

EXECUTIVE REPORT 2017

GRIFOLS



GRIFOLS: ENHANCING PEOPLE'S QUALITY OF LIFE

GRIFOLS IS A
GLOBAL COMPANY
FOUNDED IN 1940 IN
BARCELONA, SPAIN

ITS CORE BUSINESS
UNITS—THE
BIOSCIENCE
DIVISION,
DIAGNOSTIC
DIVISION AND
HOSPITAL
DIVISION—
ARE SOLID,
CONSOLIDATED AND
COMPLEMENTARY

GRIFOLS' GLOBAL
SCOPE INCLUDES
OPERATIONS IN
100 COUNTRIES,
SUBSIDIARIES IN 30
AND PRODUCTION
PLANTS IN FIVE

MISSION

To offer essential and frontline treatments, diagnostic products and hospital solutions to patients and healthcare professionals to enhance quality of life

VISION

To be global leaders in our markets and an industry reference for quality, safety and innovation

CORPORATE GOVERNANCE

VÍCTOR GRÍFOLS ROURA
NON-EXECUTIVE CHAIRMAN /
PROPRIETARY



GRIFOLS' BOARD OF DIRECTORS

MORE THAN 50% OF
BOARD MEMBERS ARE
INDEPENDENT

BY NAMING A LEAD
INDEPENDENT
DIRECTOR, GRIFOLS
REINFORCES
INDEPENDENCE
BETWEEN CORPORATE
CONTROL AND
MANAGEMENT

NURIA MARTÍN BARNÉS
SECRETARY / NON-MEMBER



SECRETARY



CARINA SZPILKA
LÁZARO
DIRECTOR
INDEPENDENT



RAIMON GRÍFOLS ROURA
CO-CEO / EXECUTIVE



ÍÑIGO SÁNCHEZ-ASIAÍN
MARDONES
LEAD INDEPENDENT DIRECTOR
INDEPENDENT



VÍCTOR GRÍFOLS DEU
CO-CEO / EXECUTIVE



MARLA E. SALMON
DIRECTOR
INDEPENDENT



RAMÓN RIERA ROCA
DIRECTOR / EXECUTIVE



BELÉN VILLALONGA
MORENÉS*
DIRECTOR
INDEPENDENT



TOMÁS DAGÁ GELABERT
DIRECTOR AND VICE SECRETARY
OTHER EXTERNAL



SECRETARY



LUIS ISASI FERNÁNDEZ
DE BOBADILLA
DIRECTOR
INDEPENDENT



THOMAS GLANZMANN
NON-EXECUTIVE VICE PRESIDENT
OTHER EXTERNAL



STEVEN F. MAYER
DIRECTOR
INDEPENDENT



ANNA VEIGA LLUCH
DIRECTOR
INDEPENDENT



 AUDIT COMMITTEE

 APPOINTMENTS AND REMUNERATION COMMITTEE

* Belén Villalonga Morenés served as the president of the Audit Committee until February 2018.

IN 2017, RAIMON GRÍFOLS ROURA AND VÍCTOR GRÍFOLS DEU BEGAN THEIR FIRST YEAR AS CO-CEOS. THIS SUCCESSFUL GENERATIONAL RENEWAL BENEFITS FROM THE CONTINUED SUPPORT AND GUIDANCE OF VÍCTOR GRÍFOLS ROURA AS CHAIRMAN.

“AT GRIFOLS, WE ARE CONVINCED THAT DOING THINGS WELL GENERATES RETURNS. OUR PERFORMANCE IN 2017 IS PROOF OF OUR FIRM COMMITMENT TO CONTINUE CREATING VALUE FOR PATIENTS, GLOBAL HEALTHCARE SYSTEMS, SHAREHOLDERS, EMPLOYEES AND SOCIETY AS A WHOLE”

“GRIFOLS’ HISTORY OF GROWTH DEMONSTRATES ITS CAPACITY TO EVOLVE AND MAKE A POSITIVE IMPACT ON SOCIETY. WE CULTIVATE TALENT AND TEAMWORK THROUGH A BUSINESS MODEL GROUNDED ON SOLID CORPORATE VALUES”

“AT GRIFOLS, WE THINK AND ACT WITH A LONG-TERM, SUSTAINABLE AND RESPONSIBLE PERSPECTIVE. BY LEVERAGING OUR ACQUIRED KNOWLEDGE AND R+D+i POTENTIAL, WE ARE ABLE TO PROGRESS WITH OUR MISSION OF ENHANCING PATIENT CARE WORLDWIDE”



VÍCTOR GRÍFOLS ROURA
President



RAIMON GRÍFOLS ROURA
CEO



VÍCTOR GRÍFOLS DEU
CEO

2017 KEY INDICATORS

GROWING



INVESTING



PLANNING

STRATEGIC ACQUISITIONS
Hologic
Access Biologicals
GigaGen

INDUSTRY LEADERS
190
plasma donation centers

+40
centers 2015

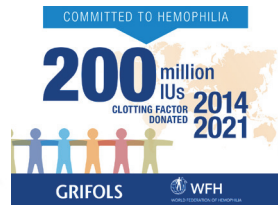
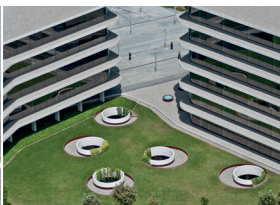


+23%

+3,400
employees

* Excludes non-recurring items and associated with recent acquisitions.

2017 MILESTONES



JANUARY

- Acquisition of Hologic's share of the NAT donor-screening technology unit.
- Creation of the Bio Supplies Division to primarily integrate sales of biologic products for non-therapeutic purposes.
- Acquisition of a 49% stake in Access Biologicals.
- Launch of the new 2017-2019 Environmental Plan centered around four main pillars: energy, water, waste recovery and raw material consumption.

FEBRUARY

- Culmination of the refinancing process for USD 6,300 million, which has optimized Grifols' financial structure and notably improved all financing conditions.

MARCH

- Agreement with the Spanish Ministry of Health to supply 1 million tetanus and diphtheria vaccinations.
- Grifols is recognized among the 100 most innovative companies in the world by *Forbes* (2016).
- Rating of "Excellent" in the Profarma Plan, spearheaded by the Spanish Ministry of Economics, Industry and Competitiveness.
- Grifols climbs to the 6th position in the annual ranking *Corporate Reputation of Pharma in 2016 - The Patient Perspective*.

APRIL

- Issue of EUR 1,000 million senior unsecured notes due in 2025 as part of the debt refinancing process.
- Renewal of the collaboration with the World Federation of Hemophilia
- Donation of 140 million international units of blood clotting factors to the Humanitarian Aid Program.

MAY

- The General Shareholders' Meeting approves the allocation of dividends for a record EUR 218 million.
- The FDA approves the assay to detect the babesiosis virus under an Investigational New Drug protocol (IND).
- The FDA approves the physiological saline solution manufactured in the Murcia (Spain) plant, reinforcing the global expansion of the Hospital Division.
- The assay to detect the Zika virus in blood donations receives the CE mark.

JUNE

- Five-year extension of the OraSure Technologies contract, which boosts Grifols' position as an antigen supplier.
- Agreement with Beckman Coulter for the global distribution of the Diagnostic Division's hemostasis line.
- CE mark for the ID RHD XT molecular diagnostic test.
- Araclon Biotech initiates the Phase II clinical trial of its Alzheimer vaccine.
- Voluntary disclosure of transfers of value made to healthcare professionals and health organizations in Europe in 2016.
- USD 1 million donation to the Alpha-1 John W. Walsh Research Fund.
- Annual meeting with investors and analysts in alignment with the company's policy of information transparency.
- "Press Day" in alignment with the company's policy of information transparency.



JULY

- Acquisition of a 44% stake in GigaGen and stake increase in Kiro Grifols to 90%.
- “Grifols Scientific Awards” ceremony.

AUGUST

- Phocus Rx® is integrated into three of the five main hospital information systems in the U.S.
- The American Red Cross laboratory in Charlotte, North Carolina (U.S.) uses Grifols’ test to detect the babesiosis virus (Procleix® Babesia).

SEPTEMBER

- The FDA approves the liquid formulation of alpha-1 antitrypsin Prolastin®-C Liquid.

OCTOBER

- Grifols is recognized by *Forbes* and Statista among the 500 best global employers.

NOVEMBER

- The FDA and EMA approve the biological sealant (fibrinogen/human thrombin).
- The FDA approves a new genetic test for alpha-1 antitrypsin deficiency.
- Inauguration of a new plant in Brazil dedicated to the production of collection and storage bags for blood components.

DECEMBER

- New EUR 85 million loan from the European Investment Bank to support R+D+i investments.
- Grifols leads the industry with 190 plasma donation centers.

GRIFOLS AROUND THE WORLD

U.S. AND CANADA

€2,897

million

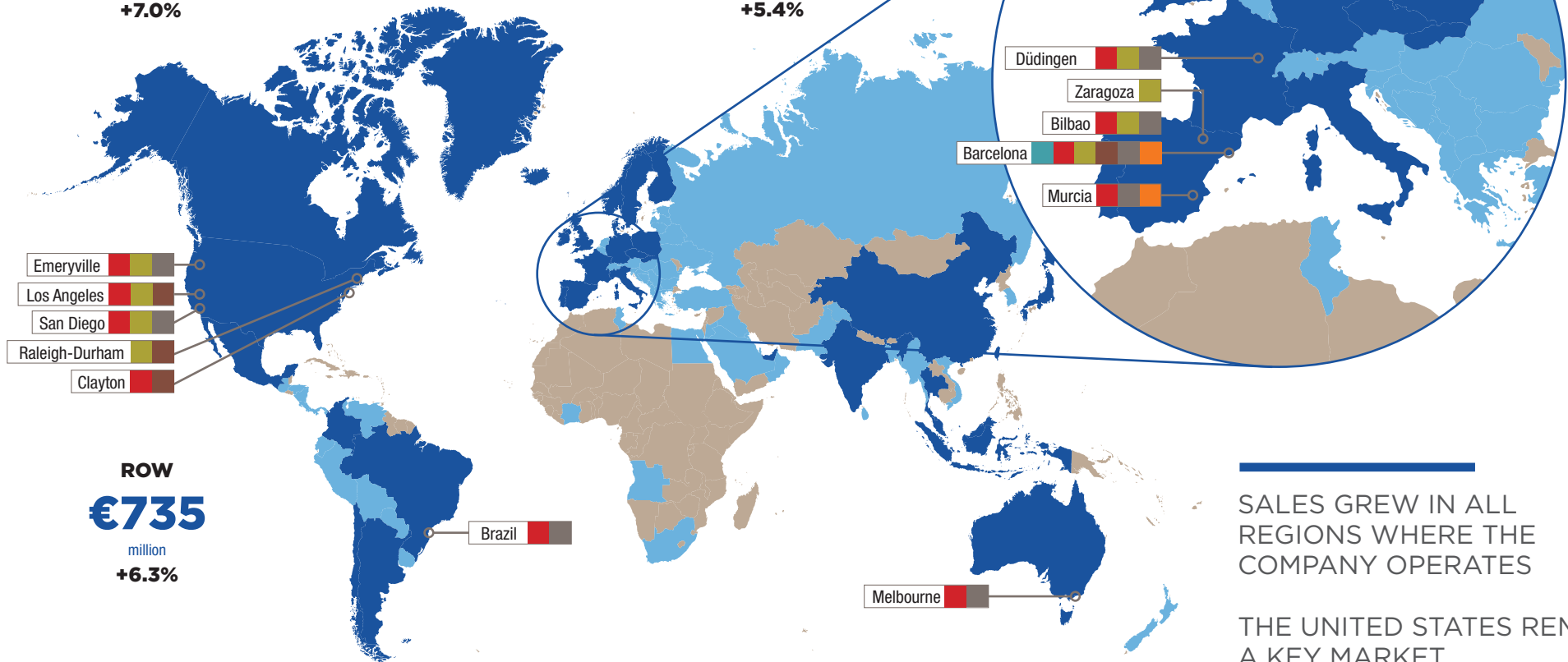
+7.0%

EU

€687

million

+5.4%



● GRIFOLS SUBSIDIARIES
● DISTRIBUTORS

SALES GREW IN ALL REGIONS WHERE THE COMPANY OPERATES

THE UNITED STATES REMAINS A KEY MARKET

SALES IN SPAIN INCREASED BY 7.8% AND ROW GAINED TRACTION WITH NOTABLE GROWTH IN LATAM AND ASIA PACIFIC

CORPORATE HEADQUARTERS

10
MANUFACTURING CENTERS

8
R+D CENTERS

BIOSCIENCE DIVISION CENTERS

DIAGNOSTIC DIVISION CENTER

HOSPITAL DIVISION CENTERS

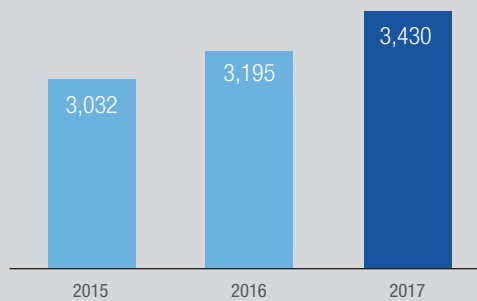
MAIN DIVISIONS

BIOSCIENCE DIVISION

ONE OF THE TOP THREE GLOBAL PRODUCERS OF PLASMA-DERIVED MEDICINES



BIOSCIENCE (MILLIONS OF EUROS)*



- **Growth** driven by the **solid demand of plasma proteins**.
- **Leader in plasma collection centers**.
- Sales in over 100 countries and **better penetration in mature markets** thanks to improved segmentation.
- **Constant Innovation**: 3 important regulatory approvals obtained: FDA approval of the liquid formulation of alpha-1 antitrypsin, and FDA and EMA approvals of a biological sealant of human fibrinogen and thrombin.
- **Business optimization** thanks to **improvements in the diagnosis** of diseases treated with plasma-derived proteins.
- **Inter-divisional collaborations** such as a new genetic test to detect alpha-1 deficiency.

* Comparable revenues taking into account intersegment sales and the reclassification of sales of biologic products for non-therapeutic use, which form part of the Bio Supplies Division as of January 2017.

REVENUES
3,430*
million euros

GROWTH
+7.3%
+7.9% cc

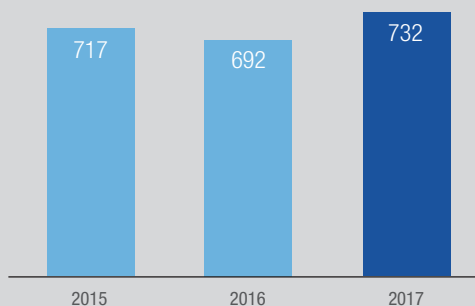
INNOVATION
3
new approvals

DIAGNOSTIC DIVISION

WORLDWIDE LEADERS IN BLOOD AND PLASMA-SCREENING SYSTEMS, INCLUDING NAT TECHNOLOGY DIAGNOSTICS, ANTIGENS FOR IMMUNOASSAY REAGENTS AND BLOOD TYPING SOLUTIONS



DIAGNOSTIC (MILLIONS OF EUROS)*



- **Growth** fueled by the sales of **Zika virus screening tests** in the United States and Asia Pacific.
- **Business optimization** generated by greater vertical integration following the acquisition and integration of the NAT technology business.
- **Geographic expansion** as the main driver of growth, along with expansion of the product portfolio.
- **Production increases** with high efficiency levels in all plants.
- **Constant innovation:** CE mark for the **Zika virus screening test**; FDA approval as an IND for a **new babesiosis screening test**; launch of the **Erytra Eflexis®** for **pre-transfusion compatibility tests**; FDA approval and CE mark for a **genetic test to detect alpha-1 deficiency**.
- Progress in the validation and ramp-up processes of the **new plants in Emeryville** (antigen production) and **Brazil** (manufacturing of bags for blood components).

* Comparable revenues taking into account intersegment sales and the reclassification of sales of biologic products for non-therapeutic use, which form part of the Bio Supplies Division as of January 2017.

REVENUES

732*
million euros

GROWTH

+5.9%
+6.8% cc

NEW PLANTS IN PROGRESS

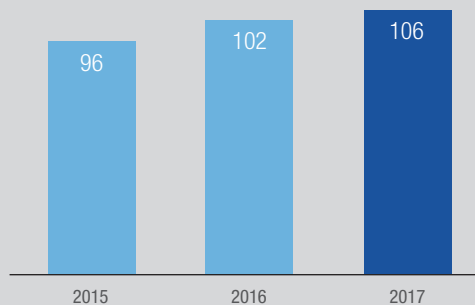
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HOSPITAL DIVISION

EFFECTIVE AND INTEGRAL SOLUTIONS FOR HOSPITAL PHARMACIES



HOSPITAL (MILLIONS OF EUROS)*



- **Growth** driven primarily by higher sales of the Pharmatech line, comprised by **hospital pharmacy solutions**.
- Intravenous Solutions and Nutrition show positive progress. Third-party manufacturing services accelerate with new contracts in the U.S.
- **Global expansion** in the United States and Latin America and solid results in Spain.
- **Constant innovation**: the first Spanish company to obtain FDA approval to commercialize in the U.S. market its saline solution produced in the Murcia plant.
- **Business optimization** to boost collaboration among divisions: the FDA-approved physiological saline solution will be used in Grifols' Bioscience plasma donation centers in the U.S., contributing to cost savings and guaranteeing supply.
- **Organic growth strategy and through acquisitions**: in January 2018, Grifols announced the acquisition of a 51% stake in the U.S. firm MedKeeper, a technology firm that develops and markets mobile and web-based IT applications for hospital pharmacies.

* Comparable revenues taking into account intersegment sales and the reclassification of sales of biologic products for non-therapeutic use, which form part of the Bio Supplies Division as of January 2017.

REVENUES

106*
million euros

GROWTH

+3.3%
+3.3% cc

**FDA APPROVAL
OF GRIFOLS'
SALINE SOLUTION
MANUFACTURED
IN MURCIA**

ECONOMIC PERFORMANCE

GRIFOLS' ECONOMIC PERFORMANCE IN 2017 FOCUSED ON DIVERSIFICATION AND PROFITABILITY; SPEARHEADING INNOVATION AND PRODUCTIVE INVESTMENTS; INTEGRATING THE RECENTLY ACQUIRED SHARE OF THE NAT TECHNOLOGY BUSINESS; GENERATING HIGHER CASH FLOWS; AND OPTIMIZING THE FINANCIAL STRUCTURE

FINANCIAL STRENGTH

- Completion of the refinancing process for approximately USD 7,300 million, which has optimized the group's financial structure by improving financial conditions and extending maturities.
- EUR 218.3 million paid out in dividends in 2017.
- A new EUR 85 million long-term loan from the European Investment Bank to support R+D+i initiatives.

SALES PERFORMANCE

- Significant sales increase across all divisions and regions.
- International expansion remains a priority to promote organic growth.
- Important agreements complement Grifols' sales reach and open up new lines of activity: Beckman Coulter, OraSure and Ethicon.

INCREASING PRODUCTIVE CAPACITIES

- Completion of the 2016-2020 capital investment plan as scheduled.
- 19 plasma donation centers added to the network, which included 190 centers at the end of 2017.
- Successful integration of the share of the NAT technology business acquired.
- The Grifols' team grows by 23% to 18,300 employees.

STRATEGIC ACQUISITIONS

- 49% stake in Access Biologicals.
- An additional 40% stake in Kiro.
- 44% stake in GigaGen.
- Six plasma donation centers.

ONGOING INNOVATION

- 6.2% of total revenues allocated to R+D+i net investments.
- Five important approvals obtained during the year: a liquid formulation of alpha-1 antitrypsin (FDA); a diagnostic test to detect alpha-1 antitrypsin deficiency (FDA and CE mark); a new biological sealant for surgical use (FDA and EMA); a saline solution (FDA).

GRIFOLS SUCCESSFULLY CONCLUDES ONE OF THE LARGEST REFINANCING PROCESSES IN SPAIN IN 2017 OPTIMIZING ITS FINANCIAL STRUCTURE

Grifols' net financial debt was EUR 5,170.4 million as of December 2017. Debt management is a priority for the company. In 2017, Grifols refinanced its debt for approximately USD 7,300 million. This includes Tranche A, Tranche B, the undrawn credit line, an additional credit of USD 1,700 million to partially finance the share acquisition of the NAT technology business, and the corporate bond. The culmination of the refinancing process has improved Grifols' financial structure, reduced the average cost of debt and lengthened its maturity profile.

INNOVATION AS A TOP PRIORITY

GRIFOLS' COMMITMENT TO R+D+I IS SUSTAINABLE, LONG-TERM AND INTRINSIC IN ITS PIONEERING SPIRIT. R+D+I COMBINES INTERNAL PROJECTS WITH EXTERNAL INVESTMENTS AND COLLABORATIONS

Net R+D+i investment notably increased in 2017. This figure grew by 21.0% compared to 2016 to EUR 266.3 million including internal and external investments, which represent 6.2% of total revenues.

Total net R+D+i investments amounted to EUR 310.7 million, taking into consideration the aforementioned investments and resources allocated to acquire stakes in research companies.

Third-party investments and collaborations are an extension of its internal R+D+i efforts.

Grifols has minority stakes in AlbaJuna Therapeutics, Alkahest, Araclon, Aradigm, GigaGen and Singulex, among other companies.

AN OVERVIEW OF GRIFOLS R+D+I

TOTAL INVESTMENT

€311

million

7.2% of revenues

EMPLOYEES

~1,000

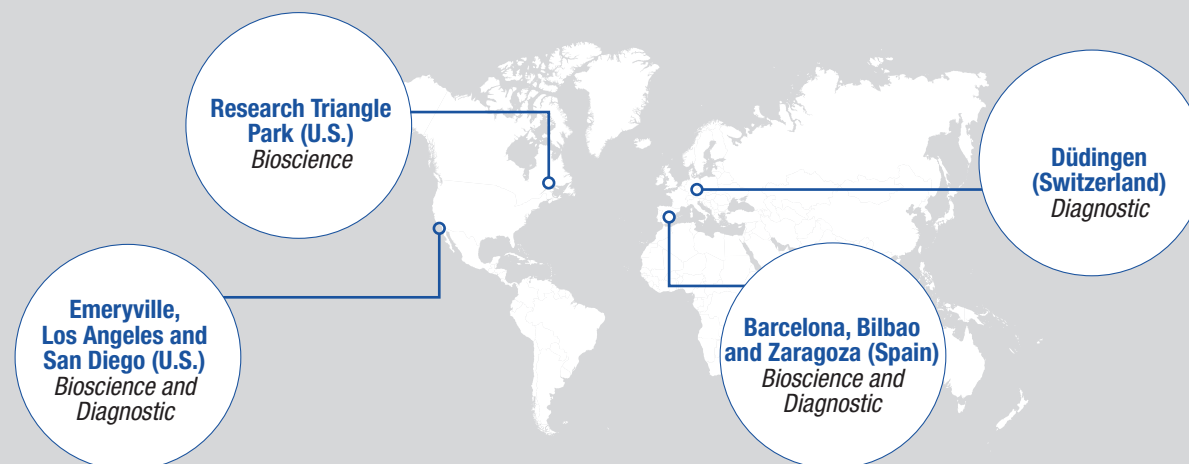
work in R+D+i

EXTERNAL RESEARCHERS

+100

help drive Grifols' R+D strategy

in investee companies



GRIFOLS' TALENT POOL

GRIFOLS' SUCCESS RESIDES IN THE DEDICATION AND COMMITMENT OF ITS WORKFORCE, WHICH THE COMPANY CONSIDERS AMONG ITS MOST IMPORTANT ASSETS

THE COMPANY'S COMMITMENT TO CREATING HIGH-QUALITY EMPLOYMENT OPPORTUNITIES, CONTINUOUS PROFESSIONAL DEVELOPMENT AND PROMOTING INCLUSION AND DIVERSITY HAS EARNED IT THE DISTINCTION AS ONE OF THE "500 BEST PLACES TO WORK" ACCORDING TO *FORBES* AND *STATISTA*

MORE THAN 3,000 EMPLOYEES BENEFITED FROM SKILLS AND COMPETENCIES TRAINING AND CLOSE TO 1,150 MANAGERS TOOK PART IN LEADERSHIP DEVELOPMENT COURSES

CREATING HIGH-QUALITY EMPLOYMENT OPPORTUNITIES

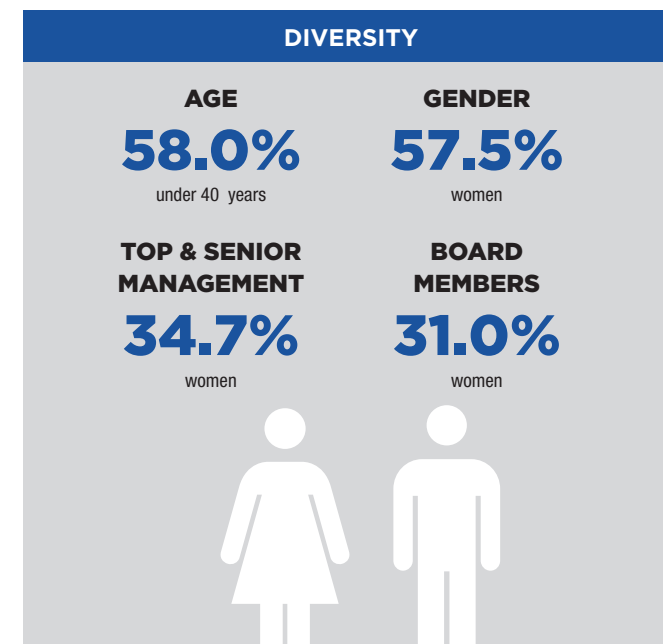
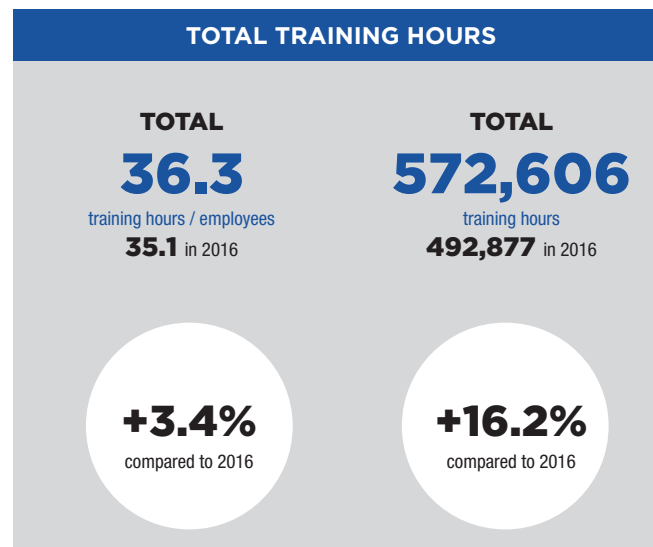
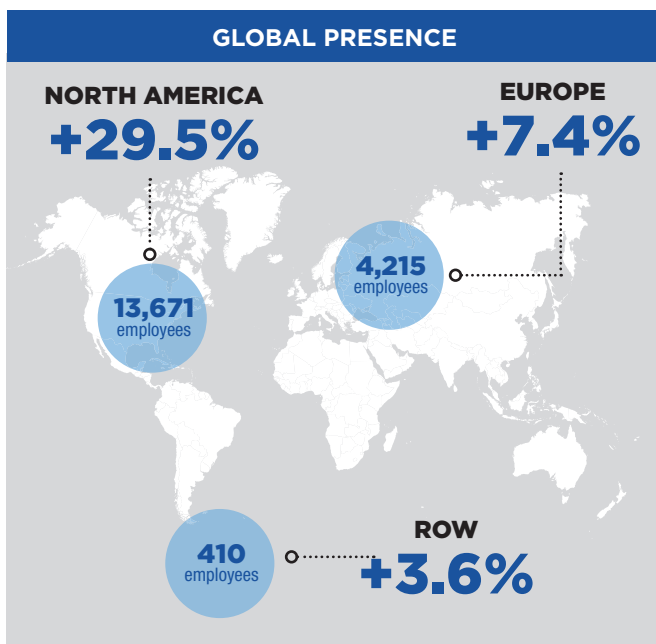
In 2017, Grifols' talent pool grew by 23% to 18,296 employees. In Spain, this figure increased by 6.3% to 3,645 employees.

TALENT DEVELOPMENT

The Grifols' Academy offers training programs to improve competencies and promotes dynamic ecosystems to nurture the exchange of knowledge. With sites in Spain and the United States, it offers ongoing educational opportunities focused along three main lines: professional development and leadership, plasmapheresis and immunohematology.

INCLUSION AND DIVERSITY

Diversity lies at the heart of a genuine culture of inclusion. At Grifols, the talents and singularities of its workforce enhance its corporate culture and elevates its performance.



ENVIRONMENTAL MANAGEMENT

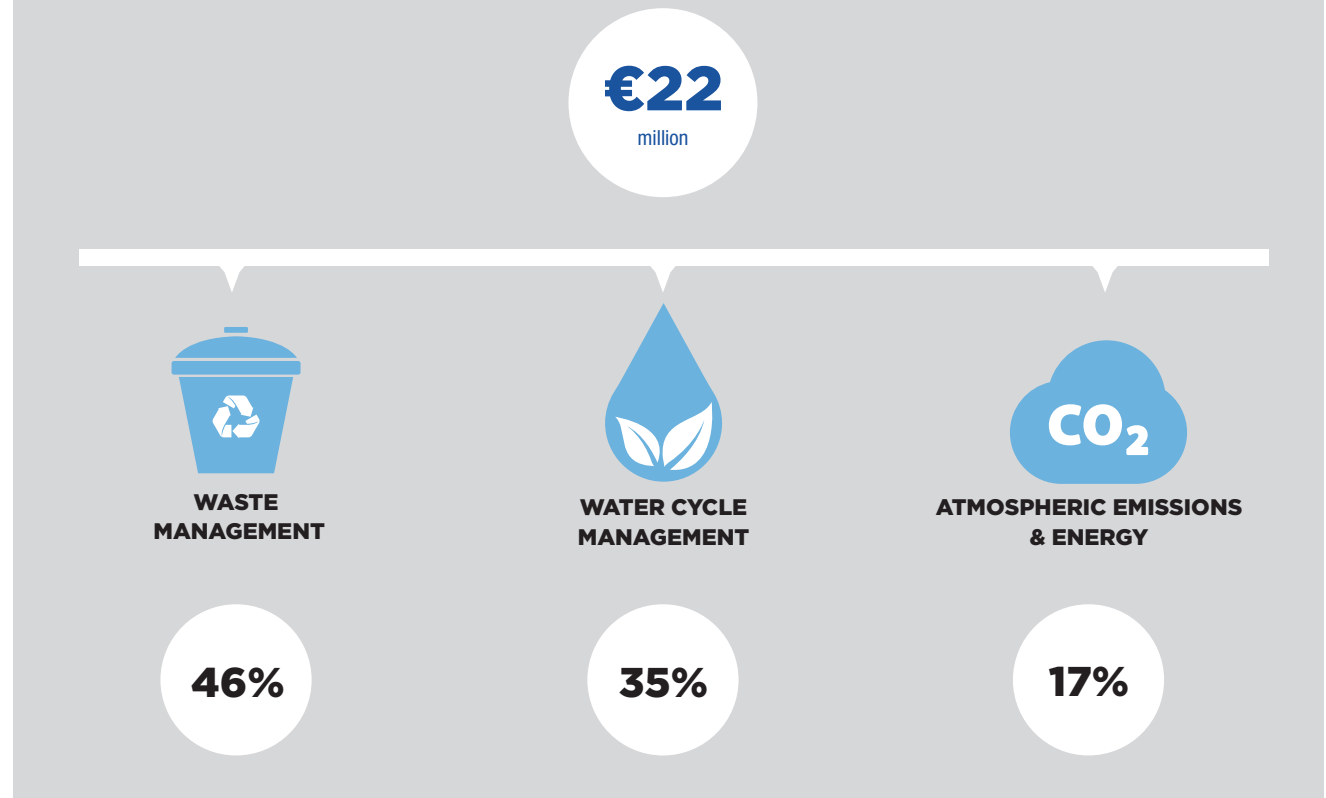
24% INCREASE IN RESOURCES ALLOCATED TO ENVIRONMENT-RELATED INITIATIVES

Corporate investment in environmental assets, including those related to waste, the water cycle and atmospheric emissions and energy, reached EUR 8.5 million (EUR 5.2 million in 2016). Expenditures rose to EUR 13.6 million, a significant increase compared to the EUR 12.7 million reported in 2016.

Grifols has carried out notable investments in its efforts to continuously improve its environmental performance. In 2017, investments focused primarily on enhancing energy efficiency and reducing water consumption. The main environmental costs are related to waste management and the treatment of wastewater.

The North Carolina Department of Environmental Quality acknowledged Grifols' commitment to reducing its environmental impact by recognizing its Clayton (U.S.) site as an Environmental Steward, the highest level of achievement in the Environmental Stewardship Initiative.

INVESTMENTS AND EXPENDITURE ALLOCATED TO ENVIRONMENTAL ACTIVITIES



GRIFOLS' SOCIAL ENGAGEMENT

CONTRIBUTING TO THE HEALTH AND WELL-BEING OF PATIENTS WORLDWIDE HAS BEEN GRIFOLS' MISSION SINCE ITS ESTABLISHMENT MORE THAN 75 YEARS AGO. THIS COMMITMENT IS GROUNDED ON FOUR MAIN PILLARS—EDUCATE, ADVOCATE, ENGAGE AND SUPPORT— WHICH EXTEND TO ITS DIVERSE STAKEHOLDERS

MAIN CONTRIBUTIONS: EUROS 36 MILLION TOWARD SOCIAL ENGAGEMENT

FOUNDATIONS & NGOs

€12.7
million

5.9
million in 2016

PATIENTS & LOCAL COMMUNITIES

€15.0
million

10.0
million in 2016

SPECIAL PROJECTS

€2.2
million

2.5
million in 2016

SCIENTIFIC AWARDS, RESEARCH & EDUCATION

€5.9
million

5.4
million in 2016

COMMITTED TO PATIENTS AND PATIENT ASSOCIATIONS

Research, development and production of life-saving plasma-derived medicines, diagnostic systems and integrated hospital pharmacy solutions are the culmination of Grifols' commitment to patients.

Grifols also develops and actively promotes educational awareness and patient-protection programs and services.

COMMITTED TO TREATMENT ACCESS

Cost should never be a barrier to optimal patient care and treatment.

COMMITTED TO PLASMA DONORS

Grifols' commitment to donors extends to the communities where it operates plasma centers. In these locations, the company organizes health and educational programs.

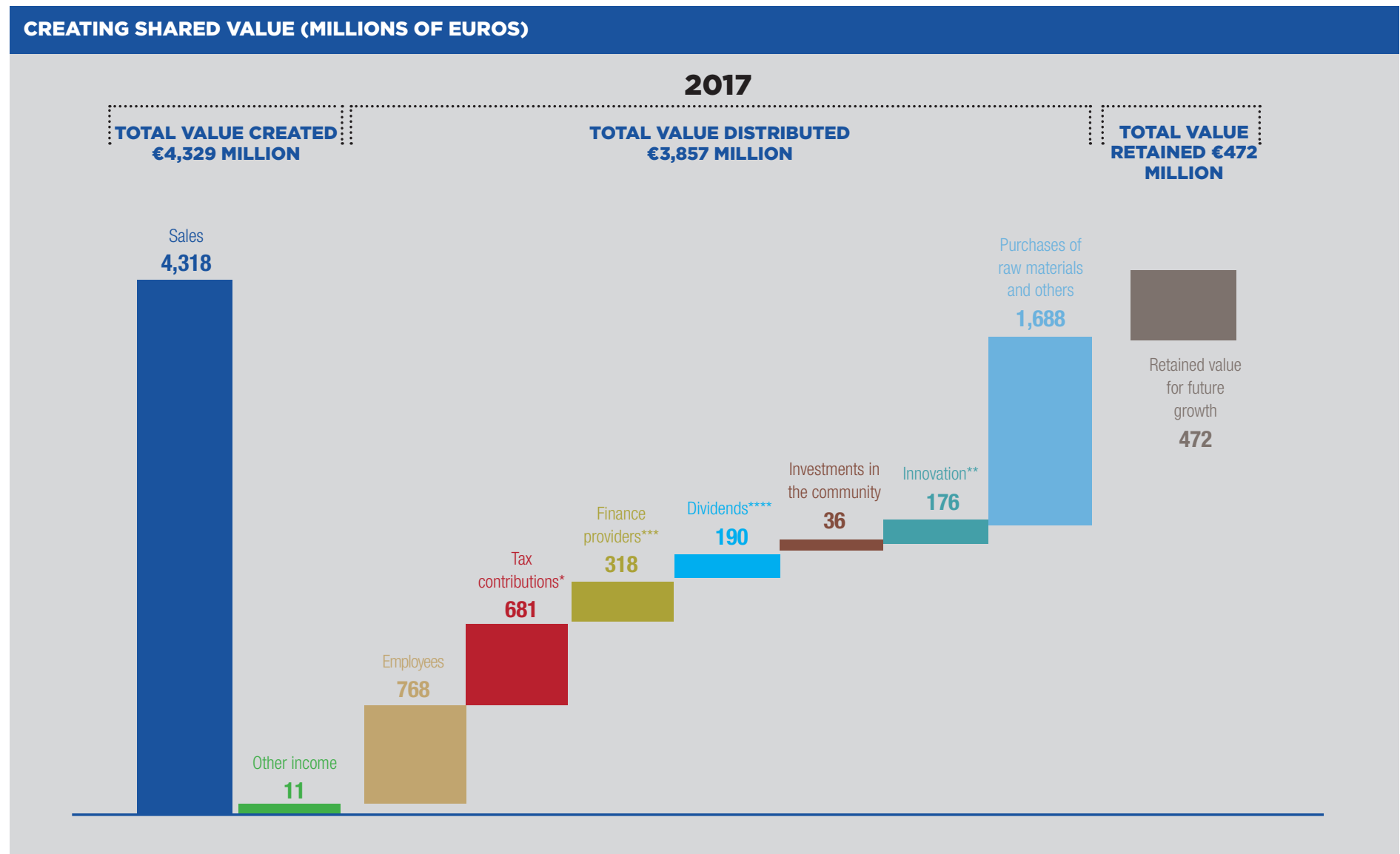
COMMITTED TO MEDICAL & SCIENTIFIC COMMUNITIES

The company spearheads a scholarship and awards program to promote research in areas associated with its plasma-derived therapies.

COMMITTED TO LOCAL COMMUNITIES & NGOs

Grifols complements its social commitment efforts through the Probitas Foundation and collaborations with several educational and volunteering programs.

CREATING SHARED VALUE



* Direct and indirect taxes paid and collected on account of third parties in Spain and U.S. Includes employee income taxes and tax on dividends paid to shareholders.

** Innovation excludes personnel costs that are reported under "Employees"

*** Payments to Finance Providers includes interest and principal

**** Dividend paid net of tax

FUTURE STRATEGY

IN 2017, GRIFOLS
CULMINATED ITS
2013-2017
STRATEGIC PLAN

The five growth pillars specified in the plan (global expansion, leadership capacity, business optimization, accelerate innovation and business diversification) have enabled the company to grow and expand as planned.

THE NEW 2018-
2022 STRATEGIC
PLAN LEVERAGES
ACQUIRED
KNOWLEDGE TO
ENHANCE THE
HEALTH AND
WELL-BEING
OF PEOPLE
WORLDWIDE

The new strategic plan revolves around five pillars that emphasize the technology, safety and efficiency of Grifols' divisions:

- **INNOVATION:** broaden the portfolio of differentiated products by supporting both in-house and investee projects
- **CLIENT FOCUS:** intensify commitment to patients and healthcare professionals to better respond to their needs with timely and innovative solutions
- **GLOBAL COMPANY:** continue global expansion efforts, maintaining a focus on the United States as a key market
- **BOOSTING GROWTH:** commitment to sustainable growth both organically and through acquisitions to increase competitiveness
- **TALENT DEVELOPMENT:** firm and robust human resource policy to attract global talent and support the continuous development of Grifols employees

PROFIT AND LOSS ACCOUNT

In thousands of euros	2017	2016	% Var
NET REVENUE (NR)	4,318,073	4,049,830	6.6%
COST OF SALES	(2,166,062)	(2,137,539)	1.3%
GROSS MARGIN	2,152,011	1,912,291	12.5%
<i>% NR</i>	<i>49.8%</i>	<i>47.2%</i>	
R&D	(288,320)	(197,617)	45.9%
SG&A	(860,348)	(775,266)	11.0%
OPERATING EXPENSES	(1,148,668)	(972,883)	18.1%
OPERATING RESULT (EBIT)	1,003,343	939,408	6.8%
<i>% NR</i>	<i>23.2%</i>	<i>23.2%</i>	
FINANCIAL RESULT	(287,734)	(233,589)	23.2%
SHARE OF RESULTS OF EQUITY ACCOUNTED INVESTEEES	(19,887)	6,933	(386.8%)
PROFIT BEFORE TAX	695,722	712,752	(2.4%)
<i>% NR</i>	<i>16.1%</i>	<i>17.6%</i>	
INCOME TAX EXPENSE	(34,408)	(168,209)	(79.5%)
<i>% OF PRE-TAX INCOME</i>	<i>4.9%</i>	<i>23.6%</i>	
CONSOLIDATED PROFIT FOR THE YEAR	661,314	544,543	21.4%
RESULT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(1,386)	(913)	51.8%
GROUP PROFIT FOR THE PERIOD	662,700	545,456	21.5%
<i>% NR</i>	<i>15.3%</i>	<i>13.5%</i>	

DECEMBER 31, 2017 SHARE CLOSING PRICE

CLASS A:
€24.43

+29%

CLASS B:
€19.02

+25%

ADR B:
€22.92

+43%

Grifols' financial statements for 2017 and its corporate responsibility report are available online on www.grifols.com

Additional information on the activities of the Grifols' foundations and academies is also available through the Grifols corporate website.

GRIFOLS

www.grifols.com