

ANNUAL  
2014  
REPORT



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## DEAR SHAREHOLDERS,

Grifols is a solid, growing company with a clearly defined mission: to contribute to the improvement of people's health and well-being through the research, development, manufacture and sale of plasma-derived medicines, clinical analysis technology and pharmaceutical preparations for hospital use.

Our principal business units (Bioscience division, Diagnostic division and Hospital division) are now solid, firmly established and complementary.

The key achievements of 2014 were:

- The consolidation of organic growth in all areas of the business
- The integration of the new diagnostic unit acquired in January 2014, with the aim of constructing a more global and diversified company with greater growth potential
- Refinancing the group's debt resulting in a reduction of financial costs
- Completion of key projects to expand manufacturing capacity

Achieving these objectives during the year has positioned us as one of the leading companies in the production of plasma-derived medicines, with an approximate share of the global market of 19%<sup>1</sup>, and our principal products lead global sales. We have also achieved significant growth in the diagnostic and are well placed to lead the field in transfusion medicine. The Hospital division continues to be the Spanish market leader in the supply of intravenous solutions, and this division is also gradually expanding its international presence.

Geographic expansion is one of the strategic pillars of future growth. This year, we generated over 93% of our revenue in foreign markets, driving our presence in the Asia-Pacific region and consolidating growth in the United States and Europe.

Grifols' ability to create value and achieve its objectives depends on the talent of the individuals who work for the company. The group's two academies – the Grifols Academy of Plasmapheresis and Academia Grifols – are responsible for delivering training and skills development programs for the different groups within the workforce.

The results presented below demonstrate the progress achieved during 2014, thanks to the commitment and hard work of the almost 14,000 members of staff at Grifols, our pioneering spirit, and our dedication to serving patients, health professionals and society.

A handwritten signature in blue ink, appearing to read 'V. Grifols'.

**Víctor Grifols**  
Chairman and CEO of Grifols

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## NET REVENUE

3,355.4 MILLION EUROS  
+22.4% GROWTH (+24.1% CC\*)

- Change of the weight of divisions: Bioscience represents 74.9%, Diagnostic 18.5% and Hospital 2.8%
- Over 93% of net revenue in foreign markets. Strong sales performance in all regions

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## EBITDA

1,047.2 MILLION EUROS  
+21.1% GROWTH

- 180.8 million euros allocated to R&D, increase of 46.6%
- Optimization of operating costs

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## EBITDA MARGIN

31.2% OF NET REVENUE

- Strategic objective: maximize the utilization of each liter of plasma

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## NET PROFIT

470.3 MILLION EUROS  
+36.1% GROWTH  
AND 14.0% OF NET REVENUE

- Financial costs stable due to negotiation of improved funding conditions; average cost of debt down by more than 200 basis points

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## NET FINANCIAL DEBT

3,235.7 MILLION EUROS

- Increase in debt levels to acquire the new transfusion diagnostics unit
- Leverage ratio of 3.0 times adjusted EBITDA\*\* (2.7 times cc\*)

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## CASH

1,079.2 MILLION EUROS, OF WHICH  
978.9 MILLION EUROS FROM  
OPERATING ACTIVITIES

- Strong operating cash flow provides a basis for funding strategic investments
- 251.8 million euros allocated to CAPEX

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## DIVIDEND

156.0 MILLION EUROS PAID IN 2014

- The company maintains its commitment to keep a 40% pay out of net profit, after resuming the payment of cash dividends in 2013

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## BALANCE SHEET

TOTAL CONSOLIDATED ASSETS  
OF 8,449.8 MILLION EUROS

- Robust results and positive cash flow evolution strengthen the balance sheet in 2014

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## SHARE PRICE PERFORMANCE\*\*\*

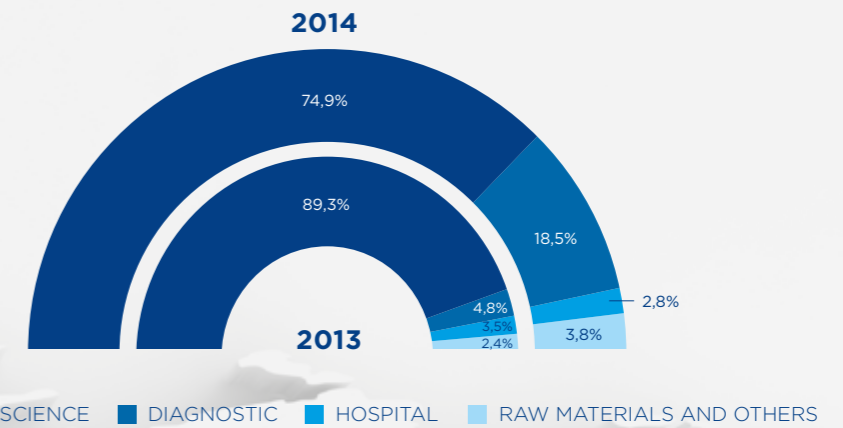
DIVERGENT BEHAVIOR IN THE  
EQUITY MARKETS

- Class A: 33.12 euros
- Class B: 28.05 euros
- ADR B: 33.99 dollars

# GRIFOLS' STRATEGIC PILLARS

The company presented a new five-year strategic plan in 2013. The new roadmap has been designed to make Grifols one of the most efficient and competitive companies in the industry, a leader in manufacturing capacity, quality and safety, with a diversified, balanced business model, and an

increased geographic presence. Although the strategic plan focuses strongly on the Bioscience division, development of the Diagnostic and Hospital divisions complements and diversifies the product portfolio. Throughout 2014, our efforts have focused on implementing this plan.



- Acquisition and integration of the new transfusion diagnostics unit at a cost of 1,215 million euros
- Increasingly diversified and balanced business model
- Increased weight of Diagnostic division: 18.5% of revenue compared to 4.8% in 2013
- Greater autonomy of the three divisions following global internal reorganization in 2014

- 93.4% of revenue in foreign markets
- Increased revenue in all geographic regions: United States and Canada +20.6%, European Union +19.1% and rest of the world (ROW) +22.8%
- Strategy focused on supporting the products and services of the three divisions in the principal markets in which the company operates
- Greater presence in new geographic regions: China, Middle East and India

- Major portfolio of R&D projects: new indications, proteins, reagents and analyzers: 180.8 million euros (5.4% of revenue)
- 26.7 million euros allocated to R&D through strategic investments
- Almost 600 million euros in 5 years to promote scientific progress
- Internationally recognized by Forbes Magazine as one of the 100 most innovative companies in the world

- Over 600 million euros allocated to investment in capacity (2014–2016)
- 251.8 million euros invested in 2014
- Leadership in manufacturing capacity:
  - Two new fractionation plants approved by the FDA and the EMA (Clayton and Parets del Vallés)
  - New IVIG purification plant (Los Angeles) approved by the FDA
  - Over 12 million liters/year of fractionation at the three plants

- Net revenue of 3,355.4 million euros
- EBITDA exceeds 1,000 million euros for the first time
- Record net profit: 470.3 million euros
- Increasing flexibility and optimization of manufacturing processes
- Commercial integration strategy that complements proteins with diagnostic and hospital logistic products

- GRIFOLS OFFICES**  
Spain 1940
- Portugal 1988
- Chile 1990
- US 1990
- Argentina 1991
- Czech Republic 1992
- Mexico 1993
- Germany 1997
- Italy 1997
- United Kingdom 1997
- Brazil 1998
- France 1999
- Slovakia 1999
- Singapore 2000
- Malaysia 2003
- Poland 2003
- Thailand 2003
- Japan 2006
- Australia 2009
- Switzerland 2009
- China 2010
- Colombia 2010
- Nordic countries 2010
- Canada 2011
- Dubai 2013
- Ireland 2013
- India 2014
- Hong Kong 2014

## A GREATER ROLE FOR THE DIVISIONS

### BIOSCIENCE DIVISION



- Over 95% of income generated in international markets.
- Rising sales volumes of IVIG and alpha-1 antitrypsin were the main driver of growth.
- Sales of albumin performed positively, while sales of factor VIII also grew in the last quarter.
- The 150 collection centers that constitute the Grifols' network received approximately 25,000 donations per day.
- Main opportunities for growth and initiatives to increase the commercial profile of the division:
  - Improving the diagnosis of alpha-1 antitrypsin deficiency (AAT) in the United States and Europe.
  - Consolidating the commercial presence in China and other emerging countries.
  - Innovation and product differentiation.

### DIAGNOSTIC DIVISION



- The acquisition has enabled the company to create a larger, more comprehensive portfolio of devices and reagents.
- The only company to offer integrated solutions for blood and plasma donor centers.
- Over 90% of sales were generated outside Spain.
- Main opportunities for growth and initiatives to increase the commercial profile of the division:
  - Supporting internationalization in strategic markets: Asia-Pacific and Latin America.
  - New products: immunohematology in the United States and transfusion medicine, with the launch of a new generation of products.
  - Innovation and product differentiation.

### HOSPITAL DIVISION



- Around 30% of the division's turnover is currently generated in foreign markets.
- Main opportunities for growth and initiatives to increase the commercial profile of the division:
  - Supporting the internationalization of products and services in the United States and Latin America.
  - Promoting third-party manufacturing services.
  - Renewal and expansion of third-party product distribution.
  - New enteral nutrition products specifically for diabetes, prediluted potassium solutions, and a number of product authorizations for the fluid therapy line.

## NET REVENUE BY DIVISION

IN THOUSANDS OF EUROS

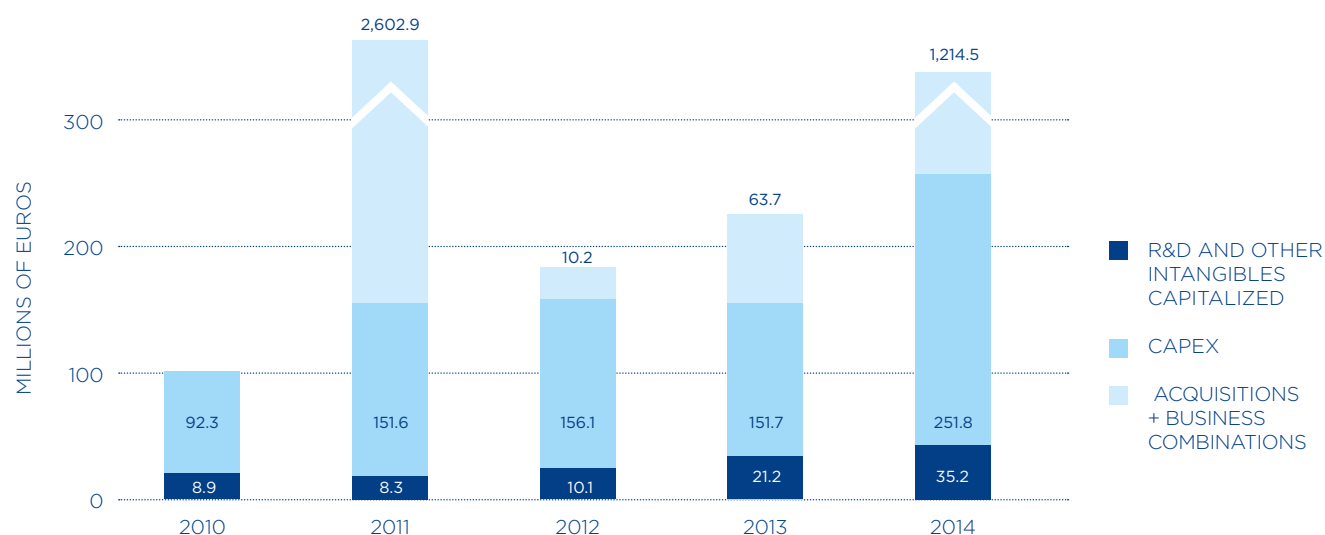
	2014	% NET REVENUE	2013	% NET REVENUE	%VAR	%VAR CC*	2012	% NET REVENUE
<b>BIOSCIENCE</b>	2,513,510	74.9%	2,448,824	89.3%	2.6%	4.0%	2,325,088	88.7%
<b>DIAGNOSTIC</b>	620,022	18.5%	130,339	4.8%	375.7%	383.9%	134,342	5.1%
<b>HOSPITAL</b>	94,800	2.8%	97,131	3.5%	-2.4%	-0.2%	95,870	3.7%
<b>RAW MATERIALS AND OTHERS</b>	127,052	3.8%	65,438	2.4%	94.2%	95.3%	65,644	2.5%
<b>TOTAL</b>	<b>3,355,384</b>	<b>100%</b>	<b>2,741,732</b>	<b>100%</b>	<b>22.4%</b>	<b>24.1%</b>	<b>2,620,944</b>	<b>100%</b>

## NET REVENUE BY REGION

IN THOUSANDS OF EUROS

	2014	% NET REVENUE	2013	% NET REVENUE	%VAR	%VAR CC*	2012	% NET REVENUE
<b>US+CANADA</b>	2,042,700	60.9%	1,694,361	61.8%	20.6%	21.7%	1,632,193	62.3%
<b>EU</b>	662,802	19.8%	556,325	20.3%	19.1%	19.0%	551,554	21.0%
<b>R.O.W.</b>	522,830	15.5%	425,608	15.5%	22.8%	29.2%	371,553	14.2%
<i>SUBTOTAL</i>	<i>3,228,332</i>	<i>96.2%</i>	<i>2,676,294</i>	<i>97.6%</i>	<i>20.6%</i>	<i>22.4%</i>	<i>2,555,300</i>	<i>97.5%</i>
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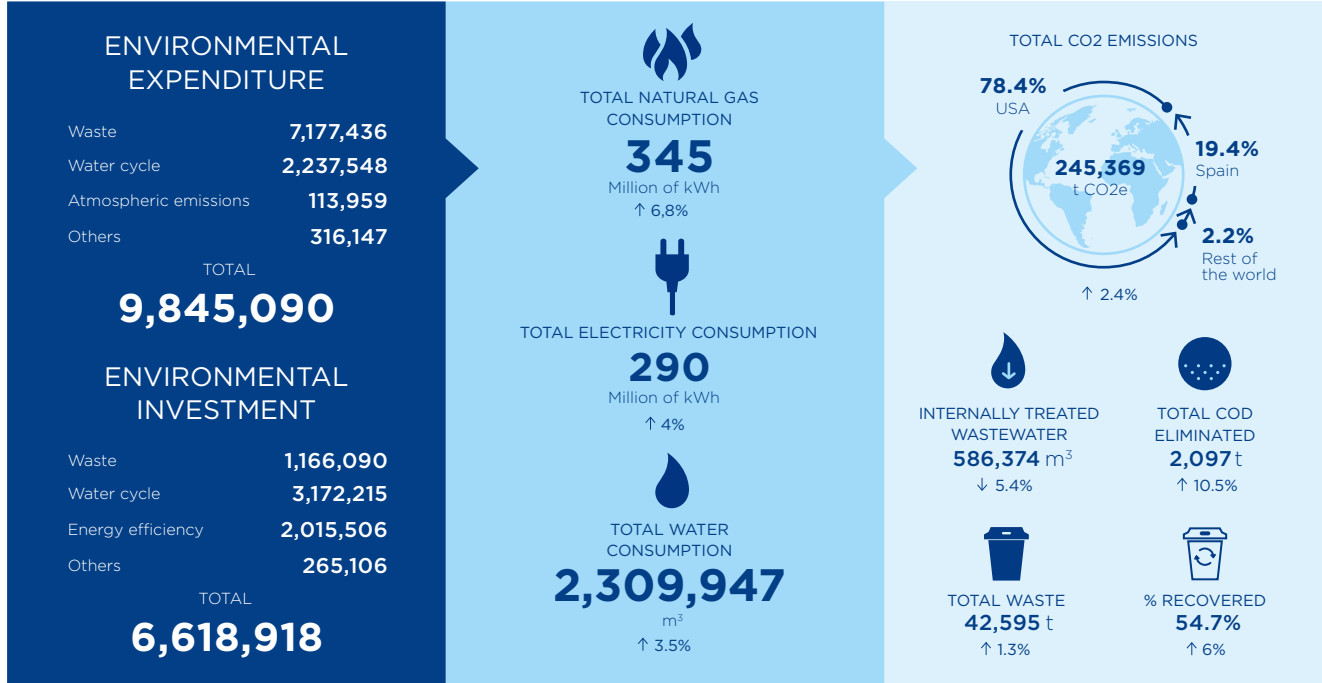
## INVESTMENT EVOLUTION



## THE ENVIRONMENT

With respect to the environment, 2014 saw the start of the new environmental program for the period 2014–2016, establishing targets for energy efficiency, the management of water resources, and waste management. It sets out actions designed to deliver annual reductions of 3.2 million kWh in electricity consumption, 10 million kWh of natural

gas, 63,000 m<sup>3</sup> of water consumption, and the reuse of 120,000 m<sup>3</sup> of clean water each year. Waste management measures emphasize recycling, with the aim of increasing the current figure of 6,000 tons of waste recycled per year.

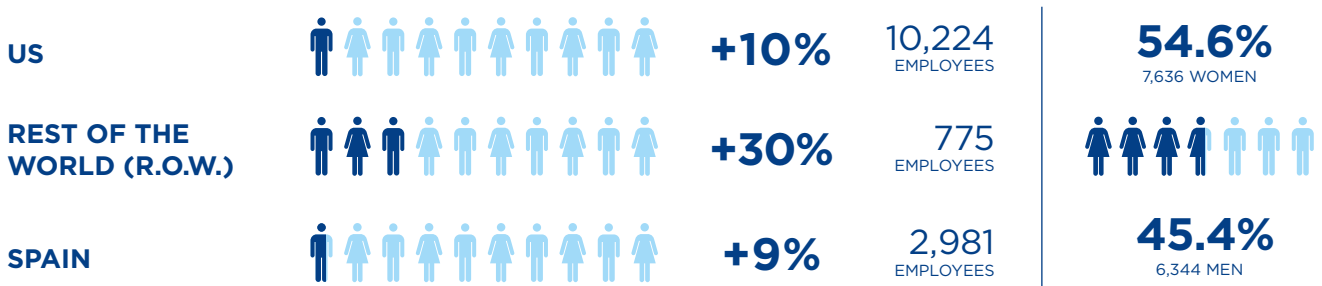


## HUMAN RESOURCES

The three key concerns of the Human Resources area have been to safeguard jobs, to promote professional development, and to optimize the incorporation of new employees. In 2014, technical and scientific training, and business and personal skills development training were increased, addressing issues such as quality, good manufacturing practice, prevention,

safety and the environment, among others.

The Grifols workforce in 2014 reached **13,980 employees**, an **increase of 11%** compared to the preceding year.



## MORE INFORMATION IN THE USB MEMORY STICK

- 2014 Consolidated financial statements, auditor's report and directors' report
- 2014 Grifols, S.A. financial statements, auditor's report and directors' report
- 2014 Annual report on corporate governance
- 2014 Environmental report
- 2014 Grifols Academies annual report
- 2014 Victor Grifols i Lucas Foundation report
- 2014 Probitas Foundation report
- Corporate video



## PROFIT & LOSS ACCOUNT SUMMARY

(IN THOUSANDS OF EUROS EXCEPT %)

	2014	2013	% VAR.
<b>NET REVENUE</b>	<b>3,355,384</b>	<b>2,741,732</b>	<b>22.4%</b>
<b>COST OF SALES</b>	(1,656,170)	(1,323,880)	25.1%
<b>GROSS MARGIN</b>	<b>1,699,214</b>	<b>1,417,852</b>	<b>19.8%</b>
<b>% NET REVENUE</b>	50.6%	51.7%	
<b>R&amp;D</b>	(180,753)	(123,271)	46.6%
<b>SG&amp;A</b>	(660,772)	(558,461)	18.3%
<b>OPERATING RESULTS (EBIT)</b>	<b>857,689</b>	<b>736,120</b>	<b>16.5%</b>
<b>% NET REVENUE</b>	25.6%	26.8%	
<b>FINANCIAL RESULTS</b>	(261,427)	(237,419)	10.1%
<b>GROUP PROFIT</b>	<b>470,253</b>	<b>345,551</b>	<b>36.1%</b>
<b>% NET REVENUE</b>	14.0%	12.6%	

## KEY FINANCIAL FIGURES

(IN THOUSANDS OF EUROS EXCEPT %, EPS AND LEVERAGE RATIO)

	2014	2013	% VAR.
<b>EBITDA</b>	<b>1,047,161</b>	<b>864,588</b>	<b>21.1%</b>
<b>% NET REVENUE</b>	31.2%	31.5%	
<b>ADJUSTED EBITDA</b>	<b>1,074,159</b>	<b>917,366</b>	<b>17.1%</b>
<b>% NET REVENUE</b>	32.0%	33.5%	
<b>ADJUSTED GROUP PROFIT FOR THE PERIOD*</b>	<b>597,853</b>	<b>450,021</b>	<b>32.8%</b>
<b>% NET REVENUE</b>	17.8%	16.4%	
<b>CASH &amp; CASH EQUIVALENTS</b>	<b>1,079,146</b>	<b>708,777</b>	<b>52.3%</b>
<b>LEVERAGE RATIO</b>	<b>3.0X</b>	<b>2.3X</b>	
<b>EARNINGS PER SHARE (EPS)</b>	<b>1.37</b>	<b>1.01</b>	<b>35.6%</b>
<b>DIVIDEND PAID DURING THE YEAR</b>	<b>156,007</b>	<b>70,062</b>	<b>122.7%</b>

\* Excludes non-recurring costs and costs associated with recent acquisitions, the amortization of deferred financial costs associated with refinancing, and the amortization of intangible assets associated with acquisitions.