Avoid human errors
- Continuously updated stocks situation

Historical production data (Gel cards)



Manufacturing capacity (Gel cards)

Manufacturing capacity by year end will **increase 25%** thanks to the new manufacturing machine to be installed in Switzerland



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Financials

- Alfredo Arroyo -

Key Achievements

Key Achievements 2013-2014 YTD - I

2013 A year of consolidation Investing for future growth

- Record Sales: € 2.7 Billion
- Record Margins: 33.5% Adjusted EBITDA
- Positive Working Capital variance
- International franchise expansion: Dubai office and Japan subsidiary (former rep office)

Successful Debt Refinancing

- Average cost of Debt below 3.5% → -200 bps
- Extended Maturity Profile – 7 years average
- Institutional International Investors – more than 400
- Term Loans & Bond issue oversubscribed
- Corporate rating supported by Rating Agencies

Investment Activities

- Capex 2014-2016 + €600
- Targeted M&A activity – R&D strengthening (Aradigm and TiGenix) & Diagnostic segment acquisition

Key Achievements 2013-2014 YTD (II)

Capex Key Projects

- Fractionation expansion in Barcelona completed – 2.0 million liters (1Q 2014)
- Continuous Plasma new centers / relocations (6 centers)
- Albumin purification expansion in Barcelona approved (1Q 2013)
- New Fractionation Facility in Clayton undergoing validation

R&D The Lifeblood of the Business

- Target 2014 R&D cash out at 6% of Revenues
- Indirect R&D – acquisitions and agreements:
 - 1Q 2013 - 60% Progenika: molecular diagnostic & personalized medicine
 - 2Q 2013 – Aradigm: Respiratory franchise development (chronic respiratory diseases and inhaled products)
 - 4Q 2013 – 21.3% TiGenix: cell therapy
 - 1Q 2014 – Opening of the “Barcelona Alzheimer Treatment & Research Center” operated by ACE Foundation

Key Achievements 2013-2014 YTD (III)

Diagnostic segment strengthening

- Acquisition of the Transfusion Medicine unit – “*World leader supplier of blood screening solutions*”
- From Donation to Transfusion:
 - Transfusion medicine solutions integrated provider
 - Full control of the value chain
- Group Revenue diversification and complementary product range:
 - Bioscience 75%
 - Diagnostic ~20%
- Year 1 accretion
- Moderate releveraging: 1Q 2014 – 2.83X

Q1 2014 Results

Q1 2014 Sales by Division

(€ Million)

	1Q 2014	% of Sales	1Q 2013	% of Sales	% Variance	% Variance at constant rate
Bioscience	601.0	75.3%	604.8	88.5%	-0.6%	2.4%
Hospital	24.2	3.0%	27.1	4.0%	-10.7%	-7.3%
Diagnostic	146.6 ⁽¹⁾	18.4%	32.6	4.8%	350.1%	361.7%
Subtotal	771.8	96.7%	664.5	97.3%	16.1%	19.6%
Raw Materials & Others	26.2	3.3%	19.2	2.7%	36.6%	39.5%
TOTAL	798.0	100.0%	683.7	100.0%	16.7%	20.2%

(1) Diagnostic do not include €3.0 Million of intersegment sales

Q1 2014 Sales by Region (*)

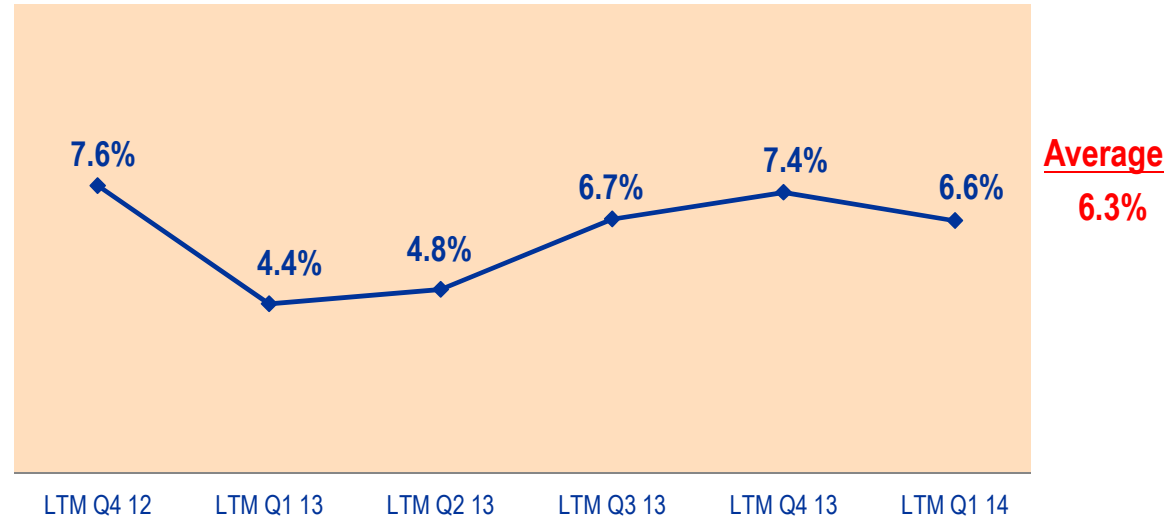
(€ Million)

	1Q 2014	% on Sales	1Q 2013	% on Sales	% Variance	% Variance at constant rate
EU	139.2	17.4%	143.4	21.0%	-2.9%	-2.8%
US + CANADA	419.8	52.6%	406.3	59.4%	3.3%	6.4%
ROW	99.5	12.5%	114.8	16.8%	-13.3%	-6.1%
Subtotal	658.5	82.5%	664.5	97.2%	-0.9%	2.2%
Raw Materials & Others	26.2	3.3%	19.2	2.8%	36.6%	39.5%
Diagnostic Solutions	113.3	14.2%				
TOTAL	798.0	100.0%	683.7	100.0%	16.7%	20.2%

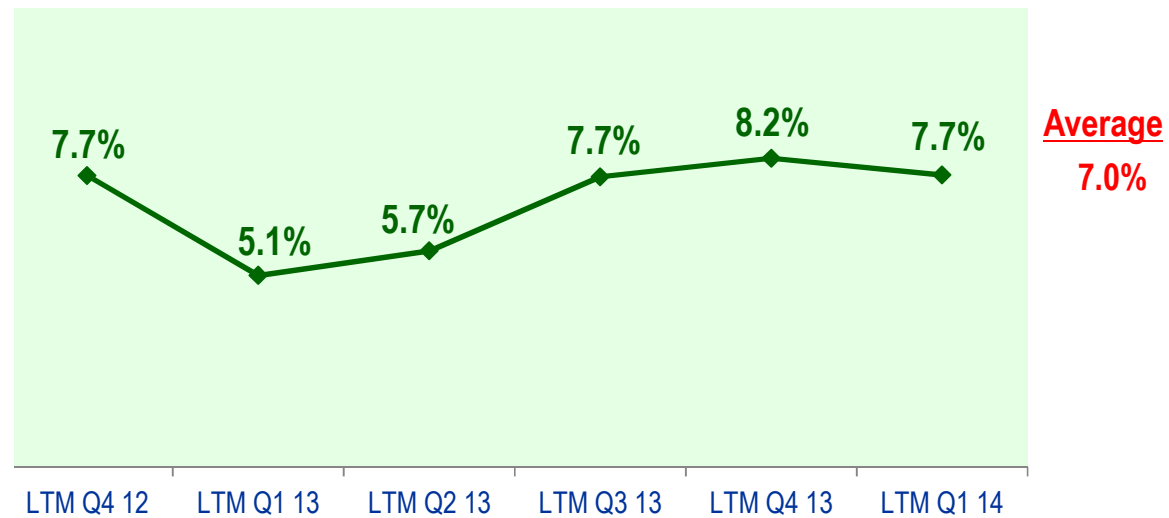
(*) Sales from the transfusion diagnostic unit acquired from Novartis not allocated to any geographical area

Sustainable underlying growth

LTM Total Sales - Growth at c.c.

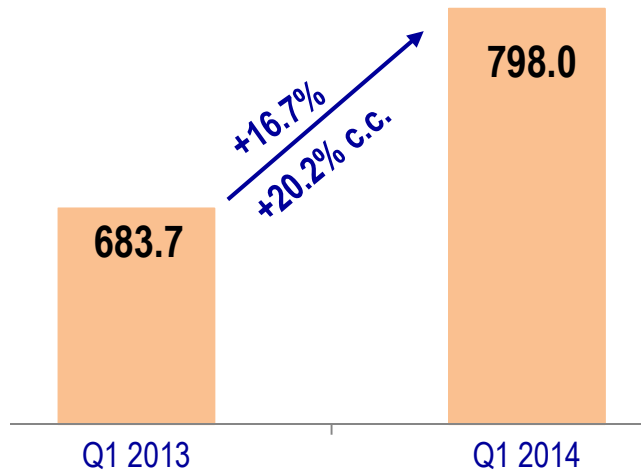


LTM Bioscience Sales - Growth at c.c.

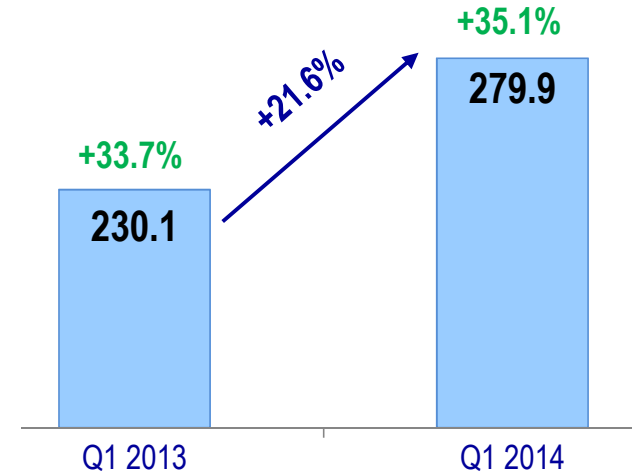


Solid Performance supported by organic and non-organic contribution

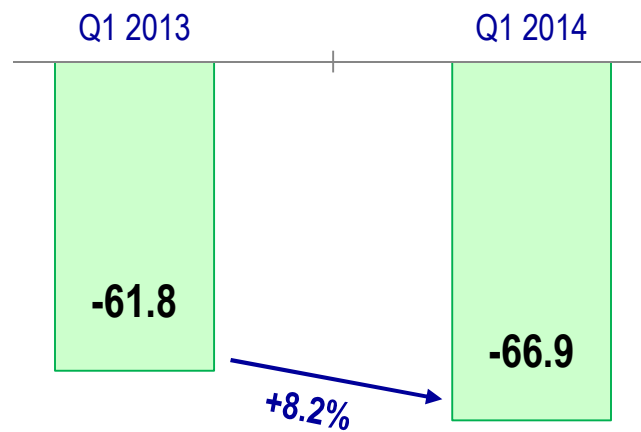
Net Revenues



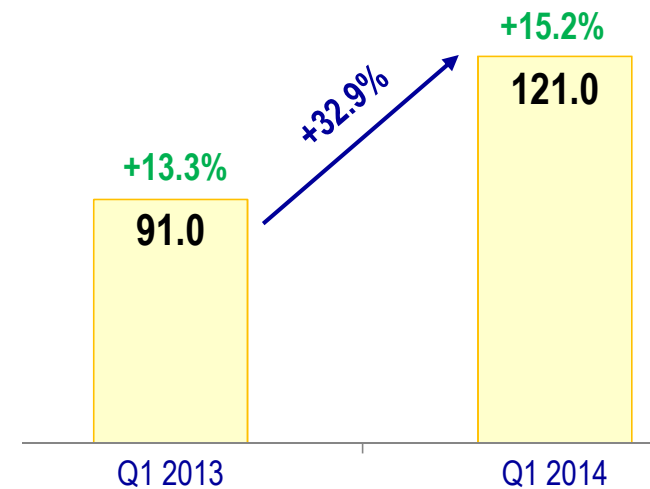
Adjusted EBITDA



Financial Result



Net Profit

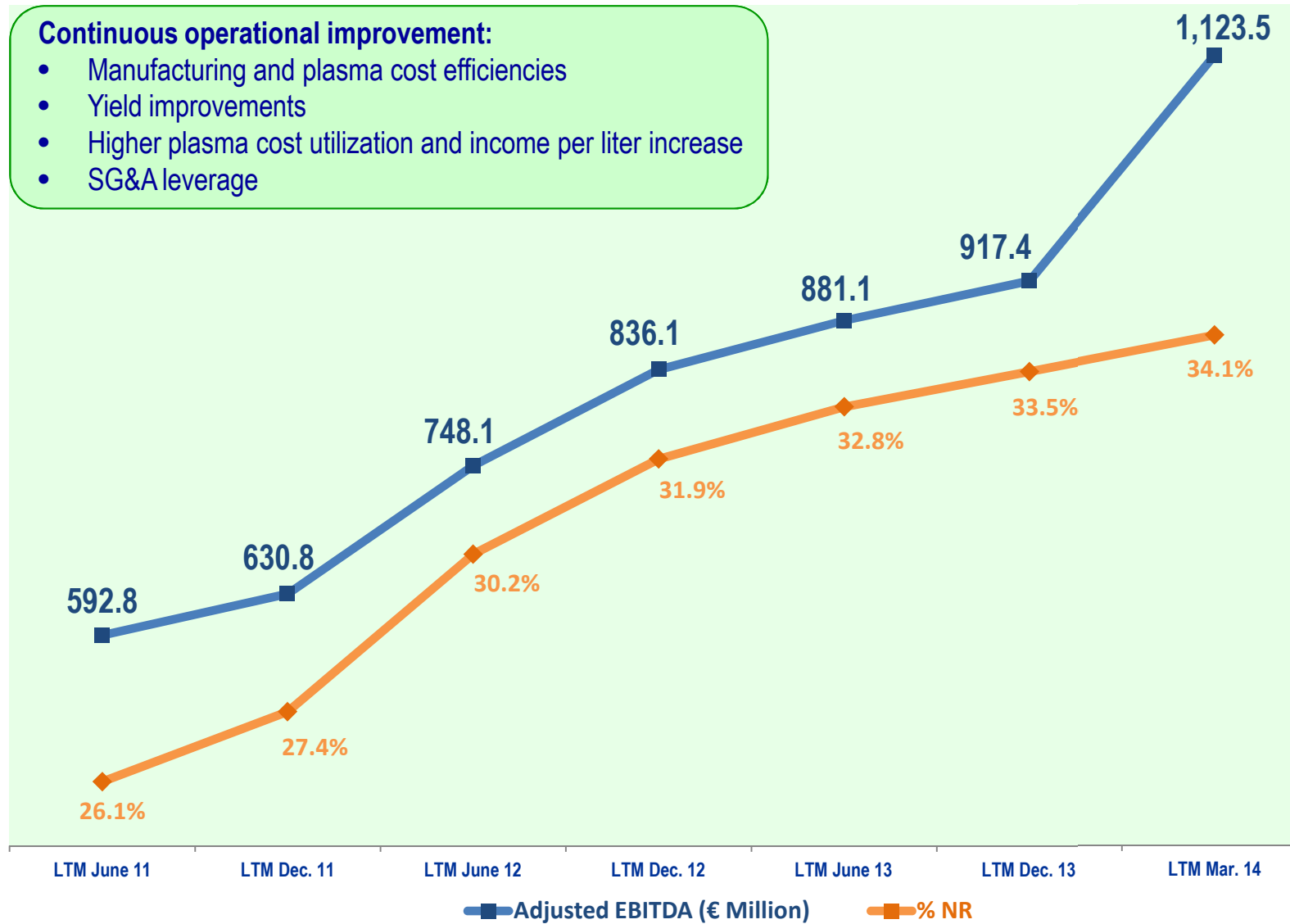


LTM Adjusted EBITDA: Positive organic and non-organic contribution

(€ Million)

Continuous operational improvement:

- Manufacturing and plasma cost efficiencies
- Yield improvements
- Higher plasma cost utilization and income per liter increase
- SG&A leverage



Financial Result – Interest declining from Q2

(€ Million)

	Q1 2013	Q1 2014	% Variance
Interests	39.3	47.1	19.5%
Financing deferred cost	19.7	16.5	-16.7%
Other financial expense / income	-2.1	0.0	NM
Derivatives valuation	0.1	4.8	NM
FX variance	4.8	-1.5	NM
Total Financial Result	61.8	66.9	8.2%



Strong operating Cash Flow generation – Q1 2014

(€ Million)

Sources

- Operating Cash Flow	257.2
- Working Capital Increase	-63.3
- Net Operating Cash Flow	193.9
- Gross Debt Increase	1,281.4
- Cash Beginning Balance	708.8
- Cash Ending Balance	684.6
- Cash Decrease	24.2
Total	1,499.4
	=====

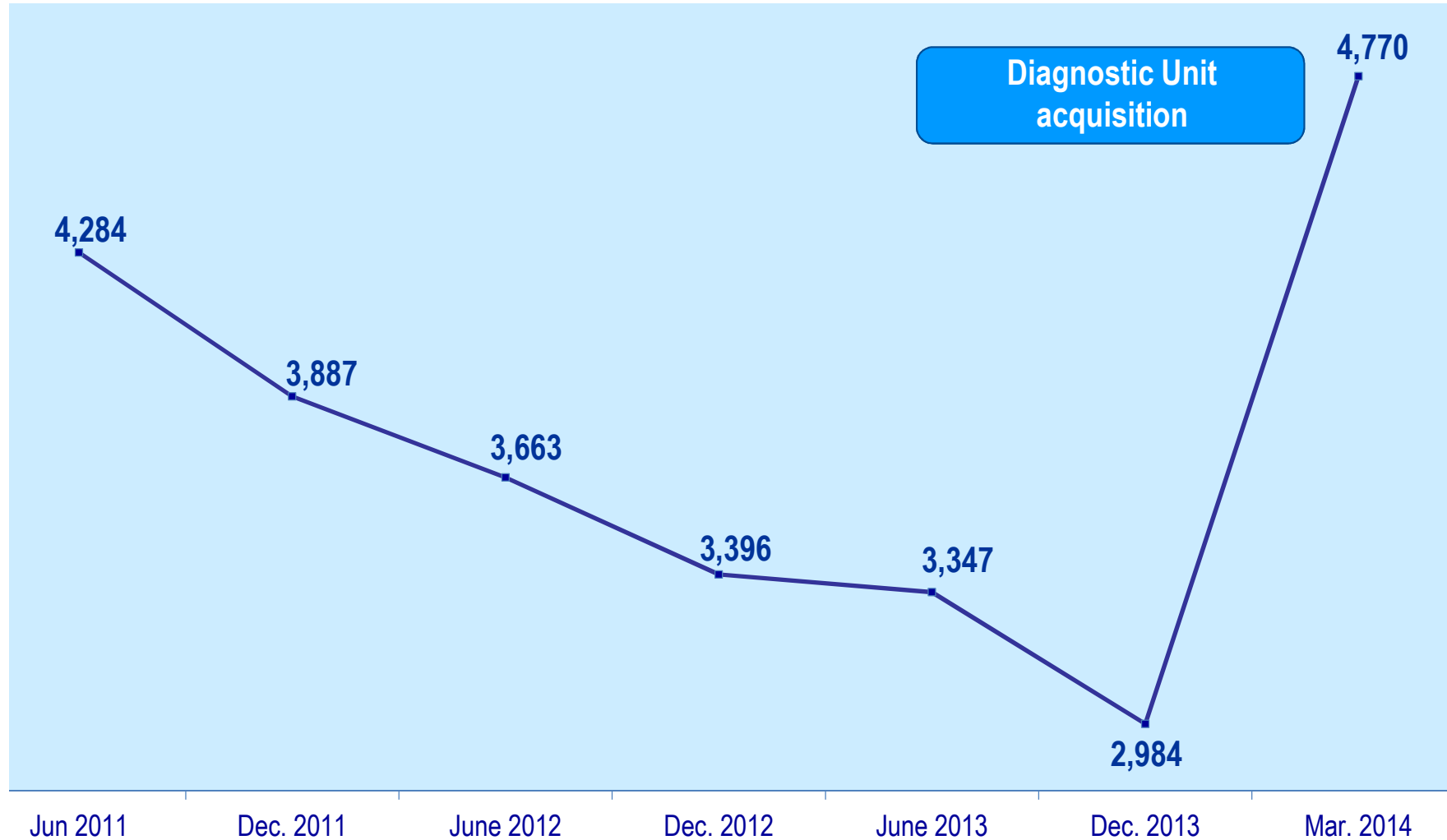


Uses

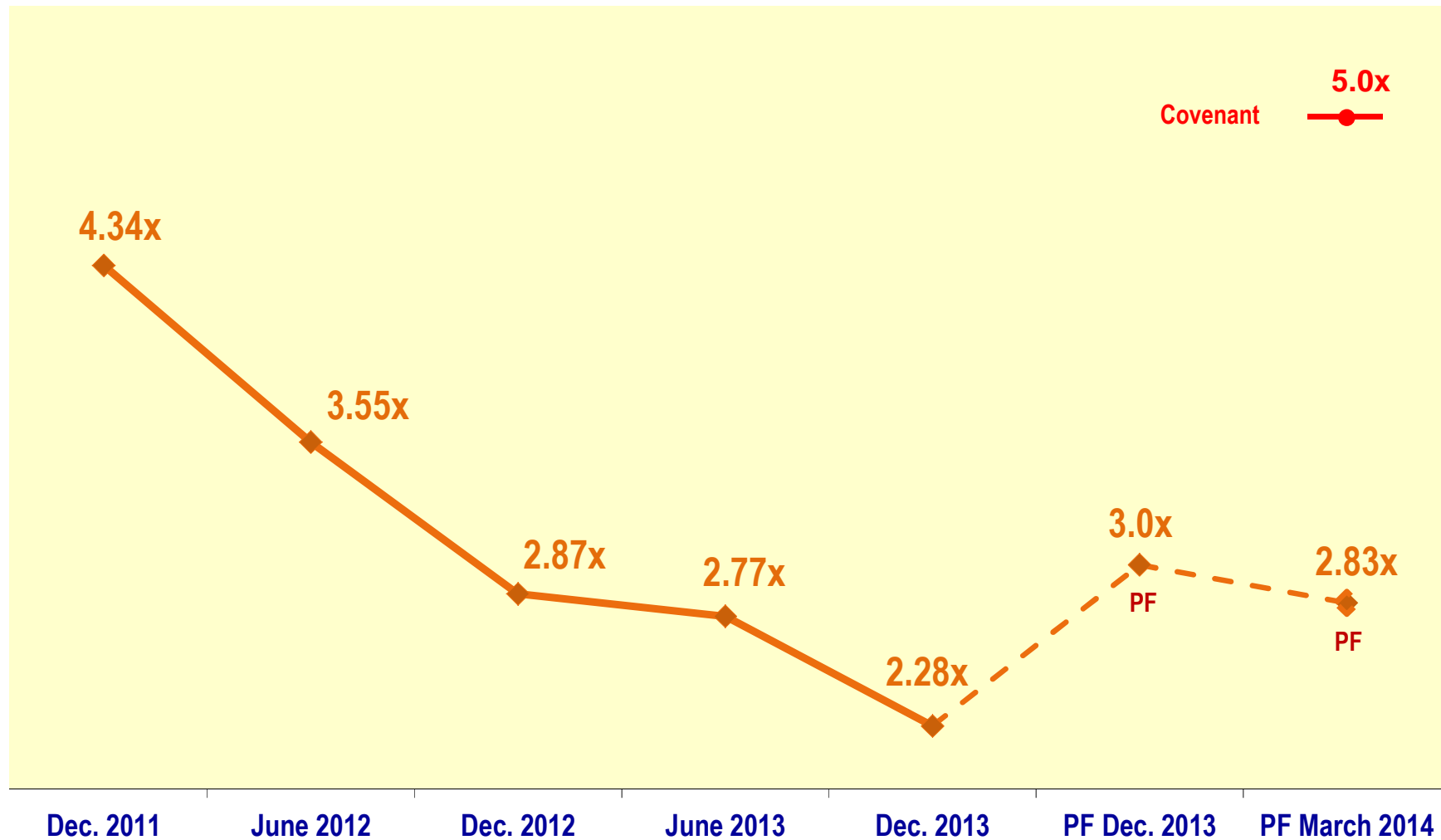
- CAPEX+Intangible	50,3
- Interest	69,1
- Diagnostic Unit acquisition	1.210,6
- Transaction costs	169,9
- FX and Others	-0.5
Total	1,499.4
	=====

Net Bank Debt increases from Diagnostic Unit acquisition

(USD Million)



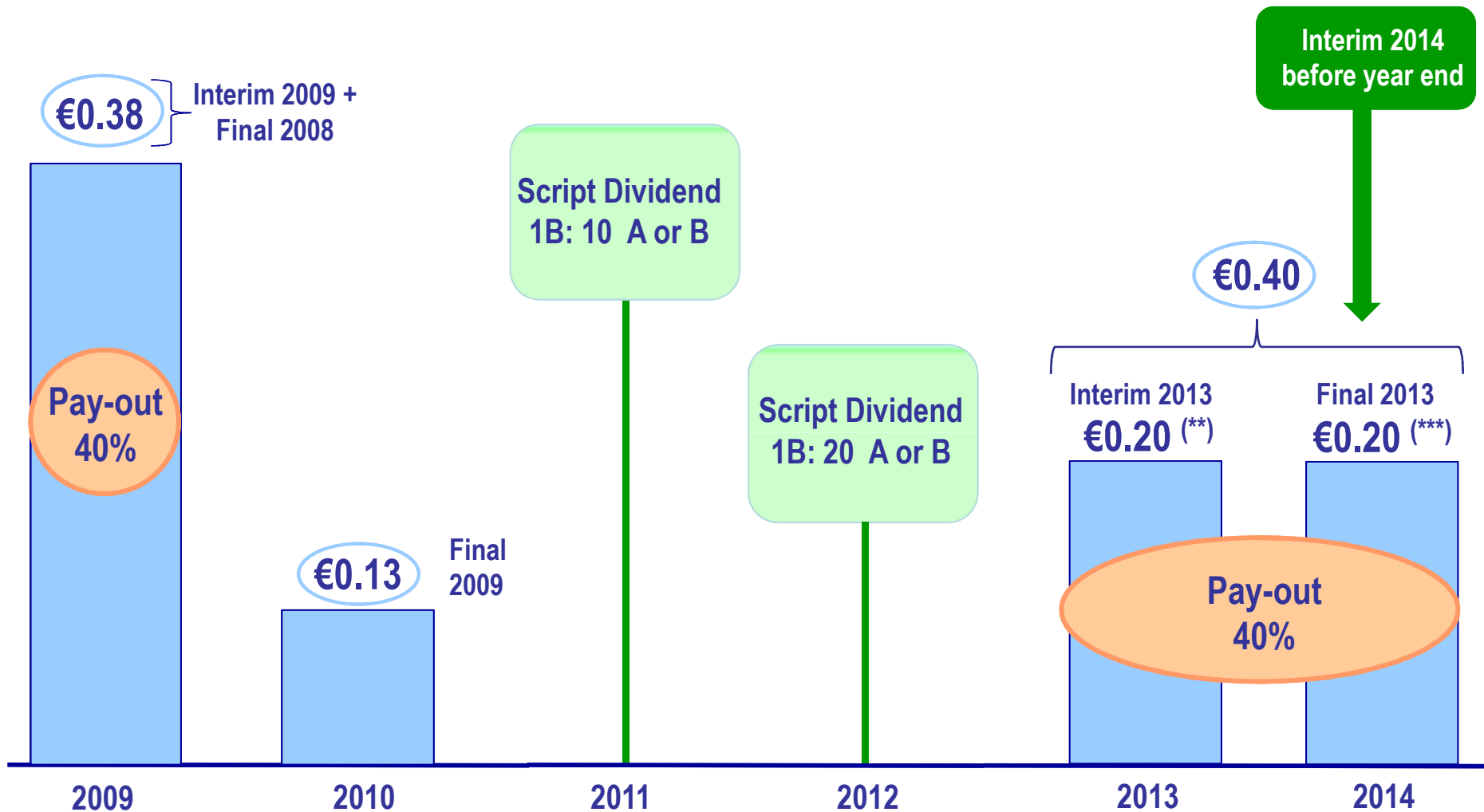
Moderate Leverage Ratio level



Shareholders Return

Dividends distribution (*): Improving return to shareholders

€ DPS



(*) Payment years

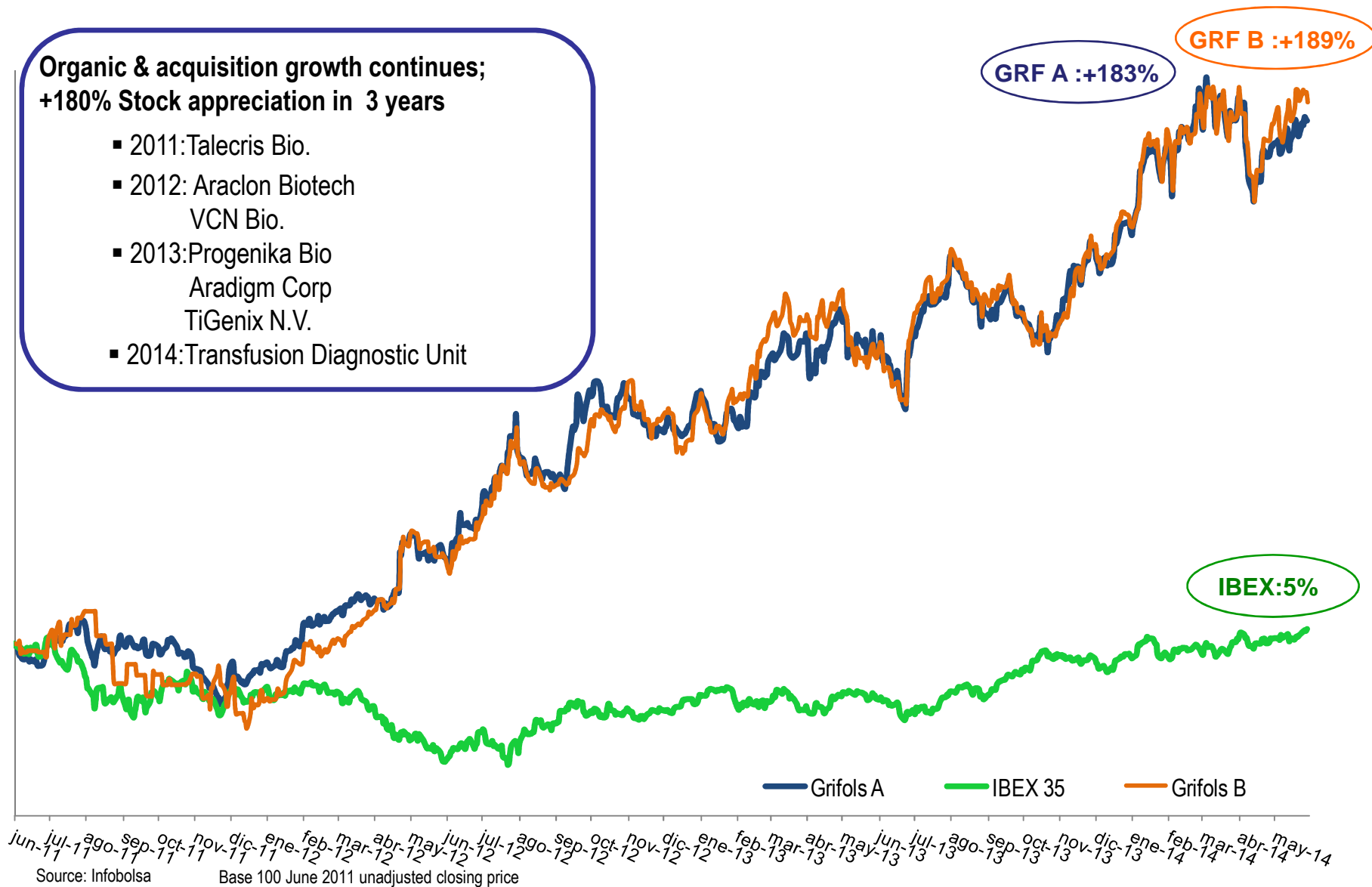
(**) In addition to the 2013 interim dividend, the 2012 preferred dividend of € 0.01 was paid

(***) In addition to the 2013 final dividend, the 2013 preferred dividend of €0.01 will be paid

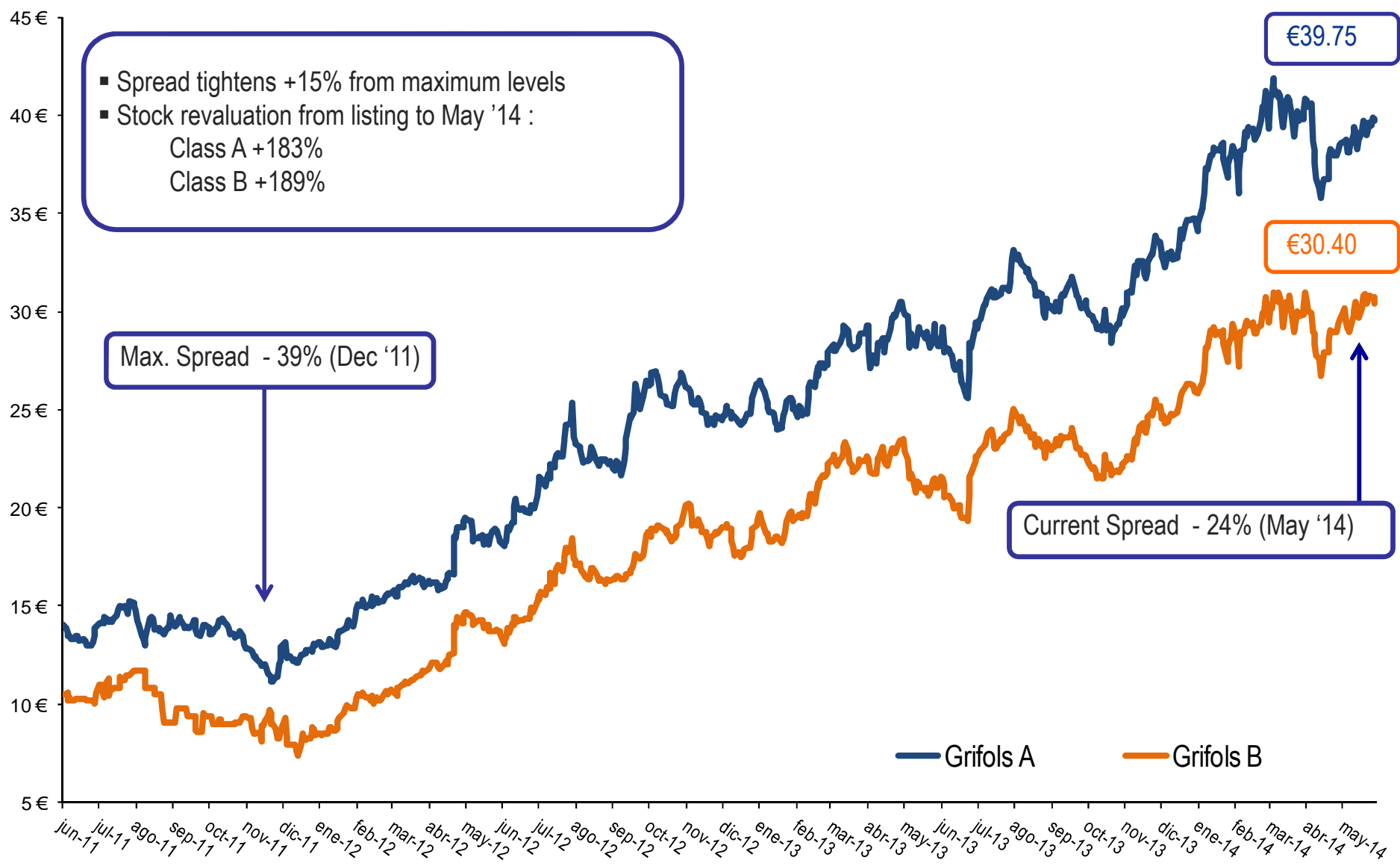
Stock Price performance – June 3, 2011 to May 30, 2014

**Organic & acquisition growth continues;
+180% Stock appreciation in 3 years**

- 2011: Talecris Bio.
- 2012: Araclon Biotech
VCN Bio.
- 2013: Progenika Bio
Aradigm Corp
TiGenix N.V.
- 2014: Transfusion Diagnostic Unit



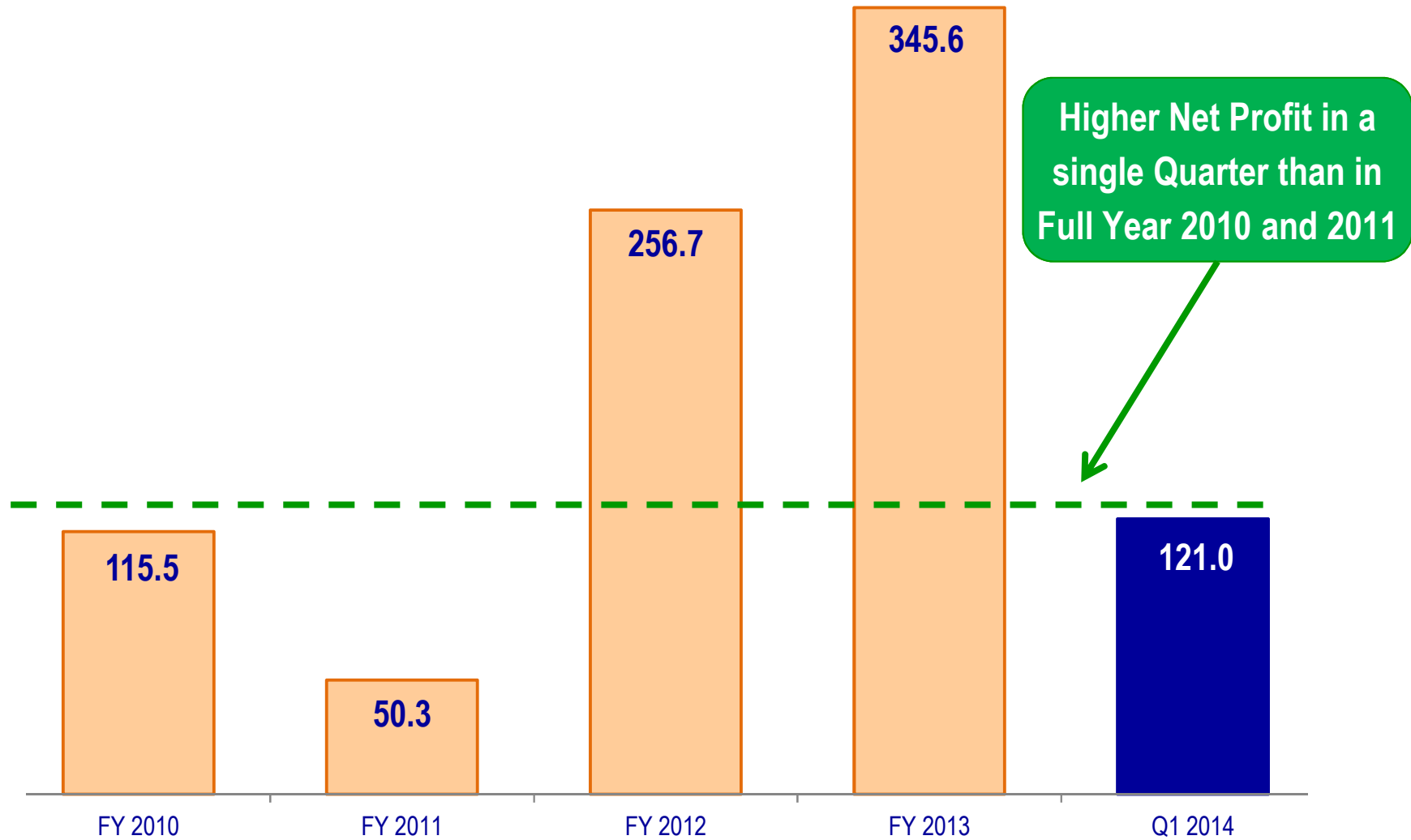
Spread class A - class B tightens as stock continues to perform



Significant Profit transformation

(€ Million)

Net Profit



Conclusions

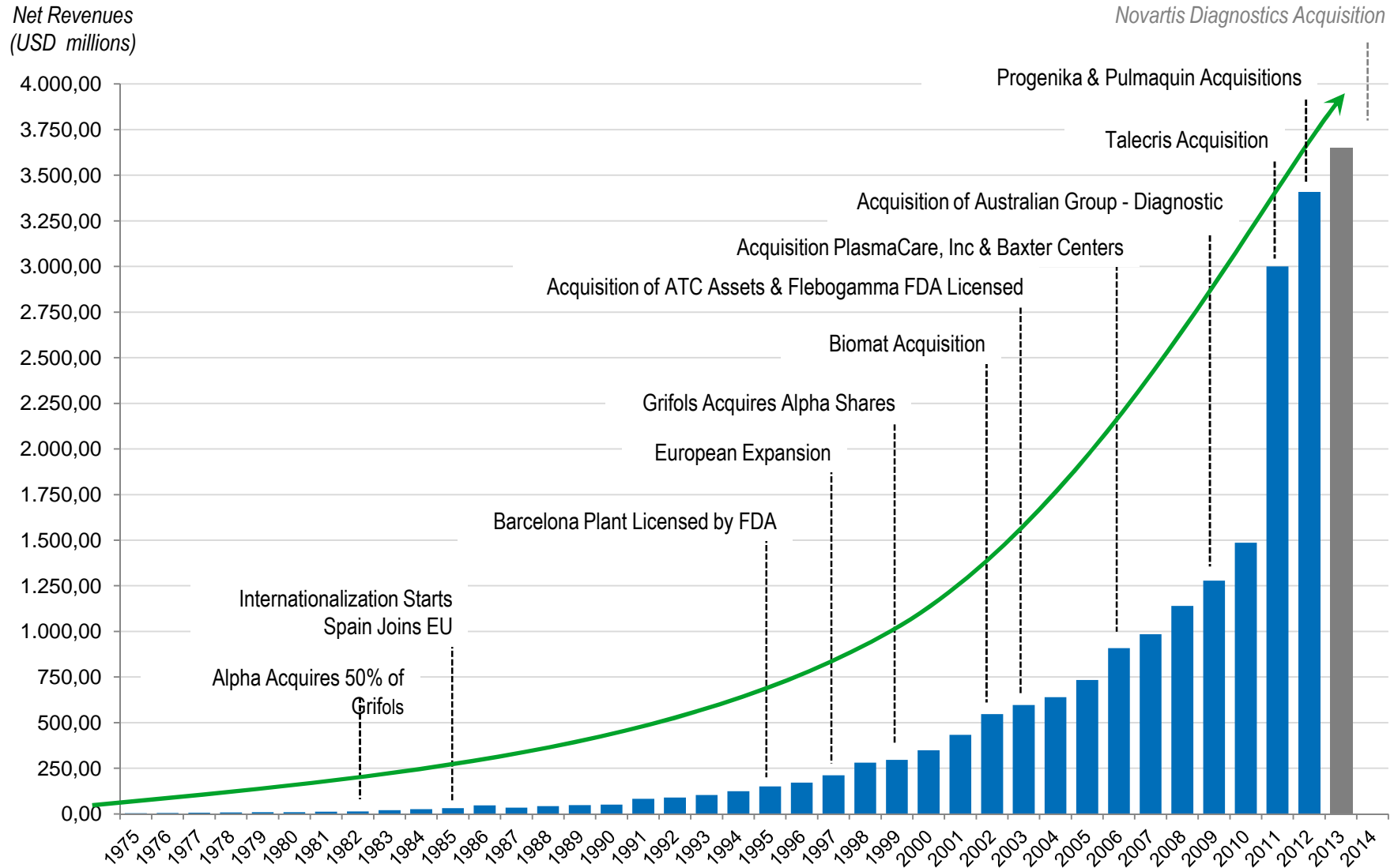
- **Q1 solid performance** (Net Income c. 33%) resulted from **operational improvement**, contribution from the acquired Diagnostic unit, moderate financial expenses and lower tax rate
- **EBITDA margin** (35.1% of NR) **continuous improvement** from Gross Margin expansion and SG&A control
- Financial Result increase (+8.2%) resulting from acquisition bridge loan **interest**, which **will decrease in coming quarters** due to lower refinancing rates
- **Strong operating Cash Flow generation**, supporting moderate leverage (PF 2.83x)
- **Cash dividends** of € 0.40 per share related to 2013 profit, delivering higher return to shareholders. An interim 2014 Dividend is planned

Investors' & Analysts' Meeting Barcelona 2014

Summary & Conclusions of 2014 Investor Analyst Day

Thomas Glanzmann

Grifols successful track record to date



Grifols key strategies



**CORE BUSINESS
OPTIMIZATION**



**GLOBAL
EXPANSION**



**CAPACITY
LEADERSHIP**



**INNOVATION
ACCELERATION**



**MULTI-BUSINESS
BUILD**



**GLOBAL WORLD CLASS
ORGANIZATION**



FINANCIAL EXCELLENCE

Key takeaways from 2014 meeting



CORE BUSINESS OPTIMIZATION

- Managing Plasma Economics for Equilibrium



GLOBAL EXPANSION

- Building infrastructure and expansion for sustainable global growth



CAPACITY LEADERSHIP

- Leading industry with proactive investments in sourcing, fractionation and purification



INNOVATION ACCELERATION

- Pursuing significant Albumin opportunities for Alzheimer's and beyond



MULTI-BUSINESS BUILD

- Building diagnostic business and creating platform for future growth



GLOBAL WORLD CLASS ORGANIZATION

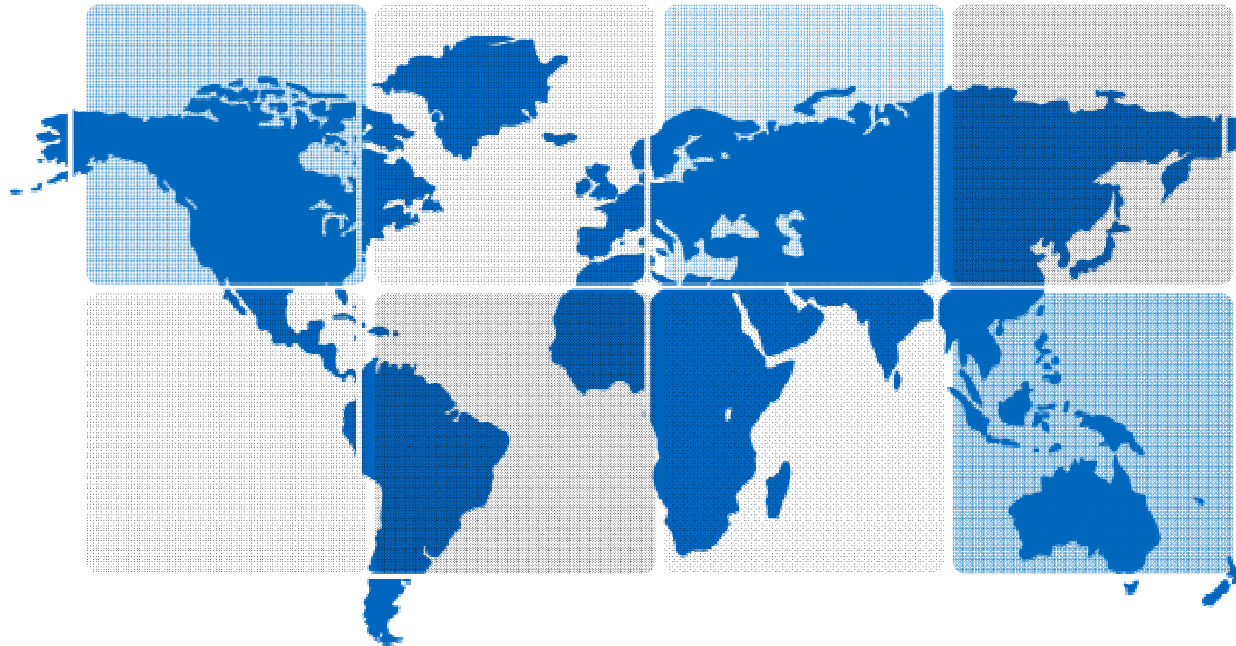
- Creating Global businesses to optimize opportunities and focus



FINANCIAL EXCELLENCE

- Sustainable, profitable growth based on balanced plasma protein sales
- Focus on maximizing cash flow generation

Grifols is delivering on its strategy



- Pursuing a profitable growth strategy based on plasma equilibrium
- Leading the industry in current and future capacity, sourcing and safety
- Positioning globally for sustainable growth
- Pursuing key plasma product opportunities
- Leveraging core technologies and competencies across the business portfolio
- Building a multi business platform with strategic acquisitions
- **... And is delivering shareholder value and returns**

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