

Grifols Performance Review

November 2014

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1. Grifols Current Performance
2. Industry Outlook
3. Grifols Future Performance
4. 2014 YTD September Performance

1. Grifols Current Performance

- Core business fundamentals remain solid
- Strong cash generation capability: positive operating CF
- Investing in the future
 - R&D in line with target significant growth
 - Capex expansion according to schedule
- Refinancing & average cost of debt reduction
- M&A: Diagnostic unit, diversified portfolio
- FX tailwind from Q4
- Shareholder value creation:
 - EPS accretion year 1 after acquisition
 - Dividend policy at 40% pay-out

- **Bioscience**
 - Healthy protein growth in core business: high single digit for IVIG and albumin and double digit in Alpha 1
 - Bumpy pdFVIII tenders, contract manufacturing and intermediates
- **Diagnostic**
 - Blood typing solutions: robust growth
 - NAT continuous growth (Japanese Red Cross / China Blood Bank agreement)
 - Hologic agreement: joint business distribution, commercial role, profit sharing
 - Immunoassay worldwide leader. Ortho agreement, manufacturing role, profit sharing
- **Hospital**
 - Lower Hospital Logistics revenues due to budget restrictions in LATAM.
 - Internationalization continues.
 - Kiro Robotics acquisition
- **Raw Materials & Others**
 - Lower Royalty income & phasing out as planned
 - Kedrion income lower than previous year as planned
- Harder comps in 2H2014: annual mid single digit growth

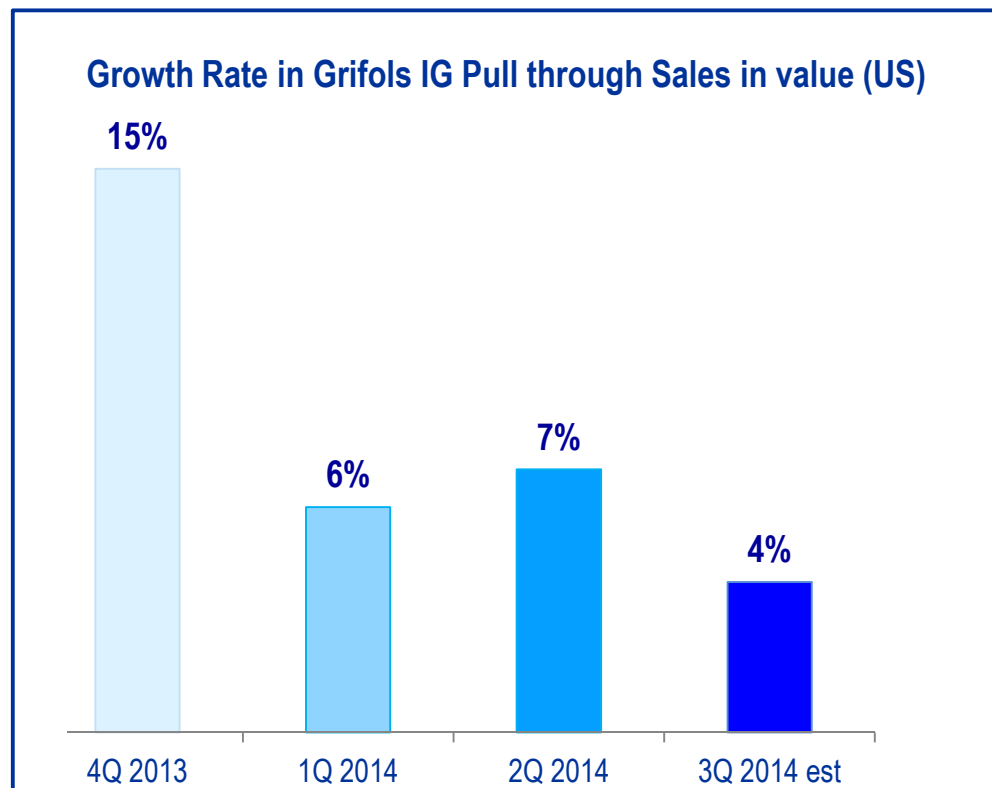
- Grifols products hold leading share positions globally
- Excluding the impact of pdFVIII tenders, all major proteins growing at expected rates
- Grifols has capacity to grow with market

Grifols Bioscience: global market shares



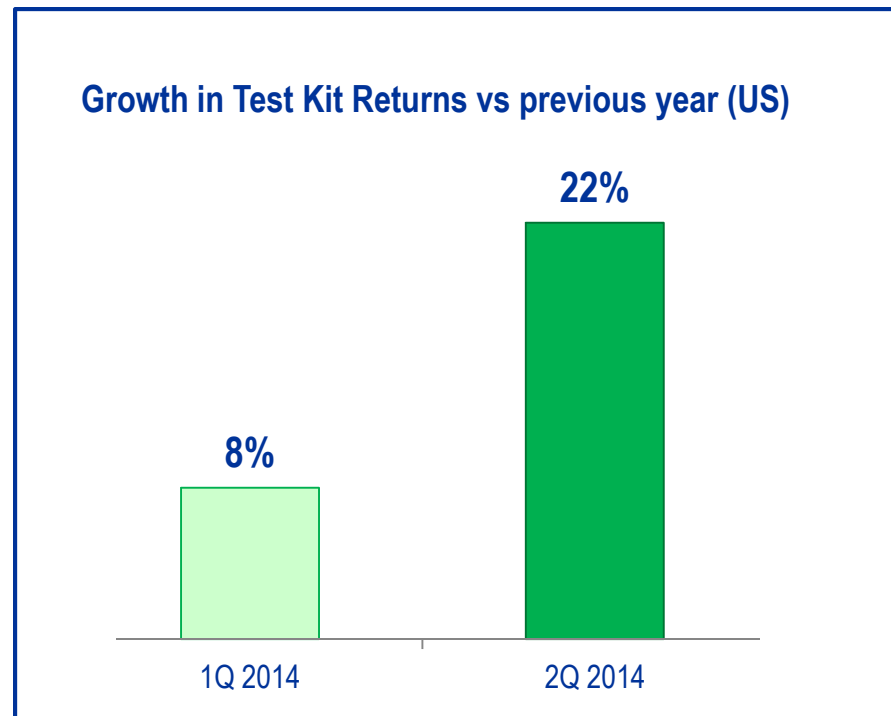
Source: MRB & Internal Data

- Grifols holds leading global IG share
- Opportunity for treatment growth continues
- Capacity expansion will support growth globally
- NA growth in mid single digits – lower than historical growth
- Dual branding market strategy



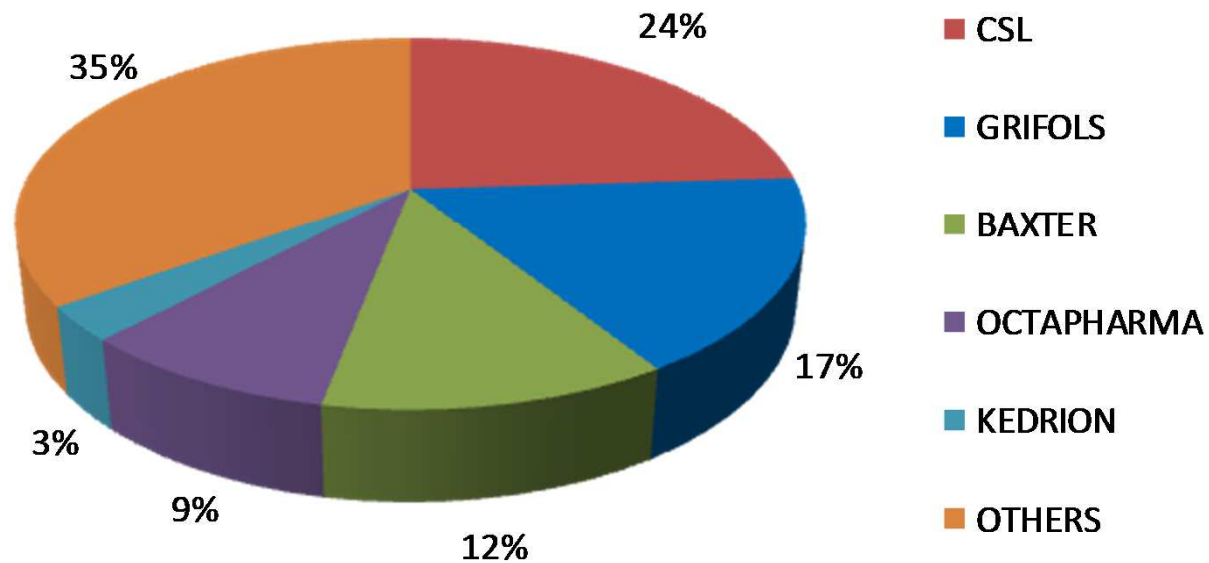
Source: Internal customer reported data

- Grifols leads Alpha 1 market
- Strong Alpha 1 growth continues in NA and Europe
- Significant opportunity remains to increase diagnosis and treatment

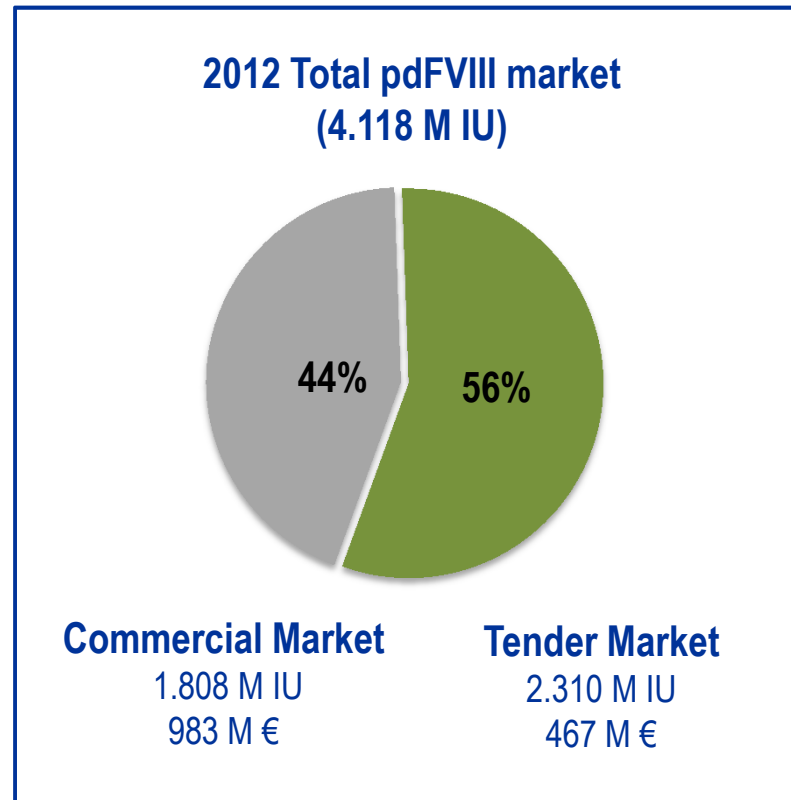


Source: Internal Data from University of Florida lab

Albumin by Company 2013 in Value



- Strong growth for Albumin continues led by China
- IG growth rate will determine Albumin. Balanced growth requirement
- Grifols is continuing to develop new indications



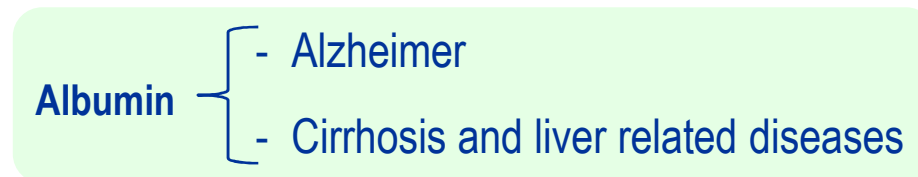
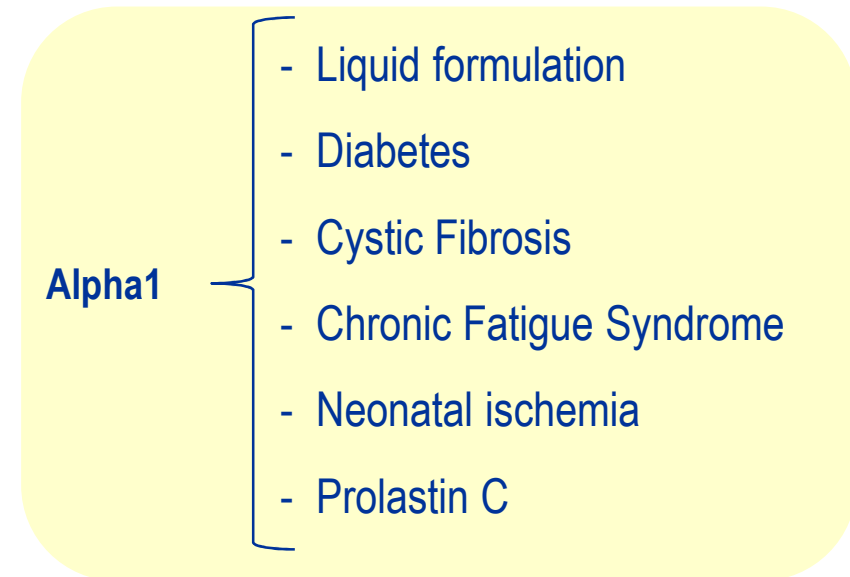
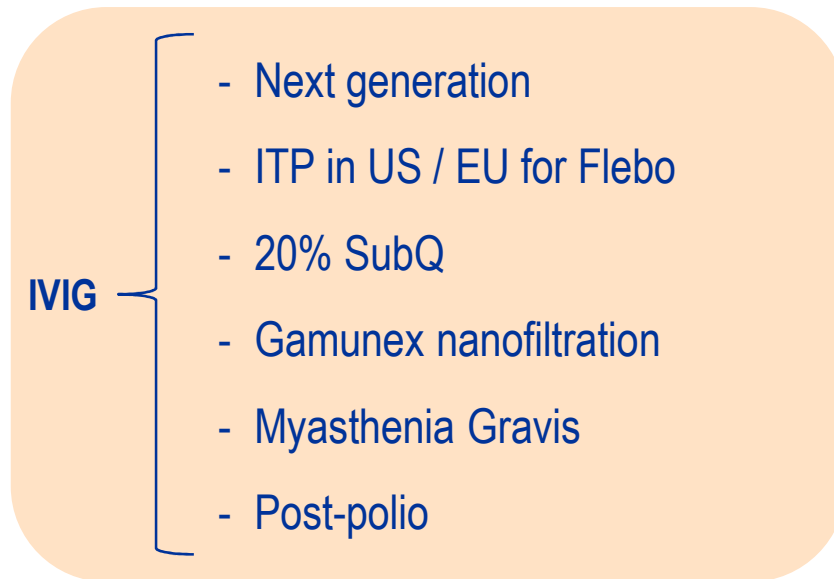
- Grifols holds leading market share
- Growth continues in the US and commercial markets
- Large tender markets key to growth
- Long-term growth expected in emerging markets

Source: Calculated MRB & Internal Data

- Stable cost of plasma: neutral impact on margins
- Positive Bioscience product mix and higher plasma utilization
- Manufacturing cost increases due to new plants start-up
- Stable price environment
- % GM stability in Bioscience, other divisions slightly improving

Grifols Current Performance – R&D

- Significant R&D growth in 2014 (+31%) vs spend decline in 2013 (-1%), as a result of project phasing acceleration.
- Main R&D projects spend focus to reinforce Bioscience core products with new indications and formulations:



- New products: Fibrin Sealant and Pulmaquin
- Diagnostic: - New immunohematology technologies. Genotyping and personalized medicine
 - New generation donor screening assays

- New cost items, non-recurring:
 - Validation of new facilities
 - Diagnostic unit integration
- Completion of integration process will contribute to future growth
- Bioscience commercial HQ moved to Raleigh, NC and Diagnostic commercial HQ moved to Emeryville, CA
- Additional sales force in Alpha1 in US and Europe
- SG&A flat (as % NR) in 2014

- Diagnostic Division higher revenue weight (with lower margin)
- Significant R&D growth
- FX headwind up to Q3
- % EBITDA margin c. 32%

YTD September 2014 vs 2013 Operating Profit Breakdown by Divisions

(€ Million)

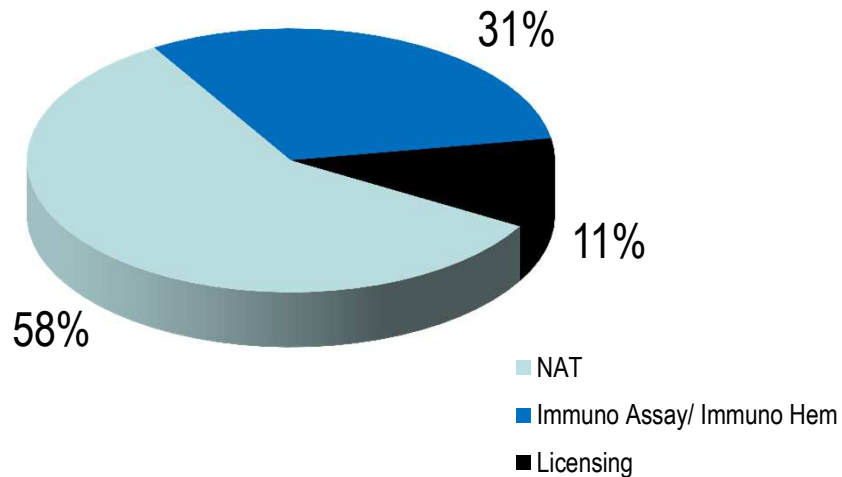
	Total		Bioscience		Diagnostic ⁽¹⁾		Hospital		Raw Material & Other	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net Revenue	2.438,1	2.046,6	1.823,3	1.821,4	468,6	97,9	71,0	74,3	75,2	53,0
YoY increase c.c. %	23,4%		3,7%		395,9%		-1,6%		41,9%	
Operating profit	631,2	566,4	710,4	736,6	97,7	-2,3	-0,9	1,4	-176	-169,3
									(non-allocated costs)	
% of NR	25,9%	27,7%	39,0%	40,4%	20,8%	-2,3%	-1,3%	1,9%	--	
Adjusted EBITDA	791,6	690,4								
Adj. EBITDA margin	32,5%	33,7%								
Adjusted EBITDA margin excluding R&D	37,3%	37,6%								

- Operating Profit margins in Raw Mat approx 66%; for Royalties, included in Other, close to 100%
- Diagnostic margin Q1 vs Q2 not comparable, H1 margins to be sustainable in H2

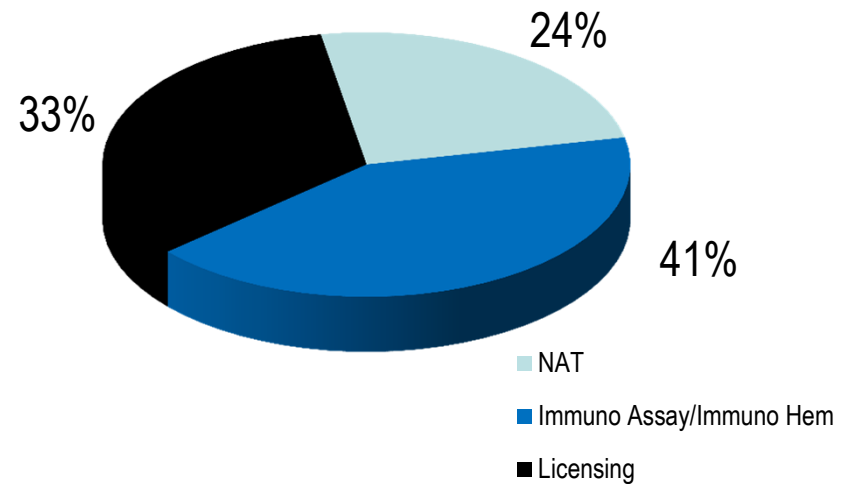
⁽¹⁾ Including intersegment revenue and Operating Profit

*NAT makes most of the Revenue ...
but IA and Licensing carry a significantly higher impact on EBIT*

2014 Estimate Revenue Share



2014 Estimate EBIT Share



- NAT: distribution business
- Immunoassay: manufacturing activity / business

- Financial Result: moderate growth besides additional \$1,5 Bn. debt
 - Financial Expenses (cash) reduction from Q2 and onwards
 - Amortization of deferred fees (non cash) declining
 - Derivatives, FX negative impact
- Tax rate : 20%-22%
- Significant Net Profit increase
- EPS accretion year 1 after acquisition

2. Industry Outlook

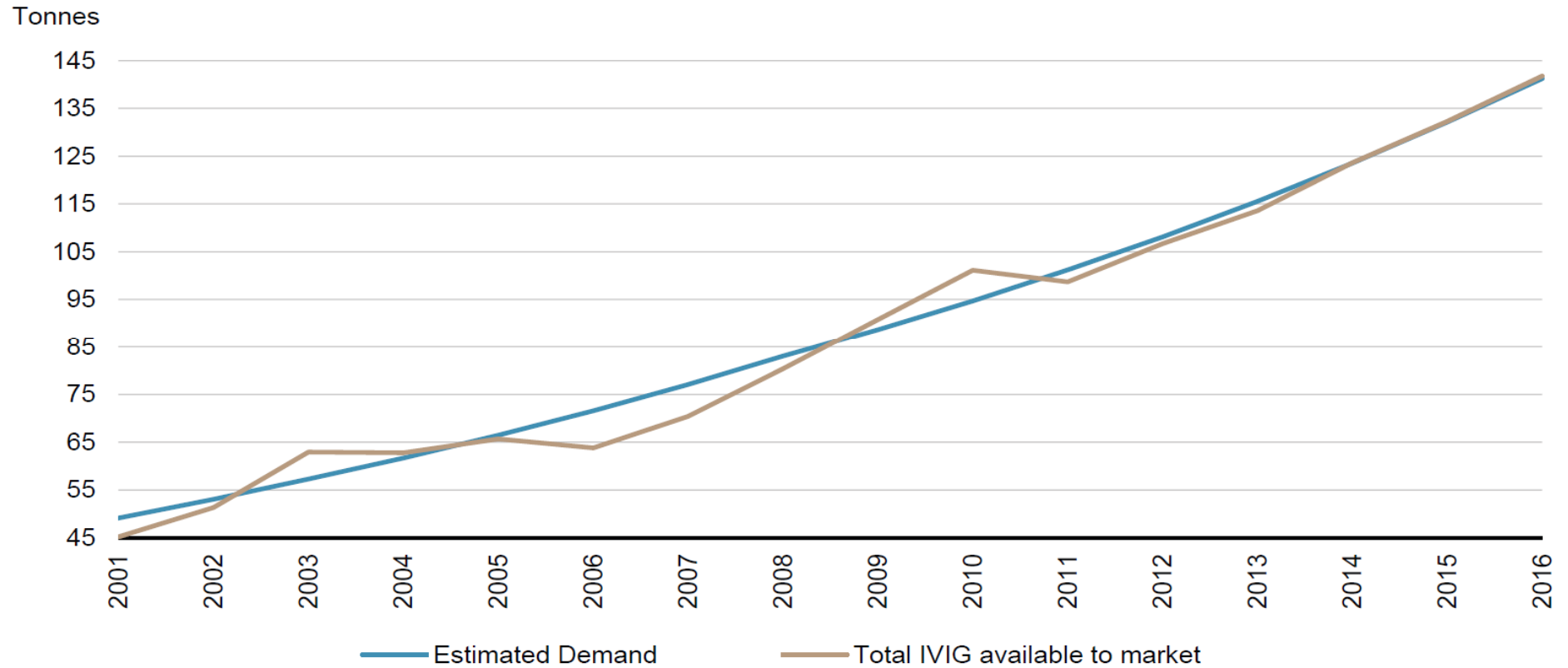
- Sector growth
 - Bioscience: 6-7% volume growth
 - Diagnostic : 3-4% market growth
- Stable Prices: on average all proteins
 - ROW prices may be lower than US/EU for some proteins
 - Impact of geographical mix in global revenues
- The supply / demand balance and the general plasma market dynamics continue to be positive
- Diagnostic: new markets & new tests
- Hospital: continuous internationalization

Main Volume Demand by Protein Worldwide

	2013	2014	2015	2016	2017	2018	CAGR
% IG Demand growth	8%	7%	6%	6%	6%	6%	6%
% Albumin Demand growth	5%	5%	5%	4%	3%	3%	4%
% pdFVIII Demand growth	6%	5%	4%	3%	3%	3%	3.5%
% A1PI Demand growth	7%	7%	8%	8%	8%	7%	7.5%

Source: JB Capital Markets, MRB

Global IVIG balanced supply demand



Source: UBS

3. Grifols Future Performance

- Ready to meet future growth - 12.5 million liters total capacity from 2015
- State of the art facilities fully cross-licensed – Production flexibility
- Additional access to Plasma
 - New collection centers: ~20 relocations & openings in 2015
 - Third-party contracts
- 2 very strong franchises – Bioscience & Diagnostic
- Low financing costs
- Low effective tax rates
- Continuous focus on shareholder value creation

Grifols Future Performance – New organization

- Geographical expansion and portfolio strengthening as key growth drivers
- Corporate HQ in Barcelona
- Organization more focused on sales performance with new commercial HQs:
 - Raleigh, NC for Bioscience
 - Emeryville, CA for Diagnostic Division
- All industrial HQ in Barcelona
- Global Operations center in Ireland, to improve inventory management and flexibility of supply



- Sustainable long-term market growth in Bioscience.
- Additional expansion in ROW markets
- Expected pdFVIII tenders positive phasing impact
- Alpha1 opportunities in Europe and South America
- Building stronger US diagnostic franchise with blood typing solutions



- Product cross licenses
- Revenue per liter:
 - Additional Ig
 - Additional Alpha1
- Capacity expansion
- International expansion - Geo mix
- Manufacturing cost efficiencies – NFF automation & larger batches

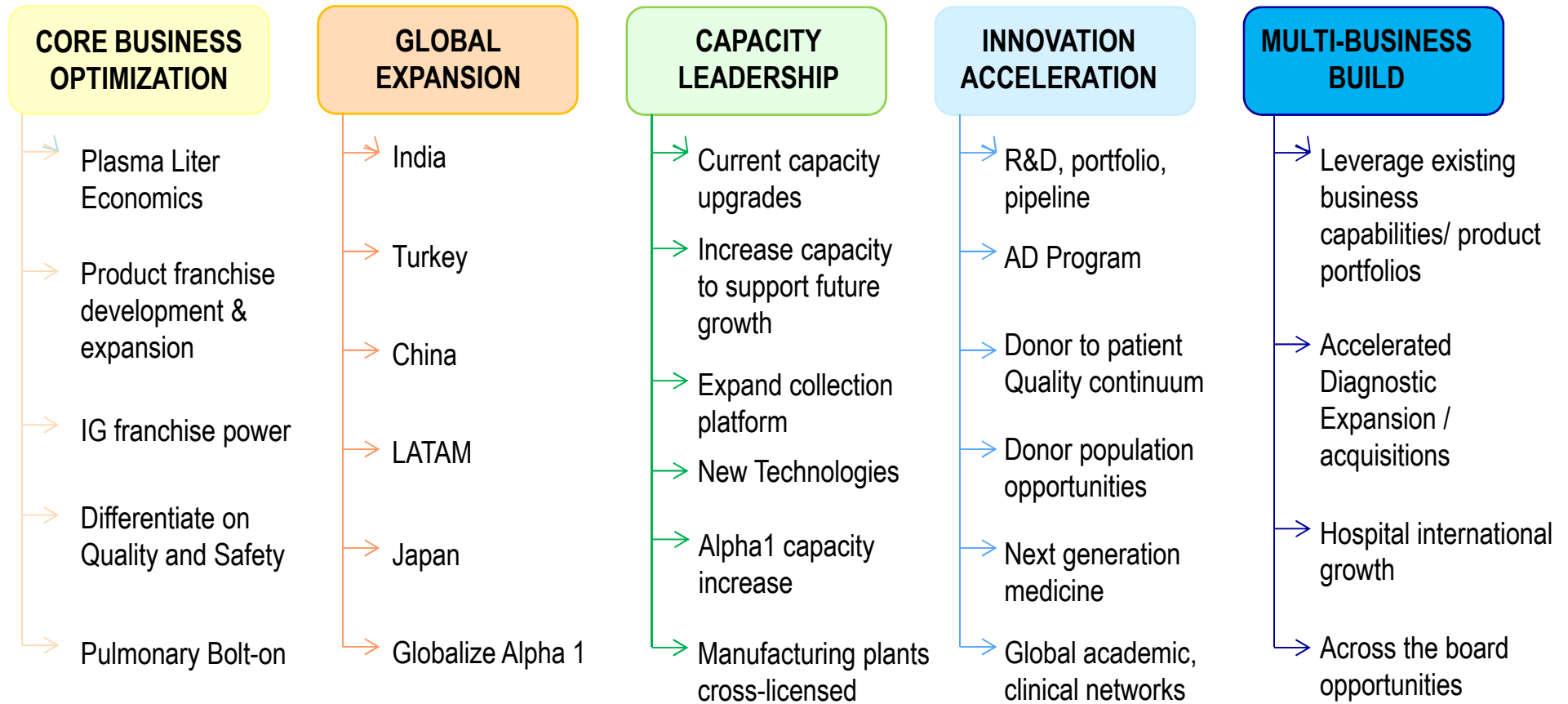


- New plants: Significant depreciation increase & start-up costs (2015-2016)
- Divisional EBIT mix - Diagnostic EBIT
- Lower royalties – significant revenue decline
- Temporary higher cost of plasma – ongoing network expansion
- Lower revenue per liter because of lower FVIII

- Cash-out R&D as % of NR: 5% - 6% mid term
- Strengthening Alpha 1 sales force to roll-out this business model
- Stronger Diagnostic sales platform (Immunohematology)
- After business integration, operational leverage – progressive reduction expected in SG&A as % of sales

- Opportunities to improve margins in the Bioscience division in the medium term after new plants ramp-up
- Higher plasma collections will support plasma cost improvements
- R&D spend stabilized after 2014 pick-up
- Estimated FX tailwind in 2015
- Medium-term % EBITDA margin target 31-33% (royalties impact)

Strategic Pillars



- Financing: long-term debt maturities, quasi bullet and low financing costs
- Effective Tax rate: 20% - 22% range
- Sustainable growth in EPS
- Continuous shareholders reward through dividends:
 - 40% pay-out
 - Two payments (interim / final)
- Sensitivity to strong USD:
 - Moderate on EBITDA (+)
 - Moderate on financial expenses (-)
 - Slightly positive on Net Profit

4. 2014 YTD September Performance

2014 YTD September Sales by Division

(€ Million)

	9M 2014	% of Sales	9M 2013	% of Sales	% Variance	% Variance at constant rate
Bioscience	1,823.3	74.8%	1,821.4	89.0%	0.1%	3.7%
Hospital	71.0	2.9%	74.3	3.6%	-4.5%	-1.6
Diagnostic ^(*)	452.8	18.6%	97.9	4.8%	362.7%	379.2%
<i>Subtotal</i>	2,347.1	96.3%	1,993.6	97.4%	17.7%	21.9%
Raw Materials & Others	91.0	3.7%	53.0	2.6%	71.8%	77.4%
TOTAL	2,438.1	100.0%	2,046.6	100.0%	19.1%	23.4%

(*) €15.8 Million of intersegment sales not included

2014 YTD September Sales by Region (*)

(€ Million)

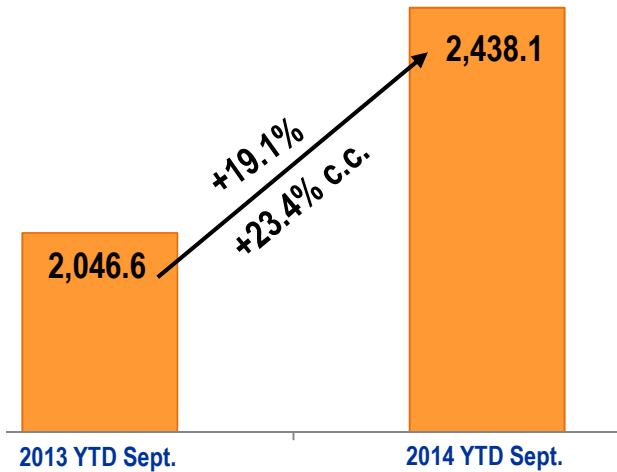
	9M 2014	% of Sales	9M 2013	% of Sales	% Variance	% Variance at constant rate
EU	415.2	17.0%	421.7	20.6%	-1.6%	-1.6%
US+CANADA	1,280.1	52.6%	1,258.3	61.5%	1.7%	5.5%
ROW	300.5	12.3%	313.6	15.3%	-4.2%	4.1%
<i>Subtotal</i>	1,995.8	81.9%	1,993.6	97.4%	0.1%	3.8%
Raw Materials & Others	91.0	3.7%	53.0	2.6%	71.8%	77.4%
Diagnostic Solutions (**)	351.3	14.4%	-	-	-	-
TOTAL	2,438.1	100.0%	2,046.6	100.0%	19.1%	23.4%

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

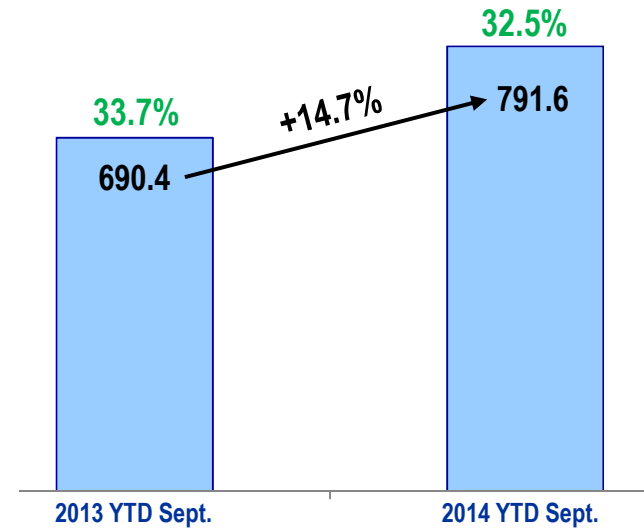
(**) €15.8 Million of intersegment sales not included

Solid Performance supported by organic and non-organic contribution

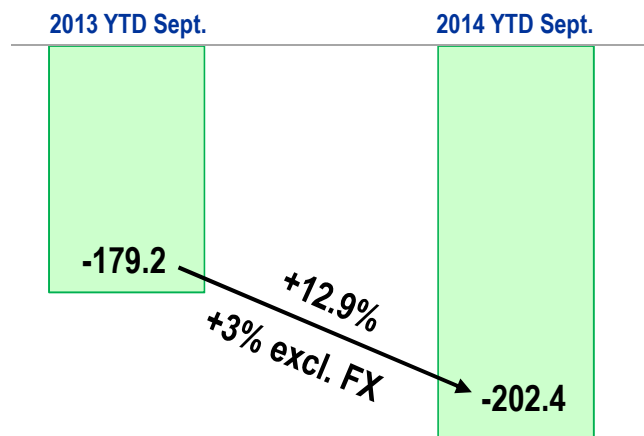
Net Revenues



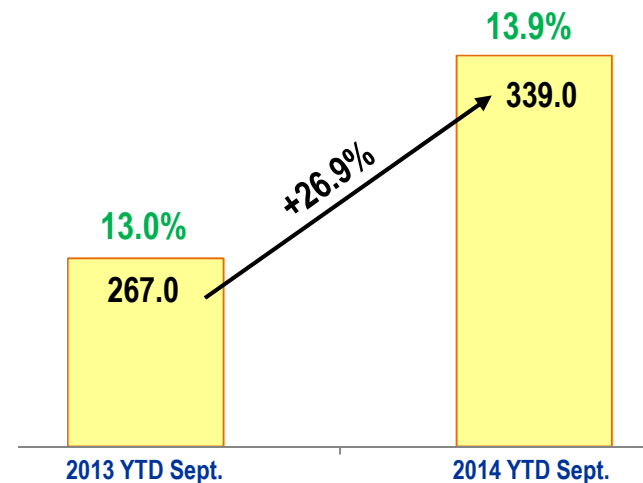
Adjusted EBITDA



Financial Result

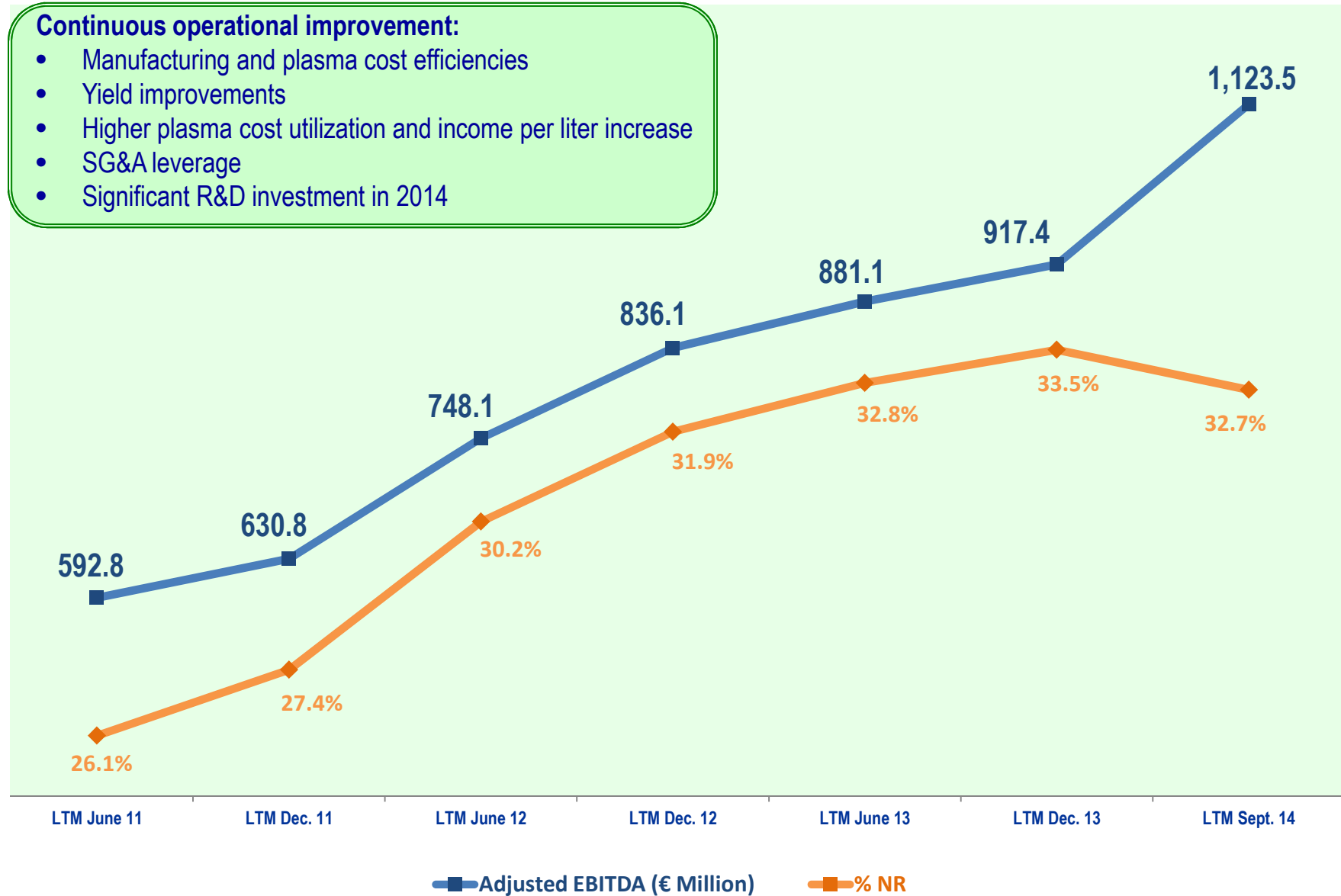


Net Profit



LTM Adjusted EBITDA: Positive organic and non-organic contribution

(€ Million)



Financial Result – Interest expense declining

(€ Million)

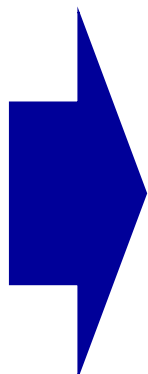
	YTD Sept. 2013	YTD Sept. 2014	% Variance
Interests	119.6	121.3	1.5%
Financing deferred cost	59.1	43.9	-25.6%
Other financial expense / income	-3.2	4.0	NM
Derivatives valuation	2.9	14.8	NM
FX variance Loss	0.8	18.4 → unrealized loss -17.3	
Total Financial Result	179.2	202.4	12.9% → +3% excl. FX loss

Strong operating Cash Flow generation – 2014 YTD September

(€ Million)

Sources

- Operating Cash Flow	787,0
- Working Capital Increase	-8,9
- Net Operating Cash Flow	778,1
- Gross Debt Increase	1.243,8
- Others	13,6
- Cash Beginning Balance	708,8
- Cash Ending Balance	917,7
- Cash Increase	-208,9
Total	1.826,5

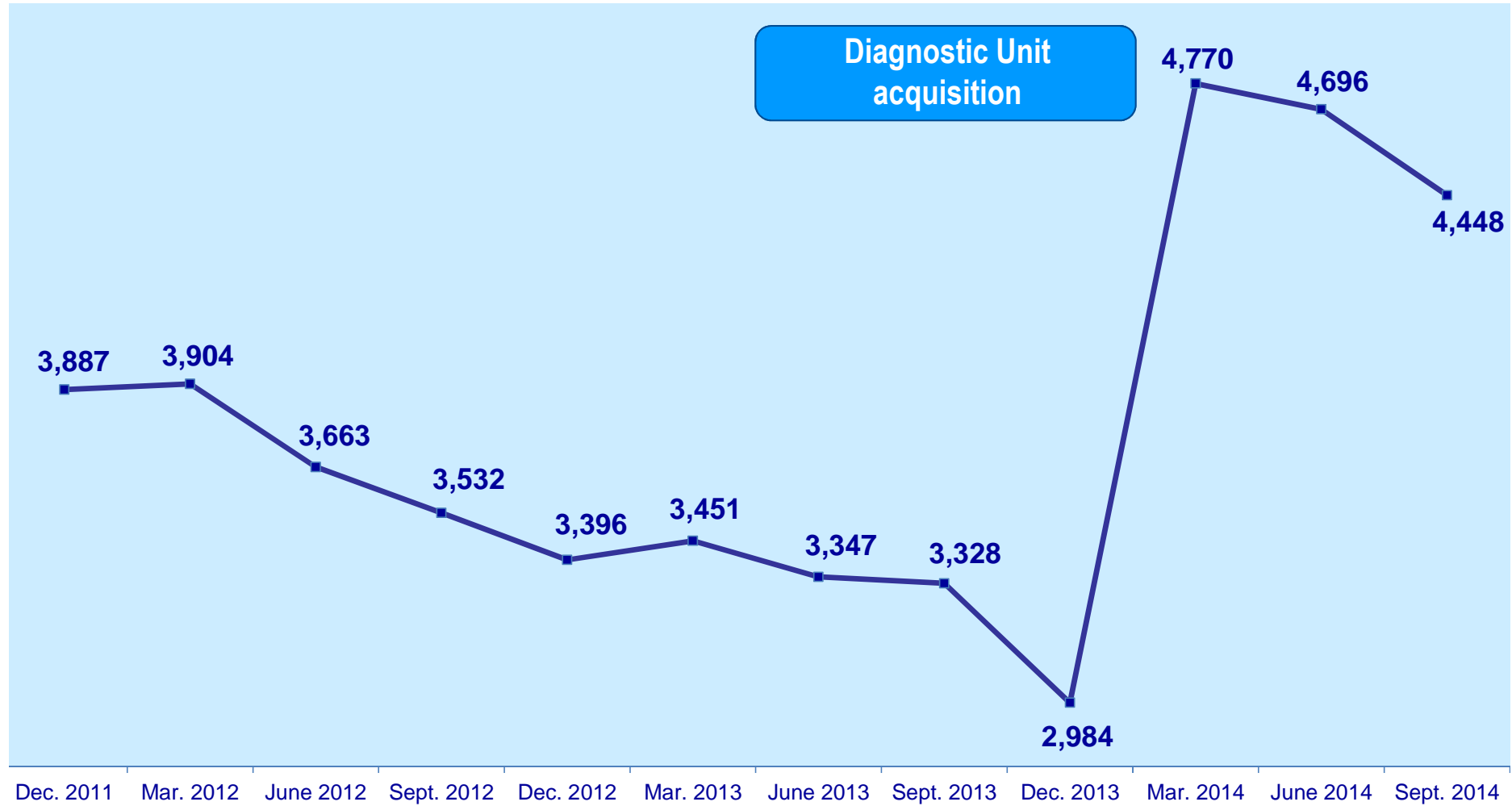


Uses

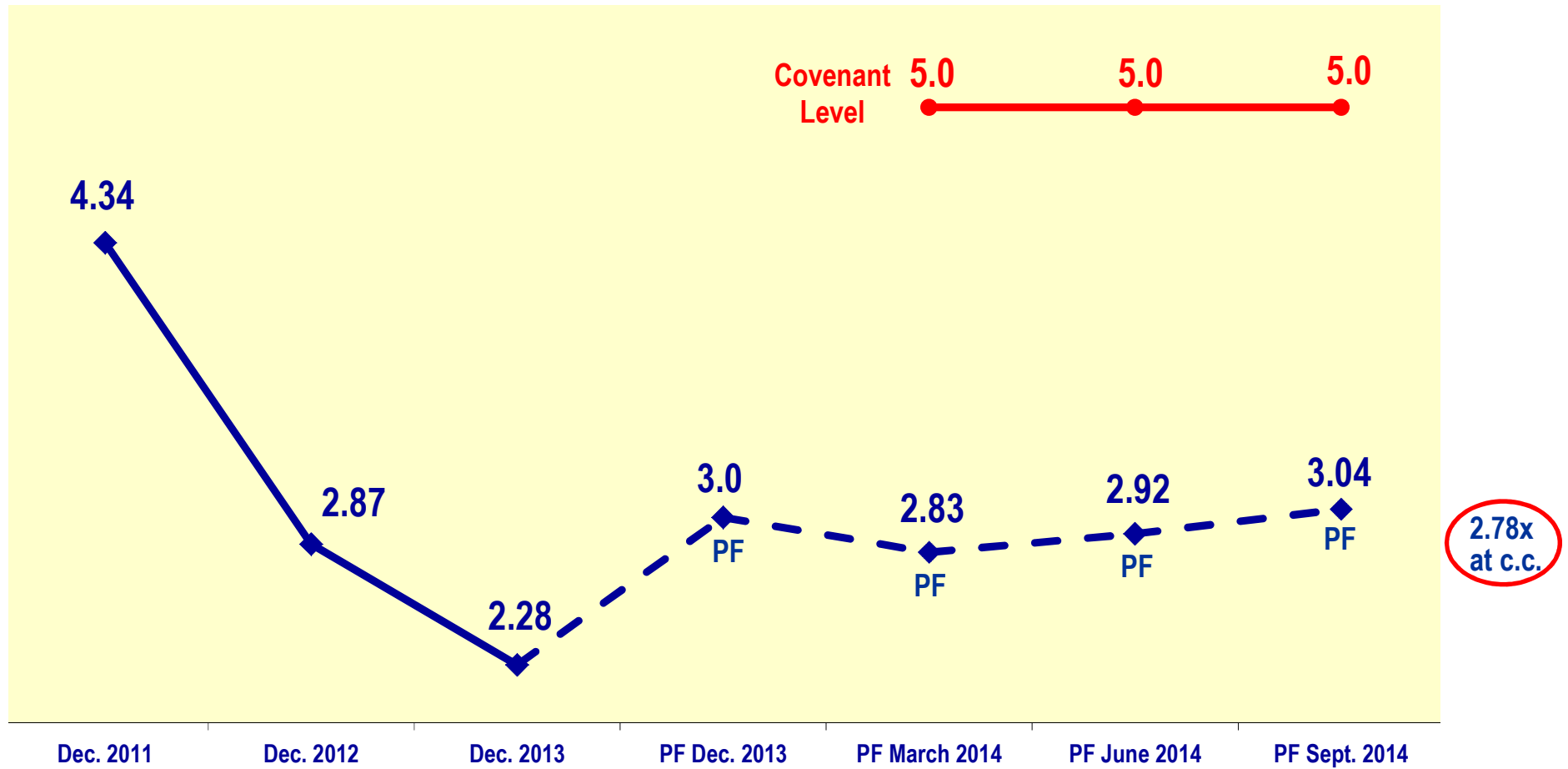
- Interest	-122,2
- Financing & Transaction costs	-183,3
- CAPEX+Intangible	-208,0
- Business acquisitions	-1.232,8
- Purchase of treasury shares	-61,3
- Dividends Paid	-70,1
- FX and Others	51,0
Total	1.826,5

Net Bank Debt increases after Diagnostic Unit acquisition

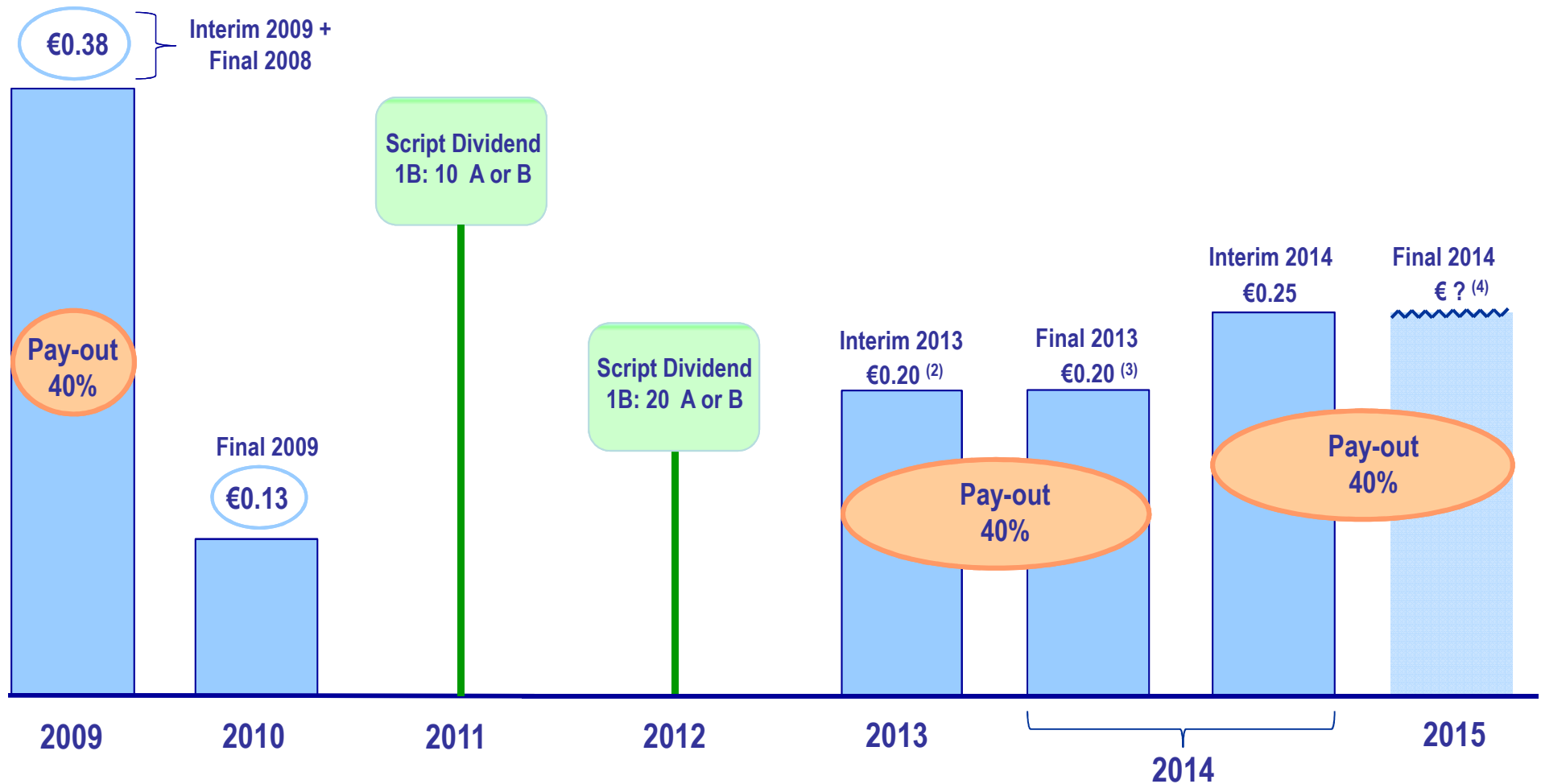
(USD Million)



Moderate Leverage Ratio level



Shareholders Return



(1) Payment years

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

(3) In addition to the 2013 final dividend, the 2013 preferred dividend of €0.01 was paid

(4) In addition to the 2014 final dividend, the 2014 preferred dividend of €0.01 will be paid

YTD September Performance - Highlights

- ✓ Quarterly ramp-up performance, with solid growth in the 4 core proteins (+5,7% c.c.), excluding FVIII tenders
- ✓ Robust growth in Diagnostic (w/o acquisition) +8,5%, due to Blood typing solutions acceleration, while Hospital declined by 1,2%
- ✓ Adjusted EBITDA margin (32,5% of NR) in line with H1, including significant R&D investment and acquisition.
- ✓ Strong FX headwind is over and significant tailwinds for Q4 2014 and 2015 are expected
- ✓ Financial Result increases by 12,9% mainly due to negative FX impact, interest expense declines
- ✓ Net Profit reaches €339 Million (+26,9%) as a result of the contribution of Diagnostic unit acquisition and lower tax rate
- ✓ Strong Net Operating Cash Flow generation (€778 Million), supporting moderate leverage (PF 3,0x)