Grifols’ net profit rises by 32.9% to 121.0 million euros in the First Quarter of 2014

- Sales rose by 16.7% to 798.0 million euros. The company maintains its leadership in plasma derived medicines and consolidates its position as a leader in transfusion medicine.

- Adjusted EBITDA\(^1\) grows 21.6% and reaches 279.9 million euros. Margin\(^2\) rises by 140 basis points (bps) to 35.1% of revenues.

- The acquisition and integration of Novartis transfusion diagnostic business changes the relative weight of the divisions: Bioscience 75.3%, Diagnostic 18.4% and Hospital 3.0%.

- Promoting the Diagnostic division has a clear objective: to make the company more global, more diversified and with a wider growth potential.

- Completion of refinancing process brings average cost of debt to below 3.5%, a reduction of over 200 bps.

- Financial debt increases due to the acquisition of the new business unit, debt ratio stands at 2.83.

**Barcelona, 6 May 2014**- Grifols’ (MCE:GRF, MCE:GRF.P and NASDAQ:GRFS) revenues rose by 16.7% during the first quarter of the year to 798.0 million euros, including Novartis’ transfusion diagnostic business, acquired in January 2014. At constant exchange rate (cc), income rose by 20.2%, with the geographical diversification of sales helping to mitigate exchange rate effects.

The results to March reflect the anticipated changes to the relative weight of each division as a share of total group income, as a result of the integration of the transfusion diagnostic unit acquired. The sales of the Bioscience division totaled 601.0 million euros, 75.3% of Grifols’ revenue. Sales volumes of IVIG and alpha-1 antitrypsin, two of the company’s main plasma proteins, performed strongly in a context of price stability.

The Hospital division recorded sales of 24.3 million euros, a figure that represents 3.0% of revenues. During the quarter, the division continued to internationalize, with Hospital Logistics projects in Chile and Argentina, and Intravenous Therapy projects in the United States. However, sales continued to be heavily concentrated in Spain, and the restrictions on hospital expenditure had a significant impact on sales, which fell by 7.3% (cc).

\(^1\) Adjusted EBITDA excludes non-recurring costs and associated with recent acquisitions.
The Diagnostic division increased its share of revenues to 18.4%, as forecast. The sales of this business area were 146.5 million euros (excluding 3.6 million euros of intersegment sales).

The company has become a global leader in transfusion medicine, manufacturing both instruments and reagents for immunohematology and hemostasis. Successes have included the implementation of immunohematology analyzers (Wadiana® and Erytra®) and the increase in unit sales of blood typing cards (DG-Gel®) in countries such as France, United Kingdom, Russia, Qatar and Saudi Arabia. Another key achievement during the quarter was the contract to supply the Japanese Red Cross with NAT technology (Procleix® Panther® System) to analyze blood donations in Japan. Promoting the Diagnostic division has a clear objective: to make the company more global, diversified and with a wider growth potential.

Grifols’ non-recurring sales, included within the Raw Materials & Others division, rose to 26.2 million euros, representing 3.3% of sales. These include, among others, all royalties (Bioscience and Diagnostic), income from manufacturing agreements with Kedrion, and third-party engineering projects performed by Grifols Engineering.

- **Approximately 93% of income generated in international markets**

Grifols continues to drive sales in international markets. The purchase of Novartis’ transfusion diagnostic unit, completed on January 2014 has helped to drive sales of the Diagnostic division in the United States. These sales have not been allocated to a specific region as work is still being done towards an accurate classification.

Excluding sales generated by this new business unit, income in the United States and Canada continued to rise. Sales rose by 6.4% (cc) in comparable terms, to 419.7 million euros, although the new conditions of some contracts in Canada continue to impact the results.

In the European Union, sales decrease slowed to 2.8% (cc), with sales revenue standing at 139.2 million euros. Sales of plasma proteins performed strongly in the Iberian Peninsula (Spain and Portugal), while sales of products and services related to the Diagnostic and Hospital divisions decelerated. Since January 2014 revenues included in “Others” (Raw Materials & Others) are not split by geography. 2013 numbers have been amended for comparison purposes.

ROW (Rest of World) sales fell by 6.1% (cc) as a result of the timing of tenders and conclusion of some contracts. Demand for plasma proteins such as albumin continued to rise in regions such as Latin America.

The strategy of achieving long term growth through international markets continued during the first quarter of 2014, with the start of activities in new regions such as the Middle East. In this regard, it is worth noting that Grifols attended the Arab Health Congress in Dubai for the first time. The importance of this event derives both from the potential of the United
Arab Emirates market, and the fact that it is at the center of a large zone of influence. In the six countries that form the Gulf Cooperation Council alone (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) there are 15 hospital projects in progress.

- **Excellent evolution of EBITDA margin: 200 bps increase to 33.9% of revenues**

Grifols operating margins have continued to improve. The EBITDA margin rose by 200 bps to 33.9% of revenues, compared to 31.9% for the same period of 2013. In absolute terms, EBITDA was 270.2 million euros, with growth of 23.7%.

Grifols’ adjusted EBITDA\(^1\) rose by 21.6% to 279.9 million euros, representing an EBITDA to revenues margin of 35.1%.

This positive performance confirms the group’s improved productivity, primarily focused on the optimization of raw materials and its cost and in the greater flexibility of manufacturing processes in the Bioscience division. The aim is to maximize the utilization of each liter of plasma and its profitability as a result. This will enable balanced market share growth of each plasma protein, ensuring industrial efficiency. In addition, the new sales mix by division, and the greater weight of the Diagnostic division have been positive developments during the quarter, and their effects will continue during the rest of the year. The policy of containing operating costs related to central services continues.

<table>
<thead>
<tr>
<th>(In thousands of euros)</th>
<th>1Q 2014</th>
<th>% Sales</th>
<th>1Q 2013</th>
<th>% Sales</th>
<th>% Var</th>
<th>% var CC</th>
</tr>
</thead>
<tbody>
<tr>
<td>NET REVENUES</td>
<td>797,998</td>
<td>100.0%</td>
<td>683,698</td>
<td>100.0%</td>
<td>16.7%</td>
<td>20.2%</td>
</tr>
<tr>
<td>BIOSCIENCE DIVISION</td>
<td>600,957</td>
<td>75.3%</td>
<td>604,786</td>
<td>88.5%</td>
<td>-0.6%</td>
<td>2.4%</td>
</tr>
<tr>
<td>HOSPITAL DIVISION</td>
<td>24,262</td>
<td>3.0%</td>
<td>27,155</td>
<td>4.0%</td>
<td>-10.7%</td>
<td>-7.3%</td>
</tr>
<tr>
<td>DIAGNOSTIC DIVISION*</td>
<td>146,550</td>
<td>18.4%</td>
<td>32,559</td>
<td>4.8%</td>
<td>350.1%</td>
<td>361.7%</td>
</tr>
<tr>
<td>SUBTOTAL</td>
<td>771,769</td>
<td>96.7%</td>
<td>664,500</td>
<td>97.3%</td>
<td>16.1%</td>
<td>19.6%</td>
</tr>
<tr>
<td>RAW MATERIALS &amp; OTHERS</td>
<td>26,229</td>
<td>3.3%</td>
<td>19,198</td>
<td>2.7%</td>
<td>36.6%</td>
<td>39.5%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>270,218</td>
<td>33.9%</td>
<td>218,435</td>
<td>31.9%</td>
<td>23.7%</td>
<td></td>
</tr>
<tr>
<td>ADJUSTED EBITDA**</td>
<td>279,863</td>
<td>35.1%</td>
<td>230,069</td>
<td>33.7%</td>
<td>21.6%</td>
<td></td>
</tr>
<tr>
<td>GROUP PROFIT</td>
<td>120,973</td>
<td>15.2%</td>
<td>91,002</td>
<td>13.3%</td>
<td>32.9%</td>
<td></td>
</tr>
<tr>
<td>ADJUSTED GROUP PROFIT***</td>
<td>147,036</td>
<td>18.4%</td>
<td>115,664</td>
<td>16.9%</td>
<td>27.1%</td>
<td></td>
</tr>
</tbody>
</table>

*Excludes 3.6 million euros of intersegment sales  
**Adjusted EBITDA excludes non-recurring costs and associated with recent acquisitions  
***Adjusted Net Profit excludes non-recurring costs and associated with recent acquisitions, amortization of deferred expenses associated to the refinancing, and amortization of intangible assets related to acquisitions.
• **Net profit rises by 32.9% to 121.0 million euros**

Grifols’ net profit rose by 32.9% to 121.0 million euros, a figure that represents 15.2% of the group’s revenues, compared to 13.3% for the same period of 2013. Net adjusted profit, which excludes non recurrent costs and associated with recent acquisitions, amortization of the deferred financial costs associated with the refinancing and the amortization of intangible assets related to the acquisitions, was 147.0 million euros.

During the quarter, the company maintained its financial results that included the financial cost of the 1,500 million dollar bridge loan to finance the acquisition of the transfusion diagnostic unit of Novartis. The financial result was 66.9 million euros, including the amortization of the deferred costs and those related to the cancelation of bonds and debt as part of the group’s refinancing process. This process, completed in March, has enabled Grifols to reduce its funding costs and extend its maturity profile, improvements that will have an impact in the coming quarters.

**BALANCE SHEET**

• **March 2014: Key balance sheet indicators**

Total consolidated assets at March 2014 were 7,192.4 million euros, a significant increase compared to the figure of 5,841.0 million euros reported in December 2013. The differences primarily reflect the acquisition of the assets of the Novartis’ transfusion diagnostic unit.

In particular, there has been a net increase in tangible fixed assets of more than 100 million euros, that include a plant in Emeryville (California, United States) acquired to Novartis. Intangible fixed assets have also increased as a result of an estimated 930.2 million euro of goodwill following the acquisition. This amount is still provisional, although no significant reallocation of the goodwill valuation between different asset classes is expected.

During the first three months of 2014, the group’s cash position stood at 684.6 million euros. Operating cash flow generation remains strong with the group generating 124.9 million euros, compared to 92.4 million euros obtained during the same period of 2013.

• **Net financial debt increases, but average cost falls by more than 200 bps to below 3.5%**

Grifols’ net financial debt at the end of the first quarter of 2014 stood at 3,180.3 million euros, including an additional 1,500 million dollars corresponding to the acquisition of Novartis’ transfusion diagnostic unit. This represents a leverage ratio of 2.83 times to adjusted EBITDA₁, higher than the ratio of 2.28 reported in December 2013.

Strong cash generation and debt reduction have enabled the company to successfully refinance its entire debt for a value of 5,500 million dollars (4,075 million euros).
Following the completion of this process in March 2014, the average cost of Grifols’ debt has fallen by over 200 bps to below 3.5%, and the average maturity term has been extended to 7 years. Both factors will enable the company to stabilize its financial costs despite an increase in absolute debt levels.

Debt reduction remains a priority for the company, whose high and sustainable levels of operating activity and cash generation mean that it is able to meet this objective. Moody’s and Standard & Poor’s have maintained Grifols’ corporate rating at levels prior to the acquisition.

**Financial structure of Grifols and new conditions following refinancing:**

<table>
<thead>
<tr>
<th>STRUCTURE</th>
<th>AMOUNT</th>
<th>NEW CONDITIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL SENIOR SECURED DEBT</td>
<td>4,500</td>
<td></td>
</tr>
<tr>
<td><em>Term Loan A (TLA)</em> - Long-term syndicated loan with financial institutions</td>
<td>700</td>
<td>Interest rate: LIBOR + 250 Expiry: 2020</td>
</tr>
<tr>
<td><em>Term Loan B (TLB)</em> - Long-term syndicated loan with qualified investors</td>
<td>3,800</td>
<td>Interest rate: LIBOR + 300 Expiry: 2021</td>
</tr>
<tr>
<td>SENIOR UNSECURED NOTES</td>
<td>1,000</td>
<td>Annual interest: 5.25% Expiry: 2022</td>
</tr>
<tr>
<td>TOTAL DEBT</td>
<td>5,500</td>
<td></td>
</tr>
</tbody>
</table>

**INVESTMENTS**

- **Capital expenditure (CAPEX)**

During the first three months of the year, Grifols has invested 45.7 million euros of cash in expanding and improving its manufacturing facilities, and in maintaining the facilities of its investees. In addition, the company plans to allocate approximately 600 million euros to capital expenditure between 2014 and 2016. This amount includes additional resources designed to strengthen the Diagnostic division following the recent acquisition of Novartis’ transfusion diagnostic unit.

Among the milestones of the first quarter of 2014 it can be highlighted the opening of the plasma fractionation plant at Parets del Vallès (Barcelona, Spain), a development that doubles Grifols’ plasma fractionation capacity in Spain, to 4.2 million liters/year. The company has invested over 20 million euros in this project, which will gradually generate almost 100 jobs, including both direct and indirect employment. Capital investments in investees include the project that brings all of Araclon Biotech’s research activity, an R&D company specializing in immunotherapy and diagnosis of Alzheimer’s, under a single roof at its corporate headquarters in Zaragoza (Spain). Grifols is the majority shareholder in Araclon, with 61% of its equity.
• **Acquisitions: completion of the purchase of Novartis Diagnostic Unit**

The acquisition of the transfusion diagnostic and immunology unit from Swiss company Novartis was completed on January 9, 2014 for a total of 1,653 million dollars (1,215 million euros). The operation was implemented through a newly created 100% Grifols-owned subsidiary. The operation is part of Grifols' growth strategy of complementing and growing its range of diagnostic products and services.

• **R&D: In-House and through investees**

Grifols' continuing commitment to research is based on financial solvency and liquidity. From January to March 2014, Grifols allocated a total of 37.9 million euros to R&D, an increase of 29.3% compared to the same period of 2013, representing 4.7% of revenues. Priority objectives for the company during 2014 include the acceleration of research projects exploring new uses for albumin, and further therapeutic applications of this and other plasma proteins.

Grifols also promotes research activity through additional investment in R&D in its investees. An example of this is the start of phase 1 of the clinical trial of the vaccine against Alzheimer's disease that Grifols develops through Araclon. Grifols also supports and promotes other initiatives that are aligned with or complementary to its own activity areas, where these contribute to scientific progress and social well-being. An example is the Fundació ACE’s new center for the treatment and research of Alzheimer's disease: the “Barcelona Alzheimer Treatment & Research Center”.

**ANALYSIS BY DIVISION**

• **Bioscience Division: 75.3% of revenues**

Grifols’ Bioscience division accounts for 75.3% of its business. Sales to March 2014 rose by 2.4% (cc) to 601.0 million euros. Sales volumes of IVIG and alpha-1 antitrypsin performed strongly.

One of the company’s objectives is to promote the diagnosis of alpha-1-antitrypsin deficiency (AATD), a rare disease whose symptoms overlap with chronic obstructive pulmonary disease (COPD) which, if not treated, can lead to pulmonary emphysema. Grifols has developed a unique, innovative system, AlphaKit® QuickScreen, that takes only a few minutes and some drops of blood to detect whether an individual is a carrier of the Z mutation, responsible for over 95% of severe cases of this disease. It will be released for distribution in several EU countries in the near future as it obtained the CE marking after the end of the quarter.

Among the milestones of the first quarter of 2014 it can be highlighted the Grifols’ compromise to World Hemophilia Federation, to which Grifols will donate up to 60 million units of clotting factors to the World Federation of Hemophilia in the next three years. This major donation will ensure an average of 40,000 doses until 2017 to treat approximately 10,000 patients in developing countries in which access to these treatments is non-existent or insufficient.
• **Diagnostic Division: 18.4% of revenues**

One of the more relevant events of the Diagnostic division has been the agreement to supply NAT Technology to Japanese Red Cross. Procleix® Panther® System will be used to analyze 5.3 million Japanese blood donations. The contract, which will run for 7 years, is worth 375 million dollars (274 million euros) at current exchange rate in products and services for Grifols.

The launch of the next generation of the BLOODchip® product range in Barcelona, represents a further improvement to the company’s transfusion medicine offering, and will contribute to Grifols’ ambition of leading the expansion of the blood genotyping segment. It is also important the FDA approval of the Erytra® analyzer that has become the first high-processing capacity instrument available on the US market for the performance of transfusional compatibility tests. The launch of Erytra® in the United States is scheduled for July.

• **Hospital Division: 3.0% of income**

The Hospital division generates most of its sales in Spain and therefore continues to be the division most directly affected by the measures to rationalize healthcare spending implemented by the Spanish government. Income has maintained its downward trend to 24.3 million euros, although the division has continued to internationalize its activity base.

Significant developments have included two hospital logistics projects in Chile, the pharmacy service automation in one of Argentina’s most important private clinic in Buenos Aires, and the installation of Misterium®-Modular Clean Rooms for the preparation of intravenous solutions under sterile conditions in several centers in the United States.

**About Grifols**

Grifols is a global healthcare company with a 70-year legacy of improving people’s health and well being through the development of life-saving plasma medicines, diagnostics systems, and hospital pharmacy products.

The company is present in more than 100 countries worldwide and is headquartered in Barcelona, Spain. Grifols is a leader in plasma collection with a network of 150 plasma donor centers in the U.S., and a leading producer of plasma-derived biological medicines. The company also provides a comprehensive range of transfusion medicine, hemostasis, and immunoassay solutions for clinical laboratories, blood banks and transfusion centers, and is a recognized leader in transfusion medicine.

In 2013, sales exceeded 2,740 million euros with a headcount of 13,200 employees. Grifols demonstrates its commitment to advancing healthcare by allocating a significant portion of its annual income to R&D.

The company’s class A shares are listed on the Spanish Stock Exchange, where they are part of the Ibex-35 (MCE:GRF). Its non-voting class B shares are listed on the Mercado Continuo (MCE:GRF.P) and on the U.S. NASDAQ via ADRs (NASDAQ: GRFS). For more information visit [www.grifols.com](http://www.grifols.com)
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The facts and figures contained in this report which do not refer to historical data are “projections and forward-looking statements”. The words and expressions like “believe”, “hope”, “anticipate”, “predict”, “expect”, “intend”, “should”, “try to achieve”, “estimate”, “future” and similar expressions, insofar as they are related to Grifols Group, are used to identify projections and forward-looking statements. These expressions reflect the assumptions, hypothesis, expectations and anticipations of the management team at the date of preparation of this report, which are subject to a number of factors that could make the real results differ considerably. The future results of Grifols Group could be affected by events related to its own activity, such as shortages of raw materials for the manufacture of its products, the launch of competitive products or changes in the regulations of markets in which it operates, among others. At the date of preparation of this report Grifols Group has adopted the measures it considers necessary to offset the possible effects of these events. Grifols, S.A. does not assume any obligation to publicly inform, review or update any projections and forward-looking statements to adapt them to facts or circumstances following the preparation of this report, except as specifically required by law. This document does not constitute an offer or invitation to purchase or subscribe shares, in accordance with the provisions of the Spanish Securities Market Law 24/1988, of July 28, the Royal Decree-Law 5/2005, of March 11, and/or Royal Decree 1310/2005, of November 4, and its implementing regulations.